THE ORAL HISTORY COLLECTION, F.I.T.

THE FASHION INDUSTRY LEADERS

SEYMOUR PHILLIPS

Chairman of

Phillips-Van Heusen Company

DATE OF INTERVIEW

February 3, 1984

Interviewed by

Mildred Finger
The Phillips-Van Heusen Co., Inc., is an apparel conglomerate which, in 1983, did a volume in excess of $500,000,000.

Towards the turn of the century, the founder of the original firm, made shirts only, as M. Phillips and Sons. That company merged with the Jones Company, also shirtmakers, in 1907. In 1918 the Van Heusen Company joined with the shirtmakers, and the company was known as Phillips-Van Heusen.

Over the years the firm grew both internally and by acquisition.

Mr. Seymour Phillips is Chairman; Mr. Lawrence Phillips is President.
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Mr. Phillips, could you start by telling us a little bit about your family history, and then your own personal history.

A. Yes. I can tell you quite a bit about it, because I've been involved in this business since I graduated from Columbia in 1924, which is a long time ago, and I had a great deal to do with the company and what has happened. My grandfather lived in a small town in Poland.....

Q. What was his name?

A. His name was Moses Phillips. He was married and he had seven children. He came over to this country without having any money whatsoever or a place to live, or any knowledge of the English language. This town, which was very close to Russia, was filled with Cossacks, who were taking their revenge, because there was a certain hatred for certain people, and they were killing the Jews in that area. As I am Jewish, and he was Jewish, he was afraid his family was going to be massacred and therefore, he came out. It was very difficult. He came in on a ship, the bottom of the ship, a freighter, I'm sure. He came to Ellis Island, and he didn't speak the language; he must have had an interpreter. (I'm guessing at much of this now.) And they asked him what his name was and he gave a name which I don't know, and they said, "You can't use that name. Where
do you come from?" He came from a town called Suwalki, and they said, "You can't use that name."

Q. How do you spell Suwalki?

A. S-u-w-a-l-k-i. It's a very small town. So they said, "What's the nearest thing to it?" And he said, through an interpreter, (Now I'm guessing a lot of this but I think it's correct), he said through an interpreter, "We have an outskirts of this town, environs--suburbs, like Larchmont is or Westchester is here, and he said, "The name of that town was Philipof" or "v" I think it is, and it was named by a Greek, obviously, it's a Greek word. And he said, "None of the people who were of my religion were ever permitted to go into town; therefore I had no means of earning a living." The man at Ellis Island apparently said to him, "Your name is Phillips." That's what they used to do in those days.

Then he came into the country, having nothing, and knowing one person. That person was in Pottsville, Pennsylvania, about 140 miles from here, in a direct line West, and he called on the telephone, through an interpreter, I'm sure, and asked whether he could find a residence there, or what should he do. This man, who was a distant cousin, said, "Come down. I'm going to see that you're taken care of," and he put him and his children and his wife in a loft above a garage on Main Street in Pottsville, Pennsylvania. It is a town of 25,000 people, and which was then about perhaps 15,000, it got to 25,000....Everything was taken, and as it had mountains on all sides
(it was the beginning of the mountain area), beginning of the anthracite mines in that area, the town couldn't grow beyond 25,000. It's been that way ever since.

Anyway, he put them in the loft. He evidently borrowed money. I don't know this as a fact. I'm guessing. And he bought machinery, or rented machinery, and started to make shirts. And the children went to the mines, anthracite mines which start in the eastern portion of Pottsville, Pennsylvania. This is the hard coal area, not bituminous coal. They sold shirts, heavy shirts, work wear shirts, to the miners as they came out of the pit, came up the elevators.

They then made enough money so they could eat and survive, and they built it and built it and built it, and a lot of the children went from door to door and sold men's shirts. And then they made enough money, after 11 years, so they could move back to New York, which is where they wanted to go. And they went where all of the immigrants went to, which was the lower East Side of Manhattan.

Having done that, and having made enough money to just about get by and to take this trip, Moses found that the Lower East Side was very difficult for immigrants, and that was that there were no hospitals, and the doctors had no hospitals in which to operate or to take care of patients. So he, together with ten other men, put up enough money so they could rent a brownstone, and they started a clinic, and they put in enough money to buy the equipment and take care of it and invited the doctors in the area to
take care of the people who were there. And that grew into a merger with a small hospital, which was for women only, which had to do with their own particular needs; women's needs. And then the years went by...

Q. You don't remember the name of the hospital?
A. No, I don't. I can get it for you. A maternity hospital in Manhattan. It was a maternity hospital.

Q. That's very interesting. I'd never heard anything about that.
A. Well, some of this I am taking from the facts that I know.... Anyway, they merged with them, because the maternity hospital was in financial difficulty. And having done that, they subsequently had a group of men who were willing to build a hospital on the lower East Side, which was one of the biggest in New York, called Beth Israel Hospital.

By this time, my grandfather having died, my father took over and he had a...

Q. And your father's name was....?
A. Isaac L. Phillips. And he was...had no real formal education but he was a very smart person. There's his picture. ... And he agreed to take on the job and the assignment of putting up a building that would be satisfactory for the future of Beth Israel Hospital, which he attempted to do. It was called the Dazian building, and it faced the park on 16th and 17th Streets, which was Stuyvesant Park at that time, and stretched from the center of 1st and Second Avenues to 16th and 17th Streets, and it
went back toward First Avenue. He attempted to do that while he was doing a lot of other things, such as building a home for the aged in the Bronx, or "The Home for the Daughters of Jacob" and he completed it and now it is a very big institution, very successful. He attempted also to build a religious edifice on 86th Street between Amsterdam and Columbus Avenue, and he did that all within one year and he was running the business at the same time. And, the result was he died young. He was just fifty-two.

Now he didn't complete the building. In the late '20s the building was finally finished. My father died and I got out of college, Columbia. I joined the Board and I've been there for forty-six years. I don't know exactly why it's 46 years. I became Vice President of the hospital and now I am now actively involved in the hospital. I give them not only financially, but I also give them my time and my interest. I am the Chairman of the School of Nursing, which is truthfully the best school of nursing in all of New York State, with the highest marks, including the Baccalaurate Degree schools, which we don't have. We have a diploma school, and we now have advanced beyond that stage ... I'm also on committees and I'm very active in the hospital...

I tell you that only because of the tradition of doing something for the less fortunate in life is something which came to us honestly, through
my grandfather, my father and now to me, and now to Larry, who is now President...Larry Phillips, who is now President of Phillips-Van Heusen Corporation. And I'll go back and see if I can give you just the bare details or my surface knowledge of Phillips-Van Heusen.

The name of the company was M. Phillips & Sons. In 1907, they took over a company that was making shirts in Pennsylvania, not far away, called V. Jones & Sons, or & Company, I'm not sure which. And in 1907 they took them over and changed the name to Phillips-Jones Corporation. It now started to grow, and by today's standards the growth was not large if you're talking about hard dollars. Today we're talking about soft dollars.

They built it up until in 1918, I would say...In 1918, my father accepted the presidency of this company, the Phillips-Jones Company, and he was approached by Mr. John M. Van Heusen of Holland, who owned a patent on making collars, which were the soft collars that had the appearance of a starched collar. I must tell you that in those days, neck band shirts were 95% of all the shirts sold, and now the neck band portion is less than one half of 1%. They are now all collar attached. That came about because the men went to war in 1914 and 1918, and they came back to their civvies and told the people, "Why are you wearing a neck band shirt? It requires buttons and all this stuff and a stiff collar. Why don't you wear a collar attached shirt, which is more comfortable, easier to put on--it washes easily. The whole garment is uniform." And slowly, the collar attached shirt came into being.

Anyway, in 1918 or thereabouts, the use of starched collars was
very big. We had many competitors in the field, such as Arrow, Wallace Coon, names that you're not going to remember...

Q. What was that last name?

A. Wallace Coons. C-o-o-n. Wallace Coons was in Cohoes which was in Troy, New York, and that's where they manufactured the collars.

At any rate, Mr. Van Heusen came in to the United States to sell this patent of his, which was a specially woven fabric which was soft and looked starch. It was "multi-plied" collar fabric, and it was impossible to make it unless you had the machinery and the equipment to do it. And they approached everyone, including our competitors, everyone, and he had no success. When I say they, I'm talking about him. He was an unusual person, about 6'4", and he was a very bright guy...

At any rate, Van Heusen then came to my father and presented the problem to my father and my father said, "Very interesting. What do I have to do to make it good?" And he said, "You have to have enough money to buy the equipment." "Gang looms." Gang looms are made with strips that come off, this wide. Big enough for...about 3½" wide. They come off in rolls, and then you have to cut out the collar, which was a band on top, and make it into a soft collar which had the appearance of a starched collar.

At that point my father, this being 1918 or 1919, decided that we ought to go into that business, and we ought to find a method of doing it, so he went to our bankers, who were Sachs & Company, and he borrowed a
great deal of money and sold a piece of the common stock of this company to the public...

Q. When had the company gone public?

A. I think it went public in 1919. Okay. He then went about buying the equipment, and arranging for an advertising agency....We were a small company, comparatively, although we were doing reasonably well...He then set up a procedure, and we introduced the Van Heusen collar at one hell of a price. It was a soft collar which had the appearance of a starched collar, and it was very good. And it was multiplied so it had no wrinkles, and the advertising agency suggested "wrinkle, ever" as the name of the collar. Then we introduced it, they advertised it, Grey Advertising came into the picture. They did the work for us. We introduced it and it was a huge success. I must say, he risked a great deal in going into it. We were not in the collar business, we were in shirts. And it was so successful that we just couldn't supply the demand. Everybody wanted it. A separate, soft collar which looked like a starched collar which was comfortable and which could be used...

Q. And was Mr. Van Heusen paid on a royalty basis or did your father buy the rights outright?

A. We did not buy it outright. We bought it on a royalty basis and had the rights for the United States, South America, Central America, and we didn't have enough money or wherewithal to buy it for the rest of the world. He sold the rest of the world to someone in England, which has
nothing to do with us at the moment.

Now, the company, which was small, started to grow rapidly and all the people who learned of collar attached shirts started to buy collar attached shirts, and therefore the use of neck band shirts diminished. And when it diminished, we had the problem of having separate collars, so we decided to make the Van Heusen collar part of a shirt and attached it and made a collar-attached garment which we called the Van Heusen Century shirt and it was very successful. And by those standards—I'm not talking about hundreds of millions of dollars, now; I'm talking about a limited number of millions of dollars....

Q. Do you remember a more precise figure?

A. No, I don't have it, but I'll give you the figures, which should give you some idea of the size of the company. All right. Now, time went by and my father, unfortunately, died, because he was doing too much for charity or he was doing too much for business, and....

Q. He died in 1923, just before you came into the firm, right?

A. Right. That's one of the reasons I came into the business early, I thought my family should be represented, although my brother was here, and he wanted in, and my uncles were running the business, my father's brothers. And I went to the Dean of Columbia College and said I must get out in three years instead of four years. I was in my sophomore year, and he told me he thought it was possible but I would have to do better than I had done and I would have to take one hell of a lot of points
in order to get out, so I did, and once I paid attention, which I didn't all the time, I was able to get very good marks and I graduated in three years. No big deal to graduate in three years if you pay attention and devote your intelligence to it, it's a cinch. If you don't, it impossible.

