THE ORAL HISTORY COLLECTION, F.I.T.

THE FASHION INDUSTRY LEADERS

JUSTIN ISRAEL,

President of Knitwaves, Inc.

Date of Interview

February 2, 1984

Interviewed by

Mildred Finger
Justin Israel, head of the children's firm, Knitwaves, has had an interesting career in the industry. His father, David Israel, born in 1894, started the firm of Regal Knitwear in 1920. Justin Israel joined that firm in 1951, as did two brothers at different dates. When David Israel died in 1959, the firm continued as a family business. In 1965, Justin and his brother Charles left Regal, and founded the firm of Justin Charles. Their company was acquired in 1970 by Genesco. After five years with Genesco, the brothers left. The firm of Justin Charles was dissolved a few years later when Genesco eliminated its children's division.

Justin Israel founded Knitwaves, manufacturing children's sweaters, in 1976, maintaining the tradition of a quality product as made by Regal Knitwear, and of a fashion product as made by Justin Charles.
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**ORAL HISTORY**

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Q. .....Fashion Institute of Technology. This will be an interview with Justin Israel, President of Knitwaves, Inc., a children's knitwear firm. The date is February 2, 1984; the interviewer is Mildred Finger.

Let's start by having you very briefly review the history of this firm. It's now Knitwaves. Before that it was Justin Charles, or evolved from Justin Charles, developed from Justin Charles; and before that, from...

A. Regal Knitwear.

Q. Regal Knitwear. Spell Regal.

A. R-e-g-a-l. Knitwear, Inc.

Q. Right. Can you start today by telling us about your father; who he was and how he entered the business?

A. It's always been a source of interest to me. I asked my father, David Israel, how he started in the sweater business, in the children's wear particularly, and he explained that in the early days he was looking for a position...The job he was looking was a bookkeeping job, which required entering records by hand. That was the only way it was done in those days. And he saw an ad where it said that a firm named S. Augstein was looking for a scribe, as he said, or somebody to do the bookkeeping entries. So he went down and he was disappointed to find that there were 35 other young men waiting for this job opportunity. The time was 1915 era.

Q. Was he born here, by the way? We haven't talked about his early life.
A. He was born here in the Bronx of parents that had come from Poland....I said my father was disappointed to find that there were 35 people waiting for the job opportunity, but he was hopeful because his handwriting was of the most extraordinary quality for a kid born in the Bronx and not having much education past sixth grade of grammar school.... Because his handwriting was so outstanding, the owner of the firm hired him immediately.

. . . . Let's go back to the fact that my father was born in the Bronx, went for this job with a firm named S. Augstein. He didn't know what product they made. All he knew was that they had an opening for a bookkeeper. His handwriting was so outstanding that he got the job over 35 other young men trying to get the job. And his job was to sit and book keep the figures, enter the sales by hand and the inventories, so that they had a running inventory of those items that were still available for sale. My father told me that in the early years Mr. Augstein, who was German and a very autocratic gentleman, used to scream from the showroom, "How many of this item do we have?"

Q. What were their items?

A. Sweaters.

They were in sweaters, as it happened. Made of wool, in those years, the only fiber that was used in the industry. When Mr. Augstein used to scream out, "How many of this item do we have for immediate delivery?", my father, who was very quick and had paid attention to his figures, was the one who normally responded and

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would yell back how many dozen were available. After a while, Mr. Augstein got the idea that my father was alert, aware and able to supply the information he needed, so he suggested my father be moved from full time bookkeeping to part-time bookkeeping and part-time showroom work, to help him in the showroom. And my father did this for a number of years, in his early years. He started working more in the showroom, and helping Mr. Augstein to sell and having very little to say about the sales.

Q. I'm sorry...What year was he born, just so we know approximately what the timing was on this.

A. I have to do it back...He was born in 1896, I believe.

Q. So that he was really launched in his business, or in his experience, by the time he was 20...

A. He had already worked in other fields. His father was in the business of supplying hat bodies to the millinery trade, and he worked with him in that field. He had always worked from the time he was very young because the family was very poor. He had three sisters and two brothers, a family of five, and a very autocratic mother for whom they were very anxious to work and bring home money. And my father started working, actually, from the time he was...It must have been about 1910 or 1912, when he first had other jobs, but it wasn't about 1915 that he answered this particular ad and started to work in the sweater field, in the children's wear. And he became very valuable to Mr. Augstein,
and particularly in handling one account of a new young man named Mr. James Cash Penney, who had opened a group of stores in the far West and who used to come to New York. And one of the most exciting parts of my father's story are the stories of Mr. Penney coming into New York City, staying at a local hotel, picking up swatches of fabric, of garments that he intended to buy in the market for the Penney Company, and hanging those swatches on the curtains at his hotel to see if the light, during the week that he was in town, would fade...whether the sunlight would fade these fabrics at all. So that if they did not, he knew they were colorfast and he could buy them for the Penney Company. Mr. Penney was a very meticulous buyer and a very good friend of those suppliers with whom he dealt.

One of the stories my father particularly emphasized was that Mr. Augstein was a very dynamic seller and wanted to sell the items that he had inventories on. Mr. Penney was particularly anxious to buy those things that were the most suited for his company and not necessarily those that Mr. Augstein wanted to sell. My father, having befriended Mr. Penney, used to help Mr. Penney by giving him a signal after a while, to the items that were really good sellers, because Mr. Augstein was so anxious to sell his merchandise to Mr. Penney that my father feared that Mr. Augstein's items might not sell unless they were more
carefully edited. So my father would help edit them behind the scenes by giving Mr. Penney the high sign, and Mr. Penney would then select the items that had been the best sellers, and not the ones that were the heaviest in the inventory. Mr. Augstein used to comment to my father, after Mr. Penney left (and my father used to imitate Mr. Augstein's German accent), "Dat Mister Penney! He's de smartest guy! He never buys vat I vant to sell only ze good items! I don't know how he do it." But Mr. Penney and my father managed to build a successful children's operation with the help, of course, of the Augstein firm. Years later the Augstein firm became the firm of Sacony when they went out of the children's field, and one of the reasons they went out of the children's field is my father and other people who worked with the Augstein company left to go into service, and when they came back many of them started their own businesses. And eventually they competed with the Augstein company....

Q. I'm sorry. Which war?

A. World War I. 1917 or 1918 my father went into service and he was stationed down in the South in a program which was called "90 day wonders." He became a Second Lieutenant in 90 days, and he was mustered out in about 1919. With his savings from the service he decided to chance a dry goods manufacturing business of his own, directed toward children's sweaters--a business he knew from Augstein and his first call, of course, was to Mr. Penney. He announced that he was considering going into business;
that he had $5,000 that he had saved up, and that he was possibly going to start a children's wear manufacturing sweater business, and he wanted Mr. Penney's advice. And Mr. Penney said, "Dave, I don't want to promise you anything, but I think with your background you're going to make a success at it and you should go ahead and try it." One of the very first orders that my father received was from Mr. Penney, for the Penney stores; and it began a relationship that I've maintained with the Penney Company, continuing from the time I started in business in 1950, with Regal Knitwear, right through Justin Charles, where we became the Penney company's main supplier of children's sweaters, and also in Knit Wave, where we duplicated the same function.

Mr. Penney was a great help to my father in another way. By 1921 my father was very undercapitalized, was struggling, and Regal knitwear was having... By the way the firm name that my father started at was Regal Knitwear, because regal bodies were the kind of bodies that my grandfather had supplied in the headwear field, in the millinery field, and my father liked that supplier; he had been a very honest supplier. And he took the same name of Regal from that. And Regal Knitwear, in 1921, was having problems. There was an economic crisis in the United States. My father was very pressed for cash to finance his inventory. And when he told Mr. Penney about his problem, Mr. Penney responded that he
would help my father by sending him an advance against the orders that he was placing in the fall of 1921. And he sent my father about $20,000 in advance for the season, which enabled my father to survive, the Regal Knitwear business to survive for that year.

About that year, my uncle, Julius Israel (my father was David Israel), my uncle Julius Israel; my father's younger brother by five years, joined the business as a road salesman and together Regal Knitwear generated that growth with the two brothers, and later a brother-in-law, Benjamin Bearnot, running...

Q. Could you spell his name?

A. B-e-a-r-n-o-t...who also came from another field. He was not related at all, but having married their sister he was brought into the business and the three of them--My father handled the sales, and he was a dynamic salesman, probably one of the top salesman in the apparel industries in general--My uncle handled the inside production, and my other uncle, Benjamin Bearnot, handled the financial end of the business eventually, until he got Parkinson's disease in later life and had to retire from the firm.

In 1922, the scenario was repeated. My father and his brother were short of capital again. Mr. Penney again advanced them money in advance of the season, against orders that they had placed, and they survived that difficult year as well. My father never forgot that obligation on his part, to repay Mr. Penney's...
thoughtful advances. Later, during World War II, when yarn supplies were very tight, and Regal Knitwear had a big allotment in the wool, which was on quota at the time, the Penney Company was fully supplied with a great portion of Regal Knitwear's production, probably beyond any kind of amount that they were really due, based upon previous volume. But my father felt this was a way of repaying Penney's kindness for the difficult early years of Regal Knitwear.

