Episode 04 Transcript with Mike Rockefeller, Neetu Dhaliwal, and Joe Kudla

Joe Kudla, CEO of Vuori: The Discipline Behind a Decade of Growth

Contents

inSpired with Joe Kudla

JOE KUDLA

The mandate at Vuori is we need to be innovating, we need to be consistently delivering exceptional fabrics to our designers so that we can be inspired to build great things.

MIKE ROCKEFELLER

Today, I am here to sit down with Joe Kudla, the founder and CEO of the Performance Apparel Company, Vuori.

JOE KUDLA

We built this company off of free cash flow. So, very unique, but you can only do that when you're very disciplined about your assortment and your merchandising strategy and how over-extended you get.

MIKE ROCKEFELLER

Together with my colleague from Woodline, Neetu Dhaliwal, we will speak to Joe about Vuori, its history, and where he has taken the company in the years ahead.

JOE KUDLA

You've got to have best-in-class margins if you want to invest in innovation. You lose focus in this business and margins can erode like that.

MIKE ROCKEFELLER

For investors, by an investor. Conversations with executives building tomorrow's great companies.

JOE KUDLA

I'm sure analysts that are potentially listening to this conversation would probably argue that maybe they should have been investing more in brand over the many years. It's hard to argue it because they've had so much success, but you see what's happening to their brand now, and now they're, you know, have to go through an evolution to catch back up. If I look out five years from now, of course, we're going to have, you know, 300 stores globally. The business will be much bigger. It will be much more global. But if I think about what will define our success, I want people to understand what The Rise, The Shine is all about. That you can balance both ambition and having big dreams while also enjoying the journey of life. Stay connected to ourselves, our friends, our community, to nature, to live a full life. If we can move the dial on that for humanity, I think that'll be a big success.

MIKE ROCKEFELLER

I'm Mike Rockefeller, co-chief investment officer of Woodline Partners, and this is inSpired. Well, Joe, thanks for having us here.

JOE KUDLA

Yeah, Mike, Neetu, thanks so much for being here.

MIKE ROCKEFELLER

So it's only been a little over 10 years since you started Vuori, but you have accomplished a lot in that time. Maybe walk us through the history of the company and how it's evolved into what it is today.

From an Encinitas Garage to Product-Market Fit

JOE KUDLA

Yeah. So we're sitting here in Carlsbad right now. We started the business

about five miles south of here in a garage in Encinitas. And it came at a time in my life where I was practicing a lot of yoga to heal my back. I grew up, played a lot of physical sports. Lacrosse and football. I always joke that I pretty much spent my entire young years, like just running into people. And so I have a bad neck, a bad back. A friend suggested I try yoga. And I just really fell in love with the practice. I was going to class every day. And I was an observer of the market. And I don't know how much you've heard about our story, but I had started two other apparel brands before Vuori that never quite got out of the garage. But I was always very passionate about this space. And so I was always observing the marketplace for clothes. And what was really interesting about the marketplace for active wear was the dynamics were really changing. The way that people were wearing the clothes was really changing, especially here in Southern California. You had Lululemon that was really like taking a lot of share and growing incredibly fast with very minimal competition in women's. And they were starting to dabble in men's, but it always felt like it was our wives brand or it wasn't necessarily for us. And as we sat here in Southern California, people were wearing shorts that were designed for surfing or going to the beach to the gym because they identified with more of that laid back effortless aesthetic. You know, in Southern California, you never want to look like you're trying too hard. And I always thought that that was a really interesting duality, this idea of like high performance clothing built for movement and built for activity with this more laid-back effortless aesthetic that didn't necessarily look like it. And that was what people were looking for here. That's what my friends were looking for. That's what I was looking for. And it just didn't exist. And we felt so strongly about this, this idea of bringing a new perspective to the performance apparel market that was really rooted in the way that we lived here. And so yeah, we, you know, I had started another company and it was a great business. But after about seven years, I was ready for, you know, peeling the onion of life and trying something new and taking on a new challenge. And this one really was speaking to me. And so, yeah, I jumped in and we got going in a little garage. And it's been an incredible journey.

MIKE ROCKEFELLER

Yeah. Amazing. At what point along that journey did you realize, hey, I got something that could actually work here?

