ORAL HISTORY COLLECTION, F.I.T.

THE FASHION INDUSTRY LEADERS

JODY NACHMAN,
Executive Vice President,
Swirl, Inc.

Date of Interview
March 18, 1983

Interviewed by
Mildred Finger
Swirl, Inc. is a company that was started by Louis Nachman, grandfather of the present management team of Lawrence and Joseph Nachman, in 1905.

In this Oral History can be seen the development of a small entrepreneurial business to an organization doing volume in excess of $20,000,000.

Over the years, the product mix has diversified enormously as has the method of operation.
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Q: ...for the Oral History Library of the Fashion Institute of Technology, this will be an interview with Jody Nachman of Swirl, Inc. The interview takes place on March 18, 1983; the interviewer is Mildred Finger.

Jody, would you start by giving us your full name and your title?

A: Although I go by Jody, my real name is Joseph, and I am presently Executive Vice President of Swirl.

Q: Good. Now, when were you born?

A: 1946.

Q: 1946. That makes you...

A: That makes me 36.

Q: That makes you 36 years old. Okay. Could you start off by telling us about your grandfather, who I believe founded this business, and about your father, and just let's...as much as you can tell us.

A: There's two versions of when the company, the year the company was actually founded. One version says 1904; another version says 1906. And for historical purposes, we have averaged and established 1905, at which time my grandfather--who was then a young man of approximately 18 years old...

Q: His name was Louis?

A: Louis...had been...was living in Philadelphia and had been involved in the needle trades at that time, and he struck out on his own as an entrepreneur.

Q: On the lower East Side I assume.
A: No, this was in Philadelphia.

Q: I'm sorry.

A: And at that time, that was the very beginning of when mass produced apparel was beginning to happen, and very popular garments were what was known in those days as shirtwaists, which were either one piece long garments, or blouses. And he decided to go into the trimming business, and he purchased some tacking machines. Really, probably, just one to begin with. And sat down and started doing contract work, as a tucker, for manufacturers.

Q: Manufacturers based in Philadelphia.

A: Right. At that time, Philadelphia was the second largest apparel manufacturing center in America. It still is one of the largest, but at that time it had a lot more importance than it does today. So, fortunately, he was a good tucker, and the business grew and he was able to acquire different types of machinery in addition to that apparel skill, and by the late 1940s, what was then L. Macklin & Co. became one of the largest trim companies on the Eastern seaboard. Many of the...Interestingly enough, many of the pieces of equipment that date to that period of time we still own and have in running order.

Q: Do you use it or is it part of...?

A: We use it. We use it because there are machines that can do things that today are unduplicatable. I mean, you could, but the cost of duplicating some of these machines would just be prohibitive.

So...We got into all kinds of fancy stitching, trimming, applique, that whole library of skills and machinery. So, in the very early '30s--actually 1930--my father, who was then a student at the University of Pennsylvania...
Q: And his name is Jack?

A: Jack, I believe, got through his freshman year at Penn, the Depression struck, and although our business certainly more than survived during the Depression, there was generally a feeling in the family that it was a good time to pull in the horns and all work together to protect the family business. So my father left school; he continued on at night school, but left school full time and went to work with his father. He learned the trade...

Q: Do you know at that time how many machines they had, for instance, or how many people they might have employed?

A: I think at that time they may have employed somewhere in the neighborhood of 35-40 people. And I cannot give you a really accurate estimate of how many machines they had, but a normal ratio in a plant like that is that there are 2-3 machines for every operator. So there was a fairly formidable equipment base built up at that point. So probably around 1933 or so, we got into...My father started to get a feeling that there was more that we could do with all this fancy stitching we had, and as the war approached, and in effect, the government discouraged the use of selling capacity for non-productive, non-garment production, my father (at that point my grandfather had gotten sick and had somewhat withdrawn from the business), my father decided to start making aprons.

Q: Still as a contractor.

A: No. As an entrepreneur. Now it's a manufacturer. So he maintained the trimming business as a contractor, and at the same time used
that contractor to perform trimming services on his manufactured garments, which were his aprons. And those aprons go under the label of Neat & Tidy. And there was a fairly successful styling and manufacturing job done, and by the early '40s, we had established one of the larger "staple" companies in America.

Q: Now this is still in Philadelphia.
A: This is still in Philadelphia.
Q: No showroom in New York.
A: We did not establish a full time showroom on our own in New York until the mid-'40s. Now, I believe my father shared space with other people, selling space here in New York, and he would travel to New York on the train or drive, one or two days a week, to sell. And we were distributing our aprons to most major fine stores in the country.

Q: Which probably meant selling to the buying offices...
A: Through the primary...Yes, there were a lot of buying offices buying at that time, but they had markets too, and those were the days when buyers came in and sat down and wrote orders.

Q: Right. But I was thinking of the fact that you did not have a showroom in New York...
A: We had selling space that we shared with other manufacturers who were not large enough to maintain space on their own.

Q: Right. But you don't happen to know where Neat & Tidy was being sold.
A: I know where it was sold. No, I don't for sure. I have a suspicion that at one time the old Manhattan Hotel was a place that was used.
Suites were gotten there. In the '40s they moved into 1350 Broadway with their own showroom.

Q: I see.
A: So. At any rate, at that time, from...You know, we had a successful apron business and....By the way, we have a lot of the old ads and stuff, going back to the late '30s and early '40s and all the way through, so it would be interesting for you to take a look at it sometime.

There was a garment, not made by us but made by many other companies, which was the house dress of the '30s and early '40s, and it was called the Hoover, or Hooverette, which was essentially a button back house dress worn as an apron. It came around to the back and buttoned down the back. And generally they had a connotation of being low quality, very cheap.

Q: Do you know the price range in those days?
A: Of those kinds of garments?
Q: Yes.
A: Of those kinds of garments?
Q: They retailed for $1, $3. We didn't manufacture them. But my father perceived that there was a need for what amounted to a house dress for the upper moderate to better consumer, that was made of high quality fabric, had good design, and was well styled.

Q: Did you use a designer in those days?
A: Yes, we did. Not designers as we talk about designers today....
Q: But somebody who was perhaps a pattern maker or...
A: Oh, sure. There were pattern makers and there were people...He had people who designed, but they were people who worked in a design room, not designers of today. So he got the bright idea--and this was his idea,
not a designer's idea--to in effect create a garment that was very easy to get in and out of, that had a lot of function, a lot of style, and served the purpose of being the better house dress. So he invented a product called the Swirl, which was essentially an apron that closed to the back, with one button at the neck, ties pulled through at the waist, and it was swirled wrap and tie fashion, and that was then the theme of the product genesis. And 1944 was the first year that those garments were manufactured and shipped to the stores of America.

Q: There's a kind of spiritual resemblance to the popular, or the spirit of the Popover of Claire McCardell.

A: Definitely. Definitely. And I daresay although Claire was certainly a forward fashion prognosticator, over the years I think that Swirl reached the lives of many more millions of women than the Popover did. Actually, the first order that won a major promotion on the Swirls in advertising was Lord & Taylor. That ad exists around here somewhere. It was very cute. Well done.

Q: How much did it sell for?

A: I think it retailed for $4.99. And, I guess, in those days, since the other things were selling for $1, $2, that was considered a fairly expensive item. That was the day of the nickel coke too.

So, the idea caught on very well, and very quickly Lord & Taylor and Marshall Field, and on down the line, hopped on the bandwagon, as well as continuing to buy our aprons. So we had Neat & Tidy aprons, and we had this revolutionary new product, the Swirl.

Q: And the company was called...?
A: At that time, there was my father and his older brother.
Q: Right. So the company was called...?
A: L. Nachman & Sons. And my...
Q: And you retained that corporate name.
A: At that time. Right. And what happened was is that the product was very well conceived, and very well received, and it became an instant success and the company started to grow, rapidly. At that time, in approximately 1946, my father and his brother had a falling out, over essentially non-business issues, and my father bought his brother out of the business, and the company's name was changed, at that point, to L. Nachman & Son, Inc.