Q. Was this constant need for financing partly because they were undercapitalized?

A. It was two things. It was partly because they were undercapitalized, and another part because my father's theory was that you could not sell merchandise from an empty wagon. He, being a real gambler, as was my uncle, would always put merchandise into work in advance of the season. In the industry in those days, wool was the principal fiber. You had to place your commitment for wool and pay for it a long time in advance of the season. So it was a long manufacturing cycle for placement of the wool yarn, delivery of the wool yarn, knitting of the garment and the finishing of the garment, and payment maybe six or eight months after the initial wool had been purchased.

Q. A very long lead time.

A. A long lead time. The business grew on the basis of my uncle and father speculating on merchandise, always having it, and my father
being able to sell as a dynamic salesman, almost anything that he and my uncle decided to put into work. They pride themselves on being the production line of...like Ford, a company...(a manufacturing company they admired at the time) of the fact that they always had merchandise flowing through their business, and they always had merchandise for quick delivery, even though the cycle was long. They were always ready to ship, particularly the infants wear items--shawls, booty sets....And in those days there were items known as soakers which were made of wool and really didn't function very well. But they were like diapers made of wool, which were really ill suited for being on a baby's behind. But that's where they ended up, as an item that a parent had to wash and care for. It was quite a difficult task, but it was long before the Pampers of the modern era. This was expanded to carry larger size sweaters and in the 1930s and '40s, Regal Knitwear prided itself on being the largest manufacturer of children's sweaters in the United States. The competition in those days came essentially from a group of similarly founded companies, founded in the 1920 era...The older companies like Sacony and the big jobber at the time, known as Simon Asher, had eventually gone out of business, and it left the way open for a group of dynamic younger men, most of whom were my father's contemporaries--the people who ran
Bluebird Knitwear, May Knitting Company, Knittown Togs which later became Doespun, and Pandora, which was strong in the children's field later on but was just starting in the children's field in those days. There were eight or ten other firms as well, (Famous Knitwear for the volume priced children's sweater area, for the chains essentially.) And although in those days everybody sold to as many outlets as they could possibly find, there was hardly a distinction. Besides the Penney Company, my father sold to the Kresge Company. We used to go out to Detroit to work with them.

Q. That was before K-Mart, of course. That was the parent --

A. Right. And Sears, of course, which was a very large factor in every manufacturer's plan of the era, because Sears was a far more developed business in apparel in those days than the Penney Company.

It was a phenomenon of the business that you worked so far in advance; it was necessitated by the long lead cycle, the yarns... the development from the yarn stage to the knitting and the finishing...Our firm specialized in the department store business. And I remember the key store for my father was Best & Company. Best & Company was the magic name. I was terrified that the Best & Company buyer would be sitting in the showroom too long when nobody was there to get my father into the office. It was always a crisis when Sadie Ford of Best & Company showed up.
In thinking back, as I'm talking I realize that Sadie Ford probably worked for Best & Company for 35-40 years. I think today if a buyer is in a department for 35 weeks, they get a medal for longevity. But one of my father's pet activities . . . in business was to throw retirement parties for his cronies; his buyers--essentially female buyers--would have their positions for 30-50 years. Mable Carsett was one I remember, at "Carson, Pearie & Scott." And the Denver Drygoods buyer, by the name of Wendell, who was there for 40 years. Clare Weber of Kaufam's, Pittsburgh-- another 35-40 veteran of infant's buying...It was a very exciting part of the history to see these well know women come in to place their orders each season; and more than their order, their close relationship with the manufacturers. With Regal Knitwear and with the other manufacturers in our field, including such dress manufacturers as Joseph Love Sportswear manufacturers... They had a coterie of friends they had developed over many, many years. I remember the names of Cinderella, and there are just a number of significant names in the field, at that time, many of whom (and I would say almost all of them have passed away as firms and as individuals since that era) . . . My father lived until 1959, just...On the weekend he was to celebrate his 40th anniversary of Regal Knitwear. That anniversary was going to be celebrated on a Monday in October of 1959.
The Friday before, my father was out to lunch with Mr. Batten, who was then the Chairman of the Penney Company; Mr. Vance, one of his closest friends, who was the General Merchandise Manager; and one other executive—and these were the most exciting moments to my father, to renew those relationships with the Penney Company, with whom he was so close. And at the restaurant... My father had a tendency towards hypertension, which he never took care of... and at the restaurant, the excitement was eventually too much and he suddenly collapsed at the table and died right on the spot. In a sense it was a blessing, because there was no lingering. But to see somebody as dynamic as my father go out to lunch and never return was probably the worst shock of my life. I couldn't visualize somebody who was so dynamic up to the last minute not continuing on forever. And the Penney people told me the same thing. That at the very moment he died at the table, he was excited, animated and talking about the Penney future and the items the Regal Knitwear was developing at the buying level for the Penney organization. In a sense it was fitting that he started with the Penney Company in 1919, and 40 years later, to the day, he died, with the Penney Company as his companion.

Q. Could we talk just a moment about how they got the designs
together? Actually, you've answered a lot of my questions without my even asking. But, how were designs done?

A. I have to tell you that the important thing at the time was that the merchandise was so basic, the colors so basic, that the line of Regal Knitwear consisted essentially of two categories of merchandise. I have only mentioned the sweaters, but there was a corollary line of swimwear which filled in the slack season. Because unlike the 1970s, there was no such thing as cotton or light weight sweaters of any kind. Everything was made of wool, so that in the spring of the year the bathing suit business filled in the void time and enabled the firm to continue its employees on a full time basis.

Q. Did they start with man made fibers?

A. I neglected to tell you...One of the key stories I meant to mention when you talked about location....The business started in 1919 on about 12th Street and Fifth Avenue, and that was the entire children's wear industry was located in those days. It was inconceivable that people would move much further north than that until a rumor came out, and then it was confirmed that the buying office, the AMC -- the Associated Merchandising Corporation, which was a relatively new buying office in the 1920s -- was going to move up to what was then an incredible location in New York, about 1350 Broadway. The building had been recently built. The Johnson Building, 1333 Broadway, was built in about
1913 or 1914, and it had been a menswear building and had been very badly impacted by the recession of 1921, and most of the people in the menswear field who were tenants in that building had gone bankrupt or were looking for smaller space. My father went up to survey the area across the street from 1350 and had seen this building at 1333, and went in and met the management, who happened, by coincidence, to be having a family meeting when my father walked in. My father was about 5'2", very dynamic, and very strong in his feelings. And he walked in and burst into the meeting, introduced himself and said that he represented a children's wear firm and he was interested in space in the building. And they said that space in the building, in those days, was renting for maybe $5-6 a square foot, what was then an astronomically high rent when rents in the city probably went for .50 a foot. So my father (he told me the story later) said, "Well, [thinking he'd be a big shot] if you'd like to rent a floor for a dollar a foot, and there were 21,500 ft. on a floor they had told him] I would consider it." And you know from my previous comments that he was having financial problems as it was in the early 1920s, but he had some great schemes of what would happen in the future and how his growth was going to require that space. The Johnson Management people dismissed the matter out of hand and said there was no chance that they
would consider that ridiculous a rent when their rents were so much higher.

A few months later my father received a call from the Johnson Management that they had been thinking about his offer, since they hadn't been able to rent space elsewhere, and was he serious about $1 a foot per floor? My father became very panicky. He thought, "What had he gotten himself into?" But at the same time, he felt that if he could get a group of other children's wear manufacturers to move uptown with him that they might, in fact, create a viable children's wear mart, and therefore he said that he would consider it but that he would have to know from them if they would offer the same rentals to other children's wear manufacturers who wanted to move into that building. If they could do that, he would definitely come back up and make an offer to them. They agreed that he should at least explore it and he did get a group of manufacturers who wanted to move from Fifth Avenue up to the area where the AMC and possibly other buying offices were eventually going to move, and they would consider doing it if they could get space at $1 a foot. So my father went back to the Johnson Management with a group of people, including a headwear firm, Joseph Love was another one....There was a group of select firms with whom my father was friendly, and
they agreed in fact, a group of four or five of them did move up to the building, and along with them a button manufacturer named Namm & Singer, and a couple of other non-children's wear firms. But with that nucleus, eventually the building became essentially a children's wear manufacturer's showroom, and it became one of the most dynamic buildings in the industry. Later on, other buildings like 520 Eighth Avenue followed and became children's wear buildings, and even the 1350 building itself, which was larger and which had room for both buying office and manufacturers, became the dominant buildings in the children's wear area. And the Fifth Avenue area, eventually, in the 1930s, died out as a children's wear area.

Q. The children's wear area was where on Fifth Avenue?

A. It was at 12th Street, between 12th and 15th streets. That was the general area that they were in. Of course, a lot of this dates back to my very early memories as a child, listening to my father. And my father, by the way, used to work every Saturday and many Sundays...It was commonplace in those days for him and his employees to spend those kind of hours, particularly Saturday. On Sunday, I think it was optional on the part of the employees, but not so optional on the part of my father. In fact, he used to bring us into the business some Sundays to play around in the long sweater
aisles, and we had 21,000 feet; there were lots of aisles to play in.

