A. ...Well, I think that from the very beginning we had a kind of
a vision of a consumer that we were trying to take care of, and even that
was very different from the way most manufacturers, apparel manufacturers,
approached their business. Most of them approached their business as if the
direct customers that they served—in other words, Macy's, Gimbel's, Blooming-
dale's or whoever—were the people that they were manufacturing products for,
As opposed to the people who went into those stores and bought the product.
And I think a lot of that came about because of the...what people's visions
were of what the old time buyers were like. Because the old time buyers were
kind of consumer advocates. They knew what was happening and they could go to
these manufacturers and direct them, so that they would make the kind of mer-
chandise that the consumers would want. Fortunately or unfortunately—-I don't
know which—that kind of buyer no longer exists. Rarely exists, let's put
it that way.

Q. When do you think that changed?

A. I think it changed with the proliferation of branch stores. And
once department store business became real big business, and everything be-
came computerized and all of these new kinds of things happened, where people
were busy looking at reports instead of spending time on the floor, that was
probably the single biggest change that happened; when it took the buyer off
the floor. And in many stores, their office isn't even in the store anymore.
And we even have department stores today that we do business with—fine
department stores—that don't allow the buyers to visit the stores! They
won't let them go! So, you have a group of people.....
Q. I can't believe that!

A. That's right.

Q. Well, who doesn't let their buyers...?

A. Well, I'd just as soon not say. But some large stores...

Q. Well, they can't be embarrassed by it. If they were embarrassed by it they wouldn't do it. It must be their policy.

A. Well, it might not be a policy that they would wish to have publicized. On top of which there are so many stores who have so many branches now that... And travel costs are so high... That it's impossible for the buyers to... Take stores like Lord & Taylor's or Sak's. Fifty stores; you know. So what you have is you have people who spend enormous amounts of time looking at computer reports and making decisions based upon what these figures tell them. What you don't have are people who are sensitive enough to the needs of the consumer to find out what they're missing. I mean, the computer report will tell you what we sold, but it won't tell you what we didn't sell because we didn't have any. And if you're interested in a slim, black skirt you can wear to work and you just can't find it in the store, then, you know... The computer will never tell you that. And so that we find, today, that if we want that kind of information, as a company, we have to go out and get it ourselves. And from the very beginning, I guess, we did that. Now...

Q. Some of them now have marketing departments, quote unquote. Don't they do studies to give you some sense of...
A. Some might. I don't know. I would say for the most part they
do very little. At least this is what we're told by the retailers that come
in here; that, my God, nobody does what you guys do; you do this and you do
that and so on. But, I think a lot of it has to do with the fact that I'm an
ex-retailer...

Q. I didn't know that. Where did you work?

A. Well, a couple of different places, but most of my career was
with a specialty store group called "Wimpletons."[?]

Q. Detroit?

A. Detroit. And I worked for them for eleven years, and, so, because
I had a retail orientation and because I was a consumer-oriented person, we
kind of pushed the stores that way and I always tried to see through the
store to the consumer. So I think that was one thing that helped us from the
very beginning. And as we grew, I don't think we ever took our eye off the
ball; off that lady out there. What happened to us as a company was, the
population we were serving...Because we had no idea...

Q. You didn't know the demographics that...No one talked to you
about the demography...

A. Nobody knew. The explosion that has taken place has really taken
place within the last ten years. It's almost coincided with the birth of our
company. If you go back now, and it might be interesting if you would want to
dig out some figures. I don't have them available but they might be easy to
find. Just as a kind of something you can get into in describing the company. If you went back to the position of women ten years ago when we started, and where women are today, in terms of, for example, the number of, the percentage of women in the Harvard Law School, ten years ago and today.

Q. That's true. What we're talking about now is in terms of the higher achievers. Because basically, as you know, my background was "Charm." Glamour. Do you remember that period?

A. Sure. Sure.

Q. Well, in the fifties, we were the first magazine for working women. And then the figures were one woman in three. One woman in three was working, and one worker in three was a woman. And two out of five already had children under eighteen years of age. In Washington it was already one in two. So we were beginning to...That was the fifties. It's interesting to me that the explosive recognition of this, obviously, was in this last ten years, in terms of the achievement; the higher achievements of women. But already they were quantified market..

A. Well, they've always been in the market. Today, I don't know what it is...80%...

Q. No. Sixty (percent) ...Sixty percent...

A. Are you sure?

Q. Yes. It's not 80(%) yet; 60(%)..

A. That doesn't sound right.
A. Sixty percent of...who? Of all women...over the age of what? Eighteen?

Q. Over the age of 18, or whatever is the beginning age...It may be a little younger. Working women...women who work...It's not more than 60%...

