

Part of the Fabric of New York

An Interview with William P. Lauder,
Executive Chairman, The Estée Lauder Companies Inc.

EDITORS' NOTE William Lauder joined The Estée Lauder Companies Inc. in 1986 and currently serves as Executive Chairman. He was Chief Executive Officer of the company from March 2008 through June 2009, and President and Chief Executive Officer from July 2004 through February 2008. From January 2003 through June 2004, he was Chief Operating Officer. Prior to this, he completed the Macy's Executive Training Program in New York City and became Associate Merchandising Manager of the New York Division, as well as the Dallas store at the time of its opening in September 1985. Lauder is a member of the Boards of Trustees of the University of Pennsylvania and The Trinity School in New York City, his alma maters. He also serves as Chairman of the Board for the Fresh Air Fund. Lauder's other board memberships include the Breast Cancer Research Foundation, Jarden Corporation, The 92nd Street Y, The Kailash Satyarthi Children's Foundation, and Zelnick Media.



William P. Lauder

COMPANY BRIEF Headquartered in New York City and with more than 42,000 employees globally, The Estée Lauder Companies Inc. (elcompanies.com) is one of the world's leading manufacturers and marketers of quality skin care, makeup, fragrance, and hair care products. The company's products are sold in over 150 countries and territories under brand names including: Estée Lauder, Aramis, Clinique, Prescriptives, Lab Series, Origins, Tommy Hilfiger, M•A•C, Kiton, La Mer, Bobbi Brown, Donna Karan New York, DKNY, Aveda, Jo Malone London, Bumble and bumble, Michael Kors, Darphin, GoodSkin Labs, Tom Ford, Ojon, Smashbox, Ermenegildo Zegna, AERIN, Osiao, Marni, Tory Burch, RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle, and GLAMGLOW.

What makes New York so special for you?

I was born and raised in New York, as were my father and his parents. New York is central to the history of the United States and the world as the first port of entry for millions of people who have immigrated to this country for centuries.

The United States has a beautifully diverse culture, since people come from all over the world to start new lives here, primarily for economic reasons and a chance to start over.

New York, for so many people, even before the advent of airplanes, was the first place they came to visit. A large number came and made New York a central part of their lives over the years.

Not only is it a tremendous center of commerce for the world, it's one of the top destinations for tourists around the world, and one of, if not the most, energetic cities in the world.

The city has always welcomed immigrants who have gone on to be successful. Both of my grandparents, who started our business, were the children of immigrants. My grandmother got her start during the war by going around to salons to make up women's faces.

Our first factory was in a defunct restaurant on Upper Broadway where they cooked up the goods in the kitchen and, at the front end, they packed them up and sent them out. They outgrew that and moved to Long Island City. It wasn't until the mid-60s that we moved to Suffolk County.

We've always maintained our headquarters in New York in the center of the plaza district where some of the most upscale shopping in the world happens, and it's a deeply embedded part of our company and culture. But, more importantly, the people who are here as part of our company are a very integral part of our culture.

New York is an incredible magnet of some of the best and brightest, and most motivated people in the world, and that's a good selling point for us.

This is one of the most expensive places to do business but, for you, is it the place you need to be?

New York City is a very expensive place in which to operate: there is a high cost of living, a high cost of occupancy for office space, and everything costs a bit more than perhaps elsewhere. But New York City attracts the best and brightest talent, especially in creative areas. So much of what truly drives our company is the creative energy from those in advertising and merchandising, product development, and others, and we need talented people for that.

Our competitors are largely based in three or four different cities in the world, because these are the cities New York competes with on a global basis that attract the creative talent.

Are you surprised by how close-knit the business community is in New York?

I'm not, because that same behavior exists in most great cities of the world. Humans living in close proximity to each other have a collective interest to get along and respect each other. We also have a collective interest in making sure that those places where we live or work, and where our children live and go to school, are clean and safe, and give all of us the chance to prosper and grow.

There are too many cities in the world where the infrastructure has never really been adequately invested in or where there are geographic or other reasons that make the infrastructure an issue. As a result, that part of life for so many people is not great.

The size and scale of New York means that those of us who are leaders of large organizations have an obligation and a responsibility to our employees, as well as to the interests of the greater good, to get together and find ways to make sure that we enhance lives in a way that benefits everybody.

Like any city, the good comes along with the bad. The bad might be that it costs more to live and work in New York, but we also have some great benefits that not many other cities can offer.

We have incredible art, theater, opera, and ballet. Not only is this a benefit for those of us who live in New York, but it's a magnet to attract people who come here to see the very best artists and performers in the world.

What's the secret to the success of your business and what has made it work year after year?

It's our people who have the responsibility to continually work on differentiating the brands that they look after and to continue to make them attractive to their consumers.

We have our own brands that compete with each other, and that makes us better competitors.

We are based in the United States, which is the largest and most competitive market in the world, so we have to hone our competitive skills and continually excel.



