

A Portfolio of Powerful Brands

**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. 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, the Ronald McDonald House, and a member of the board of governors of Parsons The New School for Design.



Joseph Gromek

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

How did Warnaco's positioning during the recession help it maintain its strength?

Warnaco is in an enviable position, based on the fact that we have a portfolio of powerful brands led by Calvin Klein, and our business model was and is well diversified.

We currently sell in over 110 countries, and operate both as a wholesaler and in the direct-to-consumer channel as a retailer. As a retailer today, we operate in over 1,200 points of distribution that we control ourselves and an additional 600 that are controlled by third parties.

So this diversification has buffered us to some degree against the economic difficulties we've been facing.

Additionally, we took proactive steps to control costs and operations. We preserved cash where possible, and focused on the basics, which supported the company well and positioned us to benefit as the global economy returned to a more stable environment.

It would seem there would be opportunities for Warnaco to expand and bring on new brands. Is that the goal or is the portfolio today the right mix?

We are in a unique position in that our longer term strategic plan over the next five years suggests we can continue to grow our business at a rate of 10 percent or more without a strategic acquisition.

Also, from a balance sheet perspective, our company is positioned very positively. We have no long-term debt at this time and we will generate a significant amount of cash on an annualized basis. So we do intend to put the cash generated to work by funding our internal growth as well as being available to fund potential acquisitions.

The most positive utilization of our currency at this point in time, in terms of acquisitions, tends to be in buying back distribution rights of our brands globally. We will spend a

good deal of time focused on that initiative over the next few years. In addition to that, we will continue to pursue opportunities beyond our brands as they surface.

We have 75 percent of our revenue now coming from all of the Calvin Klein properties we're involved with, and as we look for other opportunities in terms of portfolio additions, a brand has to stand tall next to Calvin Klein and that is not an easy task.

Does the financial community understand how this brand has evolved?

Warnaco is a victim of the marketplace, and we tend to be lumped together with other apparel companies without an understanding of the components of our business, and the fact that so much of our business is done outside of the U.S., and that so much of our business is done in our own retail stores, which is now approaching 25 percent of revenue.

Also, much of our business is diversified in the number of categories we operate in: sportswear, swim, jeans, accessories, and the lifestyle components of the jeans business, primarily sweaters, knits, and woven shirts.

Even though we are constantly driving home the message that we're a diversified portfolio company, I'm not sure that it's totally appreciated.

Culturally, how important has it been for employees of Warnaco to focus on social responsibility, and are you happy with how those efforts have progressed?

There is an acceptance by our organization of the commitment to give back in our communities, and with a large contingent of our associates being in New York City, they take great pride in the activities they're involved with.

One of our divisions recently went to the Boys and Girls Club in the Bronx and redecorated the facility. Warnaco supported the initiative this

summer to keep the pool open when it looked like they might lose their funding to do so. That is one example of things we're doing in neighborhoods around the U.S. and on a global basis, as well.

It is so important for our company and for the employees in our company to personally devote time and energy to these causes, and causes of their choice, which we support. No initiative has been better received than this one.

Manufacturing is an area where the U.S. is losing its edge as a global leader. Is there merit to that concern?

We are a design-driven company, and to be successful, we need to design great product that the consumer will appreciate and then get it made.

No matter where you make something, if the consumer doesn't respond to it, it's a bad thing.

So the intellectual property that resides in the U.S. and, in many cases, in New York City is providing that edge, which is the design component.

After that, we have teams of people who focus on all aspects of the supply chain to accomplish the end result.

But the real value is in the intellectual aspects that are found right here, which is why we can continue to be a global leader as a brand and as a company and grow our business based on the talents that reside right here.

What are the key characteristics of a successful CEO today?

Being a CEO today is a multifaceted 24/7 situation. Recruiting and retaining talented people in the company is fundamental to success, as is creating appropriate strategies and seeing that they're executed; providing a work environment that is relevant in the 21st century; inspiring the organization, not through speeches but through actions; recognizing the corporation is about more than making money for the shareholders, and that there is the social responsibility that goes along with running the company; and empowering the team so they feel responsible for results, and ensuring that they take this responsibility very seriously, and deliver on their promises.

How important is it to retain a workforce that mirrors the diverse customer base of Warnaco?

Two of the core values we have in the business are to work respectfully and collaborate. So respect deals with the differences in people around the globe who are Warnaco employees and customers. To collaborate with colleagues around the globe to drive mutual success is something that we devote a lot of time and attention to. ●