Prior to that it had been not actually incorporated. But from 1946 to 1951, the company grew very rapidly, and they developed distribution for the Swirl product in every fine store in America. In the early '50s, it was... We were due to have some negotiations with the union, and my father sat down with the people in Philadelphia to start renegotiating the contract which was coming up in approximately half a year or a year in advance, to sit down and start talking. In fact what happened was that the negotiations stalled because, in his opinion, the demands that were being made on the company were unacceptable and impossible for him to manufacture...

Q: I assume this is the ILGWU.
A: Yes. And when the contract stalled and the negotiations stalled in Philadelphia, my father got on the train and went to New York to meet with Mr. Dubinsky, and they didn't have a very good...very successful series of meetings either. And, in fact, what happened was that there was
a complete breakdown in the ability to sit at the table and discuss how they would do business together. So, given the fact that my father had a business to protect and run, located in Philadelphia—at that time at 13th and Arch...

Q: A-r-c-h?

A: Yes. He had a business to protect. And he started looking for other avenues by which he would be in a position to have his product manufactured. And my father and my uncle (who had at that point joined the business) did some traveling and some research and came through the Piedmont area of South Carolina—Greenville, specifically, which is the textile center of the world, as they say—and felt very comfortable about the attractiveness in future of manufacturing in that location. And so the plan was to set up, in effect, what would be a manufacturing facility that would either operate as a contractor for Swirl, should the negotiations have turned out successfully with the union, or, in fact, if they didn't, would become potentially the home of Swirl.

The negotiations did not turn out very well, and, particularly, from the union's viewpoint. And at that time, there was the old battle of the "runaway" shop, and I believe that this is fact, that Swirl (which was not then Swirl, but L. Nachman) was the first company legally to leave and walk away from a union contract in the Philadelphia sewing industry, and it was done above board, and they had damn good attorneys.

Q: I meant to ask earlier: I assume that the original labor pool was primarily immigrant, from Europe. Is that..?

A: Yes. From the very early days. And different waves of immigrants came to take the place of others, and still there were a lot of Italian
people and, I guess, Jewish, or of Jewish extraction, and then I guess Italian, and so on down the line is the usual order. So, in effect, what happened was that we broke ground on a 19,000 sq. ft. manufacturing facility in South Carolina...

Q: In 1950 what?

A: In 1951. Late '51. August or September of '51. And by June of 1952, the facility was completed. And at that point we were set to begin manufacturing. We re-incorporated in South Carolina as Swirl, Inc. at that time...and went through the process of, in effect, attempting to develop a labor force. As it happened, there were a lot of women who came from what was then a very rural and agrarian society such that...the men worked in the mills and the women stayed on the farm and took care of the house. So there were a lot of rudimentary sewing skills, and not much in terms of light industry employment in the area. So, given the ability to train and teach and to take what were rudimentary skills, we were up and operating after approximately six months, and with a product that was something that we could be proud of and that would be successful in the market place.

From that point on, the growth of the Swirl wrap around product was astronomical.

Q: I would suspect from that point on it had a different story. So, I wonder if we could just review a couple things, to establish the status as of 1951. For example, you had mentioned earlier that you had begun to sell a great many stores. In those days, were specialty store or department stores the more important to you; or do you have any idea what the breakdown was?

A: Well, at that time, most of our business was done with
department and what would be the equivalent of department specialty stores, such as Lord & Taylor and...

Q: As opposed to a Mom and Pop kind of store.
A: That's right. Although, in the late '40s, my father and...

We started to develop what one would call a road selling force. And it was very limited at that time. We had maybe only two or three people that were doing it. The major move was to establish West Coast representation, which was done in 1949, where my father and Bill Netzky, who was then President of Ship 'n Shore...

Q: Could you spell "Netzky"?
A: N-e-t-z-k-y.

Q: Thank you.
A: He was then President of Ship 'n Shore. They were best friends, and they were located out of Philadelphia also. They found a nice guy out of New York who they felt had the ability to sell merchandise, and they bought him a Cadillac and said, "Go West young man," and Sam Weiskopf went out there and established a West Coast selling organization for Swirl.

Q: In those days, which departments were being sold in stores?
A: Daytime housedress or apron uniform, depending on...

Q: ...on how the store categorized. Okay.
A: In many cases, however, as the product became well enough established and important enough, in many cases there was what in effect amounted to a Swirl department. If you walked into B. Altman and looked on the registry, there were aprons and uniforms and there was house dresses, and then on a separate line there were Swirls; and a big sign and a big area---
a Swirl department.

Q: Which would make it one of the earlier ones. Because I don't think there were many such individually set aside...

A: Right.

Q: And at that point, all of your production, of course, was in this country. I mean, it had been in Philadelphia and then it moved to South Carolina, but it was all here. Do you remember hearing anything about the financing of the business in the early days?

A: Well, I think that... You know, fortunately, over the years, the company had built up some net worth and although we had not accumulated a gigantic amount of money, relative to capitalizing the size business that we had, it was sufficient, and certainly the pressures for financing a business in those days were significantly different than they are today. The cost of financing a business was little as long as there was the proper asset structure and a healthy business. You paid 1 1/2% for your money, which was not exactly an enormous strain on the financial operation of the company.

Q: But in the very earliest days, it was probably founded, as was usual, with monies that the founder had or was able to borrow from friends or relatives.

A: I'm sure my grandfather went to Uncle So-and-So or whatever and borrowed $200 to buy a couple of tucking machines and he was off to the races. From that point on, however, we had a manufacturing base and an operating base established, and essentially all that money that has been used to finance Swirl, other than bank debt, over the past 77 years, has been internally generated.
Q: Could you also talk a little bit about advertising? Because you had mentioned that word before.

A: Well, it happens that, you know, our products were an advertisable product by the stores; something that women responded well to, when it was put before them attractively and in print and the stores advertised our product a lot. And in those days, we didn't even have to help pay for it.

Q: Really? You were not doing cooperative advertising?

A: No. We never cooperated on any advertising until the sixties.

Q: That's very interesting.

A: And...Well, people really didn't ask for it.

Q: Well, I understand what you're saying. Yes.

A: In those days, stores had an advertising budget, and they spent their own money to advertise what they wanted.

Q: But Warner Slimwear, for example, was doing cooperative advertising long before.

A: Starting about when?

Q: In the early 1900s.

A: That's interesting.

Q: Uh huh. But anyway, you were not doing co-op advertising, but you were doing advertising, because you mentioned some of the old ads...

A: Well, the stores would generally advertise our product in the '50s. We started doing our own national advertising, which we paid for. And, in fact, over the years, from the early '50s on, we advertised in...
Life and the Sunday Times Magazine, in Vogue and House & Gardens, The New Yorker, on a consistent basis. Other various and sundry...McCall's. Fashion publications. And we were really the only people in our segment of the industry who did national advertising.

Q: Why do you suppose that began to happen?

A: Well, I think at that time, certainly, there was a lot of fashion advertising going on, and we had a product that was marketable to many, many people and a brand recognition to develop, and naturally one of the best ways to do that is to advertise. And my father saw that as a strong marketing tool, and he used it, he could afford to use it, and it worked to develop the industry. It's grown and been very successful. In fact, we even had some experience with television in the late '50s. In certain regional markets. And it was modestly successful but very expensive and, therefore, the decision was made to withdraw from that experiment and continue on with our print advertising to the degree that we were doing it.

Q: Which was to a considerable degree. Now, at that time, you had not begun to diversify into separate divisions. You were still doing a Swirl, basically.

A: And a few aprons at that point.

Q: So your product mix was that.

A: Right. And it remained that until the late '50s, probably 1957 or 1958, when we established a label called "The Spectator," which was, in effect, what in those days were...our first entry was the Station Wagon dress, which was a shirt waist dress, with little arrows on the edge of the button hold pockets, and a chain belt and tie belt and full skirt and everything,
and the Spectator, in fact, was a shirt dress product line. And it was meant to, in effect, go after an out of the house product that related to the kind of manufacturing that we were doing. And we were very successful...

Q: That's pretty tough to do, isn't it? I mean, to change your image that way?

A: Well, we were really, in effect, just setting up a separate company. And we didn't have very much difficulty doing it. We made a good product. It fit well. It was made well. Looked good.

Q: What was the price range?

