



Developing a Global Platform

An Interview with Joseph Gromek,
President and Chief Executive Officer, Warnaco Group, Inc.

EDITORS' NOTE In April 2003, Joe Gromek assumed his current role at Warnaco Group, Inc. Formerly the President and CEO of Brooks Brothers Inc., from 1996 to 2002, Gromek has also held senior management positions with Saks Fifth Avenue, Limited Brands, and Ann Taylor Stores Corporation. He is a member of the board of directors of Volunteers of America and a member of the board of governors of Parsons The New School for Design.



Joseph Gromek

COMPANY BRIEF The Warnaco Group, Inc. (www.warnaco.com), designs, sources, and markets a broad line of intimate apparel, sportswear, and swimwear worldwide, under brand names including Warner's, Olga, Calvin Klein, Speedo, and Chaps. Warnaco's products are distributed domestically and internationally, primarily to wholesale customers through multiple distribution channels.

How does Warnaco sustain growth during challenging economic times?

At the beginning of the retail consolidation cycle, we identified a desire to reduce our dependence on the U.S. market, and two and a half years ago we acquired the rights to Calvin Klein jeans and accessories in Europe and Asia. That acquisition was transformational. It allowed us to accelerate our international expansion and positioned us with a global platform to support those Calvin Klein businesses and others. Also, as part of that acquisition, we changed our composition from being a U.S.-based wholesale company to having a large retail component. In 2007, 18 percent of our business was conducted at retail, and we believe that can grow to more than 20 percent in 2008. Today, close to half our business comes from outside the United States, and over the next three years, we believe Europe has the potential to be a larger business than the U.S. for Warnaco.

How strong has the Chinese market been for you?

The Asian market has been very strong for us. In the second quarter of 2008, revenues grew 42 percent in Asia. We now own and operate more than 48 Calvin Klein Jeans and Calvin Klein Underwear stores in Shanghai and Beijing, and we're very pleased with the operation and growth initiatives. Through both

Warnaco-owned operations and third-party distributors, we expect to open seven Calvin Klein Jeans and/or Calvin Klein Underwear stores per week in China over the course of the balance of the year.

Of all Warnaco's leading brands, how much of a focus is the Calvin Klein brand?

Today, Calvin Klein is the most dominant part of Warnaco's portfolio. It accounts for 70 percent of total revenues and is the fastest-growing part of the business. We estimate that over

a five-year horizon, our Calvin Klein properties will grow by 15 percent per year on average, and will double in scale from \$1.2 billion in 2007 to \$2.4 billion in 2012.

What directed your international strategy two and a half years ago?

We identified several acquisition opportunities, and at the very top of the list was Calvin Klein Jeans in Europe and Asia. We already ran the underwear business, and we were operating the jeans business in North America. By controlling Calvin Klein Jeans worldwide, we felt we would have significant synergies in terms of the product, design, and costs. In addition, we felt our experience in the category and existing international infrastructure would help mitigate some of the risk factors, including managing a business from its Italian office 2,500 miles away and the cultural differences between private and public companies. We were fortunate, because the team we acquired was high caliber. The entire team stayed with the business, performed at a high level, and exceeded our expectations.

Does the financial community understand where the brand is going?

The investment community believed the strategy was sound. On the basis of our team's ability to execute and the business's performance, we believe our key strategies are well understood, and our shareholders have been rewarded.

Are you satisfied with your range of categories and the number of brands in each of those segments?

We have four businesses. Calvin Klein is the largest at two-thirds of our business, and our heritage brands – Speedo, Chaps, and Core Intimates [Olga and Warner's] – make up the remaining third. Speedo is a leader in the swim category, Chaps is well positioned in the mid-

tier, and Warner's and Olga are both profitable businesses. Because our businesses generate a considerable amount of cash, we are in a position to pursue another acquisition. We would be interested in a global lifestyle brand that would allow us to fully maximize our existing global infrastructure.

How critical is the Warnaco Foundation to the values and culture of the brand?

One of our challenges as a global company is establishing core values that are understood by all and that our entire company can rally around worldwide. Within our core values, we developed a series of concepts we believe are very important to being successful within Warnaco: you have to perform at a high level and excel while being respectful; collaboration is absolutely key; leadership is very important; and innovation is fundamental. Our team is very excited about these values. In conjunction with that, in 2008 we launched the Warnaco Foundation with the mission of focusing on children and education in the United States and around the world.

Have things progressed as you expected when you took on this role in 2003?

Our team has performed better than I could have imagined. Through sound strategy and great execution, we've been able to provide our shareholders with real value during difficult economic times.

Have you been able to attract and retain the talent you need on a global basis?

That has been the key to our success. We've been able to excite people about what we're doing here and recruit some of the best people in our industry. I'm fortunate to have colleagues with me who are legendary within the apparel retail arena. In addition, we've developed programs to further enhance, develop, and promote talent internally, as well as recruit externally.

With Warnaco's global focus, how challenging is it to achieve a work/life balance?

Technology has advanced so dramatically that you can be connected to the global business 24/7 without physically being in any particular location. One of Warnaco's core values is respect, and we are respectful of people's time. For example, there is no perfect time if you want to have a global meeting, especially since we operate in so many countries and time zones. So we've learned to be innovative – we're a very flexible group. ●