Goldman Sachs Talks
Joe Kudla, CEO & founder, Vuori
David Solomon, Moderator
Recorded: October 19, 2023

Joe Kudla: Staying in tune with our "why," being very clear on our value system and our north star, and continuing to drive decisions that were aligned with that even when they felt difficult to make paid off and resulted in the great business that we've built today.

David Solomon: Good morning, everybody. Our next guest is Joe Kudla, the founder and CEO of activewear brand Vuori. Joe grew up in Seattle before moving to California. He graduated from the University of San Diego with a degree in Accounting, okay? And then he worked as a model. Now, how many accountants do you know that work as models? Very, very few. But he then, after working as a model, went and became an accountant, which is really -- I mean, very few people do that, too. But then somewhere after that, he decided to move back to San Diego and start doing startups. And so here we are today.

In 2015, you launched your third and most successful venture to date, Vuori, with the tagline, "Built to move, styled for life. Activewear with a West Coast aesthetic." Quickly grown in popularity. In 2021, Vuori received $400 million of investment capital from SoftBank Vision Fund, valuing the company at $4 billion, marking one of the largest investments ever in a private apparel company. I think the largest ever in a private apparel company.

Joe Kudla: Yeah, it was up there.

David Solomon: Yeah, it was definitely up there. So, you know, first of all, please welcome Joe. Delighted to have Joe.

Joe Kudla: Thank you.

David Solomon: I mean, it is an interesting story. I mean, you studied accounting. You were a model. And now you're selling kind of cool activewear and living on the beach in San Diego. But talk a little bit about your personal journey. How did you get interested in fashion?

Joe Kudla: Yeah, you know, growing up, I was the opposite of somebody who you'd predict would end up in fashion. All I wanted to do was play sports and run around outside. I was never interested in retail or style or fashion.

I went on to the University of San Diego, as you mentioned, and studied accounting. And my senior year, I had interned with Ernst & Young, and I had a plan to start a job with the firm in the fall. We graduated in May, so we had a summer break. And somebody approached me about working as a model in Europe, and I had never been to Europe before. So it checked that box, and I needed a summer job. So, you know, two for two.

And so I ended up going to this casting, and I met this agency and I went. And what was supposed to be a summer job, I ended up spending two years traveling the world, meeting people from all over these different walks of life. And I never really resonated with being a model, but it was the first time that I became interested in a creative endeavor. I loved watching designers work with textiles and tell stories and build collections.

I had never taken an art class. I had never nurtured a creative bone in my body. But I became really intrigued with this idea of building product. And I started to get in touch with that creative side of myself. So ultimately, I decided enough modeling. It's time to start my professional career, but I think that that really stuck with me. And I carried it, and eventually I think it's why I ended up in this field.

David Solomon: So Vuori was your third startup. Why did you decide to start an apparel company? And talk a little bit about your first two startups and what you learned.

Joe Kudla: So when I came back from Europe, I joined Ernst & Young, so working 40 to 60 hours a week making I think $45,000 was my starting salary. So I was the perfect candidate to fund a startup and get involved. And so I met a woman who was going to design school. I had just gotten back from Europe. I think that's what brought us together. And when we were graduating, she was in LA, I was in San Diego. All the job offers she was getting were in LA. And so we decided that we would start a brand together. It was a women's contemporary brand called Sami Jo. And we were so naive at the time, but went into it with hearts wide open and just full of passion. And we would go to LA, and we would buy fabrics from these jobbers who would essentially sell remnant fabrics. And so we would buy whatever was left over.

We would work with local cut-and-sew and factories in San Diego to build products. And I was doing this on my lunch break, or we would stay up late at night cutting fabric. And then on the weekends, we would take trips up and down the California coast. This was before you could sell product on the Internet. And we would sell to these little boutiques with the hope that we would get recognized by one of the big guys.

