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THE FASHION INDUSTRY LEADERS

MICHAEL RAPPAORT

President, Damon, Inc.

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Interviewed by
Mildred Finger
Damon, Inc. was founded in 1949 by Mr. David Rappaport as, initially, a business manufacturing neckwear. This was a truly entrepreneurial business, started with small capital needs. As it grew, more divisions were added, including knitwear for men and, later, for women. Several family members played important roles in the business.

Michael Rappaport, the eldest son, joined the business upon graduation from college, in 1962. Damon, Inc. became a public company in 1967. In 1975, Michael Rappaport became president, and David Rappaport became Chairman. In 1980, Mr. David Rappaport became head of a new division called Mirell, to which he now devotes his time and efforts.
Summary of early years prior to 1962, when Michael Rappaport joined Damon, Inc.

Description of the company as it was in 1962.

How the company was financed at start of company and in more recent years.

How merchandise was designed through the years; components of design including color selection; work with makers in Italy.

Price ranges of the different product classifications of Damon.

Introduction of the Courchevel line.

Sales to department stores vs. specialty stores through 1974.

Acquisitions of companies.

Internal growth.

Damon became a public company in 1967.

Michael Rappaport's participation in company activities prior to becoming president in 1975.

Mirell division was started with David Rappaport heading it.

Damon's manufacturing activities from 1975 through present including licensing, designing.

Sales to department stores in proportion to specialty stores.

Advertising and sales promotion in relation to the perception of the company by the consumer.

Price range of the products in 1984.

Need for long-range planning of products.

Need for designers to have access to all available information about consumer interests and needs.
Q: ...for the Oral History Collections of the Fashion Institute of Technology, this will be an interview with Michael Rappaport, President of Damon, Inc., and son of the founder. The date is December 8, 1983; the interviewer is Mildred Finger.

Michael, could we start with your telling us about your own life--where you were born, and where you went to school, and when you got interested in this business?

A: Okay. I was born May 15, 1941 in Brooklyn, New York and attended school there until about the age of 12 when we moved to Great Neck, Long Island and I went to Great Neck North High School. In 1958, I graduated from High School and I went to the University of Pennsylvania to the Wharton School of Finance where I majored in finance. From the age of about 13 or 14, I worked during the summers for the company. For two summers, I worked in the factory and warehouse, which today is called the distribution center. It was a multiple story building in Brooklyn, New York. During those two summers, I picked, packed, shipped, cleaned...whatever had to be done. One summer I worked in the showroom just assisting a sales person. One summer I went out on the road with the sales people...

Q: Was it at 16 East 34th Street where you were...?

A: No. It was originally at 116 Madison Avenue, and I believe that while I was still in college, perhaps in 1960 the firm moved to these quarters and had about a third of a floor. Approximately 10 years ago, perhaps 15 years ago, the company took the entire floor.

During my freshman year at the University of Pennsylvania--1959--I spent the summer with an Italian family in Italy. They became our
largest knitwear supplier for the next 10-15 years. The following summer the son of the owner of that company came and lived with me on Long Island. We spent a couple of weeks down at the University of Pennsylvania. That was really my introduction to the knitwear aspect of our business.

Q: I would gather that you were already interested in this business as the one you would enter.

A: Yes. I would say that having spent summers working at various aspects of the company...at the time I was in college, I was pretty much mentally geared towards joining the company. It just seemed to be what I was interested in, and what I found enjoyable and challenging, and since the company...Since the family had a significant investment in the stock of the company, and I was the oldest son, it just seemed to be the way to go. There never was much of a conscious decision about other careers.

Q: So you joined the company, actually, in what year?

A: I graduated college in June of 1962; I went to the Air Force Reserves for 6 months of active duty, and in November of '62 I joined the company on a full time basis.

Q: And what was the company like in those days? How much volume were they doing, and what was their product mix?

A: At that time the company was in the neckwear business as well as the knitwear business, and the total volume of the company was under $5 million.

