Czech University of Life Sciences Prague

Faculty of Economics and Management

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Bachelor Thesis

Analysis of External and Internal Operations of Ralph Lauren

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Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Aikerim Ramazan

Business Administration

Thesis title

Analysis of External and Internal Operations of Ralph Lauren

Objectives of thesis

The primary purpose of the following thesis is to develop a pertinent theory about the way in which the organization operates, in addition to evaluating the efficiency and productivity of the organization based on the indicators of the financial performance of the organization. This will be accomplished by analyzing the indicators of the organization’s financial performance.

Methodology

The work will be split into two parts: the theoretical component, and the practical part. This will be the primary technique that will be used in this thesis. The primary emphasis of the literature review will be placed on methods and indicators that will enable the author to reach a particular conclusion based on the outcomes of the practical part of the project, which will use methods such as deduction as the primary instrument for deciding upon and evaluating various aspects of the project.

The proposed extent of the thesis

30 – 40 pages

Keywords

business, efficiency, profitability, solvency, effectivity

Recommended information sources

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Declaration

I declare that I have worked on my bachelor thesis titled "Analysis of External and Internal Operations of Ralph Lauren" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15.03.2024 ____________________________

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Analysis of External and Internal Operations of Ralph Lauren

Abstract

The bachelor thesis is focused on the analysis of external and internal operations of Ralph Lauren, which is represented by the assessment of the company's current state of affairs respective to the selected domains, such as financial and business ones. The theisis uses both quantitative and qualitative techniques, such as horizontal analysis and ratio analysis (financial), VRIO, Porter's Five Forces and PEST. Ultimately, it is suggested that the internal situation of the company does not really indicate any major difficulties as the institutional side of the business equation seems to be highly powerful and well-functioning for Ralph Lauren. The company has quite outstanding management of finances and they follow a strict set of policies that help to ensure that there will always be enough of cash to cover potential unusual and extraordinary expenses. Additionally, the capitalization of the company increased over time, which is also a good sign.

Keywords: Ralph Lauren, fashion, finance, solvency, profitability, liquidity, performance, capitalization

Analýza vnějších a vnitřních operací Ralpha Laurena

Abstrakt

Bakalářská práce je zaměřena na analýzu vnějších a vnitřních operací společnosti Ralph Lauren, která je reprezentována hodnocením současného stavu společnosti ve vybraných oblastech, jako jsou finanční a obchodní. Theisis používá kvantitativní i kvalitativní techniky, jako je horizontální analýza a analýza poměru (finanční), VRIO, Porter ' s Five Forces a PEST. Nakonec se navrhuje, že vnitřní situace společnosti ve skutečnosti nenaznačuje žádné velké potíže, protože institucionální stránka Obchodní rovnice se zdá být pro Ralpha Laurena vysoce silná a dobře fungující. Společnost má docela vynikající správu financí a řídí se přísným souborem zásad, které pomáhají zajistit, že vždy bude dostatek hotovosti na pokrytí potenciálních neobvyklých a mimořádných výdajů. Kapitalizace společnosti se navíc postupem času zvyšovala, což je také dobré znamení.

Klíčová slova: Ralph Lauren, móda, finance, solventnost, ziskovost, likvidita, výkon, kapitalizace

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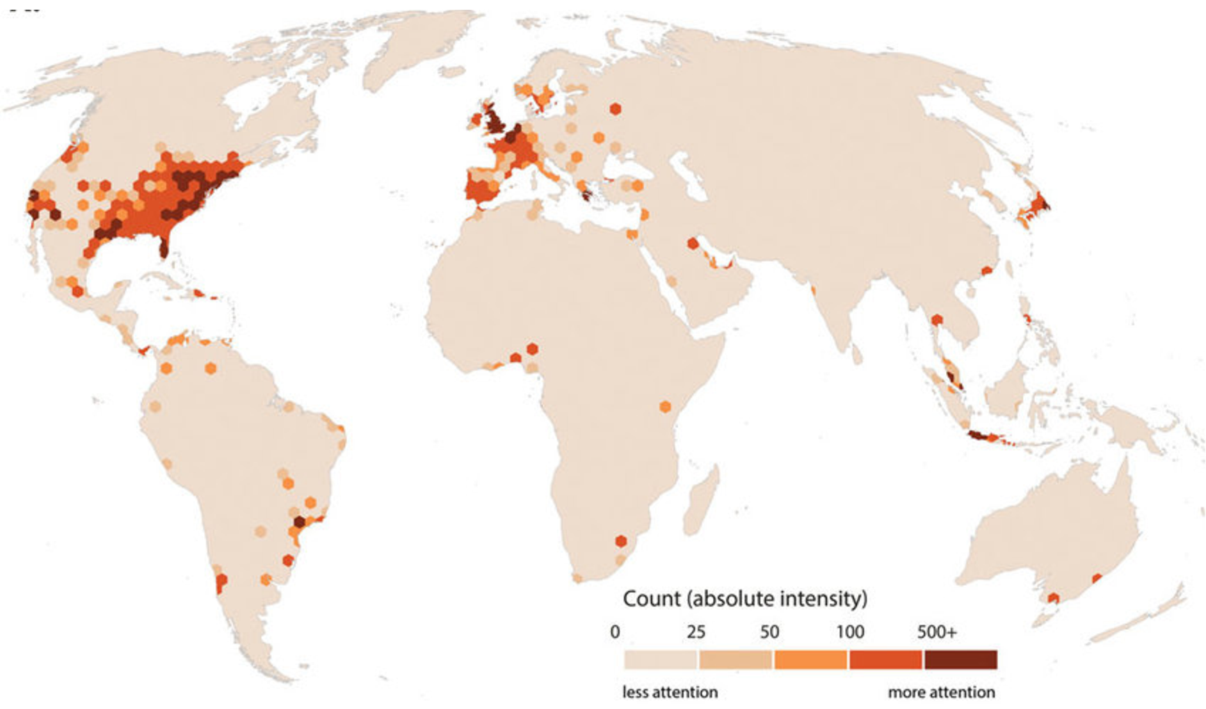
EBIT	Earnings before Interest and Taxes
EBT	Earnings before Taxes
PEST	Political, Economic, Social and Technological
VRIO	Valuable, Rare, Inimitable and Organized
OLS	Ordinary Least Squares
EPS	Earnings per Share
FRED	Federal Reserve Economic Database
COGS	Costs of Goods Sold
NYSE	New York Stock Exchange

1 Introduction

Ralph lauren is undeniably one of the world's leading fashion retailers that is closer to the premium segment rather than to the fast fashion brands that specialize on the general public. Quite evidently, the author himself has come across the brand countless times. Undeniably, having a strong passion for the brand is not something that would be enough to draw a logical picture about the company's state of affairs. For this purpose, the author seeks to understand financial perspectives of his favorite brand and also to analyze the main strategic direction in which the company is currently moving. Based on information lying purely on the surface, such as the attention to the company on social media, where absolute frequencies associated with the company are indicated in Figure 1, it becomes pretty evident that the company strikes with a broad geography and has a relatively well-known reputation all around the globe.

Figure 1, attention to Ralph Lauren on social media



Source: Poorthuis, 2019

Evidently, having a rich history and a good name are not always enough to ensure a promising future even for the world's biggest and most prominent organizations, so the author believes that the relevance of his analysis is extremely high and the results that will be achieved by him can shed brighter light on whether Ralph Lauren's real situation is in fact as good as the company claim or as good as it might seem from their colourful and happy adverts. After all, the author suggests that a recent financial performance of almost any major company can provide valuable insights not only about a given company's profitability and financial position, which are often treated as the most important components, but the author also suggests that thanks to the methodology selected, he will also be able to identify potential risks and other important factors that influence the company's operations.

Finally, given the fact that Ralph Lauren is one of many fashion brands from premium segments, the company's strategic and financial behaviour, as well as tendencies that prevail in those domains can shed brighter light and explain how such big companies manage their business operations and how they set financial and strategic objectives.

2 Objectives and Methodology

2.1 Objectives

Evidently, like any other piece of scientific work, the author's thesis focuses on answering particular questions that set the leitmotif of the following thesis. In the light of recent circumstances that had been shaping the business environment for nearly 3 years, the author is genuinely interested in identifying if the recent pandemic of the coronavirus has significantly hit the company from the financial perspective – financial position (assets, liabilities and equity possessed by the company) and financial performance (the company's degree of profitability). Henceforth, one of the author's main research questions lies in understanding if this huge company's financial performance (in net profit terms) has been badly hit, as well as the company's financial position (in terms of the assets, equity and liabilities owned by the company.

Consequently, the author also seeks to understand if there are any external factors, primarily from the political, economic, social and technological domains that to some extent influence the company and makes them select particular decisions in general. For this purpose, the author will implement a PEST analysis that will help the author of this final thesis to identify factors that influence the company's business behaviour.

Ralph Lauren, like any other company on Earth, might possess given assets, such as extraordinary exployees, prominent managers and owners and unique knowledge which generate a particular value for the goods that the company produces. All aspects mentioned earlier in the chapter are resources and the author seeks to understand, what are the company's main resources and what kind of advantage they provide the company with, which will be analyzed using VRIO analysis.

