

# WWD

## CEO Talks: Tailored Brands' Doug Ewert and His Unwavering Focus

The company has rounded the corner at its Jos. A. Bank division and is making enormous strides in custom clothing.

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Doug Ewert George Chinsee/WWD

It was a David-and-Goliath-type of situation when the Men's Wearhouse was negotiating to buy its archrival Jos. A. Bank a little more than four years ago. There was a back-and-forth bidding war between the competitors and ultimately, the larger Men's Wearhouse walked away victorious.

But be careful what you wish for.

While the merger created the largest men's specialty store chain in the U.S., the \$1.8 billion acquisition added a hefty amount of debt to Men's Wearhouse's balance sheet and the Bank business was in worse shape than its acquirer realized. The promotional

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strategy it used to drive sales — buy-one-get-one, two, three or even seven, free — was unsustainable.

For two years, chief executive officer Doug Ewert took heat from Wall Street as he worked tirelessly to turn the Bank business around. Today, the newly named Tailored Brands Inc. has turned the corner, quadrupling profits in 2017 and posting comparable-store sales gains at its flagship Men's Wearhouse and the Jos. A. Bank division.

Here, Ewert discusses the challenging journey to prosperity, the outlook for both businesses as well as its Joseph Abboud brand, its Moores division in Canada, the K&G superstore concept, and the outsized growth the company is experiencing in custom clothing.

**WWD: The results at Jos. A. Bank have improved significantly since you bought the business in 2014. But you took a lot of heat from Wall Street for spending too much and getting into a one-upmanship war with its former management.**

**Doug Ewert:** It was complicated. We had an activist investor who owned over 10 percent of our stock and over 10 percent of Jos. A. Bank and wanted the two companies to be put together. So from his standpoint, either they were buying us or we were buying them. Now I do think it makes perfect sense for the largest men's specialty retailer in America to buy the second largest. And while the path hasn't been as smooth as we had hoped, we've gotten to the right place. It's a very strong brand, it's complementary to the other brands in our portfolio and it attracts a different customer than we see in any of our other businesses. We've had to rationalize down the store fleet to get to a healthier baseline and made some pretty significant improvements to the merchandise assortment. We have improved the customer experience in store with some of our benchmark selling behaviors and the commission selling program we've put in place. We've made significant improvements to the marketing — it's now not just a price-promo concept. We've added custom clothing and a lot of newness to the brand to make it more relevant to today.

**WWD: So you don't regret the acquisition?**

**D.E.:** No, not at all. The brand was more broken than we thought when we bought it — it needed more of a turnaround and we've spent the last couple of years doing that. We've now come through this and have had five consecutive positive comp quarters. The business is healthy and has a healthy base of stores. We're starting to see new customers shop with us and existing customers coming back. So it's been a good story.

**WWD: The promotions that Jos. A. Bank had been running at one point were ridiculous. Buy one, get three or even seven free.**

**D.E.** "Saturday Night Live" did a spoof on it: disposable clothing, that was right after we closed on the deal.

**WWD: Was it hard to break that habit?**

**D.E.:** Yes, but I believed in the brand, I believed in the team and I believed it was the right thing to do. The buy-one-get-three-free mentality wasn't sustainable. We were running double-digit negative comps with the same promotional model that they were running before we bought the business. So we had to change and we had to reset the whole price model for the business and that was a painful year. But we've now lapped that and are growing off a much healthier base with stronger margins and I think we're on a path to get back to \$1 billion (in sales).

**WWD: Where is it now?**

**D.E.:** It's about \$750 million.

**WWD: You brought Mary Beth Blake over from K&G to run Jos. A. Bank. What does she bring to the table?**

**D.E.:** She's the brand president and she led us not only through the merger integration but the reinvention of the Jos. A. Bank business. She's done a fabulous job.

