

Financial Analysis for Ralph Lauren's Investment Value

Yuxuan Zhou*

Duke Kunshan University, Suzhou, China

*Corresponding author: yuxuan.zhou2@dukekunshan.edu.cn

Abstract. In the rapidly developing society, the threshold for fashion industry is becoming lower, large quantities of brands whelm into the market. Given this background, the market for traditional large fashion companies is squeezed because many customers may choose to purchase cheaper and newly designed products. In addition, economic and political situation are influencing fashion companies, forcing them to take some actions. Moreover, development of e-commerce significantly reshapes the position of high-end fashion companies. This may lead to traditional fashion companies losing control in setting prices and decrease in revenue. As a result, those companies must update their strategies or designs to meet the requirement of the market. Otherwise, investors may lose confidence for them, resulting in low investment value. This article chooses Ralph Lauren as the anchor stock to discuss how the value of the fashion companies would be influenced by the changing environment and how they should deal with the challenges. From the perspective of financial analysis, PVH, TPR and VFC are selected to compare with Ralph Lauren in different sectors to reveal how different companies react in the general background. This article would provide a general overlook about Ralph Lauren's situation.

Keywords: Ralph Lauren; investing; social media; storytelling; retail stores.

1. Introduction

In the post-pandemic era when global economic have not fully recovered, e-commerce is developing quickly. People are willing to purchase cheaper products online rather than step out to offline stores as before. As a result, the revenue of e-commerce is boosting these days. In this situation, newly born brands like Brandy Melville and Hollister started to occupy the market and squeeze the revenue of the traditional brands. Convenient delivery makes them show preference for newly born fashion brands after they purchase the cheap and well-designed products. This results in the risks for traditional fashion brands as they need transformation to meet the requirement of the market.

Given a general understanding of the fashion industry, this article chooses Ralph Lauren as the subject of the case study. In this article, Ralph Lauren would be compared with three competing companies including Tapestry, Inc. (TPR), PVH Corp.(PVH) and VF Corporation (VFC). As an exploring study about the challenges and potential Ralph Lauren may have, the article would discuss Ralph Lauren's strategy in digital technology application, storytelling and store layout separately when comparing. It would begin with discussing how Ralph Lauren could profit more than TPR by attracting more followers on social media and transforming the followers into customers. Then, the article would talk about the storytelling strategy of Ralph Lauren and how it helps maintain customers' purchase. Thirdly, the article discusses the distribution of Ralph Lauren's stores and the ideas behind its strategy.

Against the backdrop of macro-economic tightening and the dual pressures from emerging brands and e-commerce, this study addresses the following questions:

Do Ralph Lauren's key financial metrics over the past five years (Earnings Per Share, Price-to-Earnings Ratio, Price/Earnings-to-Growth Ratio, Gross Profit Margin Ratio) continue to justify a valuation premium relative to the industry average?

Among the three strategic pillars—digital transformation, brand-storytelling, and offline-store expansion—which one contributes the largest marginal gain in revenue growth and customer stickiness for Ralph Lauren when compared with TPR, PVH, and VFC?

Integrating financial performance with strategic differences, does Ralph Lauren offer superior investment attractiveness versus the three comparables over the next three years, or does its elevated PEG ratio already imply significant downside valuation risk?

Answering these questions will provide investors with a concise, replicable framework to assess Ralph Lauren's future investment value under the evolving fashion landscape.

2. The financial situation of Ralph Lauren

2.1. Introduction of the organizational structure of RL

Founded in 1967, Ralph Lauren aims to create a complete industrial chain of luxury lifestyle products, including apparel, footwear & accessories, home, fragrances and hospitality. Ralph Lauren divides its business into 7 brands which are Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children and Chaps, covering multiple price intervals and markets [1]. Ralph Lauren is in the leading position in classical design, winning the preference of customers by advanced clothing cutting and texture.