Ultimately, that was tearing our relationship apart. It was never set up for scale, so we closed that business. But I had learned how to make apparel. And so I took that and I was, like, I'm going to do this again but in a much easier and more scalable manner. And so I started a men's line. And we did that for a couple years and then ran into the financial crisis in 2007-2008. And ultimately my partner called me one day and said, "Look, I'm going to go drive around the US in an RV and work remotely and, you know, I'm out. Good luck with the business." And I had just poured my heart, soul, and all the money I had into two apparel brands.

And so at that time, I was feeling pretty defeated and beat up by the world of fashion. And I didn't quit know if I would ever give it a third go.

David Solomon: Why did you give it a third go?

Joe Kudla: Well, you know, I took a lot of lessons from those two startups. Number one is I was always working in another job, I was doing this on the side. And I'm not a half-in or "one foot in" kind of guy. I recognized that I had to be all in, two feet, live it, breathe it, sleep it, obsess over it, dream about it in order to make it go.

The other thing is I realized the product that we were making in those first two ventures, we were underfunded. It was tough. We weren't making the best product. And so I told myself if I ever did this again, we're going to make the best product on the planet. I didn't know exactly what the venue would be to do it, but I ultimately ended up getting into yoga at a recommendation from a friend that I needed to heal my back. A friend suggested I try yoga. I started practicing every day, and I started to really see this opportunity very clearly. And it was too good.

And meanwhile, I had built -- my third business was actually a financial and technology consulting practice in San Diego. It was a great business. And so as you can imagine, my parents weren't too excited when I called them and said I was going to leave this business that we had built that actually was successful to pursue my third chance at an apparel brand.

David Solomon: You've said, "Not knowing everything that it takes to build an apparel brand was an advantage." Why do you think that?

Joe Kudla: I think two things. Number one, apparel is a very complicated business. And what I learned by jumping in and starting to surround myself with professionals that had spent their career in this industry was that they were really good at doing the full breadth and depth of whatever it is that they did. And so naturally, in a startup environment, you need to wear multiple hats. And your most important KPI is return on time. You have to be very efficient with your time, which means efficient with your money.

And then the second thing I would say is Vuori existed to bring a new perspective to the performance apparel market. Nobody was doing what we were doing at the time for men. And it's hard. You have to kind of rewind the clock ten years, but this category didn't exist. You had Lululemon that was really defining the space. They created this premium athleisure category for women, but men's was really an afterthought.

And so when we entered the market, a lot of the people that had a lot of experience in the space were like, "No, you can't sell men's activewear at that price." Or, "It doesn't belong on the floor because we sell activewear at this price point for men and then sportswear sits over here." Our whole point was to blur the lines of the two categories and break down those walls. But people that came from the industry just couldn't quite put it together. They didn't know where the brand would fit in, at what price point. And so I think a little bit of naïveté, a little bit of ignorance went a long way in continuing to push forward.

David Solomon: Talk a little bit about your team and the team that you've assembled around you and kind of how it came to be. And as the business has really grown -- because the business has now scaled -- how did that affect or force changes in the team?

Joe Kudla: You know, one of the things that I always say about great businesses is that they're a combination of talented people that are aligned by a common vision. And for us, that started very early in our journey. Our first partner in the business was a woman named Rebecca Bray. And Rebecca had worked at a company like Reebok. She was the head of design for a surf brand called Rip Curl. She had a really diverse background. And a friend suggested that we meet. And she told me later that she took the meeting just to politely decline because she was working on a golf startup with John Ashworth, and she didn't have any time.

But when we sat down, we started talking about this idea for the brand. And here we are, sitting in this beach town in Encinitas. And we started talking about the lifestyle and how the mainstream brand weren't necessarily culturally connecting with the consumers in Southern California. And so you'd see a lot of people wearing board shorts. Or, you know, why did activewear have to look so, what we defined as, like, turbo? It was very overly technical, big reflective details, zippers, logos, primary colors, synthetic cheap fabric. We were like it's the antithesis of the product that we actually want to wear. And by the end of that meeting, we were finishing each other's sentences and she was like, "I'm in. I'm all in in. We have to do this."

