

In Focus: Leadership



Five Below's Michael Romanko.

RETAIL

Five Below's Recipe For Disruption: Fast, Fun Product

- Michael Romanko explains how the extreme-value, trend-right company has grown into a billion-dollar enterprise.

BY ARTHUR ZACZKIEWICZ

As part of an ongoing series of interviews between industry leaders and founder of global executive search and consulting firm The Brownstone Group Tim Boerkoel, Michael Romanko is in the hot seat to share his insights into the business of retail merchandising.

Romanko, executive vice president of merchandising at Five Below Inc., joined the billion-dollar retailer in 2015. Previously, he was at Patriarch Partners and was responsible for merchandise-line building as well as product sourcing and design for about 75 businesses.

Tim Boerkoel: As you look back over your career, why did you choose merchandising?

Michael Romanko: I call myself a retail geek. I'm someone who just loves retail as a whole, and I realized that early in my career. I was classically trained at Macy's and spent over 10 years there. It's where I really learned how to be a merchant; to have product that, really, you would recognize the intrinsic value in. And I remember saying to myself that part of our job is not only to find product to put on a shelf, but to also find product that leaves the shelf. I've always lived by that merchandising rule because it's about making sure you understand the customer's perspective and understand what's

going on in his or her mind.

Macy's also gave me the foundation to be versatile as a merchant. When I left Macy's in 1994, I decided that if I was going to spend a lot of time in this industry that I should broaden my experience. So, I went to work for a catalogue company and I spent five years learning and driving retail in a new way; I embraced data analytics as part of picking product. The nature of catalogue – printing product on a piece of paper months before it is seen by the customer – really revealed how important it was to be analytical, and overall as competent as possible in making those decisions. After all, we didn't have the luxury of going down to the floor and putting up a 20% off sign if there was a price change or a trend evaporated! Being confident, strategic and in tune were essential.

During this time, the industry was evolving and the Internet came along. I went to work for Toys 'R' Us and initially thought, 'How am I going to be doing this?' I am a merchant and I wanted to touch the product, so for three years I drove product development and sourcing which really added to my retailing knowledge. I was able to travel the globe, identify new categories and product assortments, and develop exclusive merchandise and novel packaging.

I next went to Linens 'n Things, followed by Fortunoff and Lenox before ultimately coming to Five Below. All of these experiences provided me with additional classical merchant training, with an unusual understanding of all the Five Below departments, which has really worked well here.

T.B.: Was there any particular experience and/or person or mentor

that prepared you for working at Five Below?

M.R.: It's not as much about one person as it is about realizing that it's OK to experience challenges. It goes back to my diverse experience, and eventually learning that it was okay to take risks and to take on challenges, leave your comfort zone and explore different aspects of retail.

I curated a career with a purpose and a deliberate direction, and I was rewarded with the experiences that gave me the confidence to turn challenges into opportunities, and to ultimately become proud of my team and me as great merchants.

T.B.: Five Below is a rapidly growing company, opening approximately 100 stores this year in addition to refreshing a few existing stores. Why did you join Five Below and how has it changed since you arrived?

M.R.: Five Below is a very unique retailer and I saw the special opportunity that exists here, both for the company overall and for me to apply all my knowledge and experiences. The company is one of the fastest-growing and profitable retailers around. Five Below is a "yes" brand where shoppers can walk in with five dollars and walk out with one or several items – for example, their favorite candy and some fun socks, or a board game, headphones or cool yoga pants. They can pick up a phone case or soccer ball or some delicious color of nail polish... all while listening to cool music and having a good time. Where else can you do that?

I want to continue to evolve the foundation of what Five Below's founders gave us, which is to curate an amazing array

of trend-right products at unbelievable value of five dollars and less, and make it a totally fun experience. In our store, it's OK to bounce a basketball down the aisle. It's OK to say 'yes' and to have fun. No one does what we do in an 8,000-square-foot box. Five Below has a unique combination of value and a differentiated, fun shopping experience that our customers love.

We are going to keep growing by ensuring that we continue to stay relevant, and deliver great product and value. The team is comprised of very good product editors, and we consistently curate an unrivaled assortment of fresh, new products for our shoppers that makes them say "wow" – and come back.

T.B.: You previously shared with me the RIDE approach, which stands for relevance, innovation, disruption and execution. How did this mantra come to be?

M.R.: It's a Michael-ism. We live by RIDE because the retail environment is constantly changing, and my team knows how critical it is to stay relevant, not just in terms of selecting the right product, but also working with the right vendors and factories. We can't sit here and do things the same way we have always done them. Innovation is paramount. That includes, for instance, offering cases for the newest phone when that phone launches. Doing so at Five Below quality and pricing requires innovation, which includes proper and hyper-efficient execution. This approach is disruptive in that our results have competitors saying, "How do they do it?" and customers new and old returning again and again.

T.B.: How do you approach such wide assortments and varied product categories while adjusting to trends?

M.R.: We have eight worlds that allow us flexibility. Those eight worlds allow us to make sure that we can play in whatever item or trend presents itself.

We do not create the trends, we follow them, but we have to be quick at identifying, following and executing them. And you know it works when there are retailers out there selling trend-right products for 50 bucks wondering how we can do it for five. When the impostor becomes so much stronger than the original, that's rock star status, and that's what we do so darn well at Five Below.

T.B.: How would you describe your leadership style and approach? How do you motivate and inspire this fast-moving, hard-working team?

M.R.: My goal is to help the team understand that it is OK to take risks, which is to also help them understand what is needed out there, and how to have a singular voice in delivering on that discovery.

By no means is this the Michael show, though, for all I do is help to lead and guide a team of amazing merchants. Am I sitting in my office making buying decisions? Absolutely not. I am a high-energy passionate person and I like to be close to my teams. I am out on the floor, talking to my teams, encouraging them to take make educated decisions and to take risks. I must ensure effective dialogue around what we need to do, and encourage everyone to listen to each other and most importantly, the consumer. And because speed is so important in our model, we cannot have multiple layers of arduous decision-making. To maintain relevance, we need smart, competent risk-takers empowered to do big, interesting things. That's part of what lets Five Below stand out.