

Manners maketh the magnate

Vin Lee, Chairman and CEO of luxury brand conglomerate Grand Metropolitan, talks business and Brexit with Gina Baksa

BUSINESS

A LONG-TIME Los Angeles resident, Vin Lee became a self-made millionaire at the age of 19, thanks to his patent for illuminated marquees which have gradually developed into the ubiquitous illuminated billboards we see across the world.

Excited by his cash windfall, he went to a local jeweller to purchase a new Rolex. But he ended up buying the company instead. From small beginnings, he expanded that local jewellery store into an international business empire and went on to invest successfully in furniture, fashion, cosmetics and tobacco.

Today, thanks to his legendary business acumen, the Grand Metropolitan group controls more than 100 brand subsidiaries worth about \$7 billion. I ask him what led him to such success, and what his vision is for the company.

“Grand Metropolitan, compared to other luxury conglomerates such as LVMH, Kering, and Richemont, is still relatively young in its development,” he says.

“Although they also got their start

in the late 1980s, we had much more modest beginnings.

“Grand Metropolitan has always capitalised on the over-reaching of American corporate managers who have borrowed their way to expansion of their brands.

“I’ve built the company by reverse engineering the great empires of other men and emulating their efforts.

“As a young man, I studied French financier Henry Racamier as he built a two-store Louis Vuitton and eventually merged it with Moët-Hennessey into the world’s largest luxury goods dynasty LVMH Moët Hennessey Louis Vuitton SE.

“Another French financier, Christian Dior Chairman Bernard Arnault, created a \$1.5 billion holding company with Guinness and took control

of LVMH. These corporate machinations served as a blueprint for what we could achieve.

“My ambitions for Grand Metropolitan are to continue our leadership position in our respective industries in North America and expand upon that to strategic markets.”

I ask him whether Brexit (Britain’s

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decision to leave the European Union) will affect the worldwide luxury market.

“Grand Metropolitan, while predominantly operating in North America, is affected by economic factors in the UK and around the world, like Brexit.

“We’re now such a global economy, it’s almost impossible to avoid being touched by such events. In this instance, while public markets were initially battered, commodities such as gold and platinum have been flooded with international monies.

“We’ve seen a significant surge in gold prices since the beginning of the year including a 22% jump on June 24 in Sterling as the value of the Pound fell.

“The benefit to our jewellery division in 2016 is a pricing advantage of almost 50% over our British-based jewellery competitors. That gives us a substantial edge in negotiations.

“As one of the largest privately-held jewellery companies in North America, it’s been a boon for us watching the value of our precious metal inventories climbing after a disappointing last few years.

“Given the influence of the new economy, with more than 40% of purchases conducted online and increasingly more so over mobile, we have an opportunity to reach a more global clientele who may be thrashing around looking for stability.

“The pricing difference in commodities alone allows us to provide a higher level of engagement and service while still maintaining a profitable price advantage.

“The Dow tumbled 3% as a result of the vote to leave the EU but, like the FTSE 100, has bounced back.

“Privately-held entities, such as Grand Metropolitan and its brand portfolio, are relatively untainted. We carry no debt service and don’t answer to the public markets for our performances.

“This also becomes a situation where very talented people consider a shift in employment as their stock options lose value, creating potential for Grand Metropolitan to improve operations, product offerings and customer satisfaction.

“These types of global events create amazing opportunities within the art markets. As a collector, when the public markets sink, people rush for liquidity. Many of the leading collectors in the art world are part of the financial world.”

What trends is he seeing in the global luxury market, I wonder.

“Our markets have been strictly North America for the last two decades but in recent years we’ve been working on expanding our presence internationally.

“Many of the market leaders watch the fluctuations in the Asian markets, as they’re the second largest consumers of luxury goods behind the United States. □

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One particularly notable trend in our jewellery division, Finlay Enterprises, is an almost 50% market share of the halo setting for diamond engagement rings.

"In our seasonal offerings, precious and semi-precious stones have enjoyed significantly higher turnover than the softening diamond market. As a result we stock almost 100,000 carats of loose gemstones to meet the demand.

"And in home furnishings, much of the furniture is now being constructed of brushed, matte or blackened metals. Gone are the high polish or chrome accents."

