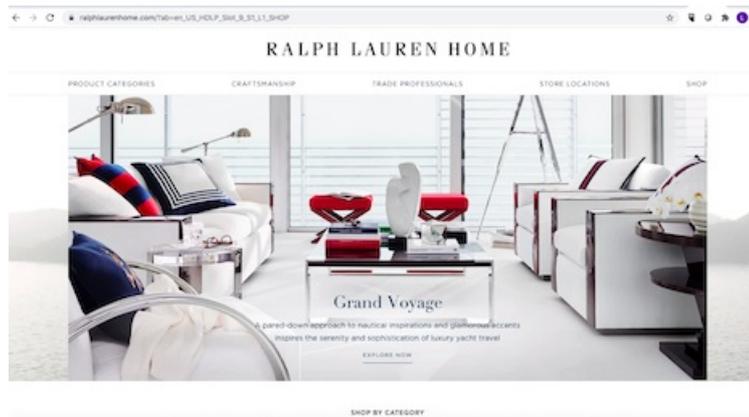


HOME FURNISHINGS

## Can Ralph Lauren go "Back to the Future" to rebuild its home furnishings business?

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Ralph Lauren Corp. intends to pay more attention to its home furnishings business as the pandemic causes more consumers to stay and work from home. Image credit: Ralph Lauren Corp.

By Pamela N. Danziger

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Ralph Lauren Corp. just delivered sobering **first-quarter news**. Revenues declined 66 percent year-over-year, from \$1.4 billion in first-quarter 2019 to \$487.5 million, and net income dropped from \$128 million compared to a gain of \$117.1 million last year.

Stock prices ended the day of the announcement at \$66.68, falling from \$119 at the start of the year.

Revenues were down most in North America, declining 77 percent overall, including a 93 percent decline in wholesale revenues. North America, which accounted for 51 percent of corporate revenues in fiscal 2020, contributed only 34 percent of revenues in the first quarter.

But the first-quarter news was not good elsewhere, with Europe off 67 percent and Asia down 34 percent.

With little good news to report in the **earnings call**, other than digital comp sales rose 13 percent and average unit retail sales up 25 percent, Ralph Lauren president/CEO Patrice Louvet and chief operating and financial officer Jane Nielsen were remarkably upbeat.

"Since Ralph started our company more than 50 years ago, his focus on the long-term and the spirit of timelessness has enabled us to not only survive times of uncertainty, but drive lasting authentic connections with our customers," Mr. Louvet said in his introduction.

While most of the presentation focused on the devastating impacts of the COVID-19 shutdowns and the company's operational responses to it, one piece of forward-looking news caught my attention. The company wants to expand its home furnishings business, what it sees as a high-potential, under-developed lifestyle category.

Unlike fashion, Ralph Lauren's home business is based on licensing. Explaining the move, Mr. Louvet said, "We are a lifestyle brand, so we are not pigeon-holed. We have the ability to play credibly across home."

Home is a category that **Ralph Lauren** never really left, though it has left Ralph Lauren. The company did not respond

to a request for comment.

#### Turning back the clock

Ralph Lauren's heyday in home was about 2004. Though the company does not report home revenues, it does report on licensing and that year marked its peak of \$268.8 million, when licensing accounted for 10 percent of corporate sales.

At the time, it had eight domestic and two international home product licensing partners in three major categories:

- Bedding and bath, its largest category with partner WestPoint Stevens, accounting for 69 percent of its home licensing revenues and 15 percent of all licensing revenues;
- Home decor, including tabletop and giftware with Mikassa and furniture with Henredon; and
- Home improvement, notably paint with ICI/Glidden Company and carpets and rugs with Karastan

But Ralph Lauren's home and licensing business has been going down ever since.

Even after WestPoint Stevens declared bankruptcy in 2004, it kept up with its licensing partnership through 2011, when Ralph Lauren assumed control of "related wholesale product distribution," though in 2012 WestPoint Stevens continued limited licensing for "utility and blanket products."

Ralph Lauren further added Kohl's, JCPenney, P. Kaufmann, Fremaux-Delorme, and Ichida as licensing partners in the bedding and bath category.

