ORAL HISTORY COLLECTION, F.I.T.

THE FASHION INDUSTRY LEADERS

LAWRENCE WARD

Vice President for Administration
Palm Beach, Inc.

Date of Interview
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Interviewed by
Mildred Finger
Palm Beach, Inc. is an apparel conglomerate with men's clothing, men's sportswear, and many women's fashion classifications comprising its product mix. The origin of the company was in the field of textiles. Elmer Ward, Sr. was born in 1898, and ultimately worked in the textile field. In 1944, the Palm Beach Company was created as a subsidiary of the Goodall-Sanford Company which owned textile mills. Goodall-Sanford was sold in 1954 to Burlington Mills. Shortly thereafter, private interests including the Ward family, purchased the Palm Beach Company from Burlington Mills.

Palm Beach, Inc. is the corporate holding company for Palm Beach Clothing and other men's wear firms as well as women's firms. Its current volume is approximately $500,000,000.
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Q. ...for the Fashion Institute of Technology. This will be an interview with Lawrence Ward, one of the sons of Elmer Ward, original founder of Palm Beach Clothing Company. The date is December 7, 1983; the interviewer is Mildred Finger.

Larry Ward, you are the Vice President for Administration and you live in the Cincinnati area where the company is based, really. So, would you start to tell us about how it all started? Tell us about your father and how he grew up and how he got into this.

A. Okay. Basically... My father was born in 1898, in Boston. He was the eldest of four children, and his father died when he was only 14 years of age. So... He was quite athletic; he was quite a hockey player in his day. And subsequently, became quite a golfer. But after he left school he went to work in a wool brokerage firm in Boston, and he was in that for probably six or seven years....

Q. Did he have any special reason for going into that business? Was there anything else in the family that brought him...?

A. That was a big... There was a lot of opportunity in the wool brokerage business in Boston, and he started, literally, as a sample boy, right at the bottom. In those days there were many, many textile mills throughout New England and these wool brokers would contract wool to be brought from Australia, South America and England, to the United States, as well as from the Western part of the United States. It was brought into Boston. It was a rather unique business, because the brokers went
around and sold lots of wool, guaranteeing them of a certain grade and would even take samples of that wool to these textile mills, and then it was their responsibility to deliver that and, of course, they acted as middle men. They literally bought from the ranchers and they sold to the textile mills. So the inventories were theirs, and prices of wool would fluctuate quite a bit, so you had to be a pretty good trader. He was a good trader. This was his...

Q. Did he go into that business directly after the First World War, would that be...

A. Yes. Right. And he did not go into World War I because he was the sole support of his mother and three younger children, so he never was involved in the war. But he was quite successful in this, and his firm...He rose very quickly in his firm and they even would send him to Europe and South America on buying trips, when he was in his very early twenties. They didn't choose to make him a partner, so he left and with other men he...

Q. About what year was that?

A. I would say it was probably around 1926. And by then he was probably 27-28 years old. Well, let's see. 1926, he would have been 28 years old. And the name of the firm was Campbell, Ward & Reilly, and it was...They were quite successful, until 1929-30 when the Depression hit, and they suffered like everybody else. But he still made a very
good living. And then Campbell was a Texan and he had married into a family that had a textile mill in Sanford, Maine. Campbell was a lawyer. He came to Washington as an assistant to a Congressman from Galveston. The Galveston area. And there he met Mildred Goodall, who was the daughter of one of the Goodall...families of the Goodall worsted and Goodall textile mills in Sanford, Maine. And they were married, and then he moved to Boston and became involved with my father in this wool brokerage firm for several years. And in the meantime, the story has to then go back a little bit to the history of this mill. Because the mill...

Q. The Goodall mill.

A. Yes, the Goodall Mill, in Sanford, Maine. And it was a large mill. It was approximately a thousand looms, so it was a good size mill. And their product diversification was pretty impressive. But...

Q. What did it include?

A. Well, basically it included carpeting, furniture upholstery for airplanes. We're back to...furniture upholstery, more for trains than airplanes, as well as automobiles. Later on they became involved in upholstery for airplanes. They had a woolen mill that made coat fabric for ladies' coats. They had a plastic mill that made vinyl supported plastic for furniture, principally, as well as automobiles. They had worsted mill, and that's where the Palm Beach cloth was made. And basically, Goodall....
It was called the Goodall Worsted company, and they had invented a cloth...
One of their research guys had come up with a combination of a cotton filling and a mohair warp, and it was especially good and lightweight and wrinkle resistant fabric, and he named it Palm Beach cloth, and he did this back in 1911. And it was interesting, you may remember a bit...Because the city of Palm Beach had fewer than a thousand voters. Under the trademark legislation at the time, you could not name a commercial product after a city unless it had fewer than 1000 voters. And even at that time Palm Beach was very popular with wealthy people who would winter down there, but they voted elsewhere. So it was...They called it Palm Beach cloth and it was an instant success. It was made...And the mill made a lot of this fabric, and they sold it to everybody. People like Hart, Schaffner & Marx, Botany would make Palm Beach suits. They all had grades of Palm beach suits. They had Palm Beach suits being made, literally, in prison sweat shops. So the problem, merchandising-wise, was "what is a Palm Beach suit?" What is the quality level? And it was indetermined, and they felt that they had to go vertical and they had to get control of the quality standards of Palm Beach suits.

Q. Do you happen to have any notion of what the fabric sold for in those days?

A. I really don't. No. I do know 30 years ago it sold for about $1.40 a yard, but what it sold 30 years before that, I don't know.
So, they determined that they were going to go into the tailored clothing business and they looked around and they were looking for a good businessman who they thought could do this, and they happened to select my father, who was a partner of Jim Campbell, who was a relative ... Who was married to one of the family. So basically, that's how they picked him....

Q. About what year was that.

A. That was 1930. And at that point in time, the firm was incorporated as a Maine firm, in 1930. And he went about, then, seeking a location and seeking some people to help him run it.

Q. Did he know anything about the men's clothing business?

A. Yes. He... He was just a good businessman. I wouldn't say he knew all that much about the men's tailored clothing business. But he was a good organizer and he... They gave him enough working capital to get this started, and he did not want to become involved with one of the typical northern cities, where the unions had a foothold in the tailored clothing business. So he elected to look for a location in the South. The other reason was that in those days there wasn't quite a distinction between tailored clothing and washable clothing. Palm Beach... They felt that the fabric washed so well, and they thought that as a white summer suit, it would need washing frequently. They wanted to make it with a wash construction, and that's what they did. It was not the typical lined garment that you see...
Q. Now we're talking about what? Palm Beach clothing?

A. Right. So they looked for a low cost operation in the South and they originally felt that...They found a plant that was in operation but going out of business that was well equipped and had good, trained people, in Knoxville, Tennessee. And that was their first effort, and their first headquarters was in Knoxville, Tennessee. It was okay. Later, after they were in business, they had a wonderful staff of salesmen at that time, because there were very good men available. There were good men available in all fields in 1931'32, and he was able to find the best sales group that he could...

Q. How big an organization was it? Of sales people? How many?

A. Well, I would say, basically, they probably started out with about 15 salesmen.

Q. That is a relatively large enterprise.

A. Oh, yes. Yes. They fully intended that, because, basically, Palm Beach was a very well known product and they felt...

Q. And the textile firm backed them with a lot of money, I would assume.

A. Oh, yes. That's where the working capital came from. And they expected to lose money the first two or three years and they did lose money the first two or three years. But in 1934 it had become profitable. But it was a well known consumer item.
Q. I'm sorry. Before you discuss that. You think there were about fifteen sales people. And what about the production-manufacturing setup.

A. Well, that was in Knoxville. And again, they were able to get good designers, good production people.

Q. Really. Were the designers patternmakers in essence?

A. The designers are essentially patternmakers, yes. But technically they are... In women's wear you have designers who are sketchers, and then you have patternmakers who interpret those sketches. And in menswear, this is a much more scientific, detailed business. These guys are almost... They know how to draft a pattern. They know how to grade a pattern. How to make the block sets. So he was able to get excellent help. Not the first time out of the box, but after one or two designers didn't work out, he found one who was absolutely a superior man. His name was Jerome Giuseffi....

Q. Could you spell the last name?

A. G-i-u-s-e-f-f-i-. And he had come from... He was an old world tailor from Italy. He was really a great designer, and a great personality.

Q. I'm sorry. Were the designers in Knoxville, Tennessee? Is that where they were located?

A. Oh, no. He brought the people there. There wasn't anything like that there...

Q. No, no. I don't mean that they were originally born there.
But the work that they did, they did in Knoxville.

A. Oh, yes. Right. All the mill in Maine did was turn out Palm Beach cloth and ship it, in those days by rail, to Knoxville. And the cloth was cut and trimmed and sewn and pressed and warehoused in Knoxville.

