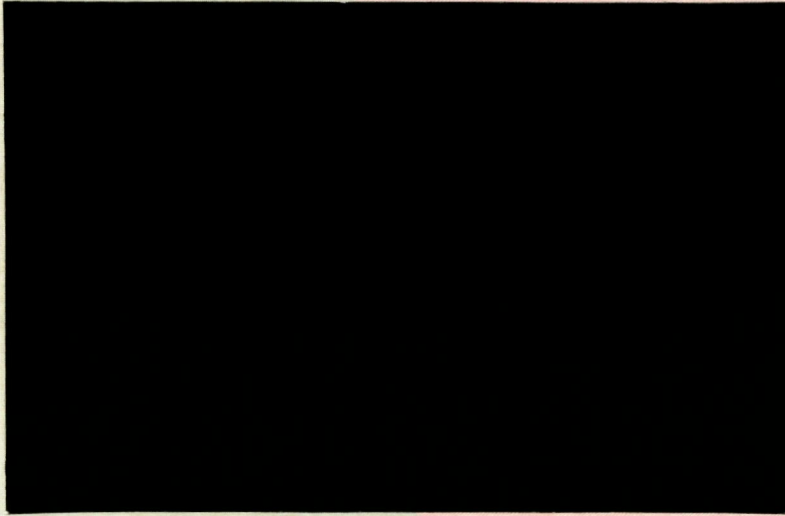


June 1993



Stichting Onderzoek Multinationale Ondernemingen
Centre for Research on Multinational Corporations



KUNERT-HUDSON

A Company Profile

Report for the

EUROPEAN TRADE UNION COMMITTEE:

TEXTILES, CLOTHING AND LEATHER

in Brussels

MARIJKE SMIT

MECHTILD ROSIER

JUNE 1993

SOMO (Centre for Research on Multinational Corporations)

Keizersgracht 132, 1015 CW Amsterdam, The Netherlands

tel. (0)20 - 6 391 291; fax (0)20 - 6 391 321

TABLE OF CONTENTS

	page
1. INTRODUCTION	1
2. HISTORY	1
3. PRODUCTION	2
4. MARKET POSITION	7
5. FINANCIAL SITUATION	11
6. SOCIAL POLICY	15
7. STRATEGIC POLICY AND CONCLUSION	17
Appendix	18
Addresses	19
Sources	24

1. Introduction

Kunert-Hudson is a manufacturer and distributor of textile goods, primarily socks, stockings and tights. Kunert-Hudson is often called the Kunert Group, which is also used in this report. The Kunert Group is the leading European hosiery producer. Its main market is Germany. The four main brand names are KUNERT, HUDSON, BURLINGTON and SILKONA. In 1992 the Kunert Group's turnover is DM 679 million and its net result almost -DM 17 million. At the end of 1992 over 5.300 people are employed by the Kunert Group, of whom almost 3.000 (56 %) in Germany.

Kunert AG in Immenstadt (in the south of Germany) is the parent company of the companies belonging to the Kunert Group. The Julius Kunert Holding KG owns the majority shares of Kunert AG. The Kunert family owns via the above-mentioned holding 52 % of the normal shares and voting rights. The company is listed on the Stock Exchange in Munich.

2. History

On June 4, 1900 Julius Kunert was born in Warnsdorf in Sudetenland (nowadays Varnsdorfi in Czechia). In 1907 his mother and sister started to produce socks and scarfs in a small firm. In June 1924 Julius, his father and brother established the knitwear company Julius Kunert & Söhne. This firm later developed via Kunert-Werke KG and Kunert GmbH into Kunert AG.

Within 14 years the company belonged to the top of the European knitwear companies. After the expropriation and the flight to the West, Julius Kunert started all over again in Blaichach, Germany in 1946. In 1947 the company moved to Immenstadt. His brother Heinrich started a separate Kunert company in Rankweil, Austria (see paragraph 4).

In 1978 Hudson was acquired. This acquisition meant the return of Julius Kunert's company into the list of leading hosiery producers.

Later on other companies, like Arlington (see paragraph 3.1.), were acquired.

In 1988 the company became a public limited company.

On his 90th birthday Julius Kunert donated money to the Julius Kunert Foundation, which for that occasion was renamed into the Gertraud- und Julius-Kunert-Foundation. The Foundation is meant to financially assist talented young people in sports and other fields. It has a capital of DM 1 million.

On February 7, 1993 Julius Kunert, the founder and -via the Julius Kunert Holding KG- majority shareholder of the Kunert AG Group, died.

3. Production

The Kunert Group manufactures and distributes socks, stockings, suspenders and tights. Other products are leggings, biking shirts, T-shirts and pullovers.

The Kunert Group produces some outerwear (less than 4 % of turnover in 1992). Kunert AG is a 100 % producer of fashion products for the legs.

The most important brand names of the Kunert Group are KUNERT, HUDSON, BURLINGTON and SILKONA. Other brands of the Kunert Group are: ARWA, ROYLON, Yves St. Laurent, and SASTRI.

An important element in Kunert's success was the discovery of special yarn technology and superior product quality.¹ In 1992 a marketing research showed that the name recognition of Kunert's yarn CHINCHILLAN is with 62 % the highest in Germany, followed by LYCRA (60 %), HELANCA, and SATIN SHEERS, and TACTEL.

