PREFACE

This memoir is the result of a series of tape-recorded interviews conducted for the Oral History Project of the Fashion Industries by Robert L. Green with George Friedman in New York City in Spring 1981.

George Friedman has read the transcript, and has made only minor corrections and emendations. The reader is asked to bear in mind, therefore, that he or she is reading a transcript of the spoken rather than the written word.

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(dated) 5/30/81
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(dated) 11/30/81
INTERVIEWER: Robert L. Green

NARRATOR: George Friedman
President, Warner-Lauren Ltd.

DATE: Spring 1981

LOCATION: New York City
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I: This is Robert L. Green, doing an oral history interview with George Friedman, president of Warner-Lauren, a division of Warner Communications. George, one of the fascinating things, of course, for people who investigate archive oral histories, is how people achieve the positions of creativity, of power, of influence that they do. Can you tell me a little about George Friedman the man? Where were you born?

N: I was born in Bedford-Stuyvesant in Brooklyn in 1935 on a relief check, which has made me, up until recently, a life-long liberal. As you can imagine. I grew up and went to public school in Brooklyn. Then I went to Brooklyn Technical High School, which was a competitive technical high school in Brooklyn, which drew from a city-wide base. Which was kind of interesting because it broadened the parochial kind of group I would've grown up with had I gone to a neighborhood high school. The school also had an industrial design course, which was modeled after Pratt's course, which in the fifties was I think probably the state of the art for packaging industrial design. And at that time I thought I was going to become an industrial designer, and I was fascinated by it. I had some friends who were going to Pratt in that program while I was in high school. And I did fairly well, but it dawned on me in my senior year that I was never going to be a brilliant designer. I just didn't have the technical facility. As much as I enjoyed it all, I knew I wouldn't be very good at it. And
I made a decision that I'd better look for another college to go to. And I took the exam for Brooklyn College, which was then part of The College of the City of New York--now it's part of the University of the City of New York. And I got in, and--as a matter of fact I didn't have to take the exam; I guess my grades were high enough, and they valued a Brooklyn Technical High School grade, so that they said, "Don't bother." I got in, I majored in psychology. In 1952 when I got there, Brooklyn and City were still the jewels in the City University crown: very competitive, about 75 percent of the graduates went on to graduate I think work. In fact, Brooklyn College--I'm now a trustee of the school--at this time, the president told me that they probably had the fourteenth or fifteenth highest percentage of graduates who have PhD's, which is an astounding figure. I majored in psychology and played football, and wasn't quite sure what I was going to do.

Then, in my senior year, I received a fellowship to the New School for Social Research. I accepted it, and I went for a while--I think I was working, I decided to go into advertising and pursue my graduate work at night. I got a job in the mail room of an advertising agency, Doyle, Dane, and Barnbach, which was just starting in 1956. And I started to go to class, and the New School in those days was still very German in its orientation, very Gestalt--I'm not even sure what that means anymore. And I found it totally inappropriate to the life I was leading and to where my head was. I didn't have a clue of what they were talking about. What I really think is that I had had enough school at that point, and I decided I really did not want to become a psychologist or teach psychology. I found the teachers not to be terribly stimulating, and I found the whole dogma inscrutable and
inapplicable. So I resigned and continued to deliver mail. (laughter)

At that time I was living at home, and I think--ah, I remember. I was able to move out of Brooklyn, because I got on a quiz show. It was called "Win With the Winner," with Win Elliot. And as I remember, in the mailroom, we used to get recruited by various people to do things, and the network who was producing the show was trying to sell it to the agency. And they had me as one of the contestants to demonstrate, and I did rather well. And the show got on the air, and I won for three weeks, and I think I won the magnificent sum of probably three, four hundred dollars, and I think a gas range. (laughter), as I remember. And I remember the question I lost on: the question was, "Who was Adam and Eve's third son?" Which I knew until recently is-- I forgot who it is. But there is a third son, and I received 42 Bibles from ladies in the Midwest as a result of not answering the question. I took that money and found an apartment in the Village on Sheridan Square, right across the street from that wonderful theatre, Circle-in-the-Square. In fact, my apartment looked into the dressing rooms at Circle-in-the-Square. (laughs) Right then and there I developed a life-long concern for the theater. (laughter)

I was no longer delivering mail, I was in traffic. I had a typical advertising career for about twelve or thirteen years. I was in the Army for about six months, one of the first six-month programs. I moved a few times in New York City. I worked at Young and Rubicam, Foote, Cohn and Belding, and somehow--Warwick & Legler--I got
involved in the cosmetic business through some fluke. I guess the first...

I: What sort of accounts were you working on originally?

N: The first account I ever worked on was J.P. Stevens, which was an enormous group of mills and fiber companies. And I was an account executive and traffic man, and I got some feeling for fashion from that, because I was delivering all those layouts all the time. In fact, I worked with some art directors who—Dick Hubner, who has really become a force in the business. I was his traffic man and he was an assistant art director. And I kind of learned fashion from those people. There were a few—by that I mean I got to look at lots of layouts, got to have some feeling for what was happening in that business. But I didn't like it very much because I didn't think it was really very satisfying from an agency; and because you're not producing an ad for an end product, you're producing an ad really for a fiber, which is then made into a fabric, which is then made into a garment, which really has nothing to do with you because they're not your account: you're just an ingredient product. So it really is not terribly exciting.

I got off that account, and I think I went to Young and Rubicam—no, I went to Warwick and Legler. At that time, Warwick and Legler had Revlon. And those were the heydays of Charles Revson, when they were doing the "$64,000 Question," and things were really exciting. And I worked with some very, very creative people and learned an awful lot about live television, because we did live television commercials then.

I: What was your specific job there?

N: I was account executive, and that was to interpret what the marketing
plans of the client were—which changed everyday at Revlon—and to see that the copy writers and art directors would produce the appropriate ads, and carry back the message back and forth. I'm not sure that that's really a function anymore in the agency business, because I think copy writers and art directors pretty much do that themselves with a little bit of help. But it really was—it was a hell of a training position, because you really got a chance to sit in and see everything that was happening. And I learned basic cosmetics from sitting in endless, endless meetings with some terribly bright people, who would analyze marketing positions and would rewrite copy fifty, sixty, seventy times. And I think I developed a good as an editor. I'm not a good writer, but I think I'm a terrific editor as a result of sitting in all of those meetings and watching people like Kay Dailey, who was creative director of Revlon in those days and a brilliant creative director—edit copy. I think that you just have to be exposed to it and try to understand what the end result is, and I've learned to be an editor. And you develop your eye over the years.

We had some of the shade promotions, we had some of the make-up, some of the treatment products. I was there for about three or four years. And at that time, Johnson & Johnson was a major, major account at Young and Rubicam, had decided to get into the cosmetic business. They were going to start with some lotions and then slowly work into the treatment and perhaps color business. I don't know what their plan was because it never happened, but they were looking for some executives to do that. And I was recruited as an account supervisor
to go and develop the cosmetic business. Well, I was there for a while, and they realized that was not the right business for them, and I became account executive and account supervisor of Band-Aid Brand Adhesive Bandage, which was a fascinating business. And Steve Frankfurt, who at that time was the thirty-year-old president of Young and Rubicam—which was a fascinating business. And Frankfurt, who was a graduate of Pratt Institute, I might add—who was a brilliant creative executive. He did probably some seminal commercials that used the use of helicopter shots.

(interruption)

In those days he was probably the first guy to use a helicopter in a commercial, and there were some beautiful, beautiful little vignettes with children: the one I remembered was a helicopter zooming in, and the entire commercial was the camera zooming in on a little child running along the beach. You don't realize what it is, and this camera suddenly comes in on this thumb, and the camera comes right in on the thumb, and you hear a little child saying, "Mommy, kiss it with a Band-Aid." It's an extraordinary, brilliant creative solution to that. He's been very successful since then; in fact, I still see him around occasionally, he lives in the same building I do.

I: It's interesting, George: you said at the very beginning—making a light joke of it—that your apartment in Sheridan Square overlooked the dressing rooms of Circle-in-the-Square, the theater. And yet as you talk, it's apparent that the things that you really pick out that are stimulating are things that create their own kind of drama. If you marry this to your psychology courses and the basic awareness to design—whether or not you were qualified as a brilliant designer—
is unimportant, but you were exposed to it. And you find that what has made all this work for you, what has kept your interest going and added to your creativity, is the sense of drama, is the sense of theater?

**N:** Well, I guess implicit, that it's a very interesting question, and I've never quite looked at it that way. But I'm fascinated with film more than theater because I find it more accessible. But the things I do well I really--in fact, I think I'm just an objective businessman with a good feeling for numbers, but I have a feeling for the creative, which really is a feeling for the dramatic. And I guess that's really what you're saying. When you say an ad is terrific, or a commercial is terrific, you're really saying it's dramatic, it's memorable, it has a certain quality that lifts it from the ordinary. So I think that's very interesting, I have to think a little more about that.

**I:** Well, I brought it up because I have found in my own experience that those things that are basically successful in terms of image communication, whether it be film or commercials or theater or graphics, are essentially successful because you can identify with them. You can find some way in which you are that little boy or you had that experience or it evokes a memory, stirs up something. If you think of all the great plays or performances that one has seen, it really operates on the basis of taking away something because it becomes part of your life. And I think it is essentially a psychological device. And I wish you'd develop for me how you felt . . .

**N:** Well that's very good, because you really have also defined an effective advertising message. Something that strikes a responsive chord and that you take something away. One would also hope that that which you
take away is a product benefit which is demonstrable and not spurious.

You know, an advertisement can sell any product once; the product itself has to resell itself. But I think I never quite understood that; that's an interesting insight, but I've always been attracted to the creative. I always thought at one period in my life when I lived in the Village I wanted to be a writer. I did produce an off-Broadway play while—I forgot about that. While I was delivering mail I had met some people in a coffee shop in the Village, the Figaro, which in those days was the center of the intelligentsia, which I pretended to be. Everybody played chess and smoked cigarettes, that's how long ago it was. (laughs) I neither smoked nor played chess: my eyes would get irritated and I would get bored, but I would sit around and drink coffee. I met some friends who had gone to Carnegie Tech who were very involved in the theater. And I had been attracted to the theater in college, and Brooklyn College in those days had an extraordinary theater department with Earl Chapman and Joe Davidson—who just died last week, ________—a very very creative man—and I had been involved in the theater in a number of ways, basically as a friend of the people who were in it. I would go to rehearsals, and I was always attracted to it. I would pull the curtain occasionally after football practice.

But we got together and we wanted to produce a play, and we produced Chekhov's fifth play, Ivanov. And it was extraordinary. It opened March 17, 1957, in the Renata Theater, which is now the Bleecker Street Cinema. And there were forty-two people in it, and it cost twelve thousand dollars to produce. (laughter) And Bill Ball directed it, who's done some things at the Metropolitan Opera,
who's been at the Ailey Theater, and I guess out in San Francisco now. A very extraordinary director. Sada Thompson was in it, Ed Asner was in it, as I remember. Everybody had just started out, and the sets were done by Will Steven Armstrong, who went on to become one of the most extraordinary scenic designers on Broadway—he's also passed away. And it was phenomenal. Opening night I remember we conned the Albert French Restaurant into giving us a free opening night party. (laughs) All the steak you could eat for $4.95.

I: Yes. The beginning of your good sense of public relations.

N: Yes. (laughs) The poor man never knew how much actors could eat. And we stayed up and waited for the reviews, and the reviews were remarkable. We really were a hit, and it did very, very well. Even The New Yorker I remember—it wasn't Kenneth Tynan, but somebody terrific was reviewing it in The New Yorker and gave us a wonderful review. Atkinson gave it . . .

I: Probably Walcott Gibbs.

N: Yes. Might've—it was Walcott Gibbs. Yes, and Atkinson gave us a good review, and Kerr—there was the Tribune in those days . . .

I: Let's get back to your career in advertising and promotion and your eventual direction into the fragrance industry. Obviously there was something happening in your career that was building towards this kind of success. Because each move that you made you made, I assume, with raises, with progressive authority, with new responsibilities. I was fascinated, when you first talked about the Band-Aid, Johnson & Johnson thing, as to why you found that fascinating, but when you described the commercial, then it all becomes a new kind of excitement.
Because it is, in a funny sort of way, all related to whatever is fashionable at a given time. Even the sense of having the sense of style that you pick up a helicopter the first time and use it for that kind of function. Have you not found that your own awareness in style has affected your career?

N: Well I think that's one of my strengths, and in this case, I think I'm interpreting what your saying is being alive and aware of everything that's happening around you. Being involved in the theater, reading books, reading the newspapers, going to the movies, knowing interesting people. In fact I remember when occasionally I would hire somebody, I would tell them during the interview, I would say, "Okay, now you've told me about your business career, but what are you really like? What do you do with your spare time?" And if they didn't read or they didn't go to the movies or they didn't go to the theater, or if they didn't talk about what interests them, I try and find out what they like to do. To me, the most fascinating thing you could do would be to sit around and talk to somebody really exciting, and test somebody's ideas. And find something new, which is something fresh that triggers a new response in you. It's hard--(1) It's hard to get people to open up in an interview, but it's also hard to find people who did that and who also were good business people. A very, very rare combination, and when you find it, you treasure it. Because you know they're going to be successful if they've taken the right niche, and that is a creatively oriented business, which I kept on gearing myself for. Because I found that to be the most fun and one which took advantage of this taste I had for being involved in
the creative life around me. Most of my friends were involved in theater or film or writers. In fact, I probably knew almost no businessmen. And to this day, (laughs) that's probably so. Because I enjoy people like yourself. I mean I like people who are involved in the creative arts. I've always been married (laughs) to creative women. Both women I've been married to, one was an artist, the other is a designer. I guess that tells you that's what I'm interested in.

But from Young and Rubicam, I went to Foote, Cone, and Belding, which was my last job in the agency business. I went there to work on Clairol Cosmetics, and I was in charge of the development of that, which was very successful for a short period and then not so successful. Because Clairol kept taking the sales force away, and it was an interesting concept. The concept was: if you're a blond, blush like one, or make up according to your hair color, which is a very sound theory. We had some very creative people, and there were some problems with execution. And I think what that taught me, which is: lots of people have terrific ideas. In fact, there are more terrific ideas around than you can count. The real trick is how you execute them. I don't want to say ideas are cheap, but the real talent is to find a good idea and make it work. That's the rarest talent of all. And that's what you have to try and do if you want to be successful in our kind of business, is execute it better than everybody else. Because there are a lot of talented people with good ideas; there are not a lot of talented executors.

Well I stayed there about three or four years, and I was really bored. I was getting very dissatisfied with being an account supervisor.
I didn't like being reactive, because that's the agency business: you're reacting to the client, you're not initiating anything. And I found that really fundamentally not challenging enough. I didn't like being in a service business. And I had decided to leave the agency business; I had talked to Clairol about going over there. And I had not reached any firm conclusion about what I was going to do. And I remember that there was an executive at Foote, Cone, and Belding who had resigned. And he walked down the hall and he walked into my office and said, "George, I have an appointment with Leonard Lauder tomorrow—at Estee Lauder. I'm not really interested but I'm going to go anyway because my attorney is their attorney, and I don't know anything about Estee Lauder. Tell me something about it." So I gave him ten or fifteen minutes about Estee Lauder . . .

I: What year was this, George?

N: This was 1966, and it was then about twenty-five million dollars. Now it's about a billion. And I said to him, for some strange reason as he walked out, "Roger, if it doesn't work out for you, tell them about me." He said, "Okay."

Three weeks later I got a call from Leonard Lauder's office, (laughs): Would I like to see him? So I went over to see Leonard Lauder, and they had two jobs. One job was advertising and promotion director of Estee Lauder, and the other job was general manager of Aramis, which at that time was doing about a million and a half dollars, and nobody was really convinced there was a men's toiletry business. It wasn't even a separate company. It was really sold by the Estee Lauder
sales force, and there was a general manager who was moving into another area, and one or two promotion executives. And after an hour or two, we got along very very well. He offered me the job as advertising manager, and I told him I wasn't interested in that. I was sure I could do that very very well, but what I really wanted was to run something on my own. I wanted that job, and I wanted a job where if I did well I'd be rewarded, and if I didn't do well, you throw me out. But I wanted to have an objective criteria to my success. I didn't want to be servicing somebody. I wanted them to look at the profit and the sales and say, "Yes, you've done it, terrific, here's your reward; no you haven't, goodbye." And that's what I wanted.

So we had a couple of interviews, and I guess that was the right thing to say--and I got the job. And I stayed there about eleven years, and it was a remarkable, remarkable period. It was challenging, exciting. All companies have various growth stages. In those days, Estee Lauder was in its mid-adolescence. It was exploding all over the place. There was no time for politics. And I've learned that all situations when you have more than two people are political. However, they don't have time to fester if everybody sees growth, and in an adolescent company that's exploding, you don't have to step over anybody, you don't have to be rotten or evil. There's enough for everybody. So it was exciting and challenging, and the Lauder family is a very unusual family. Leonard is quite brilliant, very conservative; and Ronald Lauder, who is the youngest son, who went to work as an apprentice with me, who, just after out of college and we became good friends, and it was
my job to teach him the business. And Mrs. Lauder was just, you know, had just become the grand dowager-empress that she has grown—a title that she’s grown comfortable with. The men’s business started to explode. We made it a separate company. In those days it was sold by the Lauder sales force, at the Estee Lauder counter.

