Blue Jeans: A Microcosm of the International Branding/Production Dilemma

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Abstract

This paper was presented at the 11th International Conference of the International Trade and Finance Association in Washington, D.C., May 26 to 29, 2001.
INTRODUCTION

Since the early nineteenth century, blue jeans have insinuated their way into world markets, evolving from the durable work wear of nineteenth-century American miners to a fashionable clothing item for people of every age, race, and culture. This paper analyzes the dynamic developments in the branding and production processes of blue jeans, utilizing the VF Corporation and its Wrangler division as the prime example to track these changes. The paper concludes with a discussion of the challenges that this truly global product will face in the future and recommendations for how companies within the textile/apparel industry can effectively deal with the changes facing them in the 21st century.

There are three main issues that lie at the heart of this paper—what changes have occurred in the branding and production of jeanswear over the years, and more importantly how branding and production influence one another on an national and international level, i.e., the branding/production dilemma.

The branding of jeans has changed over the years as jeans have transitioned from non-fashion wear to fashionable garments. Elements such as advertising, positioning, consumer behavior, target market, and brand equity have evolved over time in response to consumer perception of jeans in the marketplace.

Changes in the production of jeans have also occurred. Issues from technological innovations, to machinery, to software programs have altered the production process of jeans and manufacturers’ relationships with retailers and consumers around the world.

When looking at branding and production processes side by side, a third issue is the type of relationship that exists between them. How does the move toward offshore sourcing affect branding and strategy decisions? If production is taking place in a location different

FINANCIALS

The apparel industry has evolved from an age-old handcraft to a multi-billion dollar, factory-oriented industry today comprised of manufacturers of women’s, men’s, and children’s clothing. Sales for the industry have grown steadily over the years (see Figure 1) and analysts expect this moderate growth rate to continue.

Goods from this industry are manufactured and sold both domestically and internationally. The U.S. Apparel market is measured most accurately by wholesale and retail values according to the American Apparel and Footwear Association (AAFA). In 1999, sales at the wholesale level were worth $41 billion
domestically, $46 billion internationally, $15 billion from joint production between the U.S. and other countries (Standard & Poor’s, 2000).

**Figure 1**

![Retail Sales ($billion)](image)

Figure 2 shows a breakdown of 1999 apparel sales percentages by various distribution channels. As you can see from the chart, discount stores accounted for one third of all apparel sales in 1999. Surprisingly, online sales only accounted for 0.6% of all sales for 1999 for the apparel market, illustrating that the increasingly popular medium has much more room for future growth.

**Figure 2**

<table>
<thead>
<tr>
<th>Sales Channel</th>
<th>1999 Sales (%)</th>
</tr>
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<tbody>
<tr>
<td>Discount stores, off-price retailers &amp; factory outlets</td>
<td>30%</td>
</tr>
<tr>
<td>Specialty stores</td>
<td>22%</td>
</tr>
<tr>
<td>Department stores</td>
<td>19%</td>
</tr>
<tr>
<td>Major chains</td>
<td>16%</td>
</tr>
<tr>
<td>Direct mail/catalogs</td>
<td>9%</td>
</tr>
<tr>
<td>Online sales</td>
<td>0.6%</td>
</tr>
<tr>
<td>Other</td>
<td>3.4%</td>
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</tbody>
</table>

*Source: Standard & Poor’s Industry Surveys, 2000.*

**GROWTH AND PROFITABILITY**

Growth in the textile apparel industry is measured by three main factors—economic conditions, demographics, and pricing. In 2000, the economic conditions were favorable overall. Demographics and pricing, however, brought
mild obstacles and pressures in some areas, with pricing pressures in particular becoming increasingly strong from the level of competition and increasing market share of the discount retail chains in the industry.

Changes in pricing structures also have an impact on growth. *Standard & Poor’s* states that margin pressures may challenge profitability for this industry in the future. Although overall sales for the industry are up and expected to rise, the average selling price of apparel has declined. These pricing pressures are expected to persist in the near future from increasing rivalry, severely limiting manufacturers’ ability to increase their prices. Manufacturers cannot pass higher costs onto the consumer because the market has excess supply or to retailers because they have a great deal of bargaining power (“Codes of Conduct”). This issue is especially difficult due to the increasing market share of discount retail chains, which grew 7% in 1999 giving this category a 20% overall market share. In addition, manufacturers are quite sensitive to prices in raw materials, especially cotton.

INDUSTRY ATTRACTIVENESS AND COMPETITION

Michael Porter’s 5 Forces Model is one method for analyzing the attractiveness of an industry. In this model, the five elements of rivalry, substitutes, barriers to entry, buyer’s bargaining power, and suppliers’ bargaining power are evaluated to judge the overall attractiveness of the industry. The application of this model to the textile apparel industry shows fairly low barriers to entry, high threat of substitutes, moderately high buyers’ bargaining power, moderate suppliers’ bargaining power and intense rivalry, making textile apparels a highly competitive industry. While entering this industry may not be difficult, surviving in it and turning a profit are quite a challenge due to its competitive nature.

COMPETITION

Competition in this industry is fierce and highly fragmented. However, the development of megabrands and removal of excess retail space have led to a recent trend of consolidation within the industry (S & P, 2000). In order to grow, companies either have to reduce operating costs and increase unit volume, or merge with another company that would provide a mutual benefit. Many are doing the latter, as the consolidation trend shows. To further combat the competitive nature of this industry, many businesses are utilizing the low-cost alternatives of offshore sourcing from places like Mexico, the Caribbean and Asia (S & P, 2000).
Policies and Regulations

Since the creation of NAFTA and revision of GATT in 1994, the utilization of sourcing outside the U.S. has accelerated. More laws are passed every year that make offshore sourcing a very attractive alternative, greatly impacting the American textile apparel industry. The Trade and Development Act of 2000, granting of “permanent normal trade relations status” (PNTR) to China, the trade accord between the U.S. and Vietnam, and the passing of the Africa-CBI bill are all examples of changes in trade regulations in 2000 that have impacted the industry.

For the industry as a whole, these changes in regulations are positive because they decrease firms’ dependence on suppliers by expanding their sourcing options. Large corporations that have considerable market power, financial strength, and well-established reputations, like the VF Corporation, have the ability to take advantage of these benefits. However, for small to medium size manufacturers, the regulations have had a severely negative impact on business. Many of them have lost customers to rivals who can offer lower prices as a result of the offshore, forcing some into bankruptcy and others into a day-to-day struggle for survival.

The following laws, rules and agreements are among those that impact apparel:

- Provision 9802.00.80 (formerly 807)
- Provision 807A
- North American Free Trade Agreement (NAFTA)
- World Trade Organization (WTO)
- General Agreement on Tariffs and Trade (GATT)
- Agreement on Textiles and Clothing (ATC)
- Country of origin rules
- Trade and Development Act of 2000
- Africa-CBI Bill

Industry Trends

The impact of demographics and competition mentioned above related to several of the current trends in the industry, which are:

- Growth of the youth market
- Growth of the plus-size markets
- Utilization of e-commerce (e-tailing)
- Consolidation
Successful companies, as well as struggling ones, should look at these trends for potential business opportunities in the future.

COMPANY OVERVIEW OF THE VF CORPORATION

The VF Corporation’s (hereafter VF) roots trace back 101 years, where it first began as the Mitten Manufacturing Company, producing knitted and silk gloves in 1899 (See Appendix C for further detail on VF). After years of hard work, successful acquisitions, and solid business strategies, VF has made its way to the position of the world’s largest apparel company in the sales of outerwear, earning net sales of $5.55 billion in 1999.

The company currently offers a wide variety of products in jeanswear, activewear, knitwear, intimate apparel, occupational wear, swimwear, daypacks and children’s wear, holding leading brands in many of these sectors. (See Figure 3 for product structure diagram of VF’s major brands).

