[01:00.9]

I went to visit one of our fabric vendors and we were just going through all these fabric samples and I was like, what is this? And I remember my sales rep, she was like, oh, Michelle, you don't want that. That's way too expensive.

[01:16.4]

And I was like, no, I need this. What is this? It's fantastic and it feels really good. And I was like, I don't care how expensive it is, this is what everybody is going to want to put on their body.

[01:37.4]

Welcome to How I Built this, a show about innovators, entrepreneurs, idealists, and the stories behind the movements they built. I'm Guy Raz, and on the show today, how Michelle Whaler went from printing T shirts for friends to helping build a massive activewear brand.

[01:57.0]

Beyond Yoga.

[02:08.3]

There are two basic ways to launch a consumer brand, whether it's food or skincare or apparel or whatever. The first way is to raise a ton of cash from investors and try and flood the market with ads, promotions and product. And that can work.

[02:24.1]

There are plenty of products you probably know about because these brands are well funded and outspending their rivals. But it's also risky. And there are also plenty of brands that took this approach and no longer exist. The second path is to bootstrap or raise the bare minimum amount of money and try to hit profitability fast.

[02:45.4]

Even if your overall revenue is pretty low, this approach usually means you will grow more slowly. And it's unlikely, unless you are really lucky, that you'll make an immediate splash. That second path, that's the one Beyond Yoga took.

[03:01.4]

For the first 10 years of its existence, Beyond Yoga operated pretty much under the radar. Bigger brands like Lululemon and Athleta got most of the attention from the media and consumers. But the company did a few unusual things that ultimately worked.

[03:18.1]

It was founded in 2005 by two women, Michelle Wheeler and Jodi Guberbruvsky. Though in this episode we'll just hear from Michelle. Anyway, they launched the business with a relatively modest investment from Jodi's D dad. And with that money, they developed a line of yoga apparel for women.

[03:35.9]

Now, one of the things Beyond Yoga did, which was risky, was to go the wholesale route. In other words, unlike more aggressive startups, they didn't pursue a direct to consumer model, at least not at first. They sold their clothes through boutiques, yoga studios, and eventually department stores.

[03:54.5]

And where Beyond Yoga actually found its niche was in making yoga clothes for women of all sizes. Now today, that's pretty, pretty standard. But remember, back in the day, brands like Lululemon had a Reputation for being designed to make women look skinny.

[04:10.7]

Beyond Yoga took a different approach, and it paid off. Slowly, carefully, and methodically, the brand found a lot of loyal fans. And by 2016, a decade into the business, it became the fastest growing indie yoga brand in America.

[04:27.2]

In 2021, Beyond Yoga was acquired by Levi's for $400 million. And it all started with a L message to co founder Michelle Wheeler. How that deal went down was also unprecedented, which you'll hear about. Three years after the acquisition, Michelle stepped down as CEO.

[04:45.5]

And today the brand is looking to compete with its much bigger rivals. As for Michelle, she grew up in suburban Maryland, where her dad ran a chain of record shops in the D.C. area, and her mom took care of things on the home front. She was, you know, the mom that was involved in everything, and I loved having my mom around, and it was great.

[05:08.4]

But one thing that was highly influential on me is the fact that my mom really struggled with her self esteem and how she viewed herself. And my mom is an extremely beautiful, smart, kind, caring person. But I think that she fell kind of into the trap of just never feeling like she was enough and wanting to.

[05:30.7]

You know, we were at that time, it was a lot of diet culture. And I think she thought there was only one vision of beauty and that was skinny. And when I would bring some of my friends home, you know, she was always talking about what everybody looked like and, oh, this person's so skinny.

[05:47.4]

And oh, this person, you have the best smile. And she started giving superlatives out to me and my friends, and that was very important to her. And I watched her struggle with her weight, and it was just frustrating to me because I really wanted her to see herself the way I saw her, and she didn't.

[06:09.2]

And I also want to ask about your dad, because I think he was an entrepreneur. Yes. So he had a chain of music stores, and he started off, he bought one music store. And it was kind of funny because he wasn't really that into music, but he thought it was a good opportunity.

[06:26.1]

It was initially called Kent Mill Records, and he built this business, you know, one store at a time, and I think by the end, he had over 30 locations. Wow. Yeah. Kent Mill was the record store in the D.C.

[06:41.5]

maryland, Virginia area. I mean, I remember it because I lived in that area for some time. You remember, that was huge. It was everywhere. That's amazing. Kent Mill. Yeah. Although I imagine that around the 2000s, things probably started to change a little bit as young people start to download music for free or not.

[07:02.8]

Paying for it. Exactly. So once the, you know, once MP3s came onto the scene, once Napster, all of that, that really shifted everything that was happening with my father's business. And I watched my dad lose his entire company, which was really painful to watch.

[07:20.4]

And it wasn't because he did anything wrong. It wasn't because he wasn't, you know, managing. His numbers are paying attention, but the industry just kind of shifted overnight and sometimes there's just nothing you can do about it. And how old were you when that started to happen?

[07:36.6]

I was in high school when this started to happen. It was before I left for college. And I think he didn't really want to be a part of the contraction of the business. I think that was just a little more than his heart could take.

