



Will Tyler Haney Save or Sink Outdoor Voices?

The founder's surprise return to the troubled activewear label after a sudden exit is the latest twist in a saga that underscores the issue with creative leaders who lack the operational savvy to take a start-up to the next level.

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AUSTIN, Texas — Earlier this month, employees at Outdoor Voices, the oft-discussed activewear label that takes up more industry mindshare than it does market share, were once again nervous about the future of the business.

Cliff Moskowitz, brought in as interim chief executive when Founder Tyler Haney stepped down from the role at the beginning of the year amid spiraling costs, messy operations and reports of a brutal internal culture, was gone — with no replacement announced. Ashley Merrill, founder and chief executive of Lunya, a direct-to-consumer loungewear brand, was suddenly in the picture, interacting with employees in a yet-to-be-explained capacity.

And maybe most surprising of all, Haney was back. Despite having announced her resignation in February following disagreements with investors, including ex-board chairman and retail veteran Millard “Mickey” Drexler, she has taken a “nebulous” role working on creative projects and collaborations with other brands, according to multiple people both inside and outside the company.

Some challenge whether she ever really left, given that her current position appears to mirror what was originally planned before she departed four months ago.

Regardless, Haney's public return to the brand raises an important question: Does her participation, at this stage in the struggle, help or hinder Outdoor Voices' ability to move forward?

With Drexler gone, and other investors, once proud advocates, distancing themselves since the company's operational challenges were made public, Haney and her backers have something to prove. Those that remain — including Haney, it seems — are betting the future of Outdoor Voices on Lunya's Merrill, who has joined the board as executive chairwoman.

NaHCO₃, Merrill's “investment management platform,” named after the chemical compound better known as baking soda, is the brand's latest backer. The size of the investment was not

disclosed, although one source familiar with the deal said it was less than \$10 million. Phillip Niels, a partner at investment firm Oakwell Capital and a member of the Outdoor Voices board, told BoF it was a "material" amount.

Merrill said in a written statement that she is a "customer and long-time fan" of the brand, and is "thrilled to be joining Team OV and looks forward to bringing my experiences at Lunya to help build a healthy, sustainable business that drives value for our team, customers and community."

According to Neils, Merrill's involvement in the business up until her official appointment was simply a part of the due diligence process, calling it "relatively normal." He also said that Haney's presence at the company was no secret, despite her pointed resignation earlier this year.

"Tyler leans in and helps in the areas that she's particularly strong with, including brand creation," he said.

Both Merrill and Haney — who have met several times over the past months — will take part in the formal search for a permanent chief executive. When asked whether that could be Haney herself — the return of the genius founder is a common narrative in startup land, after all — Niels added that she is "fully aligned in finding that right operational partner." He depicted Moskowitz's departure as an expected step rather than a disruption, and underscored that the board is searching for a leader with extensive retail experience.

"We're going to take our time in hopes of finding the right fit when it comes to a permanent CEO," Merrill said. "We're looking for someone who is operationally focused and can take OV to the next level with proven experience scaling and growing retail companies. It is also critical they understand and embody Outdoor Voices' values and brand."

Other than money, Merrill will bring her own operational expertise to her new position. The exec founded Lunya in 2012 and has grown it to somewhere in the vicinity of \$50 million in annual sales, according to one person familiar with the company's finances. (Merrill would not comment on the figure.) She started NaHCO₃ with her husband, Marc Merrill, co-founder and co-chairman of video game developer Riot Games, which is now owned by Chinese conglomerate Tencent. They've invested in ventures including Brightland olive oil, home goods brand The Citizenry and fast-casual restaurant Lemonade.

While not as famous as Haney, Merrill is another young, white female founder who also serves as her brand's spokesperson. In recent months, the notion of a #Girlboss — a term popularised by Nasty Gal Founder Sophia Amoruso — has been called into question as several of these executives were forced to step down amid accusations of racism and generally bad management, including Reformation's Yael Aflalo and The Wing's Audrey Gelman.

NaHCO₃'s investment is an incremental part of a funding round that the company began raising late last year, which valued it at just \$40 million. (The Merrills, however, are said to

have received more equity for their investment than those who put up money in January.) One person familiar with the business said that the cash infusion will allow the company to pay off supplier debt brought on by the pandemic. Niels denied this.

"This period has been challenging," he said. "But this investment is for growth purposes – we're going to use it to invest in building out the business and the people."