Figure 3

These strategies, along with a solid marketing mix and consistent financial health, have earned VF significant market share and high product category rankings. The following list describes some of VF’s major accomplishments to date:
- VF holds 27% of the U.S. jeans market.
- Vanity Fair is the #1 intimate apparel brand in department stores.
- Vassarette is the #1 bra brand in discount stores.
JanSport & Eastpak are two of the best known daypack brands in the world.

The North Face is the premier brand of technical outdoor apparel and equipment.

Healthtex consistently ranks in the top three brands in children’s department stores.

Jantzen is the market share leader in women’s swimsuits.

Red Kap is the nation’s top supplier of occupational apparel and uniforms.

Many of the company’s brands are strong performers in international markets.

The long term goal of VF has been to “provide the right styles and quantities of products at the right places on the retail shelf at all times” (International Directory...514). The company’s success in all of its product categories came as a result of sticking to its core strategies, which are to:

- Build strong brands that consumers know and want;
- Focus on high volume, basic apparel categories;
- Target specific brands to specific consumers and retail outlets;
- Expand our international presences;
- Continue to lead the industry in responsive service to our retail partners;
- and
- Follow conservative financial practices and policies.”

With 27% of the U.S. jeans market, VF is by far one of the leading manufacturers in this industry segment. In fact, the company’s Wrangler brand is the number one brand in men’s jeans and Lee is the number one brand in women’s. It is this strength and leadership that makes VF the primary example for jean manufacturing companies.

APPAREL PRODUCTION

Understanding the production of jeans in particular, requires an understanding of apparel production in general. This entails an understanding of the nature of the work (how garments are created from beginning to end), developments in equipment and other technological advances, and lastly some of the major laws that govern the industry.

NATURE OF THE WORK

The apparel production process is more complex than it might appear from the outside. Apparel production begins with a design that has been made into a
sample product. This sample must first be put in the form of a pattern, which is usually done with a computer. Once the pattern has been created, the fabric is ready to be spread and cut. How much can be done at once depends on the design and fabric type. The next step is sewing, which is usually done by sewing machine operators, but may be done by hand if the fabric is delicate. Sewing machine operators often specialize in one particular area of the sewing process, such as collars, hems, or buttons. Upon final completion, each product goes through final inspection, where it is checked for defects. Once a product passes inspection, it is pressed to eliminate all wrinkles and then is ready for shipping. (“Occupational Outlook Handbook,” 2001)

Many apparel workers are employed by small firms that do not have the finances to invest in new equipment, so the nature of their work has not changed much over the years. However, for larger firms, like the VF Corporation, apparel facilities have moved toward more and better computerized and automated operations (“Occupational Outlook Handbook,” 2001).

Opposite of mass production, are the custom tailors of this industry. These workers make garments from start to finish, helping the customer make the right selections along the way and creating the garment to the exact measurements of each client. Due to the nature of this work, custom tailors must be highly skilled and knowledgeable about all facets of apparel production.

DEVELOPMENTS IN EQUIPMENT AND TECHNOLOGY

American apparel manufacturing has come a long way since Eli Whitney’s cotton gin (1794) and Samuel Dorr’s rotary cloth shear (1792). Cotton textile manufacturing was really the first American industry to make the shift from handcrafting to “the factory system and to develop the automated technology necessary for large volume production” (“Textiles,” 1976). The trend of large-scale production began in the early 1800’s with the textile industry (“Industrialization: The Spread…,” 1997-98). The main period of industrialization, 1814-1840, brought about major changes in the production process, leading to “capital intensive modifications” (“Textiles,” 1976) such as large scale production, production of standardized lower-quality yarns and cloths, vertically integrated manufacturing, flow production, extended use of inanimate power, high operating speeds, consolidation of mechanical processes, maximum mechanical control and work, and automatic fault detection (“Textiles,” 1976). From 1840 to about 1870, the demand for textiles increased as a result of immigration, the Civil War, and the westward movement (“Textiles,” 1976). After 1870, efforts became more focused on reducing labor rather than reducing capital and labor. Technological innovations such as “high-speeds, simple designs, hard-wearing construction, large capacity, automatic feeding and control,
and further mechanization of manual tasks were introduced to compensate for the limitations of the unskilled immigrant labor force” (“Textiles,” 1976).

In the early 1900’s modern science brought a whole new face to apparel production. The successful development of synthetic dyes “discovered after 1856 reduced labor costs, widened color ranges, improved color consistency, and encouraged better fabric designs” (“Textiles,” 1976). The creation of synthetic fibers brought about even more changes. “Viscose rayon and acetate, pioneered in Europe and commercially manufactured in America after 1910 and 1918, respectively, had begun to challenge the supremacy of the natural fibers in many of the weaving and knitting branches by the 1930’s” (“Textiles,” 1976).

By the 1950’s and 1960’s, changes in production resulted more from technological developments, such as nonweaving techniques, than from the traditional labor and capital saving methods from electronic and mechanical automation (“Textiles,” 1976).

The garment industry, which flourished in its early years, began to suffer in the 1970’s, 80’s, and 90’s (Garment Industry). The American textile industry tended to focus on the mass production of standardized goods, ignoring niche markets that foreign competitors eventually filled. For example, Germany's decision to invest in new technologies, laborsaving machinery, and new plants resulted in a modern textile sector and increased productivity (24 percent in six years). However, by the late 1980s some American producers had begun to change. Milliken, a major fabric manufacturer, reduced the size of its fabric lots from twenty thousand yards to four thousand yards and began concentrating on research and development and proprietary technology” (“Heavy Industry Declines in 1980s,” 1997).

Technology over the last few decades really hasn’t advanced too much in all relativity. It is difficult to use “automated equipment extensively in the apparel industry due to the soft properties of textile products. In addition, it is time consuming and expensive to adapt existing technology to the wide variety of items produced and the frequent style changes” (“Occupational Outlook Handbook,” 2001). The biggest technological changes have been such things as advances in computer-aided programs that help with design and production, automated pre-sewing functions, semiautomatic sewing and pressing machines and the like.

The major shift over the recent years has been location more than technology or any other factor. The apparel industry, which was once concentrated in the U.S. has “gradually spread in successive waves to countries with lower production costs, becoming a worldwide industry whose geographical distribution is constantly changing” (“Codes of Conduct…”). During the 1970’s the use of sweatshops had begun, however, offshore labor and production did not
really take off until the 1990’s. The major reasons for this shift, according to the *Codes of Conduct in the U.S. Apparel Industry* are:

- “Developing countries have based or are basing their industrialization on labor-intensive export sectors, particularly the apparel sector (developing countries have almost doubled their share of world clothing exports since the early 1970’s to account for more than 60% of exports today).”

- Companies from the U.S. and other industrialized countries are relocating certain “labor-intensive activities, such as clothing assembly, to low-wage countries through direct investment or outsourcing.”

From “1989-1993 exports of garments ran between $2.3 billion and $5.5 billion, but imports ranged from $25.3 billion to $35.5 billion, with four countries--China, Hong Kong, South Korea, and Taiwan--accounting for nearly half the imports” (“Garment Industry,” 1996). Imports now account for over half of domestic apparel consumption, a number which is expected to grow more and more as the U.S. market is opened further by NAFTA and the Agreement on Textiles and Clothing (ATC) by the World Trade Organization. Under NAFTA, apparel that is produced in Canada and Mexico can be imported to the U.S. duty-free. Because this trade agreement provides a cost-reducing alternative to companies, many American manufacturers have opened production facilities in Mexico, a trend that is expected to continue. The ATC, a plan that is being phased in over a ten-year period (1995-2005), aims at eliminating quotas and reducing tariffs on many apparel products.

