

EPISODE 263

[INTRODUCTION]

[00:00:32]

FT: Welcome back to another episode of So Money everyone. Thanks for coming back! I'm your host, Farnoosh Torabi.

Now raise your hand if you've ever rented a tuxedo. Okay? Or maybe you know someone who's rented a tuxedo. It's kind of a pain, right? It's a lot of visits, you often have to go get the tux tailored, it's not always cheap either. Well the industry is about to change, and today's guest — you might know him — is leading the movement! George Zimmer is here. He's the founder, chairman, CEO, and honorary tailor of his former company, Men's Warehouse, for over 40 years.

In 2013 George left Men's Warehouse and news reports suggested at the time that it was over disagreements with the board. He's now making a comeback with two new business ventures including zTailors, where he is once again revolutionizing the apparel industry, providing consumers with a remarkable and highly personalized experience to create high quality, customizable, and affordable tailoring through a national network of tailors. His second venture is called "Generation Tux", it's what he's calling a reinvention of the tuxedo rental experience. And over the years George has helped 10's of millions of young men find a tuxedo rental. So he's putting his past experience to good use, offering a high-tech clothing rental experience.

Three takeaways from our interview: how George felt after getting fired from the company that he founded, Men's Warehouse. And you know what? He's okay saying that he got fired. Why it's taken so long for this concept of renting tuxedos to come to market. I was curious, I mean I'm not a market expert, but it seems a no-brainer and something that could've been introduced a while ago. And finally, being raised frugal, as he describes and how George still, even as a very wealthy man, practices frugality.

By the way you might recognize George's voice. His iconic voice from the 25 plus years he spent on TV and radio. His voice is unmistakable, as you will hear. He was most notable for narrating the Men's Warehouse tagline, "You're going to like the way you look. I guarantee it." And this is gonna be a really great interview, I guarantee it. Here is George Zimmer.

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[INTERVIEW]

FT: George Zimmer, welcome to So Money. Great to have you on the show!

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GZ: Well thank you for inviting me.

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FT: George you're all over the place. I'm reading about you in Forbes, in Fortune, New York Times, all about your foray into the digital marketplace. Many of our listeners know you as the founder, the face, and the voice behind Men's Warehouse. Your new venture though is called "Generation Tux". Can you tell us about it?

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GZ: I'd love to. It's very simple. It's online tuxedo rentals, something that is long over due even though it's just a niche business. It's something that I have a lot of experience with, probably having married more people than anybody in the world. So I'm just trying to convert my domain expertise in tuxedo rental with the new technology, which I've been told is going to be quite disruptive.

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FT: My husband wore a Men's Warehouse tux at our wedding, so you're absolutely right about that. You're backing this with mostly your money, I read, and a small investments from friends and others. The New York Times said you've already spent some \$6 million to have 30,000 tuxes made. So you're betting big on this! You think this is gonna really be the new way of how people — how men particularly — go for their tuxes on wedding days and other events?

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GZ: Absolutely. As you know, since you did this yourself, when you rent from a store you have to make three trips; one to pick out the garment, a second to have it fitted, and then a third to return it. When you do this online you don't have to make any trips to the store, so it's much more efficient. It's one of the most, in terms of the delta, the difference in the old way and the new way, this is a huge difference.

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FT: Why — and I agree. It was very time-consuming, I have to be honest. It was kind of annoying because we were getting married in Philadelphia, the suit was from New York, so we wanted to get back in time to return that. Why has it taken so long for an idea like this to really transpire? I know for years women have been renting dresses online for special occasions, and now even wedding dresses. Why now is this coming out? And why wasn't this something that perhaps Men's Warehouse, while you were there, was something that they explored?

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GZ: Well I'm gonna take a chance here and answer this question honestly. When I was CEO at my former employer, we did look at this and we turned it down because of the threat to store traffic and cannibalization. We were after all a brick and mortar chain of over a 1,000 stores. When you don't have that as a legacy, or some might say an anchor, then it becomes really a very straight-forward decision to do this online. It's much more efficient, controllable, I mean there are a number of component pieces to doing this business and we've taken each piece and improved it from the quality of the product — we're using better fabrics, fabrics that we probably won't make as much money on, but will be a better deal for the customer. We have a better

shipping system, we've built a distribution centre with a dry cleaning facility inside it, and we've eliminated some of the hassles that you have experienced yourself. Like having to rush the return because otherwise there will be a late fee. We send the garment out a week in advance of the event so that if there are any fit questions they can be corrected. And then we give you three days after the event, not just a day.

