

Ralph Lauren's not normal. He starts his business in his early 20s and he finds his life's work and it's the business that he's still working on to this day when he's in his 80s. And I have a unique perspective on how rare that is because not only have I read almost 300 biographies of entrepreneurs for this podcast, but also get to talk to a ton of founders that are still building companies. And a reoccurring theme in these conversations pops up over and over and over again is the fact that a large part of your life as an entrepreneur is trying to find your life's work and in almost every single case, that means starting more than one company. And this is so common that the presenting sponsor of this episode, Tiny, has built an entire business around buying other businesses. Tiny is the easiest way for you to sell your business. They provide straight forward cash exits for founders. And if you go to [tiny.com](https://www.tiny.com), you'll be able to see the way that they differentiate their offering compared to other people that buy businesses, usually selling your business as a headache. Tiny takes all the hassle and the headache out of it. If you want to sell your business, you go to [tiny.com](https://www.tiny.com), you get a response within 48 hours, they'll make an offer within seven days and then they close within a month and you get a bag full of cash. So if you have a business that you want to sell now or in the future, make sure you go to [tiny.com](https://www.tiny.com). And one more thing before we jump into the life and career of Ralph Lauren, I want to recommend one of my favorite podcasts to you, search for invest like the best, make sure you're following that show if you aren't doing so already. The host Patrick is one of the most curious people I know he's a world class interviewer and is now a good friend of mine. I want to tell you three episodes that I've listened to recently that I thought were absolutely excellent. Listen to episode 311, which is titled John Fio creating magic for consumers. That episode is going to blow your mind. I'd also recommend episode 307 with Jeremiah Lohan. Jeremiah does a great job explaining all the new stuff that's happening with AI and about 45 or 50 minutes into that conversation. Jeremiah and Patrick talk about what Patrick's having built for all the podcasts on the Colossus podcast network. Think of a chatbot that's similar to a chat GPT, but instead the corpus is actually all the transcripts of all the episodes founders included on the Colossus podcast network. They do a better job explaining what they're building than I will. It's in that podcast. It's absolutely fantastic. And then finally, one more recommendation before we jump into Ralph Lauren. It's episode 293 is with Mitch Lasky. Mitch is a legend. It's about the business of gaming. This is a podcast that I'm going to listen to multiple times throughout my life. I think studying the way that video games are able to build unique business models and make money is a very good use of time for any entrepreneur. So that's episode 293. And with that, let's get into the unbelievable life and career of Ralph Lauren. Ralph Lauren has built the most successful apparel company in the United States. His favorite declaration about himself is what you see is what you get. When he describes his work, he insists that it does not constitute trendy fashion and that his customers care more about well made clothes than the latest party dresses from Europe. He takes such distinctions seriously. Once when I lumped him together with a handful of other designers during casual conversation, he snapped, don't put me with those designers. My business is not compared to anybody else's. This is an unauthorized biography. I knew before starting this project that Ralph Lauren was guarded about his personal life. I knew that he rarely appeared at society dinners. This reserve is due to shyness, not modesty. In practice, Ralph Lauren is a tough, intensely ambitious businessman who thinks his work has never received the recognition it deserves. He has always possessed immense self confidence. It is central to his character,

an asset as valuable as his sense of color, fabric and style. That explains why Ralph has always been willing to break the rules and to do things his own way. At different times in his career, he has refused orders from top retailers. For years, he griped that the retailers he did business with didn't display his clothes with enough elegance. Finally, he decided he was going to do it himself. Today, Ralph Lauren lives in a Fifth Avenue duplex, owns a 12,000 acre ranch in Colorado, a home on Long Island, a villa in Jamaica, and a 200 acre estate in West Cheshire County, New York, as well as a fleet of antique cars. He jets from home to home in his own Gulf Stream. Ralph Lauren is one of the richest self made men in the United States. This is the story of how Ralph Lauren built his business and why it succeeded. It is also the story of what that success has done to him. That is an excerpt from the book I'm going to talk to you about today, which is Ralph Lauren, The Man Behind the Mystique, and it was written by Jeffrey A. Trachtenberg. For a few years now, I've been looking for a good biography on Ralph Lauren. Ever since I saw this documentary, I probably watched it, I don't know, maybe two years ago, it's called Very Ralph and it's on HBO. And in less than two hours, the documentary gives you a fantastic overview of the very unique life and career of Ralph Lauren. But one thing that was in that documentary stuck out to me and it made me want to like learn more about his approach to work and how he thought about building his business. And it's the fact that Ralph Lauren started out selling ties. And just like if you listened to episode 199, where I cover the biography of Coco Chanel, her empire that still makes billions and billions of dollars in profit to this day started out with hats. And what Coco and Ralph have in common is they were insistent to do things their way. And so the part of the documentary that stuck out to me was the fact that Ralph didn't grow up with a lot of money. He's a young man in his twenties, he's trying to get started as a designer. He is selling ties, he goes to Bloomingdale's. They say, yes, we love what you're doing. Do me a favor, Ralph, take off your brand name, put on our house brand, and you got a deal. And Ralph immediately packs up his ties and walks out the door. It's one thing to turn down an opportunity when you're already rich. It is something completely different. He needed that that was a life changing order for him. At the time he's a young man, he's got no money. He just got married. In fact, in the documentary that the wife talks about the fact that they had nothing, they slept on a mattress on the floor and the L train ran above their head. And yet he still refused to deviate for what he want to do. He's like, I'm not building up your brand. I'm not building up your company. I'm building up mine. And so ever since I saw that, it's like, okay, I'm definitely reading a biography. I'm definitely making a podcast on him. I have to thank my friend, Matt Russell, Matt's the CEO of Colossus, which is the podcast network I'm on. He's the one that actually told me about this biography. This is a very old book. This book is almost 40 years old. It was published in 1988. When the book ends, the company is about 20 years old, and it's doing about \$2 billion a year in sales. The documentary comes out 30 years later, Ralph's in his late 70s, and he's still working on his business. Okay, so I want to jump into the book, I'm going to start out of order. Most of what I found really interesting about the book was Ralph's early life, and then how a lot of my highlights have to do with the fact that his company almost went bankrupt in the 1970s. And I personally found him fighting his way through that very inspiring. And I thought so that there was a lot of good ideas. But something that was always shocking to me was how rich fashion designers seem to be. And so something I had read about previously was the fact that a lot