**OUTLOOK FOR AMERICAN APPAREL PRODUCTION**

For the near future the outlook seems to be a continued increase in the amount of offshore sourcing. To combat the loss of business to offshore sources, American manufacturers are “developing the ability to take advantage of their proximity to the U.S. market by responding more quickly to changes in market demand” (“Occupational Outlook Handbook,” 2001). American manufactures are much more able to keep retailers shelves stocked than are foreign manufacturers because they can get their product to the retailer on a timelier basis. However, the competitive nature of the industry always challenges this by forcing manufacturers to reduce cost and improve production, creating somewhat of a “Catch 22” for American manufacturers. It is this situation that has led many American manufacturers to move their production offshore. As the apparel industry “continues to restructure and consolidate, more of the smaller, less-efficient producers will lose market share to larger firms and foreign producers.”
BRANDING AND BRAND MANAGEMENT OVERVIEW

Brand management is a vitally important issue because often times it can make or break a company (See Appendix D for more details on branding and brand management). When you look at firms like IBM and Xerox, it is easy to see how failing to properly manage your brand, one of the most important strengths of a company, can leave you behind and struggling to catch up. Understanding how to properly manage a brand requires an understanding of the whole branding process—from determining what makes a strong brand, to effective implementation, to successful management.

The primary function of a brand is “to create a distinction among entities that may satisfy a customer’s need” (Berthon, Hulbert, and Pitt, 1999). It must offer a distinctive position in consumers’ minds. One of the most essential elements of a strong brand is having brand equity. This can be defined as a “set of assets (and liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm’s customers” (Aaker, 1996). Brand equity is made up of four main factors—brand name awareness, brand loyalty, perceived quality and brand association. Strong brands benefit consumers because they convey trust, assure quality, reduce search costs, and provide consumers the emotional reward from purchasing a brand that is associated with a certain status or level of prestige. For companies, brands help their customers identify the company’s products more easily, facilitate the introduction of new products and promotional efforts, allow for premium pricing and market segmentation, and develop brand loyalty.

To help establish a brand/customer relationship and develop brand equity, brand managers need to establish a brand identity, a “unique set of brand associations” (Aaker, 1996) that helps generate value. According to David Aaker, brand identity revolves around the four dimensions of a brand: product, organization, person or symbol (1996). An example of a solid brand as organization identity is GE’s, “We bring good things to life,” a core identity that conveys trust and quality. Another important element of brand equity is brand personality, which is “the set of human characteristics associated with a given brand…it includes such characteristics as gender, age, socioeconomic class, as well as such classic human personality traits as warmth, concern and sentimentality” (Aaker, 1996, p.141). A good example of a company that has a very strong brand personality is Harley Davidson. What other company logo is the number one tattoo requested by people?
Brand managers must understand the brand’s market—reasons for problems within that market, new opportunities, etc. They develop programs for a brand, for example, advertising, pricing, promotions, and packaging, and are in charge of the implementation of those programs. Being a successful brand manager requires an understanding of all of the elements of a brand in addition to the ability to develop and implement brand strategies, the knowledge of how to manage a brand over time, how to leverage a brand (i.e., line extensions, brand extensions, stretching the brand vertically, and co-branding), when to retire a brand, and much more.

However, the role of the brand manager is said by some to be changing by some. For instance, the Boston Consulting Group (BCG) found that 90 percent of the U.S. consumer goods firms it surveyed have restructured their marketing departments (Berthon, Hulbert, and Pitt, 1999). These advocates believe that changes in technology and consumer values, brand proliferation, and the increasing power of retailers have altered the role of brand managers today. Brand managers in the current environment have to have tremendous coordination and motivational skills, be more proactive, and have a consumer-centric focus.

Branding practices of jeans can easily be divided into pre-fashion and post-fashion movements due to the fact that changes in branding and production after jeans became a fashion item really occurred in tandem.

PRE-FASHION PERIOD (18TH CENTURY—1970)

Perhaps the biggest figure during this time period was Levi-Strauss, who was the original designer and the first manufacturer and retailer of blue denim jeans (“Denim Becomes Fashionable,” 1997). However, Strauss did not market jeans to the general public as a fashion item, but rather considered the miners and blue-collar workers his target market, positioning the jeans as a sturdy, durable clothing item.


As described in the history of jeans above, blue jeans made their shift from work clothing to fashion around the 1950’s after the veterans from the World War II introduced them and the item began showing up on movie stars on the big screen. At this point, people didn’t buy jeans to have a durable clothing item to wear until they wore out. They began thinking of jeans as a fashion statement and replaced them whenever a new style came out. This is the surprising “paradox of the postmodern fashion system. Jeans are functional and cheap to assemble. Yet, in spite of their basic cuts and exposed seams, they can support an elaborate range of meanings” (Wark, 2001). Jeans were worn as a symbol, which gave marketers
the perfect opportunity to brand these jeans according to image and emotional
appeal, not just a tough piece of clothing. By the 1970’s the jean look was
adopted by many designers, which became a way to generate mass markets for
brand names. In fact, American designers had “fashioned this fabric into jeans
and a variety of apparel and accessory items that were marketed successfully
around the world. American Fabrics and Fashions, a trade publication, stated that
one of the major worldwide trends of the 1970's was the denim craze” (“Denim
Becomes Fashionable,” 1997).

Two of the biggest figures during these times were Calvin Klein and
Georges Marciano. Calvin Klein is “an influential American designer who
promoted jeans with provocative, often controversial advertising” (“Denim
Becomes Fashionable,” 1997). Georges Marciano is the “cofounder of Guess,
one of the most successful blue jeans companies. As the popularity of jeans
spread throughout America, the popular Western style began to catch on around
the world. Often times, American manufacturers would create new designs
especially to fit the physique of customers from other cultures, such as jeans
styled to fit the physique of the Japanese.

During this time period consumers also started to become much more
powerful. They became much more selective in their purchasing decisions,
demanding higher quality, lower costs, and more variety. Such demand led to
increasing numbers of designs, styles and marketing campaigns. The basics of
branding in jeans, therefore, did not depend on the “material qualities, but the
signs stitched on to the back pocket, the environments in which they might be
sold, and the marketing campaigns that define the range of possible meanings for
the sign” (Wark, 2001).

PRODUCTION OF JEANS

Examining the production and branding practices of jeans is a truly
fascinating study. Jeans are on the same level of soft drinks and fast food in the
area of global product recognition. Almost everyone in the world owns a pair of
jeans, which is pretty amazing considering the drastic differences in cultural
tradition.

HISTORY OF JEANS

The story of blue jeans dates back to the nineteenth century. The word
jean originated from Genoa, Italy, a city that produced the material sailors wore (a
material now called jean). The name of the fabric, denim, originated from Nimes,
France, where the fabric was produced as far back as 300 A.D. Denim became the Americanized word for this fabric later on (“The History of Jeans,” 1998).

Blue jeans themselves were invented by Levi-Strauss. Around 1848, Leob Strauss (who later changed his name to Levi-Strauss) began supplying clothes with his newly started wholesale business, and jeans became popular among gold miners who needed rugged, sturdy garments. (“The History of Jeans,” 2001). However, there was a problem with the jeans coming apart at the pockets. Jacob Davis invented the idea of metal rivets and offered a deal to Levi-Strauss for the patent since he didn’t have the money for it. Jeans then became known as “waist overalls.” In 1886, Levi-Strauss put a leather label on his jeans featuring a picture of a pair of jeans being pulled between two horses to show their durability.

In the 1930’s, “jeans were introduced to the higher classes of the eastern United States with the dude ranch craze” (“Denim Becomes Fashionable,” 1997), but still did not become a fashion at this time. In the 40’s, American soldiers introduced jeans to the rest of the world when they wore them off-duty. Because of the new popularity arising from this, competition such as Lee and Wrangler entered the market. In the 1950’s jeans became popular among younger people who saw their favorite movie stars, like James Dean, sporting the trend in films. When the 1960’s rolled around, jeans became popular among hippies, who added their own flair to the design with embroidery, paint and other decorative ideas (“The History of Jeans,” 1998).

To explain the widespread acceptance, social historians have come up with two main theories. The first is what they call the “trickle up” fashion theory, in which “fashion may begin at a low level in society and proceed to higher levels as it is accepted by the masses of people” (“Denim Becomes Fashionable,” 1997). The other explanation is that jeans became a “symbol of the counterculture youth revolution of the 1950's and 1960's. The leaders of the movement adopted denim jeans (“Denim Becomes Fashionable,” 1997).