Q. Well, at least you had a chance to see him....

A. And, in fact, one of my earliest recollections was adding up columns of figures for him on the Penney business, he would give me columns to add up to see how many of each style had sold so that he could replace them. And I recalled thinking, years later, that I hadn't progressed too much, because I'm still adding up columns of Penney figures.

When my father died the business continued on... By that time, my younger brother Charles and my older brother Howard had both been in the business for several years, and my uncle had a son who was at work with IBM at the time, and he wanted his son to join the business--Joel Israel. And he also had a son-in-law who was anxious to join him in business. The arrangement we made was that my father's share would be sold back... My father and my uncle had had a handshake to the effect that the survivor would sell back the share of the deceased brother and partner on the basis of the value of the inventory at the time of death. And my uncle, because of his desire to bring his son and son-in-law into the business, was not anxious, until they were on board, to make that deal and give us back... to sell us back the ownership interest of my father...
Q. Were you in the business already?
A. Yes.

Q. You hadn't mentioned when you came in.
A. I graduated Yale, majoring in economics, in 1949....

Q. So that you were born in about 1927?
A. I was born in 1927. And I joined Regal Knitwear after I left Bloomingdale's...I worked for Bloomingdale's for two years, between 1949 (on the training squad and then as Associate Buyer of a new department, budget sportswear) and 1951. I left in 1951, and really left, in my own mind....for a short time. I took a leave of absence to help my father over a time when one of his employees had passed away suddenly, in the production area. The leave of absence, 35 years later, is still on, because I never returned.

Q. So you actually...
A. I worked from 1951...My older brother, Howard Israel, had worked for at least three or four years before me in that area, and my younger brother, Charles Israel, who went on Macy's training program, joined Regal, I would say, probably in 1956 or 1957. He was five years younger than I. And as I said, my uncle was not anxious for us to get equal control back, particularly since he had always been in the background, doing the production work while my father was very visible in sales, and he like the idea of being in the forefront
of the business; it appealed to him, and it set us about a very difficult and painful negotiation that lasted almost five years. My older brother, Howard, had the right idea when my father died. He said, "Your uncle Julius will not make a deal to get your control back, and if we go in as a group and tell him that he must give us control, I mean a 50% share back at the price agreed upon or we'll leave, he'll be compelled to do so." But Charles and I were not of that mentality, even though we agreed that that was the way to go, to confront my uncle. When my uncle said that he wasn't going to do it quickly and that there were other considerations, such as Benjamin Bearnot's son, Harold, our first cousin, who had also been working in the business, and who he felt should have an opportunity to share in the ownership of the business possibly, my older brother then announced (Howard) that he was leaving the business and he expected Charles and me to follow suit. But Charles was recently married and wasn't anxious to rock the boat, and I justified my staying by saying that I had a retarded child who required a good deal of upkeep, and I wasn't prepared to leave at the moment. So we left Howard to leave the business, which was one of our sadder points, because he proved to be clairvoyant, or prescient in his decision, and
my uncle never did give us an opportunity to buy the stock of the business back. And after five years of fruitless negotiation and a lot of legal fees, Charles and I finally got the message and left Regal Knitwear in a very antagonistic manner, feeling that we had been had, working those extra years and putting out the very special efforts we had done. But we left feeling that we would explore other fields as well as a possible competitive children's wear business, and in the period that followed, from November of about 1964 until about March of 1965, we analyzed a number of business opportunities in the apparel field and also in real estate and I personally looked into the Peace Corps and other things that I was considering like the possibility of teaching. But our conclusion was that we knew the children's sweater field so well, and that it was ripe for a new approach and a more fashionable manufacturing approach; one that hadn't been done before in the children's wear sweater field, and that we would give it a try. And I asked Charles to select the name, because I was busy starting to try to design the line. Charles was a dynamic salesman, very much like my father, and at Regal Knitwear I had done essentially the work of production. Although I handled the sales for the Penney Company, my real business was producing the merchandise, designing and doing the color work, as limited as it was in those years.
So, when Charles went to register the name, he took our first names and called the firm "Justin Charles," and we always joked that had he been the older brother the firm would have been called "Charles Justin." We made our first organizational agreement in March of 1965, and shipped the first merchandise in May and June of 1965. From the time that business started it was one of the greatest rewards and excitments of our lives because the merchandise was so well received, the buyers were so receptive to a new approach, more fashionable kinds of sweaters, new kinds of stitches... And we were very fortunate.

I neglected to say that in the early years, from 1919 to 1940 era, Regal Knitwear employed the talents of young technicians who handled the production work. Essentially, since Regal owned no machinery of its own, the merchandise was made in contract plants of whom there were a good many from German backgrounds in the Ridgewood Brooklyn area, and other parts of Europe who had settled in the Bedford Stuyvesant area of Brooklyn. These technical people, who had machine backgrounds, became the production people of Regal Knitwear. They used to go around to the mills every day, checking their quality, placing the orders and reorders, and insuring that there were sufficient amounts of yarn on hand and in those days, as I said, the colors were extraordinarily limited. All the sweaters
that I can remember from childhood were white, navy, Hunter green, red or yellow. And when my father once brought a palette of colors, such as putty and cinnamon and brown into the showroom to show people that these might be considered, they talked about it as if it were a Barnum & Bailey freak show. The idea that any colors other than those main ones of Regal Knitwear’s business, would every be a factor in the business, was remote in his thinking.

An interesting sidelight was that my brother in high school, Howard, was a very creative, design oriented thinker. He liked the idea of leopard and zebra and other animal kinds of prints, and he conceived and idea of developing prints for bathing suits that would be done in these very exciting animal prints, and he was pretty much innovative in his time. And my father, being so conservative, thought he was off the wall, and really resented the fact that my brother would go to a tie silk manufacturer eventually and have him print some of these strange leopard and zebra and tiger fabrics. He really ridiculed my brother’s ideas until my brother just had them made into ties and gave up the idea of ever doing them for clothing. Some of those very ties, years later, were brought out by my brother to give my father a zinger to show him that...the idea that when Cole of California came out with the first of the zebra prints, a couple of years later, that Howard
had really conceived and done the first ones in America.
He was very innovative in that sense. He also did a group
of very unique handbags, beachbags in the form of lemons and
watermelons. His ideas were very creative. In today's market,
he would be a leader of the innovative group of designers.
He would be one of the Women's Wear Daily favorites. But in
those days, particularly coming from the children's wear background,
which was sedate and square, he was considered avant garde and
off somewhere by himself.
Howard did another thing at Regal Knitwear, for the bathing suit
industry that later became commonplace but in those days was
tremendously innovative. He made a trip to Europe and while
he was there it occurred to him that he could get some of the
well known designers of the idea to do lines of bathing suits
for Regal Knitwear on a commission basis. And the kind of
commission that he talked about was so patently ridiculous
in view of what is done today--that only someone with Howard's
chutzpah would do this--He went to see Christian Dior and
said that he was from Regal Knitwear and that he was authorized
to advance Dior a thousand dollars to do a group of bathing
suits, and Christian Dior, in 1955 or '56--whatever the year
was--evidently thought that was a pretty good offer because
he gave Howard a group of designs. And from there Howard went
to Italy and signed the Fontana sisters to do an equal story
there, and signed Castillio in Spain....Wherever
Howard went he got groups, and finally, on his way back, in London,
My fair Lady had just come out, so whatever year that was....
probably 1957 or '58, my father went to see Cecil Beaton. Howard's
sideline was photography. He was always very interested in it.
And Cecil Beaton was the leading photographer of the day, but he
had also designed these striped black and white, dramatic costumes
for "My Fair Lady." And Howard again made a deal with him for
maybe another thousand dollars, to do a group of bathing suit designs,
done in black and white, a la "My Fair Lady." And with this
collection, Howard came back to the United States and got Look
Magazine very excited about foreign designers doing children's wear
for the first time, and Look Magazine gave it a two or three page
color spread, and it was a sensation of its day. Launched by Look
Magazine Regal Knitwear, the stores were very turned on for the
first time by foreign designs for children.

Q. Now, what was the price range in those years?
A. It's hard to remember, but I know that a very common sweater price
in those days was $18 a dozen in 1950, or $1.50 a garment, and the
markup for the store was equally low. The store might sell that
garment at 33 1/3% markup, as compared to today's keystone markup of
50% or more. The stores worked on a much lesser margin. But in the
'40s and of course in the '50s, those margins began to grow and it
left room for the small group of underselling discount stores, such as Korvettes, to pioneer the concept, not in apparel but in hardware, of underselling the standard price, and fixed prices...