of them got so rich because of licensing. And so there's just one paragraph I'm going to read to you. And I'm going to talk to tell you how David Geffen actually saved Calvin Klein from bankruptcy. So it says, few outsiders understood fully how lucrative the licensing business had become. Ralph would have been a successful designer in his own right. However, he would have never qualified as one of the world's richest men without licensees, willing to pay him five to 7% of sales. So that switch from manufacturer to licensor, the switch to licensing is actually what helped him save the company from bankruptcy in the 1970s. The next decade and a half is where he built all that wealth, where the book opens up saying, you know, this guy's got like five estates everywhere. He's got his own private plane. He's got a fleet of antique cars. And so as you can imagine, when you're reading biographies, you come across all kinds of really surprising and interesting things. Like two years ago, I'm reading this fantastic biography called *The Operator*. It is a biography of David Geffen. It is episode 111. If you haven't listened to it yet, it is a book I'm going to reread in the future because David Geffen's career is very unique. But I want to read this paragraph I came across that just shocked me. And this is going to mirror what's happening with Ralph Lauren. It's almost like him and Calvin Klein went through the exact same thing. So Calvin Klein and David Geffen wind up becoming close friends, although their approach to business was vastly different. Geffen is an animal. He's a very formidable person. And so I'm going to read this to his privately held fashion empire was on the brink of bankruptcy. Geffen surmised that the company should be transformed from a manufacturing firm to a design marketing and licensing company. This is exactly what happened to Ralph Lauren, too. You guys stink at manufacturing, he said. You need to get out of that business. Instead, Geffen continued, the company needed to focus on what it really knew, how to design and market the Calvin Klein brand name. Calvin, you should only be focusing on the aesthetics Geffen said. You should just be designing the clothes and overseeing the marketing and advertising. Geffen reprimanded Klein and Schwartz. I think this is Klein's like one of his executives, might be a CFO. Geffen reprimanded Klein and Schwartz for excesses they could not afford. Among other things, he told them to sell their company jet would cost him 2.5 million a year to maintain. He also told Klein to fire his chief financial officer and helped him hire a top executive from an accounting firm that Geffen himself used. Here was the fixer in action. David Geffen was now involved in kind of problem solving that energized him more than anything else. So remember that part for later when you and I go over when Ralph Lauren made the switch from a manufacturing company to a licensing company. So let's go over his early life. Ralph was a son of immigrants and had to grow up wearing hand-me-downs. He grew up in a small two bedroom apartment with a tiny bathroom. So he shared a room with his two brothers. He was born, so Ralph Lauren is obviously not his real name. Ralph, and you'll see that it was smart to change the name, because he was born Ralph Lifschitz. His dad plays a large role in his life. In fact, his dad's the one that changed the name from Lifschitz to Lauren. His name's Frank. Frank Lifschitz was a house painter and a muralist. He saw himself not as a craftsman, but as an artist. He dreamed of becoming another Picasso. His feet were on the ground, but he wanted to soar into the heavens. And so unfortunately, he wasn't able to soar into the heavens because he had the realities of his life, because he had to take care of his wife and his young kids. I think him and his wife emigrated into the United States from Russia when they were like 16 or 17 years old. So it says his feet were on the ground and he wanted to soar into heaven. So the realities of his life, of raising a family, he was an immigrant,

and this was the depression. As a result, he was glued to these realities, but he wanted to soar. In that way, he was altogether different. He had dreams. His son is going to realize the father's dream. This is what you and I talk about almost every week, I feel. The story of the father is embedded in the son. This is why I'm reading this to you. He was glued to the realities, but he wanted to soar. And that way he was altogether different. He had dreams. Frank was also the one who changed his name to Lauren. He thought if he were an artist called Frank Lauren, it might help him. If Ralph has these qualities now, meaning an eye for taste and an eye for color, Frank is where they came from. Frank took his work very seriously. As you'll see, Ralph is going to take his work extremely seriously. You don't work until you're 80. Decades after you're already unbelievably wealthy unless you take it extremely seriously. Ralph's parents raised four children on a salary of \$50 to \$75 a week. There wasn't much left over for clothes, for restaurants, or for nights out with the kids. Neither was their money to move into a larger apartment. And so there's several notes that it took while watching the documentary for the second time as research for this podcast that's going to jump out to you. Some of them are said by Ralph. Some of them are said by people that knew him when he was younger. He used this, the fact that he knew he grew up in a bad situation. He's like, I'm going to be rich. Wait until you see what he leaves as one word. He describes this future in one word in his high school yearbook. And the book starts off talking about his greatest asset. And one of his greatest assets is the fact that he had excessive amounts of self-confidence. That's brought up in the documentary again. It says he's very competitive. He's very confident in what he wanted to do. This is him. They're describing him when he's a kid. He had a belief and a passion in what he wanted to do. Some would say that he is cocky. He wanted to be bigger and better than where he came from. His wife talked about the fact that they live in this crappy apartment. They had nothing that they had a vision board that they would actually put up on the wall and they'd take out pictures of like English estates and wonderful cars and all this stuff, stuff that was an idea in Ralph's mind that he made real. And then something's also apparent if you watched the documentary or if you read this book, it's in there as well. He's extremely obsessed and dedicated to his job. One would think that somebody is famous as him and in the chosen profession that, oh, he's an extrovert. He's very introverted. He talks about the fact that he essentially had work and family. And he says, we were not very social because I never had the time. I wanted to be with my family. He talks about when his kids were little. He's like, when I'm not working, I spent a lot of time with my kids when they were really small. But he also had a form of resourcefulness, even when he didn't have money. So he's wearing like hand-me-downs. He's shopping like thrift stores, but he was able to combine things that other people donated or gave away, and he would combine them into unique looks that no one else had. And so it says what made him different even when he was a kid was that he would show up dressed in outrageous outfits. He'd wear these like preppy crew neck sweaters and bright colors, but on him they look great. The ones he wore when he was a kid are the same crew neck sweaters that he sells today. Ralph and his high school friends wanted a better life. The 1957 graduating class listed their aspirations in their yearbook. One wanted to be a pharmacist, another wanted to be a scientist, the third wanted to be a physician. Ralph didn't put a profession beneath his picture. Instead, he chose the single word that best summed up everything he wanted in life.

The word was millionaire. So a main thesis of this podcast is that everybody learns from somebody, they all study the people that came before them, they take ideas from them, they take these ideas, they combine them with ideas of their own, and they create something new. Ralph Lauren is no different than this. A lot of his early designs, he said, he goes, I just took them straight out of movies I loved from the 1930s and 1940s. And he's like, I saw them in the movies, but I didn't see in the stores. And so I wanted them. So I just had to make them for myself. And so the book goes into one of his main influences was the fact that he starts discovering these really fine men's stores. He's in his early 20s at the time. And so Brook Brothers is going to be a huge influencer on him. So as he discovered fine men's stores like Brook Brothers and Paul Stewart, the stores sold such clothes that pedaled the image of old England. They were selling the world of gentlemanly clubs, good service, fine breeding, and the customers who shopped at Brook Brothers shared and enjoyed the fantasy. So that idea he repeats over and over again, he's like, I do not sell clothes, I sell a lifestyle, I sell an image, I sell an idea. In fact, the way he speaks about this, I immediately thought of what I read from the Coco Chanel biography on episode 189. Coco Chanel, I'm going to read this quote from from here. I'm going to read this quote to you rather. She said this in 1935. That is before Ralph Lauren was born. And it's the same exact idea. And she's talking about the fact that she puts on a story for her customers. When my customers come to me, they like to cross the threshold of some magic place, they feel a satisfaction that is perhaps a trace vulgar, but that delights them. They are privileged characters who are incorporated into our legend. For them, this is a far greater pleasure than ordering another suit. Ralph was going to use that idea to build his business. Brook Brothers is using a variation of that idea in peddling old English lifestyle, gentlemen in the clubs, good service, fine breeding. The problem was Ralph couldn't find quite find the clothes he wanted. So it says as classes and as classes, these clothes were, he decided that they weren't quite quite right. They needed more flair. They needed more tailoring. Since Ralph didn't see what he wanted, he designed it himself. Ralph didn't fantasize about becoming a fashion designer. He became a desire, a designer to fulfill his fantasies. And then he starts meeting other people in the stores, other people in the industry. And there's going to be a quote that I have written on several pages throughout this book. It's one of my favorite things. I mean, Charlie Munger said a lot of things that I like, but one of my favorite things is that you need to really need to try to work in a field in which you have an intense interest. He didn't say, Oh, I feel that you're interested in or kind of interested. He said intense interest, intense interest sounds a lot like this. Nobody was as interested in style as Ralph. He would talk about clothes the way others talked about plays and books. So he starts working at Brooks Brothers, then he drops out of college. And this is an important decision because while working at Brooks Brothers, it says, this is where Ralph would get his first lesson in how to sell to the upper middle class. Those were the lessons that college could never have taught him. So they switched this to a job working for a manufacturer as a salesman of men, men's and women's gloves. And we're going to see in a minute something that people said throughout his life, Ralph was just different. Everywhere he goes, it's like this guy is different. The job required patience and strong legs and meant getting into the office early, learning which buyers were in town, and then hustling the rest of the

day to make the sales. What he lacked in experience, he compensated it for an energy and enthusiasm.