The Kunert Group owns production facilities in the Federated Republic of Germany (including former East Germany), Portugal, Greece, Austria, Hungary, and Morocco. See the list, derived from the annual report of the Kunert Group, 1992:

Production Companies of the Kunert Group

KUNERT-Werke GmbH, Berlin, Germany (due to be closed mid-1993)
KUNERT-Strumpffabrik Sachsen GmbH, Geyer, Germany
KUNERT PORTUGUESA FABRICA TEXTIL LDA, Varziela, Portugal
HUDSON Textilwerke GmbH, Stuttgart, Germany
HUDSON HELLAS A.B.E., Athens, Greece
Arlington Socks GmbH, Schopfheim, Germany
Arlington Magyarorszàgi Kft, Mosonmagyòvár, Hungary
Arlington Austria GmbH, Salzburg, Austria
ROYLON TEXTILFABRIK J.u.G. Kunert Ges.m.b.H, Wolfurt, Austria
TETOUAN MAILLE S.A., Tetouan, Morocco

Besides the companies listed above the Kunert Group owns a production facility in Mindelheim, Germany. See the Appendix for the list of non-production companies.

As 1992 was a difficult year for the Kunert Group (see paragraphs 4 and 5) a lot of changes were introduced by management, especially in production and distribution. The workforce was reduced with 1.000 persons and working short hours for the year was introduced. In 1992 Social Plans came into force for the Kunert plant in Berlin, Hudson in Greece, Arlington Socks in Schopfheim and Roylon Textilfabrik J.u.G. Kunert in Austria.

1: Investext, 21 September 1992.

The reorganisation process also involved the relocation and combination of production. Kunert transferred some production phases from Mindelheim in Germany to Portugal and Morocco. Hudson transferred some production stages from Hof/Stuttgart (Germany) to Athens (Greece). And Arlington relocated knitwear production from Schopfheim (Germany) and Salzburg (Austria) to Mosonmagyóvár (Hungary) and concentrated the remaining knitting units from Schopfheim and Salzburg in Salzburg.

In 1992 the Kunert Group developed industrial robots and automated machines for the production of the final product, modelling and packaging. This led to cost reductions in both Athens and Immenstadt. This new technology also led to the loss of 300 jobs.

3.1. Production in Germany

The Kunert Group owns a number of production facilities in its home country. Some production facilities were established by the Kunert Group, while other facilities were acquired.

In May 1990 a big fire destroyed 437 modern circular knitting machines and a lot of commodities in **Immenstadt**. The factory building was severely damaged. The total damage was over DM 30 million. The sudden backfall in production could be matched by producing more in other plants of the Kunert Group and by buying from third parties.

Moreover production was continued in part of the plant building after 5 days.

In the Summer of 1990 a huge distribution centre in Immenstadt was opened. Furthermore, headquarters of the Kunert AG and the Kunert Group are located in Immenstadt.

Because of the lower volume of orders the management of the Kunert Group decided to introduce working short hours in January 1992, which lasted until December of the year. Especially the production and distribution departments were hit. In Immenstadt 235 employees of the total workforce of 1.200 (20 %) were working short hours.

In **Mindelheim** even some 465 employees of the total workforce of 500 (93 %) worked short hours in 1992.

Hudson Textilwerke in **Stuttgart**, established in 1949, was acquired in 1978 by the Kunert Group. In 1991 Hudson employed a total workforce of 1.126 persons in- and outside Germany.

On July 1, 1990 the Kunert Group acquired Arlington Socks GmbH in **Schopfheim**, Germany, from Wickes Companies Inc. in Santa Monica (USA). Arlington's brand names are BURLINGTON and SASTRI. Arlington first belonged to Burlington Inc. (USA) and was then sold three times before being acquired by the Kunert Group. The factory in Schopfheim, established in 1968, employed 385 persons in 1992.

Arlington is said to be a successful manufacturer because it has the same production principle as the famous Italian clothing company Benetton.² This would imply that the labour intensive parts of the production process are subcontracted out.

The take-over also brought the most important loss-making company of Arlington, MRH in Niedernhall (tights), in the Kunert Groups' possession. This firm was immediately liquidated.

In 1991 the Kunert Group purchased Saechsische Maschenwerke, a sock knitting workshop in former East Germany, belonging to the ESDA Group, from the Treuhandanstalt. This way the Kunert Group acquired the machine park and part of the premises of the factory in Geyer. Kunert renamed the company into: Kunert Strumpffabrik Sachsen.

Some months before the acquisition already 80 workers of the factory were working on subcontracted work from the Kunert Group. The Kunert Group acquired the plant in order to become less dependant on subcontracting relations. After the acquisition the total labour force was drastically reduced from 500 to 80 employees. At the end of 1991 125 persons were employed. The Kunert Group planned to built up again to 200 workers in the short term.³

A spokesman of the Kunert Group said that wages in the former German Democratic Republic (GDR) are still 60 % of those in the Federated German Republic (FRG), but that these wages are expected to rise to the same levels within 2-3 years. Reinforcing its already strong presence in Europe was a more important reason for buying the plant than the low wages, according to the spokesman. Kunert planned to invest DM 10 million on modernisation of the works in the following two years and DM 20 million over the next five years. After the modernisation the company will produce 28.000 socks and stockings (for men and women) a day. The Geyer plant will become one of the most modern machine equipments of the sector.⁴

The Kunert Group finds it no longer cost-effective to carry out labour-intensive production in Berlin, where it has been producing since 1969, because of the decline in demand from Berlin and because of the cost increase resulting from the expectation that Berlin would develop as the capital city of the unified Germany.

The Berlin-based production of the HUDSON brand of stockings by Hudson Textilwerke has been ended gradually since 1991. In September 1991 the number of employees of the Berlin-based Hudson production unit was reduced from 438 to 195. Hudson Textilwerke diminished its production capacity by half in its Berlin-Spandau factory in the first half of 1992. The closure of the plant in the second half of 1992 affected the 195 employees, of which 30 % German and 70 % Turkish.⁵ The departments were relocated to production units in Germany, Morocco and Portugal.

2.: La Tribune, 30 October 1991.

3: La Tribune, 30 October 1991; Industrie Textile, December 1991.

4: La Tribune, 30 October 1991; Handelsblatt, 31 October 1991; Süddeutsche Zeitung, 5 November 1991; Textil Wirtschaft, 7 November 1991; Industrie Textile, December 1991.