David Solomon: Wow.

Joe Kudla: The second person that came on board was our head of marketing, who's our CMO today. Her name's Nikki Sakelliou, and Nikki had a great background working in surf brands, some fashion brands. And again, it was the same thing. We sat down and initially she was like, "Why would I join this kid that has no experience in apparel? He's never been successful." But she ultimately entrusted in the journey because she saw the opportunity so clearly.

So the three of us had a really strong alignment. We knew exactly what our north star was. We knew exactly what was Vuori and what wasn't. And so as we started to fill in people around us, that alignment was very strong from early days.

Bringing people into this organization -- today, the company has 1,500 employees -- and I still would say that the one thing that sets us apart -- and I attribute a lot of our success as we have a very strong alignment, a very strong commitment to values and our north star that people really are enlisted in.

David Solomon: And so in the early days, hard to raise money, particularly from financial institutions. How did you approach fundraising? And why did you decide to focus so quickly on profitability?

Joe Kudla: We focused on profitability out of necessity. I was not great at raising capital, you know? Earlier in my career, didn't have a track record of success. And so I think actually the modeling set me up really nicely for a career in entrepreneurship and raising capital because I was very used to rejection. You got to remember at the time, this is the boom of the D-to-C brand. You had Warby and Casper and all these brands that were raising a tremendous amount of capital. They had these disruptive business models. And it was a bit of a complex because we watched these brands raising a lot of money and going for the market aggressively with very aggressive marketing strategies and spends. And here we were in a little garage in Encinitas by the beach.

Naturally had a little bit of an underdog complex. But raising money at the time, everybody wanted to know there was some customer acquisition hook, there was some celebrity involved, or there was some proprietary technology. And we were approaching the market a little bit differently. We saw a product market opportunity. We saw an opportunity to build a differentiated brand, a differentiated product, and we hadn't spent as much time -- like, everybody wanted to know there was a differentiation in distribution or marketing. Nobody really cared about the product, and so we just were approaching things differently and then naturally that made it very difficult.

So our first investor was a guy called Michael Magerman. He started Odyssey Golf. And as soon as he came in, we were able to put together a few other people around him. We raised $400,000. Again, we were in a garage. And I think in the first two years of the business, we raised about $2.5 million. And we had --

David Solomon: What was the valuation of that first $400,000?

Joe Kudla: It was a convertible note. The first time we priced our Series A, it was, like, a million dollar round. And it priced the business at, like, a $6 million dollar valuation. And so I was either going to lose all my equity in the business, or we were going to have to figure out how to develop a working capital model that would fund the growth of Vuori. And that's what we ended up doing.

And after that first $2.5 million, we never had to go back to the will for more money. In 2019, we raised 45 million from Norwest, and that was predominantly a secondary offering. And then when we raised the 400 million from SoftBank in '21, it was 100% secondary.

David Solomon: I mean, it's really, really interesting because the working capital cycle of these businesses is tough, and the ability to fund this with a small amount of money and to really self-fund it, it's really unprecedented at this scale. Very, very, very, very unusual.

You said the first big mistake that you made with this business was distribution strategy. Talk a little bit about that.

Joe Kudla: Yeah. You know, at the time, you remember Lululemon was really on the rise, and there were a lot of -- I call them "me too" premium women's active brands that were kind of doing a variation of what Lulu was doing. And they were selling through the wholesale channels to gyms and yoga studios, Pilates studios, and they were actually building thriving little businesses. And so Vuori being underfunded, we didn't have a big digital marketing budget. And so we thought we could go into market and sell to those same gyms and studios and build enough momentum that we would have a little proof of concept that we could take back and raise more capital.

And what we quickly learned is that a lot of folks were -- they'd look at the product and they'd say, "This kind of looks like a swimsuit kind of meets an athletic --" they didn't quite get what we were doing because they couldn't see the overall brand ethos and the spirit of the brand come to life. It was just a couple of shorts on a rack.