[07:52.4]

So at some point along the way, he had two brothers who became his business partners and he ended up selling the business to them. But it wasn't the exit that I think he always imagined. I think it was more of a closing down and changing of guard.

[08:11.8]

There wasn't any big financial reward out of that situation. So what did he do? So I think it was hard for him to realize that this had actually ended. And I think there was a large period of denial.

[08:27.6]

And, you know, my father had been relatively successful and so I think that he thought he had a pretty good Runway in order to, you know, figure out what he was going to do next. And unfortunately I never really saw that happen.

[08:43.7]

He started a couple different things. He was going to do some business consulting, but ultimately my parents ended up moving to Florida. So they basically lost their home. They downsized to like a little condo in Jacksonville, Florida.

[09:00.5]

And my dad tried to do sale. He kept going on the sales path and he kept thinking because there was a lot of upside, but he wasn't a natural born salesperson. And I think that was something that he never really accepted.

[09:20.6]

Yeah, yeah. I mean, this will sort of circle back a little bit to your own story and we'll get there eventually. But I know that for college you went to the University of Florida. And I read that when you first got there, you were thinking of majoring in like pre med or even business, but you end up studying graphic design, is that right?

[09:44.4]

Yes. So I thought my dad was going to lose it when I said I was gonna do this, but he actually was really supportive and he was like, I absolutely think you should follow this art path, which I was surprised that he was so supportive about, but he really was.

[10:00.7]

And were you like kind of already into art and painting. And was that a thing you did as a kid? That's like, all I did as a kid. I would draw and paint, and I was always in the art classes and the drawing extracurriculars, and that's always what I gravitated towards.

[10:21.2]

So when you graduated from college, I guess you moved to New York and I guess to pursue a career in graphic design. Yes. This is about 2001, right? 2001. So I moved to New York, and I really didn't know anything about New York.

[10:39.5]

I got two graphic design jobs, but then very quickly, nine, 11 occurred. And so both of those jobs basically disappeared. And then very quickly, I just started waiting tables. And then every table that I waited on, I said, do you know anybody who needs a graphic designer?

[10:59.5]

And I would slip my little card in. And it wasn't actually through that that I got a job, but eventually I got an interview for a position at Sports Illustrated. And that didn't work out, but the recruiter really liked me, and when there was an opening at People magazine, she called me again, and I was able to come in.

[11:22.0]

So at People, I loved working at People magazine. It was a great place. I met so many fantastic people. It was just a very warm, nurturing environment. And I got to see so much and I got to learn so much.

[11:37.2]

And one of the things that I saw that I wasn't as excited about was all of the Photoshop that was going on. Everything is Photoshopped. And so when women are looking at these magazines, and even if you think you're seeing just a real picture of somebody that's candid, it's not.

[11:55.5]

It's not really who they are. And everybody is, you know, getting their legs elongated or their arms, you know, nipped and tucked in in these photos. And I realized that was just continuing to perpetuate this impossible image of what women are supposed to look like.

[12:12.7]

And it was very frustrating to me. But when I was working at People, I started my first entrepreneurial endeavor, which was called Unsweetened. And I made this T shirt line for women that, you know, I drew women and I drew them as they are.

[12:30.3]

I called it the Unsweetened version, or the Unsugar coated version of themselves. And I. Yeah, tell me how that. Sorry to interrupt. How did that start? Because I know that you started sort of a T shirt business, but did it was the intention to turn into a business initially? No, it definitely wasn't.

[12:47.8]

So when I first moved to New York, I was living with my best friend from college, and it was her birthday. And I was trying to think, what could I get Lauren, the girl who pretty much has everything? So I made this really cute illustration of Lauren, and I bought a T shirt, and then I put the picture of Lauren in the center, and I gave it to her for her birthday.

[13:08.3]

And then very quickly, all of my friends were like, I want an illustration of me. And so throughout that time, I started creating this collection. You know, different women doing different activities, different shapes, different sizes. And I would put the pictures up on my wall in the cubicle at People magazine.

[13:29.1]

And I had a really good cubicle because I was right outside of the publisher, Kathy. And so people were always waiting to talk to Kathy. So they'd hang out at my cubicle, and they'd be like, oh, what are these cool illustrations? And then I tell them.

[13:44.5]

And then people would be like, oh, well, your friend Rachel looks like my friend Rita. Or, you know, could you do one of me? And so I started selling people my T shirts while I was working at People. And then I started going to holiday bazaars, and I would walk up and down the streets of New York, and I'd go into different boutiques and I would sell them my T shirts.

[14:09.1]

And I remember one of my favorite ones that I got into was this store. I don't even know if it still exists, but I loved it. It was called Pookie and Sebastian. And when I got in there, I felt like, oh, my goodness, I really made it. And it was very exciting.

[14:25.1]

All right, so meanwhile, you had a pretty good day job in graphic design, but I guess you eventually decided to quit and then move from New York to California for a change of pace. And I think this is around 2005.

[14:40.7]

And you still have the T shirt business going, Right? Like, when you first settle in California, I think in San Diego, right? Yes. So essentially, I'm in. I'm in San Diego. I'm not really loving it. I am very homesick for New York.