5.: Handelsblatt, 9 June 1992.

Until then Berlin had been the only German Hudson-production location which also had a dye-works and equipment for product development and testing. These facilities were relocated to the Kunert plant in Mindelheim.

The last production unit of Kunert AG in Berlin, where 137 people are employed, will be closed in mid-1993. The production will be relocated to the main centre of the company: Immenstadt.

After the closure of the Berlin-plant the Kunert Group has production facilities in Germany in: Immenstadt, Stuttgart, Schopfheim, Mindelheim and Geyer.

3.2. Production outside Germany

In 1978 the first production facility outside Germany was acquired by the purchase of the Hudson Group: Hudson Hellas in Athens, **Greece**.

Because of the civil war in former Yugoslavia the management of the Kunert Group was afraid transport from the Hudson Hellas plant in Athens might be hampered. However, in 1991 this did not lead to big problems.

In the Greek plant 540 people were employed in 1992. In 1992 a Social Plan was adopted for the reduction of the number of employees at Hudson Hellas with 200 to 255 jobs.

In 1979 the Kunert Group established its second production plant outside Germany in Medjez el-Bab in **Tunesia**. No further information on this Tunesian plant could be found. It is not listed as a separate company in the annual report of the Kunert Group.

In 1982 a third production facility was opened in Tetouan in **Morocco**.

In this Moroccan plant 600-700 persons were employed in 1992.

In 1987 the Kunert Group established a fourth foreign subsidiary company in Vila do Conde in **Portugal**, where production started in 1989. In Portugal 530 persons were employed in 1992.

In 1990 the Kunert Group acquired a production facility in Salzburg, **Austria** via de acquisition of Arlington (see above). In 1992 the Kunert Group continued its efforts of trying to stop the loss situation in Austria by shifting the distribution from Wolfurt (Austria) to Immenstadt in Germany. In Wolfurt the workforce was reduced from 91 to 51 persons.

The plant in Mosonmagyaròvár, **Hungary**, which produces for Arlington, was established in 1990. The plant employed 165 persons in 1991.

In 1991 the Kunert Group was already negotiating for two years a joint-venture in (the nowadays: former) **Soviet Union**. Starting Spring 1991 the Kunert Group together with a Soviet enterprise planned to produce 100 million pairs of HUDSON hosiery a year in a new turnkey factory at Kalinin, USSR. These products were to be sold on the internal market. The know-how and equipment would be supplied by Kunert. Investment would be supplied only by the Soviet partner.⁶ Apparently this joint-venture has not been established, because in later (annual) reports no information on this project is given.

The Kunert Group also subcontracts. In the former plants of Julius Kunert & Söhne -nowadays Elite- in Varnsdorfi (**Czechia**) labour intensive production work for both the KUNERT and HUDSON brand is carried out on machines and with yarn supplied by the Group. The Kunert Group subcontracts to **Slovenia** as well.

6.: Handelsblatt, 1 November 1989.

4. Market position

The market position of the Kunert Group is very strong. Kunert belongs to the top 10 of Germany's biggest textile companies.

In 1990 the Kunert Group was listed as Germany's leading knitted goods producer, followed by Schiesser, Vatter, Triumph and the Fake Group.⁷

In 1991 the Kunert Group was the number 7th on the list of biggest textile companies (according to turnover). See table 1.

Table 1. Turnover of Germany's biggest textile companies, 1991
(in DM million)

Freudenburg:	1.750
Hartmann:	1.200
KBC:	1.117
Schiesser:	941
Wisser:	814
Hof:	784
Kunert:	693
Pfersee*:	664
Deggendorf:	585
Wirth:	549

* Pfersee-Kolbermoor is a subsidiary of Wisser.

Source: Textil Wirtschaft, 19 November 1992.

If one looks at the turnover of **hosiery only**, than Kunert was the second largest producer in the world in 1991. Number one was the well-known food company Sara Lee (Chicago, Illinois) with hosiery turnover of DM 3,4 billion. (See table 2.)

With the acquisition of Arlington (brand name BURLINGTON) Kunert's share in knitted stockings increased to 38 % (1991).

The Kunert Group is the leading European manufacturer of hosiery in general and of socks for men in particular. The Kunert Group is the number one producer of hosiery for specialized retailers, too. KUNERT, HUDSON and the designer brand Yves Saint Laurent are sold to the specialized retailers. The top designs under the Yves Saint Laurent brand are sold for DM 50.

7: Chemiefasern Textilindustrie, September 1991.

The diamond-patterned BURLINGTON socks, Argyle, produced by Arlington, are quite famous. Arlington's main markets are France and Germany. Other important markets are Italy, the United Kingdom and Austria.

SILKONA is the leading brand in supermarkets. The Kunert Group has positioned all its brand names, including SILKONA, more on the base of quality than of price. In Germany the brands KUNERT and HUDSON are the numbers 1 and 2 respectively.

The Kunert Group experienced a positive result from the unification of Germany. The Kunert Group was very satisfied that the "dumping practices" of the former German Democratic Republic ceased. The Group did not hesitate to buy production facilities and to expand its market.

The Kunert Group has sales offices in most European countries. For instance in the Netherlands the sales offices of Kunert and Hudson operate independently on the same market. The Dutch Kunert subsidiary, established in 1990, employs 15 people in sales and distribution. The Hudson establishment, since 1966, in the Netherlands employs 33 men and women in buying, selling and distribution. In France, established in 1970, 41 persons are employed. In Italy and Belgium sales offices are active since respectively 1955 and 1992.⁸

Table 2. Turnover of the world's leading hosiery manufacturers, 1991
(in DM million)

Sara Lee (USA)	3.400
Kunert (Germany)	693
Kayser Roth (USA)	566
Vatter (Germany)	534
Golden Lady (Italy)	490
Ergee (Germany)	453
Hartstone (UK)	444
CSP (Italy)	380

Source: Textil Wirtschaft, 12 November 1992; Kunert Geschäftsbericht 1991.