All right. I came in in 1924. I went to the factory....

Q. Now, the firm is Phillips-Jones at that point, still...?
A. Right. I...then...

Q. Excuse me. Is there a possiblity here of just filling in a picture of what the company was like when you came into it?
A. Yes. The company was small and we had a limited distribution and we were doing somewhere around $5 million. Somewhere in that area. I can get you some exact figures...

Q. No, that's all right. $5 million as approximate....

And the firm's headquarters were where, at that time?
A. 1225 Broadway, which is 30th Street and Broadway. That's where we were. We subsequently moved up to 417 Fifth Avenue, which is 37-38th Street and Fifth Avenue. And we subsequently moved here and we've been here for a lot of years, and....

Q. But by then there was probably another change in company name...

Now, when you went in in 1924, you were down in 1221, right?
A. 1225...

Q. 1225 Broadway, right. And you were doing about $5 million. Were
you having shirts made in Pennsylvania still?

A. Yes, we were. We had the machinery and equipment in Rhode Island, and then subsequently in New York City where we had a plant built. My father built it in 1911 and we started to make the collars, the collar attached shirts and put them together in Pennsylvania, some of them in New York, and it became a big business. In those days shirts were selling at about $1.95...

Q. At retail?

A. Yes. And then they went up to $2.15, to $2.65, to $2.95. That was considered a high price. Today it is not considered a high price, obviously. There are no such animals.

Q. What kind of a sales force?

A. We had a limited sales force. We had to build a bigger one in order to make the Van Heusen collar successful, and subsequently the Century collar.

Now, by 1929, neck band shirts were selling at about half of one percent and all the rest were collar attached, and that made one hell of a change in the business but didn't throw us because we used this device of having the collar attached to the shirt, as this collar which I'm wearing is attached to the shirt. And I went through all the divisions of this business as a young man. I started in the factory, which was in the Bronx, and then I went to the factory which was in Pennsylvania
and then I went into the credit department and the advertising department. I handled all the advertising in the mid-'20s.

Q. And advertising, of course, has always been very important to this company, hasn't it?

A. We've always thought that you have to build an acceptance and a demand for consumer acceptance for the product and the result is that we developed wider distribution... We had the daring to take a percentage of our total sales and put it into advertising. This is one of the things which was accomplished.

I then went into the finance end of the business. I went into the management end of the business. I became one of the sales managers here, on a national basis, and traveled all over the country. And slowly we built it into something which became bigger than $5 million.

Q. I'm sorry. I must interrupt for a minute. Were you selling specialty stores, primarily, in those days, or...?

A. In those days, the independent stores, specialty stores, were in vogue, and the department stores had not taken over the market as yet. They since have, because as you know, the volume is done in big stores. But there are still independent retailers all over. They have diminished in number. The distribution that we had, that we had then, was with many independent stores. That subsequently changed into many department stores and also specialty stores. They called them menswear stores, Okay?

Now, my son, Lawrence Phillips, who's in the business... Those are the only two people by the name of Phillips in the entire business,
and we've got 8,000 employees now. Having graduated from Princeton, and having gone...

Q. I'm sorry. I think we're skipping something too quickly. In 1939 you became the President, right?
A. Yes, I did.

Q. That was before Larry's entry into the business. Okay. So could we talk a little bit about the status of the company at that time.
A. In 1939?
Q. Yes.

A. Well, I became President in 1939. In 1938 we did $5,800,000 business, which wasn't the greatest thing in the world but the whole situation had changed because you were now in a new ballgame with collar attached shirts.

Q. That was still your one product line, right? You were doing woven shirts.

A. Yes. We weren't making sports shirts and we weren't making pajamas and we weren't making underwear, and we didn't have any clothing operation, all of which I tell you about as we go along in this situation.

All right. In 1939 I became President. In February, to be exact. February 7, 1939. And the company was in some disarray because of recurring recessions and depressions in this country, which is normal to it, and which we'll have again, I think. I don't know. And subsequently, at the suggestion which I made to the entire organization, decided to take advantage
of the name Van Heusen and so we changed the name of the company to Phillips-Van Heusen Co. instead of Phillips-Jones Company, and as we were on the New York Stock Exchange in 1919, when it was called Phillips-Jones, we changed the name to the Phillips-Van Heusen corporation.

Q. You must have been one of the first apparel firms, or apparel related firms on the stock exchange.

A. I think we were one of the first ones. Cluett Peabody was ahead of us, which includes Arrow Shirts. We were about the second largest in the branded field. We are the second largest in the entire branded field. Okay. Now, we now started to build the business up, and about 12 years ago, which would place it at...This was about 1972, I called my son and said I would like to speak to him, and I said, "I'm getting older. Not very old...But I would like to suggest that you become President. I will take the Chairmanship and we'll submit it to the board, and subsequently to the stockholders," which we did, and he did take on the presidency. He's very bright. He was in the Navy, had been in ROTC and had an officership, and he went to Princeton and was in the Wharton School of Business. He is now 56 years of age, which makes me more than 56. I guess you can understand that.

We had now spread, by the time he became president, into other products, such as sports shirts, pajamas, etc., and he came in and went for the policy of diversifying and increasing our business by the acquisition of companies and by building into other fields. And in the period since
he became president, 12 years ago, we have acquired a great number of companies...

Q. But shall we go back? I do know that during the time before he became President, there were developments in the company that would be interesting to know about.

A. Yes, there were but there are minutiae that you would find to be less than interesting in this document that you are drawing. I think that one must understand that we increased the volume of the company and became larger...

Q. In 1958....

A. In 1956 we arranged to change the name from Phillips-Jones Corporation, right at the end of that year, to Phillips-Van Heusen Corporation, which we did. And in 1957, which was the first year it was named Phillips-Van Heusen Corporation, we did a business of $33,500,000, having grown from the lower figure of $5 million. And I go back to the question of what happened after Larry became President, which was about 12 years ago. It was about 1972. We started to acquire things, including retail stores and we bought Kennedy's in Boston, which was a fine group of men's stores and we bought Harris & Frank Company in Los Angeles, and we bought Rice in Norfolk, Virginia, and bought Hanberger's in Baltimore and we bought also a group of stores in Minneapolis, and other stores which we since have pared down. So our retail volume got up to got up to as profitable as manufacturing, so we reduced the whole thing. Now we are
smaller in retailing than we were before by virtue of our paring down and building up on manufacturing and going into many other fields of endeavor.

Q. When did you acquire Joseph & Feiss?

A. We acquired Joseph & Feiss, a company about 140 years old. It's older than we are because I calculate the age... The only references I have go back to 1900, so go back to 1884, which is 100 years ago... We acquired Joseph & Feiss about... I can get it for you in a moment. We also subsequently acquired the biggest sweater business for men in a price range that was higher than the average price range in the country, and that is Somerset knitting Mills in Philadelphia, and we acquired the whole thing, and I'll get to the date of that too. It seems to me that I'm getting vague on dates, but I'll...

Q. That's all right. I'll catch all that.

A. Now, we also started, for the first time, to make merchandise overseas as well as domestically. And that was when the American situation became so high from the viewpoint of labor and the labor unions, to which we had no objection; we were unionized. But we could afford to buy and therefore we decided to start to go overseas, and now we are fairly big overseas.

Q. Is this in Taiwan and Hong Kong?

A. Yes, that's correct. Taiwan, Hong Kong, Korea... and also in China now, because China has become a very big factor in this entire situation. And we now have an office in Hong Kong of some 48 people, to
be sure that the quality is good and that the timing and that the piece goods which are delivered to other countries such as Japan are of such quality that they are not going to give us other than a good reputation, which is what we insist on.

All right. Now, the Joseph & Feiss Company is a very interesting company. It had a good reputation and was doing fine, but we have built it into something infinitely stronger than what they had, and they are now in the area of men's suits which are about $280-$285 retail, which they were not at that time. They were lower priced, and one of the reasons we went into the retail business was because our retail stores, which were primarily men's stores but also has some women's merchandise, were carrying Cricketeer and also carrying other things such as boys' merchandise, etc.

Now...At this point we started to expand the business and expand it importantly. Because Larry had ideas about increasing the business. We started to rise in volume. By this year, which was the 100th year, excluding the years which belonged to Joseph & Feiss, for instance, which was 142 years--I didn't include the 42 years because I can't get the records easily; but I did get the records for 100 years. It shows that in 1983, ending January 31, 1984 (this is a January corporation) we are having the biggest volume we've ever had; over $500 million. And we are going to show (I already indicated it to the public; otherwise I would not be able to speak to you) the largest profit we have ever shown. And this is not due to me. It's due to the fact that we have a President and Executive Vice President (we have a lot of presidents of a lot of divisions)....
Q. That's interesting that you mention that, because that is something that I would like to know about; that is, what the top management structure is. How the company is run, what is the corporate staff like...?

A. The divisions that we have, include Somerset Knitting Mills, Joseph & Feiss and Van Heusen and an export division, and we also opened a division which is catering under special labels to chains and also to independent stores, which are not independent chains, and we are selling under special labels as part of our overseas operation. The organization consists of a group of men who are most unusual. We think they're the highest priced men from the viewpoint of payment of anybody in this industry. By virtue of that, I have been able to obtain the services of men who are exceptionally bright and it is...the keystone of our operation... it is by virtue of those men that we have obtained this new record in 1983, and for the end of the year, January, 1984, which puts us on an annual basis, and we are moving forward and I expect that we are going to do very well. We have not indicated any figures as to where we are going... but we are projecting an increase of operations.

Q. While we're talking about...You said you had this very strong force in the company. You were talking about the divisions; each division has its own...?

A. Has its own operations, and are reportable to the executive committee consisting of three men. One is Lawrence Phillips who is President, one is myself, who is Chairman of the Board; and the other one is Robert Reilly, who is Executive Vice President-Finance, who does all the things that are necessary.
And this executive committee approves or disapproves all plans which
are submitted, and also reviews the operations of each one of these
divisions by bringing in the presidents of these divisions and all
of their top people to discuss what they're doing, what their operations
are and what their operations are expected to be. It's in that way that
we are able to control and be sure that we are within our finances, which
are a very strong. . . .

I will see if I can go back for just a bit...My family's tradition
had been to help people who are less fortunate; all of us devote a good
portion of our time to helping the less fortunate, and I particularly have
become interested in the school of nursing and the hospital, which is a
big undertaking. . . a thousand beds...and a thousand outpatients every day....

Q. Is that Beth Israel that you're talking about?
A. That's Beth Israel. I have also become interested in children
who are suffering from blood diseases and it is a division of New York Hospital,
which is up on 65-66th Street, which has a division called the Children's
Blood Foundation, and I have taken an interest in it. Of course, my
closest friend was President until he died. I am not on their board and
I not taken officership. I merely direct their affairs with the President
of the Children's Blood Foundation. . . I've also been interested in the
Rockefeller Institution, which is on about 62-63rd Street and First
Avenue...or York Avenue I guess it is. . . . because our hospitals are tied
. . . And we have also made an association with the Orthopedic Institute,
which bought certain land from us down at 17th Street and Second Avenue,
and they built a building and do only orthopedic work. . . I've
also arranged to have a complete library, a medical library for our
people--our nurses, our doctors, and the doctors at the Orthopedic
Institute. . . Which has only about 230 beds vs. 1,000 beds, and I've
arrange to build and put up a library in my name, one of the best in
New York.

