ORAL HISTORY PROJECT OF THE FASHION INDUSTRIES

FASHION INSTITUTE OF TECHNOLOGY

JONATHAN MYERS
FORMER CHAIRMAN
LONDONTOWN CORPORATION

THE FASHION INDUSTRY LEADERS

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May 6, 1983

INTERVIEWED BY
Mildred Finger
FOREWORD

JONATHAN MYERS

ORAL HISTORY

Londontown Manufacturing Co. Inc., now a division of Interco, Inc. (it was acquired by Interco in 1976) became a manufacturer of rainwear many years ago. Israel Myers, father of Jonathan Myers, was first in the business of making men's suits, but became a manufacturer of raincoats during WW II. He built it from a tiny business to one whose volume was $8,000,000 in 1961 when his son, Jonathan, came into the business. In 1976, when the company was acquired by Interco, Inc. the volume was $72,000,000. In 1982, when Jonathan Myers left the company to pursue a new career, the company's volume was over $150,000,000.
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Q: For the Oral History Collections of the Fashion Institute of Technology, this will be a continuation of the history of the London-town Corporation, whose founder was Israel Myers, and whose son, Jonathan, was the Chairman of the corporation until 1982. The date is May 6, 1983; the interviewer is Mildred Finger.

Jon, would you start off by telling us where you were born and when, and just something about the years when you were growing up and how you learned about your father's business.

A: Well, I was born in 1939, in Baltimore, and as I grew up, as the only son in this family, but not the only child (I have an older sister), we always heard about Londontown...then it was called London-town Clothes, when I was very young. In my early years, it changed its name to Londontown Manufacturing Company. It eventually became Londontown Corporation, in the later years. We always heard about Londontown. It was just about the only topic of discussion, as I recall, at the dinner table. And, of course, there were many evenings when my father never even got home for dinner. Either he was on the road, or he was in New York, or he was working with vendors or working with customers. And I remember, as a child, especially around Christmas time, going down to the factory, which then, maybe, employed 75 people; seeing the people and meeting the people who worked there. My early impressions of the factory were that it was a tough place to work. It wasn't a sweat shop by any stretch of the imagination, because my father had more modern ideas about the sewing business, the garment business, than just about anyone else, as I came to realize later.
But I distinctly remember the area where the pressing machines were; how hot it would be, even in December. And I used to ride my tricycle up and down the area there. The women would always worry about me running into the pressing machines. I also remember there was a hydraulic lift. They used to put bolts of fabric or finished cartons of goods to go out, and it had to be raised and lowered to meet the level of the back of the trucks. And I used to love to ride on that. Of course it would be very easy to fall off, because there was nothing on the edges, and everyone used to worry when I got on there.

So, my first feelings about Londontown was as a place where my father went to work, and then where my grandfather also went to work. Not that my grandfather preceded my father. My grandfather was a tailor. And after he closed his tailor shop, and he got too old in his final years, he worked at the machine as a sewing machine operator, until about the week before he died.

Q: About what year was that?

A: That was in 1954. He died about four months before my Bar Mitzvah. And I was very close to my grandfather. I was very fond of him. So Londontown, especially in those couple of years that my grandfather was there, was fun to go visit because I got to go visit Grandpa at the same time. And it was about the same time that it went from just being Londontown Corporation, making raincoats, some for the military and some inexpensive raincoats and topcoats, to the founding of London Fog.
And from that point on, my recollections really began to change dramatically. I became considerably more aware... I was older; I was thirteen. And the years between 13 and 18 was when London Fog was launched. And this was a whole new ballgame. There was a sense of excitement about this new product that I was aware of as a child, as a teenager. I didn't really understand what it meant, from a business point of view, but for the first time I heard names like Marshall Field. I didn't know what that was. Or Saks Fifth Avenue, Bloomingdale's, or Filene's. I didn't know the names of any stores except the stores in the Baltimore market, as a teenager growing up. But suddenly these names became part of the regular table discussion, every night, for dinner. I began to find out who they were. Who Neiman Marcus was. Bergdorf Goodman. Macy's for the first time. These were all the names that suddenly became part of the normal part of our evening discussion. So we always said that we got Londontown for breakfast, lunch and dinner. Basically most of it was at the dinner table.

And it also began to set in my mind, however, especially when I was a senior in High School and a freshman in college, that it dominated so much of my father's time and attention that he didn't really have time for us. That he hadn't really had very much time for us. I can appreciate that now, being older, but then I resented it. And I made the statement that I was never going to work for Londontown; I was going to be a dentist. And I proceeded to study...

Q: Where did you go to college?

A: I went to Western Maryland College. I studied...
Q: Western?
A: Western Maryland College. And I studied biology and chemistry, and as a pre-dental major, I was accepted to dental school. But by then, things had changed dramatically in my own personal life, and I also began to feel a kind of a tugging that said, you know--Maybe it was a guilt trip, but who knows? It's really unimportant now--I felt that I owed it to my parents to give the business a try.

Well, you also have to realize that at this point I was married and had a child and...

Q: This was about what year?
A: This was in 1960. The end of 1960. I graduated college in June of '61, and actually went to work the day after I graduated. But I made a deal with my father, and the deal was that I would come to work for one year, and if at the end of a year I didn't like it, he would send me to dental school, and help me with my living expenses. So I went to work in June of 1961. At that time the volume of the company was about $8 million. We were a privately held organization at that point. And the thing I remember first was working in the customer relations area, actually doing like a 2-3 months apprenticeship and going through the factory and learning how a garment was made, and just taking volumes and volumes of notes. I guess that was the carryover from having been a college student; I wrote everything down. So that's where the basic understanding with the product was made. And I worked in Accounts Payable and Accounts Receivable, and eventually got into Customer Relations, because that was the area that I was good in most comfortable in, anyway,
working with people.

Q: Customers being stores.

