

Fruits Of Prosperity

An Interview With William Farley, Chairman and Chief Executive Officer, Fruit of the Loom, Inc. and Farley, Inc., Chicago



William Farley

EDITORS' NOTE

Mention Fruit of the Loom and one immediately thinks of underwear and the trademark fruit cluster. Since being acquired by Farley, Inc. in 1985, however, the company has grown extensively, creating 17,000 jobs, and it continues to expand into new markets and niches.

William Farley, educated as a lawyer, began his business career by joining the mergers and acquisitions department of NL Industries' \$50 million metals group. A year later he joined the investment firm of Lehman Brothers as an associate in

COMPANY BRIEF

Fruit of the Loom, Inc. is a vertically integrated international manufacturer and marketer of quality activewear and casualwear for the imprinted and retail markets, men's and boys' underwear and women's and girls' underwear. It does its own spinning, knitting, cloth finishing, cutting, sewing and packaging. The company employs over 33,000 at fifty locations in the U.S. and overseas. Manufacturing takes place in six countries, and there are sales offices in over forty countries. Fiscal 1993 sales were approximately \$1.9 billion.

corporate finance. At Lehman, Farley purchased his first company, Anaheim Citrus Products (ACP), through a leveraged buyout, an initial investment that became the foundation for a number of acquisitions, including his \$1.4 billion buyout of Northwest Industries in 1985, followed by completion of the \$565 million initial public offering of Fruit of the Loom, Inc. in 1987.

In this interview Farley discusses the recent acquisition of Salem Sportswear Corporation by Fruit of the Loom, Inc. and future plans to further cement FTL's market niche.

You were trained as a lawyer, you have worked in investment banking. What led you into the underwear business?

If you look back in my history you will find I did a number of leveraged buyouts. In 1985, while doing the Northwest Industries deal, I essentially felt that the jewel of Northwest Industries was a company called Fruit of the Loom, tucked away within the Northwest Industries framework. Eventually we sold all the businesses except Acme Boot Company and Fruit of the Loom.

I thought that Fruit of the Loom, rather than just being an underwear company, could become an international manufacturer and marketer of brand goods, basic family apparel, rather than manufacture and market only men's underwear. Of course, it already had a great reputation and a great name as a quality marketer of underwear, but we felt it could be much more. We started to develop an international aspect and an activewear apparel aspect.

You license BVD, Munsingwear – well-recognized brand names. Is name recognition a key to your success?

It is one of the keys, yes. I consider myself fortunate to be the chairman of a company that represents one of the great American icons. Coca-Cola, Chevrolet, Fruit of the Loom. In an independent

study of the top thousand most widely recognized brands in America, number 24 was I.B.M., 26 was Chevrolet and 25 was Fruit of the Loom. I think the brand name really does have a lot of value.

What is the story behind the Fruit of the Loom symbol?

That goes back over a hundred years. One of the first cotton mills in America, where cotton weaving and knitting took place, was in Pontiac, Rhode Island. Coincidentally, this is the city where I was born. The owners of the mill named their cloth Fruit of the Loom – a colorful way to describe the product. One of the merchants who bought the cloth operated a dry goods store in New York's apple-growing Hudson Valley. He had a young daughter who was an artist. She painted some pictures of apples on a bolt of the cloth to attract attention to the product. The Fruit of the Loom fabric and the picture of the apple soon came to symbolize the quality fabric produced by the mill. Fruit of the Loom picked up this trademark. The rest is history.

Do you wear Fruit of the Loom?

Always. I occasionally test-market other products, but I use Fruit of the Loom.

Do you think most CEOs wear colorful underwear?

You know, I hadn't thought about that, but there may be hidden personalities in CEOs. What has become very popular is boxer shorts with graphics, sports figures and team logos. If CEOs wear them, I don't really know. Clearly, there has been a trend toward more graphic presentation, color and style. It has become more of an inner fashion statement, if you will.

Is it too crazy to envision the day when large companies like General Motors will give shorts with the corporate logo as fun gifts?

No, not at all. In fact, I think that's a very good marketing idea. If you think about it, this started with T-shirts. First there were blank T-shirts. Then it became popular to sponsor races and such, even by a General Motors, I.B.M., AT&T. Now

I don't think it would work with the simple brief, but I can see it being a boxer short of a special style or design with an interesting graphic.

Didn't you recently purchase a company that specializes in sports logos?

Yes. We just purchased a company called Salem Sportswear Corporation, and that business is based on imprinting team logos from the National Hockey League, the National Football League and the National Basketball League and major league baseball, as well as many colleges and universities. It is colorful, everyday and hip. It is a big business and we are excited about it.

Does this acquisition fit with the underwear business because you use the same buyers around the world?

The reason Salem is such an attractive acquisition for us is that its major strengths are design and creativity. It is the best in the industry when it comes to design. What it needed were good, reliable supply sources for blank products like T-shirts, shorts, etc., onto which they print their graphics; and there is no better company in the world than Fruit of the Loom in that area.