Returning to the financial domains, companies generate profit from assets, but those assets are traditionally funded either by equity or liabilities, which is often categorized as debt-financing. In fact, companies can rely on both simultaneously and the author is interested to identify the kind of financing used by the organization and the author also wants to see the way how this method of financing changes according to the company's annual performance.

Finally, as for any financial analysis, one of the crucial points lies in understanding the company's situation with solvency, profitability and liquidity, which are measurd according to relevant ratios that will be specified in the methodology of the final thesis in the final sub-chapter of this part of the work. The author seeks to understand if the situation with those fundamental indicators is satisfying and what are the troubled aspects of the company's domains of financial activity. Additionally, the author seeks to identify the most important factors influencing the market capitalization of the company.

2.2 Methodology

For the methodology of the thesis, the author considers primarily quantitative methods that involve horizontal analysis of the company's financial statements (cash-flow statement, balance sheet and income statement) based on the selected time interval of 5 years – from 2019 to 2023); calculation of financial ratios related to liquidity, solvency, profitability, market valuation and efficiency; VRIO, PEST and Porter's Five forces analyses. In this chapter, the author focuses on providing a detailed insight into the exact methodology used by the author, where the large portion of the analysis is delivered according to formulas, which will be discussed in this chapter as well.

First, the author specified what is horizontal analysis and according to which measures it is usually conducted. Evidently, when talking about financial indicators of a given company, it is quite common to find oneself comparing figures for elements of financial statements between different periods. Clearly, for better understanding of situation and dynamic of the change, the author uses chain base index that describes the percentual difference in a given indicator when comparing it to the indicator's value from the previous year. Below, the author indicates the formula that will be used by him for the horizontal analysis:

$$Base\ Index\ (percentual\ change) = \left(\frac{X_n}{X_0} - 1\right) * 100 \tag{1}$$

Consequently, the author proceeds to financial ratios that will be incorporated into this thesis, which are mainly related to liquidity, profitability, solvency, market valuation and activity domains. For the domain of liquidity, the author considers two main ratios – Acid-test ratio, which is also known as quick ratio and current ratio. Values above one indicates a positive dynamic in terms of liquidity and they basically mean that a given company has enough liquidity to pay all currently outstanding short-term obligations. Below, the author presents the formulas according to which the analysis will be possible:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} \tag{2}$$

$$Acid - test\ Ratio = \frac{Current\ Assets - Inventory}{Current\ Liabilities} \tag{3}$$

$$Cash\ Ratio = \frac{Cash}{Current\ Liabilities} \tag{4}$$

Then, continuing to the second domain – profitability, the author considers basic measures of profitability, which are also often used in vertical analysis. These ratios are gross margin, EBIT margin, EBT margin and net margin. Positive values and values closer to 1 or 100% generally indicate a positive situation with a given company's profitability, while values below 0 indicate that companies experience a net loss, which is not a good sign at all. Below, the author presents main ratios used by him to express the company's domain of profitability:

$$Gross\ Margin\ (in\ \%) = \frac{Gross\ Profit}{Sales} * 100 \tag{5}$$

$$EBIT\ Margin\ (in\ \%) = \frac{EBIT}{Sales} * 100 \tag{6}$$

$$EBT\ Margin\ (in\ \%) = \frac{EBT}{Sales} * 100 \tag{7}$$

$$Net\ Margin\ (in\ \%) = \frac{Net\ Profit}{Sales} * 100 \tag{8}$$

$$Return\ on\ Assets\ (in\ \%) = \frac{Net\ Income}{Total\ Assets} * 100 \tag{9}$$

$$Return\ on\ Equity\ (in\ \%) = \frac{Net\ Income}{Total\ Equity} * 100 \tag{10}$$

$$Return\ on\ Investment\ (in\ \%) = \frac{Investment\ Income}{Total\ Investment} * 100 \tag{11}$$

Finally, for the last domain, the author considers just four ratios. First, the author calculates debt-to-equity and debt-to-assets ratios, which indicate the proportion of current debt to a given company's equity and assets, respectively, where values above 1 are considered to be critical and not preferred as they indicate that the share of debt is prevailing over company's equity and assets, respectively. Finally, for this domain, the author also considers equity ratio, where figures represent the percentage of a given company's assets financed by equity and the interest coverage ratio. Below, the author presents all formulas used by him for this domain:

$$Debt - to - equity = \frac{Total\ Debt}{Total\ Equity} \tag{12}$$

$$Debt - to - assets = \frac{Total\ Debt}{Total\ Assets} \tag{13}$$

$$Equity\ Ratio = \frac{Total\ Equity}{Total\ Assets} \tag{14}$$

$$Interest\ Coverage = \frac{EBIT}{Interest\ Expense} \tag{15}$$

At last, the very last domain – the activity domain is mainly concerned with the internal tendencies of the company, notably the way how frequent does the company pay its creditors (payables turnover), how often does the company collect debts (receivables turnover) and how often does the company change its inventory (inventory turnover). In addition to calculating frequencies through turnover ratios, the author also calculates period ratios which indicate the time period for specific activity (paying debts, collecting debts and replacing inventory). All those ratios are calculated as follows:

$$Receivables\ Turnover = \frac{Credit\ Sales}{Receivables} \tag{16}$$

$$Payables\ Turnover = \frac{COGS}{Payables} \tag{17}$$

$$Inventory\ Turnover = \frac{COGS}{Inventory} \tag{18}$$

$$Receivables\ Period = \frac{365}{Receivables\ Turnover} \tag{19}$$

$$Payables\ Period = \frac{365}{Payables\ Turnover} \tag{20}$$

$$Inventory\ Period = \frac{365}{Inventory\ Turnover} \tag{21}$$

Finally, for the analysis of market capitalization, the author implements measures of descriptive statistics involving the following indicators: base index (already discussed earlier), chain index, mean, minimum and maximum. In addition to the brief description of the dataset covering 22 years (2001-2022) and collected largely based on data from Yahoo

Finance, the author proceeds to the linear regression estimation, where data is collected also from Yahoo Finance and from FRED. The method applied for estimating the equation is the OLS, which is performed with the help of Microsoft Excel software.

3 Literature Review

Analysis of business strategies often makes use of a variety of frameworks, including Porter's Five Forces, PEST, and VRIO. Each framework offers a distinctive point of view about the internal and external elements that have an impact on the profitability and competitive advantage of a firm. The purpose of this chapter lies in present an overview of each framework, its history, and its contemporary use in the examination of business strategies. As Papulova (2016) highlights it, strategic analysis is a crucial aspect that helps to understand the company's business situation and the situation with the environment where the company is currently operating.

For building a better foundation for the empirical part of the work, a literature review is performed, where a heavy emphasis is put on the identification of the current state of knowledge in three domains – the recent performance of Ralph Lauren and its position on the market, the significance of financial analysis and the most frequently used techniques for assessing business environment of any company.

3.1 Ralph Lauren: Historic Overview and Recent Performance

Even those people who do not have a clear idea about fashion are familiar with the Ralph Lauren brand. Polo shirts embroidered with the stick rider symbol helped make Ralph Lauren's work as recognizable as a designer's work, but it wasn't always as easy as it might seem. at first. Ralph Lifshitz was the first child born into the Lifshitz family in 1939 and was given the name Ralph. This event marks the beginning of the history of the Ralph Lauren brand (Lauren, 2007).

The Lifshitz family emigrated to the United States from Belarus with the aspirations of making it big and realizing the American Dream in their own way. This is due to Ralph's early and abiding passion for fashion, as well as the fact that changing his surname to the more evocative Lauren was a crucial step in the launch of his career. Ralph Lauren, after trying his hand at the military and economics, discovered his calling as a salesperson at Brooks Brothers, where he quickly felt at home. From the start, Lauren had faith in his fashion sense since she thought he was the only one who could accurately describe the ideal appearance of a contemporary American. Since Ralph had always admired the affluent way of life, he knew from the start that this was the demographic he wanted to focus on while building his business. Therefore, he concluded that the middle-to-upper class was the ideal demographic for his product. Polo, a sport enjoyed by America's affluent, is the inspiration for Ralph Lauren's namesake label.

Figure 2, Ralph Lauren Logo

Source: LMW, 2021

When Lauren came to the conclusion that he wanted to spend the rest of his life working in this industry, he sought the assistance of both his brother Jerry and Norman Hilton, a clothes maker based in Manhattan, in order to obtain financial backing for the launch of his new enterprise. The end consequence was the establishment of Polo Fashions, Inc. The following step that Ralph took was to broaden the product offering to include men's apparel like as shirts and suits. Despite this, Lauren did not yet have a complete comprehension of how to initiate the process of beginning a business. He was obviously talented in design and marketing, but he struggled with managing the business end of things, especially the finances. Following that, the fashion designer handed the reins of the decision-making process regarding the company's finances on to Peter Strom. Ralph was able to give all of his attention to the artistic projects he was pursuing (O'Connor, 2017).

It was in the 1970s that Lauren first began to gain notoriety in the fashion industry, and it was in the same decade that she became a household name. All three of his Coty Awards were given to him for his work on the costumes for the film The Great Gatsby, in which Robert Redford appeared (Hancock, 2016). After that time, the company began selling clothing for ladies and redesigned its emblem to depict a polo player. The first few men's shirts he made were designed with an emphasis on attracting female customers, and they were an instant hit. There were 24 different color options for the popular polo shirt back in 1972 (Hopkins, 2021).