**WWD: How does Jos. A. Bank differ from Men's Wearhouse?**

**D.E.:** First of all, the Men's Wearhouse has a much broader demographic. Millennials are a very important demographic to this brand. Special occasions are primarily a Millennial business: it's weddings and proms, and that's a big piece of our business here. It's not only rental, but retail. And being a house of brands, we can cater to a much broader spectrum of customers from a fashion base and a quality and price standpoint. Jos. A. Bank is a traditional brand and targets a customer with that style sensibility. The customer is generally older than the Men's Wearhouse customer, has a higher household income and he's very comfortable with the style of clothing he wears. He likes the brand and we penetrate deep within his closet, he buys dress and casual from us. A typical Men's Wearhouse customer is looking for us to help with confidence, to help fit them for whatever they're heading into, whether it's a wedding, or a funeral or a job interview, a promotion. So the expert guidance our wardrobe consultants give help our customers navigate the fashion needs of a dressed-up customer and is a unique advantage we have in the marketplace. We offer a brand called Paisley & Gray at Men's Wearhouse that they'd never sell at Jos. A. Bank. It's very young, very contemporary, very slim.

**WWD: You bought the Joseph Abboud brand for \$97.5 million in 2013 and reunited it with its founder, who is your creative director. Are you still upbeat on that business?**

**D.E.:** Joseph is fantastic. He's not only a great designer but a great partner for me and the other executives. His style sensibilities permeate through the organization. He works closely with all of

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our designers for all of our products. We manufacture most of our product ourselves so we have a pretty robust design effort and he helps with all of that. And now our biggest growth initiative with custom at Men's Wearhouse is all Joseph Abboud product as well. So the brand continues to grow. The last time we talked publicly about how big it was, it was \$550 million in 2016. We haven't refreshed that number so I can't give you a new one, but it's significantly higher and custom is a big piece of that.

**WWD: You have a Joseph Abboud store on Madison Avenue in Manhattan. How is that performing?**

**D.E.:** It's a great flagship for the brand, it's great marketing and it's a great laboratory for Joseph to try next year's designs. The stuff that sells the best there makes it way into the Men's Wearhouse assortment the following season. It's a great brand halo for our company to have a premium luxury store.

**WWD: Any plans to open others?**

**D.E.:** Not that we've announced, but it's certainly a possibility.

**WWD: Let's talk about your other divisions. How's Moores in Canada performing?**

**D.E.:** Moores is basically the Men's Wearhouse of Canada — the same concept — and so they're having a lot of success with a lot of the same things that are having success down here. Custom actually has a higher penetration in Canada than it does here. It's an important part of the business.

**WWD: And you still have K&G?**

**D.E.:** We do. A couple of years ago, we looked at strategic alternatives, but decided to keep the business. They're positioned in an important part of the market: the off-price, dressy end. And it's a business that doesn't get addressed at T.J. Maxx and Marshalls and Ross. K&G sells a lot of suits, close to one million a year, and for an off-price business, it's still somewhat of a specialty store. We have tailors in every store and help on the selling floor to accessorize outfits. It helps complete our good, better, best approach to men's wear in the U.S.

**WWD: You recently got out of the dry-cleaning business. Was that just a distraction?**

**D.E.:** It just wasn't core. There were no synergies between our dry-cleaning business and our retail apparel business. It was a one-off business, so we sold that and used the cash to help pay down some debt.

**WWD: Do you still have the corporate apparel business? Is that still a viable business for the company?**

**D.E.:** It's a nice solid business.

**WWD: You have had great success with custom. Did you expect it to be so popular when you introduced it?**

**D.E.:** No. We've really changed our whole strategy around custom, which is to make it as easy and affordable to buy as a suit off the rack. And the closer we can get the price and the delivery time to getting your tailoring back from off-the-rack, the more business we'll do. For example, we have custom suits now for as little as \$395. Our Joseph Abboud suits that come out of New Bedford, [Mass.] open at \$895. That's a premium garment with canvas construction and Italian fabrics and all the bells and whistles. We just announced a few weeks ago that three-week delivery is now standard. There's nobody who can turn a custom suit in America in three weeks. We see that as disruptive and defensible, nobody has our supply chain who can offer the value and speed that we can offer to the custom market. We're finding that 75 percent of the custom suits we're selling are to our existing customers that are trading up out of the rack. You're going to see us do a lot more advertising to raise awareness out there that we have custom and we can get more new customers shopping with us. And custom shirts are a big growth area for us as well.