Q: Was it public?
A: No. It was privately held, and my dad owned 80% of the stock and my uncle Manny, who ran the neckwear division, owned 20% of the stock. As a matter of fact, the name "Damon" comes from...The D-A comes from David and the M-O-N comes from Manny. The name of the company was derived from that. At that point, we did approximately equal volume in knitwear and neckwear. We had been in the neckwear business since the founding of the company. We had been in the knitwear business since about 1958, and at that time we were manufacturing both in the United States and Italy. After about three months of training, working specifically with my Dad, I was given the responsibility of handling the domestic knitwear part of the business. That meant designing it, merchandising it, and being responsible for the profitability of it. At that time it was a division doing less than a half a million dollars in sales. His focus at that time was to spend more time in Europe and to develop the better Italian knitwear business, which eventually proved to be the main product for the company.

Q: And at this time you were 21, or 22?
A: I graduated college...I was 21.

Q: And so, as you say, the product mix was really a very limited one. It was knitwear and it was neckwear, and that was pretty much it.
A: Right.

Q: And then after that...

A: At the same time, by the way, I spent approximately a third of my time working in knitwear and about two thirds in the controller's functions,
having had a financial background in college. I was involved in the administrative side of the business and the financial side of the business, working with the then controller of the company and being involved in a lot of financial decisions and personnel decisions.

Q: That's interesting... While you're talking about financing-- How did a company like this one obtain its financing as you went along? Did you work with banks? Did you work with factors? How did you work?

A: The company was factored. Most of the funds, however, by the time I joined the company, were being generated internally. The neckwear part of the business is a fast turn business and does not require tremendous cash investments. That is one of the reasons my father initially went into the neckwear business when he founded the company. As you know, it was founded purely as a neckwear company, initially. And in the knitwear part of the business, we were buying a finished package from Europe as well as domestically--mostly from the Philadelphia knitters--and the cash demands of the business were not that great. We were able to generate funds from our factory agreements, and most times had cash credits with the factor as opposed to borrowing against our accounts receivable. At that time we were dealing with Mills Factors, until they went out of business and were bought up by James Talcott and Co.

Q: And I assume that the rates of interest, or discount, were much lower then than they would be today, if you went to a factor.

A: Yes. Well, in factoring there is a transaction cost which runs somewhere between 3/4-1% of the transaction. And then there's a borrowing cost which is usually 1-2 points over prime rate. Prime, at that point
was probably about 5%, which certainly is different from today. However, because we were really not borrowing--the factor was paying us the same rate of interest that they would have charged us. So, in fact, they were really borrowing from us and lending to other accounts at the same rate of interest at which we would have had to borrow.

Q: That's interesting. I didn't know that.

A: The company was conservative. It was profitable, and did not really require financing outside...Financing from banks. And that was the case until about 1972. About 1972 we purchased Eagle Shirtmakers, and at that point we sat down with our factor, at that time First National Bank of Boston, and arranged a term loan from them, along with Bankers Trust. And the funds from that loan gave us the dollars to purchase Eagle Shirtmakers from Hat Corporation of America. I believe that the cost at that point was about $2 million for the assets of the company, and about $3 million in addition to buy their inventories and accounts receivable. It was about a $5 million purchase and approximately a $5 million loan that we took out from the banks.

Q: Could we go back a little bit? You mentioned the word "designers". When you came into the firm, how was merchandise being designed?

A: The merchandise was being designed...There were really three main areas of the company--the Italian knitwear, the domestic knitwear, and the neckwear....Manny Rappaport designed the neckwear (my uncle). David Rappaport was designing the knitwear, in Europe. And I was designing the domestic knitwear. And from time to time we might hire an artist to stimulate us, but generally that was not on a regular basis. Patternmaking was
being done internally at the resources for the knitwear. So it was really...In the neckwear part it was a matter of fabric selection more than creativity of style.

Q: Right. But in the knitwear area, you did have to do a lot more designing than in the neckwear area. Even picking the wools or whatever you use and the patterns and putting them together, was at least a styling job.

A: Yes. And it happened that at that time all we did was use one yarn, which was merino wool, a classic type of yarn, very high grade Australian stock. All you began with each season was the fact that you were going to do the same yarn...

Q: In colors.