A: Those garments retailed in those days for probably in the neighborhood of $10-11. And the Swirl, at that time, was retailing for $8-9. And so, it actually was not that difficult to do because by that time we had established ourselves over many, many years as an honest and reputable company who made a good product, and we had a relationship with the management of many fine stores throughout the country...

Q: I thought you were going to say buyers would surely be protecting their own turf, and I would assume that some of them would consider that if it was made by Swirl, even if it was a separate division, it still belonged to them.

A: Right.

Q: So it would be a management decision beyond the buyer level.

A: Right. We sold them in some stores to the same buyer, and the same department that we were in with the Swirl, depending on the departmental configuration and the responsibilities of the buyer of the store they
were at. And, in some cases, we went to different departments than we were
selling the Swirl in. And that business became reasonably well established
in the late '50s, and that was a label and a product that we manufactured
until, here in this country, until 1974.

Q: Did it function independently of Swirl, or did it share
showroom facilities and sales help?

A: For some periods of time it was separate, and for some
periods--for the majority of time, particularly the '60s--it shared the
same facilities...

Q: At 1350 Broadway.

A: That is correct. And the reason for that was that...Well,
we'll get into that...But in the mid '60s, as the strength of the Swirl as a
product went on the wane, that was our most logical product to put into the
distribution that we had. And so it became to be a replacement product within
our bulk distribution, with the stores. We had some great looking stuff in
the Spectator. Really some terrific stuff.

Q: Who was the designer for it?

A: Different designers. Over the years.

Q: You did not have a...

A: A person who was attached to the label. Over the years
we had a fairly good rotation of designers. My father was not the easiest
man in the world to please.

Q: When you say "a good rotation," you mean that there was
a lot of turnover.

A: Right. There was no one who came and stayed for a long time.
And, I think, to some degree, that's the nature of the industry. Time for a fresh look, a new hand.

Q: But it's interesting that this whole product area is that affected by fashion.

A: Oh, definitely. And to jump back in history a little bit... to approximately 1961, when the first model coat was...

Q: The first model's coat.

A: The first model's coat was conceived. Today it is the largest product that this company manufactures. We were the first to... My father perceived... In those days, there were dusters. You know, the button front... that were essentially sold in loungewear departments at the time, robe departments at that time. They were all made with buttons. And generally of the lingerie type construction, meaning that it was soft, very little tailoring, and the fabrics were generally of a very low construction so their opacity levels were poor. And when I say construction, a low opacity construction might be a 96 by 72 broadcloth, as opposed, let's say, to a full construction broadcloth, which would be a 128 by 72 with heavier yarns.

Q: And you're talking about cotton, right?

A: In those days it was all cotton. Well, actually, in the early '60s, it was not all cotton. There was some... We were naturally manufacturing some all cotton, but we were one of the pioneers to go into polyester and cotton, starting in the late '50s. DuPont at that point was the only one who was making it. So, we conceived that there was an opportunity to make a better duster, just as we came in and made something better than the Hoover. So, too, there was the need in a woman's wardrobe for what
was being, in effect, put into the market place. This was generally not very suitable for the better customer. And the point of the philosophy and the product development was to, in effect, go to as much true shirt construction as could be done, and we also got the idea to close them with snaps rather than with buttons, and we were the first people to manufacture a "duster" or a robe whose closures were snaps. So that product just got its start around 1960. In 1961, my brother joined the business...

Q: Your brother Larry, the President...
A: Larry. Right. And so from that point on, he became... involved in product, and now I'm talking about my father and my brother. We were talking about them. So in the early '60s, we had the Swirl at its peak, selling 2,000 dozen a week...

Q: And basically it was one body...
A: Essentially one body done in a whole variety of different fabrics, trims, all different ideas, but essentially one silhouette. And then we had Spectator going...

Q: In a separate division.
A: In a separate division. And then we had the "model's coat" going, again a separate division.

Q: What was the name of it? As a separate division for "model's coat."
A: Model's Coat.
Q: M-o-d-e-l's?
A: No apostrophe. And, in fact, in 1350 Broadway, all on the same floor, Models Coat had its own showroom and selling staff, and...So...
In 1964, as you well recall, a revolution hit the fashion industry. Clothes started coming away from the body. The shift, chemise...

Q: In the apparel industry, it started in the late '50s.
A: Late '50s. But as a really big...As I have been told, really didn't become American fashion, in a broad sense, until the mid-'60s.

There was...what's his name?
Q: Balenciaga?
A: Yes.

Q: With the chemise.
A: Etc., etc., etc. And, you know, for Tillie in Des Moines, it didn't get to her for quite some time.

Q: Incidentally, your firm was not going to Europe at that time.

For design ideas,
A: My father started going to Europe for design, starting in 1952.

Q: He did.
A: Yes. Someone was in Europe a minimum of once and usually twice a year to shop for fabric trends, body trends, design ideas, and to know what was going on in general as far as the world of fashion was concerned. So, as that revolution finally caught up with us, and as we had a product whose main fit feature was the waistline, we started to receive a less than rousing response from...

Q: Would you describe once more what the Swirl really looked like? It was one button at the shoulder...
A: No. At the center back of the neck. And it, in effect,
crossed, it buttoned there, crossed in the back. The ties pulled through
two holes in the skirt and either tied in the front or the back. It was a
back wrap around dress, as opposed to a front wrap.

Q: Right.
A: And it was secured by one button, at the center back of the
neck.

Q: Right. So there you were, in 1964, and the demise of the
Swirl...

A: ...was...It happened fairly quickly, however. It didn't
happen over night. You know. We were manufacturing quite a few, and we started
to see a sales slide. And, naturally, a manufacturer, when he sees that happen,
he says, "Why is this happening? We've got to make it prettier or we've got
to make them this or make them that." And, in fact, we tried a lot of different
things to do what we thought would be able to maintain that as a product. But
whatever we tried, what was happening was that, (a), it wasn't working and (b),
even within our own product base, we saw the demand for our Spectator shirt
dresses, which at that time were now being made without waistlines; and our
Model's coat escalating enormously. And so...Fortunately the company, because
of the fact that it had diversified its looks in its products, as the Swirl
decayed in importance, was able to more than replace that volume with
other products that we had already established.

Q: How did the Models coat come about? Do you have any knowl-
ledge of where it came from?
A: Well...Do you mean the name?
Q: No. The garment.
A: Well, where it came from was, it was a garment that was designed...

[Side 2]

...to wear around the house, as though it were a duster. But it had a different design and quality values to it. And we worked on it. We worked on the design and the construction, and the first really big Models coat had a Peter Pan collar with a placket front and two big patch pockets with embroidery on them; it was made out of a high construction polyester and cotton gingham. And it was something that, when it hit the market place, was revolutionary. And then the line grew from there. It was called the Models coat because, essentially, it had coat styling, in terms of its construction. You know, the placket front...

Q: What kind of sizing? Small, medium, large?
A: No. We sized.
Q: You did size.
A: We always size whatever we manufacture, and that's been one of what we consider the qualities that Swirl has always put into the garments; we know it will fit. And it's very difficult when you're cutting a garment that's P,S,M & L, unless it's a certain type garment that....For example, a regular sleeve, where you don't have a shoulder line to conform to, or a critical bust measurement in an A-line shape; we always sized our garments. And always cut them as better clothes were cut. We were a full and generous "better cut". If a woman wore a 12 in an Abe Schrader, she wore a 12 in a Swirl.
Q: Now, at that time (we're talking about the early '60s), am I correct in assuming that the designing, possibly the cutting, and the distribution were all done out of 1350... No.

A: All of our manufacturing, distribution, general offices, were centered in Easley, South Carolina, and by that time the manufacturing facility had grown from its original 19,000 sq. ft.

In 1961, we built a second factory, about 25 miles away, that was 30,000 sq. ft., both of which we still own and operate today, although the main plant is now 135,000 sq. ft., added onto through the late '60s.

Q: So in your New York facility...

A: We had essentially selling in 1350 Broadway...

Q: Designing?

A: Design was in a separate loft approximately... It was in a few locations over the years, but for many years it was located on 36th Street, between Broadway and 7th Ave. And we had several floors in a building there that housed our design staff, our design pattern maker (not our factory pattern maker), but our design pattern maker, and parts of our merchandising and purchasing staff. And my father split his time, at that point, approximately half and half, between the factory and New York.