A. What happened in the ten year period is the upward thrust of this working community.

Q. That's it.

A. Their entry into the managerial ranks and professional ranks.

Q. Right. And higher education.

A. Right. And this is the audience that we have been going after. And nobody knows...As a matter of fact we, at the moment...Maybe we'll have some interesting information for you. We're funding a study at the Harvard Business School now to find out two things: one, to find out how much money our women spend; what kind of market they really represent in the United States. We can't find any statistics to give us that information. Government statistics are at least a year old, and a year old can be a century old, things are changing so rapidly. And then we...One of the personal...Not personal, But one of the business reasons we have for this thing is to find out...what if any saturation point there is for us. How much of the market do we own? Is it a little or a lot? Now, our business, at retail, approximates a Billion dollars. Approximates. We know that the women's apparel business in the United States is, I don't know, maybe $200 Billion. So, in that respect, we're half of 1%,
and that includes K-Mart and Lerner's and everybody else. But we don't know what percentage...

Q. What percentage of the... Since you are centered on the department stores, what percentage of your business, then, against department store buying. What's department store buying?

A. I don't remember...

Q. That would be an interesting figure to get.

A. Yes. If I had to make a guess right now, I would say it would probably... And again, we would have to limit it to the department store group that we sell, because there are a lot of lower level department stores. But in that group, based on our own volume—which I'm really not interested in publicizing—but I would guess we are someplace between, as a total company, probably between 2-3% of the business, all divisions combined.

Q. All divisions. So that your growth at this moment has to be multi-division.

A. Oh, yes. The fastest growing division we have, percentage wise, is men's. It's our newest division... Cosmetics will be brand new... Our dress division is growing at a faster rate than our sportswear division, because, again, the numbers are smaller... And dresses are starting to go. Exactly.

Q. Because they never wore them. It's the one thing that's not in the wardrobe.
A. Exactly right. Yes. And I started out as a dress buyer, and when I was a dress buyer, there was no sportswear business. It didn't exist. Dresses were the king in the store. Today, sportswear's the king. But dresses are coming up very strongly. And it's interesting, one of the reasons we went into the dress business is because I just figured it couldn't go any lower than it had gone and it would work...Our timing was very good, because I think we hit the bottom of the trough and it's been moving up. But I think as women have such a big problem...Not such a big problem, but it's...Let me put it positively. It is so simple to put one dress on in the morning, instead of picking out all the different sportswear pieces, and it's also a lot cheaper to buy.

So anyway, the dress business is good. But, getting back to your original question...We've gone a little far afield...We've never lost sight of that consumer. And trying to figure out and trying keep just a little bit ahead of her. Not to drive her crazy, but to stretch her just slightly in terms of the kind of merchandise that we're making for her. We are...I think Liz likes the word "mainstream," but if you look at our business product with very classic, traditional merchandise at one end—which would be epitomized by an Evan Picone or Pendleton—and much more contemporary merchandise at the other end—it might be somebody like a "Kamalin(?)"—we're smack in the middle. And it's nice to be in the middle, because when you're in the middle you can get a little piece of either end, if you do it properly. So, you can become a very big company.

Q. Also, the customer, in her wardrobe, wants that...If they're a cutting edge customer, they need a little of the other. And if they're an
establishment customer, they want the other.

A. Exactly. Exactly right. And it can sometimes bring the person into Claiborne, who had been wearing the traditional clothes, and they'll say, "Well, gee, it really isn't that different." Little by little we might get her to shift.

The other thing that we established as a philosophy of our business when we started is that we never would charge for the label. And we never have. Not that we had a label to charge for, when we started, but it was part of our philosophy; that whatever the label represented to the consumer would not be reflected in our markup. And we do give very good values.

Q. You're putting this in contrast to the designers...

A. Yes.

Q. ...who have upped their price point because of their label.

A. Yes. I don't know if they've done it because of their label; I think they've upped it for a whole bunch of different reasons, but they feel that the label will bring the...or will force the consumer to spend the money.

Q. Well, it will give the store an excuse for having a higher markup.

A. Well, to some degree that's also true. I do think that the retailers ...I'll never forget, when we started, some of the Fifth Avenue stores came in and said, "We want to charge more. . . (?) . . Can we get $40 for this $18 cost blouser?"

"No," you know. If we thought it was worth $40, we'd charge you $20.
We want you to charge $36."

"You're giving it away."

"No we're not. We're making a fair profit." And it was interesting, fighting the stores... Not all of them. Not Macy's. But Sak's, Lord & Taylor.

Q. Well, for many designers that would have been an ego trip.

A. Sure. Absolutely. We never had that problem. Never. With Liz. I won't say she has no ego, because everybody does. But if we were to examine results of garments, look at them, hang stuff up, and say, "Liz, this blouse," as politely as I could, "was a dog. We've destroyed America with this blouse." She'd say, "Eh, back to the drawing board." And that would be the end of it. And she takes the same position... Liz does very little designing... Did she tell you that?