A: And you had to create the color line, you had to create your stitch line and your model in it. And the advantage of the Europeans was the flexibility that they had in finishing. They could do what is called looping. Looping made it possible to do clean finishes on knitwear as opposed to merrowing, a much coarser method. The yarn was fine. Most of the machinery was what you would call "flat" equipment, and that equipment had more flexibility for a limited run. So you could create...They had great sample departments there, and you could create to your heart's content, and you could do what you desired. You weren't given a lot of restrictions as to labor or to machinery. That is one of the main reasons why Italian knitwear flourished at that particular period. My dad developed a pointed collar. It was a hand fashioned pointed collar. The domestic industry could not do that particular collar, because of the hand work required. They had either to
produce that collar as a spread type of collar, or as a stitched collar which would look very coarse and crude. So there was a uniqueness of the product. Eventually, equipment was designed by Stoll to try to simulate the hand collars. It was an Austrian or a German machine company. The uniqueness of the Italian knitwear was the fineness of the yarns, the ability to create, and a lot of handwork.

Q: Now, when you're talking about knitwear, you're talking about shirts?

A: Shirts and sweaters, as well. The sweaters had more of a jacket look to them. In fact, cables, at that point, could not be made in the United States, except by hand. There were almost no hand knitters around, so that England and Italy were the prime producers of that product. Italy stayed in the worsted, high twist type yarns, whereas England stayed in the shetlands, so they had had a different attitude in the merchandise. We really took advantage of the uniqueness of the Italian production capabilities.

...In our particular case, 100% of the design input came from the Americans. They did no styling at all. Today the industry has changed so much, but in that period of time, all the styling was provided by the Americans.

Q: Did you do that work over here, or did you wait until your trips?

A: It was done by a combination of sketches sent ahead and much work done in the field. We were spending about 25 weeks...From about 1964 I started joining my father on trips over to Italy and, as a matter of fact, studied Italian in college. I could speak, and today can speak the commercial part of the language. It would be difficult to have a political conversation,
but I can hold a technical conversation. And for the next 10 years, I spent 15-20 weeks a year in Italy. My father used to spend 15-20 weeks a year, sometimes at the same mill, sometimes at a different mill. And eventually that business grew to about $8 million and was in great part responsible for the success of our company. We had access to the best stores in the United States...

Q: I was going to ask you about your retail distribution. What was the nature of it? Speciality stores vs. department stores?

A: The price level of the merchandise, of the shirts, began at around $22-23 retail. By the time we came to 1975, because of inflation as well as more intricate styling techniques, the price points were hitting close to $50 at retail. The sweaters started out in the mid to low $30s at retail, and eventually got close to $100 retail. Again, it was partly inflationary and partly new intricate styling techniques. We also used combinations of leather and suede with knit, and that merchandise, which began around $50 retail in the mid-'60s, came to about $150 in the mid-'70s.

Q: What happened to the neckwear business? What was the situation there?

A: The neckwear business was growing at a very moderate rate. The knitwear business really took off. The neckwear, in our company, did not grow at the same rate.

Q: Did you discontinue it?

A: No. We are today doing close to $10 million in neckwear. In fact, I was just recently made President of the Neckwear Association of America. Neckwear is a very important part of our business. The main reason
I believe the company did not progress enough in neckwear was the fact that we stayed in the polyester part of the business. We had, really, two different markets that we were addressing. We were addressing the very high priced part of the knitwear business, and the medium part of the neckwear business. In 1974, the company began a new division called the Courchevel division, and that was something that was prompted by my becoming more involved in the overall marketing and seeing a need for our company to move into the natural fiber part of the business, which is also the higher priced...

Q: Is Courchevel the company that does high priced natural fiber neckwear?

A: Yes. Basically it's a division of the entire Damon Neckwear Company. We divided up the responsibilities around 1974 between my uncle Manny Rappaport, who handled the polyester part of the business, and a new man, Larry Weinstein, who today heads up all marketing for the company. In 1974, he began in the Courchevel division. As a matter of fact, we happened to catch and possibly help create a cycle in the United States which was the "conversational neckwear", which began in 1974 and ran through 1976. Because we were new in business, we felt we had to be unique, and consequently we focused our entire efforts on conversational neckwear.

Q: I don't know what that is.

A: That was printing; "scenic" was another name for it. We had women on ties being worn in a very Erte or a Gatsby look. We had cars and Rolls Royces and we had feathers and birds and...It was a very dramatic type of styling technique. I remember when we first brought it back from Europe,
people said, "Who would wear a tie with a woman on it?" And our answer was, "Who wouldn't wear a tie with a woman on it." It had never, at least in my eyes, had never been done before. And I was told it was in fact done before World War II, but it had never been seen by the people who were then responsible for it.