Ralph Lauren now owns over 9400 doors, 564 retail stores, 671 concession-based shops and digital commerce site in the world, enabling it to sell its products through multiple channels. Meanwhile, Ralph Lauren mainly collects its financial data respectively from three regions including North America, Europe and Asia. Financial fluctuation in these three regions, especially North America, could reveal the developing trend of Ralph Lauren and provide basis for investors to forecast the stock market outlook of the company. In addition, since Ralph Lauren is a family firm, the Lauren family is taking control of about 85% of the outstanding common stock of the company. David Lauren, who is one of the three sons of Ralph Lauren, is holding an important position in the company and is seen as the heir of the company.

2.2. Financial ratios of RL and analyses

It is important to get a general understanding of the company before investing by analyzing some basic financial ratios of the stock. This article collects data from NASDAQ website and bases on the stock price on July 13th, 2025. Ralph Lauren's Trailing Twelve Months and Next Twelve Months Earnings Per Share (TTM and NTM EPS Ratio) are 12.33 and 13.82 which indicate a trend of increasing [2]. EPS shows the strength how investors could earn return by purchasing the stock [3]. On most occasions, higher EPS ratio is, the more money investors may earn and have confidence in the stock. For Ralph Lauren, the increasing trend of EPS ratio indicates a potential future for the company and may mean that the revenue of the company is growing.

Trailing Twelve Months and Next Twelve Months Price-to-Earnings Ratio (TTM and NTM P/E Ratio) of Ralph Lauren are 23.28 and 20.77 [2]. P/E ratio is one of the most widely used data for investor because it represents how much money they are likely to pay on a single stock [4]. Ralph Lauren's P/E ratios are over 10 which are high, meaning that investors are willing to pay comparatively more money for its stock. Meanwhile, the increasing EPS ratio and decreasing P/E ratio may shows that even though Ralph Lauren is making more profit, investors do not add enough money that fit the growth of the company. This phenomenon could also be proved by gross revenue growth rate of Ralph Lauren which is 6.75%.

The Price/Earnings-to-Growth Ratio (PEG Ratio) for Ralph Lauren is 1.93 [2]. Usually, high PEG ratio over 1 means a company may be overestimated. Otherwise, it may be underestimated. As a result, Ralph Lauren is probably an overestimated stock and may cause trouble for investors after they purchase it [5]. However, the apparel mean PEG stands at 2.97. Therefore, a PEG of 1.93 does not automatically imply over-valuation; instead, it signals that investors should benchmark Ralph Lauren's expected EPS CAGR of 9.1% against the peer median of 5.59% to confirm whether the premium is justified [6, 7]. Ralph Lauren's profitability ratio, which in here is GPM ratio, is 68.86%. Profitability ratio is used to show the efficiency of a company comparing to sales or assets, which for

Gross Profit Margin Ratio (GPM Ratio) is to assets. The data of Ralph Lauren indicates that the company could make profit by taking advantage of its resources [8].

The financial ratios of Ralph Lauren should be put into a macro background for analyzing. Given that the mean value of P/E ratio for apparel retailing is 18.53, Ralph Lauren is still in a leading place [6]. However, for luxury goods, average P/E ratio would be higher, which means there is no significant advantage for Ralph Lauren. In addition, high inflation rate and interest rate may bring challenge for the cost control of apparel industry and then influence the investing value for those companies including Ralph Lauren. As a result, investors need to analyze Ralph Lauren's financial ratios comprehensively.

2.3. Summary

In conclusion, as a company with positive reputation, Ralph Lauren is experiencing stable growth in revenue. This increasing revenue leads to optimistic financial ratios for this company including EPS and P/E ratio, which indicates a potential growth for the stock price. It gave investors confidence that company may profit more in the future. Since the financial ratios for Ralph Lauren is optimistic, the company worth investment. However, investors should consider multiple factors when making decisions. The external environment for Ralph Lauren is rapidly changing nowadays, forcing it to make reactions. The development of technology and e-commerce put traditional high-end fashion companies into a completely different position. The fluctuating global economic trend leads to more customers choosing cheaper brands, causing Ralph Lauren losing power for setting prices. As a result, if Ralph Lauren fail to make proper strategies, its future revenue may not be promised.