Q: Fabrics were ordered here and...

A: Ordered here.

Q: Sampled here.

A: Sample design. All that was handled out of New York. And in fact, the factory executed everything from there. All cutting and sewing and distribution was handled out of Easley.
Q: Out of what?
A: Easley, South Carolina.
Q: Would you spell Easley?
A: E-a-s-l-e-y.
Q: Thank you.
A: So... As Swirl lost its momentum, our other products started to pick up a little. Spectator started to become a healthy sized business at that point.
Q: Could you tell me approximately what the overall volume was?
A: In those days?
Q: Yes.
A: About $6 million. In 1964... maybe a shade under $6 million. and that was a lot of units in those days.
Q: Oh, yes.
A: And Swirl continued on its decline, and we developed a couple of other labels that were not extremely important in the names that we put on them, but were only, in effect, labeled differently to differentiate the styling concept from... You know, Spectator was shirt dresses and Models coats was dusters, and Park East was another label which we had that was shifts with a zipper front, and so on down the line. Those products were successful, and other than one year--the year being 1966--when the factories had to make an enormous adjustment from sewing one garment that had no zippers and no buttons and no this and no that, to handling a much greater sewing need, with that kind of construction, as opposed to the Swirl, which was essentially a wrap with one button,
prospered. That one year we did suffer a small loss, not enough to damage the financial health of the company, really, but it was not easy.

So, the company continued to grow, with its new product labels. And our distribution at that point was now, essentially, 95% to daytime house dress departments, and to budget dress departments. In most stores there were both. Some stores carried Spectator in the budget dress department, some in the daytime house dress departments. The Models coat was carried in 90% of the stores in the daytime house dress department, although in 10% we were in the loungewear departments. And...so the company continued to be reasonably successful.

Q: And you maintained it as a private company. This is not a public...

A: Yes. No. We...Over the years, there's been no burning desire to become a public company, although, in those days it was a lot more attractive to be a public company than it is today. Particularly in the late '60s. But, at any rate, no. There was no desire. We are always being approached by people who want to buy us...

Q: But mergers or acquisitions are not part of your thinking.

A: They're not part of the plan. I'm not saying it will never happen, or could never happen, but that's not the motivation tomorrow, in our business. So..

I joined the company in 1969, after working on Wall Street for a year.

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Q: Had you heard things about the business, though, when you were growing up?

A: Oh, sure. I had worked in the summer, certain summers in the factory and some summers I sold in the New York office, and worked in the merchandising area. In an apparel family, it's very difficult to be around at that point in my life--21 years--and not have, by osmosis alone, learned an awful lot. And although I had always had an interest in the business, I did not...I wasn't sure that that's what I wanted to do, so I decided when I got out of Wharton that I wanted to try my hand at something a little different and work on Wall Street, which I did...

Q: You had your personal headquarters in New York, I assume, not in South Carolina...

A: Yes...No, not true. I grew up in South Carolina.

Q: Did you.

A: Yes. From the time we were down there in 1952 until...In effect, I moved to New York as an adult, in that when I was 15 or 16 I was going away to school up here in the East, prep school, and at that time, because my parents were spending--or my father, at any rate--was spending at least half of his time in New York and half in South Carolina, our family did get a full fledged apartment here in New York, but our primary residence was always in South Carolina. So sometimes I would come here, just for vacations, Christmas vacation. New York was a lot of fun at that time. But essentially, our home base was in South Carolina.

Q: And I assume your brother was raised down there too.
A: He...Well, he was nine years older than I am. So he was raised, in childhood, much more in Philadelphia than he was in South Carolina. He was only in South Carolina for a couple of years before he ended up going off to college, which was to Tulane, down in New Orleans. And then after he got out of college, he did move to New York. He then moved back down to South Carolina, and back to New York, and is now living in South Carolina at this time, although he maintains an apartment here in New York.

At any rate...

Q: You joined the business...

A: I joined the business in 1969, and the primary reason that I did was because my...As with most apparel companies where there is a father and a son, my brother and my father were not seeing eye to eye about the direction of the business. In late 1968, my brother resigned from the company. So, I was working on Wall Street at the time...What happened was that we switched...The firm that I was with was having a few financial difficulties at the time, and I was in the process of making a switch and...My father and I used to get together all the time when he was here; I was, in effect, one of his financial advisors, and I was talking about it, and he said, "How is your job search going?" and he suggested that, since at this point Larry was not in the business, and there was no family coming along behind, that perhaps I should give it a try and see whether I would find it interesting. I was only 22 at the time, but if I didn't like it, I could always up and leave a year later and go back to Wall Street without jeopardizing my career very much. So, in effect, he made me an offer I couldn't refuse. Not financially, but it would at least give me an
opportunity to try it. So I joined the company in 1969. And I guess Larry had been out for...I had been with the company for six or seven months, Larry had been out of the company for about a year and a half, and he was living in South Carolina at the time. As part of my indoctrination into the business, my wife and I moved down to Greenville for about three months so I could work at the plants and go through all the areas. And Larry and I were talking about what was happening in the business and how it was going and what we saw the future to be. I was another typical son in that I came in and I saw a lot of things that I thought were less than right. I was concerned about the direction that the company was taking, which, I guess, reflected to some degree my own observations, and to some degree I was aware of many of the things that had influenced the falling out between by brother and my father. So he and I were talking, and I said, "Would you consider coming back?" And he said, "I'll consider coming back if you'll tell me that you're in it. I'm not going to come back and go it alone, and have you pack up six months later and say, 'I'm going back to sell stocks and bonds', and have me sitting here on the hot seat again. If you'll stick it out, I'll come back." And so it then became a not too difficult task to kind of patch things up between my father and my brother, and have, in effect, my father ask Larry to rejoin the company. And really what was at the source of what we felt was wrong with the company at that time was that...Part of the problem in terms of the demise of the Swirl...As my father had grown older and as my mother had grown older, not that they were old people at that time, but so too had the product aged with them, and the customer base had aged with them. From a marketing standpoint, you know, we saw the
war baby boom coming, and we were marketing our product to the department
whose customers had the least disposable income and the oldest average
age. The business in total, from a store's viewpoint, was having a
difficult time growing. And for whatever amount of growth they did have
and what product they were buying, the resource structure was now narrow-
ing and narrowing. It was the time of the late '60s, of the boom of the
polyester double knit and the pants' suit and the birth of coordinated
sportswear, a la late '60s, early '70s mode. And so there were a lot of
things that were impacting both product and the market place, demographically.
Larry and I just felt that maybe not this year and maybe not next year,
but slowly, over a period of the next 5-7 years, if we maintained our
product formula with the distribution that we had, we would slowly watch
our business eroding to nothing. And so, when he came back we conceived
of a plan to...While we still had capital and had not run into any business
difficulty, to change our distribution.

Q: Before you get into that--and I'm fascinated by it--How did
you see yourselves, the two of you, functioning, in terms of your functions?
Did you have a plan at that point?

A: At that point we had no plan. We did everything together.
Everything. And that doesn't mean we were together 24 hours a day.

Q: Right. But you both did merchandising and you both were in
the financial end, and so forth.

A: Right. But Larry, at that time, was not...We really at that
time did not have too much respons...either of us...My father was still Pres-
ident of the company at that point. And, in fact, he wasn't really a participant
to a lot of the plans that were being formulated. He didn't believe that what we saw as the direction that we needed to take was necessary. We went through several years of internal conflict. In fact, there was a duality of management in the company. Essentially, at that point, my role and Larry's role was more merchandising oriented. My father ran the financial end. He'd deal with our people, but finance reported to him. I was trained to some degree in that and I was always interested, and I was always involved, but on a day to day basis, that was not my responsibility. And so I was essentially involved in the merchandising and pre-manufacturing and manufacturing schedules and functions.

