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W. Haas, Sr.: There were two factory managers: one was Simon Davis for the overalls section and a man by the name of Hindshaw in the factory. We had one factory at 250 Valencia Street, and when I came with the business this factory had been rebuilt--rather a jerrybuilt structure--after the fire and earthquake of 1906, which had wholly destroyed it. It had been put up quickly and was supposed to be a temporary building, which however is still there. Recently we've made some large changes and spent about a million dollars on it, when its original cost was about fifty-five to a hundred thousand dollars exclusive of real estate. It has since been put into splendid condition and is one of the sights of San Francisco. It has developed as an old Spanish-style building.

At any rate, I was not getting much actual information outside of actual sales. We made a record of the number of overalls that sold or orders that came in the mail, and that was the only barometer of the business at that time until we actually received the sales. Well, the sales came out pretty fast because we had only one shipping point. Everything was at 98 Battery Street [San Francisco] --headquarters, warehouse, shipping. The goods were brought up to the sidewalk and impeded traffic on Pine Street (about which we received many complaints), and was shipped by horse and wagon to the Southern Pacific depot to be shipped by rail at that time. Most of the merchandise was going by rail, motor transportation not having been developed the way it is now.

I remember very well our shipping head, named Bye McDonald, was very distressed that the orders that came in in the morning weren't shipped immediately that day. Today if we handle our customers' spot orders in a week or ten days we're doing quite well. But these people were very conscientious. Our shipping department was in the basement.

A Systematizer and a Single Set of Books

W. Haas, Sr.: The first thing I did was to hire a man by the name of Schmidt who was a sytematizer. And knowing of his work in other directions, I brought him in to examine our bookkeeping system



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LEVI STRAUSS & CO.: TAILORS TO THE WORLD

Walter A. Haas, Sr.
Daniel E. Koshland, Sr.
Walter A. Haas, Jr.
Peter E. Haas

With an Introduction by
E.T. Grether

Interviews Conducted by
Harriet Nathan

Copy No. /

LEVI STRAUSS & CO.: TAILORS TO THE WORLD

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PREFACE

This memoir deals with a unique business that originated in San Francisco: Levi Strauss & Co.; with the pants known as Levi's; and the four men whose leadership brought a "small manufacturer and wholesaler" into the position of "Tailors to the World." As Dean Grether indicates in his introduction the company has continued to be important in the business life of the West, and has recently moved into leadership on a national and international scale.

Along with its western identification, Levi Strauss & Co. also has a specific link to the University of California at Berkeley. Since shortly after World War I, the company has had four presidents, all Berkeley graduates. They are Walter A. Haas, Sr. and his brother-in-law, Daniel E. Koshland, Sr., who together took a small business into a position of leadership in the West and began its national expansion; and Walter A. Haas Sr.'s sons Walter A. Haas, Jr. and Peter E. Haas who developed and consolidated its national position and propelled it into an international organization. All four have contributed interviews to this volume.

Daniel E. Koshland, Jr., Professor of Biochemistry at the University of California, Berkeley, recognized the historic value of an Oral History memoir of the business. He has provided support for the memoir as a gesture of particular respect and affection for his uncle, Walter Haas, and his father, Daniel Koshland, and his cousins Walter and Peter.

The Regional Oral History Office was established to tape record autobiographical interviews with persons prominent in recent California history. The Office is under the administrative supervision of Professor James D. Hart, the Director of The Bancroft Library.

Willa K. Baum
Department Head
Regional Oral History Office

23 April 1976
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INTRODUCTION

FOUR MEN AND A COMPANY:
LEVI STRAUSS SINCE WORLD WAR I

I am honored and delighted to write this introduction to the recounting of one of California's great business success stories. No group of business leaders have been more loyal and consistent supporters of the Berkeley campus and of our program in Business Administration than the four Levi Strauss executives who tell the story of their company in these interviews. Walter A. Haas, Sr., beginning in 1952-53 until last year, served on the Advisory Council to our Schools of Business Administration. In 1970 he was designated Alumnus of the Year by the California Alumni Association for, among other things, his "inspired leadership of an enterprise whose honest product is regarded with affection around the world...." Daniel E. Koshland, Sr., was given the Alumnus of the Year Award in 1972 by the California Business Administration Alumni Association for his outstanding business, civic and community leadership and loyalty to the University of California. Both Walter A. Haas, Sr., and Daniel E. Koshland, Sr., have been awarded the honorary degree Doctor of Laws in recognition of their leadership in business and community programs and participation in local and state government. In recent years, Walter A. Haas, Jr., and Peter E. Haas have made Levi Strauss readily available to our faculty and students for teaching, research and employment purposes.

My reading of these interviews turned up an unexpected reward. It so happens that my own period of graduate study, teaching, research and administration on the Berkeley campus coincided with the time period of the Levi Strauss story. As I read the record and enjoyed the high drama of growth and adjustment, I found myself recalling the concurrent setting in the business and economic changes in the Bay Area, state, nation and world as depicted in our curricula over these years. I trust that this case history will set the stage for others to assist in deepening our understanding of the forces of economic and business evolution in California, the nation and the world as a whole.

At the end of World War I, Levi Strauss was a small regional manufacturer and wholesaler with annual sales of \$3,000,000. Today, it is a great, successful, multinational corporation with larger dollar sales in one day than annually in 1920. How could and did this growth occur--especially on the western rim of the

United States? The interpretation is based entirely on the taped interviews of the four executives who were privileged to lead and guide the company throughout this entire period: namely, Walter A. Haas, Sr., Daniel E. Koshland, Sr., Walter A. Haas, Jr., and Peter E. Haas. It seems entirely evident, to begin with, that they represent the overlooked personal equation that often escapes appropriate analysis in studies of locational determination and results.

The record suggests clearly that the continuing interaction and leadership, first of Walter Haas, Sr., and Dan Koshland, Sr., then later of Walter A. Haas, Jr., and his brother Peter E. Haas, and in the more recent years of the four seniors and juniors together, provided extraordinarily wise and able guidance and management. Of course, they do not say this--but this conclusion seems inescapable to the writer.

Usually, in the history of human institutions, including business enterprises, there are sharp temporal breaking points when leadership changes, or during crisis periods when strategic decisions are made that change directions or set new courses. Such has not been the case of Levi Strauss in the period covered in this memoir. Here is a record of growth and of success reflecting both overlapping and unbroken executive leadership and control and the gradual adjustment of policies without the pressures of sharp crises or threatened catastrophes. The metaphor of the continuous spectrum or of overlapping spectra, seems the most appropriate to depict the processes of growth and adjustments and of managerial guidance over the years. This is not to say that there were no strategic decisions or moves or milestones in the decision processes, but merely that these were not, for the most part, episodic in nature. Of course, choices or decisions had to be made from time to time among policies, personnel, and many other aspects of the operations. Decisions could have been made that would have changed the company into something other than it is now. The recounting and interpretation in this sketch is of what was done in fact and of the consequences, and not to speculate on what might have been done. It will be enough to indicate the decisions and growth course in the context of the changing western and national and international scenes--an exciting scenario in itself. No endeavor will or should be made to depict the action by sharply defined time periods, except roughly as between the early and very recent periods, or, for the most part, in relation to the decisions and leadership of any one of the four. The interpretation is in terms of the metaphor of overlapping managerial spectra, as indicated above. Most likely, however, this type of analysis does not give full credit to the quality of the contributions of Walter A. Haas, Jr. and of Peter E. Haas when they succeeded to the top management positions. The great expansion, domestically and abroad, occurred under the joint leadership of Walter Sr.'s two sons.

Strategic Decisions and Growth Processes

Our scenario begins not with the original Levi Strauss and the Gold Rush period, and the halos of the Old West which still linger, but at the end of World War I when Walter Haas, Sr. arrived home from military service. His father-in-law, Sigmund Stern, suggested that Walter transfer from the Haas Brothers wholesale grocery business in San Francisco to Levi Strauss.

Only Sigmund Stern and his brother, Jacob, as the remaining nephews of Levi Strauss, were still in the business, and Jacob was retiring in 1919 after 50 years with the company. It was stated that if Walter did not like it or saw no future for the business, it would be liquidated at the end of the year 1920. After due deliberation and some tentative experience, the move to the new business was made. It is worth recording that the traditional wholesale grocery trade was then beginning a long-run phase of decline; perhaps this influenced Walter's decision. One of his first moves was to bring his brother-in-law, Daniel Koshland, into association with him in 1922. Dan Koshland had to be pulled away from the security business in New York City--a not difficult task, for Dan was unhappy on Wall Street in New York. Walter and Dan complemented each other beautifully and made a brilliant team--with Walter the President and Dan second in command. Actually, titles were meaningless in this period. The chief thing is that they worked together very closely and successfully. Insofar as there was a division of responsibilities, Koshland was more interested in production and personnel, relations with unions and the entire area that will be discussed below under "Social Responsibility." Walter Sr., of course, had general oversight, but his own interests ran to financial and promotional matters. They shared a common business morality. During this early period a number of strategic decisions were made.

Maintaining advertising. One was the maintenance of advertising by Walter Sr. and his father-in-law in 1920, at the time of the cotton crisis. This decision and later ones with respect to the trademarks and brand promotion indicated an awareness of the importance of advertising and image continuity.

Shifting to waist length pants. Similarly, there was a shift in the product from an overall to the waist length pants, which became the traditional and legendary "basic" of the Levi's line.

Dropping out of jobbing. Another strategic decision was to drop out of jobbing gradually following World War II, at the expense of the dollar volume, but to the advantage of profit margins. This adjustment, as in other cases, indicated an almost intuitive sense of the long-run drift of business and economic forces.

Distributing through independent merchants. The company sold directly to selected independent retailers and refused to sell to chains. These were years of high business and political conflict between independent dealers and the emerging mass distributors. Similarly, the company disliked so-called price cutters and tried not to sell to them. It strongly preferred high grade independent service merchants to price discounters, as was true at the time of many other manufacturers. The company, at the time, strongly preferred distribution through a small army of selected dealers to large orders from mass distributors, as was true then also of many other manufacturers. Hence, it refused to manufacture for the private branders serving the mass cut price market, or even to solicit their business.

Rebating. But it was aware of variations of volume per customer and did wish to hold the patronage of dealers with large annual purchases. So for years it employed a rebate scheme under which rebates were given semiannually based upon the volume of purchases. Some fifteen years ago, this scheme was investigated by the Federal Trade Commission under the Robinson-Patman Act. Although the practice was not disallowed, it has been dropped since in favor of a simple, single price policy. In recent years also the larger distributors, especially department store groups, have become leading outlets. In other words, the original reliance upon local independent merchants and price policies appropriate to that form of distribution were adjusted to conform with the changes in the structure of American retailing.

Adjusting sales policies. And, of course, sales policies and organization had to be adjusted also as the company was swept along into an almost unbelievable growth pattern in which total volume doubled about every five years. Gradually, the product line became more diversified; consequently, the former reliance upon general salesmen had to give way to some specialization under which more than one Levi Strauss sales representative might call on the same customers. Consequently, sales territories had to be adjusted, too, along with methods of compensation.

All of this, including the establishment of regional sales offices and of branch factories, owned and contractual, involved some experimentation and important learning processes. In the learning processes, for example, wide differences in income, as between sales representatives on a straight commission or on a combined cost plus commission basis, were discovered and adjusted. At one time, too many regional sales offices were in operation, so some had to be closed.

Some Noteworthy Aspects of Recent Growth
and Company Adjustments

Horizontal, internal growth. Levi Strauss's growth was largely horizontal--through market extensions--from the West to the nation and internationally. Within geographical market extension, there was also product extension through diversification, especially into the style fashion goods areas. Underneath, always providing basic strength and solidity, were the traditional Levi's pants. Either as a consequence of the company's skill in promotion or almost spontaneously, the basic market exploded, especially first among college age youth and then in general. It is doubtful if the company executives themselves really knew or could explain the tremendous expansion of demand from which they benefited.

So far as the company was concerned, growth came largely through internal expansion and not by acquisitions and mergers. The major exception was G.W.G. (Great Western Garment) of Canada which was acquired largely because of an estate problem in the Canadian family involved.

Also, growth did not occur by upstream vertical integration, as has occurred in the case of many American companies. So far, Levi Strauss has confined itself to manufacturing and marketing of apparel and has had no desire to make its own cloth.

In its internal growth policies and procedures and in the limited number of acquisitions and mergers, the whole concept of the so-called "conglomerate" has been abhorrent. Growth, as depicted, has been by product extension into related items and through market extension. Although the synergy verbiage does not appear in the interviews, it is evident that the mutual reinforcement that comes from adding related lines within the established know-how and technology has been fundamental in planning.

No public relations gimmickry. In its growth, the company has eschewed much of the public relations gimmickry so prevalent on the American scene. In fact, it dislikes the term "Public Relations" and prefers "Corporate Communications." Under this banner, a variety of instruments and procedures have been employed, most of which are informational in nature and relate to and stem from the philosophy of social responsibility.

Sta-Prest. In the recent growth processes, Sta-Prest represented an important milestone, according to Peter E. Haas. Peter gives credit to Mel Bacharach as the "father of this technological breakthrough and its application by the company."

This process had been developed for and used on pleated skirts to hold the pleats in after washing. Bacharach saw opportunities for the use in the production of pants. According to Peter, Sta-Prest "more than anything ... put Levi Strauss in the minds of the public ... moving out of just the work clothing, or jeans area, and into ... fashion and high style and innovation ... a kind of image which I don't think we had until then."

Walter, Jr. noted that the move into the high style-fashion area brought the company into a much tougher area of competition in which the brand name is not as important as being in "style."

And Peter noted how "the whole nature of the business has changed tremendously as we've moved from a solely basic pants to a more 'fashion' area." There was also the entry into "the sportswear, casual market; and into pre-shrunk blue Levi's and a lighter weight double-knee jean for boys ... and into Ladies' Levi's." There were "soul-searching" discussions and decision-- "Are we fouling our nest; are we cheapening our image, our product?" In any event, the decisions were made which are changing the nature of the business. As Peter put it, "At one time we were producing one model, one color, one fabric, in maybe 34 sizes ... and now we have literally tens of thousands of different models ... to keep track of. You have to take some gambles on fashions because you can't wait to see how they sell before you produce."

The Immutables

Before depicting the most recent strategic changes, it is well to note that there were some constants or immutables over the years.

Executive recruitment and personnel policies. The first has been the endeavor to select top flight personnel and to provide proper authority and working conditions and opportunities for those sharing executive responsibility. The record appears to have been one of brilliant success both in advancement from within the ranks in the early period and in reaching outside more recently. In the interviews many names of managerial associates who have made notable contributions to the policies, programs and success of the company are mentioned. No doubt, a full recounting would bring out the names of many more. The availability of stock purchase to employees (to be discussed below) undoubtedly was an important element, but did not in itself, of course, affect the initial choice of personnel.

Product quality and integrity. The second has been the insistence on high and maintained quality of products. Levi Strauss has taken pride in having the best engineering staff of any firm in the apparel industry. When in the processes of rapid growth and of competitive response, salesmen began to note that some competitors were offering better quality, action was prompt and decisive. It led to the establishment of a Department of Product Integrity. According to Peter, this unusual cognomen was Walter's brainchild after a sleepless night. After careful consideration, a very able person was selected to head such a department. And he was given extraordinary independence and authority, including the right to stop shipments and even to close plants. This cognomen no longer is so unusual on the American scene. For example, the Wall Street Journal, Friday, December 12, 1975, tells the story of Gillette's new "watchdog," a Vice President, Product Integrity, who is responsible for the safety and quality of Gillette's 850 products.

Protection of the Levi's trademark. The third, and perhaps most important of all, has been the maintenance and protection of the Levi's trademark and brand. In his interviews, Walter Haas, Sr. stressed that "The Levi's brand ... is probably the most important item we have besides personnel ... bricks and stones make the factories, but do not make a business. Good, honest merchandising and brand value are most important." Walter, Sr. went on to stress how the brand must be supported by quality merchandise.

Levi Strauss, as has been true of many other firms with well-known trademarks, has gone to great lengths to protect against infringement and above all to insure that "Levi's" was not used generically. The numerous comments along this line in the interviews, I am confident, could be expanded into a volume or volumes of experiences. The risk of losing the registered trademark to generic usage was one, but not the only reason, for bringing other products under the Levi's brand. But by the same token, the legal protection so obtained may at some future time raise questions as to the risk of losing sharp identity as the number of products under the brand expands.

Social responsibility. The fourth immutable has so much content and was so unique to Levi Strauss at one time in its historical development as to deserve extended discussion. This is the whole area that in recent years has become subsumed under the label of "social responsibility." It will be noted that Levi Strauss has truly been a leader in this field even though it did not use this verbiage or intend to carry this torch.

In recent years, "social responsibility" has become almost a national business shibboleth. Business enterprises, large or small, now wish to be labelled as "socially responsible" and to be ranked high along a scale of "social indicators" instead of or in addition to volume of sales, size and percentage of profits--or other traditional measures or criteria of business success. A large polemical literature has appeared in which positions along a broad spectrum are taken and defended.

Undoubtedly, one of the important factors in the recent high success of Levi Strauss was its position of leadership in this whole area. Throughout the entire period since World War I, Levi Strauss in the main, and without fanfare, has been in fact "socially responsible" without any endeavor to hold itself up as a model. Walter Haas, Sr. and Daniel Koshland, Sr. "set the tone" and began initiating policies and programs that have evolved into a company panoply that became a national model.

The panoply of policies and practices and of attitudes that emerged reflected a deeply rooted personal and family ethic. There was no desire to be labelled as "do-gooders" or to preach business morality. On the contrary, there was a conviction that business practices, derived out of a humane regard for the welfare of employees and of the communities in which the company operated, should and would be "good business;" that is, that personal ethical fulfillment and business success should run together, instead of being antithetical--and so it has turned out for Levi Strauss. It would be a mistake, however, to underestimate the tough business aspects of what occurred. Walter Haas, Sr. and Daniel Koshland, Sr. were not social visionaries but hard-headed businessmen with a social vision and humane concerns.

The most compelling problem in the early years was to keep going--to maintain and expand employment. Then, step by step, as the enterprise grew, innovative policies and practices appeared almost spontaneously out of the deeply rooted moral and ethical attitudes. For example, there was the Christmas cash bonus to factory workers which produced an hysterical reaction of surprise and elation and has since been generalized, including holiday time off with pay.

Classes in English and in citizenship were encouraged--with dramatic and heart-warming results. Workers in the factories were placed on a year-round basis instead of seasonal employment. During the Depression, this policy was maintained but on a three-day basis instead of laying the workers off. Programs were developed to keep in touch with retired employees, operated under the advice of committees of retirees.

Even more important, the bases of employment gradually were broadened to include the minorities, and the so-called hard core unemployables and handicapped. Levi Strauss had enunciated such policies and programs and had a great body of experience in these areas before the state and federal efforts came along. The Fair Employment Practices Act did not catch them by surprise, but merely generalized their accepted practices of being in fact "equal opportunity" employers. It was little wonder, therefore, that Dan Koshland, Sr. and Peter and Walter Haas, Jr. were called upon to carry leadership roles in the Council for Civic Unity and the National Alliance of Businessmen, and other organized and sponsored programs.

Levi Strauss had learned through experience that achievement in these areas must come slowly precept by precept and out of conviction and commitment and require careful planning and guidance. Consequently, color lines indeed were broken down and integration was achieved quite contrary to the views of many pessimists and obstructionists. Eventually, social progress was so rapid that Peter E. Haas was able to say "Look how far our society has come ... the early years 'seem like the dark ages.'" In 1969, Levi Strauss and Company was given one of the two Business Week's "Business Citizenship" awards in the field of human resources.

Allowing employees to buy stock of the company at book value during the period of private ownership turned out exceedingly well both for the employees and Levi Strauss. When the company went public, some employees became wealthy overnight. And, over the years, employee stock ownership came to be "golden handcuffs" tying employees to the firm. But participation in ownership was merely one factor in the creation of a broad basic pride in being part of Levi Strauss with its slogan "Levi's is people."

The company also looked outward into its surrounding communities--the San Francisco Bay region and all other places in which it had plants. Walter Haas, Sr. put it neatly, "We owe responsibility to the communities in which we are doing business." This responsibility expressed itself in many diverse ways ranging all the way from giving returned merchandise to community agencies (as the Red Cross) to participation in and heading the United Bay Area Crusade (Peter Haas). Employees were encouraged to participate in local community activities. In later years, a "Community Affairs Division" was established. The top executives themselves provided a pattern because all worked in and often took their turn heading community boards and agencies (such as UBAC already mentioned) and hospital boards, aid for retarded children, college and university boards of trustees, private foundations, and so on and so on. The Levi Strauss Foundation became a

systematic vehicle for wide ranging philanthropic contributions, especially in the communities in which the company had plants.

It is interesting, however, to note the lack of reference for the most part, so far as the business was concerned, to the ecological, conservationist and pollution issues of recent years. Presumably, these issues either are absent or are not acute in the apparel industry. Similarly, the company qua company, did not support political candidates or take positions on public issues. An exception was the building height limitation in San Francisco, which was opposed. Furthermore, occasionally, there was lack of participation in or only tentative support of certain efforts about which there were serious doubts. The sharpest example was the ghetto industry programs for small business, including especially MESBIC (Minority Enterprise Small Business Investment Companies), intended to provide money and technical assistance to small minority businesses. According to Walter A. Haas, Jr., Levi Strauss had tried this out long before MESBIC and "it didn't work "--but it "was part of our learning process."

The company itself did experiment, however, in locating a plant in one of the most depressed income and wage areas of the United States, Eutaw, Alabama, in which workers had never earned more than 60 cents an hour. It was rough going, since Levi Strauss had to try to reorient community patterns and individual life styles. It was an expensive set of learning processes for the workers, the community, and for Levi Strauss.

But in this, as in many other efforts and situations, Levi Strauss inadvertently fanned the winds of change so that they blew more favorably for others to follow. And out of these processes there grew an unusual quotient of internal and external pride, recognition and reputation, that tended to facilitate the recruiting of new talent to support the continuing processes of growth. In fact, recruiters at leading business schools in recent years could not devote enough hours to interview all the potential candidates for employment. Students wished to cast their lots with an enterprise that, although highly successful, was not merely profit-oriented.

Organizational Changes and Going Public

Internal reorganization. It is not surprising, of course, that growth in dollar volume and in variety and diversity as well as geographically, placed strains on the traditional, functional, line organization of the company. So Peter notes that at the beginning of 1972 the old functional organization

chart was replaced by one in which marketing was "divisionalized," although some parts of the operation continued on a functional basis. Functional headquarters activities were attached to the offices of the Chairman and President. An Executive Vice President was given responsibility for eight operating divisions: marketing, personnel, four product divisions (jeans, sportswear, boy's wear, Levi's for Gals), and Levi Strauss International, and the Canadian G.W.G. Company.

All of these moves, and others, were either in preparation for or reflected the same general forces and conditions that produced the most momentous development in the history of the company; namely, going public.

Going public. For many years, persons inside and outside the company kept asking "When are you going public?" The traditional reply in brief was "We don't need to and do not want to." There are many advantages in remaining private, including the lack of disclosure of operating data and some aspects of personal finances and salaries, and greater flexibility of operations. "It was a little bit easier to make decisions. We weren't in a goldfish bowl." But certain types of disclosure became mandatory to the S.E.C. (Securities and Exchange Commission) as the number of employee stockholders increased.

Even more important were the capital requirements of growth. No longer could the company finance itself from internal sources or by short term loans. The size of the debt burden came to be an important issue. Financial consultants advised that a larger proportion of capital should be through the sale of equities. And so it was determined.

Once this decision was made, then all of the elements of high financial drama appeared, as recorded in the interviews. Who should handle the issue? How many shares? What price per share? How to enforce the requisite confidentiality? And so on and so on. It is worth recording that the prospectus, when it was issued on March 3, 1971, was perhaps the first one in the United States in which "social responsibility" was mentioned as a favorable investment factor.

A Final Observation

The final words of Walter Sr.'s interview were: "After I am long gone, I hope that Levi's will hold its head up with great American industries, and will remain intact as an individual company and not be absorbed by someone else." If the contrary should occur, he added "I'll look down from Cloud

Seven and be a very unhappy ghost."

Walter Sr. and Dan Koshland, Sr. have enjoyed the remarkable satisfaction of participating in the entire drama of Levi Strauss as it became transformed from a small western firm into a multinational giant. There seems little reason to believe that in the near-term future, Levi Strauss will be absorbed or disappear into a large conglomerate, or any other larger holding. But there can be little doubt that out of the company's success, especially in recruiting the high-level talent flowing into it, will come changes. Out of this reservoir of restless creative persons may well come policies and programs that will continue growth comparable to that of the past. And it could depart from the established patterns. As of now, no one can with assurance forecast the Levi Strauss in the time period ahead comparable to the one depicted in the four interviews. It is to be hoped that from Cloud Seven the Levi Strauss of 50 years hence, regardless of its size and diversity, will be recognizable in terms of the immutables depicted here.

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January 1976

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LEVI STRAUSS & CO.: TAILORS TO THE WORLD

Walter A. Haas, Sr.

An Interview Conducted by
Harriet Nathan



Walter A. Haas, Sr.

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INTERVIEW HISTORY

Walter A. Haas, Sr. provided three interviews for the Levi Strauss & Co. memoir on the following schedule:

Interview I	April 20, 1973	at the Battery Street office in San Francisco
Interview II	July 27, 1973	at home in Atherton
Interview III	August 24, 1973	at home in Atherton

After the interviews were transcribed, they were lightly edited and submitted to Mr. Haas for review and approval. He made a few editorial corrections.

The interviews began at 10:30 or 11 a.m. and lasted approximately one and a half hours each. Mr. Haas was experienced in the oral history process, having already completed the interviews for his personal memoir, "Civic, Philanthropic and Business Leadership." He spoke easily, telling the story of Levi Strauss & Co. with evident enjoyment. He emphasized the merits and contributions of many individuals in the business, particularly his fellow presidents: long-time friend and associate Daniel E. Koshland, Sr., and his own sons, Walter A. Haas, Jr. and Peter E. Haas. He occasionally suggested that one or the other be asked to discuss a particular point, but on at least one occasion the other three had said that Mr. Haas himself knew the most about the matter. When this was repeated to him, and he was pressed for an answer, he chuckled quietly and said, "Maybe it does take the old man to explain it," adding in the next breath, "But it's the young ones who can really tell you about the expansion and about the future."