Q. Okay. And where was the selling done?

A. The selling was principally done out of the New York office, as well as...

Q. Ah. And when was the New York office set up? You didn't mention that.

A. Well, basically, when he established the business, he established a marketing organization and a manufacturing organization simultaneously. The headquarters for selling was in New York, just as it is today.

Q. Do you know what part of the city...?

A. Oh, yes. It was done... It was 200 Fifth Avenue. And all the tailored clothing industry, since the turn of the century, was located... from the turn of the century to 1963... Was located at 200 Fifth Avenue. And that's now the toy building. Since 1963 it's been located in the Sperry Rand building; customers liked to be able to go through and see everybody's line and determine where they were going to spend their money.

Okay. So, simultaneously he was establishing a marketing organization, the principal offices in New York and Chicago, Los Angeles, with about 15 guys on the road, covering...

Q. And this was in the early '30s.
A. This was in '31 to '33.

Q. Because that's a very sophisticated organization.

A. Oh, yes. And was establishing a manufacturing organization by bringing the best in technical talent to Knoxville--both production people and design people and quality people--to turn out the product that they wanted, which was a good...The best washable men's suit that would be on the market, and a very dependable, consistent item... and that was what they had not had in the period before and after World War I.

So, in...The Knoxville operation went well and the sales went fine, but they did have a problem in Knoxville in that it was inaccessible for national distribution, and they began looking around and trying to find someplace that would be better.

Q. National distribution in what sense? The shipping of the merchandise?

A. Shipping, Yes. And so they found a very satisfactory plant in Cincinnati, Ohio. And they moved the headquarters...They kept the plant in Knoxville, but they moved the design, the headquarters for manufacturing, and shipping to Cincinnati, and the business grew there. In the middle thirties...They did that in 1934. In 1935 they set up another tailoring plant in Lorain, Ohio. In 1939, by then they'd gotten into the tuxedo business. White, washable dinner jackets for evening. Very popular in the '30s, and they established a plant in Roanoke, Alabama, not too far from Atlanta, to manufacture them.
But then, in 1938, they put up another plant. The business was growing; sales were doing very well. They needed additional production facilities, and they chose, rather than putting them in Cincinnati or making the plant in Knoxville too large, they chose to have decentralized country shops. They put another one in Danville, Kentucky, which is not too far from Lexington. And that's about where they were in 1941, when the war broke out.

Q. Just one second. At that point, they were still making nothing but Palm Beach Cloth clothing.

A. That's right. The mill was weaving the cloth year round; they were cutting cloth and manufacturing the cloth year round. And at that point (it's important to remember), it was really a spring-summer business.

Q. Would you repeat again the composition of that Palm Beach cloth was?

A. The Palm Beach cloth was basically cotton warp and mohair filling.

Q. And that was washable.

A. That was washable. It also... Mohair is a lovely fiber. It has lustre to it. It is tubular, whereas wool is craggy, and it is cool. It is tremendously wrinkle resistant. It had one big drawback. It affected some people's skin. It was itchy. And a little bit scratchy. However, it achieved tremendous popularity both in menswear and boys' wear, because after they became established in the menswear field, there was a demand for boys' tailored clothing and they picked it up and
established a boys' tailored clothing. Even back in the late '30s they had an interest from a New York firm called Sacony and they started to manufacture women's summer suits, tailored woman's suits. Again, washable. Same formula. They further started to develop blends of wool fabrics, wool and mohair. And that was a little more expensive than mohair and cotton, and they called that line "springweave," and that was more of a spring suit than Palm Beach. But still there were many areas of the country—California, New Orleans and Florida—which were excellent year 'round markets. But it was essentially a one season business, whereas the men's tailored clothing....tailored clothing in most firms...At that time you had a spring line and you had a fall line, and Palm Beach has that today. But in those days, the mill wanted to keep weaving the cloth. The cutting rooms had to keep in operation, and so it required a good deal of space to warehouse these, and it was expensive to warehouse. It would have been improbable at today's interest rates, but still...I would say at that point in time their most serious competitor was the Haspel Company of New Orleans. And Haspel made an all cotton suit...

Q. This is still back in the '40s...

A. This is the '30s.

Q. Thirties.

A. I'm still talking thirties. Today's Pearl Harbor day, so... prior to Pearl Harbor. So, I would say by the time the war broke out, when they had probably then 20-25 men on the road, they were manufacturing probably
22-23 thousand suits a week....

Q. At approximately what prices?

A. The prices at that time were probably...Suits would retail at $14.95...This is 1940s. In 1940 I think the suit retailed about about $14.95, and it wholesaled at probably $8. In those days there was a 40% markup on these.

Q. Now, at that time, do you know, how was their distribution as between specialty stores and department stores?

A. Their distribution was probably more toward specialty stores. Probably two thirds specialty and one third department stores. The ratio today is more like 50-50.

Q. The next time we talk, we're going to go into today, and the comparisons with prior days in terms of sales and production. So, at this point, unless there is something else that you thinks is germane right now, I would like to talk about you and your brothers and when you went into the business, and when you were born, etc.

A. Okay. Can I just bring you from Pearl Harbor up to...? Just basically during the war years, the production of the plants was completely.... I wouldn't say completely, but largely shifted over to military uniforms and field jackets. That sort of thing. After all, the men...There are 11 million men and there are 16 million men in the army, so there were a lot of customers there. They did have some civilian production. It was on an allocation basis to the stores. But also, during that period, when there really wasn't
a lot of business thinking to do, at that point my father...The Goodall family wanted to see their interest. They had been in that business for almost 100 years.

Q. The textile business.

A. The textile business. For almost 100 years. And they were wealthy and they were running out of enthusiasm, and they were running out of people who were really interested in the business. And it just happened that all of a sudden everybody had a lot of girls. And...They were rich, and they wanted to cash out. So, at that point...However, what my father really wanted to do was buy the Goodall Worsted Company and keep that to just supply the Palm Beach tailored clothing firm. They would not sell the worsted company; they also wanted to sell all the other mills--which at that time was called Sanford Mills--which made the upholstery and the carpeting and the transportation fabrics. So basically he got some financing, principally through the firm of W.C. Langley, who later merged with Eastman-Dillon, Blythe, Eastman. But they were able to buy the family out but make the successor corporation a public company simultaneously, and they did this in 1944. So, at that point, the Palm Beach Company, the tailored firm, which was a subsidiary of the worsted company, became a subsidiary of the combined two companies--which were called Goodall-Sanford--and Palm Beach Company was a subsidiary of Goodall-Sanford; the tailored clothing subsidiary. And at that point...

Well, that happened in the fall of 1944, and the war ended a year later and they were ready to get back into civilian production. Okay. So this
brings us up to 1946 and....

Q. At this point did they not then become an independent company?
A. No. That did not happen for some number of years.
Q. Oh. Okay.
A. Okay. So, you want to stop talking about the business...
Q. Yes. I want to go back to the family.
A. Okay. My older brother....I have three brothers. One is not affiliated with Palm Beach. My older brother, who is Chairman and President of Palm Beach, Inc. today, a holding company, and one of the companies that it holds is Palm Beach Company, men's tailored clothing, was born in 1925. He went to school in Andover; was a flier in the Navy in World War II. Subsequently got out, went to Harvard Business School, went with Hearst magazines for a while...

Q. You are talking about Elmer Ward, Jr.
A. Elmer Ward, Jr. Right. And then I think in 1951 or '52 he came with Palm Beach Company, after two or three years with the Hearst Publishing Company. I was born in 1927, went to Andover, was in the Marine Corps in World War II. Went to Harvard, got an MBA from the University of Michigan; went back into the Marine Corps in the Korean War, came out and went to work in the mill in Sanford, Maine. And I was there from '52 to '54, and then in '54, Burlington Industries made a "tender" offer, a friendly "tender" offer for the stock of Goodall-Sanford, and at that point in time there was a book value of $27 a share. ... Okay. Remember, I explained that we had gone on
the big board when it was purchased from the family, and the shares were traded from 1944 to 1954.

Q. Actually I don't think you had mentioned it but...

A. Okay. We had got to talking about the family, but I'll get back to the family. Anyway, I went to work in the mill in Maine and then came with the tailored clothing company in 1965. I have another brother who was born in 1929 who is not with our business. I have a brother who was born in 1931, my brother Bob, and Bob went to Portsmouth Priory and then went to Harvard. He was kind of an exceptional pitcher on the baseball team. He was very much of a big league prospect. The Red Sox took him to camp and he had some interest from some of the other teams. But he... After Harvard he determined that he wanted to go to Harvard Business School rather than into professional baseball. So, he did go to Harvard Business School, and got out just in time to get into the Marine Corps and serve in Korea, then came back and was in the advertising business in Boston for, I would say, oh, probably 6-7 years. And then he came to Palm Beach to head up the advertising department at Palm Beach.

