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Vanity Fair Corporation – Business Environment and Strategy

The purpose of this paper is study a company doing business internationally.

In this paper, the writer is going to provide an analysis of Vanity Fair Corporation. An American company doing substantial business worldwide, this company is in the apparel and clothing industry. It is currently a leader in the industry with focus on products dealing with jeanswear, intimate apparel, daypacks and workwear. It’s leading brands is much recognizable not only in the United States but also overseas. These brands include Wrangler, Lee, The North Face, Kipling, Nautica, Jansport, Lee Sport and Eastpak just to name a few. (VF Corporation) It is currently listed in the New York Stock Exchange under the stock code: VFC.

This paper will analyze the business plan of Vanity Fair Corporation and compare it to its competitors. It will focus on two main areas: The Company’s Business Environment and the Company’s Business Strategy.

For the Business Environment, analysis will be subdivided into the political environment and the economic environment surrounding the company. The political environment focuses on the legal issues, intellectual property rights issues and trade barriers that impact the firm’s operations and products. It will also focus on the cultural and ethical issues in the environment that impact the firm’s strategy. The economic environment focuses on the macroeconomic variables such as the prevailing interest rates, foreign exchange rates and its impact on the firms business strategy.

For the Business Strategy, analysis will be subdivided into five parts. First, the overall business strategy of the company will be identified. Second, the human resource management policy would be identified and related to the business strategy. Third, the firms Marketing Mix will be presented. To do this, the paper will identify the product, price, place and promotion of the company. (Bangs 1998) Fourth, the competition will be analyzed and compared with the company. Fifth and last, the writer would be discussing the preferred mode of entry by the company into foreign markets.

Business Environment

Political Environment

This section on the political environment will identify the legal issues, intellectual property rights issues and trade barriers which may impact that firm's operations or product. It will also identify the cultural and ethical issues which may impact the firm's strategy.

In identifying the political environment of the company, it is helpful to remember that the company is operating daily in the international arena. It has plants in China and the United States. It sells its products principally in Asia, Europe, North America and South America. Finally, it employs thousands of employees around these areas.

The writer would first discuss the legal, ethical and cultural issues.

In its pursuit to expand and establish a global presence, the company has recognized that different legal and cultural environments exist within the places it operates. Because of the companies expansion operations made to create and establish factories in China and other Asian Nations, key legal, cultural and ethical issues have surrounded these expansions.

The following are the key issues on the expansion efforts of the company: 1) Legal and Ethical Business Practices, 2) Child Labor, 3) Forced Labor, 4) Wages and Benefits, 5) Hours of Work, 6) Freedom of Association and Collective Bargaining, 7) Health and Safety, 8) Non-discrimination 9) Harassment, 10) Women's Rights, 11) Subcontracting, 12) Monitoring and Compliance, 13) Informed Workplace, 14) Worker's Residence, 15) Facility Security.

Vanity Fair has specifically focused on these issues in making its Global Compliance Policy. To address these issues generally, the company first made a commitment to comply with the specific laws in place in the separate areas where their factories and stores are located. To put responsibility, the company has entailed the compliance expenses to be at the cost of the facilities. Violations will also result to the termination of the working relationship by the company with these facilities.

Among the key issues, the following issues have been very controversial in the United States: Child Labor, Forced Labor, Hours of Work and Wages and Benefits. Recent news on Child Labor Use by Multinational Companies have had a negative effect and backlash on the sales of these companies.

For Child Labor, the company makes it a policy not to employ any child younger than 15. It also refuses to employ those younger than 14 where the policy is consistent with International Labor Organization guidelines. At some countries it makes the education the benchmark for child employment. The company would not hire children younger than the age for completing compulsory education in the manufacturing country when such age is higher than 15. It also stresses the strict compliance with legal guidelines for all workers under the Age of 18 particularly those pertaining to work hours and working conditions.

For Forced Labor, the company explicitly makes it a policy not to engage in involuntary or forced labor. It is not qualified even if the labor is indentured, bonded or otherwise.

For Hours of Work, the company ensure that the employees' hours worked shall not, on a regularly scheduled basis, exceed the legal limitations on regular and overtime hours. It also puts a maximum cap of 60 hours per week including overtime with the exception of extraordinary business circumstances. The company ensures at least one day off in every seven day period. It also mandates that employees must be informed if mandatory overtime is a condition for employment.