JOE KUDLA

Well, it was a bumpy start. And for a number of reasons. Number one, you know, we were a bootstrap company. And this was in the era of D2C startups like Warby Parker and Casper. And then the, you know, there was a whole tale on that story. Outdoor Voices. Roan was a brand on the East Coast. These were brands that were raising a lot of institutional money. I had raised $400,000. So, you know, we had to be really scrappy. And by nature, I had to figure out both like a business model that would work for the dynamics of where we were with our capital structure. And it turned out to be the best blessing when I look back. But we entered the wholesale market early. And when I say wholesale, the big wholesalers weren't interested in this category at the time. You know, they were still trying to address the female that was coming into their store wearing Lululemon. They hadn't even thought about men's. Because, by the way, if I hadn't mentioned, we started as a purely men's brand first. Like, we didn't offer women's today, the business. This is much different. And we can talk about that. But when we started, we were purely men's. Premium men's athleisure did not exist as a category at wholesale. Nordstrom wasn't thinking about it. REI wasn't thinking about it. The only brands that were interested in this space were yoga studios and gyms. You think Equinox and CorePower Yoga. So we got some early tests and distribution in a few of those stores, but we quickly learned there wasn't going to be the type of velocity that we would need to turn this into a business. And so turned out to be the best thing that ever happened to us. We pivoted solely to a direct-to-consumer strategy. We started speaking to our community directly and building a digital community. We started building an offline community through pop-up stores where we hosted all kinds of events and we learned the power of community. And we were starting to gain some traction digitally. And I was really starting to feel like, okay, there might be something here. And around that time, REI called us. And they had actually, the buyer of the menswear category saw somebody wearing a hoodie and a pair of shorts in the hallways at REI. And they asked them, what are you wearing? And they said, oh, this is a small startup, you know, down in San Diego where I'm from. And they asked for a phone call. So we went up, we went up to Seattle. We showed them what we were doing. And they were bringing in a very small subset of premium men's athleisure brands. They wanted to test to see if they could, if this could be a category that they expand into. So it was, it was all their major DMAs and, and it was a small test. So to answer your question, the moment that we knew that we were on to something was when we got our first selling report from REI in those 10 doors. And we had the highest sell through in the category sitting alongside brands like Nike and all the legacy that we aspired to and looked up to and had so much respect for. We had the highest performing product in the in the category. And they wanted to grow us from 10 doors based on the success of this test into 70 doors. And so we made that leap with them. It was a scary one because it could have put us out of business. But we had a lot of confidence. We were seeing a lot of great traction digitally. We were bringing so many new customers into the brand. And when we went to 70 doors and we saw that we maintained that performance across a broad kind of swath of the population and geography in the U.S. We knew we were on to something.

MIKE ROCKEFELLER

Yeah. How far into the business, you know, did it take for that to happen?

JOE KUDLA

This was probably about two and a half years in, two to two and a half years in when we got that data. And this is after a couple of moments where we nearly ran out of capital.

MIKE ROCKEFELLER

Were there any key moments or decisions along the way that really changed the direction of the business?

Pivoting to Direct-to-Consumer and Building Community

JOE KUDLA

Well, I think the decision to pivot to a direct-to-consumer strategy and put

like the wholesale business, while we've still continued to focus on wholesale, it didn't become our primary focus. We really wanted to build that direct to consumer audience and what we learned was that by building a micro community, I shouldn't say a micro community, a large community of micro-influencers, people that were teaching classes, you know, the best CrossFit trainer in their community, the best yoga teacher in their community, people that were really bringing community together. We were partnering with them. And that content became the content engine for the brand. It became used in advertising. It became used in our channels. And so we didn't have a huge capital outlay for content creation. But I think that that was really kind of instrumental in those early days. So I think pivoting to that direct-to-consumer strategy where we could have that direct relationship. We could listen to the customer. That was really instrumental. And if I think back now, to those early days, it was not only the pivot to kind of e-commerce focused digital customer acquisition, but it was also a decision that we made very early to start our retail business. And our first space, I wouldn't even have called a store. It was really more of a community hub. We took a 3,000 square foot space down where we're from. It was close to the garage we started in. And, you know, it was a pretty funky space looking back. But it was actually perfect. It was low cost. We did a lot of the work ourselves. And we officed in it. We had about a third of the space for merchandise. And then a third of the space we converted into an art gallery. And we started hosting art shows. We started bringing in people from the community that were great photographers, painters, illustrators. And we started hosting these events. And we would come together. We would do a yoga class or we'd go for a run on the beach or we'd do a boot camp workout. And then we would have an art show. And like, we would have hundreds of people from the community at our store spilling out into the streets to celebrate this local artist or photographer that the community loved. And then we would bring in a DJ. We would invite other brands into our space. People that were starting breweries and food companies. And they would provide the drinks and the food. And we literally had no capital, no costs to host these events. And they became so popular in the community that we started hosting them monthly. And we became known for these events. And it was like when we first opened the doors of the pop up, we weren't even in the, we weren't on the 50 yard line of any high street. But we learned the power of community. And that was so empowering for us. And so when I think about where we're at today with north of a hundred stores, every single store has a community playbook. And we still live by those same values that we were taught in the early days at the pop-up. So very instrumental on the journey.