Back to Munger's idea, right? That's another example of Munger's idea of working in an area where you have intense interest. He is enthusiastic about selling gloves. He is 22 years old. And listen to how he's talking. He's talking to his fellow, the people he's working with. Ralph used to tell me about his big dreams and how his traditional look was going to be big. He also tells the same person, he's like, listen, you really don't understand what I'm talking about. This is something he repeats over and over again, that no one really understood the ideas that he had. So from that job, he goes to another one. Now he's working for a Boston tie maker that is important because like I said earlier, he gets his start making his own, designing his own ties. And the owner of the business, for some reason, sees something in Ralph. They're like, oh, he's unusual. I like this guy. His name's Abe Rivitz. Abe Rivitz had noticed something about Ralph Lauren that he liked. Ralph was going to be somebody special. He told the other salesman, nobody at the company ever believed him. In fact, everybody else at the other company thought Ralph was full of shit. And part of that was because of the way he dressed. Here he was 20 years younger than anybody else in the company. And he wore the damnest clothes to work. And this differentiation, I love, I just read, I think it's episode 282 maybe, when I read Jeff Bezos' shareholder letters for the third time, he said something in those that I absolutely loved. He said, differentiation is survival. Ralph was so differentiated that he got written up in trade papers before he was Ralph Lauren. So it says people outside the office began to talk about Ralph and his clothes. A reporter for the Daily News Record, which is really important, like trade magazine, hunted Ralph down in 1964. This is like four years before he starts his own company and wrote up a full page write up in a newspaper about Ralph Lauren's wardrobe. And so his co workers is like, what the hell is going on here? The crew at Rivets, this is where he's selling ties was days since when did Ralph Lauren give interviews? More to the point, who cared what Ralph Lauren thought about clothes? Ralph was different, says Mel Creedman. So this is the guy. This is Abe Rivets. Abe owns the company. Abe is going to pass away in a few years, unfortunately.

Abe believed in Ralph. Mel takes over the company. Mel's his son-in-law. Mel does not believe in Ralph.

He doesn't want to change anything. He's like, no, this is there's no design business and ties. You just sell ties like we've been selling forever. What is wrong with you kid, right? And Ralph's like, oh, I have to leave here. I can't get my ideas out into the world. This isn't going to work. And so I says, Ralph was different, says Mel. If everybody was clean, shaven, Ralph wore a beard. When the industry was selling skinny ties, Ralph had to wear a white one.

And so unfortunately, the founder of the company, the owner of the company dies, the one that was supporting him, he says Abe Rivets died on the same day that Ralph and Ricky Lauren married. So I think Ralph is around 24 years old at this point. When Abe died, I went back to Mel and said, Mel, I'd like to design the ties. And he said, there's no such thing as a designer in our business. Mel thought Ralph was an amateur. What bothered Mel the most was that he thought Ralph spent too

much time talking about clothes instead of selling ties. He was supposed to be a network salesman for us. But I found he was spending a lot of his time talking to tailors. Ralph could

spend hours talking about the location and dimension of belt loops on trousers are the size of pocket flaps. Why the hell is the kid talking to somebody about belt loops? You know what popped to my mind

when I got to that paragraph, one of my favorite quotes ever, it is a quote that I try to live up all the time. Mediocrity is always invisible until passion shows up and exposes it. Mel is mediocre. He doesn't give a shit about the business that he is in. He just inherited it from his father law. Ralph is coming in with energy, enthusiasm, passion and new ideas. And he's hitting a brick wall. This I think ties to what the author's point was in the introduction, you need the successive almost delusional levels of self confidence because that's what the world is going to throw up to you over and over and over again. Brick wall after brick wall. And Ralph's like, fine, put up a brick wall. I'll dig a hole under it. I can't take a hole. I'll jump over the wall. If I can't jump over the wall, I'll knock it down with a sledgehammer. He is constantly pushing. This is one of the best ideas that Ralph has is the fact that if you know what you want, you've got to try to move yourself in the position to do it. And he had this like relentless constant but very calm pressure. And he does this over. This is the first time we're going to see how he gets what he wants. He just constantly just hits, like I said, just tapping at the wall over and over and over again till it falls. So it says Ralph wanted to choose which colors were used. Ralph was so persistent that eventually Mel said enough, do it, leave me alone. Again, let's go back to the previous page. Mediocrity is always invisible until passion shows up and exposes it. Ralph is exposing Mel. This is what Ralph said. The other guys in the company didn't understand what I did and they didn't know how to budge. I scared them. I'd color some ties and they say, why are you doing this? You're killing our image. Ralph didn't see it that way. Ralph also became fascinated with wide ties. This is super important because this is going to be his first product that he makes for himself. He also became fascinated with wide ties. They were making ties like that in Europe. Ralph had seen them and said, let me do it. He plead that was Mel's limit. Ralph was over the top wide ties. This is what Mel said. It's actually kind of funny. Wide ties looked absurd. A man might as well wear a bib to work. That's actually pretty funny. Frustrated and angry, Ralph began looking for a new job. And really, he decides to just create his own job. And so this is where he's going to start his company. And really, he picked up, he's a master salesman by the way. And that's very one of the best skills you could have as an entrepreneur. Think about entrepreneurship is sales. I always think of what the founder of Trader Joe's talked about this in his book, Beautifully. It's actually episode 188 if you haven't listened to that podcast already. And I'd buy the book Becoming Trader Joe's. It's absolutely fantastic. He writes the book, I think he's like 80-something years old, publishes the book and dies the next week. So he literally catalogs everything that he learned, building up Trader Joe's over multiple decades, puts it into the book for our benefit, for the benefit of future generations of entrepreneurs and then sadly passes away. But he talked about in the book, he's like, listen, most of my career is just selling plans of actions. You have to sell your customers. You have to sell your vendors. You have to sell your investors. You have to sell your employees. And so he says, one of the things that differentiated him, Trader Joe, and early in his career is the fact that he's just been aware from the very beginning of the need to sell everybody. And we see that with Ralph Lauren as well. Ralph was now searching for potential backers telling them that he intended to make wide, elegant ties reminiscent of the 1940s. Why investors? Because Ralph didn't have any money to start his own company. His parents