Q: All right. Now, in those days, shortly after you joined the company, what was the proportion of sales as between specialty stores (men's wear stores were very important, I gather; there were many chains), and department stores?

A: The company's volume right through...Let's say right through '73-'74, was about 90% specialty stores and 10% department stores. There were very few department stores that were addressing the better market. I remember Jordan Marsh in Florida, under Bill Rubin's leadership, was one of the few down in Florida, addressing it. Then I think there were a few other stores. Saks Fifth Avenue was an extremely conservative type of better....really a specialty store. There were very few department stores who were addressing the better market, and if they were, they were generally doing it in traditional type of styling--classic-traditional. They weren't in the "fashion" business. That was "not their customer".

Q: And, of course, there were many more chains of specialty stores, than there are today.

Q: Yes. There was Broadstreet's, Weber & Heilbronner, John David. There were many, many around the country, and they have either been consolidated or have gone out of business or have been bought up. Today, Hart, Schaffner & Marx owns most of those, Phillips-Van Heusen has a few, and there are a few
independents.

Q: When did you start to think about acquisitions? You mentioned buying Eagle.

A: The first acquisition the company made was in about 1965, when we made a small acquisition of a company that owned a plant in South Carolina. Did I say 1965?

Q: Yes, you did.

A: I think that might have been closer to 1970. I should say that, in about 1970 we decided to diversify into the dress shirt business, initially bringing in merchandise from Italy, produced in Italy, and eventually finding domestic facilities. We bought a company in South Carolina that had a plant and eventually...

Q: Making woven shirts?

A: Making woven dress shirts. And eventually we built a new plant in South Carolina, a picture of which is on my wall--a 100,000 sq. ft. plant--and it's one of the last single needle plants that was built in the United States.

Q: Is it still in use?

A: And it is still in use. It produces about 30,000 shirts a week, principally dress shirts but also sports shirts.

Q: For you.

A: Entirely for us.

Q: Acquisitions...

A: Right. That was an acquisition of a company for its production facilities as well as for the management team. At that time we
brought the gentleman in to head up the domestic knitwear division, because
he had a knitwear background as well as a background in woven goods, and
he's a merchandiser. In '72, the company bought Eagle Shirtmakers from
Hat Corporation of America in order to have an additional profitable busi-
ness, and to address department stores as well as the traditional part of
the market. At that point, Eagle had an important label in the marketplace.
They also owned the Pierre Cardin label, before the designer names really
became important to the industry. Damon acquired that company in 1972 and
sold it in 1976, during the recession. It had been very profitable for three
years; in the fourth year that company lost almost $2 million. Had our
company not been financially secure, and had we not had the complete faith
of the banks, we could have suffered a very significant setback. Fortunately
the Damon division had an extremely profitable year. Damon offset most of
the losses, the statement of the consolidated so that company showed a loss
of about $80,000. We were fortunate to sell the company to another company
that eventually sold it to Palm Beach.

Q: The other company....Was that MacMuller?

A: We sold it to MacMuller and MacMuller sold it to Palm Beach.

At that time Miller Harris was chairman of the company and Henry Grethel was
president of the company, and now Henry Grethel's president of a division of
Manhattan Industries. People come and go in our industry, and move from
company to company. That was a very devastating experience for our company.
We learned some lessons. I learned some lessons. It was my responsibility
to run the company, and I delegated it completely to the management of Eagle
Shirtmakers. One of the reasons we bought it was they had very good management.
However, in a recessionary year, it proved not to have very good management. I did not have enough reports to anticipate their problems. We made the error of not putting our own financial man into the company. We stayed with their financial man, and therefore, the loyalty was split. That was a grave error, and one which I think many companies today have learned either through their own errors or through reading about this in files of companies that have gone into bankruptcy.

Q: What about internal growth? Up to that period? You had, for example, a women's division. Right? I don't remember when that was started.

A: By the way, in our 1978 annual report, we happened to have put in a chart which had 20 years of Damon sales. The sales in 1959 were about $2\frac{1}{2}$ million, and grew to about $45$ million in 1978. You can see that during the first 3-4 years the growth was very small. During the period from 1964-78, the growth was rather dramatic, with only one year where it appears that the growth was normal. So that the company, through increases in its Italian knitwear division, through its women's division, which was begun in 1960, and...