When the yearly income of the firm hit ten million dollars, Ralph began to consider diversifying the company's operations in other ways (Zook, 2004). After having some success in the beginning with a shoe collection and a fragrance line, he decided to focus his efforts on the home and furniture businesses. Former owner Polo Ralph Lauren has rebranded the company under his own name. The brand has maintained its own distinct and dynamic public face despite the increased availability of products with the "Polo" and "Ralph Lauren" names. In the 1980s, the first decade of that decade, Ralph Lauren became a household name in the United States. The aesthetic of the designer has been variably described as athletic, smart, classic, and sophisticated. Within this scope of the worldwide fashion and apparel culture, it was regarded fairly unique to have sport and sophistication and classic in the same brand.

The logo of the corporation is just as well-known as that of the polo bear. The Teddy Bears were presented to Ralph Lauren and his brother Jerry in 1991 by employees of the Ralph Lauren Company. This is the event that can be traced back to the genesis of his look, which can be traced back to a comical episode in history. However, this was not your average keepsake since the toys were clothed in a way that appealed to the creator of the item. As a consequence of this, Ralph arrived at the realization that the brand ought to make them available through various retail places. In the span of only one weekend, all three hundred bears were purchased, and their outfits were sewn in Lauren's factory (Lauren, 2007).

Figure 3, Vintage Polo Ralph Lauren Steiff Bear "The Preppy Bear" from 1991

Source: Wine, 2020

Customers may now purchase at Polo Ralph Lauren despite their limited financial resources because there is an official Polo store located in nearly every major city in both Europe and the United States. The bulk of the assortment that can be purchased anywhere in the world is comprised of polo shirts for men, which are the most popular article of apparel that this company manufactures and sells (Chevalier, 2020).

At this time, it is also vital to highlight that Ralph Lauren is a somewhat successful brand, not just in the fashion business but also monetarily speaking. This is something that has to be noted. Before moving on to the analysis of the company's finances, it is important to note that in recent years and as of the latest data for 2023, the company's revenue for the quarter that ended on April 1 was $33 million, or $0.50 per share, based on compared to $25 million, or $0.30 per share, for the comparable period last year (Online, 2023). This is an important fact to keep in mind before moving on to the company's financial analysis. The adjusted earnings per share increased to $0.9 from $0.5, which was the previous level.

The total revenue for the previous 13 weeks was $1.60 billion, an increase of 1.2% over the previous year. When foreign currency fluctuations were taken out of the equation, growth during a similar 13-week period was 10%. Market experts predicted that the company would post adjusted earnings of $0.65 per share on $1.5 billion in sales. Ralph Lauren's sales in North America fell by 3% year over year in the most recent quarter to $656 million, while they rose by 1% in Europe to $461 million. Ralph Lauren's sales rose 13% to $390 million in Asia, nevertheless. The company's overall revenues increased by 4% for the whole fiscal year, totaling $6.5 billion. A $523 million net profit was announced at the same period, down from $600 million the year before (Watch, 2023).

Figure 4, Stock price of Ralph Lauren for the last 10 years

Source: Watch, 2023

3.2 Financial Analysis

An organization's qualitative and quantitative information related to its financial situation may be gathered, processed, and evaluated with the use of a set of processes known as financial analysis, which is a collection of process data. This information can be related to the organization's financial condition. Financial analysis and management analysis work hand in hand in a successful firm, and this method enables to rapidly recognize and eradicate negative trends, as well as magnify good trends. Financial analysis and management analysis work hand in hand in a successful business (Friedlob, 2003). The goal of financial analysis is to give managers the knowledge they need to make good choices for the growth and development of the business and the company. At the same time, it's important to remember that the firm's examination covers not only its outside but also its inside (Gardi, 2021).

The internal analysis is performed by the company's employees, who draw from a broader base (including not just publicly available data but also detailed internal reporting, such as the percentage of defects and complaints for a given product type) and a finer level of detail (including not just the overall result of enterprises but also local indicators of individual units). Company personnel do internal analysis. The outcomes of an organization's internal financial analysis are almost never made available to the general public because these data can be very specific and represent not only the results of the study but also the processes that lead to those results, which is certainly also an important aspect of the analysis. This is due to the fact that the study's outcomes and the procedures that led to those findings are both reflected in these data (Shim, 2007).

Business partners, creditors, investors, government agencies, the media, and scientific organizations are all represented by the specialists who do external analysis. Finding out how dangerous it is to invest financially in the company, how potentially rewarding investments may be, and how competitive the firm is in its field are all crucial factors in doing an external evaluation of the organization. These are the three main goals of any kind of research done on the outside. The reports should be as comprehensive and detailed as humanly possible, which is something that must be taken into account (Parker, 2007).

An in-depth analysis of the health of the company's finances should be one of the things that is done as part of the variables that contribute to the effective operation of a firm. An accurate assessment of the current situation in an organization can be obtained by operations analysis. This assessment can then be utilized to provide an accurate forecast of the company's future by taking into consideration both the possible risks and the potential benefits (Mohr, 2001).

Any of the aforementioned publications may be used by the client during an external analysis, demonstrating that the customer's needs are considered during the research process. The author will utilize the collected data to evaluate the brand in the chapter's practical portion, therefore documenting the origins of the information is essential. The balance sheet is the most important financial statement since it shows the financial position of a company as of the beginning of the reporting period and as of the end of the same period. Both sides of the balance sheet will include this data (Appelbaum, 2005).

The following report is the profit and loss statement, or just the income statement. In addition to detailing total sales volume, this entry also breaks down expenses and offers an estimate of the entry's net profit or loss. It is crucial to consider the capital flow statement while doing a financial analysis. This report is designed in such a way that not only does it detail the total amount of equity, but also its components and the dynamics of its change (as a result of deposits, withdrawals, and other actions), making it an invaluable resource for investors. The report was written in such a way that it would naturally contain such specifics, thus they have been added (Penman, 2010).

The subsequent item on the roster of resources for financial analysis pertains to the cash flow statement, which is alternatively referred to as the statement of cash flows. This document presents an overview of the inflows and outflows of cash and cash equivalents that occurred within the specified reporting period. This source does not consider any outstanding payments or receipts that were pending at the time of the report's creation. The selection of candidates for application is contingent upon the prevailing circumstances. Having a comprehensive understanding of the limitations associated with the data employed is crucial, as these constraints must be duly acknowledged during the analysis process (Orpurt, 2009).

It is prudent to utilize ratios obtained from financial statements when making particular management decisions; inflation is a factor that might distort the results of the research. While ratios produced from financial statements serve as a general reference, it is prudent to use them. Because profit is not a sufficiently perceptive signal, it is difficult to judge the success of managerial activities based just on profit. This is because profit is the only metric that measures success. It is possible, thanks to the availability of software tools, to get the data company wants in a timely way while simultaneously reducing the impact of the human component (Al-Nasser, 2014).

During the process of conducting an external analysis, the client is afforded the opportunity to utilize any of the aforementioned papers. This signifies that the client's preferences and interests are duly acknowledged and factored in when deciding which sources of information to employ. However, it is imperative to document all sources of data for analysis as the author will utilize them to evaluate the brand in the applied section of the chapter, and it is crucial to maintain a record of the data's origin. The balance sheet holds considerable importance as it provides a comprehensive overview of an organization's assets and liabilities, encompassing the beginning and ending values during a specific reporting period. This information is present on both the assets and liabilities sections of the balance sheet (Schniederjans, 2020).

The subsequent source to be considered is the income statement, which is occasionally denoted as the income statement. This entry not only presents data on the total financial receipts (sales volume), but also includes information on costs, as well as net profit and loss (White, 2002). When conducting a financial analysis, it is imperative to consider the significance of the capital flow statement. The structure of this report facilitates the provision of comprehensive information regarding the total equity, its constituent elements, and the factors influencing its fluctuations, including deposits, withdrawals, and other related activities. The inclusion of these details is attributed to the deliberate construction of the report, which aims to provide the aforementioned information (Frank, 2009).

Next up on the list of sources for financial analysis is the cash flow statement, also known as the statement of cash flows. This document provides information on the cash and cash equivalents that were received and paid during the reporting period. This source does not take into account any monies that had not yet been paid out or received at the time that the report was created. They are chosen for application depending on the conditions that are now present. It is of the utmost importance to have a crystal-clear grasp of the constraints of the data that was utilized since they need to be taken into consideration while doing the analysis. It is prudent to utilize ratios obtained from financial statements when making particular management decisions or inflation is a factor that might distort the results of the research. While ratios produced from financial statements serve as a general reference, it is prudent to use them (Foerster, 2017). Because profit is not a sufficiently perceptive signal, it is difficult to judge the success of managerial activities based just on profit. This is because profit is the only metric that measures success.

Horizontal analysis, also known as temporary analysis or dynamic analysis, is a method that involves comparing the data that is available as of the reporting date with similar data from the preceding period (for instance, equity at the beginning and end of the previous 2-3 years is compared). Horizontal analysis is also known as temporary analysis. During the process, not only is the pace of growth of individual articles tracked, but patterns of change are also uncovered. Companies whose operations are largely dependent on the cyclical nature of the market should prioritize horizontal analysis above all others. At the same time, the subject of vertical analysis can come up, due to the fact that both of these analyses are interrelated with one another and complement one another (Von Landesberger, 2011).