Q: And involved with the sales force.
A: And involved in the sales force, etc., etc.
Q: And very likely with promotion too.
A: Right. So, here we were, a company that had had some exposure...You know, what could we do? What should we do to change our distribution? Well, we weren't blouse makers and we weren't skirt makers, and we weren't...We had a choice. We could attempt to trade up in the dress area, or we could pick something new and go into sportswear...Although none of us had any experience in sportswear. Our plants were not used to sewing knit fabrics. We were not sportswear makers; we didn't know how to merchandise for it. And so what was the most logical thing that we could do with our sewing and merchandising expertise? We saw a big hole, essentially, initially, the loungewear aspect of the robe industry. And we felt that we could make a significant entry, and at the same time move the distribution of Models coat from the daytime dress department to the robe and loungewear department.
There were a few stores who were merchandising Models coats in the robe and lingerie department and doing very well. Marshall Field was one, Richard's in Atlanta was another. J. B. Robinson on the West Coast was another one. There were a handful of stores that were handling it very well.

So, the plan was, we weren't going to throw away what we had. We weren't going to stop Spectator overnight, but we had to have...The first step was to try to get Models coat to start to move from dress departments to loungewear and robe departments. Well, we had to have a way to get the robe and loungewear people in, so we started a new division of the company, that at that time was called Concept '70s. Actually, we started in 1971, and it was "clothes of the '70s for in-and-around the home." And we opened up our first season, and had a really terrific line.

Q: Who designed that one?
A: It was...our design staff, but Larry worked on that line for six months, gidgeting and this and that and finally we got it together. You know, we had been planning this for quite some time, and we wanted to make sure between the two of us it was going to be right, so we gave it plenty of time and money and effort, and it was a great line. And so we made grand announcements that Swirl was entering the robe and loungewear industry with our "Concepts '70s," and every major store came in. Every major store bought.

Q: And you were targeting this for distribution in the pre-Christmas season.
A: No.
Q: You were not.
A: Because our expertise in manufacturing and style was
primarily in broad wovens.

Q: In..?

A: Wovens. We weren't fleece robe makers, and we weren't sleepwear makers and flannel wasn't us. So, for us, we had an enormous opportunity in our strength and our strongest season, to come out and enter the market place in what is the industry's weakest season. And we looked great.

Q: So you came out that you would be shipping during the spring.

A: During the spring. We shipped the first garments, in fact, in late January of that year. And we got a lot of encouragement from the few key stores--Neiman Marcus was very instrumental in helping us get off the ground. At that time, B. Altman was. And a few other stores. We really had a very, very strong opening line. As we started to get a rapport going with many robe and loungewear buyers, we started picking off a store here and a store there and saying to the daytime dress buyer, "We don't want to sell you anymore. We want to move the Models Coats over to the robe and loungewear departments." And it was quite a...You know, suddenly you threw out your dirty water before you had clean. We had to in effect cycle out almost our whole distribution pattern that way. It took several years. And, in many cases, it hurt. I mean, there were accounts that we were doing a lot of business with in the daytime dress department, and we had to stand our ground. In other words, we couldn't. No buyer is willingly going to give up something that they are making money with and doing a significant volume. It-up. Nor is the divisional merchandise manager ready to give it up either.
So that unless top management interceded at the moment and said, "I agree," and normally top management doesn't like to do that, unless something really poor is being done in the way that the product is being handled. In effect, what we had to do was say, "Well, if you won't release us to the other department, we won't sell you anymore." And it closed down some awfully big accounts. And we were out of them for quite some period of time.

Q: You really had a lot of guts.

A: Some called it stupidity. Some called it guts. My father said, "You're what? You told A&S you're not going to sell them anymore? A half a million dollars at cost with them, and you're not going to sell them anymore? Are you crazy?" And, in fact, in some cases... Overall the strategy was right. But in some cases... For example, at A&S, today, 13 years later, and our volume in Models coats at A&S is 20% of what it was 13 years ago. Because of the fact we were out of the store for over two years, when we got back to them some of the momentum and the feeling and understanding how to handle the product, had been lost. But overall, the strategy...

Q: Also, A&S had changed.

A: Also, A&S had changed significantly, too. So that was the strategy. And we went through this cycle of throwing out the dirty water and hoping to get clean. But we had, in effect, completed the replacement of that volume and started to pick up some real growth in the Models Coat area and in the Concepts '70s area by early 1974. And our next plan was to start phasing out the Spectator dress operation, and to look for other product opportunities related to the robe and loungewear industry. While we had gone through a couple of difficult years, from the standpoint of, you know, really not knowing what
we were doing...Well, we did know what we were doing; it wasn't that the plan wasn't right. But we were in a new industry, and we were dealing with not a high degree of predictability and because you didn't know when they were going to give you an order, and you didn't know when to expect a big order or a little order. Are they going to buy blue or are they going to...There's no track record, no history. And at the same time, my father was still fairly active and involved and Larry and I were merchandising the company and he thought he was merchandising the company too. So he'd meet a friend of his for dinner one night, who ran a mill, and the next thing you know, 300,000 yards of piece goods would come rolling in the back door that nobody knew about and wasn't planned in the lines. And then he'd say, "Well, it's good goods; do something with it." "Yes, but you don't understand. We already bought and planned the whole season and this just makes us 300,000 yards overbought." "Well, it's good goods; you'll sell it." And I said, "Yes. If we sell that, we're going to get stuck with 300,000 yards of something over here, because we've sold that." And, you know. So. We went through that whole cycle. And one year, 1973, we had a fairly significant loss. Not enough to shake the pins of the company, but enough to say, you know, you can't take too many of these in a row. And in 1974, we had brought the company back to what amounted to a break even operation, and we were really starting to...

Q: At which point, your volume is about how much?

A: We were doing at that time probably in the neighborhood of $7 1/2-8 million. Relating that historically, in '64-'65 our volume was $5 1/2-6, to 1974, a ten year period, our volume had not grown very much. We were constantly turning back over, from Swirl to the other products
and into robes and loungewear. We thought the base was pretty well set by the end of '74 and the momentum was starting to build, and then the recession of '74-'75 struck, and that set us back a little bit. We went through a difficult recessionary period. Although it was very scary and very difficult, we came through it with our organization intact and our money intact. We didn't lose money that year, and it was a fairly remarkable performance at that stage of our development. And the minute business started to open up and the retailing started coming out of the recession, we took off like a rocket. And the Models Coat business was sensational, the "Concept '80s" business was sensational....

Q: Eighties?
A: In 1975 we switched to '80s, from '70s to '80s. We decided now we were going to move into the next decade. And then we decided it was time, as part of the plan of phasing out the Spectator, it was time to put out a new product. And our first thing that we did, as a unique product concept, was we had Maxine de la Falaise design a group of what we call "cooking clothes." Our theme was that we wanted to be makers of clothes for in and around the house from morning to night, for all reasons. And so we did this line of cooking clothes, and we got a lot of razzamatazz out of it, and...

Q: A tremendous lot of publicity.
A: An awful amount of publicity.

Q: Which has to have helped.
A: But the reality was that it was a very limited scheme, with clothes and aprons to match, and the whole thing. Stores really weren't set up to merchandise it properly or display it, handle it, and so we saw pretty quickly that this was not going to be a long term thing and we shut it off;
closed it off. At that time, Bill Tice, who had originally been a designer at Royal Robes, and had gone to the Sayour Company for a couple of years, had been let go by Sayour. They were just having a difficult time making a go of it, and so they terminated his contract, and he had been unemployed, so to speak, or not in the industry, for approximately 4-5 months, and he approached us. "Let me do a line for you." And Larry and I discussed it, and whatever reservations we had, we felt that there was an opportunity, if we could control and plan the situation properly, develop the kind of business that...And that was a good time. Designer things were just starting to happen.

Q: Yes. Licensing arrangements were being made routinely.
A: And so we took Bill on and opened...
Q: This is not a license; this is a straight job..
A: No, he...Our agreement with him, in effect, is a license agreement with a personal services contract. Along with it. So he is not an employee of the company. He wasn't then and isn't now. And right on the heels of that, having opened up with Bill Tice, we went on to contracting with Geoffrey Geene, so that his line opened. Bill's line started in the fall of 1975, and Geoffrey's line opened for spring of 1976. And we saw a direction; an ability to market clothes, using the talents of designers and the designers' names attached to the Swirl name.

And, conceptually, we were very right. It took...What really created the enormous growth of the company during this period of time is we were finding out about designer loungewear and designer robes and learning how to manufacture fleece robes and how to do this, and learning all the logistics and innuendos of the market place with Bill and Geoffrey's lines, and
really with the Concept '80s line, which was developing at that time. The
Models Coat business just took off like a rocket. And from 1973 to 1979, the
Models Coat business five-folded.