Q: That was before you joined the company?

A: Yes. That was designed by Francesca Rappaport, who happens to be my mother. That division grew steadily through the '60s right into the '70s. The dress shirt part of the business grew. Courchevel neckwear grew.

One division might have grown less in a particular year, but five divisions of the company, on balance, grew right through...'64 right through to '78.
Q: I'm sorry. Let's just enumerate those five. It's Damon Neckwear; then Courchevel.

A: Damon Neckwear and Courchevel Neckwear or... That would make it six divisions if we count those as two. Then you have the two knitwear divisions--European and domestic. There is the dress shirt part of the company, and we added cut-and-sewn-sports shirts somewhere in the '60s, and that became a very, very hot product.

Q: Lower priced, I assume, than...

A: No. This business grew during the '73-'74 and '75 period, when Nik-Nik conversational print shirts were selling as well. They were being produced mostly in the Como area of Italy, in the same plants as were producing some of our neckwear. It frankly gave us, as a company, the courage to do such a strong "conversational" neckwear program and to take the risk, because we had seen the acceptance in the sports shirt business. We felt that the consumer mood at that time would also support the same designs in neckwear.

To sum up, we have the two neckwear divisions, two knitwear divisions; the cut-sewn divisions, the dress shirt division, and the ladies' division. So that's seven divisions, but since two of them are just sources of supply, it is really five main divisions, even though we report it internally as seven.

Q: When did the company go public?

A: In 1967, the company was taken public by a company then called Hayden, Stone, which is now a part of...Shearson-American Express's corporate structure.
Q: And were you on the American Stock Exchange, or over-the-counter?

A: We started off selling over-the-counter, and about two years later we joined the American Stock Exchange.

Q: Okay. Now let's talk about...Let's get back a little more to you, and when you became President...Is there anything we've left out about your activities here before you...

A: Well, I would say that over the years I moved from division to division. I moved from...I began, as I mentioned, in the controllership function as well as the domestic neckwear, and after several years began to handle most of the styling and merchandising for the European knitwear. At that time my Dad began the dress shirt division, and as he spent more time in that area, I spent more time in the knitwear part of the business. Then, as the years went on, I took on the merchandising of the dress shirts and sports shirts and in '74, the neckwear part of the business. Courchevel reported to me, and I eventually learned the four products from the bottom up. Depending upon the needs of the company, I was involved to the point where I think around 1971 I was made Executive Vice President of the company. All of the merchandising aspects of the company were reported to me, other than the Damon poly-neckwear. Since one of the founders of the company was heading Damon neckwear, (and he was also my uncle), it was difficult psychologically for me to have him report to me, I being 20 years younger than he.

Q: Did Francesca for Damon report to you too?

A: I would say the women's division reported to my Dad until, say, about 1975...

Q: When did they go out of the knitwear business?
A: They went out in about '76 or '77....

Q: You became President in 1975, and your father became Chairman. And now...as Mirell was started somewhere in that time...

A: Mirell was started in 1980, during the period when I was President and my father was Chairman of the Board.

Q: Which he had become in 1975...

A: 1975. My Dad continued to be very active in many different aspects of the company, whether merchandising or administrating. He spent a great deal of his time working directly with me, but he'd still interface with many of the top executives of the company, and was involved in all the important and major decisions of the company.

Q: I think there was a point where he really wanted to do it himself; I think, again, needed to run a company.

A: Right. In about 1980, my Dad decided to start a new division of the company to address a new market for the company. This gave him the ability to express his entrepreneurial talents, and made the reporting within the company much simpler.

Q: Now, is Mirell a division of Damon?

A: Yes. Mirell is a division of Damon.

Q: And what is that special segment in the...

A: The division was set up to sell the chain stores. Today it sells private label merchandise to specific types of stores. They sell many different types of stores, but they are large programs, prepacks and commodity types of items rather than high fashion items.

Q: I would gather that your own concept of this company was
that it needed to become more high fashion and less basic.

A: That was really... Mirell was addressing a price point market. Damon has always been targeted to the better part of the market, and, therefore, Mirell was constructed to go after a different segment of the market, with mainstream price points. The Damon price points begin above the Mirell price points.