Harriet Nathan
Interview-Editor

23 April 1976
Regional Oral History Office
486 The Bancroft Library
University of California at Berkeley

I FAMILY CONNECTIONS AND EARLY DAYS IN THE FIRM

An Invitation to Try

W. Haas, Sr.: I'll tell you for a start how I came into Levi Strauss & Co.

Nathan: That would be perfect.

W. Haas, Sr.: You were asking me about my connections with Levi Strauss & Co. As was well known at that time, my family was in the wholesale grocery business, both in Los Angeles and in San Francisco. I was married in 1914 to Elise Stern, who was a daughter of one of the four nephews of Levi Strauss. At that time, I was working at Haas Brothers Wholesale Grocers, but enlisted in 1917 in the Army of the United States. In fact I went to training school and became a first lieutenant of artillery, although I never fired a shot in anger and ended up in the United States, where I started. (I think I referred to this in the history of my own life.)* When I returned from and was discharged from the United States Army, my father-in-law, Sigmund Stern, came to me and said, "Why are you returning to Haas Brothers? Why don't you come to Levi Strauss & Co.?"

At that time I was still on the payroll of Haas Brothers at a very meager salary, but did feel some kind of obligation. But when my father-in-law pictured the possibilities of Levi Strauss

*See a personal memoir, Walter A. Haas, Sr., "Civic, Philanthropic and Business Leadership," Regional Oral History Office, The Bancroft Library, U. C. Berkeley, 1974.



Employees, 1882



Home at 1666 Pacific Avenue, San Francisco
Temporary headquarters for Levi Strauss & Co.
after 1906 earthquake and fire.

W. Haas, Sr.: & Co., I determined that I would make a change. As I say, my father-in-law was one of four brothers, Abe Stern, Louis Stern, Jacob Stern, and himself, who were nephews of Levi Strauss. Of these, Louis Stern was quite sick and had not been connected with the firm for a long time, and Abe Stern had died.

Nathan: Had Abe Stern been active previously?

W. Haas, Sr.: All the Sterns had been active in the business, but none quite as much so as my father-in-law Sig Stern. In fact, one of the Sterns used to stay in the New York office, but in the summer he left. My father-in-law Sigmund Stern and his wife would go east to take his place during the summer months. As a matter of fact, this was no hardship because my mother-in-law's family was entirely in the East in New Jersey, and she was delighted to go back because she had no relatives out here.

As I said, the only ones active in the business were Jacob Stern and Sigmund Stern, my father-in-law. Sigmund Stern said to me that Jacob Stern would have been fifty years with Levi Strauss & Co. in July of 1919, and would shortly retire. Sigmund Stern would become the president; I was to try the business for a couple of years. If I didn't like it for any reason, the business would then be liquidated. To look at that now in the past history of Levi Strauss & Co. and what was then a very small business and now is number one in the world in pants is rather astounding. It really depended on one heartbeat, my own.

Not that I was particularly great in business at that time. My age was thirty-two. But in a small business, one had to have somebody in the family in the business for its continuance. It's different today in a large business where businesses are run by managers, really, and the stockholders play a very small part. Although, at Levi Strauss & Co. that is not as true; the major stockholders and the employees own a majority of the stock. But at that time you had to have somebody in the family, and so I was the only male connected even with the Sterns, as there were no young male members of the Stern family.

So I took up this gauntlet and thought I would try it for two years. I did enter in the business in January of 1919. I was demobilized

W. Haas, Sr.: early in December. Actually I was still in uniform when my son Peter was born. So I entered the business, not at the bottom, but really at the top. Actually I was near the top without portfolio, assisting my father-in-law. I looked over the records and examined the situation. I think I had been schooled at Haas Brothers and my other previous business in the brokerage and banking business to know something about businesses in general. Obviously, I knew nothing about materials, styles, and so forth in Levi Strauss & Co. I think the main thing I brought to it was my knowledge of figures and accountancy, because I was really an accountant. And at this time that was needed more than the stylist or the merchandise manager.

So I did not start at the factory trying to make a garment. When I did enter Levi Strauss & Co., they were engaged in manufacturing overalls, shirts, and wholesaling or jobbing in underwear and hosiery, which was one department. There was then Department L, as we called it, which had to do with blankets, comforters, sheets. They also had Departments O and K. K was jobbing and manufacturing and sewing of shirts; O was the handling of armbands, suspenders, sort of odds and ends. And then there was Department P, which was the manufacturing of and the sewing of overalls. These goods were manufactured or jobbed and sold by salesmen, who handled the full line, except there were specialty salesmen on blankets and so forth.

The Year of the Cotton Disaster

W. Haas, Sr.: This business was in the nature of \$3 million annual sales. The first year that I was here, we made a slight profit, and the second year, which was 1920, was the year of the disaster. Cotton, which was the basis of all our business, was not supported or controlled as at present, and the price went from 42¢ on cotton to about 6¢ in one fell swoop. In fact, at that time there was a slogan, "Buy a bale of cotton to keep it from sinking to the bottom of the sea." The basis of everything we were selling was then cotton; there were no such things as synthetics. So we faced a loss in 1920, and as I remember it was not too great a loss, the only loss the business has sustained

W. Haas, Sr.: since 1919, when I entered it.

Everything we were selling was basically cotton, whether it was hosiery or underwear or overalls, which were made out of cotton. Except for a few flannel or wool shirts, even the shirts were cotton. So if the main raw material, which is a big component of the price descends from 40-odd¢ to 6¢, the price of new cloth takes the loss, and all your inventory is worth that much less. You have to sell in competition with other prices which are reduced, and this was too much to take. It wasn't too great a loss. I remember it very well. We had a ship bringing us two hundred bales of denim, and I was hoping the ship would go down without loss of life, because it was insured at full price. But this did not happen. This went on over two years.

Organizational Structure of the Business

W. Haas, Sr.: I should give some information about the organization of Levi Strauss when I entered it. I imagine we had thirteen or fourteen salesmen covering Northern California, Los Angeles and Southern California, also going into Oregon and Washington, and one salesman in Nevada, and in Arizona, which was actually the best place for the sale of our overalls. In the office, the head man was Albert Hirschfeld, who was the credit man, accountant, and really ran the business for the Sterns because they, with the exception of my father-in-law, who took some interest in it, did not engage in the actual operations. Mr. Hirschfeld was a fine man with whom I got along very well. But you really can't have an accountant and bookkeeper running a business, and he was the first to realize that.

As his assistant there was a man called Dave Beroneo, about whom much more later. He was of marvelous assistance to me, and without him I could not have conducted what really amounted to a reorganization of bookkeeping system in some of the management of Levi Strauss & Co. As I indicated, I was more of an accountant than a merchandise man. And Mr. Hirschfeld also wanted to take me away from downtown to go to the factory, because he felt something was wrong with the operation of the factory.

W. Haas, Sr.:

There were two factory managers: one was Simon Davis for the overalls section and a man by the name of Hindshaw in the factory. We had one factory at 250 Valencia Street, and when I came with the business this factory had been rebuilt--rather a jerrybuilt structure--after the fire and earthquake of 1906, which had wholly destroyed it. It had been put up quickly and was supposed to be a temporary building, which however is still there. Recently we've made some large changes and spent about a million dollars on it, when its original cost was about fifty-five to a hundred thousand dollars exclusive of real estate. It has since been put into splendid condition and is one of the sights of San Francisco. It has developed as an old Spanish-style building.

At any rate, I was not getting much actual information outside of actual sales. We made a record of the number of overalls that sold or orders that came in the mail, and that was the only barometer of the business at that time until we actually received the sales. Well, the sales came out pretty fast because we had only one shipping point. Everything was at 98 Battery Street [San Francisco] --headquarters, warehouse, shipping. The goods were brought up to the sidewalk and impeded traffic on Pine Street (about which we received many complaints), and was shipped by horse and wagon to the Southern Pacific depot to be shipped by rail at that time. Most of the merchandise was going by rail, motor transportation not having been developed the way it is now.

I remember very well our shipping head, named Bye McDonald, was very distressed that the orders that came in in the morning weren't shipped immediately that day. Today if we handle our customers' spot orders in a week or ten days we're doing quite well. But these people were very conscientious. Our shipping department was in the basement.

A Systematizer and a Single Set of Books

W. Haas, Sr.:

The first thing I did was to hire a man by the name of Schmidt who was a sytematizer. And knowing of his work in other directions, I brought him in to examine our bookkeeping system

W. Haas, Sr.: and accounting system. Well, this created enormous distress in the business. The people handling the accounting, working at high desks, ran two sets of books, one they called the regular ledger and then a secondary ledger as a check for the first one. As a matter of fact, they never check. I hate to confess this at this late hour. All the bookkeepers used to work over New Year's Day to try to bring a trial balance in line.

Mr. Schmidt put in what is a simple system. He split the ledger and took away the cash book, so that if any faults or error took place, it would be in, say, one-twelfth of the books and you could easily trace the error. This was put in with machine bookkeeping. This was started and caused a great deal of difficulties. The people, of course, didn't like the idea that I was given carte blanche to put into operation the matters I wanted. In doing this, the man who saw eye to eye with me was David Beroneo, who handled some of the bookkeeping. He was assistant to Hirschfeld; he handled all the details of the rebate system which we had on overalls.

The result of putting this system in was that we had our trial balance out before New Year's, and the bookkeepers spent the first New Year's at home in their lives, and of course, this won approval and helped me to go ahead no end. It was a simple matter, but gave me some standing because it was successful instead of just my being brought in as the son-in-law who married the boss's daughter and therefore got a job. Because after all, I did have some business experience, and here I was doing accounting rather than merchandising and sales.

The Decision to Stay

W. Haas, Sr.: So the business continued and we got into December the first year, where a moderate profit was being made. Mr. Hirschfeld said to me, "Well, this business works out about 6% on the capital (which was then about \$1,800,000)." And I said to him, "If the business can't do better than that, I would not be interested." I do not remember the money we made the first year. Maybe our records would show it. It's not important.

W. Haas, Sr.: But the second year, which was the year of decision for me, was the year of loss. By that time, even though it was a loss caused by this drop, it seemed to me that this business had an opportunity to become important and my future would lie with this business. Naturally I couldn't go back to Haas Brothers, but I thought I was sufficiently capable that I could have gone into something else, having a background of some banking and other experiences in New York.

II A FREE HAND IN THE BUSINESS

Beginning to Grow

W. Haas, Sr.: Nevertheless, when it came to the decision I opted to go ahead in spite of that loss. This was, as I told you, a small organization. One reason I came here--I should say there are several reasons--which I think I've given in the other report of my life--was that in Haas Brothers where I was, my cousin Charley, who was very friendly with me, was head of the business. I didn't like to be second. Also, the grocery business had very limited geographical extent. They could only sell around the Bay Area and maybe even in Sacramento. There were other wholesale houses with whom they had to compete. They had to equalize freight with these areas.

But when I came into Levi Strauss, we at least were doing business in the three coastal states as well as Arizona and Nevada. So this was a broader horizon, although in our jobbing goods we had to equalize freight with Portland, Seattle, and Los Angeles, which was the custom, so as to be competitive with these areas.

So going into 1921 we began to have some natural growth in the business. There was no cost accounting, so we couldn't tell which of our departments were actually making money. We had moderate years. Jacob Stern, as indicated, retired from the business but came down each day and sat in the office, enjoyed being informed of how many overalls we were selling that day, but otherwise took no part in the business.

Nathan: There was no cost accounting at that time?

W. Haas, Sr.: No cost accounting as to the different departments.

We came to the year '22, and we were beginning to do more business, and I indicated that Jacob Stern, true to his promise, took no part in the business. He was interested in what we were doing, particularly in the overalls. This was the apple of their eye--the overalls.

Working with Daniel Koshland

W. Haas, Sr.: My father-in-law Sigmund Stern was very much interested in the business, but gave me a completely free hand. At that time he said to me, "You shouldn't be alone in this business." And I agreed, because he was an older man. He was in good health. (He actually lived until 1928.) So I thought of my brother-in-law Daniel Koshland, who was in New York working in a bank, had ulcers. I was not surprised at that because I found that he lived in an apartment, went down in the subway to his banking business or to Lazard Frères, where he was I think later, and ate lunch at I think the Savarin Restaurant and then came back in the subway, and never saw the light of day. With this kind of a life I was not surprised that one should have ulcers even at such an early age. Besides which, we were brothers-in-law and got along very famously. So with the consent of my father-in-law I invited him to join the business, and he decided to come out here, I believe, in 1922. This date can be confirmed with him.

When he came we divided the situation. He really knew no more about merchandising than I did, but we both had a general, good education. He was a man of great sympathy for people, and we worked as co-executives, although I later on had the title of president. He was vice-president, but we had the same salary and divided the business up. I can't say that one did one thing particularly or the other, but we got along very well from that day in fact to the time as I am dictating now, 1973, where we both are sitting in ivory towers and enjoying the fruits of our labor and trying to do something for the public good.

Looking into the Factory and the Question of
Koveralls

W. Haas, Sr.: At this time, the Sterns thought their brilliant star was Simon Davis at the factory. He ran this as a personal fief. Hirschfeld had said to me I should look into the factory situation, but I too was sort of covered by the glamor of Simon Davis, who had developed an item called Koveralls. This was a children's all-purpose garment, covering the entire child, like the sort of a boiler suit later made famous by Winston Churchill. This was the item that was supposed to bring on the great growth of Levi Strauss & Co.

This was merchandised and handled by Simon Davis, working through the salesmen. I don't remember that we had a sales manager by name, although I suppose as I was by that time running most of the other things, this was possibly in the range of my authority too. He would directly deal with the salesmen, and in fact, go on the road with them to sell these Koveralls.

This was a very attractive garment, but I became a little suspicious of it because in order to keep up the sales, they had to spread the territory. It didn't seem that sales grew out of the old section. So you went to Nevada, you tried to sell them in Utah. There was another reason: he tried to sell these at a fixed retail price, so if the costs would go up, he would send out tickets to all the customers to change the price tag on their article. This was confusion. The public didn't get the benefit of the old price, and this was I guess before the laws on fixing prices. He engaged in lawsuits with two concerns for not following this practice; one was Desmond's Department Store and the other was Broadway Department Store, and sued these customers.

After Davis was out, I went to Los Angeles and was able to talk to Desmond's and the Broadway Department Store about the suits. They were rather bitter. We couldn't do any business with them. But there was a change. These suits were withdrawn; we should never have gone into them. Mr. Desmond, Sr., I was able later to convince him and also the Broadway Department Store, who have since become Broadway-Hale and are among our very largest customers. This concern is now being headed by Ed Carter, and this lawsuit is long ago

W. Haas, Sr.: and dimly forgotten. But it shows the stupidity of suing your customers. You don't. You always-- as they used to say in the grocery business where I had my start--"You get more flies with molasses than vinegar."

Cost Accounting and Pricing

W. Haas, Sr.: I come to this because I think this was one of the most important decisions made at that time at Levi Strauss & Co. as far as I was concerned. There was some kind of a price--not price fixing, but price watching by communities. A complaint came from San Diego as to the price of our Koveralls, that we were charging too much. In order to answer that complaint, I decided to try to develop cost accounting figures for the factory, in order to defend ourselves. When I went into this picture, it was simple, of course, to obtain what we were spending on labor, materials, findings, which included the threads and buttons, but to develop an overhead, this was rather difficult. I went at this in the most simple fashion, and the thing didn't come out right. By developing an overhead for those non-cost items, I got a figure which to me showed that we were losing money on Koveralls, rather than making it. I couldn't believe this; my figures were rather crude, although I did know some accounting. So I checked them with Dan Koshland, and he could find nothing wrong with them. This began to change my opinion of Simon Davis and the glamor of what he was doing with Koveralls.

On the other hand, we were making money. I discovered or at least believed the reason was that without cost accounting, our overall prices followed those of our competitors. We didn't set the prices. They advanced the price or changed the price from cost rises, and so they knew what they were doing. Mr. Davis was smart enough to follow them in his price, so we were making money on overalls and losing it on Koveralls.

Well, this finally began to percolate through to me. This began to cause some friction with Mr. Davis and myself, culminating in a real clash between us.

Nathan: Now, how did he answer your figures when you presented him with the figures?

W. Haas, Sr.: There was no answer. It was just, "We were doing well"--a general answer--"Why was I poking my nose into this?" This was quite agreeable to Mr. Hirschfeld, even though I'd changed his bookkeeping system. But he also said there was something wrong at the factory. So at this time I had some stress.

The Confrontation

W. Haas, Sr.: It was between 1922, when Dan Koshland came here, because he remembers this, and 1928 when my father-in-law died. When this clash resulted in a confrontation, my wife and I were living in Atherton with my parents-in-law, and one night a delegation came down from Levi Strauss & Co., consisting of several of our most important men, indicating that they must keep Davis. Davis wouldn't stay if I was on his back, as it were, and they made their position known. This was one evening in Atherton. I'll never forget this time, of course.

My father-in-law naturally related this to me, and I said to him, "Well, this is the way you want it. It's all right. I don't mind. I'm sure I can find a place to work elsewhere." But I'm sure he did not sleep that night. My wife and I have discussed this ever since, whether his decision was to go along with me for his daughter's happiness or because he believed I was right. I think it's partly both. My wife insisted it was entirely because he believed I had the right, and perhaps she was correct, because by that time with these figures he had also become disillusioned. He decided to go along with me.

Departure of Simon Davis and the Headlight Account

W. Haas, Sr.: The result was that Simon Davis resigned and started a business of his own. With him he took two of our management employees, but really the second level of management. One, Fred Beroneo, a brother of the Dave Beroneo that I mentioned before, and the

W. Haas, Sr.: other, Louis Loeb, who worked in the hosiery and underwear department.

Davis secured some outside financing, and Levi Strauss & Co. went on its course. Milton Grunbaum, who became a most important figure, was at the factory working in the shirt department, following a Mr. Hindshaw who had retired. And with Davis out, with some fear and trembling we gave Milton Grunbaum the handling of both factories. The change that he made became quickly apparent. He ended the extravagances and various other matters involving employee morale, which I won't go into detail about, and we began to get results out of the Department P factory. The shirt factory was a different story. I believe that never really made money because of the cost of labor in California.

Davis started out, and our people were wondering. He took with him the Headlight account, and this I should go deeper into. This is not very chronological, but at least it goes as I remember it. Headlight was a union overall, made by Larned Carter & Co. of Detroit. Mr. Simon Davis was very friendly with Mr. Larned. He took this on because our overall was a non-union overall and was sold in the country. In the city of San Francisco, which was a union stronghold, people would not put in our overall because they would have to have two stocks, the union overall and our overall, and they couldn't afford to do that.

So he got this from Larned Carter. Headlight overall was its name. He could sell it to the union houses. He never made any real money with it, but opened some new territory. Davis, of course, took that with him when he started, and that was the basis of his business.

Well, important people here would ask me, "How can Davis continue?" But he did continue for two or three years, and by that time his capital had run out and he folded. As I mentioned, one of his important employees was Fred Beroneo, a brother of Dave Beroneo who stayed with the firm. This was a delicate relationship. Dave Beroneo was the soul of honor. Nothing about business was ever discussed at their home. Dave was a bachelor; Fred had married. And in spite of the fact that his brother had gone, as I said, Dave Beroneo was a loyal and far-seeing employee. He later on became the head credit man, and as our business rose, he advanced with it. Before becoming head

W. Haas, Sr.: credit man he became sales manager, and in every position he acquitted himself beautifully. And although a bachelor, he died a fairly wealthy man. Not as wealthy as if his stock had remained until we went public, but it went to his nephews, the sons of his brother Fred who had married.

Without Dave Beroneo's help, both at the time of the systems change, sales management, various other matters, I don't know how this business would have gone. Even though we were in full agreement, he knew the technical aspects and was a tower of strength, and we got along famously until the time of his death many years later.

I wanted to deal with this incident, because I think this was the first real business crisis that I was involved in. I want to pay tribute to Sigmund Stern for casting the future with me, because the head men in our business, with one rare exception of department managers, had gone down to see him in Atherton. These were people he had worked with all his life, and he took me and decided this. I mentioned his daughter. But actually, I am now convinced by her that it was a feeling of belief in me and the methods that I was applying to the business. Besides, there were these cost figures, and these cost figures were borne out later when Milton Grunbaum ran the factory and began to make economies where there had been extravagances before.

I haven't paid sufficient tribute to Sigmund Stern for his part in standing by me and supporting the management. When I say "myself", I'm talking about Dan and myself, although I can't talk for Dan when I'm talking of these things. The brunt of this part was actually the confrontation of the man who married the boss's daughter with the people who had been in the business.

The building was burnt down in 1906 in the fire and earthquake. I didn't refer to this because I wasn't here. At that time, instead of a general dry goods business and factory business, they decided to diminish the business to the departments I have indicated at the beginning, and this was a smaller business, but the real money had been made before. This business was kept up and was what is called reasonably successful at the time, but it was still a rather small business.

Keeping the Advertising

W. Haas, Sr.: So in 1920 when it lost money, I remember following that, I called a meeting. We had dinner downtown with the heads of the business. I said, "Now, we've got to balance the budget against the last year," and we succeeded by cutting out this and that. The only thing we didn't cut was our advertising budget, which was very small, I think around \$25,000, where now we spend millions. Because this was important.

Imagine, \$25,000. You can't even hire a man to run a department for that. But advertising was mostly painted signs and billboards. That was kept up, because without the advertising we wouldn't have had the overalls, which later became famous under the name of Levi's. And Levi's were the name which has gone around the world. But more of that later.

That was an important decision, in spite of loss to keep the advertising going. Other figures were cut until we had as little as we can figure to make a balanced budget. Prices were low because cotton was down, but at least we were adjusted to the new prices.

It's very difficult at my present age and time to remember some of these details and certainly not in chronological order.

III FOCUS ON THE WAIST OVERALL

The Big Item

W. Haas, Sr.: The big item in the future and the growth of Levi Strauss was of course the overall. This was a waist overall, like a pant. The big business at that time was really in the bib overalls, which were used by workers, mechanics, craftsmen. We did not have that business. We had only one account that sold our overalls in San Francisco, and that was way in South San Francisco in a saddlery place. In the country we did have a place, but on account of the union town, [San Francisco], this was the only place.

It [the waist overall] was used by cowboys, people on farms, more than city people. Later on workers did not wear their bib overalls. They may have changed on the job. The value of the waist overall was that you could be dressed like a normal person, because this was just a pant overall. Of course, it was out of heavy blue denim, an excellent article with great wearing qualities and warranted to shrink. [Laughter.] And that became a great problem for us as our business widened, to have the people measured properly. We had the clerks learn to sell this in a larger size so that after it shrank and the cloth became soft and delightful, it was still fitting. This was one of our very great problems. We issued guides to clerks, but who wants to bother with this thing?

Some Competitors

W. Haas, Sr.: But our people were loyal. It was an excellent

W. Haas, Sr.: article. Other of our competitors, both north and south, made waist overalls. Our chief competitors here were Eloesser Heynemann, Neustedter Brothers; in Los Angeles, Cohn Goldwater and Brownstein Lewis. Not one of them exists any more. They either went out of business or one of them was bought out and merged into another concern. There were also lots of smaller concerns, and there were overalls made in Chinatown which competed. And somehow we were able to promote our waist overalls.

We added glamor, sex, the western theme to it, and this was what made our business. This was always a department that made money. It carried the house. It carried it through good days and bad days, so that we could say through depressions and wars, that we always did better than the average of the economy.

The Name of "Levi's"

W. Haas, Sr.: The name of Levi's came to us. We did not start with that. Our overall had a leather ticket, showing two horses pulling an overall apart and never being able to tear it. It was called, "Two-Horse Brand", or the gamusa, which means "leather" in Spanish. But pretty soon people began asking for Levi's, and it became apparent that this would be a good name for it. So we began this and got out a pamphlet, Everybody Knows His First Name, which was the history of Levi Strauss, and we encouraged this. This was only on the waist overalls.

Cutting Out Lines and Departments

W. Haas, Sr.: In the early days too we had what was known as the Double X, so we called them the "Number One overall" and the "Number Two overall", a slightly cheaper article of cheaper cloth. With fear and trembling we cut out the Number Two. This was competing with ourselves. Every time we cut something out of a small business, we were worried what would happen. We cut out the Number Two overall and emphasized the Double X superior cloth waist overall. It came under the term of Levi's, which did

W. Haas, Sr.: not apply to our other goods.

Then slowly as our business grew we cut out first one jobbing department and then the other. Department L, which was sheets and blankets, was first to go. We also did a good business with the hotels, because we engaged a man by the name of Stanley Rosenthal, who was a marvelous salesman. He left us, when we closed out this department, under the friendliest of circumstances and started a business of his own which still exists today, although he is dead. We were always friendly.

Later on we cut out Department A, hosiery and underwear. We were able to sell both these departments down to the last remaining core without too much loss, because we seemed to have gone out at a favorable market time. Of course, when it came to the final windup, there was a loss.

Why did we cut out these departments, particularly as they represented--each of them, maybe one quarter of the business we were doing at that time--maybe a million dollars each? (They were done successively.) We found that in a jobbing department one is at the complete mercy of one's suppliers, particularly if we had a branded article. If we developed it well, the manufacturer would set the terms, or he would be prepared to send his own sales force into the field. In other words, when you were jobbing and working with somebody else's goods, you had nothing you could call your own.

During the time that we were jobbing, wholesaling underwear, we had the BVD sales agency. This was a great article, advertised and sold by us at a low margin. At that time these margins, low as they were, allowed one to live because the cost of doing business was not like the present day. To insure our sales of BVD, we decided to extend our business into Southern California. The BVD account was then in the hands of a firm called Julius Jacoby. So we bought them out in order to have the BVD account.

Top Salesmen

W. Haas, Sr.: Later on the BVD people decided they were going to withdraw from us. But the great advantage we had in buying it was that we obtained three excellent salesmen who remained with us. One, Nat Gretis, handled the major accounts in Los Angeles. I would

W. Haas, Sr.: go with him sometimes to the May Company, and he'd be happy to show me the demonstration, where they had the various departments of overalls, by that time known as "Levi's". I said to him, "You've done a marvelous job to sell these goods to May Company." He said, "Walter, I want to tell you. If they find these articles do not pay them to handle, they would drop them in one minute. We're as necessary to them as they are to us."