He draws on his cigar as I raise the subject of LinkedIn – a social network in which he's one of the top 100 influencers.

Microsoft recently announced it would pay \$26.2 billion for LinkedIn's contacts, so I wonder what impact it might have.

"The Bohle Company, my PR agency, was the first firm Bill Gates and Steve Ballmer hired to represent Microsoft when they were launching DOS. And when Microsoft launched Xbox, we were right there to support them.

"Bill and Steve have entrusted Microsoft to Satya Nadella, the way Steve Jobs placed confidence in Tim Cook. This is his first big move leading the company, and it's brilliant. I only wish we'd been in a position to do this deal.

"LinkedIn is the equivalent of the business telephone. It's how we communicate with our vendors, partners, and customers.

"Facebook is great for consumer interaction, but Grand Metropolitan has put 100 times more energy into LinkedIn, often posting 100 to 200 pieces of content per day.

"Even though we're a privately-held company, we have a public responsibility to participate in our chosen industries as leaders. We use our position in social media to inform and educate our audience as to trends and events in the marketplace.

"My favourite aspect of social media venues such as LinkedIn is displaying our products. I enjoy the conversations about fine art through our Gallery Rodeo and Rodeo Collection.

"High-profile works of art help to draw a spotlight on Heilig-Meyers Furniture. In similar fashion, our couture diamond and gemstone jewellery creates conversation and engagement with our retail jewellery network."

But what about China? Is the retail boom there over? And which luxury brands will survive the fallout?

"Every market segment is cyclical, dictated and directed by economic factors," he says. "We experienced exponential growth during the last downturn, primarily due to the aforementioned discipline. The brands that focus on their financial metrics, avoid debt and

concentrate on customer engagement will endure and prosper in the second half of this decade of change.

"I think Millennials have a different relationship with luxury or aspirational goods than their predecessors. The social consciousness of a brand and its representative company has more impact on buying behaviours than ever before.

"While we have no established footprint in the Asian markets, we watch the movement of our competitors very carefully.

"Regarding the luxury retail environment, China has experienced exponential growth as more and more brands gain access.



in the next decade to realise the same prosperity that China has enjoyed in recent years. And Grand Metropolitan hopes to be a part of that celebration."

Hopping continents, I ask Mr Lee why Italy is the leading luxury goods country in terms of the number of companies.

"I think the competition is very close between France and Italy," he says, puffing on that cigar. "Of course, in the world of luxury automobiles, Italy is the clear leader with Ferrari, Lamborghini, Maserati and Pirelli.

"Armani, Prada, Gucci, Dolce & Gabbana, Bulgari, and Versace lead the consumer luxury goods space.

"The rich histories of France and Italy play a significant role in their strong dominance in the world of luxury. The legacy of their badges on perfume, jewellery, handbags and clothing represents quality and integrity that the world has known for generations.

"I find it fascinating that North America is the largest luxury goods market, yet we have a nascent representation of our own offerings. Grand Metropolitan strives to address this very issue.

"Our portfolio brands anchored by the relaunching of Bonwit Teller & Co include Heilig-Meyers Furniture, Finlay Enterprises (finejewellers), and IMASCO (tobacco and spirits). Each entity's roots go back more than a century."

Mr Lee clearly knows a thing or two about being an inspiring and effective CEO, so I ask him what qualities that requires.

"A fascinating question!" he smiles. "One of my favourite quotes is 'Manners maketh Man' from William Horman. I believe integrity is the most important quality a person can have, whether you are CEO or not.

"The jewellery business is very capital-intensive and most people don't realise it's built primarily on integrity.

"One must be able to fund or finance millions of dollars in a showroom just to make a single \$10,000 transaction.

"The reputation of your company and therefore yourself is what helps you establish those resources.

"The Beverly Hills Cigar Club opened up a great many doors, allowing us access to not only the Hollywood elite, but also the wider fashion and luxury industries.

"The world today is so very well connected and transparent. Your reputation can either lead you into a room or escort you out of one. It's entirely up to you to always be polite and respectful to everyone, both personally and professionally."

Our conversation turns to wealth. Mr Lee's own, to be specific.

