

SPORTSWEAR

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WITH AN IMPRESSIVE DEBUT IN CHINA, CONE DENIM IS EXTENDING ITS REIGN AS THE WORLD'S MOST PROGRESSIVE AND HISTORICALLY AUTHENTIC PURVEYOR OF DENIM. [INTERVIEW: TIM YAP](#)



Even the world's best known textile manufacturers have nothing on Cone Denim, with its 117-year-old history and its beloved White Oak plant in Greensboro, North Carolina, synonymous with long chain dyeing, Sanforizing and Deepstone denim in the late 1930s. Today, this global supplier of denim, which was acquired by International Textile Group in 2004 for \$90 million and is said to have annual revenues in excess of \$1.1 billion, maintains operations in Mexico, Turkey and Nicaragua. In November 2007, the company, in partnership with Novel Holdings Ltd. (owned by the Chou family), opened its first Asian-Pacific facility in Jiaxing, China, with the capacity to produce 28 million yards over the next year. The overall plan, says Cone Denim president Tom McKenna, is to gradually offer identical products from Cone Denim facilities around the globe. The company, meanwhile, continues to combine its heritage with innovation resulting in the acquisition of state-of-the-art spinning attachments to the production of lighterweight, stretch fabrications and extra long staple cotton denim offerings. It has also upped its services to offer continuous product launches and one-on-one customized development with its key customers. Transitioning into an eco-friendly powerhouse, it is establishing green practices ranging from the use of recycled methane gas to power White Oak to water purification at each of its foreign facilities. And as a way to reach out to a new, younger generation of customers and trendsetters, the company has even published a series of books on denim in collaboration with artists such as Susan Cianciolo and Alife. Here, Cone Denim responds to questions about sourcing globally, the premium segment and its longevity in the business.

Tom McKenna, president Cone Denim
Ray Erickson, senior vice president sales & merchandising
Eric Hrdlicka, senior merchandise manager
Ralph Tharpe, director technical design
Kara Nicholas, vice president new product and marketing

How concerned are you with the rise of imported fabrics and garments due to cheaper manufacturing costs?

TM: We would be more concerned if we didn't react to the changing marketplace. We've made significant investments to align ourselves with a global supply chain. Having capital to invest in our business has gotten more difficult in the last 10 years and we've been fortunate in the last few years to have a much stronger access to capital that's allowed us to pursue that strategic plan. That strategic plan was to align ourselves with our customers on a global basis. In the US, we've got White Oak left that's very much aligned with the needs

of the premium market, so we basically transitioned from a very high-cost environment in the US to a much more competitive environment in Latin America and now Asia and hopefully beyond that into places like India.

How is the US mill different from the foreign ones?

TM: From a capability standpoint, the plants are more similar than they are different. White Oak is certainly set up to be the most flexible and the most capable from a premium product standpoint, based on certain capabilities like the X3 loom. White Oak definitely defines the most capable, broadest product range that we have. But our other platforms—Jiaxing, Mexico, Nicaragua—will be very close to having the same capabilities as White Oak but won't have the same capability. They're set up to be larger scale operations.

RE: At the end of the day we're aligning our different platforms by aligning up to our customers' sourcing practices. Where our



customers are going is to a lower-cost country, so the Mexico plant's aligned with sourcing in Mexico. We're building a plant in Nicaragua to align with manufacturers with services in the area. Now we're aligning with a plant in Asia again. Right now, our strategy is most of that denim will come back in garment form to the US. In 2007 and 2008 we will eventually see a balance shifting from a 75 to 25 ratio—75% of the garments stay in Asia, 25% will be coming back to this country.

Is it risky to be moving to a higher-end premium business or was this inevitable?

TM: Had it not been for the emergence of that market, we wouldn't have a channel to align ourselves effectively. So we do feel fortunate about that. It's a matter of execution. We have the people. We have the capabilities. We have the heritage. We're executing very well; we're growing our share of the premium market over time. We need to continue that trend. So it's risky in the sense that for White Oak we have to be successful. We can't make commodity or mid-tier product at White Oak. We've said that White Oak is a premium platform; as we execute against that strategy we'll be successful. But it's an all-or-nothing type bet.

Can you explain some of your latest technologies?