By 2011 too, Mikassa, Henredon, Glidden and Karastan were out, as Fitz and Floyd took over tabletop and giftware, EJ Victor in furniture and Akzo Nobel Paints in home improvement.

No licensee replaced Karastan in carpets and rugs. And it exited the paint business in 2017.

The company notes that home licenses are typically granted for a three-to-five year period, with "conditional" renewal options. And, further, home-licensed sales are traditionally dependent upon wholesale department store accounts.

In 2011 licensing revenues accounted for only 3.2 percent of corporate revenues, dropping to \$178.5 million. And at fiscal year-end 2020, licensing brought in only \$168.1 million, or 2.7 percent of revenues.

#### Rebuilding home

Joining the company as president Ralph Lauren Home in January 2019, Day Kornbluth has been tasked with building back Ralph Lauren's home business. She joined the company after two-plus years with RH where she was chief digital officer and over six years at One Kings Lane as chief merchandising officer.

This may signal digital as an important channel for Ralph Lauren Home, pitting it against \$11.5 billion marketing, if not profitable, powerhouse Wayfair.

Joining Ms. Kornbluth is designer Billy Cotton, who took over the position of creative director in November 2019. The Bauhaus-inspired designer said he will work closely with "The Man," Ralph Lauren, to realize his personal creative vision for the home line.

As for the existing place of home in the Ralph Lauren lifestyle-branded world, it includes the luxury-positioned Ralph Lauren Home, which spans furniture, lighting, bed and bath linens, tabletop, decorative accessories, gifts and fabrics, wall and floor coverings. These products are featured in select Ralph Lauren stores, home specialty stores, trade showrooms, and online at RalphLaurenHome.com.

Then there's the affordably priced Lauren Home collection, which was launched in 2017, and includes bath and bedding products reflecting a "fresh, modern spirit."

Details are notably lacking on Ralph Lauren's current home-licensing partners, other than P. Kaufmann in fabric and wallpaper, and a **just announced furniture license** with Theodore Alexander, which was to debut at April's High Point Show. It includes a collection of 160 case goods and 200 upholstery pieces.

#### It is back to the future

All of this sounds marvelous on paper, but then the business of home has been radically altered since Ralph Lauren Home's heyday.

Just when Williams-Sonoma's Pottery Barn and Restoration Hardware were catching fire and expanding their

position in the home furnishings market, Ralph Lauren Home kept doing what it always had done making it easy for these two competitors to slip on by.

Back in 2004, the then \$2.8 billion Williams-Sonoma did not report Pottery Barn sales, but it counted 174 Pottery Barn stores and one West Elm store aimed at the next-generation customer.

By fiscal 2019, Pottery Barn was bringing in \$2.2 billion with 201 stores and West Elm, \$1.5 billion and 118 stores. Total Williams-Sonoma revenues were \$5.9 billion.

Restoration Hardware's (now RH) rise was even more spectacular: going from \$188 million in sales in 2004 to \$2.65 billion today after pivoting in 2009 toward higher-end, more premium products and pricing.

In 2004 it had just more than 100 stores, which at the time were pretty non-descript. Today it has nearly 70 expansive galleries, complete with restaurants, which make them true destinations.

These two players alone have left Ralph Lauren Home in the dust.

"On and off for years, the company as well as the man, have talked about dedicated home stores, but they never pulled the trigger," said Forbes.com contributor Warren Shoulberg. "That opened the way for Williams-Sonoma and RH to get there first."

The current plans for Ralph Lauren's re-entry into home feel a bit like a remake of *Back to the Future*, but instead of Marty McFly and Doc Brown's DeLorean time machine, Ralph Lauren and co-pilots Ms. Kornbluth and Mr. Cotton are driving a Tesla with a battery badly in need of a recharge.

And when they punch in yesteryear's date into the time machine keypad, instead of returning to quaint, hometown Hill Valley, they will find themselves in Biff's radically altered world of *Back to the Future 2*. Only in the Ralph Lauren remake, Gary Friedman plays Biff.



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