I have also been interested in charity in the sense that I have
been the head of of the UJA: Federation of Jewish Philfilanthropies for
about 30 years in this industry, but I no longer am head because I've
passed that age. And I guess you want my age...or don't you?

Q. I think I know it. It's written down as 1903, is that right?
A. I was born in 1903.
Q. Right.
A. That makes me a senior citizen. I'm not so senior, but I feel
senior...I feel young.

Q. Well, you look it and you act it.
A. Well, I don't have time to concentrate on dying. I've only got
time for concentration on living.

Q. Right. What do you consider your role in the company now, because
you obviously come in quite often. . .

A. Every month, I come in for quite a while. I'll be back on 4th of
April, and will be here May, June...August, September, October and November,
I go back to my home and the same: three weeks there and one week here.

Q. Every month?
A. It's only four and a half months.

Q. In Florida, I guess it is. You're there three weeks and you come here for one week of every month, during the winter.

A. That's right. Also, I was head of the National Shirt and Pajama Association, The National Shirt & Pajama Association of which I was President during the war period 1939 to 1945, and I had a good deal to do with "purifying" the industry and getting them to be respectable and doing things for the government and helping the war effort, and being sure that we were recognized as a solid organization. We had a lot of very good directors. Everybody in the industry came in and did a good job. My son subsequently became President of the National Shirt & Pajama Association, and then subsequently they merged with AAMA--American Apparel Manufacturer's Association--AAMA, and that's what now exists. My son is very active in that. He's a member of their board, as he is of many other boards, not only in the industry but in charity, and so forth. However, one thing we've lived by, which is the original thing that my grandfather started, and his great-grandfather started, and that is to do things for the people who are less fortunate, like...Oh, we have done many things. I guess at this point you understand.

Q. I do indeed.

A. There is no reason for boasting. I'm too old to boast. Therefore I'm not boasting.

Q. The interesting thing is that while you were all building this enormous undertaking--from a volume of $5 million to $500 million--you
had time, or you made the time, to do the other things, which is really, very exciting.

A. There are many other things that I haven't told you about, but there's no use stressing it. Take it for granted that we were extremely active, and I'm continuing it.

Q. And you're continuing it. Thank you very much. I think that is a wonderful story.
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Interviewed by
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Over the years the firm grew both internally and by acquisition.

Mr. Seymour Phillips is Chairman; Mr. Lawrence Phillips is President.
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LAWRENCE PHILLIPS

ORAL HISTORY

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Q. ...for the Oral History Collections of the Fashion Institute of Technology, this will be an interview with Lawrence Phillips, President of Phillips-Van Heusen, Inc. The date is March 12, 1984; the interviewer is Mildred Finger.

Mr. Phillips, how old were you when you came to this company?
A. Oh, just under 21 years of age. The day I graduated from college...
Q. Uh huh. And that was what year?
A. 1948.
Q. 1948. And you've been here ever since.
A. Always.
Q. Okay. So could you tell us, for example, what happened in 1959, which I believe is one of the key dates in this company.
A. I believe in 1959 I became President, I believe that was the merger of Phillips and Van Heusen...
Q. You started in '49 here...?
A. I started in '48, 1948...
Q. And would you tell us what happened in the next eleven years?
A. Well, the next dozen years...I was just out of college, and I was in a learning process for a good piece of it. The company was being run actively by my father, who was then Chief Executive Officer, and it was during that period of time that the company continued its growth and development. In 1959 the company changed its name from Phillips-Jones to
Phillips-Van Heusen, and that change was done primarily to take advantage of whatever publicity might be attendant to annual and quarterly releases of figures and other announcements, and try to get the name Van Heusen even more before the public.

About that time, it became increasingly apparent that the nature of the world, and the apparel world, was changing. And we saw at that time the importance of diversifying, because the industry was slowly beginning to move to offshore sourcing. There were more and more inroads of discounters who were starting up. And at that moment, there was considerable concern about where any individual firm would end up if they did not diversify; and if they had not paid attention to broadening their base.

The route that was used by almost everybody in the men's apparel industry was to go the route of something called dual distribution. This was a route whereby the manufacturers would acquire and buy groups of retail stores who, in addition to being profit centers under their own, would also be important customers of the manufacturing divisions. And we observed in the late '60s that a great number of companies, particularly clothing companies, were moving very aggressively toward becoming dual distributors. And you may recall, that there was a time that took place in the late '60s where every major independent retailer—and every group of specialty stores in the country was being acquired by one of the major
companies.

Q. This was particularly true of the menswear field, right?

A. This is entirely...This is only true of menswear. At that juncture, we were solely a shirt manufacturer. And the percentage of business that a shirt company could do with an acquired retail store was considerably less than a clothing company could do. And therefore we had very little competitive leverage and the synergism was minimal for us to compete with the major clothing companies, who could occupy and obtain a much larger percentage of the store's total volume than could we as a shirt manufacturer.

So, in order to deal with that problem, we began a series of acquisitions, first of manufacturing companies, so that we could have a broader base, so that then those companies could be in a position to be correctly situated competitively with the clothing companies, who were also being acquired. We therefore acquired, in rapid succession, the Joseph & Feiss Company and its wholly owned subsidiary, Windbreaker; we acquired Somerset Knitting Mills, which was a very important domestic sweater manufacturer. We broadened the base of the Van Heusen Company substantially, into boys' wear and other areas and we subsequently bought another clothing company that was call Brookfield Clothing. We had a pretty wide base of products and volume, and we could now take a look at the acquisition of retail stores and do so and be competitively in the same position as were the Botanys, the Eagles, the Hart, Schaffner & Marxes, the Manhattans, the Cluett Peabodys and Genescos.
Q. You were not President, were you, until 1967... that you became President...

A. These acquisitions mostly took place in the late '60s. We then proceeded, after having established a manufacturing product base, to start to acquire retail stores, and we became important dual distributors. We acquired a great number of stores and ended up with something in the neighborhood of 130 stores that were almost all traditional men's clothing stores.

Now, while we were doing that, everybody else was doing that also, and we achieved what we had hope to achieve. The ironic and perhaps sad part of what we achieved is that for us, as well as for everybody else, the whole dual distribution bubble burst. People began to realize very quickly, particularly during the recession of '74, that it was a two edged sword; and that while you could presumably make profits on the way up--because you would get both retail profits and additional volume through the manufacturing divisions--that the second side of that sword was that on the way down, you had great problems running the retail division, particularly if you were a manufacturer; and secondly, that that inventory backup was a very serious matter, and that the benefits of dual distribution, thus, began to evaporate.

Q. Exuse me--by dual distribution, you mean distribution via your own stores as well as department and other specialty stores.

A. That is correct. So.... What happened to us, and what happened
to everybody else, is that the bubble burst and that almost everybody, with the exception of Hart, Schaffner & Marx, began to retrench and to realize that a mistake had been made and that it was important to unscramble. So, some people did not have the ability to unscramble. Many of them, like Genesco, Botany, Eagle---either went under or virtually went under, because they could not stand the gaff. Others virtually got out of the business. Cluett Peabody is now extricating themselves completely, Manhattan is down to two groups of stores from that vast number that they used to have. Hart, Schaffner & Marx has maintained its positions, and we have reduced the total number of stores that we run from something in about the 130 area to 53, which is the number that operate at this date. We have sold off, usually to their former owners, three of those groups of stores, and in other instances we have curtailed the existing number and closed unprofitable stores.

Q. Like the Kennedy's in Boston?

A. The Kennedys...We started with 20 odd stores during the buildup period, and have reduced the number of Kennedy stores to six--five in Boston and one in Providence--and we have merged the management of those group of stores with Hamburgers in Baltimore, so that we today run that centrally out of Baltimore.

Now, we then at the same time continued to do further the pruning of our manufacturing divisions, and we also got rid of several of the acquisitions that we made in the late '60s and early '70s until finally,
as recently as this past year--1983--we finally had rid ourselves of all loss operations and finally had every one of our remaining divisions--both retail and manufacturing--operating in the black. Now, we're not thrilled about the return on investment of our additional retail stores, but they are no longer a drag on our operation, and it is for that reason that the year 1983 saw us achieve a volume that was in excess of $500 million. And, more importantly, that we had record earnings and record return on investment, and we had all in all a very excellent year with no ...none of the divisions detracting from the net result.

Q. What about the Designer Group?

A. The Designer Group is an offshoot of the Van Heusen company. It's a part of the Van Heusen Company. We were quite late in getting into the designer label field, because we had a rather simplistic and it turned out erroneous view that the American public was not going to stand for the rip off of paying substantially higher prices for merchandise just because it had a designer label on it. And I guess what really convinced us that the public would stand for this rip off was when Bill Blass chocolates were being sold at Bloomingdale's and other stores, and we just couldn't believe that that would continue.

We were wrong. The American public was happy to pay premium for designer label merchandise, even though it was no better nor more fashionable than other merchandise. And we began belatedly to get into that business, the business which was negligible until a few years ago,
and grew to a level in 1983 of $28 million, and included such designers as Halston, Geoffrey Beene, Allan St. George, Cacharel.

Q. You have one more, I think...

A. And that volume is continuing very well. An additional one is "Aigner," not a designer but a name associated with designing.... And a combination of those designer names will result in a volume increase from $28 million in 1983 to something near $60 million in 1984. So, from a rather late start, we have gotten on this bandwagon. Whatever we may think of it personally we are convinced that in today's day and age, the consumer is willing to pay for...to pay a premium for this merchandise, for this brand recognition.

We have done that while at the same time continuing to grow our Van Heusen brand and our private label business, each of which reached record levels this past year.

Q. Does the Van Heusen Company have totally separate merchandise from the Phillips Company? Have you merged....

A. There isn't any Phillips Company.

Q. There isn't at all? It's just a name...

A. It's just a parent company, and operating within that structure are a number of operating divisions. There is the Van Heusen Company, that operates the brand, private label and the designer goods, both men's and women's; The Joseph & Feiss Company, which operates Joseph
& Feiss private label, Cricketeer, Cricketeer Tailored Woman, Country Britches, and they do a very excellent job in their field. Somerset Knitting is a supplier of most sweaters for the J.C. Penney Company, some of the top brands like Pendleton and L.L. Beene. Additionally, we have an importing company called Menswear International that sells different layers and levels of distribution, mostly to mass merchandisers. And lastly we have an entity called "PVH Sportswear," which is primarily a company that supplies requirements for the J.C. Penney Company and imports goods for them on their behalf. That's the present profile of our company, to which must be added the retail stores that exist, plus a new development during these last couple of years, namely our own outlet stores, which are now situated, as of this date--March, 1984-- at 35 stores.

Q. Could we talk about production a little bit?

A. Sure.

Q. How much of your production is now being done offshore, for example?

A. Of our total manufacturing division sourcing, of all of the divisions together, about 50% is domestic and about 50% is imported from offshore.

Q. And when did that start, the offshore production?

A. Oh, it started many years ago. It started about 15-20 years ago,
and has been growing constantly ever since, as it has with almost every other manufacturer.

Q. And when you talk offshore, you don't mean just the Caribbean, where you function under 807. You're talking about the Orient.

A. Our company has not functioned under 807 as yet. We are investigating it rather seriously at the moment. Almost the entirety of our product comes from the Far East and has for some time.