Comparative analysis is the next step in this process. The main focus of this approach is on comparing different groups of indicators. While this is happening, the financial statements of many of the company's branches and divisions are classified into groups. The basis for comparison can be data on the same categories of indicators of other business companies or competitors. Studying competitors provides insight into the actions that can be taken to achieve a competitive advantage in certain businesses, just as comparison with industry averages reveals the untapped improvement potential that a company has. When departments within an organization compare data that is comparable to each other, it creates flexibility to maneuver within the organization and to distribute responsibilities and resources among departments (Huovila, 2019). Comparing existing indicators with predicted ones allows the company to monitor the lag or advance of the company over time and take measures to correct the situation and at the same time benefit from it.

The next form of analysis is called trend analysis and, in fact, is a horizontal analysis separated into a separate approach. It boils down to the fact that the readings of a certain time period are used as the basis for analysis. Readings from different time periods are compared against this basis, and a trend is built from any significant deviations found. The development of future forecasts can be based on this trend (Weaver, 2017).

Multivariate statistical methods are necessary for the subsequent type of study - factor analysis, which is also known as integral analysis. The purpose of the study is to establish the relative importance of each contributing factor. In this approach, the author analyzes the following internal and external factors that can influence the company (Abu-Bader, 2010). Changes in legislation, price levels (for products and inputs to produce them), and the socio-economic climate of the regions in which a business, its contractors and clients operate are all potential variables that can affect a company's success (Lieder, 2016).

3.3 Business Environment: Techniques of Assessment

In fact, there are countless different techniques that are often implemented for the purpose of analyzing the business environment consisting of the macro-environment and the micro-environment, but a bigger emphasis will be put on the most frequently used ones that stood the test of time and that will be implemented further in the analytical part of the bachelor thesis.

The Five Forces model was first established in 1979 by Michael Porter, who was a professor at the Harvard Business School. The structure was developed to assist businesses in doing industry analysis and gaining a better understanding of the competitive factors that impact their profitability. The following are the five forces:

- The potential for new rivals to join the market without much difficulty is referred to as the "threat of new entrants."
- The bargaining power of suppliers refers to their ability to either increase prices or lower the quality of the products and services they provide.
- The ability of purchasers to negotiate for better terms, such as reduced costs or improved quality, is referred to as their bargaining power.
- The availability of goods or services that are suitable equivalents for those provided by a sector is referred to as the "threat of substitutes."
- Competition among existing rivals refers to the level of rivalry that exists between companies that are already operating in a certain market.

The Five Forces model is a useful tool for analyzing an industry to determine the factors that most influence profitability and for formulating measures to lessen the negative effects of the identified forces. For instance, businesses could try to increase their bargaining power by negotiating better contracts with their suppliers, or they could try to differentiate their products in order to reduce the risk of substitutes entering the market. As Grundy (2006) specified it in his article dedicated to a similar topic, both of these strategies could be used to increase their competitive advantage. Despite the fact that this analysis seems relatively logical and pretty comprehensive, there are still some issues and criticism of it. For example, one prominent academist, Prasanna (2019), mentions in his research dedicated to the analysis of multinational firms' behaviour that due to rising importance of technology, innovation and high investments done by companies, some domains of Porter's theory slowly more and more become outdated, but the analysis is still an essential tool of strategic analysis as of the beginning of the 21st century even despite the aforementioned obstacles.

A knowledge of the macro-environmental elements that may have an effect on a company's operations can be gained via the use of a framework known as PEST analysis, which is also called STEP. PEST is an abbreviation that refers for the "Political, Economic, Social, and Technological aspects." The framework had its beginnings in the 1960s and has since found widespread use in the field of analysis of corporate strategies. According to Sammut-Bonnici (2014), PEST is a powerful and widely used tool for understanding strategic risk, which is extremely useful when analysing the situation of a given company.

The rules and regulations that impact a company's operations are referred to as political factors. Some examples of political factors are tax laws, labor laws, and environmental restrictions. Conditions affecting the economy as a whole, such as inflation, interest rates, and economic growth, are examples of economic variables. The terms demographic trends, cultural standards, and consumer behavior are all examples of social forces. The term "technological factors" refers to the effect that advances in technology have had on a particular sector of the economy, such as the proliferation of new technologies or the development of novel approaches to doing business.

PEST analysis is used to discover the external elements that might influence a company's profitability and to establish strategies to limit the effect of these issues. The study is named after the acronym for "political, economic, social, and technological," or PEST for short. For instance, businesses may revise their pricing tactics in response to shifts in customer behavior, or they may make investments in innovative technology in order to remain one step ahead of their rivals (Sammut-Bonnici, 2014).

A VRIO study is a method that provides a framework for comprehending a company's in-house resources and capabilities. Value, Rarity, Imitability, and Organization are the components that make up the acronym. Since the 1990s, Jay B. Barney, a professor at Ohio State University, has been credited with the development of the framework, which is used extensively in the study of corporate strategy. However, despite being quite known to a large number of people and experts, VRIO is not being often used as a method of practical strategic analysis, as Knott (2015) underlines it in his breakdown of the VRIO technique.

The value of a resource or capacity is measured by how much benefit it provides to the operations of a corporation. The degree to which a resource or skill may be said to be unmatched in its sector is referred to as its rarity. Imitability is a term that describes how easy it is for rivals to replicate a certain resource or expertise. Organization is a term that describes the degree to which the organizational structure of a corporation enables it to make effective use of the resource or capacity.

A VRIO study is used to identify the internal resources and capabilities that offer a firm a competitive edge and to design strategies to utilize these resources and skills. This is done in order to give the organization the best chance of achieving its goals. For instance, businesses may choose to spend in research and development in order to create novel technologies that are both uncommon and valuable. Alternatively, businesses may choose to cultivate a distinctive organizational culture that is difficult for rivals to imitate (Knott, 2015)

4 Practical Part

4.1 Financial Analysis

4.1.1 Horizontal Analysis

The empirical part of the work starts with the presentation and interpretation of the results for the horizontal analysis. The horizontal analysis is surely the cornerstone of the analytical part of the thesis due to the fact that financial statements of organizations traditionally present a solid foundation based on which any assessment of the performance of a company can be performer. The very first financial statement that is presented in the narrative is the income statement but not one, but 5 income statements published within the period of 5 years from 2019 to 2023. The overview of all income statements from the period from Ralph Lauren is introduced in Table 1.

Table 1, the summary of income statements of Ralph Lauren (2019-2023)

	2019	*2020*	*2021*	*2022*	*2023*
Sales/Revenue	$ 6,313	$ 6,160	$ 4,401	$ 6,219	$ 6,444
COGS	$ 2,713	$ 2,641	$ 1,770	$ 2,291	$ 2,507
Gross Earnings	$ 3,600	$ 3,519	$ 2,631	$ 3,928	$ 3,937
Gross Margin	57.03%	57.13%	59.78%	63.16%	61.10%
SG&A	$ 2,887	$ 2,912	$ 2,432	$ 3,074	$ 3,191
Earnings Before Interest and Taxes	$ 713	$ 607	$ 199	$ 854	$ 746
EBIT Ratio	11.29%	9.85%	4.52%	13.73%	11.58%
Unusual Expense	$ 134	$ 287	$ 244	$ 52	$ 40
Non-Operating Income/Expense	$ -	$ 9	$ 21	$ 14	$ 7
Interest Income	$ 41	$ 34	$ 10	$ 6	$ 32
Interest Expense	$ 40	$ 37	$ 60	$ 66	$ 53
Pretax Income	$ 583	$ 326	$ -75	$ 755	$ 692
EBT Ratio	9.23%	5.29%	-1.70%	12.14%	10.74%
Income Tax	$ 152	$ -58	$ 46	$ 155	$ 169
Net Income	$ 431	$ 384	$ -121	$ 600	$ 523
Net Margin	6.83%	6.23%	-2.75%	9.65%	8.12%
EPS	$ 5	$ 5	$ -2	$ 8	$ 0.33

Source: own analysis based on the company's financial statements

Before comparing values of elements in years that followed the base year (2019), i tis essential to briefly comment the situation of the company with margins. In fact, the company does have a very decent result for the gross margin, which fully remains under control of the organization as it has not droped below 57 % in a single year and after the end of the pandemic, the situation with the gross profitability of the company visually improved in a substantial way. On the other hand, controlling EBIT and ensuring that earnings before interest and taxes will remain on the same level in a constantly changing environment is much tougher than just conrolling the production processes.

The company's EBIT ratio was actively fluctuating, where the lowest ratio was identified in 2021 – 4.52 %, and the highest is identified in 2022–13.73 %, which suggests that company quite frequently faces changes in administrative and selling expenses'volumes. Finally, the pretax income and EBT ratios are both places that confirm that the situation with finances for Ralph Lauren was not so flawless over the course of 5 analyzed years. In 2021, the company experiencd a negative valu efor the pretax income, which is critical for a well-functioning business, but it is highly likely that the reason behind the situation is likely to be linked to unusual expenses that were occurring quite often during the pandemic.

