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## Fashion patriarch fronts a model of success

*By Vanessa Friedman*

There is a ritual at the end of every Ralph Lauren fashion show. After the final model parade, Mr Lauren appears on the runway to take his bow, and his family - wife Ricky, sons David and Andrew, daughter Dylan, David's girlfriend Lauren Bush, who used to model for the brand - rise to their feet in a standing ovation, followed by hugs and kisses.

It is a rite of patriarchal devotion that has become as intrinsic to the brand as its polo player logo. Mr Lauren, 69, founded the company 42 years ago. It counts his brother Jerry as executive vice-president of men's design, and his son David as senior vice-president of advertising, marketing and corporate communications; Ralph Lauren remains the largest shareholder.

But he insists it is "not a family company. It's a public company built on an individual vision. There are 41 people in the company who have been here 21 years or longer, and only one of those [Jerry Lauren] is actually a member of my family. I've had an outside president almost since I started."

This conscious balancing act between the image of overt family involvement and the insistence on active external management is one of the hallmarks of the Polo Ralph Lauren Corp. The group embraces the numerous Ralph Lauren lines, extending from high-end luxury to jeans and athletic wear and home wear, as well as the accessible Club Monaco, Chaps and American Living brands.

Revenues for fiscal 2009 were \$5bn, and the company has been one of the few fashion and luxury success stories during the recession.

**"They ended 2009 with a very strong balance sheet, with liquidity of about \$1bn, and a very small debt," says Dana Telsey, chief executive of the Telsey Advisory Group. Operating profit for the second quarter of last year was almost \$250m.**

This has enabled the company to pursue an aggressive expansion strategy, taking direct ownership of its Japanese licences and opening an elaborate new flagship store in Paris in the spring. Almost 50 per cent of capital expenditure is now dedicated to international growth.

"It's the only fashion company I know managed like a Fortune 500 company," says an industry source who has worked with many high-end fashion brands, including Ralph Lauren.

William S. Susman, president of Financo, an investment bank dedicated to the retail sector, says it was Mr Lauren's decision to "institutionalise" his company by taking it public in 1997, long before most family-run European brands had even considered the idea, that set the tone for the management strategy.

"He made it a global business with family members," Mr. Susman says.

He believes it was a decision aimed at ensuring the brands' legacy and continuity, and that it has largely succeeded. The strategy positions Mr Lauren, the company's chairman and chief executive, as the guiding light of the company.

His role is complemented by president and chief operating officer Roger Farah, 56, a highly respected fashion executive hired in 2000. Mr Farah functions as the merchant and corporate strategist. According to insiders, however,

the classic corporate/creative divide that exists at many fashion companies - where the stereotype has the manager shielding the creativity of the designer from the distractions of finance - does not hold true at Ralph Lauren.

"It's not like Ralph is protected from business decisions," says Candy Pratts Price, who served as the company's vice-president and creative director in the late 1990s. "Ralph knows everything, and signs off on everything, from stationery to hedging strategies. This can be frustrating if you like decisions made very fast, but it also ensures consistency."

Mr Lauren calls his relationship with Mr Farah a "partnership". The two men have offices next to each other, and talk, says Mr Lauren, "every day, including weekends".

Marie Driscoll, an equity analyst at Standard & Poor's, characterises Mr Farah's approach as "methodical and low-key". Ms Pratts Price says: "Ralph is not a yeller. But 'it's not me' is a line you hear a lot."

Mr Susman says: "If something were to happen to Ralph tomorrow, I think the perception is that the brand is so well run, the stock price wouldn't go down."

This makes Mr Lauren a canny anomaly in the fashion world, where questions of succession have bedevilled brands such as Emanuel Ungaro, which has had a revolving door of designers and directors since its founder retired.

However, Michael Gould, chief executive of Bloomingdales, the department store, where Ralph Lauren's multiple lines make it the biggest wholesaler represented in the store, calls Mr Lauren the "essence" of the brand.

Mr Lauren is not unaware that outsiders believe his son is in line to succeed him, but he is quick to damp the rumours: "People ask if David will take over after me, but it's far from the case at this time. It's not a foregone plan."