# Marketing at Burlington Industries, 1923-1962

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After the Second World War, Burlington Industries became the largest textile firm in the world by aggressively pursuing forward integration, acquisitions, and diversification. Using profits from weaving the first synthetic cloth (rayon), Burlington expanded so fast that in the 1960s its sales were twice those of its nearest competitor. This exceptional size, however, proved to be a mixed blessing. Without the technology necessary to create a significant advantage for high-volume production, the industry still sheltered small companies that could compete with giants like Burlington. Its management also learned that coordinating manufacturing and marketing through vertical integration could involve risks. Selling finished cloth to the women's apparel industry became so unprofitable that the company turned back to middlemen to market goods to garment manufacturers. Despite these obstacles, Burlington helped transform textiles from an industry of small, family-owned firms to one where production increasingly came under the control of large, integrated, diversified manufacturers.

When Burlington's founder, Spencer Love (1896-1962), traveled South after World War I to work in a cotton mill, the textile industry knew little of rayon, had few large firms, and was not diversified. Each step of the manufacturing process normally took place in a separate firm. Cotton spinning and weaving were spread from New England to the Deep South, while wool and silk were concentrated in the North. Because Southern labor was less experienced, the mills in that region produced a plain cotton cloth ("greige goods") that was shipped north to be dyed and finished. Selling agents usually marketed this cloth for even the most successful Southern mill owners. When Southerners fell on hard times, Northern agents extended credit to them and, on occasion, bought failing operations [3, 8, 9, 11, 13, 30, 34, 41].

After Love purchased his first mill, he too depended on the advice and credit of commission houses. He first tried to manufacture cotton novelty goods but quickly concluded that his company was not an effective competitor. At the suggestion of a selling agent he began adding rayon to the filling (woof) of a cotton fabric designed for bedspreads. Rayon had been developed as a substitute for silk and gave the bedspreads a gaudy, shiny finish that appealed to some customers. In an industry where management usually was described as rigid and conservative, Love would continue to demonstrate a willingness to experiment with new products and ideas [2, 7, 17, 33].

When Love entered the rayon weaving business, he found himself competing with a silk industry centered primarily in New Jersey and Pennsylvania. It was a fiercely competitive, fragmented world with a language and structure all its own. Paterson, New Jersey, known as "the Lyon of America," dominated the industry until about 1900 when it met with increased

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competition from Philadelphia factories. Just before World War I bitter strikes crippled Paterson's larger silk weaving mills and by 1920 turned the city's industry into hundreds of small family workshops [12, 13, 14, 25, 36, 37].

When rayon appeared in the 1920s these small silk weaving firms faced growing difficulties because the synthetic had a considerable price advantage. For example, in 1930 a pound of raw silk sold for $3.42, while rayon sold for $1.05. Rayon surpassed silk in sales in 1926 and after that increased its margin every year. By 1934 mills purchased 190 millions pounds of rayon while they consumed only 65 million pounds of silk. The demand for rayon was so strong that the chemical companies that made it established a quota system for their customers [12, p. 57; 20; 21; 28].

These companies also eventually eliminated some of the problems associated with the first synthetic. Rayon cloth was at first too stiff and brittle for garments, too shiny to be substituted for silk, and difficult to dye properly. Manufacturers eventually were able to develop a yarn with a finer denier allowing weavers to produce a softer, more flexible fabric. It also became possible to control the luster of rayon cloth and to dye it in a wide range of colors [2, 12, 14].

With the profits from rayon and cotton bedspreads Love added mills to weave other rayon products like crepes for dresses and sheers for underwear and negligees. He did this by building new factories or by buying cotton mills and converting them to rayon. During Love's first year in operation (1924) his sales totaled sixty thousand dollars. After turning to rayon weaving in 1927 his sales rose to almost two million dollars; in 1937 he sold over twenty-seven million dollars worth of rayon cloth, bedspreads, and draperies. Burlington was by then the largest company in its industry by far. It used more than eleven percent of all the rayon yarn shipped to weavers in 1936; no other company bought half as much [2, 5, 6, 33].

Love won this position in the industry by using the South's cheaper labor, developing close relationships with yarn suppliers, loom manufacturers, and banks, and employing their backing and credit to expand capacity and to buy the latest and fastest looms. The technology of rayon weaving, however, demanded no centralization of operations. Capacity remained scattered in small mills throughout the textile belt of the South.