I: Why do you think the men’s industry started to explode at that time?

N: Well, as I remember it, it was just the day of the fashion revolution, which I'm sure you had something to do with, (laughter) when suddenly ties got wider, and Ralph Lauren was just starting out then. And suddenly everybody was starting to wear colored shirts, as I remember. Maybe the Nehru jacket even happened about then. Suddenly men—I don't remember the economic conditions in '66, but suddenly things were loosening up in the late sixties from a fashion point of view. And we had a men’s fragrance revolution in probably '70. There must have been three hundred fragrances introduced over a three year period, and most of them didn't survive.

I: Do you see any connection between the essential volcano of the men's fragrance industry and the extraordinary changes in the society in general in terms of relationships between men and women and men and men and so forth.

N: Well, obviously, as gender took on a slightly different definition, men weren't so concerned about being so macho, or if they were, they had some more acceptable ways to show it. The executions of the gender—there were many more choices, and people were trying them out. And
as I remember, the first big men's fragrance was Canoe, which was really a women's fragrance. In the early sixties, when the Eastern college students went down to Florida for their Easter holidays, they would both wear Canoe to show that they were going out together. And suddenly Canoe became a very hot men's fragrance. And it started with the teenagers, which was very unusual, because most fragrances that really come up through, probably, gay Blacks wearing it first, I would think. You know, the gay population has always been--was always instrumental in pioneering a new fragrance direction. Not that they were the largest purchasers, because once the rest of the male population bought it, they would drop it and move on to something else, because it didn't fulfill the certain need that they were trying to satisfy.

In those days, it suddenly became acceptable for a man to wear a fragrance, which is quite remarkable when you realize that up until the 1940's, American men didn't wear deodorants. The use of deodorants came about as a result--I've been told, it may be apocryphal--as a result of the troop ships in the Second World War: the thousands of sweaty men were jammed in those boats, and somebody in the Army said, "Well maybe we better get them deodorants." Because women wore deodorants, men did not. Men were allowed to perspire. And I think that was the first step. And if you look back in history, which we did at Aramis, you find that in the 1880's, the cowboy wore fragrances. They wore sage fragrances, and it was a very macho thing to do to wear fragrances in those days. But as fashions changed--if you remember, at the turn of the century, men's clothing
was only got in one color: light black or dark black. And the Church got much more involved in telling people how to live. There was some kind of a repressive restraint in 1910, 1905, and the whole usage of men's fragrance kind of died out. It happened periodically in history, and I'm sure it related to fashion, and, to get back to your question, it always relates to what's going on in society. These things don't happen in isolation as you well know.

So things were loosening up, and we perceived that the ultimate target to make a successful fragrance company was really the man himself. And in those days we estimated that perhaps seventy percent of the purchases were made by women, for man obviously, and only thirty percent of it was made for a man by himself. Curiously enough, in the fourteen years or thirteen years since then, I don't think those figures have changed a great deal. I've just looked at some research, and that surprised me. It has a lot to do, I think, with the fact that men don't go into department stores, that women do, and most of our business is at the upper price points in department stores.

I: Well, did it not also have a lot to do with the fact that fragrance, by its nature, has always been a popular gift item?

N: Yes. But I think what changed was the fact that it wasn't just the way the women's fragrance business has changed. Perfume and fragrance were only received as gifts by women until ten or fifteen years ago. Only through the efforts of Mrs. Lauder and a few other people did a woman buy the fragrance herself. And that really started to happen for the men's business too. I think that men buy it
for themselves, but what they do is they tell their wife, "Pick up a bottle of Polo, pick up a bottle of Aramis for me." And I think that's what happens.

But the real revolution was separating the business, isolating the business from the women's business, when we created some men's bars. And the first store in the United States to do that was Bloomingdale's, with Charlie's bar. Mike Blumanfeld, who was head of that business, had the idea, I guess, in the early sixties. And it was just starting to happen when I got to Aramis, and we started to develop the men's bar at a separate counter. And then I went around the country preaching the gospel of men's bars, and Aramis succeeded in building men's bars in every major store in the United States, which really gave them the lion's share of the men's business for ten or fifteen years.

However, at the same time, they had the enormous power and velocity of the Estee Lauder counter, which always had great traffic and superb sales people. So that they always had a two-prong business: the women buying at the women's counter, because she remembered or she felt guilty because she spent a great deal of money. The woman who had gone into the men's department to buy a gift for a man and saw a men's bar. Or the woman who was directed by her husband into the men's department. And by the man who was buying for himself, who typically would not go to a women's cosmetic counter to buy it. So you really had a complicated audience. There's really three different modes of purchasing.

I: What sort of scents were established in the initial men's fragrances?
N: Well, I think that, when I first got involved in the business, I think Tannon, which was a division of Mennon in those days, had a superb fragrance, and that was doing very very well. Old Spice has continued at the lower price, but has done well forever. Brut has had its ups and downs, but in those days Brut was very very strong. Braggi came out about a year after Aramis, and for a very short period of time did well.

I: These are all popular marketed fragrances . . .

N: Well no. Braggi—well, I've mixed a couple of them for you. Braggi was at the upper price points, Old Spice was obviously at the lower, Brut was at the lower-middle price points. Actually what's happened in ten or fifteen years is there's a three-tiered market. There's the upper end, with Polo and Aramis and things like that. There's a mid-price point: Cardin and Chaps, that we launched a year ago. And then there's Old Spice and Brut and the other brands that are at the lower end of the spectrum. So it's really a three-tiered market. And actually, I think in '68, '69, the first men's designer fragrance came out by Revlon, and that was Bill Blass, which really was before its time. Unfortunately, the fragrance was dreadful or it was really too strong and not really a commercially viable fragrance, or it could've been enormously successful. And nobody in those days had really understood that to build a men's fragrance business, you needed a separate company with a separate sales force whose sole reason for being was to sell men's fragrances. I mean that's axiomatic, and I've learned that lesson, and in all our companies now there are separate sales forces. So you can clearly identify
the responsibility of the people, and say, "These are your brands, you must built these."

I: It's interesting; when you talk about it I realize of course a very simple truth. And that is that the rich, or at least the socially developed, whether it be bought in society or fantasy in the role in society, were very involved with men's fragrances long before this revolution developed. I mean the Caswell Massey products that when I grew up, I think when I was eleven, getting my first bottle of Jockey Club, with a note that said, "You're beginning to look like a gentleman, behave like one, you should smell like one." And something of the things like Periel and things that came, I think, from Europe, where the ultimate gift item that you got was a bottle of that kind.

N: But that tradition did not happen in the States, because we did not have that sophistication. Throughout the twenties and thirties, there were always fine men's fragrances, very limited, that were sold in Europe and probably to men here who traveled and were sophisticated . . .

I: There were none in this country?

N: Almost none at the upper end. I know that Madame Rubinstein . . .

I: __________________ didn't have anything?

N: Well you know who did: "Madame Rubinstein had one when she--Gourielli, the Prince Gourielli, and it lasted about a week, and it maybe sold eleven bottles or twelve bottles. But the American men were not ready for it. And those sophisticated enough to buy it were buying European imports.

But curiously enough, I think it switched. The middle class man in Europe doesn't use men's fragrance the way a middle-class man in
the United States would. The penetration of the men's fragrance business in Western Europe is nowhere near as strong as it is in the United States, which is a tremendous fashion change in twenty or thirty years. And I also think that the upper classes, if such things exist in the world, probably don't have that sense of style anymore because they don't have the background of people with that kind of money, and they are probably wearing the same fragrance that the middle-class people are wearing. There are very few people in the world who are sophisticated enough, I think, who still want to pay the price and get something special and different. They're probably going after some of the more popular brands, because the popular brands at whatever price point have really driven out some of the smaller brands, because the stores can't afford to carry them. Their concern for a return investment is so great that they can't sit with a Prince Gourielli that will sell one bottle a month. You know, you lose some of the very precious fine brands because of this.

I: In the current men's fragrance market, what is the absolute status fragrance?

N: (laughs) Well, I'm a little prejudiced, so I would think that Polo, which is our new brand, would be. It's probably the fastest growing fragrance right now. It's, I think, number two to Aramis, which is--because it's been popular for so long and it's so big--it's slowing down. As well you might expect, it's been popular for ten or twelve years. I think Polo is really taking off and doing well. I think that there are a couple of other brands that are doing well, but the men's
fragrance business last year had a five percent decrease in units. 1980 was a very difficult year for the men's fragrance business. It would appear that during a recessionary period, which 1980 certainly was—especially the second period, which had a twenty-five percent decline in units, which is something we've never seen in the history of the fragrance business—that when money is tight, middle- and upper-class women continued to buy fragrance, but middle- and upper-class men slowed down their purchases. And Avon and the more popular priced things had a disastrous year, the better-priced fragrances did better, except in men's, and everybody in the middle or lower end of the market had a disaster—absolutely a disaster.

I: Go back for a moment. What was the history of the position of fragrances during the Great Depression?

N: (laughs)

I: Do you know . . .

N: No, I don't think there was a men's fragrance business.

I: Or any fragrance business. It would seem to me that I recall that it continued fairly successfully because, you know, for whatever the price of a bottle of perfume was—two and a half dollars, three dollars, at that time—you could have some joy and pleasure and happiness, as opposed to . . .

N: That's three good favorite things: joy, pleasure and happiness.

I: (laughs)

N: I think you're probably right. I remember that the recession of 1974, which was worse than the recession of 1980, the men's and women's fragrance business had very little problems, which always gave credence to the fact that the fragrance business was recession-proof. Which
to go with your awareness of the thirties. But I'm not sure that's so anymore. I think, after a while when you look at what happened to the real purchasing power of middle-class people's incomes and people on fixed incomes, you'll understand why certain things had to give. In the women's area, I think what happened was that they didn't buy that wonderful scarf, they didn't buy that terrific blouse or dress, but they bought a new fragrance or they bought some new make-up. So the women's business is probably more recession-resistant than the men's business.

I: I would think so. I think also there may be another factor. There is a fashion in whether or not it is more desirable or status-conscious to wear a specific fragrance or to not wear any at all. With the introduction of health attitudes—you know, natural foods, etc.—has that had any effect upon the fragrance industry?

N: I'm trying to think. I think what happened is the fragrances that've been more sports-oriented fragrances—a couple of people over the years have introduced sports-oriented fragrances, I don't think they executed them very well—one of the by-products of that trend was that we launched an Active cosmetic line, which really is health and beauty and color for when you're getting exercise. We will probably launch an Active fragrance for women very shortly. I'm not quite sure what that means: we have to think of . . .

I: I was just going to say: what does the term "active fragrance" mean?

N: Active, we define it as... What we say for our cosmetic positions—and let me go back to the cosmetic, which is the basic—we say, you dress differently for the different modes of your life. You dress differently for running in the park than for running in your home or for going to
a meeting in the office, so that what we've said is—we have a line of cosmetics called Day, a line of cosmetics called Night, and a line of Lauren cosmetics called Active. For Day, we have the fragrance, which is a floral fragrance; for Night, we have a fragrance called Tuxedo, which is a very very rich, opulent—it's also floral, but it's very rich and very full; and we haven't had anything for Active. And what we're really saying is that American women like to look like they're active, whether they're active or not—indeed, many of them are. We have some products that they can wear in the park when they're running, just a little bit of color; we have sun blocks, with a little bit of color; we have a product like Blistex, which is called Anti-freeze, which has some color so you can protect your lips and give it a little color while you're exercising; we have Anti-Burn, which is a sun block with a little color. What we try to do is take some health-oriented products and put some color in it. So what we said is that we probably need an Active fragrance. And it would probably be an au fresche, a splash-type thing. Something that would just be a bracing kind of tingly fragrance that you would just throw on and you would feel good, and it would be light and casual. And that's probably what we'll do in the near future.

And also, there's a tremendous fashion trend towards people who, even though they don't play tennis or run, like to wear that clothing. In fact, my daughter, who's freshman in college, lives in sweat pants and warm-up pants. And most of the kids in her dorm do, and they don't wear them all the time. But it's a very comfortable style, and I think
women have found that sports warm-up clothing are a really comfortable casual way to dress. I mean, now in the country on a weekend, I'll only wear sweat pants. I don't wear jeans because they're too tight, they're not that comfortable. When I go out at night, I'll put on a pair of jeans because it's not very formal, but I won't wear anything that...

I: I think also part of that validity is those things can be thrown into the washer...

N: Right.

I: ... and they are not expensive to buy in the first place, unless you're hung up on some status name in relationship to it. But, it may also say something about the whole change in what we regard as the function of clothes in terms of supporting our image. The concept of getting out, being a country gentleman—even though you might be living in Levittown with a terminal azalea in your garden (laughter)—people used to dress up and, you know, have their sport coat, and their whole sense of looking they were on the Moors. And of course that's all changed, and I think it's changed for everybody. And that is bound to have an effect in relationship to how elegant, how formal, how sophisticated you want to be in your fragrance.

N: But it's very interesting; I noticed that—I have a fairly extensive wardrobe, being associated with Ralph Lauren and being in the men's business for a long time, I have a great many suits. And I discovered about six months ago that I owned one sports jacket, which was a blue blazer that I wore on airplanes, and...

I: That's not a sport jacket, that's a blazer.

N: Right, that's a blazer. So I did not own a sport jacket, and I thought why: there is no occasion for me to wear a sports jacket. Either I
wear a suit to work, or I wear jeans if I'm not doing anything important, or if I'm in the country, I don't wear a sport jacket at night. I don't have a tie or a shirt out in the country; I don't want to wear it on the weekend, and I don't own it. There are no-occasionally I'll get invited someplace and I realize I should have that; and that's a life I don't lead, but I've had to buy a couple of sport jackets and figure out what to wear with them. Because I don't normally do it.

I: Another tangent direction that interests me, and that is that in recent years, more and more people are becoming aware of skin cancer. And the dermatologists are having a field day. You can't walk into a dermatologists office without him slapping you down on—eliminating something from your face by abrasion because it is the beginnings of something that conceivably could be skin cancer. All right, now this is contradictory to those endless layers of chaise lounges on resort hotel beaches, and hotel promenades. And the function of sun block as opposed to sun tan, I would think, would become an increasingly important thing. And what relationship does that kind of new awareness of your skin and possibly disease have to do with ______ ________ to cosmetics?

N: Well, in fact it's a very serious concern and it's a legal concern. You now have to put the s.p.f.—the sun protective factor has to be clearly displayed on every product. And that is, if you, sun protective factor of 7, that means that you can stay in the sun 7 times longer than you could if you were not wearing the product. And you must test
all your products and substantiate that multiple before you can sell it and put it on your package.

I: Do these products allow you to get tanned?

N: Well, nothing--there's almost no complete block. You'll get tan eventually depending on the power of the sun with anything that you wear. And so what's really happened as a result of all the attention to skin cancer is the sun blocks and the sun-screening agents that become a very very important factor in the marketplace. Our whole Active line has various degrees of sun block with sun protective factors of 6 and 7.

I: All right, is there a difference between sun blocks for women and sun blocks for men?

N: No, they're precisely the same and the standards are exactly the same. Curiously enough, the analogy of, even though we know it's deleterious to our health to stay in the sun, we know smoking is deleterious to our health and people still smoke. Because the satisfaction is more important than the scare, and I would think the satisfaction in this case is the terrific feeling of feeling terrific when you have a tan.

I: And looking better.

N: Yes, you look better, you feel better. You know, our society internalizes the fact that it's terrific to look better because you feel better, but we don't articulate it. Feeling better, looking better, is a very positive psychological element in your performance. If you look better, you perform better, and people are embarrassed to admit that. And sometimes you think that beauty claims are really not substantial and spurious, but they're really not. I know if I'm wearing my most terrific suit and I have a tan and I had just gotten my hair cut, I know I'm going to perform better that day, because I feel better, because I look better.
And I think there is a mental health aspect of looking good, and we
don't pay enough attention to that. Now you can carry that to ridiculous
extremes, obviously, but there's something to be said for it. And
you can't get people out of the sun. So therefore the whole business of
sun blocks and sun screens has become very very important; it's become
an enormous business.

Also, this is also a factor of a more leisure society. It
was not a problem fifty years ago about sun tans, skin cancer; it
wasn't such a problem unless you worked outside, because you were
working all day. Now, when you have more and more leisure time, when
there's a forty-hour week, and if you live in the Sun Belt you go home
at five o'clock and you can play tennis or play golf and still get
some sun, you're in the sun many more years of your life, so you
really have to be more concerned about it.

I: It's also interesting that the sun tan was always associated with the
rich, because it was the privilege of the rich to have a tan in the
off-season. They were the people who had the tan during the winter
because they went to southern climates, _________ resorts . . .

N: Or skiing.

I: Well, there was some skiing at that time. It was not the popular sport that
it is today. In relationship to fashion direction—you know, fashion
reflects the changes of the time. The collections come out; you are
tied up with a major fashion designer who's beginning to have international
impact in terms of his collections. How much direction do you take
from his direction in terms of fashion moves. In other words, if
the fashion directs that clothing is all going to be Western, or they're
all going to be antebellum or turn of the century.
N: Well, we'd be foolish not to take advantage of it, because Ralph Lauren's name is a brand name. I mean, we view a designer as a brand name: it is a pre-existing expectation of a certain quality and a certain fashion sensibility—we bought it. Which is why we went into business with Ralph, so we'd be foolish not to take advantage of the things that he's done. And let me give you a couple of examples: when he pioneered the Western influence a couple of years ago, we immediately came out with a men's fragrance called Chaps, which is a Marlboro positioning for fragrance, which no one oddly enough had ever done. As a matter of fact, I tried to do it at Aramis once. I went to the people who make—I guess—Marlboro is manufactured by Phillip Morris. I went to the people at Phillip Morris and said, "You know, we could do a terrific men's fragrance called Marlboro, and we'd do your commercial." He said, "It's terrific, but what is the potential?" And I said, "Oh, I'd bet it could go to thirty, forty million dollars." He said, "It's not worth our time: the cigarette business is billions and billions of dollars. It's not worth our time, we're not going to license it."