[14:56.5]

And I'm thinking I probably should go back. But my heart is like, I put so much effort into getting out to California. I'm already here. I can't just give up. But then I. While I was still in San Diego, I signed up for a trade show in la.

[15:13.9]

It was called the LA Gift Show. And when I went up to that gift show, I ended up meeting a gentleman who ended up introducing me to Jody, who became my business partner. Okay, this. This would be Jodi Goober.

[15:30.8]

Yes. But I want to get to that in a moment. So you go to the Trade show, obviously, looking to see if maybe boutiques would put in orders. And there was somebody who was this person that came by and started talking to you. He was another vendor.

[15:46.8]

He had his own product. He was selling. His name was Brad. And he came over and he was just very friendly, and he was like, I'm really impressed with this business you're building. And so I stayed in touch with Brad, and I was like, hey, do you know anybody who, you know, needs a designer?

[16:06.5]

And he said, actually, I just met this incredible woman, and she has this idea for an activewear company, but she's just getting started with some of her, like, trademark and, you know, that information. How did you do all of that?

[16:21.9]

And I was like, oh, I just went online and did it. He's like, would you be willing to help her? And I was like, of course. So then I went over to Jody's house or her apartment. His friend was. Or this woman he had met is Jody. Jody. Exactly.

[16:38.5]

And was she in the apparel business, or was this just a new thing that she wanted to do? Sort of like what you were trying to do? She was just getting started with this. She had been in the apparel industry a little bit before, but this was her.

[16:54.5]

She was doing this on her own, and she needed some help. And she said, like, I'd love if you could help me. I didn't have any money, so I was looking for side work, so I was happy to help her. And then very quickly, I fell in love with the idea of Beyond Yoga.

[17:14.3]

And Beyond Yoga is the whole. The whole reason Beyond Yoga exists. It's created to make clothing that are for women of all shapes and sizes and to make show, you know, show people that every body is beautiful and all bodies are good bodies.

[17:30.5]

And I remember hearing Jodi on the phone with this designer that she was working with in the very early days, and she was getting frustrated because the designer wasn't capturing her intention. And I turned to her and I said, you know, I know how to do this. I was like, do you want me to fix those sketches for you?

[17:48.4]

I know exactly what you're talking about. And she was like, yeah, I do. And so I said, oh, just forward me the files. I'll work on it, you know, over the weekend. And then that night, I fixed the sketches that she had, and then I had some other ideas for things that would be great for Beyond Yoga, and I sent it back to her.

[18:04.9]

And then the next morning, she called me, and she was like, our relationship is about to change. And pretty much from that point on, I spent the next 18 years building, growing and leading beyond yoga.

[18:20.7]

All right, well, let's go back to that moment. So you were not, you were not meeting Jody to help start this business. You were really just kind of giving her, giving her advice and helping out. But when you, when you sent her sketches for apparel, she called you and said, hey.

[18:39.1]

Basically said, hey, why don't, why don't you come work with me full time? Yeah, not just full time. She was like, let's, let's do this together. Let's be partners. Yeah. And it was based. And how before that point, how many times had you guys met or interacted?

[18:54.6]

I think that we had been working together for a couple weeks at that point. It was very early on. And did you, I mean, what was your, did you initially think, well, I've got my own thing going or was it like, yeah, I want to do this? It was like, I want to do this because I really loved the mission of Beyond Yoga and the idea of creating clothing for women of all shapes and sizes.

[19:20.6]

And I, you know, continued with unsweetened a little bit on the side, but for the most part I was beyond yoga or bust. Did she have, I mean, you, I'm assuming, I don't think you had a whole lot of money at all. Maybe very little. I mean, what did she offer you?

[19:37.1]

Did she offer you to be a partner? Did she offer you to be an employee? Like, how was it going to work in the beginning? I don't even remember exactly how we talked about it. She had gotten initial funding from her father and eventually, as we continued to work together, as we got closer, as she saw that I was just taking on more and more and more and more.

[20:01.3]

Then we got into more of the equity conversations and really solidified that piece of it. Her dad, we should mention her dad is a very famous Hollywood producer, Peter Guber. He did like big movies certainly in the 80s.

[20:19.5]

He did Batman and the Color Purple and Rain man. And he's, I think he's like a co owner of the Golden State Warrior. So I mean, he's a very high powered dude and he gave her some seed money to start this.

[20:35.2]

Right. So there was some money behind it. And so now, now you're in this and you're working with Jody and you want to create a clothing line. But you were a graphic designer, not a fashion designer. Right. So how did you, how did you start? You know, we started working with the local factory in la.

[20:53.4]

They helped us source the fabric, they helped us with the Pattern. I would create the sketches for what we wanted. So right from the beginning, I started focusing on the design, the sketching, creating the line sheets. I hired the sales team.

[21:08.5]

And who are you looking to sell to? Stores. To like, boutiques. Stores and boutiques. And so our first store was a studio up in Santa Barbara called Drishti Yoga. And then we got into yoga works, which was huge.