"I'm not wealthy in any way like my contemporaries," he says. "My net worth is completely vested in Grand Metro- ☐



politan, a privately-held company. I don't believe in putting money in other people's companies.

"LVMH, Kering, and Richemont are all publicly-held entities. They have a certain liquidity in their holdings as well as access to capital from the public markets as a result.

"Admittedly, throughout my twenties and thirties I was dogged in my pursuit to make it on to the Forbes List.

"When I was first introduced to the 400, it took less than \$300 million to qualify. I needed that big bright solid gold carrot dangling in front of me to keep me motivated and disciplined.

"Many people are very quick to elevate their standard of living in tandem with their income. Wealth can be tremendously seductive and therefore a double-edged sword.

"The more one achieves, the higher the price-tag of houses and cars and jets. Being wealthy is very expensive!"

I ask Mr Lee what he finds the most challenging about his work.

"A great deal of my responsibility

is planning for our future," he says. "I had no idea how long it would take for us to assemble our portfolio brands and integrate.

"My journey would have been a lot easier if I'd had \$3 billion back in 1992. It would have saved a lot of years and a lot of heartache.

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"It's been an arduous process with my involvement in just the last three decades. Grand Metropolitan didn't materialise overnight or organically increase exponentially in a short period of time.

"Some of our legacy brands have built their image and reputation one

customer, one dollar, one footprint at a time. That history is important, especially in this age of information."

As Mr Lee draws upon his cigar yet again, I decide to ask him about them.

"The Beverly Hills Cigar Club occupies a unique position in both the tobacco industry and the social community of Los Angeles, as well as worldwide," he says. "It participates in charity auctions, celebrity events and red carpet functions including the Cannes Film Festival, the Oscars, the Grammys, the Emmys, and the Independent Spirit Awards.

"Internationally, the Club has worked with the G20 Economic Summit, the World Economic Forum at Davos and the Milken Institute Global Conference in Beverly Hills. Our Grand Met brands have hosted and sponsored events with NASCAR, Formula 1, the Concours d'Elegance, the Sturgis Motorcycle Rally, and Bike Week in Daytona Beach."

Noting that he attended the Chopard event hosted by Jay Leno, who demonstrated his voice-activated Tesla, I won-

der what he thinks of electric vehicles.

"Elon Musk (the founder of Tesla) has been a neighbour of mine in Bel Air for many years. His ambitions differ significantly from mine.

"I know that the Google guys and the Uber guys all want to eliminate driving. I understand the metrics of this utopia they're reaching for, like the efforts of Jeff Bezos, Elon Musk, and Richard Branson with their space investments.

"But I love driving. I use to track-race vintage sports cars, and I'd miss the throaty growl of the engine and the power that comes from being behind the wheel of a 600hp machine screaming at 150mph."

What advice would Mr Lee give to his 20-year-old-self, I ask.

"I've been very blessed throughout my life to have experienced some amazing things and met the most inspirational people. But I'm still on a course charted many years ago.

"The truth is, you can only eat one meal at a time, drive one car at a time, and sleep in one bed at a time.

"Everything else that we are becomes a compilation of our experiences and the people we share them with. Surround yourself with the best possible people.

"If I were allowed to dream out loud beyond what I have, I do wish I had that time machine to take me back to 1985.

"Most of what I wish for is to correct some of the mistakes I made in the past. My professional life notwithstanding, I wish I could have taken better care of my personal life and those I had around me.

"People got hurt while I was distracted with Grand Metropolitan and what I thought I had to compromise."

How did he cope with becoming a millionaire at such a young age?

"Firstly," he confides, "there are two distinctive ways to measure net worth. One is having cash in the bank. Which is

often hardly the case. Most billionaires do not have their 10-figure net worth in liquid assets.

"The other method is owning assets, whether they're commodities, contracts, real estate, or shares in an enterprise.

"As a young man I'd been granted patents that had value. But it took many years for them to throw off any significant cash flow.

"I grew up counting my pennies and I still do that today. Take care of the business and it will take care of you.

"I invested in my first jewellery company with initial proceeds from a \$50 million, three-year contract I'd just

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signed. That was long before I bought a Ferrari or a Rolex. My first jewellery transaction was for \$18.6 million in cut and polished gemstones when I was 22, but I lived in the same modest suburban home for years afterwards.

