

VF Corporation

Intimate Apparel

Business Group Profile

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Contents

Introduction	1
History	2
Structure & management	3
Production	5
Financial data	8
Employment	10
Addresses	11
Sources	14

Introduction

The principal business of the American company VF Corporation is designing, manufacturing and marketing high quality jeanswear, knitwear, intimate apparel, children's playwear and other apparel. Main customers of the company are department stores, discounts and specialty stores. The company was established as Vanity Fair Mills Inc. in 1889, and headquarters is based in Wyomissing, Pennsylvania. In 1969 the name was changed to: VF Corporation. Today VF Corporation is one of the largest apparel manufacturers in the world. At the end of 1994 the company offered employment to 72,247 persons.

The company is structured in five different business groups. In this company profile we will focus mainly on the intimate apparel business group.

History

Vanity Fair Mills, Inc. was established in 1889, as a manufacturer of ladies underwear. Eighty years later in 1969 the company changed its name into VF Corporation, and took over the jeans manufacturer H.D. Lee Corporation.

In its many years of existence many companies were acquired, and some were sold (again) or discontinued. In 1990 the company ranked 171 on the Fortune's list of the 500 biggest US industrial companies.

Changes in the size of the Intimate Apparel Business Group were amongst others the acquisition of the operating assets of Vassarette (USA) in January 1990 for \$11,500,000, and of Health-Tex and Workwear Occupational Apparel in 1991. In December 1992, for the amount of \$116.3 million, the Spanish Vives Vidal S.A. (Vivesa) was acquired from Mercapital/Suez, together with its French affiliate Jean Bellanger Enterprises (JBE).

In May 1992 Vives Vidal and Bellanger had merged¹. The investor company Suez and Mercapital had bought Vivesa and JBE a few weeks earlier².

In that same year (January 1992) the Valero Group was acquired as well (\$34,000,000) from Damart, and in December 1993 the company acquired the principal operating assets of Central Corsetera S.A., that manufactures and markets Belcor branded intimate apparel in Spain, for \$17.6 million.

So, in 1992 VF entered the intimate apparel market in Europe through the acquisitions of Valero and Vivesa and JBE, for an aggregate purchase price of \$150.9 million. These companies manufacture and market branded intimate apparel primarily in France and Spain.

The acquisitions made VF Corporation the second largest global company in intimate apparel, after Sara Lee (brands: Dim, Playtex).

In October 1994 Vivesa took over 40% of the debt of Central Corsetera³.

In October 1995 Vives Vidal opened a factory in El Vendrell. Furthermore production of the European cutting division was recently (June 1996) relocated to a Vives Vidal factory in Igualada, Barcelona.

¹ Textil-Wirtschaft, 28-5-1992.

² Expansion (Espana), 08-05-1992.

³ Expansion (Espana), 04-10-1994.

Structure & Management

VF Corporation is based in the US, but also has subsidiaries in:

Belgium	France	Madagascar	Spain
Canada	Germany	Malaysia	Sweden
Costa Rica	Hong Kong	Malta	Tunisia
Denmark	Ireland	The Netherlands	United Kingdom
Finland	Italy	Portugal	Norway

The VF Corporation is structured into five business groups, as was already stated. These business groups are:

Jeanswear	53%
Intimate Apparel	12%
Decorated Knitwear	15%
Playwear	7%
Specialty Apparel	13%

As we can see the main business group of the company is Jeanswear. Products in this business group are: jeans, but also casual pants, and knit and woven shirts. The main brands are: Lee, Wrangler, Rider and Maverick. The intimate Apparel Business Group includes (1994) the operations of Vanity Fair Mills domestically and the intimate apparel divisions in Europe.

The Principal Divisions (within the business groups) in 1995 are:

- Bassett-Walker
- H.H. Cutler
- Marithé & Francois Girbaud N.A.
- Healthtex
- JanSport
- Jantzen
- Lee Apparel
- Nutmeg
- Red Kap
- Vanity Fair
- Wrangler
- VF Intimate Apparel - Europe (UK)
- VF Jeanswear - Europe (Belgium)
- VF Asia/Pacific (Hong Kong)

MANAGEMENT

Corporate Officers:

Mackey J. McDonald	President and Chief Executive Officer (CEO) (effective January 1, 1996)
Lawrence R. Pugh	Chairman of the board

Other officers: Daniel MacFarlan, John Schamberger

The Senior Vice President of Intimate Apparel Product Design is: Janet J. Peters.
President of the VF Intimate Apparel - Europe Division (UK) is M. Weldon Schenck.