When the 1970’s hit and trade barriers began to fall, the use of sweatshops greatly reduced the price of jeans, thus making them a popular garment in the southern countries where these sweat shops were located. Then, finally, in the 1980’s, jeans almost became a staple in the closets of people around the world. Designer jeans and various labels entered the market to capitalize on the increasing popularity. However, the sale of jeans decline in the 1990’s as a result of the economic recession.

Where the market for jeans is headed in the 21st century has yet to be determined. Nevertheless, the history of jeans is a very interesting one—moving
from the rugged and sturdy wear of blue-collar workers to a fashion garment that almost every person in the world, across all cultures, owns.

DEVELOPMENT OF PRODUCTION PRACTICES

The production of jeans began in the nineteenth century and only truly became a fashion item in the 1980’s. Then, with changes in trade, there was another turning point in production with the move toward offshore sourcing.

PRE-FASHION PRODUCTION

Production in the pre-fashion era, from the eighteenth century roughly until the 1970’s, took place in America. The jeans produced for blue-collar workers weren’t made with the automated equipment of today or in cheap labor countries like Mexico and the Caribbean. In fact, it is said that Levi-Strauss himself would go around from man to man, measuring them on the spot and sew canvas into jeans for them in exchange for six dollars in gold dust” (“Denims Become Fashionable,” 1997).

POST-FASHION PRODUCTION

As jeans became more and more of a fashion item around the 1970’s and 1980’s, major jeans manufacturers began to entertain the idea of moving production offshore. The rising competition on the homefront and overproduction necessitated such action. In fact, in 1979 Levi-Strauss, Blue Bell (which then owned Wrangler) and VF competed to open a jeans factory in the Soviet Union, but trade issues between the Soviet Union and American firms delayed any such action. In the meantime, many foreign jean manufacturers began building plants throughout the Soviet Union and Europe, creating competition for American manufacturers (“Western Companies Vie...,” 1981). However, it did not take long for the larger manufacturers like VF and Levi-Strauss to enter foreign markets. In the Japanese market, for instance, Levi-Strauss and Wrangler entered and began competing against Japanese manufacturers like Edwin & Co. Once competition increased and demand was high, it wasn’t long before Levi-Strauss and Wrangler began licensing the production of their jeans instead of importing them.

As with apparel manufacturing, the production of jeans experienced a major shift to offshore sourcing in the 1990’s, lowering the cost of production overall by utilizing cheaper labor sources from developing countries abroad. Several manufactures, including VF and Levi-Strauss, have produced a large percentage of their products in facilities abroad. While the benefits of cost
savings are great, it does add more of an inconvenience in regards to shipping and the ability to get products to retailers on a timely basis—a trade off that manufactures must consider.

The production of jeans in the industry today is really quite fragmented. Cotton for the jeans may come from wherever the exchange rate and weather is favorable; the jeans may be produced in whatever country can offer the cheapest skilled labor; and designers of the jeans may be from a city in New York or another city across the world (Wark, 2001).

VF CORPORATION’S JEANSWEAR PRODUCTION PRACTICES

VF entered the jeanswear business primarily through acquisition. In 1969, the VF Corporation acquired the Lee brand with is acquisition of the H.D. Lee Company. Several years later, with the purchase of Blue Bell Holding Company in 1986, VF added the Wrangler and Rustler jean brands to its name as well, becoming the second largest jeans maker in the world at that time. Blue Bell began producing jeans way back during the times of World War II, when it manufactured garments for the military. Once the war ended, the company repositioned itself as a supplier of casual clothing and western style wear and soon was branded with the Wrangler name in 1947. In 1997, VF acquired the Brittania name soon followed by Gitano, CHIC, and H.I.S. in 2000.

VF TODAY

Today, the VF Corporation jeanswear division is divided into three main categories—mass market, Western, and Lee. In the mass-market category, brand names such as Wrangler, Lee, CHIC, Brittania, Riders, Rustler, Gitano, Hero and Timber Creek. The Western section is most represented by the Wrangler brand. Wrangler is very unique in the sense that it has been successfully marketed to both the mass-market and Western categories, which is quite unusual. The Wrangler brand is by far one of VF’s strongest assets, making up 75% of the company’s jeanswear division business (Gellers, 2000). The third category is comprised of Lee jeans, which are a higher-priced, upper-end jean.

While VF continually battles head to head with Levi-Strauss in the specialty retail sector, VF sees great potential in mass market and is the leader in this sector because of the wide variety of labels it produces. In fact, 275 million of the 675 million jeans sold in 1999 were purchased at mass retailers.

VF also conducts strong business overseas. The company's largest jeanswear operation is in Western Europe, where it manufactures and markets Lee, Wrangler, Maverick and Old Axe jeanswear and related products. In late 2000, the Company acquired 85% of the common stock of H.I.S. sportswear AG,
which manufactures and markets H.I.S brand jeanswear products primarily for women. Lee, Wrangler and H.I.S jeanswear products are sold through department stores and specialty shops, while the Maverick and Old Axe brands are sold to discount stores (Carlin, 2001).

Jeanswear in Europe and in most international markets is fashion-driven and has a higher relative price than similar products in the United States. VF’s jeanswear products are sold to retailers through the company’s sales forces and independent sales agents (Carlin, 2001). VF also manufactures and markets its jeanswear products in China.

In addition to the European market, Lee and Wrangler brands are also marketed in Canada and Mexico. VF has also converted several licensed operations in South America into owned operations over the last few years. Currently, VF manufactures and markets the Wrangler and Lee brands in several South American countries through operations based in Brazil, Argentina and Chile, which are sold through department and specialty stores (Carlin, 2001). Also, in late 1999, VF acquired a business that manufactures and markets the licensed UFO brand, a leading local jeans brand in Argentina and other countries (Carlin, 2001).

While a portion of the company’s international jeanswear business is conducted through wholly owned operations, VF also conducts jeanswear business through joint ventures and licensing. For instance, VF has joint venture relationships with Spain and Portugal and agreed to transfer the licensing of the Wrangler business in Japan to Edwin Co. Ltd. at the end of 2000. In such foreign markets where the Company does not have owned operations, Lee and Wrangler jeanswear and related products are marketed through distributors, agents or licensees (Carlin, 2001).

PRODUCTION STRATEGY

VF produces its jeans both domestically and internationally. Utilization of new technologies along with an increasing shift toward offshore production have caused a shift in VF’s jeanswear production process over the years. According to VF’s CEO, Mackey McDonald, one of the biggest challenges facing the company today is innovation. Customers are cost conscious, but they seem to want new products and new ideas more than ever. Therefore, the companies that can produce “the most innovative jeans at a moderate price are the ones that win” (Lisovicz, 2001). VF is one of the leaders, if not the leader, in this endeavor. Over the years, VF has developed its production process so well that it is one of the most efficient systems in the industry (Duggins, 2001). This greatly benefits VF by giving them economies of scale, virtually no waste, and extremely low production costs. More importantly though, VF’s commitment to strong
relationships with its retailers and customers is what allows its cost savings to be passed down to end consumers, providing them extremely high quality jeans at an exceptional value. VF’s commitment to improvements in production through new technologies and offshore production is what allows the company to consistently provide low cost, high quality items to consumers.

TECHNOLOGICAL SYSTEMS AND PROGRAMS

It could easily be said that VF has been at the forefront of technological innovation and leadership, which has allowed the company to develop and maintain very strong relationships with retailers and has given them a competitive advantage. The company’s technological effort began back in the early 1980’s with the stock turnover enhancement program. It was then automated in the late 1980’s through the Wrangler replenishment system and became even more sophisticated in the 1990’s (Goldberg, 2001). In the past several years, VF has implemented many more technological systems and programs to improve the efficiency of its production, relationships with retailers, and better ways to identify customer needs. Some of these systems and initiatives are:

- In 1999, VF announced a partnership with i2 Technologies to “spearhead the SoftgoodsMatrix, an open, web-enabled marketplace for softgoods retailers, manufacturers, and suppliers to procure good and services” (10K Report, 2000). The company is fundamentally changing the way it does business in order to respond better and faster to consumer demand for a wide variety of differentiated brands and products” (10K Report), which is all part of its “consumerization” strategy, the company’s newly consumer-driven business focus.