**WWD: Where is the \$395 suit made?**

**D.E.:** China. And the turnaround is about six weeks and we're trying to get that shortened.

**WWD: Do you think this speaks to the whole trend toward personalization?**

**D.E.:** It defines personalization. We're also finding a disproportionate number of people who buy custom from us are Millennials. So they're buying a custom suit to go to their wedding — we're outfitting a lot of wedding parties now in custom suits. If a bride and groom choose custom suits for their wedding, the groom gets his free. We see custom as having a lot of room to grow.

**WWD: It's at \$100 million now, right?**

**D.E.:** Yes, we did more than \$100 million last year. In our top stores, custom is half of the suit business. That's unheard of in custom clothing.

**WWD: Is it true custom or made-to-measure?**

**D.E.:** We make them one at a time so it's made to your specifications. We're not going to take three dozen measurements and have you come back two or three times for fittings. What we'll do is use a garment off the rack to establish what fit you are and then we'll make adjustments off of that. We can do it by taking about seven

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measurements rather than 35, and then deliver it fast. But it has all the same custom features: you get to pick the lining and the buttons and the pick stitch and how many pockets you want. It's a true custom garment.

**WWD: You recently started opening custom shops, how many do you have now and how many more do you envision?**

**D.E.:** We're opening about 450 this year. We've been bringing inventories down; last year total inventories were down about 13 percent so we're managing that smartly. And so space isn't the problem to roll them out into the top custom stores in the country.

**WWD: Where are those top custom stores located? Mainly metropolitan areas?**

**D.E.:** Actually, they're not where you would think. Our top custom stores are not Manhattan, Chicago, Dallas. They're in markets like outside of Tampa, Fla.; Portland, Ore.; Anchorage, Alaska. It's all about the engagement of the sales force, which to me just underlines how big an opportunity this is, it's not just a major metropolitan business. The custom suits we're selling guys for the most part are their first custom suits.

**WWD: Even so, there's a lot of competition in custom. What sets you apart?**

**D.E.:** We have a store within 10 miles of 70 percent of the population in the U.S. and Canada. We have a commissioned sales staff in every store, tailors in every store, our supply chain allows us to deliver a suit in as little as two weeks if you pay a rush fee. Nobody can touch that.

**WWD: How's the tuxedo rental business? Is this still the point of entry for the younger customer?**

**D.E.:** It's primarily a Millennial business — 85 percent of it is wedding. The average age of a groom is 27. And about 15 percent of the business is prom, so he's 17. We use the special-occasion business to get the guy in and for his first dress-up outfit, and then we have him for life.

**WWD: How do you attract the Millennial customer who doesn't wear suits?**

**D.E.:** Through our marketing initiatives, we're in the high schools and do a lot of marketing around special occasion and prom. About 25 percent of our business is casual and it's generally an add-on. A guy usually comes in for a tailored garment and buys sportswear while he's here.

**WWD: Streetwear and ath-leisure seem to define a lot of men's wear these days. As primarily a clothing retailer, how do you address that?**

**D.E.:** It's not our business. We aren't trying to be everything to everybody. We have a seven-day-a-week business and we're selling shorts and T-shirts, we're just not selling hoodies and workout wear. We can't offer the assortment that customer needs in apparel and footwear to really be in that athletic business. I don't think that would be a good usage of our store footage.