Directors in the Board:

At the company's annual shareholders meeting (April 1996) some directors were reelected to serve until 1999:

Ursula F. Fairbairn
Barbara S. Feigin

Other Directors: Robert Buzzell, Edward Crutshfield and others.

The Board consists of 13 Directors and is divided into 6 different Committees.

To ensure the effective implementation of MRS 2000 (see next chapter) and a true collaborative effort among the divisions the VF Corporation has in 1995 created a management structure that consists of coalitions in each of VF's core product categories. This 'coalition management structure' as they call it, brings together the management teams of jeanswear, intimate apparel, decorated knitwear and playwear divisions, and promotes an ongoing exchange of information and strategies. At the same time the different divisions continue to think and act as entrepreneurial marketing units.

Production

The lingerie industry is fairly fragmented and few manufacturers hold significant market shares. Most of the manufacturers are fairly specialised, although there has been a diversification trend in recent years. Manufacturers sell under their own names, and also under their clients' own brands or unbranded. The well known names in the lingerie market owe their reputation to quality and fashion. Designers and fashion creators play an important role in the lingerie business. Leading supplier companies of lingerie sold in large scale distribution outlets are Sara Lee (Dim, PLayer), VF Corporation, Spanier and Barbara.

The international intimate apparel sector is a segment in the apparel industry that in the past years has not been too much influenced by economic recessions. Analysts say that producers and retailers in the lingerie branch count on a slight recuperation of the market in 1996. The eco-look seems to have passed its climax, and the newest trend in the intimate apparel sector is the use of new materials. Technical development will be the key in the years to come. Development of completely new types of yarns and cloth is expected, for example 'Tactel'. Furthermore 'colour' will become more important in the near future, for instance the new skin-like-colours⁴.

The intimate apparel sector has been able to survive as a selective market within ever more appearing mass markets

VF Corporation is an apparel giant, mainly producing jeanswear. The company's business is designing as well as manufacturing and marketing high quality clothing.

Intimate Apparel Brands in 1994:

Vanity Fair; Eileen West; Vassarlette; Barbizon; Lou; Bolero; Variance; Carina; Siltex; Silhouette; Belcor; Intima Cherry; and Gemma.

The brands in this Business group in 1995 were the same excluding: Eileen West and Barbizon.

Products in the intimate apparel Business Group are: bras, panties, daywear, shapewear, robes and sleepwear.

According to the company's 1995 Annual Report it is accelerating its move to offshore production to improve competitive position.

The company is seeking to source raw materials and labour on a more global scale. This already happened in the past years mainly in the jeans business by expanding offshore facilities through adding 'cost-efficient plants' in Mexico, the Caribbean and elsewhere.

The company expects to increase the percentage of domestic (US) products that are manufactured offshore from about 20% to 35% in 1997. To coordinate this effort across the different divisions, the VF Corporation in early 1996 formed the

⁴ Texpress, vol.39, nr.6, 10-2-1996.

VF Global Sourcing Organization.

Unfortunately the company does not disclose where the increasing offshore manufacturing is expected to take place...

Main strategy is to single-minded focus on the consumer, and its changing needs. Suppliers are therefore stepping up their investments in consumer research. Electronics offer the means for direct links between retailers and suppliers to track and analyze sales data. The VF Corporation in 1988 first introduced its Market Response System (MRS), and managed to reduce to time it takes to respond to consumer needs. In 1995 MRS 2000 was initiated, in order to bring the company even closer to the customers.

The acquisition of the 'Belcor' brand in December 1993 gave VF a total of nine European intimate apparel brands in a variety of distribution channels. In France, the Bolero, Lou and Silhouette brands were sold in department and specialty stores. Carina (by JBE) , Variance and Siltex were marketed through French hypermarkets. In Spain, department and specialty stores carried the Intima Cherry, Belcor and Gemma brands.

The strategy of the company is to have multiple brands in multiple channels of distribution, and each brand is carefully targeted to a specific retail destination. Vanity Fair remains the leading national (US) brand in department stores, while Vassarette was firmly established in discount and mass merchant retail stores.

In 1993 the VF's intimate apparel divisions moved aggressively to take advantage of a market-driven shift towards foundation garments such as bras and panties. Production was shifted to these more stable product areas and introduced several new products. Resulting from this shift VF experienced manufacturing inefficiencies causing decline in profit. New so-called shapewear products were expected to be a fast growing business area.

