

GABOR SHOES AND FASHIONS
A COMPANY PROFILE

Report written on behalf of the

EUROPEAN TRADE UNION COMMITTEE:
TEXTILES, CLOTHING AND LEATHER

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INTRODUCTION

In 1993 Gabor Shoes and Fashions further expanded its position as a leading manufacturer of ladies' shoes. In Germany the company got the position of undisputed market-leader in the manufacture of women's shoes with a market share of 15 % in its price range ¹.

Due to increased competition from the Far East average prices for women's leather shoes continue to fall. They were down 3 % comparing the first half of 1994 and 1993. In response to this development Gabor introduced new products and changed its pricing policy. By so doing Gabor was able to better their market position which resulted in a rise of volume sales and a rise in turnover in the first half of 1994.

Notwithstanding the fact that the company was able to recover from the disappointing results in 1991 and 1992, over the past three years Gabor lost 350 customers (shoe retailers) through acquisitions or closures. The company is introducing new strategies to compensate for the loss in sales this represents. Greater flexibility and just-in-time production methods are aimed at adapting production to peak sales periods.

The Gabor Group is worldwide active in six countries. Headquarters are in Rosenheim (Germany).

Production is concentrated in Europe. Gabor owns five manufacturing locations. Gabor employs 2.725 employees at its main plant in Rosenheim and at its production sites in Austria and Portugal ².

In order to reduce production costs and better its market position in 1991 and 1992 Gabor closed down some of its production plants in Austria and Germany. A lot of workers got unemployed. Production was transferred to Portugal, where production costs are lower.

In the 1994 financial year, Gabor has been able to raise its sales to 5.6 million pairs of shoes, despite the weak market development. Because of a shift in demand to cheaper shoes, average prices fell by 3 %. Turnover was only slightly higher than the 1993 financial year. Turnover in the European market rose to DM 352 million. Group turnover in 1994 was DM 373,5 million.

The domestic market is very important for the company growth: in 1994 Germany accounted for 70 % of European turnover.

Sales in the USA in 1994 were of minor importance for the company growth (DM 21 million) but are expected to rise in 1995.

¹ Süddeutsche Zeitung 15 September 1993
(c) Reuters limited 1980-1995

² Gabor Statistics 31-12-1993.

HISTORY AND STRUCTURE

B & J Gabor was established in 1949 and started as a family enterprise. In 1990 the company changed its legal form into that of a limited company: Gabor Ltd. December 1994 the company announced to become an Aktiengesellschaft or AG (company limited by shares). The company changed its name into Gabor Shoes AG. Although formally Gabor Shoes is no more a family enterprise the Gabor family is still well represented in management board and owns the share capital.

Management structure

The company's share capital of around DM 18,5 million is held by current shareholder-manager Joachim Gabor as well as by his nephews Axel and Martin Gabor.

The management board comprises the following general managers and directors:

- * Joachim Gabor: General Manager
- * Manfred Graf: General Manager Planning and Coördination
- * Dieter Heide: General Manager Marketing and Sales
- * Franz Panhofer: General Manager Technology
- * Klaus Piazzolo: General Manager Finance
- * Andreas Bobbert: Purchasing Director
- * J. Erling: Advertising Manager
- * M. Roskopf
- * F. Heinzl

The supervisory board doesn't contain any family members and is directed by the Munich lawyer Dr Stiefenhofer.

Subsidiaries

The Gabor Group has subsidiary companies in Austria (Spittal/Drau and Villach) and Portugal, both production sites. Also **Prague Shoes**, a shoe retail chain in the USA is a Gabor subsidiary company. Furthermore Gabor has a subsidiary in Switzerland (for more information: list of adresses p.)

Associated Companies

Gabor is partner in three German shoe manufacturing companies, seated in Offenbach, Hamburg and Munich (for more information: list of adresses p.)

Acquisitions

November 1994 Gabor Shoes acquired another shoe retail chain in the USA: **Hofheimer's** (Chesapeake, Virginia). Together with the current sales in the Prague Group turnover at the other side of the Atlantic ocean is expected to be DM 75 million in 1995, an estimated growth rate of 300 % comparing to 1993.

Disposals and Closures

In order to reduce production costs during the past four years Gabor relocated production from countries with high production costs like Austria and Germany to countries with lower production costs like Portugal. This immediately caused unemployment among the Austrian and German workers.

31 December 1991 Gabor closed down its production plant in **Bramstedt** (Germany).

180 Employees were effected by this step ³. July 1992 Gabor announced that it was to close its plant at **Deutschlandsberg** in the Austrian province of Styria (Steiermark) at the end of the year which involved a loss of 174 jobs ⁴.

Over the past three years Gabor has lost 350 of its customers (shoe retailers) through acquisitions or closures ⁵.