- The Consumer Response system is another technological development that VF has implemented to improve its relationships with its retailers and consumers by helping it “identify the needs of specific consumer segments and meet them with a continuous flow of new products” (10K Report, 2000). This system has been successfully installed in the company’s Vanity Fair intimate apparel business and will be installed into the domestic jeanswear unit, as well as other operations, over the next year. This in a sense gives VF and its retailers the luxury of what the industry calls demand-driven replenishment, helping to reduce inventory amounts.
VF has also developed new planning and forecasting software that will help “better allocate resources and reduce costs, inventories and manufacturing cycle times” (10K Report, 2000).

The company’s micromarketing system helps put “the right product in the right brand and in the right store location” (Gellers, 2000). This system is operated by a team of about 30 people at the company’s headquarters, who “track the company’s demographics to pinpoint specific jeans consumers and customize distribution” (Gellers, 2000). Each store is tracked by zip code within a three-mile radius to ensure that the store will have the right selection available for its customers, helping to manage risk and increase sales volume.

The company’s Retail Floor Space Management System (RFMS) provides additional support in effective relations with customers and retailers. This system facilitates merchandise planning and replenishment of all of VF’s jeanswear brands. The RFMS is one feature of the Informix Dynamic Server technology that VF incorporated into its business in the 1990’s to help unite its seventeen divisions’ activities under one common system. In addition the RFMS, Informix also features and Automatic Retail Replenishment system that receive daily uploads of sales data from retail outlets, analyzes the information based on consumer buying patterns, store sales and special events, and then determines appropriate inventory re-stocking requirements” (“Retail Giant VF…,” 2000). A third benefit of Informix is its DOCs Distribution system, which “coordinates the distribution of jeanswear products to VF’s increasing number of distribution centers and retail outlets” (“Retail Giant VF…,” 2000). All of these benefits work together to improve the accuracy and efficiency of VF’s jeanswear production.

For the Wrangler business only, VF has a B2B function via the Internet called Traders Pass. This program is accessed by retailers through a personalized access number, allowing them to gather information about brands and products, create custom advertisements for their stores, and request point of purchase displays.
GLOBAL SOURCING

While technological advancements have brought about tremendous improvements in the production process, VF has also had to cut costs by moving some of its production offshore to maintain its "consumerization" initiative and combat the intensely competitive jeanswear environment. While VF produces some of its products in domestic plants, it also produces a significant amount offshore, primarily in Mexico. VF also uses independent contractors, mostly located outside of the U.S. Over the past few years, the company has balanced its “sourcing mix, with more being manufactured and contracted from lower cost facilities in Mexico and the Caribbean Basin” (10K Report, 2000). By the end of 1999, approximately 65% of the company’s products sold in the U.S. were manufactured offshore, up from 57% in 1998, which gave the company incredible cost savings (10K Report, 2000).

The company sells its jeans in 150 different countries around the world (Lisovicz, 2001) and is continually looking for opportunities to expand and improve its jeanswear business abroad. Recent examples of new additions include VF’s August 2000 announcement to acquire the majority holdings of H.I.S. Sportswear AG from Durango Apparel, Inc., giving VF 75% ownership. H.I.S. is the leading women’s jeans brand in Germany, making it a great addition to its European jeans unit where the company already sells Wrangler, Lee, Maverick and Old Axe brands (“VF to commence…,” 2000).

VF’s global production strategy involves a mixture of activities, from the utilization of wholly-owned subsidiaries, such as those in Mexico, to joint ventures as done with Spain and Portugal, to licensing as with its Lee business in Japan with Edwin Co. Ltd. The global sourcing, along with highly efficient production systems has enabled VF to provide very high quality jeans at an extremely good value to consumers in 150 nations around the world.

VF CORPORATION’S JEANSWEAR BRANDING PRACTICES

Over the years, the VF Corporation has gone to great lengths to establish and preserve its brand names. As described in the branding and brand management section, it is important to look not only at the obvious branding actions of a company, such as its advertisements, but also the reasoning and motives behind such ads. What type of message is the company trying to convey? How does the company attempt to create brand equity?
BRAND STRATEGY

VF’s brand strategy differs among the three primary focuses of the jeanswear company—mass market, Western and Lee. For the mass market, VF’s brand strategy is to develop and maintain a strong portfolio of brands. This allows the company to focus its brands against primary consumer targets, realize growth with minimal cannibalization, match each brand to the lifestyle characteristics of consumers, realize economies/synergies, and serve the large diverse consumer base of the mass channel (Duggins, 2001). For the Western category, VF’s primary focus is on the preservation and improvement of the brand equity of its Wrangler brand, which is one of the company’s strongest assets. The strategy for Lee is quite similar to Wrangler, with a focus on the preservation and reinforcement of the brand. With each segment there is one commonality—to monitor the company’s product offerings continually and keep abreast of changing consumer trends. For the primary equity brands, this means a branding objective of keeping the brands relevant. For the sub-brands, this involves line extensions and offerings more involved with the product life cycle.

BRAND EQUITY

VF does not attempt to derive brand equity through organizational association. While almost everyone has heard of Wrangler jeans, a good majority of the population is not familiar with VF Corporation itself. Instead of using organizational association, the VF Corporation achieves its brand equity through brand awareness, perceived quality and emotional attributes, as demonstrated by such slogans as “as comfortable as going home again” and “Real.Comfortable.Jeans” in its Wrangler jeans advertisements. In fact, brand equity is at the core of the company’s formula for growth, which is to have “dominant brand names with strong brand equities and depth of selection” (Gellers, 2000). This is perhaps one of the reasons behind VF’s success. From VF’s formula for growth, it is apparent that brand preservation and growth is one of the company’s top priorities.

VF builds its brand equity by accurately identifying profitable target markets, continually developing new styles to serve these markets and keep their interest, and reinforcing the brand images and personalities the company has developed through persuasive, supporting advertisements. The company’s products always mirror the positioning of the brands to keep the customers happy.
TARGET MARKETS

Demographics is one of the three biggest factors affecting the growth of the apparel industry, because of the issue of demographic diversity among consumers. The future of demographics in America is expected to change in many ways in the first quarter of the 21st century. Between now and 2025 the number of Americans over the age of 65 will nearly double and the average age of consumers will shift from 36 to 40. Fortunately for apparel manufacturers, people between the ages of 35 and 54 have preferences for outdoor activities, travel and entertainment, leading them to spend more on apparel than any other age group (10K Report, 2000). To meet the trend of the growing youth market, VF said back in 1999 that it planned to reposition its Lee brand for this younger market, adding five new lines and adding its first brand dedicated toward children, called “Pipes.” The 18-24 year old market is much more fashion-conscious and generates more demand for new styles than other markets, so VF certainly caters to them, but does not ignore the 25-plus sector that is demonstrating large growth.

The U.S. is becoming more and more ethnically diverse than ever. Hispanics represent the fastest growing segment, followed by Asian Americans. Because of these trends VF has incorporated more culturally oriented styles into its designs, but still maintains a high level of consistency to preserve its brands.

