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Ralph Lauren announces restructuring strategy to lead brand forward

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Image courtesy of Ralph Lauren

By STAFF REPORTS

U.S. lifestyle brand Ralph Lauren has unveiled a "Way Forward" plan to refocus on its brand core and get closer to its consumer base.

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Last year, Ralph Lauren saw its net income sales decline 43.6 percent to \$396 million, with total revenues down 2.8 percent to \$7.41 billion. The Way Forward plan was presented to shareholders and analysts June 7 and aims to fortify the brand's profitability and long-term value creation.

Paving the way

Above all, Ralph Lauren's Way Forward plan will see the brand refocus on what has made it an iconic apparel and accessories brand. To achieve this, Ralph Lauren will evolve its offerings, marketing and shopping experience to increase consumers' desire for its goods.

This will see the evolution of the brand's operating model, ranging from reducing supply chain lead times to employing best-in-class sourcing and executing a fine-tuned multichannel distribution and expansion strategy.

Ralph Lauren will also free up resources to invest back into its brand and drive high-quality sales. The leadership team will be strengthened to create a more nimble organization, shrinking silos from nine to six layers.

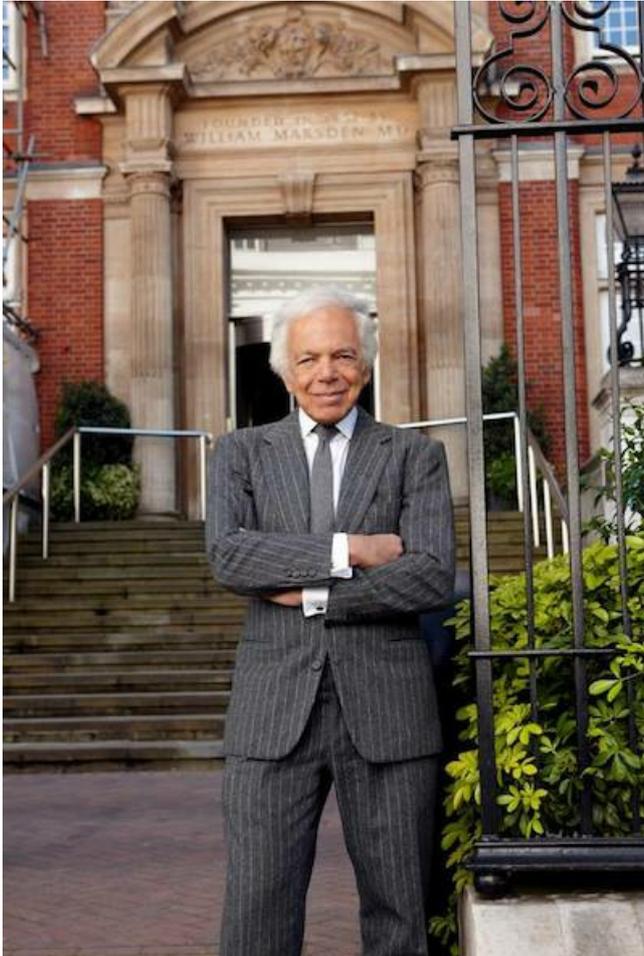


Ralph Lauren Purple Label, spring 2016

With its Way Forward plan, Ralph Lauren expects to save approximately \$180 to \$220 million in annualized expenses for fiscal 2017. These savings are in addition to the brand's \$125 million annualized cost savings gleaned from its restructuring in fiscal 2016.

Ralph Lauren expects consolidated net revenues to decline at a mid-single digit rate for the first quarter of fiscal 2017. Regarding its long term financial outlook, Ralph Lauren expects "stabilized" performance for fiscal 2018, a "profitable base" in fiscal 2019 and reaching its target market share growth by fiscal 2020 with a mid-teens operating margin.

"We have assessed every value-creating component of the company and, with our Way Forward plan, we build on our strengths, refocusing on our core brands and instilling a financial discipline that is highly focused on return on investment," said Stefan Larsson, president/CEO of Ralph Lauren, in a statement.



Brand founder Ralph Lauren

"We have a powerful, authentic brand with unique elasticity, and we will bring our company to a stronger place than ever before by connecting our brand voice more closely to consumers and evolving our operating model," he said. "Our multi-year growth plan will lead Ralph Lauren – one of the few truly iconic brands in the industry – to profitable sales growth and long-term shareholder value creation."

Ralph Lauren is not alone in restructuring its brand for the future.

Given the beauty brand's successful third quarter, beauty marketer Estée Lauder has launched a multi-year initiative called "Leading Beauty Forward." The initiative will work to better leverage its cost structure to free up resources for investment including its go-to-market capabilities to reinforce its position and status in the sector ([see story](#)).