

## Cool, Dude!

An Interview with John R. Ranelli, Chairman, President, and Chief Executive Officer, AAI.FosterGrant, Inc., Smithfield, Rhode Island

**EDITORS' NOTE** Prior to joining AAI.FosterGrant in 1999, John Ranelli served as the operational executive VP of Stride Rite, as executive VP and CFO of TLC Beatrice, and as COO and CFO of Timberland. A former submarine officer in the U.S. Navy, he earned his M.B.A. at Dartmouth College's Tuck School of Business and was a Fulbright Scholar.

**COMPANY BRIEF** Headquartered near Providence, AAI.FosterGrant, Inc., is a designer and developer of sunglasses, reading glasses, optical frames, and costume jewelry, which it distributes through well-known retailers worldwide. Already one of the largest suppliers of popular-priced optical and jewelry products in North America and the United Kingdom, it recently acquired the Gargoyles family of sunglass brands (including Gargoyles, Anarchy, and Angel), and with the launch of FosterGrant ophthalmic frames, the company is now expanding well beyond its traditional markets to reach more upscale consumers.

### What are AAI.FosterGrant's principal products?

We offer a comprehensive range of sunglasses, reading glasses, optical frames, and costume jewelry under many different brand names – including FosterGrant, Gargoyles, Anarchy, and Angel – and at a variety of price points. We've augmented the sunglass brands we own with key licenses from Club Med, Ironman, Champion, and Body Glove to help us target specific markets. In addition, we supply a wide range of private-label products to some of the world's best-known retailers.

Our biggest asset, however, remains the FosterGrant brand, which dates to 1929. It became synonymous with sunglasses in the '60s, thanks to our famous "Who's behind those FosterGrants?" advertising campaign, which featured celebrities like Sophia Loren, Woody Allen, Raquel Welch, and, in later years, Cindy Crawford. The ads positioned our



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sunglasses as a glamorous fashion accessory – but one that's accessible to everyone. Today, FosterGrant remains one of America's most famous brands, ranked number 66 on the list of the 100 most recognizable apparel and accessory names published in *Women's Wear Daily* in June 2003. In the accessories category alone, we came in fourth.

### You mentioned a variety of price points. Who's your target market?

Our market is exceptionally broad. However, the specific target market differs by brand and product category. FosterGrant sunglasses, for example, which are sold by mass-market retailers, cater to consumers 8 to 80 years old who want stylish products at affordable prices. Our newly acquired Anarchy brand of eyewear, on the other hand, is targeted at male surfers, skaters, and snowboarders between the ages of 14 and 25. Retailing between \$45 and \$60, these sunglasses are sold by specialty sports retailers.

In all, I think we offer the broadest range of products in our industry, with retail prices ranging from \$5 to \$120.

### How do you convince such a broad market that you're superior to the competition?

The exceptional value that we incorporate into all our products sets us apart. We like to say that our products offer more fashion, fit, and features per consumer dollar than their competition. Otherwise put, our products look better, fit better, and have more features. As a result, we offer buyers better value. This is our key selling proposition, and it works!

AAI.FosterGrant was one of the first companies to offer antireflective, infrared-reducing, and hydrophobic coatings on sunglasses retailing for under \$100. This year, we were the first to introduce high-quality, PC polarized products for less than \$25. We're also going to launch a line of versatile reading glasses with magnetic sunglass clip-ons, which will make us the first in the under-\$30 category.

Last year, we sold nearly 20 million units of eyewear and nearly 30 million of jewelry. With this kind of volume, we're able to provide better products at lower costs than our competitors.

### Has the economic downturn affected your business?

In 2003 we accomplished all our financial objectives. We achieved our profit targets and positioned our company for growth. We finished the year with our net debt down 80 percent and the highest equity-capital base in the company's history. Our business is balanced, and we're poised to take advantage of the economy's recovery.

### What does it take to be a successful CEO today?

The CEO's function is to provide a strategic vision for the company and to ensure that all individuals and teams are on board with that vision and have the necessary resources to achieve it.

My role at FosterGrant is to spearhead aggressive growth. To accomplish this, we devised a new corporate plan, which includes aligning departmental goals and increasing staff where appropriate. Our objectives are to build a profitable, global optical company and to grow our jewelry business by expanding our brand portfolio and product range, accessing new distribution channels, and thereby reaching new consumers. Currently, 80 percent of our business is domestic, but we still see significant growth opportunities in the United States. Our international division contributes only 20 percent of overall sales, yet it's more profitable. Therefore, we're aggressively looking to broaden our global presence.

Personally, I have a democratic management style, which I believe is very important to our future success. As the CEO, I've developed a clear vision of where the company is and where it could go. Then, I work with my management team to set clear and measurable intermediate and long-range goals. Ultimately, we collectively believe in the mission because we created it as a team. ■

A sampler of AAI.FosterGrant's wide product offering.