But I guess that stuck in the back of my mind. Ralph also wanted to do a fragrance for Chaps. It was a very easy thing to execute, because Ralph had a very clear position in his clothing. He wore Western clothing himself, we used his picture in some of the early ads. The commercials were very easy to do, they were probably never even revised from the first ones. The packaging was approved the first submission—it was the easiest project I ever worked with, and it's been really enormously successful—probably the most successful mid-price fragrance in the last four or five years. I'm
quite proud of that, but that certainly was reacting to something he was doing.

Then, too, in our cosmetic business, we react to his shades. We look at the palette that he's going to use and we try and influence some of the new—we obviously are influenced by the new shades and we'll push in certain directions and get him involved. And even if we didn't, since he approves the shades, he automatically would be approving what he's doing. So we try and tie in with his fashion. As a matter of fact, when we launched our cosmetics at Bloomingdale's, we had a fashion show on top of the cosmetic counter. We put a runway on it and showed his clothing. So we try and tie the fashion together with the cosmetics, because that's the business we're in. And we will—he is now working on another fashion point of view; he's working on something called Roughwear, which is a more colorful version of camping, active wear. And we will, I think, if it takes off, I think we may try and find a position and do another fragrance to take advantage of that. We'll certainly find a way to take advantage of what he's doing; we'd be foolish not to.

I: Do you check other designers? Do you know the news from Paris and the news from Women's Wear Daily?

N: Well, I read Women's Wear Daily. The European market I don't—is not pertinent specifically to our business because Ralph is an American designer and we make it a point of trying to do things that are in an American mode, because that's what we are. We don't want it to look like St. Laurent. We don't want it to look like any other European designer. Obviously I'm aware of what's happening, but I'm not as influenced by it as I was when I was at Revlon and at Lauder,
where all of the fashion came from the collections. Whatever Lauder and Revlon were doing was influenced basically—people went to the collections. We would never send anybody to a collection in Europe; it would be a waste of our money to do that. I mean it might be fun. I mean I look at it just because I think I should know what's going on, but I don't think it influences in a material way what we're doing.

I: Do you think it influences Revlon and Lauder at this point?

N: Absolutely. Absolutely. In fact that was the position that we took . . .

I: Will you define for me why it doesn't influence you?

N: Well, because we're influenced by Ralph. And I think that Ralph's fashion point of view—one of the great successes of it is it's been uniquely American. And up until Ralph and Calvin Klein, there were almost no—well, no American designers had gotten into the cosmetic business. Halston, Ralph, and Calvin really were the three, and of the three, it looks like we're the only ones who are going to be very successful in the cosmetic business. Calvin has—was not successful in the cosmetic business. Halston is not as successful in the cosmetic business as he is in the fragrance business, where he's enormously successful. And before we launched ours, which was the last of the three, it was very cautionary for us to review their experiences. And we realized that they were not successful because they did not use their designer; they didn't use the fashion. The point of—the reason for being of their designer.

The European fashion dictates how a woman should look. It doesn't take into consideration her lifestyle really. It all comes from haute couture, which is really an expensive lifestyle for
a woman who can afford her two thousand dollar dresses, who really
doesn't worry about having to wear the same dress from morn-
through cocktails, through dinner. She doesn't have to worry about that.
She'll go home three or four times and change. It's not for the working
woman. In the United States, for the first time last year, more American
women worked than stayed at home. I believe 53 percent of the American
women work. Well, there's been a revolution going on, and they can not
be constrained by couture. Now obviously, most nobody in the
United States buys couture, but the weight of the world market is
certainly influenced by couture. And the reason that Ralph,
Calvin, and Halston have been successful is because intuitively they
understood that they had to liberate American women from the dictates
of European fashion, which was not a popular design orientation.
It was designed for the upper classes. Well, nobody can survive on
that marketing position in the United States; industry isn't set up
that way. And they were smart enough to do that, and Ralph and the
other successful American designers are designing an American mode,
which is easy, comfortable clothing for the way you live. That's
why women like this clothing. It looks elegant, but it works. It's
easy and it's comfortable. I think Calvin has been successful
because the stuff is comfortable and it looks good. And also American
women's figures have changed over the years, the whole sports idiom
has become important. Well neither Halston or Calvin Klein took
advantage of their success. They didn't understand it. And without
any smugness, I'd have to say that we understood why Ralph was
successful, and we applied it to our cosmetics. And that's how we
sold it into stores.

I: All right, define that. That's a concept. Define what you did.

N: Okay. We went to the stores, and they said, "American fashion designers have not been successful in cosmetics. Why will yours be successful?"

And we said that all American cosmetics, almost all, has looked to Europe for its inspiration. Lauder, Revlon have always taken their inspiration from the couture collections and have said, "Berry blue, this fall, let it be fuchsia." They've always taken that position.

And the clothing, while they may be buying American designers, they're buying a European idiom. And they're not buying the American trend.

There are a lot of trends going on here in design, but the American trend is that which we defined as comfortable, easy, appropriate for your lifestyle, which, if you're 53 percent of the American women, you go to the office. You don't stay home, or you don't have a maid and a parlor maid, and you don't have a chauffeur, and you don't go to the hairdresser.

I: You also don't have large closets.

N: (laughs) You don't have large—you live in an apartment. You're right, you live in an apartment. Well, and you have bad dry cleaners. (laughs)

I: Well, I say that, I brought that up because I think it affects the cosmetic industry as well, in the sense that the nature of living space at the present time, for that 53 percent who also work, certainly 95 percent would be living in apartments where there is limited closets, limited counter space in the bathroom . . .

N: Well, more counter space probably than closet space . . .

I: Yes.
N: ... because you're dealing with tiny

I: Right. Fortunately. But filled, limited. It is not the dressing room of the rich lady who can have a gorgeous display of bottles and so forth and so on. And I think the American clothes done by the designers in many cases are what I call foldable. Which means that they can be on shelves. They can be folded and put on shelves.

N: And they're easy to travel with.

I: And I think that's very important to understand.

N: Yes. We had said to the department store presidents, "You know, curiously enough, the American design revolution has come to every floor of your department store but the first floor. Your ready-to-wear, the big successes of the American designers. In furniture, Angelo Donghia. In sheets, in pillowcases, all the American designers: it permeates the store. But you haven't brought the success down to the first floor. And no one has understood that. The success is it's easy, it's simple: it works! It's not the European orientation, which really dictates how you have to live. It's more formal. That's why. And Ralph really stands for easy, comfortable, timelessly elegant things."

And that's what we thought that this was. Three different lines: one for day, one for night, and one for active. For each of the different lives you lead. And it seems to have been, so far, in the five months since we've launched, colossally successful, really beyond our expectations. But intellectually, it never suprised us. We knew it had to be successful because they're so basic. You know, American women are basically practical.

I: All right. Again, you defined the concept. What did you do with the
specific product that made it easy, functional and so forth?

N: Well, in this case, the ease and the function is one of selection. Most American women are confused by the cosmetic industry. Most of our competitors have seven, eight hundred different products in their line, and it's not really clear when they go to a counter what they need. And they have indeed taken advantage of the consumer to sell lots of products by obscuring what they should do and having four hundred of this—I'm exaggerating—but having thirty of this, and seventy of that, and eighty of this. And not having a clear, simple plan for why women should buy it. They've really traded on her confusion and her insecurity. What we have done is come out with three different sets of packaging. Day looks like leather and steel, Night is matte black, and Active looks like ski racing gear: it's white with bright colors. And there are three testers, three different groups of products on the counter that say Day, Night, and Active. There are 117 stock-keeping units. You really don't need anybody to sell this line. And indeed, one of the successes is it's been, the way it sells when there are no sales people around. A woman can just pick up the product, she looks at the tester, it says Day, she doesn't have to be a genius to realize Day is for when the sun is shining or when it's light. Night means night. And Active is a little tougher to explain. And they have been enormously successful. You can see all the shades; every product in the line is in the tester, so she says, "I want that in Day." Now we're not so foolish to be so doctrinaire to say, "You can't wear Day shade at night and Night shade at Day." No. But it's really a very simple, orderly, intelligent way to sell cosmetics, because it's the way a woman dresses. You don't
typically wear the same clothing for day that you do at night, or for weekend that you do for more formal—we just said Day, Night, and Active.

I: Now we can also suggest something else, and that is that the history of cosmetics and fragrances, going back to the turn of the century, was essentially the province of women whose entire life was directed in learning the graces. I mean, the working woman, the maid, the scrub lady, so forth and so on, wasn't involved with this; she was lucky if she had good soap. But the person who had the maids and could function with these particular products knew a lot about them. They were taught by their mothers, by their grandmothers, just as they were taught the art of hairdressing, the art of make-up. And that is no longer true. You have people who literally go from school straight into the job market, and with a background in fashion in the last twenty years which consists of jeans and whatever the current markings on the jeans might be. The result is that I think any packaging that functionally directs the person with something which is not embarrassing or nonunderstandable: Day, Night, Active, are simple, direct words. And by virtue of that, they don't require an education. You do not have to have a cultural background in terms of the meaning of these things to use them. And it saves embarrassment.

N: I think that's a key point. The other remarkable thing that's happened is that there really has been the same trend, American versus European, in the fragrance business. Up until five years ago, European, mostly French, fragrances sold about 60 percent of, 65 percent of the market;
American fragrances sold 35 percent of the market. And all successful fragrances, whether they be American or European, were usually interpreted as European. By that I mean _______, Estee Lauder, which is an American company, was really perceived to be European because the packaging, the orientation, and indeed the fragrance, an Oriental, which was foreign, was not American—you know, less pretentious American.

But in the last five years, led by Halston, Norell, and indeed some of the new Lauder fragrances and Ralph's fragrances, we now—we, the American fragrance business does 65 percent of the business, and the French business does 35, which makes us very happy. And I think the French fragrance business worldwide has been in trouble. They've done most of their business in the United States, and most of their business in duty-free shops around the world. And I think while it hasn't changed as much in Europe, it has changed in South America. And it's changed in the Mid-East and in Asia. We do business in 56 countries, and I've got to learn something about fashion around the world.

You must accept as a given that all fashion was set by Europe. For years America wasn't fashion, but because of the jeans #1, and because of Calvin and Ralph and Halston and Norell, perhaps, the whole point of view is changing. It's changing faster in some places than in others. In the Caribbean, our business is phenomenal. The Caribbean looks to America for fashion. Puerto Rico looks to America. Enormous markets. South America ___ lots of different markets. Mexico has looked to the States for its fashion. Venezuela looks to the United States, we have a nice business there. Argentina, Chile, and Brazil have, on
the other hand, looked to Europe. But that is changing. We have had people come to us when we've just started our businesses there, and the American fragrances--American fashion, because that's the cheapest, fastest way to get American fashion, is happening there. That's been a slow process. In Europe it's a lot slower, it's a lot harder for American fragrances to do well in Europe.

We have a company in England, which is doing well because England looks--has always looked to the States. We're just launching in Germany and we're not quite sure. And we just launched in Italy, and that probably will do well. It takes a lot more time, and it's going to take a lot more time to be successful in Europe.

Now in Asia on the other hand, they look to America for fashion, except for Japan. We have a very strong business in Hong Kong, Singapore, Indonesia. We just opened in Australia, which looks to America; we did very very well. We have not opened Japan yet. Japan, still, even though Ralph has a business in Japan, it's still in fragrances, and we must also acknowledge that the fragrance business is only 3 percent of the cosmetic business in Japan, where here it's about 35 or 40, so there isn't a big fragrance business. But their fashion, if you go to a Japanese department store, as I know you have done, you'll see every designer name in the world, and the ones who really sell are the French. Because they're buying status, and I don't think that they've gotten beyond that stage to ease and comfort. Which I think they're going to get to soon, and I think that's what we have to sell: the American lifestyle, American fashion, is ease and comfort and quality. And the unique guys are the ones doing quality. And that's hard to do,
it's hard to build in quality to that point of view, and I think Ralph has been very successful in that. I think there's some other people too.

I: One of the things that comes to mind immediately, of course, is the name Chanel. I mean I think if you ask anybody in the world the name of a fragrance, is it not true that Chanel would be ...

N: I'm sure, I'm sure. Chanel is a fascinating, fascinating story, and it has transcended every marketing rule. It started in 1910, 1912, and its chemical base was revolutionary in those days. I mean, I have to give you a background to understand it.

Fragrance systems themselves are made up of hundreds of ingredients, basically two classifications. Naturals, obviously, which come from fruits, flowers, and their extracts; and synthetics. Synthetics are chemical versions of naturals, or new fragrances that didn't exist that are made chemically. Now most people think "synthetic" is a pejorative term and the quality isn't as good, but that's not so. Unfortunately, naturals vary depending upon the climatic conditions. And if you develop a fragrance and there's been more rain in Borneo and the crop of a certain tree that you're extracting an oil from is a little different, your fragrance will smell different. And there may be a drought and you may not get it. But in a synthetic, you can predict that you're going to get the same ingredient year after year. Which is important, and also you can build some quality into it too.

Well in those days, there was almost no work done in synthetics. And a perfumer who worked for, I guess, Chanel had an extraordinary breakthrough and developed an aldehydic, which is a chemical that is
that cool, piercing note that we perceive as Chanel. There's something
very fresh about Chanel. And no fragrance had ever smelled like that,
because most fragrances were floral--single note florals, not blends.
And I think that defines itself: either it's a rose or gardenia, and
the florals that we're used to today are hundreds of different flowers,
and new flowers they have not been able to do--press before that
wouldn't last, where you couldn't use them for some reason. But the
aldehydic, which Chanel was the first one, was the revolution.

And I think it did fine; you know, it was just a--it was a nice
fragrance, and Chanel was. . . . And most people who use it probably
don't know that Chanel was a great fashion designer; I'm sure that's
so. But the real revolution in the success of Chanel happened in the
Second World War. Now this story may be apocryphal. But the general
manager of Chanel's house in Paris was next door to the house of the
commanding German general during the Occupation. And they got along--and
I don't know how or why, but one can certainly imagine--and they
allowed the Chanel plant to stay open during the Second World War.
Well, when Paris was liberated and the American soldiers got there,
the only thing that they could buy to take home was Chanel. Because
there were no silk stockings, there was no food; the only thing
you could take home to your girlfriend or wife was Chanel. And so
Chanel became the symbol of European luxury in the United States right
after the Second World War. And I don't think it's ever lost that
unique position; it's amazing.

It is sold in drug stores, it is sold in department stores; and
wherever it's sold, it means quality. It happens to be a fabulous
product. And unique; I mean, a remarkable thing. But the proof is the product itself: it is a extraordinary fragrance.

I: It's also an identifiable bottle. I found my mind was rushing when you were talking to--bottles that I could identify with, just closing my eyes and seeing. Chanel was one, Halston was another. You know, the Pireti off-balanced bottle . . .

N: A fabulous bottle.

I: . . . extraordinary image. Do you feel the Polo bottle has been successful in that sense?

N: Yes, I feel that's so. And I think the Lauren bottle certainly, especially the perfume bottle. And I think we've, a lot of work for our new Gloria Vanderbilt fragrance, and we've been doing a lot of work--research--into Lalique's designs, and some of his packages are absolutely extraordinary. And some of them are still being sold today.

But the art of the perfume bottle has really become a lost art in the last few years, and we hope to be able to bring it back in some new bottles that we're doing. But a distinctive package is key. However, the real key is the fragrance. Nobody comes back and buys a bad fragrance the second time. However, what do we mean by a bad fragrance? And you've got to compare it, I think, to music. A fragrance is a composition that has a top note, a middle note, and a dry down. And you won't know if you haven't developed your nose and you're not in the business--you won't know why a fragrance is good or bad. But I think you can perceive the quality of the fragrance after a little while just like wine. I mean, if you don't like
wine, and you don't drink it very much, if you taste A Grand Cru, and you taste Avana Au Noir, a couple of tastes you'll be able to tell the difference. And you may not be able to define the difference, but you know the difference. And I think the same thing happens in fragrance. A fine fragrance is a fine fragrance whether you're a perfumer or not. And the fine fragrances, the innovational ones, succeed. The bad fragrances, not creative, don't have good products, don't have good ingredients in them, don't succeed.

I: If it is a familiar scent, how does that affect the success?

N: Well, that's an interesting question. There's a two-tiered market. At the upper end, the designer fragrance market, you have to be innovational. And when we brought out Lauren, Lauren has a jonquil note in it that had never been produced before. I guess maybe jonquil is too delicate that you couldn't really make it naturally. And somebody at IFF [International Flavors and Fragrances] found a way to synthetically make a jonquil note. And that's the unique, lifting note in Lauren. But, as we tested it, we knew this was an innovational note, that this really smelled different. We knew that we had a chance to be very successful because it was different, and we also knew that we had a chance to bomb--because it was different. We were willing to take that chance because we wanted something very successful. We didn't want to play it safe.