Not that they were captives. We never looked on people that way, in spite of our advertising. We were advertising in the early days to get consumer acceptance. Now we're advertising, and we're able to put millions of dollars into it, to get consumer demand. There's quite a difference. But at the same time, we've never conducted our business as if we've felt our retail customers were our captives. We've tried to give them service, and this has paid off with good relationships.

Outside of Gretis, we had a good man, Kennedy, for Southern California. And Gretis became one of our very very top salesmen.

I should have mentioned, too, that Arizona was an excellent field for our overalls. We had a man, I think by the name of Fletcher. I never thought anyone could do better than he did in his sales. But when he died the man who took his place, Martin Kulik, was even better. Martin Kulik developed and sold the main towns in Arizona. Later as we have expanded, we came up with what is known as a regional director with the salesmen under him. And then after that we brought him into San Francisco, and he became sales manager and was very successful as he was imbued with the article itself, our Levi's, and a dedication and loyalty to the firm.

To go back a long way, the reorganization of Levi Strauss & Co., in which I was involved and later with the assistance and association of Dan Koshland, was not done by bringing outside people in. It was done by finding the people in the organization who were capable and advancing them. I'm particularly referring to Dave Beroneo, Milton Grunbaum, going to the factory. We had only one factory then and one factory superintendent. Later on when we expanded, Milton Grunbaum developed the new factories in other places, and we had only one real head man in the factory department, although we had local managers.

W. Haas, Sr.: Today we have not only the factory manager but we have regional managers--all kinds of levels. This is always part of the difference between a small business and a large business.

The Fifth Freedom

W. Haas, Sr.: In a small business we knew everybody, anybody could talk to us. I developed a slogan known as "The Fifth Freedom". This was the time of Franklin Roosevelt's Four Freedoms. The Fifth Freedom, which I shall now describe and which still remains to some degree, is that anyone in the business could talk to anyone else, could talk over the heads of their superiors, could talk to the president. The president would never make a decision; he would listen. If he were impressed, he might talk it over with the sales manager or the department manager. If they felt something should be done, they would do it.

I would never give an order that would diminish the immediate superior of someone. A salesman could come in and talk to me. It was good for me--this was a small business; I learned more about the business from what they told me. If I were impressed by what he said, I would talk to the sales manager. I would learn if something was missing in the department. And this would be called the Fifth Freedom, which did not interfere with the authority of the people who were going down the line, or you would not have an organization.

Today, it's rather doubtful that someone way down the line would talk to either of my sons. They might. But of course, no orders are ever given except through the chain of command. Otherwise, you don't have an organization or a business. This Fifth Freedom is really valuable in a small business, because the salesmen come in, they would talk about the lines, say that "we need more depth, we should do this, we should do that," some of which I agreed with and some I disagreed with.

Well, we then pushed on in geography. I mentioned the states we were doing business with. We hired a man by the name of Kimball for Utah. He was a very successful salesman, particularly

W. Haas, Sr.: in selling the overalls. In fact, so much so that we brought him down and he went into Southern California and assisted some of the men to sell the Levi Strauss overall the way he did, and he was able to help them.

Nathan: How did you find him?

W. Haas, Sr.: I don't know. I guess he just came and maybe applied for work, or maybe Dave Beroneo or somebody, some one of our sales managers found him and found him extremely capable. In this connection, the main people to sell were the Zion Cooperative Association. I think Dave Beroneo succeeded in selling them first, as sales manager. So Kimball made a great success until finally for some reason we had to let him go.

The reason I remember this--is because I was in Salt Lake City once for a meeting of the Pacific Intermountain Express of which I was a director. No, that's wrong--for a meeting with Sonny Stafford in connection with making a contract for the Lamy Manufacturing Co. I was accompanied by my son Peter, who was at that time in the business. So this must have been much later. And this strange looking man came to my room and suddenly handed me a subpoena to appear in a case that Kimball was going to bring against the firm, I imagine for breach of contract.

I mention PIE [Pacific Intermountain Express], because I was a director. I called on them for an attorney, so I wouldn't have to stay in Salt Lake City. They got me a release so I was able to get home. Peter and I remember this very thoroughly. The suit came to nothing, but I was very much bothered that I would be stuck in Salt Lake City. [Laughter]. These are some of the early experiences.

IV DEVELOPMENT OF PEOPLE AND IDEAS

Some Managers

Nathan: Are you thinking now of some people who were important in the business?

W. Haas, Sr.: Yes. The important people at Levi Strauss & Co., when I was first there and for a few years thereafter, of course, included Albert Hirschfeld and Dave Beroneo. They were around me all the time. There was also the department manager, William McCarty, who was the head of the hosiery and underwear department, and actually was a very fine man who in his later years became a little-- what should I say?--lightheaded and sick and married his nurse. So that the money, of which he had considerable, and which was expected to go to this chief assistant, Leslie Fenster, never came to him. This really disturbed Leslie Fenster, who became manager and left after a short time.

I think I've already indicated that one year of loss, 1920, when things were rather rugged, McCarty came to me and offered to put up his personal money if we needed it to help us at the bank. I said we didn't need it, but it showed the spirit of the people around there, and even towards me after two years when I had made some changes. I guess he was probably offering a few thousand dollars, but actually, he was quite a rich man when he died.

The other department manager was Norman Larsen, who handled basically shirts, which we manufactured. We had also what we call some "findings" in Department O. His department was called Department K. In Department O we had some arm bands, garters, and what were called "sundries", which didn't amount to anything. The

W. Haas, Sr.: shirt department was a very difficult department, on account of the high cost of the wages in California compared to the rest of the country, although these were terribly low by present-day standards and even by the standards of labor at that time. We could not manufacture the ordinary articles of commerce--work shirts, and so forth. So we concentrated more on shirts and fancy designs with loggers for out-of-doors people, where we were reasonably competitive. Actually, as we look back on this, this department never was able to make any real money. We found this out through a proper accounting system; this was hardly the fault of the manager, but was based on the fact that we weren't well placed geographically.

When Larsen retired, he was followed by Chris Lucier, who was a most excellent man.

"Hire Another Office Boy"

Nathan: May I ask, how did you find Chris Lucier?

W. Haas, Sr.: Chris Lucier was his first assistant. Wherever possible, we always tried to carry on the continuity. It caused quite an upset if we tried to hire outside laterally, except for office boys. In fact, at that time the slogan was, "If you lost a president, you hired another office boy," [laughter] as all advancement was from within. This has greatly changed, particularly now that we're filled with MBA's [Masters of Business Administration].

The Levi's Tab

W. Haas, Sr.: Lucier really developed in the department and broader than that, was an excellent idea man and produced some of the ideas which exist on the Levi overalls or jeans to this day. I particularly remember the red tab on the pocket, which we have kept until now. In fact, we use all kinds of tabs of various colors on our jeans. This is required of us by our attorneys, who said this was the way to keep the item. We have pressed

W. Haas, Sr.: very hard through the courts, and I've had many lawsuits on this tab, which enables you to distinguish Levi garments. In fact, I find myself when I walk down the street looking at people's rear ends in order to see whether they're wearing Levi's. These tabs appear only on our jeans and not on our other garments, which we call sportswear, although the difference in their manufacture is rather slight.

There is a distinct basis for sportswear as compared to jeans. As a matter of fact, we are absolutely predominant in the country even at this day in the sale of jeans, where now our sportswear items, to which we have now added the name Panatela, have come up very strongly.

I may have gotten a little ahead of myself with Lucier, but Lucier, McCarty and Davis, to whom I've already made reference, were the heads of the three major departments, operating departments. The office and so forth was under the control of Hirschfeld, assisted by Dave Beronio. This was the lineup when I came there. Also in Norm Larsen's department was Milton Grunbaum, to whom I have referred when he took over the factory at the time when we were presented with quite a situation and we lost Davis and still had a factory manager in the shirt department, Mr. Hindshaw, who was a perfectly decent operating man, but as I said, the shirt department was very difficult and hardly made any money.

Joe Frank and His Territory

W. Haas, Sr.: These were the lineup in the office and the control. I should at this time mention Joe Frank, who was our oldest salesman. Joe Frank worked in Sacramento. In his early days he recounted how he'd had a very large territory, including the southern mines and how he went with trunks, horsedrawn vehicles to lay out the line once or twice a year before the country areas. Detailed stories of practically being attacked by Indians [laughter], also living in the homes of some of his clients, and being stopped by snowfalls. In fact, it was rather perilous, but he'd come back with big orders and was our leading salesman for many years in Sacramento. Later on, as we

W. Haas, Sr.: became larger in our sales, he was given an assistant named Norman Anderson.

This assistant was really a packer to open the trunks and lay out the material, and serve as the driver. Actually, later on when Joe Frank retired from the road, this man became the salesman in his own right, first in Sacramento, and then in Utah. A few years ago he retired at a big retirement party, which gives you some idea of the length of time that I've been around this place.

Nathan: When Mr. Frank went around with his horse and buggy and his cases to sell, then did he go around to deliver what was ordered? How was the material delivered?

W. Haas, Sr.: Oh, the orders for the goods were sent into the main office, were filled and shipped by railroad mostly at that time and stage. There were no auto trucks at that time of course, because this was the horse and buggy age. But these were shipped through the usual channels, and mostly would be very large orders. That was one of the reasons for our being at that time. That is, a wholesale house would ship large orders and give credits. This changed as our credit policy became more stringent. In the old days the wholesale houses were practically bankers as well as distributors.

So, Joe Frank remained in Sacramento for quite a while, and then was brought very unwillingly to 98 Battery Street to be a house salesman. At that time, as our sales coverage was much less than now, many people would like to come to the house to see all the samples which were laid out, and Joe Frank not only knew his own customers, who liked him very much and came to see him, but he took care of other orders for other geographical areas, the credit for the sales of which were given to the man in the territory. This was important that everybody received credit, because their commissions were paid on the sales in the territories. This later on led to many difficulties because as business expanded and the big stores, like the Emporium, Hale's, May Co. and Broadway, began to develop branches in various geographical areas away from the main city, the question came up who would get the credit for these sales: the man whose territory they

W. Haas, Sr.: were sold in or the man who sold them to the main offices for the entire area? This became quite an area of conflict that was resolved later on, until now, it is most usual for one man to service one of these big houses himself. In fact, he today has an assistant who takes the stock of the merchants. The big merchants do not like to take their own stock. The important salesmen have assistants who take the stock in sizes of our big accounts, and in most instances, these accounts, trusting us, will fill in the sizes upon our reports. It's my belief, in fact, that some of them have practically abdicated their buying power of our standard articles and rely on us to see that they are kept up with a stock of merchandise. This saves them money, and of course, when we have our brands introduced and particularly this was true of our first, the Levi Number One, our Double X Number One Levi, which was the basis of our entire fame and fortune. And this became very, very general as our business expanded.

Exports for Plantations

W. Haas, Sr.: Well, to get back to Joe Frank--he came to the house, he took care of his own sales, and he also handled export sales. There were houses, concerns in San Francisco who represented various plantations in the Islands and in the South Seas, and they did the buying for these out-of-the-way places. This practically was the extent of our export department, to sell to these merchants who bought for their clients in these remote islands. As such we really had no export business that I remember, although I think some orders for Levi overalls came filtering through from South Africa where miners had gone, and this of course was very slight.

Joe Frank took care of all this, and to a large extent disposed of our seconds, our seconds being of course articles that did not pass inspection, and which we had to take care of and get rid of at a very low price. In this case we took the labels off our Levi's and still they could be recognized as Levi's.

Joe Frank became a living legend. We

W. Haas, Sr.: honored him as he went along in age year by year. In fact, we had a Joe Frank day for which I secured the approval and the appearance of Mayor George Christopher to dignify this day. This was very flattering to Joe, and Joe Frank is living as I write this today, in his nineties. He is in a rest home, unfortunately, and is physically still able and is having his affairs taken care of by his nephew. Joe Frank also became a very rich man through the ownership of Levi Strauss stock and was always referred to by others, long before he retired, as one of the very rich people at Levi Strauss & Co. Joe Frank was a bachelor, never married, and probably there were many attempts to get at his fortune, but Joe kept it all together.

I've talked of the basic organization as I found it, and then the changes made when Davis left, which have been covered.

Chris Lucier, First Sales Manager

W. Haas, Sr.: We then got our first sales manager who was, I believe, Chris Lucier, who was taken from Department K, and his assistant, Alec Paul, took his place. Chris Lucier produced new ideas and gave us some sales direction, which prior to that time we really had never had because the management was loose, and the salesmen more or less did as they pleased.

William Lagoria and Dave Beroneo: Sales and Credit

W. Haas, Sr.: When Chris Lucier retired, William Lagoria was made sales manager. This was quite a change in direction. William Lagoria was employed and worked in our basement--we called it "the basement"--which was the shipping department, and was taken from the shipping department to be sales manager. He came to this position and was a great success because of his feeling for people and his abilities. As a matter of fact, I have been wrong in saying there was no sales direction, as Dave Beroneo for a short time was sales manager;

W. Haas, Sr.: this was prior to the time that Hirschfeld retired and Dave Beroneo became credit manager. As indicated, Dave Beroneo was one of our chief sources of strength in developing new systems, and these men, whose education by today's standards stopped at an early age, were able to develop for that time and age most remarkably and grow with their opportunities.

Dave Beroneo was for a short time sales manager, and then when Hirschfeld retired, became credit manager and a wonderful credit manager he became. In fact, our present credit manager, who is very able and was brought in by Dave Beroneo, very often refers to Dave as his mentor for some of the things he has done. Dave Beroneo, as well as being credit manager, had to see if the cash was sufficient, and our payment days were what we called "e o m, ten days", which meant that people had to pay a last month's sales by the tenth of the following month, although they fudged those a few days. When these orders came in, Dave Beroneo would look them over and pull out the large checks so they'd go to the bank right away, because there were amounts coming in that were rather overwhelming at that time. He would watch them and his credit judgment was absolutely the best. We had such a low ratio of credit losses that we hardly even paid any attention to them. One of the reasons for the low credit losses then and even today was the fact that our brand was in such demand that in order to obtain reorders, the people had to take care of their old accounts. This helped our sales enormously and our turnover and our collections were very, very rapid. Even today, with our largely expanded business, our credits are still in good shape, because we have had largely a choice of customers, certainly in this country and to some extent abroad. The ratio of prompt payment is not as good as it was in the early days, but it still is very large.

Today, we not only give spot credit, but seasonal credit, where orders are given, and they are only payable on certain due dates, deferred payments. These are considered as cash items-- well, not as cash items, but with no indication as to the extent of the credits because they are paid when due. When we talk about past due accounts or full accounts, these are not considered.

W. Haas, Sr.: Our ratio of past due is very small--or I should say long past due. Of those past due for twenty days, these become sizeable, but they are generally paid. Then there are now items waiting corrections, which have to be freights or deliveries, and those are more or less in suspense, but those have to be worked out. But this I will get more into in our present day.

So, Dave Beronec was sales manager for a while, and then came back to being the credit manager and for all purposes, office manager as well, which job he handled most beautifully. He was one of the great men of the early days and also was a bachelor like Joe Frank, but looked after his family, particularly his sister-in-law who was the widow of his brother Fred.

Nathan: Did these men work six days a week in the early days?

W. Haas, Sr.: I think I've mentioned that when I went there we were all working a six-day week, and then later on, I would, more or less surreptitiously take off Saturday afternoon, particularly as I was living in Atherton by that time in the summer. Later on, the five-day week developed universally. But these were the custom. This was not unusual. I think concerning my father in Los Angeles, they practically would have a seven-day week. At least the bosses would go into the office and write up the correspondence, as there were no typewriters then.

So, when the five-day week came, we just wondered how we could give service to our customers and what happened to orders over the weekend. Today we're happy if the orders go out within a reasonable time of being received (that is, of course, spot orders). Future orders are very important. I don't know if I mentioned this, but the big business was twice-a-year future business for the spring and summer and then for the back-to-school. Back-to-school has continued to be very important because the families would outfit their children with quite a few pairs of pants for going back to school. So even today this is a very big item and time in our business, particularly our United States business, although each month today is very large. The first quarter, which now being on the fiscal year is from December 1 to February, the end of February,

W. Haas, Sr.: is the lightest quarter. The next quarter is sizeable, and the third quarter really shows a bulge in our business, although on account of our international business and different seasons, the leveling off of sales is much greater than in the early days.

I think I've come to Bill Lagoria as sales manager. I should have even gone back to Dave Beroneo, who made several trips with salesmen, which was absolutely unheard of at that time, but seemed to get along very well with our customers, and particularly well in Utah with the Zion Cooperative Association, which was really owned by the Mormon Church. Dave's relationship to the manager there was of great value to us, and they were great customers for our overalls. When I say "big customers," at that time it was quite a little different from then to now, when we have customers like the big department stores running into the millions and millions of dollars. In fact, I imagine today we have eight or nine customers whose purchases are larger than our total sales were--each of them--than when I first came there. But naturally, when you've gone from a \$3 million business, when I first came, to now a business that is over the half billion mark and growing higher, you have single days that represent larger amounts of sales than a whole year did in my day. In fact, almost to make our program today, we will pretty soon need every day to be larger than the total sales in years gone by. At that time, of course, the costs were much lower.

As I remember, the porters received \$150 a month, which was the standard wage, and some of them were able to keep their families and send their children through college, the University of California then having no fees. How this was done I don't know, but we never thought this was a low wage because this was the customary wage.

V THE MOVE TOWARD UNIONIZING

The Wholesale Houses

W. Haas, Sr.: Have I spoken of the attempt at unionization (in Bridges' time)?

Nathan: No, I'd like to hear that.

W. Haas, Sr.: Well, to these porters who were receiving, if I remember, \$150 a month in 1933 came the first attempts to organize the warehousemen in San Francisco, in the wholesale houses in San Francisco.

This was the time of Harry Bridges and the longshoremen, who had been organized. So, Bridges decided they would organize the workers in the wholesale houses. At that time, the wholesale groceries, the other wholesale dry goods were organized. This came after the Wagner Act, of course, and they came to our people. Our people being very close to us, said, "What should we do?" We said, "Go and listen to what they say." They came back from this meeting and said, "This is not for us." Well, the wage may have been slightly different, but what are today called fringe benefits, we probably gave because we felt they were right. There was sick leave--we never counted the time a man was away if he were really sick--and some other features which made them feel that they did not wish to join. And to my great surprise, although there was violence during this organization, there were no goon squads, there was no attempt to take care of our men.

At that time, I did something which I have really regretted. In order to help one of our competitors, who had a line of hosiery which was

W. Haas, Sr.: expected to be kept up for the retailers, we took over his line and did his shipping for him, which was a very dangerous and stupid thing to do. He was a friend; we thought we were helping the employers, but they were putting our own men into jeopardy. When the strike was over against this other house, we were hardly even thanked for it. I would never think of a thing like this now, but sometimes on impulse one does things, and we got by with this.

The Factories

W. Haas, Sr.: Talking about organization, our factories were also non-union. The Stern family had made a great feature of this, having non-union factories. Although, our competitors, Neustedter Bros. and Eloesser Heynemann had been organized, we were not organized. As a result of which, we could not sell our overalls in San Francisco. I think one saddlery outfit had our overalls for horse-men. The other people in San Francisco did not buy our overalls because they had to have a union overall, and there was no use having a stock of two. This is now so different, where we have several men calling on our city accounts, which are very large, both the big stores and the other stores, and they need our goods very much. I guess we are without doubt the most prominent suppliers to the stores, in some places a very large percentage of the business in these departments which handle our goods.

There came the Wagner Act of 1935, and following that they came to our factory to organize it. And failing to get anywhere, a strike was called. I remember this very well because the strike was to fall on my birthday, which was May 11. We found the only way was to come, make the best deal we could. Naturally, this was the order of the day, and at this moment, most of our plants are organized. I think we must have between thirty and forty of our factories in the United States. Some are organized by the United Garment Workers, some by the Amalgamated Clothing Workers, and some have voted to remain independent. This organization is up to the employees themselves.

Warehouses: Distribution Centers

W. Haas, Sr.: On the other hand, our warehouses, or what we call distribution centers today, of which there are three--San Jose, Florence, Kentucky, and Amarillo, Texas--are not organized. In two of these plants rather recently elections have been held, and the people themselves have voted against organization. This, I think, is a very plus factor for our personnel operations that we have taken care of people, in salaries, fringe benefits, and so forth, that makes the burden of dues and union membership onerous to them.

Not because it costs us less for the people, but in the distribution of work, it is better for us, because the unions demand that a party working on a certain thing only can do a certain kind of job, whereas if certain departments are slacker than others, people can be shifted. To us, not the burden of the wages, but the other control factors are more valuable this way. But, we cannot be sure to continue this, except in the manner that we take care of our people because it is something that we think we ought to do.

I've talked mostly about myself, and of course, I was joined by Dan Koshland and many of these things were done on a joint basis. Although I have used the word "I," there was always discussion between us, and each one is open to the other, and we were co-partners in the fullest measure.

Knowing Nearly Everyone in the Business

W. Haas, Sr.: In the early days of our work in Levi Strauss, we were at 98 Battery Street, where we are now. This home office took up half of the first floor. The balance of the floors were occupied by the different departments and by the shipping department. Naturally, being that close, we saw the department managers every day. The factory managers would come down to the office, and if there were problems they would be discussed. So, the communication situation was quite different than it is today, when we are far-flung and where

W. Haas, Sr.: there are many levels between the salesman or the worker and the heads of the business. There has to be organization. It's almost like a government organization, and I remember each time, as growth made it necessary that there not be too many people reporting to any one person, then we had different levels of management, whereas in the early days anybody could talk to anybody else.

I think this was very remarkable to practically know everybody in the office, in the business, at 98 Battery Street. Both Dan Koshland and myself made an effort, every couple of weeks, to go out to the factory we had on Valencia Street. We knew the heads of the various sections and many of the actual girls working there. We often went to factory parties. There was a personal relationship that existed at that time and which we kept up for a long time--going to the factory at Valencia Street and to San Jose, which as age has crept up on me, has more or less been abandoned, although I probably get to visit the factory on Valencia Street once a year and San Jose once a year when I'm living in the country, just to look at the factory and the distribution center.

But earlier, we were known at these places. And the girls--and we called them all "girls," whether they were young ones or grandmothers working at the machines--looked up and smiled and would be very happy to have us walking through. We were looking as if we knew what the factory was all about. They thought we did, but we didn't. This was the early days, and it was a great satisfaction to have this personal knowledge of the people, which has naturally disappeared for us, of course, as we do not take part any longer in the operations of the business. But even for the present managers it's almost impossible.

I do remember that I saw all our factories at one time, and I now will turn to the expansion of our factory production.

Nathan: Fine, perfect.

VI EXPANSION OF FACTORY PRODUCTION

Status Before the War

W. Haas, Sr.: As I already referred to, when I came into the business in January of 1919 after having come back from the army, we had one administration office, shipping office, and so forth at 98 Battery Street, and one factory at 250 Valencia Street. This continued in the same manner until the beginning of World War II. Although our business showed some increase from an approximately \$3 million level, it was quite moderate and profitable in the sense that we made some money but not any great money on our total capital, which was about \$1,800,000. It seems rather strange to think of a total capital of \$1,800,000, when our profit last year was about \$25 million. Although I will say that my ambition at this time in the early stages, when I saw possibilities in the business, was to see if we could possibly make \$1 million a year. That was my ambition which was realized, and I thought that was pretty good for a firm that had been making about 6% on this capital or some such thing. :

Prior to the war, World War II, there was the International Exposition at Treasure Island, and we had developed a mechanical rodeo. This aroused enormous interest at the fair and helped to create a demand for our products, which was slowly growing. So, as I mentioned before, when wartime came and we lost our personnel from Valencia Street, we looked elsewhere for factories.

The War Years: San Jose, Santa Cruz, Vallejo

W. Haas, Sr.: Our factory force gradually became depleted because the shipyards on the Bay could use riveters, and some of our employees, a great many in fact, could be used for various activities. So, we went and found the first opening in San Jose, where we rented the second floor of what was then the Greyhound Bus Depot. I remember very well when we took this over that I went down there with a group and had to install machinery and get the place going on the second floor. We all ended up at lunch together and later on in the afternoon had a drink, and the factory was installed.

Our business started to improve during the war, particularly the jean business. We did not have many war orders. I remember only two items--one was a blue jean for the navy. They were very rigid in their requirements and their packing and had an inspector standing over us--this wasn't very great. And then also we made parkas for the Alaskan troops, going into furs and white garments, about which we knew nothing. But, Milton Grunbaum, who was some kind of a genius, was able to discover how to get the hides, the fur on them, and make these garments.

But our trouble was for a while sales and not production. This has reversed itself fairly completely in the later years, where we've been opening factory after factory to keep up with our sales, and there was a great long time lag in production. The production was not enough, so we thought of and went to Santa Cruz, where we selected an automobile sales office, which was on the San Lorenzo River, and equipped this as a factory. We also went to Vallejo, but the reason we went to Santa Cruz was that the War Production Board, or the personnel board in San Francisco wanted us not to use up scarce labor they could use for war, and Santa Cruz had a labor supply and no industry. So, we went down there, and this factory was way at the end of nowhere, and eventually, it became flooded because the river rose there. But we established it anyway. This was an awful mess. If anybody's ever seen a factory with mud slides and all the machinery destroyed, it's a heart-rending proposition.

W. Haas, Sr.: But we did still remake it, until later on the city, in order to establish flood control, condemned half of our factory, and so we left there.

We also went to Vallejo, where we made some shirts--strangely enough, there is a navy yard, but still there was employment for women. Later on these two factories were abandoned--that is, Vallejo and Santa Cruz--Santa Cruz for the reason I told you, and also Vallejo because it was inefficient. But strangely enough, the boys in the army began to like our article, and would buy it in spite of the fact that jeans were issue items that they didn't have to pay for. They liked to buy ours. This continued during wartime. At war-time, our prices were frozen, and our costs were going up, so that our Number X overalls, variously called Two Horse Brand or some other name--this was long before we called everything Levi's--we kept at a fixed price. I believe at the end of the war, we were trading dollars, but the quality value at a low price helped to extend the sales very materially. So perhaps in the end we were benefited by this.

Milton Grunbaum, Ralph De Shong and Wichita Falls

W. Haas, Sr.: We were looking for further production, and Milton Grunbaum was able to form contacts with Ralph De Shong, who was in Wichita Falls, and made arrangements with him to manufacture for us. We later bought him out with stock, Levi Strauss stock, on which we had a call when he died; we did reclaim all that stock.

