

# The Road to Recovery

**An Interview with Jay L. Schottenstein,  
Chairman, Schottenstein Stores Corporation**

**EDITORS' NOTE** In 1976, Jay Schottenstein joined Schottenstein Stores Corp. (SSC), the business in which his father, Jerome, was one of the founders. He has served as Chairman of the Board of Directors of American Eagle Outfitters, Inc., Retail Ventures, Inc. and SSC since March 1992. Schottenstein has served as Chairman of the Board of Directors of DSW Inc. since March 2005. From March 2005 until April 2009, Schottenstein also served as Chief Executive Officer of DSW Inc.



Jay L. Schottenstein

**COMPANY BRIEF** Schottenstein Stores is where the Schottenstein family established its retail roots. SSC owns American Signature Inc. with 128 Value City Furniture and American Signature Furniture stores located in the Midwest, Eastern, and Southern portions of the U.S. The family also owns interests in a variety of retail businesses, including over 50 percent of Retail Ventures, Inc., the majority owner of DSW Inc., which operates 306 DSW shoe stores; about 15 percent of life-style fashion retailer American Eagle Outfitters, Inc. with 954 stores in the U.S. and Canada; retail liquidator SB Capital Group; and more than 25 million square feet of real estate, which includes about 80 shopping centers and various other properties throughout the U.S.

**When you look at the severity of the economic crisis and the speed at which the crisis came about, were you surprised, and when you look down the road to recovery, how far along do you think we are?**

I don't know many people who could say they were prepared for this crisis. It was as if someone took a faucet and turned off the credit supply. The good thing is despite the banks not yet having opened up the flow, businesses seem to have stabilized themselves pretty well. What makes this crisis different than the others is the average American business is in decent shape. If you look at 1979 and 1980, the businesses were in trouble and the banks were in good shape – here, it's vice versa. So to have a full recovery, the banks have to start getting comfortable making credit available to many different types of companies.

**Many say that while the stimulus was needed to prevent total collapse, for full recovery, entrepreneurship and innovation**

**are critical. Is real recovery going to be driven by the private sector?**

There has never been a recovery in this country where the private sector and entrepreneurship haven't led the way. We have to make sure that in the various communities, banks will make credit available to the entrepreneur. A lot of major companies in this country didn't start out big – they started out as small companies, where a bank or banking official would take a risk on somebody and it would pay off. To have true

recovery, people must know they can start something and have a credit institution to go to. The original concept of the bank was to serve the community so it could grow and people could prosper.

**Is the playing field more challenging today for building a business?**

At this particular moment, for the average person, it is more difficult. Many local banks that used to be headquartered in their own communities have been bought out by other banks based in other areas, and they don't have the same sensitivity to that community. That's not to say it won't change, but the purpose of the stimulus plan was to get the money into the banks and, in turn, for the banks to loan it out in the various communities – the banks have not done that.

**Can entrepreneurship be taught? Can that ability to take risks be learned, or is it inherent?**

There are many people who may have the ability to be entrepreneurs if they're exposed to the right set of circumstances, and to the culture of what it takes to run a business.

**As someone who leads some very large organizations, when companies achieve a certain size and scale, can they remain entrepreneurial or is it hard to maintain that as part of the corporate culture?**

As you get to a certain size, you have to build certain disciplines, and sometimes that can be a little contradictory to the entrepreneurial spirit of a company. At the same time, you don't want to lose that spirit either. You want to keep the spirit that made the company what it is. The good businesses must have entrepreneurship – I don't care how big or small you are, you still have to have that flare of what makes your particular business different

than somebody else's. Speed is also very important; you don't want to get bogged down in the grunge. You want to be able to still make those moves and have an organization that can still move with you.

**What made you feel it was the right time to create the luxury segment for Schottenstein, and what is your vision for that part of the business?**

Our feeling is that a little diversification is good. We're very strong in mass market retailing, but there was an opportunity to get involved with certain brands like Judith Leiber and Steuben Glass, and we saw that as an area where there would be other brands available to pick up in the future to allow us to develop that category. The challenge today is, unfortunately, the luxury customer who thought they were insulated from everything was greatly affected by this downturn. So our challenge is to keep refining ourselves and making a product that people want.

**Did you know early on that you had that entrepreneurial gene and the interest to create and to develop businesses?**

I represent our family's third generation in the business. We grew up at a dinner table where my dad and my uncles discussed business, and it wasn't like it was a job – it was their life. The business wasn't something they came home from – it was part of their lives, and they were very entrepreneurial. Ever since I was little, I've always worked in the business and have always seen different sides of the business. There was never a doubt in my mind exactly what I was going to do.

**What are your key priorities as you look to 2010?**

Because we're more retail driven than anything, it's about making sure we have the best merchandise line, whether it be for DSW, American Eagle Outfitters, or American Signature Furniture; to make sure we offer a great shopping experience for the customer; and to provide a great product selection at a great value. Today, it does not matter if you're in the luxury market, or a mass merchant – everybody wants to make sure their dollar is stretched to the fullest. Customers want quality and selection, and at the same time, they want a good shopping experience. So our job is to make sure we give them those experiences and great values and a great product at the same time. ●