Q. Because the advertising department is part of the corporate setup.

A. Keep in mind, at that time there was no corporate setup.

Q. Oh, that's right. Because you were only the Palm Beach clothing Company.

A. Because what happened then... The next important phase of the history of the company, now that we've covered the family...
Q. No...But excuse me. We haven't. I want to go back in time a little bit and find out what your exposure was to this business before you joined it. Was your father the sort who came home and talked at all about his business?

A. He talked...At our dinner table, there were only three subjects of conversation. Number one was gold; number two was the Boston Red Sox; and number three was the Palm Beach Company. So we sort of grew up with this.

Q. Okay. Now what kind of things did he tell you about?

A. Well, basically...My father traveled a lot and when he came home on the weekends he was, number one, very tired and number two, in the mood to have party. So even at age thirteen we were sent to boarding school. So, I can't say...But all our life, as young boys growing up, we heard stories about Palm Beach. And my father always wanted to have his sons go into business with him.

Q. Well, because, you see...All of you went to Harvard, and you had an MBA. And the fact that you did go into what was essentially a family business means that there had to be something about it that was especially meant to draw you to it.

A. Well, basically he just urged us to. I don't know that we would have...Well, my brother Elmer first went into the magazine business. And was making good progress. My brother Bob went into the advertising business.
I wanted to start in the textile business rather than the clothing business, and...However, one by one, for various reasons, we slipped into it and the principal reason we slipped into it was this: that in 1954, we were really struggling with the textile mill...The clothing division was profitable; the textile mill was becoming less and less profitable. The products that they made, particularly the automotive upholstery--were...Cars were going through a change. They didn't use pile fabrics. They were going into filaments and synthetics. Cars were being built low. Instead of stepping up on the running board, and getting into a car, you got into a car...You slid down into a car, as you do today. And the mill was not equipped...It had union problems, and there were southern competitors who were really taking that business away. So the textile business was struggling for profits. Yet, it was still a good business. And there were people...J.P. Stevens took a very close look at it, and wanted to make a "tender" offer. They didn't want it to be unfriendly; they told us what it was and we said we weren't interested in that price. And about a year later Burlington came into it and offered what we thought was a good price, because they offered $20 a share for a stock that had a market value of about $14. It had a book value of $27. But we just were convinced that with the problems...We were having a lot of union problems and were becoming uncompetitive, and many of the big New England textile firms had moved to the Carolinas and Georgia. We had not; we had stayed in Maine, and done a lot to modernize the plant. We did everything we could but we could not see light at the
end of the tunnel. And Burlington came in and made a "tender" offer and it was a good offer...

Q. And what year was this?
A. 1954. Burlington came in and made a "tender" offer and we advised the stockholders (shareholders) to take their offer, and it was wrapped up in a matter of a couple of weeks.

Q. Well, actually, your father had two partners who had built a very large business very quickly.
A. Well, keep in mind, the two partners were just back in the wool business. Of Campbell, Ward & Reilly--Reilly stayed in the wool business. Ward and Campbell went into the textile mill. When the family was bought out in 1944, Campbell was out.

Q. I see. So that actually the business of Palm Beach Clothing was your father.
A. No, it was a publicly held company, as a subsidiary headed by my father, who was by then President of both the Palm Beach Company and a subsidiary, and Burlington bought them both. Because when they bought the parent company, the parent company owned the stock of the subsidiary. So basically... We then found ourselves, in 1954, working for and part of the Burlington organization. However, Burlington did not want to keep the subsidiary. They wanted to keep the textile mill, because they felt it had excellent market position for many of its fabrics. They could pick up Palm Beach Company as a captive customer practically, so they paid... My best recollection is about $11 and a half million, and then Palm Beach Company in turn... My father, a group of the
managers and some of his close associates—social friends and business friends and one of the other directors, John Rich, who was still on our Board of Directors, came and they raised money. Burlington was very helpful, in helping us to buy something that was theirs, with some extended credit terms and helping us float some debentures at very favorable rates. They wanted to sell the Palm Beach Company. If they didn't, they felt that it would put them in competition with Burlington, the maker of men's fabrics, in competition with their other customers. And so basically in 1955...I think it was earlier. We were with Burlington for about a year. It took a while to get this transaction solidified. Because Burlington was also a public company. They had displayed this property for sale to others, and others looked at it. But they had a lot of confidence in Elmer Ward, because they knew what kind of a show he had run. He had a reputation, a national reputation for integrity and they believed in him completely. And they also believed that he could run that business better than anybody else could run it, and that by selling it to him, it would be successful and therefore the relationship between Burlington, as a supplier of Palm Beach Company, as a buyer of fabric, would sustain itself. So we did it with mirrors.

Q. You did it with what?
A. Mirrors. It was highly leveraged....

Q. Spell mirrors, would you?
A. A mirror.
Q. Oh, mirrors. Excuse me.

A. You don't understand my midwest accent. Okay. I'm sorry.

Q. No, I'm sorry. So you did it with mirrors.

A. It was a very welcome deal. But it then became a private company. And the principal investors were my father, my brother, an attorney from Boston, several...Just a consortium of business people who believed it could be a very successful enterprise. And so it was...

...It was purchased from Goodall-Sanford. Keep in mind, they were now owned by Burlington Industries. They were called Burlington Mills at that time. I'll give you the up to date names. And it was a private company from 1955 on. And at that point, my father...Burlington had offered me a very nice job in Greensburg, North Carolina and I was quite inclined to take it because I was principally...I didn't know anything about clothing, but he urged me to come with him, and felt that there was a great opportunity to participate in a young and growing firm that he felt would be very successful, and that had a great market image; and established marketing and had a good selling point; that we would be relying on Burlington and others for fabric. We were not locked into just one mill, as we were when we were owned by Goodall-Sanford. We now were able to buy fabrics from others as well as Goodall-Sanford.

Q. Larry, at that point, what was your role in the Palm Beach Company? What were your functions?

A. My functions? Personally? I was not with the company.

Q. You were not.
A. Not until it became private. I was with the textile business in Maine, and Burlington gave me a choice of either one week's severance pay or of taking a job in Greensborough and at that point my father was urging me to come with the company, so I came on that...

So, Keep in mind...That was 1955. That was my first affiliation with Palm Beach Company. My brother...

Elmer......had been in sales since'51; was then appointed...He kept some of his key accounts but also then became Director of Advertising, and we were heavy advertisers. We were a company that really believed in advertising, all during the history of the company. So that was a key spot. And then it wasn't until 19...My best recollection is about 1963 or'64 that Bob came with our company. He was with another business for ...Oh, for ten years before he came with us. He was with a very successful advertising firm in Boston. But at that point in time my brother Elmer had moved up the hierarchy and wanted somebody he really felt confident in running the advertising, and that's when he called upon Bob to come in.

Okay. So now we are a private company in 1955, with good national distribution, good sales force, good plants, still highly leverage, and the years in the late fifties were all very good years; very profitable years. At that point in time we were probably producing 25,000 suits a week--this is 1955. We sort of stayed at that level, maybe getting up to 26-27,000...

Q. About what was the price range at that time?
A. I remember in 1955, when I came with the company (and I
spent a year in New York with Sales), the price had just gone from
$29.95 to $32.50, retail. And at wholesale it was about 60% of that.
And also, a significant development occurred around 1957--'56-'57. We
started to introduce a fall weight line. First it was sport coats
and slacks, and we just felt that we didn't have... As a private company,
we didn't have the resources and backing that we had had with the textile
mill. Interest rates at that time were a lot higher than they were in the
'30s and '40s, and it was that we simply wanted to balance our business
instead of being a one season line, so we started to diversify and became
a two season line. Sort of a typical clothing company. And we did this
first by introducing a very attractive line of suits... Of sport coats and
slacks and then a year or so later we began to get into suits and...
a modest but an increasing share of the production was a fall line. We
have continually marketed a fall line ever since... Well, since that initial
attempt in 1956 or '57. And today the business is reasonably well balanced.
We are still more of a spring-summer supplier than a fall weight supplier.
I guess you'd say the business prospered through the late '50s, into the
early '60s. I remember 1958 was the only year we lost money. That was
a very difficult year. There was a recession that year, and retailers
had not had a good year. However, it was not a serious loss and we
kept on a good, profitable basis and kept growing. And one of the next
significant developments was around 1963 or '64 we began producing fall
suitings with a content of synthetic fabric; this had not been done before. And the chemical people--DuPont, particularly--was interested. They had been so successful in converting...Well, from about the middle '50s, suits began being blends of wool and polyester and we had blends of wool and mohair and polyester. The cotton suits we still marketed, but principally polyester at that time began to be a significant fiber, in all spring weighting suits. And really, it was almost a demise of the all wool spring suits; the typical tropical worsted suit that was marketed along with the wash suits, for spring. And we worked hard to introduce this. And like any other new product it was difficult. We had the backing of DuPont in advertising. We spent a lot of money ourselves; we knew how vital it was. And we felt that just to appear on the market with another fall suit, there was no reason why a customer needed us. But when we appeared on the market with a blend of wool and polyester, we got enough good stores to buy it and they liked it. And basically now, today, fall weight suits, a great percentage of them, have a percentage of synthetic fiber. Man made fibers. People don't like to call them synthetic. Man made fibers.
Q. This is a continuation of the interview with Lawrence Ward of the Palm Beach Company. It takes place on December 14, 1983.