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FT: And what about the price? Is it something that's gonna also be as competitive as going into a store? Will it compete with pricing in the stores?

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GZ: Well because we're a startup and my partners are from the technology industry, they trained me that it was more about market share and not about profits. So the prices are extremely low. You can rent an entire tuxedo and the outfit — the vest, the tie, the shoes, the shirt, the whole thing — for \$150. Or you can rent just the tuxedo for \$95. And there's not bait and switch; everything is the same price within each category so that you don't have to choose what you're gonna wear based on what you can actually afford. It's all the same. And by the way, we rent suits and all the furnishings and accessories for them because about a third of the formal weddings now people are wearing suits in lieu of tuxedos.

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FT: Right, right. Absolutely. It's, people wanna be able to be more expressive on their wedding days, and not have to wear a standard black tux. So it's smart to do that as well.

You started Men's Warehouse, I believe, in college with your roommates? Did you always know you wanted to be an entrepreneur George?

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GZ: Well actually, I started it when I was 24. So I had been out of college a couple of years, but it was with a college roommate and fraternity brother. And I'm not sure I ever thought of being an entrepreneur. What I did think of was sort of the inverse, which was that I wanted to live my own dream. I really never could imagine have a job other than being a paper boy or something like that.

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FT: This show really likes to kind of dig into guest's financial psyches and with you on the show, a successful entrepreneur, curious to hear, George, your take on money starting with your financial philosophy on things. If you have one? Do you have a money mantra that has guided you through your business and also your personal finances?

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GZ: Well let me first answer that by saying that I was raised to be frugal. So unlike many people who have to learn how to curtail their spending, I always had to train myself how to spend money appropriately. Where that actually became apparent was when I opened this new business as opposed to my original business 40 some odd years ago. Because then, in the past, being frugal or as I used to say, let your expenses lag your sales by six months. That was the bricks and mortar way.

Now in a technology startup, it really is that you cannot make a business successful unless you are prepared to invest up front. That's really one of the big differences. You had suggested the \$6 million inventory investment — to put that into perspective, the tuxedo rental market is over a billion dollars and represents about \$10 million tuxedo rentals a year. So although 30,000 may sound like a lot, it really in the context of a national business, is a startup. We're just getting going. In my earlier incarnation, in the 13 years that we were in this tuxedo rental business, we grew it from zero to north of \$400 million.

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FT: Wow. You were born in New York City, and you mentioned kind of being raised with this frugal mentality, what's a money memory that you still reflect upon as an adult from your childhood that really has shaped the way that you do business, the way that you manage money?

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GZ: Well I'll take that literally and mean it as a real kid because one of my earliest memories, as a child, with money was when I ran the school store in I believe fourth or fifth grade. Back then we were selling pencils and erasers for — I believed that something that cost a nickel or a dime was expensive. And some of these things sold for one or two cents. And what I remember about that was that it's so easy to get caught up in big numbers and lose sight of the fact that really most business is done at more of the opening price points.

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FT: What did the other kids think of you? Did they sort of see this in you? I'm always interested to find out if others saw in you what you didn't really realize in yourself yet, as far as your financial savvy, your entrepreneurial acumen?

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GZ: Great question because it's exactly the case in my life. I had no idea when I ran the school store in fourth or fifth grade that that was going to become my adult career. And when I was in college from 1966-70 at Washington University in St. Louis, my nickname in my fraternity was "Chairman of the Board", which I always thought was insulting because I was much more of a student activist. So it was somewhat predicted now that you look back on it.

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FT: Along the way, as you were building this multi, multi-million dollar company, what was your biggest failure George, and what did you learn from it?