Where consumers shop too, has had a large impact. As touched upon in the industry analysis, the growth of discount chains and mass retailers has boomed, hurting the traditional sources such as department stores. However, this shift has dramatically helped VF. The company has reaped major benefits from what the industry calls “cross-over shoppers,” people who have switched from department stores to the mass-market outlets. Because VF sells many of its jeans in mass markets stores like Wal-Mart, Kmart and Target, its sales volume has risen as a result of the number of cross-over shoppers, which is steadily increasing each year (Gellers, 2000). The mass market is a promising sector because it allows the company to reach a wide variety of consumer types at the same time. The typical crossover jeans shoppers are women shopping in the “mass channel for their general household apparel needs for themselves, their children, their husbands, and significant others. In fact women buy half of the men’s jeans sold in the mass channel” (Gellers, 2000). For this reason, the bulk of VF’s jeans business is targeted toward the 25 to 35 year old women (Gellers, 2000). The only negative to mass markets is the challenge of getting consumers to realize the availability of softgoods once they are in the store. Most mass-market shoppers come there for hardgoods (i.e. soap, shampoo, cleaning items) and often times can leave without ever looking at apparel. Nevertheless, this segment offers great opportunity and remains a large portion of VF’s business efforts. Figure 4
provides a listing of the target market for each of VF’s jeans brands (Duggins, 2001).

NEW PRODUCT DEVELOPMENT

The VF Corporation has succeeded in offering the number one brand in both men’s (Wrangler) and women’s (Lee) jeans because it has satisfied the needs of the consumer. Consumers today are demanding high quality jeans with new styles and new ideas and reasonable prices. The VF Corporation has done just this, and had reaped great success as a result. For consumers, price is not everything according to VF Corporation’s CEO, Mackey McDonald. In an interview with Susan Lisovicz in January 2001 he stated, “Price is important, but not just price. Our lowest priced products are not the ones that are selling. It’s some of our higher priced products, but compared to what you would spend on other jeans they’re very well priced. [Innovation is very important]…Every group of consumers has their own idea of how the jeans should fit” (Liscovicz, 2001).

McDonald stated, for example, that young women like to wear the rise lower and outdoors people like the leg much looser so it can fit over boots. If you fail to offer the right fit, you may lose an entire group of potential buyers.

To ensure that they do not lose these buyers, VF is continually developing new styles, using new fabrics and ideas to keep on top of consumer trends and satisfy its customers’ needs. For instance, the cargo and carpenter jeans, stretch denim, zip-off legs, and techno-fabrics have been recent trends that VF has incorporated into its design and production. Craig Errington, Director of Advertising and special events for the Wrangler division says “Wrangler’s fashion/basic mix is about 20/80 depending on the account” (Stankevich, 2000). Considering that just two years prior the non-basics made up only 8 to 10 percent, it is apparent that fashion is becoming a stronger influence and is much more demanded. For other brands in the company’s jeanswear division, this mix can be very different. For example, the Riders brand, largely geared toward women, can have a non-basic percentage of up to 40 percent and Gitano reported a mix of 50/50, making the line between fashion and basic hard to determine (Stankevich, 2000). The 18-24 age group is much more fashion-conscious and demanding than the 25-plus group, making them more likely to brand switch than older age categories. Thus, VF has to provide the most recent trends and styles on a continual basis if it is to retain its younger customers. Middle age people tend to be more loyal to a brand and a fit than to a style.
### Figure 4

**Women's Jean Brands and Target Markets**

<table>
<thead>
<tr>
<th>Jean Brand</th>
<th>Target Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrangler</td>
<td>Geared toward the feminine, athletic, all American woman who is comfortable with herself and doesn’t care about what others think, but the brand is important. Wrangler women typically like the outdoors and wear jeans for many occasions. Retails at $20.</td>
</tr>
<tr>
<td>Riders by the makers of Lee</td>
<td>Higher priced item geared toward women that want to be fashionable, but are somewhat comfortable with themselves. The primary target is women who are college graduates/professionals in the upper income bracket (often 30 yr plus customer). Basic, classic styles are important.</td>
</tr>
<tr>
<td>Lee</td>
<td>VF’s high-end, high quality jean. Geared toward women who are quality conscious and willing to pay more for a higher quality jean. Moved to a younger market in 1999 because it was targeted to a group similar to Wrangler.</td>
</tr>
<tr>
<td>Gitano</td>
<td>Geared more toward women who have an external focus—women who want a great fitting, contemporary, fashionable, brand name jean, that makes them look good.</td>
</tr>
<tr>
<td>Chic</td>
<td>Geared toward women who are comfortable with themselves, but somewhat fashion conscious. They want a good-looking jean with classic styles. (Similar bracket as Gitano, but a bit higher in price).</td>
</tr>
</tbody>
</table>

### Figure 5

**Men’s Jean Brands and Target Markets**

<table>
<thead>
<tr>
<th>Jean Brand</th>
<th>Target Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrangler</td>
<td>VF’s premium male jean. Higher end on price, geared toward the athletic, all-American man who is comfortable with himself, but holds importance with the brand. Wrangler men typically like the outdoors and wear jeans for many occasions.</td>
</tr>
<tr>
<td>Wrangler Outdoor Gear</td>
<td>Very similar position to Wrangler, but has more of a rugged, outdoor positioning. Focuses on the every day blue jean user—the people who love blue jeans and wear them all of the time.</td>
</tr>
<tr>
<td>Rustler</td>
<td>This jean is Wrangler’s lowest priced jean. It’s for the value-driven consumer who is home-oriented and not appearance driven. Typically geared toward the blue-collar worker who wears jeans for work. Retails at $15.</td>
</tr>
<tr>
<td>Britania</td>
<td>Geared toward the fashion-conscious, externally focused audience—typically 13-24 year olds who like young, hip brands and wide array of models. Lower end on price (retails at $20).</td>
</tr>
<tr>
<td>TimberCreek by Wrangler</td>
<td>Line of casual, khaki products by Wrangler, moderately priced and geared toward the functional user—people who like casual khakis and wear them all of the time.</td>
</tr>
</tbody>
</table>
MARKETING PROGRAM

ADVERTISING

The VF Corporation uses very strong ad campaigns in print, on television, and on the Internet to reach consumers. The company’s ads reflect the brand images and personalities developed by the company to convey the emotional attributes of being real, enjoying life and living in comfort. Some of the company’s recent ad campaigns were:

- **Wrangler Jeans**: A recent ad campaign for Wrangler jeans featured an American flag waving along with several scenes of people from all ages and types wearing Wrangler jeans. The ad used the slogans “as comfortable as going home again” and “as real as the best things in life” to incorporate more of an emotional appeal of comfort and American life (Dolliver, 2000).

- **Wrangler Jeans**: The “Real as Wrangler” ad was another recent ad used to market this jean brand. The ad, which cost $30 million, appeared in August 2000 and was the most aggressive to date. It was designed to establish Wrangler Hero brand (the top brand for 25 plus men with 78% increase in market share since 1990) more firmly as the superior choice for existing and potential customers. The ad targeted men, women and general audiences utilizing print media (People, TV Guide, Sports Illustrated, Redbook, Women’s Day, ESPN), television (ESPN, TNT, TBS, and VH-1, syndicated), and in-store components. Company spokesmen stated that the key in this ad was to take customers to an emotional level, focusing on social and family relationships that fit comfortably with Wrangler. VF believes that once it gets consumers to try its jeans on, 60% would buy the product (Dolbow, 2000). All spots contain Wrangler’s familiar tag “Real. Comfortable. Jeans.”

- **Riders**: A recent ad campaign for Riders jeans featured what the company calls “ageless women” in its ads, choosing women who wear little makeup and that aren’t too professional, too young or too fashion-forward—basically designed with the image that Riders are jeans made to fit these womens’ bodies and lifestyles. The ads were successful in their attempt to keep from alienating any women and received few negative responses as a result (Stankevich, 2000).

VF has been very successful at creating strong advertisements and keeping them current over time. An excellent example of this is VF’s ads for Wrangler. In 1982, Wrangler advertisements were heavily based on the Western image. Then, around 1984, Wrangler split into two segments, Western and Hero. From this point on, Wrangler was much more able to maintain the old cowboy image...
successfully with its Western side, while simultaneously allowing itself to be branded as a more modern, comfortable jean through the Hero side. In 1994, Wrangler ads, utilized the versatile tagline, “Real.Comfortable.Jeans” in its ads towards women, men and boys. Most recently, in 2000, Wrangler began using a new tagline, “As Real as Wrangler,” continuing to communicate the open road, Americana, family, and comfort emotional appeals. Thus, as this example illustrates, VF has successfully shifted its advertisements with the times to maintain current customers and attract new ones.