Incidentally, Ralph was quite famous as a magician. He would go around to various army camps in Texas and show his magic qualities. And at that time, he said you had to be a magician to stay in the overall business. [Laughter.] He also was in the cattle business on the side, and we were one day discussing the roundups.

If you don't know about roundups--they go out to get the cattle, and every cow would appear with a calf at the roundup. I said, "What happened to the cows that didn't have calves?" He said they were sent to the slaughterhouse. I said, "Why was that?" "We only give the cow a chance for

W. Haas, Sr.: one mistake." I said, "How about the bull?" "Usually we don't consider that." [Laughter.] But this was very interesting.

The Staffords in Missouri: Lamy Contractors

W. Haas, Sr.: Well, even that was not enough, so we needed further production, as our business was growing. And I believe De Shong served as an introduction to the Staffords, who were in Missouri. So, Milton Grunbaum discussed the Staffords manufacturing for us. They were selling their products through Lee Weinberg. They were only manufacturers, and Lee Weinberg was the sales representative for all their goods and had a sales force. Although they needed more production to keep their factory going, they did not want to jettison Lee Weinberg. So, as we came in, and they were manufacturing for us as contractors, which later on developed into our making arrangements with Lee Weinberg to use his sales force to sell our overalls in the East, as a slight demand had begun to spring up, mainly I think from returning army people who had liked our brands.

Soldiers and a European Market

W. Haas, Sr.: As a matter of interest, in fact, this was the beginning of our business in Europe. Although we shipped from here and got some distribution in Europe, the Levi overalls, which they bought at the post exchanges, even though they had issue jeans, became in great demand. The boys who bought these sometimes not only used them themselves but sold them or gave them to their friends. So, the beginnings of the European business started around the places where the camps were.

So, we started with Lamy Manufacturing, which is owned by the Staffords, and using the Weinberg people to carry our goods; still the Staffords were making goods, not for us, that the Weinberg people were selling. Lee took our brands--merchandise--to sell along with theirs,

W. Haas, Sr.: until it seemed necessary that we should take over the entire production.

I remember very well that Father Stafford, whom we called "Dad" Stafford came into the office with his son, who is called "Sonny" Stafford and still is to this day. They came into the office with me--I guess with us, Dan and myself--and said, "If you were me, would you turn over your entire business to Levi Strauss & Co. without some contract and some prospects for the future?" I said, "Things vary--such as the prices. We've been working together for several years, and this is a decision that you must make on faith in us and how we will do. I cannot tell you what to do."

Evidently, he thought this was a good answer, and he said, "We will go along with you. You shall have our entire production." They owned the factory. We have never bought it out, either through stock or cash, although we've helped them with money to increase their storage facilities, and so forth, which was only a loan. But we are still doing business with Lamy Manufacturing today without a contract. They handle the production; we handle all the sales. Sonny would say that he was all butterflies when he was worrying about sales. This is really an amazing undertaking, that we should keep on, without contract, without purchase. This is the one contractor that we have used all this time. We have used other contractors from time to time, but not as steadily as this. The number of years that this has been running will have to be looked up in the record, but it is rather unheard of.

Beginning of the Eastern Business

W. Haas, Sr.: So, we took over that, and Lee Weinberg was sales manager for the eastern division, and we started to do quite well in this. This became the beginning of our eastern business and was the first time that we were able to progress beyond the western states, the coastal states--Nevada, Arizona and Utah. This gave us an opening to the entire United States.

Nathan: Did you have other competitors in the eastern area then?

W. Haas, Sr.: Oh, of course, every place we were meeting with competitors. There were competitors in the West, and large competitors at that. We were making only a waist overall; the others were making all kinds of products--carpenters' overalls, painters' overalls, boiler suits, as they called them, which were a complete outfit. The main competitors in the West I think I have given already in San Francisco and in Los Angeles, and we are now the only ones left in the West of these larger firms making overalls.

In the East I think I've already gone into Larned Carter. In the East, the competitors are now a little different, because we were only in the overall business, and now, besides the jean business, we've gone into other wear, that is, sportswear. Our competitors in the East include Blue Bell, who manufacture and sell their brand. They also sell to distributors and retailers and do all sorts of things that we do not do, as we are a straight-out outfit selling only to retailers. At one time we did have a few wholesalers in Arizona and Utah, but we discontinued those because we had a special discount for them; we ended up selling only to retailers.

So, Blue Bell, Farah, and several others are competitors, some on jeans and some on sportswear, and they still exist.

VII SOME BUSINESS PRINCIPLES

Pricing

W. Haas, Sr.: There has been a great growth in the demand for jeans--and pants, which have now become quite a custom, but a lot of these are fancy pants that we don't make--and women's outfits. These competitors exist.

We have set our own pricing, we have never had understandings with other competitors, so we have never had any restraint of trade or cozy deals. We set our prices based on our cost, and also to come within certain price ranges for retail sale. We must get within certain prices--and the price we sell at must allow the retailer his profit and to be at certain price ranges. This is more of a pressure on us to meet these deadlines. It's not the 10¢ or 20¢ a dozen, but it's getting into a price range, and seeing if we can do that at a profit. But of course--therefore, some articles become more profitable than others.

Commissions and Codes

W. Haas, Sr.: Let's go back to the early days before our eastern adventure and all that sort of thing. When we were doing a rather small business in the West Coast only, with our San Francisco plant and maybe some of the others, it occurred to me that some items were more profitable than others. So that in fixing sales commissions, we should be able to indicate to the salesman which items we would want to sell the most and have them get the biggest

W. Haas, Sr.: commission. So, we developed a code system for our articles of sale, on which the ending number might be a "one," which would be the highest profit, down to four or even a five terminal number, on which there was no profit and actually no commission. This was not a very good thing because the salesmen didn't care about that, and that was for disposition of closeouts and unusable items. But we did have this variable commission system which, like all things that were instituted to keep us alive and preserve our profit ratio, has been abandoned since.

Coming to sales commissions, in the West Coast, where we have defined territory and business, we paid the travel costs plus these commissions that I'm talking about. The eastern business was based on a straight commission basis, which included the traveling. The result: when you have a fixed and high commission there were many aberrations, because if a man happened to sell a great deal and his territory became very productive, his cost of traveling was diminished compared to his total business, and he made a great deal more money than some of the western people who were on a lower commission, plus traveling expenses. These matters have all been corrected in the long run, though when it came to expansion of sales force, this became a great difficulty. This was the thing that Lagoria, as sales manager, had to cope with. Because our sales began to increase, our advertising was always kept up, and we found that a man could not take care of his entire territory and call enough times to do justice to his accounts.

Territorial Splits

W. Haas, Sr.: So, territorial splits had to come, and nobody wanted to give up anything. We started with a total of fourteen or fifteen people in San Francisco, and now are up to a sales force that's well over four hundred. In the first instance, Lagoria arranged a way. He said, "Your business is growing. We guarantee you that even though you have a lesser territory, you will make as much as you did the preceding year." And this, in most cases, worked out.

Dividing Up the Lines

W. Haas, Sr.: This was at the time that all salesmen carried our entire lines. Well, we found, strange as it may seem, that as our line became larger in what we call "depth"--away from blue overalls, and we came into what we call lighter blues and different colors of jeans--one man really could not handle the entire line. So we started to break up the line. All these things were done by testing certain territories to see how they worked. One man would be given just jeans, and the others in the same territory would be given the other parts of the line, until now, we have three salesmen, I believe, calling on--

Nathan: --on the same people?

W. Haas, Sr.: Yes, one handling jeans, one handling Boys and Sportswear, and one for the new department "Levi's for Gals" that was sold to different departments. This was something that I could hardly conceive of, of several salesmen calling on the same people, but with the growth of our business, each of them began to get business in very large amounts. In fact, we are growing so well and so successfully, it's amazing the number of new salesmen that we add--where did they come from? How could they be good? It appeared that because of our growth and success, we had applications from all our competitors' salesmen, so we had rather a choice of salesmen.

Regional Offices and Divisionalization

W. Haas, Sr.: As our business developed, we found that one sales manager in San Francisco could no longer handle this, so we developed regional offices. We have one in Arizona--Phoenix, one in Dallas, Texas, one in Portland, later transferred to Seattle, one in Denver, Colorado, New York, Cleveland or Cincinnati, even Washington, and one in Florida, which shouldn't have been in Florida, but Lee Weinberg lived there. This later became the Dallas office. Since then we have found we have too many regional offices,

W. Haas, Sr.: and we are concentrating: San Francisco takes care of all the Northwest, Seattle was closed, Denver was closed. We have Los Angeles (very important as a regional sales office), and Dallas for all the Southwest, and then Atlanta, and those are now very large offices. We have not only a general supervisory sales force, but district managers, because there are so many salesmen divided into these various categories that they have to have the supervision from the three departments mentioned. There may be even four in some cases. We have a sales manager for each of these departments in the regions. They have assistants who look after a number of men, who may vary into the large numbers, many more than we had in the total of all San Francisco business when I came in.

These offices are staffed, well, by many people keeping records, stenographers as well as those actually handling sales distribution, all under the control, of course, of the sales manager in the San Francisco office for each of the major categories involved. That's how we came to what we call "divisionalization."

If you fail to change, you're stuck with some style goods, and this is very costly. We have to aim not to have this happen too frequently, and actually, having a large business in many divisions and going to different parts of the world, if we slip in one section, the other sections generally have a chance to carry it. If all departments are go-go and working, we could have tremendous years, but there's always some fly in the ointment, and there is nobody who is so godlike in this business that they can absolutely determine on style and merchandise just how well it will go.

Going back a little to my day, we were making only Levi's or jeans, and actually the jeans of all kinds are where we excel; that's where we have the highest penetration in the trade. We then started some other colored pants, which we called white Levi's. They weren't white Levi's, they were colored Levi's; if they wanted a real white Levi, we called it "white whites." I remember having been in Europe--in fact, when I was in Berlin, where we had an agent, he was asking for "white whites."

But, from those white Levi's, we began to expand into various other styles in jeans even. Then we got into what we called sports goods,

W. Haas, Sr.: which now has the name Panatela for itself, our other divisions being Boys and Levi's for Gals. So, we have four divisions domestically and five when we come to foreign business.

Merchandising and Brand Value

W. Haas, Sr.: This probably can be handled much better by my sons, who came in the business at various stages and took up their positions and advanced until they became the two operating managers and senior executives. I can't help in these reminiscences but to indicate what the firm was then and what it is now, because the expansion has been so great in volume, in expansion of lines, and in profits, which you need to keep going. A business without profit is not worthwhile.

I'm not going into the export business, but I think it's a good time to get back to the Levi brand which is probably the most important item we have besides personnel; because bricks and stones and mortar make the best factories, but do not make a business. Good honest merchandising and brand value are most important. Our brand could be without significance if we did not have quality merchandise to deliver, which the people have already accepted.

I remember very well that the off-the-cuff figure for advertising was one dollar a dozen on our waist overall, which is distinguished by its copper rivets and its brand showing two horses pulling apart and never being able to destroy the overall.

Quite an interesting historical saga has grown up about this overall. Our records will show letters (and some of those should be interesting) as to what people have said about the strength of our brand; Levi's having been used to pull railroad cars, saving a man who fell off a cliff, and so forth.

As I say, we started out with various brands, but they were variously named. We put in a dollar a dozen for advertising overalls as part of our cost.

One of the big decisions I think I made--and I have referred to this before--was to continue advertising in 1920. This was a year of loss,

W. Haas, Sr.: and was the second year that I was with the company. This was supposed to be the moment of decision, whether I would go on, and Levi Strauss would go on, or we would fold. I saw a future in this business. The losses were occasioned by the decline of the cotton market, which after all could be a one-time thing. It was such a vast decline, from cotton at 40¢ to 6¢, and everything we had was cotton--it was before the age of synthetics. So naturally, to come out with a slight loss made me feel that we could go forward. We kept the advertising, which is the best thing we ever did, because we found that people who stopped advertising, their business stopped.

So, we continued that figure--one dollar a dozen--until we developed a percentage figure of advertising which I need not show, but which we felt could be borne in line with the expected sales.

The Brand Name

W. Haas, Sr.: At a certain time, people started asking for "Levi's," and this became so general that instead of using various nondescript types of advertising, and advertising the overall, as such, without a brand--we decided to adopt the Levi name--"Levi's." We got out a pamphlet, Everybody Knows his First Name. Because his name was Levi Strauss, we called them Levi's. It had to be spelled a certain way, with a capital letter and apostrophe, which causes an immense amount of trouble with advertisers, even with consumers. Pretty soon as we became very important consumers would sometimes ask for "Levi's" and then jeans. We can't stop this, but we can stop the merchant, if somebody asks for "Levi's," offering him anything else but Levi's. This has been a very important part of our business. To protect our brand, our legal business became very expensive, ran into suits, not only on this Levi brand, but on the actual design, the red tab, and the items we consider important.

We asked our salesmen or others where we find competitors trying to make goods like ours, and then we would go after them and stop them. The Levi's brand became our trademark that we used only on the blue jeans, the waist overall. Later

W. Haas, Sr.: on, our attorney said, "That's not sufficient, you should use it on shirts (which we are still making), on all your items if you want to protect your brand." This was quite a shocker to me; I thought it should only be on the Levi's overalls. But they were absolutely right, and this of course broadened our advertising impact, and everything we now make are Levi's.

Standards for Contractors

W. Haas, Sr.: We did manufacturing by ourselves, and as our business increased, we had to rely on contractors too, to whom we gave certain specifications, certain standards, and they helped us because we couldn't invest in factories fast enough to take care of our growth. This is still true today, although our dependence on contractors becomes less and less. They sort of serve as a reserve, because if your business does not continue, you can cut out contractors easier than cutting down your own production. However, when you cut them, they're gone for you, they don't want to come back to you on that kind of business, but there are some people who are mainly contracting for larger concerns. In fact, certain contractors we have bought out have become part of our system.

Maintaining Production Levels and Quality

Nathan: Do you take the total output of certain mills?

W. Haas, Sr.: No, we do not. But we may be, in many cases, the largest customers they have.

Talking about contracts--we do not subcontract any part of our final merchandise, but we do have contractors who are making certain goods for us.

There's another side to this as well: if you cut your contractors just when they need you, you can't have them again, and this becomes a business decision. Also, we try to run the factories at a fairly level amount all year round, even though our business is seasonal. The

W. Haas, Sr.: back-to-school business which we are discussing at this time is very important, as well as a spring business. Spring and fall represent bulges in our business, although the peaks have been somewhat flattened and we run a fairly even flow with, I guess, the great exception of December. Because then retailers have already been supplied for their Christmas trade, and this has always been a rather quiet period and so it continues.

In order to keep your factory help, you must run a fairly steady production. We have always done this. This was not always true when the help supply was easy. Now that it has become more difficult, I'm sure that other companies must be doing the same thing. But we've always been known to keep a steady production which meant steady employment.

Nathan: Was this even during the Depression--crisis times?

W. Haas, Sr.: Then we had to cut down the days of the week that we were working. Some work was being done and inventories were being built up. At that time, the last Depression, our business was so much larger that we could go on, but unfortunately, at such a time the lowest paid employees paid heavily for the lack of employment.

Today we do run very steadily. There are rare exceptions when our Product Integrity unit, which has full powers of decision, decides that certain goods can't be manufactured, and that a certain factory unit may be out of any goods to send through. This item is having our close attention at the present time so as to stop unnecessary, or rather, undesirable layoffs, which are bad from the standpoint of the employees and also very bad for costs of production.

In developing contractors, instead of waiting for their production to come to us and then be accepted or rejected, we developed certain quality controls and a system that we call "Product Integrity," which applies now not only to contractors but to our own brands. The Product Integrity people report to the Product Integrity management. This has to be independent of the man running the factory, because the man running the factory wants to turn out as many goods as he can in order to keep the costs down. On the other hand, if quality control says the goods are not coming out right, his view governs. This

W. Haas, Sr.: control extends to the material that we have, which now we have subject to various tests. If we stop the use of the material, it sometimes stops the operation of the plant, which is very costly.

This is, I think, a unit that may exist in other organizations, but [with us] the head of product integrity is a very high staff man. He can call on his people, who are represented throughout our own production and our contract production, and see that we have top quality. We feel that if you have a brand, unless you keep the quality up, you will lose your effect on customers.

Belt Loops, Straps, Rivets

W. Haas, Sr.: There is this complaint about much advertising: products which are heavily advertised, gradually, as they get their customers, reduce their quality. Quite the contrary for us; as we have strengthened our quality in our waist overall, which was the original basis of our business and kept us alive. We have put in all kinds of hidden strengths--better thread, better developments, to make the product better than it was when we started. At the same time, when the product was original, we had belt loops and straps. At one time we developed concealed rivets, which was a great thing, because it stopped scratching of desks [laughter]. But now gradually, we do not have belt loops, we do not have some of the other features. Each time we made a change we always had high-level conferences. We approached these changes with great fear, but would try them out by area sampling, like straps and belt loops, because after all, our overall, which is bought to fit after shrinkage, does not need belts and did not need straps.

Nathan: Where was the strap?

W. Haas, Sr.: In the back. The concealed rivet, which was once an element of advertising, was found not to be necessary because the strength of threads and so forth became greater, so that rivets did not become quite as necessary. We still do have

W. Haas, Sr.: rivets but fewer rivets than we did at one time.

At the start also, we had only copper rivets. In wartime, copper no longer became available, so we got steel (with copper rivets). Steel was scarce, but we used so little; this was washed to look like rivets with a copper coating. These rivets were put on by hand. The operator would take the pants, put the rivet in, and hit it with a hammer and then finish by hand. We later got into mechanical development of putting on the rivets. So there have been features of improvement of quality. Now we have a big research and development going into very sophisticated machinery that is, at least, in the pilot stage of doing a lot of things that are now done by hand. It would reduce the number of operators involved, but would require higher class operators to handle this more sophisticated machinery.

VIII FINANCIAL CONSIDERATIONS

Training in Accounting

- Nathan: We could talk a little more about your own financial training, experience, and attitudes if you would like to. I think you mentioned that you had had some training in cost accounting.
- W. Haas, Sr.: Well, in college I had as a major, economics. One of the courses was accounting, under Professor Hatfield, who wrote a book and probably had a great influence in my business later on. Naturally, the broad experience of college was of great advantage, but the actual accounting experience with Professor Hatfield was of enormous value, both in business and in my private investments. I was enabled to read balance sheets, and as a matter of fact, one of our jobs, if I remember, during the accounting course, was to go over the books of the Faculty Club, which were in disarray.
- I think I've already said that my chief value at Levi Strauss & Co., which has been the greatest part of my career, has been my knowledge of accountancy, as I never had previous experience in manufacturing or in materials and styles. But, accounting was extremely necessary, because if you don't keep your business in order, you don't get to the bottom line of the profit.
- Then beyond my business, when I did have some funds for investment, it was very important to me to be able to read balance sheets and understand what was happening in corporations. There were two I remember that I never did understand; one was the accounting statements of life insurance companies, and I forget the other.

Reinvested Earnings and Equity Capital

Nathan: Thinking a moment about the financial workings of Levi Strauss, very simply I suppose there was always a decision about whether money should be paid out in dividends or used for investments. Is there some view that you held, some standard that helped you determine these sorts of choices?

W. Haas, Sr.: Well, at first we didn't have too big an income. Of course, people wanted a certain dividend, but later on, as the business grew, the necessity for reinvestment became quite great, and we always had very low dividends and were adding to our equity capital. This continued until the time that we went public, which we were forced to do because our equity capital was not sufficient to give us the proper base in our balance sheet. We were just growing too rapidly and could not take care of ourselves from our reinvested earnings. Since then, our principle has been to pay out one quarter of the earnings of the last three years, using the three years as a base, dividing by one-third, and then paying a quarter. Due to the fact that our earnings have increased, this means our dividends have been much less than a quarter of the earnings. Again, the reason for this has been the necessity for reinvesting earnings. There is also a section of the Internal Revenue Code which states that you must pay out a certain share of your earnings, but this did not apply to Levi Strauss & Co., which was forced to increase its capital internally on account of its largely increased business. Even today our business is growing very rapidly, and our retained earnings are needed to carry inventories, accounts receivable, and all the other matters. Although, for our building program we are able to secure long-term money as a rule.

Iris Securities and the Levi Strauss Realty Co.

Nathan: Did Iris Securities enter into this financing system that you've described?

W. Haas, Sr.: Well, yes, for a while Iris Securities Company

W. Haas, Sr.: was helping to finance employee purchases of stock. This was done to take care of the employees because Levi Strauss could not do it themselves. This was stopped at the time of going public. Iris Securities Company and Levi Strauss Realty Company, as family concerns, sometimes have money on hand and would lend money to Levi Strauss & Co. without any definite repayment date. This money was repayable at a moment's notice, and these two companies always charged Levi Strauss the prime rate. This was an advantage to Levi Strauss & Co., because although the prime rate is that secured by the best companies from the bank, it also must have compensating deposits of about 20% with the banks, which means that to the prime rate must be added 20% compensating balance.

I tried to continue this practice after we went public, but the New York Stock Exchange vetoed it, even though it was of great advantage to Levi Strauss & Co. and also was an advantage to these two companies heretofore referred to because the money was available instantly for such need as the people who had credit amounts with them might require.

Nathan: Now when you say there was "no term" on these loans, does that mean that they were not due at a special time--

W. Haas, Sr.: At any time. Money was loaned to Levi Strauss & Co. (provided they were borrowing money of course). It was not forced on them if they didn't need money. Then it was repaid at our desire whenever we needed it in these other two companies. Or if Levi Strauss & Co., which did happen occasionally, particularly at the end of the year, did not require any borrowings, these were all repaid back. They only took the money when it was useful to them.

Nathan: Now why did the New York Stock Exchange object?

W. Haas, Sr.: I cannot for the life of me say. We twice approached them through our attorneys, and they turned it down, and I have never understood why because it was beneficial to Levi Strauss & Co.

Nathan: It's hard to see why--

- W. Haas, Sr.: Very difficult to understand some reasons. I've never heard the reasons, but I was advised not to pursue it.
- Nathan: Thinking of the development of Levi Strauss before it went public, as the years went on did you find that you required more elaborate machinery, more sophisticated equipment?
- W. Haas, Sr.: What equipment are you referring to?
- Nathan: I was thinking of both the manufacturing and the shipping equipment, or was that not a big item in your financial development?
- W. Haas, Sr.: Of course we used the latest machinery in management: IBM and other accounting machinery.

Research and Development

- W. Haas, Sr.: As far as factories were concerned, we did attempt some "R & D," or research and development, as it's called, and in fact allotted a considerable amount for this. We tried to improve the machinery because little had been done in the way of sewing machinery except to speed it up. The cutting machinery, which formerly was done by Chinese with big hand knives, was developed into more sophisticated power machinery. But prior to going public, we were already starting this department.

At the present time we're investing a great deal in research and development and have had some breakthroughs, which have been reported to the public. In fact, there recently was an article in Business Week, as we are making some breakthroughs with computers, to arrange the patterns so as to save on cloth, and other machinery which will, in a sense, displace workers. This has been discussed with the unions involved, and they are satisfied with this because it will take a more sophisticated worker to handle this machinery. There is some of it in use now, but it will be quite a time before we will reach the state of automation that probably has occurred in other industries.

We also have scanners that are able to spot

W. Haas, Sr.: different shadings in the cloth, and so forth. The reason I think, that we have gone into this, is that, first, we are much more concerned with quality and Product Integrity than other people, and we therefore cannot use shaded cloths, which have been handled optically. With machinery the scanners are much more efficient. We have had some of this in a pilot way, and some of this machinery is being given a trial already in certain of our factories. But we are spending, I'm sure, more than the rest of the industry combined on research and development. Hopefully, the pay-off on that will come in time. We may even be able to develop patentable articles and receive royalties, but so far we haven't reached this point.

Moving Away from the Low-Wage Categories

Nathan: Is it your thought that you will need then to recruit different kinds of workers, or will you be able to train the people you have?

W. Haas, Sr.: We expect to train these. As a matter of fact, ours has been a very low-wage industry. The national minimum wage was required throughout the South to bring things up. So slowly our industry has moved into a higher wage basis. Although this will increase and has increased the cost to the public, I'm very happy that we have gotten out of this low-wage category or are in the way of getting out of it. It seems wrong to employ people at lower wages--at sometimes low wages--which of course we must do to be competitive. But if the whole standard is raised, I know that I'm delighted. At the present time, strange as it may seem, we have a shortage of workers for the apparel industry and for the mill industry. Whether this is caused by competition from welfare or what I'm not an expert enough to disclose.

Credit Policies and Profit Margins

W. Haas, Sr.: You've mentioned here, among certain items, credit policies. You realize our price to all stores is exactly the same, large and small, at the present time. We formerly had a rebate system, allowing the largest buyers to get a rebate. This was checked with us by the Justice Department or the Commerce Department, whoever has jurisdiction over this, and this having been an historical matter, we won this. And finally because the rebates to the retail stores were not figured as to their margin of profit the way it should be, we abandoned all rebates. Then we even took away the cash discount, so our goods are sold on a net basis, to be paid on a certain date. Our credit policy is very rigid, and we collect astoundingly well. Firstly, we have an intelligent credit department, and a policy which is based more on ledger experience than on a financial statement, but also because the demand for our brand is such that a customer cannot receive further goods if he doesn't pay up properly.

On the other hand, we'll assist customers in disaster areas. As has been told before, where floods or other disasters happen, we're very liberal and when people have been wiped out, we give them stocks and help them to go ahead again. This has been a standard practice for many years and has been very well received.

But actually, the largest volume buyer pays the same price as the smallest retailer for our goods, which was not the case earlier, on account of the rebate system.

Nathan: Now, when you come to a big decision, like doing away with rebates and so on--

W. Haas, Sr.: These are great decisions. These are discussed by management, the pros and cons, and all I can say is it has to be a command decision at the highest level after the research and discussion. Strangely enough, I think the rebate system was taken away with much less impact upon us than taking away the discount. That may be because I was not so much involved in that. But taking away the discount on purchases, I was involved in. In fact, our major customer came up and protested, and we thought it over and felt we

W. Haas, Sr.: had to go ahead with this policy, and it was accepted. I was involved in that still, but when we abandoned the rebate, that came at a later time and I was more remote from daily operations.