A: Customers being stores. And the most vivid thing in my mind was how many times during a day I would get bawled out by customers because we just couldn't deliver all the goods they wanted. And I don't remember, in those early years, being able to tell someone we had something in stock. It was always at least six weeks for delivery, and usually as much as three months. And the demand was absolutely unbelievable.

Q: This was a period when reorders were usual?

A: It was usual as far as their dealing with other manufacturers. But with us, it was almost impossible to get a reorder.

Q: Because you carried no stock.

A: Not that we didn't want to carry stock. The demand was just so great that we could not fill the orders. And because London Fog, as a product, was then just about seven years old, and you could almost look at the map of the United States, and section off, as each section of the country became aware of the product, and as we began to put salesmen out into the area. I think one of the most vivid stories, that sticks in my mind--it's a true story--There was a customer by the name of The Hub, in Tacoma, Washington, who called one day and said, "What the devil is this London Fog?" And I said to him, "Why do you ask? How do you know of it?" He said, "I've had every salesman, from every competitor of your company come in, and before I say anything, telling me that their product is as good as London Fog, better than London Fog, cheaper
than London Fog. I didn't even know what London Fog was. I figured I'd better find out what London Fog is." And I guess because it was so good, he gave me an order for 36 units... and there's an example where we didn't have any delivery for three months, I had 36 units for him because we didn't have any customers in Tacoma, Washington. In fact, I think we had one customer in Seattle, and I think he was the second customer in the state of Washington. But that's how it happened. It was word of mouth. Because we didn't even have a salesman out there. In fact, that was one of the things that led us to believe we ought to put a salesman on the West Coast.

Q: At that point, you didn't have any......

A: We didn't have any reps out there. We didn't have any reps in most of the country. I mean, I think we went as far West as Chicago, and that man had seven states at that time. And he was like one of eight or nine salesman; the rest of them were concentrated on the East Coast. And more than anything else, that story is an example ...and it happened time and time again...of how our distribution came to be nationwide.

So, it was a very exciting time. Demand was absolutely unbelievable. And it was as true for women as it was for men. And yet most people felt we were basically a men's raincoat house. We, in fact, at that time, were doing about 35% of our business in women's.

Q: When were women's coats introduced?

A: Women's coats were introduced in 1957. And you may have that story from my father, as to how that came about.
Q: I do.

A: And yet my father, being in a men's business, was always afraid of the women's business. He had seen too many other women's businesses, which were considerably more fashionable and stylish, just suddenly go out of existence because they missed the style trend or the color trend or whatever. So he really made men's coats for women in women's sizes. They really were not femininely styled. And at that point, the total line consisted, in 1961, of one style.

Q: The raglan sleeve coat.

A: The raglan sleeve coat. And eventually, in the next couple of years, they had two more bodies, the trench coats and the Chesterfield coat—and that was it. And business continued to grow. And we grew phenomenally. We went public in October of '61, over the counter, and our business grew from $8 million to like $42 million by 1968. But in that period of time, starting in about 1965, I became aware of the fact that business was really changing. We were totally, 100%, production oriented. We were the Henry Fords of the raincoat business. You could have whatever you wanted as long as it was in a certain style and it was in a certain color. But you could begin to see—especially in women's—the feminist movement beginning to take place. And me as a company, were just reluctant to do anything to adjust to having products that the feminine side of our business really wanted. And being the youngest person in the company, and having somewhat of a sense or a flair for clothes—I liked clothes and I liked
the way I looked in them and I liked colors. If bright colors were in, I wanted to be in bright colors or whatever--I did not want to look like the banker--I became aware of the fact that we were headed for trouble. I was talking about it in '65, but I really wasn't taken seriously. How could anyone be upset with us? Here we were, a public company. We were growing by leaps and bounds and we were making a minimum of 10% after tax. This was unheard of. We were considered one of the greatest growth stocks in America. We were written up time and time again. We were a hot stock.

Well, about 1966, two of our executives who felt the same way I did, left the company and went to work for Jonathan Logan, Inc. They started a rainwear division called Misty Harbor, and did their own thing. They went after everything we didn't do. And simply the easiest way to do it, which was their approach--and they were smart--was just to provide color in the basic style.

Q: Which you were still doing only in black?
A: Still being...We were doing it in tan, navy, black and a loden green. That was our entire color line. It was very dour and very classic. And they came along and added a peacock blue and raspberry red and a peachy peach; they put in colors. Then they put in a mandarin collar coat, and they had a line that consisted of two styles, but they had eight or nine different fashion colors to go along with their tan and white and navy and so on. And for the first year that they were in business--1967--we still were not losing any volume, because the consumer so demanded London Fog. But the fact was that Misty Harbor was doing business,
and I kept jumping up and down and telling them that it was going
to change and that once the women began to change, the men would
begin to change. But after the business just kept growing and continued
to do better, we became a listed New York Stock Exchange Company in
1966. That created even more pressure on us in that there were more
shares outstanding and more stockholders who were watching what we
were doing, more analysts...Because in those days there were, believe
it or not, financial analysts who focused only on the apparel trade,
which today is a rarity.

Q: What was your volume at that time?
A: Well, we were about $36 million at the end of '67.
Q: You had mentioned a figure of $42 (million).
A: At the end of '68. But, in that figure was a signifi-
cant change, or a significant change was occurring. In the first half
of 1968, our figures continued, quarter after quarter and six months after
six months basis, to be ahead, but barely. And the orders in the house
in the fall season of 1968 were dramatically down. And whereas we had
earned about $2 (and it's amazing that these figures stick in my mind
very well), we had earned $2.44 a share in 1967), we earned $2.47 on an
increase of about $5½ million.

Q: Now somewhere in this period you became President.
A: I became President in 1967.
Q: And your father became Chairman....
A: And my father became Chairman of the Board. I will say
to you I was President only in name. I still did not have the... I was not Chief Executive or Chief Operating Officer. I wasn't calling the shots at that point. But in...I knew what was happening with those figures, and to have to suddenly explain--because it didn't show in the first six months--but began to show in the nine month figures and 12 month figures, when we showed earnings of $2.47 on that substantial increase in volume. We should have been generating more. In effect what we were doing was beginning to sell off some of the products.