During the 1930s eighty percent of Love's revenues came from the sale of unfinished rayon cloth, primarily for use in women's clothing. After World War I, these women's garments were no longer sewn at home but bought ready made from retail stores and mail-order catalogs. This market also had become a national one with seasonal style changes. The manufacturers of ready-made apparel kept their firms small to preserve flexibility in such a volatile environment. It also became dangerous to hold an inventory of dyed and finished cloth for fear that it might go out of fashion during the next season. To take on these risks, a group of middlemen, called converters, appeared. Essentially speculators, they bought unfinished silk and rayon cloth from mills or hired small shops to weave it on commission. They then had it dyed or finished before sale to the apparel industry. In 1934 over eighty percent of silk and rayon greige goods passed through intermediaries, most of whom were converters [2; 12, p. 52; 13; 15; 21; 33].

Love abandoned his commission house and hired his own men in New York to sell cloth to converters as soon as his company was large enough. One of the men was William Klopman. Starting in the garment trade when he was a teenager, Klopman portrayed himself as the first serious rayon salesman. He claimed that before Burlington, rayon had been handled by "gamblers" who took little interest in quality or long-term profits. His strengths were in merchandising and yarn selection. He also was known for his ability to second-guess his customers, the converters, changing orders on his own when he believed that they had made a mistake [2, 6, 16, 33].

Love began a campaign in the late 1930s at Klopman's urging to establish Burlington as the quality rayon cloth producer. Before then he had done almost no advertising. Klopman argued that a brand name was necessary in rayon cloth because converters often stretched it for additional yardage, gaining sometimes as much as ten percent in length. This would cause the dyes to run easily and the fabric to shrink when wet. Legend has it that during the 1930s women wearing rayon fled inside at the first hint of rain for fear that their clothes might be ruined [13, 14, 19].

To protect his cloth, Love in 1938 put a circle on the selvage of his rayon greige goods, hoping that customers could tell when the symbol had been stretched. The company called them "truthmarks." He next developed a trademark to be stamped on the selvage. By 1943 this trademark appeared in underwear trade publications to reassure retailers that Burlington rayon would not fade or shrink. The brand name eventually passed to customers through hang tags fastened to garments. The company also began to license converters and finishers who agreed to abide by its quality standards [1, 5, 6, 33, 38].

Sales and profits in textiles soared during World War II. Love warned his subordinates not to rest easy, for even their weakest competitors could make money. Rayon did well because the government imposed an embargo on Japanese silk in August 1941. Silk ceased to be serious competition for rayon and would never regain the market share it enjoyed in women's dresses in the 1920s and 1930s. Because the military ignored rayon, preferring cotton, wool, and the new synthetic nylon, Burlington's business continued to be primarily civilian. The company's military contracts amounted to only twenty-seven percent of its business in 1943 [5, 21, 24].

The war drastically affected the converting trade. Its purpose, to take on risks for the apparel industry, vanished. Almost any cloth would sell during the war. Converters also discovered that under wartime regulations they could make higher profits on finished rather than greige goods. Unfinished cloth was subject to price controls and excess profits tax, while in finished goods a cost plus percentage profit was allowed. As a result, converters and mills scrambled for control of the finished goods market [7, 21, 26, 33].

One textile weaver, Textron, became the talk of the industry during the 1940s for its success in integrating cloth finishing and garment making into its operations. Under the direction of Roy Little, Textron wove cloth, dyed and finished it, and then cut and sewed it into women's blouses and underwear, which sold in retail stores under the Textron brand name. Little had eliminated the selling agent, the converter, and the apparel manufacturer. It

now seemed possible in women's clothing for textile companies to integrate forward all the way to the consumer [29, 39].

Love envied Little's profits but moved more slowly, first with the licensing program and then with outright acquisition of converters. The main reason for this caution was Klopman, who believed that a manufacturer should never compete with its customers. For Burlington to enter the converting field would mean running the risk of alienating people to whom they would still need to sell greige goods. Klopman resigned in 1947 rather than cooperate with Love's decision to integrate forward [7, 24, 33].

After Love bought his first converter Burlington could make higher profits on finished goods, control the quality of the finished cloth all the way to the cutter, and develop more expertise about styling in women's apparel. The disadvantages, however, were considerable. Risk had substantially increased. Mistakes were few in weaving greige goods; they could be legion in finished cloth. The number of customers multiplied. Converters saw Burlington as a competitor rather than a supplier and took every opportunity to put the company at a disadvantage.