MIKE ROCKEFELLER

Yeah. Your fabrics and fit are special. You talk to anyone who's worn your clothes and they'll say that. Talk about your unique fabrics and how you've been able to achieve that differentiation.

A Fabric-First Philosophy

JOE KUDLA

Yeah, it's, there's a lot to unpack there. But Vuori has always been

fabric-led. And so our number one value as a company is to make great product. I believe that it's not solely our moat, but it is a huge part of our moat is our commitment to product excellence. What I learned, having not been trained conventionally in this industry, is that the way that a lot of people approach product is they design the product, then they have a sourcing team that goes out and sources the fabric for that design. And then, you know, they make sure that that fabric cost works with the intended margin to bladder up to a to a consolidated gross margin. And then, you know, you bring it to market. I always felt like that was the backwards process because I was like, well, wait a minute. So you're saying that the designer isn't fully aware of the fabric? The fabric is every, you know, to the layman who had never been in the industry, I'm like, fabric is everything. Like, I don't want my designs to be like avant-garde and so loud. I want effortless and simplicity, which, by the way, is some of the hardest things to actually execute and design to because every little blemish can show. You have to be flawless in your needlework and your execution. But the fabric was the most important ingredient to delivering exceptional product. And so at Vuori, we do everything in reverse. And we call it our fabric-first design philosophy. Everything starts with fabric. So when we approach a season, we think about what is the fabric? And then what are we going to make? The fabric informs what we make. It's not reverse engineered, which it makes sure that we never compromise. And it ensures that we can maintain exceptional quality. So the mandate at Vuori is like, we need to be innovating. We need to be consistently delivering exceptional fabrics to our designers so that we can be inspired to build great things. So that's at the heart of who we are is the way we engineer our process to ensure that we never compromise and that fabric is at the heart of what we do. And then furthermore, to answer your question about fabric, we always look for fabrics that strike the balance between performance, versatility, and comfort. That trifecta is the Vuori recipe for bringing a product to market. So it's got to perform. It's got a wick moisture and manage sweat and move with your body and be breathable, all the things that we, that are just table stakes that you have to deliver in a performance product. But that's not enough. For us, it's got to have a tactile sensibility that doesn't identify you as somebody that's going to the gym or, you know, like living in workout clothes. Because our whole intention is, again, this West Coast proposition, this more effortless performance, product that kind of blurs the line between performance and everyday life. That versatility is at the heart of who we are. We call it built to move in, styled for life. And so the tactile sensibility of the fabric, the look and the feel, how it feels on your body is as important as the performance. So we're trying to check two boxes, whereas like a lot of brands we're really just aspiring to check one.

NEETU DHALIWAL

Let's dive into that a little bit more. So are new materials or fabrics a big driver of how you stay ahead of competition going forward?

JOE KUDLA

Yes. We are constantly bringing new fabrics into the collection. But I would say that one of the things that we've gotten a lot of, I would say productivity out of is building more of a franchise model. So that we aren't always chasing into new fashion, but we're building new products out of fabrics that our customers trust so that it keeps the rhythm of newness high, but in a container that a customer is already familiar with. And so, yes, we are introducing new fabrics, and it's important that we continue to innovate and bring new fabrics to market. It's also really important that we understand where we want to build a franchise and really establish trust with a consumer. So it's a blend of both.

NEETU DHALIWAL

It takes time, right, to find these materials. What's the lead time of building a pipeline?

JOE KUDLA

It's years. We have long lead time innovations where we might be five years away from bringing a fabric to market because there's a lot of testing, a lot of iteration. Some things are completely blue sky. They are literally like we are dreaming up something that does not exist. Those take a long time. There's other things where we might be inspired by something that a luxury brand is doing. We travel and we'll go to Italy and we'll go to Paris and we'll go to textile shows that are aimed towards a much different segment of the market. But we'll identify things that we love the look and feel of, but they may not have anything to do with performance. And then we'll come back and we'll work with our supply chain to identify ways of creating a version that will work for us.

NEETU DHALIWAL

So you're a little bit farther down the funnel. You've actually identified the look and the feel and the construction of the fabric. Now you just need to interpret it in a performance way.

JOE KUDLA

And then there's even farther down the funnel, which is much closer to market is you go to textile shows. You work with your vendors, they're working with you as your closest, and that's why building authentic great relationships with your supply chain is so incredibly important, which has been at the heart of our journey from day one, and we can talk more about that. But we might identify a fabric that they have developed and they're going to go bring to the open market. And we like it 80% of it, but we want to modify 20%. Oftentimes, that's for us modifying the materials to be more sustainable. So we convert most conventional synthetics into recycled or organic or bio-based. So that's one. Or we just might not like the brushing or we want to substitute one yarn for something that we think would behave differently. And then we'll get the fabric to a place that is ready to be built to move in style for life and we'll bring it to market.