3. Literature References Comparison studies with other companies

3.1. Comparing with TPR

Ralph Lauren and TPR are usually categorized as heritage brand which refers to brands that based on its specific history and culture. Both Ralph Lauren and TPR have outstanding reputation for their classical designs and represent a lifestyle of American dream. As a result of basing on specific culture, those heritage brands do not chase the fast fashion trend and sometimes are criticized that are out of date and may not be able to attract young customers. Some large heritage brands are still successful in these days like LV, while many other heritage brands are declining. According to the report, only 10% of the heritage brands in China are experiencing growth in net revenue [9]. Facing significant challenge in the rapidly changing market, heritage brands like Ralph Lauren and TPR should seek a balance between classical and modernity. As a response to this, Ralph Lauren established tailored service for customers by applying digital technology and cooperate with Roblox. It gave customers an improved experience for purchasing and may strengthen the loyalty of customers to Ralph Lauren. In addition, Ralph Lauren sponsored large sports events to expand its influence by providing clothing for celebrity presenting the events. These efforts brought 44.7 million followers across platforms and 13.2 million followers on Instagram [10]. Meanwhile, Coach under TPR is making efforts to enhance its products, changing its design to meet younger customers' preference. For example, former designer in LV started working for Coach which makes the design of Coach significantly more welcomed than before. Additionally, brought famous by celebrities, Brooklyn bag has become one of the most welcomed bags this year. However, none of the brands under TPR have followers more than 10 million, most of which are under 5 million. There are both followers for brands and followers for influencers who cooperate with brands for promoting. In addition, customer engagement would significantly affect the purchase decisions of customers. Meanwhile, the customer engagement could be affected by influencer marketing and content marketing, which is the strategy Ralph Lauren and TPR are applying [11]. From the data perspective, Ralph Lauren does better in attracting more potential customers and influence the purchase decisions its followers may make. While Ralph Lauren's aggregate follower count exceeds any single brand under TPR, engagement data—likes-to-

follower ratios, click-through rates, and attributable e-commerce GMV—must be analysed before concluding that higher reach translates into proportionally higher sales.

3.2. Comparing with PVH

PVH has brands which are young and energetic, competing with Ralph Lauren in mid-to-high end market. For those high-end brands, it is of great importance to keep the position of brands, enabling they could have decision power when setting price. As a result, they usually expand the influence of the brands by the method of storytelling. Ralph Lauren did especially outstanding in these aspects since it sponsored many sports competitions including Olympic games and Wimbledon Tennis Championships. By doing so, Ralph Lauren is telling a story of providing their customer a typical wealthy American lifestyle by purchasing its products and creating a cohesive image for the brand [12]. When celebrities put on those luxury clothes, they are applying content marketing, making their wealthy lives visible by the brands to attract customers [11]. These influencers are self-branding when they wear the products and show to their followers [13]. This reflects the process of storytelling that customers are told about a fantasy of living a dream life by purchasing certain brands. Meanwhile, Calvin Klein cooperates with influential pop stars, shooting popular posters to create desire that customers want to be like the celebrities. CK is trying to tell a story that everyone is encouraged to show themselves and could be as popular as their spokesperson if they purchase CK's products. While Ralph Lauren represents the dream of being wealthy, Calvin Klein represents being sporty and characteristic. Comparing with CK, customers in Ralph Lauren's story tend to be wealthier, giving Ralph Lauren the ability to set the price higher.

3.3. Comparing with VFC

Offline stores are an important part for traditional fashion brands, companies like Ralph Lauren and VFC have large quantities of customers who are willing to trying on clothes in stores and then decide purchase or not. Ralph Lauren has 138 stores in Asia, which is more than the sum of stores in North America and Europe. Additionally, Ralph Lauren has 671 concession-based shop-within-shops in Asia. Although Ralph Lauren's design is based on American culture, its main customers are from Asia. Yet fiscal-2024 revenue by geography shows North America still accounts for 44% of net sales, Asia 24%, and Europe 30%. Consequently, store density in Asia reflects growth potential rather than current dominance in customer origin [14].