8.: Kompass; Dun's 10.000, 1991; Hoppenstedt, 1993; Greek Finance Directory, 1992; Information of Dutch chiefs Executive acquired by Mechtild Rosier, SOMO, June 1993.

1991 was a good year for the Kunert Group. The annual report starts with: "Skirts were short and the men wanted fashion products..."

At the end of 1991 the Kunert Group analysed, however, that its turnover was in decline, due to the fact that leggings and untransparent tights have become highly fashionable. Although Hudson became market leader in leggings, the Kunert Group as a whole was negatively affected by these fashion trends. These developments led to working short hour shifts in two plants in Germany (see paragraph 3.1.).

For 40 years the Kunert Groups of Julius Kunert (Kunert AG in Immenstadt, Germany) and his brother Heinrich Kunert (Kunert Gesellschaft in Rankweil, Austria) operated separately. According to the deal on the geographical division of trademark rights on the name KUNERT the Heinrich Kunert Group owned these rights for Austria, the United Kingdom and Scandinavia. At the end of 1991 Rainer Michel, nephew of Julius Kunert and managing director of the Kunert AG, and Eva Sureth, daughter of Heinrich Kunert of the Kunert Gesellschaft, came to a co-operative agreement, due August 1992. Kunert AG acquired the trademark rights on the KUNERT brand from the Kunert Gesellschaft and it bought the -only in Austria positioned- Clivia brand (non-specialized outlets). Kunert AG in Germany took over all marketing and distributive activities for markets in Austria, the UK and Scandinavia. The Kunert Gesellschaft remains the main producer for these markets.⁹

Silkona now distributes the Clivia brand in Austria. Roylon Textilfabrik J.u.G Kunert has been made responsible for the distribution of Yves Saint Laurent and KUNERT hosiery brands. From 1992 onwards the ROYLON and ARWA brands are no longer traded in Austria. These new developments led in 1992 to an (expected) drop in turnover of the Kunert Group in Austria of 25 %.

In the whole of Europe the market showed a decrease in volume, but an increase in prices in 1992. In the unified Germany the total market of socks etc. for men, women and children decreased 3.7 % in volume and increased 1 % in price.

In spite of difficulties the Kunert Group succeeded in maintaining its market share in 1992. The Kunert Group realised a lower total turnover in 1992. According to the company this was due to the recession and the long summer. The Kunert Group did notice an increase in turnover for the highly fashionable non-transparent tights. Total turnover of stockings and tights was, however, most severely hit by the cyclical and seasonal developments: Kunert with -9.7 % and Hudson with -6.7 %.

Turnover in knitwear products showed a positive trend. Knitwear products under the KUNERT brand realised an increase in turnover of 6,1 %. The KUNERT brand (all products) realised an increase in turnover of 1 % on the German market, but had to face -0,8 % abroad.

9: Handelsblatt, 11 December 1991; Süddeutsche Zeitung, 12 December 1991; Textil Wirtschaft, 12 December 1991 and 2 April 1992; Geschäftsbericht, 1991.

Relatively many fashionable tights under the HUDSON brand were sold. Hudson improved its market share. The BURLINGTON brand realised an increase in turnover of almost 12 % on the German market. The SILKONA brand, strong in the higher priced products for the non-specialized outlets, realised an increase of even over 17 % in turnover in Germany. The SILKONA brand was introduced in Austria and the Netherlands in 1992. The total increase in turnover of the SILKONA brand was 24.6 %.

Kunert France succeeded in realising an increase in turnover of 13 % in 1992.

In April 1992 the Kunert Group announced its plans to step up sales through specialist retail outlets in Switzerland.

The Kunert Group is experiencing strong competition on the German and especially European level. The Kunert Group aims to compete through quality on the European level.

1993 started with a further drop in consumer demand.

In April 1992 Francis Reisman, the US sales agent of the Kunert Group, said that Kunert is expanding its business to the US market. 1990 sales were estimated at US\$ 320 million. The Kunert Group markets a men's hosiery line under the KUNERT brand name (wool, cotton, cotton blends, silk and silk blends; solids and fancies). Wholesale price points range from US\$ 3.50 to US\$ 6. The company planned a full rollout of products for fall 1992.¹⁰

The Kunert Group pays attention to environmental issues. For instance by using environmental friendly dyeing pigments (without chromium), cleaning waste water, substituting PVC-based packaging materials by polypropen etc. In 1991 the Kunert Group published the first Eco Balance of an European company with an analysis of the ecological impact of all the elements in its input and output. The Group won several prizes for its attention to ecological aspects of production and marketing.

In 1992 the Kunert Group published its second Eco Balance with data over 1989, 1990 and 1991. In its annual report 1992 the Kunert Group declares also to be charmed by environmental issues, especially in times of recession, because environmentally sound production often leads to cost reductions.

10: Daily News Record, 22 April 1992.

5. Financial Situation

Between 1989 and 1991 turnover of the Kunert Group was on the increase, but in 1992 it dropped. the Kunert Group's turnover was DM 200 million more in 1992 than in 1989. (See table 3)

Domestic turnover was in this period always over 70 %. From 1989 until 1992 domestic turnover was respectively 78 %, 74 %, 75 % and 76 %.

Table 3. Turnover of the Kunert Group, 1989-1992
(in DM million)

	<u>Total</u>	<u>Germany</u>	<u>Abroad</u>
1989:	479	371	108
1990:	571	425	146
1991:	693	519	174
1992:	679	513	166

Sources: Kunert Geschäftsbericht: 1990, 1991, 1992.

Net results of the Kunert Group developed very favourably between 1989 and 1991, respectively DM 8,7 million, DM 18,7 million and DM 22,1 million. In 1992, however, the net result was negative: - DM 16.946.000.