[21:24.6]

That's like a chain of yoga studios. Exactly. And at the time, you know, that was like the place to go. But we started selling to a lot of, you know, small mom and pop studios. And the big goal was to get the orders and then for them to sell through and for them to buy again.

[21:45.4]

And that started happening a lot quicker than we thought it was, but it was great. And, you know, we did over a million dollars in our first year of shipping. Your first year focusing on just trying to do sales and getting the product.

[22:01.2]

And how many. I mean, was it just you and Jody and one other person? No, it was just me and Jody in the beginning for probably the first two years. But we worked with, you know, third parties. So, you know, at the factory in L.

[22:16.4]

A, they had pattern makers and, you know, we would go and we would have our fittings there and we would try clothing on our fit model who was a bartender at James Beach. So I actually want to dive into the kind of the strategy that you took, because really your strategy from the beginning was wholesale, right?

[22:39.9]

To go and to basically sell to stores, which a lot of early brands, kind of balkat, certainly now, because obviously you've gotta sell at a discount and then you don't always have control over how they are sold in the stores.

[22:57.1]

But that was a strategy that you guys pursued from the get go. Can you talk a little bit about why? Yeah. So I'm a huge fan of wholesale, and I've always looked at this as a way of reinforcing your brand.

[23:12.9]

I think of wholesale as marketing that you get paid for. So anytime somebody goes into a yoga studio and sees your product, they're discovering you. You know, we had a really diverse distribution network too, which I think was one of the things that we did really well.

[23:32.6]

So we sold to, you know, the mom and pop yoga studios and the boutique fitness places. We sold to regular boutiques that weren't fitness based. We were on the cool websites like Revolve and Shopbop.

[23:48.4]

And when people would see our products at all of these different places, it was brand validation and reinforcement. So when you. I mean, when you were working on getting into some of these places you mentioned yoga works and some of these other places. How did you.

[24:04.7]

What was the. The pitch? How did you get into some of these places? We. Our pitch was that we are, you know, the softest, most inclusive activewear line. I'm obsessed with fabrics, and I love the touch and feel.

[24:21.5]

And I spend hours, you know, just going through showrooms and feeling every fabric, and that was really important. So, you know, we were made in the usa. We. Everything was machine wash and dry. We tried to make it as easy care as possible.

[24:37.3]

And then it was also this concept of it's for your everyday life, it is for your active lifestyle. So we were among the first to do this active layering and transition clothing. So you could get up in the morning and get dressed.

[24:53.9]

And maybe you weren't necessarily going to the gym, but you had all these things that you were going to do, and you needed to look chic and put together. And then at some point, you're hoping to slide into a class or be able to sneak off and go for a run or whatever the case may be.

[25:10.8]

So we tried to create these layering pieces that made the outfits look pulled together, and then you could just pull off this top, and voila, you were ready to go to the gym. And tell me a little bit about just learning about how to run a business.

[25:26.9]

I mean, I read that for you. It was really hard just trying to figure out what to do and how to manage inventory and the books and doing sales calls. Like, those things didn't come easily to you.

[25:44.4]

Some of it came easy. Some of it was just a complete learning. So I remember. I remember one. One day I was alone in the office, and all of a sudden we got back our first set of samples on this Pima cotton, and what should have looked like a shirt ended up looking more like a tunic.

[26:03.2]

And I was trying to get to the bottom of why this happened. And the shrinkage on the fabric hadn't been incorporated the right way. And so I was on the phone with the mill in North Carolina, trying to understand what was happening to the fabric as it was going through the garment dye process.

[26:19.5]

And luckily, you know, this gentleman was very helpful, and he was like, listen, each roll, you have to take it and make, you know, like a square that's like 20 inches by 20 inches. And you put that with a Sharpie, and then you put it through the process, and you have to see how much it shrinks, and then you have to apply that to your pattern.

[26:40.8]

You know, these are things you just learn on the fly if you haven't gone through formal training. So. All right, so you. And. And I guess you also took classes at UCLA Extension, which is like their adult classes, right? To kind of learn about business.

[26:57.0]

Is that right? Yeah, I took accounting classes. I really wanted to understand what was going on with our finances because, you know, in the early days, I was so focused on sales and product design and marketing, you know, and in the beginning, we were doing so well.

[27:14.2]

Like, I think when you're doing well, some of the. The important things might get glossed over on the financial side of things. So in 2006, that was the first year we were shipping. We did 1.1 million. Then the next year we did around 2.2.

[27:30.3]

Then the next year we did. I think we were around 4, 4.5. Then the global financial crisis happened, and everything kind of bottomed out. All. You know, at that point, we were primarily wholesale, and we dropped in 2009 by almost a million dollars, which was a large percent to go backwards.

[27:51.4]

And, you know, that was a big. That was a big setback. When we come back in just a moment, how a competitor's blunder turns into a major opportunity for Beyond Yoga. Stay with us. I'm Guy Raz, and you're listening to How I Built this.

[28:27.1]

Welcome back to How I Built this. I'm Guy Raz. So it's around 2011, and Michelle is now officially the CEO of Beyond Yoga. And even though the company has more or less recovered from the financial crisis, its books are still a little messy.