NEETU DHALIWAL

I like that. The premium active wear category isn't as nascent anymore. Obviously, you've helped build it. So I guess can you go more premium?

JOE KUDLA

I think it's important that we know our customer, you know? And so Vuori does have an affluent customer. And so we haven't seen a tremendous amount of price resistance. I think that the customer is led primarily by quality. But we have to be mindful that we have big global aspirations. And so, you know, when you look at a collection of clothes, you know, you think about it in segments and chunks. And there is a segment of our collection where we work with the most premium best materials in the planet. And we might build an outerwear jacket that sells for $500. But then, like, the main line, the commercial business. We, you know, we have to be mindful of the competitive set.

NEETU DHALIWAL

That makes sense. What about customer evolution? How's your customer today different versus before?

Knowing the Customer, Protecting the Brand

JOE KUDLA

The customer is, it's a much broader customer than it was when we started. And

if I just reflect on my own aging as I've built this company, I was 35 or 34 when we started. You know, I'm 48 today. And so while I like to think of myself as that same 35 year old man, you know, my preferences and choices have evolved. So we really try to institutionalize ourselves around that, that younger customer and try to understand them and make sure we're consistently taking them into consideration. But when you look at like the broad demo across our customer profile, what I would say is that they're not necessarily defined by an age and that they're more defined by the way they live. Active, health conscious. They're ambitious, but they balance that with wanting to live. They want to live a life that includes deep, meaningful experience. They want to learn and grow and they want to be inspired. They want to do multiple. They're not defined by one thing. They're not football players or basketball players or soccer players. They live a multi-dimensional active life where they might try surfing. They might be skiing in the winter. They like to run, but they also like strength training. They might attend the occasional yoga class. They just live a multi-dimensional life. They can't be defined by one thing. It's a value system and an ethos that I think our customers share beyond simply an age.

NEETU DHALIWAL

So marrying that brand ethos of versatility with strong, great product and fit, how does that translate into customer retention, repeat rate relative to the industry?

JOE KUDLA

We're on a journey. We don't have a loyalty program in place yet. But in spite

of not having a loyalty program, we have best in class retention rates. And I think that ultimately, when you think about the flywheel that is a great consumer brand, you know, you want to start with product and make exceptional product and continue to innovate. That leads to loyalty. You've got to take incredible care of your customers. That also leads to great loyalty. Loyalty results in great margins. Margins results in a lot of more capital that you can reinvest into more innovation and continuing to bring great products to the market. And that's ultimately what we're trying to do. We're trying to exceed the expectations of our customer at every stage. But it always starts and ends with product is king in our business. Culture is queen. You've got to build a culture that's oriented around the customer. It's oriented around creating a thriving environment where great talent wants to be in the building. When you do those two things, you can really build a brand that has radical loyalty. And that results in something that can really grow and scale over time.

NEETU DHALIWAL

Often in the past, we've seen that sometimes brands that scale quickly, they can become too accessible and it can risk brand dilution. What are you doing to make sure the brand stays authentic to its roots?

JOE KUDLA

It's a great question. You know, what is the pace of growth that is healthy?

Our business has gotten quite large. Yet what's interesting about Vuori is, you know, if you look at just the use of logos on our product. We aren't a brand that is like a one-trick pony. We're not one logo that is like a stamp that people are wearing or a symbol that people are wearing for status that could be a trend. Oftentimes people don't necessarily know what product you're wearing when you wear a Vuori. We work with multiple logo applications, which is people can criticize that because they'll say, oh, you know, you don't have one consistent identity of your product. But on the other hand, there's not one defining look that will go out of style and then all of a sudden people won't want to wear it. Like you see that happen in fashion a lot with brands that get too... their logo becomes the main thing. These brands that get so known for one identifiable look. Yeah. I mean, by definition, the people, the taste makers that are building that type of momentum, their whole, like, the reason they're popular is because they're identifying the new thing constantly.

NEETU DHALIWAL

Well, it's not just the brand. It's the momentum, right? And so, like, if you

stay true to the brand, obviously, margins in my view in consumer are an output of full price selling. And so if you stay true to the brand, full price selling should be the reason your margins are higher. Right. Yeah. It makes sense.