In the middle market, the popular-priced market, you don't typically come out with a fresh, innovative note, because that's not why women are buying it. That's not the kind of woman who's buying it.
I think the same thing with fashion. There's a leading edge, which is at the upper end of the price structure, and you've got to do something new and fresh. In the middle, you have to work a genre that's comfortable, that they know—you can do some fresh interpretations of it, but you can't pioneer. You can't do something fresh. If you do something fresh and original within the constraints of where you are: in the middle, you know, comfortable, but new. Whereas at the upper end of the market, you can do anything that you think is wonderful. You might bomb, but you might be terrifically successful. And I think that works in the men's business too. Maybe not quite to the same degree, because men even at the upper end are not as experimental and are not as interested in such newness, which is so in men's fashion. Men's fashion doesn't move in the cutting edge as quickly as women's do.

I: In fashion, of course, there are still gendarized directions that are unacceptable to men. You can not really sell men very strong, high, shocking colors in anything except conceivably . . .

N: Resort wear brands.

I: . . . slacks in Palm Beach or something of that nature. But generally speaking, there is resistance to it. Is there a comparable area in men's fragrances . . .

N: Absolutely. It would seem that the dictates of fashion operate through almost every category. I'm sure it's so in home furnishings too. As we talk, that really is a rule and a law that exists. I don't think that you can sell an Oriental fragrance to a man. I mean it's just . . .

I: (overlapping speech) a heavy musk.

N: Well not musk, because musk is very successful. In the middle market, it's
been the most successful Jovan fragrance; it does 65, 70 percent of their business. But I think if you take a Youth Dew, which is an Oriental, or a gardenia kind of--something really fertilely ripe, I don't think a man is going to wear it, it's just too sweet.

However, on the other hand, you can sell--Aramis is a sweet fragrance. You can sell them a sweet fragrance as long as it has some dry notes in it. Nobody's been able to sell a leathery note to a man in a long time, even though you would think that it would be successful. It just doesn't come through right; it comes through too light for some reason. But aside from the obvious coolly-defined feminine fragrances, I think there's probably a whole spectrum of fragrances that have not been developed for a man yet. Whereas in the woman's area, I think almost every direction has been explored. We're scratching the surface in men's; there are lots of directions that I think we can play in that will... You know, the whole area of resins, no one has done anything in a long time. I'd love to play in that one of these days. Just think about dry wood resiny notes. Think about some of the things you can do.

Almost anything could work for a woman's fragrance. I think almost anything is successful. Almost any successful men's fragrance at a higher concentration would probably work as a women's fragrance. And it has to, indeed, because women are buying it the first four or five times for a man. The converse is not so.

I: It's also, you know, women who are in most cases really smelling it...

N: Which is why a man is wearing it. He's wearing it, a man is wearing a fragrance because he wants women to say, "You smell terrific."

I: Yes,

N: He's typically not wearing it because he wants his peer at work to say,
"Henry, you really smell terrific today." Whereas a woman is wearing it because she wants her man to think it's terrific, but she also wants her peer, she wants her woman friend to say, "You smell terrific." Because that's in the social mores. It's more acceptable for a woman to comment on a woman's appearance, and of course fragrance is appearance: it's clothing, it's fashion.

I: Another interesting thing about that, it just occurred to me, is that I've lived long enough to have lived through the period of the thirties, when women used fragrances heavily. In other words, a woman entered an elevator--now if you entered an elevator in the Plaza Hotel, I mean you were absolutely practically asphyxiated by scent, because each woman had her own strong scent, and it was defined in. . . . There was something almost dramatic about the aura that she created as she wafted through a room, leaving a trail of this scent, which seems to be absolutely out of fashion at the present time.

N: Well, I think it ebbs and it flows. I think it depends on--well, Youth Dew was enormously popular for years. And Youth Dew did exactly that: it preceded you, and it was there when you left.

I: It sure was.

N: And Youth Dew sales have been going down. But Lauder has come out with a version called Soft Youth Dew and Cinabar, which are really Youth Dew in a lighter formula. So that really does corroborate exactly what you're saying. The lighter fragrances are doing better now, which is not to say in five years. . . . But then there's some countertrends, because you have Opium, which is really a heavy Oriental. But that's selling because it's a brilliant position, brilliantly executed. And (turn)
St. Laurent is the most important name, worldwide, in fashion certainly. I think I couldn't say that without being contradictory.

I: Oh absolutely. Is Opium something that the young go for?

N: Abso--I mean I'm amazed at Opium. It is phenomenally successful. I would think it's probably the only new fragrance right now that's more successful than Lauren. I think they've both been enormously successful. I think Opium in some of the bigger cities is even doing better than we are. And it's selling to everybody.

There are some really funny stories about it. Obviously, part of it is the danger of the name. Part of it is St. Laurent, part of it is the packaging, and part of it is the fact that Oriental fragrances, the good Oriental—it is really Youth Dew, it's a slight twist on Youth Dew—which is always going to be there. There's a large group that'll like it.

I remember when they were launching Opium in Chicago, Marshall Fields, and Opium had terrific word of mouth. It was a classic situation where everybody talked about it and you couldn't buy it. Which is a terrific way to really build up demand. And people were waiting to get it in Chicago for months. And finally they got it, and a little old lady in sneakers came up to a counter at Marshall Field and said, "Could I have a bottle of cocaine please?" (laughter) Which tells you why she's buying it and why the name is . . .

I: Well I was going to raise the question because it would seem to me that the guts of naming it Opium, which is illegal as a drug, to a society which has a large percentage of people, or a growing percentage of people, who are drug-oriented at least in the direction of marijuana, which is essentially dominated by younger people—I just wondered
if there was a connection between the success of Opium and . . .

N: Well I'm sure there is, but opium really is the more literary drug. I mean if you think, in the nineteenth century, and think of de Maupassant, his name?

I: de Maupassant.

N: No, de Maupassant and the other—Confessions of an Opium Eater—another French writer whose name escapes me. But it's had a more genified connotation than any other drug. I also think it's terrible, I mean morally as a citizen. I think it's terrible that they called it Opium. Because it does make it more permissive by having a product there. I mean, I don't think we should censor people, but I do think that that's kind of awful. I think it would have been just... No, I don't think it would've been just as successful with another name, and it is a dilemma.

I: Can you think of a perfectly good scent that failed because it's name was wrong?

N: No, I know I can't because a perfectly good scent doesn't fail. It doesn't succeed as well as it might if you don't have enough money to promote it and sample it, but it doesn't fail if it's a good fragrance. People will find out: there's just a dearth of wonderful things in the world, and if you come out with something wonderful, it will succeed. The degree of its success depends upon how you execute it.

I: Let's go back for a moment to the Bill Blass introduction by Revlon. Blass has a extraordinary name as a man representing taste with a longevity: I mean he's been around for a very long time. And I was amazed at the time at the packaging first. The packaging did not
appeal to me, and I didn't like the scent. Why would a company not
do more research on that?

N: Robert, I don't think you can research that kind of thing. I just don't
think you can, and that's the wonderful thing about our industry: that
you really have to go on guts and instinct, and that's what makes it fun
and satisfying, and really personal satisfactions. I think their key
mistake: I don't think they used Mr. Blass at all. I think that,
unfortunately, that's one of those situations where he gave them his name,
and I think he did work with them at the beginning and they beat him down.
And they just said he didn't know anything about it, and he walked away
from it. Because the packaging is atrocious. I mean really it was
atrocious, the fragrance was wrong. And he, in 1967, '68, was the first
men's fashion designer. I remember Bonwit Teller had just opened up
that men's clothing shop, and it was the most phenomenal clothing. It
was expensive, it was three hundred dollars then, and his name meant
something. It was also, Blass is a terrific name to see on a package.
The double "S" is memorable.

I: And the double "B."

N: Yes. Which they did use. But they executed--it gets back to what I said
originally--they executed it badly. They had the best name in design--
in men's design--in the United States at that time, they had a fantastic
spokesman: I mean he's great. They had a guy who goes in the store, and
he's as good as Oscar de la Renta. I mean, it should've been a gold mine.
I don't even know if there's any left in the United States today; maybe
a couple of bottles. (pause)
Curiously enough, just before I got to Estee Lauder, Leonard Lauder was negotiating with Bill Blass to do a Bill Blass men's fragrance. Charles Revson found out about it and doubled the royalty. (pause) Interesting. One could extract all kinds of morals from that.

I: That's an interesting concept. When you think of Gloria Vanderbilt, because you brought her name up in relationship to your newest addition to this stable of yours, there is no question that this is probably one of the great recognizable names of all time, long before she was even identified with the product. The nature of that name in American history, in American robber barons, and . . .

N: Vanderbilt Avenue. (laughs)

I: . . . and Vanderbilt--well, the whole thing, really. All the ______, there isn't anyone in the country that doesn't know the name Astor and Vanderbilt as representing class, status, money, and--whether it's applicable or not. (laughter) However, in developing this, what different approach do you take, as opposed to developing, say, the Ralph Lauren.

N: Well, it's been fascinating because we're dealing with a different marketplace. We're really dealing in a mid-fashion price point the way we are in Chaps. This is similarly positioned. There is a hole in the marketplace between the upper fashion fragrances and the cheaper middle-price fragrances. And Vanderbilt is positioned to go in the middle. About fourteen dollars for two ounces, an ounce and three-quarters. Which would put it right in the middle; we'll be selling to fine department stores and to good drug stores.

I: This is connected to her Murjani image of . . .
N: Yes. Part of that. I mean, curiously enough, we recognized about two years ago that we needed a women's fragrance to go along with our men's fragrance distribution: that it would make us twice as effective if that sales force would have something else to sell. And we'd be much more important to that class of trade. So that we agreed that we would look for another fragrance. And at that time--we are a division of Warner Communications and perhaps we can chat about that later. But we told this--we had a meeting with the president of Warner and we agreed that this was the strategy, and by 1982 we would want a women's fragrance at the mid-fashion price point to launch. And we said we'd like to develop one, and they said, "No, it's too expensive, go and buy something. And look around and buy something."

And I must tell you that I've always not liked the idea of buying something, because anything worthwhile that you can buy is too expensive, and anything that you can afford to buy is probably not worth it. And you'd have to change the image. So we didn't do very much about it, and just about to hire somebody to go do a search for us and see what they could find. By the way, it did not have to be a fragrance. It could've been a treatment product, it could've been a drug product; something else to go along with that distribution to amortize the enormous start-up costs for Chap. And Ralph had no other line at that time that was meaningful to do, and the nature of our deal was such that we could do other companies.

At that time--this is I think an interesting story--I got a phone call from the chairman of a department store who's a friend, and said, "Murjani is looking for a president. And I've told them that you would be the best guy in the United States for the job." And I said, "Oh,
I'm very flattered," and I laughed. And I said, "I have no intention of leaving this because I started it and I have a very strong stake in it, and it's the most satisfying thing you can do." And then he said, "Well, do me a favor and see him."

I went home and I told my wife. And she said, "Just go! It can't hurt you to go." Because I wasn't going to see him. So I saw their head-hunter, and he said, "Well, you're the perfect guy for the job. You have to meet Mohan Murjani." I went back to my wife and said, "I really don't want to go; I mean, it's not fair to the guy. I'm not going to take the job. Why should I waste this. . . ?" She said, "Go. It's good for your ego and it's just you never know what you'll find out."

So I met Mohan Murjani, and we have since become good friends; he's a remarkable young Indian international businessman, a very intelligent—who's gone to business school in the United States: very shrewd, very smart, and very nice. And we got along famously. And the interview went very well and I assumed that—my ego was such that I assumed that I probably had the job. I mean it never quite got down to that. And I told him after two hours, I said, "I really don't think I want to work in the fashion end of the business. I'm really much more interested in fragrances and cosmetics." However, he had talked about doing a fragrance, and I said, "Why don't we do your fragrance?" And he said, "Terrific." And we shook hands, and we agreed. And we negotiated, obviously, but it was. . . .

Then I immediately did some research. I went out and—one of the few times I've ever spent any money on research, because the deal wasn't signed and there's millions of dollars involved in this. And we did some research, and we found out that 96 percent of the American women, ages 18 to 45, recognized Gloria Vanderbilt before they recognized
anybody else. The next was Calvin Klein, and all the other designers in proportions that you would expect. But it really has to do with the jeans advertising. Because more money has been spent on that category. And curiously enough, their perception is a very positive one. Because the reason for the success of the Vanderbilt jeans, I guess, is they fit well. And that's why you buy them: because of their name, the status, and because they fit well. So that their perception of her is that the product of her is quality. And of course the name helps it, so that we were assuaged and we went ahead. We will call the fragrance Vanderbilt, by Gloria Vanderbilt, just because we don't think—you never know what's going to happen with the fashion end of the business; the jeans business is tough these days. We think—we don't want to have her really in the commercials, I don't think, because we want to keep the image more open-ended.

The packaging is just about finished; it's really very deco in its orientation. And we will use the swan—that's her logo, which is a very beautiful symbol. And I think we'll do a very beautiful, rich fragrance. And we think the name Vanderbilt for a woman's fragrance is really—could be, if we execute it well, could be successful. And we are launching it in '82.

I: (pause) You'll launch that in '82. What other projected plans?

N: We will be launching a treatment line in the fall of 1982 for Ralph Lauren. We may be launching an Active fragrance in '83. And we'll be doing—the only things that we have internationally right now are Polo, Lauren, Chaps, and Tuxedo. And Chaps, in very few markets: we'll be expanding the Chaps around the world. We'll be opening our cosmetics in Harrods in September
1981]. We'll take that to some other places; and then we'll bring the Vanderbilt, at perhaps end of '82, to England, Canada, and then bring that around the world.

I: Are your products selling in drug stores now?

N: The only products of ours that are in drug stores are Chaps.

I: Chaps is the low-end product.

N: Mid-end, mid-end.

I: Well, it's the low end of your products.

N: Yes.

I: Yes. Would you do a low-end product?

N: Would we do a low-end...? If we--well, I'm not sure if we know how to do it. If I were assured that we knew how to execute it--I'm not sure I really know how to position a product at that end. All of our orientation and all of our people's orientation is really at the middle and at the upper end. It might be a mistake. (pause) And also, the lower the price, the bigger the risk, because the more money you have to spend. One of the advantages of the department store end of the business is you can roll out slowly. The middle of the market you really can't--I mean there are lots of... It's enormously more expensive to do a Chaps and Gloria Vanderbilt than it is to do a Ralph Lauren, initially in the launch. As you go on to spend money, they're both practically the same.

I: Ralph, of course, is a designer for both men and women with an equally strong position in both areas these days. That is not true of Gloria Vanderbilt: one associates her, first of all as a personality, I think. First of all as a socialite founding father of major business orientation, scandal, the divorce--depending upon the age group. But
certainly Gloria Vanderbilt as a personality comes through more strongly than Ralph Lauren as a personality. But she is associated essentially with women's clothes, women's activities. Would you ever think of her as a Vanderbilt for men? I mean, a Commodore, for instance?

N: That's exactly the name we'd use. (laughs) I must tell you. Absolutely. It's so natural; that's the name we came up with. I hope that nobody hears this for a couple of years because I haven't registered the name yet.

I: Well, I'll tell you what you can do on this tape, and I'll say it right now. When the copy is sent to you, it'll be sent to you; there's a code, you can circle it in such a way that that information can be nonreleasable for as many years as you wish to suggest. Or any other fact that you might say, because in doing a tape of this nature, it would be interesting, for instance, to know how Ralph Lauren, as a personality, reacts to the fact that you suddenly announce that you're going to deal and promote Gloria Vanderbilt. Now, you might not want him to know what you said at this particular time. You can circle that, and for as long as you like--these things are done essentially for serious research, and therefore they have little to do with. . . . They cannot be released to the press or that kind of thing. And it's blocked immediately and can't be seen. It would be nice to have it on record.

Was he gracious and charming about this (the Vanderbilt fragrance), or did he . . .

N: No, he was a human being, and probably, as you or I would be, he was not pleased. Quite displeased with it, as we knew he would be. I had talked to him about it originally. I told him what we were doing; he didn't like
it. I then pursued it and brought it to fruition, and then told him we had done it, and he was furious. And he asked why didn't we discuss it before with him. I said I had mentioned it, and I knew perfectly well if I had spent any more time on it, he would try and kill it. So that it was just a question of when we would confront him with our decision. And I must say he's been quite marvelous since then. Ralph is very intelligent and very decent, and he was angry because his ego was hurt and also he felt it's bad—he felt, and I think he really did—it's bad business. He didn't think it was a good idea. It also diverts some of our attention from him, which is quite true, but in the interim we have hired some really quite extraordinary young executives. And we probably have the best cadre of young executives in the industry right now, I'd like to think. And after a couple of months he's forgotten it and our relationship is just about—just about—where it was. Not quite, but just about. But on a functional basis, there's no difference: he's a professional.

I: It is interesting: I know them both as social human beings, and they're both complicated people. They're both talented, I think, but they're both complicated people. Have they met?

N: Uh, I don't think so. I certainly wouldn't arrange it. (laughter)

I: I had the feeling, however, that they would fall all over each other.

N: Oh, I'm sure.

I: That it would be Alphonse and Gaston all over again.