Q. When you arrived on the scene, when you personally came in, the product mix of this company...not really so much mixed, was it? It was almost entirely shirts, is that right?

A. It was almost entirely shirts and some sports shirts and some pajamas.

Q. So the diversification of that product mix took place really in the last three decades.

A. That's right.

Q. Now, what about licensing? Have you ever licensed your own name? And I'm not talking now about designer licensing, but your own name?

A. We have guarded our name very carefully, because we're very concerned about how a licensee might bastardize it or might distribute it. I have guarded greatly against distribution to off price retailers. Therefore, we've ended up only with one significant licensee in the United States. That's a boys' wear licensee, and one in Canada, and
the only reason we were able to do that is because of the integrity and confidence we placed and felt about the principals of those two companies.

Q. You don't license in Europe, for example.

A. No we do not own our name in Europe.

Q. You do not own your name....?

A. We own the name Van Heusen, only in North, Central and South America.

Q. So that the Van Heusen name is used in other countries by other firms.

A. In Europe, Africa and Asia, where we don't own the name, it is used directly or under license from the British Van Heusen Company, which is part of...It was part of Vantona Viyella P.l.c.

Q. Let's talk a little bit about selling. What your techniques were in selling. Did you always have a sales force?

A. We have always had a sales force in our branded shirt division, and we still do. The sales force has been expanded greatly and has been split. We now have two sales forces, one selling branded goods under the Van Heusen name, and another selling designer goods, and we're contemplating a third because of the essentiality of maximum coverage of distribution in the United States.

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Q. Do you go to the marts? Do you go to the Dallas mart and the Los Angeles mart?
A. We're in all those marts.
Q. You're in all those marts.
A. We have offices of both our clothing company and our furnishings company in most every important trading area in the country.
Q. When you say you have two sales forces--That would suggest that each of your divisions is not a separate entity, and there are certain areas where the functions overlap.
A. No. We have two sales forces in the shirt division, but we also have a sales force...We have several sales forces in our clothing company, in the Joseph & Feiss Company and the other is the Geoffrey Beene sales organization. And the third is Cricketeer-Tailored Woman. So there are a number of sales organizations.
Q. Then the functions which are executed among all of them are how the distribution of information, the data processing--all that--does that come under one heading?
A. No. Each of those entities functions as a separate entity, and the only common corporate structure which affects all of them has to do with accounting, legal and some EDP input. But each of those entities runs a separate and autonomous entity.
Q. As the marketing entity and as a design and marketing entity, basically.
A. No. You have the manufacturing...It's a womb to tomb operation.

Q. In other words, the individual divisions can themselves elect to do their sourcing in the Orient?

A. Any way they want.

Q. Any way they want. So it's their decision, subject to your final approval, I assume.

A. Well, it's their decision, and approval will not be withheld unless the division does not operate properly, in which case the management would be changed.

Q. Right. Could you talk some about store relationships? About department stores and specialty stores and how they may have changed over the past 20-30 years. Do you have any sense of that?

A. Yes, well...There's been a great change in the men's specialty stores because there's a whole generation of owners who have passed away and the number of specialty stores is much less than it was--the independent specialty stores, we're talking about. And their close, intimate relationships with the old heads of clothing companies--Mike Daroffs, Izzy Cohens have all passed away--and the share of market of the specialty stores has decreased dramatically. The department stores, on the other hand, have a big turnover in personnel. We have remained very close to a great number of people in the key department store areas, who have moved up the executive scale and are intimately connected with the heads and people at every level in the department store field, and
have maintained and guarded very jealously that relationship.

Q. As to financing, in...Yours is a very old firm so that you don't really necessarily have the same profile as other firms do, but you started with very small capital and...primarily with a family capital, I would assume.... What happens today? Do you function through banks? Have you ever used factors?

A. The business of personal capital ended when we went public, many, many years ago. We were one of the early companies to go public, in the '20s. And since that time we have been financing our growth both through earnings--internal earnings--a conservative dividend policy, and by bank borrowing, both short term and some long term borrowings, primarily from equitable life... We've reached a point today where the earnings are quite substantial, where the bank debt has been reduced dramatically, and where today, our total debt is a percentage of total debt plus equity, a very small number. Therefore, it has been a consideration, but it has not been an inhibiting one to the growth of the company.

Q. You mentioned private label. Private label today is a very hot subject, about which there is an awful lot of discussion, certainly among the retailers whom I know as well as the manufacturers. When you talk private label, and you've been in business a long time, is it the same kind of private label that they are now talking about? Could
you talk a little bit about what you mean by private label?

A. Yes. We manufacture under the store label a variety of apparel, ranging from clothing for...Our Joseph & Feiss division makes for Federated, including a basic blazer program to a variety of shirt programs ranging from the Bloomingdale shirt program to J.C. Penney's program. We do that in our sweater division as well, we manufacture for important retailers like Wanamaker's and the J.C. Penney Company, and many other important users. So we've been in that business for a long time, and it has expanded greatly of late.

Q. I was going to ask you if it had been showing dramatic increase. What is the story with this firm as far as succession of management? How do you see it happening? For example, have you got members of your own family who are in the business... You do not?

A. We do not. The succession of the business will be determined at the appropriate date prior to my retirement, which is some nine years away. And it will be determined, and will be determined hopefully from one of the executives who is now in place in the business, and who is in the process of growing and preparing for that position.

Q. Tell me how you feel about designers. I'm not talking now about the licensing designers, but designers in general in this industry. And if I understand it correctly, there have been primarily pattern makers who worked under the direction of somebody more like a merchandiser. Does
that sounds like a good description?

   A. Well, the answer to that question really depends upon the point in time. See, this business is very classic, very traditional, and the designers that we have here are primarily colorists and are involved with patterns. They are not dealing with cut and shape of our products. We do a great deal of coloring work...We have our own studio, and designers and colorists who work here. In today's business, given the nature of the business we're in, we do a great deal of original creativity in terms of modeling. We do variations on it, but we do not maintain a host of in-house designers to do that kind of work.

   Q. Is your goal to be at the middle of the market in terms of fashion trends, after the trends have started but before they really have taken off?

   A. It varies from division to division.

   Q. It does.

   A. In the Cacharel division, we are supposed to be much more advanced in our styling. Our branded divisions are supposed to be in the middle. And in our Menswear International Division, it is perfectly acceptable for them to be a season late. So, it really depends on the niche and the basic distribution and and class of distribution you're going after.

   Q. Does the head of each division know what the others are
doing? Is that part of their...?

A. We do have the head of each division sit on the Board of Directors, and if he is not a Director himself, he is invited to participate in each board meeting, where he gets an automatic briefing and all quarterly figures for each division are distributed amongst all of the other heads of the operations, and we try to keep very close communications going.

Q. I know that the time is up... But I have just one major question. Advertising and sales promotion has been very important in this firm, has it not? Could you talk a little bit about that?

A. Yes. We have consistently increased our advertising and sales promotion, and the largest budget we have ever had is the one that is planned for 1984. The largest budget we have turned out will be operative in both the Joseph & Feiss Company and the Van Heusen division. The Van Heusen advertising budget will cover both the branded Van Heusen segment, plus the designer segment. And we think it is invaluable. There are tens and tens of millions of dollars that we have poured into this thing, and it is one of the reasons we sell as well as we do.

Q. Okay. Thank you very much.
THE ORAL HISTORY COLLECTION, F.I.T.

THE FASHION INDUSTRY LEADERS

B.G. COX,

President of Joseph & Feiss
Division of Phillips-Van Heusen

Date Of Interview
February 7, 1984

Interviewed by
Mildred Finger
Joseph & Feiss, since 1967 a division of Phillips-Van Heusen, was founded in 1841 as a men's tailored clothing firm. Over the years, it was widely distributed in the U.S.

B.G. Cox, whose Oral History this is, joined the company as a young man, and became president in 1970. The company today has several divisions of its own, having diversified its product mix to include sports clothing.
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Q: Collections of the Fashion Institute of Technology, this will be an interview with B.G. Cox, President of Joseph & Feiss, men's clothing manufacturers, now a division of Phillips-Van Heusen. The date is February 7, 1984; the interviewer is Mildred Finger.

Mr. Cox, you've been with this company a long time. Thirty-four years I believe it is, and I'm sure you know a great deal about the company's history and how it has gotten to be where it is today. So, could you start by telling us about yourself: When you were born, where you were born, how you got into this business?

A: Well, I was born in Billings, Montana in 1920, and I got into this business quite by accident. I grew up in the Depression days and to earn money I worked in the local men's clothing store in our city, or town, and it happened to be a Joseph & Feiss customer, along with some other brand names which are still in business, such as Hart, Schaffner & Marx and Hickey-Freeman. And back in those days most of the clothing salesmen carried what was termed as "packers" with them. They were young men who carried their bags and modeled their garments, and usually drove their cars. Because they could have them very cheap—at that time—The Joseph & Feiss salesman asked me, while I was working in this men's store when I got out of high school what I was going to do, and I said I thought I wanted to go to college, but I really wasn't all that sure. And he said, Well, how would I like to pack on the road for him? To make a long story short I packed for him, and then enrolled at Colorado University that winter term and then packed again the subsequent season, and then I....

Q: Packed for the salesman.
A: Packed for the salesman. I went out with him for the third time and then my father got hold of me (and this was about 1938-39), and he said he didn't care if I wanted to be a clothing peddler, but he wanted me to finish school before I did. So I quit and then devoted my time, to going full time, to the University of Colorado, and...However, I continued to work in men's stores at Christmas holidays and summers, and I had hoped to go to law school. And as I was in that illustrious class that got out in 1942, who just got out in time to go into World War II, and having done a little bit of civilian flying in the early days...I went down to take the medical examination and was accepted into the Navy, and served as a Naval aviator for four years during World War II. When I finally got out I was a Lt. Commander and didn't know what I was going to do because now I was almost 27 years old. So I went back and talked to the Dean of the Law School, and my grades weren't anything to write home about. I was a pretty solid C student, but that was about the best. And he wanted...he inquired if I had any entree into the legal field, which I didn't, and then he suggested that maybe I ought to consider another career. I don't want to get too detailed...

Q: Oh, yes, please. It's interesting.

A: But...I did. I thought a variety of things. I thought about....In fact, I had an interview and was accepted as a co-pilot with United Airlines. And I still thought about going back to law school. But I ran into a fellow that I had flown with in the Navy, and he said, "What're you doing?" And I told him the situation in which I found myself, and he suggested I go talk to Sam Sherman, who at that time was President of the May Company and also a Director of the May Company. And he said, "Call the May Company stores. They're
establishing these executive training programs." And he knew that I had been interested in the apparel and retail field, and maybe he would make me a deal.

I went over and talked to Sam Sherman, and to make this long story a little bit shorter, I eventually became a buyer of the men's clothing in the May Company in Denver. That happened to be, incidentally, their first store, which a lot of people don't realize. The May Company chain...The first store was started in Denver, Colorado.

I would come to New York on buying trips and having been associated somewhat as a packer with J&F, we were a good customer at Joseph & Feiss. Felix Mayer, whose picture is back behind you there, at that time was the President of the Joseph & Feiss Company. Well, he used to talk to me about sometime coming to work for Joseph & Feiss if I were ever interested. Well, certain circumstances came to pass that they offered me a job and I didn't know whether I wanted to take it, so I flew to Cleveland and told my wife I would be home in about a week and didn't come home for three months because I did accept the position. But we had a man in the Carolinas who became ill during the sales convention and they needed a salesman down in the Carolinas.