And so we learned that we weren't in control of the story we were telling when we sold through wholesale. And wanting to do something disruptive and different, having a different take on the category required that we were in control of the marketing and the vision that we shared. And so sell through was really poor in the studios and gyms that we did sell through. Men were reluctant enough to go to a yoga class, let alone stick around afterwards and shop.

And so we were -- it sounds crazy that was our strategy, right? But it was challenging, and we only had a few months of capital left. We hadn't defined our engine of growth, and we were on a one-way ticket of running out of business. And those were some very dark days. They were very challenging emotionally. And it was during that time that we really got clear on the right path forward, and we pivoted and put 100% of our energy into building a direct relationship with our customer. And we started obsessing over digital marketing, and that was really the moment that we started to define our engine of growth. We could go back and raise a little bit more capital and get going.

David Solomon: I want to go back to the men thing. What was the opportunity that you saw with men?

Joe Kudla: You know, we were very much looking at it through the lens of living in Southern California on the beach at the time. So hopefully some of this is relatable, but the big brands that I grew up with when I thought I was going to be, you know, the next Walter Payton, they were very aspirational to me as a kid. But as I kind of grew up into my 30s, they weren't as relatable to how I was living my life. Big brand logos, shiny materials, that's what the men's activewear market looked like.

Lululemon came into the space, went up channel, better materials, construction, fit. They charged a lot more, but it was aspirational. That category didn't exist for men. And at the time, I became really into yoga. I was practicing every day to heal my back and to get more benefits that we could talk about. But I became very obsessed with the practice. And the thing about yoga is, like, people would stick around after class and go do something social, and it was really this rise of studio fitness.

You had CrossFit was booming. You had SoulCycle. Equinox was on the rise. All this premium, more specialized fitness movement was happening around the country. And therefore, people wanted to spend a little bit more time in activewear. The way that they looked was a little bit more important to them.

And at the time, this was one of the craziest data points that really inspired us to take up this leap was there were 80 million people at the time that were practicing yoga in the United States. Eighty million were going to at least try yoga in that year. And 30% of them were men. And men's was the fastest-growing demo within the category. So we thought inherently, okay, if there's 8 or 9 million guys practicing yoga, that's two times the size of the surf market. And think about how many brands -- Quicksilver, Billabong, O'Neill -- the list goes on. There's so many brands.

We thought there's this captive audience of men practicing yoga, let alone all the men just taking more active interest in their health, their wellbeing, their mindset, and there was no brand that really spoke to that lifestyle in an effortless way. And so Vuori sought to address that need.

David Solomon: Talk a little bit about the move to brick-and-mortar stores. You've got 35 today approximately?

Joe Kudla: We'll be at almost 50 by the end of the year.

David Solomon: Okay, almost 50 by the end of the year, and you're going to open more. So talk about kind of how you evolved in that direction.

Joe Kudla: So this dates back to our second year in business. One of our investors owned a bank, and he bought this consignment furniture shop. He was going to build his bank there. It was on the Pacific Coast Highway. It wasn't at ground zero at the 50-yard line where people were shopping, but it was a really cool space. And he said, "Look, go ahead and use this." This is a mutual friend of ours, Mike Purcell, who's involved with Discover.

So he said, "Go ahead and use it until we kick you out." And so we took over this space. A third of it we merchandised product in. A third of it we converted to an art gallery. And a third of it was our office. And this was a big moment for us, upgrading from the garage to the backstock area of a retail store. But this became an incredible community hub.

And at the time, we weren't having a ton of success just putting our product on a rack, but what we learned was the power of building community. Before you know it, people around Encinitas started wearing our product, and it was like a badge. They were a part of this community that we were building.

And so today, we're approaching 50 stores. We'll open another 20 next year. We bring this same focus on building community to every market that we serve. And so our stores are as much an outpost for field marketing and getting out into the community, building relationships with the fitness community, and understanding how we can best support them and be in service. And that methodology I think has really resulted in best-in-class performance in these stores.