Q: Okay. Let's talk about what has happened to this company since you took over as President in '75, because you have made acquisitions and gone into licensing. So, could we talk about... First of all acquisitions, and then licensing?

A: We have made no acquisitions...

Q: You have not? In other words, you set it... When you took a Bill Blass license..

A: After I took over as President of the company, our company ran through no major changes in the company until we decided to close the Francesca division and to license the name to another company. We were losing a lot of money in the Francesca division, and really did not have enough management understanding of the women's wear industry. My training had been predominantly in the men's part of the industry. After several attempts to turn the women's division around, it was decided to close the division and issue a licensing agreement, which has turned out to be very profitable for the company. That division is doing close to $15 million in volume, very profitably. It is principally in the women's silk dress business and the silk blouse business, and in now expanding into evening wear.

Right through 1978, the company was continuing to expand and the profits were growing; and in the '79-'80-'81 period the designer craze
became a major dominant factor in our industry.

Q: How were you handling designing at that point, as you were already a very large company?

A: We had merchandise managers for each division, each responsible for the division's designing. Depending on the division, they might have had one designer or three designers, or they might have had outside consultants. Each division had its own unique needs for design.

Q: And they were run separately. In other words, no crossing.

A: They were run separately, and I was acting as the general merchandise manager, coordinating various taste levels. During that period, by the way, we moved much of our production from Italy to the Far East and... and built a staff in the Far East and learned who was good and reliable, and who wasn't good and reliable.

Q: And this was in the late '70s?

A: This was in the late '70s. Today, we source a lot of our merchandise in the Far East and... 

Q: About how much of your production is done offshore now?

A: I would say about 50% of it is done offshore, and about 50% domestically. During this period of the late '70s, many people contacted our company to license designer names to the company, and the company felt that it was not in our interest to do that. In retrospect, I think that was an error, and had we done it, I think the company's profits in the late '70s and early '80s would have been better. Approximately a year and a half ago, the company took on its first license...
A: In approximately 1981 the company signed its first license with PBM for the Bill Blass name in men's knitwear. That was our introduction into taking on a license. We brought in a separate merchandiser for that division. We began in the fall of '82. Currently we are booking spring of '84. I believe we will do about $2½ million in that division. Next year should be the first year that we will make a profit on it. I've indicated to PBM that, if new products come forth with the Bill Blass name, we would be interested in evaluating those products. In 1983, we also signed a license for Lanvin, and there we have many products, both furnishings and sportswear, furnishings being ties and shirts, and sportswear being knitwear and sweaters. We will begin marketing those products in 1984. Consequently, the company today really markets its products under the Damon label, the Blass label and the Lanvin label, and in addition uses the Courchevel label for part of its tie line. In the fall of '84, we're going into the fitted dress shirt business. We will be using the name Courchevel for that particular product. We also have a segment of neckwear which is traditional in nature. There we use the Cambridge collection. We are in a marketing era where labels conjure images, and people don't have a lot of time to evaluate them. They react to names very fast, and therefore, the names become important.

Q: Michael, could you take a minute to talk about your store relationships now, and what the proportions are of sales to department stores vs. specialty stores or specialty store chains?

A: Today we do about 75% of our business with specialty stores and 25% with department stores.
Q: Why has this come about? Is it deliberate, or is the nature of the men's wear retailing changing? What is it?

A: The department stores have traded up in their merchandise presentations and consequently are accepting higher price points. In many cases, they do a very good fashion job. Since the consumer is shopping in those stores, we want to be where the consumer is. Credit is becoming an important factor. In the last couple of years, many of the specialty stores have not financed their operations very well, and have not generated funds to remain current. Consequently, they have slipped as important factors in the fashion business. After the weeding out process now behind us, I think the specialty stores will grow as well as department stores. People like the service in specialty stores. People who buy apparel today are not really buying needs; they're buying wants. You can get a lot more attention in the specialty store. Men tend to make their purchases in lumps rather than a little bit at a time. If they find a store they like, often-times they will go there. Younger people tend to shop in department stores because the price points are more important to them. Their budgets are a little bit more under strain.

Q: Would you talk now a little bit about advertising and sales promotion that you've done? Because that's apparently been a very important element in your business.

A: One of the major promotions that we have done is to try to have reorderable programs in our line. Since it's very difficult for the stores to predict their demand, we try to provide them with stock services. We have fashionable items continuously, so they can depend upon us for service.
and do not have to plan their business 8-9 months in advance. Concerning advertising, we....