Q. I haven't talked to her yet. I'm dying to talk to her.

A. Well, I'm not going to see her until April.

Q. I know. That's unfortunate. Unless we can have...

A. But let me tell you what we do have; the one advantage you have, in terms of Liz herself, and that's all the newspaper publicity that's out there. You could write a book about Liz, just from her quotes.

Q. I know, but it's not the same as talking to her, or talking to you. So... We will have to content ourselves... Go ahead.

A. Okay. So anyway... And Liz takes... Liz does very little designing.
Very little. She sets the taste level for the company, she approves the things that other people are doing. She makes suggestions, and so on and so forth, but she really doesn't have time to design. There's too many divisions in the company.

Q. Would you say that she's shaping a business culture?

A. Ah... Truthfully? No.

Q. All right. Who does?

A. Well... When you say business culture... Let me take that back a little bit. Liz is not essentially a business oriented person. She has never made any... Perhaps the media has tried to turn her into that, but Liz is... Liz is a designer. She's also very smart, and she's also picked up a lot of stuff. Now, what Liz has done, in terms of the business culture of the company... And this is where I want to take back what I said... In the same way that she sets a taste level for the clothing, she sets a level of taste for the way we conduct ourselves.

Q. That's what I mean by business culture. I sense... Let me tell you why I use that. I walk around here and there's a tone. And I know what a remarkable job you've done. And being in business myself, I know that I wouldn't be in business unless Mr. Rubenstein was taking care of the business end of my business. So I know. I have a respect and an appreciation for what Mr. Ortenberg does. I surely know, when this business became very complex in terms of distribution and production, what that other man did to shape this company. And all of that, I hope, will come out that evening, and be on record.
But what I sense here, as I walk through this place, is something that you know... Not just when you walk through here... You walk through other designer's environments—which shall be nameless—there is... It's not just the decor. There is a tone. There is a temperament, that comes on down through the designer. The designer is, after all, the star focus of the company. And that designer's personality shapes the culture of a business, if that business is representing properly that designer. So, in that sense, I feel this.

A. Well, I think... I understand where you're coming from and you're absolutely right. And I would say that Liz has very strong feelings about how we do things in the company and part of it is in the decor. Part of it is just in the spirit of the company, and so forth. But internally, in the company, it can't be all image and no substance, when you're talking to you're people. You can't say, "This is a wonderful, marvelous company to work for," and we don't pay anybody. I mean, just, thank God you work here because it's an experience. You have to pay people, you have to treat them right, and give them the appropriate kind of benefits. When we went public, everybody... I shouldn't say everybody... We gave stock options to people in our company at levels that were unheard of in the industry. Because we felt that all these people had worked very hard and would continue to work hard. Now, nobody knew that our stock was going to go... (Interruption)

So... Yes... There's no question that Liz's demeanor, the way she handles herself, and all the rest of it, has had a... She's a very calm person in what is normally a stormy atmosphere. We thought, when we moved to this building from... We had a tiny little place on 40th Street, and when we moved to this building everything was on this one floor, and there was a tremendous
amount of communication and so forth until we ran out of space. And then
Liz had to move up to the 12th floor. That's all we could get. And we were
cconcerned that the company would be destroyed; that we would miss our own
internal communication and that it wouldn't be as easy for Liz to come into
the showroom. Which it wasn't. Little by little she came into the showroom
less and less. But, I guess, in a sense, the tone had already been set. There
was enough going on to keep it going, and I think that we've tried, as a com-
pany, in the way all of the people conduct themselves... Even, for example,
in New Jersey, where we do all of our distribution, we employ a lot of people.
I think right now we employ over 2,000 people, and of the 2,000 probably 1,200-
1,300 are union employees. Even though we don't manufacture anything, we have
sample hands, we have the people who do the "picking" and packing and so on
in the warehouse. And virtually every company... I don't know of any exceptions
... does for the union employee precisely what the union tells them they have
to do. This is it. You belong to the union, this is what we have to pay you,
these are the vacation days we have to give you, and so on and so forth. And
that's it. Well, we want them to feel they work for Liz Claiborne. So we handled
our employees differently from the very beginning, including giving them Christ-
mas bonuses every year. I mean, people just don't do that. And the union, in-
terestingly enough, very often feels... Because the ILG is really, in our
industry, is really the employer. The company that the workers work for just
happens to be the one they're with this week. Because if they're out of a job
the union is going to have to put them somewhere else, or if (?)... goes out
of business, they're going to have to do something. Of course, a lot of that
has changed as the industry's changed. But over the years, it was, you know,
you worked for the ILG, not for this company or that company. And you'd better be good to the union because if you need a job, the union's the one who's gonna get it for you. So, the union, in some ways, is even a little bit upset with us.