Q. I have to tell you that I worked for Ohrbach's...

A. Then you'd be well aware.....

The outcome of Charles and my starting the Justin Charles business in 1965 was eventually to follow the same pattern in a way that my father had done when he left Augstein and became principal competitor. Regal Knitwear was Justin Charles's principal competitor for a number of years, but eventually, because they stayed in the very stable kind of merchandise and didn't change their children's wear sweaters very much, and bathing suits, the business faltered while Justin Charles grew dynamically in the five years before it was sold to Genesco in 1970. It also became the most recognized brand of children's wear, of any type of item I would say, with the exception of a few oldline firms, and of course, the one super firm in the industry, which was Healthtex. It was a given that when children's wear would be written up in Women's Wear or Children's Review, that Justin Charles would be the firm most frequently mentioned for its dynamic design. But one of the real success factors in Justin Charles was that the technical people who handled the production, particularly the oldtime technician who had formerly been with Regal Knitwear but who had left it, named Julius Baumgarten, set a very high standard in design and quality. The end result was an extraordinarily
well made and designed line of sweaters, essentially Julius Baumgarten was the dynamic force behind the design end. There were other people who had then designed for other children's firms who worked along with them. The most extraordinary one, and my very good fortune to be connected with, was an immigrant originally from Rumania by way of Israel, who came to America and worked for Melody Knitwear for a number of years, and then when Melody went bankrupt, we were fortunate enough to find him and hire him to work in conjunction with Julius Baumgarten. His name is Meyer Stessel. He is still our President of Production and Vice President of the overall company, and he...

Q. I'm sorry. You don't mean President of Production; that's not his title is it?

A. No. Head of production. Correct. He is Vice President of the knitwear firm. He was my co- founder in 1976, when we started.

Q. Before we get into that, could we just go back a little bit. There are a couple of things I'd like to be sure....that we have recorded here.

During the time that you were with Regal Knitwear, which I assume went out of business somewhere in the last several years...

A. Regal Knitwear actually went out of business....We left in 1964, in November. Regal Knitwear continued on until 1969, only a few years, and then it liquidated. It was having very severe financial problems and fortunately it avoided bankruptcy, but it did liquidate in its
entirety in 1969. My uncle Julius Israel died in 1971, a couple of years later. By coincidence, the same day that Joseph Love died.

Q. Oh, really. And back to Justin Charles...That was acquired by Genesco?

A. In 1970 Charles and I sold the stock of Justin Charles to Genesco, in an exchange of stock, which is unfortunate, because the Genesco stock became relatively worthless over the next four or five years. But Justin Charles was continued by Genesco until 1977, or '78 actually, when they liquidated the company and all their other apparel divisions. They had several other children's wear firms, one of which was probably the outstanding children's wear firm of the 1950s and '60s, that was "Girltown." They also had "G.H.E. Freidberg," a chain store, volume priced supplier of dresses. And they also made a separate line, "G.H.E. Freydberg" under the Mary Jane name for upstairs stores.

Q. How do you spell Freydberg"?

A. F-r-e-y-d-b-e-r-g. And they had Greensborough Manufacturing, which was a popular priced volume supplier of children's sleepwear. And that conglomerate...The reason we were anxious to sell our business to them was that Genesco wanted to build a children's wear conglomerate (conglomerate was the word in those days). Genesco was already doing a billion and a half dollars worth of business. They owned Bonwit Teller and Majestic Specialties, Susan Thomas, Formfit Rogers and many other companies, and what they wanted to do was specialize...
in the children's wear area, and Charles and I were going to develop their children's wear strength into a substantial, growing, dynamic children's wear conglomerate. Of course, it never came to pass. In fact, the opposite. They liquidated all of those firms, and liquidated them very badly. When they liquidated Justin Charles in 1978, the sweater market had turned very bad and they had very little opportunity to realize much money from the closeouts of their inventory. In 1977, even though they knew they were liquidating, they could have liquidated that year when business was booming. It was a real sweater year and they had a great opportunity to unload at a real profit or even sell the firm intact. They did attempt to negotiate with people such as General Mills to sell the firm as a going entity, but the efforts were half hearted in my opinion, and there was no real earnest attempt to sell...

Q. Had the two of you been given management contracts? Was that part of the deal?

A. Yes. We had management contracts for three years. I left the business in 1974. I was very discouraged, obviously, by what had happened to my stock, and the fact that Justin Charles had prospered while Genesco had deteriorated, and I felt that rather than sitting around feeling sorry for myself I would leave the business. Mr. Jarman, Frank Jarman, the son of Maxie Jarman, asked me, after I had left after about three or four months, to consider coming back to run the Freydberg operation, which had run into some severe problems, since
their lines were so geared just for Sears, Roebuck in dresses. And after considering starting my own business again, and going into business with Charles, Charles indicated that in all likelihood he would not go back into the apparel field, but that he was going to consider moving the family out to the West. And with that circumstance in my mind, I took the position, as the President of "G.H.E. Freydberg," and ran the business for just about a year. I was very fortunate that the recession of 1974 and '75 was petering out and that there was a real turn around in the store. Besides which I was able to introduce fashion merchandise with some of the same concepts that I'd used for Justin Charles, to the day to day operation of Freydberg, and was able to develop a fashion acceptance for their merchandise--or at least it was starting to develop--and withstand what would look like a very severe loss in the 1974 - '75 era--to a break even point, and I left the business in 1975, the end of 1975. And the quarter after I left, the business made a profit. I would say probably it is the feat I am most proud of in the whole apparel business even including the founding of Justin Charles and the founding of Knitwaves. That one year turn around of what was a very sick company in a very depressed market.
Q. I was really trying to ascertain your feelings about the difference between being an entrepreneur and being part of a conglomerate. I asked indirectly about....

A. What happens is that it depends on the personnel of a conglomerate. My feeling about the Genesco organization was that the second line management people, with whom I came in contact, were very earnest, hard working people, but they did not have the grasp of the apparel business, certainly the small entrepreneur in the apparel business, as Charles and I had been. And that it was going to be very difficult to be successful under their aegis.

They did give us a great deal of freedom because I think they realized that they didn't understand the children's sweater business and would not be able to run it from Nashville, that they would be dependent on us. And the idea of making five years plans... which they wanted us to project, was pointless and I refused in large part to do so, although once in a while my brother Charles encouraged me to humor them. But I in essence told them that there was no way of projecting five years in advance in our kind of business, the fashion business, which Justin Charles had always been. And eventually they agreed with us and let us run the business pretty much the way we wanted to. The problem when I went to Freydberg was that they had enormous carryovers of old fabric piece goods inventory. It was worth very little in relation to the value
carried on the books. And that was one of Genesco's big problems, generally. With overvalued inventories, their earnings were falsified and didn't reflect the true status of the company. And it took many years of markdowns before the business was finally straightened out, and probably during some of those years, the actual net worth of Genesco was negative. And the losses that they showed were largely losses that had been incurred earlier. They just weren't put on the books until they dealt more realistically that the realities of the value of the merchandise...

But that was the saddest part of...as I said before that turning the fabric operation around was one of the most exciting aspects of my business career, certainly the sale of Justin Charles, such a viable, dynamic, leading firm in the industry, to Genesco for stock, has to be the low point of my business career. The value of Justin Charles...Charles and I had only been in the business for five years and didn't even realize ourselves the name and acceptance that we had had with the trade bank financing us and giving us carte blanche, they were very liberal with us, and later their successor bank, The National Bank of North America, did the same. We could have run the business and built a very dynamic, growing business of Justin Charles without any kind of conglomeration. But at the time, in the late 1960s, and in 1970, everybody was
talking about conglomerates and the synergism of building a business that was greater than any of its parts, and we were caught up in that same excitement. It looked like a great way, to go with a company that was a billion and a half dollars, paying $1.10 dividend on a $21 stock when interest rates were only about 5%. Of course, we forgot that interest rates can go up or down but so can dividends, and the dividend was cut out the next year and the stock began to drop precipitously in the later years...

Q. Was one of the reasons for your selling a problem of succession? Very often, it seems to me, I've heard, "I'd nobody to carry on the business."

A. Not in our case. My children were very young at the time, and I had no idea whether or not my children would ever be in this business. But they certainly were...And we were too young. When we sold our business in 1970, I was 42 and my brother was 37, so it was not a question of age. There was the question of a group that came along with an attractive story and a lot of money in the form of stock, and having started the business in 1965 with an investment of $55,000, when we saw a couple of million dollars being offered in what looked like very solid stock...

And, of course, we checked around in a kind of general way without doing a thorough check of Genesco--the number of their companies and their volume--and it looked like they were offering us a very
solid stock in one of the most respected companies in America, in return for the stock of a small, untried five year old children's wear firm...

Q. About how much volume were you doing after five years?
A. About $6 million, which was small by Genesco's standards. But, as I said, they were interested in us to run their conglomerate of children's wear operations. And that included Girltown's volume of probably $25 million at the time, and Freydberg volume of about $20 million, and Gainsborough's volume of maybe $20 million. It made up a total of $70-80 million. In 1970 that was a good size business in the apparel field. And they had a very good potential. Within a short time, the Justin Charles business expanded considerably and it was starting to grow very rapidly in 1969 and 1970, anyway, before we sold to Genesco, and I'm sure that would have continued.

The real rapid growth in the children's sweater area came in the 1971-72-73 era, when pants began to dominate the market, and therefore tops were required, and dresses started to lose their popularity, giving away to blouses and particularly to sweaters. It was after that that we gave up the manufacture of bathing suits, by the way, because with spring tops and sportswear becoming a factor, we didn't have to go into the seasonal bathing suit business, which was always a kind of risky business.