Now, what were the most important things that happened...

A. Well, I would say the introduction of fall season was significant, but I would say in the company history, the next most important thing was an aborted merger that took place in the summer of 1965 when BVD Company approached us. And they were a public company, and for various reasons there was some incentive for some of our principals to want to have a public stock, particularly my father, two or three other of the 1955 investors, who were getting a little on the old side. And they felt that if they were to die that the Internal Revenue Department would establish a market value for their shares. So the Internal Revenue Department is going to establish a very high market value, and they felt that, really, they should... There was some reason to feel that we should either "go public" or join a public company that had listed shares. And we were approached... One of our directors at that time was with the investment banking firm of Eastman Dillon, and he put us in contact with the BVD Company in Pittsburgh, a sportswear maker, and we had some meetings, and it seemed that it would be a merger of two good companies and that we could work with the situation. BVD, in the meantime, had just bought the Alligator Raincoat Company and they really bought a very bad company, and they asked us to help them with it. I remember myself spending much of the summer of 1965 in St. Louis trying to help them, and obviously they felt that we knew...
more about the raincoat business than they did. But somehow or other, the merger lost its flavor. Some of their accountants were disagreeable people....

Q. I'm sorry. Was the merger with BVD?

A. Yes. A proposed merger with BVD. And we got along fine with the principals, a gentleman by the name of Mr. Sol "Kittay," and we got along fine with some of them at the top level. But when it came right down to the nuts and bolts and accounting, and placing evaluation on inventories, we were having a very unpleasant time with their accountants. So much so that there was a feeling of mistrust that grew between the two companies, at the operating level. And it finally culminated in a real blowup between our financial people and theirs, and the result of it was we cancelled. It was really an eleventh hour cancellation. We called it off and asked the gentleman from Eastman-Dillon to....He himself said he thought it would be a good market (this was in 1965) for a public issue of Palm Beach stock. So we elected to go that way, rather than going through a merger of another company. It worked out very well, because we really thought Sol Kittay, the President of BVD, was sort of an empire builder, and we felt that he had been a key company in the BVD group. And as it worked out later, two or three years later, he sold BVD to Rapid American. We had retrospective nightmares of having to go to work for a huge conglomerate.

Q. Incidentally, did you know, also, of course, that the Alligator Coat company had its problems with the name "Alligator" because of David Crystal and the alligator logo.
A. Yes, I did know that. But Alligator really... They were never really able to revive Alligator. It just dwindled into nothing. Alligator had made a basic marketing strategy mistake: They had elected to stay with all cotton raincoats and rejected DuPont offer to really work with them to perfect the product that... of polyester and cotton; dacron and cotton. And when they did that, DuPont turned to another source. They happened to turn to London Fog, and that was really the thing that set London Fog into a position of prominence, and nobody ever heard of Alligator again. So, basically we then became a public company late in 1965 and our stock was traded over the counter and we....

Q. About how much volume were you doing at that time?

A. At that time we were doing right around $27-28 million, and that was all the money we could really generate. That was all our volume, that our working capital could possibly generate. So, however, as a public company we then were able to borrow more and we were able to sell equity to raise the money to go on to better levels of volume, and this we did. Between 1965 and 1974, we went from about $28 million up to $100 million. And I remember very well that $100 million plateau, was reached in 1974, our fiscal year in 1974. But we had grown to substantial size and by 1970 we had gotten to about $65 million and we were making a net profit of maybe $1 1/2 million at that time, and we had enough of the qualifications to take us to the New York Stock exchange, the big board. It meant that our stock would be traded on a broader range by far. So after five years over the
In the spring of 1970, excuse me, we became listed on the New York Stock exchange, and we used the symbol PMB, and that's still the symbol we have today.

In 1974 the company had grown to $100 million but around, sometime in the late '60s, we began to realize that there wasn't a great deal of dynamic growth in men's tailored clothing, and that if we were to become a larger and more important company we would have to diversify, and we wanted to stay in apparel. We'd never gotten into anything but apparel, except for maybe high priced retailing, or something like that. But we felt that we had ... We recognized that tailored clothing, in terms of units, would not increase in the market place, but sportswear was the thing that was gradually taking over and that the casual... That people with more leisure time were spending more money on casual wear. We also realized that the women's market was and still is probably three times as large as the men's market, apparel wise. So, basically, our first acquisition was a company call Austin Hill which was a men's and women's sportswear. Okay, Austin Hill was a men's and women's sportswear company located in Baltimore, with a plant in Pennsylvania and another one in... A couple of contract firms. And that was a good acquisition. That gave us a good sportswear handle. And while today the men's division at Austin Hill is relatively small, the women's is a very significant fact in Austin-Hill. We also purchased Calvin Clothing Company in New Bedford, Massachusetts, principally a boys' wear manufacturer. We purchased a....

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Q. Did this give you manufacturing facilities as well?

A. Yes. They had their own manufacturing facilities. As well as did Austin Hill. We purchased in 1969 the firm called Craig-Craely which was a ladies' dress and sportswear firm. So that's...Those were the principal...Those were the late sixties...'70 and '71 were recession years and we just tried to hold our own and keep everything going. But then the most significant event occurred in 1973, when we purchased Evan Picone, a small firm at that time. Evan Picone was billing in the neighborhood of $5-6 million and was privately owned, and was a well known company that had been a well known and very successful company, purchased in the early '60s by Revlon. And Revlon somehow or other... What they do they do very well, but they didn't have a lot of expertise in women's wear marketing and manufacturing and Revlon did not make Evan Picone a successful or profitable firm. So when we bought it, the volume which...had been up around $8-9 million, and was now....The firm was purchased back from Revlon by Mr. Joseph Picone... and a partner, his name was Irving Spitalnak, a very strong seller, had this firm just on about a $5-6 million basis. Again, they were rather a highly leveraged firm and they really couldn't take it beyond that point. But as soon as we bought it we recognized that we did have a gem... We knew it was a good firm before we bought it. We had a contingency payout and they earned the maximum for their company. But we were really the...We were all winners in the long run. Because that firm, in 1973, was probably $6 million. Ten years later it was $185 million. And it was a good generator of
gross margin and a very profitable company. It capitalized on the new demographics and the fact that women were entering into the professional world of commerce in increasing numbers, and Evan Picone made the type of apparel that women could wear in an office. It was not weekend dressing. It was Monday-Friday, 9-5 dressing; the career woman who was not just to be a secretary but wanted to be an executive or maybe a sales person, and it was just right for that purpose. A department store that didn't have a lot of customers. They....Principally, their business was the top 100 department stores in the country. Austin Hill... And basically they took over from Palm Beach the operation of Craig Craely as a dress line and they took over operation of Austin Hill as a woman's sportswear line. But principally, almost exclusively, for specialty stores. The suburban matron as opposed to the, say the city working woman. And Evan Picone still provides management for those divisions.

So, basically, that was a consistent growth; a consistent ...it contributed to our profit picture and I think that the....

Q. And what was acquired after Evan-Picone?

A. We really didn't do anything for about the next five years. And in, principally, '75 and '76--difficult years, as you remember, recession years--And we were content to hold what we had. And besides that we had... Really, we were so delighted with what was happening in...Principally because of Evan-Picone...We didn't feel any necessity. But again, we remember...Keep in mind, we were determined that we were going to diversify
ourselves. We were not going to remain just a men's tailored clothing business. And this was fortunate, for as we've shown our stockholders in our annual report, starting in '78, menswear, men's tailored clothing sales started to decline in the men's field clothing.

Q: From what to what?

A: From about $78 million to about $60 million. While we had said we didn't want to keep too much of our volume in men's tailored clothing, it also happened in 1979 that our big competitor in the wash and wear field, Haspel, came to us and said they wanted to sell us their business. We had talked with them about this about a year before, in 1978, but somehow or other it didn't happen then. And...They were losing money heavily and they were not going to stay in business. And basically we felt that if we could buy them at a favorable price and buy their stock, we would be able to take advantage of the losses that they had run up, and they had run up some substantial losses in the period 1975 to 1979. So basically......So that acquisition did occur. It occurred in August of 1979, and we took over. It was a New Orleans based business but we did not keep the administration. We moved that to Cincinnati. We did not keep their New Orleans factory; we did keep their factory in Tylertown, Mississippi, which was just north of New Orleans, and a good plant; much lower cost than the other one they had in....We needed the production also.
Palm Beach could not have taken on the production at that time.