Then after that, I went to work for them with the understanding that I would travel in the West because I was born and raised there. After I did that trip for them in the Carolinas, they did give me the Rocky Mountains, which has more jack rabbits than people, but I enjoyed it and built up a pretty nice little territory. Covered a lot of miles, but at that age it wasn't so bad. Later, they gave me the Pacific Northwest, which was a little bit better territory. And I built that territory, I'm proud to say, in about
four years into the biggest territory the company had.

Q: The biggest what?

A: The biggest territory the company had, in sales volume, and I led a pretty good life. Because in those days you traveled about three months, twice a year, and you had the rest of the time off. And that was the only time in my life that I got my golf handicap down to where I was somewhat pleased with it. Then they called me, in 1958, and said they were going to have a Regional Manager; would I be interested in becoming Vice President and Regional Manager and moving to Chicago? And I thought it over at some length, which quite surprised them, because most of the other four Regional Managers jumped at it. They appointed five, and I was being asked to become the Chicago...It took me about a week to think it over, and I said didn't know, I wasn't sure if I wanted to go into management because I was doing very well where I was. Also, move to Chicago. Because we had just built the first home we'd ever built. But we did. I decided I could always come back to doing that, that I had to accept this challenge.

So I ran our Chicago office for two and a half years, and they offered me the opportunity to become National Sales Manager and move to New York, which gave me no decision to make. I had already cast my lot in the management area of the business, and so I did, and from there on I became Senior Vice President of Marketing and Merchandising. And in 1970 I was made President of the company, and I have been President and Chief Executive Officer ever since.

When I became the President the company was doing about $32.5 million...

Q: That was in what year?
A: 1970. And this year we expect to do in excess of three times that, in sales volume. And we have an organization I'm very proud of in many ways, especially in its people. It has superb people who are very dedicated to the company and have a great relationship with each other. They all work pretty well together.

Q: Before we go into the situation of the present, could we go back in time, and let's talk about the history of the company, as you knew it, or as you knew about it.

A: Well, the Joseph & Feiss Company was always known as a very, very fine, ethical company.

Q: It was founded in 1841?
A: 1841, yes. And it's the oldest clothing manufacturer in the United States, I believe.

Q: In what part of the country was it founded?
A: Well, basically it was founded in Cleveland. Well, the Josephs and the Feisses came from Western Pennsylvania, but they were in the retail business in those years... They started the manufacture of clothing in Cleveland.

Q: When you say they were in the retail business--They were in the retail business on their own, handling other people's merchandise?
A: I believe so. I think they...They had a kind of department store, I think in Meadville, Pennsylvania. Then they came to the Cleveland area and they started producing apparel. I think pants they made first, and they got into an entire suit. But, today we have (I just have to think a moment to count them; we just opened a new pant shop and closed a shop) I believe about five...
facilities in northern Ohio, and we have a shop and factory in Utica, New York that employs about 450 people. And then two plants down in Kentucky, and that's today where we produce our products. I haven't counted them recently, but I think we employ in excess of 3,000 people...Our industry is still a highly labor intensive industry, and unfortunately that's one of our problems. We have to employ so many people. I think if I were in the Cleveland area...Years ago, at a business luncheon, they introduced me and they said that our company wasn't that big in Cleveland (because Cleveland has, you know, the third largest corporate headquarters in the United States), which is surprising to a lot of people. There are a lot of big companies...But we were the 19th largest employer in Cleveland, in the Cleveland area. I think in that area we employ 2,000 people.

Q: Which makes it a very big factor.

A: There are companies that do five times the volume we do, with a third of the employees. Of course, tailored clothing has many operations and takes more hands and more labor. But we also, in addition to that, we have six regional offices around the country, we have one in Cleveland, one here, in Chicago, Los Angeles, Dallas, Atlanta and we have one in Charlotte so I guess there's seven. Seven regional offices today. We travel about 50 men or better on the road. And our company has changed dramatically in the last...Well since 1970.

Q: When you were acquired?
A: No, when I became President.

Q: Oh, when you became President. Right.
A: We were acquired in '67.
Q: Right.

...You had mentioned earlier that your first job was working for
one of the traveling salesmen.

A: Uh huh.

Q: Do you remember anything about the company in that period of time? Did you hear anything about it?

A: Oh, yes. Well, Felix Mayer. . . Back in the early . . . This gentleman and another gentleman and I . . . by the name of Hansel . . .

Q: How do you spell that?

A: S-c-h-o-n-e-m-a-n I think. Hansel Schoneman. And Felix Mayer, when I started in this industry were recognized as two geniuses in the tailored clothing industry. You really didn't hear that much about Hart, Schaffner & Marx in those days. Felix and Hansel were the . . . Because everybody back in the early '30s was broke. Not only the banks, but Mr. Mayer and the Joseph & Feiss Company, and I guess it was touch and go. I know for a while, for many years, we "cut, made and trimmed" which is a term which I will explain, for Sears, Roebuck. And I know there were weeks when they would send over our payroll, to keep our company going. Well, Mr. Mayer got it through the Depression . . .

Q: Did you say he was from a bank?

A: No, the bank put him in charge. He was not from the bank. He was from an apparel family. His father, Felix's father, was a garment manufacturer in Cincinnati. But Joseph & Feiss was in the hands of the banks in '30 and '31, and Mr. Mayer was in charge of the company. And he did, I guess, a phenomenal job saving it in the end. And, of course, Hansel Schoneman--I don't know his history as well--but he built Richard G. Schoneman today, which is a fine company. But those two men were considered the really brilliant manufacturers of that period. Mr. Mayer was President and Chief Executive Officer
when I packed on the road, back in '38-'39-'40, or just '38 and '39, and the
company did, I think, around $20 million in those days.

Q: That's a lot . . .

A: It was a major factor in the men's tailored clothing busi-
ness. And we were already in most of the major stores...

Q: When you say "major stores," do you mean specialty stores
or department stores?

A: Both. However, far more ingrained into the specialty stores
than the department stores, although we did some.

Q: Because in those days department stores really didn't carry
much by way of better merchandise.

A: Yes, they did. A store like... Most of the department stores,
I think, really did relatively a better job in higher priced merchandise back
in those days than they do today, because they had the people who could sell it.
Now, that... I can remember when I first went to Kaufman's in Pittsburgh which
at that time had one store. And I walked into the clothing store and was just
astounded at the inventories and the assortments.

Q: This was in the '30s?

A: No, this was in the early '40s; or, late '40s.

Q: Late '40s. Uh huh.

A: All these guys on the floors were professional clothing sales-
men. That era has passed. Same as J.L. Hudson's... same as Marshall Fields... I
could go on and on about what happened to the department stores. That's a
whole story.

Q: But do go into it. It's interesting.

A: Well, the advent of the branch stores was one of the first
things in the tailored clothing business to make a problem with the department stores. Kaufman's, back in those days could do $5 million under one roof and have 40 men on the floor. Now, I don't know how many stores they have today, but at least they have about 12 or better in the Pittsburgh market area, and I don't know how much more they do totally in men's clothing. I'm sure somewhat more in that many stores, but not in men's wear...The numbers of stores...The numbers of square feet devoted to the men's tailored clothing and the staffing problem became something difficult. They have a terrible time getting people who are knowledgeable enough to sell men's clothing. That product, unlike, e.g., Van Heusen shirt business. If Chuck Smith could get enough real estate on the main floor in some good department store....The volume of traffic, most shirts are bought by women anyway, a high percentage of it is female rather than male. They just pick up and take it over to the wrapping desk, but that's not true with a suit. Like furs, it's probably the most complicated and requires the most knowledge of anything that you sell. There's a lot to what constitutes a suit, and the fit demand, and being able to size...Because most male consumers aren't very knowledgeable either. They're not really as knowledgeable shoppers as the female. And when they come into a department store, they want...They really want somebody who's knowledgeable to help them. And if that individual can help, he develops what we used to call the "PT" list; they build a clientele for life, you know. This guy will come back. So department stores have found that the tailored clothing business has become more and more difficult for them all the time from an investment standpoint and also from a personnel standpoint. The specialty store hasn't encountered that problem to that degree.

Q: Originally, when Joseph & Feiss started, they were custom
makers, were they not? And became manufacturers somewhat later?

A: I think, as far as I know, they always made volume clothing. In fact, at one point in their history,... they made four suits. And back in those days, serges were worn by most men. That was the big fabric. They made a grey serge, a brown serge, a blue serge, and a black serge. And they would call them 4130, 3130, 2130, something-else-thirty....And the whole line was four slack suits, and I don't know how many models they made, I can't remember. But they...As a matter of fact, it was supposed to be, at that time, the best serge suit for the money in the country. I forget exactly what it was. I think it sold for about $12.50.

Q: At retail or wholesale.
A: At retail.

Q: About what year would that be?

... You're showing me an ad run October 5th.

A: October 5th, 1912. "Ready for you to wear, "18.50" "$15 will buy the blue serge." This was run in the Saturday Evening Post, in 1912. ... In those days their brand name was Clothcraft. Clothcraft Clothes. Oh, they made quite a few models too. Southern models. But our line was about four serge suits.

Q: That's amazing. So, to talk about product mix. At that time, it would mean that there isn't much of a product mix. You have one style and some variations and a few fabrics and...

A: That's right. You know, the evolution of marketing and presentation and product mixes has changed over the years, and, of course, doesn't remain static and will continue to change. And just like when I came, it was
a different price in '38 or '39, and we were showing at that time a variety of ranges of Shetlands, twills, all kinds of worsteds. We had all kinds of fabrications. And we were already into the sportcoat business, which, of course, back in those days meant an enormous topcoat and overcoat business.

Q: Really.

A: Oh, yes. And that was a very profitable part of our business, and also very profitable for the retailer, because... Well, the consumer would come in and buy a coat and about the only alteration that was ever required (and that wasn't always required) was shortening or lengthening the sleeve. There wasn't the collar and the cuffs and the pants. So it was a very profitable item.

But then, after the war....

A: World War II. The topcoat business began to diminish because of the advent of raincoats. These guys would wear these raincoats until they were so dirty they'd stand up by themselves, and the cloth coat kind of went by the boards. There was some talk about the coat business kind of coming back the last couple of years, but back in the forties and in the fifties--well into the fifties--the topcoat and overcoat business was a huge business. It was a big part of our business. And we marketed everything under Clothcraft.

Then, as things started to change a little bit, in 1957, we were known as a grey suit kind of a man's stodgy product. If you wanted a good two-pant suit, you went to Clothcraft or... A lot of people carried them. Our products come with their own label. We sell a lot of private label clothing. In those days the stores marketed and merchandised their products a lot differently than they do today, too. Then, nobody ever heard of a designer.

Q: What did you do about designers? Excuse me, I don't want
to interrupt you but...

A: Well, that comes later in the marketing evolution.

Q: But at one point somebody had to say, "This is how I want the coat."

A: Well, we have...Today too, that's another kind of business. Most of these designers, they don't design the clothes. That's a misnomer.

Q: But how did they do it then?

A: Oh. Well, we still do it the same way. We have a designer whose name is Steve Kariosko, and he's a master technician and he does all designing and all the tailoring...We have five sample shops and those shops have to produce the same product within 16th of an inch tolerance and they it, and Steve makes the paper models, he can interpret what the silhouette in fashion, or if we want to make a European suit or if we want the leg to a little fuller, or a little... 

