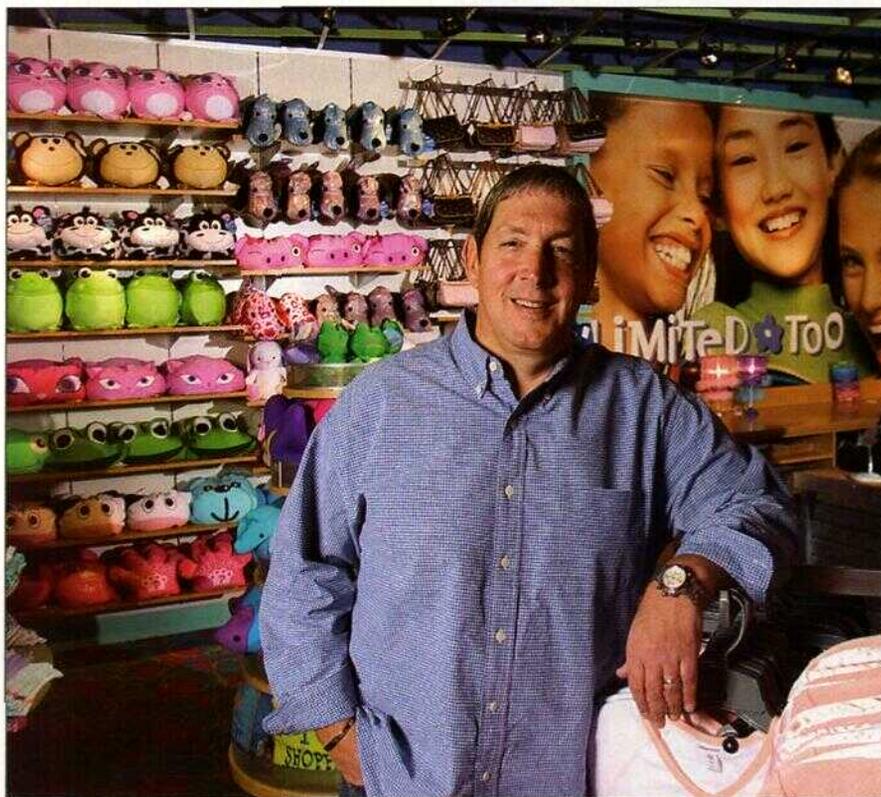


Limited Too's comeback

The girl-power retailer has rebounded **after** its mishmash mistake.

BY SUSAN K.
WITTSTOCK



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Two giggling girls pose in a photo booth in the store while a friend twists the handle on a nearby gumball machine, smiling as her hand catches the candy. Another dozen or so girls and their mothers are scattered about, sifting through piles of pink sweaters and pastel blouses, picking out stuffed animals or CDs or bedspreads, and selecting just the right shade of lip gloss. Smiling young associates offer assistance as sugar-coated pop music pulses in the air. There isn't a boy in sight.

Welcome to girl-power tweenland, otherwise known as Limited Too. If you're a girl between the ages of 7 and 14, chances are it's a familiar place.

It's a landscape Michael Rayden knows well. As the head of Limited Too since 1996, Rayden has steered the New Albany business from its days as a subsidiary of Les Wexner's retail empire to an independent public company, Too Inc., which has achieved widespread growth with 575 stores in 46 states while overshadowed by such Columbus clothing giants as Abercrombie & Fitch and Express, among others.

Not all has gone smoothly, though. After years of steady growth, Too Inc.'s sales and revenue dipped in 2003 followed by a dramatic drop in its stock price. It became clear that a Limited Too sibling-mishmash,

Low-key and relaxed: Limited Too CEO, president and chairman Michael Rayden,

which was launched in September 2001 to cater to older girls—was dragging the business down.

Realizing he'd let the company drift from its core customer, Rayden oversaw big changes. By the summer of 2004, all 18 mishmash stores and several high-level executives were gone. Rayden also launched a new brand, Justice, a less-expensive version of Limited Too.

The moves apparently are paying off. Holiday sales for Too Inc. showed significant improvement over 2003, and analysts are projecting strong returns for spring apparel. The 35 Justice stores have had solid enough results that an additional 60 stores are scheduled to open nationally in 2005.