N: Yes. Well, Gloria Vanderbilt has told me that she's a great admirer of the things that Ralph has done. She thinks our products were extraordinary. We've had a couple of interesting sessions with her. She's a very tasteful,
talented lady. And quite an elegant lady. I'm much impressed with her.

I think Ralph probably met her maybe socially somewhere, but does not know her. You could introduce them if you'd like.

I: Well, I might be interested in doing a smart party sometime and invite them both there.

N: (laughs) But don't invite me.

I: No, no, I think you should be there. (laughter) I think that would be--crazy enough, I think it would not be awful. I think that they would work out very effectively. Because you are dealing in a strange way with two fantasies that meet and understand that they can help one another. She has unquestioned social position; he would like to have unquestioned social position. His fantasy is—I mean, his whole origin had to do with doing clothes that the Duke of Windsor would wear. I mean it's as simple and as direct as that. And she, on the other hand, grew up with the desperate fear of being broke; of having the name, having the responsibility, having children to educate, having a Southampton house to support, etc. etc. etc. And an image to control with a decreasing fortune. It is only now with the Murjani—______ outfit that she has the kind of money they were—she can honestly feel that she's in a solid position as far as finances are concerned: But this, judging for instance—well, the economics. For instance, what does Ralph Lauren get annually as the result of this association?

N: An enormous amount of money.

I: But when you say an enormous amount of money—would a quarterly payment be bigger than a million?

N: Not quite. I think that's his money, and that would be indiscreet
for me to say. So I just don't...

I: Yes, well I can decide what we're really talking about is the nature of the size of his business.

N: Yes. But when a designer succeeds with a fragrance, he typically can make more money from his fragrance than all of his ready-to-wear, which is...

Because we sell many more units. I mean, we sell millions and millions of units.

I: Of course it's less exhausting for him.

N: True. You see, that's the advantage of our business: you design the package once.

I: Yes. There's not a seasonal...

N: I mean, you have to do some fresh things, but it's nowhere—the basic business, if it's good, sustains.

I: When a scent is produced—I've never known the answer to this—and is marketed and is successful, but say society changes. Is it conceivable that somebody might tamper with a formula or change it?

N: Well—yes, and it happens constantly. The reason...

I: I didn't know that.

N: Yes, and usually to dire ends. You can change—I'll give you two examples.

Five years ago, the Rajah of Mysore, which is an independent province in India, saw what the Arabs were doing with the oil, and he had a virtual monopoly on sandalwood. And the sandalwood tree takes fifty years to grow.

And sandalwood is an integral part of many, many fragrances including Aramis, including Youth Dew, including almost everybody's fragrance. And sandalwood cost about fifteen dollars a pound until the gentleman from Mysore saw what the Arabs were doing, and suddenly it went to $150 a pound, $200 a
pound. And suddenly it made all those fragrances not so profitable. It just--
it wasn't worthwhile selling them, almost, it got so expensive. So
every fragrance company was scurrying around to try and find ways of
synthetically making sandalwood, which you can do. But it is not--no one
has found a way to make a synthetic sandalwood as good as natural
sandalwood. Which is a dry, persevering note that really is a basic note
in strong fragrances. It's that base note that's thick and round that
stays.

So that I think Lauder decided that they were not going to substitute.
They found a way to extend it, which is the way--they diluted it a little,
took it down a little, but didn't use the synthetic. Lots of other people
changed. The market finally came down, but it's now back up to thirty,
forty dollars a pound, I think. And that's what happened there, but I
guarantee you, lots of people changed.

The classic example was Norell fragrance, the women's fragrance,
that Revlon did. Which is really the first American designer fragrance,
ten or twelve years ago. A fantastic fragrance, a beautiful fragrance,
that was done by an outside fragrance house for Revlon. And quite expensive.
It did very well. Then Revlon decided that they were going to take it in-house,
and they have a fragrance company that's captive, that they perhaps own part
of—that does duplicate fragrances. And they brought out a cheaper version
of it. And to this day, Norell has never had the success, and the fragrance
is different. And it is perceivably different. The quality isn't there.

People do it periodically. You can—if you change it, it's very very
hard. You can make minor adjustments but it's very dangerous. It's a
scary thing to do because you never know—you never know how far you go,
and one day you'll find out that that which is successful is not--is a bomb. So, the last thing in the world you ever want to do is tamper with your fragrance. You just don't know; you don't take that risk.

I: When did you first perceive of a relationship to Ralph Lauren?

N: That's really funny. About twelve, thirteen years ago I was walking back to work at Estee Lauder, and I ran into Neil Fox, who at that time was general merchandise manager of Neiman-Marcus. Who is now at Murjani, oddly enough. (laughs) And he had just had lunch with Ralph. And I guess Ralph was just starting to get popular for his shirts. He had done his ties, maybe he had just done suits. And I had seen his stuff and I really liked it. And I was delighted to meet him; and I told him so, and I really liked what he was doing, and I said, "Why don't we have lunch?" and he said, "Fine."

And we had lunch, and we really got along. I mean, we knew we liked each other, and we always have: there's something very ingenuinous that I'm attracted to. I think he's just a very decent, nice guy, and I admire what he's done with his business life. And we got to talking, and I bought some of his clothes, and we got to be friendly. And then I said, "You know, we really should do a Polo fragrance. It seems to me a natural extension for Aramis to do a Polo fragrance."

And I took him to meet Leonard Lauder, we had dinner a couple of times, and Leonard was interested. And we knew at that point that another fragrance had to be developed, because fragrances have a life span perhaps of eight, ten years--who knows?--but it was prudent to develop another men's fragrance at that point, and we thought the Polo would be
a logical position. And Leonard never could really come to grips with the fact of paying a royalty to somebody, and perhaps it's right for him. He just didn't think that—he thought that theirs was a name and he shouldn't pay money to somebody else. They had had a bad experience with Ungaro some years prior to that, and Mrs. Lauder and Ungaro had a falling out, and they had to pay money to get out of the contract. And they were burned, and they never really wanted to get involved with a designer, and I think probably rightly so for them.

But Ralph's appetite was whetted at that point, and I think he wanted to do a fragrance. And so he would go. And we became much better friends through all of these meetings—we just became good friends. And lots of people approached him to come out with a men's fragrance. And every time they would present a deal to him, he would give it to me to review, and I would always make him ask for too much. I would try and kill the deal, because I always wanted to do it. And obviously he was shrewd enough to understand what I was doing, and no deal was so terrific that he went ahead with it. And he said, "Why don't you do it yourself?" and I said, "I'd love to." And he said, "You're never going to do it." And I said, "Yes, some day I will."

And after eleven years at Lauder, I had been running Clinique and 

**Aramis** for a while, and I was getting a little tired of it. There's just so many years you could do the same thing, and I wanted to do it. I really wanted to do this. And I said, "Okay Ralph, I'll do it." And I went to Leonard Lauder and I said, "I'd like to start a new company to market Polo, and I'd like you to back it. It has nothing to do with Estee Lauder, I'd like you to put up the money." And he spoke to his mother, and she agreed. And he said no. And he didn't think it was a prudent use of their
money, to develop another name. Again, perhaps it was the correct position for him. So I asked his permission to go elsewhere for money, not having the vaguest idea where to go. And Ralph said, at that point...

Well, I was thinking about it, and I was flying back from California with the president of our advertising agency. And one of their accounts was Health-tex, which is part of an enormous conglomerate, whose name I have a blank on right now, that owns Machabelli. And the chairman of the company was a friend of his, and he said, "Let me speak to him."

And he spoke to him, and they said they weren't interested in the men's business—I had completely forgotten that until he reminded me at lunch the other day—so he wasn't interested in meeting me. They didn't think there was any potential in the men's fragrance business. And again, we had only positioned it as a men's fragrance at that time.

I told this to Ralph and he said, "Look, the president of Warner Communications has a house next to me out in the country. Why don't you meet him?" This was Memorial Day, 1976. '76? '77. '76, I think. Which means that I must have gone to Estee Lauder in '64. I probably had a year or two off. And I had a good friend of mine with me, and I figured, "Well, at least I'll impress her. She'll meet the president of Warner Communications and Ralph Lauren." And we had drinks, and I told him how terrific the cosmetic business is—was. He already knew how talented Ralph was. And fortuitously Warner had been looking to purchase a...

I: The president's name was?...

N: At that time it was David Horowitz. And they had been looking to purchase a cosmetic company. They had been willing to spend three or four hundred million
dollars to purchase a cosmetic company. And no deal ever happened.

Well, they were very interested. And he said to me, "How long will it take you to put together numbers?" So I gulped and I said, "Well, I'll get back to you in a few weeks." And I started to develop a plan. And I had never started a company from scratch before. And I have a yellow pad in front of me: "How do you start a company?" Well, it was challenging. And I was working in the country a couple of weekends. I was not married at the time. And Bob Rottenberg, who used to work with me at Estee Lauder—who was then at Revlon running Charlie—had a house nearby and he walked in one day and he saw me working. And he knew I rarely took work home on a weekend, and he asked me what it was, and I told him. And I said, "I need your help. I discovered a prime rule: almost impossible to develop good ideas in a business sense in private. You need somebody to test them on. You need a foil, somebody to say, 'Well, that's dumb and that's not.' At least that's the way I work. And I found that to be—I found that out early. And I said, "Are you interested?" And he said, "Yes." And I told the people at Warner, and we had a couple of meetings about Bob, who is an enormously talented young executive. And they said, "You can never have too much talent. Bring him in."

Well, we spent about six months negotiating with them... It was fascinating. While I was still conducting my other job. And he resigned from Revlon before we finished the deal. And he had no job. But they had guaranteed, if the deal was not signed, that they would keep him on salary for a year. And he took a chance and he quit. And finally, I remember I was at an Aramaj sales meeting, and I was about to make a speech at 8:30—the opening speech—and the Warner board had been meeting a couple of days, and
the night before they were supposed to decide if they were going to go ahead. And David said that he'd be meeting with Steve Ross, who's the chairman, and the other people on the board, and they were going to call me the night before. And they never called. And I remember I said, "Uh, the deal's not going to go through." At eight o'clock the phone rings: they decided to go ahead, and had to talk about some points. There are seventy people waiting in the conference for me to speak and I'm on the phone.

I: This is the following morning?

N: Yes! (laughter) And they said, "Yes, we're going to go ahead with it."

So I immediately resigned. This was the Aramis conference. I immediately resigned and told them ____________.

I: Did you conduct your meeting that morning or not?

N: Did I...? Oh, yes. Of course. And I couldn't resign that easily because I had a contract. And the negotiations were very complicated, and what happened was that I agreed not to bring out a men's fragrance for a year. For the year 1977. So that meant -- it turned out to be the best thing that ever happened to us. Our original plan was to launch a men's fragrance in the fall of '77 and then a women's fragrance a year later. And Bob had the idea of launching them both together. Which turns out, I think, to have been the key element in our success: nobody had ever launched a men's and women's fragrance together. Typically, you have two weeks to launch a men's fragrance in each store and two weeks to launch a women's, so you had a month's promotion, which is extraordinary. And you really sold both promotions, and we could afford to do more television. Turned out to be terrific. It also gave us a full year, without selling a product, to sit in a room and think about developing a line. And so I think our initial plan was better
executed than just about anybody else's. Because we had the luxury of a year—that year cost us a million dollars to sit there and do that, but it's the best investment Warner ever made. And they said, "If it's a good deal in 1978, it'll be a good deal in 1979, so we don't care. Go and do it." So Leonard Lauder had really done me a tremendous service by keeping us out of business for the year. And we launched them both together, and it's gone very well.

We launched in March 1978, and we launched Tuxedo a year later. We launched a year later, and cosmetics right now, in the spring of 1981.

I: What would be the analysis of Leonard Lauder's thinking? In other words, why did he demand a year?

N: Well, I guess—they were trying to develop a new men's fragrance, and they wanted to keep Polo off the market in that period. They launched Devin, which was the competitor of Polo. And I'm delighted to say that we outsell them considerably now. For some good reasons. Devin is brilliantly executed—interesting point: Devin is the best executed thing that Aramis ever did. By "executed" I mean the promotional material, the display material, the counter material, the training material, the promotions. Everything about it is executed brilliantly. But it's not successful because the fragrance is not a terrific commercially acceptable fragrance.

I: It's interesting because the ads, the packaging, everything else, was so associated with Ralph Lauren. You know, I mean, it was...

N: They were trying to usurp the position.

I: Absolutely.

N: Yeah.

I: Absolutely. And I had a feeling that harmed them in a funny sort of way.
N: Perhaps, perhaps.
I: I had some very strong resistance to that kind of . . .
N: Well, you were very close to him; I don't think most people knew . . .
I: Well, I suppose not, but--I felt it was . . .
N: Well, I'm glad you felt that. (laughs)
I: (overlapping speech) Which made a big difference in their figures, I suppose.
N: Robert, could I take a break, ten minutes break?
I: Oh, of course.

(END OF TAPE I)

I: Why don't we start with the Lauder legend?
N: Want to be a little more open-ended than that? (laughs)
I: No more open-ended than that.
N: The Lauder Corporation is really quite remarkable. And since it's a
privately-held company, most of the industry is really not privy to really
what goes on there. In the eleven years I was there, I think I had an
extraordinary basic education in the cosmetic industry working for probably
the smartest man in the industry, Leonard Lauder, who probably doesn't
get credit for the success of that company as he should. His mother is the
one who does, and while Mrs. Lauder started the business, she probably
never could've gotten it any bigger than twenty or twenty-five million
dollars, which was still no mean accomplishment twenty years ago. She's
always been the driving force of pushing it, but the real skillful
marketeer and force--neurotic force--behind it in the most positive sense,
because he does believe neurosis is a very strong concomitant of good management. I disagree. It was Leonard Lauder, who has only worked for the Estee Lauder Company and who started, I think, packaging products and picking up checks from beauty salons when he was 15. And Leonard must be about—I would guess he's 51 or 52. A very profound man in many respects. And he's trapped because he's only worked for one company, he's working for a mother. Family companies . . .

I: He'll also inherit it, I assume.

N: Well, if he lives long enough. Mrs. Lauder will probably outlive everybody. There's another son who's younger and a little difficult. A privately-held company is not subject to the same scrutiny, obviously, and pressures that a publicly-held company is. But there are different kinds of pressures. And those are—it's really run like a fiefdom. Which, I suppose, you and I would also do if we had such a fief. The problem is one of getting proper management, because after a while, if you own the company—if you're the family and you own the company—chances are you're not going to give away much of the company, which indeed they don't. So they pay enormous salaries and get very, very good people, and fundamentally, after a while, they frustrate the people because they're never going to have complete responsibility and they're not really going to grow financially.

I: Are you saying that's exactly what happened to you?

N: Yes, obviously. And I really enjoyed being there, and I was very close to Leonard Lauder, and I really got involved in lots of things, but I knew that he was never going to make me president of the company. Which, indeed, he shouldn't have. From his point of view, he should run it. Family-owned companies, I have since learned, do not delegate, and that's probably
why they're successful—up to a point. There is a scale and a scope that an entrepreneur can control, and I think they're beyond it now, so that the individual entrepreneurs no longer have the grasp completely on the company, because they have not delegated. They haven't learned the skills of big business. However, on the other side of that coin is that their viewpoint is so pervasive in the organization that they've been able to maintain their market position and, indeed, enhance it over the last few years at the expense, perhaps, of the stability of the people who work for them. Because I think it has not become a good place to work, where, when I was there, it was a lovely, marvelous, exciting place to work. And I think this is probably what happens when a family-owned company gets a little older. However, they still execute better than they've ever executed. By that I mean their packaging, their promotion, their display, their advertising, is the most brilliant in the industry; and would that we did it as good. I mean, we model ourselves after them, but we don't execute as well as them.

I: It's also interesting that Estee herself—as I have followed that career over a long period of time and despite the many contradictions of background and origin and stories of how it began, because it seems to change all the time as she.... As she grows in stature it all gets a little more related to hidden veiled royalty and so forth and so on, but who cares? It is also interesting that as society has changed, she has become a member of society, even though there's no basis, other than just pure money, at all. And I've watched her in Palm Beach, and there was a period where she was somewhat of a commercial joke. But that has disappeared.
Perhaps it is the business of the power of the money, the contributions that are made, the sense that always there is. But I also have the feeling, watching her—I watched her one time in the South of France surrounded by a group of ladies including the Duchess of Windsor. And she was being extraordinarily charming to them, and they were being held by whatever tale she was weaving. And so that it can't just be, you know, a lady that has bought her way in.

N: Oh I think you're right. There's great energy and enormous vitality. She's an amazing lady. I mean, these things don't happen by accident. She decided at one point that she wanted to be a dowager-lady in society, and she went about and got it. I mean, she bought her way in. But as you were describing the process, I was thinking that probably time and money heals just about everything, because somebody once said, "If you go back far enough in the history of any great American fortune, there's a crook or a murderer."

I: Sure.

N: I'm not accusing her of being a crook or a murderer, but—her lineage is probably better than most, when compared to people who are now, you know, famous old names. But she's worked at it very, very hard. And the cosmetic business is a great power base. She can do lots of favors for lots of people.

I: It also helps her business, I would think. I mean, if you are a lady who's drinking her morning coffee after the kids are off to school...

N: Probably... instant.

I: ... in Dubuque, and you pick up a syndicated column such as Suzy, and there's a strong mention of this lady. I think like Helena Rubinstein, like Elizabeth Arden, she's the last of the great ladies associated with
cosmetics.