Q. They think you're seducing them.

A. Yeah. Exactly. That the workers will feel the company is more important than the union.

Q. Tell me a little bit about your interaction with stores. Your part of it, which is marketing, because... I also at this time want to get you to talk a little bit about, if she's not a designer, then how she's operating. But I feel that's something I can get from her.

I want to get something in terms of how your department is structured. What are the areas that you're administrating, and where do you put the focus of your time, as a marketing person?

A. Okay. Going back to the concept of the ultimate consumer being our customer, what we've tried to do in marketing our product is, again, keep that...

Let me start differently. Because of my own background, being, let's say, a big-store retailer, we decided when we went into business that we wanted to focus our business on big stores. That was the kind of buyer that I was most comfortable with, it was a business that I really understood, as opposed to the small specialty stores. At the same time, having been many years in the business, I was absolutely opposed to having a road force. I didn't believe
in road forces.

Q. Fascinating.

A. Right. And I felt that if we could establish a business... We weren't talking ever... The last thing we talked about when we started was having a big business. It wasn't going to be a big business, it was going to be a small business, and we were all kind of going to relax because... I was 48 years old when we went into business and Liz was a couple years younger. Art was the same age as I am, and Lenny was older. And we were going to, hopefully, do enough business to keep us comfortable and relax. Well. It didn't work. It didn't work exactly the way we planned it. But we did plan... and Liz's reputation. As far as the public was concerned there was no such person as Liz Claiborne. Nobody had ever heard of her. She did have a good professional reputation. Those people that her boss allowed her to get to know a little bit. Ellen Daniel at Sak's, Elaine Miller at Bloomingdale's, a couple of those people. And so we started out with at least a feeling from the department stores, or from some of these larger stores, that it wasn't a complete unknown. This was somebody who had been around. She'd been at Youth Guild at that point for 16 years...

Q. She had credibility.

A. Exactly. Even though the public hadn't heard of her. Or, you know, store presidents hadn't heard of her and so on. Anyway... We made a decision to go after the big stores and to have the stores come to our showroom to buy the merchandise. And to do everything that we could to stay
within this designer image. And most designers don't have road forces. There is no Calvin Klein road force for his designer clothes, or Ralph Lauren road force, or a "Louis del Orio[?]" road force. They come to the showroom. Bill Blass doesn't have a road force, and so on. So, it wasn't unique in that regard; it was a little unique for our price point...

Q. Your price point was unique.

A. But it helped us in terms of fostering that designer image, which was another thing that we had said at the beginning that we wanted to do. We wanted to be considered a designer, not just...We didn't have a line, we had a collection. And we psychologically positioned ourselves from the very beginning for people to think of us that way. So, the...When we started, there wasn't really, with the exception of a handful of stores around the country, there wasn't such a thing as a Better Sportswear department. This was only ten years ago, if you can believe it! We were bought, in many cases, by the designer buyer of the store. I remember the "Hudson" (?) buyer was from the "Woodward" (?) shop.....

Q. Coats, suits and dresses?

A. Right. The "Hudson" buyer bought for the "Woodward Shops" and the Dayton buyer bought for the "Oval Room," (?) and we were in "Oval Rooms" (?) all over the place.

Q. And "green rooms" (?)?

A. And "green rooms." They didn't know where to put us. The only
other company that was out there doing business, any substantial business in our price range, was Evan Picone. And Evan Picone, from a business standpoint, became our role model.

Q. (?) . . "Spitalmi"(?).

A. Yes. And we in a sense...My perception, as a retailer, was that from one resource you don't make a department. And Evan Picone by itself could not establish a Better Sportswear department. And we could be a complementary resource to Picone, and between the two of us maybe there would be enough action for the stores to do something about it. And I must tell you, that "Irving Spitalmi" (?) was terrific during this period. And he recommended our line to people; told stores that he would be honored to hang next to Liz Claiborne in the store. He was terrific. He really was. And I've never forgotten it; none of us have.

Q. He's doing well now, isn't he?

A. Yes, he is. Yes, he's...

Q. Hard road back.

A. I think he's doing well. Anyway...So...Using Picone, in a sense, as a role model, and understanding the amount of business that there was out there, because they, from nowhere, had really taken off, and proven that you could sell sports in volume at $60-70...It was terrific.

We...I guess, at the outset, when it was myself and a couple of sales people, we tried to establish a relationship with the stores. It was
never...For example, at the very outset, we said, 'Look, if you're interested in our collection you have to continue to buy it. You can't skip a line. Because if you skip a line, you're no longer an account. I mean, we want a broad representation of the collection so that as women get to know who we are, we will become the place they will think of coming to to buy our merchandise.' And we talked long term objectives to all of the stores. And since I had so many years of retailing behind me I knew what language to talk and it didn't fall on deaf ears, because people listened. And since nobody was pushing for huge orders, and we were saying, you know, we wanted to get started in a modest way and let the merchandise speak for itself, and we'll get to know our consumer a little better as we go along, and so on and so forth...The stores liked it. They liked it. It was a very low key approach. And obviously...I mean, forgetting the approach and forgetting everything else, they liked the merchandise. If they didn't like the merchandise, you know, I could talk from here till next year and so what? They liked the merchandise and the merchandise performed okay at retail.