The nominal capital of DM 28 million, which is booked on the balance sheets of both the Kunert Group and Kunert AG, is divided into 400.000 normal shares of DM 50 each (with voting rights) and 160.000 preference shares of DM 50 each (without voting rights). The owners of preference shares enjoy the right of a 2 % higher dividend than the owners of the normal shares. The minimal dividend of the owners of the preference shares is 5 % of DM 50 per share.

In 1990 and 1991 a dividend of DM 9 was payed on each normal share and DM 10 on each preference share. In the loss-making year 1992 the dividend was respectively DM 3 and DM 4.

The Kunert Group invested DM 134 million from 1989 until 1992, an annual average of DM 33,5 million. The Group invested far out the highest amount, DM 110 million (82 %), in its home country. Especially in 1992 total investments and the investments in Germany were very high. (See table 4.) For 1993 investments worth DM 32 million have been planned.

Table 4. Investment of the Kunert AG Group, 1989-1992
(in DM million)

	<u>Total</u>	<u>Germany</u>	<u>Abroad</u>
1989:	35,5	26,9	8,6
1990:	28,5	22,8	5,7
1991:	27,2	23,3	3,9
1992:	42,8	37,3	5,5

Sources: Kunert Geschäftsbericht: 1990, 1991, 1992

In **1990** the Kunert Group realised DM 586 turnover and DM 18.7 million net profit (3.2 % profit/turnover). For the first time the foreign subsidiaries were consolidated.

DM 28,5 million was invested by the Kunert Group in -predominantly- the purchase of modern knitting machines, dyeing machines and software in 1990. DM 22,8 million (80 %) was invested in Germany.

In **1991** the Kunert Group realised turnover of DM 693 million, of which DM 259,8 million in socks for men, women and children and for sport. The net profit was DM 22,1 million, a rise of DM 3,4 million. Net profit/turnover was slightly higher at 3.3 %.

Kunert AG (not the Group) established a rise of turnover from DM 221 million in 1990 to DM 261 million in 1991 (38 % of total). The net profit, however, fell from DM 10,3 million to DM 8,4 million.

Hudson's turnover was DM 264 million (39 %), Arlington's DM 94 million (14 %) and Silkona's DM 61 million (9 %) in 1991.¹¹

Arlington had been making losses for some years. In June 1990 Arlington showed a loss of DM 1 million. Kunert brought diversification to its new subsidiary. In 1991 Arlington realised 55 % of its turnover by selling the diamond-patterned BURLINGTON socks against 80 % in the 1980s. 10 % of Arlington's turnover was realised by new designs in socks and by producing other products, like T-shirts, pullovers and tights. In 1991 Arlington realised a profit, of DM 2 million, again. Arlington realised 35 % of its turnover in France and 32 % in Germany.¹²

In **1992** the Kunert Group realised with DM 679 million a lower turnover than in 1991. In its annual report over 1991 management had already euphemistically forecasted for 1992 that a further rise in turnover was not to be expected.

11: Textil Wirtschaft, 12 March 1992 and 2 July 1992.

12: La Tribune, 30 October 1990.

The attribution of the companies in the total turnover was: Kunert AG with DM 247 million (36 %), Hudson with DM 258 million (38 %), Arlington (14 %) and Silkona (11 %). If one looks at the percentages Kunert AG's contribution in total turnover is in decline (38 % in 1991 and 36 % in 1992) and Silkona's contribution has increased (9 % to 11 %).

In 1992 the highest investment level in the history of the Kunert Group was reached with almost DM 43 million. DM 17,6 million was invested in modernizing the machinery at both Kunert and Hudson. DM 9,7 million was invested in air-conditioning, renovation and new machinery in the the Kunert-Strumpffabrik Sachsen in Geyer. DM 7,7 million was invested in the construction of Hudson's and Silkona's distribution centre in Horb.

The distribution centre in Horb and the planned expansion of the distribution centre in Immenstadt will lead to the return of part of the activities abroad to the home country of the Kunert Group. Cost reduction is expected.

At the end of 1992 the Kunert Group started to palletize Mindelheim. Mindelheim, established in 1969/70, is planned to play a crucial role in supplying the factories in- and outside Germany.

In 1992 the Kunert Group made a lot of costs by closing down factories and by relocating production. DM 17,4 million was reserved for Social Plans and DM 10 million for relocation. The Social Plan for Berlin costed DM 10 million, for Hudson Hellas (Greece) DM 3,8 million, for Arlington Socks in Schopfheim (Germany) DM 1,1 million and for Roylon Textilfabrik J.u.g Kunert (Austria) DM 1,1 million, too. The remaining costs from adjusting the factory building after the fire in Immenstadt were DM 1,5 million. The operating result was negatively influenced by higher operating costs, resulting from expanding SILKONA's activities (Green Points).

These high costs and the negative operating results have led to a loss of DM 16,9 million. In its annual report on 1991 management had still forecasted a "satisfying result" for 1992. In spite of the loss the shareholders received a dividend.

For 1992 management wanted to reduce the stock costs for a value of DM 25 million, especially in pairs of tights that had been replaced by leggings on the market. An even higher reduction (in DM) was achieved.

In 1992 the Group sold a Kunert plant building in Germany and rented it. In 1993 the Group also sold a Hudson factory building and rented it. These operations led to a book profit of respectively DM 11,8 million and over DM 20 million.¹³

13: Handelsblatt, 8 June 1993.

In January 1993 Rainer Michel, chairman of the management board of Kunert AG, said he wants to increase the profit margin by reducing costs, rather than to increase the prices of the products. He was primarily thinking of reducing the number of employees.

According to Rainer Michel the company is undervalued at the Stock Exchange. Michel speaks about the silent reserves like the stability and value of the whole company. He also indicates that Kunert's services in the field of environmental protection (see paragraph 4) are very valuable to a potential investor.¹⁴

The Kunert Group does not want to predict its turnover for 1993, because 1993 started with a further drop in consumer demand to the lowest level in 10 years time.