JOE KUDLA

Yeah. And, you know, it's full price selling, which is a byproduct of like

merchandising and planning discipline. You know, it's so, you lose focus in this business and margins can erode like that. And, you know, you buy a bunch of stuff that you can't market. And so it's all about alignment. Like, what are the products we buying? How are we going to go to market? How are we marketing them and how are we going to sell them through? And let's not get too greedy. Even if it comes at the cost of a little bit of upside on growth? Yeah. Like, maintaining full price selling is absolutely critical. When I think about durability and I think about, um, authenticity and scale, I just think about clarity. It always comes down. I don't think that staying small and authenticity have to be intrinsically connected. I think authenticity is about understanding who you are and what your values are and making sure that those scale with the distribution of your product. And that just comes down to being very intentional with how you run your company, the type of people that you bring into your company, the culture that you're building needs to be reinforced at every touch point. This has been an evolution for me as a CEO, as a founder that's had to learn how to become a CEO, is really trying to be intentional about how we scale our values with the business.

MIKE ROCKEFELLER

Now, you started in men's active wear, but women's is a meaningful part of the business now, right?

From Men's to a Dual-Gender Brand

JOE KUDLA

Yeah. That's one of the things that makes Vuori stand apart from some of the

other competitors in our space is that we did launch with men's. Still today in our store, 50% of our store is devoted to men's. 50% of those style choices are devoted to women's. It's really a balanced approach. And it makes us very unique in our space where typically you have one gender that's very dominant. And I'd be lying if I didn't tell you that women's is like giving men's a run, because there's just a tremendous amount of opportunity in our women's business, and there is in men's as well. But the way that we speak to both genders is a little bit different. And so that's something we have to be mindful of as we want to intentionally continue to grow both at a relatively similar pace. But yeah, in 2018, after being in business for three years, we started seeing women show up and buying our men's product and really falling in love with this tactile sensibility of our fabrics. And that's when we knew that it was time. It was never a matter of if we would launch women's. It was more a matter of when. Because Vuori was always built for this community. Like, if you spend a little bit of time down south of where we sit today in Encinitas and you see, you know, the young people, the way they live their lives on the beach, in the yoga studio, running on the coast, raising young families, it's men and women living these active, multidimensional lives together. So we knew that this was a dual gender brand. We were intentional about that, choosing a name that would apply to both men and women. And so in 2018, we felt like we were ready. We started small. Everything in Vuori has been about very intentional building blocks to building this company. We never got out over our skis. You know, this business is one where we got profitable two years after we started and started generating free cash flow. And the business never put more money on the balance sheet to build the business that we have today. We built this company off of free cash flow. So very unique. But you can only do that when you're very disciplined about your assortment and your merchandising strategy and how overextended you get. So women started very thoughtfully with one pant and one hoodie. And then it just slowly grew from there.

MIKE ROCKEFELLER

Yeah. That's impressive because not many companies have been able to transition from men's to women's. I mean, you know, maybe Nike, Ralph Lauren, or a couple, but not many. And you've done it. What do you think the key reason to the success there is?

JOE KUDLA

Well, I think our fabric sensibility is at the top of that list. And I think

that we've always had a recipe for design that always felt very effortless. It was about beautiful fabrics with very sophisticated, effortless design. And I think that that is a design language that speaks to both genders equally.

MIKE ROCKEFELLER

So what's next in terms of new sport or new cohort?

Partnerships and Scaling to 300 Stores

JOE KUDLA

I mean, when we look at where we're going, it feels like there's opportunity

everywhere. And I really believe that great businesses that are durable and have longevity are disciplined. When we think about the next chapter of Vuori, we're on a global journey today. So we have, gosh, about just over 10 stores outside of the U.S. now, I think we'll end the year closer to 20. And so we have a job to do now, which is different than the early days, which is to build global awareness. And so when we think about how we're going to do that, you know, we want to tell meaningful stories. And we want to work with great partners and build great relationships with great partners that can help do that for us. And so this is a new muscle that we're developing. And it's been incredible. If you just look over the past year, we've been working with a tennis athlete, Jack Draper, a world class athlete that ascended to number four in the world. And we've been working with Jack on tennis product. And it's been so exciting and energizing for our team. And we signed a partnership with Tom Holland. And we've been working with Tom and really sharing his love for the game of golf and his fitness regimen. And so partnerships are new and exciting, and it's really fun to think about how we can leverage these types of relationships to evoke our brand ideology, The

Rise, The Shine, and really be a speaker for what we stand for. And they always speak to new audiences as well.

MIKE ROCKEFELLER

Since I have you here, I do have to ask, are joggers going out of style?

JOE KUDLA

Joggers are slowing down. And we're seeing a big transition from, you know, what was a very tapered leg in a jogger to a more kind of straight classic fit leg. So we're not seeing the customer vote for leaving the category, but we're seeing them just evolve their preferences for the leg shape. But what's ironic is like as soon as, you know, joggers have been downtrending now for probably three years. And now we're starting to see in women specifically, we're starting to see those joggers show up on runways and we're starting to see them come back. So it's going to be interesting to watch what happens.