One of our greatest decisions was whether to establish resale price when our waist overall went above the \$4 retail price per pair. In fact, we didn't sell at \$4; we probably sell something to the customer at \$3.98.* I'm talking about what they would be able to sell it for, not what we had to do. We adjusted our price--so actually on our overalls, they were on a very thin margin, and the retailers protested the rate on their margin, which has been increased, but not to quite the extent that some of our women's goods and fashion goods are. So, our basics are sold, I still believe, at a lower margin for the retailer, not much lower but somewhat lower margin because, after all, the basics mean that the last item is just as good as the first item and there's no loss in style. But we've had a standard policy of treating all customers alike, which has, of course, I think paid off in good will, and also in accordance with the laws of the country's sales policies.

We've had always the best possible relationship with suppliers. We've always felt it was important that our sources would be open to us, so that in times of stringency we might receive the "most-favored-nation" position, although we are very critical of product integrity today, so that goods are rejected if they do not come up to the quality standards we have set for ourselves.

Domestic Price Controls

W. Haas, Sr.: You've mentioned government rulings--I think I went into OPA and how we had to distribute our

*In June 1962 the price was raised so retailers sold for \$4.15 per pair. Present day, June 1974, retail price is \$10.55.

W. Haas, Sr.: Levi's Number One overalls at practically cost during a period.

Nathan: I don't think we've developed that fully. When was this? During the war?

W. Haas, Sr.: During World War II, we were making our so-called Number One Levi's, and because of government regulations, at the end we were practically trading dollars, whereas our competitors were able to make all kinds of new articles. We were turning out the overall at what I believe was practically cost to us and making no money on it. But with such a low-cost product, the sale of it spread very enormously, and I imagine we did benefit by the fact that we had a high penetration of retail establishments.

In fact at that time it was considered very valuable to have a franchise for Levi's, and stores would advertise when they received a shipment of Levi's. We have pictures during that time of crowds assembling to buy Levi's because they were in such demand and we were not able to supply the demand. At that time we were really only doing business in the western states. As I've told, when we did expand toward the East, that was after the acquiring of Lamy and the Weinberg organization which was the selling agent.

Nathan: Could you explain why the OPA price level affected you so severely and did not affect other manufacturers in the same way?

W. Haas, Sr.: Well, they controlled our goods; this was a known item.

Nathan: Oh, an established item.

W. Haas, Sr.: That was true for any established items. The OPA bore down on established items, even as is going on today. We are now under Phase IV. We are able to add our fabric costs, our labor costs, and other costs, but we cannot add a profit on these additional costs, so that our margin becomes less and less. We or all manufacturers will be in a squeeze if we do not get relief from that. We think the Cost of Living Council, at least so far in the various phases, allowed us to add our costs, but the new Phase IV does not allow a profit on that additional cost. And

W. Haas, Sr.: so, we are getting a smaller margin. What this will do to us, I don't know. If we can control our business to control our expenses so that we can live with this, that will be fine. I hope we can.

We have gone through depressions and wars in over a hundred years, and I imagine we'll see this one through, although I think this is very unfair to manufacturers and to retailers, whether in our line or others. Probably it may be changed or we will look forward maybe to the reduction of controls, because after all, there is no real control on the raw material products. Cotton has gone up to the 80¢ level because of the world shortage. I was just advised yesterday that our new prices on the denim fabric will take a tremendous rise because of cotton shortage around the world. The United States used to have a surplus of cotton. This is all gone. Other countries are buying here.

Just the other day the cotton mill people went to Washington to ask them to control exports, and they were refused in the first instance. This is true of many raw materials--agricultural products. Of course, there is a high level decision whether to aid the balance of payments by shipping these goods, and also to serve customers abroad who've been relying on the United States. But, we should have somebody else discuss the economics of this with you.

Nathan: I'm interested in this as you see it, too.

W. Haas, Sr.: We hope for a Fairness Doctrine to prevail at some stage in this situation, because right now, as I see it, manufacturing and retail, no matter what products, are bearing the brunt of this situation. We have a man in our organization now with several assistants who is preparing a report for the government so as to advise them of our increased costs and have this represented to the Cost of Living Council to get authority to proceed. We, on account of the size of our business, come within the highest category of restraint.

IX INTERNATIONAL EXPANSION

Great Western Garment Co., Canada

- Nathan: Can you describe something of the international growth of Levi Strauss?
- W. Haas, Sr.: There is Great Western Garment; has that been mentioned in the other interviews?
- Nathan: Not very much, just briefly.
- W. Haas, Sr.: Most of our growth has been from within. I've already mentioned buying Jacoby & Company of Los Angeles in order to keep the BVD account. But this was liquidated. Then we did come to the activation of plants during World War II, because of the loss of help in San Francisco, where the main factory was at that time. Then an opportunity came for us to move into Canada. After some preliminary discussions, I went to Chicago with my son Walter, Jr. We stayed holed up in a private hotel where we negotiated the purchase of the majority interest in the Great Western Garment Company of Canada. This was our first real venture into foreign countries through acquisition, although our foreign department was developed, and I think this has been referred to by others so I will not go into it.
- Nathan: Just very briefly.
- W. Haas, Sr.: We originally started with Great Western Garment Company as part owner, then acquired more shares. We have acquired practically 100% of the shares for two reasons, one because it was profitable, and secondly, to avoid conflict of interest

W. Haas, Sr.: between Levi Strauss & Co. of the United States and Canada, and particularly as we establish Levi Strauss of Canada. We are actively competing with our own and wholly owned subsidiary, which seemingly is to the advantage of both. This has not been given to you by anybody else?

Nathan: They refer to it, but they don't explain it.

W. Haas, Sr.: [Laughs.] It takes the old man.

Nathan: It takes the old man.

Let me ask what is probably a very simple question to you: Why did you determine that you would enter Canada through the acquisition of an enterprise there rather than just trying to sell garments in that country?

W. Haas, Sr.: Well, the reason for acquiring Great Western was that the duty on selling our goods to Canada was inordinately high. We thought by acquiring Great Western of Canada, they would be making Levi's for us in Canada. As a matter of fact, they were fully occupied with their own manufacturing, and they had a brand. They never did manufacture Levi's for us. So the original purpose of obtaining it did not turn out. On the other hand, it was a most profitable venture. We regularly receive small dividends from it, and money was put back into expansion, as it was the leading manufacturer of our type of goods in Canada.

Now, strangely enough, there is a new manager; the old manager from whom we originally bought the thing did retire and is now a consultant to the new manager there. We are competing side by side in Canada, and I guess it just gives us a double shot of the business, just like General Motors has several brands of automobiles, although I never thought of that until this moment.

The only purchase we have made recently is the Miller Belt Company of Cincinnati, which I suppose has been referred to by others. It's rather small, but it has grown very rapidly since we acquired it. It's still run by the Millers, but we've furnished more capital. In some cases, some of our own salesmen, some of our divisional salesmen, have sold their goods, and they are moving forward very rapidly. But this is really a small total business at the present time.

Acquisitions and Distribution in Europe

W. Haas, Sr.: The other acquisitions have largely been in Europe, where in many cases we started in certain countries by having individuals or companies be sales representatives, and later on we have acquired their position because we have found that we could do better ourselves. So that at the moment, in practically all foreign countries we have our own sales distribution. In fact, we have companies founded under the laws of the various European countries. The notable exception to that, where we do a very large business is in France, where Établissement Frankel who are our representatives there, own their own business as our representatives.

I remember well when we first started with them, they had one room on the Champs Elysées. Now they have large central headquarters, which they have added to three or four times by building up and owning their own building, a warehouse outside of Paris, and other warehouses spread out through France so as to give service to France. They are the notable exception to our distribution in other foreign countries. They are doing a very large business, as France is one of our largest customers.

Nathan: Apparently you have two options then--you can either help develop a local business organization or you can take it over?

W. Haas, Sr.: Well, we don't take it over. Sometimes we've found it better to have some party in the country start. I know it happened in Portugal and probably other places. We don't just take it over. When we proceed to take it, we have to buy it. Sounds lengthy, but we can't just make our own terms. Not only is this unfair, but generally the laws of the country provide for the acquisition costs. Generally, if we take some company over, we retain the managerial skills of those who helped to start it, which should be a primer for economics one of these days.

Nathan: Exactly.

W. Haas, Sr.: Maybe not too soon, because we don't want to give our secrets to our competitors, although I'm not

- W. Haas, Sr.: requesting this be sealed until ten years after I am gone.
- Nathan: I would like to ask another question, if I may, about the determination to either acquire a company in a foreign country, or to have it remain in a different relationship with, let's say, Levi Strauss of America. How do you determine when it's time to acquire and when it's time to move differently?
- W. Haas, Sr.: These organizations in other countries weren't already in existence. They were really started up because they had the development or representative sales, in that country, of Levi Strauss & Co.. Then, very often, we might start a manufacturing plant there. A labor cost system was set up in buying it: how long would it take for us to repay this out of the profits? And it was felt that it was better for Levi Strauss to own than to sell, and this was done, on an agreeable basis after bargaining.

Developments in Hong Kong

- W. Haas, Sr.: I remember particularly starting in Hong Kong, and we felt it was necessary to have somebody in Hong Kong to be associated with us. So we dealt with a Mr. Tang, a very important man there, who has since died. He was on the cover of Time. He was a splendid man.

Then at a certain time it was felt better for us to own this. We paid a great deal for his interest, his regional investment. We'd have to look at the books to see whether it was an investment in money or just in time. He was the owner of Southeast Cottons, and his story is a tale in itself--a very remarkable individual. He died; his son was there, and we bought out his share of the company because, again, it was an advantage moneywise. In Hong Kong, for instance, we brought no goods back to the United States; we used Hong Kong as a production point for not only the Far East and Japan, but from there we shipped goods to England to the sterling area and even to the Common Market areas.

So, it was a question of how much should be

W. Haas, Sr.: done and what prices should be paid because it went to our own subsidiaries. This becomes a difficult situation, with conflict of interest, if you do not own the whole thing. So if it's possible and you see it's growing and the fellow is willing, you make a reasonable deal with him. In each case that I know of, when we've bought people out, they have all done very well.

Particular Problems of Foreign Business

Nathan: Now in Hong Kong, the fabric, the cotton goods and the other goods all come from the locality?

W. Haas, Sr.: In some cases the fabric comes from the United States, in some cases it is produced locally or somewhere else in the Orient. I believe some of the fabrics in Hong Kong are produced in Japan. Also, strangely enough (I shouldn't go too far into the foreign business because, although I'm very much interested in it, I'm not too familiar with it) I suddenly discovered we had a subsidiary plant in Macao, which is a Portugese colony. The reason for this was that we couldn't enter Portugal with goods manufactured in the United States or any place else. But Macao gave you Portugese origin, and this was a very important business element for us. Just like in Australia today, we are establishing our own plants for production because the tariff is out of all reason and practically forecloses the shipment of foreign goods, including those highstyled and otherwise.

This whole foreign business is something in itself and must be studied from another angle. The importance of foreign business is rather a recent development, I would say certainly within the last ten years. It's become a very big part of our business today. It's involved not only with laws, production problems, finance problems, and particularly devaluation and currency problems; it requires a staff and specialists. So today we're in a great many countries, in many we have factories and in some we are just exporters. Many of these foreign subsidiaries receive goods--finished goods from the United States from our own factories, using American

W. Haas, Sr.: labor, and also some receive piece goods, particularly denims and corduroys. In many cases, some of these are manufactured internally or in other countries, until today there is a shortage of cotton all over the world. But this was not always the case.

Nathan: And when you say "piece goods" that means--

W. Haas, Sr.: Yardage and fabrics. I don't know whether these terms are understandable to the general community.

Nathan: [Laughing.] You're at a very low level in explaining this to me.

When you try to determine whether it is a suitable opportunity to acquire a factory in a foreign country, does the sale within that country have to stand alone? In other words, do you subsidize from one to develop another, or does each one have to be viable by itself?

W. Haas, Sr.: In each case the foreign division checks the local market to see if there are sale possibilities, if these people can afford to buy these goods. In some cases, each of our factories around the world may supply goods to any other part of the world, or in turn be supplied from other countries. They don't make goods just for their own countries, such as the factories in Belgium or in France or England--they supply goods to the Scandinavian countries, where we have no factory at present that I know of. I was greatly surprised when we entered Mexico, because I thought that Mexico had a low level of earning power, full of Indians who couldn't buy, and to my great surprise, Mexico became a good market. Recently we built a completely new factory much greater than the original factory.

To me this entire foreign marketing has been a surprise. In the first instance it was done only by shipping American goods abroad, and for Europe through the warehouse in Antwerp in the duty-free zone, which serves as a distributing center for all of Europe. This warehouse in Antwerp is still there, but we have expanded our warehouses to serve these areas enormously. Garments are also produced in Belgium for shipment to other countries as well as internally.

We have developed many foreign factories.

- W. Haas, Sr.: Hong Kong, Belgium, Scotland, Australia, and Argentina to name a few spots.
- Nathan: Yes, I have a general statement but not a detailed list.
- W. Haas, Sr.: We don't want to give all our trade secrets away.
- Nathan: No, I don't want you to.
- W. Haas, Sr.: But I think it's pretty obvious that you can't hide a factory.
- Nathan: [Laughing.] No, I would say not.
Well, you must have a very complex communications network.

Developing Local Talent

- W. Haas, Sr.: Our business in the last few years has been divisionalized, and the foreign business was always a separate division; they have area supervisors--for Latin America, and the Far East, Europe, and so on. I haven't covered them all. But naturally, one man can't supervise thousands of people.
Now, when we go into these countries we send our own engineers or factory people to start working and using our methods.
- Nathan: These are production engineers?
- W. Haas, Sr.: Production people. We end up with very few Americans, either in the factories or in the distribution centers. The aim is to hire people--locals of the country, in fact in most cases, not those familiar particularly with our business, but those who have had marketing and other experiences with large companies and lots of American multi-national companies.
- Nathan: I gather you tend to send your own engineers out to these other places. Do you ever bring their directors or leaders in for training?
- W. Haas, Sr.: People come here for conferences too, but we explain our method of operations, I think in all instances, and then develop local talent to take

- W. Haas, Sr.: over. But as I say, we have a very, very thin veneer of Americans from here at the top of the ladder in some places.
- Nathan: Now if there were really no tariff barriers of any kind, assuming that we should ever get to the point where there is free trade, would this be of any particular benefit to Levi Strauss?
- W. Haas, Sr.: There are advantages and disadvantages. These are just off the top of my head. In some countries where there are high tariff barriers and we are manufacturing internally, we have an advantage over people coming from other countries. Of course, today with the dollar devalued, American goods are cheaper. This leaves room for shipping American-made goods to some places, and certainly American fabrics are also in demand. So many, many of the countries are obtaining fabrics from the countries where we're manufacturing or from other countries close by. This is a business in itself which I need not go into.

Flexibility

- W. Haas, Sr.: We do one other thing in our foreign business: we have men watching because certain items go in one country and certain items do not, and we have the ability and, hopefully, the flexibility to exchange the goods, and are able to move them into markets where they may be used sometimes, as all the world is not on the same style-timing.
- As far as I know, up to this time we have not brought foreign-manufactured goods into the United States. So, we are not the runaway factories that some of the people claim in connection with tariff and other discussions on the political and labor scene.
- But this is a changing world and is influenced, again, by costs in various countries. Inflation in other foreign countries is far more rapid than our own at the present time.
- I really would prefer not to talk too much about the foreign business, because while I'm interested in it, I've not really been a part of it too much.

Style-Timing

Nathan: When you speak of this interesting idea of areas not all being on the same "style-timing" sequence-- does this occur within the United States, let's say within the United States and Canada? Do some areas seem to be more advanced?

W. Haas, Sr.: I think now that America is almost a unit. Through our national advertising, I doubt whether there's a lag between the desires of New York and San Francisco and the small towns. This is when you come to styling. You must remember that a large part of our business, although probably a decreasing part, is in what we call basics, items that have been manufactured throughout the years, like our Number One waist overall, which is the one on which we made our reputation. This is a slim overall, with narrow bottoms, compared to the flares on the styles that are rampant today.

We make style merchandise as well as basics, and sometimes we ask ourselves what is still "basic." There still is a big demand for what we call basics, that is, the old Number One--although its call number is Number 501--and this is the Levi pants on which our reputation is made, and which for the company, for many years, was its sole means of subsistence. This is made in greater quantity than before, but of course, becomes a smaller proportion of the total business. Like many businesses of our kind, I would say that most of our business today is done on styles that were not in existence five or ten years ago, both in the type of cut as well as certainly the fabrics and the colors.

Nathan: Since changes in style can mean a big financial problem, if you have to have markdowns, how do you keep alert? How do you try to anticipate changes in taste, changes in style, changes in demand?

W. Haas, Sr.: You have to have heads of departments who are marketing experts who have a feeling for this, and of course, there is an input. They receive information from the salesmen as they're going traveling and inspecting--talking to retailers, talking to cloth manufacturers, and trying to

- W. Haas, Sr.: anticipate styles. Also we allow a margin for distressed merchandise. This may be too large or too little, depending how the item is received, but at the end of the year when we take inventory, we mark down the balance. We hope to provide enough in our regular pricing system, because we are largely in a style business, and the success of that depends on the ability of the marketing managers in the different divisions to anticipate styles. In fact, we are often style leaders ourselves.
- Nathan: You were speaking a moment ago about expansion into other countries. I'm sure you have thought of the possibility of expanding vertically, that is to manufacture your own fabrics or buttons or rivets or whatever.
- W. Haas, Sr.: Our expansion has not been from the position of making our own fabrics. We have become tailors to the world, really, and doing the thing we know best. Our expansion has been to acquire Great Western Garment Company, for example, but not to vertically expand from the manufacturing to the resale. We are using all our own salesmen now. At one time we had some small jobbers, but we prefer to handle our own selling.

X SOCIAL RESPONSIBILITY

Early Beginnings

W. Haas, Sr.: We now come to social responsibility, and probably this has been handled by others to a great extent. Our company is widely known and given as an example in magazines, newspapers, and the media generally for its social responsibility. We've always had this in mind, but this has become a greater responsibility, particularly in recent years, with my two sons running the business, although Dan Koshland and I were aware of this. When we were smaller, we were less able to carry out some of the matters. I would say the greatest social responsibility of all was to try to keep our factories running at all times building up inventory, even during slack periods.

Levi Strauss Foundation

W. Haas, Sr.: Then during World War II we started the Levi Strauss Foundation, which was originally called the Yerba Buena Foundation. This was rather easily done because we were under payment of the Excess Profits Law. We started in a small way, and now the Levi Strauss Foundation, which receives a subvention each year from Levi Strauss & Co., distributes its income. Other items are handled by a regular department which now recommends distribution of money, particularly in cities where we have factory units or distribution units, whereas of course, most of the funds we give out are in our headquarters city. We are increasing the amounts in our factory cities; we

W. Haas, Sr.: have a whole department involved in making recommendations to the trustees of the Levi Strauss Foundation. They also allow our factory managers, within certain limits, to do certain things in their community.

Our employees in the various communities are encouraged to take part in community activities, which we would help to reinforce. (Maybe you've gotten this.) We have done other things than just given encouragement to them. In El Paso we helped to keep a playground alive, and we've done that now in other places. We have done a great deal with scholarships, both around San Francisco, where incidentally, the Levi Strauss scholarships were started very long ahead even by my predecessors in Levi Strauss & Co. These have been reinforced in later days until we have scholarships not only around San Francisco, but in all places where there are universities in the other states where we have factories. We do make our requests within the law, which is that, all things being equal, the children of our employees be given a preference. But we have nothing to say about how those scholarships are determined, which not only is against the law but would put us in a heck of a lot of trouble. [Laughter.]

Personal Leadership

W. Haas, Sr.: This is one evidence of our social responsibility. We've also given away our returned items, which may have been factory defects or otherwise. They might be perfectly useable but cannot be sold as first class merchandise. If they've been used we clean them up and give them to Red Cross after removing labels or to other organizations. We are supporters of UBAC as you well know, not only with money, but with personnel, so that my son Peter Haas, going through the ranks, became its president after several years. After a campaign under his direction, UBAC went over the top for the first time, I think, in seven years. Of course, he then had a lot of trouble because UBAC changed its so-called direction. But this is another subject.

This not only represents Levi Strauss contributions, but also individuals connected with

W. Haas, Sr.: Levi Strauss who have been large supporters of UBAC and other community affairs.

Relations with Minority Businesses

W. Haas, Sr.: You ask about our policy toward minority business--has this been covered by anybody?

Nathan: Very briefly.

W. Haas, Sr.: In fact, at this point we are trying to, firstly, see that our suppliers follow Fair Employment Practices to the extent we can. We are ourselves employing minority businesses to make some specialty items for us that we are selling--

Nathan: Oh, that you sell.

W. Haas, Sr.: Yes, which we are selling. Then in new buildings, we're trying to see that sub-contractors are minority contractors. At this point in time, my grandson Peter Haas, who has been in the business barely a year, is specially working on this particular item to see that minority contractors have a fair shake in getting our business. This indicates the devotion of our family, down to my grandchild, who personally was taken into this department because he wanted to do this kind of work, and I think was employed without his father's knowledge even. Even though we are a public concern, I think it's very important that at least two of my grandchildren are working in the business, because they are very able in their own right.

Nathan: One is Peter, and the other?

W. Haas, Sr.: And the other is Walter Junior's son. You might have heard about him. He worked for McKinsey & Company and was on his way up there when he chose to come to our business. Neither of these, my grandsons, were influenced by their parents, although I personally tried to influence them. I'm sure their parents are delighted; I'm sure their co-workers are delighted.

This is a little different than my day, when the business depended on whether I came into it

W. Haas, Sr.: or not, because it was not large enough to be run by anybody but family. Today I think the family talent, which is shown by my two sons, has now since appeared with my grandsons, and I think this, rather than being considered nepotism, should be considered a plus value for Levi Strauss & Co.

Awards and Recognition

W. Haas, Sr.: You asked about attitudes of Dan Koshland, Walter Junior, Peter Haas, and I suppose myself--we've always been socially minded. We've been fortunate to have been in this company at this time. We owe something to our country, to our fellow people, in being able to do this. This has been the philosophy of our lives. It's hopefully being carried out by our grandchildren. We do not do this to receive praise, but we feel it's just the right thing to do. Out of this have come some very lovely events in our lives, which are pluses, and we have attempted to do these in rather a quiet way without taking away from the business. We have received many awards for this.

One of the most interesting times was when my son Walter and I went back to the Smithsonian Institution and they asked for an old Levi's and a new Levi's to go with their historical documents. This was hardly an award but was a recognition of the part played by Levi's in the development of garments.

I think I have told you that on our hundredth anniversary when the mayor of the city and Earl Warren, the governor of the state, were there, and the governor said he could not have raised his family if he hadn't had Levi's, meaning that this was the cheapest garment, cheapest pants to wear in which to raise a family. This was one of the high points of our life. The mayor of the city at that time, Elmer Robinson, was there. This was when the firm was a hundred years old.

But we have always felt our social responsibility, contrary to many economists. I think it was Milton Friedman who said the duty of any corporation executive is to "maximize his profits."

W. Haas, Sr.: We feel we owe responsibility to the communities in which we are doing business. And basically, we can't share this responsibility in every community where we're doing business around the United States and the world but have really limited our contributions to national organizations. We then contribute to the local chapters of community funds, Red Cross, and so forth, where we have plants and distributing centers, because it's impossible to do more.

I would say that the elder statesmen, Dan Koshland and myself, and the younger ones, who are now more responsible for the business, are responsive and feel this very definitely. This is shown by our reputation, by the many items that you can pick up in our department yourself on the awards, on the statements about our social responsibility.

XI THE FUTURE

W. Haas, Sr.: Then you ask about hopes and predictions for the future. I think I have told you how really unhappy I was when we went public, although I realized the necessity, because the close intimate family style was gone. Hope for the future? My hope is that Levi Strauss & Co. can and will maintain its standards of quality, integrity, and probity. Along with this will go increasing sales and profits, and benefits for the stockholders. At the moment the stock price is down, although we are making more money than when the stock price came out.

An item has come into the picture called "multiples." Whereas our price, I think, was twenty-two or twenty-four times the annual earnings, it's now selling at about ten times last year's annual earnings, or what the investment analysts think will be our earnings this year.

I am unable, nor am I allowed by law to make predictions as to this year's earnings. As is well known, our sales have been increasing, and I sometimes wonder how we can sell all these pants in the world, not only in the United States, but, yes, in the world. Even in the United States our distribution is heavier in the western states than in the East, and there is room for improvement to get the per capita sales equal in all the states. In the growing standard of living around the world, our pants will be even more in demand.

When I say "pants," we have now acquired, as I say, a small belt concern; we also are now going into the shirt business in a small way. But our expansion--I think our future in pants or jeans cannot have an unlimited future, as we have been doubling our business each five years, and this can't go on forever. We talk about

W. Haas, Sr.: "doubling in dollars," not units, because dollars can easily increase with the very high new cost of our basic product, which is cotton, and even synthetics and labor. Of course, the increased style sale will not produce profits if we are under present Phase IV laws.

We probably will look for acquisitions, if they can be made, not in a conglomerate style, where opposing kinds of businesses have been acquired, and which has been somewhat of a disaster, but we may be able to acquire businesses where our knowledge, know-how, and capital could be useful. I look for the continuation of Levi Strauss on the national and multinational scene under its fine executives, for which I take some credit, having had, with my wife, borne Walter and Peter Haas, who are recognized for their quality and integrity and that they are forward-looking.

Chiefly, I hope that our reputation will remain at its high level amongst great American industries, since we've come into the Fortune [magazine] 500s. I think we did very well on that list from the standpoint of profits, employment, and so forth. This list is based, I believe, on total volume, in which we are going up. In my hopes, I do hope for an improvement in our stock price, not for myself particularly, but for those who bought it. As my son Peter said at our last annual meeting, "We are interested in running a business, and making a proper profit, then the stock market has to take care of itself." We have no control over that. We see today some of the great American companies selling at very low rates.

When we went public, I was advised not to, and in no case did I recommend the stock, nor have I since, neither its purchase or sale. When we went public, I was importuned by relatives, friends, and customers to help them buy stock, because our issue was a great success. We were told by underwriters to in no case get into this, and this is very wise, so I owe no responsibility to them. We did carve out a certain number of shares for our employees, who wanted this very badly. Unfortunately for them the stock has gone down. I don't like anybody to lose on our stock, but particularly the employees. I'm sorry that they have lost on this, because prior to going public we did have employee stock purchases,

W. Haas, Sr.: which in all cases were very successful. We sold to them at book value, whereas the market value has always been higher than book value. Although recently, it's more nearly approached it.