Q. Uh hmmm. A very short season.
A. A short season, and very dependent on the weather. If you didn't
have a good hot summer, the buyers were stuck with merchandise
and bought less the next year, and wanted markdown money and the
like which we did not participate in.
One great thing of Justin Charles, and one great difference between
Justin Charles and Regal Knitwear was that at Regal Knitwear, as I
pointed out, the buyers had been buyers for many, many years.
There was a much closer personal relationship between the manufacturer
and the retail store buyers in those days. By the time of Justin
Charles, in the 1970's--well, actually, in the late '60s and early
'70s--the frequency of buyer turnover had increased markedly.
The relationships were much less personal, and partly that might
be a function of the fact that we had a lot of customers and a fair
amount of personnel that did not have as much time to work with each
person and really get to know them. But the difference was, I
think, in large part that you didn't have the really continuing
intimacies that were true in the Regal era; the kind of closeness
that my father had with his customers...I don't think it's possible to
repeat in today's market, certainly based on the turnover in the
children's wear area. The buyers in the children's wear area, since
the 1970s, have been of very short of tenure. If they're exceptional
in their ability, they're very frequently transferred to larger
departments, such as sportswear, the junior area. Even shoes...
Today menswear seems to be a big drawing card from the children's
wear area. So that there's much less personal relationship over
the long term period.

Another thing was the Regal Knitwear fun at the end of the year was always picking out some thoughtful gifts for buyers—an handbag or something. Although they weren't expensive, they were really tailored for the buyer in question. I remember if the buyer was a large size woman, the handbag was a large size handbag. If the buyer was diminutive and small in size, it was a smaller bag. That was one of my mother's chores, to select the proper Christmas gift for the buyer. And as I said, they weren't very expensive but a lot of thought went into their selections. When we started Justin Charles, my wife, Joan, encouraged us to stop that practice because it took a lot of time and she wasn't about to perform that function, and her feeling was that if you make a terrific product the buyer is going to be your buddy anyhow, and that the handbag was unnecessary. And her words were prescient, because in the very first year we were in business Charles and I decided simply to give every buyer a United Nations calendar diary, which we did, and that was the only thought we sent at Christmas time. Every buyer that we dealt with received the very same United Nations book, and to this day, although we stopped sending the United Nations calendar each year, (replaced it with the Sierra Club because some of the things that were happening at the United Nations didn't appeal to us), we replaced it with the Sierra Club calendar, which everybody again thinks is a very wonderful and thought ful gift. But it's
exchanged in friendship and I think that there's a lot less
of any other kind of giving in this industry.
I would like to add this Mildred, because over the years I've read
a number of times of buyers who have been indicted for criminal
action in taking bribes, receiving kickbacks from manufacturers
and the like. I have to tell you in all honesty, it has never
come to my...in my experience that a buyer has ever asked for
anything. I'm amazed to say it...Maybe it says something about the
way I've run my business or my being a tough individual...But no buyer
that I know of, and I've had nearly 35 years of experience, has
ever had any kind of hand out for anything. I'm sure it happens,
since I read about it, and I'm sure it happens on occasion, but I'm
happy to say that it's never happened in my experience. I've never run
into it, and based on my experience, I would have to say it doesn't
happen. I think the buyers are essentially honest and hard working
people, and I think particularly today, when they are more dynamic,
better educated, and more knowledgeable of the market and certainly
they work a lot harder--they're willing to shop more lines and search
further to do it--I think this is a very active and competent group
of buyers. Although I will say, there is a negative to what is
happening, and that is the lack of experience. I think that based on
potential, the buyer could do a much better job. But in order to
get ahead in the store, they have to move from the children's wear
area, and that penalizes the children's wear department.
JUSTIN ISRAEL  

Q. ....for the Oral History Collections of the Fashion Institute of Technology, this will be the second interview with Justin Israel, President of Knitwaves, Inc. The date is March 13, 1984; the interviewer is Mildred Finger.

Let's talk now about how you started this company, Knitwaves, Inc.; and what your philosophy is in general about the design and merchandising of children's wear in an organization in which you have no direct association with women's wear.

A. Mildred, I would like to say that this business really is Justin Charles, or Regal Knitwear, under another title. Essentially the principles which guided me in my family business (although that isn't an exact comparison, because of a lack of fashion in those years), but certainly the business principles that guided my brother Charles and myself in Justin Charles are equally applied to Knitwaves. And when I started Knitwaves--and I was quite concerned about starting it without Charles, because Charles is the most exceptional, extraordinary salesman I've ever met except my father and he's probably on a par with my father--with that exception, I didn't think I could find a sales manager of that stature, and therefore I started with a certain amount of concern. And particularly since my feeling is personally that I don't like to spend my time in the showroom selling, I do want to get a certain amount of feedback from the retail buyers in the showroom, but only at a superficial level, to keep me aware of the trends. My main interest in having somebody sell is
to have a person who can sell in a strong, mature, capable manner, and also organize a sales force on the road, which is required in our business, in the upstairs department and specialty store business. So, as a result, I needed somebody who could handle the selling end while I did the other aspects of the business with my partner, who handled the production—Meyer Stessel, who is an exceptional, unusually capable, and productive and innovative person.

You asked before how we design our things, not having any direct contact with the women's wear field... We have certain principles we've followed since Justin-Charles days, and Meyer Stessel is really the innovator of many of those principles. What we do is we start with bright colors. My feeling is that the children have to dress, have to be dressed, in colors that are appropriate to children. And for that reason, we constantly avoid colors such as the funky shades—the muted colors, the non-clear colors, the colors, generally speaking that are not attractive as tops for children. The loden tones, for tops, which we feel are not flattering to a child, because of the child's complexion coloring. And the khaki colors, as tops. We do sometimes utilize those as bottoms and skirts that we make, and in the limited number of sportswear items that we make. But essentially, our tops are on the brighter side and always have been, going back to Justin-Charles days. And I think if you compared the colors of the late 1960s—late '60s and '70s to the colors today you would see a trend that led to brighter and brighter tones, so that the tones of
the 1980s are particularly bright and flattering to children, and flattering to grandmothers who want to purchase things for their grandchildren.

I would like to mention one aside, and that there seems to be a tremendous rush of retailers to get into the children's wear field at this point. There are a number of...You're probably familiar with some of the ones around this area, such as "Children's Place," which is now a division of Federated, and has probably 80-90 stores, including their off-price outlets. And "Little Folk" shops in the Albany area, which is now part of United State Shoe Corporation...

Q. And certainly "kids R'Us," obviously, which is going to be trying to do an enormous business.

A. Well, that's more for the future. But the other ones have larger numbers of stores already in existence. "Kids R'Us" is now operating only two stores. But the point is valid, that they are coming into the children's wear industry, because they feel that there is a place, an opening, an opportunity in the children's specialty store area. And I think the reason is that there is a feeling that the demographics favor children's wear, because there are more children being born. But essentially the real growth in the children's wear retail business, I think, right now, is directed toward the fact that there are more single children--first children--being born. And another theory that I haven't read anything about but it seems to make sense to me, is that there are more grandparents living longer, and therefore...and in their more affluent state, being
able to buy wonderful gifts for grandchildren and particularly with fewer grandchildren so they don't have to share the wealth, and certainly with fewer children around, they don't have to hand their clothes down (with the younger child getting shortchanged on new clothing). As a result, I think there is a trend toward a stronger children's wear business. But I also question whether the trend is strong enough to support the great number of major retailers who feel that this is an opportunity to develop children's wear specialty store operations. Woolworth's just bought the "Little Folk" shops in California, which also has about 80 stores and plans a strong expansion. As I pointed out, the "Little Folk" store in Albany was purchased by U.S. Shoe, and has a plan for as many as 400 stores. And "Kids R'Us" probably is going to have a couple hundred major size stores, and larger than the other children's specialty stores. So there's a real push on the retailers' part to concentrate on the children's wear area. I hope they're successful, because if they are it will mean that their analysis is correct and there is a wide children's wear market and they're going to need suppliers for their department and specialty stores, like Knitwaves.

Q. Can I take a moment... How did you choose the name "Knitwaves"? It would suggest that you are strictly in Knits. And when did you open the business? That you haven't identified as to date.