NEETU DHALIWAL

Like keep your joggers.

MIKE ROCKEFELLER

I know. I have a whole closet of them. Maybe they'll come back sooner than I thought. Yeah, let's keep diving into the business.

NEETU DHALIWAL

Let's talk about scaling growth. So you said you're at 105 stores now?

JOE KUDLA

Just over 100 stores.

NEETU DHALIWAL

Okay. You've laid out a plan to get to 300 stores by 2030. What's the expected mix of U.S. versus international as you think about that?

JOE KUDLA

I would say it's probably a 75-25 split. There's a tremendous amount of growth in the U.S., but we're seeing a lot of signs that there's a big opportunity for our business internationally as well. And, you know, in the U.S., we have so much customer information. We understand where our customers live. We understand how they behave. And we have a really compelling recipe for how we open stores in the U.S. And our NPS scores in the U.S. I think are the highest in the category. Culture starts here at HQ, but it is diffused incredibly well into our stores. And we're incredibly proud of the level of service and the experience that people are having in our stores in the U.S. And there's a great opportunity ahead of us. But we're seeing really great signs in China. Europe is a smaller opportunity, but a very important opportunity, but we see a big opportunity for the brand in China, where, you know, today we have just shy of 10 stores, but we will continue to be focused on that market.

NEETU DHALIWAL

What are the KPIs that gave you the conviction that now is the time to scale? You've been very methodical. So to go bigger now in China or abroad, what drives that?

JOE KUDLA

Well, look, I think that there's people increasingly globally that are living the Vuori lifestyle. You know, if you look at China, it's a market that has, what, 1.4 billion people, and I think close to 40% of them are going to the gym regularly, that's like close to 500 million people that are exercising regularly. And it's a huge initiative for the government and for the people to see that number even increase even more. It's not just traditional sports that are inspiring people to move. It's yoga. It's hiking. It's cycling. It's tennis. It's, again, living this multi-dimensional active life. And so there's a big appetite for a product that can keep up with that lifestyle. So when we think about why now, it's a combination of the market being ready for Vuori and Vuori being ready for the market. You know, we are a brand that takes these decisions heavily. We want to make sure that if we enter a market, we're going to be able to deliver the level of service and care for the customer and have the tools and the institutional process in place to understand that customer so that we can continue to meet their needs. And that took time to build. You know, we spent seven years. We opened our first store in London three years ago. The first seven years were about institutionalizing our product mix, our quality, our fabrics, our process, our tech stack. The foundational brick laying to be able to meet the needs of a global consumer. And that's an ever-evolving journey. We haven't built the castle and now we're moving in. It's like we're still laying bricks as we move in, but we're much farther along in that journey. And as we see the lifestyle of people across Europe and Asia shifting to live a more active lifestyle, not just that, but balancing, you know, the ambition that maybe their parents' generation had with a commitment to want to have more deep, meaningful experiences, to find more balance in life, that's a value that we share with those communities. And so we feel like it's a great time to bring Vuori to the rest of the world.

NEETU DHALIWAL

How much does localization matter across Asia, Europe, product fit? And I guess, what have the surprises been thus far, where the brand traveled really easily versus areas you've maybe had to adapt?

JOE KUDLA

Yeah, I think in China, we largely share, you know, while the size curve of the product that we sell or that we allocate to the market is different, we have not necessarily had to build a specific fit block for that marketplace. And I would say that the way we've approached our international business today is really being thoughtful of approaching markets where we can leverage the global collection that's established here for those markets with little personalization. Again, we want to be mindful of making sure that the resources that we do deploy towards these initiatives are sufficient to make sure we deliver exceptional quality. We are being really thoughtful about those types of decisions and making sure that we don't stretch ourselves too thin. But, yeah, we've found that we have not had, from a product standpoint, to highly customize our approach. It's more about the products that they're choosing and making sure we're allocating the right products. And that tends to be the core offering that resonates in the U.S. has been resonating abroad as well. So that's been a really great sign. And then, of course, locally, how we approach the communities, how we tailor community events that are mindful of local cultures and the way that people live, we will always be highly sensitive to that.

NEETU DHALIWAL

Do you seed the market with e-commerce to get a sense of where the brand's already starting to build some momentum before you build the store?