Q. What do you think, in the beginning, was the merchandise concept that made it work? In other words, what was the special quality of that merchandise? Was it...As you remember it now, from the beginning, from the very beginning, what gave it its takeoff power with the consumer?

A. Ah...

Q. I know this is difficult to articulate, because it's like saying what makes that beautiful? But there must have been a tangible difference. Since you had a merchandising background, you must have seen the difference
in what she was doing.

A. We...We made a collection...One of the merchandising things that I think was instrumental in the, let's say the explosive growth of the company was a decision that we made...And it was a retail based decision in a sense...that within the collection we wanted to develop and go after items. That was kind of...That little...It sounds like a little thing...

Q. That was an early on understanding of where our business was going. Nobody was talking about it. Particularly when you were talking collections. This is interesting to me. You saw it as a collection concept, but you built your collection with an item...

A. It didn't start out that way. It developed, I would say, after about two or three seasons. It started...A couple of things happened. One of the things that happened was that Liz designed a polyester, crepe du chine blouse that sold for either $25 or $26, retail, that we shipped into stores and it got sucked up as if the whole world was just out there waiting for it to be put on the floor. It was unbelievable. And we started getting calls from stores...It was a peasant blouse...And we started getting calls from stores (and I'm sure we have it in the archives here; if it's not one of the key things it should be)...If you're going to talk about things from the archives, there are two main things that...Our first polyester crepe du chine blouse and our first velour top

At any rate...The polyester crepe du chine blouse had a significance far beyond even its importance as an item...
J. CHAZEN

Q. That's interesting to me, because ten years ago blouses were not hot.
A. I can't even remember...what was happening two weeks ago...

Q. Blouses aren't even hot now. Ten years ago blouses were not hot.
A. No, I wouldn't say that. Because when we started, the...Whatever better business there was was a classification business. There was no collection business. Today it's all collection, there's no classification.

Q. Interesting, huh?
A. Yeah. And it's interesting because when we went into the men's business, the men's business is all classification. Virtually no collection business. Now we're going into the collection business in men's too. It will be interesting to see what happens... (Interruption)...

But the significance of the blouse...The item thing I think was most important. But secondarily and almost as important is that the blouse was made in Taiwan. The first imported piece of merchandise that we did. Up until that everything we did was done domestically. So that then we started to shift our gears a little bit and we said, "Okay, we're making a collection, but now we have an opportunity to sell above and beyond the normal collection selling." Plus, one of the things I knew as a retailer, and one of the areas where I guess...one of the things that I guess I was very concerned about from the very beginning, as I said to my partners, in order for us to build a business, "We're going to have to be a profitable resource at retail. We can't just sell...you know...air. The consumer's going
to have to buy the merchandise, and so on, and collection merchandise is a very difficult...not classification, but concept to sell, profitably.

Q. It's difficult strategy...

A. Right. You "break" all the time. You end up with so many odds and ends...that have to be marked down...It's very difficult to make a profit. However, if within the collection you can... (interruption)...If within the collection you can "tensify" (?) an item which, when you add it altogether, will show you, gee we sold a lot...Our markdown rate was within "downs," (?) within reason...All of a sudden you're looking at a whole different kind of stuff.

Okay. So, very quickly we became known as a company that makes hot crep du chine blouses. Terrific crep du chine blouses, which we wouldn't let people buy by themselves. They bought them as part of a collection. You could intensify it, but you still had to buy the collection. We weren't letting anybody do anything crazy. Plus, we were all older now and had seen enough guys go up like a rocket and fizzle down the other way. So nobody got too excited.

The same thing happened, just about the same time, if I'm not mistaken, when we shipped our first velour tops. We owned, in the company...I forget if it was 1,000 or 2,000 tops. We made two styles. Here again, I think they retailed for $26-27. Sak's bought 50 of each and ran an ad in the Times. In May. Late May, in 1977. They sold out the 50 pieces in like 20 minutes. It was unbelievable. They called up frantically, "I need more!"

"We don't have anymore." We had sold them up, we had struggled to
sell the 2,000 pieces, but we had sold them. And we were down, you know, shipping. Well, maybe we stole a few pieces for Sak's, but we couldn't do anything. We were buying the velour from Dan River, and we were virtually the only women's company that was making velour. At that time—ten years ago—velour was a business that was owned by the men's industry and by the lounge-wear industry.

Q. Before "Morona." (?) Long before "Morona." (?)

A. Right. So we called Dan River to get more velour. And they said, "Oh, we'd be glad to give you more velour. Next year. This year is over." And this is May. "Sorry."