Q: Really.
A: And, in fact, became the financial force that allowed us
the opportunity to set the seeds in complementary areas. And by 1978, which
was really the first good year we had with the Tice line, where we did a sig­
nificant amount of volume, and almost did a profit, we were really pretty well
positioned. In other words, we now felt that in '78-ish, we were really ready to
sink our teeth in and make things happen. And we at that time took on a specialty
designer, a woman by the name of Ava Bergman, who did folk artsy appliques,
which related to our skills in applique. You know. Used our trim facilities, so
we had her to do a line. And in 19...late '77-'78, we also took on the Nipons.

Q: Albert Nipon.
A: Yes. So at one point in time, we had Bill Tice, Ava Berg­
man, Geoffrey Beene, Albert and Pearl Nipon. We had the kitchen sink going on
here. And it was great. We were cooking with gas. And, unfortunately (and I
say unfortunately; it really didn't affect us; nor did it affect, obviously,
the other people), but a couple of those marriages did not have the ability to
be long term. Albert and Pearl were extremely preoccupied with the development
of their own business, and the time and the effort and the energy they could
devote to the line was minimal, and their opinions about what we should be mak­
ing and manufacturing was somewhat unique to the market place and perhaps a
little distorted by their own experience in a different end of the industry. And,
so for a combination of reasons, and the fact that they never delivered our fall line to us until six days before the market, and it was too late to turn it around and get it merchandised and costed and turn it around again to sell it, we terminated with them. And Geoffrey and Leo Orlandi went to war with each other, and Geoffrey was in a complete state of flux. And Leo was in a complete state of flux. There was no one to talk to, and Hilda Barnes left and there was just no one there. And we ran into the same situation with them. There we had a fairly successful business. In effect, we couldn't get the lines done, and if you can't get your lines done, you don't have clothes to sell.

So, fortunately, however, we took the tactic, 'Maybe this is an opportunity. We dropped... We don't necessarily have to go back and get someone else. Let's concentrate and make as much effort as we can.' And the Tice line, which was at that point our biggest designer label... Perhaps if we broaden the line a little bit, and make a concerted effort, we'll get those dollars and more. And we did.

And so from 1980 through today we've been operating with the Models Coat and the Tice operation. It happens that we feel solid about how we're handling things, and we've decided to take on Oscar de la Renta as of spring 1983, and those clothes are now present in the stores and have been for about a month. So we feel...

I have to back up a little bit. We started... We're solely woven loungewear. And in 1981, we did start a sleepwear product line.

Q: Oh, yes. That is brand new.

A: That is brand new. And we did it with Bill's line, and that has now been going on for about a year and a half. We now have some sleepwear...
in the Oscar division, and, in fact, J.G. Hook. And we took on J.G. Hook too, and we do "sleep shirts" under the "J.G. Hook" label, sleep shirts...

Q: Is this a Junior line or...?

A: No. Missy line. We've got the robes in the loungewear department, and we feel very well positioned with both. We are now the brand new boys on the block in the sleepwear industry, which we think, over the years, will prove to be very successful and a lucrative area for us. Somewhere down the road--maybe 24-36 months from now--We intend to expand into the daywear area, as a natural transition from sleepwear. But I don't think we're going to make bras.

Q: But then you will have just about everything but bras, once you expand into that daywear category. So that you really have been doing a tremendous amount.

Now, are you...You mentioned that you had to go into a whole new complex of fabrics, working in the loungewear area and robes. What about daywear. Are you now not...?

A: Sleepwear?

Q: And sleepwear. Sleepwear now and daywear, later, I guess. Includes tricot.

A: Except that, as an adjunct to our woven loungewear...You know, the robe and loungewear business has every kind of fabric in it that you can imagine. You know, on a year round basis.

Q: And, incidentally, what are the price ranges of your Bill Tice and Oscar robes?

A: They're at the better end that...I mean, they are definitely
considered at the designer top level.

Q: Retailing somewhere between $70 and $175.
A: Yes, that's about right. In the spring it's lower. You know, in the spring, we start retailing at about $40. So...
Q: And Hooks a little lower.
A: A little lower than that. But in general, whichever category or label you're manufacturing under, the clothes are upper moderate to better consumer. And yet, they are priced....

[Tape 2/Side 1]

A: ...to do volume. And although we certainly believe in fashion and being leaders, and we believe that we are, particularly in the robe and loungewear field and seem to be in the sleepwear field, certainly fashion leaders. By the same token, we believe fashion, our definition of fashion, is clothes that people will wear, not clothes that people won't wear. And that still gives us a lot of latitude to be fresh and forward and new and innovative, and yet to be commercially successful, we hope.

Q: When did you move to this building?
A: 1977. Our....We came here a roundabout way. We were in 1350 Broadway, and in the late '60s--actually 1970--when they tore down the old Metropolitan opera house and put up 1411 Broadway, Swirl, a progressive, prestigious firm, naturally as a dress maker, moved to a new building on Broadway which was where all the substantial companies were, and we got offices in 1411 Broadway. As we entered the robe and loungewear field, naturally we were
like a fish out of water. We were over on the West Side, and everybody would have to make a special trip over to see us, and fortunately they did, and...

But, by 1976, we were being pressed for space in our facilities, so we made a decision to move. To look for new facilities. And I give Larry credit. He was out roaming around the streets of New York one day and he said, "Well, if we're going to move, essentially we're going to move to the East Side. Where would be a good place to go? I think I'll take a walk over to Rockefeller Centre and see what they have available." And we came upon this as a possibility. In fact, some people--just as your reaction was initially, when we spoke--"What are you doing way up here when the rest of the industry is way down there?" We sought some comfort in the fact that Vanity Fair and Kayser Roth were already up here, but the biggest comfort factor that we had was that people were used to making the trip to come see us. So, therefore, why not put ourselves in a location that was as convenient and as nice and as well presented and as comfortable for the people who worked here as we possibly could? And so we took 600 Fifth Avenue, and hired Charles Gwathmey and Bob Siegel, who were very prominent architects, to do the space...

Q: I'm sorry. Would you spell Gwathmey?
A: G-w-a-t-h-m-e-y. E-y or A-y. M-e-y I think. And we think they did a pretty super job in designing our space and setting it up for us. And we've been extremely happy being here in Rockefeller Centre. It's been a pleasure.

Q: In this setup now, certainly your advertising and publicity effort is a pretty sophisticated one. Would you talk a little bit about how that's set up?
A: We have a Director of Public Relations and Publicity, in-house. For many years we used outside people. Publicity people. Publicity agents. And although our results were good, or better than the average, we felt that we could do a better job by having someone devoting full time energy to it internally. And when Hilda Barnes left Geoffrey Beene, and she handled their public relations, along with Geoffrey, her contacts were very good and her knowledge of our company was good, and we took the position inside, and so today all of our public relations is handled internally. And advertising, for many years, was handled as part of the responsibility of Larry and myself. Still is, except one of the people in our company had an interest and a penchant for it, and worked with me on it, and we have approximately a year and a half ago made her Director of Advertising, and she is the one who works with the agency or agencies depending on what's involved and handles that function for us, reporting to me for certain aspects of it, and to Larry for other aspects.

Q: That brings us back to the division of labor as between you and your brother.

A: Well, we still work together. But, as the company has grown, and perhaps, as some of our fortes have surfaced over the years, essentially Larry is primarily...his thrust is marketing direction and product development. And he is responsible for the personnel function, not per se, but the personnel function from a conceptual standpoint, in the South Carolina facility. And I do just about everything else. I'm in charge of what you would call the merchandising of the product, from the financial aspect, from the planning aspect, and the finances of the company...

Q: When you said marketing was his responsibility, does that include the advertising and publicity?
A: On an overall basis, it's his responsibility, the advertising and the public relations. And although, in practice, what happens is when he's not available, it's my decision. We're still pretty meshed. In other words, we... There aren't too many things that he can do that I can't do. Maybe some I can't do quite as well, but we've worked together... First of all we happen to come somewhat of the same mold, and we think very well alike, and we work with each other closely, so that 99 out of 100 times, his reaction to something and my reaction would be similar. So we're able to backstop each other pretty well. And... So we have concentrations rather than, you know, "You stay out of this, it's my area." Or, "Stay out of that," or, "I'll stay out of that because it's your area, and let's just stay away from each other." We don't work that way. You know what I'm talking about. And that is the way this company runs. People are encouraged to be generalists as well as specialists, to develop expertise in their own areas; but we stress general growth of general knowledge in whatever area of the company.