JOE KUDLA

Yeah. I would say that, look, we have been very disciplined and focused on high-ceiling markets where we can execute our playbook that we understand. And that typically is a multi-channel strategy where we can reach customers direct through a digital strategy, where we can operate our own Vuori retail stores and build community around those stores, and that we can target select wholesale accounts, where we can do pop-ups and shop-in-shops and activate and reach consumers inherent in those stores. So it's a multi-channel playbook. It's one that has been very successful for us in the U.S. And it's a cluster strategy. So when we think about China, we're not thinking about all 1.4 billion people. We're thinking about Shanghai. What is our strategy for Shanghai? What is our strategy for Shenzhen? What is our strategy for Beijing? What is our strategy for Hong Kong? And making sure that we're building enough density in certain markets so we can build the infrastructure to service those markets. I think that that is a much more compelling strategy for a brand that prioritizes building community and being in great relationships with the consumer versus spreading ourselves too thin.

MIKE ROCKEFELLER

Tariffs have been a pretty big theme in consumer. How have you adapted your business?

JOE KUDLA

Look, tariffs have been something that every brand has had to navigate. We are not immune. I think what has been central to our approach is just continuing to nurture really strong relationships with our supply chain partners, our factories and the people that make our product. And it's not just the people that are cutting and sewing the product, but it's the yarn suppliers, the fabric suppliers, the finishing resources, all the way through the supply chain down to tier three, tier four, tier five. Everyone can come together. And we've been so fortunate to have the types of relationships where people want to work with us to navigate these together, so that we can take some of the burden from the tariffs. We can share it with our supply chain and pass a little bit, as minimal amount as possible, of it along to our consumers, as we have to. So that's been our approach. We have raised prices on a small subset of our products that we couldn't be as successful navigating. But for the most part, our team has done an incredible job of navigating it with the help of our partners.

NEETU DHALIWAL

What about marketing investment? The landscape seems to be changing rapidly. So how are you evolving as a company?

Marketing, Brand Equity, and the Return to In-Person

JOE KUDLA

Well, when we started, the brand was really built around community. You know, with every store we opened, we activated locally around the store, combined with a digital marketing strategy. We were telling stories and reaching consumers digitally and building a digital community. You know, today, when I think about what is the driving force for new awareness, digital, the digital platforms have become quite competitive. And so you have to be thinking creatively and staying ahead of where the market is. And so for us, it's been a combination of things, but partnerships have really been leading that way. We're working with partners from tier one athletes that have global awareness all the way down to affiliates that are really great at sharing the stories of our products. So partnerships are really important. I think there's been a return to experiences in the physical world. And I think as we evolve and AI becomes more integrated into our everyday lives, I only see the trend of in-person picking up momentum. And so how are we creating experiences both around our stores, but also with partners, and creating larger scale activations for people to participate in the brand in meaningful ways? It's one thing for somebody to see a digital ad. It's another thing for somebody to come and have an interaction with the brand in the physical world. And that's something we're really proud of and we will continue doing. So yeah, I think in a lot of respects, I almost feel like what's old is becoming new again. I think the way that we build content is going to be changing with new resources available to us from a tech standpoint. The way that customers interact with brands is going to be changing a lot. But what will never change is having meaningful experiences with consumers in the real world. And so I think that you're going to see more and more budget become more balanced between performance marketing and tactics that are focused more at the bottom of the funnel, where customers are converting, and you're going to see a lot more investment up into the top of the funnel with brand storytelling and experiences and activations. And so we're on that journey just like everybody else.

NEETU DHALIWAL

I do love that story of the risk you took with performance marketing early on. So it feels like the ambassador staying true to this brand ethos is a big driver going forward.

JOE KUDLA

Absolutely. You know, not all awareness is built equally. Brand awareness is important, but brand equity is as important. You've got to scale brand equity with awareness. There's a lot of stunts you can do to get people, but to create affinity requires authenticity. And partnerships are a shining example of that. If you work with the wrong partner, just because they have a big audience, it's not going to be that impactful. It's not going to help you in a meaningful way. When you work with somebody like Tom Holland, where we already had an organic relationship, Tom loved the product. He would wear it as his brand of choice at a lot of the golf tournaments he played in. And we developed a relationship through his love for golf and his love of our apparel. It was only natural that we signed a partnership. Same thing with Cindy Crawford and Kaia Gerber and Rande Gerber. They were authentic fans of the brand. And we built an organic relationship with them over years. And so we crystallized it into a brand partnership where now they're more regular spokespeople for the brand. But I think when you have that type of authenticity and real connection with the partners you work with, it goes a lot farther. Co-labs, brand partnerships, the way that we integrate that into our go-to-market, we just have so much opportunity. Vuori has built this business off product affinity, not marketing. Bottom of the funnel marketing, yes, like, buy these shorts, they're green, you'll like them. But telling aspirational stories and thinking about the journey all the way through the funnel has not been a strength of ours. So that is a huge growth opportunity for us.

NEETU DHALIWAL

Yeah. Last thing on this, as you guys scale, just hearing about the art exhibits, keeping that core in your stores, it's probably, it's a huge business, so I can imagine it's hard, but I feel like that could be huge.