[28:44.6]

At that time, we were actually outsourcing all of the financial to a third party. And I started realizing that things weren't coded properly. You know, there were items that shouldn't have been in cost of goods sold that were put in.

[29:00.2]

And so I just realized that there was a lot that was a little messy and unorganized, and we needed to fix that. And this was too important of a piece of the business to outsource. And so I brought that in house.

[29:16.1]

I hired an accountant, and that's when I kind of realized, you know, you have to lean into all areas of the business. The finance side of things did not come naturally to me. I definitely needed guidance and to teach myself, but I also, you know, you can't just do the parts that are fun.

[29:38.2]

You have to lean into the ability to just ask a lot of questions and be comfortable not being the smartest person in the room. Tell me a little bit about how did you. When you sort of started to make your hires, Right.

[29:54.5]

And certainly Your, your, you know, initial hires. How did you. Like what. Because I read the first hire you made as a production manager. So how did you put those pieces together on who to go to first and how to build the team out?

[30:09.7]

You know, in the beginning, I did as much as I could. I was originally sketching everything in the collection. Eventually we brought on designers who did that. But I will say, I think one of the most important hires I made was when I ended up hiring my coo, cfo, who happens to be my husband, Jesse.

[30:31.7]

You know, he started, we started dating in 2009 and he was in and around the business for many years before we actually got married. And I think it was like 2014. And one of the things that, I mean, there's so many things that I want to share with you about how Jesse impacted the business.

[30:55.3]

But one thing that was really helpful was when he joined me and he was really looking at our finances. He's like, you're actually not spending enough. You're not investing enough in your team and in marketing. And I was so nervous, and I think because of, you know, what happened to my dad and seeing him lose his business, I was always very nervous to get out ahead of our skis.

[31:19.1]

And so when Jesse came on board and he's somebody who I trust implicitly and he said, you, you really need to lean in and, and bring on some great talent, that's when I started spending more on the people who were on our team. And I think that was a huge turning point.

[31:37.3]

How did you finance the business? I mean, you got that initial investment and how are you financing just the growth of the business? We were just reinvesting every dollar back into the business.

[31:53.3]

We never took on any additional outside investment. We had a lot of people offer to invest and a lot of people offered to buy us at different points and we just turned everybody down. And we worked with some great banking partners.

[32:08.6]

The people at Wells Fargo were really helpful. The team at CIT helped us get a line of credit to factor all of our accounts, our wholesale accounts. So that gave us the ability to be able to, you know, finance our inventory.

[32:27.7]

And that was tremendously helpful. I mean, meantime, you're seeing other brands just explode. Lululemon by 2011, 2012 was massive, massive. Probably easily a billion dollar brand by that point. And there were others, Athleta and, and other brands that were just growing.

[32:48.0]

And I mean, were you, you weren't really even competing with them at that point, right? You were just so small compared to them. Were you worried? Were you looking at those companies and just thinking, we're, you know, we're always going to be small. I wasn't thinking we were always going to be small, but I wasn't overly focused on them either.

[33:09.0]

I always looked at Lululemon as an inspiration and as the, you know, the company that made it okay for women to buy $100 pair of leggings. And I felt like they paved the way, and I'm.

[33:25.7]

I'm grateful to them for that, you know, and there were opportunity, There were times when Lulu faltered, and there were times where beyond grew. I remember when they had the whole, you know, sheer pant debacle. I don't know if you remember that, but that was a moment, because at the time, I think we were.

[33:44.1]

The number two brand carried an Equinox, but Lulu was, you know, the lion's share of the space. We were a very distant number two. And the minute Lulu had to pull their product, my buyer from Equinox called and said, hey, we've got a situation.

[34:03.1]

What do you have in black leggings? And I was like, we got you. And I shipped everything we had, and we sold through what we had. And so that was a moment for us to step up, and our product got a little bit more floor space, and we sold through when we performed.

[34:20.8]

And so that, you know, in turn, gave us more floor space in the future. 1. I guess 1. One of the turning points was you kind of came across this fabric in la, right? There's a whole district, like, garment district in la.

[34:37.9]

There's New York, too. And you were in a warehouse looking, I think, in la, looking just through potential samples of different fabrics. And you came across this one fabric that would become the core of what you make.

[34:53.0]

Tell me about that fabric and how you came across it. Yeah, that fabric is called space dye. And I was downtown at the LA Mart. I went to visit one of our fabric vendors. They had a showroom there.

[35:08.2]

And we were just going through all these fabric samples. And I just went through, you know, just touched and walked around the room touching everything. And I remember when I found space die, and I was like, what is this?

[35:23.3]

And I remember my sales rep, she was like, oh, Michelle, you don't want that. That's way too expensive. And I was like, no, I need this. What is this? And I was like, I don't care how expensive it is. This is what everybody is going to want to put on their body.

[35:40.1]

And I'm really happy that we decided to go with that fabric. I wear that fabric Every single day of my life. And I absolutely adore it. And it was worth it. What makes it different? What made it so unique?

[35:56.3]

And why wasn't it being used in other apparel by other brands? I don't think other people were using it because it was so expensive. And I wanted to make something that was going to feel amazing for people. And I don't think people at the time were willing to spend that type of money to get fabrics made.