So we are marrying, in essence, the basics with the fashion. I think we contribute to strengthening Salem by providing the basics, and Salem improves our company because it is doing well in its market niche. As teammates we have the potential for excellent profits.

How does the market look around the rest of the world?

As you know, in 1993 the European economies were slow and Asia was booming. It seems to me that the U.S., Canada and much of Europe are in for moderate growth and that the emerging economies of Mexico, Latin America and much of Asia will have significant growth.

If you look at the globe and say you want to be a global manufacturer and marketer, you have to orient some capital, develop a management structure and dedicate resources to focus on those areas that are growing, like Latin America and Asia. At the same time, you cannot lose focus on core markets in the United States, Canada and Europe.

Is there a lot of competition and copying being done overseas, particularly in Asia?

It is an issue that has to be worked on on a bilateral, country-by-country basis. We had some problems in Mexico, but with the advent of the NAFTA negotiations it has become easier to work with the Mexican Government in trying to protect our trademark. We have to do that on a global basis.

The bigger problem is illegal transshipments originating in China. Chinese

agreements and in violation of U.S. law. The Clinton administration estimates that \$2 billion to \$4 billion in illegal textile and apparel trade enters the United States each year under false country-of-origin label.

Recently, a new agreement was reached with China that will nearly freeze that country's access to the U.S. textile and apparel market and establish procedures to curtail transshipments. And while the limitation to 1-percent growth each year of U.S. imports from China will be helpful to domestic manufacturers, we had hoped for stronger penalties – and actual reduction in imports – more in proportion to the woeful violations by China in the past several years.

You have not used celebrities as much as certain other manufacturers have recently. Are you planning to change that?

No. Historically, our image people were the Fruit-of-the-Loom guys. Many still say they love the ads with the apple, grapes and leaves, and we haven't run those commercials in four or five years. Those were our characters, some of whom were such high-profile personalities as F. Murray Abraham.

In the last several years we have gone to more generic-type advertising, occasionally using someone well-known, like Riddick Bowe. There are pluses and minuses to both approaches, and we are continually reviewing the alternatives.

What are you going to do next?

My highest priority is dealing with the challenge of where Fruit of the Loom is going. It is an international company, and we want to make it more global. Currently it is large and very profitable, but we know we can make it larger and more profitable. What Coca-Cola is to beverages we want Fruit of the Loom to be to basic family apparel. I can see Fruit of the Loom's being a \$4 billion, rather than a \$2 billion, business.

You've provided many products free-of-charge to the victims of the Bosnian conflict, and you helped flood victims in the U.S. Midwest. What else is the company doing, and how much of it is part of the company philosophy?

I believe every company has an obligation to the communities in which it does business, and to special causes in which employees and management are interested. The examples you cited are specific instances of our trying to show that kind of interest.

In terms of philosophy, I believe it is all part of what a company can do to improve the lives of others.

You were a big supporter of NAFTA, claiming that Mexico would serve as a good export market for the

you view as a threat to the U.S. textile and apparel manufacturing industries.

We were very outspoken in our support of NAFTA. With regard to the Uruguay Round of the GATT negotiations, it is imperative that the Multifiber Arrangement – a global agreement on trade regarding textiles and apparel – should not be phased out for a minimum of fifteen years. A successful conclusion to the Uruguay Round agreements would be a fifteen-year phase-out of the Multifiber Arrangement and the opening of markets around the world on a reciprocal basis. Otherwise, we believe we are putting at risk 10 percent of the U.S. manufacturing workforce.

Fruit of the Loom has sales of \$1.9 billion and 33,000 employees worldwide, but you also have interesting areas in companies you are building, like Lucchese. What are these interests, and what are you going to do with them?

Fruit of the Loom is a publicly owned entity. It is large, and it has had great growth in the last five or six years. I also run Farley, Inc., which owns several businesses including Lucchese, Acme, Dan Post and Dingo, all boot manufacturers. Farley, Inc. also owns some businesses related to the automotive industry that are doing well and that we hope will continue to grow.

Can a professional executive run a company without knowing its products?

No, I don't think he can. Particularly today. You need to know the product well. You need to know the competition well. And today that includes global competition.

You are known as a maverick in the business world. You move in to buy companies where angels fear to tread. You go against the usual ways of doing business, yet you come out in the end with tremendous success. What is it that makes you so different?

I don't want to overemphasize the maverick quality. Rather, I think I am entrepreneurial. I believe we try to see opportunities sometimes where other people don't see them. That is the idea of adding value. Since 1976, the year I bought my first company, the number of my acquisitions has grown larger and larger, and for the most part they have been success stories. When I graduated from college I don't think people would have said, "Hey, that is the guy who is most likely to succeed." It helps to have a reasonable amount of intelligence, but you do not have to be brilliant and you do not have to be a genius. You do have to work hard. And you have to be very focused. A lot of it is being entrepreneurial, being creative, being focused. ●