N: Well, she probably is. I mean, Diane von Furstenberg probably is moving into that spot. But I think the style has changed so dramatically that I don't think that that will ever exist again. I think that that woman that you described maybe no longer exists—the one in Dubuque. Because chances are, as we said before, she's probably going to work and not sitting having coffee. And that lady doesn't believe any of that, because it has no relevance to her. She's not quite looking for that dream, that magic world that she thinks she can be part of. She's, I think, involved in much more practical realities. Sure, she wants some of the glamor and excitement, but I don't think that's what attracts her anymore. Now there may still be some that do . . .

I: Let me tell you where—I mean, not to pursue this in great depth. But recent research has indicated that Suzy's column, which is heavily syndicated, is the most widely read column of its kind in this country. If you read—and I've done it: analyzed the column, seven-eighths of it are mentions of people who have no relevance to anybody's life. Because it's decaying royalty, and it's all nonexistent lineage of Bavaria and France's royal family and so forth and so on. But the reason, I assume, is that there is—it's the fairy tale, it is the touch of glamor. And even the lady who has the job, at some point, sits down and has a cup of coffee. That's my point. Because people do identify with images, and I bring it up only because—obviously the parallel between what happens to Ralph Lauren as an image as opposed to Estee Lauder as an image, in terms of the fragrances.

N: Well, it's a very good analogy, because I think that's why designers are successful in the cosmetic industry and with the fragrance industry.
Charles Revson is dead, Madame Rubinstein is dead, Elizabeth Arden is
deep; the only one, as you pointed out, that's still alive is Estee Lauder,
of that ilk. The designers have really moved into that vacuum because
women need a real person behind—they need an authority figure, as does
everybody else, when it comes to fashion. You want somebody to tell you
that they're right.

Now curiously enough—well, not curiously enough, but it really all
makes sense if you go back to fashion: there was no great American fashion
authorities when Estee Lauder and Charles Revson and Helena Rubinstein
were operating. And cosmetics were not so tied in to fashion. Now, in
the department stores, the designers are the brand names in every other
category. So it was just a question of time until they became the brand
names in cosmetics. The brand name in this case means an expectation of
quality, style, point of view, and a dream. The dreams are a little
different.

I: George, for the record, I think I should point out to you, however, that
when Charles, Estee, Helena, Elizabeth started, there were the magazines.
The power of Vogue and Harper's Bazaar, the power of Carmel Snow and
Mrs. Chase, was very strong. It was less the personality of those ladies:
this was the power of the magazine. Everybody was aware that magazines,
perhaps other than Harold Ross at The New Yorker, essentially, or Page Rance
at Architectural Digest, the magazine itself is the power. And I think
that unless Sarah Lee had supported Helena Rubinstein as strongly as
she did at Vogue over many, many years of extraordinary support—because
it was all tied up with advertising dollars. But there was a voice, there
was an authority.

N: Well, let me clarify it. I agree with you, but I don't think fifteen or
twenty years ago, Vogue—while from a fashion point of view was pervasive—you're dealing with a mass market now. And you're dealing with—even in those days the Revlon business was substantial, and the Vogue circulation was perhaps 200,000, and perhaps with their readership of 500,000, today it's probably . . .

I: Well, magazines didn't start fifteen years ago.
N: No, no, she is the transitional one. I think . . .
I: When did she start?
N: She started—I would think that she's probably started about thirty years ago.
I: Yes.
N: At least thirty years ago.
I: Yes, and Elizabeth and Helena before that.
N: Probably.
I: That's what I'm talking about, in other words.
N: But the forces of the media weren't so pervasive in those days, anyway.

And so that they got—I don't know where they got their images of the name behind the cosmetic company. But there was a name, there was a name on the package. And that name was a person, the entrepreneur, who built the business. And in most cases it was a woman, except for Charles Revson. And I don't know how to tie this in to women's rights, but it's curious that now most of the names, if you believe that the designer influence is pervasive, are men! Curious. (laughs) Now you extract some moral from it; I can't.

But to get back to Lauder, they really dominate the department store end of the cosmetic and fragrance business. They probably do 40 to 55 percent of most department stores' volumes. They only sell to fine department stores, they have about three thousand doors that they sell in. They sell almost
no drug stores, they don't sell Penny's, Sears, or Ward's. They have become the most important source to one area of business. They are very narrow and very deep, which is a very intelligent way to build a profitable business. And their business is quite profitable, even though some of their competitors don't know how it could be profitable the way they promote. But it is profitable for some very shrewd logic of probably Leonard's. And the theory is--it's an umbrella theory: if you take the city of Dallas, it really doesn't make any difference how much money you spend promoting in Neiman-Marcus or how profitable your business in Neiman-Marcus is, because there's a halo, there's an umbrella, that pervades perhaps out two hundred miles. And in that two-hundred-mile radius, there might be fifty or a hundred stores that you and I have never heard of: little dress shops in Lubbock, Texas, or some other place. Or Allen, Texas. And in those stores, they probably sell one or two cosmetic lines. And they'll probably do a hundred, a hundred and fifty thousand dollars in volume in Estee Lauder, and all of that is profit. And I think that's the profitable backbone of that business; it's been very, very shrewd, and very brilliantly managed for years. And I'm sure it will continue to be brilliantly managed.

I: Now she's very active as a public figure, involved in charities, involved in social activities. What about Ralph's position?

N: Well, I think Ralph is of a different ilk. And I think the designer, when you think of Ralph and Calvin and Halston--although Halston's probably different from the other two--but they live very private lives. And I think Ralph doesn't want any part of that world. We both know that he rarely goes out in public, he's involved in no charity work. Does nothing but work and go home and spend time with his family: his choice. And
obviously it has not interfered with his success. I suppose periodically when we want him to do something, we say, "Boy, we could do so much better if you did this." But his businesses are extraordinary. Perhaps he's right. Maybe it's not necessary anymore, and perhaps his pose of not wanting the publicity has helped. And indeed, that's what he really wants: not to be involved with them. And he seems to have been able to get what he wanted from it.

I: It is apparent, however, that we are also dealing with another period in our society. The media is very powerful because of television. The whole sense of one ad on television with Ralph Lauren carrying a saddle, walking of course to a fire or away from a fire with ________, and looking absolutely terrific with a cowboy hat, in a period when that particular garb is being supported by fashion statements as well as a general acceptance on all sorts of levels within the society itself, it seems to me is worth endless mentions in Suzy's column.

N: I think you're absolutely right. I was having lunch yesterday with the head of his women's business, and they had done a calculation of how many dollars all of his licensees spent on advertising Ralph Lauren in national media, and the number they came up with for this year was eighteen million dollars. So then you're absolutely right. That's worth infinitely more than a story here or a story there. And that probably has succeeded in doing it.

And Calvin Klein, aside from Gloria Vanderbilt, is the best-known designer name, and it's all a result of his jeans commercials. People
remember what they see on television. Perhaps you and I don't, because we're not television viewers, but the rest of the United States certainly does.

I: Well, also, you see, you cannot eliminate the fact that the fashion press and the feature press across this country has—it's an insatiable appetite. There's a Sunday edition of every paper which requires additional features, and there's only so much fashion news in a world which really doesn't have anymore fashion. It merely has a series of wardrobe statements. Because any collection today has every length, every width, every kind of fabric, every color. There's hardly anyone that comes out and says, "I believe in..." and tries to make that work. Because Givenchy may be the nearest to it, and he started to send out these satellites all over the place in terms of designs. And I think what now happens is that those boys that you're describing: Ralph, Calvin, and—less Halston in one sense, more—Halston in another. Less in the sense of his being that attractive a person to these writers, and more so in the sense that he has created a glamor image, a celebrity image, a publicity image. And he works at it very hard. As opposed to Ralph and Calvin, who both happen to be singularly handsome men.

And I think when you realize that most of the fashion press across the country are ladies who can't help but fantasize about being involved, related, supported by these boys—you get a lot of press that you would not get. In other words, without doing anything, you get press. And both of those men—I've read a lot of their press—are always described as... Absala Townsend described the adorable, handsome—nobody talks about
their wit or their intelligence or how amusing they are. But they do have that level. And I think that works in the same way that the old dowager image worked, of the great significant social leader. It works now on a much more "I wouldn't mind having his shoes under my bed" philosophy.

N: Well, it's because I think there's much more sexuality that's acknowledged in society, and they are really sexual images. I think that almost—we know Ralph very well, and I guess we don't think of him as a sexual human being. But when I travel around the country and meet with some of our people who are girls who sell behind the counter, they're all in love with him.

I: Yeah.

N: They all have—half the cosmetic buyers in the United States have his picture in their office. They think he's the sexiest guy in the world. And I guess he is. I mean, he photographs extraordinarily well, they don't know too much about him, which helps, and he's got a very attractive, unusual persona. You know, it's individual, it is not a narrow collar, and the press, as you were saying—I had not thought it through—I thought the press really does feed it for just the reasons that you give. But it's an interesting comment on our society: that that becomes the authority figure. And I think that's because that woman—you know, and most of the baby boom is now, the 1946-50 baby boom, is now in their thirties. They are the prime market. So that those ladies who have grown up in Vietnam and all the other things that happened in the sixties don't want the same glamor figure. That was the point I was making before about the Rubinstein and the Ardens. They don't want that glamor figure. Perhaps their mothers do and perhaps they'll always be a group of women who do, but I think the dominant mode now is: it's more up front, it's more honest, it's more easy. Calvin
and Ralph are successful because they design comfortable, easy clothes for the way women live. And that's what I think women are looking for. More power to them. I mean, they're not tyrannized quite so much by fashion. Which does not mean that they're the most confident human beings of all. If they were, they wouldn't look for a designer's name on a fragrance or a cosmetic, in all candor. But they want the authority. And because we're all insecure about our vanity and about our looks, we always want somebody to tell us we're going to look terrific.

I: Now, I don't think it's a rumor, I think it may have moved into established fact by now, that the introduction of Devin, the Lauder fragrance, was a direct slap or attempted slap at you for having left Lauder and establishing Polo.

N: But it was also very sound business on their part. I mean, while it does my ego great gratifying strokes to realize that that colossal, powerful company wants to slap me, I don't. . . . You know, I know that perhaps they're human beings too and perhaps that was part of it; they really did it for very sound, competitive reasons. They knew that Polo, by its inherent position, would be a very—and they assumed that we would execute it well—would be a very serious contender. So what they were trying to do was usurp the Polo market position by marketing Devin with the same timeless kind of elegant country persona that they knew we would do for Polo. And they executed it brilliantly. I think the advertising, the point of sale, the promotion, was brilliantly executed . . .

I: How's it doing?

N: Badly. Because they forgot one thing.

I: The scent?

N: The scent. I mean it all gets back to that. But you can sell—when Devin is
on promotion, it does extraordinarily well, but people don't come back and repurchase, because the fragrance is too strong and too overpowering. And it is as we were discussing ... before: it's very hard to change a fragrance, because you've already communicated to millions of men that that's what the fragrance smells like. They'll be thoroughly confused if suddenly Devin is another fragrance, and you'll turn off the few customers that you have. So I think that Devin is -- just didn't make it, but it was brilliantly executed and I'm sure they're developing another men's fragrance, and perhaps the next one will succeed. Which is not to say that Aramis' business is not enormous. I mean they certainly are the largest factor at the upper end of the men's fragrance business.

I: Well, it's interesting, when you now have Polo and Lauren and Chaps and Tuxedo, and if you were comparing the way in which they were launched -- the difference between them -- how would you define the differences?

N: Between those brands.

I: Yes. Your own brands.

N: Well, Lauren and Polo were launched together in the same manner. They were launched in about a hundred department stores over a three-month period. We did television, we did gift with purchase, if you're familiar with that: where you give an item for nothing if you buy $7.50 worth of this product. We launched the women's product with a purchase with purchase, which is really like a premium: a group of samples that you can buy for less than its inherent retail value. We in effect had a month promotion, when the normal period is two weeks, which enabled us to get much more impact. The stores remembered that the promotions were big. Ralph was hot. We were able to translate that into large space in a store, and the space is really
what generates the business, because that's what department stores have to give you as their real estate. And they give you their real estate on the expectation of volume. And if they don't expect that you're going to do volume, they don't give you the space, so you're not going to do the volume. It's really a self-fulfilling theory, all factors being equal, in that your product has the legs to carry it off the counter.

Chaps was a little different. We did that--Chaps was a two-headed launch. We did that launch in fine department stores. We also launched nationally on network television, because Chaps was in much wider distribution. While we were launching at Bloomingdales and while we were launching at Bullock's and Marshall Field's, we were also selling the better chain drug stores with massive television. We started in six markets. We did not launch in the entire United States. We launched in 1979 in the six major markets: New York, San Francisco, Chicago, Los Angeles, and Dallas, I believe. We launched in those markets and did extraordinarily well. Then we took it, the spring of 1980, to the entire country with the same strategy. And it's really done quite well. Probably the largest single launch year, if you did the twelve months, because we launched the six markets in one year and the remainder in the Spring of the other. We probably did about thirteen, fourteen million dollars in the first year, which is quite a substantial amount of volume for a men's line in its first year. Because we spent massively to get that business.

On the other hand, Tuxedo, which is our higher-priced women's fragrance, we spent no money on at all. Ralph thought--originally he had an idea of launching with two fragrance: a Day and a Night. And
we really opposed it, because we thought it would confuse people and they wouldn't know which was which. And I still think we were right, but we had promised him that we would do another fragrance. Because he was not completely enamored with the Lauren fragrance. While he recognized that it would be a successful fragrance, he wanted to do another one. So we did Tuxedo. And it is not doing as well as Lauren. We have not spent the money on it; it's very expensive. Actually it's doing better than Lauren in Europe, because it's a more European fragrance. Lauren has turned out to be a very young fragrance. But it fulfills a function, and it seems to be doing much better with the launch of our cosmetics.

On the other hand, we will launch Gloria Vanderbilt in the manner that we launched Chaps. We will launch it as the most-prestige fragrance in fine department stores, with uniquely designed programs for the department stores. And then we'll also spend rather large amounts on network and spot television to support it in the other classes of trade.

I: Did Ralph tour with the launch?

N: Did Ralph tour. . . ? Ralph spent fifteen minutes at Bloomingdale's (laughs), only through the plodding—the real pressure of Marvin Traub. He showed up and he was mobbed. And it really helped us enormously. But he won't do it again. He agreed a couple of times and then cancelled out. And I think we have learned that Ralph is really very uncomfortable on television, he's very uncomfortable in stores, and we just shouldn't put him through that kind of pressure. And it's really not worth it: the business will succeed anyway. So that if he's more comfortable, we just leave him alone now.
I: Sure. (pause) Will you use Gloria in your commercials?

N: No, we won't use Gloria in our commercials, because I think we're trying to get across a younger age. But we will have her **appear** in stores because she loves to do it and she's marvelous. And she'll probably do five or six cities for us. But we will try and find a younger position for it.

I: Now the question is: I think that everybody always asks me about designers and their products is—for instance, the Polo packaging, which is really very distinctive and very unique and very memorable. Did Ralph have anything to do with it?

N: Well, you know the answer. Ralph has everything to do with everything. Which is one of the—**which** irritates us at times, his greatest value to us is he really does get involved. He does drive us crazy in his constant pushing for excellence. He's probably pushed us further in spending money on packaging and product development than we probably would've, and hence I think we have better products.

Ralph will really get involved with anything that has his name on it. And I think that the really successful designers who last a long time do that. I'm sure Calvin does that. The people who sell their names just—and never see the products, eventually **it catches up** with them, unless they're very lucky. Ralph is a very serious designer. He came to us with concepts and eventually we worked out a compromise. But he approved every variation, every step. And of course we had to approve it too, since sometimes he wanted to do something that we didn't
do. But jointly, I think, the push-pull between our company and his
worked out to be remarkable for us, as evidenced by the success of
the products.

I: Is there logically any trade-up in terms of, say, the Chaps customer
up to the Polo, or the Lauren customer to the Tuxedo?

N: There's probably a little of that, but it really works the other way.
Because--well, the girls who sell behind the counter really don't like
to sell a lower-priced product. And so they'd be more likely to sell
the higher-priced product. And on the other hand, the images of the
two fragrances are so different, and the emotional appeal is so different,
I'm not sure that there's much crossing over one way or the other. We
thought, "Oh, my God, there would be a trading-down from Polo to Chaps
because they both had Ralph's name on it." That really hasn't happened.
If anything, it's helped the Polo business. I use both fragrances and
I like both fragrances. But then I don't have to pay for it. (laughs)

I: Well I like both fragrances, and I find that I use the Chaps fragrance
in the country. Isn't that interesting? (overlapping speech)

N: (laughs) As a matter of fact, so do I.

I: And I don't use it in town. Well, it may be telling us something, that
we both do that.

N: Yes, we believe the packaging. (laughs)

I: Exactly. I suppose so. Or the fact that Chaps is less expensive (pause),
and I think that country clothes are always slightly--they're either ill,
terminal, or dead. (laughter) As opposed to wardrobe in town. (pause)

Do you find any relationship between the fact that Warner's--Warner Communications--
is essentially an entertainment corporation and the fact that you are involved with it as an important division? Are there pluses, are there negatives?

N: Oh, I'd have to say they're all pluses, especially for me personally. I mean we've already established that I'm a movie freak, and I've always been fascinated with the theater, and it's like having your own playground. Warner has a film division, so I can get to see all the movies before they're launched. We also use it as a business device. "Superman II" is premiering next month, and we had a screening for all of the presidents of the Fifth Avenue stores and their children. Because we just thought it would be fun for them, and they all came and all loved it, and it was kind of fun. We use it that way.