So, they had come on board, and the first year I think we sold something like 120,000 suits and subsequently it's grown to something in the neighborhood of 175,000 suits a year, principally all in the same season. They had a good customer base. They had a good customer base with Brooks Brothers, with Cable Car, with Saks--with really some quality stores, and we were anxious to assume that.

Q: You know what troubles me a little bit? In the women's field, those companies--like the coat companies--that had one or two seasons a year, got into serious trouble because they had such deep valleys when they were not producing. How were you able to avoid that with a firm like Haspel?

A: That was a problem with Haspel and that was the reason they were never able to develop a fall business. And that same problem still exists. But what we did...I have to backtrack here just a little bit. We did take on a brand name. A company called Seinsheimer Company. It was a very old firm in Cincinnati, and they had been losing money and they had a big overhead and they just determined that they just couldn't continue in business, after 92 years. We did not buy their stock, we did not buy their plants. All we did was we took over their sales force,
and we paid them a royalty on certain of the garments that we sold under their brand name. They used the brand name, Varsity Town. And basically it was a specialty store line. They had a good sales force and even today it's a good line force. It supplements our Haspel line and we have pretty much merged the administration of the Seinsheimer Company and the Haspel Company. As an example, these offices we're in right now have both names on the door, if you happened to notice. We also use the "Gant," because later on when we did buy "Gant," we thought it was such an exceptional name...

Q. When did you buy Gant?

A. Oh, we bought Gant in 19...Let me see. That was in late 1978 or '79. We began letting Seinsheimer market under the name Gant which was presently a hot brand name, far better than the Varsity brand, and it enabled them to get in...to get their line into more stores. And basically the idea behind these acquisitions was really to take these companies, not really buy their stock (although we did buy the stock of Haspel), but...inventory we took over. We didn't take over a lot of inventory...And run that volume through the Palm Beach pipeline. Because, as I mentioned, Palm Beach's volume in the late '70s was declining. So, this new added volume helped us keep the Palm Beach plants filled. We never produced Gant or Seinsheimer--well, I'll now call it Gant--in anything but the Palm Beach plant. And we produced right from the start a lot of the Haspel goods in the Palm Beach plant. Now we produce all of
the Haspel goods in the Palm Beach plant. In Palm Beach, the menswear volume has rebounded somewhat, but it is still not what it was 5-6 years ago.

Okay. You asked about the Gant acquisition, and that took place in 1979, and the sales volume at that time was about $25 million, and that had been purchased by Consolidated Foods in, I would say, about 1970, and maybe they were with Consolidated Foods for about 8-9 years. Then, again, similar to the Revlon Story, Con Foods was a very good company and they really know what they were doing in their field, but they really didn't do that much for Gant. But it had a classic, traditional styling, and it was tasteful; it was a tasteful look. The kind of look that really doesn't ever wane in popularity, but it doesn't increase all that rapidly either. Gant has been a company with now probably a 35 year history. It started a dress shirt company and still is a dress company but they've diversified into sportswear, and when we bought it in 19....It took $10 million to buy it in 1979 and it was doing $25 million. Sales of Gant this year could come close to $100 million. Again, we were...We've used that name, we've used the Gant name in children's wear, through Calvin, on Seinsheimer tailored clothing; we have a Gant line for women that is different than Evan-Picone because it's weekend dressing. It's principally sportswear. It's male counterpart is Active Sportswear. One of the things we have done (I showed this to you in our brochure) we have sponsored the America's Cup Sailing Race, and we got a tremendous
amount of publicity out of this because, at a very little cost...You pay something, but principally we outfitted all the crews, all the challengers and all the contenders...Not the challengers; all the domestic contenders. And we have had just great sell through in...Particularly in department stores as well as specialty stores.

Q. This is Gant.

A. In Gant, right. Okay. Another thing that we did, In 1979 was we acquired a company called Eagle Shirtmakers, which is in Pennsylvania, and the reason we wanted this...

Q. When you say "they're" in Pennsylvania," you mean their manufacturing was in Pennsylvania...

A. Yes. Their manufacturing and their headquarters. The sales offices are right here in this building. But toward the end of the '70s, we had seen this incredible interest--it's a phenomenon--in designer names in apparel. And we have had a designer name; we have used the John Weitz name in men's tailored clothing for 15 years or more, and it's a particularly helpful name to us particularly in our fall line, though we use it all season. It's a good label. And John Weitz is a splendid individual. He has a high profile; he's known as an American; he's a real All-American guy; he's a car racer and he....Well, I'll tell you one thing he did. During the war he jumped out of...He jumped behind the German lines in a German uniform. That takes some guts.

Q. I have to tell you that we also have John Weitz'a Oral History
that I did not very long ago. So, whoever's interested in this might very well be interested in that one too.

A. But we saw this incredible interest in designer apparel, and it's significant. Because the more important a designer it seems, the better the markup on his merchandise. And so that's why we really wanted Eagle Shirtmakers. Because they had the exclusive license in men's sportswear for Pierre Cardin. And it's worked out very well. And it's not the dramatic increase in sales that we've had with Evan Picone women's or out of Gant. But we bought it in 1979 and they were doing close to $17 million that year, and this year it should be around a $35 million company. So, basically, it's doubled and that's a pretty good way to go. If it double in the next five years, we'll be happy with it also.

So, those were really three very important acquisitions that took place in 1979 and 1980. Haspel, Gane and Eagle Shirtmakers, which was Pierre Cardin. Also, one of the other things that Evan Picone did was it formed in 1979 a hosiery division, and it's had remarkable success in very good stores. I'll show you this...

Q. Is this under Palm Beach's name...?

A. No. Evan Picone Hosiery for women. And it's come from a $2 million business in 1979, and today it...It should get close to somewhere between $15 and $20 million, in fiscal '83.

Q. Now, could you take a moment....Because you're talking about an extraordinary growth....What do you think caused that...?
A. Well, basically it's styling. I had....We had hired a couple of young people...We had a woman who is the president of this thing and she's less than 30 years of age, and she really understands that market and she understands the styling of it. Evan Picone, being a great name (there's a synergism there); people recognize the name from the daily clothing of Evan Picone and the sportswear that they've bought, and they're immediately interested in buying, or at least sampling and trying the hosiery. And stores like it. For example, Saks gives it incredible floor space. Right on the main floor. More so than anything else except maybe the Christian Dior line. I'm not saying that it will someday be a Hanes or one of the Kayser Roth companies that...popular prices. This is better priced hosiery, but stylish hosiery. And the stores like it; it's got a good sell through and we do a lot of accounting for the store; fill in business for the stores. Any store that has a good strong Evan Picone clothing department welcomes the opportunity to put Evan Picone hosiery in, and they're having very good success with it; they're making money It's going to continue to grow.

So basically, what has happened, then, to Palm Beach Company is the product mix has changed dramatically in the last, I would say, 15 years, but particularly in the last ten years. We are now at the $500 million level. We are doing about $200 million of that in women's wear. We are doing about $40 million of it in boys' wear (these are not secrets; these are in our public statements); we have the balance in menswear; men's
tailored clothing--Haspel, Seinsheimer Gant, Eagle Shirtmakers and Gant and Pierre Cardin....

Q. And what is a thing called Adler Pants?
A. Adler Pants is a high quality boys' tailored clothing.... tailored slacks. It's better dress slacks, for little boys. We simply break it down into two categories--men's and youth apparel and women's wear. As you can see, in 1982 we did $287....

Q. Million dollars...
A. $287 million, and $203 million in women's wear. Well. We have one other division...

Q. Excuse me...Just to contrast it. What were your figures in 1949, that you were talking about earlier?
A. In 19...I'm not sure what the volume in 1949 was, but I very well remember the...No, those were prices. I remember very well my first year with Palm Beach, which was 1954, and we were doing about $18 million. All in men's tailored clothing. Right. That was the first year we had separated ourselves from Goodall-Sanford. I remember it being $18 million. And I remember from 1955, at $18 million, it took us to 1965 to do $25 million. And then in the next ten years--1965--1975--we grew to $100 million. And then by 1978, we were $230 million; in 1979, we grew to $320 million; 1980 we were $400 million; 1981 we were at $497 million, and in 1982 we were off, to about $491 million. This year will be something close to $500 million. Basically, our company, today, is not interested in volume per se, we are
really interested in profits. Our peak profit year was 1980, and profits in 1978-
'79 '80 and '81 were all in the $14 million range, net after taxes. In 1982 they were off to about $9 1/2 million. 1982 was a very difficult year. We closed up certain things that we had gotten into and this is expensive to do, and we sold off certain divisions.