Late in 1968, when, internally, we knew that the problem was significant, the reins were turned over to me. I approached it on the basis that I knew we had a lot of things to do, and there were three specific things that we set out to do. However, before we could even do those, I made sure that we got rid of all the old inventory, some of which was as old as seven or eight years. We had hardly taken markdowns of any significance, over the years. And I knew that we had to convert assets as much as possible to cash. And that we really, even though the stockholders would be upset, we really could not worry as to what was going to happen to our earnings. The one thing we could do was to make sure we had liquid assets. And from a financial side, in 1969, our volume dropped from $42½ to $36 million, and our earnings went down from $2.47 a share to 89¢ a share. But by the time we were through '69, we had $9 million in cash, and our inventory was clean. So we were ready to reinvest.

Now, we didn't wait until the end of '69. At the same time
as we were getting rid of inventory in the early part of 1969 or the end of 1968 and early '69, we also set ourselves the objective of achieving a balance between our marketing approach and our production orientation.

Q: The thing is, in order to get rid of as much inventory as you obviously got rid of, were you selling through your usual channels? Did you change channels? What?

A: No. For the first time in the history of the company, there was a major sale of London Fog, from us to the retailer. We had never gone into that marketplace and said we had merchandise that we had to get rid of. I knew it was impossible to get rid of $4,500,000 worth of inventory (which is what we had at that point) through the regular channels, which were not very many at that time, in terms of people who took discontinued styles. I mean, we sold as much as we could, with our label out. What it really boiled down to was we had to tell our regular customers, "Hey, we're stuck with inventory and some of it's pretty old and we've got to get rid of it, and we're going to sell it to anyone who wants it." And move it fast. Because, again, to the customer and in the eyes of the retailer, they had never been able to do this before. And they felt that it was a good thing for them (and it was), so that it cleaned our inventories, which is what we needed, and it helped the retailer, and the consumer actually gobbled the goods up. So we were not faced with those goods staying on the marketplace for any length of time. We were able to move it out very quickly. So that was the approach to doing that.
At the same time, I had to cancel millions of dollars worth of piece goods orders. I had to get mills to go along with me. I had one grey goods contract that was supposed to be taken up in a six months period of time. It took me two and a half years to finally use it up.

Q: This was still your classic dacron...

A: Still the basic dacron cotton. This was the mill that we had built our business with over the years, and I had to go and ask them to do this. I had...I remember canceling millions and millions of yards, for millions and millions of dollars, with mills. Because, by the end of 1970, our volume had dropped to $30 million. So we went from $42,500,000 to $30 million in a two year period. However, we started in the spring of 1969 to get a balance between marketing and production. I knew that we weren't going suddenly to make marketing more important than production, but we had to get them to be as close to equal as we possibly could as soon as we could. So, we set out first to change the products that we were presenting. Second, we had to change the image of the company in the eyes of the retailer with whom we did business. And third, we had to educate the consumer that we were different. Because our approach up to then had always been to go to the consumer and tell them about the product, instead of getting them to demand the product. So we had to let them know that we were different. And, in fact, we had to be different. So, in 1969, I went out and hired someone to design the line, because people don't realize we were then me, my father, myself, whoever was in the factory--we were the
Q: Are you talking now about the men's line....
A: The men's line. Even the women's line then, because
they really weren't... There was no ladies' designer, up until 1969.
And that one basic woman's coat, of which in 1968 we sold 181,000 units
and which represented about $9 million in volume, dropped to 75,000 units
in one year. So the majority of the loss of business, in the '69-70
period, was in the ladies'. Men's began to drop a little bit, but
basically the loss was almost entirely in the women's. So we hired some­
one to design the men's, someone to design the women's, we changed adver­
tising agencies, we decided to use television. And apparel had not used
television at that time; we were the first people to use television
as a medium for marketing. And I remember the retailers telling us
that we were absolutely crazy. And, of course, all these decisions
were being made in 1969 to start with the Fall 1970 season. Well, just
as the 1968 figures were misleading for the first six months, looking
like things were good (and then the bottom dropped out), the first six
months of 1970 were now showing turn arounds, that we were now turning
upwards. The year's total showed another $6 million loss in sales, but
we were actually ahead in the fall season of 1970, vs. the fall season
of 1969. And we earned 69¢ a share that year, for the year. But the
turn around had already begun. Again, only we knew it, but it was in
the fall of 1970 that the television campaign started. It was in the
fall of 1970 that we had all the new styles on the market, and we had
begun to get retailers to believe that what we were doing really did
make sense and we were in tune, in step with the times.

Well, that business, then, went from $30 million in 1970 to $72 million in 1976, which was the year we sold the company to Interco. In that period of time--between 1970 and 1976--we continued to bang away at our women's business to the point where we were able to develop a volume that was 50% of our total raincoat volume. Even in 1976 people didn't realize that. And we made a commitment to ourselves that we would never let what happened to us in the late '60s happen to us again.

Q: But in the men's raincoats, you had a much higher share of the market.

A: We had a much higher share of the market to begin with, which meant you were also vulnerable to losing such a high percentage of the total market. That was another problem. We then had to restyle men's to the point where the coats were more stylish and more acceptable ....Our men's business now could grow very little because of the high percentage of the market that we already had in rainwear. We needed to take a good hard look at the other segment of the outer garment bus­ness for men--which was outerwear--and we had begun to flirt with this a little bit, also, in the fall of 1968. In the men's division it was easier for me to prod those people who had been in Londontown for a number of years to consider new things. Again, we were only making items. For example, we actually had one piece of outerwear called the golf jacket in 1957, which was the largest selling single item. It was an item. We never built a line around it. It never grew from that. And in 1968, we introduced a couple of outerwear garments--storm coats,
three quarter length coats, pile collar coats--into our line, but again, it wasn't a total commitment to the outerwear business. And we really kind of fooled around with that until about 1973.