A. Well, I decided to go back into business for myself, in the improving economic climate, and I searched a number of names after I left Genesco at the end of 1975; I left the fabric operation. Up until
that point, I had been kicking around in my mind the idea of starting a business, but I had a deal with Genesco to stay for the year and I did so. And I don't know if I mentioned it on the previous tape, but one of the proudest experiences I've ever had in business and most satisfying, was the turn around I helped engineer for the Freydberg operation. When I went there I felt it was a dispirited organization with enormous untaken markdowns and the future to me seemed rather bleak. At the end of the year that I worked there, the organization had much more resolve; it had been refurbished; the stores were buying, at the retail level, whereas essentially, before I got there, it was directed...the manufacturing side was directed essentially to the chains and particularly to Sears, Roebuck. We started to develop a more retail oriented business for the fashion end. I introduced a number of fashion areas that brushed off on the chain store business and helped both, the retailing and the chain store. And the profits of the business, which was a negative in terms of a substantial loss the previous year, was at a break even point when I left. And then the first quarter after I left, there was a couple hundred thousand dollar profit on a business that had been a steady loser the last couple of years. I was very proud of that, because I didn't know whether my expertise in sweaters would be that helpful, and also my expertise in retailing, which was quite old at that point, which would be helpful in making that turn around for Freydberg but in fact it seemed to have been exactly that way, and I feel that is one of the outstanding achievements of my business career.
When I did leave, though, I started to search names in my mind and I searched...I had a number of names that I thought were quite original. Much to my chagrin, when I searched the first three names that I had thought of, two of them belonged to Genesco! By coincidence, even though they weren't in use at the time. The third one was also in use, so I got four more names...Not all at once. The next two names or three names that I tried again, after about six, were all taken. Finally, I analyzed one day, while I was running (I jog in the morning and I do some of my good thinking then), I analyzed one morning what I was trying to do and I said, "I'm trying to make waves in knits one more time." And it seemed very logical, therefore, that the business might be called "Knitwaves," and I searched that name and it was a good name, and we incorporated it...

When I say "we"--I incorporated it and registered the name and maybe in February of 1976, and at that time I spoke to Meyer Stessel, who was a co-worker of mine and handled the production--one of the people in Justin-Charles, and he joined me as a partner in the new venture, and we started operating around April in 1976.

Our first shipment was made on a date...I remember exactly...May 28, 1976...Because the merchandise was just prepared then; we were just about to make our first shipment, and we had to decide which of the customers with whom we had worked in the May market we would ship to, and we decided to ship to Godchaux in Fresno, California. And the reason, symbolically, was that they had opened a branch store and this would be their first shipment and it would be our first shipment. So, we shipped
to Godchaux and from that time on, they've been a good reorder account of ours, and we've certainly prospered as a developing children's knitwear firm.

Q. Now, what level of price range were you into?

A. We're in now the same level of price range that Justin-Charles was in. We deal, as I mentioned several times, with the better department and specialty stores, but on a popular to moderately high level. The prices are very reasonable, and one reason they are reasonable is we have determined a philosophy that goes back to Regal Knitwear, and to Justin-Charles and implemented at Freydberg and now here at Knitwaves, which is that we take a relatively short markup on our merchandise. We depend on our growth and volume to produce the dollars in profit, and we try to keep our expenses relatively low, although that's not an easy feat to do as the structure of the economy advances, as far at Knitwaves, when there's a very high inflation. And an idea that we would like to keep our employees ahead of inflation, because many of these employees were employees back in Justin-Charles days, because in 1978 Justin-Charles liquidated, and a number of the employees from Justin-Charles came to us at Knitwaves. As a result, we do want to treat the employees as family. We've been fortunate in being able to do that. We now have about 50 employees in total, and I do feel very close to the employees as family and friends...and their families. By the way, we do a number of things together as a group. We have gone to the Tut show at the Metropolitan Museum; we've gone to the Pompeii exhibit; we go to a baseball game...
with our families each year a Yankee baseball game, for which we buy tickets for all of our employees. And there is that kind of family relationship and an enthusiasm as a family, growing and working together.

But...I don't want to get away from the point, which is, essentially, that we do want to keep our overhead in line, and it's difficult to do but our markup is short and our volume is growing, which is part of the game plan which we had at Justin-Charles as well. My brother Charles started on that basis.

We started to ship, as I said, in February...I'm sorry. We started the business in February-March and April: by May we were shipping, and our first year one of our proudest events was a letter, date October-November of 1976, from Sanger Harris's buyer 7-14 buyer--saying that in all of her years of buying experience (which were not very many since she was probably 27-28 years old at the time), that in all her years of buying experience, she had never had a sell out of the kind of quantities that Knitwaves provided her with; and our shipments of merchandise, had given her 35% of her retail volume for the month of November. And she became a real booster for all of the Federated stores, even many of the stores (who were not working with us at the time--which was probably a majority, because we'd only been in business six months)--read the letter, which we circularized around the plant, and they got as excited as we were about the growth of Knitwaves. The Federated stores were very close to us; we did a number of label programs for them after that.
But I'm happy to say that all the New York buying officers were quite responsive to a new firm. And particularly, the strength of our business grew dynamically when Genesco announced in 1977 that it was their intention to liquidate all of their apparel operations (I think they had 18 at the time, including Girltown...), and that made the customers at the retail level very nervous about the service they would be getting from Justin-Charles, and who seemed to be the natural successor? And a lot of the customers started to come to Knitwaves who were loyal to Justin-Charles, but saw the handwriting on the wall. In fact, Genesco could have liquidated in 1977 and achieved much greater profits on their liquidation, because that was a much better sweater year than the following year. In 1978, in September, when they liquidated, merchandise was a glut on the market and they had to take very low prices and they depressed the entire children's wear industry by dumping a tremendous amount of sweaters--$3-4 million worth of sweaters, probably maybe at full wholesale at $7-8 million worth of sweaters--into the market at very depressed prices. That was our most difficult year. And if it wasn't for the fact that we had a good sportswear velour year going, I think we would have had real financial problems, and might have had a severe problem surviving. The sweater business was so desperately down, but fortunately, the timing was such that we had just started to go into cut and sew velour, and we had hired a young designer, an unusually all-around talented woman--Ellen Gang, whom we had known as a designer.
previously for one of the bathing suit firms—and she was very innovative in her use of velour, and we were also very fortunate to concentrate on Dan River velour, because of its extraordinary quality and the recognition Dan River had at the time. In those very painful months of August-September-October-November of 1978, the velour business produced enough cash flow for us to compensate for the very big sweater markdown we had to take to meet the competition on the market.

Q. What are the fabrics do you use now? The wool and velour, and acrylic mix?

A. The velour is only used in our sportswear operation. In our sweater operation, we're essentially a user of orlon acrylic, a DuPont product which we feel is the superior fibre of the industry.

Q. Do you have two classifications of sweater and bathing suits?

A. Yes... Not bathing suits. We have two classifications of sweaters and sportswear. The sportswear is essentially tops and bottoms, but essentially tops in knits, and in that category, velours, interlocks, turtule necks—which were very big in those years but not so important right now—Screen prints and coordinated knitted skirt sets. We carry a number of those, also, in the sportswear area.

I'd like to add one thing that Ellen Gang, the designer, also said to me... She also did the production, very limited, but the business that we did that year was enough to tide us over into 1979 when the sweater business started to recover somewhat, and the Justin-Charles merchandise was out of the market, having been liquidated, to the lower end people
so that we were able to continue our growth after a rough year.

The product that we make is essentially, as I said, the same product that we made in Justin-Charles....

Q. Where do you make it?

A. It's a fashion sweater, I say jestingly I don't know, I probably didn't mention it in the earlier interview, but it's one of my pet remarks... We make all of our merchandise in the Near East--Brooklyn--as opposed to the Far East...

By the way, I don't know if I said this in the earlier interview, but I'd like to go on record as saying that I thought business was difficult when I worked for Regal Knitwear, until I worked for Justin-Charles and found out how much more complicated it could be. I certainly thought business was difficult in the Freydberg days, but I have never faced the kind of problems that the business of the 1980s presents, with the tremendous amount of designer competition. And, the reason I bring it up here, is the tremendous amount of import competition. Since we make everything domestically...

Q. No offshore at all.

A. Not only no offshore here, but no offshore in any year of my business career. It's been a philosophy of mine since 1950, when I left Bloomingdale's, to make everything in the domestic American market. My feeling is that I am very close personally, to the mill people, to people with whom we contract and who are in our own factories, and therefore their livelihood is at stake if we manufacture domestically. We pay them
salaries and we pay them profits that they utilize. They buy American products of their own. We think there is a cycle here that is beneficial to the American economy. And also we feel that by staying in the fashion end of the business, we can compete successfully with the imports, and that is a key factor.

The major fibre used in 90% of our sweater merchandise today is orlon. We have a very close working relationship with the DuPont people. They are the most wonderful, consistent organization to work with over the years and I feel that way from the day we started in 1950, when orlon first was the trend in the American market with all its inherent problems and its great inherent strengths, such as its washability and the softness, and the desirability from the point of view of the child and parent...I think that it...It reminds me of the Xerox commercial, and somebody says, "It's almost as good as Xerox." And when people talk about orlon, their competitors who sell other unbranded products, say, "It's almost as good as orlon." We don't agree, but we do agree that orlon is the prime product, and for our class of clientele, we feel they are entitled to the best product that we can possibly make.