Well, what they did... We pleaded with them, begged and so on, you know. What they did is kind of interesting. They told us that they very often, in putting velour shipments together or dye lots together, they had stuff that didn't exactly match, and they couldn't ship to manufacturers. So, whenever they had any merchandise like that, they would send a swatch over, because with us it didn't have to match anything, it was just a top, and if we liked it we would get it. So we ended up getting enough... Oh, I don't know, maybe another 15–20,000 yards of velour, which enabled us... Each yard made a top, so we could get 15–20,000 tops. That's that we were able to ship that year.

Well, you would think we had shipped 15 million tops. I mean, people were so excited, it was so fabulous. Of course, nobody else could get velour either, so at least we didn't have any competition. Anyway... So people started to talk about the company. At the same time, they just couldn't come in and
Buy our velour tops. As a matter of fact, interestingly enough, the follow-
ing...Whenever we could get more velour, when we put them on our line again--I guess it must have been a year later--we got a visit in the showroom from "Casual Corner," and they came in, looked at the line and so on and so forth, and the head honcho...We weren't selling them at the time. And the head honcho asked if he could talk to me for a minute, and I said, "Sure." And he said, "Your stuff is terrific." I said, "Thank you very much." And I said, "I don't know too much about your company," and so forth and so on, and he described "Casual Corner" to us; what they're trying to do to the woman, and so on. And at that time "Casual Corner" had... It was not one company. There was a "Casual Corner" out of "Enfield," Connecticut, which is where their headquarters is today. But then there was a "Casual Corner" of Memphis, Tennessee, separate ownership; another one in another city and so on... There were a number of them, and they all called themselves "Casual Corner" and they tried to do things together, but they were really separate companies. Anyway, was that by accident? I'm not quite sure how the thing originally started, and how "U.S. Shoe" (?) eventually took them over... At what stage and so on... I just don't have time to think about that...

Anyway, he wanted to place a velour order with us. And it would have been more volume than the entire company had done the previous year. A huge order. And... Number one, we couldn't have gotten the velour even to fill such an order. But number two, it was against our concept, for the company. I thanked him a lot and said we just couldn't accept an order like that; that you can only buy velour if you buy the rest of the collection. He said, "Well, we can't put this collection into all of our stores. It wouldn't make sense.
We could only put the collection in eight stores," or something. So I said, "Fine. Put it in eight stores. See how it goes." And he said, "But we want to buy the velour for 300 stores."

"Sorry. Can't do it."

Q. No one had ever said that to him.

A. No. He walked out shaking his head. He said, "Do you realize what you're saying? Do you know what you're saying?" I said, "Yeah, I know what I'm saying. This is not our company. We're a different kind of company. And if we're not going to stay true to what we believe in as a company, then we're just going to be another company. And we don't have to do all those millions of dollars tomorrow. Or today."

So, we did that. We did stay true to our concept, and we continue to stay true to our concept. And that was part of our whole, I guess, in a sense, the face we presented to the retailer. The other thing... We did a couple of other things. We recognized, we mentioned at the outset, we recognized that the retail buyer of today was not the retail buyer of the old days, when I was a buyer, okay? A different person. And we...

Q. Schooled differently.

A. Right. And we tried immediately to get all of the information that we could directly. The other thing we did, again because of retail background knowledge, sales people were disappearing off the floors. We knew it. Now, you can either shake your finger at a retailer and say, "You've got to put more sales people on," or, say, well if we're faced with a situation
where there are no sales people out there, what can we do about it? How can we do it a little bit better than our competitors are doing it, and make it easier for that woman who walks into a store, has no sales people, no help, no nothing, to make it a little bit easier for her to buy? And we started in a sense putting the line together in such a way, merchandising the line almost to a fixture, so that it was as obvious as possible what we were trying to tell the consumer. And, it helped us vis a vis other guys out there who, number one, weren't doing it that way and number two, if they were doing it that way, they weren't selling it that way, because we insisted that the stores had to buy it this way. And we developed things like top-to-bottom ratios and skirts to pants, and all of these things, based on the way we thought consumers were buying goods. And it got to the point where we are today, while I won't say we virtually write the orders for the stores, we virtually write the orders for the stores. And if we didn't, they wouldn't know how to write them...In a sense, we almost have to write the orders because we put all the goods into work before the store ever gets here. We put our money where our mouth is. And now, what used to be a few hundred thousand dollars is....I mean, a line like our Fall II line right now, is just in Misses Sportswear alone almost $60 million.

Q. Jerry, do you now have a counterpart in each of the divisions?

A. We have, obviously, every division has people in charge of sales.

Q. But I'm talking in terms of overall marketing strategy.

A. Well, the people who would be in charge of sales would have the
marketing strategy for their area. But, it has to be within the company structure.