For several years the system seemed to be working. But excess capacity and overproduction again plagued the textile industry. The first slump came in late 1948. In addition, rayon dropped unexpectedly in sales because cotton again became fashionable for women's apparel. The Korean War temporarily revived prices, but the slump came again in the spring of 1951 and stayed through 1957 in synthetic cloth [5, 20, 33, 35].

After this decline in prices for textile goods, Love, Little, and others in the industry began to rethink their position on finished goods and converters. Little eliminated his cutting and sewing facilities in 1950 and eventually pared down his operations to weaving greige goods. By 1963 he had left the textile business entirely [29, 39].

To solve Burlington's problems, Love also turned to selling more greige goods. He sought out Klopman and secretly engaged him in 1951 to sell Burlington's unfinished cloth through his own small company. Klopman Mills eventually became a wholly-owned Burlington subsidiary. Love also had disposed of all converting businesses by 1956. He returned to the same selling arrangements that he had set up during the Depression, using William Klopman in New York to distribute greige goods to converters [16, 33].

Since the 1950s, Burlington and other large integrated textile companies have been selling a mixture of finished and unfinished goods, adapting their product mix to market conditions. For example, in 1964 Love's company sold over one billion dollars worth of goods, twenty-five percent greige fabrics and yarns, fifty percent finished fabric, and twenty-five percent finished consumer products like hosiery, draperies, and bedspreads. Finished goods had made up ninety percent of his sales in rayon cloth when Love was in the converting business in 1954. He also continued to operate a division that finished fabrics on commission for converters [5, 6].

Love expanded his position in men's apparel with more confidence. Rayon had been used for summer suits during the 1930s, but without woolen cloth to sell, Burlington was shut out of the winter market. By purchasing woolen and worsted mills in the early 1950s Love made it easier for the

company to add lines of wool and synthetic blends when they became available. He also moved quickly to develop a close relationship with a well-known manufacturer of quality men's wear, Palm Beach Suits. After buying the company in 1954, he refused to become a garment manufacturer and sold the division back to its original owner with the agreement that Burlington would be its major supplier of cloth [5, 6, 17, 33, 35].

For products other than unfinished cloth Love found it much simpler to integrate manufacturing and marketing. For example, after 1929 he sold his household textiles (bedspreads and draperies) directly to retail and mail order outlets. He built a sewing room to hem them and a dyeing and finishing plant to prepare them for the consumer. They left his company ready for the shelf in the stores or to be shipped to mail-order customers [2, 6, 27, 33].

During the 1930s Love did not have to advertise these bedspreads and draperies because the retailers who bought them preferred to sell them under their own brand names. Burlington also was too small, Love felt, to afford effective advertising. He bragged to his father in 1935 that without advertising his company had performed better than firms such as Marshall Field, Pepperell, Bates, and Cannon that had invested substantial sums in that endeavor [24]. Only after World War II, when the company made its own branded hosiery, did he begin to spend significant amounts on advertising.

Love continued to diversify during the 1940s and 1950s, adding other textile products and fibers, a strategy made possible after selling stock to the public for the first time in 1937. His purchases were not systematic but opportunistic. He often opened up a new area when there was a company, usually family-owned, put on the market at a price he considered to be a bargain [5, 6, 7, 33, 35].

Love's first diversification, hosiery, rested on his belief that by using the South's cheaper labor he could compete easily with manufacturers in Pennsylvania, where the industry was concentrated during the 1930s. He recalled that he made that decision because during the 1930s "almost every plumber in the South was making more money on hosiery than we were in rayon." He also realized that nylon, introduced in 1938, offered a resilient fiber with the potential to dominate the hosiery market. As a major customer of its developer, du Pont, Love was well versed in its advantages over natural fibers and rayon [33, p. 42].

Love solidified his hosiery business when he purchased the May, McEwen, Kaiser Company in 1947. It was a large, well-established Southern hosiery manufacturer. Its machines were old, but it possessed other assets that Love valued, a top-line branded stocking, Cameo, and a crack merchandiser, Herbert Kaiser. A veteran of the industry, Kaiser had cultivated a wide range of contacts among hosiery buyers [5, 6, 7, 33, 35].