VFC also consider its 1127 retail stores as an important component of its revenue. It cares more about the inventory level of the products when deciding the number of retail shops in different regions. VFC found that retail stores in Europe tend to create lower cost than which in Asia and could help selling out the inventories in North America [15]. However, deciding to open or closing an offline store is frequently a hard decision for companies to make, since closure may reduce cost while opening may bring more revenue. For well-managed companies like Ralph Lauren and VFC, net store closing may lead to negative ROA ratio which may slightly harm profiting. Meanwhile, stores opening can benefit companies' profiting when the company is large by promoting its e-commerce [16].

3.4. Summary

In this part, Ralph Lauren was compared with three other fashion companies, focusing on three main challenges it was facing. Comparing with TPR, Ralph Lauren successfully uses social media to promote its products and transformed followers into potential customers. Comparing with PVH, Ralph Lauren maintains its high-end position by sponsoring sports events and cooperate with celebrities. Comparing with VFC, Ralph Lauren balances the cost and revenue to make proper decision for opening offline stores. In conclusion, Ralph Lauren has made appropriate strategies when encountering different challenges and has achieved significant results.

4. Analyses of the investment prospects of Ralph Lauren

Ralph Lauren is a company that has many typical heritage brands, targeting customers who receive mid-to-high salary. Although having excellent reputation and long history, it is usually criticized of being outdated. Currently, the global economic environment is not optimistic, meaning that the rational customers of Ralph Lauren may consider more when purchase, which may result in Ralph Lauren losing its control in price setting and customers' loyalty. Additionally, e-commerce is rapidly developing, reshaping the selling pattern of traditional fashion brands. Ralph Lauren reacts to the loss of customers' loyalty by applying digital technology to improve the service when purchasing. This effort shows strong effect in Asia because customers their have strong request for more detailed customization than other regions and have capability to purchase Ralph Lauren's products in large scales [17]. It also uses social media to create a whole story about the culture Ralph Lauren depending on by cooperate with influencers. Thirdly, as a large-scale and well-managed company, it is wise for Ralph Lauren to open up more offline store in order to increase revenue and boost e-commerce sales. Incremental store openings should be evaluated through a channel-cannibalisation model: new flagship stores in tier-1 Asian cities have lifted regional e-commerce traffic by 24% [14]. Only locations that satisfy both hurdles should be approved to avoid diluting ROIC.

5. Conclusion

This study concludes that Ralph Lauren's forward price-to-earnings ratio of 20.77, although above the broader apparel-retail mean, remains comfortably below the luxury segment average of 27.47, and is supported by a demonstrable upward trajectory in earnings per share from US\$12.33 to US\$13.82 alongside a resilient gross-profit margin of 68.86 per cent, indicating that the market continues to grant the brand a defensible—if not excessive—valuation premium. Qualitative comparison with TPR, PVH and VFC suggests that its digital initiatives, which have amassed 44.7 million aggregate followers and coincided with pronounced e-commerce growth in Asia-Pacific, presently constitute the most visible engine of customer acquisition, while high-profile sports sponsorships reinforce pricing power through cohesive storytelling, and incremental flagship openings in key Asian cities serve as complementary, though not yet dominant, revenue levers. Against these peers, a price-to-earnings-growth ratio of 1.93 embeds elevated growth expectations, leaving the share price vulnerable to re-rating should consensus earnings momentum falter.

These insights, however, are bounded by the reliance on publicly available filings and third-party industry data, the absence of proprietary conversion metrics or store-level four-wall economics that would clarify the extent of cross-channel cannibalisation, a sample window confined largely to the 2019–2024 fiscal years that may not capture the full cyclical resilience of heritage luxury strategies, and the restriction of the peer set to three companies whose differing category exposures could dilute external validity.

Future work would therefore benefit from constructing a multi-brand panel spanning a decade or more and applying difference-in-differences or panel vector-autoregression methods to isolate the dynamic causal impact of digital transformation, integrating consumer-level loyalty and social-media data to derive precise customer-lifetime-value estimates for each strategic lever, embedding macro-economic stress scenarios within Monte-Carlo discounted-cash-flow frameworks to quantify tail-risk, and extending the sample to European and Korean emerging luxury labels in order to test the global replicability of culture-centric storytelling and digitally native growth pathways.

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