couldn't lend him any money and neither could his brothers. Ralph was a natural salesman. Ralph sold himself. He sold his taste, his taste level, and his and he sold his personal commitment. And here's the thing, if you currently have a job and you're telling other people about your desire to make it to start your own company to leave to search your own company, they're going to tell you not to do it. Why? Because they're not founders. They're not entrepreneurs. Only founders can understand founders. It is the weirdest job in the world. And we see that so he's like working for working with a time maker. And he's telling about this. And the guys like his name is Blake. Blake thought Ralph was naive and perhaps deluding himself about his abilities. Look, Blake counseled, you've got a hell of a good job where you are. Stay here. Ralph Lauren was not discouraged easily. And what's amazing is Ralph is going around giving away his ideas, telling people what he's going to do before he does this. Let me just read this quote, what Ralph was talking about, what really pushed him and got him through this time. Why I think delusional self confidence is so important. What I had was enthusiasm. I believed in what I was saying. So he's going around saying, Hey, you guys can't just think, Okay, this is what the time market is like, we can greatly expand it. We can make more money by increasing the prices. He believed that he could actually expand the market that you're not just like, I'm not jumping into the tie business and maybe get 5% market share because the total amount of ties sold is stagnant. And he's like, no, I can increase it. Like if you make a more desirable product, people buy it. And then if it's more desirable, it's better design, they'll pay more for it. And therefore you will make more money. And so Ralph is constantly trying to push up that adding in more quality and value into the product. So he could push up the prices. That's another main theme throughout the book. And he said, build value into the shirts and raise your prices, give men more styling, not the same traditional looks year after year, be aggressive. So he's talking about to a shirt and suitmaker, but he's also going to apply his ideas to his own ties, be aggressive. The customers would pay for the best when they were given chance to buy it. I wanted to change the prices to ties were then inexpensive. They were \$3 or \$4 each. The ties I wanted to sell started at 750. And I think they start, I think when Bloomingdale's does do the order later on, because you know, he first turns it down, he's like, Nope, I'm building my own brand, they come back around. And I think the ad, I think he sells them to him to him for like 750. And they sell them to the customers for \$15. Remember, he's just like, the retail prices on these things were three to four bucks, my are \$15. So throughout Ralph's career, he goes to a bunch of different partners. Sometimes they're business partners, eventually he buys out of his own partners, he wants to like run his own show. Then he has like a hell of a time finding the right like level of executives, he has to go through so many people to the point where I had to start writing out the names like this is this is so much to keep track of. So he's going to get to started with a with a partner. This guy's name last name is Brower. The name is not too important other than he's the one that helped Ralph get in business. And eventually he's going to talk about why he let Ralph leave. And I thought his insight there was actually interesting. So we'll get to the minute. So Ralph's going to walk into Mel's office, like, yo, I'm out of here. And Mel's like, yes, great, I was happy because I was, I wasn't going to have to fire him. So this is where he starts polo fashions, eventually this is going to turn into just a Ralph Lauren corporation, I think is the technical name now. And this is I thought was interesting how they got the name. So he's talking to his brother, Jerry, and it says Jerry suggested polo fashions. Polo was a rich man's game and it conveyed money style and exclusivity, the same qualities Ralph

wanted his ties to have. Ralph thought polo was a terrific name. Now this is hilarious. Ralph is broke right now. He's got no money. And that you have a broke guy starting an exclusive high price brand. And so one of my favorite quotes that I've ever come across in any of the books, it comes from James Dyson's autobiography, the first one, the one I covered up on episode 200. It'll also be on episode 300 when I reread that book. But he says James talking about his business philosophy that he had from day one is very similar to what we're going to see with Ralph Lauren. He said difference for the sake of it in everything, because it must be better from the moment the idea strikes to the running of the business, difference and retention of total control. That is the advice that Dyson has to you and I. So we see this here. More than the price was different. So this I already said he's charging \$15 for ties at a time you can get for three bucks. Ralph made handmade prints in bright colors. He used wild exotic fabrics. And this is why Ralph said he was in a hurry. If he used everyday ordinary fabrics, nobody would have paid attention. James Dyson had a very similar thought. He said like when you saw the Dyson vacuum cleaner in a store, you may not buy it, but you definitely notice that you'd walk by and you'd see there's six different vacuum cleaners all next to each other. One is not as unlike all the others. So maybe he's like, Hey, I'm not going to pay for extra price or three extra price or whatever was, but at least you paid attention and you were aware of its existence. And so I'm sure there's people that saw Ralph's ties and said, Hey, that guy's wearing a bib. And maybe they hated the way it looked, but they noticed it. And so he starts out just selling to small, but very high end stores. His goal is like, well, if I'm going to do volume, I got to get into like the Blooming Dales, the Macy's, the Sacks. He's not there yet. I'm going to get to the point where where it really jumped out to me where they have this meeting and he's just like, no, I'm not building up your brand.

But something that Ralph knew from the very beginning is the nothing that draws a crowd like a crowd that is a famous quote from P.D. Barnum. And so Ralph has a small brand at this time, but he's trying to figure out ways to make his small brand appear much larger. He was also a showman and he understood that to build his business, he needed more exposure. So after trying, he finally gets meeting with the buyers at Blooming Dales. They like the ties. Okay, this is the story I told you about earlier. Blooming Dales agreed to buy Ralph's ties. If Ralph would put a Blooming Dales label on them, it was a generous offer. Selling to Blooming Dales would have given Ralph Lauren credibility. It would have increased his sales at a time when he badly needed it. Ralph said no. So in addition to putting on the Blooming Dales name, they also insisted that he narrow the ties by an inch. Ralph said no. The way he saw it, if he narrowed his ties and took off his label, he wouldn't stand for anything. Ralph wanted to make money, but he wanted to do it his way. So I've come across an experience like this before. A very, something that was very similar to this is the founder of Sony, Akiya Morita, wrote this fantastic book. The book is called Made in Japan. It's his autobiography. It's episode 102 of founders. If you haven't listened to it, Akiya Morita is very important to study. People like Jeff Bezos and Steve Jobs have talked openly about learning from ideas and using ideas that Akiyo used to build Sony and to build Amazon and Apple. And so in the early days of Sony, they had the same thing happened. They're trying to sell these like little radios. They have no money. No one knows who the house Sony is. And they turned down an offer for 100,000 units. It said the people at Belova liked the radio very much. And the purchasing officer said, we definitely want some of these. We'll take 100,000 units. 100,000 units. I was stunned. It was an incredible order. It was worth