Q. I see. So that you supervise these people.

A. It's not so much...I guess in a sense I supervise, and I can't watch everything they do, it's impossible, but we have a way of doing business that everybody understands and a corporate posture, in a sense... A corporate posture, so that whether they're up in our kids' department or our men's department, this is the way Claiborne does business. As a matter of fact, what's going to be interesting is when we get into the cosmetic business.

Q. Yeah, yeah...

A. We've already...And this is not for publication, okay? Please. We have already announced...It's not that it's a secret, it's just that I don't want it publicized; I don't want it to come out the wrong way...We have already announced to the retailers that have been in to discuss the fragrance with us, that there are no returns. What you buy you keep

"What are you talking about? Nobody does that. You can't do that."

"Why can't we do it? You can always not buy."

"Yeah, but we want to buy."

"Then buy more carefully. We're not interested in creating inventory, shipping it to you, shipping...We don't want that kind of business." And we're going to try to develop a fragrance business that will be a 52 week a year business. I mean, obviously....
Q. Because that's the way women are buying.

A. Exactly.

Q. In other words....I hope you're throwing out the calendar...
And I hope you're throwing out all of what I call their rituals, which are based on something that happened fifty years ago.

A. Right. Exactly. So, it will be interesting. And the retailers are expecting it. We are having...As a matter of fact, what's really interesting, we hired this gentleman--"Victor Gassman" (?)--to be the President of the fragrance company, and recently...I must have interviewed fifty people. The reason Victor got the job is because he's an ex-retailer, and he's been in...He ran a small fragrance company called "Molinar" (?) for a couple of years, but before that he was with "Robinson's" in California, he was with the May Company, he was with "Famous (?)" and he merchandised cosmetics. So, he understands the retail aspect and he relates to fragrance. But what's happening to him...He's going through culture shock, because he was out there pounding the pavement with "Molinar" trying to get it placed. Did you ever hear of it?

Q. Huh uh.

A. No one...And the stores are coming in to make their presentations for him. It's unbelievable.

Q. Tell us a little bit about what you think is education for this business now, in terms of your area. Because you know one of the things I'm
going to do is parallel what you people are doing and what we are doing at F.I.T., trying to sell education to design, education to marketing, education to administration and management, education to production.

A. Well, I think one of the things that has happened is that... As you look back on the last ten years and you think about what has happened to Liz Claiborne, and... I think that the other company I would look at, in a sense... It's different and yet it's the same... is "Limited." And "Limited" started out as retailers, and today do most of their own manufacturing, in the same way that we do our manufacturing. It's still virtually all private label; goods that they make themselves, have designed for themselves and so forth. And, again, trying to think what the consumer wants and needs. And they are doing the same thing, so that it is going to become, I think, more and more difficult to separate retailing and...

Q. That's interesting to hear.

A. In other words, there's going to be a relationship... One of the things that's happened because of us, to a great degree... Most of the sales people in this country are ex-buyers. And the reason they're ex-buyers is not because they were very good sellers, because for the most part they are only ordinary, as professional sales people.

Q. They're "presenters" aren't they?

A. Yes. Well, they're a little more than presenters, I think. They're merchants. And the... When you start doing as much business as we do with individual stores, the business goes beyond the people who are directly involved
Q. What do you mean?

A. If Liz Claiborne Misses Sportswear is a $20 million business for Sak's, who at Sak's, or who at Liz Claiborne, is going to accept that business going down the drain at the excuse of, "Well, we had a dumb buyer," or, "You had a dumb sales person." There's too much...

Q. ....at stake.

A. At stake. So...And the stores recognize that. And one of the things that's happened to us...Because, as I mentioned, we are a very highly structured company in the industry...They keep throwing new kids at us. I mean, it's very often their first buying job for a lot of people, even though the buying is huge. And it's a first buying job because these people don't have that many buying decisions to make. We've made the decisions for them. So, in a sense, our growth, where we are now, has made it imperative for our people to be at least as well schooled in the retail needs as the retailers themselves are. Our people have to understand the six-month plan, have to be able to construct a six-month plan, have to be able to discuss gross margin, flow of inventory, all of these things, as our business with the individual stores keeps getting bigger and bigger.

Q. Would you, therefore, say that also the stores need to do the opposite?

Q. Well, they are.
Q. Who would you say is doing that kind of an education job? Macy's?

A. They have their private label program and corporate development program. And all the things that they're doing to try to get to....

Q. But you're doing it so you can have a better communication or relationship with your stores. The stores are doing it because they're trying to develop collections that by-pass the...

A. No, we're doing it so we can have a better relationship with the consumer.

Q. Yeah. And they're doing it...

A. They are...

Q. They're also doing it because they want to differentiate themselves from the store across the street. I really wish they did it because of the consumer. Their real motivation is so that everybody doesn't have Evan Picone and everybody doesn't have Liz Claiborne.