14: Wall Street Transcript Digest, 18 January 1993.

6. Social Policy

From 1989 until 1991 the average number of employees of the Kunert Group increased with almost 1.000 persons. In 1992, however, the workforce was reduced. See table 4.

There is, of course, a difference between the average number and the year-end number of employees. To give an example: the average number of employees over 1990 was 5.808, but the year-end number of employees was 5.972. Between 31 December 1991 and 31 December 1992 the (year-end) number of employees was reduced from 6.378 to 5.343, a difference of over 1.000 jobs.

Table 4. Average number of employees of the Kunert Group, 1989-1991

1989:	5.116
1990:	5.808
1991:	6.126
1992:	5.814

Source: Kunert Geschäftsbericht: 1990, 1991, 1992.

In its annual report over 1991 the management of the Kunert Group expresses itself in a very negative way about the collective bargaining agreement in Germany that year: "The dreadful results of collective bargaining 1991 proved to be job-killers." While 44 % of the personnel is employed outside Germany, wages in Germany constitute 80 % of the total wage costs. Management of the Kunert Group decided to try and lower the personnel costs by continuing the shift of production towards North Africa and by subcontracting out more to Varnsdorfi.

The Kunert Group states that one of the old problems of the production of socks is that the capital intensive knitting process is followed by almost only labour intensive production phases.¹⁵

The Kunert Group develops modern automated machines in order to replace people by those machines and thereby cutting costs. Christian Wucherer, Kunert's spokesman, said early 1993: "To be more competitive in the future you have to have more and more of the modern technology and less and less human capital."¹⁶ Kunert has raised some of the money for capital investment by shutting down two small plants in Berlin.

15: Geschäftsbericht der Kunert AG, 1992.

16: Daily News Record, 25 February 1993.

Rainer Michel, chairman of the management board, is -at the beginning of 1993-even more outspoken about his plans to reduce the number of employees. He says that his main target is to have the same capacity of production with 15 percent less personnel.¹⁷ This would mean the loss of over 800 jobs.

17: Wall Street Transcript Digest, 18 January 1993.

7. Strategic Policy and Conclusion

The Kunert Group is one of the leading manufacturers and distributors of especially socks, stockings and tights in the world. Only Sara Lee (USA) realises a (much) higher turnover. After years of continuous growth in turnover and net profit 1992 was a very difficult year. In 1992 turnover decreased, a loss of over DM 16 million had to be taken and 1.000 jobs were cut, while dividend was still payed.

Knitwear production in Europe is on the way down while knitwear consumption remains steady. The difference is made by both offshore manufacturing and by cheap imports from the Far East. Even production in traditional lower-wage European countries (Greece, Portugal) has become too expensive, according to many manufacturers. The choice is between looking to countries like Russia (although one is still cautiously waiting for the new investment rules), Hungary, Morocco and even South Africa, or upgrading the own factories with more automated machinery. In Germany the production of knit fabric decreased by 18,9 % in 1992 (compared to 1991). Production of knit stockings, one of the mainstays of the knitting industry, dropped even by 30 %. Kunert has decided on the one hand to keep its existing production facilities for small orders of specialized products (and to invest in high technology there) and on the other hand to produce mass products elsewhere. Kunert invested 41 million German marks in Leonati 400 circular knitting machines, renovations and new buildings. Christian Wucherer, Kunert's spokesman, explains that the new machinery allows the company to individualize and make up many samples. He says: "You can wish your customer Merry Christmas with his name on the socks, if you wish."¹⁸ Wucherer adds that computerization is increasingly important to the company. Kunert's chairman, Rainer Michel, says -early 1993- that he is having "tempered optimism" about Kunert's future prospects. He sees potential in France, Scandinavia en Austria.¹⁹

The Kunert Group will probably take further cost reducing measures, especially cuts in labour costs. This might lead to a further loss of jobs (over 800). Besides working short hours is an option. Reduction of labour costs -and accordingly loss of jobs- can be achieved by more automation on the one hand and by relocation of production and subcontracting out to low(er) waged countries on the other hand. Relocation to own factories in Hungary and North Africa and subcontracting out to Czechia, Slovenia and North Africa is very feasible.

For the employees of the Kunert Group, working in the different production outlets in Germany, Greece, Portugal, Austria, Hungary and Morocco, exchange of information at this moment in time seems to be very crucial indeed.

18: Daily News Record, 25 February 1993.

19: Wall Street Transcript Digest, 18 January 1993.

APPENDIX

List of non-production companies of the Kunert Group

KUNERT Wohnungsbau GmbH, Immenstadt, Germany
KUNERT Belgium S.A., Brussels, Belgium
KUNERT Nederland BV, Duiven, the Netherlands
KUNERT France S.A.R.L., Molsheim, France
HUDSON Textiel BV, Roosendaal, the Netherlands
Arlington Holding GmbH, Schopfheim, Germany
Arlington Verwaltungs-GmbH, Schopfheim, Germany
Arlington France S.A.R.L., Mulhouse, France
Arlington Italia S.R.L., Milan, Italy
Arlington Socks UK Ltd, London, United Kingdom
Arlington AG, Basel, Switzerland
TETOUAN FINANCIERE S.A., Tetouan, Morocco
ARWA Calze S.R.L., Milan, Italy
ROYLON Textil AG, Basel, Switzerland

Source: Geschäftsbericht der Kunert AG, 1992.