Now, there is a big penalty to Knitwaves, as there was to Justin-Charles, when we stick to orlon, and that is that it is a premium product and it costs us more. We are constantly being undersold by our competitors, who are willing to work on closer margins with lower overhead but, more importantly, cheaper yarn, that they feel enables them to have a price advantage. Our philosophy has not changed a bit, over the period of
these seven years—nor had it at Justin-Charles—and that is we're willing to be undersold on what we consider to be an inferior product, and also we are going to stick to our fashion importance in the industry and concentrate on merchandise that is not a commodity, but is rather sold on the basis of quality and design. And the result of that I think is more apparent in Justin-Charles days than it is today, for a number of reasons. But there are any number of customers who, when they hear my name is Justin Israel and that I'm in the children's field, ask me if I was related to Justin-Charles, and I indicate I was, they tell me the kind of success stories that any manufacturer would be thrilled to hear—that they handed our sweaters down from child to child or child to cousin, and that they always washed beautifully, they wore well. Our return figures are extraordinarily low; I think we're probably one of the lowest in the industry, and it's because we put a lot of quality into our product, and because our production people—such as my co-worker Bob Peshner—do an extraordinarily good job in monitoring the quality of every sweater produced. I will say that it is more difficult today than it was in Justin-Charles days, and then again, even more difficult than it was in Regal Knitwear's days, to produce a quality product. But we are considered "fuddy-duddy," and I'm proud to bear that title. We think that there is a need for a quality product in this market, and we're not going to change. I say to customers who now are starting to talk in a different way than they
ever did before—I won't mention names, but two major New York area stores, both said to me recently (the buyers), they said, "We're not interested in quality; we're interested in price." And that was a quotation...I'm not saying I had never heard it before in my life from a major retail store and it bothered the hell out of me. And I said, "Well, I'm going to maintain quality, and I won't alter because of your attitude. And I think if I do, I'll be an also-ran in this business. I've been able to maintain our quality to the best of my ability, by buying a premium product, by putting more labor into the product, by making higher standards for it, and I'm too old at this point to change and I don't intend to. Nor do I have a desire to do so. And I am going to stick with that." And I think it points up the kinds of problems we are going to be running into in the years ahead, as people shoot more and more for price. And these two stores were the stores that are considered the Cadillacs of New York, and the stores from which you'd be least likely to hear that comment.

Q. Well, that does bring up the question of store relationships over the years. Department stores vs. specialty stores—Have you had a better record or more interested dealings with one or the other?

A. The problem we have found with department stores in the 1980s is their unwillingness to place merchandise orders up front and in a timely fashion to enable us to do our projections. The specialty stores have supported us, and I regret to say I have not returned the favor.
by giving them the kind of service that I think we should have. And for that reason, by the way, as an apology and as a business decision, in 1984, fall, we have already produced, I would say, probably 40% of the merchandise we intended to ship, and here it is only March 13th, and last year at this time I'd say we had produced only 5% of the merchandise we intended to ship. The position we're in is that we will produce much more merchandise earlier. (By the way, we are able to do it now, because of the fashion trends being more clearly defined at this moment in the fashion sweater field. And also, a much more positive feeling about the small children's sweater business than there has been, after the demise of the Shetland as the main bulwark of the children's wear sweater business in the last few years.) Last year, I don't have to tell you, that Jacquards became the fashion leader, particularly in the Argylls, and the Shetlands started to take a back seat, and became strictly a priced commodity item. That favored Knitwaves because, as I said, we are not great when it comes to fighting commodity prices. Our competitors make an unbranded Shetland type sweater that is less expensive than ours, and fills the need of these stores who are not as quality conscious as I think they used to be. So, the result is that we do better in years where the direction is toward a higher fashion, and I feel very strongly that 1984 is going to be almost exactly that kind of a year.

It's funny...In thinking about that a few weeks ago, I took out an article that I had saved since 1971, a front-page interview with my
brother Charles in Women's Wear, and it said that..."The Year of the Sweater" was the title, and it dealt with the fact that Charles Israel (and other industry spokesmen who were quoted in the article) spoke about the great diversity of sweaters that were in demand and that the Jacquards were particularly strong in animal designs, and in fruits and vegetables and other designs, which is almost exactly, verbatim, what we would be saying in an interview right now, in March of 1984. The date of that article was September 1971, which indicates again how repetitive fashion is and how you never lose the repetition of history, that repeats itself fashion wise as well as politically. And I would say that this season is the most exciting season that I have experienced since the 1970 era because of the diversity of fashion, in children's sweaters. And, of course, at the same time, another field that we're new in (as I pointed out, but not quite so new) is sportswear, where there is a tremendous diversity in the merchandise coming in. And in that area, the concepts of the prints and the camouflage—which I think is going to be short lived, but at least it's another area of fashion look--And the velour coming in, with some interest again in 1984, after several quiescent years in the children's field gives us the tools in sportswear to be relatively exciting. And, of course, the sweater excitement is very tremendous at the moment. So, I would say that 1984 will probably be the most exciting year since the 1971 year. '71 was a significant year because of the fact that pants came in, and tops became a much more significant item. Of course, since then tops have always been a leading item in the retail
stores. And I do think the pants people have suffered over the last few years. I think they're making somewhat of a comeback this year because of the novelty of pants which leads us to work on sweaters that can be worn with stripes and other forms of novelty pants.

Q. Could we talk for just a moment about the labor that you employ. You mentioned that everything is made in America, I gather a lot of it in Brooklyn. Does that mean that you have contractors who work just for you, or how do you do it?

A. We work in three different ways. My associate came with a factory that we had for a while, and he worked there, and he also worked on arm's length transactions with contract factories who are sweater manufacturers whom I've worked with since Regal Knitwear days, some of them from Justin-Charles days as well, and we're still working closely together. Essentially, those are the mills we work with exclusively to produce....

Q. Are they all mills?

A. All sweater mills. They are either one of two kinds of descriptions: They're either sweater mills who do finishing as well as knitting, or they're knitting mills that have only knitting machinery, at which point, after the stripes...the sweaters are taken out, we send them to our finisher. We have set up two large finishers in the Brooklyn area, and the finishing is done in mills that are solely in the finishing end of the business, and who also finish some of our sportswear.
when the sweater business is slower. It's a year end cycle, filling in time on both ends. We also do have a setup in Florida for our sportswear, which we set up when we started in the business, and that is our own operation; we work completely for ourselves down there. But our third manner of working is we buy machinery (and we've been doing more of this recently); we buy knitting machines and put them into mills, enabling the mill owner to pay it off to us over a period of time, while he knits exclusively on our merchandise. We have three modus operandi, and and one of the three works to our satisfaction.

I also want to point out one other thing; that we now have three designers. Besides Ellen Gang....

Q. All right. That was my next question.

A. Ellen works essentially in the sportswear area, but is very helpful in contributing to the feedback on our sweater operation. We also have two additional designers...By the way, we're very strong on F.I.T. Ellen is from F.I.T. She has also taught children's fashion design at F.I.T. The head of our cut and sew operation, John Loeb, has a wife--Peg Smith, or Peg Loeb--who is a full professor of merchandising and marketing at F.I.T. And we have two young designers, both of whom are recent graduates of F.I.T. who are very productive in the business. Our New York Sales Manager--not our nationwide sales manager, but our very special New York Sales Manager, Tony Mangiola--is an F.I.T. graduate, and he not only contributes a great deal in his enthusiastic
selling, but he uses his F.I.T. background in sketching our price lists, and in setting up our trade advertising, which we do in Women's Wear, in Earnshaw's and in Kids Fashion Magazine.

Q. Earnshaw's and Kids' Fashion Magazine?
A. They are competitive.

Q. They are the two most important, are they, in that...?
A. They are the only two magazines we follow with any kind of interest, and we think they are the only ones that are really significant in the children's area they're our size ranges, by the way. There are a few baby magazines and others, and there are national magazines, such as Parents and Seventeen, for sportswear, that interest us in national advertising.

Q. You mentioned John Mangiola, your New York Sales Manager...
A. Tony Mangiola.

Q. Tony Mangiola...That leads me to the question of how you run your sales force. Do you have people in the showroom? Do you have people located in the open marts...?
A. We don't have as large a sales force as we've had in our previous businesses, because we've found that a lot of our business was being written in the New York showroom, by stores who were anxious to work with us directly here. As a result, we have....

Q. Becuase they wanted to look at sales, advertising...that kind of thing, or...?
A. Well, they were more comfortable working an important line like
ours in New York than on the road, although a lot depends on the salesman and the salesman's approach. The salesmen we have on the road have done a very effective job in selling the retail department stores. And, of course, the specialty stores are much more difficult to reach from a New York, non-national sales force. For that reason, and because of our large interest in the specialty store, children's wear business, we do have salesmen in key areas, particularly in Los Angeles, working out of an office there; in the Chicago area, and, of course, in Dallas. We also have exceptionally good coverage in the Carolina area, and we have a salesman working out of the Charlotte area, and an Atlanta salesman as well. The fact is, though, I think that fashion has induced a lot of people to work Knitwaves and...The greatest thing I can tell you about Knitwaves is that when the merchandise gets into the stores, it sells. And our delivery has not been so great. In fact, our delivery for fall holiday of 1983 was probably the poorest that I've ever experienced in the hundred seasons I've been in business since Bloomindales.