"I remember reading that Elon Musk was so heavily invested in Tesla he had to borrow money for rent on his Bel Air home. The real challenge I found at such a young age was staying the course of my goals and ambitions. If all you strive for is money to buy houses, cars, watches, and travel, you won't have that money for very long. For me, money is just a tool for achieving my vision for Grand Metropolitan."

What keeps Mr Lee awake at night?

"The future. As I work towards my professional goals, I worry about how it affects my personal life. But many people struggle with the balance in their lives in all aspects: family, friends, work, and leisure.

"The most important aspect of life is the people we share ourselves with. It supersedes money or wealth.

"Much of my life is about Grand Metropolitan. I don't know many business leaders who are able to isolate their personal life from their profession.

"It's a double-edged sword. I'm fortunate that much of what I enjoy privately are also business enterprises we operate. That's purely by design."

Asked who he regarded as his best teacher, Mr Lee thinks for a moment, then answers: "I haven't had a mentor or patron in the traditional sense.

"My father could be considered the closest example of both. He taught me the value of integrity and instructed me in the ways of conducting myself professionally.

"The process must start out very young with learning how to address someone properly and look them in the eye when you shake their hand. Give respect to everyone if you expect it in return.

"My mother also provided me with much of who I am today – sensibilities not as transparent or evident, but just as valuable.

"In the beginning, I stood on the shoulders of both my parents, their hard work and their dedication, to become what I have.

"Even spending an hour in the company of great men over a cigar can be a life-changing experience.

"The figures I'm drawn to the most are the ones who created great corporations out of legendary luxury brands – a task I've assumed for myself with Grand Metropolitan. ▣





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“Industry leaders like Bernard Arnault of LVMH, Johann Rupert of Richemont, and François Pinault of Kering have assembled many of the finest aspirational brands in the world in the span of my career, inspiring me to do the same.

“My professional roots are in diamonds and fine jewellery. Some yearly influencers were Harry Winston, Laurence Graff, and Harry Oppenheimer.

“I’ve never been motivated by money. It’s purely a tool required to create the life you dream of.

“I studied fine art from a very young age. For a time I even had an aptitude for art. I still enjoy the creative process, whether it’s in designing jewellery or the creativity surrounding a deal to grow Grand Metropolitan.”

Mr Lee talks candidly when asked about things that didn’t go as planned.

“I’ve made mistakes like anyone else,” he says, “and I’ve certainly failed in my efforts along the way. I had a modest amount of success in the early years of my business career, but my personal life took a hit.

“When I turned my attention to relationships in my romantic life, I lost sight of my focus and goals. That cost me a decade of my life as I had to navigate through a difficult time.

“I relocated across the country, settling in South Florida. I had a new house on the golf course and a garage filled with exotic cars.

“After a failed attempt to acquire Samuels Jewellers, the seventh largest in North America with 114 locations, I became free of the responsibility to succeed at those elevated levels.

“I remember sitting on a secluded beach on Siesta Key at dawn, breathing a sigh of relief that my two-year battle to save the bankrupting jewellery company was over.

“I had failed, but in that failure I was reborn. I wanted to be in another business segment. I liked the masculinity of the cigar business in contrast to the femininity of the diamond business.

“Out of that pivot grew IMASCO, The Beverly Hills Cigar Club and the LOUIXS cigar.

“Once you embrace the fact that you can always give up at any time, it helps you to overcome your fear. In the end, no-one is really watching anyway.

“My own challenges have been carrying the burdens I’ve placed upon myself. I’ve struggled for years about my own decisions.

“Once you forgive yourself, you regain your conviction and can get back to the task of living life again.”

If he had a chance to rewind and have another go at his life, what would he change?

“I would put the focus on family and

loved ones. The people you can trust the most are the ones who are not impressed with what you’ve accomplished.

“They still hold you to the same level of expectation and etiquette as they did before. Hopefully, you don’t let them down and still show them the respect they deserve.

“It is hard to hold on to those people who ground you if you’re floating away all of the time. The trusted ones support you simply because of who you are and don’t allow you to get lost in all of the trappings that success can sometimes provide.