**WWD: How large is your e-commerce business? Do you see it growing and how do you blend the in-store experience with the online experience?**

**D.E.:** Last year we had about 65 million people visit one of our web sites, which was up about 8 percent from the year before. It is a huge learning and discovery vehicle since the majority of our customers visit our web site before they visit our stores. With the new Live! app [we're rolling out], they can engage with one of our sales associates and get personalized service [remotely]. And we obviously have an e-commerce business. We'll happily sell you something through the web and ship it to you. But for the most part, people visit our web site and then come to the store.

**WWD: Do you see that changing in the future?**

**D.E.:** I don't think so. The Internet is an important part of our business, we certainly sell a lot of product online, but it's also primarily a marketing vehicle to drive traffic to our stores.

**WWD: What percent of your sales are e-commerce?**

**D.E.:** We don't break that out, it's embedded in our store comps. It's so blurry. Our sales associates can sell off our web site to a customer standing in the store, you can order online and pick it up in store, so we don't break it out.

**WWD: The malls are really struggling today. Do you have a lot of mall locations?**

**D.E.:** Less than 15 percent of our stores are in malls. We learned long ago that our customer doesn't like going to the mall. He doesn't like shopping to begin with so we've got to make it as easy on him as we can. He wants to pull up to the front door, get in and get out as quick as he can. That's another reason our custom business needs to be fast. A guy can come in and buy a custom suit in 30 minutes, whereas if we had to take 35 measurements and he has to come in for three fittings, our customer isn't interested in spending that kind of time.

**WWD: How important is social media to you? Does it drive customers into stores? Are you still advertising in more traditional ways such as TV and print?**

**D.E.:** We're in all the channels and quite active. The majority of our marketing dollars is spent in broadcast. Every year we

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increase the amount of marketing we're doing digitally, and that will continue, but as of today, the most effective way to drive our business is with broadcast.

**WWD: With more than 1,400 stores in North America, you obviously believe in brick-and-mortar.**

**D.E.:** We're in the fit business and it's really hard to buy a suit online. And even if you do, you've then got to go and find a tailor. Most guys still want to touch and feel it and put it on. You go back a number of years and most of the suits kind of fit the same, but now they're all different. We have five fits here. So it's definitely a business that is always going to need brick-and-mortar, and we think that is a defensible strategy against the pure-play online guys. Bonobos and Indochino, for example, are opening stores to grow their business. So we have that one covered.

**WWD: Your background is department stores. Do you think they have a future?**

**D.E.:** I think there'll always be department stores. The malls are obviously going through a rebirth in what they're about: it's more than just a shopping experience now, it's a place to go spend some time with the family, eat and see a movie. The most successful malls I've visited are more than just an apparel retail concept. So it's going through an evolution. People will always want to go to stores, the Internet is not going to replace everything. The bottom line is there's too much retail in America and we're going through the right-sizing of the retail footprint, but there will always be a retail footprint.

**WWD: We hear so much about "experiential retailing." Do you dabble in that or does it not matter to your customer?**

**D.E.:** Our "experience" is personalized service. You can't get that online. You come in here and one of our wardrobe consultants is going to help find the perfect look for you, and our tailors will make it fit perfectly for you. It doesn't mean there aren't things that we're doing: we do custom trunk shows and events like that and they're an important part of the business, but at the end of the day, our experience is personalized wardrobe consulting.

**WWD: Let's talk a little about you as an executive. Do you have mentors or any other retailers you look up to?**

**D.E.:** I spent 10 years at Macy's and I've been here for 23 years now. I've learned things from everybody I've worked with. I've learned things to do, I've learned things not to do. And I've worked for some amazing people. George Zimmer was an amazing entrepreneur. Mike Steinberg was an amazing CEO at Macy's West. I've had the pleasure of working with some great people who taught me a lot about how to be successful at retail.

**WWD: How would you describe your management style?**

**D.E.:** I surround myself with high-quality people and that is the key to the whole thing. We face the same challenges as other retailers, but our talent is what makes us different. I'm proud of the company culture we've created. Our average store manager has been with the company for 10 years and our average vice president has been here 15 years. That tenure and talent are the keys to our secret sauce.