Finally, it is vital to say that despite the setback in 2021 mainly caused by unusual expenses and interest expenses, the company seems to have quite a decent level of profitability for such a huge company – ranging between 6.83 % and 9.65 %, which is a very decent result when overlooking the peculiar situation in 2021 with negative volume of net income. Finally, the company's EPS remain on quite a decent level with the exception of 2021, but the problem has already been addressed. Now, after briefly commenting about the company's performance based purely on ratios and raw data, it is the time to perform the calculation of base indices that are presented in Table 2.

Table 2, the horizontal analysis of income statements of Ralph Lauren

	2020	*2021*	*2022*	*2023*
Sales/Revenue	-2.42%	-30.29%	-1.49%	2.08%
COGS	-2.65%	-34.76%	-15.55%	-7.59%
Gross Earnings	**-2.25%**	**-26.92%**	**9.11%**	**9.36%**
SG&A	0.87%	-15.76%	6.48%	10.53%
Earnings Before Interest and Taxes	**-14.87%**	**-72.09%**	**19.78%**	**4.63%**
Unusual Expense	114.18%	82.09%	-61.19%	-70.15%
Non-Operating Income/Expense	-	133.33%	55.56%	-22.22%
Interest Income	-17.07%	-75.61%	-85.37%	-21.95%
Interest Expense	-7.50%	50.00%	65.00%	32.50%
Pretax Income	**-44.08%**	**-112.86%**	**29.50%**	**18.70%**
Income Tax	-138.16%	-69.74%	1.97%	11.18%
Net Income	**-10.90%**	**-128.07%**	**39.21%**	**21.35%**
EPS	-42.69%	-118.45%	31.46%	16.28%

Source: own analysis based on the company's financial statements

In fact, despite the fact that the company's net income increased in 2022 and 2023 compared to 2019, the company's sales were not increasing so much, which is especially visible when seeing the base indices for the sales/revenue element. Therefore, it is vital to suggest that the company achieved a substantial increase in the net income and managed to perform a good recovery from the pandemic not because of increasing popularity of the brand or its commercial success but mainly due to the ability of the company to optimize its expenses, notably the unusual ones and the company also managed to keep a more or less stable level of operational expenses. All in all, it is quite certain that the recovery from the pandemic started in 2022 and this year in fact splits the table into two, where in the period until 2022, the company was visibly struggling to get past the pandemic and its devastating effect that brought the company's net earnings below zero. Alternatively, both 2022 and 2023 suggest that the company not just recovered but that it effectively managed to exceed the pre-pandemic level of financial performance, but the drop in net income in 2023 seems rather concerning, which might be mainly explained by the struggle that the company has with increasing its overall revenue. Overall, it is possible to conclude that the company was definitely badly hit by the pandemic, but Ralph Lauren managed to fully recover from the pandemic in 2022 largely thanks to the ability of optimizing expenses and stabilizing them. However, the future growth of the company cannot be ensured solely by optimizing expenses – there is a vital need for increasing sales. After finishing the analysis of the financial performance, the author proceeds to the financial position, which is explained by the company's balance sheets from 2019 to 2023. The summary of the company's assets is depicted in Table 3.

Table 3, the summary of Ralph Lauren's assets (2019-2023)

	2019	*2020*	*2021*	*2022*	*2023*
Cash	$ 1,999	$ 2,118	$ 2,778	$ 2,600	$ 1,567
Account Receivable Gross	$ 398	$ 422	$ 452	$ 405	$ 448
Bad Debt Allowance	$ -200	$ -278	$ -223	$ -215	$ -175
Inventories	$ 818	$ 736	$ 759	$ 977	$ 1,071
Prepaid Expenses	$ 67	$ 40	$ 41	$ 37	$ 45
Short-term Assets	$ 3,595	$ 3,375	$ 4,208	$ 4,217	$ 3,324
Property	$ 1,039	$ 2,491	$ 2,254	$ 2,081	$ 2,090
Accumulated depreciation	$ 2,103	$ 2,128	$ 2,292	$ 2,249	$ 2,335
Total Investments	$ 88	$ 57	$ 18	$ 42	$ 60
Intangible Assets	$ 1,083	$ 1,057	$ 1,056	$ 1,012	$ 988
Long-term Assets	$ 2,348	$ 3,905	$ 3,680	$ 3,508	$ 3,466
Total Assets	$ 5,943	$ 7,280	$ 7,888	$ 7,725	$ 6,790

Source: own analysis based on the company's financial statements

The asset section of the balance sheet is split into two parts – short-term assets and long-term assets, where both parts present equally important information about different sides of the company's position. However, further interpretation without drawing numeric insights about the data can be rather tough, so the author promptly continues with the presentation of the table containing base indices for the summary from Table 3. The horizontal analysis of the section is depicted in Table 4.

Table 4, the horizontal analysis of Ralph Lauren's assets (2019-2023)

	2020	*2021*	*2022*	*2023*
Cash	5.95%	38.97%	30.07%	-21.61%
Account Receivable Gross	6.03%	13.57%	1.76%	12.56%
Bad Debt Allowance	39.00%	11.50%	7.50%	-12.50%
Inventories	-10.02%	-7.21%	19.44%	30.93%
Prepaid Expenses	-40.30%	-38.81%	-44.78%	-32.84%
Short-term Assets	**-6.12%**	**17.05%**	**17.30%**	**-7.54%**
Property	139.75%	116.94%	100.29%	101.15%
Accumulated depreciation	1.19%	8.99%	6.94%	11.03%
Total Investments	-35.23%	-79.55%	-52.27%	-31.82%
Intangible Assets	-2.40%	-2.49%	-6.56%	-8.77%
Long-term Assets	**66.31%**	**56.73%**	**49.40%**	**47.61%**
Total Assets	**22.50%**	**32.73%**	**29.98%**	**14.25%**

Source: own analysis based on the company's financial statements

One of the most important elements in any balance sheet is the value of cash that the company has at its disposal since cash is a universal salvation to potential problems that can arise. Overall, the company made a huge effort to increase the value of cash in 2021, which is explained by the projection of the company's financial management about potential net loss, so increasing liquidty was a good option that would help the company and it indeed helped, so the company lost the need to have so much cash and it quickly disposed it elsewhere resulting in the negative base index for 2023. On the other hand, it is important to mention that the company's receivables were not rising quickly, which a good sign, but there is an evident problém with bed debt allowances or doubtful accounts, which were increasing rather quickly in 2020, 2021 and 2022, but dropped below the level of 2019 in 2023. Undeniably, Ralph Lauren was definitely not the only company in the world that faced a number of financial difficulties during the pandemic, so seeing an increase in doubtful accounts during the pandemic cannot be something rather extraordinary and worth of being paid too much attention to. In fact, what is rather interesting to mention is that the company decreased the value of inventories that it had in 2020 and 2021, which is quite likely to be tied to the fact that the sales were not expected to be high, so the company did not want to continue the accumulation of inventories that would entail a need to pay for holding costs, so this might be one of the ways through which the company managed to optimize its expenses. Overall, the short-term assets increases in 2021 and 2022, but decreased in 2020 and 2022, where the first decrease is definitely explained by the pandemic, but the nature of the final one is uncertain, but it could be tied to the company's inability to increase its sales.

However, there is definitely plenty of evidence to assume that the company was actively investing as the value of the property element was increasing very quickly – figures for every single year were exceeding 100%, meaning a two-fold increase compared to 2019. Presumably, the decrease of the pace of the increment in 2023 is justified by the increase in the accumulated depreciation that reached 11%. Yet, the company is quite successful at replacing old machinery due to the fact that the growth rate of the net element is still positive even despite the presence of quickly depreciating machinery. All in all, the company has seen a sharp increase in the value of the long-term assets, which is definitely a good sign suggesting that the company was actively finding ways to ensure the generatin of future cashflows from its capital projects. Finally, the total assets of the company increased by 14.25% in 2023 compared to 2019, which is still not a lot, but it is almost certainly a good sign especially when bearing in mind the fact that the company has gone through the pandemic in 2020-2021. Now, the next table will present the summary of the second part of the balance sheet equation – liabilities and equity for the period of 5 years. The values can be found in Table 5.

Table 5, the summary of Ralph Lauren's liabilities and equity (2019-2023)

	2019	*2020*	*2021*	*2022*	*2023*
Short-term Debt	$ 22	$ 1,073	$ 323	$ 782	$ 287
Payables	$ 202	$ 247	$ 356	$ 449	$ 372
Income Tax	$ 29	$ 65	$ 51	$ 54	$ 60
Payroll	$ 233	$ 186	$ 224	$ 278	$ 198
Short-term Liabilities	$ 1,200	$ 2,092	$ 1,585	$ 2,256	$ 1,494
Long-term Debt	$ 902	$ 2,154	$ 3,298	$ 2,610	$ 2,595
Provisions for Risks	$ 11	$ 22	$ 26	$ 12	$ 12
Long-term Liabilities	$ 1,456	$ 2,495	$ 3,698	$ 2,933	$ 2,865
Total Liabilities	$ 2,656	$ 4,587	$ 5,283	$ 5,189	$ 4,359
Paid-In Capital	$ 2,494	$ 2,594	$ 2,667	$ 2,749	$ 2,824
Retained Earnings	$ 5,979	$ 5,994	$ 5,873	$ 6,275	$ 6,598
Treasury Stock	$ -5,084	$ -5,778	$ -5,816	$ -6,309	$ -6,797
Total Equity	$ 3,287	$ 2,693	$ 2,604	$ 2,536	$ 2,431

Source: own analysis based on the company's financial statements

The same what has been said earlier about the table containing the summary of the company's assets can be applied to Table 5 – the interpretation of the table without any numeric insights and indices can be rather complicated, so the author promtly continues with the horizontal analysis indicated in Table 6.