Well, as growth in the men's rainwear market was becoming more and more difficult, even with the styling which we were now doing, we really began to examine the outerwear market. Most people don't realize that the outerwear market is about eight times larger than the rainwear market for men; and here we were making 40,000 units a year and outerwear is a 40 million unit market. It's an enormous marketplace. We examined it, and one of the things we didn't like about it is that there wasn't any dominant company in the outerwear market. It was highly promotional, highly volatile, very dependent on the weather. If we felt we were dependent on the weather in rainwear, well, the outerwear market was absolutely dependent on cold weather. People didn't buy that product unless...

Q: You're talking about overcoats...

A: I'm talking about storm coats, stadium coats, car coats, not the type of product you would normally wear, in those days, over a jacket, or when you were wearing a tie. It was what you wore on weekends; what you wore in a more casual type of living. It was not your every day coat. That's changed today. But in those days, in the early '70s, that was... The characteristic of an outerwear garment was that it was warm. It was a market that was so promotional that it scared us to death. Here we'd gotten ourselves back into a situation where we didn't
have any inventory to clear out of any significance, and we were taking markdowns now every year as they occurred, and because of the better styling, the inventory was never large enough to cause us to give our regular customers sale merchandise. We were now back to our regular channels for getting rid of distress merchandise without the label, and we were able to keep the marketplace pretty clean.

And yet, in outerwear, when we went and talked to those retailers who were big users of outerwear, we couldn't get through the door. And just because we were London Fog, and so strong in rainwear, did not open the doors for outerwear. And I, too, thought that it would have worked that way, in men's, but it didn't. It took us until about 1975 or 1976 before I was really willing to make a commitment to the outerwear business. It simply meant that we had to agree to market differently than rainwear. It could not be a big opening order with three deliveries and one backup for reorders. It had to be orders that had a better variety of goods going into the store. And even on the best styles, you had to be willing to give some percentage off. We had to give some type of a deal. The largest number of outerwear units was sold between Christmas and the 31st of January, when technically, the season is over. If you happen to have a very long fall, the goods you ship into the store in August could still be sitting there in October. By that time, the stores are a little panicked because they haven't turned their inventory. And, of course, whatever inventory you had anticipated would back up. The manufacturers
(the people who had been in the outerwear business all their lives) knew all this already. You automatically calculated your markdowns into your price at the beginning of the season. We were higher priced than the people who were around. And we weren't really willing to wheel and deal. And I think even to this day we don't wheel and deal in outerwear the way the outerwear market does.

The one outerwear name that the consumer knew in the '60s and the '70s was McGregor. . . And yet, by the early '70s, McGregor as a company was almost out of business. And, a few years after that, in fact, it went out of business. So there wasn't any significant consumer loyalty, which we had experienced with London Fog then, and still do today, in rainwear. There is no retailer loyalty to any manufacturers. And it was a real wheeling and dealing type of business, which was very uncomfortable for us. And yet, the consumer was buying more and more outerwear. He was changing his lifestyle in that he began to wear outerwear now, over sport coats and shirts and ties. And because it was more acceptable for the male who went into his office to take his jacket off, his suit jacket or his sport coat, many people in the middle management level would wear a piece of outerwear without wearing a sport coat, when they went to work. So they had a shirt, tie and an outerwear jacket. Since they took the whole thing off together anyway, even if they had the sport coat, people never even knew whether they had it or not. And depending on where they worked and what city, if they went out to lunch then maybe they also needed the sport coat.
But it became very apparent to us... We'd watch people take off their sport coat under their piece of outerwear and never separate the two. Took them off in the morning, put them on when they went out. If they ate in the company cafeteria, they didn't worry about putting on their sport coat to go to the company cafeteria. So the whole lifestyle began to change. The men's rainwear market hasn't grown since 1970. Functionally, it has stayed about where it was. But it has not grown, and the outerwear market continues to grow.

Now, the outerwear market also has the greatest variety and spread of style and price. You can be in the outerwear business and make a jacket to sell for $15.99, or you can make an outerwear jacket to sell for $600. So, there are many types of outerwear--from lightweight short jackets to full length storm coats; from the cheapest products you can find, in terms of materials, to sealskin coats, which get thousands of dollars--There's an enormous variety.

Q: Was this the time when you started to do a licensing program?

A: We began to license... Well, interestingly enough, we had one license in London Fog rainwear in Canada for about 21-22 years. So that one started in the early '60s, when it was a hot rainwear product, strictly for men. But we had the same problem getting the Canadians to go into women's as we had ourselves in the U.S. About 12 years ago, about 1971, we developed a licensee in Japan for rainwear. We took advantage of our men's position and our recovering women's
position in rainwear. But, by now, whereas in men's rainwear, we still continued to dominate and never really lost our position in the market place, we had lost our position in the ladies' wear market. We had to rebuild and get back to where we were and have been for a number of years now. However, there was a big competitor in there. And then there was also another competitor who came in there.

Q: And that was...?

A: That was Forecaster, who came in in Boston, at a lower price range. Their point was "We'll do whatever London Fog or Misty Harbor are doing, but we'll do it for less money." They now have since...I don't know if they're even still in business. No, they're no longer in the business. And we returned to the position that we had had in the early '60s and continued to hold onto that, but with nowhere near the type of margins that we had then. Because we're a marketing oriented company today, and you have to have variety and you have to have strong advertising programs, which support your product.

Q: I think the reason I raised the question of licensing just at this point, is that I wondered whether you did any licensing of outerwear.

A: The only outerwear license...We do have outerwear licensees. In other words, for licensing purposes, the outerwear in Canada and the outerwear in Japan, those manufacturers have the license for rainwear and outerwear. They're companion products, though in
this country, they're not companion products. They're sold to different buyers, different merchandise managers, and probably the same general merchandise manager but you have to get up to that level before you share the executive who has the control.