Last, for Wages and Benefits, the company first recognizes that these benefits would vary country per country. The company then mandates that compliance with the legally mandated minimum standards must be made the minimum standard. If the prevailing industry wage is higher, the company mandates such a higher fee.

These are the current key issues on ethics, culture and law that are important to the company because of their efforts to expand internationally.

For Intellectual Property Rights Issues and Trade barriers, we need to remember that the company operates more than 30 brands spanning Jeanswear, Imagewear, Outdoor, Sports and Contempary Brand Apparel.

The international operations of this company makes intellectual property rights issues a key issue in the company's operations. Patents of these brands have to be properly secured within each jurisdiction where the company operates in. There is also a proliferation of "pirated" versions of several of the company's brands. Although not comparable in quality, the intellectual property rights issues abound. The companies that product that produce these illegal versions of the product are using the name and goodwill that the product has attained throughout the years.

Trade barriers are less of a problem in today's international business setup. Free trade agreements between countries have facilitated this solution. These trade agreements include the North American Free Trade Agreement (NAFTA), the South Asia Free Trade Agreement (SAFTA), European Free Trade Association, European Union (EU) and the Union of South American Nations.

Trade barriers between countries have also lessened because of the advent of cheaper travel and internet. Products are freely carried across borders and can be ordered online with minimum cost of correspondence.

Business Environment

This section on the business environment will identify the impact of macroeconomic variables, such as interest rates and foreign exchange rates, on the firm's business strategy.

As of today, global growth is slowing but analysts predict a growth of 4.5% for the world as a whole. Recent analysis of the US Economy has been marred with predictions of a slowdown in growth. (Telegraph 2007) Interest rates have been continually rising and the value of the dollar has slumped in recent months. However, it must be remembered the Vanity Fair is already an international business. It's sales, production and marketing is not only affected by the United States but also by the worldwide market as a whole.

This is why the current business environment has supported the growth of Vanity Fair. The rise and fall of interest rates and foreign exchange rates have not affected the current success of VFC in the market. Current Assets of VFC are more than double its liability. Its debt is only 16% of its capital. Net Profit Margin is 8.4% with expectations of rising to 10.4% in the next 5 years. Dividend is also up $2.20 dollars from $1.94 last year.

These bullish numbers have contributed to the company being the #1 jeans maker. Most of the company's sales come from this segment. This year's sales will amount to almost $7 billion worth of threads. Along with good sales, VFC has also been reporting good earnings per share, starting 2004 it has reported an increasing earnings per share from $4.21 to $4.73.

These are just some of the indicators how the business environment and the company have been interacting very well.

Business Strategy

Overall Business Strategy

This section will identify the firm's overall business strategy.

The company has declared the following as its vision: To grow by building lifestyle brands that excite consumers around the world.

The company intends to do this by implementing the following core strategies:

i) Build a portfolio of strong brands that deliver great value to consumers.

ii) Target brands to reach a variety of consumer segments across all retail channels.

iii) Grow international presence.

iv) Lead industry in responsive service.

v) Maintain conservative financial policies.

The strategy to focus on consumers is not a new strategy for Vanity Fair Corporation. In the late 1990's, after CEO Mackey McDonald took the helm of the company, he launched a program called "consumerization" in which the company aimed to reorient all of its operations – including manufacturing, marketing and systems technology toward meeting the needs of the customers. (Pederson 2003)

The effort to grow a strong portfolio is also evident in the great number of brands that the company has collected throughout the years. Wrangler, Lee, The North Face, Kipling, Nautica, Jansport, Lee Sport and Eastpak are examples of these brands. They are common household names which we have used and re-used everyday.

Growth in the international arena is evident in VFC's history. It has continually expanded into Latin America and China. In 1999, it acquired UFO Jeans in order to penetrate the Latin American market. In the same decade, VFC began manufacturing and markeing Lee Jeans in China through a joint venture in the province of Guangdong.

Human Resource Management Policy

This section will identify how the firm's organizational structure and human resource management policy supports its business strategy.

The company's human resource management policy is well aligned with its strategy to grow international presence. The company's efforts to grow international presence have resulted in the establishment of factories and stores around the world.

To ensure alignment of these two policies, the company has come up with a global compliance program among its factories. The main thrust of such a policy was to first set a minimum standard of compliance within each jurisdiction. The minimum standard would be the legal standard. The company refuses to cut corners in order to simply attain minimum cost.