[36:16.0]

And it was two different yarns and it was weaved together in a certain way and it had a brushed hand. There's just something about the way that those two fabrics came together. And then ultimately, you know, I worked with the mill to really work on how to get it as soft as possible.

[36:34.2]

And there's some trade secrets there, but it's fantastic and it feels really good. It, it has four way stretch, it has amazing recovery, it holds color in a fantastic way. You know, initially when I first found it, I thought that it was just going to be a seasonal fabric that we were going to use, you know, once, and then we'd move on.

[36:54.4]

And as soon as my team felt it and as soon as the sales reps got it out and our customers were touching it, they were like, you're going to have this forever, right? Is it primarily cotton? Like, what is it made out of? It's a polyspandex blend.

[37:11.0]

Okay. And I mean, was it instant? Like, I mean, by the time you started to sell this, which was, I guess 2014, because you came across the fabric in 2013, how much were you guys doing in revenue? Were you at that point, over $20 million a year?

[37:28.8]

My years are all jumbled in terms of where we were. I know that we had double digit growth, you know, pretty much from that point on. And so we never had a.

[37:43.9]

I don't think we ever had a down year from that point on. How were you able to. Because I know that, that you also, like, made some important hires. Like somebody came from Under Armour and from toms, like, how did you afford them?

[38:00.2]

I mean, and even then, you were still a pretty small business, so how could you afford to bring on those people who had so much experience? So, first of all, I wasn't the person who was paying the highest salaries. I definitely know that people took a little bit of a pay cut to come and work with us, but I think that people really believed in what we were doing.

[38:21.5]

And once one or two people come on board that are really passionate about it, that are great, I really believe that a players Want to work with a players and so your team becomes your recruiting tool.

[38:36.7]

And when this amazing marketer came over to our team, I didn't just hire her and say, I'm going to give you the biggest salary that I have. I said, look, I can afford to pay you this, but I also know you're going to need some people around you.

[38:54.6]

And we invested in building a team around her and, and you know, the same is true for what we did with, you know, the woman from Under Armour because you have to give people resources once they come on board. And people also loved the fact that we were primarily all female.

[39:11.7]

Yeah, it was funny. You know, Jesse was pretty much the only white male in our company for the majority of the time that we were in existence. When we come back in just a moment, Michelle gets a life changing LinkedIn message from one of the most venerated clothing brands in the world.

[39:31.6]

Stay with us. I'm Guy Raz and you're listening to How I Built this.

[39:50.9]

Hey, welcome back to How I Built this. I'm Guy Raz. So by around 2016, Beyond Yoga apparel has spread to about a thousand stores across the country. And after first holding off on direct to consumer, Michelle starts to embrace it.

[40:06.9]

As E commerce started to grow, we absolutely leaned into it. But as much as E Comm would grow, wholesale was just growing quicker. I forget the exact years and where things were, but I would say it was probably around like 25% of our sales.

[40:24.6]

And you know, then I think it wasn't until Covid that it really shifted and became the lion's share of what we were doing. How did you pick stores to go into? I mean, I have to imagine like if you're in, you know, TJ Maxx and and in Ross, that's different than if you are in Bloomingdale's and in Neiman Marcus.

[40:51.8]

Exactly. I always looked at our wholesale strategy as our marketing strategy. And we were very particular about where we would sell. And my team used to get frustrated with me because I would actually turn them down for a lot of opportunities.

[41:10.4]

And you know, they were like, but we could get a million dollars, you know, if we would just sell QVC or if we could do Kohl's. And I said, no, I don't think that's what's right for the brand. I mean, we could have been larger, faster, for sure.

[41:27.0]

But I think it's very easy to go quickly downstream and it's much harder to continue to build a really clean, high end, profitable business. One of the things that you guys have done is made virtually most of your apparel in the United States in Los Angeles, where you're based.

[41:48.9]

And a lot of people, I think, don't realize that there is, like, still a pretty robust manufacturing base in Los Angeles. Furniture is made there. And it's not just like a city of Hollywood. There's still things that are made there, but that's more expensive.

[42:05.4]

Was there ever. I mean, as you saw other brands and apparel brands moving their manufacturing or even starting their manufacturing in Asia, which was a fraction of the price. Did you ever look at that option or possibility? I very much enjoy making product in la.

[42:24.6]

I like the idea that I know the people that I can go down and pop in and see what's happening at any moment. And if you all of a sudden realize that something's selling really fast, you can ramp it up.

[42:40.2]

And if you on the flip side realize that you're heavily investing in something and it's a mistake, a lot of times you can just pull it from the line. But it's also extremely rewarding to get to know the people and feel like you're supporting your community. One of our.

[42:56.7]

One of our contractors, she started off as a sample house and she wanted to do more production for us, and she did phenomenal samples. And we said, as soon as you get your manufacturing license, we will start you with, you know, some small quantities and let's help you build your business.

[43:16.7]

We built our business side by side with so many of these partners. And that woman who was our sample house, she ultimately now has three different manufacturing factories in downtown la. Her daughter runs one of them.