[Transcript] Founders / #288 Ralph Lauren

several times the total capital of our company. But then he told me there was one condition. We would have to put the Belova name on the radios. That stopped me. I had vowed that we would not be an original equipment maker for other companies. We wanted to make a name for our company on the strength of our own products. We would not produce radios under another name. When I would not budge, he got short with me. Our company name is a famous brand that has taken over 50 years to establish, he said. Nobody has ever even heard of your brand name. Why do you not take advantage of ours? And then this is a crazy response. I understood what he was saying, but I had my own view. 50 years ago, your brand name must have been just as unknown as our name is today. I am here with a new product and I am now taking the first step for the next 50 years of my company. 50 years from now, I promise you that our name will be just as famous as your company name is today. And so the note I left in that book, the first time I read that, it's actually a good note. If you know why you're doing what you're doing, the hard decisions become easier. Akio and Ralph knew why they were doing what they were doing. So Ralph packs up his ties, has to find another way in. And this section is the power of the cold outreach in Ralph's day. It's the cold phone call. Today would be like a cold email or maybe the cold DM. I've had a few conversations with incredibly successful people in the last like seven to 10 days. And this subject has come up. And when I've told them that I have never sent a cold email or DM or anything in my life, they thought it was the dumbest thing ever. And there's this huge asymmetric opportunity. And so Ralph, and so we see a young Ralph Lauren was way smarter than I am. And he reaches out, one of the first people he reaches out to was actually the men's fashion editor at Playboy, which was, you know, one of the most, if you wanted to have somebody on the side, on your side, as a young fashion designer, this is, you know, one of the few people that it'd be life changing to get on your side. So it says one of Ralph's earliest boosters was Robert Green, who was the men's fashion editor at Playboy magazine. Ralph called me and he was very young says green, he was this nervous little voice on the telephone, a voice so nervous that I immediately became sympathetic. I admire your directness, I told him, and you obviously should be seen. He wanted me to look at his neckties, I said, I'll tell you what I'll do, I'm on my way to something and I'll drop in. I don't want to spend a lot of time. So if you lay out your things, I will tell you right away whether I have any interest. And he brings up the fact that he goes over and he's like Ralph is doing something that nobody else is doing. This is so bizarre and great way. He's like, I went berserk. I said to myself, now you have to relax because you have something here that is very important. I was completely surprised. And this is the end result. Playboy would become the first national magazine to feature Ralph's ties. Others noticed and slowly Ralph began to build a following among a very small but influential group of customers. Ralph finally got into Bloomingdale's and then once he's in, there's this line that's just fantastic. I found it in the 700 page biography of Charles de Gaulle that I read for episode 224. And de Gaulle's talking about his absolute refusal to back down and to make sure that France remains a free country, even after he'd be taken over it was taken over by the Nazis. And then he's trying to help Churchill and Roosevelt defeat them so he can get his country back. But he says, intransigence is my only weapon. Intransigence is my only weapon. So I had to look up that word

[Transcript] Founders / #288 Ralph Lauren

means a refusal to change one's views or to agree about something. I think some of the best entrepreneurs have high levels of intransigence. Because this guy, first of all, he goes to Bloomingdale's right. He's like, wants to sell their ties. They're like, okay, you know, has to be it has to be our house brand. He's like, nope, I'm out. Then he finds another way in, then they make an order. Then he's like, no, the prices aren't high enough. We have to build this ultra exclusive brand. The quality has to be really high. His intransigence at the time where no one really knows who Ralph Lauren, you know, small amount of people do know who he is. He's like, he's still intransigent. Says Ralph insisted on quality. He also insisted on the prices which I thought were too high. This is the people at Bloomingdale's. I told him that even Bloomingdale's in one of the most affluent neighborhoods in the city, so this is in Manhattan, couldn't sell polo ties at \$15. I was wrong. This was the start of a marriage between Ralph Lauren and Bloomingdale's that would last more than 20 years. And so this is still his first year of business. Doesn't have a lot of money. And he's still turning away business. Ralph had turned away Wallach's, one of the fastest growing men's specialty store chains. I didn't want to sell to them, he said. I didn't think they were the right image for me. They didn't have the customers I wanted to sell to. It would kill the exclusivity. I was the consumer and I understood exclusivity. So he's talking about as I was a consumer, he repeats this over and over again, you should be building products for yourself. He's like, I don't know what other people want. I know what I want. So I just make what I want. And I assume there's other people that are going to like what I will like as well, especially if I can sell the story to them and tell the reason why. And this is a great line here about the fact that, you know, this guy's in the very beginning of his company's turning away money. And it says, it was one thing to like Ralph Lauren, understanding him was something else. So in the documentary Ralph says, listen, this sounds looking back, it sounds like a master plan. It was not like a master plan. People like my ties. And then they would naturally say, hey, what else do you make? And Ralph starts making shirts, he starts making suits. Then he expands out to this entire lifestyle, like redecorate your entire house, your entire closet, he'll influence the kind of cars you buy, even if he's not the one making them. And the reason I'm bringing this up to you is because this is when he decides he's got, he's got to switch business partners. So he's going to leave that guy told you earlier, just remember his name, Brower, he's we're about to leave Brower, we're about to link up with this guy named Norman Hilton. Eventually, he's going to tell Hilton that having a partner was like having like being tortured or something like that. I'll read the highlight to you in the future. So he's going to leave Hilton later as well. But he has to link up with Hilton because Hilton's got the money needed to start creating things other than the ties. And so Brower is saying, like, why didn't you fight this? Like, why'd you just let Ralph go? And he says, I let Ralph take the name for two reasons. First, it was his idea. Second, we didn't think we could move forward without him. A lot of people later asked how we could let him go. Today, I wouldn't. But who knew what was going to happen back in 1968. And so then this speaks to Ralph's comments, like, you know, it sounds like a master plan. It wasn't a master plan. Ralph Lauren, tie maker, had now become Ralph Lauren, menswear designer. So Hilton tries to get Ralph to set up shop where all the other designers are. And so I just had somebody send me a quote that was very interesting. I don't think I said it, but it was like their interpretation of something on an own episode, talking about

Charles DeGaulle and Henry Singleton consciously avoided their peers. So they wouldn't mimic what their what their behavior was. I think there's actually a lot of wisdom embedded in that idea. And we see this with Ralph here. Hilton wanted Ralph to move to 1296 Avenue, where the other menswear companies had share rooms, the manufacturers crowded into one building because it made it easier for out of town buyers to shop the different lines. Everybody thought this was a good arrangement. Everybody that is except Ralph Lauren. The first thing a buyer did was walk into the lobby and run his eye up and down a directory of hundreds of manufacturers. Ralph didn't want his company name on that directory. Polo stood for something special, something unique. So this is important. The next see decade and a half, maybe decade, he is a manufacturer, manufacturing is going to cause him to almost go broke. And so as he expands out into ties, he has this idea, he's like, Hey, we're actually the only thing that we're doing. This is the first mention of this idea is like, Oh, no, we're marketing a lifestyle. And it's a lifestyle based on Ralph Lauren himself. Since Ralph dressed one way at work, one way at home, and one way on the weekends, he assumed the customers did too. This was the start of his lifestyle marketing. And so he realized he didn't want his clothes sold the way everybody else's was. So like you walk in a department store now, right? And you'll have like these individual brands, they have like these stores within the store that Ralph was the first menswear designer to do this. There's so many ideas in this book that seem so like they're obvious to us now, or maybe like they're just the experience we've had, because this has been like this since ever since I stepped inside of a department store. But there's so many times where Ralph was like the first one to do it. So one example, I don't think I'll talk about on the podcast, which blew my mind was that there was no such thing as like a menswear designer at the time. All the famous designers, a lot of them were men, but they made clothes for women. Women bought their clothes from individuals like Oscar de la Renta or whatever, or Christian Dior. And men bought them from like brands like Brooks Brothers. And the only relationship you would have would be with a relationship with like your Taylor. But Ralph started just selling men's clothes and not he was like one of the first men's designers. And what was also interesting is that he operated the opposite direction. So you're supposed to everybody before Ralph Lauren would start designing clothes for women. And then if that was successful, they could move into designs for men. Ralph was the first to start with men and then move into women. And at the time people said, no, you can't do that because you're supposed to start with women first. He's like, why? And so it's a weird opportunity just hidden in plain sight just because people are acting out of routine or the way it was always done. And so you see the same example here where he's the first people to go to is like, no, I need my own store inside of Bloomingdale's. And so just because another men's designer hadn't done this yet, that didn't stop Ralph from pushing the issue. So he's going to push this issue with this guy named Frank Simon who works at Bloomingdale's. Hey, I need a shop. Ralph told Frank he was selling an image a way of life and he didn't have the money to advertise, which meant he can only tell his story through his own store. Simon thought that this was a dumb idea. He wanted to group Polo's clothes inside the men's department. Finally, Ralph said that if we didn't build him a store, he'd go somewhere else, says Simon. That's Ralph. He's a good, cool negotiator and he's consistent. So this is what I mentioned earlier that if you know what you want, you got to work your, try to work your way into a position to actually accomplish what you want. And the way Ralph did this, he just consistently pushes. He's not like yelling, but he's perfectly fine. If you tell him

