

What's Behind the Name?



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



John R. Ranelli

EDITORS' NOTE

Prior to joining AAI.FosterGrant in 1999, John Ranelli served as the operational executive vice president of Stride Rite, as chief financial officer and EVP of TLC Beatrice, and as CFO of the Timberland Company. A former submarine

officer in the U.S. Navy, he earned his M.B.A. at Dartmouth College's Amos Tuck School and was a Fulbright scholar.

COMPANY BRIEF *Founded in 1919 as a manufacturer of women's hair accessories, AAI.FosterGrant, Inc. introduced its first sunglasses – with which the company has been synonymous ever since – a decade later. Based in Smithfield, Rhode Island, the firm is now known for one of the twentieth century's most successful advertising campaigns ("Who's That Behind Those FosterGrants?"), featuring a panoply of celebrities such as Woody Allen, Peter Sellers, Cindy Crawford, and Jeff Gordon.*

Given the challenges of the current down market, how much of an impact have you seen in your business?

One of the beauties of the FosterGrant brand is that it's one of the top corporate assets in existence today. In the sunglass industry, our brand enjoys the highest level of awareness within the popular price segment and is second among all sunglass brands. As compared to all brands in the accessory category, FosterGrant was recently ranked the fourth most-recognized brand by *Women's Wear Daily*. In addition, our brand has very high loyalty, with more than 92 percent of consumers indicating that they'd buy our products again. These strengths provide us an incredibly solid and secure business foundation. As a result, I'm happy to say that, even in these difficult and trying economic times, our turnaround is complete,

and we're achieving great success in the initial years of our growth phase.

How are you able to balance cost effectiveness with the importance of product quality?

My challenge to the organization is to provide the consumer with more fashion, fit, and features for their dollar than any other brand. They, in turn, have initiated a low-cost producer strategy as a foundation to deliver this objective. So far, we have been very successful. Today, our sunglass and reading-glass products look better, fit better, wear better, and cost less than our competitors' products. I know of no stronger foundation for success.

How do you define FosterGrant's target market?

The beauty of the FosterGrant brand is that it appeals to people from 8 to 80 years old; has a very broad demographic and psychographic profile; and has strong product appeal, as everyone wants to look good and be cool. It's equally important to men and women, and it transcends all age groups. In addition, our price points reach out to all socioeconomic consumer levels. FosterGrant products are products you can have fun with – products that make people feel good about themselves.

In the future will your product offerings remain relatively consistent?

That's a very exciting area. We're currently in the sunglass, reading-glass, and fashion-jewelry markets. And this year we're entering the ophthalmic-frame business, which is a large category, representing more than \$5 billion in annual sales.

In our surveys, FosterGrant has generated the highest level of awareness among competitive ophthalmic brands. FosterGrant was also the brand most likely to be purchased among competitive brands. The majority of people surveyed indicated that they either had bought or would buy our product. Astonishingly, we've never sold frames before, and we believe this represents a great opportunity going forward.

With that level of brand recognition, do you envision broader product extensions in the future?

Yes. In fact, we're expanding our consumer reach by targeting the under-35 age

group, which currently represents about 40 percent of category sales but only 23 percent of FosterGrant's sales. That's a 17 percent market share we're not effectively reaching, and we're going after it now by introducing two new lines: the Eye Gear and the Club Med. Eye Gear will target the growing sports-oriented segment, while Club Med will target the growing beach-theme segment of the marketplace.

Is there any interest in having an independent FosterGrant store?

No. We feel that we can be much more efficient by focusing on the marketing and merchandising of our products rather than running retail stores.

Is the Internet primarily an informational tool for the company, or does it serve as a sales vehicle?

The role of the Internet in our business is primarily to provide information to the consumer and to enhance our business-to-business efforts. From a practicality perspective, actually selling eyewear products over the Internet has not been very effective because people are very particular about how they look in sunglass and reading-glass products. Additionally, our retailers do a very good job of merchandising and selling our products, and we see no need to compete with them.

You mentioned the turnaround at FosterGrant. Have you been happy with the way the company culture has developed since that time?

Finding and retaining talent is always critical, and it's all about the values of the management team. Employees want a safe, stable place to pursue careers with people who share their values about business and life. Because of the quality and values of our management team, our turnover has been very low. And based on our performance, we were able to attract some great talent and improve our team at several positions this year. In fact, a few of the employees who left this year indicated a desire to return. We see this as a very nice compliment. People are a critical factor in our return to growth. We believe that, in addition to having the best brand and products, we have the best culture and team – ingredients that are key to our success. ●