Table 6, the horizontal analysis of Ralph Lauren's liabilities and equity (2019-2023)

	2020	*2021*	*2022*	*2023*
Short-term Debt	4777.27%	1368.18%	3454.55%	1204.55%
Payables	22.28%	76.24%	122.28%	84.16%
Income Tax	124.14%	75.86%	86.21%	106.90%
Payroll	-20.17%	-3.86%	19.31%	-15.02%
Short-term Liabilities	**74.33%**	**32.08%**	**88.00%**	**24.50%**
Long-term Debt	138.80%	265.63%	189.36%	187.69%
Provisions for Risks	100.00%	136.36%	9.09%	9.09%
Long-term Liabilities	**71.36%**	**153.98%**	**101.44%**	**96.77%**
Total Liabilities	**72.70%**	**98.91%**	**95.37%**	**64.12%**
Paid-In Capital	4.01%	6.94%	10.22%	13.23%
Retained Earnings	0.25%	-1.77%	4.95%	10.35%
Treasury Stock	-13.65%	-14.40%	-24.10%	-33.69%
Total Equity	**-18.07%**	**-20.78%**	**-22.85%**	**-26.04%**

Source: own analysis based on the company's financial statements

As a matter of fact, it was quite anticipated that either of the two sections – liabilities or equity, or even both will experience a sharp increase. This arises from the logic that the company's increase in assets cannot occur out of nowhere, so it had to be funded through either equity financing or debt, or even both. Yet, the base index analysis indicates that Ralph Lauren relied on the debt financing, which might be explaind by the company's inability to properly use capital out of unknown concerns. Thus, the company's total value of liabilities increased by almost twice in 2021 and 2022, which indicates a strong reliance on debt financing, while the value of equity was quickly diminishing until eventually reaching the five-years' low in 2023 – a decrement of 26.04%. Overall, the situation with the analyzed element does not really seem to be extremely concerning as borrowing is a very common process in the business world, especially in such troubled times as the pandemic crisis. However, it is suggested that if the company will continue its road of indebtedness, this can put the company's solvency under question, which is definitely not something that would be appreciated by the financial management of Ralph Lauren. Finally, the cash-flow statements' overview is presented in Table 7.

Table 7, the summary of Ralph Lauren's cash-flow statements (2019-2023)

	2019	*2020*	*2021*	*2022*	*2023*
Operating Cash-Flow	$ 783,800	$ 754,600	$ 380,900	$ 715,900	$ 411,000
Investing Cash-Flow	$ -879,300	$ 702,100	$ 195,000	$ -719,900	$ 471,500
Financing Cash-Flow	$ -605,700	$ -438,200	$ 356,800	$ -665,700	$ 1,208,800
Net Change	$ -729,000	$ 1,003,300	$ 958,200	$ -716,000	$ -335,100

Source: own analysis based on the company's financial statements

One of the first things that has to be noted about the compilation of Ralph Lauren's cash-flow statements are significantly larger figures, which is explained by the fact that for the first two statements, million dollars monetary units were used, while for the very last statement, thousands dollars were used. Additionally, it is vital to briefly specify that the situation with the company's movement of cash seems to be quite favorable as the sign of the operating cash-flow is positive, which is often regarded as the only one aspect that matters in this type of analysis for the cash-flow statement. However, the base index analysis is also performed on the statement, which is presented in Table 8.

Table 8, the horizontal analysis of Ralph Lauren's cash-flow (2019-2023)

	2020	*2021*	*2022*	*2023*
Operating Cash-Flow	-3.73%	-51.40%	-8.66%	-47.56%
Investing Cash-Flow	179.85%	122.18%	18.13%	153.62%
Financing Cash-Flow	27.65%	158.91%	9.91%	299.57%
Net Change	**237.63%**	**231.44%**	**1.78%**	**54.03%**

Source: own analysis based on the company's financial statements

Overall, it is quite interesting to note that Ralph Lauren experienced something quite uncommon for a huge company – their investing cash-flow became positive, which indicated that the company did not consider the year to be favorable for investments due to concerns about the cash of the company. Overall, the situation with the movement of cash in the company seems to be quite adequate and healthy. Now, the author will continue with the ratio analysis presented in the next subchapter.

4.1.2 Ratio Analysis

Due to numerosity of ratios introduced in the methodology, as well as the numerosity of different domains covered in the analysis, the author will present each individual domain in a separate table and then briefly comment about the results of the empirical analysis. The first domain is liquidity, which consists of just three ratios. The overview of ratios from the liquidity domain is presented in Table 9.

Table 9, the liquidity ratios of Ralph Lauren (2019-2023)

	2019	*2020*	*2021*	*2022*	*2023*
Cash Ratio	166.58%	101.24%	175.27%	115.25%	104.89%
Current Ratio	299.58%	161.33%	265.49%	186.92%	222.49%
Acid-Test Ratio	231.42%	126.15%	217.60%	143.62%	150.80%

Source: own analysis based on the company's financial statements

Green color quickly hints that the situation with the company's liquidity is highly beneficial and satisfying – the company is fully able to cover their short-term obligations with their liquid current assets for every single studied year. However, the situation was seemingly worse during 2020, when the overal liquidity of the company dropped but remained on a very adequate level still. However, it is important to mention that the majority of companies traditionally have the cash ratio equal to around 0.6 or 60%, so Ralph Lauren might even have rather excessive amounts of cash, which they try to decrease – the ratio dropped from 166.58% in 2019 to 104.89% in 2023 and it is fair to suggest that it will continue dropping even further, but it is still not a bad tendency after all, but rather something seen as quite common in the business world. Notably, the company's liquidity seems not to be hurt by even subtracting the value of investments, which is visible in values for the acid-test ratio, so it is possible to conclude that the company's situation with liquidity is rather outstanding. The next domain is the domain of stability or solvency, presented in Table 10.

Table 10, the solvency ratios of Ralph Lauren (2019-2023)

	2019	*2020*	*2021*	*2022*	*2023*
Debt-to-equity	80.80%	170.33%	202.88%	204.61%	179.31%
Debt-to-assets	44.69%	63.01%	66.98%	67.17%	64.20%
Equity ratio	55.31%	36.99%	33.01%	32.83%	35.80%
Interest coverage	1782.50%	1640.54%	331.67%	1293.94%	1407.55%

Source: own analysis based on the company's financial statements

Contrary to liquidity, the situation with the indebtedness, as it was briefly mentioned during the horizontal analysis, is far from being perfect, especially in 2020-2023, when the company's total debt started to prevail over some elements such as equity and started to approach the figure of 100% for the debt-to-assets ratio. However, the situation with the debt-to-eqity ratio is far from being perfect not just because of the company's indebtedness, but also because the company was decreasing the value of its equity accounts, so it boiled down to quite high figures for the ratio. As for the rest of solvency indicators, the situation is rather normal – the company easily pays interest on its outstanding debt, according to the interest coverage ratio. Additionally, it can be concluded that the company is rather focused on the debt financing than on the equity since the share of assets funded through equity decreased dramatically in 2020-2023, while in 2019, the situation was significantly different. Overall, the situation with liquidity is normal, but it can get really concerning if the tendency of indebtedness will continue even further. The third domain to be discussed is profitability, presented in Table 11.

Table 11, the profitability ratios of Ralph Lauren (2019-2023)

	2019	*2020*	*2021*	*2022*	*2023*
Return on Assets	7.25%	5.27%	-1.53%	7.77%	7.70%
Return on Investment	46.59%	59.65%	55.56%	14.29%	53.33%
Return on Equity	13.11%	14.26%	-4.65%	23.66%	21.51%

Source: own analysis based on the company's financial statements

On the surface, the situation with profitability is already down since the company had a positive value of net earnings for all years apart from 2021. However, when analyzing the situation in the context, it becomes pretty evident that the situation is definitely quite favorable for the company since it has a very decent figure for the return on assets, as well as for the return on investment, which is relatively large. At last, due to the low figure of equity, the return on equity seems to have the most outstanding figures, but it is mainly explained by the company's tendency to decrease the value of equity in 2020-2023. Overall, the situation with profitability is quite good. At last, the activity or efficiency domain is presented in Table 12.

Table 12, the efficiency ratios of Ralph Lauren (2019-2023)

	2019	*2020*	*2021*	*2022*	*2023*	Average
Receivables Turnover	32	43	19	33	24	**30**
Payables Turnover	13	11	5	5	7	**8**
Inventory Turnover	3	4	2	2	2	**3**
Receivables Period	11	9	19	11	15	**13**
Payables Period	27	34	73	72	54	**52**
Inventory Period	110	102	157	156	156	**136**

Source: own analysis based on the company's financial statements

For the final domain, the averages are also computed since those ratios indicate frequencies and time periods for conducting a specific action. Thus, it is essential to start from the receivable's turnover, which was incredibly high for a huge organization – the company was collecting its debts 32 and even 43 times per year, where there was an obvious drop in the frequency in 2021 due to financial problems of other companies. However, the frequency has recovered in 2022 and 2023 and the average number of times that Ralph Lauren collect their debts is equal to 30 times with the time period for collecting one debt equal to 13 days on average, which indicates that the company is likely to have a very strict policy towards its customers and collaborators. In turn, the company does not pay their outstanding obligations as often as it collects debts – just 8 times per year on average resulting in paying debtors once in 52 days, which is quite common but rather peculiar given that the company collects debts once per 13 days. For the very last two ratios, the company replaces its inventories just 3 times per year, which is not at all common for big manufacturing companies with the period of 136 days to replace its current inventory. The analysis of efficiency ratios suggests that the company's practices are somewhat interesting and unusual, which might be a consequence of a particular policy implemented in the organization.