ADDRESSES OF THE KUNERT GROUP

Kunert AG (PARENT COMPANY)

D-8970 Immenstadt
Julius-Kunert-Str. 49-57
Postfach 13 63
Germany

Tel: 08323 1 20
telex: 05445000000
fax: 12389 TX 54450

chief executive: Rainer Michel

Kunert Werke GmbH

Mirastr. 62-80
1000 Berlin-27
Germany

tel.: (030) 4323091
fax: 4326027

chief executive: Rainer Michel

Kunert-Strumpffabrik Sachsen GmbH

Bingeweg
Geyer
Germany 9307

tel.: 037346343

chief executive: Rainer Michel

Kunert-Nederland B.V.

Nieuwgraaf 31
Postbus 127
6920 AC Duiven
Netherlands

tel.: 08303-13298

dir.: B. Lange

Kunert Belgium SA

Boulevard Leopold III 4
Brussel
België 1040

chief executive: Ulrich Meincke

Kunert Portuguesa-Fabrica Textil Lda.

Lugar Varziela
Vila do conde
Portugal 4480

tel.: 52641172

telex: 29519

chief executive: Ulrich Meincke

Hudson Textilwerke GmbH

D-Stuttgart 80
Am Wallgraben 142
Germany

tel.: (0711) 7815-0

fax: (0711) 7815-323, 7815-419, 7815-467

telex: 7255535

Dir.: Rainer Michel, Hans Dieter Möller, Walter Traub, Dietrich Thurner

Hudson International Vertriebs GmbH

D-7000 Stuttgart 80
Am Wallgraben 142
Germany

tel.: (0711) 7815-0
fax: (0711) 7815-323, 7815-419, 7815-467
telex:7255535

Dir.: Hans-Dieter Möller; Hans Auch; ? Kirschner.

Hudson Hellas A.B.E.

2 Chryssalidos
143 43 Nea Halkidona
Athens
Greece

tel.: 01/2515456-7
fax: 01/2528306
telex:214281 HUHE GR

dir.: Ch. Redlich

Hudson Textiel B.V.

Postbus 194
4700 AD, Roosendaal

Nucleonweg 5
4706 PZ, Roosendaal

tel.: (01650) 37940
fax: (01650) 57445

Dir.: P.C.I. Daniëls

Arlington Socks GmbH

D-7860 Schopfheim

Fabrikstrasse 1

Postfach 12 50

Germany

tel.: (07622) 6 99-0

telex:773230

fax: (07622) 6 12 53

Dir.: Klaus Eberhardt

Max Zellhuber

Arlington France S.A.R.L.

4 rue de la montagne

Mulhouse

France 68100

tel.: 89457843

chief executive: Gidon Hochdorf

Arlington Magyarországi Kft

9200 Mosonmagyóvár

Gyári u. 22.

Hungary

tel.: (98) 16754

fax: (98) 16100

Dir.: Bäumgertner; Günger.

ARWA Calze S.r.l.

20139 Milano (MI)

Corso Lodi 83

Italy

tel.:02/5692841 (31.)

fax: 02/55210741

Dir.: Adele Zavanella

Roylon-Textilfabrik J.u.G. Kunert Ges. m.b.H.

AT-6922 Wolfurt

Achstrase 42

Austria

tel.: 05574-31433

Tétouan Maille S.A.

Route de Martil-quartier industriel

boite postale 6009

Tétouan

Morocco

tel.: (09) 971488, 974011, 974021

fax: (09) 971560

telex:43009

dir.: Petra Dobruschka; Mohamed Edouasse

MAIN SOURCES OF INFORMATION

Annual Reports:

- Kunert Geschäftsbericht, 1990;
- Kunert Geschäftsbericht, 1991;
- Geschäftsbericht der Kunert AG, 1992;

Company information:

- Hudson, Ecobericht 1992;
- Fitness Für 1993, Rainer Michel, July 1992;
- Konzernlagebericht und Lagebericht 1991, der Kunert AG, Immenstadt;

Newspaper clippings; magazine articles etcetera:

Daily News Record; Industrie Textile; Wall Street Transcript Digest; Textil Wirtschaft; Investext; Süddeutsche Zeitung; La Tribune; Chemiefasern Textilindustrie; Frankfurter Allgemeine; Handelsblatt; Business Eastern Europe; Wall Street Journal; Die Welt; Börsen Zeitung; Bundesanzeiger; and others.

Reference-Books:

Who owns Whom, 1992; Wer gehört zu Wem, 1991; Dun & Bradstreet, 1993; Hoppenstedt; Kompass; Dun's 10.000, 1991; Greek Financial Directory, 1992, and others.

ADRESSES KUNERT AG

Kunert AG

D-8970 Immenstadt *in Allgäu*
Julius-Kunert-Str. 49-57
Postfach 13 63
Germany

Tel: 08323 1 20

fax: 12389 TX 54450

Kunert AG

Mirastr. 62
1000 Berlin-27
Germany

tel.: (030) 4323091

fax: 4326027

Kunert AG

Randstr. 54
2000 Hamburg-54
Germany

tel.: (040) 5407429

?? (Josef) Kunert Bauunternehmung GmbH

Neustadtscontrescarpe 138
2800 Bremen-1
Germany

tel.: (0421) 503231

Arlington AG

Switzerland

Arlington France S.A.R.L.

France

Arlington Italia S.r.l.

Italy

Arlington Kft

(Arlington Magyarország Harisnyagyártó Kft.)

9200 Mosonmagyaróvár

Gyári u. 22.

Hungary

tel.: (98) 16754

fax: (98) 16100

Dir.: Bäumgartner; Günger.