Q: But who did that during those years? The merchandiser?

A: The same people who do it today. We had a designer back those days called Harry Siegel...a great designer too. But these men were designers.

Q: They were basically technically trained.

A: Technically trained. Right. They could sit down and m... They came up from little boys sitting on the bench...A great many of them from Italy...They were technically trained. There's a lot of math and st goes into it too. But they learned their trade and worked under other de for many years to learn a craft. But you know, today--talking about all designers--this is a joke, some of them. They're not designers. What t!
is stylists. I know most of them. I know their backgrounds, where they came from. Some of those kids couldn't design their way out of a.....They're stylists and what a lot of them are is PR guys. . . Perhaps I shouldn't say this . . . Many of today's so-called designers are more stylists, and they work with a man like our designer, Steve Kariosko, in the same manner that I do. Except that they may have a little more creativity than I had or do, definite ideas of what they want to do. But sometimes I've even got that. Because I've had a number of them work here and a couple of them started here. But anyway, a lot of them are making a lot of money. I'll give them credit for that.

Q: According to definition...They are, in your terms, stylists.
A: They're not designers. A designer is somebody who can make the garment. . . I think Geoffrey Beene can. . . some of those foreign designers, I wouldn't be at all surprised if they could make the...

Q: They've been trained, yes.
A: They've been trained, and they've studied, and they've come up under...I didn't you think studied under...

Q: Dior.
A: Yeah. And so you can't generalize about it. But there's a lot of the young American designers who really just style.

Q: In the days when you were making coats, for example, you yourself tell...
A: Oh, yes we would agree to setting sleeve or a fly front or a double breasted polo coat with a half belt in the back--it's still not that complicated. Really, you don't have to be a genius....You can only do so much with
a man's tailored garment, or it becomes unsalable. You start leaving collars off and a few things and I don't think you'd sell very many. Sure, you can make subtle, updatings and changes from season and certain silhouettes that are for certain segments of the market place, like some stores cater more to the fashion customer. I say the fashion customer--the more shouldered, a little higher fashion male consumer. There's other silhouettes and manufacturers who cater more to the more genteel male consumer. Generally, it's a simple business. A lot of these things come and go, both in model and fabrication. When we do start to decorate this room, I've got a marvelous...Somebody sent me for Christmas a picture of men's clothing developed back in the '20s, and it shows all these guys standing in these suits, and if you looked at it, of course, they look heavier but you wouldn't think it was too much different from what you see today.

Q: Mr. Cox, to what do you attribute the fact that you are such a large company? That your volume has grown to the level that it is at now?

A: Well, I figure it is basically two things. Actually there's more to it, but what we try to do, or what we make...We try to make the best we know how to make it.

Q: When you say the best, are there still grades?

A: No, that's down the boards. Today a manufacturer can do... And it's up to him what he wants to do. In fact, there are some old so-called grade twos which we were, and which today is better than some of the fours, so-called, but there's no such things anymore. It's a question of the numbers of operations that you still know how to perform on your garment, and the more you perform, in relation to minutes, and minutes relate to labor dollars. And that's what makes the garment cost. But we still choose to put a lot of operations into...
our garment. We're not Oxford clothes, but we put in as many as we can possibly put in....In fact we try to make our margins elsewhere; not in taking out. There are some tailored clothing manufacturers who have thought to increase their margins by taking out some of the operations. That has not been for us. So we try to make the best garment we know how to make. And second thing...I don't care if you make the best thing. If you don't deliver it on time, according to fashion, it really doesn't mean very much. So we have to allow ourselves enough time to deliver the products to the retailer when they need them. And I think we've done a pretty good job.

Q: How many collections have you shown a year?
A: Well, we show two smalls and two majors. So, really four.
Q: Spring, summer....
A: The first quarter is spring. The second quarter is May-June, and then Fall. But those are the major...
Q: I'm sorry. The fourth one would be...
A: Fourth one is pre-spring.
Q: I see. Yes, right.
A: Those periods are the major...I think they mean a lot more in women's wear. But, we try to deliver our products when the retailers want to have them, and I think for the most part we have a reputation today that we didn't used to have...
Q: You have what?
A: The reputation today of being darn good deliverers of the product. The second thing is servicing our customers. And we believe in remembering who the buyer was and being most appreciative of our customers, and we do every-
thing we can to maintain a good relationship and to service them in the best way we can. Sometimes I get a letter...rarely, but I do get one once in a while, from a dissatisfied customer, but it isn't often, if there's been a slip up some place.

Q: Do you happen to know when...You've had some major transitions in the history of the company. The first, I assume, was when Joseph & Feiss's families were out of the company. And I don't know why...Well, do you know why that company...those families, the founding families, left the company, and became disassociated with it?

A: Well, I think basically...When I became...came to Joseph & Feiss Company, there was still a Feiss and a Joseph involved. I think basically they lost control because of financial reasons. I think the peaks and valleys, over the years...Things were pretty good from World War I through '29, then there was the crash, and then...But back in the early 1900s there was a very deep recession too. I think this corporation, among others, got in very deep trouble. Possibly, and getting back to the present, I think we pick a segment of the market that...We can't do everything...Nobody can be everything to their customers. But we try to make clothing that most men would like. I think this is the philosophy, too, of the retailer. Are you familiar with Nordstrom's?

Q: Oh, yes.

A: I think they try to show an assortment of apparel, in men's and women's, that most people, in those price brackets...

Q: What are your prices today?

A: Well, we're the...I'd day the apex of quality in most quality stores. Most stores like Nordstrom's will do the bulk of their volume in our
price ranges.

Q: What would you say? $300 retail?

A: Well, actually, I'd say, depending on the fabric, $265 to $325. So in a quality store...In some stores we're the highest price line, depending on the store.

Q: Yes. Right.

A: And you take Dillard's, or somebody like that, we're a reasonably high priced line.

Q: Okay. Now, I didn't mean to interrupt you before, but I was just thinking about transitions. The second major transition, I assume, was when Phillips-Van Heusen acquired the company.

Q: Yes.

A: And, what were the reasons...How did it come about that you were acquired? Because at that point in time, you were doing more volume than anyone.

A: We weren't at that point, but we...They had passed us. After World War II, the Joseph & Feiss Company was a larger corporation than Phillips-Van Heusen. Phillips-Van Heusen (I don't know if you're familiar with their track record), they had some success with the Century shirt, and by the mid-'60s they were a good sized company. But what was happening in those days...And you've got to look back and try to be objective. Everybody was merging with everybody else. All the manufacturers were buying retail stores, and Hart, Schaffner & Marx was buying combined with Hickey-Freeman and others and a lot of egos got mixed up in it, and unfortunately some of the major concerns got burnt. There was a real scramble.
Cluett Peabody bought a lot of stores and had to divest themselves of them. I'm probably not the first to tell you this, but there were a powerful lot of bad acquisitions made and a lot of good acquisitions. The trend was, the basic point was, to merge and buy, and they had this synergistic thing going. Hart, Schaffner & Marx got into the retail-manufacturing quite by accident. Back in the early '30s, they had to take over a lot of stores for credit reasons, so they had about a 20-30 year history of being able to operate as a retail manufacturer. They had retail inventory systems already in place. You know, you go into Baskins, and it looks and smells just like when you go into Trappensteins in Seattle. I mean, they had a system set up. And they bought firms over the years that fit with their corporations. Some of these stores bought by some of these other manufacturers when everybody got crazy buying in the '60s, had no relationship to their products, or their place in the market. The result was a bad marriage; a lot of them failed. But anyway, I think it was a pretty good marriage between Phillips-Van Heusen and Joseph & Feiss.

Q: And this took place around 1967?

A: Yes. And they have, I think, handled it very wisely. They realize that they didn't know the tailored clothing business. They did know the shirt business and sportswear businesses and they stayed out of our affairs. We report to them on a quarterly basis and it's been a very happy marriage. It's turned out well.

Q: And your own business has continued to grow.

A: Our own business has continued to grow, and they have been very...I never have any problem with the parent corporation. If there was a good idea, or something that we wanted to do, it's always well received.
Q: Well, of course, there is a major difference between the kind of conglomerate that knows nothing about apparel, and the kind of conglomerate that is in apparel already.

A: That's true. Well, now, you see, our business changed. You talk about marketing. We had to go from four serge suits to a complete line and different, what we used to call, branded specialties. In later years we had to grow and added companies. There's a fine line there, too, you've got to be careful. I think companies that have a consistent, some sort of a consistent position in the market place... For example, it was very easy for us to go into the pure tailored woolen.

Q: Is that the first acquisition?

A: No. We have made no acquisitions. Joseph & Feiss's growth has come from creating companies, internally, and that's the toughest thing to do. If you go out and buy a going company and add their volume to yours, and if they're a good, well managed company, you leave them alone. That's easy to do. But to take and start a company, just from scratch, and to take a Geoffrey Beene... We signed the license for Geoffrey Beene, and we're still in the process of doing that. I'd like to see it; I think we're on our way. But... then there's Cricketeer, the tailored woman.

Q: Could you repeat them, but chronologically? What was your first...?

A: I think the first thing we did was Country Britches and that's a line of men's tailored clothing that reaches a little bit different market. You see, the Cricketeers are a great line; a volume line that sells, anda very good line in that it is well fabricated and great looking models, but it's bought...
by the major specialty stores and department stores. Take the little shops...

Q: High fashion, is it?
A: No, it's very...Soft shouldered oriented, great looking fabrics...Never much in the double knit area, when that was popular. Always stayed with natural fibres to a large degree, and had consistency...

Q: Now was that the first the company added?
A: Cricketeers was the first but we acquired that back in '57, which I mentioned earlier. "Country Britches" we started after I became President. It has become a very nice little business. It's position in the market, though, doesn't warrant big like Cricketeers or Hart, Schaffner & Marx, or Hickey-Freeman, or anybody else. What these customers want is a line that is merchandised, fabricated and modeled just ideally for them. Like, if you're familiar with "the Britches of Georgetown," Britches in Chicago, or even Paul Stewart and stores like that. This is the kind of a store that warrants this kind of a line. Fine fabrics. The finest fabrics in the world. It's highly specialized. It's not for every store.

Q: And what's their price range?
A: Oh, about $50-60...Then after "Country Britches," we got Geoffrey Beene, and Geoffrey Beene is more shouldered stuff...the European look, fine fabrics. Not real high fashion, not shiny fabrics, but good looking fabrics that can be sold in any quality department store or specialty store, whether it be Neiman-Marcus, Saks, or wherever. A little more fashion. Then about four years ago we went into women's tailored suits. We also did a study of what was happening in the market place and we discovered at that time that 47% of the women were in the work force, and they predicted that by 1985 65% of
the women would be in the work force. So we decided to go into the women's tailored clothing business, which we did. And we made suits....

Q: Under what name?

A: Cricketeer Tailored Women. They make suits, blazers, skirts, pants and little vests and things like that. Everything is of a tailored nature. It's been a phenomenal boon to our business. It's just been great. It's been in many of the finer stores throughout the United States and..

Q: What's the price range here?

A: Oh, on suits, I'd say it's about $225 to $350...

Q: A suit being a jacket and skirt together...