I think we also--when we do commercials, I think we use the studio to help us find cinematographers. In fact, we're using them now. For the Gloria Vanderbilt, we had a certain point of view, and we've decided that the director for the commercial should really be a director of photography and not a director. The images that we want to get across are so beautiful, and we're afraid there's nobody in commercial commercial production that could really direct that commercial. So that we--that's redundant--but we have gone to the head of the studio and we've told him our dilemma, and he's recommended four cinematographers who are cameramen and who do beautiful, beautiful work. And we're investigating the possibility of having them direct the commercials. And I think--and he's said it's
a marvelous idea because they'd all love to direct. And we're taking
and
a chance, but we may do it, and the end product may be quite beautiful.

Also, we use music a lot, and we've been able to get rights to
music very quickly because of Warner. As a matter of fact, when
we did our Polo commercial, Ralph changed the music at the last moment.
We were using Mozart's 21st piano concerto, and he didn't like it and
wanted to use something called Aria, which he had used in his fashion
show. And we put it in, and we ran it on the air, and we didn't own
the rights to it. Which is unheard of in television. It so happened
that it was a Warner artist and it was a Warner recording, so that in
twelve hours, the Warner legal department tracked down the composer,
tracked down the performers, and got them all agree to sell it to us.
So that was an example of Warner helping us or I could be in jail.

Also, their television company has been very helpful. They produced
"Scruples," and if you recall, the set of "Scruples" is a department
store in Beverly Hills. And guess what the fragrance counter in the store
is: it's all of our products, which is really kind of helpful. We get--
all
I get all the publicity for the new movies, and I know what they're going
to be shooting. And if it looks interesting, they'll send me a copy of the
script, and we'll see if we want to put our products in it. Which hasn't
worked out to our advantage too well, because I discovered I'm not a
terrific judge of scripts. The first script they sent me was "10," and
I read it and I said, "This is ridiculous. This is the dumbest thing I've
ever read." It's gone on to be one of the biggest grosses of all time. I
said, "I don't want our products in that film." Little did I know.

I: It's interesting that nobody has picked up, or have they picked up, "10" as a fragrance.

N: Oh, I think we had it proposed to us. Absolutely. Absolutely. There've been a lot of promotional fragrances. There was one called Saturday Night Fever. That came and . . .

I: Well, that's not as interesting, but I think . . .

N: Somebody has one called "10," I think.

I: Because "10" . . .

N: Yeah. It's interesting. We didn't want to do it, but somebody did. But Warner's backing has been an enormous help. The prestige of the company in getting us started, especially internationally--when we can walk into a market, say Germany, where no one's ever heard of Ralph Lauren, but Warner Communications is on the German Stock Exchange and we walk in with their annual report, which always wins the award as the best annual report of the year, as indeed it should because they're in the entertainment business. We leave a few of those around to prospective distributors and retailers, and our reception is really much better. It's really helped us in many, many places. Also the fact that Warner owns the Cosmos, and South America has been very helpful for us--there's always a piece of that business that helps us as entrees somewhere. And they've been very cooperative in helping us where we've needed something, aside from giving us the financial support that we've needed.

I: Also I would think there has been the most indirect sense of gratification of being involved with something which is part of the entertainment industry, and the glamor of movies . . .

N: Absolutely. If I can't produce a movie, at least I can produce a cosmetic
company that's part of a movie empire. Which is really not the biggest part of their business.

I: You can answer this or not, but--now, I've known Ralph and his career from the very beginning. And the only time that I ever felt that he made an error--public error--was when he began to give out interviews implying that what he really wanted out of life was to be a movie star.

N: Well, I think you're probably right, but I think it was an example of Ralph being honest. Ralph doesn't dissemble. Somebody asked him in an interview what he wanted to do, and he really wanted to be a movie star. Which is a foolish thing to say to the press because they'll make fun of it, which indeed they did. But I think he's serious about it. He hasn't pursued it, but I think it's something he seriously would like to do. (short pause) And he's paid a price for it.

I: Has anyone--I mean, were you in a position or anybody else in a position to send a note saying, "I wouldn't do that if I were you"?

N: Well, I--well, as a matter of fact, no. Because if that's what he wanted to do, I mean the down-side of that is not really going to hurt our business. And somebody might be nasty and make a joke at his expense, but that doesn't really hurt your business, as you pointed out to me the other day when I asked you a question about a similar situation. In fact, what we tried to do is get him to appear in a movie. And we arranged with Warner that he could be offered a couple of parts on a television series or a cameo, and he never did go ahead with it. But he--I know he read some scripts, and Warner was very cooperative about helping him do something. And he decided against it for whatever reason, I really didn't get too involved.

I: In the early stages of his career, he was, I thought, extraordinarily
indecisive. I mean, he would check with forty different people before he would seem to make a move doing anything. Has he changed? Is he more . . . ?

N: I think he's a little more decisive, but I also think that's probably—that goes with the territory, I think, of being a designer, I think. You're always testing—you're always putting your designs up for grabs, and the grabs is the consumers' acceptance. And the very little positive feedback, because you have to do it again each time. You see in our business, once you launch it and it goes, it's there. He's got to re-launch himself every year. And he has to put himself to the test. So I think that's what makes designers neurotic. I think it's incredible pressure; it's not the kind of pressure I think I would want. And perhaps that accounts for some of the indecisiveness. He certainly knows what we wants when he sees it. I think the indecisiveness comes because he doesn't see what he wants. Or he's always decisive when it's clear that that's what he wants.

I: I have also always felt that he is going through a constant—as Carter seemed to me to be a president who was getting on-the-job training all through his administration—I've always felt about Ralph that he was less getting training but more education. In the sense that as his talent, his business, his position, began to be honed and polished and increased, it became necessary to ask more and more questions of more and more people to be sure that you were getting all the facets presented to you. But I never had any doubt in my mind that essentially the decision was his.

N: Always.

I: And I always had a feeling that he had made the decision even prior to asking the questions, but was looking for affirmation, confirmation, support
of some kind, as well as a willingness, conceivably, to say, "Oops, wrong."

N: Well, there's a certain ingenuousness about that, too . . .

I: Yes, there is.

N: His willingness to ask people and imply that he really wasn't sure.

I: Yeah.

N: And I think he would do that with friends. I think I see less of that now.

I: I would think that experience would offer a _____ on that. Besides, he's been right for an extraordinary period of time.

N: (laughs) He is usually right, I have found. Yes.

I: And that's a remarkable talent. (pause) Well, going back to the cosmetics line, will this be an extension of Lauren or Tuxedo, or will it be separate?

N: Well, it's part of our women's division. What really happens is the cosmetics enable you to be in business twelve months a year. The fragrance business is a lot more cyclical. Women . . .

I: What are the cycles?

N: The cycles would be Mother's Day and Christmas, you do an enormous amount of your business there. And there's a good deal of daily purchasing, but not like the cosmetic business. Which is really fairly flat throughout the year, which means you're getting traffic and amortizing your investment at the counter, and promotion year round. So that helps all the businesses.

Robert L., there's one point--I think the key point about Warner, aside from the aesthetic gratification for me personally and the clout that we use, that we can use it for, is a very sound and basic business advantage that we have over many of our competitors. And I think it has a lot to do with the state of the American economy. And let me digress
about economics to get back to this point . . .

I: Fine...

N: . . . because I think it's key to the success of our business. (pause)

All of the newspapers now have been attacking American business for being short-term profit oriented. And I think The New York Times has been most voluble about it. It probably, at this point—most thinking people realize that it's dangerous to run a company only viewing present profitability. Because you're constantly presented with the opportunity to say, "Should I spend the money today to make it a stronger business for the next four or five years, or should I keep it, show more profits, get more of a multiple in the marketplace—stock market." And indeed, if I have the kind of management contract that most American executives have, it's based on current performance.

So what typically happens in the United States business, is . . . every three years or so the chief executive officer moves on: he gets fired or he goes away. Because what's happened is he's milked—and that's a pejorative term—he's milked the company, gotten the biggest amount of short-term profitability, which probably is what the board of directors wants, suddenly realizes that he's now got to pay, his company's got to pay for milking the business, and that the long-term health maybe isn't as strong as it should be, and he goes on. And now he repairs some other executive's three-year damage program.

And I think that we've seen tangible proof of that in the loss of share in a lot of industries that the American economy has suffered, notably the automobile business and a number of other businesses. And we've all looked at the Japanese model—and I am a Japanophile, as you know—
and it's been a fascinating experience, because culturally I've always
been interested in it--in them--and now their business methodology seems
to be the intelligent methodology for the eighties. And I've done some
research on it, and a lot of other people have, and I've been reading
books on Japanese business, and what really comes through quite clearly
is the fact that the Japanese capital formation market, which is the basis
for business, comes--most of the money, about 65 to 70 percent of it, comes
from banks. Only 30 percent of it or so comes from the stock market.
Stock markets are, by definition, concerned with current performance.
Banks really don't care how you do today. They only care that you're going
to be healthy and be in business and--because they want to keep their loans
out as long as possible, assuming that the interest has been properly arranged.
So it's to their advantage that you have enough money to pay the interest
and you build a long-term, sound business. Also the banks are--the bank
loans in many respects are guaranteed by the Japanese government.

In the United States, on the other hand, the situation is the reverse.
About 65 to 70 percent of the capital needs of the American business
community come from the stock market. And we all know that "stock market"
means today's performance--today's hourly performance. And only 30 some-odd
percent comes from banks. So that the pressure is always to produce today,
not to do the best thing for the long-term growth of the business. Consequently,
Japanese businesses have a ten and fifteen year horizon that also bespeaks
having long-term relationships with your executives, which I think is
cultural and has to do with the fact that nobody ever gets fired in Japan,
and the society is so much more homogeneous. And there are not the differences
in hierarchial levels in the businesses that there are in the United States.
The chief executive officer of a Japanese company doesn't make three or four or five hundred percent the salary of the guy eight rungs down the ladder. He maybe makes twenty-five percent more. And there's much more consensus, where actually the Japanese word for it doesn't translate as "consensus," it translates as "root-binding." You really get everybody emotionally involved in the decision, and then everybody goes ahead because they're part of the decision. However, the real challenge is to get the framework out five or ten years. And we have had some criticism in the press about our business, because they've said, "Well, they're not making a profit. They're spending enormous amounts of money, they're not making a profit." I say, not sensitively, to the criticism that we could make a profit right now in any one of our businesses in the second or third year, but that's ridiculous, because we'd be making a profit at the expense of the long-term health of the business. Our challenge is, could that dollar that you put in the bank--give back to Warner--work better in five years from now if you put it into the business. And if you suppose that it can get better than an eighteen percent return, which you probably could get in some tax-free municipal, and if you can do better than that by the multiple on your cosmetic business, then you're a fool for making a profit that year. And that I think American business is starting to understand that. Now we've had this incredible luxury of Warner being so successful, and understand the dynamics of building a business--of course they're sensitive to the stock market, but they're in enough new businesses that they can shelter the new business, they don't
even show our volume. I mean, they don't have to. It's not material at this point. It is not material to them whether we make ten million dollars or lose ten million dollars in any single year. So they can—if their judgment is correct, they can allow us the leeway to reinvest that money. They come to us periodically and say, "Maybe you should spend some more money on advertising; maybe you should spend some more money here." Implicit in that question is, Is that the best thing for the long-term health of the company?

You know, it used to befuddle me sometimes, and I'd say, "Well, gee, I really want to show a profit this year." And I would realize that they're right. And this has been going on for three or four years. The Times has only been writing about it for a year. Warner built Atari that way. They bought Atari—which now is six, seven, eight hundred million dollar video cassettes—and it's been the most publicized company, I think, of the last year or so. But that company lost money for three or four years. They didn't push it. They felt that what they were doing was right, and the businesses would happen. The same thing they're doing in the cable business. Cable business now loses money, but the press—and the financial press is now convinced in the eighties it will be the biggest net profit generator in the corporation.

So we're very lucky to be involved—I mean, aside from the personal gratification in the front of it—we are involved with a unique company that really functions as a bank. And I would think that it would be extraordinary for our society if more businesses understood this dynamic and more executives did, and less of our management was tied into today's performance. The key indice of this is the fact that the average age of
the average business machine in Japan is 7\(\frac{1}{2}\) years, the average age of
the average business machine in the United States is 12\(\frac{1}{2}\) years. And
that translates into productivity.

I: (long pause) Thank you very much for the economic discourse of . . .

N: (laughs) I'm a little passionate about that these days.

Yes. But I also think it's very pertinent to an understanding of not only this
particular business of the world of cosmetics and fragrances, but also
the total business community.

N: It's also, what made this country great is that people were not concerned
about—if you look in the history of any great American endeavor in the
business community, it was a guy with an idea who was willing to stake
his fortune, his career on building something, and it all didn't fly from
the first day. And he wasn't concerned about milking it.

I: I think the one other thing, as long as we're on that subject, just to
add it for the record here, that certainly is apparent in the automobile
industry particularly, is that you do deal with an insular corporate
structure. People in the city of Detroit live in Motor City: their social
hierarchy is tied up with their positions within those companies. There
is a strong stratification on a corporate level socially: the wives of
middle management do not relate socially to the wives of upper management
or lower management. And I think what begins to happen is that that
insularity breeds a sort of corruption of what, relatively speaking in
the economic sense, is small power. And you get a lack of judgment in
terms of what really is happening in the society.

Therefore, the complete resistance to promoting, manufacturing, designing,
intelligent small cars, not only on a fuel-saving level but also a space-saving level. . . . I mean, all you have to do is drive through communities that have new housing developments; these houses, more and more you have what are known as the--you know, what do they call them--the townhouse syndrome, in which there is what normally would have been the space for one house is now two houses. Which necessarily means that the garage area or the parking area is singularly smaller; it's been cut in half. All of those things they dismissed by virtue of their assumption that they knew better. That because they still wanted the big limousine, the big car, the over-decorated car, the big money-status symbol, that the country did. And of course it didn't.

N: Well, I think I could--I think you're right, and I think two other things happened. They also--there was another serious problem that all those symptoms/that you explain only exacerbated. And that was when General Motors was first developed in the early 1920's--and I forget the name of the management genius who did it--General Motors was the best organized American company. And for fifty years, it was the best-run company. It always ran according to this man's plan, which was taught in every business school. And the plan very carefully said that the company was run by operations people, by engineers, by marketing people. And the check and balance was the finance committee. If you look at General Motors in the last twenty years, you'll find out that it's been run by financial people. The engineers, the marketing people, have had no say in the top management of the company. And they discovered--these financial people--that they could make more money on a big car than they could make on a small car. And it wasn't important, even though it was pointed out to them ten and fifteen years ago by many people, there've been many books written about it, that
the public didn't want big cars. They really didn't care. They were not
marketing people; they didn't realize that if you're selling the public
something it doesn't want, one day the public will wake up. And they
will not buy your big cars, no matter how profitable they are. And I
think that was all added to by the insularity of a one-industry community.

I: Speaking again, getting back to our basic businesses here, can you
answer the question of the basic categorization of ________? You
have Ralph Lauren, now you're going to have Gloria Vanderbilt. One of the
things that always fascinates me is: within your executive brain,
everybody else is executive talent. Do we find ourselves in a competitive
situation? How much energy, how much time, do you give to Gloria
Vanderbilt, how much do you give to Ralph Lauren?

N: Well, it's always a problem. One of the ways to handle it is the way you
build the company. We are creating separate entrepreneurial units for
each of the divisions, for each of the natural divisions. We have a
general manager for our women's division and he is remunerated. And
his challenge is to run all of our Ralph Lauren women's businesses.
There is a similar chap who runs the men's businesses. There will be
another chap who will run the Gloria Vanderbilt businesses. And I find
that my job really no longer is quite involved in those things.

My job is three-fold. One is people, is trying to understand where
our management is going to come from. Trying to challenge the people
that we have, and to see that the right people are in the right places.
So it's about a third of my time. I'd say another third of my time is
involved with the international area of our business, which I run.
Because I really enjoy it and I love to travel, although I think I'm
getting tired of it. And the other third is really long-term and financial
planning. But I don't spend my time in the daily conduct of the business. As you pointed out, I couldn't do it. I'd have to make decisions: do I spend this hour on that, do we push this more than that. What you really do is let each of these people come up with a plan, try and allocate your resources to fit the plan, and then let them operate according to their plans. And I don't have to make that decision on a daily basis or on a monthly basis.

I: Are there any surface differences in the kind of executive that you would hire for Gloria Vanderbilt as opposed to what you'd hire for Ralph Lauren?

N: No. I think there's absolutely none. I think the rarest commodity that you can find is an executive with disciplines and skilled, who is creative and has taste. When you find such a person, nurture him and keep him busy and excited and challenged, because that's the rarest commodity. And that's the profile, I think, of a successful cosmetic executive. Somebody who's alive to what's happening around him, who has some taste, who likes certain creative things, but who also has a financial discipline and is an orderly, common-sensical human being. I probably have defined a model executive in any industry--except for banking. (laughs)

I: Yes, indeed. Just to pick that up for one minute, if you were setting up a personnel department in which you were going to communicate to schools what they should teach their students, so that conceivably you would be helping those students to get a job in this industry, what courses, what directions?