Maybe I could talk to you about one other part of our business that I haven't mentioned before, and that is our factory outlet stores. We had never had any traditional outlet stores, but starting way back in 1955 we did open up what we call a mill outlet store in Newport, Kentucky. That's right across the river from Cincinnati. And this was designed to sell off all our damaged garments and returns and odd sizes and so forth.

Q. The occasional overstock...
A. Yes. And we didn't do too much more than that. And probably sometime about five years later we put another one in our plant in knoxville, Tennessee. Now we have about sixteen of them; the best ones are right in our own factories. Even in small towns, like "Alabaga," Alabama.

Q. How do you spell that?
A. P-a-l-l-a-b-a-g-a. It's an Indian name. And basically the volume of that has gone from... But we principally sell it there at just off price but these are such things as damages, credit cancellations, leftovers, returns....

Q. And about how much volume do you do altogether in that?
A. That's about $30 million.

Q. You know, that's a pretty good sized business.
A. And we run about 16 stores....But again, most of them are right in our own plants, so....Three of them are Haspel plants, in the state of Louisiana, and so....

Q. So, each of those...

A. Has helped us profit wise because if you can absorb your own fashion mistakes and then technical mistakes without losing too much, in markdowns, it does help you to maintain your overall margins. Because if you have to sell your fashion mistakes to discounters--and I distinguish between what we do here, not discounting--We are selling basically at off price levels...

Q. Right. You're a factory outlet.

A. They are principally our own factories....But if you can do that...Because if you have to sell merchandise to a discounter, they're not going to pay more than 50% of wholesale, and in the women's wear they won't pay even that. They'll pay about 25% wholesale in women's wear. So, it's helped us profit wise.

Q. About when did you start using this method of disposing of odd...

A. The first time was in 1955. The second was about 1960, and then this has become more a way of life today. But as the company grew and we had more merchandise end of the year closeouts, we needed more stores. We're at a point now where we're running very, very tight on
the inventory, as a by product of the late recession, and we don't really need any more stores today. We will probably even shut down a couple. However...Let's see, if I can tell you about some of the things that have not worked out, because everything I've told you about so far has been a success story, and there's always the other side of the coin.
Q. ...for the Oral History Collection of the Fashion Institute of Technology, this will be a third interview with Lawrence Ward, Executive Vice President, of the Palm Beach Company. The date is January 4, 1984; the interviewer is Mildred Finger.

Q. Now that we have the chronology of the company, the birth and growth up to the present time, I would like to take a few minutes to go over some of these individual questions, many of which we've probably touched on all ready. I just wanted to be sure. First of all, as you are a conglomerate, what has been...

A. Keep in mind that we were an apparel conglomerate.

Q. An apparel conglomerate. Right.

A. That's an important distinction.

Q. Yes, that is an important distinction. Would you talk a little bit about when or how decisions were made, whether to acquire or to expand from within when you wanted to grow?

A. Basically, we have done both, but we have principally...The decision was made around 1969 or '70 that if we were really going to remain an important company, we must be an apparel company rather than just a men's suitmaker. Because we began to see that sociologically the trends were working against men dressing in suits, and even for business occasions and social occasions, the trend was more toward casual wear. People began having more leisure time and didn't want to wear suits and so we did feel that we wanted to branch out. We saw the trend toward wearing a casual kind of sportswear,
and basically we wanted to diversify. We wanted to make everything a man would wear, and eventually everything that a woman would wear. And basically we are at the point, even today, that we make everything that women wear with the exception of lingerie, and we even have hosiery and bodywear, but we don't have lingerie per se.

Q. You have bodywear and hosiery made by whom?
A. That's Evan Picone.
A. That's Evan Picone. Uh huh.
A. And maybe even bridal gowns at the other extreme instead.
Q. You mean you do not have a bridal gown company
A. We do not. But we make almost every other thing in women's wear. In menswear, we acquired a shirt company, a sportswear company, an outerwear company and a casual wear, jean maker, and we did all of these things. At the end of our last interview, I got through telling you about all the wonderful things we did, and I think I closed by saying that some of the things that we have done have not been so wonderful. We did not hit a homerun every time we went up to bat. We wanted to get away from...We felt if we were going to be...have a real casual manufacturer, a jean maker, casual pant maker, it had to be a non-union house. We could not...Because union houses are just not competitive in that kind of field. So we did buy a company in Monroe, Louisiana called Buccaneer Sportswear. And we have run that-It was both men's and women's; extremely
casual--jeans and so forth. But it was the wrong management, the wrong setup. We never paid much attention to it, but subsequently we realized that we were not making any money on it and we had to close it down.

Q. About what year did it...?

A. It was closed down in '83, early in 1983. And in 1979 we bought "Zero King" which was an outerwear manufacturer in St. Paul. A very good company. We had tried to buy that company in the early '70s, and they were an extremely profitable company. And when I say profitable, profitable in this industry is 4% after taxes. That's a very good company. And Zero King performed that way, all through the '70s. Somehow or other when we got it, whether it took the management's incentive away or whether it was a question of the times turning around, but they were not a successful company. They were marginal, profit wise.... They were profitable but along the lines of 1½%. And they had a lot of cash tied up. It was a one season business, and basically we made the decision that as money had gotten extremely expensive, in the '80-'81-'82 period, by far, the cost of interest on money to run that company, to provide working capital, exceeded what we could make and we had sort of a mandate from the Board of Directors that if a company can't make more than it costs you to borrow for it, to run it, we won't keep it. We sold it back to the original people we bought it from.

Q. At a much lower price, probably

A. Well, it was a satisfactory price. I'm not permitted to tell
you that, but it was a satisfactory price. They were happy to get it back. Good people. Very good people. But it was just...I think perhaps it was a question of our company not being willing to commit that many dollars to make that little money. And so we have sold that so, right now, we do not have an outerwear company. We also had a ski...We also made ski wear, we bought a little company called Powder Horn Mountaineering and it was out of Jackson Hole, Wyoming, and we ran that independently for a while, coupled with our management. We really had management problems there. It was a very good product—down, wool—colorful. We thought it would give us an entre into the ski wear market, which is an important market. But it did. But again, it was sort of a limited distribution, within the Western states. We never could get it going outside of that traditional market in the mountain country—Colorado, Wyoming. We gave it to the Zero King people to run, and when we sold Zero King it was part of the package...

Q. That's Powder Horn...

A. Powder Horn Mountaineering Company, and it was located in Jackson Hole, Wyoming. One of the most beautiful place you've ever seen, along the Powder River. So...And then the other...The divestiture...I seem now to be telling you only about our company's errors. We are currently in the process of divesting ourselves of our formal wear division. And again, this is a business that is not particularly profitable. It does tie up a lot of money in inventories, stock, accounts receivable. That business....
almost a unique businesses. There's only two or three other companies in it, and...

Q. What's the name of the division?

A. Palm Beach Formal Wear. And we had...Our customers were rental specialists. People who would rent garments to...If you had a prom or a wedding, that type of customer. They are small businesses and they are extremely slow paying and from the time you stock the merchandise and they come in to buy, and they expect you to have the stock, you'd ship it to them and then wait on their accounts receivable. And their accounts receivable was even more than double the traditional number of days in the apparel industry...Normally we will collect our average bill in something like 60 days, whereas we are collecting our bills from formal wear in something like 150 days. There was too much money being tied up and not enough profit potential. So, in order to free up the cash and make that cash available and strengthen the balance sheet, number one, and maybe make it available for some other acquisitions, we have spun that off.

Q. Essentially, you haven't opened up additional divisions on your own. You've acquired them, is that right?

A. Essentially, yes. Right.

Q. Well, together with that--because you've mentioned management a few times--what is your stance, in general, on the subject of management and style of management when you deal with divisions that you have acquired.

A. Basically we like to stick with the people we've acquired it from,
because if it hadn't been a successful company we wouldn't have acquired it. We knew when we bought Buccaneer Sportswear that we had bad management and we put our own management in and it was better than their management, but it just never clicked. It wasn't a good profitable company. But from the standpoint of...Most of the acquisitions we've made, we've done on the strength of management. If that's not there, we wouldn't touch it, because basically, my brothers and I grew up in the men's tailored clothing business. We never knew that much about sportswear and we didn't know that much about the women's wear business, and we didn't know that much about the boys' business, and when we have stuck with that formula ...we have done very well.

Q. Well, your younger brother, your youngest brother, is in charge of the Evan-Picone operation. But when you acquired the company it was being run by...

A. It was being run by Mr. Picone, who has just now retired. This is ten years later. He has some very strong internal operators, one of whom left the company but the chief financial guy is still there...

Q. You mentioned that you saw a pants maker that was not unionized. What's been your feeling, generally, on dealing with unions...