The inefficiencies in intimate apparel production were addressed by retraining the operators, and moving production of more labour-intensive items offshore.

The product development groups of Vanity Fair, Vassarette and private label division in 1995 were combined into a single unit.

In January 1995 the vanity Fair brand of women's intimate apparel was launched in India.

In 1991 the VF Corporation owned about 85 factories, and leased another 50 facilities⁵.

The company owns or leases most of its facilities used for manufacturing, distribution and administrative activities. Manufacturing and distribution facilities presently being utilized have a total square footage of 17,493,000. Of that total amount about 10%, 1,819,000 is utilized by the intimate apparel business group.

⁵ Textile Outlook International, September 1991, p.47.

Vives Vidal - Confeccoes, Lda. in Portugal is a women's and infants Clothing wholesaler. Sales in 1995 amounted to \$1,025,691 (ESC 150 million). The company was established in 1986, and imports 100% of the products sold to retailers, from Spain. Manager of the company is Pedro Gonzalez.

In June of this year (1996) the VF Corporation transferred its European cutting division to its Spanish subsidiary **Vives Vidal S.A./Vivesa**. This is expected to lead to an increase in production at the main plant in Igualada (Barcelona) with the introduction of a third working shift. Local CEO Pedro Prat Gonzalez says the operation shows the confidence of the US multinational. Vivesa has a ten per cent share of the Spanish lingerie market and the medium term target is to increase this share to 20%. In 1995 the company obtained a turnover of \$69,728,285 (9,156 million Ptas.).

Vives Vidal S.A. is a women's, girls and infants lingerie manufacturer. It imports 22% from France, and the export percentage is 16, to France, Portugal and Italy. Trademarks are Belcor, Bolero, Fair, Gemma, Intima-Cherry, Lou, Majestic, and Vanity.

In 1979 **Confeccion 2000** was established, producer of underwear, mainly of the LOU brand. The company employs 160 people in 1995, and its turnover in that year amounts 20,633,000 FrF.

The **Bolero** factory in Seyssinet Pariset produces apparel of the trademarks: Bolero, Silhouette and Tropic. Year of foundation of the company was 1949, and it employs only 15 people. Turnover in 1995 was FrF 210 million.

Les Dessous Féminins Sandéfo in Paris, produces and exports, with 420 employees, lingerie and swimwear in the Carina brand. Sales management is in the hands of Philippe Bellanger, and 1995 sales amounted FrF 200 million.

Stylmod S.N.C. since 1930 produces Silhouette, Siltex and Variance lingerie for the VF Corporation as well as NAF NAF under licence. The company employs 80 persons, and had 1995 sales of FrF 171.6 million.

Financial Data

Of the total Net sales of the VF Corporation in 1995 amounting 5,062,299 thousand US Dollars, almost 83%, being \$4,192,435 thousand, were realised in the USA, and the remaining 17% abroad.

Net sales of VF Corporation in \$ thousands, 1990 - 1995

1990	2,612,613	1993	4,320,404
1991	2,952,433	1994	4,971,713
1992	3,824,449	1995	5,062,299

In 1995 the company accelerated its long-term strategy to achieve greater balance in lower cost manufacturing and aggressively addressed its total cost structure. During the fourth quarter of 1995 the company recorder special charges of \$155.9 million to implement these cost reduction initiatives. These charges included costs to close a number of higher cost domestic (US) manufacturing facilities and to effect reductions in selling and administrative expenses, primarily from personnel reductions at domestic and international division headquarters locations.

First quarter sales (to March 30, 1996) decreased slightly to \$1,158.1 million from \$1,187.6 million in the first quarter of 1995. Operating income was \$110.1 million versus \$113.9 the prior year. According to the management the quarter came better than they expected.

There were shortfalls in sales and operating income in the Intimate Apparel business group, but "they reflect particularly difficult comparisons with the prior year, and are expected to improve as the year progresses and the benefits of restructuring initiatives take hold", according to Mr. McDonald, CEO.

Sales by business group Intimate Apparel 1992 - 1995, in \$ thousands

1992	505,210
1993	668,995
1994	724,462
1995	729,149

In 1994 Intimate apparel amounted 14.6% (724 million \$) to total sales. In 1995 sales were flat. The Vanity Fair brand continued as a market leader in department stores, and Vassarette performed excellent in the US discount channel of distribution.