N: Liberal arts. I would say clearly liberal arts with a finance minor.
I: That would be business management and so on.

N: No, not business management. Because I really don't believe that that should be taught. Just because I think, with perhaps some rare exceptions, the people who teach business are too far insulated from the actual conduct of the business, and they develop theories to justify certain of their predispositions. And they're not on the firing line. And what happens, if you take the Harvard Business School: they're training people to be presidents, not training them to be executives. And the world just isn't like that.

On the other hand, I think there are some basic financial skills that should be taught in college, basic financial disciplines. And I think that's very helpful.

I: Such as?

N: Basic accounting, I think would be . . .

I: I see. I misunderstood.

N: You know, international trade. Things like that.

I: Money markets.

N: Yeah, some stuff like that, just so you have an understanding. Because whatever business you're in, you're involved in finance.

I: It is true, at least I'm projecting now, but personally I have difficulty balancing my checkbook, so I've given it up.

N: (laughs) If your cash flow is big enough, it doesn't make any difference.

I: Exactly. I just don't bother anymore. I figure, so, in the long run, at the end of the year I'm off . . .

N: Three or four million dollars, it really doesn't make a difference. (laughter)
I: Thank you very much, Paine-Webber. (pause) Well, here's a question that we may have touched upon, but I wanted to know whether, in terms of national advertising campaigns or regional campaigns, which had you found more effective: newspapers, magazines, or TV?

N: Well, they all do different things. Television is still the fastest, most effective way to communicate a message and to get reaction. If you run a couple of commercials in the right place, you'll get immediate sales reaction. You won't necessarily get that from a magazine, because by its very nature, it's a more placid communication. You read it when you have leisure. There isn't the urgency, the impulse, to go out and do something. And television has the added thrust of having sight, sound, and motion, which print doesn't have. I'm not a big believer in newspapers except for The New York Times, which really is trade advertising. I think that this baby-boom generation that's in our thirties really doesn't read unfortunately. And while they may look at the ads to see the fashion, and that can help us occasionally, I don't think that people read. And I think stores waste an awful lot of money in newspapers.

I think magazines help to give a broad-brush background to an image that you're trying to accomplish. But television really is the most effective way to communicate quickly, and I think that's axiomatic today.

I: Does that logically then direct us to the eventual development of cable selling and cable merchandising?

N: Absolutely. We're very involved in it because Warner has pioneered the two-way cable capability with their qube system in Columbus, and there's a new even more sophisticated qube system going in in Cincinnati. And I had a meeting on it yesterday, and we'll be involved in some experiments with direct selling. This capability enables the viewer at home to
communicate directly with a computer instantaneously, and make certain purchasing or opinion decisions. Warner has also just acquired the Franklin Mint, which is a large direct-response business. And we are all going to be meeting about some various projects that we can do jointly.

We're fascinated with what you can do with cable. As a matter of fact, I was even toying with the idea yesterday of developing some kind of in-house programming skills. Because Warner owns 140 cable systems, and the new cable systems have 122 channels. Multiply that by 140 eventually and you'll find there's an awful lot of time available that has to be filled. And the cable people would love to find something that we could do to fill it. So eventually, we'll get around to--(laughs) we'll get around to doing something.

I: I'm fascinated with the fact that you mentioned that this generation in their thirties does not read. We all accept that they are picture people; they are passive in the sense that they want it all to happen over. But they are also instant people: they have a tendency to respond to instant gratification and demand it, and have less of a span of planning and looking forward to. If that's so, and I think it is, what about just the pure physical demands of real estate space in a department store. Which is the best location, for instance: nearest to the door, further away from the door...

N: Well, it's really more complicated than that because it really depends on the configuration of the department. Current thinking is that people buy cosmetics on the way in, not the way out. I have no proof of that. That seems to be one of the shibboleths of our industry: that nobody
buys coming down an escalator; you want to be at an Up escalator, not a Down escalator. You know, if you can get it, fine. There usually—the best way to find the best location in a cosmetic department is to look where Estee Lauder is, and you can assume that that's the best location.

I: Well, what does that mean?

N: Well, there is a serious problem, and the problem is one of sales help and cost: it’s harder and harder, with stores being open on the average of 70 and 80 hours a week, to staff the departments. Just think about the frustrations you may have getting somebody to wait on you in a store. The costs are inflating, the stores are open many more hours. You know, how do you get people to sell your products? And traditionally our products have been sold with a demonstrator across a counter. We think one of the advantages of our new cosmetic line is that it really doesn't need a demonstrator, we think. We have periodically toyed with the idea of doing an electronic vending machine. An informational device that sells products. In fact, we've met with some of the Atari engineers about three years ago to do such a thing and then we got sidetracked. Something worth looking at eventually. We've also talked about doing a computer-based line.

I'm not sure that if you get too mechanistic you may turn people off because you're still dealing with fashion. But there has to be some way to handle the terrible inflation of selling costs, and the terrible inefficiencies of not being able to cover a department store with 70 or 80 or 90 hours a week. And I don't know how we'll solve it. We may look for different visual presentations; while they may not be electronic, they may be more graphic, and it might make some sense to try and find ways
to communicate your sales message without having a person there. And I think there are ways to do it.

I: It's interesting, because one of the pleasures of going to a department store cosmetic area, for me at least, there has not been the extraordinary bouquet of endless scent, but I've always looked at the faces of the people who are selling, because their skin is so extraordinary.

N: (laughs)

I: I think that, you know, there isn't a pimple in the lot. I mean, they really have extraordinary coloring. And I've watched it change as New York, for instance, has become much more a Hispanic-dominated city, in terms of working levels. So the skin which used to always be princess-pure blond and pink at the cosmetic counters is getting darker as one goes through. But always associated with a certain amount of beauty

N: I think also the average age of the demonstrators has gotten much younger. I think, where traditionally there would be a much older lady who'd been there a long time and kind of intimidated the customer, that doesn't work so well anymore. Because the customers are a lot more independent, and she doesn't want to be lectured to, she wants a peer. And so that we have—all of our companies, and all of our competitors, have gone to a program to really get younger beauty consultants, we call them.

You know, I just realized when you were talking about walking through a department store, what appealed to you: the best definition of a well-merchandised department store I've ever heard--and I think it was probably my own--was that it was a contiguous stage set. And department stores are in show business. If you realize that going to a department
store on a Sunday is the cheapest form of entertainment for the family, just walk. . . . You don't see it in New York City, because we're not a shopping center orientation. But if you travel around the Midwest or the West, these shopping centers are packed with complete families on Sunday; and they get there in the morning, and they'll spend most of the day there. And there's something to do all the time.

Now some of the new Southwestern department stores--I think of Foley's and Sanger Harris--have a very interesting plan. The plan is a race track, just a big oval. The center of the store--you don't have access to the center of the doughnut, or the oval: those are the service areas. The race track, which goes around in a circle, is only as deep as you can see. So the entire store is one main aisle, and it's a series of contiguous stage sets which presents merchandise. And it all can be broken down and changed and shifted. They can change the set whenever they want. The star of the set is the merchandise, and they haven't lost sight of that. The cosmetic area is probably twice as deep because they want you to walk through it. But that's probably one of the reasons that attracted me about the cosmetic business: it really is theater. Retailing is theater, good retailing is terrific theater.

I: Well, it's also--you know, if you ask people what theatre is, they certainly would say actors, costumes, make-up, lights.

N: (laughs) You just described a department store.

I: I have to agree. Speaking of these counter people, are they employed by the stores or are they employed by you?

N: There are various combinations, and it has to do really with custom in the industry. In New York City, all of the cosmetic companies employ
their own demonstrators behind the counters. All of the people in all of the stores in New York City are our direct employees. We pay them, we pay their benefits, we hire and fire them. They are subject to the store's housekeeping rules and the general operating rules of the store. That's only so in New York City. There may be a situation in one or two other cities that I'm not familiar with any longer that that happens. But in most cases, they're the store's employees. We pay them all commission; that is, they report their sales every month, and we have agreed on a certain commission: 1, 2, 3, 4, 5 percent of their retail sales. We may even contribute towards their salary to the store, and in some cases we may contribute directly to them. It depends on how that store chooses to operate. It is our largest single expenditure, is the cost of the sales people in the stores.

I: That explains something that you said before that I've filed in the back of my head: that the counter person prefers to sell the more expensive item.

N: Right. That's why, they get bigger commission.

I: I see. Well, you also mentioned of course that in department stores these days, we have all gone through this: the extraordinary frustration of knowing what you want, seeing it right there, having your credit card or your money in your pocket, and you can't find anybody to make the sale.

Now the other thing is when you rush to a department store because you have a specific replacement need of a product that you enjoy, and they are out of it. The out-of-stock situation. That seems to be one . . .

N: Well, it's a terrible problem, and I think of stores that periodically figure how much profit they miss by being out of stock, and the
numbers are extraordinary. Because the thing that they're out of stock on is more typically the best seller. And the best seller is typically the more profitable item for them and for the manufacturer. So it's a dangerous business and everybody recognizes it. But it's very hard to keep things in stock. The typical department store probably has (pause) a million stock-keeping units, a myriad amount. I'm staggered that they can keep in stock as well as they do. I know we have two or three hundred S.K.U.'s in our company, and you know we're doing a better job. But we're not in stock all the time. It's a serious problem with planning and different rates of sale. I'm amazed that the stores perform as well as they do. They're all very sensitive to it, very sensitive.

I: I've always been curious about something I really don't know very much about, which is that because I occasionally do order things to be shipped directly to my farm--some catalogues and ______ things--sometimes I'm appalled when I get the cost of the shipping because--and you wonder why they wouldn't have an Eastern depot as well as a Midwestern depot as well as a Northwestern or a Southwestern or a coastal depot. Does the cosmetic people's ______ on that?

N: Well, I think one of the problems is the fact that the transportation industry in the United States has been overregulated. Every state has different internal transportation laws, and they're all being--it was really the rates were regulated, what you could do was regulated, there were interstate shippers, there were intrastate shippers, there were forwarders and consolidators. The most complicated, esoteric, insane system. I guess it was Carter who wiped it out at the very end, and
the whole--all the _____ structure was thrown out, it's free and open. And I think we'll find it'll be a little easier. Also, economics have a lot to do with it. They're not necessarily concerned about doing the most convenient thing for you, they have to do what they find economically justifiable in view of what profit they can make. And you happen to be in a place that may not be feasible for them to ship it to.

I: Yeah. Well, where are your depots? Just on the East Coast?

N: We have a--you see, the department stores pay the freight in our business. So we have a 150,000 square foot manufacturing facility in New Jersey.

We have no warehouses. The other classes of trade, we pay the freight.

We have periodically experimented with the feasibility of a West Coast warehouse, and I'm not sure it really makes sense. We look at it periodically; we have a warehouse and a manufacturing operation in Puerto Rico and one in the U.K. We are expanding the one in New Jersey, we'll probably double it next year.

I: Have you limited the distribution of any of these products?

N: Well, we don't use that word. "Limit" is . . .

I: Oh, I beg your pardon.

N: We are scrupulous in where we sell it. We try and sell it . . .

I: Discriminating where we sell it?

N: (laughs) Yes. That's a bad word also. (laughter)

I: Discriminate, of course.

N: We're select. It is legal to sell only who you want. And so that we. . . . You have to give no reason for who--if you don't want to sell somebody. It's perfectly legal to say, "I don't want to sell you." You have to be very careful if you mention a reason, because there are certain reasons that you can't give. But if we don't want to sell you, we don't have to sell
you. And we try and sell our products in the environment that will enhance the presentation. And if the store is selling food or if it's selling gasoline or it's selling beer, I'm not sure we want our products there. Because I think there's a mystique of what we're doing and it would just be silly to sell it everywhere.

I think

I: Oh, you're absolutely right about that. But, in the selling techniques, in the marketing techniques, you mentioned before the change of pattern of the great dowager ladies in cosmetics now being replaced by most of the designer names who are men and tied it up in some indefinable way at the moment anyway with women's rights. Do you see any converging of your techniques between the men's fragrances and the women's fragrances?

N: I think the techniques are absolutely the same.

I: You do.

N: Absolutely the same. There's no... I think if we have a good men's cosmetic expert, he's a good women's one and vice-versa.

I: (pause) Well we talked about... (pause, laughs to himself) I'm laughing because one of the things when--when you left Lauder, and I knew you were embarking on this particular project, I personally in terms of my friendship for you was not concerned, because I had the feeling that if it didn't succeed, you would go somewhere else. In other words, the kind of experience, knowledge, talent that you have, could be translatable into many many different directions, whether it was the cosmetic industry or not. I think that it becomes increasingly apparent that top executives who are knowledgeable in terms of creativity as well as financial structure and so forth can move from one area to another, rather than having to be locked into a particular people industry, which is not true of a lot of a professionally who if they lose their
jobs can't find another one because it's too narrow or limited.

N: I think you're describing a process that probably separates people who've gone to more technical careers if you're an electronic engineer or if you've worked on computer technology, you have -- I mean, those skills are so specialized that it's hard to carry over into another industry. But if you're a general executive, which indeed we are--I mean, we hire people who have no cosmetic experience . . .

I: Yeah.

N: . . . if they're terrific and, you know, we'll take a chance. Because the rarest commodity, as I'm sure you know, are good executives.

I: Sure.

N: I mean, they just don't exist, and if you can find one. So I finally learned that, I had--we might even have had that conversation four or five years ago. I think I may have told you that I felt that at this point, that even if this thing was a failure, that I would have no trouble finding another job. Because I finally learned, aside from the insecurities everybody has about looking for a job, that if you're a good executive with a good track record, you'll always get a job. Because there are more jobs than good people. Especially in a recession, where management even becomes more important, and . . . we were embarking on another recession in those days.

I: I'd be curious: part of the archive reaction to this--these tapes will be at the Fashion Institute of Technology, which essentially is a school devoted to the teaching of fashion and its peripheral forces, such as marketing, etc. etc. etc., as well as interior design. Judging by what you've just said about executives, would it apply also, for instance somebody that had training in fashion training and interior design could move into this particular industry and apply some of those skills?
N: Absolutely. Absolutely. I have no doubt of it at all, and vice-versa. I think if you have a certain sense of special relations and a sense of color, I think you can learn the rudiments of furniture design, cosmetic design. I don't think that's a problem. Or if you're merchandising those, the skills and the sensitivity are required for you to be successful, and you can transfer from one to the other, I would think.

I: I've always communicated to students at least that I feel that perhaps if you were limited to any given area, it should be the area of psychology and social psychology. In other words, if you had only so many hours that you could afford to take ...

N: I'm smiling, because I was a psychology major...

I: Well, but again I've always felt that, because I think that you can--those disciplines encompass all the others by virtue of the fact, to be able to evaluate the individual response, and then in the social sense to be able to evaluate the society's responses and how each is affecting the other and so forth, it's really what this is all about, this business.

N: Well, I agree with you, but I also think that there's another tack. I think whatever you do, if you have a basic liberal arts education, you're a more completely rounded individual. And I think there's a trade-off; I mean, you can still major in psychology and get a liberal arts degree. I'm on the board of Brooklyn College and they've just redone the curriculum. And they've come back now to understand--and Brooklyn is not, I think Harvard did it a short while ago--that there is a basic core liberal arts education that had been thrown out in the last fifteen or twenty years, and they've come back to it. They said an educated person is an educated person: one who has a background in all the various dogmas, thinking
processes, aesthetic doctrines. I can see it with--my step-daughter is at Georgetown, and the Jesuits really train people intellectually in depth. And she is taking a survey of world thinking in the first year: that is the most complicated, profound thing; I never--it was way beyond what we had in college. But I think the trend is now back towards developing a well-rounded intellectual person. And I think--as I said before, I'm not a big believer in business education, so that if you're in school, I would think to get the broadest and the best liberal-arts education you can get if you're going into our industry, except if you're going in in a craft end to be a designer. Then, I mean, you may want to get into a different discipline. You may want to go to Pratt, or you may want to go to the Fashion Institute and develop some of those skills. But at the executive end, I would think that liberal arts is the most important thing--in our kind of a business.

I: I'm a great believer in history. In other words, I try to communicate want to really understand the present of any particular process, product, whatever, it's worth the effort to invest in studying the history of how it got to its particular position. Because the assumption that cosmetics is something that was invented by Elizabeth Arden or Helene Rubinstein is nonsense. I mean, you need to go back to Cleopatra and her carrying on. And if you do that, you really honestly discover an extraordinary thing: that a lot of the elements that were involved, a lot of the things that we've talked about, a lot of the reasons for certain changes from heavy eye make-up at a given point to eliminating the eye make-up at another point sometimes related to the fact that the current leader, the current queen, the current goddess, had gorgeous blue eyes that she
didn't want to in any way take anything away from. Because the sharpness of the blue was such. And the same thing would certainly be true in terms of selling on the floor. If you were selling, if you look up and see somebody and recognize that they are not going to want an extraordinary masking of their face because the face is gorgeous, it's perfect. You know what I'm saying.

he said,

N: Santayana said it better than we did; to paraphrase him, "Those who don't know history are forced to relive its mistakes."

I: Yes, yes.

N: And I think that certainly applies to every industry and every business.

I: It's true. Well, I want to thank you for contributing to history by sitting through these hours of this particular oral history. And my compliments to you, Mr. Friedman. I think that this was extremely well done. You are an articulate, intelligent man, who has enlightened this interviewer considerably.

N: Thank you very much.

(End of interview)
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