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Liz Claiborne is restructuring itself

- On November 2006, William L. McComb, the former division president of Johnson & Johnson, was named CEO for Liz Claiborne, Inc. He was well recognized for his marketing strategy. At Johnson & Johnson, Mr. McComb had overseen the team that reinvigorated the sales of Tylenol, emphasizing its strength as a pain reliever, rather than its safety.

Top Three Apparel Manufacturer sales in 2006

	Liz Claiborne, Inc	VF Corp	Jones Apparel Group, Inc
(unit: \$million)	\$4,994	\$6,138	\$4,669

-Source: www.lizclaiborne.com, www.vfc.com, www.jny.com

- With about \$5 billion in net sales, Liz Claiborne was the 2nd largest U.S. apparel conglomerate in 2006. The company's four direct brands along with 25 other partnered brands, contributed in achieving such sales. However, the strategy of acquiring brand after brand has reached its limit: net profits are down and net sales grow barely.

- McComb's plan is to pare down the company and to adopt the "select and focus" strategy

Liz Claiborne is dependent on department stores, such as Macy's, for its sales. Such a dependency on department stores forces Liz Claiborne to pay "markdown" money to them when fashion fails to sell or seasonal discount is requested. Also, in order to increase its sales, Liz Claiborne had to launch additional brands. The strength of this multi-branding strategy allows quick increase in sales in the short-run, but the weakness is that profitability goes down because of the additional overhead and marketing costs. In fact, Liz Claiborne's sales grew 3.9% on average between 2004 and 2006, but their net profits are down by 1.9%. Even worse is that it is impossible for Liz Claiborne to take direct control over its brands inside department stores. McComb decided to adopt the "select and focus" strategy used by global conglomerates like GE and Samsung. As a result, Liz Claiborne will have concentrated workforces and funds on its 4 direct brands: Juicy Couture, Kate Spade, Lucky Brand Jeans and Mexx. The company plans to increase the total number of stores from 519 to 854 under its 4 direct brands by 2010. In addition, the company decided to sell and close 16 out of the 25 partnered brands, distributed largely through department stores. McComb also hired Chief Creative Officer to communicate directly with designers

2007 1st Half Performance Report (Under New CEO William L. McComb)

<i>(Liz Claiborne Home page)</i>		1st Half (2007)	Net Change (%)	1st Half (2006)
Sales	Direct Brands	\$979.6 million	22.4%	\$800.2 million
	Partnered Brands	\$1,304.0 million	-12.8%	\$1,496.0 million
Operating income	Direct Brands	\$79.9 million	35.6%	\$58.9 million
	Partnered Brands	-10.2 million	Negative	\$93.1 million

- The impact of the "select and focus" strategy is clearly evident. For the 1st half of 2007, the direct brands' sales and operating income increased by 22.4% and 35.6%, respectively. However, the partnered brands suffered a loss.
- ☞ Finance One's private-label manufacturing clients should approach these 4 direct brands, as they have the advantage of having Liz Claiborne's full support. This case study shows that how valuable the **"select and focus" strategy is** and relying on old, bureaucratic methods of success can impede merchandizing a designer's ingenuity.

Source: *Theledger.com*, 7/31/07