ACTIVITIES

Key activity of Gabor Shoes and Fashion is the production of shoes out of leather and textile. The company mainly operates in the following sectors of the shoe market: fashionable ladies' shoes, boots and fashionable leisure shoes.

Other activities of the Gabor Group are the production of gloves and bags.

The sales activities of Gabor involve operating at the import and export market in Europe and overseas.

In the USA Gabor is represented by **Gabor International Inc.**, responsible for supplying the two Gabor subsidiary companies Prague Shoes and the recently acquired Hofheimer's shoe retail chain.

Gabor is also active in Iran (**Gabor Iran Shoe Co.**) and Switzerland (**Gabor Vertriebs GmbH** and **Gaby Shoe AG**). No information is available about the activities in these two countries.

Production

Production plants are situated in Germany (Rosenheim), Austria (Spittal/Drau and Villach) and Portugal (Silveiros).

Before closing down the production plant in Deutschlandberg in the Austrian province of Styria (1992) 3 million pairs of the that time annual production of 5,1 million pairs were produced in Austria ⁶. Two plants in Austria remained. Despite reducing production locations employment in this country has risen from 1250 (1992) to 1381 (1993). This leads to the conclusion that the Austrian plants are still responsible for the huge part of the total annual production.

In Gemany production is concentrated in Rosenheim. In 1991 the total workforce in this production plant was 500 employees. 1993 Figures show a decline: 379 employees. The production site in Barmstedt was closed at the end of 1991. Production was transferred to Portugal in January 1992.

In Portugal production is concentrated in two plants.

³. Süddeutsche Zeitung, 25 October 1991.

⁴. Die Press, 1 July 1992.

⁵. Handelsblatt, 23 September 1994.

⁶. Die Press, 1 July 1992.

Sales

After declining sales in 1991 and 1992, sales rose in 1993 and 1994 to an absolute figure of 5,6 million pairs of shoes. Nevertheless Gabor didn't exceed the peak sales records of 1989 and 1990, which amounted to 5,7 million pairs of shoes.

Table 1. Key activities of Gabor in absolute figures

sales in million pairs of shoes

1989	1990	1991	1993	1994
5,7	5,7	5,1	5,3	5,6

In 1989, its 40th anniversary, the women's shoe manufacturer B and J Gabor reported record growth in both sales and turnover. Sales volume increased by 8,7 % to 5,656 pairs of shoes, an increase of 1,2 million pairs of shoes over the last two years. Gabor got the 89th position at the press list top 100 companies by turnover ⁷. Growth was particularly strong on the domestic market. The export ratio fell slightly from 38,4 % to 38 %.

Sales expanded in all areas of business. The young fashion division with the trademarks **Gabor International**, **Gabor Young Fashion** and **Gabor**, which accounted for 70 % of sales, increased sales by 5,4 %. The comfort shoe market with trademark **Lady Gabor** accounts for 27 % of sales and achieved a growth of 13,4 %. The leisure shoe brand **Holly Jollys**, which was during that time in the early stages of development, increased sales by 62,1 %.

Due to the increase in demand, Gabor plants in (West)Germany, Austria and Portugal worked at full capacity. Shift work also had to be introduced. The number of employees increased by 124 to 3,006 ⁸.

In 1990 some 5,7 million pairs of shoes were sold. Turnover rose 3,2 %. The export ratio was 35 %.

Most of the sales were accounted for by the shoe brand **Gabor**, a fashionable shoe. Also **Lady Gabor**, a comfortable shoe, managed to expand. **Holly Jolly**, another brand, increased sales to 5 % of total turnover ⁹.

Sales were down to 5,1 million pairs in 1991. Foreign sales contributed 39 % ¹⁰.

In 1993 sales rose by 8,6 % to 5,3 million pairs of shoes ¹¹.

⁷. Handelsblatt, 2 April 1991.

⁸. Handelsblatt, 16 March 1990.

⁹. Handelsblatt, 2 April 1991.

¹⁰. Süddeutsche Zeitung, 21 September 1992.

¹¹. Handelsblatt, 23 September 1994.

In the first half of 1994 Gabor recorded an 11 % rise in volume sales. This was substantially better than the market average. Seen from the whole 1994 financial year, Gabor has been able to rise its sales by 5,2 % to 5.6 million pairs of shoes.

During the spring/summer season 1995 domestic orders have risen by 7 % and foreign orders by 3 % ¹². Sales are expected to rise to 5,9 million pairs of shoes ¹³.

Investments

In 1989 money was invested in the modernisation of plants and the rationalisation of operations. According to 1990 reports the company planned to introduce computer controlled production which will further reduce production time ¹⁴.

In addition to its standard annual investment of around DM 10 million, Gabor in 1990 planned to invest DM 20 million in a new plant in Portugal and a further DM 10 million in the development of new technology ¹⁵. In 1991 the new Portuguese plant was actually built, which accounted for the bulk of the 1990 DM 20 million investment volume ¹⁶.