4.1.3 Market Capitalization Analysis

First, it is essential to perform the analysis of the development of the company's market capitalization over the course of 22 years (2001-2021). For this purpose, a specific dataset was created, where general indicators of descriptive were calculated for the variable. The table containing the result of calculations, as well as data itself is presented in Table 13.

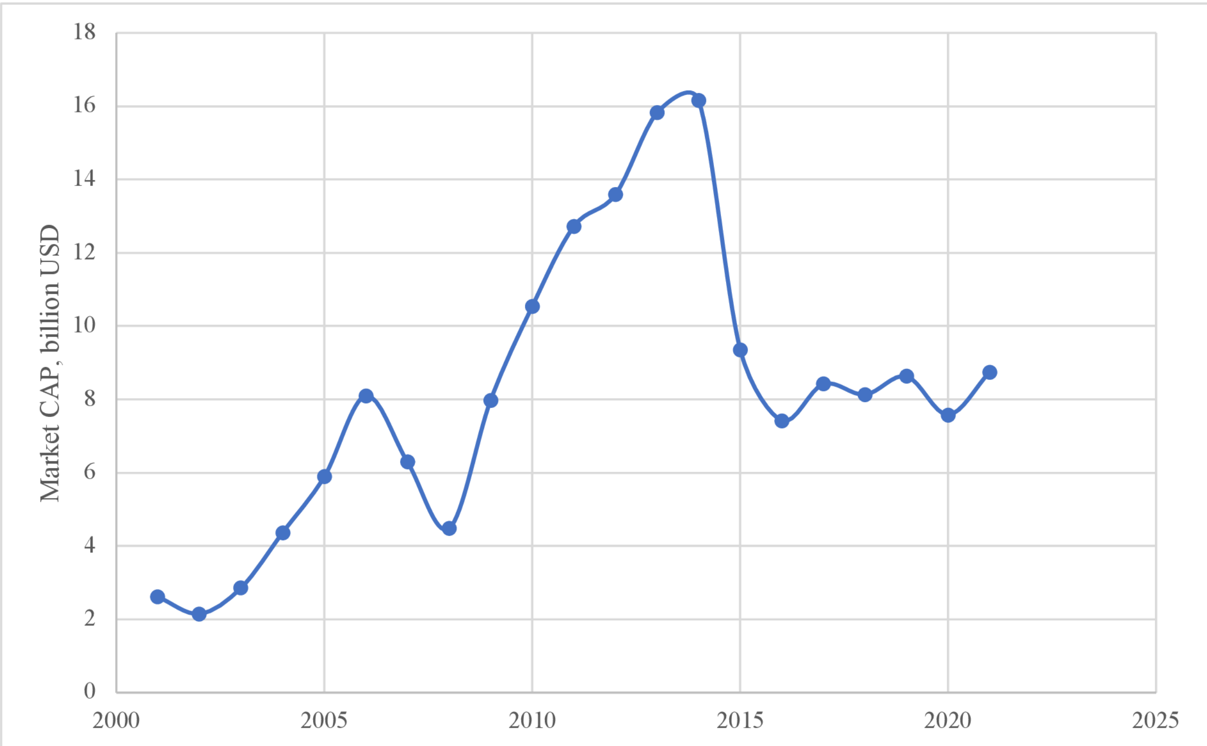
Table 13, the market capitalization dataset

Year	Capitalization,billion USD	Chain Index
2001	2.61	-
2002	2.15	-17.62%
2003	2.86	33.02%
2004	4.37	52.80%
2005	5.89	34.78%
2006	8.1	37.52%
2007	6.29	-22.35%
2008	4.48	-28.78%
2009	7.98	78.13%
2010	10.54	32.08%
2011	12.72	20.68%
2012	13.59	6.84%
2013	15.82	16.41%
2014	16.16	2.15%
2015	9.36	-42.08%
2016	7.42	-20.73%
2017	8.42	13.48%
2018	8.13	-3.44%
2019	8.63	6.15%
2020	7.58	-12.17%
2021	8.75	15.44%
Base Index	**235.25%**	-
Average	**8.18**	**10.12%**
Minimum	**2.15**	**-42.08%**
Maximum	**16.16**	**78.13%**

Source: own analysis based on Yahoo Finance, 2023

To begin with, it is essential to start that by the end of 2021, the company managed to increase its capitalization by 235.25% compared to 2001, which is a good result, but the maginutude is definitely not as large as one would expect from one of the most prominent companies from the fashion segment. The average capitalization of Ralph Lauren was 8.18 billion USD, which is quite good, but compared to other major companies such as Nike, this figure looks downright insignificant. Yet, the lowest capitalization of the company was 2.15 billion USD, while the highest position that the company attained was 16.16 billion USD, which happened in 2014 and can be a consequence of a relatively good recovery that the US economy and the stock market had after the Great Recession. Overal, the average annual increase in the capitalization was 10.12% thus leading to the suggestion that the company was growing at the pace of 10% per year, which is quite good, when considering that the studied time period covers 22 years. The biggest downturn that the company's capitalization had in the history happened in 2015, when the capitalization has falled by 42.08%, while the biggest success happened in 2009, when the increment was equal to 78.13%, which is a logical consequence of the recovery from the Great Recession that nearly destroyed the stock market in 2008. All in all, the situation looks quite favorable and the development of the variable in time is presented in Figure 5.

Figure 5, the capitalization of Ralph Lauren



Source: own analysis based on Yahoo Finance, 2023

Effectively, it is quite visible that the company reached its peak in 2013-2014, which is explained by a relatively favorable situation on the American stock market, which became a direct consequence of the rescue plan of the American government right after the Great Recession, which had its lagged effect that came into full force between approximately 2012 and 2015. All in all, it is vital to proceed to the regression analysis, where the effect of individual factors on the market capitalization of Ralph Lauren is analyzed based on the dataset presented in Table 13. Consequently, the author formulates the following econometric model:

$$Market\ Cap = \beta_0 + \beta_1 Revenue + \beta_2 FED\ Funds\ Rate + \beta_3 Bear\ dummy + U_e$$

The first exogenous variable – revenue, presents the annual volume of revenue generated by the company in billion USD; the second exogenous variable is represented by the funds rate from the FED; the third exogenous variable is a dummy one taking values of either 0 and 1, where the presence of the bear market (explained by a sharp decrease in the index of the NYSE) is marked; the last variable – error term, is a stockastic element that is not correlated with other exogenous variables. The first step needed to estimate the model is the verification of the correlation, because high correlation between independent variables can distort standard errors and result in not accurate estimation. The table containing correlation coefficients is presented in Table 14.

Table 14, the correlation matrix

	Revenue, billion USD	Interest rate, FED	Bear Market
Revenue, billion USD	1		
Interest rate, FED	-0.52	1	
Bear Market	-0.23	0.13	1

Source: own analysis based on Yahoo Finance, 2023

There is no problem of multicollinearity in the model because no correlation pair is higher than 0.8 or even 0.75 in absolute terms, so the estimation can move forward, where the eventual output of the OLS estimation is presented in Table 15.

Table 15, parameters of the regression model

Regression Statistics				
Multiple R			0.88	
R Square			0.78	
Adjusted R Square			0.74	
Standard Error			2.02	
Observations			21	
Coefficients		*Standard Error*	*t Stat*	*P-value*
Intercept	0.24	2.07	0.12	0.91
Revenue	1.71	0.31	5.44	0.00
Interest Rate	-0.18	0.33	-0.55	0.59
Bear Market	-2.06	0.93	-2.21	0.04

Source: own analysis based on Yahoo Finance, 2023

After fitting regression coefficients into the assumed equation, the structure will have the following structure:

$$Market\ Cap = 0.24 + 1.71 Revenue - 0.18 FED\ Funds\ Rate - 2.06 Bear\ dumm + U_e$$

The signs of all variables seem to be absolutely adequate, as well as their slopes, which can be interpreted in the following manner:

- When the revenue of Ralph Lauren increases by 1 billion USD, the market capitalization of the company increases by 1.71 billion USD, ceteris paribus. This is a very logical conclusion due to the fact that as companies start to earn more, their valuations inevitably go up. The slope is significant (0.00 < 0.05).
- When the interest rate or the funds rate of FED increases by 1 percentage point, the company’s market capitalization decreases by 0.18 billion USD, ceteris paribus. This is also a quite logical observation – the increase in the funds rate of FED inevitably has a negative effect on the whole stock exchange market in the US. The slope is not significant (0.59 > 0.05).
- When there is a bear market in the US, the market capitalization of Ralph Lauren falls by 2.06 billion USD, ceteris paribus. Stocks are highly interdependent, and they traditionally act in the same way towards external factors negatively influencing the market as a whole, so this is also a pretty logical conclusion. The slope is significant (0.04 < 0.05).