So, the people that bought stock early in the game became very wealthy; then the stock became public and some of the retirees and others sold their stock at higher prices. Other employees bought small amounts and maybe got hurt in the stock price. I do hope for that reason that stock improves.

Nathan: But the dividends have been--

W. Haas, Sr.: The dividends have been increased but are fairly low in comparison to our total earnings, and I've gone into this before. Also, with the stock price higher, we would be able to make acquisitions of stock where this is not particularly desirable at the present time.

But in the long run, good merchandise, quality, integrity on our part, as well as a fine advertising program, have made Levi's the best name in the apparel industry, and in fact, I think abroad. Levi's as a name is up in the range with Coca-Cola and other international brands. In my notes I referred to the fact that Levi's were in demand in European countries. Before we went even to Europe, people would come to San Francisco and take back to their families Levi's. I'm told in Russia they are highly desirable, but how they got there I do not know.

But actually, my hopes for the future--after I'm long gone, I hope that Levi's will hold its head up with great American industries and will remain intact as an individual company and not be absorbed by someone else. If it does, I'll look down from Cloud Seven and be a very unhappy ghost. [Laughter.] How do you like that!

Nathan: Very much. It's an apt conclusion to a remarkable story. Thank you.

Transcriber: Patricia Raymond
Final typist: Ann Weinstock

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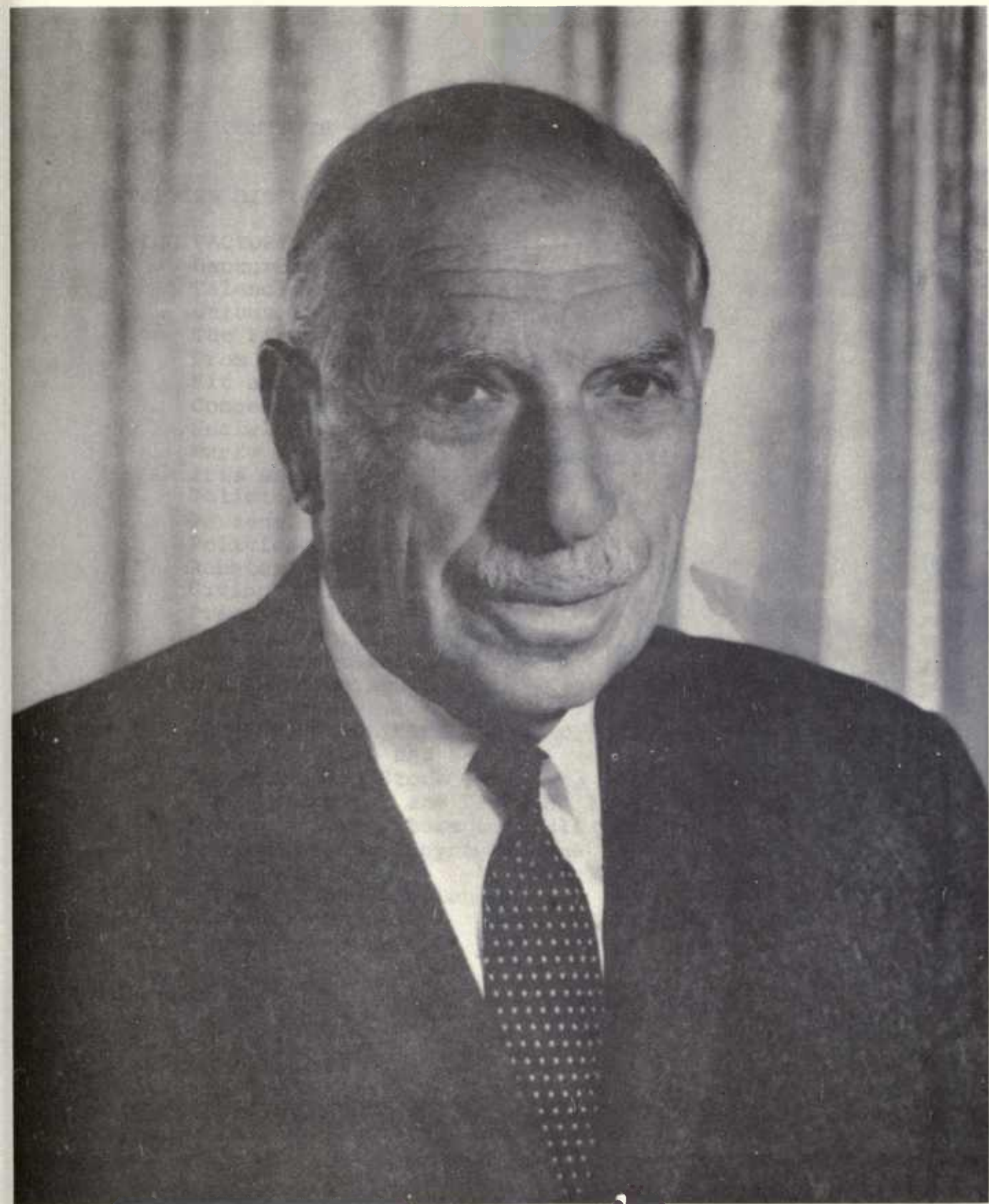
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LEVI STRAUSS & CO.: TAILORS TO THE WORLD

Daniel E. Koshland, Sr.

An Interview Conducted by
Harriet Nathan



Daniel E. Koshland, Sr.

1968

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INTERVIEW HISTORY

Daniel E. Koshland, Sr. provided three interviews for the Levi Strauss & Co. memoir on the following schedule. The sessions took place in the Battery Street office in San Francisco.

Interview I February 9, 1973
Interview II February 16, 1973
Interview III February 23, 1973

After the interviews were transcribed, they were lightly edited and submitted to Mr. Koshland for review and approval. He made a few editorial corrections.

The first two sessions began at 11 a.m. and the third at 2:15 p.m., each lasting slightly over an hour. They followed by several years Mr. Koshland's interviews for his personal memoir, "The Principle of Sharing." He spoke with characteristic good humor and openness, and stressed the significance of Walter Haas's leadership and the capabilities he recognized in the two younger presidents. Discussing such topics as economic problems, social responsibility or personal relationships, he would make his point with specifics and anecdotes rather than generalizations.

He was quick to point out that the firm's forward-looking policies relating to fair employment practices, affirmative action and product integrity, for example, were also good business. He smilingly declined to assume a mantle of righteousness either for himself or for Levi Strauss & Co.

Harriet Nathan
Interviewer-Editor

23 April 1976
Regional Oral History Office
486 The Bancroft Library
University of California at Berkeley

I THE FACTORY: EARLY DAYS

Background

Nathan: Let's talk about your participation in Levi Strauss & Co. Originally, were your greatest interests in the firm in the production and personnel aspects or in marketing and promotion? Or did it divide up that way?

Koshland: I started in primarily in production. I was always involved in personnel; we all are--Walter, Sr. and Peter and Walter. And until we went public, all of us were involved in everything. Now, we've grown so fast and so big that there are divisions, and it's all headed by Walter, Jr. and Peter. Walter and I are only really up in the penthouse. We're consulted occasionally. Walter Sr. and I are in an advisory capacity--we have titles. I'm chairman of the executive committee but, for all purposes, I'm really retired. I call myself "semi-retired." So, the boys are running the business, and there is a top man, named Ed Combs, who will not help you until you get up to present times. He's the overall executive vice-president.* Peter [Haas] is president. So, when you get to the modern day, maybe you should talk to Ed Combs before you're through. That would be after you've talked to Walter, Jr.

Nathan: Right. So you and I will want to talk about the period before the corporation went public.

*Ed Combs died in an airplane crash. Mel Bacharach was named to succeed him as executive vice-president.

Koshland: Yes, before 1971.

Also, in my early days I was mainly involved in the factory on Valencia Street, and I have quite some recollections of that, but I think you may have gotten a great deal of that from Milton Grunbaum.

Nathan: I would like very much to have your recollections of the factory. I did get some delightful things from Milton Grunbaum. They were from his point of view.

Koshland: Yes, I know.

Nathan: We might go right into that if that would suit you this morning.

Koshland: That's all right with me.

I don't know whether it's in my oral history or not, but I came here in 1922.*

Nathan: Only very briefly, so why don't we just say anything you want? You came to Levi Strauss in 1922.

Koshland: Yes, I started out on April Fool's Day, April 1, 1922. So that I've been here over fifty years. I came out here at the behest of Walter Haas, Sr., my brother-in-law, who had come here at the request of his father-in-law, Mr. Sigmund Stern, who found that he had a number of problems. And he [Walter] knew that I was not altogether happy on Wall Street in New York and suggested that I come out here, which I did, moving my wife and two children then. This was pre-Phyllis Friedman days, Phyllis Koshland.

Valencia Street and San Jose

Koshland: Then I started to learn about the business, and the best way to learn was to go out to Valencia Street, where they were actually making garments. At that time we only had the Valencia Street factory, and we also had one in the East, in Indiana, which

*See also a personal memoir, Daniel E. Koshland, Sr., "The Principle of Sharing," Regional Oral History Office, The Bancroft Library, U.C. Berkeley, 1971.

Koshland: subsequently was closed up. Our expansion in manufacturing didn't start until the outbreak of World War II, when we lost a number of workers who went to the shipyards, and so to get more labor, we had to go elsewhere, and we started in San Jose, California.

San Jose seemed a likely place for manufacturing, except for the fact that the canneries were then active in San Jose. But they only employed people during the canning season, so there wasn't very much year-round employment for women in that area. And after some hesitation, we did go in, and we did provide full-year employment.

We were in the Greyhound Bus Terminal Building. It was rather small and very inconvenient, but we found San Jose a very good place. A very successful enterprise was instituted there, and then in later years, we built our own warehouse, which was not terribly far from where this Greyhound Bus Terminal is.

Nathan: Before you went to San Jose, did you look around the Bay Area--did you conduct a search to find the place you thought would be able to provide women workers?

Koshland: I think Milton Grunbaum looked and made the recommendation, together with others.

Unions in the Needle Trades

Nathan: And in the needle trades were there usually women working the machines?

Koshland: In the needle trades, on the Pacific Coast anyway, the largest percentage of workers are women--actually women working on the machines, and also women floorladies and office people. The men were fewer in number, and they were confined to machinists and electricians, cutters. Cutters, of course, were a very important part of the sewing operation. And the cutters were men, although in the East sometimes they're women and sometimes the operators in the East are men.

Koshland: When we started we were totally non-union. We did become unionized here.

Nathan: If you feel like going into it, that would be a fascinating part of the story.

Koshland: It was a good example of how it's done, you know. They sign up the people, and they tell you they have a majority. And you say, "How do we know it?", and they say, "If you refuse to deal with us, we'll show you how to know it by calling the people out." We became convinced that they did have a majority of people, so then we talked to them, and it ended up in unionization. That was quite a turmoil, because many of the women in the factory did not want to be unionized.

Nathan: Now, would this be both at Valencia Street and--

Koshland: No, I'm talking just about Valencia now. I'll tell you an incident later about San Jose particularly which is sort of interesting.

This was the United Garment Workers of America, and their representative here was a man named Slater. There was a different section of the union where there were cutters; the cutters union was involved, Cutters Local Union #45.

So, as I say, it was quite a turmoil, because a lot of the old time girls didn't want to give in; they didn't want to pay dues, you know. Because to join the union, you have to pay an initiation fee and monthly dues, and that's what hard working women didn't want to do, particularly when the pay was not very great.

Nathan: There was always piece work in the factory?

Koshland: Yes, it was piece work. Of course, there were some people who worked by the hour, but the majority was piece work. And then even before we were unionized, we adopted the Bedeaux system, which was an incentive system and which is pretty much now part of the production of most manufacturing industries, although not known by the name of Bedeaux. The Bedeaux system was based on the time it takes to do a certain operation on a garment, and what you can do in one minute. The pay was all measured in those terms.

Nathan: That was sort of an early time study system, I guess.

Koshland: There was an earlier time study system. You may remember, they used to call it the "Taylor system."* Bedeaux was a Frenchman, who in fact was a great friend of the one-time Prince of Wales, who gave up his kingship for the woman he loved. He was a great friend of Edward VII's. And I'm not sure that he [Bedeaux] didn't take them in when Edward left England and gave up the throne. Bedeaux was the inventor of this system.

Nathan: Right, now do you remember whether the unions resented or tried to fight the Bedeaux system?

Koshland: Yes. But that was compromised--that went in all right. They didn't like it, but, you see, we were pretty strong too. We were the first big garment manufacturer in this city to sign up with a union. No, I'm wrong about that, because Eloesser-Heynemann and Neustedter Brothers were unionized before we were. But they were very glad to get us. And the United Garment Workers of America, Cutters Local Union #45, still is in many of our plants, not in all of them. We have some plants that are not unionized. Amalgamated Clothing Workers are also in some of our plants, in other states. In this state it's only the United Garment Workers of America. That's in San Jose now, as well as in San Francisco.

Nathan: During the time that the union organizers were working in Valencia Street, were most of your women Spanish-speaking, or did that happen later?

Koshland: Oh no. Italian and Irish, I'd say, predominated. This was before the era of the Spanish-speaking, Central American, which it is now. Most of our people at Valencia Street are Spanish-speaking people. We had sixty-seven whose families were in Managua when the earthquake struck.

*As Milton Grunbaum noted, the Taylor system was a "stop-watch system. It never broke down the operation into separate elements. It was a system that went back a long time ago." He said that the Bedeaux system was much better--a time measurement system that was 75 to 80% accurate. Each segment of an operation could be watched and improvements or corrections made where necessary.

- Koshland: That's a later phase of the whole thing, but at that time in the early days, it was a cross-section of San Francisco, with an emphasis on Italian and Irish. Now there are very few of either one in either factory, but some.
- Nathan: So I gather then that language was not particularly a problem for the organizers.
- Koshland: No, there were a number of women, a number of Italian employees now--ladies that we visit with all the time--who can't speak English. But we always had floorladies who could speak English. So, it never was a great problem then. It became so in later years with the Spanish-speaking.
- Nathan: Had you started the stock purchase program before the union came to Valencia Street?
- Koshland: No, a stockholder who worked in the factory was unheard of at that time. That came much later, and there were very few until we went public a couple of years ago. Then quite a few of them bought shares.

The First Factory Bonus

- Koshland: I hope that Milton Grunbaum touched on the first time we gave them a bonus.
- Nathan: No, tell me that.
- Koshland: That was the most dramatic thing that ever happened in my whole life!
- Nathan: What happened?
- Koshland: After I'd been here a year or so--oh, we had quite an upset here: our head manufacturing man clashed with Walter, Sr. and with me. It ended up by his walking out, predicting that we would fold up, that we couldn't get along without him. And when he went, one of his main assistants walked out too, and that brought Milton Grunbaum to the fore. He was then helping in the shirt department.

In those early days we were divided between two departments, the overalls department and the

- Koshland: shirt department. Milton was an assistant in the shirt department. When this uproar happened, he became the head of the factory and handled it perfectly wonderfully. Some of the factory employees came down to see Sigmund Stern, who was the president, and told him this was a horrible thing and that the whole place would fall apart. But it didn't. They all had affection for the old firm, but they didn't think we could exist without this individual who had walked out.
- Nathan: Was this a matter of principle on which you disagreed, or was it more of a personality clash?
- Koshland: No, it was personality totally. This man was trying to run the whole show, and Mr. Walter Haas was too intelligent to be taken in by a lot of flim-flam tactics, which led to a clash, and the walkout. I don't want to mention his name because he has sons who are now very respected members of the community here. But it was a very exciting and interesting episode, and this gentleman then went into business for himself, and that failed. Then he went to one of our competitors. In the meantime, Levi Strauss survived the blow and went on.
- Nathan: Now, you had gotten us to where the walkout had taken place.
- Koshland: The walkout did not take place.
- Nathan: I mean the two men--
- Koshland: The two men left.
- Nathan: But there was not a general walkout, no.
- Koshland: No, no. There was tense excitement for a few days, then we went right on.
- Nathan: And then you were thinking about the bonus, I think--the first.
- Koshland: Oh yes. I think Milton initiated the idea: why don't people in the factory get a bonus at the end of the year, when people here [in the executive offices] always got a bonus--one day's pay, or one week's pay, or one month's pay. Milton and I pushed this thing and finally decided to do something that was absolutely revolutionary--to give everybody in

Koshland: the factory five dollars for Christmas.

Nathan: Now, would that be the equivalent of a day's pay at the time?

Koshland: Approximately, yes. I remember getting the money in bundles and taking it out to the factory--

Nathan: In cash?

Koshland: Yes, in currency. The streets were safe in those days. [Laughter.] And on the day this happened, which was probably the Friday before Christmas, we gave everybody in the place five dollars. And the largely, shall I say--emotional women, many of them Italian as I mentioned before--were absolutely hysterical. When we gave this out, women ran around the place and danced in the streets. Women came up and fell on their knees in front of me and kissed my hand. Oh, it was one of the most pathetic, heart-rending things I've ever seen. Women were screaming. The first time anybody in their lives had ever given them anything. Imagine it--irrespective of their pay, they got five dollars for doing nothing. I can assure you, it was a pretty emotional scene. I still remember it very vividly.

The next year the same thing happened, but less hysterical. And by the third or fourth year, there'd have been a strike if we hadn't done it, if we hadn't given them all bonuses. [Laughter.] So that's human nature, isn't it?

Nathan: Yes.

Koshland: Then gradually, instead of giving everybody five dollars, we gave some ten, some twenty, and since then it's grown. But this was the first case certainly in the garment industry where bonuses were given out, the very first, although it was not necessarily the first time a bonus was given to manufacturing employees in other industries. So it was a first in that respect.

Nathan: Do you remember how you cooked up this idea, how it came to you that this was a good thing to do?

Koshland: I became a very close friend and associate of Milton Grunbaum. And he is a tough manufacturer. This was really a speedup industry, you know--the faster

Koshland: they go, the more they make. But he got the idea it was very unfair to pay more to the Battery Street people just because they wore different kinds of clothes, than we paid to the factory people, who were just as good in every way. I went along with it. And that was it. I give him most of the credit. Probably if you talked to him, he'd say it was my idea, but it was not, it was his. Over the years, when he built up our production in other states and other cities, as well as in California, he knew the inside of everything about making garments. And he was a hard taskmaster, but he was loved by the employees because he was always fair.

In those days, you know, they went to the homes of people who were sick. Then you could do that, the numbers were not so great. I think the greatest attribute he had was that of being utterly fair. The girls he was closest to and others as well, all recognized that. In subsequent years, there was joy in the factory when he visited factories in other communities. Today, we have a reunion every year of the old Valencia Street employees, and the big, big excitement is to see Milton Grunbaum.

I think that's enough about that phase of it. One of the reasons for our success, I think, has been that even though it's a difficult business when you're dealing with people who are not getting what you and I consider very high wages, you can survive as long as you're fair. This used to be called the "sweat shop industry," until I discovered in later years that the banking industry was more of a sweat shop than we were. [Laughter.] But standards in both have now improved.

Nathan: Thinking again about the bonus to everyone in the factory, before this original gesture was made, had the people on the managerial side received bonuses?

Koshland: Yes--decided by the very top managers, who in those very early days were Walter Haas and myself. A little later, as the younger men came in, it broadened from there. But we were just a little private business. It was not a big industry, you see, and our competitors were just as big as we were--Neustedter Brothers and Eloesser-Heynemann. Had several in Southern California.

From Two-Horse Brand to Levi's

Nathan: And were your competitors at that time essentially manufacturing the same kinds of things that you were?

Koshland: Very, very similar, yes. They made the blue over-all--the ones I'm talking about--and we had great competition then. Actually, in those days, you see, the overall, the blue denim overall, the tough garment, which is still a good garment with us, was worn by the cowboys in Arizona and other states. The garment was called the "Two-Horse Brand," and the label had a picture of the two horses pulling apart. "Dos Caballos" was the name in Spanish.

Walter and I, right from the early days, began to--not stress the Two-Horse Brand, but stress the word "Levi's." "Levi's" at that time applied only to these tough blue overalls, laced overalls. Now, we apply Levi's to everything we make, which means hundreds of different types of garments, literally hundreds. "Two-Horse Brand" sort of dropped out, and everything was "Levi's."

Then we had the other side of it, when we started making other garments. Levi's were only the overalls. People had to be convinced that Levi Strauss & Co. made other garments than blue overalls. And many people today think of Levi's only as the makers of these famous copper-riveted, tough overalls (blue jeans), whereas it actually applies now to millions of garments that are not made of denim.

Nathan: Thinking again about your early position, let's say, as one among equals in a group of manufacturers, how do you explain to yourself the fact that your company prospered and the others didn't do as well? Can you think why?

Koshland: I guess the older men died out earlier than we did--we're still alive. We were very rigid on terms we allowed, and principles of business were pretty rigid. And quality--we insisted on quality, and we still do to this day. We want to be proud of everything that goes out of here. That's pretty true. I only hope we can maintain those same standards in our other factories, which are all over the world now.

- Nathan: Of course those are other managerial problems, aren't they, when you're spread out?
- Koshland: Yes. Sure, we have to train our managers who in turn will train the people.
- Nathan: Do you do the training here? Is San Francisco primarily the place where the training occurs?
- Koshland: Some. Of salesmen primarily. Manufacturing people, now, train in their own countries. You see, there are textile, apparel businesses in all of these countries. I mean, all European countries and Australia and Mexico. We just opened a new factory in Mexico--a big one. If you don't want to get into that now, we can do it later.
- Nathan: Well, let's do that a little bit later. I certainly want to have that, but perhaps we can stay a little bit more on the early days now, because there's so much there.

Fit and Wear

- Nathan: Taking your thoughts another step further--do you feel that it was the managerial decisions that really made your company do as well as it did?
- Koshland: Yes. I'll answer that by telling you that people still say to me, "How do you account for your success? Is it your merchandising, is it your advertising, is it the general supervision, is it the garment itself?" And my answer usually is, "It's something of all of these. But primarily, it's fit and wear. The garment fits and it wears well." I'd say that is its greater virtue and the reason for our success over many years. All these other things entered into it--good merchandising, good advertising. We used to use billboards. People thought we'd spent millions of dollars. I remember the first budget I passed was \$20,000, and most people thought we were spending a million dollars on advertising, billboards and newspapers. Now, we spend several millions, just in advertising.

I don't want to be misunderstood: the other people made pretty good overalls also, so it isn't

Koshland: just the make. We had very intense competition among our local manufacturers here and in Los Angeles. Through the Pacific Coast Garment Association, we used to meet occasionally. We were very careful not to discuss prices [laughter]--because of the anti-trust laws. But that's all in the past. That was very important then. Today we don't think very much of competitors on the Pacific Coast. Our competitors are national and international.

Concentrating on Manufacturing

Koshland: It's a combination of all of these things. I mean, you shouldn't get the idea that Haas and Koshland alone built up this business. Now, I don't know if anybody else has brought it out with you--but this should be said: when Walter Haas came in here, this business was at least half wholesale. Do you know what I mean by that? Garments we didn't make. We bought underwear and hosiery and bedding, comforters, pillows, pillow cases, sheets--all those things, and those were wholesale. It was never a very profitable end of the business. Our forebears in this business had had no financial problems, but made very little progress until Walter Haas came in.

He had been in the grocery business, and he was not content to just go along in business. He actually will never get the credit that he deserves, because he put energy and intelligence to work. He put this financially stable but unprogressive business on its feet, which he did despite the management that was down here then. I referred to the one man who was very active and destructive.

Nathan: This in a way suggests that, as you say, energy and intelligence, some quality of leadership had to come along to change a rather static business.

Koshland: Yes. Well, Walter came in here originally at the request of his father-in-law, who was Sigmund Stern--he wasn't even the president then; Jacob Stern was the president. If you've gone with anybody into the whole history of Levi Strauss, will you get more of that from Walter?

Nathan: Well, I'd like to pick it up where I can, because

Nathan: it doesn't all come together at the same point.

Koshland: Levi Strauss was one man who had brothers in New York. When the Gold Rush started here, there was a great demand for various materials, particularly tenting materials, because the big Gold Rush was up in the Sacramento area. So, these brothers picked one of them, whose name was Levi, to come out here with a large shipment of canvas. In those days there was no Panama Canal, so he came around the Horn. When he arrived here, he discovered very soon by mingling with the miners, that the need for tents or for shelter was not as great as the need for sturdy pants. He found a tailor who made these pants, and they became very popular. And then they also developed the copper rivet (which was used by blacksmiths for horseshoeing), as a means of holding the pockets together.

Nathan: So, the copper rivets really came from horseshoeing. I never realized that.

Koshland: Oh yes, that's where it came--a blacksmith, this one man, who incidentally, was the father of the disruptive person that I've referred to, his name was Jacob Davis, and he conceived the idea of putting the copper rivet on, because the miners complained that the pockets pulled out. As a later development, we have thread rivets which are just as strong as or stronger than the copper rivet. But the copper rivet is kept on some parts of the garments because it's glamorous and advertised and attractive looking. But we could get along without it.

Nathan: I see. Now, how do you account for the fact that the earlier owners of the company didn't see the same thing that Walter Haas saw? In other words, why didn't they get rid of the wholesaling aspect?

Koshland: It never entered their minds. That was the way of doing business in those days. Manufacturers sold to wholesalers, not just in textiles. Manufacturers of food sold to wholesalers, and then the wholesalers to retailers or to other wholesalers. That was the way of doing business.

Nathan: Does Levi Strauss now sell to wholesalers?

Koshland: No, only to retailers. For a while, we evaded it a little bit; we used to sell to some wholesalers.

- Koshland: But the minute you put another man in, you have another profit. I mean, it makes the competitor problem more severe. So gradually we went out of selling anybody else but retailers, which is what we do today.
- Nathan: Were you pioneers in that thinking also, to eliminate wholesalers?
- Koshland: No, I think that went on in other industries too. But it was a natural thing, because Walter was smart--to realize there were opportunities in manufacturing, and it was such a highly competitive wholesaling system that it was very difficult to be successful. You have an example of that today: the meat packing industry is so competitive, the margin is so small.

Social Responsibility

- Koshland: I went over to Berkeley night before last to hear Mr. Sol Linowitz talk about social responsibility. It's fascinating. You should have gone to that.