The European brands in 1995 maintained strong market positions and benefitted from consolidation and reorganization, according to the Annual Report.

Results (operating income) of the **intimate apparel** business group 1980 - 1995
(in thousands of US\$)

1980	21,959	1988	51,905
1981	29,336	1989	50,251
1982	29,894	1990	52,411
1983	33,477	1991	42,289
1984	29,331	1992	53,534
1985	33,901	1993	57,318
1986	45,122	1994	60,347
1987	51,633	1995	(778)

The operating loss in 1995 includes \$45.4 million in special charges, as well as declines in operating income in US as well as international businesses.

Operating margins in 1991 were lower as a result of cost inefficiencies related to Vanity Fair's rapid growth. Vanity Fair was then the largest division in the Intimate Apparel Group, and had grown substantially, largely due to the growth of the Vassarette brand.

Valero accounted for a substantial portion of the 1992 sales increase in the group and in 1993 the three intimate apparel companies represented more than half of the increase in sales from 1991.

In a market characterized by flux, VF's domestic intimate apparel sales rose 4% in 1993, while operating profit fell.

SHARES

On March 30, 1996 the average number of common shares outstanding was 63,564.

The number of stockholders at February 1, 1995 amounted: 8,238

Employment

The total amount of employees increased quickly in the first half of the eighties. In 1980 the company counted 19,000 employees. In 1983, the first year that turnover exceeded \$1 billion, there were 25,000 employees within VF Corporation. In 1985 the company employed 32,600 people. in the following year there was a sharp increase in this number due to takeovers, to about 50,000 employees. but after that year numbers of employees started to diminish again. Therefore, two years later, in 1988, the number totalled 43,000; and again two years later: 40,000 (1990).

It is remarkable that in 1982 more than half of the employees (55%) were covered by the Collective Bargaining Agreement, while in 1990 the CBA only covered 11% of the employees.

The company discloses very little information about employment. The annual reports don't give any employment figures whatsoever, neither mention anything concerning their employees.

The employment figures that we have come across, only give the totals, and unfortunately are not subdivided for the different business groups. The only information available about numbers of employees in the intimate apparel business group is the information that Vanity Fair in 1982 employed 6,200 people in the US.

On December 31, 1994 the company employed a total of 72,247 employees.

Vives Vidal S.A. in Igualada employed 546 people in 1991. The number of employees of Central Corsetera S.A. in Barcelona, in 1991 was: 875.

As was said before the company aims at reducing the Company's overall cost structure, including manufacturing costs. This means in practice the closure of higher cost manufacturing facilities and also personnel reductions in administrative positions. In 1995 these actions affect approximately 7,800 of the Company's employees in manufacturing and headquarters locations throughout North America and Europe.

In the company's annual report 1995: "As of December 30, 1995 1,969 employees have been terminated. The remainder of the employees included in the cost reduction initiatives are generally located at manufacturing facilities and will work through the plant closing transition periods that will end in early 1996".

Union activities were not stimulated by the company at the end of the eighties, but the author of this profile doesn't have any information on the possibilities for unions within the company today⁶.

On the very last page of the Annual Report 1995 the VF Corporation states that it is a Equal Opportunity Employer.

⁶ Elson & Pearson, Women's employment and MNC's in Europe, 1989.

List of available addresses:

VF CORPORATION HQ
1047 North Park Road
Wyomissing, PA 19610

PO Box 1022 Reading
PA 19603
USA
tel.: 610 378 1151
fax.: 610 375 9371

France:

VF Lingerie France SA

65, Avenue Kleber
75116 Paris Cedex
tel.: 33 1 40 03 79 20
fax.: 33 1 40 09 79 21

number of employees: 80 (1996)

Bolero
7, Rue de Levade
38170 Seyssinet Pariset

B.P. 9, 38171 Seyssinet Pariset
tel.: 33 76 70 55 00
fax.: idem

number of employees: 15 (1995)

Bolero (Bureau Commercial)

18, Rue Goubet
75019 PARIS 19
tel.: 33 40 03 80 60
fax.: 33 40 03 80 70

number of employees: 5 (1995)

Les Dessous Féminins Sandéfo

91, Avenue de la République

75011 Paris 11

tel.: 33 1 43 57 34 93

fax.: 33 1 43 38 29 16

number of employees: 420 (1995)

Les Dessous Féminins Sandéfo

79600 St. Loup Lamaire

tel.: 33 49 64 60 53

fax.: idem

number of employees: 69

Les Dessous Féminins Sandéfo

ZI Saint Liguair

Rue Denis Papin

79012 NIORT CX

BP 3086

79012 NIORT CEDEX

tel.: 33 49 73 42 15

fax.: 33 49 73 51 70

number of employees: 240 (1995)

Lou Diffusion

15, Rue de la Tuilerie

38172 Seyssinet Pariset CX

tel.: 33 76 70 55 55

fax.: 33 76 70 55 50

number of employees: 60 (1995)

Stylmod S.N.C.