To fight increased competition from the Far East in 1993 Gabor planned a strict monitoring of costs and quality which relied on a DM 10 million investment programme ¹⁷.

December 1994 Gabor announced plans to build a plant in Slovakia for the production of bootlegs. Around 250 employees will produce 3,000 boot legs a day, thus reducing the company's dependence on East Asian suppliers ¹⁸. Production will start at the end of 1995 ¹⁹.

Gabor in 1995 invested DM 7,5 million in new technology and communication systems in order to reduce production time and improve supplying methods.

Marketing policy

The marketing policy of Gabor is directed to finding new consumer markets and launching new products at the cheaper end of the market.

For a German company like Gabor the reünion of the two Germanies opened new perspectives. Eastern German shoe manufacturers saw their purchasers being reduced by Western German salesmen to buy shoes according to the latest fashion instead of out of date East German models. In 1990 Gabor took advantage of the eagerness of East German shoe retailers to sell products from 'the west' ²⁰. Also other Eastern

¹². Handelsblatt, 21 december 1994.

¹³. Der Schuhmarkt no. 38 1995.

¹⁴. Handelsblatt, 16 March 1990.

¹⁵. Handelsblatt, 21 September 1990.

¹⁶. Frankfurter Allgemeine Zeitung, 3 April 1991.

¹⁷. Süddeutsche Zeitung, 15 September 1993.

¹⁸. Handelsblatt, 21 December 1994.

¹⁹. Der Schuhmarkt, no. 38 1995.

²⁰. Financial Times, 14 July 1990.

European countries were in 1990 regarded as a potentially good sales market for the future ²¹. There are no reports at hand to give information about whether these expectations have become true.

In 1991 Gabor launched its new 'Fareen' range of ladies' shoes in a move to establish itself at the cheaper end of the market, which till then had been the domain of foreign manufacturers ²².

In the first half of 1994 average prices of women shoes continued to fall. They were down 3 % comparing the first half of 1994 and 1993. Gabor responded with new products and a new pricing policy. In september 1994 Gabor announced to launch the **Gaborella** range in the coming season, a product in the lower price bracket ²³.

In 1994 Gabor also decided to expand its sales in the USA by acquisition of another shoe retail chain.

FINANCIAL POSITION

It took Gabor three years to be able to exceed the turnover rate of the financial year 1990. After declining sales in 1991 and 1992 the company had a turnover of DM 370 million in 1993, which only grew slightly in 1994. In 1995 the company is expected to gain a turnover rate of more than DM 400 million. The company strategy to expand its position overseas is the main reason for this expectation. Sales in the US are estimated to rise threefold and will contribute to total turnover by DM 75 million.

table 2. **Gabors five years statistics**

	1990	1991	1992	1993	1994
turnover Gabor Group:					
million DM:	DM 365	DM 347	DM 339	DM 370	DM373,5
billion Austrian s.			AS 2,4	AS 2,6	
Europe:			DM 314	DM 345	DM 352
Germany			DM 213	DM 239	DM 246
outside Germany			DM 101	DM 106	DM 106
USA				DM 25	DM 21

²¹. Handelsblatt, 16 March 1990.

²². Frankfurter Allgemeine Zeitung, 3 April 1991.

²³. Handelsblatt, 23 september 1994.

After declining sales in 1991 (sales: 5,1 million pairs of shoes; turnover DM 347 million) Gabors turnover and sales rose in the first six months of 1992. Growth was mainly seen on the domestic (German) market ²⁴.

On the whole 1992 financial year turnover was even lower than in 1991: DM 339 million. Turnover in Europe was 314 DM. This figure mainly represented sales in Germany: DM 213 million (the rest of Europe: DM 101) ²⁵.

In 1993 Gabor recovered from the former decline and further expanded its position as a leading manufacturer of ladies' shoes. In Germany the company got the position of undisputed marketleader in the manufacture of women's shoes with a market share of 15 % in its price range ²⁶.

In 1993 worldwide turnover increased by 9,2 % to DM 370 million. As in 1992 most earnings were due to sales in the domestic market. Turnover in Germany amounted to DM 239 million (a growth rate of 12,5 %). Business in the rest of Europe (outside Germany) grew by 4 % to DM 106 million. Altogether turnover in Europe rose to DM 345 million (+ 9,7 %). The US market continued to be of minor importance: turnover in the USA was almost unchanged at the equivalent of DM 25 million ²⁷.

Gabor recorded an 11 % rise in volume sales and a 7 % rise in turnover in the first half of 1994. This was substantially better than the market average. Seen from the whole 1994 financial year turnover was only slightly higher than in 1993 because of lower average prices. Group turnover, including US retail chain Prague's was DM 373,5 million. Turnover in Europe rose to DM 352 million. Germany accounted for 70 % of European turnover in 1994 ²⁸. Contribution to turnover from the US retail chain fell to DM 21 million.