In the business school--this is getting off the subject--but some of the students wanted to know why you have to make a lot of money first, like Levi Strauss, Bank of America, General Motors, before you can put in a program of spending money on social responsibility. And Dean [Richard] Holton asked the question, "How about the meat packing industry? Doesn't seem to be much social responsibility there." Well, I think the answer is it's not always only money; it's the whole attitude about hiring minorities, and that can be done even with smaller firms who haven't made a pile yet. Linowitz, the speaker, handled that beautifully.

- Nathan: Was this primarily for a U.C. Business School audience?
- Koshland: Yes. But it was free to the public.
- Nathan: You were saying that Linowitz and others had suggested that the social responsibility of business didn't have to wait until you had made a pile of money.

- Koshland: No. You could do it earlier. The students asked him a great deal about that, and he answered, "You don't have to wait until you make a pile." We didn't with our social responsibility program. It was not called by that name, but existed from the time we put in a bonus, for example, which was in the early twenties.
- Nathan: Right, so that famous first bonus came when you hadn't been here very long.
- Koshland: No, a couple of years.
- Nathan: Right, if you came in '22 and that came in the early twenties.
- Koshland: It came not later than '24 or '25, I'd say.
- Nathan: Let's just spend a few more minutes on the very early days. In what other ways did you get this whole social responsibility idea going? I understand the bonus system; were there other aspects?
- Koshland: I'll inject it in here, because it goes all the way through. I think the management of this company has always thought of people. We have a slogan: "Levi's is people." And there always has been a consideration for people.

When we had the Depression of 1931-1932, we kept people at work. We couldn't give them full-time work, but we gave them part-time work, three days a week, and enabled them to survive, when thousands of people went on relief. That was social responsibility.

I remember vividly some conversations I had with people who said, "Well, I can't live on three days a week. I never expected to share in the prosperity of the company--I'd get a little raise, a little bonus, but it doesn't seem fair the way we're under this situation of unemployment, that I have to suffer. Can't earn enough to keep my family together."

I should mention this also--and that is that in those early days it was common to lay off a whole group of people when business was bad. You sent them home if you had no work for them. They didn't earn any money. We, right from the start--I mean,

Koshland: our era--tried to extend employment throughout the year, not just seasonally. I think that was one of the very attractive things about working for Levi Strauss & Co. We gave full-year employment, with the exception of the serious situation we ran into in 1932.

I must say that that's one of the most socially responsible things we did, by endeavoring to give them this year-round work.

I should mention also--this also has to do with Mr. Linowitz--we never pretended we were just do-gooders. It was good business. Everything we did along these lines we thought was good for the future of this company.

Early Hiring Policies and Integration

Nathan: In the very early days, did you have any particular hiring policy for people doing different kinds of jobs? In other words, would each plant manager be responsible for hiring people for his own plant--was that the way it worked?

Koshland: Yes, it's still so today. But we've been talking about these different racial groups, and I've been thinking mainly about California. Now, this varies. For example, we have a large number of Black employees in San Francisco and not very many in San Jose. That just happens that the Blacks are here--there are many of them--and Chicanos in the San Jose area. There are some in the plant down there. But I'd say the percentage of minorities is much greater in San Francisco than it is down there. You see, San Jose certainly until recently was a big orchard area, the center of an orchard area, so the wives of the men who worked in the orchards came in to work for us. And worked in the off cannery season for us, too.

Now, we have pretty much integrated factories all over; it's our policy. We have managed to make that stick in every factory we have. In Blackstone, Virginia, it was all white. We threatened to close down the plant there primarily because we couldn't get enough white help, and we had to have Blacks.

- Koshland: When we threatened to do this, suddenly the Chamber of Commerce and the newspaper and everybody changed, and we became an integrated plant, and a very good one.
- Nathan: Do you know whether this had any influence on any of the other manufacturing plants in the area?
- Koshland: Yes, I do. I think it did. For example--we never had any great zeal. We didn't do this all because of our moral posture, but it was good business. I think I mentioned to you before in our whole social responsibility program, which I think is an excellent one, we have never claimed to be only do-gooders. We think being a do-gooder is good business, and that's one of the reasons for our success in the many years.
- Nathan: I do want to talk some more about the social responsibility part of it, and this is connected I'm sure. Was it during the Second World War that the fair employment practices push came from the government?
- Koshland: Yes. I think we were ahead of it, but not down here in our office staff. That came about at the beginning of World War II. We couldn't put signs in saying we were observing the law unless we did it. So, we were very early in this thing. In fact, one of our Black men, whose name is Booker T. Washington, retired a couple of years ago. I remember he was the first one employed. And sure enough, the first day of his employment, there was a package missing. We were just sick. There were certain indications he was involved. Fortunately, the next day he was cleared completely, and we learned a lesson from that.
- We have had incidents where minority people have been involved in something dishonest, but no very big ones.
- Nathan: Did you do any sort of educating job for those other employees so that they would understand the necessity to accept the minorities? How did you handle that--bringing new people in?
- Koshland: You mean down here?
- Nathan: Yes.

- Koshland: Well, people here, I think, accepted it. When they knew the firm policy was to do this, the people accepted it.
- Nathan: So, you think it's workable if the firm policy is clear.
- Koshland: Yes, certainly. And backed by the top people of the firm. I think I may have mentioned to you that when I was active in the Council for Civic Unity, we made a survey of the hundred biggest employers in San Francisco. I don't know if we have the report any more, but it indicated that they all had merit policies. None of them were anti minority groups. But actually working it out, they all were. That is, the company could easily say, "Well, certainly we have no restrictions, but it's the foreman down below, they're the people that have prejudices about Blacks or Chicanos or Japanese or Chinese." Studies show clearly that, whereas these employers have a very fine attitude at the top, it didn't follow through.
- Nathan: Very interesting.
- Of course, this was probably something you already knew, but how did you solve the problem of the reluctant foreman in your business?
- Koshland: Well, this is a human problem. Some changed because they felt they had to, others because they realized it was the right thing to do and the firm approved it. It's sort of generally understood that the firm favored fair employment practices, and it seeped down, I'd say.
- Nathan: That's interesting, because it certainly seeps down in this concern faster than it seeps down in others, apparently.
- Koshland: Yes, that's right. A foreman can very easily say, "I am not prejudiced, I am not unfair, but this person is not qualified to do this work." That way he could keep out minority people.
- Nathan: Just thinking again, then, about the problem of, let's say, promoting people. Did you have a policy in the early days about promotions?
- Koshland: No, we didn't have a policy. We have now a very

- Koshland: definite policy--In fact, we have two different groups of people: one favoring promotions for women and one for minorities. And those clash once in a while. You have a position open for promotion, and there's a very good Black man that could do it, also a Black woman, or white woman. So, that has to be resolved. Some department heads know if they don't show this upgrading policy on a merit basis, that they will be called to account for it.
- Nathan: So, the pressures really are for production and for following a personnel policy that is acceptable--these are the constraints that your people must accept. And of course to see that they make a profit at the end of the year.
- Koshland: Yes, that's right. The lack of profit in a department or a division, as far as I know, had never been blamed on the low-level personnel. Supervision and the higher-ups are responsible.
- Nathan: You were saying a little earlier that this social responsibility idea--you would always link to good business, that it was an integral part of it.
- Koshland: Yes, that's right. I'd say that Walter Haas, Jr. can be given great credit for that. He realized that right from the start.
- Nathan: When you and Walter Haas, Sr. were making most of the decisions together, I gather this was also something you were convinced about, in the very early days. Or did you discuss this?
- Koshland: Yes, we discussed it. But I'd say we could not be accused of being leaders. You can call me a leader because I was active on the Council for Civic Unity, but I really think it was the younger men that pushed it, particularly Walter, Jr.
- Nathan: That's interesting. But I have the feeling that you two others sort of set the tone.
- Koshland: Yes, I think we did that in the early days. That's a good word--we set the tone, but it was carried out by the younger ones, Walter, Jr. and Peter.
- Nathan: Were you involved in some of the programs to help ghetto industry? This was before you went public, but later on in the development of the firm.

Koshland: I'm aware of it, and I applaud it--I'm all for it--but I have not been personally involved. I do talk to the heads; we have a whole department now that's involved in these ghetto industries, but I have not been directly involved. When they have an opening of a new store (of these ghetto industries) I try to attend, lend moral support, so to speak. But I have not been functioning actively in that area. We're so big now we have a whole department in that area -- maybe you should talk to one of the guys who's the head of that.

Now, the head of our community affairs is a man named Tom Harris, who was for many years the executive of the Hunters Point Boys Club. We hired him away from them, and he's been a very effective leader.

Nathan: That's an interesting arrangement.

Koshland: There are so many interesting people to talk to, that you can't carry this out too far.

Nathan: That's just it, but I think that I did have his name just as a matter of interest, and if you would recommend that I talk to him, that might be a very good idea.

Koshland: Yes, very good.

Iris Securities

Nathan: Maybe you could explain something I came across earlier: there was some reference to Levi Strauss as being in the banking business. Is that right?

Koshland: No. I'll just explain to you that when revenue agents come in here, they do not understand Iris Securities Company. It is a family company, and as a convenience, it holds the money of the members of the family. In effect, for them it's like a bank. That's Iris Securities, that's not Levi Strauss & Co. Revenue agents always get mixed up on what Iris Securities is, and they think just what you say, that it had something to do with Levi Strauss & Co. It did not.

- Nathan: When was Iris Securities organized?
- Koshland: Way, way back, way in the early days. It was an outgrowth of the Haas family private business.
- Nathan: And is it still operating now?
- Koshland: Yes, it's operating in this way as a sort of a bank for members of the family and has its own investment and real estate business, which is the lesser part of it. It has no relation with Levi Strauss whatsoever. In the early days it used to be a convenience. If Levi Strauss had surplus funds, they'd lend them to Iris Securities or vice versa; Iris Securities used to lend money to Levi Strauss & Co. But since going public that is closed down by virtue of the rules of the Securities and Exchange Commission and the New York Stock Exchange. So they're completely independent of each other, and in fact, have been except for lending money back and forth. But Levi Strauss & Co. has not been in the banking business.

Policies on Credit

- Nathan: I might ask you about some of the old policies with respect to granting credit to some of your customers. When the salesmen would go out to meet customers on the road, would they make recommendations about extending credit, or was this always something that was decided back home?
- Koshland: It was decided back here. The credit administration here used to have limits on how much should be sold to customers, depending on their experience and size and all that. We were very inflexible on terms-- this is Levi Strauss & Co. We did not make special exceptions for people. We were very, very strict on that.
- Nathan: Everybody had the same deal.
- Koshland: --same terms, that's right. That had resulted in establishing, really, a record of integrity that has lasted through the years. Many competitors of Levi Strauss & Co. call up to ask, "What can we do with a certain concern?" If we'd sell to them, it was a plus mark for the customer, because we were

- Koshland: pretty strict. Our credit losses were always very low. In order for a customer to preserve his standing, he had pretty well better be paid up on what he owed to Levi Strauss & Co. That's general. There was a different leeway and different times for customers, depending on business conditions.
- Nathan: There was some reference to an action that the company took when certain customers were wiped out, say, as in floods, fires, earthquakes, tornados. How would you handle that?
- Koshland: We've always had our salesmen let us know if a customer was in dire distress and needed help, and we extended the due dates, so they wouldn't have to pay right away, and we also sent them merchandise. If they started up after a flood, we'd give them generous credit terms. That happens wherever there's been a natural disaster, such as fire, flood, earthquake, tornados. And those things do happen, after all. Now, we're all over the country, and it amazes me we don't have more tornados hitting our plants or our customers, which is almost as bad.
- Nathan: Is this kind of behavior typical in the industry? Did other companies do this?
- Koshland: I think others did it, but I think not as generously as we did.

Personal Focus

- Nathan: Thinking back to your original interest in the business, I have the general impression that before you went public, Peter [Haas] was mostly concerned with matters of production and possibly of finance and Wally, personnel and promotion and marketing.
- Koshland: Well, yes. Walter is a very aggressive and outgoing person. He is an extrovert. Peter is more of an introvert. And that has been a great asset to us, in my opinion, to have the two points of view. Although they get along beautifully, there is that distinction between them.
- Nathan: Thinking back again to your own participation in these fields--did you have any special area that you

Nathan: particularly were interested in or took particular time for?

Koshland: Yes, originally in the production end of it. Walter, Sr. and I were together every day, and we interchanged information, and the same thing occurs between Peter and Walter. You've indicated and correctly that there is an area of special interest for both of them, but both of them are interested in everything. It's only that one of them works more in one area than the other.

Policies on Terms

Nathan: Now when the heads of your departments brought a problem to you and laid it out before you--"Shall we or shall we not manufacture under another label?"-- then it was up to you and Walter Haas to decide what the long run interests were?

Koshland: Yes. After hearing from the department heads. Usually it came up in the form of a department head advocating a certain policy, and we had to pass on it.

Nathan: Did you encourage the department heads to come up with new ideas and proposals?

Koshland: I hope so, yes. But we were more stubborn about changing policies. I guess the best example was the matter of terms. You know what terms are--when you buy cash, or ten days, sixty days, or three months. We were very adamant in sticking to our terms with everybody.

Nathan: What kind of terms would they be?

Koshland: We'd sell mostly net ten days and sixty days added. When we had to sell to the women's departments, they had a custom throughout the country of adding on 8%. You sold them on 8% terms--8% came off if they paid within a certain time. We never changed our terms in order to bargain for big orders from the large department stores. We would make concessions maybe to a large order in price, but that was always under a formula. We used to have a rebate system, which we have done away with, which gave, for example, a

Koshland: retailer 5% off if he bought a certain number of items a year--200, 500. That we've done away with in the latter years. But that built business for a while.

First it was only on the overalls, then it came on the general manufacturing business, and now it's gone. So things change.

Nathan: So at one time you had rebate agreements and you had some price concessions.

Koshland: The price concessions generally were on closeouts. I might also say in those old days, we gave exclusives. We'd take a town, not a big city like Oakland or San Francisco, but some small town, and only sell to one retailer, a very bad practice. But we did it for many years, and many manufacturers still do it.

For example, you've heard of Lilli Ann [manufacturers of women's clothes]?

Nathan: Yes.

Koshland: Well, I don't know their present practice, but up to a few years ago, they only sold one firm in a city exclusively. Well, I would imagine that's been done away with as they've grown too.

Nathan: Why do you think that was a bad practice?

Koshland: Well, in our own situation, our business depended on selling to everybody. When you sold to one person, you threw all the others into the hands of your competitors. And if you gave one person the exclusive, and they didn't do too well with your line, then you'd made a mistake. So, that's pretty much outdated. Our growth has been based on selling to everybody--the little guy, the big fellow.

Rebates

Nathan: I might ask you again about this. This was a policy apparently in which you treated everybody basically the same regardless of whether they were big customers or very small customers.

- Koshland: Yes. Of course, the rebate system I referred to was based on volume. Certain people got $2\frac{1}{2}\%$, some got 3, $3\frac{1}{2}$, up to 5. The purpose of that was to make people concentrate their purchases on our goods so that they'd get this rebate. If they didn't make the certain number, they didn't get any rebate.
- Nathan: This would be so they didn't get so many of yours, so many of Farah's, so many of Blue Bell--?
- Koshland: Yes, that's right. That's pretty much out of date now.
- Nathan: But so many of your principles did seem to work. They did get the effect that you wanted.
- Koshland: We built the name for stability and integrity, standing by our commitment, and that together with the fit and wear of the garment, as I mentioned previously, were what built this business.

Giving Jeans Away

- Nathan: Milton Grunbaum mentioned one thing that I might ask you about too: I think it was after the Korean War, when clothing was very much needed--I guess the Red Cross asked for clothing. Do you remember this at all? It was suggested that Levi Strauss could contribute some jeans--seconds perhaps.
- Koshland: Oh yes. There was quite a little publicity made of our contributions to the Korean people, poor people in devastated areas. We've always given some garments away to charity, the seconds usually--new garments that had little blemishes in them. Now most of those we sell at half off, something like that. We've always given to Salvation Army and Goodwill Industries and that sort of thing. And some of them, such as these particular two I've mentioned, take old garments and clean them, disinfect them, and then give them away to their clients. We referred to them when we talked about Chinatown before--garments made in the home. Well, that's been done away with by law--hygienic reasons particularly. You see, we deal in a product that doesn't harm people physically, although once or twice we've been asked for restitution where the dye in a shirt, for

Koshland: example, poisons the body of individuals. That never developed to any extent. There were individual cases we had to deal with, but outside of that we've had no hazards from the garments.

Price Cutting

Koshland: We don't sell to people who habitually are price cutters. We have sort of a generally understood retail price value, a minimum. This had to do largely with the blue overalls. They can kill your lines by cutting prices so that the retailer wouldn't know what to do. No matter what concession he might get, the next person would probably get a better one. So, you don't build trust and confidence with that kind of a policy.

Nathan: If you find that someone that you are supplying begins to engage in this practice--

Koshland: I'm going back mostly--we'd simply not sell to him any more. First we'd tell our salesman not to call on him, and then when the law allowed you to have a retail maintenance price, why then we got their assurance they would maintain the price. If they didn't, then we'd cut them out. We wouldn't sell them. You still have the right to choose your own customer. I should also say that we restricted it. For example, if a corner grocery wanted to put in a few overalls and wanted to buy them from us, we did not. We tried to stick to our own legitimate sources of distribution, not the grocery store or the gas station.

Nathan: When you speak of a suggested price, is this part of the fair trade principle?

Koshland: Yes, it's involved in fair trade laws, which change from time to time and are different in different states too. So, we have to watch all these things because fifty states may have all kinds of different laws.

Nathan: In general, did you find that as a developing business, being on the West Coast made greater costs for you, like shipping costs and things of that nature?

Koshland: Well, generally, yes--manufacturing costs. The West Coast has always been a high manufacturing cost center. And most of our factories are now throughout the nation, particularly in the Southeast or the Southwest and the South, because the costs there generally are lower. They used to be much lower, but with the advent of national minimum wage laws, they've come closer together. These other parts of the country are still cheaper manufacturing centers than the Western Coast.

Lobbying Through Trade Associations

Nathan: Since so many of the laws--let's say the fair trade agreements and minimum wage laws, and so on--affect you so immediately, does Levi Strauss do any lobbying?

Koshland: No. We did in the early days we're talking about, through associations we belonged to. We belonged to the Pacific Coast Garment Manufacturers, and Manufacturers and Wholesalers Association. And we, in effect, did some lobbying. There were very good men who were the executives of these associations, and in whom we and our competitors had a lot of confidence.

Nathan: Did either you or Walter Haas attempt any lobbying just as individual voters?

Koshland: No, we always did it through our trade associations.

Nathan: Did you have any feelings about the kinds of outside activities that the two of you could engage in, when you were taking the major responsibility for the business?

Koshland: We always were involved in outside activities, both business, such as these trade associations, where we attended meetings personally or one of our department heads did, and in community affairs, such as Community Chest and Jewish Welfare Fund and various other things--American Red Cross. So, we grew up with most of them.

Nathan: Once, some time ago, when we were talking about the responsibility of the president of an association, you were saying that one can act as an individual,

Nathan: but he can't act the same way when he's president of an association.

Koshland: That is generally true. But I'd say in the apparel industry, where there are so many firms involved, and the office of president changes practically every year, that it's not a stand-out title. While you're president of a trade association, you also represent your firm. And a public announcement would be made by the association through the president, who however was not a very important person in the trade necessarily. Sometimes they were.

Christmas at Valencia Street

Nathan: Thinking of the time when Valencia Street was the only factory, did the employees have parties and celebrations and social events that were set around certain times of the year?

Koshland: Christmas, yes. Oh, we used to have wonderful parties there within the walls of the establishment. But then as we grew, now we have Christmas parties every year at all of our factories, but they're big affairs now, and they're not in the building any more. They take a restaurant or a hall and have a big party.

Thanksgiving, Christmas--those were very delightful in the old days. We used to go to them, take part in them, used to give away turkeys by drawings. When I talked about the bonus before--in conjunction with that, we had a party where we drew numbers and gave turkeys or a five dollar bill extra, ten dollars to employees. They were always very pleasant affairs.

Now, as time has gone on--I guess when I think of ecology nowadays--we usually messed up the plant pretty much. There'd be a big clean-up job to fix it up the next day.

Nathan: Did you have refreshments; food and drink?

Koshland: Oh yes. And we never brought any alcohol, but the girls did. [Laughter.] There were times when I used to go out to the Christmas party and have to sip at least twenty or thirty different kinds of wine, which

Koshland: was quite a bit, believe me. You couldn't insult any of these girls--"Have a sip of my wine."

Nathan: So you and Walter Haas would actually go and be part of it?

Koshland: Oh yes, it was a very definite part of our employee relations, that we would go out there. At one time I knew every girl in the Valencia Street plant when I'd go out there. Now I don't know any--half a dozen maybe at the most. That's partly getting older, but it's mainly that the times have changed.

The Changing Age Level

Nathan: Did you find in those days especially that people would stay with you for several years, rather than coming and going?

Koshland: Oh yes. Until we instituted the sixty-five-year-old retirement rule, some few years ago, we had many, many people who stayed with us fifty, fifty-five years, forty, forty-five years. Now, there are no such people any more. The retirement age is sixty-five years. So, there are no people of very advanced years that are with us any more.

I think I told you before that the average age of our executives now is about forty-five.

Nathan: The average age!

Koshland: Yes. Leaving out Walter Haas and myself and even the boys, our average age of executives is forty-five years. It's a young group. And in the old days we were talking about, it was way above that.

Nathan: When you first came to Levi Strauss, I guess the Sterns were still--

Koshland: Two of the Sterns were still very active.

Nathan: And they were well on in years then. Was that Jacob and Sigmund?

Koshland: Yes. When I came here, Jacob was the president and Sigmund was vice-president. Walter, Sr., was a

Koshland: vice-president; I became the treasurer.

Nathan: You were the treasurer. That was your first slot. Then, where did you go after being treasurer? Do you remember your next position?

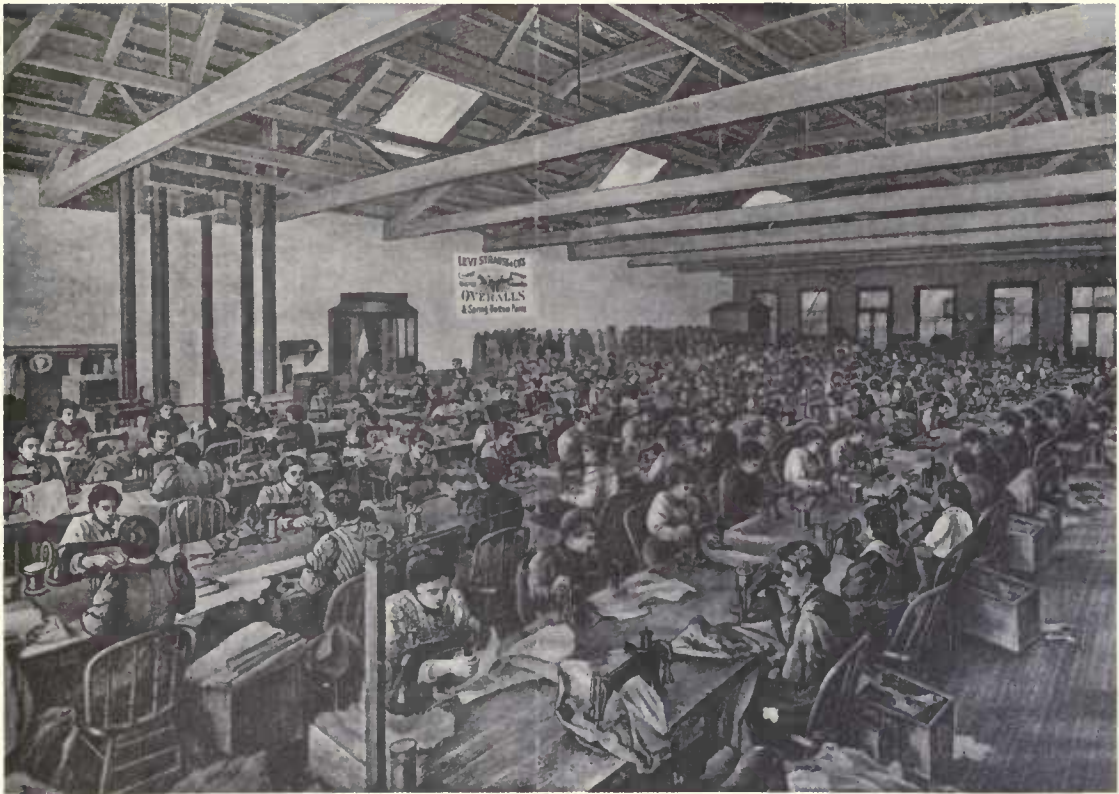
Koshland: Vice-president and treasurer. Then president--from 1955 to 1958. I should say, until the last twenty years, titles have meant nothing. Then we found out that when we increased the board of directors, we put on some of the employees, and they considered it a very high honor. They always have been proud of it, right up to this day. Until the last twenty years, whether I was a treasurer or a vice-president, we were together. We made decisions together. We didn't count very much on titles. Now we do. We just made about seven or eight new vice-presidents, the last few months. All of our department heads are now vice-presidents.

II DEVELOPMENT OF POLICIES AND PRACTICES

Personnel Then and Now

- Nathan: If you're interested, maybe we could talk a little bit more about some of the personnel practices at Levi Strauss & Co. Was that something you were particularly interested in?
- Koshland: I was, and I guess I am still interested in personnel practices. It's a bit more difficult when your organization is as big as we are now, you see. There was a time when I could call by name everybody in the organization.
- Nathan: Even the people on the machines, everybody?
- Koshland: Yes. Not all of them, but most of them. Now, I don't know any people on the machines any more. I know maybe one in twenty in this building. So that's what happens when you have growth, you lose the personal touch. It's very painful for me, because there are so many people in this building I see every day that know me and call me by name, and I can't call them by name. I'd be satisfied if I just knew their first names; I don't have to know the last names. It's too bad.
- Nathan: Did this happen even before you went public, that is, this big growth in employees?
- Koshland: Yes, this started around the beginning of our entry into the war, although we didn't do much business with the government. In fact, very little. But there was a big need for clothing for the civilian population, and our business spurted. We spread from the western states to the whole country.