100, Rue Petit

75019 Paris 19

tel.: 33 1 40 03 80 20

fax.: 33 1 40 03 80 19

number of employees: 80 (1995)

Stylmod

Impasse Saint Eloi ZI
77220 Gretz Armainvilliers
tel.: 33 1 64 42 16 00
fax.: 33 1 64 25 47 94

number of employees: 120 (1995)

Confection 2000

53, Boulevard Paul Langevin
38600 Fontaine
tel.: 33 76 26 31 81
fax.: 33 76 27 53 02

number of employees: 160 (1995)

Vetco Diffusion (distribution)

54, Rue d'Enghein
75010 Paris 10
tel.: 33 1 42 46 47 08
fax.: 33 1 42 46 19 17

number of employees: 2

Spain:

Vives Vidal S.A./ Vivesa

Mitena s.l.
Lerida, 53
Igualada
Barcelona 08700
tel.: +34 93 8052300
fax.: +34 93 8046910

number of employees: 683 (1995)
547 (1996)

Central Corsetera, S.A.

Calabria, 205 BIS
08029 Barcelona
tel.: 93 3223552
fax.: 93 4396346

number of employees: 875 (1991)

Portugal:

Vives Vidal - Confeccoes, Lda

Urbanizacao quinta grande,
Lote 11, Armazem B, Piso 0,
Alfragide Amadora
Amadora 2700
tel.: 01-4710847
fax.: 01-4711303

number of employees: 12

Sources of information:

- Annual Report VF Corporation 1993, 1994, and 1995
- Who Owns Whom 1995/1996
- Moody's Industrial Manual, 1995, p.6745
- VF Corporation News Bulletin, April 16, 1996
- European Kompass on Disc

V.F. CORP., 1047 North Park Road, Reading, Pa. 19610
Tel: (215)378-1151

6711, 2328,
2341, 2251,
2337

. Bassett-Walker Inc.	U.S.A.
. Berkshire International Corp. S.A. (A)	Spain
. The H.D. Lee Co. Inc.	U.S.A.
.. Confecciones H.D. Lee S.A.	Costa Rica
.. The Lee Apparel Co. Inc.	U.S.A.
.. Lee Apparel Sdn. Bhd.	Malaysia
.. Lee Apparel (U.K.) Ltd.	U.K.
.. Lee Canada Inc. (d)	Canada
.. Lee Europe N.V.	Belgium
.. H.D. Lee Co. Finland Oy	Finland
.. H.D. Lee Danmark ApS	Denmark
.. The H.D. Lee GmbH	Germany
.. H.D. Lee S.A. (A)	Spain
.. Lee Ireland Ltd.	Republic of Ireland
.. Lee Nederland B.V.	Netherlands
.. Lee Norge A/S	Norway
.. Lee Portugal-Confecções Ltda. (A)	Portugal
.. Lee Sweden AB	Sweden
.. VF Asia Ltd.	Hong Kong
. Modern Globe Inc.	U.S.A.
. Ring Co.	U.S.A.
.. Blue Bell Inc.	U.S.A.
... VF Europe N.V.	Belgium
... VF (Malta) Ltd.	Malta
... Wrangler Italia S.p.A.	Italy
... Wrangler Ltd.	U.K.
... Wrangler Scandinavia Apparel A/S	Denmark
.. Health-tex Inc.	U.S.A.
.. JanSport Inc.	U.S.A.
.. Jantzen Inc.	U.S.A.
... Jantzen of Canada Ltd.	Canada
. VF International Division Inc.	U.S.A.
. VF S.A.R.L.	France
. Valero S.A.	France
. Vanity Fair Mills Inc.	U.S.A.
. Vives Vidal S.A.	Spain
.. Jean Bellanger Enterprises S.A.	France