Love also believed in rounding out his product lines. For example, he started in hosiery with women's full-fashioned, then bought factories that made half-hose, seamless stockings, men's socks, and stretch socks. In cotton, he began with the fine goods used in higher-priced women's clothing. He then added cotton mills that made more popularly-priced goods. In rugs and carpets he did the same. In 1959 he bought a company that made cheap throw rugs. Then in 1960 he acquired the more prestigious line of Lees

Carpets. He also developed three separate divisions for weaving and marketing fabric for men's suits [5, 6, 17, 40].

Within each of these product lines, Love discovered that different types and prices of goods sold to different outlets. The diversity of selling arrangements was further complicated by the uneven market for textile goods during the 1950s. To improve sales and coordinate product lines, Love resolved to bring marketing and manufacturing closer together. Since he had opened a sales office in New York in 1929, the company had been managed as two divisions, manufacturing, primarily in the rural South, and sales, headquartered after 1947 in the Empire State Building. In 1954 Love moved to a decentralized structure, giving each division considerable autonomy. Burlington then operated more like du Pont or General Motors [5, 6, 10, 17, 33, 35].

Love created ten functional divisions, including those for synthetic fabrics and yarns, hosiery, decorative fabrics (bedspreads and draperies), cotton goods, woolen goods, and ribbons. There were also departments for converting and exports and two dedicated to new companies just acquired and not yet integrated into the rest of the company. Each division became a profit center keeping its own accounts. Each had its own selling office in New York and was closely linked to its manufacturing plants. To keep the focus of authority clear, decisions about production were reserved for the sales offices in New York. Burlington Industries is organized along similar lines today.

While Love centralized production decisions in New York, he retained the traditional structure of the Southern textile industry. He kept his mills small and left them in rural areas and small towns. There were no technological reasons for him to build larger mills or to concentrate workers and looms in one central location. Burlington as a result found it easer to fend off unionization. By scattering mills in isolated areas and keeping the work force small, superintendents at the local level could easily monitor union organizing activity. Freed from basic product management, they could keep a close eye on employees.

Love's workers were paid wages above the Southern average. Because rayon sold so well during the 1930s, many of them remembered that the Depression hardly touched towns where Love ran mills. They also benefited from the integration of manufacturing and marketing. When Southern mills had relied on selling agents, they had put their future in the hands of men who were more concerned about their own profits than about the future of their mill customers. During the 1920s and 1930s Southerners had frequently complained about the indifference of their selling agents. With his own salesmen and a popular line of synthetics Love was able to keep wages and benefits relatively high. Marketing expertise also provided steadier work at Burlington factories. In addition, Love introduced more dyeing and finishing into the South, jobs that required higher-skilled, better-paid workers. These factors helped Love keep unions out of his company [18].

By 1962, the year Love died, Burlington's sales were twice those of its nearest competitor, J. P. Stevens. It continued to sell more synthetic cloth than any other weaving company. It also led in the production of worsted

cloth, ribbons, stretch fabrics, fancy cotton goods, and decorative fiberglass fabrics. Its positions in hosiery and carpets were equally strong.

Love pioneered in the building of large, integrated, diversified textile firms, yet by no means did Burlington monopolize the textile industry. Its output in 1962 accounted for only seven percent of the nation's textile production. There still were nearly three hundred firms weaving synthetic cloth; the largest eight of them (including Burlington) controlled only half of the industry. Small companies continued to prosper because large size was not a deciding advantage in textiles. It also remained more fragmented than other major industries because styled apparel goods carried considerable risk in their distribution [31, 32].

In the two decades since Love's death, the trend toward greater concentration of ownership and integration has continued. Yet textiles has retained its competitive nature. By the 1970s imported cloth and apparel began to make significant inroads into many sectors of the domestic market. American textile companies (which had higher labor costs) remained viable by increasing productivity through the adoption of radical new technology in the form of air-jet looms and open-end spinning. Integrating marketing and manufacturing also proved beneficial for domestic companies. Using computer networks in what is called the Quick-Response Method, they linked the distribution of apparel from the producer of the yarn all the way to the retail outlet. Now in a position to compete globally, the domestic textile industry during the 1980s became part of the wave of mergers and buy outs. Overall, the strategies that Love had followed in creating Burlington Industries-- shrewd product selection, integration, and diversification-- proved to be effective in adapting today's textile industry to a global economy.

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