Q: Excuse me. Would you call yourselves a stock house?

A: No. We provide a balance of in-house inventory and fashion. If we think a store needs a good amount of sizzle along with a lot of steak, we try to balance this out, as we do in production. We try to produce offshore as well as domestically. We have different products in different parts of the market place. We think to be financially sound as a company you have to be diversified. Sometimes there's free trade involved and tariffs and duties come down; sometimes there is restricted trade. You have to be prepared for the changes that will come about. We try to position ourselves to be flexible so that if any one part of the market takes off, we are prepared for it.

Q: And now as to advertising.

A: Okay. As far as advertising is concerned, I don't think the company has used advertising successfully over a period of time. We have gone from print to TV, back to print; and today we are seeking an advertising agency that can help us market our product to the consumer. We for a period of time used co-op advertising, and that turned out not to be to the company's advantage. Our image was very fragmented. Each store interpreted what we were doing in its own image, rather than in ours. That has been a frustrating part...

Q: What do you consider your image to be, assuming you had your way, and..What would you consider the most desirable image for the company?

A: To be a fashion resource for the professional man, the man
who is in a white collar job; who aspires to go up in the corporate ranks; and who has leisure time as well. He is also not afraid to express some of his personality; he has style in his dress as opposed just to fashion. He doesn't want to be in on every trend, but he has a certain confidence and attitude about how he dresses. He is not necessarily the man who wears only the grey flannel suit, but if he's wearing grey flannel suits, he is very good at finding something that has a little shape to it, or a little shoulder to it, a little expression to it.

Q: What is your price range?
A: Our price range for dress shirts is $25 to $40.
Q: At retail.
A: At retail.
Q: Which means these days, if they keystone, it means there's a 50% markup.
A: Those are our selling prices at retail, and roughly, you can take about 50% about off those prices in order to get the wholesale prices. Our ties retail from about $13.50 right through $30. Again, this is spread over different labels. The price points of Damon Creations, Inc.--each division has certain price ranges they address to a greater or lesser degree.
Q: I would assume that Courchevel would be at the upper end.
A: Courchevel would be at the upper end, as is Lanvin. The knitwear goes anywhere from $25 retail for a knit shirt to about $35. Interestingly enough the price points are lower than they were in 1975, when we were selling wool shirts from Italy which were $45 to $50. This is a change of
positioning for the company. We're still not low priced, but we're not at the top end of the price ranges. The sports shirts retail anywhere from $25 to $40, and...Have I left out any divisions? Ties, dress shirts, sport shirts, knit shirts...The sweaters retail from anywhere from about $35 to $75, and the Francesca dress, made by licensee, is about $150-$200.

Q: Just one final point on designing. How much difference is there today between the kinds of designers that you might have had twenty years ago, and the designers that you have today? Is there a difference? I'm thinking of what design students study and what they need to know.

A: Is there a greater...?

Q: Well, for example. When you were designing for one of your divisions, you really had no technical background, nor were you a pattern-maker who would know how to put it together.

A: There are different sorts of designers, too. Some people sketch; some people cut. It's all part of the design process. I would say that the design process has gotten much more complicated and you need much more planning in your designing because lead times are much greater than they were.

Q: Because you're working overseas.

A: Because of the fact that there are world markets for production facilities, the sourcing of merchandise today is much more complicated than it used to be. Merchandise from the United States can move to Europe or to the Far East. From the Far East it moves to Europe or here or South America. It's very complicated. The cost of fabrics today is much higher. Interest rates are much higher. People need and require more money. So every-
thing is more expensive than it was twenty years ago. Consequently, you need to have the highest degree of professionalism because you cannot tolerate waste. You have to work so much further in advance to do a line, just because of the dyeing needs and the spinning needs, or the printing needs. There are limited resources, and the artisan type of production is much reduced today. Consequently, you have to be more professional, that is a very difficult word to define. We're in four different industries, and each one has its own set of complications. I can tell you that we begin working many, many months before we began working on a particular design group 20 years ago. We go to market earlier. That means that all the research, before you begin to design anything, is much more complicated.

Q: That does lead me to the question that I didn't ask you. How many collections do you show a year?