A. All of our companies are union affiliated. The only one that wasn't was Buccaneer Sportswear, and it's gone now. In general, Amalgamated Clothing Worker is the union that the men's firms are associated with. We have excellent relations with them. I have been myself the chief negotiator since 1977 in all our labor contracts...
Q. As an industry...
A. As an industry spokesman, yes. And I also do...
Q. What is your council...Is there a council or an affiliate group or...
A. Yes. The menswear group bargains under an association called
The Clothing Manufacturer's Association of the United States...As an
abbreviation, we call it CMA. And CMA is an industry group and represents
almost all of the major 'tailored' clothing manufacturers. And they
select among their membership those who will be their negotiators. We like
to have a little turnover, but we like to have essentially the same people.
Because if you just do it once you're not going to be very good at it,
and you're going to get out of negotiating. The unions have very professional
people. Their chief officers or their general officers are both lawyers;
they are both very experienced people. They do a lot of this and they're
very good at it. However, in general, the settlements, recently, have
been moderate. I wouldn't say modest, but moderate. An average wage
in this industry today is probably around $6.75 per hour. Close to $7.
And of the 25 top unionized industries, that's probably 24th on the list.
As far as the women's wear goes, we deal with the International Ladies'
Garment Workers. Again, keep in mind that Evan Picone doesn't have that
many workers, so they contract out 70% of what they do. Some of it offshore,
some of it in the United States. But principally they have a small factory
in North Bergen, New Jersey where their headquarters are, and then they have
a blouse factor in Kentucky. But those two plants produce probably less than 25% of all the things that they sell, so they utilize contactors, which is a very typical situation.

Q. Both in the United States and offshore.
A. Yes.

Q. As you mentioned offshore, what is your overall situation in menswear divisions regarding offshore?
A. Men's division, very little is imported. It's in violation of the union contracts, of both the shirt companies' contracts and the clothing companies for boyswear, and the only thing you might bring in from offshore is something that you actually don't make. For example, Gant, the shirtmanker, does import some knit shirts and some slacks, but basically, in the men's division, it's 90-95% made here.

Q. When you talk about import in regard to Gant, do you mean that they buy over there that which already exists, or what they design over here and have made?
A. It's designed over here and a prototype sample sent to be cut and manufactured there. It's a great deal of effort, in the form of sending people over there and having them meet the contractors over there and getting all the details and specifications. Once it lands in your dock you own it. It isn't like dealing with a domestic source where you can send it back to them. Here, you own it. We do have an office in Hong Kong,
and it services whatever men's division and women's division...whatever they buy.

Q. Right. I think we've touched on it, but could we just clarify the whole subject of store relationships, by which I mean a number of things... The relationships of the people of stores, but in particular I'm interested in knowing about specialty stores vs. department stores, and how has that picture changed, if it has for you?

A. Well, basically our women's divisions are department store oriented. It's 80-20% or even more than that; even, 85-15%. The department stores are their customers. Evan Picone's principal customers are the largest 100-120 department stores in the United States. As far as menswear goes, it's about 50-50, specialty stores and department stores. Department stores are not increasing their share of the men's tailored clothing business. They find it easier to sell clothes as separates; the type of things that Haggar and Levi make, maybe principally polyester. There's no matching problem there, and they're sold as separates, the coat, the vest and the pants. If you want to walk in and just buy the coat, you can do that. Or you can buy the coat and pants and not buy the vest, or...any one of the three pieces. And the department store... there's no alterations. These things are prealtered. If the guy wants to have them altered, maybe the store will do it but they'll charge him for it. Whereas in men's tailored clothing, alteration costs for a typical department store are
around 8-9%. With that kind of margin, with that of cost, they could not maintain their margins. It also sells...but the emphasis is not on it they way it was some years ago. Consequently, our share of specialty business is increasing. Our emphasis is to try to sell specialty stores and as the department stores have sort of defaulted on this, specialty stores have picked up...

Q. There was a time, wasn't there, where specialty stores in the menswear industry were very, very numerous, somehow more numerous. What happened there. What's the story...

A. Well, I think basically, two things happened. The department stores took some of the business. The off priced retailers have taken some of the business. Particularly that's true I would have to say that is particularly true of New York. If you've looked at the list of real good specialty stores that were here 20 years ago, and I'll give you some names: "Brown & King," Rogers Peet, Broadstreet's, Weber & Heilbronner, John David, B & B, Finchley, Best & Co., De Pinna—all these stores are gone today, but men are still wearing clothing. They tend to buy at Barney's, which is an off priced retailer, or Mel Ginsberg and Saint Laurie, which is in the lower end of Manhattan with low overhead. And then there are still a few who are specialty stores. There's Wallach's...the outstanding one.

Q. Right. But all over the country, say, there were chains of specialty stores which, it seems to me, have disappeared...
A. That's true. But men's tailored clothing...15 years ago maybe there were close to 30 million units being sold. Today maybe there are 16-17 million units. A lot of that business...

Q. So that business is being replaced by sportswear.

A. That's right. So basically a lot of those stores have just given up. However, other specialty stores do very well, and the department stores are doing well. I guess maybe the best stores in town would be Saks. Bloomies is very good. But there is an awful lot of business done by Syms, Alexander's, off-price retailers.

Q. Are you doing any...Do you have a discount division in any of your? ...

A. No. We have...Basically, we sell off our fashion mistakes and our overages and our broken sizes, and returns through our factory outlet stores. And sometimes if we have extra piece goods carried over, we'll cut it up and sell it to those stores too. The main mission of our retail chain, the best of those stores are right in our factories. We do have a few free standing ones, but essentially...Also, when you open up a store in a market where you have a very disappointing return on business ...I'll give you an example. When we first bought Haspel we opened up in New Orleans, a Haspel factory outlet and it does $2 million, $2.3 million today, and we're very happy with it. You can sell damages there; you can sell returns, last year's styles. And we do very well, and it's profitable, and it represents a very good buy for the consumer.
Q. Do you have a private label division, or do you do any private label work?

A. We will do whatever the store wants. We had a label called "Allen Solly" and we sold it to...

Q. Allen Solly, the English...

A. Yes. A very good label. It came when we bought...Oh, which acquisition? I think it was...I've stumbled. I'm sorry, I can't think of it. But anyway, we owned it. We turned around and we sold it to the Federated Group. They in turn use it as a private label, because of the quality image associate with it. You knew that label, too as soon as I mentioned it.

Q. Yes.

A. And, they do manufacture a lot of tailored clothing for the Federated Stores under the name "Allen Solly," but the name is really theirs. We'll do that for anybody now. Hart stores wanted a special label...

Q. Which stores?

A. Hart, Schaffner & Marks...Woodward & Lothrop for instance...might change to private label rather than any of our brands. But for the most part, the stores like our brand, because we've got a very good brand and they like it and this is really what they all use. The chief reason a store wants a private label is because they can take a longer markup, all of them, and if it's his alone he doesn't have to worry about
the store across the street putting it on sale when he's got to cut
his prices...

Q. Well, with all the talk now about the growth of off price
retailing... I believe the figures I read last week were 6% of the merchandise
in this country is now being sold off price, and that that represents $2\frac{1}{2}
billion and the growth that is predicted is quite spectacular. Have you
any notion, or have you given any thought to what's going to happen as
time goes on?

A. Well, we don't sell chains and we don't sell off price retailers.
If they want to buy closeouts, that's something else. But we won't do that
with our label.

Q. Right. What has your feeling been about licensing? The licensing
of designers to work for you?

A. Well, we had John Weitz for fifteen years, and he was excellent
and we had Gianni Versace, who was extremely important in Italy, but his
styling just never was accepted by the American market. We have Ralph Lauren
in Boy's Wear and Djane Barnes in boys' wear. But we're very happy with
John Weitz. He's an American designer. He is truly a real good designer.
He's a man's man, and he makes wonderful store appearances for us. He
promotes his own name, not only in clothing but some of his other licenses.
He's been very good for us. And as I mentioned one time, in the fall,
we have had good success selling heavier weight clothing under the John
Weitz label.

Q. As you mentioned John's trunk shows, which, of course, is part
of your sales promotion effort, could you just summarize how you feel about ... how the company feels about advertising and other forms of sales promotion?

A. Well, we principally try to sell...We have a cooperative advertising program.

Q. Which is largely for print, I assume.

A. Yes, but it can be used for television, newspapers, billboards, radio...whatever media.

Q. But it's the stores that actually do the advertising.

A. Yes. Basically what the store does is they advertise what they want to advertise and obviously what they want to advertise is what they have bought. We think that there are several real advantages to cooperative advertising. Number one, the store is going to promote what they bought. Number two, they're going to promote it at the time they want to sell it, and number three, they're going to get a local rate and bill us back for half that local rate, up to 3% of wholesale. In other words, if a store buys $100,000 worth of merchandise at cost from us, they can spend $6,000 -- which is 6% -- knowing that we will reimburse them for half of that. And they are...Because they advertise so much in their local papers, we figure the larger the store the more favorable their rate is going to be. So they get more space for their money. If we tried to do it we would pay what they call a national rate, and the national rate tends to be at least double in those newspapers over the local rate. The other thing is if we put an ad in Gentlemen's Quarterly or Playboy or Sports Illustrated, it may come out...Say it comes out in February,
a spring ad. That may be too late for Florida... because the tourist business starts slowing down, the first week in March. But it also could be too early for Boston and Minneapolis. So, basically again, we like to...