A. The...Probably you're right, and probably if you go back even a little bit further, the real motivation was always a little bit extra markup.

Q. Now you're getting down; now you're telling the truth.

A. Right. But, as these people...But, of course, one of the things that could happen...And I kid with some of the storekeepers about it...is, "Look, if you guys go into the manufacturing business, we'll go into the retail business." It's a free country.
Q. Well, they're doing it, and some of the manufacturers are doing it too. Esprit is a good example.

A. Right.

Q. And it wouldn't be wrong, because I just heard your conversation with "Gillette." One way to rationalize what you're doing is merely to show a creative retail role model, so your merchandise is presented the way you want them to present it. Which is Esprit's (?) ... which is Ralph Lauren's (?) ... Anybody who has set up shop has said, "I did it out of desperation. I had to be able to showcase my merchandise, not just so that the consumer will know that I exist, but so that the stores will know how to be better merchants." It's a horrible thing to say, but...

A. Yes, so...

Q. So what you're saying...

(Side 2)

Q. Traditionally, the manufacturer didn't want a retailer, and the retailer didn't want a manufacturer. Now, you're saying, it's changed. And that change makes education for this industry absolutely a cross-fertilization process.

A. I think it's interesting...We have a young man who works for the company whose father was a sportswear manufacturer. He owned the company ...I'm sure you must be familiar with them, called "Jeffrey Noël." (?) "J.J. Noël."(?) And they came out with that "she shell" (?) ... Textured
Q. I don't remember that... But I remember the name.

A. They were a very big company, especially when you think of prices in the years that they were good. Anyway, he got out of his company. He had made a lot of money and he retired and moved down to Florida, and I knew him when I was a retailer. His son now works for us so I talk to him occasionally and so on. He got tired of being in retirement, and a year or so ago he decided to open a store in Palm Beach. He and his wife. His wife had never been in the business at all except her husband was in the business. Anyway, he opened this store and he's been doing very well. Very well. And I saw him maybe about six months after he opened the store and he said, "I gotta tell you something. Now that I've got an understanding of retailing, now I could become a manufacturer."

Q. Oh, I love it... All right. Let's leave it at that. That's a very, very cogent and a very critical thing for us to have on record. I have only one last thing to ask you, and that is your attitude toward communication and the media, since you are one of the few manufacturers who bypass establishing your name in your own advertising. And you also are not the kind of manufacturer who lets the retailer twist your arm for co-op dollars. Now that you have licensed out so much of your merchandise lines, I understand the reason for your advertising effort now. But what is your overall...

A. One time.

Q. One time. You don't want to do it again. Why did you do it once?
A. It started out because we wrote advertising requirements in our licensing agreements and these people had to run ads. And when we started to talk about...And each of them, each of the licensing divisions, had a different agency. And we sat down and we talked about it. My...As part of my responsibilities in the company, all the...I'm in charge of all the licensing. So we sat down, we had a meeting. I said, "You know, it's ridiculous. If you guys are going to run ads, at the very least we should have a corporate format. So people will know it's a Liz Claiborne ad when they pick up the magazine." Everybody agreed that that was a good idea. Then we decided, after that, well, if we're going to do that we should have one advertising agency. And everyone agreed to that. So we went out and we searched for an ad agency and we tried to develop a corporate format that would be usable and one of the U.S. Shoe people got a hold of me and he said, "You know, the least you can do is join us. For Christ's sake. You know. You're doing all that business. You're asking us to spend all this money on advertising and you...I mean...Put an ad in the paper!"

So we decided...I decided, or we decided he was right and we said okay, we'd do it. There were three divisions that were involved--hosiery, accessories and shoes--And we said, okay, we'll go on as an equal partner, 25% each.

So, we created this campaign that we hoped would do something for everybody. Well, the campaign was...It was expensive, because we went into a lot of magazines all over a two month period, but it was...

Q. That's not Liz Claiborne...
A. No. It was a disaster. It was a joke.

Q. I hope that you don't think that this is because you're not happy with the ads, and that advertising would be right for you. I think that there is a Liz Claiborne point of view....

A. We came from an advertising agency meeting just before I got here today. We are picking another agency. We had a meeting today with an agency called "Margiotta...(?) I can't remember..."Fertita and Weiss.."(?) Something like that. Terrific young group of people. Terrific. We have to have an agency for fragrance. The chances are that if we pick the right agency, it'll become the agency for everybody. We're meeting tomorrow with another agency, and we're going to pick one. And we'll have a fragrance thing and from fragrance we'll probably move into other things.

We spent last year, you should know, something in the neighborhood of $10 million on co-op advertising. Ten million. We're in virtually every store catalogue. We're in the New York Times on a regular basis, either with L & T or Sak's or Bloome's or...

Q. So that's the way you're doing it.
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