The cash could indeed help to support organic sales momentum. At the beginning of the lockdowns, one investor told BoF that their hopes for the company were minimal given the limits of the additional funding from January. (Before this latest round, Outdoor Voices had already blown through nearly \$60 million.) But like many other activewear labels including Lululemon and Nike, Outdoor Voices has benefited from pandemic-era interest in the category. After a major slowdown in e-commerce growth in March and April, when the lockdowns were first instituted in the US and millions of people lost their jobs, business began to pick up again in May. Online sales were up roughly 50 percent year over year in the first two weeks of June, according to Earnest Research, which tracks US consumer spending.

What is still unclear is how much money it will take to get Outdoor Voices back on track. After co-founding the brand in the early 2010s while still a student, Haney stepped down from the chief executive role while on maternity leave at the end of 2019 in order to make room for a more traditional retail operator. In return, investors offered to extend an additional financial lifeline to the business, which was losing up to \$2 million a month on annual sales of about \$40 million. Moskowitz, co-founder of fashion investment firm Interluxe, was placed at the company as interim chief executive.

But just days after BoF reported her new role, and the same week the company laid off about 15 corporate employees, Outdoor Voices issued a statement saying that Haney was resigning. In an Instagram post, Haney wrote that she would "set the record straight soon" and that she was "staying quiet at the moment. Heartbreaking narrative of an individual trying to cause harm."

The "individual" is believed to be Drexler, with whom Haney clashed. As chairman of the Outdoor Voices board, Drexler advocated for a more traditional approach to inventory planning. While the brand earned far more media attention than other activewear startups, one of its greatest weaknesses was its merchandising mix, which relied too heavily on novel items instead of basics that tend to be purchased again and again.

Today, Outdoor Voices sells black leggings and other margin drivers, but for many years it simply didn't have these kinds of reliable items in the product lineup. Many other investors agreed with Drexler's concerns, and some additional board members have departed.

After Haney's unexpected exit in February, two more reports were published about Outdoor Voices. One by the New York Times, which went deep into the company's shaky business strategy, including what many viewed as a misallocation of funds. Another, by BuzzFeed, detailed mostly anonymous complaints regarding the company culture. Working at Outdoor Voices was described – like at other fashion startups that have seen their founders depart in

recent months – as “difficult,” “draining,” “brutal” and unfavourable to people of colour. (A personal spokesperson for Haney described these accounts as “inaccurate.”)

With or without Haney, Outdoor Voices faces significant challenges, both macro and micro. Since her departure, several high-level employees have been brought in on a temporary basis – signing three or six-month contracts – viewed by some as a last-ditch attempt by investors to get back on track, according to a person familiar with the situation.

However, Outdoor Voices also has a strong brand in a market that continues to expand. (During the lockdowns, its online programming has attracting more than 15,000 people a week, Niels said.) With the right plan in place, and the right amount of financing, it could successfully move forward.

“The ability to thrive in this new environment is important to me as an investor,” Davor Hebel, a managing partner at venture capital fund Eight Roads Ventures, recently told BoF. (Eight Roads Ventures is not an investor in Outdoor Voices.) “We’re looking at companies that will sail through the macro tail winds of [global crises].”

Regardless of what happens next, the Outdoor Voices saga highlights a much bigger tension point across startups in the fashion and beauty space and beyond. All too often, the founders-turned-CEOs of the industry’s hottest ventures have little real-world experience. And yet, they are expected to lead both the operational and creative sides of the business from day one.

Sometimes this works, especially when the founder and advisors hire the necessary support system.

“There are certain teams and founders who you are going to invest in: even if they’re young, they’ve got strong experience and potential,” said Matt Kaden, managing director at investment banking firm MMG Advisors, which works with fashion, retail and direct-to-consumer brands.

He named Stitch Fix’s Katrina Lake and Michelle Cordeiro Grant, founder of underwear brand Lively, as successful examples. Lake, a Harvard Business School graduate, hired a team of experts in both retail and data to support her vision, resulting in an initial public offering. Grant aimed to disrupt her former employer – Victoria’s Secret – and Lively was acquired for \$85 million in 2019 by legacy firm Wacoal.

“Some can take you all the way,” Kaden said.

But when it doesn’t work out, the long-term effects of such an arrangement can result in minimised returns – and a permanently damaged company.

“There’s no formula,” Kaden added. “It really is case by case.”