Ladies' outerwear was something we decided we had to get into also; it's an enormously large market. It is about three times the size of the women's rainwear market. The women's rainwear market by the way also has not grown in the last ten years. For the same reasons as outlined in men's, in terms of lifestyle change, that's what brought ladies' outerwear. The difference with ladies' outerwear is that that is truly the volatile side of the outer garment business. It can be hot for a year, a year and a half, and then it can be dead for a year to a year and a half. And then it can be hot again. So you run cycles, and the thing is to know when the cycles are coming so that we reduce emphasis on one, and then shift back to the other.

But, because we had gotten ourselves in step in the early '70s, we were able to handle that. People don't realize today that our outerwear business is about 35% of our total volume, where 10 years ago it was about 12% of our total volume. It's a rather significant move. So that in the total units that we manufacture, the total units that we ship, the growth has really come from outerwear.

Q: Approximately how much volume do you represent at this point?

A: Well, in 1976 we did $72 million. In men's rainwear we were about 30% of the total market and in women's about
13-14% of the total market. In men's outerwear, we were about 2% and in women's we were about a half of 1%. In the last seven years, we have held on to the men's share in rainwear, and the women's share is probably about 18% of the total market. In outerwear we represent about 5% of the men's market and maybe 3% of the women's market. So you can see there are a lot more manufacturers out there in outerwear. It's... Business is absolutely split among everybody. No one dominates.

Q: Do you object to mentioning the volume of maybe, classifications?

A: What we do is... The volume from 1976, from the time we sold to Interco through the time that I was there, when I retired in December of 1982, I think the volume of my last full year, which was through the December of '82, was $153 million.

Q: That's a very considerable growth.

A: So we grew from 1970's turn around of $30 million to $72 million in '76, and from '76 to '83, we doubled again. So I was satisfied and decided it was time for me to move on.

Q: To what do you attribute that kind of growth of volume?

A: I think there are several things: one, focus on the marketplace, and becoming more marketing oriented. Number two was approaching outerwear as it needed to be approached, not saying, "We're London Fog rainwear, therefore you have to buy our outerwear." But really marketing differently. And not allowing ourselves to become complacent because if a style was good this year, it meant it was
going to be good next year. So we kept our styling fresh. And being in television as a medium. We were there before anyone else. And we're not telling you that we're that bright; we're telling you that all you had to do was look at what Sears was doing in the early '60s. They were the first retailer who went on television, and though one ad could have been for softgoods--and the next time it could have been for tires, what they focused on was making sure you knew that their brand name was Sears. And that's what we did. On television, what we made sure that... Not that you knew which particular model we were advertising, but that you knew that was London Fog. And we advertised in... We started on fringe of prime time, which would have been before 7:30 but between 6:00 and 7:30. We'd do the Tonight Show, we'd do the Today Show, sweepstakes programs.... Any gimmick, I guess, is the best way of labeling it, that would draw the consumer to the name London Fog. We didn't really care which style they bought.

Then we focused, for two years, our entire advertising campaign on London Fog as the name in front. We then focused on only showing outerwear. We had done some market surveys which showed that the consumer knew the name London Fog for rainwear... In fact, in an unaided survey--unaided meaning the name wasn't there in front of them--, in which they had to recall a name, there was only one name that had higher recall for products than we did, and that was Levi for Jeans. They had a 94% recall. and when they mentioned rainwear, 92% of the time the
name was London Fog. And no suggestion of the name, not in writing, not verbally. It was consumer recall. Whether they were wearing it or not. In fact, the interesting thing is that many consumers who had never bought a London Fog, still said, "London Fog." And when you asked them how much they spent on rainwear, either they didn't remember, or they remembered the approximate range; about 15% of the people mentioned as their top price $25 less than the price range where they could have bought a coat of ours.

Q: This had to be a pretty expensive advertising campaign, even in those days.

A: It was.

Q: How did this kind of thing mesh with Interco. I mean, what did your business planning involve as far as they were concerned?

A: Well, I think you have to understand....Interco is a holding company. And their success as a conglomerate had been to let the individual divisions do their own thing. If they can generate the figures at the bottom, at the end of the year, in terms of increased volume, with these profits and maintaining a good solid margin after tax, have good control of their inventories, that's really what it's all about as far as they are concerned. The interesting thing is that we took 90% of our advertising dollars out of print. We took it out of magazines and out of the newspapers and geared it solely to television. Our advertising budget went from 2.75% of sales to about 4% of sales.
Q: How did the stores feel about that? That their name was no longer identified with...?

A: When you got to management of the stores, they were perfectly happy, because every spot was store tagged. Okay? So it's not like they weren't there. Every buyer was unhappy, because he or she had grown up on the philosophy that you had to get a certain number of dollars from the manufacturer for their newspaper ads. We still ran a co-op program, but we ran a considerably reduced co-op program. Again, the philosophy was that if you get the consumer to walk into your store and ask for the product by name, you've got half the battle won. And that's really the name of the ballgame. So that's what we were able to accomplish. And I think that, along with the management approach, which was rather different than what had been done in Londontown before, my job was to be the generalist. I am an expert in none of these. None of the areas. And we brought in the experts, and gave them an opportunity to perform, and my job was to orchestrate that.

The relationship with Interco was absolutely marvelous. It could not have been better. And I would not have it recorded in any way, shape or form that I retired because of the problem of having sold the business. Unfortunately, there have been too many situations where the owners and families get out because they sell the business and are unhappy. That wasn't the situation at all. If I wanted to be at Londontown today, I could still be at Londontown. It had to do with me personally; it had nothing to do with the business.
The growth of Londontown, as they look forward, is in outerwear. Because even today, even though they have done an increased volume, and it represents a much higher percentage of their total volume, they, like everyone else, have yet to establish themselves with certain retailers in terms of controlling the retailer's open-to-buy. And when I say controlling retailer's open-to-buy, you have 50% more of his volume in that department, in that product category. You have a built in growth factor, if for no other reason, inflation.