In 1995 European turnover is expected to rise to around DM 370 million. Due to acquisition of another shoe retail chain in the USA - Hofheimer's - turnover in this region is expected to be DM 75 million next year. This means group turnover will exceed DM 400 million for the first time in 1995 ²⁹.

²⁴ Süddeutsche Zeitung, 21 september 1992.

²⁵ Handelsblatt 22 March 1994
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²⁶ Süddeutsche Zeitung 15 September 1993
(c) Reuters limited 1980-1995

²⁷ Handelsblatt, 22 March 1994.

²⁸. Handelsblatt, 16 March 1995.

²⁹. Handelsblatt, 21 December 1994.

EMPLOYMENT AND SOCIAL POLICY

According to Gabor's registration figures the Gabor Group at the end of 1993 employed a number of 2,725 in Europe. An amount of 1,344 employees are working in the European Community. In two EU member states Gabor employs more than 150 workers.

Recent employment figures could only be found in unofficial reports and were estimated at a number of 2750 at the end of 1994³⁰ and 2766 in August 1995. The source of the 1995 figure mentions a decline of employment in Germany to 284 production workers in the Rosenheim plant, 1316 in the two Austrian plants and an increase of employment in Portugal up to 1175³¹.

Comparing employment figures of 1990 and 1993 employment in Germany was reduced to less than 50 %. In 1990 840 employees were working in German production plants; in 1993 the number was reduced to 376 employees. Comparing the figures of 1992 and 1993 employment increased with 125 employees. This rise was a result of employment growth in Austria and Portugal. Employment in Germany was less than in 1992 (table 3.)

Table 3. Distribution of employees of Gabor

	1990	1991	1992	1993	1994	1995
country:						
Germany		840	450	376		284
Austria/			1250	1381		1316
Portugal		2260	900	968		1175
Total	2950	3100	2600	2725	2750	2766

Flexibilisation

Despite a continuous growth in sales records over the last two years the company didn't meet the same production level of 1989 or 1990. To compensate for the loss in sales caused by the loss of 350 customers (shoe retailers) over the past three years the company is introducing new strategies. Greater flexibility and just-in-time methods are aimed at adapting production to the peak sales periods³².

Due to these flexibilisation policies Gabor employs a lot of part-time employees. Employees with fixed contracts are working under continuous pressure facing the possibility they might lose their jobs either through relocation or flexibilisation policies.

³⁰. Handelsblatt, 21 December 1994.

³¹. Der Schuhmarkt no.38 1995.

³². Handelsblatt, 23 September 1994.

Geographical spread

Although the domestic consumer market is by far the most important for the company growth most Gabor production workers are employed outside Germany. As can be seen from table 3 in 1993 only 376 employees were working in Germany. According to unofficial data the number of employees in Germany decreased even more. Most Gabor production workers are employed in Austria. In Portugal 968 employees are working in Gabor production sites.

Good Gabor?

Publisher Robert-Gabor-Verlag of Gaggenau last year launched a monthly magazine for the unemployed, part-time workers and those fearing the loss of their jobs. The magazine named JOB offers advice on coping with daily problems and money-saving tips, as well as hints on strategies finding work. Is this initiative due to an appeasement³³ policy of Gabor Shoes or just a coincidence?

CONCLUSION

Gabor company growth both in turnover and sales have slightly increased comparing 1993 and 1994 figures. Nevertheless company growth expectation are very optimistic. The company is expected to sell 5,9 million pairs of shoes in 1994. In order to reduce production costs during the past years new plants have been built in Portugal and Slovakia, countries where production costs are lower than in Austria or Germany. Transferring production to these new production sites especially caused a lot employment in Germany. The company also invested in new technology in order to reduce production time. Home market Germany is very import for both sales and turnover. Expectations are high about growth in sales and turnover due to acquisition of another shoe retail chain in the USA.

³³. Frankfurter Allgemeine Zeitung 9 February 1994.

LIST OF ADRESSES

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Subsidiaries:

Gabor Ges. m.b.H. & Co
Villacher Strasse 95
D-9800 Spittal/Drau
tel. 04762-48110
AUSTRIA

Gabor Portugal
Silveiros
PORTUGAL

Gabor Vertriebs GmbH
Baarerstrasse
CH 6300 Zug
SWITZERLAND

Prague Shoes Ltd.
Hartford
Connecticut
USA

Associated companies:

German Shoe Industry Association
Offenbach
GERMANY

Association of Shoe Manufacturers North-Germany
Hamburg
GERMANY

Association of Shoe Manufacturers
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Prague Shoes Ltd.
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