

# Brand Power

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



Joseph Gromek

**EDITORS' NOTE** Joe Gromek assumed his current role at Warnaco Group, Inc. in April 2003. From 1996 to 2002, he was the President and CEO of Brooks Brothers Inc., and 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.

**COMPANY BRIEF** Warnaco Group, Inc. ([www.warnaco.com](http://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.

**Were you surprised by the severity and speed of the economic crisis, and how has it affected Warnaco's growth?**

Many of the economic indicators were predicting a recession, but the severity of it is something beyond what anyone had really considered. Warnaco, in real terms, continues to experience growth based on our ability to conduct business around the globe. We've found opportunities in some mature and emerging markets that have allowed us to capitalize on the power of our brands.

**In which markets do you see strength, and are these the specific markets you're most focused on for growth?**

We've continued to experience growth in Asia and Latin America. In Asia, the China market is quite buoyant with growth rates of around 8.5 percent. In Latin America, we're experiencing very positive results in the Brazilian market, based on our powerful portfolio of brands and the fact that we're totally underdeveloped in the marketplace.

**With regard to China, how have you achieved successful entry into the market?**

Warnaco has put in place an infrastructure. We've hired very talented people on the ground, specifically in China. So if you can recruit quality management and provide them with the resources to allow them to do the right things in terms of the business, the results are very gratifying.

**Is there local talent in those regions who understand the brands and the quality that Warnaco provides?**

We've been very fortunate in identifying local talent and motivating and providing growth opportunities for the teams of people we've been able to recruit. We hold them accountable and give them responsibility, and it has worked out very nicely for us.

**In your brand portfolio, is Calvin Klein the flagship that takes you into these markets, and how critical is that brand to the overall business?**

Calvin Klein represents about 75 percent of Warnaco's revenues, and it is our means of entry into global markets. The power of the Calvin Klein brand is astonishing, and typically in markets we enter, the consumer already knows us, and there is an appreciation for the aesthetic of the brand and for the quality that it represents. We are fortunate in that the product categories that we trade in – primarily underwear, jeans, and casual tops – are by far the most affordable of luxury products. So even in this very difficult economic time, providing affordable aspirational luxury products can work, and for us, it has continued to be quite positive.

**As you enter emerging markets, do you generally need to partner, or is there a structure by which you operate independently?**

We have a couple of different formulas that we follow, depending on the channels of distribution that exist in the specific geography. If there is an ability to sell to customers, department stores, or specialty retailers, we can have a wholesale business, and we may do that uniquely and control it ourselves. If those channels don't exist and we have to be a retailer, then that provides a different formula and we may enter a market alone if we think we can manage that, or we may do that with a third party partner that we would either assign as a distributor of our product, or as a licensee, or we might do it as a joint venture.

**How critical has communication been with your customers, your board, and your staff in today's times?**

Communication is absolutely key during these challenging times, and we've really tried to ratchet that up several notches. We communicate more frequently with our customers to ensure that we're providing them with the appropriate product and services that they require so we can execute at a very high level. We communicate more frequently with our board of directors, providing them with real-time updates on how the business is performing and any issues that might crop up in between our board meetings. Internally, with our own staff, we communicate via written word and orally, as well as via webcasts so that on a global basis, we're keeping everyone informed and aware of the issues within the company, of new initiatives, and of progress against those initiatives.

**How critical has maintaining the focus on corporate social responsibility been to both the culture and to the people within the company, and is it challenging in today's environment?**

We made a decision not to retrench in regard to our social commitments in both the Warnaco Foundation and our sustainability project. In both cases, we continue to invest our time, energy, and financial resources behind the commitments to several organizations run by the Warnaco Foundation, specifically involving kids in education in areas that we conduct business, both domestically and internationally. We hope as things improve in the economy, we'll be able to increase the level of financial resources behind these commitments. ●