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GZ: Well I have a long list of failures that I could talk about, beginning with when I got fired a couple of years ago, which was the only time that ever happened in my life and I was blindsided because I really thought I had become vulnerable. But what it taught me, and it taught me this in the first 24 hours because I have middle school and high school aged children, was that this was a great example in how to model overcoming adversity for your kids, and that's really what it's about. And so it is true that everybody gets knocked down in some point in life and the real question, if you wanna evaluate somebody I think, is "Okay, what do you do after you get knocked down? How do you get back up? Or do you just remain on the ground?" So that was certainly one incident that one could call a failure.

But the one that I really think is more dramatic is in the early 80's when we were a private company, we had been in business a decade and it was hard to believe that after having built a successful company for a decade, our survival could be threatened. But that's exactly what happened when the Texas Oil Boom has this sudden reversal in the early 80's and every locally owned bank in the State of Texas went under and was acquired by an out of State bank. Our bank loan was pulled, it was \$2 million — not so much, but it was enough that it would've forced us out of business had we not been able to replace it. And I remember looking everywhere for a person to invest \$500,000 in the company for 25% ownership.

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FT: Woah!

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GZ: And I finally went to Canada, to Toronto, and met with a fellow named Wilfred Posluns, and he was the chairman and CEO of Dylex, which was a major Canadian retail holding company. And we had a wonderful dinner and a nice meeting the next day, I practically thought we were partners. And when I asked him to make the \$500,000 investment, which by the way could've been worth \$500 million or more today, his answer was, "You know George, I really like you and

your business, turn it around, make a profit and come back and see me," I remember thinking, "Well if I could do that Mr. Posluns, then I probably wouldn't be here hat-in-hand..."

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FT: [Chuckles] Right.

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GZ: "... asking for a half a million dollars." So you end up learning that the way it works, usually in business, is that when we need money it's tough to get, and when you don't need it that that's when everybody wants to loan it to you.

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FT: Indeed. You could've made him a really rich man!

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GZ: Sorry Wilfred.

[00:18:00]

FT: Sorry about that! Well, you snooze you lose. But you know what, you were talking earlier about trying to discover your next best thing after leaving Men's Warehouse, I can only imagine how you felt because this was after all the company that you founded. Was it what is fuelling your desire to start Generation Tux, which is really gonna be a competitor for Men's Warehouse and like companies? Was that departure really what helped to fuel your drive?

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GZ: You know not really, but Generation Tux is really what happens when you take somebody like me with a lifetime of apparel domain expertise and then throw me into a new technology

world. It was a very obvious connection to make. To me it doesn't seem that complex to understand that by using "Uber-like" technology in old paradigm businesses you can make a business by simply increasing the efficiency between supply and demand. That really is just what it is. We, by the way, started a company prior to Generation Tux called zTailor, which is a nation-wide on-demand tailoring network because one of the things that we felt would be true in our tuxedo rental business is that we would never wanna be in a position to not be able to make somebody's wedding perfect. So we wanted to have a nation-wide network of tailors that can be dispatched at the last minute to make things right.

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FT: Uber for tailoring. Right. The Uber's for tailoring. I think that's smart. I think that is really, really smart. And how is that business doing?

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GZ: Well it never will be as profitable as the tuxedo rental business because the very economic model is different. But I've always had a very positive relationship with thousands of tailors from my earlier incarnation, and one of the things that I came to realize was that very few senior executives in the apparel business really enjoy tailors or tailoring. They become more about marketing and merchandising and I've always enjoyed hanging out with tailors, and in fact I have many tailor-mementos here in my office.

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FT: What's your number one money habit George? Something that you do, practice routinely that is conscious and you know that it helps you have a better financial life?

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GZ: Well I hope this doesn't sound too petty, but my number one habit is I insist on turning lights and fans off when somebody is not in the room. I'd like to think that it's because I'm trying to

reduce my carbon footprint, but it could just be my old frugality coming to surface again. But that's really something that I've just done my entire life.

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FT: No one's ever said that one the show. So that's — so now I'll know if I'm ever a house guest in your home, I'll be sure to leave no lights on before I leave. That's — I'm sure, are you the dad that's going around giving the kids a hard time about that?