[43:32.6]

You know, it's very rewarding to get to work with people and see those types of impacts on their lives. So I read that around by 2017, you guys had hit about 20 million in revenue. And apparently around this time, you thought, why don't we take a.

[43:52.9]

Why don't we see if we can bring in some investors to sort of supercharge our growth? Right. Because that's a great number. And you decided to spend some time making a pitch, going to investors. And I'm assuming you went to New York and probably were in la. Tell me a little bit about that process, am I right?

[44:10.9]

I mean, the idea was, let's bring in money, let's grow this thing. Yes. And we were like, maybe we should be growing a little faster than we are. We did see, you know, everybody else moving at what seemed like a much quicker clip than we were.

[44:27.4]

And so we went out, we hired a banker, and we did we did the whole dog and pony show. And I think even though ultimately we decided that we didn't want to bring on an investor, I think it was a really invaluable lesson.

[44:42.5]

And so the things I learned, number one, was people were looking at the business very differently than I was. You know, at the time, everybody was focused on D2C only. And people are like, what are you doing with all this wholesale? Like, you don't have control over that. So they thought that that was crazy.

[44:59.1]

But then also we were running the business to break even, and people were like, where's your profit? And we're like, well, obviously, if we did this, this, and this, there would be profit, but we are continuing to grow, and people really just wanted to see the profit.

[45:14.9]

And as a day to day operator, like, when Jesse and I went around doing this, the two of us were the main day to day operators of the business. It was extremely distracting. And I know that it becomes a cycle where it's like, okay, you raise money and then you have to deploy it, and then you have to raise more money.

[45:36.0]

And I wanted to. I wanted to be back in the office with my team. I wanted to be at the photo shoots. I wanted to be making the part of the business happen that I loved. And when we spoke to people, they, you know, we were just too small at that point.

[45:52.1]

People wanted to have majority ownership, and that meant that we would give up control. And probably a lot of the things that I really valued would go away, like the ability to manufacture locally and making sure that we were size inclusive. And, you know, I wanted to be able to run a business the way we wanted.

[46:12.3]

Yeah. Was it. Was it kind of disheartening to go through that a little bit? Because, you know, sometimes people will think of that as a validation, like, oh, let's go and sort of test this out and get it validated in the open market. And, you know, at that point, it sounds like you won't getting that validation.

[46:30.5]

Yeah, I think it was a little frustrating. I remember at the time talking to Jodi, and, you know, she was asking me what I wanted to do, and she was like, I'll defer to you. And I was like, I want to take. I just want to stop.

[46:46.4]

I want to take us off the market. I want to focus on running the business. And I just really don't want to play this fundraising game. And she was like, okay, so let's go. Yeah. When you guys entered 2020, from what I understand, you had this is before the pandemic you just purchased a lot of material because you had a bunch of orders.

[47:10.4]

And then March or late February of 2020, yoga studios start to close. And all of a sudden, I think by middle of March, you start to get a cascade of canceled orders. Yes, over $6 million of cancellations in one week.

[47:28.5]

A lot of our money tied up in raw materials. And I had big orders placed with our, you know, our fabric suppliers. You know, we had to come up with a new game plan.

[47:43.9]

And so I talked to my sales team and I said we should assume every order is canceled unless you get written consent that they want the order. And everyone was like, are you kidding? Just go ahead and ship the orders. And I was like, we are not going to ship.

[47:59.1]

Because can you imagine being that studio in Boston and you can't open your doors and all of the sudden you've got Beyond Yoga product landing on your doorstep and you might not be able to even bring it in, let alone, you know, sell it to anybody.

[48:16.7]

And then there's gonna be a bill coming and you don't have revenue coming in from your studio classes. Like, we cannot do this. But it ended up kind of being a blessing because, a, I feel good about the way we handled things, and we didn't weren't cramming product down people's throats that didn't need it.

[48:40.9]

And also at that point, everybody is at home and people were working out from home. People were wearing Beyond Yoga around the clock. And our website was, you know, in high demand. And then also a lot of industries, as you know, were pulling back on their advertising because there was no reason to advertise.

[49:01.1]

So our customer acquisition fees went rock bottom and we were able to acquire a lot of new customers. And because we hadn't shipped all of that inventory to sit idly in a store that wasn't going to be open, we had it on our website and we were able to start selling that and turning that back into cash.

[49:23.4]

And so that was wildly helpful. I guess that year, in the fall of that year, you got a. Like a cold outreach on LinkedIn from someone at Levi's. And this was just to kind of like, do you thought maybe like a brand collaboration or something?

[49:39.6]

Tell me about that message. Yeah, so I got this message and it was from a woman named Lauren. And she said, we feel like there's a lot of brand synergies between Levi's and Beyond Yoga and we'd love to talk about ways of working together in a positive collaboration.

[49:58.1]

And I thought we were going to do a Collaboration. And then she was like, great, next steps. I'd love for you to talk to our cfo. And, you know, he said to me, I'm. You know, we're interested in diversifying what we're doing at Levi's, you know, our demographic lens excuse more towards men.