Q: Yes. I was going to ask you about that. What has been the change over in, or has there been one, in your relationship with the stores over the years?

A: We were always fair with everyone.
And to this day, that is the image that the company has. And yet, they always know that no one gets any... No one has an advantage in dealing with us. No discounts for volume. When we do offer a promotion, it's offered to everyone in the market, on a fair and equitable basis. And, unfortunately, the nature of the buyer and the retailer--and I'm sure it's true in every industry--is to try to get as much edge as he possibly can get, and invariably what the consumers are realizing is that that's being taken out of the hide of the manufacturer who supplies the product. And we never allowed ourselves to get into that Pandora's box so that we can't... We don't have to stay in it.

Q: How about the number of specialty stores vs. the number of department stores?

A: Up until about five years ago, we actually did 60% of our volume with specialty shops and 40% with department stores, which is a very healthy situation.

Q: And it was not that way many years earlier when almost all the men's business was done in specialty stores.

A: That's correct. But it was a healthy relationship, simply because--and selfishly--If you lost a specialty store customer, you could easily replace him. And he didn't represent a significant piece of business. If you lost a department store, for whatever reason, that was a significant piece of business and you weren't likely to find another department store in that same market who could replace it. Unfortunately, in the last five years, it's the specialty store who has
felt the crunch of the economic climate and today, though we have continued to add new accounts to our roster, invariably at the end of each year, over the last five years, our roster of accounts, in numbers, would be exactly the same. So as quickly as we can open new ones, other ones are falling by the wayside. And what has happened is that the department store today represents a little over 50% of the total volume. And it's the department stores that put the greatest pressure on you in the wheeling and dealing. Because they have the volume clout. We, fortunately, have continued to be able to withstand the pressures that they have applied. It may well be the reason why we haven't grown as dramatically in outerwear in the last five years, as we would have liked. But I will tell you it's a lot healthier type of growth. It's very solid, and though there's no way that anyone could expect us to continue to generate the profits we did in the '60s, and we made that very clear....One of the first things we made clear to the financial community, as we began to turn around in that second half of 1970, was that you could not expect 10% after tax profits. We have done as well as, and will continue to do as well as 6½% after taxes, which is far in excess of what other people in the apparel industry do. And we have continued to maintain that. In fact, from the time when we turned it around in 1970, when it had dropped as low as like 2.3% after tax (which, by the way, is the normal for most apparel companies), we built that continuously, and the best year that I ever had was, (in the last 12), 7.6% after taxes. And it's been 6% or better for the last five or six years.
Q: Jon, what about a sales force, and the way in which you've sold? Do you do most of your volume with salespeople doing it on the road? Or do customers come to New York for a showing? Do they go to the local marts, like the one in Dallas, Chicago and so on?

A: That's a good question. Because we have to go back

...And I guess that's another ingredient of what happened to generate the type of growth we had in the last 10 years. One of the other things we did over the years was to split the sales force between men's and women's. We made much smaller territories so we can give better coverage. We started a whole series of regional sales managers, so that we had management in the field on a regular basis, and a sales staff that, in 1970, numbered 15, and in 1983 numbered 65. In 1970 there were no regional managers. There are seven regional managers now. In 1970 there was a Chicago office and a New York office. Now, there are offices in Atlanta, Boston, Cleveland, Dallas and L.A. However, 90% of the volume is done by the sales force on the road. We think it is presumptuous for us to sit in New York or Baltimore and tell someone in Minneapolis what those styles should be when he knows what is going on in Minneapolis and we don't. But our sales representative and the regional manager who cover that area do have some knowledge of that particular marketplace. So it's different from a lot of other apparel businesses, especially in women's. We do 90% of the volume in local markets. In some cases, the other 10% would be done in the various showrooms around the country. Those showrooms serve to handle those retailers in the markets in which they are; and in New
York, only to a very small degree, do our showrooms do any bookings outside the local markets. It is usually the place where new accounts will get their start in terms of our becoming aware of a new retailer or someone who wants the line. That store will come into New York, through their buying office, to be introduced to us, and then we in turn send the information to the salesman in the field. That salesman will then call on that customer in the store to see if we think it's the type of store where we can do a good job with our product.

Q: Let's talk a little bit about mergers and acquisitions. How much of your growth has been internal and how much of it has been through acquisition, if any?

A: Well, in 1970 we acquired a leather company that was only doing about $3,500,000 at that time. We've been able to build that company into about a $10 million business. We started another company in 1972.

Q: You started, not acquired.

A: Not acquired. We started from scratch a leather rainwear division to, in effect, compete with ourselves, but to produce products at lower prices. Because one of the things that was obvious to us and obvious to everyone else in the marketplace is that the best way you can bang away at London Fog was not to try to be equal to them--because no one could equal us. But the one thing you could have a shot at was to make a cheaper product and take care of promotions and sales and special events and things like
Q: How did you make your product cheaper?

A: Well, we started a separate division. Therefore, it was not part of the union. It's located in Georgia. It had no overhead, of any substance, whatsoever. It was run with a couple of people, running to major cities, and kind of copying what London Fog did in its early years, by just hitting the big stores and if the big stores did it successfully, the little stores would all see it and they'd want to follow and come and ask for the product. Its purpose, and the reason that we started it, was to protect the underbelly of London Fog. The only place that we were vulnerable--and it wasn't anything we could do anything about--was in the area of price. In styling, in merchandising, in advertising, we were far ahead, way ahead of everyone else. For example, in advertising, to this day--I don't remember the exact numbers; the last numbers I remember were in 1979--We represented like 85% of all the advertising dollars spent in rainwear and outerwear for men and women. And I'm talking about manufacturer's dollars, not what the retailers might decide they were going to run in a newspaper ad. It's an unbelievable number, and I don't think anyone else dominates any field the way we did in terms of dollars spent in the marketplace.