In addition to traditional media, VF also increases brand awareness by promoting its products through its main company Website (http://www.vfc.com/) as well as on other Websites with foreign business, such as the panEuropean Web activity that the company is going to re-launch in July 2001. The Wrangler Website is another example; it serves as an umbrella site for all of the sub-brands related to Wrangler. VF does not sell goods online, but rather utilizes the Internet to engage and leverage its brands and link consumers to its catalog or help consumers find retailers within their geographic area.

GLOBAL BRANDING

VF’s brand strategies are virtually the same in international markets as they are domestically. While VF does alter some of its brands and styles to incorporate the local flair of foreign cultures, it attempts to remain as consistent as possible. Consumers appreciate the permutations to the brand, but VF’s brands are built on a core positioning and values (Goldberg, 2001). To manage and monitor brands abroad, VF employs brand mangers on site in several foreign countries. On a periodic basis the division presidents of each country, who make up the Global Council, meet to ensure that brands are enforced properly and consistently across countries, to create guidelines to ensure a correct focus, and to identify and leverage opportunities. VF also has another council called the Global Trend Council that is in charge of watching fashion trends and maintaining consistent, but flexible fashions across the globe.

BRANDING/PRODUCTION DILEMMA

Issues that arise from the interaction of branding and production practices include globalization, the threat of gray markets and imitations, and production volume.
GLOBALIZATION

One of the biggest changes in jeans branding and production has been globalization. The production shift as a result of offshore sourcing is fairly apparent on its own—basically, companies have moved production offshore to cut costs and remain competitive, often times building their own facilities in developing countries. However, this shift in production has also led to changes in branding practices. With products being produced, distributed and sold all across the world, the task of brand management becomes much more difficult. Several large apparel manufacturers, like VF, have made partnerships, licensed production to local firms in foreign countries, and placed management directly in other countries to handle the branding practices of its products in those foreign markets. Such action puts decision making in the hands of people who have increased local knowledge and optimizes the ability to identify emerging opportunities.

THREAT OF GRAY MARKETS

One of the biggest dangers or problems of this shift toward international production and branding is the threat of gray markets. Gray markets are essentially “the selling of genuine trademarked products in unauthorized distribution channels” (Clarke and Owens, 2001) and are dubbed “gray” because they are usually legal, but considered unethical by many. These markets emerge when a trademarked good is being sold at a substantially lower price in one market than another or when there are market shortages. The negative effects of gray markets for a multinational company, like VF, are many. They have been found to “erode trademark image, destroy customer goodwill, trouble channel member relations, and disrupt global planning efforts. Goodwill established by the trademark owner is lost as consumers purchasing the parallel imports do not receive the same “extended product” (i.e. product usage information, service, warranty, and safety protection)” (Clarke and Owens, 2001).

Levi-Strauss is one example of a jean manufacturer that suffered from the impacts of gray markets. In the early 1990’s, Levi-Strauss’ jeans were sold for $60-100 in overseas markets—over twice the average U.S. price. As a result, gray markets emerged in some areas, in which jeans were bough in bulk off shelves of U.S. retailers, shipped to foreign countries, and sold in unauthorized outlets at cut-rate prices (Katz, 1996). Levi-Strauss estimated that this gray market activity cost the company millions of dollars in sales each year and damaged the image of its products. This is a big issue for companies today, as gray markets “now exceed $10 billion per year in North America and affect almost every major trademarked product” (Clarke and Owens, 2001). While gray marketers believe they are acting ethically and in the consumers’ best interest,
manufacturers maintain the viewpoint that it is their right to decide which dealers can distribute their products and at what price. Whoever is right, marketers of international products, such as VF, must be aware of the threat of gray markets and how to protect its products because gray markets can severely affect the company’s investment into brand equity.

THREAT OF IMITATIONS

Another concern is the issue of imitation products. Due to the basic nature of blue jeans, the garment can be easily copied in developing nations. So, even though the costs of producing goods abroad may be lower, the threat of cheap imitations is an issue worth attention. It is a threat that can make branding issues very difficult in international markets. To help prevent, or at least limit, the potential damage from imitations, VF makes strong efforts to build relationships with foreign governments and establish rules and regulations against such actions.

VOLUME/PRICING AFFECT

How a jeans manufacturer’s production process is set up in terms of volume can have an affect not only on the pricing of its product, but also its ability to produce certain product lines, and thus serve specific niche markets. High volume production practices enable companies to charge lower prices for their products and assume a low-cost leader positioning. However, production processes set up for large volume batches make production of smaller orders less cost efficient. Thus, companies with such a system are not able to effectively serve specialty or niche markets effectively and are better off serving larger chains or mass-market channels. VF, for example, bases its production on very large volumes, and thus is able to produce jeans at a very low cost. Therefore, VF is able to position and market its jeans as a high quality, good value product and is the leading jeans supplier for the mass market. Simultaneously, high volume producers are constrained in their ability to react quickly to consumer trends due to the fact that they must wait until the demand becomes high enough to warrant the production of large batches. Once demand is up though, these companies are able to get large amounts of products on retailers’ shelves much more quickly than small-scaled producers. As these examples illustrate, manufacturers of every size have their advantages and disadvantages. The production strategy, therefore, may be determined by the company’s target markets and distribution channels.
FUTURE IMPLICATIONS & RECOMMENDATIONS

PRODUCTION TECHNOLOGY

Production technology for jeans may see even more efficient processes in the future. Already, advances in mass-production equipment along with synthetic materials and the like have led to significant changes in the production of jeans up to this point. Unlike apparel in general, whose delicate fabric nature can limit its mass-production capabilities, denim is an extremely durable fabric that can withstand harsher treatment by machinery. As a result, the possibilities for production technology development are endless and likely to be even more efficient down the road. The obvious recommendation in terms of technology is to keep pace with it so that a given company does not move down on the list in terms of efficiency and profitability. This is supported by an increase in consumer willingness to accept unique and new fiber blends in traditional apparel items.

WILL OFFSHORE SOURCING CONTINUE?

In regards the offshore sourcing trend, the industry could see a backlash. “In a trend-sensitive business, retailers want to restock empty racks quickly, respond to fads, control inventory, and maintain quality. Some buyers began shifting from foreign to U.S. garments to reduce the time from order to delivery” (Garment Industry, 1996).

Furthermore, many companies that have turned to the alternative of offshore sourcing are getting grief from certain groups on the homefront, such as environmentalists and labor unions, sometimes to the extreme of having their products boycotted. Consider, for example, the recent riots in Seattle, Washington, against the WTO. One of the primary complaints of Seattle protestors regarded the exploitation of globalization (i.e. child labor). One British consultant coined the term “vigilante consumers,” referring to those consumers that base their purchasing decisions in part on ethical concerns (Katz, 1996). Other U.S. companies that have benefited from “questionable labor practices have been targeted on television shows, such as NBC’s news magazine Dateline” (Katz, 1996). There have also been other organized activist groups, such as the Clean Clothes Campaign network in Europe that drafted their set of guidelines for acceptable working conditions in the apparel industry. So, while global sourcing may provide cost savings to these firms, these consequences along with the need for retailers to received goods on a timely basis, forces us to
consider whether or not the “worm will turn” back toward American suppliers and domestic manufacturing.

While it is possible that companies will face the ridicule, boycotts and challenges from going to the “outside,” such controversy really arises from the complaints of few in comparison to the whole spectrum of the population. Consumers as a whole most likely are not willing to pay $10 more for a pair of jeans because it was made in the United States. For most consumers, quality, value and price are the three biggest factors when making purchasing decisions. A readers survey from Purchasing World Magazine found that in personal buying habits, a third of readers prefer domestic products, but only 17% will avoid imports and about 25% of respondents say they do not. So while the unions and environmentalists complain and picket and riot like they have been recently in Seattle, Washington the majority of the population doesn’t seem to care. Consumers appear to like the lower prices, period.