The subsidiary thrust of such a policy was to set the company's own standards in matters relating to Child Labor, Forced Labor, Wages and Benefits, Monitoring and Compliance and other issues which we have previously tackled in the Political Environment section of this paper. Simply put, the company has put in place stricter standards in order to safeguard its goodwill and name. There is a growing recognition that its growing business would eventually end up in the places where it manufactures and not just in the US. It has to comply and even exceed the standards set by law in how it manages its human resources.

It is in this light that the company's human resource policies are well aligned with its company strategy. They go hand in hand. The company cannot treat its employees and manufacturers poorly in terms of standards of care in labor when it would eventually sell its own products to these markets. The goodwill and name of the company must be well protected because of this international dimension and perspective.

Marketing Mix

This section will identify the firm's marketing mix. The products, pricing, place and promotion efforts of the company will be discussed.

The products of the company are well restricted within the apparel and clothing industry. However, within this industry the company has multiple products per category. In order to streamline its business, the company has categorized its products. The company's biggest and most profitable product line would be its Jeanswear. This is the first category. The following are its other categories: Imagewear, Outdoor, Sportswear and Contemporary Brands.

Among the more readily recognizable brands within each category, Jeanswear features Wrangler, Lee, and Timber Creek. For Imagewear, we have NFL Red and Bulwark. For Outdoor, we have JanSport, EastPak, and NorthFace. For Sportswear, Nautica is the more recognizable brand out of the two brands carried. Lastly, for Contemporary Brands, 7 for All Mankind is recognizable among its limited brands carried.

Pricing for each product is varied. This is in line with the company's strategy to provide a wide range of products to reach a variety of consumer segments across all retail channels. Each product would feature high-end and low-end lines to cater to the various segments.

Place of marketing is also varied. These brands have been marketed not only in the United States but also in Latin America and in Asia. The goal of the company to create an international presence pushes the company to expand even those products which are manufactured locally to be marketed internationally. A good example would be Wrangler International which is marketed in North America, Latin America and Asia.

Promotion for the products has been focused on "consumerization". The concept of "consumerization" has been coined by the company's CEO McDonald ever since taking its helm in the late 1990's. It is a process in which the company aimed to reorient all of its operations – including manufacturing, marketing and systems technology toward meeting the needs of the customers. (Pederson 2003). Promotional efforts have also been much tied into with its e-commerce efforts where the company invested in web-based business to business capabilities. Implemented in 1999 through i2 Technologies, the company aimed to provide the consumers and retailers a web-enabled marketplace for procurements of goods.

Competition – Unique Selling Point

This section will identify the company's competition in the clothing industry and show how the firm distinguishes its products from those of its competitors.

Vanity Fair Corporation is a player in the Textile or Apparel and Clothing Industry. In this industry, Vanity Fair is the leading corporation in market capitalization with over $8.5 billion in investment.

The other major players in this industry are Ralph Lauren, Gildan Activewear, HanesBrands Inc, and Liz Claiborne with $6.8 Billion, $5 Billion, $2.8 Billion and $2.6 Billion in investments respectively.

Vanity Fair Corporation is a leader in the industry with it's Jeanswear line of clothing. It main brands Wrangler, Lee, and Timber Creek have proved to be profitable brands that distinguish the company from other apparel companies. Although it is in middle of the pack in leading companies in net profit margin of 9.99%, its sheer size and volume of sales more than compensates its earnings. Currently, it is True Religion Apparel that leads the net profit margin race.

Preferred Mode of Entry into Foreign Markets

This section will identify the firm's preferred mode of entry into foreign markets.

Over the years, the company has preferred the mode of acquiring brands in order enter a Foreign Market. The company's entry in the late 1990's into the Latin American Market was effected through the acquisition of the UFO brand.

The company has also inadvertently entered markets by the establishment of factories overseas. In its efforts to streamline production and lower costs, the company has closed down plants in the United States and transferred them to foreign soil. One such transfer effected the company's entry into the Chinese market. At the end of 1995, the company began manufacturing and marketing Lee Jeans in China through a joint venture in the province of Guangdong.

It has also established manufacturing plants in Brazil through its subsidiary VF do Brasil Ltda. to ensure maximization of profits in the world's second largest jeanswear market.

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