Q: Is that division still in existence?

A: Yes, that division is still in existence. What we
did is about three years ago, we merged it with the leather division. We made it the low priced rainwear and moderate priced leather division.

Q: The leather division is not a Union division either.
A: The leather division is Union. But, the rainwear segment of it is made non-union and shipped out of a non-union area also. And now it's beginning to go offshore.

Q: That was my next question. Offshore is tops on my list right here. What is happening as far as.....

A: Well, that's a significant change. And that is probably going to be the most critical aspect of our business, and I'm sure it is not unique to us, in the next 10 years.

Q: First of all, let's define offshore. What countries does that represent to you?

A: Offshore, basically, is the Far East. In terms of....and how...you know, which island off of the mainland or how far off you can get off the mainland, the Far East is really what...you know...where it's happening. But it is what's going to happen in the next 10 years. And this is going to be the major governing factor. And, for a company like ours, which is unionized, it is a significant management-union dilemma.

Q: You're Amalgamated (Clothing Workers Union), are you?
A: We're Amalgamated. The point is that we can still manufacture rainwear here, to maintain our volume, not to increase it. There is no way we can develop our volume in outerwear and be com-
petitive. The problem for the union is that they don't have outerwear manufacturers. It's not like we go to the union and say, "Give us a manufacturer to make 100,000 units for us." They don't have them.

Q: ...contractor...

A: The contractor. And I'll tell you right now—we're no different from anyone else—we're not going to invest in plant and equipment and training of people in this country where the work ethic is as poor as it is. You can go and make an investment in finished product by literally just buying it, in a marketplace where the work ethic is considerably stronger, wage scale considerably lower—whether you like it or not and the product is as good or better.

Q: How much of your production is being done offshore now?

A: In outerwear, about a third.

Q: About a third.

A: Correct. Five years ago, it was 10%. And in the next 2-3 years it will be 50%. And I think that if Londontown is going to continue to grow, it will be in the outerwear business, which is its only real growth opportunity—Remember, we said that men's and women's rainwear hasn't grown in 10 years, in terms of the unit volume and gross dollar volume, because of inflation. That's all it is. They have to grow these other markets. And that's the market where you have to produce offshore. Our rainwear is maybe only 5% made offshore.

Q: Are you able to control the quality offshore? Do you
have your own people there?

A: We have our own people.

Q: You do.

A: We have our own people over there. They're there. We rotate them every two years.

Q: When you say "there," is this Korea, Taiwan, Hong Kong?

A: Korea, Taiwan, Sri Lanka. We're now on mainland China. They need technology. We can provide the technology. The thing they have more than anything else is people. There is no better industry to go into than the garment industry, if you want to utilize people.

Q: Basically....Would it be correct to say that you are a Baltimore based company in terms of corporate structure. Your distribution center, your data processing all are done in Baltimore, right?

A: That's correct. Right.

Q: Your cutting is done...there? In Baltimore.

A: In Baltimore. Or wherever a factory may be. If it's offshore, remember, you're buying a finished product.

Q: So you don't do the cutting and send it out, it's cut there, the fabric comes from there...

A: That's correct. The fabric is from there. We send people over...We actually send people over who are stylists; they style the line in these foreign countries. They buy the piece goods.

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But we specify these piece goods and the final purchase price on that product which is made to our specifications under our quality control.

Q: So you do your distribution from this country--your selling, your distribution, your data processing.

A: That's correct. The rainwear factories are all in this country, and each factory cuts for themselves and makes a completed product.

Q: Okay. Are you doing private label for anybody?

A: No.

Q: Are you still selling (what used to be a pretty big division, I gather) merchandise to Sears and Penney's and Ward's?

A: Well, that was back in....In the early '60s that ended. It ended in the early '60s. At that time we were only selling Sears. At the time I came into the business, we were only selling Sears, Roebuck, and that was more out of a question of loyalty to the long term relationship that had started in the early '40s, but that came to an end as well. We just could not continue to develop, to make a product in the same plants we were making London Fog for the price points that they wanted to pay. I mean, our product just out-priced what Sears could afford.

Q: Right. Jon, before you went...you became part of Interco, there were other possibilities for merging, were there not?

A: Yes.

Q: And, what were the factors that were tempting and what
were the factors that were offputting?

A: Well, the only reason for us to merge was to put the family's holdings--a financial situation--into a position where it would not be totally dependent on what happened to Londontown Corporation. 80% of our net worth as a family is tied up in Londontown stock. Unfortunately, we were always going to suffer from what had happened to us in the late '60s. We lost our credibility. Along with us losing our credibility, on top of that, the entire apparel industry was labeled with the ... ratio of 3-4 times earnings. And as I mentioned earlier, analysts didn't even want to follow apparel stocks. And that was one of the reasons, that nothing was happening. For years this went on. And there were plenty of companies that were being brought to us for us to acquire. In fact, one of the Interco divisions was brought...One of the divisions of Interco, one of the companies that Interco finally bought was offered to us first, and I would love to have made that deal. And it's one of Interco's top divisions today. And it killed me. But the problem was that if we used cash, we would have gone away from our structure of being a strong financial company. That was one of was strengths, one of the reasons people believed in us.

Q: So you would have had to use factors and other...