[50:18.2]

And I like the fact that Beyond Yoga is primarily female, and we may want to acquire a company or we may want to build activewear on our own. And I said, in my opinion, I think you should acquire somebody because everybody thinks that they can build an activewear brand.

[50:36.3]

And I've seen so many people do it and not realize how difficult and nuanced it is and fail. You know, I wasn't really trying to pitch him on me. I was just giving advice. And ultimately, that conversation went well.

[50:53.4]

And we had multiple others, and when they said that they were interested in acquiring us, I was extremely flattered. We absolutely were not looking to sell the business at that point, but it was Levi's and the fact that they've been around for 170 years.

[51:12.6]

I also was thinking about my team and what it would mean for all of us. I feel like everybody who worked for me was kind of in this, like, scrappy startup mode. Even though we were at 16 years in, at that point, we had always.

[51:27.6]

I always felt like people were really taking a chance on us, and I thought that this would be a really great way to make sure everybody was taken care of into the future. So it was announced in 2021 that they were acquiring you guys for $400 million, which is an amazing deal.

[51:52.1]

I mean, you know, especially for a company that was started out so small, what were you able to do, like, almost immediately that you. You weren't able to do before? One of the things that Levi's was really excited about when they acquired us was the fact that we had never opened brick and mortar stores.

[52:11.1]

And so that was probably one of the most exciting parts of the acquisition. And. Yeah, so while I was with them for the last two and a half years, I was able to open six stores. Wow. I think that your dad passed away a couple years ago, so he was able to see this happen, right?

[52:33.5]

He was. And that was so cathartic to me. I'm really glad. I kind of feel like this acquisition was kind of like he got the exit that he always wanted to. And I know he always wanted to provide for, you know, our family and take care of my mom.

[52:53.7]

And I know that when he passed, I knew he felt good knowing that my mom would always be Taking taken care of. I know that you formally stepped down from the company in February of 2024, and also, Jesse, your husband, stepped down as well.

[53:13.0]

And so what did it feel like after, you know, 20, almost 20 years, that was your daily job. I mean, that was what you lived and breathed every day for 19 years to all of a sudden it just ends. It was really hard.

[53:31.2]

Somebody gave me some really good advice. They said, you know, your first day that you're not going into the job, wake up on vacation. And so we, Jesse and I, we decided we were going to go to Mexico, which is Cabo, which is like our favorite spot.

[53:47.4]

And it was weird that first day, though. Like, I wanted, you know, I'm so used to being able in constant communication with my team and there were no emails coming in. And I actually spent that entire day just laying at the beach listening to episodes of How I Built this.

[54:10.1]

The thing that was the hardest about this whole time, though, or this whole step down was just not being able to talk to the team. And it wasn't that I couldn't, but I think I had this crazy idea that, like, I was still going to be coming to the office and like bringing people coffee and going out to lunch with everyone.

[54:26.6]

And I realized that I just needed to give everybody a little distance in the beginning and I needed to give myself that distance too. You know, I have two small children that I want to be able to volunteer in their classroom, but I've also gotten this incredible opportunity to just meet so many female founders and get involved in the, you know, the female foundering community in la.

[54:53.7]

And when I was running beyond yoga, I was so heads down and so focused on running the business. I barely ever talked to people outside of, you know, my family and my team and my immediate friend group. And so I personally just really want to be that person for other people right now because I feel very fortunate for how this all ended.

[55:19.7]

So, you know, a question's coming because you've heard the show before. How much of it do you attribute to luck and how much of it do you think had to do with just the grind and the hard work? You know, it's definitely a mixture, but I do think that luck favors the prepared mind.

[55:38.5]

Right. And I think we put a lot of really hard work into this business and set ourselves up to be lucky. But there's definitely an element of luck here.

[55:55.8]

And you have, I mean, the rest of your life and career ahead of you. I mean, you're still Young, in your 40s. What do you think you want to do with the rest of your life? That's a great question. You know, one of the things that I promised myself was that the first year I wouldn't start another company and I wouldn't join any boards.

[56:20.7]

I would just slow down and really enjoy, you know, this time in my life. And that's what I'm doing. But I. I would be lying if I didn't tell you that every single day I think about starting another company.

[56:38.8]

That's Michelle Wheeler, co founder of Beyond Yoga. By the way, these days, Beyond Yoga has expanded way past its original mission of women's activewear. It now sells clothes for men and toddlers. And in fact, if you're not into yoga at all, you can even buy yourself a Beyond Yoga pickleball paddle.

[56:58.8]

Hey, thanks so much for listening to the show this week. Please make sure to click the Follow button on your podcast app so you never miss a new episode of the show. And if you're interested in insights, ideas, and lessons from some of the world's greatest entrepreneurs, please sign up for my newsletter@guyraz.com or on substack.

[57:15.2]

This episode was produced by Chris Masini, with music composed by Ramtin Arablouei. It was edited by Neva Grant with research help from Kathryn Cipher. Our engineers were James Willits, Patrick Murray, and Robert Rodriguez. Our production staff also includes Alex Chung, JC Howard, Carla Estevez, Sam Paulson, Kerry Thompson, John Isabella, and Elaine Coates.

[57:36.9]

I'm Guy Raz, and you've been listening to How I Built this.