RT: The one we're most proud of is a new concept that we launched just a few weeks ago. It's stretch fabric. The industry's had a problem with stretch denim. We hear anecdotes from our friends and coworkers. Anyone that wears stretch denim has a story. "Oh, the jean bagged out, it stretches out after I wear it." And they're not complaining about our denim in

particular but any stretch denim. Some of it is very good. Some of it is not so good. So we came up with a yarn formation system that combines spandex and other elastane fabrics to make a better, core-spun fabric. So it's been marketed under the name S-Gene. It has a different feel to stretch. It comes back in a different way. It comes back a little stronger. We consider it to be a breakthrough technology and one thing it's enabled us to do is a selvedge fabric with stretch—a selvedge jean but made with our new S-Gene technology.

You've talked about working with smaller brands. What services do you offer them?

RE: We've taken some of the product from development trials and put them into one, two, three thousand yards for individual startups. They get one-of-a-kind products and they don't have to compete with someone else. It's called the "Reserve Edition" and it's worked really, really well.

EH: Really, it's just flexibility and the ability of people to create their own denims and lines with their aesthetic—selvedge denims, for example. We've had great success with people coming in and wanting to design their own selvedge i.d. or the colored thread that runs down the busted side seam. It's one way to easily create individuality and originality in a premium jean and it's still very historically authentic. So we've had a great business not only changing colors but changing the combinations of colors on all the different constructions.

How does Cone Denim stay on top of design and innovation?

RT: Kara's team is really out there in the market. They bring back feedback and a lot of ideas and we try to take those and really apply them directly and take the

technology and see if we can build something similar to that. S-Gene's a good example. If you have a problem, you have to figure out how to solve it. We just work through it. We do "What if?" trials. Someone will ask for a specific stretch fabric. And we say, "What if we took that and made it rigid, with higher picks and put a special finish on it?" And some of those things turn out to be our bestsellers.

Talk about the organic range and how that's evolving.

EH: We try to keep it very core to the attributes and purity of what organic cotton's meant to be about and that's purely through the constructions. The biggest success we've had has been the wide stretch style. We've made a couple of specific ones for customers. But we've kept it very tightly focused. A lot of that had to do with the availability of the fiber starting out. Now we're seeing it expanding a little more and becoming a little better quality.

What are other growth areas?

KN: We're looking to the White Oak collection to expand and different categories. Our selvedge collections—our narrow goods really would be part of that—our S-Gene, as well. RE: The other growth area would be the \$60 to \$99 area in retail price points. Everybody's expanding that. TM: Ray had mentioned earlier that Jiaxing initially will have a focus on supporting export programs, but over time we'll transition to really supply the premium brands in Asia—China specifically but certainly other Asian countries as well. So that certainly will be a growth market for us from a standpoint of doing more business there than we are doing now by virtue of having a plant there. We've had a long

history in the European market with several European market leaders. It's certainly not as large as in some other regions. But now that we've advanced our product capability and putting commercial resources in place, we seek to grow that business pretty aggressively. We'll continue to do that in the near term to grow in multiples rather than just 5% by having the right products, the right positioning and the strength of the Cone Denim brand.

How do you see the jeanswear market evolving?

TM: We certainly see the consumer continuing to be extremely demanding for value; the value that consumers are being given around the world in the jeanswear category is enormous compared to where it was five, 10, 15 years ago. For the same price points, the same product is available at lower prices, or for the same price point, you're getting much more product than just a few years ago. The consumer's been the winner in the globalization story around sourcing. On top of that, you have the premium jeans segment that has shown consumers even at more popular price points how good jeans can look and be and fit and feel and how inspiring brands can be. So there's a whole new energy among more popular price points with consumers because the higher price points have allowed those folks to just invest in products and see how good it can be. So that's all going to continue to cascade down so the demands on us as a key player in the supply chain will be to keep making products better, faster and unfortunately cheaper to some degree.

LEFT: HISTORIC PICTURE OF THE WHITE OAK PLANT SITE. THIS PAGE, LEFT TO RIGHT: COVER FROM ONE OF CONE'S BOOK PROJECTS, ANTIQUE CONE OVERALLS, JACKET FROM THE WHITE OAK COLLECTION