We think the stores know how to promote better in their local markets, and we're content to let them do it. We do provide them with a lot of material. We provide them with mailers, bill stuffers. We provide them with all the mats, the advertising, the format. All they have to do is really... We do all the hard work for them. All they have to do is decide where they're going to put it.

Q. As you really represent the only apparel conglomerate, or any conglomerate, that I've talked with, I'm interested to get your point of view on how management relates to the individual managements. I know you've said that you are really only interested in acquiring companies with good management. But what is it that the corporate management people do for the individual companies? What's the common denominator?

A. Well, basically we run credits for all of the divisions... We run the data processing. For the most part we do that and our legal structure... And our corporate sturcture operates on their behalf. However, we don't have a lot of corporate officers. Maybe three or four. The rest of them all are hands on operating individual heads with profit and loss responsibilities of their own. The group president of menswear, and the group president of women's wear, and the different division heads both in the men's field and
the women's field report to that individual. They in turn report to the Chairman.

Q. Okay. Could you...Well, the entrepreneur...The small entrepreneur, tends to represent a firm which does not do much advance planning. I think that's probably one of the major differences between the entrepreneur and the professionally managed conglomerate. So, could you talk a little bit about how you do your planning? How often...what kind of planning...?

A. Yes. Basically, we consistently have three year plans. We used to have five year plans, but they tend to become too fuzzy and you can't think that far out in the apparel business. I mean, we do have three year plans and there we forecast what the operating...what the sales items are going to be. What the cost level is going to be. The cost of goods sold, what the outlay in profits is going to be. And that's all we really expect our division heads to do. Beyond operating costs, there's interest costs, there's corporate and public...There's legal costs. There's trademark costs. There's a lot of things like that that the corporate people do for them. So basically, however, the planning is done on a season to season basis, but we do have very formalized, three year master plans that are reviewed every year, and we have one board meeting a year and generally in June, and we invite all the division heads and presidents to come and meet with our Board of Directors, and we actually make the presentation each one of them, to their Board of Directors, and the board has all this material in advance, has time to study it, and ask questions. So, that division head, we want him to be an
entrepreneur. We provide him with cash and keep him with his trademark requirements, legal requirements, we're putting him in business for himself. And our incentive compensation is structured so that if he gets a very good return on investment capital, on sales--profit on sales, also--He's very handsomely rewarded. We also watch their inventories very, very carefully, because basically our asset structure is such that we have over a hundred...We wound up last year with over $100 million worth of inventory. Now, that was $30 million less than we wound up with in 1982...excuse me, 1981. 1983 was just slightly more than $100 million. Believe me, we watch their inventories very, very carefully. Their buying plans are very carefully scrutinized, from the standpoint of buying materials as piece goods or buying finished goods...

Q. Well, it does mean, then, doesn't it, that it's not possible to jump quickly onto a trend, because jumping quickly would mean having to not wait to get...

A. Well, we're not involved in fad kinds of clothing. We're a classical oriented...We're up scale right now. Particularly in women's wear, those fashion cycles are not long cycles. They are six months at best. And men's wear is less fashion oriented, although it's still there. So, basically, we are in constant touch with...We expect every division head and every merchandise manager to be out in the field with their customers. They've got to know what's going on. Look at the consumer preferences, and how they're changing and in which direction they're going.

Q. Because you wanted to anticipate...
A. You've got to get out there and see what is really selling, and pay attention to what we call retail sell-through, and the only way you're going to get that is to go into the store and then basically, if they've ordered a thousand suits, he had two different models, and one of those models is being exceptionally well accepted by the consumer, and then when it isn't, you've got to know that. You've got to know whether the sell-through is 40% or 60% or 80%.

Q. Well, what happens if a store has two models, one of which is phenomenal and the other isn't any good.

A. He's going to take markdowns to clear his inventories, but you've got to know enough not to sell him that next year, and not to feature that in forthcoming collections. In this case, we only forecast on the basis of what facts you know, and the facts that you know are what you find out at the retail level.

Q. But that does mean that...That is one major reason, I would assume, that you prefer to think of yourselves as people who make classic clothing rather than high fashion clothing.

A. No, we're not in the high fashion business. There were firms in this country, fifteen years ago, who had real forward fashion images, and there just aren't any of them around today. Hammond & Park, 3-G, Louis Roth, Hollywood Clothes. Phoenix Clothes was another one...These people principally all stood for a skinny suit, forward look, high lapel, shoulder type garment, and they're all gone today. And the reason they're gone is that
the look that they stood for has evaporated.

Q. Just one last area that is related...What would be your feeling about the role of a designer in your kind of a business, and the possibilities for creative people to enter the field—we're talking about young people...

A. The creativeness really is a very important factor in women's wear and men's sportswear. In men's tailored clothing, the designer is more a technician...The creativity seemingly comes more from the fabrication. It's the piece goods buyer who really determines whether you have an attractive line.

Q. So the piece goods buyer is really...

A. The piece goods buyer is so important...The piece goods buyer and the men's designer do not necessarily coordinate. At the women's wear, the designer has a fabric in mind and there the piece goods buyer tends to be subordinated to the stylist. And he creates something, he sketches something out and this is the look that he wants. John has a fabric in mind, whereas in men's wear the piece goods buyer...He knows what his company stands for and buys accordingly. It might be middle of the road styling, it might be very traditional styling, it might be upscale styling.

Q. Do you happen to know approximately how many people are involved in the design aspect of your business's?

A. Well, in menswear and boyswear, I would say probably six or seven people. In women's wear, they've got a whole slew...I would have to think they have two dozen people...There is a colorist, a stylist, sample makers,
fashion sketchers, as well as the technical people who do the grading... much of the technical business, part of designing both in menswear and women's wear today, has been computerized. It used to be in menswear that they would take a Size 40, which was the basic size, and then you'd grade it up and down, and we'd make what we called a "block set" and that was precise....

Q. Block set...
A. That was precise picked points, and this was detail work, tedious precise work. It had to be done accurately. Today you feed those grade rules into the computer and basically the computer will do...It'll grade out... From a size 40 they'll grade up to a Size 60 and then figure a Size 36 and a 34, and then longs, portlys...all these things. Just in minutes; it used to take the designers days and weeks to do this.

Q. You raise an interesting question, which we have time for you to answer...There used to be, I wonder if there still are, the quality numbers that menswear manufacturers....

A. No, those were essentially established by the union years back...

Q. You mean the one, two, three...

A. Yes. And it ended up at Grade 6. And basically...They even had what you call an X grade, which was a very cheap coat. And if you were a sleeve setter...This is the best way I can describe it to you...If you were a sleeve setter and setting sleeves in a Grade 2 coat, you might be paid one price work rate, but if you were working on a Grade 4 coat, you were expected to be a little more careful and you'd be paid another price.
So basically the grades were important... but really, in the last 25 years, it's been... nobody grade anymore; nobody talks about it. The hallmark of Grade 4 clothing was hand button holes and hand set collars and hand sewn, hand closed shoulders, and these are not done by anybody today. I think they may still be done by Hickey Freeman, but essentially there is no distinction today between a Grade 2 and a 4. There is a distinction between an X grade and a Grade 1, because there X grade are mostly lined garments but they don't match collars and elbow seams.

Q. But then some of the distinctions today...

A. The distinctions... through technological developments, as an example, interiors of the coats that used to be hand basted, expensive materials, are fused... bonded. And in turn to deskill these operations, there is the art of sleeve sewing, which was the most critical element of men's suit manufacturing, today it's simplified. You have machines where you program in, and the machine will sew fullness over a certain area, and then sew flat, and then sew full, and so on. So, many of these cutting operations are computerized. It has resulted in far less time, labor time for the manufacturer, for the quality suit today...

Q. And that, I guess, is one answer to what happens when there are no more skilled workers...

A. There are plenty of workers around if you want to teach them. But basically, you can't get paid for it, so you concentrate on upgrading your equipment, and if you want to compete, you've got to stay at state of the art.
Because you're competing not only with non-union but with offshore wage scales. This coming June will be a 50¢ an hour increase for the workers...

$1.25 an hour less than in the clothing business.

Q. Right. Well, thank you very much. I think we have covered lots of very interesting things. Thank you.

THE END