Rayden, 56, chooses to foster a relaxed corporate culture. He wears jeans and untucked button-down shirts to the office while sporting a small gold earring in his left ear. He doesn't seek, or want, publicity. "We don't worry about getting press. I'm not very high-profile," says the former CEO of Eddie Bauer, Stride Rite and Pacific Sunwear. "It doesn't mean we aren't majorly involved in the community

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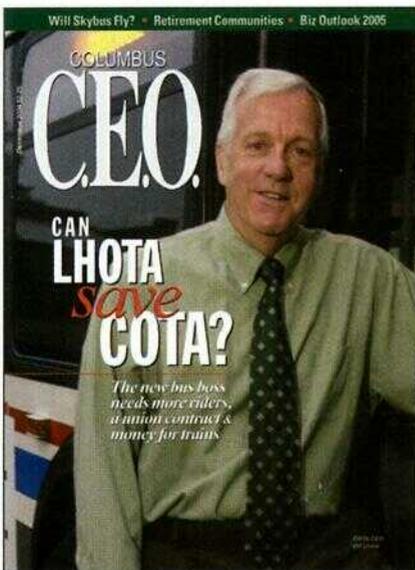
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and with charities—we make large donations to Children's Hospital. I'd say that we are known to the people we need to be known to."

He contrasts Too Inc. with its New Albany neighbor, Abercrombie & Fitch, which courts publicity with racy catalogs and controversial T-shirt slogans. "That wouldn't make sense with our brand," he says. "We are just more low-key."

Low-key attitude doesn't translate into hands-off leadership, according to Robert Atkinson, director of Too Inc.'s investor relations. "Mike really is the brand manager for Limited Too and Justice," Atkinson says. "He can tell the story of the company from A to Z because he's been there."

A recent turning point came last spring after 2003 saw sales fall to \$598.7 million from \$640 million the previous year. Kent Kleeberger, the company's chief financial officer, and James Petty, president and general manager of Limited Too, announced their resignations in May 2004. The following month Lece Lohr resigned as senior vice president and general merchandise manager of sportswear. Rather than directly filling the vacated positions, the company reorganized its executive structure. And Rayden, already CEO and chairman, added the title "president" to his business card.

"I've found it better if I'm closer to the business. The president was somewhat of a barrier," he says. He doesn't blame the difficulties of 2003 on those who left. "I won't attribute it to them," he says, and pauses. "But I don't know if certain individuals hadn't left if the last six months would have been so good."

Analysts say Limited Too's product line was off the mark in 2003. "They made some merchandising missteps," says Howard Tubin, an analyst with Cathay Financial. "The looks of the merchandise maybe got a little too old for the customer. They tried teen clothing, but smaller, and the girls didn't go for it."

Store displays also suffered. "Their assortments were cluttered. The layout in the store and the presentation was poor," says Daryl Boehringer of FTN Midwest Securities. "They've changed that now. They have shifted their apparel and accessories and they've gotten more focused in terms of color."

As for mishmash's part in creating a troubled bottom line, Rayden isn't shy about saying it was a mistake. "I think we got off form as a company," he says. "We've always been good, since day one, in the tween business. We started that trend back in 1987. With mishmash, we started to expand the company to a bit older age group and tried competing in a saturated market. I think we moved away from our core customer and got distracted.

We weren't focusing on what we do best."

It took a lot of guts to admit they'd made a mistake, says board member Nancy Kramer, founder and CEO of the marketing firm Resource Interactive. "A lot of times, people don't have the ability to say something is not working, and they keep pouring money into it," she says. "Mike made the decision to put it behind us, and I think that is admirable."

"This is an ever changing business. It's taken a lot of time and money to get ourselves back on track, but we're having an excellent year," says Rayden, referring to 2004. In January, the company reported that it expected a 3 to 4 percent increase in fourth-quarter same-store sales over the previous year. And the stock price of \$26 in early 2005 was up from the paltry \$14 mark of last July.

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Limited Too began in 1987 as the brainchild of Les Wexner, the founder and CEO of The Limited (now called Limited Brands). The concept, which originally included baby clothing, started for the most part inside Limited Stores, the company's flagship that sold women's sportswear.

By the early 1990s, it had found its footing as a separate tween-only chain. Then in 1999, Wexner decided to set Limited Too free as an independent company. Shareholders in The Limited were given one share of stock in Too Inc. for every seven shares of stock they had in The Limited. Letting go of a profitable company fits a Wexner pattern that has included, for instance, the spinoff of Abercrombie & Fitch and the sale of Lane Bryant.

"The way Les looks at this is he wants to spin off successful business," Rayden says. "The Limited seems to be moving away from apparel and their brand didn't include the tween market. If Limited Too couldn't add value to them, there was no reason for us to not be independent."

No affiliation remains between the two companies, although for a few years Too Inc. maintained contracts with its former parent for tech support services and warehouse and office space. In 2002, Too Inc.

began operating its own Licking County distribution center, employing 100, and moved into a new 150,000-square-foot headquarters, where 400 Limited Too and Justice staff members are housed near the St. Rt. 161 bypass in New Albany.