Q: But essentially, the top management team is the two of you. You don't have...

A: No, we have other Vice Presidents. We have one who's in charge of Sales and Marketing, financial and administration, manufacturing. One that's head of the Easley textile division, which is our trim company. So there are senior management in the company. They report to us. We've got a fairly fundamental organizational structure.

Q: At this point, the level of your volume must be what? Somewhere between $10-$15 (million) I would assume.

A: No, it's in excess of $20 million.

Q: Is it!
A: I'll tell you. It's more than $20 (million) and less than $30 (million).

Q: So that a management team could really no longer exist with just two people.

When you mentioned production earlier--is all your production still done down in South Carolina? Are you doing any offshore?

A: Yes, we are doing a little offshore production. We started about three or four years ago, with some specialized garments in the Bill Tice line. And today we are doing some manufacturing in India, Hong Kong and in Manila. And in terms of the overall company's unit volume, it's not a very big percentage. It's a higher dollar percentage than it is a unit percentage, but either way it's not really that significant. We're probably talking about 5% of our dollars and 3% of our units. Our reason for manufacturing offshore is only to be able to do things that we can't handle here ourselves; either there are sewing skills or fabrics or a combination thereof, that are impossible to achieve domestically. So most of our manufacturing is done—we have three of our own plants; the main plant in Easley; the Models Coat factory in "Ware Place," and a small satellite plant between the two of them, which is our Piedmont facility. And then, for whatever those three plants don't handle, we have contractors who either perform a special function—that is, they can do a certain type of sewing very well or who have been, in effect, captive by us in order to be able to handle our requirements.

Q: Are you working at all in silks from China?

A: We are working...probably in some silks that have their derivation in China, through Hong Kong. But we have not crossed over the border
to actually do any manufacturing in Red China. It's very hard manufacturing environment, particularly when you're dealing in fashion merchandise. The response times out of the Chinese market are, to date, much slower than most other places. Ten years from now that may be different, but that's not the issue.

Q: As you've mentioned response time, it reminded me of reorders. What is the story with reorders?

A: We run a business that is. We like to think of ourselves as a plan business, and our philosophy is to plan a season and to plan the arrival of merchandise for given points in time that you think you can sell, and that will meet a sales objective that is mutually agreeable between you and the store. And, in fact, if you catch a tiger by the tail and you can get a reorder on it, that's great; but you've covered your bases in your initial plan and, in effect, have planned your own reorders by virtue of the way you have planned your buy. And then, if something gets really extraordinarily hot, and you can catch it along the way, that's all plus to the plan. The attitude from the retailer today, naturally, is don't make me commit long term; don't make me do this. I'll put in a few; you have a bunch of it on the shelf, and I'll reorder it. I don't think that there's a manufacturer in America who is successful who can operate that way.

Q: So you don't carry stock at all.

A: Oh, we have stock. I mean, in a company our size, there have to be. We're constantly in inventory on some items.

Q: Models Coats.

A: Yeah. Yeah. Or Bill Tice, or whatever. I mean, at given moments in time (and we're not perfect predictors; we don't cut to the piece),
we do anticipate and project. But at the end of the season, we're not sitting there with a warehouse full of merchandise, waiting for the phone to ring, for somebody to say, "Hey, you know, this sold. Can you ship me 12 more?" Because, chances are, in today's economic environment, they will say, "We'd like to re-order something; how much off will you give me?"

Q: Which brings up the question of private labeling. Are you working at all in private label?

A: We do some private label.

Q: Do you do work for chains as well?

A: A very small amount. Not a significant portion of our volume. And we're doing it to develop our expertise in it. At some point in the future, when the timing is right, it may be to our advantage to set up an operation that, for example, only does private label, or an operation that only does chain business. We're not...that's our thrust right now. We do do some private label. And think we understand where that trend is going. But it's not a primary thrust with us. We're looking to further establish our own brand distributions.

Q: Do you think you've gotten too big to be able to "turn on a dime," as they used to say?

A: We can turn as fast as anyone.

Q: You can.

A: Yes.

Q: So if an item were to develop and really be very hot...

A: Well, let's put it this way. We can turn as fast as anyone can turn, given the nature of the item. We are not...The kind of garments
that we make here are not garments that can be sewed in any factory, in any kind of fabric, or in any kind of...I mean, we've got very special garments. Our Models Coats are very complicated, multi-operation apparel. And so we do not have the ability...If I was a blouse maker and had a polyester blouse with a shirt collar and a full back placket and long sleeves and two cuffs, and it came in white polyester crepe de chine, there are 8,000 guys who make white polyester crepe de chine, and there are 8,000 factories who can sew it. So, yes. Those guys might be able to spread it out faster and turn it quicker, but that's more in the nature of the product than the ability of the organization to respond. We've invested over $500,000 over the last three years in the development of an internal merchandising information system. We're on-line, meaning we're dealing on a realtime basis, with our inventories and orders at every stage, from soup to nuts. We have an organization that thrives on its ability to move and move accurately. And I think we're damn responsive, and have the ability to turn as quickly as the constraints of our product will allow us to turn. In some cases that can be two or three weeks; in some cases, that can be 10 or 12. You can be manufacturing something in Hong Kong, the fabric comes from Japan, you can't move as fast.

Q: What happens in situations like...Well, catalogues. Where a catalogue like Victoria's....

A: Victoria's Secret.

Q: Secret. Excuse me. Will develop a very hot item. What happens in cases like that. Do you know?

A: You race to the roses. And you either do it well, or you don't do it well. We happen to be...Although we're just getting started with
Victoria's Secret, they are one of the few major mail order people whom we are not a key supplier to. And I'm not talking about mail order chain; I'm talking about mail order a la Horchow situation. And part of our.. part of what we do in working with a customer like that, is in the selection of the items that are going to be going in, attempt to keep them in items that are the things that we have the best opportunity to respond on, rather than a limited opportunity to respond on. And we watch it really closely. As we are merchandising our lines internally and planning our production, we are fully cognizant of what our mail order obligations are. And so, yes. Horchow may have only bought 200 of a certain item, but have the potential to come back and reorder 2,000. The merchandisers have to be keyed into that. Know it, and have everything lined up so that when the time comes to strike--assuming that they do strike--that you have the ability to get on the move. And we've done some wondrous things relative to that. We once, in 1976, for Neiman Marcus....This is really a funny story.

We had a Models Coat in their Christmas catalogue in 1976 that, I think, still holds the unit record of any garment ever in the Neiman Marcus Christmas catalogue. If it isn't the record, it's damn close. They sold 12,000 pieces between the floor and the catalogue of one Models Coat, in seven weeks. And that was an interesting situation in that, you know, they bought 1,500 or 1,800 pieces to begin with, between the stores and the mail order, and ended up reordering 10,000 pieces. And between the period of October 10th and December 11th, where it had to be in the store in order for them to deliver their Christmas checks, we delivered them.

Q: That is fantastic.
A: I'm not going to sit here and tell you that we don't run into a problem every now and then. But we've been known to be responsive, and to...

Q: Lace trimmed teddies, in purple...
A: Right. Yes.
Q: Right. That could be a problem.
A: Maybe. Yes. You know, it depends. And really, the key to it is being aware of what you're doing before you do it, and then keeping on top of it.

Q: Just one final subject. Do you think it's possible to set up a new company today, and what kind of capitalization does a new company take?
A: It depends on what the new company wants to do. Yes. It is still possible for an entrepreneur to go out and spot a segment of the market, and go out and compete. And maybe eventually become a leader and very successful. I'd say that the risks are a little greater today, and the costs of capital certainly are greater today. And, therefore, the amount of capitalization that's required starting up is greater today than it's ever been.