A: We show three collections a year, per product area. So in five product areas, we do about fifteen collections a year.

Q: And do you have salesmen on the road, still?

A: Yes...

Q: And you have to send duplicates.

A: Yes...

Q: So that you have a lot of duplicates.

A: That's another reason that it's much more complicated. You have to design into the release dates. These things take a lot longer today, for whatever reason. Consequently, as people have put more and more modern equipment into their production, be it dyeing or the finishing, etc.--they
need more lead time. So if you back everything up to when salesmen have

to go out on the road, or when the consumer is ready to buy...Remember,
the consumer today is shown fall merchandise in June, when years ago
they used to be...

Q: Are you talking about the retail consumer or the retail
store buying from you...

A: The consumer on the streets. Okay? Many times they will
be shown fall merchandise today in June. Years ago it was shown in September
or October. Everything has been pushed up many months. Take it all back,
take the lead times back, and you will find out that in certain dress shirt
areas, there's a 14 month cycle. I happened to be calculating it today, and
trying to plan dress shirts for the spring of 1985. Fifty percent of the
fabrics have to be ordered in the month of December, 1983. Those shirts
will be shipped to the stores beginning with December of '84 through March
of '85. And that is 14 months. So that the professionalism needed to plan
that, from the design stage to the merchandising stage and the production
stage is far more complicated. We put in a computer to help us do all our
scheduling. It's just become so complicated. It didn't work that way year
ago.

Q: Where do you have your computer and your distribution
setup?

A: We have it in Bergen, New Jersey. It is distribution center
of 77,000 sq. ft. We have a 14,000 sq. ft. office facility that has our main-
frame computer.

Q: Where?
A: In North Bergen, New Jersey, in same facility. In these offices at 16 East 34th Street we have brought in a computer. It is a micro-computer, called the Apple Lisa, which in my opinion is the state-of-the-art computer as of today. It's been released, and it's helping us in our merchandising functions. We can do custom programming. We can come up with a program today and tomorrow have it operating. The mainframe takes months. Currently, while we're speaking, our accounting firm, Ernst and Whinney is studying our entire organization to help us plan our computer needs for the next five years. Take that field itself. Years ago we would never have brought in somebody from the outside to help us make that decision. Today the field is changing so fast that we're concerned about things which haven't even been released yet. We need to know about them in our decision making process. We hope the leaders of the machinery people and the software people keep the accounting firms and the management service firms up to date. Too often people don't have the latest information.

Let's go back to designing. One of the greatest problems with the design part of the industry, I think, is that many times the designer doesn't have enough information to know what the consumer wants. I think many times the designers are misled by people in my chair, and by people who hold the title of merchandise manager. Many times they don't know what is happening at the retail level. It's not easy to get all that information. The United States is big, and something terrific in Texas may be bombing in Boston. Somewhere, somehow, the information as to what the consumer is responding to, can easily be misdirected, or misinterpreted. I hear many times
that things are "blowing out". "Blowing out" is such an imprecise term that I think it many times leads the designers down the wrong track. They may have great talent, and be able to design the greatest hat in the world--gorgeous--but if nobody's wearing hats, who cares? People are going to wear bottoms and they're going to wear tops, and they're going to wear coats. There are certain things they're going to wear. But the attitude of that merchandise, and the color direction of it, and all that...If they have a feeling of what is happening, they might continue a certain trend. Or, they might decide to move away from a trend. They do need the information. It would be helpful, I think, to have the information as to what is really happening. Focus groups, surveys of consumer attitudes and other techniques which agencies have been using in hardgoods, I believe the softgoods people have to use. We, ourselves, as a company, have to learn how to do that. We intend to, but I can't say today we're experts in that ourselves. We use an awful lot of perspiration and intuition.

Q: You don't use services like "I.M." or Nigel French, or...?

A: Yes. We do. We do use some of those services. But sometimes we find them very good, and sometimes we find them, as a group, not so good.

I am concerned about depending upon outside services of this type for the future of our company. The design of our product has been the strength of our company, not the marketing, and not the advertising. It's producing a quality product in basic step with the consumer attitude. As we as a company, grow larger and as new designers come into the company, the question asked again and again is "who is our customer?" I think "who is our customer" changes from day to day and market to market. It's complicated. There's a
very diversified consumer out there.

Q: Thank you very much. Very interesting.