David Solomon: Can you just touch a little bit, as we're kind of reaching the end, kind of future plans for growth and where you see the biggest opportunities for the company?

Joe Kudla: You know, there's a lot of brands in our space that are getting, in my humble opinion, distracted by chasing other categories. Whether that's beauty and wellness or digital fitness, all of these things. Vuori is very unique. In 2018, we launched a women's line. Today, it's 50% of our business, which puts us in a very unique position in this premium active category.

We believe there's a very big opportunity, not just in the US but globally, as we start to get data points with our first store in China, our first store in Korea that we just launched last week. You know, just very excited. We are going to stay laser focused on building the best apparel on the planet, and that's something that's very motivating for us. It's very inspiring to us. We want to build the business responsibly, so we are prioritizing more low-impact fibers, a more low-impact supply chain.

We're going to open a lot of stores. We're going to continue to be obsessed with community building and building relationships with all stakeholders in our business. And we're going to build a world-class culture where incredible people can come and really thrive. And I really believe that great brands exist at the eye of the storm. It's the steak; it's not the sizzle. It's great people that work well together, and that culture really keeps us in tune with the customer and ultimately results in a great experience when the customer goes out and interacts with our brand at whatever touchpoint.

David Solomon: So as we wrap up, I've got two quotes here from you that I just want to get your take on. These are things you've said. One, you said, "Developing practices to seek clarity in your life is maybe the most important thing that any entrepreneur could do." Elaborate on that.

Joe Kudla: I mean, it goes back to the period of my life when I was working in a job, great company that I had started, wasn't super inspired, you know, was having a hard time meeting the right partner in my life. Just feeling a little like I was going through a tough phase. And yoga led me to a series of practices that helped me to get clear.

And during that period of seeking clarity, I saw the opportunity for Vuori. And those practices are the same ones that I turn to when things get a little bit fuzzy or unclear on the right path forward. And so ultimately, I feel like finding ways to get in tune with yourself and staying connected to your "why," the reason why you started your business in the first place, the real driving force behind what makes it work is so important.

And on the superhighway of entrepreneurship, there are so many offramps. We're presented with a million of them every day. It's so important that you continue to invest in your clarity and find those practices that ultimately continue to make sure you make those right decisions.

David Solomon: The second one is one that really resonated with me and I think is a really good thing for all of us as we run businesses to think about. "Good businesses are an accumulation of good decisions made over a period of time." And it really resonates with me because, if you think about any business, there are individual decisions that are made over a long period of time that have a pivotal impact on businesses. Can you talk about one or two that have really impacted Vuori?

Joe Kudla: I mean, there have been so many, but the big one was our decision to pivot to D-to-C so we could start to share our vision for the brand. It was a scary decision, but it was so mission critical. That's really the big pivot.

The other one is when we launched, our messaging was really oriented towards yoga. Again, going back to clarity, really tuning into the brand that we wanted to build, the brand that was going to be most authentically expressed in terms of how we were living our lives, we decided to move away from this more yoga-inspired business to a brand that really was speaking to how people, our customers, were telling us they were living their lives and how they were using our product in their everyday lives.

And what we heard loud and clear was it was about versality. And so we evolved our marketing messaging, and we became obsessed with this idea of more of this agile framework when it came to marketing of testing, learning, doubling down on what was working, and moving quickly away from what wasn't.

But I think this idea of making great decisions over time, it goes back to seeking clarity. There are, again, so many offramps. When I reflect on our journey, I think back to all of these things that, at the time, could have been catastrophic had we made the wrong decision. But ultimately, staying in tune with our "why," being very clear on our value system and our north star, and continuing to drive decisions that were aligned with that, even when they felt difficult to make, ultimately I think paid off and resulted in a great business that we've built today.

David Solomon: Thank you, Joe.

Joe Kudla: Thank you, David.

David Solomon: Really terrific.

Joe Kudla: Appreciate it.

David Solomon: Thanks a lot.

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