A: $225 to $350... Of course, these will vary from spring to fall and winter, because the fabrications are more expensive in fall and winter. And blazers, I'd say anyplace from $125 to $350, and skirts around... in the summertime, cottons and such, skirts are around $35. But generally our skirts are $60 to $100, depending...

Q: Now, have you found that the call there is more from specialty shops, or from both department stores and specialty stores.

A: Well, we've been selling it to both. However, I think the specialty shop, that really understands that market, and knows who we're trying to appeal to--like the men's stores, including our own.

(Side 2)

Q: Is retailing part of the P.V.H. program?

A: Yes. The P.V.H. got caught up in that syndrome too. They made some retail acquisitions. And at one time Larry Phillips was I think higher on the retail side of the apparel side of the industry than he was on the
But, like Henry Henley and many others, he became disenchanted...

Q: Henry Henley of Cluett Peabody?
A: Yes. Personally, we had some pretty good stores. The corporation did get rid of a number of our group. We never had as many as Hart's, but at one time we had over 100 retailers. That was in different groups. There were, e.g., some stores in the Kennedy Group but today I think there are four groups left and they are profitable. They're doing very well and they're stores you can be proud of.

Q: And among them are some stores that have your merchandise.
A: Right. And the finest and largest volume men's specialty store in the Twin City market area does a very nice men's business as well as women's departments which cater to this woman we've been talking about, and have done exceedingly well. But they do it right, and we're even selling some of our women's wear to the Hart, Schaffner & Marx stores.

Q: In other words, people sell them well who know how to present them...

A: And house them like Altman's here in New York, the buyer buys for that market. She specializes in those clothes. Those department stores who handle it properly do very well. But those who have just bought it and mixed it in, you know, with other types of apparel have not done well.

Q: Well, now, that provokes a number of questions. For example, with a collection like this, what is your designing set up today? I assume it's not the same, necessarily, as what it was some years ago.
A: With women's?
Q: No.

A: ... Our whole character (Incidentally, I might say, we had the first clothing saleswoman, I believe, in the United States. I could be mistaken, but we hired a gal almost 20 years ago in Chicago who traveled the state and she's always done very well and she's raised three daughters...)

Q: And she carries all your lines?

A: Today she specializes largely in just women's. But at times she has. At the time we went into women's, all she sold was men's. But, a lot has happened in the character and face and profile of our sales, marketing, merchandising and designing. ... even though Steve still does all the technical in Cleveland--he's headquartered in Cleveland--he does all the technical work there. But we have about five women who travel for us and probably we will have more. Two of the smartest, cutest young gals that we hired, we've trained our way. One is trained to be a stylist-designer and she'll work with Steve, and she has a great taste level....

Q: But she was not hired as a designer.

A: No. No, Steve's the designer...

.....But she's hired as kind of a designer in your context, yes. Yes. But she puts the lines together.

Q: She plans the fabrics and that kind of thing.

A: She does that. But that's really...You know what that is? That's really a merchandiser-stylist.

Q: But does she sketch, for example?

A: Yes, she'll sketch. She'll sketch and she'll show Steve what she wants, but she wouldn't know how to make it or fly. But she can sketch, and
show him if she wants the sleeve that way, or how she wants the skirt to flare, pleated... Yes, she does that.

Q: So she's headquartered here, but she goes out to Cleveland, I would assume.

A: She works for Steve. And he executes what she wants. But she does... And then she buys the fabrics too. But she's been working with one of our piece goods people, who's very knowledgeable, for the last couple of years, and she's learned. When she came to us she didn't know a worsted flannel from a gabardine. But today she knows textiles...

Q: But she came to you as a sales person.

A: No, she came here and we decided to train her, ourselves. We had a lot of gals coming in, come with us, who've been on Seventh Avenue, and the first thing they would tell me was how much they knew about somebody else's business, and that's just exactly what I didn't want. And this one is a bright, brilliant girl with great taste and she was great. Then we got another little gal we hired in New York, and her offices will be ready, I hope, in another month, up here. But she's supposed to be the marketer... in charge of the sales; moving the product. And she's still learning, but she's opened up some big accounts. I admire her. She went right over to some of these New York stores and took the buyers by the nape of the neck and brought them right over here.

Q: Had she been on Seventh Avenue?

A: No. She came out of a store here in New York called Burton's. She was a sales person and I think did a little buying for Burton's. But she had not... Both these girls are in their mid-twenties and both very attractive and very smart and very able and look the part too.
Q: It's interesting that you keep your women's division in this building, 1290 Avenue of the Americas. Don't you have problems getting your customers into this building. They're not really part of the typically women's market...

A: Well, that's right, and I think that's probably one of our strengths and probably one of our weaknesses, because in the first place we don't open when the women's line opens.

Q: Oh?

A: And we close before... about the time they open. We're a men's clothing manufacturer. We have a cycle much longer than they do down on Seventh Avenue. We buy fabrics from all over the world. We operate a big business. We don't have two cutters down on some loft here making a few garments. So we have to do things in a little bit different way. Now, I had some of these old time buyers a couple of seasons ago. A buyer from a big store out on the West Coast said, "I'm not accustomed to working this way. If you're going to sell our store, you're going to have to open up when it's good for us." And I said, "As much as I like your store," and I meant it, sincerely, I said, "We couldn't possibly do that." Unless we wanted to send our work out. Then I think there'd be no reason for anybody to come to buy from us. Because if you want to buy from contractors, you can go right back down to Seventh Avenue. The reason for us to be in business, and the reason we went into business was because we give what we hope and what we believe is a product that the buyer hasn't been able to get up to now, both in make and fabric, and at a price that's attractive. We can't do it any other way. We don't farm out one piece... Everything we sell in women's wear we make ourselves.
Q: Really. In your own plants?
A: We devote so much production per season to women, and in good seasons, when we can't produce any more we withdraw the line.

Q: How long have you been in business with the women's line?
A: I think a little over four years. Spring of '85 will be the first season...

Q: The first season...?
A: In the fifth year. I think this is the end of the fourth year.

So, I think we have a strength and a weakness. Some people really want and really believe in our merchandise regardless of when we sell. There's a lot of people who don't buy from us for the reason this woman gave. If we had offices downtown there we'd probably get a lot more drop in trade. But we'd have to conform to their market base, and we can't do that.

Q: Do you find that being in the regional markets--the regional marts--helps your business in women's as well as men's? Or aren't you in those marts...
A: Yes, we are.

Q: You are. And not just that you have a sales force in those areas, but that you belong...
A: Some of them are stronger than others, of course. I think your Dallas market today is probably the second strongest market in the United States.

Q: After New York.
A: And it used to be in the old days, when I started, it was
Chicago. But Chicago, I don't know what's happened there. I don't mean to criticize anybody...

Q: Well, they've had all kinds of problems...
A: They haven't been aggressive. And the second largest market for us, and for most people, is Los Angeles. But as far as regional offices here, then I would say Chicago, and then they're weakest probably but coming up strong is Atlanta. We've had an office in Atlanta for about 12 years now, and that office seems to be busy all the time.

Q: Do you find that there are customers who still come to New York for such things as their long range promotional planning...
A: Oh, I think there is. It seems to me that we're seeing fewer, smaller, independent specialty stores coming to New York and it's understandable. Why? A lot of these stores only buy a thousand units from four vendors. To come to New York and pay the air fare from Omaha or wherever they're coming from, and to stay in these hotels for $125 a night, and stay here a week is too costly. They don't make that much money in the clothing business.

Q: So you think that for them the regional marts are the answer.
A: The regional marts or the local salesman.

Q: Of course, the specialty stores aren't the ones who do major promotions. I don't mean to suggest to you what the right answer to this is, but it does seem at least, in other markets, that the big stores still come to New York because their executives, major executives...
A: Well, they do. The big stores still come to New York and buy from New York. And they have promotional requirements within the confines of the way they operate....But there's nothing wrong with that as long as there are not
Q: I'm not necessarily talking about price promotions but sales promotion... Do you do anything like trunk shows, or is that just not...

A: That we do a lot of. We used to do that years ago... that used to be big in specialty stores. We would go in and sell a lot of suits. What we do now is, more than anything—and we do a lot of it—is we put on seminars. We go to lots of department stores. Our regional managers— they're all Vice Presidents—and on occasion I go with them too. But they do a ton of it. Our regional manager goes to Foley's in Houston, and he'll have a local representative there with him, and they'll put on a breakfast and explain our models for the coming season and the fabrications. Because the stores, and especially the department stores, are so hungry for knowledge, and to have somebody educate their people. And we do a ton of that. Hart, Schaffner & Marx does a ton of it too.

Q: How long have you been doing it?

A: Oh, for years. And we've developed recently (and Hart's has had one longer than we have), a training film. We've had a lot of expense over the years doing the amount of things we tried to do, to help the retailer move our products as well as other tailored products through the store.

Q: Do you ever do this together with the Van Heusen part of the company? ....You don't. You don't coordinate the haberdashery and...

A: There are some stores that coordinate it themselves. I think the Belk stores, and a couple of others, have a two-day or a three-day session, where they invite all of their principal vendors and they'll set them up in a hotel or an auditorium, and they bring their people around and each vendor has
a period of time that he does a total presentation for his company and for the coming season. Another thing that Foley's do...They have a big two day affair where they have...In fact, I was the guest speaker about three years ago...It's two mornings...And one morning they'll bring in half the personnel from all stores, and then they have presentations all morning long--it might be Estee Lauder, it might be Nipon --whoever--and that goes on for two days. And they do that every year.

Q: Right. Of course, the ones you initiate are just devoted to Joseph & Feiss.

A: That's right. We do more of those...

Q: Can you describe what your management structure is? Within this company?

A: Well, it recently changed.

Q: Oh, yes?

A: We recently...Tom McWhirter...As a matter of fact, Tom and I were salesmen together, and then we became Regional Sales Managers and I became National Sales Manager, and then I moved him up from Atlanta when I became Senior Vice President. Anyway, Tom and I worked together for thirty years, and he chose to retire last April. Well, that forced me...it's like throwing a pebble into a pond. It had a whole lot of reaction. But at that time of Tom's retirement, we had a pretty simple structure. We had Tom as Senior Vice President of Marketing.

Q: For all the divisions. All of the sub-divisions.

A: We had presidents of all these divisions, but they answered to me.
Q: You mean "Cricketeer" had its own president and....
A: Well, Tom more or less kind of ran Cricketeer, along with me, but that's where he devoted most of his attention. And then we had division heads who reported to me.

Q: Now, they were the heads of their companies....
A: But we had three senior vice presidents...Tom was Marketing/Merchandiser for Cricketeer. I kind of oversaw the divisions along with the senior vice presidents. We had a Senior Vice President of Financial Administration and we had a Senior Vice President of Manufacturing & Production.

... So at Tom's retirement, we restructured the whole company, and we now have (we've never had one in my 14 years as C.E.O.). I made Crittenden Rawlings Executive Vice President. He is Executive Vice President of Marketing & Merchandising, and Arthur Dunn, who is the Senior Vice President of Finance & Administration, is Executive Vice President and Chief Operator. So now, as you have seen with Mr. McWhirter, all the divisions report to Mr. Rawlings.

Q: They report to...?
A: Mr. Rawlings. And those presidents of those divisions, they all report to Mr. Rawlings.

Q: Do you call them presidents?
A: I just named one, today, in today's Daily News Record.