===Legal Form: Limited liability company

Formation Date: 1990

Fin year: 1-1 -- 12-31

Postal Chq account: 337-10282

Bankers: Budapest Bank Rt., Győr

Partners: 100%

Plantmanagement: Zombori, György

Business activ.: Knitting Industry

Prod.& distrib.trade-names: BURLINGTON

Authorised cap.: Ft 44 mio

Staff No: 165 (1991)

Turnover: Ft 70 Mio (1991)

Member of assoc.: Hungarian Chamber of Commerce===

Arlington Socks GmbH

D-7860 Schopfheim

Fabrikstrasse 1

Postfach 12 50

Germany

tel.: (07622) 6 99-0

telex:773230

fax: (07622) 6 12 53

Dir.: Klaus Eberhardt
Max Zellhuber

===Bankers: Deutsche Bank, Bezirkssparkasse, Schopfheim
Export-Regions: 1+2 (Kompass)
Formation Date: 1968
Cap.: 2 mio
Turnover: 91 mio
Staff no.: 385===

Arlington Socks (U.K.) Ltd.

United Kingdom

Arlington Textil Ges. m.b.H.

Austria

ARWA Calze S.r.l.

20139 Milano (MI)
Corso Lodi 83
Italy

tel.:02/5692841 (31.)
fax: 02/55210741

Dir.: Adele Zavanella

===Bankers: Bancroma
Formation date: 1955
Cap.: 500.000.000 lire===

Hudson Hellas A.B.E.

2 Chryssalidos
143 43 Nea Halkidona
Greece

tel.: 01/2515456
fax: 01/2528306
telex:214281 HUHE GR

dir.: Ch. Redlich

===Activity: contract makers of women's tights

Trademarks: Hudson

Staff no.: 540 (1992)

Financial Data: (1990), in 000Drs.:

Capital: 5.000

Net worth: 80 534

curr. liab.: 621 428

Long&Med. T.D.: 597 006

Fixed assets: 866 229

Depreciation: 155.500

Curr. Assets: 588 239

Inventories: 88.747

Total Assets: 1.298.968

Turnover: 1.901.493

Gr. Profit: 334.930

Net Income: 192.666===

Hudson Textiel B.V.

Postbus 194
4700 AD, Roosendaal

Nucleonweg 5
4706 PZ, Roosendaal

tel.: (01650) 37940
fax: (01650) 57445

Dir.: P.C.I. Daniëls

===Formation Date: 1966

Cap.: 175.000 HFL.

Bankers: CLBN

Bank. nr.: 23.14.51.911

Postbank: 543500

Staff no.: 33

Export: Belgium, Luxembourg

Import: Germany

Fil. te Brussel, Belgium

Dochter van Hudson Textilwerke GmbH, Stuttgart , Germany.

Mert de vertegenwoordiging in België en Luxemburg erbij werken er ongeveer 33 personen. In België zit 1 vrouw op kantoor en 3 mannen vertegenwoordigen; 1 man vertegenwoordigt in Luxemburg. In Nederland werken 13 vrouwen in magazijn, inkoop, verkoop en secretariaat. Vertegenwoordigers zijn alleen mannen. ("Want ze moeten ook met van die zware koffers sjouwen, en dat is toch mannenwerk..."). Hudson opereert helemaal apart van Kunert.===

Hudson Textilwerke & Co. Lager-u. Handels-GmbH

Germany

Hudson International Vertriebs GmbH

D-7000 Stuttgart 80

Am Wallgraben 142

Germany

tel.: (0711) 7815-0

fax: (0711) 7815-323, 7815-419, 7815-467

telex:7255535

Dir.: Hans-Dieter Möller; Hans Auch; ? Kirschner.

===Export Regions: 1+2+3+4+5+6+7+8

Formation date: 1963

Cap. 400000

Turnover: 53 mio (1991)

Vennoten: Textilia Stiftung, Roylon Textil AG, Gertrud Weisshuhn.

Staff no.: 353===

Hudson Textilwerke GmbH

D-Stuttgart 80

Am Wallgraben 142

Germany

tel.: (0711) 7815-0

fax: (0711) 7815-323, 7815-419, 7815-467

telex: 7255535

Dir.: Rainer Michel, Hans Dieter Möller, Walter Traub, Dietrich Thurner

===export regions: 2

Formation date: 1949

Cap.: 30 mio

Turnover: 311 mio (1991 incl. ausl Tochterges.)

Shareholders: Kunert AG Immenstadt (99,59%), Gertrud Weissshuhn(0,41%)

Staff no.: 1126 (1991, incl. daughters abroad)===

Kunert-France S.A.R.L.

France

Kunert-Nederland B.V.

Nieuwgraaf 31

Duiven

Netherlands

tel.: 08303-13298

dir.: B. Lange

===In 1991 zijn ze geheel zelfstandig geworden , en is de naam veranderd van "Kunert Werke dépôt Nederland", in bovenstaande naam. Het is een rechtstreekse dochter van Kunert A.G.. Er werken 15 mensen, 4 vrouwen op kantoor, drie vrouwen in het magazijn. De overige 8 zijn mannen, waarvan 1 direktielid, 4 vertegenwoordigers en 3 in magazijn. De directeur zal de accountant vragen het jaarverslag naar ons op te sturen.

Zij doen alleen verkoop en magazijn. Ze leveren aan kousenspecialzaken en aan grootwarenhuizen als KBB en V&D; alleen in Nederland. Ze hebben de zelfde produkten als Hudson NL., die ook in België levert. Het produkt: beenbekleding. Geen produktie dus.===

Kunert Portuguesa Lda.

Portugal

Kunert Werke GmbH

1000 Berlin
Germany

Kunert-Wohnungsbau GmbH

Germany

Roylon-Textilfabrik J.u.G. Kunert Ges. m.b.H.

AT-6922 Wolfurt
Achstrase 42
Austria

tel.: 05574-31433

Sastri Ges. m.b.H.

Austria

Sastri Socks GmbH

Germany

Silkona Feinstrumpfwerke GmbH

Germany

TÉMASA, Tétouan Maille S.A.

Route de Martil-quartier industriel
boite postale 6009
Tétouan
Morocco

tel.: (09) 971488, 974011, 974021

SOMO
Paulus Potterstraat 20
1071 DA Amsterdam (Neth.)
Telefoon: 020-737515