no once, twice, three times, he's just going to be very consistent. And in this case, he just gives him an ultimatum. He's like, well, I know I'm going to do this and I want to do with Bloomingdale's, but one way or another, I'm doing it with somebody. So it says he had the dream, but he wasn't big enough yet to do that himself. It was the first time the men's department had given a designer his own boutique. So then we get to what was the most interesting part of the book for me, because it goes in great detail over a ton of pages, just about the fact that he had experienced rapid growth. And because he's having to manufacture so many different pieces, he doesn't have the experience. He doesn't have any of the cost controls in place. He doesn't have, he's about to hire like the first quote unquote finance guy, he finds himself in a position where he's got an unbelievably popular brand sales going through the roof and literally no money, no credit, and on the precipice of bankruptcy. And so he hires a finance guy, this guy named Michael Bernstein. And Michael is promised like 10% of the company, he's going to be Ralph's partner. And from the very first day, it's like, Oh, wait, things from the outside, it's like this guy's winning design awards, his ads are everywhere, people are lined up at Bloomingdale's to buy stuff. And he gets to the office, he's like, Okay, this is kind of weird, unknown to Michael Bernstein, Polo's unsecured loans to the First National Bank of Boston on the date of his arrival amounted to over \$300,000. So he walks in the office the first day, and he finds like, Oh, we're up to our eyeballs and debt. No one's really paying attention to stuff. And they're having all these manufacturing issues where they can't actually fulfill and actually create their product, which is huge, which is obviously a drastic mistake. On the date of his arrival amounted to over \$300,000, more than Polo's earnings for the fiscal year that ended in 1971. And so Ralph's in his early 30s, while this is going on, this is where he buys out his partner, but you see, I was like, wait a minute, we're buying out your partner, but you don't have any money, what's happening here? How can you not have any money? He was tired of being shackled to Norman Hilton, Ralph no longer made his clothes in the Hilton factory, he didn't ask Hilton's advice and didn't use the Hilton name to do business with major department stores. The original \$50,000 that Hilton put up had long since been repaid, yet Hilton still own half the business. So Ralph sends this new guy Bernstein, like, Hey, figure out how much, like how we're going to buy out Hilton. And so he asked him at lunch, he's like, Okay, how much do you want for your Polo stock? \$750,000 Hilton responded, that's too much said Bernstein, Hilton shrugged, he thought 750,000 was a nominal price to pay, considering that he had put Ralph in business. And you're also negotiating with somebody who doesn't want to sell. So it says, the seller was a man who lacked incentive, I didn't want to go said Hilton, I never wanted to leave Ralph, but he wanted me out. I recognize that I owned half the corporation, but I didn't own half of Ralph's brain. There was no law that he said he had to work for that company. It was his talent. His talent was the entire thing. I said to Ralph, I don't want to go. And he said, and these are his words, it's torture being a partner to somebody you don't want to be a partner with. So Hilton eventually agrees, he actually sells for \$633,000 instead of the 750 that he initially asked for. Hilton later used the money to buy himself a vacation home on Sea Island, Georgia. This is the house Ralph built me, he would tell his guests smiling. It was a hollow joke. If Hilton had remained a partner in Polo, today he could own 30 houses on Sea Island. Ralph paid Hilton 150,000 in cash and signed notes for the remaining 480 grant. Now here's the crazy part. The fact was, Ralph's company coffers were so bare that Ralph had to borrow 150,000 in cash that he needed.

[Transcript] Founders / #288 Ralph Lauren

So he's in debt for the entire 683,000. And so this outside guy that's actually the president, I think of one of, or he's like the one that's in charge of the Polo account from one of Ralph's creditors, this guy named David Goldberg is going to do this like thorough investigation of the finances of Ralph Lauren's company. And this is where they realized, oh my God, they're almost insolvent. And so it says, Polo had problems. They needed to establish better controls, cut overhead and move Ralph Lauren out of manufacturing and into licensing. And so I was so crazy to people that have an experience that you can have so much growth when you're manufacturing physical goods

that that can actually bankrupt the company. This is very similar. If you read Phil Knight's Fantastic Autobiography Shoe Dog, the early days of Nike were so that had so much growth and he refused to slow down that he constantly was on the edge of going out of business too. And so this is what it sounds like when that's happening from a financial standpoint, 1973 started badly for Polo and rapidly got worse. Sales for January and February fell behind plan because key contractors

refused to make and ship merchandise unless they were paid cash his credit essentially just contracts.

And so then he is so his suppliers holding his merchandise hostage, but he needs that merchandise to make more money. It's his vicious cycle. Polo's own factory mutinied. The Andrews shirt company refused to release 400 dozen shirts until its invoices were paid. Polo's board called a special meeting devoted to the commissions that Ralph received on the sale of certain polo items. Those commissions were in addition to Ralph's regular salary. Embarrassing as it was Polo could not afford to pay Ralph any money. Instead, he had to step up to the table stepping up to the table for Ralph met handing over his personal checkbook. He had \$100,000 on his account and he had to pledge

it to the company. Ralph began having trouble sleeping at night. And so his controls were so non existent that even though in one year they go from 3.8 million in sales, right to 8 million, Ralph had thought they were making a profit. They actually had a loss of like \$45,000. And so the fact that his CFO, the guy that's supposed to be running this was stunned by this pro forma that is made by one of Ralph's creditors, this guy, David Goldberg. That actually cost Bernstein.

Ralph is going to fire Bernstein, but difficult is like they were childhood friends. They'd hang out with couples. This was like firing one of your best friends. What really stunned Ralph was Michael Bernstein's astonishment at the losses. This is not what Ralph wanted to hear. If Michael Bernstein did not know whether the company was making or losing money while was Ralph paying him to be the company's CFO. This was more than an ordinary firing. Michael Bernstein had been one

of Ralph's closest friends. They socialized together. Their wives were friendly. They were partners. And what's crazy is while from the inside, right, no one knows all the like the how close Ralph is to bankruptcy, right? On the outside, he is still winning awards. Check this out. So one night it says Ralph won his second Kodi award for menswear. So that's like one of the most important fashion

design awards, right? He does that on a Thursday night wins this award for, you know, best designer.