JOE KUDLA

I have a lot of conviction that we will get there. We just got to get the team in place.

MIKE ROCKEFELLER

Joe, as you look across the industry and you look at the success of your peers, but also some of their missteps, what are the learnings there?

Industry Lessons, Margins, and What Inspires Joe

JOE KUDLA

You know, I think that it's really important in this business to always play the long game combined with having your foot on the gas at all times. So it's a bit of a duality at play, which is kind of inherent in the way we think here at Vuori. But you want to be pushing and making sure you're making forward progress while also being patient. And I think that you can never stop innovating. You can never rest on your laurels. You can build a lot of brand equity in this space, but if you don't continue to innovate and introduce new exciting products that exceed the expectations of your customers, eventually things will fizzle. You've got to know who you are and stay true to that. You know, our industry is very interesting because our space started out with a large brand that was very committed to mindfulness and elevating the product experience, building community, and elevating the product. And if you think about where brands are at now that are having success in our space, it's all about image. We've lost touch with the fact that at the end of the day, it's fabrics and quality that people want to wear to work out. But we are in a space now that has been bifurcated in so many ways, and there are brands that have stood up solely based on image and fashion alone. And that is a sign to me that it's time to really, really be grounded in the values that built this category, which is quality, quality, quality,. Product that's built to move in, and quality. And of course, you want outfitting to be compelling. You want to have great style. You want to look great. That's very important. But I think we can never lose sight of what ultimately drives this category, which is innovation and performance.

MIKE ROCKEFELLER

You've laid out some 2030 goals with store count. What else do you hope to have accomplished by that time?

JOE KUDLA

You know, I think we want to scale our product and distribution. We also want to scale our values and our brand message. If I look out five years from now, of course, we're going to have, you know, 300 stores globally. The business will be much bigger. It will be much more global. Our awareness will be a lot higher. So all of that stuff is easier said than done, we have to put a strategy in place. But if I think about what will define our success, I want people to understand what The Rise, The Shine is all about. It's a deeply personal journey that I've been on as an individual in my life. It's something that I wholeheartedly believe in, that you can balance both ambition and having big dreams while also enjoying the journey of life. So that we don't get to these destinations thinking it's going to shift something within us only to be disappointed. But we learn to live in harmony and stay connected to ourselves, our friends, our community, to nature, to live a full life. That, to me, is the ultimate wellness. And I think we can balance both ambition and also cultivating more inner resilience and more inner strength along the journey. And so that's a story that we really want to stand for. We really want to inspire within the world. And so if we can move the dial on that for humanity, I think that'll be a big success.

MIKE ROCKEFELLER

It's unique that you've been profitable since early on in the company's history. As you scale, looking out a couple years and you're at scale, how important is it to have industry leading margins as you're investing the way you are?

JOE KUDLA

I think it's a balance. I think that if you look at where Nike sits from a margin standpoint, it's a lot lower than, say, where Lulu has sat historically, but you see what's happening to Lulu. There's an argument, and I'm sure analysts that are potentially listening to this conversation would probably argue that maybe they should have been investing more in brand over the many years. It's hard to argue that, because they've had so much success, but you see what's happening to their brand now, and now they have to go through an evolution to catch back up. So I think it's a balance. I think you've got to have best in class margins if you want to invest in innovation and product, and build that moat that we were talking about, continue to deliver exceptional service and innovate so you can exceed the expectations of your customer. So I think margins are very important. Obviously margins will get challenged as you aspire to build globally. You have to invest in your business. But I do think it's very important that, you know, I'm a CPA by trade. I'm a very unique CEO of an apparel brand because I started my career as a public accountant, auditing companies. And so I always had a deep appreciation for financial discipline. And I think that's really important to create a durable brand.

MIKE ROCKEFELLER

This has been a great conversation. Before we let you go, though, the name of this podcast is inSpired. So we have to ask, what inspires you every day?

JOE KUDLA

Well, lately it's been my daughters, nine and six years old. They're in the prime years, we're having so much fun. We just went on a backpacking trip and got them out into nature. And they had so much apprehension about going miles into the woods and sleeping in a tent, and they thought they heard a bear outside all night. And then we got home and they were just beaming with joy. And I was thinking about it, thinking about the human spirit, and I'm like, that's what Vuori is all about, that's what The Rise, The Shine is all about. And so I'm inspired by watching them grow and having their life experiences. And just really anybody that is balancing wanting to get out into the world and dream big and do awesome stuff, but balancing that with an interest in learning and growing as a human.

MIKE ROCKEFELLER

That's great. Well, thank you so much. Appreciate it.

JOE KUDLA

Yeah. Thank you, Mike and Neetu. I really appreciate you guys having me on.