Thus, on the issue of globalization, companies need to decide on an individual basis whether or not the benefits of offshore sourcing outweigh the costs in terms of their organization’s own goals and visions and the favor of certain consumer segments.

WORK WITH LOCAL GOVERNMENTS

To help combat the negative effects of gray markets and imitations, it is recommended that companies work closely with governments and pursue all necessary political or regulatory action to protect trademarked goods and preserve brand equity.

VOLUME/PRICING DECISIONS

The volume/pricing dilemma is another issue that requires great discussion and weighting of costs and benefits. International jean manufacturers must decided who they want their target markets to be, what type of markets and distribution channels they want to distribute products through and what type of production process will meet those goals most efficiently. If a firm is looking to be a low-cost producer, then they need to set up a highly efficient, volume-based operation like VF. However, if a company is more interested in serving niche markets and being able to offer the latest trends very quickly, then a smaller-scale production would most likely be best.
STABLE TREND: CONSUMER-CENTRIC FOCUS

The consumer-centric focus is most likely one trend that will be here to stay. Research shows that the increasing amounts of available information is making consumers more educated and more in control. The need to please the consumer through a variety of activities, from product innovation to superior customer service, will be a necessity for any business in the future. VF certainly believes this, stating in its “2020 Sketchbook,” that “success will come to those who effectively gather and manage knowledge about consumers and their needs” (10K Report, 2000).

LOW-COST PRODUCERS WILL LEAD

Ten years ago, the price of jeans may not have been as much of an issue, but today it certainly is. The fact that almost everyone owns a pair of jeans today and can find them anywhere means that manufacturers and retailers can no longer ask consumers to pay higher prices. Therefore, companies that are not price conscious in their business activities may suffer lost market share in the future, as Levi-Strauss is suffering from currently.

VARIETY OF GLOBAL STRATEGIES

Due to the ease of imitation, increasing number of large blue jean players around the world and critical role of cotton production, international jeanswear manufacturers must develop a skillful combinations of global strategy. Cotton production in particular will play an increasing role in what companies will become big players in the future. Currently, Egypt and central Asia are two of the largest cotton producing areas in the world, which is perhaps why local jeans brands such as Turkey’s Mavi Jeans have achieved such great success in their local markets. Mavi Jeans were only introduced nine years ago in 1991, and already has reached 450 selling points in Turkey and over 1600 abroad (www.mavijeans.com). Thus, large jeanswear corporations wishing to obtain high market share abroad, must incorporate the right mixture of global strategies into their business plans. VF has been successful at this to date. A large part of VF’s strategy has been the acquisition of local top brands in other countries, as they did with the UFO brand in Brazil. Joint ventures and licensing are two other strategic methods that the company utilizes to optimize its international jeanswear business success. It is recommended that other jeanswear companies follow a similar global strategy pattern to combat the ever-increasing challenges in the global jeanswear market.
FUTURE DEMOGRAPHIC INFLUENCES

Specific consumer trends to watch for are the changes in ethnic demographics. Currently, one-fourth of the U.S. population is made up of racial minorities. However, this number is expected to grow to one-half within the next 50 years, with the Hispanic population estimated to rise 22.5 million to 22%, Asian and Pacific Islanders to rise 7.6 million, and African-Americans to rise 30.6 million (Haub, 1995). This will be a crucial market for manufacturers and their retail customers to target. Firms in this industry must identify and produce products that appeal to the cultural background of this population if they want to attract and retain their business. Additional markets to watch for are the growing plus-size, youth and big-and-tall markets, which are expected to be high-growth markets over the next several years as discussed in the industry analysis.

SUMMARY

PURPOSE

This paper analyzes the dynamic developments in the branding and production processes of blue jeans over the years. An analysis of the apparel industry, a literature review of branding, and an analysis of the branding and production practices of blue jeans were conducted to provide a background for comparison. The VF Corporation and its jeanswear division in particular serve as the primary example of jeanswear manufacturers today to draw conclusions about the branding/production dilemma of blue jeans and potential future trends.

TEXTILE/APPAREL INDUSTRY

Manufacturers of blue jeans live in the complex industry of textile/apparel manufacturing. Until recently, apparel manufacturing in America had remained a highly domestic business. However, with the development of NAFTA and revision of GATT in 1994, followed by other reductions in trade barriers, many businesses began turning to the lower cost alternative of offshore sourcing. This change has severely impacted the players of the textile apparel manufacturing industry and has shifted the entire production process. According to Standard and Poor’s Industry Surveys, growth of this industry is determined, and sometimes challenged, by three main factors—economic conditions, pricing and demographics (S & P, 2000). These three factors have been the major drivers behind the strategic decision making of firms within the industry, leading to shifts in production, design, product development, and branding.
BRANDING & BRAND MANAGEMENT

The concepts of branding and brand management represent crucial elements that businesses of all industries must understand to achieve success. Often times, branding can make or break a product. In some instances, branding has made or broken a company. Certainly, failing to manage a brand properly can leave a company lagging behind its rivals, struggling to catch up. The branding process is a complicated system, involving a multitude of activities that revolve around determining what makes a strong brand, effective implementation, and successful management. A deep understanding of brand equity, brand association, brand loyalty, perceived quality, and other such concepts is essential for developing successful product strategies in today’s changing, global business environment.

VF CORPORATION

This paper uses the VF Corporation and its jeanswear division as a prime example of the developments in branding and production within the textile/apparel manufacturing complex. VF Corporation’s 101 years of experience have led to its position as the world’s largest apparel company in sales of outerwear. In 1999, the company boasted net sales of $5.55 billion and holds several leading brands in jeanswear, the division of which is divided into three main segments—Wrangler, Western, and Lee. VF is a leader in technological advances and relationship management, which is what brings such high quality jeans at a good value to the end consumer.

THE BRANDING/PRODUCTION DILEMMA

The findings of this report identified four key issues on how branding and production practices of blue jeans interact and influence one another. First, is the issue of globalization—how companies should balance the offshore sourcing benefits with the challenges of serving retailers in a timely manner and avoiding protests from consumer groups. Second is the threat of gray markets (the selling of genuine trademarked goods in unauthorized distribution channels). Third, is the threat of imitations—blue jeans are a very basic item that is easy to emulate, further challenging the task of brand management and equity preservation. Fourth is the volume/pricing issue—how the production process is set up (i.e. high volume or small batch size) can greatly affect a company’s marketing and branding options.
FUTURE RECOMMENDATIONS

To combat these four branding/production dilemmas, the following suggestions are presented: 1) companies need to thoroughly analyze and weight the costs and benefits of offshore sourcing and production to determine what scenario is best for the organization, 2) companies should work closely with local governments and pursue political and regulatory avenues to protect trademarked goods against gray markets and imitations. Finally, as a separate note, companies need to ensure a consumer-centric focus in the future because all business success will come those who best identify and fulfill consumer needs and also work diligently to incorporate cultural influences into product offerings to adapt to future predicted demographic changes (i.e. growing Hispanic population and other minorities).

CONCLUSION

The business of jean manufacturing changed dramatically over the course of two centuries. What once was a very simple item worn only by the blue-collar workers of nineteenth century American became one of the most global products in the world. With this change came shifts in production and branding, which in turn affected one another. Many issues arise from this branding production dilemma, including globalization, the threat of gray markets and imitations, and the volume-pricing affect. To combat the challenges, jean manufacturers must make several important strategic decisions. Some of these decisions are externally oriented, such as pursuing political and regulatory action to protect brand equity, while others require a much deeper internal look at the core positioning and values of the company itself. Once companies decide which markets they want to penetrate and what type of positioning they want to utilize, they must maintain a consumer-centric focus, apply a variety of global strategies to penetrate world markets, and incorporate the styles of the local markets they enter to achieve success across the world.

BIBLIOGRAPHY