The next day, Friday, he could not meet his payroll. Whoa. Near lunchtime, he said, I got to go home and change. I'm having lunch with Marvin Traub. Marvin Traub was then the president

of
Bloomingdale's. The reason he was having lunch with Marvin was that he needed to ask
Bloomingdale's
to advance him money on fall merchandise. This is in June. This is very unusual. It's like,
I need the advance on the stuff that's going to happen, you know, five months from now.
If Marvin says no, Ralph does not make payroll. Marvin said he would make an exception and
advance
Ralph the money he needed. Ralph made his payroll with the check Bloomingdale's gave him. So
then
he's got to find a way out of this vicious cycle. Like if his creditors cut off credit, then he has
no merchandise to sell, he can't pay them back. So says the company needed a handholder for the
creditors because it's books were a mess. There were no systems and no sophistication in terms of
accounting procedures, credit procedures, returns, even administration such as fringe benefits,
holidays, salary reviews and sick days. The first day I walked into the offices, there was a lawsuit
on my desk from Burlington Industries, a major peace good supplier. They wanted money money
that
that Ralph Lauren did not have buying Norman Hilton stock. Remember a few months ago, I was just
saying he didn't want to have partners was a catastrophe because it wiped out Polo's net worth.
They were the financial these were the financial realities of running a business that was nearly
bankrupt. The daily personal embarrassments were worse. People stopped Ralph in the street,
in the showrooms and at lunch. What is wrong with your business? They'd ask how many people
have
you laid off Polo fashions had been so hot, so successful. And Ralph had been so cocky,
so full of himself. Now Ralph Lauren was getting hit. So it's talking about the the perception
of people that you know, did not like that he kind of skyrocketed, you know, rather quickly.
Now it's like good, he's getting what he deserves, right? There was fear in the showroom,
there was fear in the factories, there were fear in the design studio, many of those closest to
Ralph quit for better jobs. This I've seen a bunch of times like you may see, this is why it's it's
weird where companies like oh, we're a family, no, we're not family, we're a team. Because what's
about to happen here is people, first of all, he considered family, he had a fire, including his
brother, but his partner burn scene, right? But also like some of his closest employees,
this happened, this happened to Jeff Bezos when he had that drop, I think his stock went from
like \$181 down to like seven or something. If you read the everything store, it talks about
like this mass exodus out of his company. People forget that because they see what Amazon is today,
right? They didn't realize how close he came to losing everything. The fact that when that happens,
the normal human reaction is for everybody to abandon you. Even people you thought would never
abandon you and you thought were really close to you. It just happens over and over again for us
to think that it's not going to happen to us. Like God forbid, hopefully, I like what Charlie
Munger said like two weeks ago or last week, maybe, wisdom is prevention. Wisdom is prevention.
I really like that line. It's like, okay, if you're really smart, you should avoid the problems,
not just have to solve the problems when they pop up. And so hopefully we can avoid this fate.
But if we were going to experience some kind of contraction, it's likely that the people that
we thought would ride or die as people that would stay there forever are going to leave.
It just pops up in the books too much to not realize this is just something that's repeatable

through human nature. Fear, many of those closest to Ralph quit for better jobs. And so there's this guy named Sal Sissarii. I don't know how to pronounce his last name, but this one hurt really bad. To Ralph, each resignation was a personal rebuke. It was Sal's departure, though, that hurt most of all. Sal left me when I was choking, and he opened his own showroom, says Ralph. Then a year later, Sal called my interior director, interior decorator, Tom, and hired him. That killed me. I had always loved Sal. After all that, he pulled out and left me. He didn't believe in me. And then he screwed me. I needed somebody to help me, somebody to stay. It was a very frightening moment.

Ralph would walk into a peace good showroom, so a supplier, right? Look over the line and write his order. Then before he could leave, a salesman would quietly but firmly explain that his credit wasn't any good. Ralph Lauren was a design award winner, but he had to pay cash. This is how Ralph learned polo fashions was two companies. There was the design business, the business that depended on his eye, his taste, his feelings. This is the side of the business. He's running. Then there was the business side where nobody cared about his eye. Nobody cared about his taste or cared about his feelings. Only money counted, not dreams. When I got to that paragraph, what popped out on me, I think it's episode 227, it's the essays of Warren Buffett. You can also find it in Warren Buffett's shareholder letters, and Warren says, when bills come due, only cash is legal tender. Do not leave home without it. He's talking about the reason that him and Charlie said on mountains and mountains of cash, people constantly trying to get to them to chase a better return with the cash. He's like, nope, we've seen this play out over and over again. When bills come due, only cash is legal tender. Do not leave home without it. And he's talking about the fact that, let me read the second part of this paragraph, because I actually think that was interesting. Warren's writing, he says, this is the reason for our conservatism, which may impress some people as extreme. It is that it's entirely predictable that people will occasionally panic, but not at all predictable when this will happen. Though practically, all days are relatively uneventful. Tomorrow is always uncertain. That is why you always have to have mountains of cash for your company to survive. And so his point is like, you know, every day, almost every day, we experience it relatively uneventful, but then you have these one or two days that come along every so often, and everything changes, asset prices change. And he says, I felt, and he talks about this, I felt no special apprehension on December 6, 1941, the day before, per harbor, or September 10, 2001. And if you can't predict what tomorrow will bring, you must be prepared for whatever it does. Again, how does he start that when, when bills come due? Only cash is legal, legal tender. Don't leave home without it. We see this playing out in Ralph's life. You know, luckily he survives this. Now he's, I think 83 years old, but this is him in his 30s. You know, if Ralph made a bad move here, we don't know who Ralph Lauren is. And so he's realizing that side of the business, they don't care about your eye, your taste, your feelings, any of that. Do you have the cash or not? And so luckily, Dave Goldberg, one of his creditors comes in as a very simple plan. It's going to be very similar to what Geffen told Calvin Klein. There's a way to make money here, and you guys are doing it the wrong way. It's amazing. He's essentially in the same business, but this change of business model takes him from the precipice of bankruptcy to one of the richest self-made men in America. That is wild. And it does so within 10 years. Dave Goldberg insisted PoloFashion had to do four things to survive. They need to license the women's wear business, which was a cash drain. That's the first thing they have to do. Ralph had to invest more,

find more capital to invest in the business. That's the second thing. Third, Polo needed to work out a deferral program on 500 grand it owes this other company, which is the company that makes it suits, because they need those suits to sell. So that's the third thing. And finally, number four, Polo also needed to renegotiate the repayment terms of the nearly half a million dollars that owned Norman Hilton. Ralph did all of these things. And so in the next two years, they create this remarkable turnaround doing all these things, transitioning from a manufacturing company to a licensing company, watching their costs. Again, gentlemen, watch your costs. I think it's Andrew Carnegie that said that. The importance of paying attention to the expense side of your business, where most people just focus on the sales side, which is crazy to me, is the most common theme in the history of entrepreneurship. And we see that like Ralph wasn't doing that. He's focused like, what are you talking about? We just eight million revenue. How the hell could we not be losing money? Because no one is watching the costs. With its overhead reduced and its other businesses, I'm going to skip over the brand names, licensed out, Polo began to make money. Ralph Lauren could even buy peace goods on credit again. This made me think

of, I so wish Sam Walton was still alive. I read his autobiography, I think two times. I'll probably read it seven times throughout my life. In fact, I just had dinner with somebody that has dinner regularly with Peter Teal. And he said something that was very fascinating, that Peter had mentioned a dinner, an idea that he found through the seventh reading of some book. And that just made me feel so much better. Because I'm like, oh, I can't believe, people are like, oh, it's kind of unusual that you reread books. It's like, why wouldn't you? Why? Like the brain is like this amazing device to forget things. And not only that, the words change because you change as a person. So in between, I think it was like episode six, the first time I read Sam Walton's biography to episode 234, something like that. Like, think about how much information I've consumed. Like, I'm a completely different person. And so I just really wish Sam Walton was alive. I wish I could talk to him, you know, reading his autobiographies is, you know, the next best thing. But I just would be absolutely fascinating to be able to like, you know, have a conversation with that guy. But when I get to this section, I thought about one of my favorite things that Sam said, Sam said a lot of smart things in autobiography. But he says, like, you can make a lot of different mistakes and still recover if you run an efficient operation, or you can be brilliant and still go out of business if you're too inefficient. Ralph Lauren was brilliant. He's winning awards. He's creating new categories.