Q: What would you think it would take...I'm thinking now from the student's point of view, too. To start a business, knowing you're going to have to pay the rent for several months before you get your money back, on a design room, buy fabric?
A: Unless you're going to run a business that in fact amounts to a boutique, where the thrust is to just get into the business, and not really be economically viable--unless you've got a rich uncle somewhere--You know, it's very hard for a business to hold its head above water unless it's doing in excess of $1 million. And you can't stick around $1 million very long if you want to
survive. So, probably, to start a million dollar business, it would take a minimum capitalization of between $200-300,000 to be able to do it comfortably, assuming that the proper credit facilities went along with it. Because that's what...In order to run an apparel business, you need to have a good credit standing. And in order for the people who are granting the credit to feel comfortable, they've got to feel there's some capital there to lean on. And that the management is good, etc., etc. And so the days of two guys, you know, running an eight foot wide showroom, and making three or four samples, and taking $5,000 out of their back pocket and going into business while I'm not saying they're over; I'm sure there are people probably doing it right now, but they're few and far between.

Q: What do you think are the opportunities for designers in this market, not on a licensing basis, but...As I say, I'm not talking about people with the great names, but...Is this a market where there are still opportunities for people coming in?

A: More and more. More and more. And the need for designers to be well trained and have a greater knowledge than just the artistic viewpoint of design gets greater and greater every day. There's not much room for error in this business today. The risks are too high. The downside risks are too high. And probably 90% of the problems of manufacturing are created in the conception and the design of the product. If the product is well conceived and thought through to the end, you've got a shot. But 90% of the things that go wrong, through the whole cycle, whether it be fabric problems, manufacturing problems, "finding"problems—"finding"meaning securing the trims and bindings that go with the garment—the cycle times through the plants, and any other host of
things--the ability of the garment to travel, you know, between your plant and the stores, how the garment is going to look in the stores, and everything, soup to nuts--90% of the problems are caused in the creation of the product. And so, not only does the merchandiser need to be able to make...guide the designer into the areas which are right, but the designer really needs to know and be thinking about that in the development of the product.

Q: What do you consider an acceptable discard rate?
A: I don't...I think it's different for different products. But...I think you shouldn't over-design for more than 20-25%.

Q: So that if you do 50 garments, you would hope that 40 of them would be useful production.
A: Yes. And should be. Because you shouldn't have started on the 50 until you'd thought out what the end result was going to be. And we don't operate here, even with our licensed designers...Bill is here all the time, and our method of working with Oscar...I mean, we don't say, "All right, Oscar, the season is spring; you go think of what you want to do." Or, "Bill, go run around and think about what you want to do." There is a tight format set up. Categories, fabrics, number of numbers, types of garments, that becomes a guide and a framework. And we fill in against that with actuality, as it develops. And so, our designers don't go out and sample 120 fabrics, to pick the three that end up in the line. Our designers go out and pick three fabrics that are going to be the three fabrics for the line. And that doesn't mean that we don't experiment. What it does mean that it is not a helter skelter approach to the creative process. It's thought through from the very beginning.

Q: Well, that's what merchandising is all about.
A: Right.

Q: Okay. Thank you very much.

... Jody, could you talk a little bit about the inter­relationship between the manufacturer and the retailer? Has it changed? What are the problems that are created for the proper functioning of the entire operation?

A: Well, there certainly have been a lot of changes in the relationship of the traditional department store and the manufacturer over the last 15 years. Financially, the game was completely different. The pressures and the distribution of risk; the pendulum has swung considerably from where it was, even as much as five or six years ago. And in effect, what has happened is that the retailer of today owns choice real estate, that is being measured on a financial return basis, and in effect, is allocating that space to those people who usually, on a short term basis rather than a long term basis, can provide the best return. And naturally, under the cost structures that stores are operating under today, there's a higher quest for markup. There's a cost of money today. There's an increased pressure for turn of inventory. And, therefore, a laying off of the risk of inventory on to the manufacturer so that the returns can be maximized and the risks can be minimized, and the higher markup can have its best chance of being maintained, and that's pretty much how the game is played today. Counterbalancing things being, what is the manufacturer able to do for the store, for its capabilities. What are the products? And how long you can negotiate back and still keep your head above water.

There are other problems related to the way I perceive retailing...

Q: Well, for example, do you get much input from your buyers?
Would you want the input from your buyers?

A: As to product development? We get ideas. And we try to keep attuned to what's being thought out in the market place, but, frankly, as it relates to our product, we should know more, a lot further in advance, than the stores know. And very rarely has anything...have I ever seen a product that became important in a market place, where a product concept, that became important in the market place, be developed by a retailer. I think retailers have made product concepts happen; you know, they can get behind a concept or a product or a designer or a whatever and help make it happen. And become more widely distributed. But I haven't seen a lot of innovation come from the retailers particularly, as it relates to, or direction, as it relates to our industry.

And, in fact, probably one of the biggest obstacles that we face as a company, as a marketing company, is that as we perceive the intimate apparel industry...there's essentially been, at the retail level, no innovation for the last 50 years. And I'm not saying that we don't make different products or that the stores don't have a little more glitter, than they might have had 50 years ago, but the approach to the business, is no different than it was 50 years ago. You walk into an intimate apparel selling floor, and you see, in the merchandising presentation, and the concept behind the way the store is merchandised, essentially no difference than you would have seen 10 years ago, 20 years ago, 30 years ago.

Q: For example, though, in displaying the merchandise, certainly in the bra and girdle areas, merchandise is now on hangers, usually, as opposed to being in drawers. That is a change.
A: That is a change. But in effect, when you walk into the average department store—and I'm not saying to walk into one of the Fifth Avenue stores who's recently redone themselves; maybe not too innovatively, but maybe more spaciously and prettily—You know, you walk into the average store and you are struck with a sea of merchandise that says unless you're going to go buy a bra, unless you're going to buy a nightgown, unless you're going to go buy for a gift, there's nothing there that...The floor doesn't talk to you. And there's no concept behind the presentation of the merchandise; other than the random positioning of the merchandise itself. We believe that that's the biggest obstacle that we've got in the ability to market our clothes. That some very fresh approaches are necessary, and some leadership approaches are necessary, in order to make things happen.

You know, it's interesting, for the last couple of years, the stores always..."Well, you're on the soapbox, and you're saying nothing's new, and nothing's this...Who's doing it right? Where can we go look at it to see what you're talking about? Nowhere. Do you just want us to buy new fixtures, do you want us to create designer areas? What is it that you want us to do?" And we say, "We're not talking about boutiques and this kind of thing. We're talking about a fundamental rethink of how you position your business to the consumer. And so what we did was (and it's interesting, and we're not suggesting that this is an only approach), but we went out and had an architectural model built of what amounted to an intimate apparel selling floor, and took a very novel approach to it. In a sense, a way of saying, "Let's think about this differently. Let's not talk about this whole world here, of many different
kinds of clothes. Let's talk about it as intimate apparel." That's a very confining definition as it is. Just by virtue of the name. Or loungewear, itself, is a confining name. It implies passivity rather than activity. And so when we had the model designed, we thought it would be interesting to conceive and relate every aspect of the merchandise to living in and around the home, and so what we did was we, in effect, divided the intimate apparel selling floor into three zones, that relate to the home: privacy zone; the hospitality zone; and activity zone. And by virtue of the names, you can think through the kind of merchandise that would be purveyed there. In the "privacy" zone you would have your sleepwear; your bath robes; your lingerie; and the things that are private and intimate. And not necessarily things that are for public appearance. In the hospitality zone you would have those clothes that function in those areas of a home (be it your home or someone else's home) that are, in effect, public appearance clothing. And then in the activity zone, you might have the clothes that relate to cooking, gardening, hopping in the car and going to pick up your kids, etc., etc., etc. And what we were trying to accomplish with that, was not to say that that's what you should do, go out and put a privacy and this and that; that there are other approaches, other than saying, "I have a nightgown business, and a robe business, and I have a 'this business' and 'this classification,' now let's fit it all in on the selling floor," and do nothing and say nothing different to the consumer, than you've said for the last 50 years, other than the fact that, "I've got this season's merchandise."

And so...I'll happen. Probably. Sometime, somewhere, somebody
will take a leadership position and rethink. And once that happens, I think there's room for enormous, explosive growth as related to our industry in general.

Q: Okay. Very good.