Overall, the model has a decent quality – 0.78 or 0.74, according to the coefficient of determination and the adjusted version of the coefficient, which is pretty good for an estimation of something rather volatile and unpredictable.

4.2 VRIO Analysis

After addressing the situation with the company's financials and capitalization, it is possible to continue to the analysis of the company's internal resources. First, it is essential to identify the most precious resources that the company possesses. These are:

1. Supply chain.
2. Financial resources.
3. Brand equity and brand image.
4. Product quality.
5. Global presence.

The VRIO analysis is presented in Table 16.

Table 16, the VRIO analysis of Ralph Lauren

	Valuable	Rare	Inimitable	Organized
Supply Chain	+			
Financial Resources	+	+		
Brand Equity and Brand Image	+	+	+	+
Product Quality	+	+	+	+
Global Presence	+	+		

Source: own research

Based on the VRIO analysis, it was identified that having a well-functioning and working supply chain is definitely a valuable aspect of Ralph Lauren's business operations, but it is definitely not so rare when considering that the majority of fashion companies have quite the same situation in terms of supply chains. Therefore, there is no long-term competitive advantage offered because of this resource. The situation with the financial resources of the company is much better, but it can still be imited by other major players in the domain of fashion, so it does not also offer the company any long-term competitive advantage. On the other hand, what is definitely unique and highly beneficial for Ralph Lauren are their products and brand equity, as well as the brand image which definitely offer the organization a long-term competitive advantage over their competitors. For the very final resource, it is fair to say that the company's global presence is not something that can be regarded as its strongest side since there are infinitely many different countries and regions, where products of Ralph Lauren are both physically and monetarily inaccessible for large masses. The next subchapter is concerned with the PEST analysis of the company on the international level.

4.3 PEST Analysis

When applying the PEST technique, it is important not to just identify individual aspects influencing the company but also evaluate their effect, so factors positively influencing Ralph Lauren will be marked with a green color, factors negatively influencing the company are marked with an orange color, while the neutral factors are marked with a dark blue colour. The result of the analysis can be found in Table 17.

Table 17, the PEST analysis of Ralph Lauren

Political	Economic	Social	Technological
Sanctions	Exchange Rates	Changing Preferences	Automation
Corruption	Interest Rates	Sustainable Fashion	Digitalization
Political Instability	Purchasing Power	Sustainable Consumption	Cybersecurity

Source: own research

Starting with the political dimension, this one presents the highest number of negative factors for the company. Sanctions disrupt the company's operations by excluding potential customers from the pool of the company thus stripping Ralph Lauren of a part of their revenue. Corruption and political instability are both factors that influence the company in countries where the supply chain of Ralph Lauren is concentrated thus causing the company a lot of trouble with their production sites. The economic domain is traditionally represented by both exchange rate and interest rate, whose rapid fluctuations cause the company to lose millions of US dollars. On the other hand, the overall increase in the purchasing power of many societies leads to the fact that Ralph Lauren's products become more and more affordable to people. When it comes to social factors, changing preferences can either influence the company in a positive way, but it can also lead to a potential drop in the number of customers. Yet, the phenomenon of sustainable fashion negatively influences the company because, compared to its adversaries, Ralph Lauren does not really put any large emphasis on sustainable production. Also, sustainable fashion where people do not hesitate to buy clothes from vintage stores strips the company from revenue, so it is also a negative aspect. Finally, the technological domain presents the largest series of positive effects for the company since the production processes become smoother and smoother and the company's intellectual property becomes more protected thanks to the tendency of ensuring the highest degree of cybersecurity.

4.4 Porter's Five Forces Analysis

Finally, the very last piece of analysis that will be incorporated in this bachelor thesis is the Porter's Five Forces analysis, where the five individual parts of the analysis will be expressed in individual paragraphs, starting with the power of suppliers. Ralph Lauren is a multinational company that has its production scattered all over the globe, so abandoning one production site and switching to other country from the emerging world does not seem to be really complicated. Costly, indeed, but it is still a sign that the suppliers do not really have any serious bargaining power in negotiationg with Ralph Lauren, so the suggestion is that the power of suppliers is rather low.

The power of buyers, on the contrary, is quite high mainly due to the fact that the company was visibly struggling with increasing its revenues, so it is presumably the same consumer base that the company has for years, which is quite common in the fashion business. Indeed, the insight drawn during the financial analysis about the statis value of revenue is a powerful tool that helps the author to suggest that abandoning one group of customers and replacing them with new ones can be rather complicated, for which there is plenty of evidence in the company's revenue between 2019 and 2023. Overall, the power of buyers is high.

The threat of new entry is quite high, especially in the niche of Ralph Lauren. There were plenty of examples where new brands driven by a specific public figure or celebrity emerged and led to the split of market shares between different companies. One of such examples is the market entry of Karl Lagerfeld that happened not a while ago, so the threat of new entry is high. Also, a new entry can be a company based in cheaper segment that will perform a successful brand repositioning and will enter the same segment where Ralph Lauren operates.

The threat of substitues is also quite high due to the fact that there are many different tendencies emerging that might in fact negatively influence the company's revenue, such as the sustainable consumption tendency observed between representatives of the younger generation that definitely influences the company in a very negative way.

Finally, the domain of competition is probably the most troubled for the company due to the fact that the market can be classified to be a red ocean highly saturated with many similar companies each having its own unique trait and value proposition. Above all, those companies share more or less the same market share and to just mention a few, these are the most obvious competitors of Ralph Lauren: Gant, Lacoste, Tommy Hilfiger, Karl Lagerfeld and so forth

5 Results and Discussion

Before proceeding to the conclusion of the bachelor thesis, it is first essential to quickly comment about the most important findings of the bachelor thesis and compare what has been found by the author with the publication of prominent scholars and academists. To begin with, it was identified that the financial situation of Ralph Lauren is rather positive as the company remains to be highly profitable with the exception of 2021, when the company had to face the consequences of the pandemic. On the other hand, the company evidently faces a problem with increasing its sales, which presumably arises from the fact that the market becomes more and more saturated with every single year since the segment on which Ralph Lauren are focused is highly desired by many different companies specializing in fashion. When it comes to the analysis of ratios and other important indicators of finance, it is possible to say that the company does not suffer from problems related to institutional decisions and the company visibly has a specific policy that it follows in relation to their financial resources. In fact, the conclusion about the positive state of the company's resources is also made by Di Leo et al. (2023), so the author is not alone thinking that the company has quite a good financial performance and position.

On the other hand, there are quite serious problems with the business environment in which Ralph Lauren specializes. It is identified that the company does not really have any serious resources that offer it a long-term competitive advantage, apart from its products and brand equity. Above all, the majority of factors from the macro-environment influence the company in a negative way, especially political factors. At last, the company is surrounded by various threats, which are quite high, notably the threat of new entry and the threat of substitution that both arise from the constantly changing business and social environments. Unfortunately for Ralph Lauren, they face the situation when there is a certain degree of power that consumers have because the company has been experiencing significant difficulties with increasing sales, so changing pricing policy can result in the fact that the loyal base of consumers will abandon the company and it is highly likely that Ralph Lauren will not be able to quickly replace them without experiencing an annual net loss. The complicated situation of the company in relation to its business environment is also specified by Fratto et al. (2006) and Chen et al. (2022).

In light of the mentioned circumstances, it is vital to provide a series of recommendations to Ralph Lauren. In fact, it might sound rather painful and unacceptable, but Ralph Lauren has to change their specialization and shift to either more premium level or become more affordable thus targeting fewer wealthy consumers. In fact, the second option might negatively influence the only resources in which the company has a long-term competitive advantage, so the first option is more preferred. In fact, there are many examples in the recent fashion history when brands managed to change their specialization and properly reposition themselves – Gucci, Moschino and the most recent example of Kenzo that performed the rebranding and entered the ranks of more expensive and luxury brands. Henceforth, by doing so, Ralph Lauren will be focused on the consumer base that have a higher purchasing power, so competing against their potential new rivals might not be so hard as it is for the case of the company's current specialization, where consumers are likely to select just one brand and their financial resources are rather limited.

6 Conclusion

The principal objective of the bachelor thesis was to evaluate the internal situation of the company (represented by its financial situation and the situation with the capitalization, as well as with the most important resources owned by the company) and the external situation (represented by the set of PEST factors and factors described by Michael Porter in his Porter's Five Forces framework). Ultimately, it is suggested that the internal situation of the company does not really indicate any major difficulties as the institutional side of the business equation seems to be highly powerful and well-functioning for Ralph Lauren. The company has quite outstanding management of finances and they follow a strict set of policies that help to ensure that there will always be enough of cash to cover potential unusual and extraordinary expenses. Additionally, the capitalization of the company increased over time, which is also a good sign.

On the other hand, the situation of the company, including its finances, can get considerable worse due to the fact that the company specializes in the market segment highly saturated with different competitors that do not cease to emerge. In addition to that, the company does not really posess any unique resources that will offer the company a long-term competitive advantage, so it is suggested that the company should consider a repositioning strategy, where it will move to a more wealthy and luxury segment thus getting access to customers having a higher purchasing power and not being so afraid of the competition since there is no saturation for the consumption of luxury goods

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