A few other companies have attempted to cater to **tweens**, but none have come close to approaching Limited Too's success. "There is no one else of our **size** or stature. Anyone who has tried has found it's more difficult than they thought," Rayden says. "Other stores, like Kohl's, Old Navy or Target, carry clothing for tweens, but the product line is only **one** of many."

A store that carries everything a girl could want is a big draw, says the analyst **Tubin**. "Unlike at larger department stores, where items for this age group may be scattered throughout, a girl can find the **full** complement of lifestyle products inside of a Justice or Limited Too. It's a smaller, more intimate, more fun setting," he says.

Board member Kramer is the mother of two tween girls. She says she has been impressed with Limited Too's ability to anticipate the wants and needs of that age group. "I think that the understanding of what makes that customer tick is something they take seriously, and they play an important part in young girls' personal development," she says. "As a mother and a female business owner, I find that very compelling."

Kramer credits **Rayden**. "Mike is very creative and very much involved. I think in a lot of ways Limited Too is Mike's baby," she says. "I think you'll find most successful retailers are **successful** because of who is running the company. He has a tremendous amount of firsthand experience on what makes a retail outfit click."

Looking ahead, **Rayden** hopes to keep the company on an upward **track**. He thinks opportunities for expansion are almost boundless. "We know the customer is universal, even beyond the U.S.," he says.

How universal?

"We've licensed the brand in the Middle East-Turkey, Kuwait, United Arab Emirates, **Qatar**," he says, "The stores are exactly what you see **here**. Our exact products."

Too Inc.'s answer to its mishmash mistake is Justice (two of them are in Columbus, one at **Easton**, the other near the **Polaris** mall). "Justice stores are located primarily off the mall," Rayden says. "The **prices** are about 25 percent lower than at Limited Too and the stores are a bit more basic and casual than **Limited Too**."

Justice and Limited Too customers are similar. "I think we may pull some cus-

tomers away from Limited Too, but, regardless, many are being pulled off the mall stores. Moms are shopping away from the mall and are heading to Target or Old Navy," Rayden says. "We thought, 'Let's keep them within the same company.'"

Moving away from the mall is a good way to find new clientele, analysts say. "It's a really smart move because it's enabling them to cater to a larger portion of the demographic than they **already** cater to," says **Tubin**. "Justice caters to the same age as Limited Too, but the higher prices at Limited Too prevent some shoppers from shopping there."

Separate design teams create clothes for the chains, but both stores carry short **skirts** and hooded sweat suits, as well as dresses decorated with bows and T-shirts with such sayings as, "I didn't ask to be a princess, but if the crown fits."

"We're trying to take into consideration that they are sensitive about how their bodies are changing. Our girls are not yet interested in their male counterparts. We don't provide clothes to attract the other **sex**," Rayden says. "It's more about having fun and feeling good about themselves, fitting in. It's really a wonderful customer. The kids are not jaded. They're still kids: in moms' and dads' eyes and our eyes."

Patty Kahan of **Bexley** enjoys shopping at Limited Too with her **10-year-old** daughter, **Maria**. "I'm not real big on the teen styles, but she likes soccer and they have T-shirts with soccer stuff, and she and her **friends** love hanging out," Kahan says. **Maria** is a big fan. "I like that there's all kinds of different **things**—lipstick and **ChapStick**," she says, "and I like the bracelets with charms."

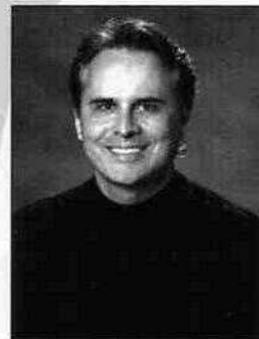
Back-to-school sales for 2004 were helped by the company's first Limited Too commercial, which aired on Nickelodeon, Discovery Channel and ABC Family. "We had very good sales and we attribute a portion of that to TV," Rayden says. "We plan to run more commercials this spring."

The company also promotes Limited Too through a **website** and publishes a catalog with a circulation of eight million. "Our catalogs make us the **largest** publisher for tween girls," Rayden says. "There are no publications that can reach this age as specifically as we can."

Too Inc. relies on research and focus groups to stay **current** on tween trends, but Rayden also is the father of a 12-year-old girl. "She is named **Justice**," he says, and smiles. "Having a kid personally, it makes it easier. She likes to give me her opinion on what's working, and more often, what's wrong." •

Susan K. Wittstock is a freelance writer.

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