Being in New York is a competitive advantage in that we attract people from across the globe.

Being in New York is a competitive advantage in that we attract people from across the globe. Our talent pool comes from around the world and, as a result, they have a knowledge and understanding not just of how to be good at Saks Fifth Avenue, but also how to be successful in Tokyo, Hong Kong, Paris, London, or Dubai. These are people who have lived in these cities and worked in them. The diversity of thought and ideas that are a part of what our company is about comes from everywhere. Nobody exclusively owns authorship on creativity – we never know where creativity is going to come from and how it's going to be deployed. We're very fortunate that the talented people who are part of our company are really good at what they do, perhaps because we have created a culture that fosters that.

Creating the culture that fosters this and maintaining that culture is important, but maintaining the openness and diversity of ideas, and where they're coming from, is also very important. It's also about how to deploy it and make it relevant to the consumer.

For those who say technology is taking over, you still believe that people will always be at the core of this business?

I like to believe technology has made our lives better, but I would be hard-pressed to say it's taking over because at day's end, it's really about human interaction.

Progress doesn't come if we resist technology. We have to accept that change is the way of the world, and there will be momentary disruptions.

New York is now known as Silicon Alley, and most of the technology companies, even if they're headquartered in San Francisco, have their second largest office in New York. They're growing faster because of the talent that is in New York that they want to be in front of.

How do you avoid losing that family culture when you're so large and spread out?

Our definition of family is not just people like myself with my last name; our definition of family is embedded in our culture where we include everybody as a part of The Estée Lauder Companies family. There is a broader definition of what family is, which involves a sense of belonging, of being, and how we create inclusiveness. It's about those human touches we put into our company that maintain an ethos that makes people feel they're welcome – because they are.

We try to create a warmth and friendliness that is, hopefully, part of what most families are like, which makes everybody feel they're a part of the family in one way, shape, or form. It's becoming a lost definition of family, but it still works for us.

When you create a new brand, do you get a feeling early on that it's going to work?

We're among those who use our imagination to come up with great brands, but we're also very good salespeople. This means that if we can't convince ourselves that an idea is good, we certainly aren't going to convince anybody else.

How do we test these ideas? It's a fine balance between the "ready, fire, aim" approach, which is the norm in the fashion business, and "ready, aim, fire," which pertains more to the fast-moving consumer goods business. We're somewhat of a hybrid.

We always look at how we move fast enough to be closer to fashion while not failing too frequently, and make sure that our failures teach us something and that we learn to minimize the failures.

Regarding ideas and influences for brands like Origins, we create them based on imagination, a competitive spirit, and from listening and learning. We make it successful and differentiate the brand by making it attractive enough to a retailer who will merchandise it and to the consumer who is ultimately willing to buy in.

This comes in two ways: First, we have a pretty good track record of creating and buying brands. We have such a strong partnership with many of our retail partners around the world that, while they might not have paid attention to the brand before, when they see it's a part of our portfolio, they feel we're great partners of theirs and they're entitled to it.

Second, we're confident enough to know that our network of retailers trusts our judgment to build great new brands with them. Therefore, when we're buying or creating a new brand, we know we can ask them to trust us to make it successful.

It's a mutual thing. Nobody has a monopoly on creativity and imagination. Oftentimes, some of the very best ideas are created by others, which we're very jealous of, and we have a choice to either compete or buy them if we have that opportunity.

It's about creating a culture of imagination and risk-taking, and about those things we do that others make look askance at us. Are we a validator to a certain extent? We are, but sometimes there are new ideas out there that we should have created.

You would still characterize this as an entrepreneurial company?

We have an entrepreneurial spirit that is a core part of our DNA. Also, while from the outside we look quite large, from the inside we don't see ourselves as quite as large. We are a family of over 25 brands with a number of highly motivated executives with strong entrepreneurial spirits, who are highly focused on their brands and their uniqueness and success.

They're charged with making their brand unique to their consumer, and differentiating their brand from their sister brands, as well as those of our competitors. If they continue to do their jobs effectively, and it's our responsibility as the leadership of the company to create the environment that allows them to continue to be successful, then we can continually differentiate all of our unique brands.

We don't try to come up with a mega corporation. Instead, we try to create a spirit where everyone is charged with creating something new and discovering how to do something unique that attracts the consumer tomorrow. We're always open to new ideas from our employees and others.

If someone comes to us with their technology, we're not going to steal it; and if it's going to work for us, it's something we have to bring to market faster than our competitors, so the creator will reap a greater benefit.

Do you celebrate the wins or are you always thinking ahead?

We never imagined we would be where we are, but we dreamed we could be there and we kept doing the things we needed to do to get there.

We have to continually keep that psychology in mind as a company by saying, "Let's not get comfortable where we are and assume everyone will keep beating a path to our door. Let's be uncomfortable and constantly strive for more so we can be as happy in the future as we are now by staying ahead of the competition." ●