Q. Why?

A. Because the dynamic change I mentioned in 1983 from the Shetland to the Jacquard. It entailed all new equipment, all new knitting, a lot of complicated yarn purchasing. Our Shetlands are made piece dyed, so that they can be knitted in a natural yarn in advance because it's an easier business to handle than the very complicated pre-dyed Jacquard yarn that ours required. Plus the fact that we are going to move novel kind of yarn with a longer delivery. And to add to the problem of the business of 1984,
we have a situation which has not existed previously, which that yarn is in relatively short supply. The mills have given up their three shifts; they went down to two shifts, (the spinning mill) and they're on one shift now. As a result the kind of service we used to get in the yarn area is quite different than it was even in Justin-Charles days, and in the early days of Knitwaves. However, we have a marvelous relationship with the mills and with that kind of combination, we are able to still service our needs in the yarn end. But there is no question that our deliveries we impacted very badly by the switchover last year, and we intend to make that up. As I said those were the worst deliveries in our history, and I strongly believe that 1984 will be the best deliveries in our history, and on average, we will come out about at our average over the years. However, I point out again, that the stores have done exceptionally well when they get the merchandise, which is all that's kept us in the ballgame after two lousy delivery seasons.

Q. Do you export any of your merchandise?

A. We do not.

Q. You do not.

A. Everything we make is for the domestic American market.

Q. I was going to ask you a question about licensing...Licensing your name as Knitwaves or...

A. We've had a number of inquiries, as Stanley Love has had, and he's put us in touch with his Canadian licensees, but our business is such
that we have concentrated on doing it in the domestic American market, and I feel that's where we're going to stay.

I want to make a very important point about our merchandising philosophy, which you didn't ask, but I think I should go into it right here. And that is that the Knitwaves label is a label which we intend to sell to the upstairs department and specialty stores, and it's a label we would like to see sold in areas and at prices which reflect the reasonable full markup of the retailers, in the area of 50%—or keystoning, as they say in the marketplace. It is not our intention to police every garment that we sell, and insist that a store merchandise at our markup. It is certainly not our domain, and legally it's not feasible. But we also are aware that we want to protect our customers, who are getting a full markup, and encourage them to buy our label and not see the same merchandise sold underneath at lower and embarrassing prices. It is our determination to choose our outlet, for those stores which reflect our kind of merchandising philosophy and our kind of quality philosophy, and hopefully we will be able to do that and keep the Knitwaves label in the area of distribution that we are directing our attention to.

Q. Have you done any private label? I know a long time ago, J.C. Penney was very important to you. Have you done anything about private label which seems to be growing so fast.

A. We have made merchandise through buying offices under a private label, for a number of the New York buying offices. We also do sell them to the Penney Company under the Penney label, which is a good part of our
business and they are wonderful people to work with. I think the Penney Company is an especially viable, interested, cooperative organization. And as I pointed out, my father started out in business with J.C. Penney in 1919, and my feelings about the Penney Company has not changed; they are still a strong, knowledgeable organization. And I think one of their greatest strengths is that their buyers are well trained and experienced. They don't have anywhere near the turnover the normal retail organizations have, and as a result, they are more expert, they are more active in keeping aware of the market and of the manufacturing structure, and they are easier to work with. And, by the way, I must say, that my experience with Sears, although their buyers have not been in their places as long, they are very earnest and willing to work hard. My feeling about Penney, though, is stronger for another reason, and that is that Penney does much more in the domestic market ... 

Mildred, I want to add one thing. You asked about our sales organization...We have an exceptionally strong sales manager, a national sales manager, who was in fact, at Justin-Charles, our top salesman in volume, in an area and territory that would not have normally given us half the volume of certain other areas. Tom Hoffman, who was a former retailer at Lazarus, and later a salesman for Girl Town, took our Justin-Charles line and did such an extraordinary job with it that he became our number one salesman. Then when Justin Charles liquidated in 1978, he came to us with the proposition that he would
consider getting off the road, leaving Columbus and moving to the East and taking a sales manager's position with us. And I want to tell you, that has been one of the very real reasons for the success of Knitwaves. Because if I were to cite Tom's contribution on a day to day basis, it would be fair to say that I think his contribution is as great as anybody's including mine to the day to day success of our business. And when you add that to Meyer's expertise in production and Tony in the showroom and John Loeb in sportswear, and Ellen and our people out in New Jersey who handle shipping (we moved our shipping to a Jonathan Logan facility in New Jersey), but when you take that group together, I think you've got an exceptional ....And our bookkeeping...

Q. Is that out in New Jersey?
A. Yes in New Jersey. It's an organization that really gives us a lot of strength and continuity and they make a very real contribution to our operation.

Q. Do you want to talk a little bit about your own management style? It's different from that of a lot of people.
A. I learned a lesson at Bloomingdale's. I worked for a buyer who had cancer, and she was quite ill at the time and very jealous of her knowledge and what I might, as an assistant buyer, be taking from her and possibly replacing her. She didn't know how ill she was at the time, but she was fearful. And as a result she was very reticent to teach me anything. She was quite secretive in what she was doing in the store, and I determined at that point that I was never going to act in that way, to anybody working
under me. I was going to utilize their talent and let them make a real contribution, because the harder they worked and the more they contributed the better it would be for me. Unlike my harrassed boss at Bloomingdale's, who worked so hard herself but did not delegate anything. And I would say that that is the single largest contributing factor to my business management technique, which is essentially not a technique at all but just to let capable people run their areas of expertise, at which they're much better than I, to keep the finances going...

Q. So your management style really is to give people a chance to do themselves, and then come in and be there when they need help, essentially?

A. I would say that is 80% of it, and another 20% is to compensate people on every level of our business and motivate them by giving them financial and also verbal rewards for the work they're doing, when you think they're doing it well, and I think that it is true that the people in our business are very productive and are very motivated and are responsive to change. And they're excited.

There's an excitement to this business. I subscribe to what the fellow who wrote "Up the Organization," the former president of Avis, wrote. That if you're not having fun in, business, and you're not making money in it, what are you in it for? And we are having fun in this business. It's tough, it's demanding--it's more demanding than I ever imagined it would be--but it's also very rewarding. It gives me the ego
gratification that I'm responsive to, and it gives our employees the same. We are...Meyer is amazingly productive. Here is a gentleman who came through the Holocaust, from a concentration camp, and is so enthusiastic today that it belies his 57 years of age. I mean, from the enthusiasm and confidence and productivity...And the same with our other employees. We just have a very good meld to mature and young, experienced and new people who are really putting out a tremendous effort and we feel that this is going to be the future of the business...

Q. Now, that does bring me to the final question, namely that of succession. Do you see a family succession in this business?

A. I certainly do not. My two daughters live in Colorado. One of them is the Associate Dean of Admissions for Colorado College; the other is a Triathlon athlete, whose whole vocation is triathlon. She earns money by winning races, and hopefully as many as she can possibly enter and win, without injury. And our son...We have a retarded child; our eldest child is retarded, so obviously he would not be a candidate for the business. And our younger son is studying biology at Union College, a tough, scientific oriented college in Schenectady, and he is a junior there. And although he worked for us last summer and was very good in the selling end and in other areas, and a very up person, I don't believe it will be his interest to continue with the business. And in a sense, I feel relieved that way. I have very ambivalent feelings. I would love to see him in the business. But, by the same token, knowing the demands
of this business as it has been over the years and knowing what the future demands will be, I feel like he might well consider another field of the 1980s, an area such as marine biology, which is one of his real interests, or computer work which seems to be something he may be interested in... And I leave him to choose his own future, and that Knitwaves will probably end up in a continuum of present employees who take over more responsibility. And, hopefully, I will use more of a management system than I have today—which is to be less involved in everything. You pointed out that I'm very involved with everything... If you look at this desk it points up how involved I am, and I would like to be somewhat less involved. And with the amount of capable management people we have, I think that will be possible.

Our biggest problem, in my opinion, in the future (and you didn't ask me this) will be to continue producing merchandise at our quality level. Because there aren't very many Meyer Scessels available in this market and I've tried very hard to find a successor for Meyer. We do have a very capable young fellow who works for me--our shipping manager--who works with Meyer, but we also really need a very technically oriented person, like Meyer, to do the developmental work...

Q. To be part of a backup team.

A. Well, more than a backup team. Eventually, to be the leading portion of the team with Bob, and possibly other people in the production area. And that is a very difficult person to come by. Most of the people, I believe, who are of that stature, are heads of businesses of their
own. As a result, that is an area we are researching carefully, for the future, but I do think the fundamental, underlying strength of this business is that we will find people who are motivated and turned on by it; who are going to have fun by it, in it, and who are also going to profit by their efforts. And with that combination, we see a wonderful future for Knitwaves and an acceptance at the consumer level, which will eventually build more and more growth. And I think we may consider in the future doing some national advertising to re-emphasize the Knitwaves name and the kind of quality of product we stand for. The problem (which I'm well aware of) with national advertising, from previous years and previous businesses, is that unless you do it on a large scale and a consistent scale, you're wasting money. Our best advertisement has always been the word of mouth of satisfied customers. The stores that carry our merchandise feature it and hopefully that will continue.

Q. All right. Thank you very much. I think that just about covers most of the important points....