[00:22:04]

GZ: I am! I am. Maybe because I'm a baby boomer and so I've spent almost my entire life aware of the environmental impact that is being made around the world. It just seems like the most frivolous thing to walk out of a room and not turn the lights off.

[00:22:33]

FT: Right. And it's a habit. It's gotta be habits. It's not necessarily engrained in us to do that.

We're gonna round this off George, you've been a great interview and really congrats on this new venture. I like to end the show with a few fill in the blanks. These are sentences that I begin, and then you finish them. Really fun, don't over think it.

The one thing that I spend on that makes my life easier or better is _____.

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GZ: You know when I got fired, the company had a gulf stream which I think is what they actually wanted me to remain as a chairman emeritus, and I think they thought that gulf stream would be the hook. And I've now gotten very used to flying Southwest airlines, but I do have a luxury that I use selectively as opposed to all the time, and that's private air usage. When you wanna move your dogs, there's really no other way.

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FT: Well you know what George, I have to give you a lot of credit for siting this, what I've been calling, a departure the entire time on the interview. You're calling it a firing, and you're really owning up to that. I think that's really great.

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GZ: Yeah I don't...

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FT: I think that's really great.

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GZ: You know when you [inaudible] and you bring everybody in, and then they for whatever reasons decide to throw you out, it does feel awkward to say that you were fired because I think everybody in America knows that there was something not right here and we'll have to let everybody form their own conclusion about that. It's unfortunate. I have hundreds of friends still at my former employer and most of them are not happy.

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FT: Well I'm sure they're all cheering for you on the sidelines with your new venture. A couple more fill in the blanks George, and then I'll let you go. But I would really like to know, when you were growing up as a kid, I know you were raised with a frugal mindset, but what is one thing that you wish you had learned about money growing up?

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GZ: Well now this again may sound a bit odd, but the one thing that I wish I knew cause I actually grew up in an upper-middle class. I grew up in Scarsdale, as you know — you're in New York so I assume so.

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FT: Yes.

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GZ: What I wish I had known when I grew up was that people who have made money are to be appreciated and valued because when I grew up it sort of was the standard operating procedure and I didn't really appreciate what it means to be successful financially.

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FT: Yeah I think that is still something that is in our culture today. And I hear it from other guests as well, that money was for everybody else. That if you had money there necessarily was a part of you that maybe wasn't nice, or was greedy, or was not to be liked. And I think that is a false assumption and not something good to learn as a kid because you know what? We should all strive to achieve our financial goals.

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GZ: I think, and I'm a little older than you, I really think that the secret to life is to figure out how to do both; how to make money and do your passion at the same time. I used to wanna be, and of course I was never even remotely good enough, a professional athlete. At my age now, I look at athletes and I realize that I had almost an entire lifetime, 30 years passed where their athletic careers ended. So really it's to be doing something that you love and making a lot of money at the same time, it really does almost feel slightly dishonest.

[00:27:17]

FT: It's the sweet spot. Yeah, no, but it's — hey, you should be proud of that, you know? And it's only something that we should all strive for at the least.

Last George, I like to have all my guests end on this and this really is open-ended, it's how ever you wanna define it. But I'm George Zimmer, and I'm So Money because _____.

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GZ: So Money because.. because I find your podcast to be very informative.

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FT: Oh well thank you. That's really nice! You threw it back to me. I appreciate that. Well I think you're So Money George because, like you said, you're finding your new path and I commend you for that. It's very smart what you're doing, I support it because having gone through the tuxedo rental process with my husband I know that this just will make things more efficient, easier, faster. Thank you so much! Congratulations! Wishing you continued success.

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GZ: Hey, and if you're in New York New Year's Eve, I'm going to be marrying at Times Square when the ball drops, the first couple for 2016.

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FT: Wow!

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GZ: In front of millions of people! If you happen to be there, Gen Tux will be there.

[00:28:39]

FT: Alright! Okay well I'll definitely be near a television, and if I'm in Times Square I'll definitely try to grab you and do a selfie. [Both laugh]

[00:28:48]

GZ: Okay!

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FT: Congratulations on your nuptials. Good luck with that, and happy rest of your year.

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GZ: Thank you!

[END]