A: Well, you would have gotten into a situation where debt to equity ratio would have been so terribly unfavorable that we'd always have to worry about the banks coming down on us. So that wouldn't help us, and we couldn't use that. And in order to meet what was a fair
purchase price, we would have had to use stock. They would have owned more stock in Londontown than we would, and I wasn't about to lose control of the company. In effect, Londontown would have bought this other company, and the new stockholders would have had more shares, and in fact control Londontown. So we wouldn't have controlled it. We were wedged in in such a way that all we could do was buy a $3,500,000 dollar leather company, or a small company here or a small one there, and that just didn't make sense to us. It just didn't fit the total pattern. And there was no way we could get away from it. And I guess it finally hit me, when we built a new distribution center—and it was the single biggest project that I ever undertook—$11,500,000 distribution center and office structure—We started working on it in 1974 and concluded it in 1976, the summer of 1976...I realized that we, as a family, owned 42% of the stock at that time (I'm using a very simplified set of numbers here now), but approximately every 42¢ on every dollar that was going to that building was my family's money, and I said I didn't like that feeling at all. I never thought of it that way, but it really was very disturbing.

We considered an acquisition of us in 1973 or 1974, by Beatrice Foods. And unfortunately, that was something that kind of just began to happen, out of nowhere. I really didn't want to sell it. And what was interesting was that Beatrice Foods, after announcing the agreement, within a week backed out of it, because they got so much static from the Wall Street community. And for the first time we were waking
up to the fact that Beatrice Foods didn't just concentrate on foods products. The funny thing is they were already in the sailboat business. I mean, they were in several other businesses. But suddenly Wall Street woke up to the fact, and why Londontown became the object of this furor is beyond me. But it turned out to be the best thing that ever happened to us. They didn't understand the apparel business. And what's interesting, in the last six months I read where they're disposing of all their apparel companies.

Q: Yes, I read that too.

A: They didn't understand us and we....There would have been a situation where in a year or two we would have gotten out. So, when Interco came...When Interco first approached us, we turned them down. And I turned them down because...Not that I didn't feel that was the right place to be, but I knew we were doing better than what they were prepared to offer. And I said, "We'll come back to you." We got the highest per share offering from Interco of any deal they had ever done, when in fact, I came back to them six months later and said, "Now we'll sell. Now we're ready." But they understood the apparel industry; they were already in the apparel industry. Philosophically, they were exactly the way we were, and it was an absolutely marvelous relationship. And it continues to this day.

Q: Have you any feelings about the succession of the company, leaving the family? That is to say, that ultimately it will be strictly outside professional management?

A: I guess I go back to the stories that were told to me
by my father. He said historically, the first generation does a marvelous job in the business. The second generation carries it on. And the third generation takes it down the tubes. And I was the second generation, and I had three sons. And though it would be a question of kind of staying around another 5-10 years, and I'd still be relatively young when I got out, and turning it over to my first born, I really kind of thought that was probably not going to happen. And the nice thing about Interco is that if I were to go to them, and say, "I want you to give my son a job," they would give him a job. And the only thing I asked of the man whom I brought in and trained--he was a professional manager--I brought him in four years ago because I knew in the back of my head I wanted to do something different with my life, I trained him, and the one agreement we have is that anytime my son wants a job, they'll put him to work. And if he's strong enough to rise to the top, you know, it's not going to hurt him that his last name is the same as the man who was the last Chairman of the Board. But he'll have to prove it out.

And, once you've made the commitment to sell, and once you've gone through with it, that can happen to you anytime. Because they could always say to me, "Leave," and they could always say to my son, "Leave." But their approach has been, if he wants to come in, we'll give him an opportunity.

Q: Just one other question before I want to finish with what you're doing now with your life, and that is licensing. The company started doing licensing of the name some time back. And is apparently doing it....

A: Right. We did that in the area of rainwear, and then in
outerwear. We aggressively started a program of licensing the name in the last seven years. We did it in children's wear, basically in the outer garment segment of children's wear. This has been very strong. We then have licensed it to umbrellas, headwear, sun glasses, sweaters, and in different countries all around. So the licensing of the name has been...We've probably been slower with it than we should have. One of the reasons was that we were always flirting with the idea of going into some of these businesses ourselves. But the investment to have to do it--and again, to build factories and take that responsibility--was just greater than we felt was worthwhile at that point in time. That is not to say that at some point in time we won't acquire some of the companies we've licensed. That's always an opportunity, because since we control the brand name, we have some degree of leverage in forcing the issue for them to sell, especially at times when contracts are up and have to be renegotiated. But licensing is definitely a way of growth for Londontown.

Q: All right. Let's just take a minute, and I'd like to hear about your newest career. I know you almost had a career in dentistry, and you had a major career in apparel manufacturing. And now you've got a new career in camp...direction and managership and ownership.

A: Yeah. I think that if you have a dream in your life, and you have the opportunity to live the dream, and you're fortunate enough to be in a position, from a financial point of view, to do it, you really ought to take your shot. And that's what we've done. We're young. Our children...By the time my wife and I are 45 years of age, we will have no
children left at home. And that opportunity to work with kids, which is something we always enjoyed doing, became my direction, and it was one of the other factors, of a highly personal nature, which made me come to the conclusion that I wanted to sell the company. By selling Londontown, I put myself in the financial position where I wasn't only dependent on Londontown; and also that I was diversified and I had the opportunity to do something with my life that would be a real joy. I'm like the ball player who says he gets paid a bloody fortune to play a kid's game. That's how I feel about what I'm doing. Certain business philosophies are exactly the same. They're no different at all.

Q: What's the name of the camp?
A: The name of the camp is "Tripp." Lake camp. It's a girls' camp in Maine, and it's a camp that's been around for 72 years. I'm no different than what I was at London Fog. When I came into the company, it was an established name. Tripp Lake Camp has been an established name for a long time. All we're doing is adding our personalities and our dimensions to it, which hopefully will be attractive. We have been able to increase its volume over the two years we've been there from 270 campers to 300 campers, which is its capacity. So we're at capacity. We're doing as much volume as we can. But we don't run it from the standpoint of making money. We don't want to lose money. And we're having a good time doing it. And it gives us a chance to interact with the children, which is why we're in it in the first place.

Q: I would wonder whether, as the father of sons, you would
not like to have a boys' camp too.

A: I think that having raised three sons I now have the opportunity to really appreciate the daughter that I didn't have.

Q: Thank you, Jon.