He's increasing prices. He's being absolutely brilliant. But he was too inefficient, and he almost went out of business. What did Sam just tell us? You can make a lot of different mistakes and still recover if you run an efficient operation, or you can be brilliant and still go out of business if you're too inefficient. And so Ralph talks about in the documentary, like how dark of a period this was. But the greatest thing, I love what Jeff Bezos says, he's like, plan B should be to make plan A work. The idea behind that is the fact that if you have a plan B, if you have something to fall back on, a lot of people fall back on it. For Ralph, it's like, no, there is no falling back. It's this or nothing. So it's like, there's no moment as difficult and painful as this was, it's like, I ever thought of quitting. And so this is crazy because he had a single-minded purpose. This is a quote about Ralph from somebody that Ralph fired. The thing that set Ralph apart was his single-mindedness of purpose. Everybody else moved from place to

place,

from trend to trend. He wasn't trendy. He stayed with it. It is the single most important thing about him. To this day, there are people walking around saying, Ralph Lauren, isn't that special? I could have done that. It is the weirdest thing. They couldn't be more wrong. Ralph is the most special guy in the apparel business. And he said that after Ralph fired him. And so when Ralph finally finds a partner later on, this guy named Peter Strom, who I think they're so apart, might be so partners to this day. I'm not sure if Peter passed away or not, but they were partners for a long time, if I remember correctly. And they're just talking about the condition of the business, the fact that my friend Patrick from the Invest Like the Best podcast told me about this guy named Graham Duncan. And I started reading his essays. And then he told me, Patrick told me to listen to Graham Duncan's episode on the Tim Ferriss podcast.

It's called Talent is the Best Asset Class. I'll leave a link in the show notes as well, or you can just search on your podcast player. I love that conversation. I saved a bunch of clips because I liked a lot of things that Graham was saying. And it's like this idea is talent is the best asset class. Ralph was an unusual talent. It says this, the truth of the matter is that the only great thing about Polo was Ralph. Everything else was terrible. And yet that's all you needed, a truly unusual once in a generation talent. So this is really where Ralph as an entrepreneur really grows up. The company grows up. It's amazing. This transition happens. There's like 180 degree

difference in their financial situation happens in just two short years. So he's learning how to edit the team. It says Ralph had learned that he had to run his business like a business. This means that he even had to essentially get rid of his own brother. And then they go all in on this idea. Well, if licensing is where the money is, let's go into that. It says he was now on a roll by the fall of 1976. Polo's licensees included Tiffany and Company, a fur maker, a shoemaker, a lingerie maker, a Japanese men clothing maker, a scarf maker, an eye glass frame maker, Polo's volume, including sales from licensed products, was \$18 million. He was now learning what would be the most important lesson in the fashion business and almost did not matter how much money a designer

made or lost producing his own collections, as long as he signed enough lucrative licensing deals, and then controlled the quality of the products made bearing his name or logo. So there's another fashion designer that was doing this before. So this guy named Bill Blass and then Pierre Cardin, and they go over the numbers of just how different like all the money was in licensing. Bill Blass's licensing business, for example, brought in \$100 million in 1976. The collections that he made himself did no more than 25 million. And then this is a punchline, licensing would explain how the designers amassed such large fortunes so quickly. Ralph would show exactly how well he understood this when he signed what would be one of the most lucrative licensing deals, a deal that a decade later was still producing royalties of more than \$5 million a year. So I put \$5 million a year into the like to adjust it for inflation in today's dollars, that's \$13 million a year. So let me just read that again in today's dollars. So 10 years from now, a deal that would still be producing, this is just one single deal, he's got a ton of licensing agreements. So now you can see how he afforded the Gulf Stream and all the estates, a deal that a decade later was still producing royalties of more than \$13 million a year. Ralph Lauren designer would become Ralph Lauren perfume seller. And so the history of business is filled with these

unbelievable deals that individuals and in many cases, two individuals come to mind, they're able to work out for themselves. So I think of Coco Chanel, and I think of Michael Jordan, Coco Chanel, I covered this on episode number 199. She eventually gets I think 2% of all growth sales worldwide for all the Coco Chanel perfumes, Chanel number five being one of the most commercially successful products of all time. This made her reportedly the richest woman alive when this deal was going on towards, I forgot how old she was, but she was making the equipment of, so it was \$25 million a year back then, which today's dollars, it'd be like somebody paying you \$300 million a year. And her contract stipulated that the company had to pay for every single one of her living expenses. So she's got no bills, and she's making \$300 million a year. And then Michael Jordan's deal that he has with Nike was also in the news, especially in the last year or two, because Jordan Brand is still growing so much. And I think he gets 5%. I think it was at 5% on \$3 billion of sales, I think a year or two ago, he was making \$150 million a year just from that deal. And he'd been retired for over 20 years. And so Ralph's royalties, the year this book came out, which is around 35 years ago, says Ralph's royalties, that year were \$16 million in today's dollars, \$16 million, despite the fact that Ralph never invested a cent of his own money in the fragrance business. And then towards the end of the book, the author goes into, what has all this success done for Ralph? Like why is he doing what he's doing? And what has it done to him? And another way to think about this is like, why is Ralph doing what Ralph is doing? What does it mean that somebody from the Bronx who starts out selling fat ties can build a fashion empire that stretches from New York to Paris to Tokyo? One would think that after all the awards Ralph has won and all the monies he's earned, he'd be satisfied. Ralph is not satisfied. He's anxious and sometimes insecure. So what does he want? The answer is not more money. If Ralph wanted to cash in fast, he could triple his licensees overnight and boost his income without taking any financial risk. And he has not done this. Ralph hasn't expanded faster because growth still makes him uneasy. Some businessmen dream of building big powerful businesses. Not Ralph. He wanted money. He wanted luxury. He wanted recognition. But he never aspired to manage a billion dollar company. As meticulous as he is about his work, Ralph has never spent hours plotting his next career move. And then he goes into something that will be surprising to people from the outside, but you and I have talked about a number of times so much so that it should be expected at this point. This success, he says, I don't want to tell you it's lonely, but it isn't completely fulfilling. It isn't the need for celebrity that pushes him forward. No matter how much attention Ralph receives, it'll never be enough. And he probably knows this. What motivates him is fear. For nearly 20 years, Ralph Lauren has been at the center stage in his industry and he intends to stay there. He has fought hard to get to the top. He did not inherit money. He did not graduate from college. The stature and wealth Ralph has accumulated, he earned. He understands better than anybody else. He knows not only how hard it is to achieve success, but even more demanding how hard it is to maintain it. But is he going to slow down? Not likely. As he said, my soul is in what I do. It's Ralph Lauren's name on the door, on the ads, in the store. And he intends to keep it there. And if nobody ever gives him a crown, hell, he'll design his own. And that is where I'll leave it for the full story. Highly recommend buying the book. If you buy the book using the link that's in the show notes in your

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I've already done two and I should be recording the third episode in the next seven days. So if you want the ability to ask me questions directly and then I answer those questions on episodes, you can sign up with the link below and of course, it's available at FoundersPodcast.com.

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