“If you can find someone content to watch an ocean sunset with you on a park bench, the rest of life is easy.”

Mr Lee confesses to three passions – the Gallery Rodeo, The Beverly Hills Cigar Club, and Beverly Hills Sports Car.

“Even though they’re all structured as commercial interests, they were born

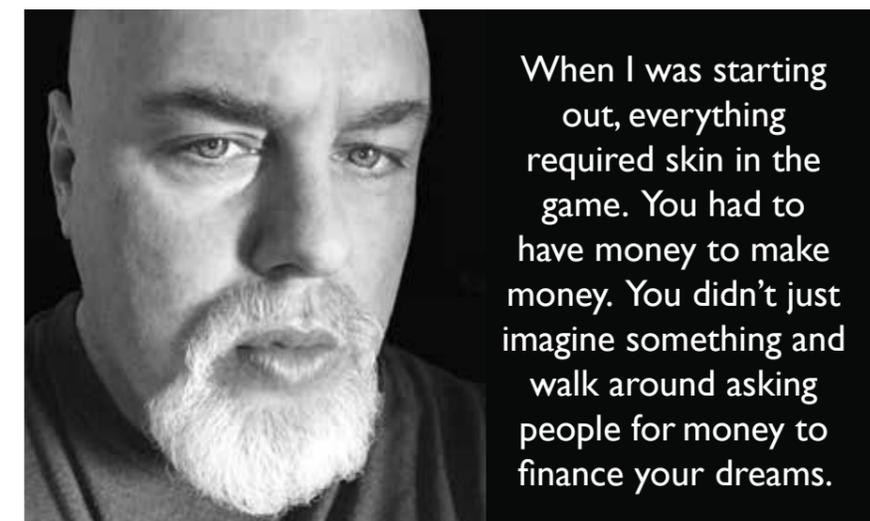
“His use of water and light is still hauntingly beautiful. Imagine, this artist would stand on the shores for hours, creating the stormy epic images in his head.

“A significant influence in my life was A Alfred Taubman, (Sotheby’s owner and Chairman). I first met him in 1992 when we were discussing expansion of our retail investments to Taubman Malls. My first offices were down the street from Park West Gallery, and my first piece was purchased from them.

“Our Beverly Hills’ Gallery Rodeo is composed of the Rodeo Collection. We have art acquired through Park West Gallery in the collection.

“These are works I’ve admired and collected over the years including some by Picasso, Renoir and Dali. My two most coveted pieces are an early casting by Auguste Rodin and a sketch by Gustav Klimt, both acquired privately.”

What advice, I wonder, would he give to first-time entrepreneurs?



When I was starting out, everything required skin in the game. You had to have money to make money. You didn’t just imagine something and walk around asking people for money to finance your dreams.

out of my own personal passion,” he says. “As a young man, I was an avid sports car enthusiast. DuPont Registry was a constant on my nightstand.

“For a short time I track-raced vintage Porsches and Ferraris. But after an unrelated accident where I shattered the front end of a Ferrari 512 TR in front of a large audience of wine spectators, I thought perhaps I should pursue a safer and tamer hobby!”

So fine art it is, then.

“I’m fortunate to be surrounded by beauty in so many forms. I was blessed with an interest in the arts at a very young age and was encouraged by my parents.

“My earliest memory pertaining to fine art was the night my brother was born. I was left to stay with friends of the family and, at almost five years old, I was put to sleep in an old four-poster bed. Above my head, hanging over the headboard, was a copy of Turner’s 1796 oil painting, Fishermen At Sea.

“Today’s entrepreneurs are significantly different to those I followed in the beginning of my career, and much younger than before,” he says. “Their examples are strewn across the front pages of magazines, newspapers and flung across the Internet.

“They’ve grown up in an era where an idea can be pitched in a hoodie and give rise to billion-dollar venture-backed enterprises.

“When I was starting out, everything required skin in the game. You had to have money to make money. You didn’t just imagine something then walk around and ask people for money to finance your dreams.

“Everyone speaks of being the next Steve Jobs. I’m grateful no-one has ever considered that of me.

“I wouldn’t want to attempt to follow his shadow in any manner. I want to be known for what I did and who I was.”

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