Q: So now your management restructure is complete and you have Mr. Hurd as President of the Beene division, and that pretty well completes it. Right. So that each of those people ultimately will report to you.
A: To the two Executive Vice Presidents, right.

Q: And you in turn report to Phillips.
A: Right. To the Executive Committee.

Q: Right. Let's talk a little bit more about production. I'm interested that you do so much of your production in this country. Headquarters are in Cleveland, and I assume there are plants in various parts of the country, which are controlled through the Cleveland headquarters.

A: Right.

Q: What about offshore production?

A: Well, we're union. We're Amalgamated Clothing, and we can't import; that is, we're not allowed. However, in our last labor negotiations on which I was one of the negotiators, we did get our toe in the water. We got them to permit us to do our corduroys offshore. But that's like gibing a straw hat in January, because none of our firms make that many corduroys; they're too high priced. The corduroy market is way below us. The few corduroys we do make, they're a pain in the neck to make, because they upset your shops. So they gave us permission to do those. So we are real neophytes in importing, except in piece goods which we imported for years. But this is the first time, fall of '84 will be...the first time that Joseph & Feiss Company has ever marketed any offshore made products, and that will be our corduroys, which we are having made in Korea.

Q: Do you have a set up there, where you have a production person supervising...

A: Well, what we get...We do a lot of investigation...We were really given this right about two seasons ago, but we didn't want to jump into it until we really knew about the quality. So we sent our quality control people and our manufacturing people over to the Far East and they visited the factories
in Taiwan and Japan and Korea and Hong Kong, and we settled on a particular factory in Korea, which we felt met our standards the best. And it is a very honorable firm, and I'm sure it will come out the right way, hopefully. And we keep tabs on...We have people checking on the quality. Our parent company has offshore sources, which we have never taken advantage of until now, because we didn't bring anything in. But I was just recently in the Far East, and I knew we had the set up over there, but I didn't realize it was as well structured and organized as it is. They have offices in Hong Kong and Taiwan and Korea, and the Hong Kong offices are three quarters of one building... They have a manual for these offshore sources on how to do everything from labor to boxing and packaging and...Everything. And I guess that's why they've been as successful as they are.

Q: But you mentioned the figure before, and could we just hear it again? How many people do you employ in this country?

A: As I say, it's a guess.

Q: Approximately.

A: I would say we employ 3,200...

Q: 3,200...

A: 2,800...Depending on the season and where we are. But we're pretty full right now so I'd say around 3,000.

Q: Okay. Could we talk a little bit about the store relationships of the company over the years? What kind of relationships do you try for? Is it top management? Is it middle management? Is it the buyer level? How does all this work, especially as you diversify your product mix?

A: Well, we try to maintain a relationship but it's pretty hard
today with the department stores because a lot of them are like swinging
doors. You no sooner find out who is the President and what the structure
is, and six months later it's changed. That's another thing that's changed
over the years. It used to be, you know, that a clothing buyer--boy, that was
a prestigious position, and you'd know those fellows by name and they had the
position for years....And it was really a kind of static picture out there.
And these guys, as a result, as I say, were terribly knowledgeable. When I
first became an executive seller, back in the late '50s, visiting New York
(during major selling seasons all the regionals came in here to work in the
showrooms). . . the buyers knew names of mills; knew whether fabric was two-
ply, 80 quality yarn...I learned very quickly, you better be careful what you
say to those people, they were likely to know more about fabric than you did. And
they knew construction...They were really very knowledgeable...They spent
their life at it.

Q: I remember Max Sentlowitz, at Altman's, who was very likely
still there when you came in....

A: In those days we didn't sell them. Altman's was too cheap.
Today they're one of my best customers. But, what happened, over the years...
Today the buyers are not the same. They wouldn't know a suit if they fell
over it. Three months before that they were buying pots and pans or something,
and they all of a sudden got transferred to the clothing department, and all
they want to know is how cheap they can buy it, and if it doesn't sell, can
they return it? That's about all...I'm exaggerating, of course. I know really
that there still are some very knowledgeable...and some great young men in
certain stores throughout the country that do a very professional job. But
it's sad to see, when they come in here...In some of these good stores, these guys are spending hundreds of thousands of dollars, how little they know! But that's the world...

Q: Well, yes. As you said before, with the proliferation of branches, there just were a lot of changes.

Could you talk a little bit about financing. You have a financial person, obviously, in your company. Has your company ever been financed by factors...?

A: As I say, when we were acquired by Phillips-Van Heusen, a very smart move by them, Joseph & Feiss, by that time, was a cash rich business, and we really didn't need a parent. We could have been a parent, had our management been more aggressive than they chose to be. But we never had any financial problems. "PHV" is a very well financed company as well. However, the Joseph & Feiss Company, ever since I've been President of it, has had more money (and maybe that doesn't reflect well on the management of Joseph & Feiss) than we need to run this business.

Q: Then you could afford to risk opening new divisions from inside...

A: We can. As I say, maybe it reflects too conservative a posture on me and my associates, because we've been a money lender rather than a money user. "PHV" doesn't need it either.

Q: Let's talk a little bit about private label. Have you been involved with the stores in recent years, or any time in developing private labels for specific stores?

A: I'm a private label believer and always have been. Even before ...

...And especially...Again, you have to qualify. You can't generalize on a lot of
these statements. I think there are certain stores in the marketplace that had they paid more attention to their own private label, would be far better off than they are today, because there are stores that need labels. They need something to trade on. They need every hook they can get to attract the customer, and to move the merchandise through the store. But there are certain stores that really are committed to the basic retailing principle, and they run their business accordingly. . .They don't need Cricketeer, or Hart, Schaffner & Marx, or Ralph Lauren or others.

If I was President of Neiman-Marcus, you would be hard pressed to get me to use your label period. Maybe in women's couture, maybe. . .But had I been running Saks Fifth Avenue...

Q: Saks Fifth Avenue began to accept other people's labels only in the last 20 years.

A: I think they only reached that decision (and it shouldn't be on this tape or I would be arrested and put in prison), but what they've done to that poor store. It's sad. Because they didn't need that. The May Company does. I don't mean anything against the May Company store. They're a good store. But those upper, middle of the road department stores, should have names and need names. But, I think Marcus is a pretty good example. They have philosophy that I have. They want to buy the best products that are available on the market place. They don't care what the price is and to sell them to the customer at a fair price. I remember one time about five of six years ago, I had lunch with Stanley Marcus, and he was talking about how complicated most retailers, or most people wanted to make the retail business, and he said, "It's really not that complicated." He said, "You go out into the market, and
you search until you find the best product that's available, and you buy it and you sell it to the consumer at an honest fair price, and you say 'please' and 'thank you' and they'll come back and buy more products from you." But he said, "Everybody wants to make the retail business a big, complicated affair." And he's right. It's not. And I think a buyer--I don't care how much advertising somebody does. . .whether you're buying underwear or whether you're buying hose at $5 a pair, you have a responsibility to buy the best $5 pair, sell it at a profit.

Q: When you talk about pricing to retailers, usually, do they keystone...

A: Well, they keystone but there are so many recently who have gone way beyond that. The price-value ratio has just gone haywire. A lot of these guys say, "Oh, my God, there's a discounter." But apparel is now a perfect dream ground for discounters. But to get back to what you started to talk about, I'm a firm believer in private label depending on the store I had. . . Take Paul Stuart. What he sells is a good product. He's impeccably particular about styling and details, and things that the customer is willing to pay for.

When I got into this business, many stores were coming into being that were owned by manufacturers. Was that going to be the way of marketing and retailing in the future, for the manufacturer to have his own stores, like Bond's, Crawfords and so forth. Mr. Marcus said, "Don't you believe it." He said, "There's a lot of consumers out there and not everybody likes to shop and go to the same kind of a store." And that's true. I remember back in the early '60s, when I first became one of the top executives of the company, I was told that if you don't get a big position with a mass merchandiser, like Sears, Penny's. . .you're
going to be out picking with the chickens, because they're going to be...
Well, they're not doing badly and they sure continue to prosper, but they're not the whole thing. Now, the last couple of years, you hear "Don't sell to this discount company."

There are going to be some discounters while some will go out of business. If they see somebody doing well, too many people jump in and say, "What's good for them is good for me." The good ones are going to survive. There's a certain customer who's going to continue to drive over to Secaucus, and sit on the floor to try on shoes, and wade through the mud from one store to the other, and that's fine. But I would prefer to do my shopping at Paul Stuart, Brooks Brothers. There are consumers who like to shop through the catalogues.

Q: Before we get to catalogues--Do you have a division that makes merchandise for the discounters?

A: No, we don't. We've been fortunate up to now in the way we managed the business. Our surpluses, and every company has them, cancellations, etc., we've been able to dispose of what we've had through our rank and file customers. We talked before about promotions. We can't ask Marshall Field to come in here and give us some big advance business each season, which they do, and then go and whistle Dixie for their May sale. But then it's a two way street. I think it's a vendor's responsibility to take care of his customers. You know, some retailer in Des Moines, Iowa doesn't need special promotions. He has a promotion going on in July and August from his own stock. But where they have to have big events and they have to have a couple thousand suits at a price that they can promote, I think we have to help them out.

Q: Do you cut especially for these promotions?
A: Well, what we do usually is, after the selling season is over, then we'll see where we are. We'll have some long styles (too much quantity) and some short. And we'll take our excess styles and we'll make a package for stores with such promotional requirements, we'll offer them these goods for a later delivery period.

Q: How about reorders? Do they exist in your kind of firm? Is it possible to...?

A: Well, we have a program that we call "blue chip." I don't think it's our mission in life to carry the retailer's inventory for him. What I do think is that there are certain things we have a responsibility to have some sort of continuity on, where the retailer has a continuing demand and we don't have much of a downside risk. For example, we have this blue chip program, and each season we continue to stock a navy blue blazer. It's never out of stock.

Q: That's a real basic item.

A: We have a responsibility to turn out these blazers. By God, we'd better have them available for the retailer. So we've had a few products on that basis. Then, in the fall season, we'll take maybe about five suit numbers, generally a navy blue and a grey, and maybe a couple of pin stripes and once in a while a black and white plaid and we'll make a blue chip program. We'll over cut on them and make them available for our customers. Most of the time it's pretty basic. It's amazing. It's usually the best sellers. Even with all this talk about the male peacock, the fact is that these basics are our best sellers. Even with all this talk about the male peacock, the fact is that these basics are our best sellers and they're the retailer's best sellers.
Q: What about exports? Do you export any of your merchandise?

A: I wish we did. I was chairman of the Clothing Manufacturers' Committee on Exports, and I spent my own time and my own company's money going to Western Europe on a couple of trips to do surveys. I even got our industry a show in Germany and the same show in Paris, and I was embarrassed because none of us sold anything. And we hired a man to represent us in the Western European countries and kept him on the payroll for two and a half years... and he sold 850 units a season, which is just a spit. We did everything we could but the obstacles are too great. We make our market a real playground for the world economy, but we have one hell of a time marketing our products.

Q: Well, I think I have covered all the things that I was interested in knowing about. Is there something that I haven't asked you about that you'd like to talk about?

A: I've loved my life in the industry for 40 years. I happen to like people, and I guess that's part of the business.

Q: Thank you very much. That was really a very interesting interview and I think very informative about the industry in general, not just about your own company.

A: Well, Mildred, I enjoyed talking to you.

Q: Thank you.