BRAND PROFILE: VF CORPORATION

The focus of footwear and apparel group VF Corporation is still broad, but in 2014 its senior management team has consistently said sports and outdoor are where all the momentum is.

Outdoor and action all the way

VF Corporation, the group that owns outdoor brands The North Face and Timberland, has made it clear that its Outdoor and Action Sports division is the one generating most excitement at the moment. It has 25 brands in total and its denim division (which includes Wrangler, Lee, Rustler and others) is also strong. But, in recent comments, chief executive Eric Wiseman has said Outdoor and Action Sports, which also includes the Vans footwear brand (with its focus more on skate culture than outdoor), is where "all the momentum" is. "The strength of our business is in Outdoor and Action Sports," he says. "And The North Face, Vans and Timberland are the big three."

In its 2014 second-quarter results, VF reported 16% growth in revenues overall, reaching almost $1.3 billion for the three-month period. Revenues at The North Face went up by 11% compared with the same quarter last year, while those at Vans were up by 21% and at Timberland by 19%. In celebrating all this double-digit growth, Mr Wiseman pointed out that the second quarter of the year is, traditionally, the weakest for sports and outdoor activity because, in the northern hemisphere, where VF has most of its business at the moment, the season for skiing and other winter sports comes to an end and warmer-weather activities such as camping and hiking have not yet reached their peak.



VF Corporation chief executive, Eric Wiseman, says sports and outdoor are the strength of the business.

VF Corporation

Head to toe

Organic growth at Timberland owes something to a relaunch of its apparel collections, exclusively in the US, in the last year. Timberland has launched clothing collections a number of times throughout its 40-year history, but the focus since it became a subsidiary of VF has been on boots and other footwear. The recent "strategic, limited launch" of clothing has delivered very good results, the group says, and strong orders for the seasons ahead. VF says Timberland is "on track with what we believe this brand can do", which is to give outdoor consumers everything they need to wear, from head to toe.

It's only three years since VF Corporation acquired Timberland (for $2 billion) with the express intention of expanding its outdoor

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business and it's clear from the figures, and from Mr Wiseman's reaction to them, that VF regards the move as a success (see panel). So much so that he says other acquisitions are a possibility. "We are a much bigger company now," he says. "We are a $12 billion company and we need to be looking at larger acquisitions to move the needle. Given our current size and cash flow, we could do bigger deals. We are pretty big players in the footwear space now and that, plus our experience with Timberland, gives us confidence we could do another footwear acquisition. I'm not going to say it's a top priority, but we could do it." VF's senior vice-president for the Americas, Steve Rendle, says: "We could not be more pleased with the progress this powerful brand is making, with great results across every category."

March around the world

With Vans the focus is still firmly on footwear and the challenges with this brand, the one in the top three with the biggest growth in the second quarter, are arguably more straightforward. "Most of the conversations we have about the Vans brand are about how under-developed it is geographically," Eric Wiseman explains. "And that doesn't mean just internationally, although we are under-developed in Europe and we just launched in Korea two years ago. But even in the US, Vans is under-developed on the east coast, in the Mid-West and in the south-east. So most of our



The introduction of running, hiking and training lines is helping The North Face transform itself into a four-season brand.

Tim Kemple/The North Face

Timberland's mission: to be the world's largest and most sustainable outdoor lifestyle brand

The management team in charge of Timberland has said it believes the brand can achieve growth of 13% per year to achieve revenues of $3.1 billion by the end of 2019. VF Corporation, which acquired Timberland in 2011, held an investor meeting at the brand's headquarters in Stratham, New Hampshire, on September 17.

Afterwards, VF chief executive, Eric Wiseman, said this year will mark the most successful year in Timberland's history. He said the brand's success was because it is able to "connect deeply with consumers" while preserving "a unique DNA and culture".

Brand president, Patrik Frisk, said Timberland is "squarely positioned" to become the largest and most sustainable outdoor lifestyle brand in the world.

It expects substantial growth in the Americas, Europe and in Asia Pacific, driven by "industry-leading innovation" and product diversification. In addition, VF said there would be "a significant amplification" in how Timberland communicates with consumers and connects them to the brand.

Another part of the plan is to expand Timberland's global retail store presence by adding 130 stores to its current base of approximately 230.



A classic Timberland waterproof boot.

Timberland

discussions are around the pace at which we continue our march around the world with this brand. We see a lot of runway."

A recent example of how the group is cementing the popularity of the brand is the new House of Vans that it opened in London in August. Following in the footsteps of the original House of Vans in Brooklyn, the new 3,000 square-metre venue provides a space that is free to use as a music venue, gallery, artists' labs, café, cinema, bars and skatepark beneath London's Waterloo Station. Meanwhile, growth in Asia is running at more than 40% for Vans, with China particularly strong. The group has said the brand's finish to the first half of 2014 was especially strong and it believes Vans is "on track to become our second $2 billion brand [after The North Face]."

Four seasons

Equipping consumers to "get outdoors and push the boundaries of their own personal journey" is also the strategy for The North Face, which in the past couple of years has been trying to turn itself into a four-season brand, VF says, bringing outerwear into people's shopping baskets and wardrobes all year round. Karl Heinz Salzburger the group's vice-president for international business, says The North Face has made great progress on this. "We had a strong increase in sales for The North Face in Europe for the second quarter, which makes us optimistic about the third quarter, which is usually the strongest in Europe, but the introduction of running, training and hiking lines has helped make The North Face a four-season brand," he adds.

Mr Salzburger also sees Asia, and in particular China, as areas in which The North Face is growing well. "We expect good growth in the second half of this year in China," he explains. "We have a great opportunity there, although China is a marathon, not a sprint. Everyone has an appetite to succeed there and there are hundreds of outdoor brands, local, regional and global ones, trying to win a share of the market."

Across the Outdoor and Action Sports division, VF is "winning where and how we said we would", Mr Wiseman insists. He adds: "It's about the ability to create and build sustainable momentum. Momentum is not random; it's earned. How people decide to shop in the months ahead and what the weather will be like are the two unknowns, but we have momentum in abundance at the moment."



To help address the brand's "under-development" in Europe, VF opened a House of Vans in London in August.

Vans

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