HOME INDUSTRY



SECTION OF
LEVI STRAUSS & CO'S OVERALL FACTORY.
THIS FACTORY GIVES EMPLOYMENT TO OVER 500 GIRLS.

Early days in the Valencia Street factory



Factory, Amarillo, Texas

Nathan: So that would be in the early forties.

Koshland: That's right. I think I mentioned last time our move to San Jose and Santa Cruz, and from there we went on to Texas and then the rest of the country.

Employees and Stock Ownership

Nathan: Right. Thinking again about the way you have somehow managed to build great loyalty among your staff, when did the stock purchase plan get under way? Was that fairly early?

Koshland: You mean before the public offering, for the employees?

Nathan: Yes, the employees.

Koshland: It goes back quite a number of years.

Nathan: Fine. What was the idea behind it?

Koshland: The idea was really to make it attractive for people to stay here, and that's commonly done, through not wholly deferred compensation but in many cases through the ownership of stock. We did this through allowing purchase on easy terms. That is, 20% down payment, and then 20% every year until they were paid up. They had to pay a moderate rate of interest on the amount the firm invested that we advanced.

Actually, the firm didn't do it at first, a private family corporation did it, the Iris Securities Company.

Nathan: Oh, that's how Iris Securities fits in.

Koshland: That's right, Iris Securities--which was not directly related to Levi Strauss & Co.

Nathan: That was just a family...

Koshland: Family holding company, yes.

Nathan: That was Koshlands and Haases.

Koshland: Yes.

Nathan: And then later on the firm itself--

Koshland: --took over the remaining obligations of Iris Securities Company. So it's all done through Levi Strauss & Co. now, as far as employees are concerned.

Nathan: And is every employee entitled to take advantage of this if he chooses, or are just certain ones eligible? My question really goes back to before you went public, up to that point of going public.

Koshland: No, it wasn't every employee. They had to apply, and at that time, the amount available was not very big. You see, it all came about through setting up a gift of Levi Strauss stock from the four Stern families.

Nathan: Now, the four Stern families would be those of Jacob Stern, Sigmund Stern--

Koshland: Abraham Stern and Louis Stern.*

Nathan: So they made some stock available.

Koshland: Yes. It was paid for by the employees, and the price was paid from the book value of the stock.

Nathan: Not on the market value.

Koshland: There was no market.

Nathan: Oh, of course, that's right.

Koshland: The stock was purchased at the book value, plus interest up to the time of the offering. Then they had to re-offer the stock to us, the employee did, when he or she left or died. They had to offer it to us, and we always re-purchased it on those terms. We didn't have to, but actually we always did. That was all on book values.

Nathan: Please explain one thing to me: does book value not

*On May 1, 1912, the three living Stern brothers and the widow of the fourth brother set aside a certain number of shares that could be purchased by employees.

Nathan: fluctuate?

Koshland: Sure, it fluctuated every year. After the dividends were paid, there was a book value, based on the valuation of our accountants.

Nathan: So actually, one employee could buy at the original book value, and then many years later when his family sold it back, it would have appreciated.

Koshland: Yes.

Now, there were a few years when that book value went down. A few bad years. But they didn't have to sell to us. All they had to do was offer it to us. If we didn't take it, they could sell it any place else they wanted. But actually, during those years we always bought it.

Quality Control and Product Integrity

Nathan: Well, thinking then again about your interest in production, would this include quality control?

Koshland: Yes, we've always had quality control. We have a new name for it now--we call it Product Integrity.

Nathan: Yes, that's what Peter mentioned. He mentioned a little bit about the way it has worked in recent years, but if you'd like to talk about it, I'd be interested in how you tried to keep an eye on the control of quality in the early times, when you were really going into manufacturing, let's say in the middle forties, most heavily.

Koshland: We did that through the plant managers, and particularly Milton Grunbaum, to whom you talked and who maintained that quality control and an emphasis on excellence in production--not letting things go out of our possession until they'd been examined, carefully examined.

Nathan: Did you train the people who did the examining?

Koshland: Oh sure, they were trained. Of course, in the earlier days they were trained also; a girl working on a machine was made an examiner, either promoted

- Koshland: or changed around. That's been a cardinal point in the policy of this company from the earliest days-- quality control.
- Nathan: Did you ever feel pressured to soften your standards?
- Koshland: Yes, sure. That's part of the duty of the plant manager, not to soften the standards. Of course, the plant manager is responsible for his results at the end of a year, and it's very annoying to him to have some of the garments that his people have made rejected or made into seconds. So the quality control or the product integrity manager is a very unpopular person at the various plants. He has to have strength as well as understanding.
- Nathan: And how does he get his strength? Is it through the policy of the leadership?
- Koshland: He has to have it within him. It's awfully easy for him to say, "Well, we'll let this go by. It's not bad. The public won't object." So, he has to be a very unusual person. He has to take the arrows that are shot at him by the people under him.
- Nathan: You've probably actually seen people go through this process of inspecting.
- Koshland: Yes.
- Nathan: For instance, if you were the inspector in one of the plants, what would you do? You just take a random sample of what's come in?
- Koshland: There are a number of inspectors, so that every garment is inspected. Now, we can trace almost every garment to the person who produced it, through chalk markings in the back of the legs or through lot numbers.

I'm talking now more of the early days, where you could really check it right down to the person. And way, way back a person didn't get paid if there were flaws that had to be corrected or a garment thrown out or made a second or irregular. The people themselves suffered financially.

I'm not familiar with how close that is nowadays, but certainly the plant manager is responsible for the results of his factory. So, he wants to have a

- Koshland: smooth operation and one without flaws and faults. Of course, sometimes they'd find that when the cloth very often used to be cut up and worked on, we ended up with defective garments on account of the quality of the cloth. That's an angle of the business that comes up all the time. Now, we are stricter and the lots of cloth that we receive are usually inspected before they're cut out. We've become more efficient in that respect.
- Nathan: Did you ever have difficulties with other aspects of your suppliers? Let's say, in addition to cloth, I guess you had, what, buttons and rivets and thread and--?
- Koshland: Buttons and rivets, yes. They were defective sometimes, and we'd return them.
- Nathan: And then, if something has to be a second or an irregular, it sells at a lower price?
- Koshland: It sells at a third to a half off.
- Nathan: And does it have your label on it?
- Koshland: If we know the products are defective, we remove the label and put another label on to indicate that they're seconds or irregulars, and we used to sell them to several special accounts that we knew would be honest with the customer. They'd have the irregular label on it, and be sold at a third or a half off. Now, we actually have stores, and we call them "Anomalous." And they sell these garments as irregulars, seconds, and they've been quite successful. This is only in a few places; we concentrate them. Knoxville, Tennessee, was one of the first places that we did this, and it's now spread to other areas, and we are now establishing an Anomalous in Canada.
- Nathan: Is that for the Great Western Garment--?
- Koshland: No, it's for our own. Great Western is now included in Levi Strauss & Co. It just happened this year. It was independent in its operation before then. But, they have their own ways of disposing of irregular garments, because Levi Strauss & Co. in Canada has its own organization now, separate from Great Western Garment Company. In a sense they're competitors.

- Nathan: But Great Western Garment is owned now by Levi Strauss? I had the note that in 1961 you acquired a majority interest in Great Western Garment. Is that about right?
- Koshland: That's right, yes.
- Nathan: But not before that.
- Koshland: No, no. When we bought it, we had the majority interest, over 51%. And then it went up gradually through various purchases to 75%, and now is close to 100%.
- Nathan: When you speak of irregularities, do these necessarily affect the wearing quality of the garment?
- Koshland: Some of them do. There's such a thing as shading. It very often does not affect the wearing quality, but people don't want to buy garments that are shaded, you know--dark here and light over here, and that makes a garment irregular too.
- Nathan: And that would be in the fabric itself.
- Koshland: That's right.
- Nathan: So conceivably there's something wrong with it before it even goes into your process.
- Koshland: That's right. As the cloth is spread out before cutting, the spreader is supposed to catch and see the shading and mark it. Sometimes they cut it out, the shading part. Other times they just patch it. So, that's one of the important things a spreader has to know: when to reject, and when to cut out, and when to let it go through.
- Nathan: Then, thinking again of the various parts of the production development, were you interested in developing new styles, having the designers offer new ideas, new ones in addition to just the blue jeans?
- Koshland: I personally was not particularly interested in that. We always had designers, and of course, we keep in touch with the trade nowadays very closely, with the department stores. They have a guiding interest in establishing our new line, because we're now a fashion business. In the early days that we were

Koshland: talking about before, we were mainly in basic jeans and jackets. But now, we're a fashion business, which makes it very much more difficult, as you can understand. Because we have to make garments where in the time schedule between the time we buy the cloth and it's delivered and manufactured, styles and fashions change very radically. The young people, as I've mentioned before, have a big influence on us, but they're a worry. They want a certain kind of pocket, and almost overnight, it would seem, they don't want that pocket any more. Then we have to dispose of them as irregulars.

Nathan: That's interesting. So a style change can make something obsolete--

Koshland: Can make a big difference. One of our strengths has been that the blue overall, tough denim, has remained in style, so to speak, through all these years, and we're very proud of that. It used to be a big percentage of the entire pants business. Now it's just a moderate amount.

Nathan: When do you think this emphasis on style came in, that you were most aware of?

Koshland: It started, I'd say, in the thirties, but developed in the forties and fifties and now is a dizzying experience lately.

Nathan: What is your mechanism for keeping up with all of this?

Koshland: We have stylists, and they go to the East occasionally, and they're in touch in Los Angeles, which is quite a style center too. San Francisco is not.

Nathan: It's not?

Koshland: No.

From Big Competitors to Small Ones

Koshland: There are many garment manufacturers in San Francisco that are small, except for us. We used to have big competitors, like Neustedter Brothers and Eloesser-Heynemann, that I referred to before. But now there

Koshland: are no big competitors but many, many small ones. You see, it is not very difficult to get into the apparel business. A few machines and a few women and somebody with ideas, and you're in it.

Nathan: Did Levi Strauss have people in smaller localities manufacturing on the machines? I was thinking of what we used to hear about--the Chinatown little shops.

Koshland: Yes, there are still a great many little shops in Chinatown. Some of them are half the size of this room [Battery Street office]. With two or three machines. And this is a very difficult group to regulate. We have laws on hours and working conditions, and the Chinese manufacturers have a great skill in evading the laws, and doing home work, which is prohibited by law.

Nathan: Working in your own home?

Koshland: Yes. Many Chinese did it, and they evaded the law and did it. They'd take these little trucks out at night, take them home, bring them back in the daytime. That was very difficult competition, not for us particularly. At one time, we did have a relationship with one Chinese manufacturer, and it was a very satisfactory one. But we had to watch him all the time. [Laughter.] They used to keep one set of books for the authorities and one set for themselves, and they're very sharp. Until recently, they never conformed to rules, regulations, or customs. And these shops were all in Chinatown. In fact, not many years ago an attempt was made to establish one on Mission Street, and the women wouldn't go. They wouldn't go to a nice airy factory on Mission Street.

But there's been quite a change just in the last year or two. We now have a number of Chinese women working in our factories; we never had that before. And they're very good workers.

Nathan: Well, that's interesting, because you were saying last time that you had originally many Italian and Irish, and then you had many Central Americans, and now you're beginning to get--

Koshland: Well, we have some Chinese, but we're still--I'm talking about the San Francisco factory--still essentially Central American. There's a sprinkling

Koshland: of all kinds of others, but there's a quite noticeable number of Chinese women working there now.

Preserving the Copyright Name

Nathan: Perhaps we can think a little more about some of your recollections of the early days of Levi Strauss & Co. I don't think we have to worry too much about statistics or a listing of facts, but maybe go back and find some of your memories of the company. One that occurred to me was an episode that was simply mentioned by someone else. I think it was during the Depression--when Montgomery Ward indicated that they would like to have some sort of closer relationship, either to take you over, or to take all of your production. Does that sound familiar?

Koshland: I know we had disputes at that time with Montgomery Ward because the name Levi's became more important and worthwhile all the time, and some of the Montgomery Ward stores started to advertise in their windows, "Montgomery Ward levis." We had to preserve that name, which was our copyrighted name, "L-e-v-i-'-s." Their legal department was quite rambunctious and refused to recognize our rights. We almost got into a lawsuit, but we didn't because they finally wrote us that they wouldn't use our name any more. That didn't mean they thought we were right because "Levi's" was nothing but a man's name. So that ended.

Later we had a similar dispute with Sears Roebuck & Company, and that almost got into the courts. But at the last moment, the chairman of the board realized that if he won this suit with us--this had to do with the tab on the back pocket--he simply opened it up to anybody else. It would not be of any great value to Sears Roebuck. So, the suit was settled without any damage done. We didn't want any money particularly, although it was in the complaint, but we wanted to establish our right to use this identification--the little tab on the back pocket of the Levi's, which has no utilitarian value whatsoever. It's an identifying mark, so anybody else that uses it is fooling the public. So, we've been very assiduous about standing up for our rights in this respect, the name and this tab. It

- Koshland: would be the same way about the leather label, but everybody's copied the leather label, and we don't fight about that any more.
- Nathan: I hadn't realized that people had made off with that part of your identity.
- Koshland: We have other labels and other rights that we hold, but these two that I mentioned are very important-- the name spelled correctly, with a capital "L." Many people use it, and we're very proud: a man writes a Western novel and he uses the word "Levi's," but we have to write that person, if he uses a small "l" and doesn't put the "'s," to maintain our legal right. So we write them letters and tell them we appreciate it, and we're very proud he mentioned us in his book, but please remember in the future, "L" and "'s." Most of them write back and thank us; some of them say, "You blankety-blank, don't worry. I'll never use your name again." [Laughter.]
- Nathan: This is sort of the generic name problem, isn't it?
- Koshland: It's become so. We have to protect that right; wherever we see it used generically, we protest politely. Because it's not generic any more than Stetson or Kodak.
- Nathan: Right, I was thinking of Kodak.
- Koshland: --or Coke. So, we have to stand by our rights, which we do uniformly. We've had no great trouble. We've had one suit rather recently in France, and lost the suit through a technicality.
- Nathan: Did that have to do with the name or with the label?
- Koshland: With the label, the tab.
- Nathan: Do you have difficulty with people copying your styles also?
- Koshland: Oh, yes. We don't have any more trouble than others. We copy other people's styles. In this industry everybody copies, whenever anyone has a new style. That's one of the prices you pay in being a leader, you have everybody copy what you do. You see, our business has changed so drastically from what it was in the days we've been talking about, when it was mostly in this blue overall. Now, we make hundreds

Koshland: of different garments: slacks and shorts and jackets, skirts even.

Nathan: Well, thinking again about this sort of constant watch that you have to maintain about the trademark and the use of your name, how do you cover the world this way? Is it your public relations office that watches?

Koshland: We have a particular legal department on this, and our salesmen are alerted to look out for these imitations. They notify us of any occurrences that they come across. And other departments here, public relations and others, are watching periodicals and call them to our attention.

Nathan: Do I understand correctly that Levi Strauss will permit a certain industry, like some ghetto industries, to use some of your designs or labels or materials for certain purposes or products?

Koshland: No, the ghetto industries may use them when they're manufacturing something for us which we buy. They make shopping bags--you've seen them--and other things.

Nathan: And you gave me a loose-leaf notebook that had a Levi pocket on it.

Koshland: Yes, that's made by a ghetto industry, and they have our label on it.

Nathan: But you buy it; they don't market it.

Koshland: No, they don't market it; we market it.

Nathan: Another one of the big legal problems, I suppose, had to do with the Koratron or the Sta-Prest process.

Koshland: Yes, that's a lawsuit now in progress. It hasn't been decided yet. It's been going on for a couple of years. We are one of approximately nineteen manufacturers involved in this suit. I would not say more, because it's now in progress; it's in the courts. Be glad when it's over.

Nathan: Yes. That's kind of a long haul.

Were there any other large concerns like Montgomery Ward and Sears Roebuck, who presented similar problems?

Koshland: Many years ago, before I came here, there was a near suit with J. C. Penney & Company. You see, in those early days we prided ourselves on not selling to chains. I don't know if I mentioned this before--our slogan and our letterhead was, "Reliable merchandise since 1852. Patronize your hometown merchant. He's your friend." So we didn't sell to chains. Then we began to sell to groups of department stores, like May Company, Broadway, Hale Brothers, Emporium, Macy's. And those have grown now so that the big department stores are now a mainstay of our business.

Whose Label?

Nathan: Around what time did you make that change in your selling patterns? Was that after World War II sometime?

Koshland: Oh no, before. It grew gradually, I'd say, in the 1930's. And then as the fame of the garment and the firm spread, why, they all wanted it. There were times when we couldn't sell to Macy's at all, because Macy's wanted their own label on everything.

Nathan: They wanted you to manufacture but put their own label on it?

Koshland: Yes. Many manufacturers do that, particularly smaller ones. But we stuck to our guns, and we wouldn't manufacture anything that didn't have our label rather than the label of the purchaser. In the long run, of course, it's paid off. They all use our label on our garments.

Nathan: Were you one of the first manufacturers in this field to insist on your own label?

Koshland: I wouldn't say that, but I'd say we were one of the first large manufacturers that insisted on that, because there's always been tremendous competition in this business. There are hundreds of people manufacturing pants, so it was very tempting to accede to the demands of the large customer like Macy's, but we didn't.

Nathan: Was such a decision made by you and Walter Haas? How do you decide a great big policy issue like that?

- Koshland: In those days it was Walter Haas and myself. Now, it's done by the younger men and the newly appointed executives of the last five years who decide these things. Occasionally they consult Walter Haas and myself on some very important decision involving the policy of the company.
- Nathan: When the Sterns were still basically running the business, maybe before Walter Haas came in--would it be just one or two people then who would make big decisions, do you know? Have you heard them discuss it?
- Koshland: Yes. Later it was Walter Haas, Sr. and myself, and then Walter, Jr. came in, and then still later Peter-- we were the so-called "big four." Now, it's again the big two, and the other two are upstairs in the penthouse waiting to be called on for advice or help.
- Nathan: Well, let's think back again once more to the time when it was you and Walter Haas, then. How would you go about making a decision like this, only to to manufacture under your own label? Do you remember how you got to that?
- Koshland: Various department heads were involved in it, because they dealt more closely with the customer. When there was a difference of opinion or this matter came up for settlement, they couldn't settle it. They had to come to us. Nowadays, we go to the others that I've mentioned, the younger people. In those days it was really Walter Haas and myself, in consultation with department heads. We didn't have too many departments back in those early days.
- Nathan: What would they be--production, would that be one department, for example?
- Koshland: Yes, there was a manufacturing department and a wholesaling department. I told you that we disposed of the wholesale in the late thirties. The manufacturing was divided into two main departments, overalls and shirts. Everything was in those two.
- Nathan: Oh, it sounds so simple.
- Koshland: It was very simple. It seems so now.
- Nathan: It probably wasn't then.

Koshland: No, it wasn't. And we had very keen competition from our people on the Pacific Coast here--San Francisco and Los Angeles. That's more or less the lesser part of our competition now. Now, the national firms--I was going to say international--but it's mainly the big manufacturers in this country, like Blue Bell and Farah, and H. D. Lee & Company, who've always been competitors, but much more so now. Back in the old days there were firms that you probably never heard of, like Cohn Goldwater & Company of Los Angeles, Brownstein Lewis, Eloesser-Heynemann in San Francisco and Neustedter Brothers, and Everwear Manufacturing Company. Those firms I've mentioned--they're all out of business. The coast ones, none of them exist any more. In the meantime, the national ones have grown very much.

Campaigns and Public Issues

Nathan: I was wondering whether your close association with Levi Strauss made it harder for you to, let's say, be active in something like the Council for Civic Unity or other civic activities.

Koshland: I never felt that restraint at all. We never have engaged in political activity as a firm. Individuals are active--Mr. Walter Haas, Sr., has always been active in Republican party affairs. I have been a registered Republican who votes very often on the other side and do not consider myself a very strong partisan, whereas he did and still does.

Nathan: But as a company you did not back candidates?

Koshland: No.

Nathan: --or sometimes issues?

Koshland: Well, I would say that we did occasionally--not as a company. In fact, nowadays we can't in a national election. But, individually we would contribute to the campaign of a congressional or a senatorial candidate. Only individuals, not the firm. The firm contributed to many causes in San Francisco, like SPUR [San Francisco Planning and Urban Renewal Association] for example, Red Cross. We always contributed as a firm to disaster programs of the Red

- Koshland: Cross, such as the recent Nicaraguan earthquake. We contribute to campaigns for state and county measures--ordinances pro and con, say in San Francisco. But we have become very wary of that recently because our employees have become vocal and get quite upset if the firm gives to certain measures.
- Nathan: The high rise initiative--was that one of them?
- Koshland: Yes. I think that caused some excitement. But we don't do it during the last year without running it through our public relations department to find out what our employees think.
- Nathan: Very interesting. You get your public relations department to sound out the employees?
- Koshland: Yes, they have ways of sounding them out, through the departments. And I think I told you about the incident of the Cambodian invasion--
- Nathan: No, I don't think I have that.
- Koshland: When we invaded Cambodia, Walter Haas, Jr., who opposed it personally, had already sent a telegram and made a statement to the press which was in the newspapers right away. Also, we offered our employees the opportunity to communicate with the President, and we would pay the cost of the communication, no matter what side it was on.
- Nathan: This would be by telegram--
- Koshland: Letter or telegram, yes. And it led to a very interesting situation, because one of my grandchildren felt very strongly that the firm should go all the way to oppose the invasion of Cambodia and had a very interesting exchange of correspondence with Walter, Jr. He tried to explain to her that he was an individual; he expressed his views to the President, and he instituted the policy of allowing the people to send messages and we paid for the messages, but he pointed out to this grandchild, whom you know, that he could not speak for the firm. He explained to her that even the board of directors couldn't speak for the firm, that the employees couldn't speak, that the customers couldn't speak. So he questioned her and argued with her (she was a Stanford freshman at the time) and she was totally unmoved, saying that if you're for something, you're

Koshland: all out for it.

Nathan: This is very interesting. Now, just to follow his argument a little more, at that point was he chairman of the board, or was he president?

Koshland: President.

Nathan: He was president. He said the president couldn't speak for the firm, the board couldn't, and apparently no single--

Koshland: Nobody could speak for the firm--not the president.

Nathan: Would he have argued that there is any way for a firm, as a firm, to express an opinion or was he saying that no firm can have an opinion?

Koshland: No, he wouldn't say that. I told you we now do have opinions, particularly on state measures, local measures. But he would maintain, so would I, that nobody has a right to speak for the firm in an election. We draw a fine line on that.

Nathan: It's a very subtle question, and you know, it's one that's very interesting, and it's hard to come to grips with.

Koshland: Because you know from the League of Women Voters, they'd never support a candidate--

Nathan: That's a policy, right.

Koshland: That's right. After they study the situation, they will come out for or against it.

Nathan: On an issue.

Koshland: On an issue, right.

Nathan: Of course, it's probably not a good parallel, because in such a case, the members vote.

Koshland: Yes. And in our case we do not have a vote. We rarely do come out as a firm on an issue, for or against. But there have been one or two that have been so important in the eyes of our top officers that we've sort of consulted the rank and file to see what they think.

- Nathan: That's very interesting. Well, back again to the early days--when you and Walter Haas, Sr., were making the major decisions, did you then get involved in any public issues?
- Koshland: Yes, sure. Many of them. I was one of the leaders in the Council for Civic Unity, worked for passage of the ordinance to the Board of Supervisors prohibiting discrimination in employment. Not as a firm; I was just myself, now and then, on whatever time I had from Levi Strauss & Co. I spoke once or twice at the Board [of Supervisors], when discrimination was a very heady issue. It started here and then went to the state and then nationwide.
- Nathan: San Francisco was really rather out in front, wasn't it, in fair employment practices?
- Koshland: Yes, I think it was. And during the war, we had placards in the window that we were a fair employer. We couldn't put it in the window until we actually practiced it, and we did.
- Nathan: I guess that was rather a proud part of your history.
- Koshland: Yes, I think so. We took a leading role--not the firm, but people that made up the top offices.
- Nathan: It does become hard to separate out, doesn't it?
- Koshland: Yes, but it doesn't now any more, because we have so many vice-presidents now. We're talking of earlier when this was a two-man supervisory group. Now we have a board of directors of sixteen people who pass on these things and the decisions are made by management, which is made up largely of three people.
- Nathan: But formerly, when the two of you were in the room, that was the group, wasn't it?
- Koshland: Yes. But we didn't always agree, you know. That's why I say we very rarely took sides on an issue. We did on candidates for offices, but that was never a matter of the firm supporting any candidate.

Advertising

Nathan: You were thinking earlier about advertising--

Koshland: As I said before, I remember one of our first advertising budgets was \$20,000. That was devoted to roadside signs and advertising in cowboy and western, agricultural journals, and a little newspaper advertising. I remember people saying to me, "Gosh, you spend an awful lot on advertising. I bet you spend a million dollars." And I'd say, "Well, not quite." That's all it was.

Nathan: It must have seemed like everywhere they looked they saw Levi's.

You were saying the other day a little bit about the European ads for Levi's--you felt they were more lively.

Koshland: Yes, more attractive in color and design than the ones here. Although, ours here are getting better all the time I think. Of course, in those days there was no such thing as television or even radio advertising. That came much later. Our advertising in the early days was all newspapers, billboards, and dealers' helps, such as blotters with our names on them.

Nathan: Desk blotters?

Koshland: Yes. And little signs to put in the stores on the counters. We still use the signs, but I don't think we have any blotters any more or things of that nature. Those are called "dealers' helps."

Now we have what we call "cooperative advertising." We give the dealers half of the money they spend on advertising our products. It's spent under very strict rules. Of course, the dealer can advertise himself, if he wants a contribution from us. And of course, we have to offer that to everybody. Anything we do with one customer we have to do with everybody.

Part of our advertising is publicizing an episode which you may see on television, where a man has tied a pair of overalls to an automobile to have it towed away. [Laughter.]

Nathan: It can hitch up a tow?

Koshland: They actually use them to hitch the horses to the automobile, and tow it to the garage. Or they use Levi's to put out a brush fire in the country--they take off the overalls and eliminate a brush fire. [Laughter.] All sorts of peculiar things happen. If you watch television today, these things are brought into the commercials.

One of our ads last year showed a miner burying his overalls that he'd worn for twenty years; they were so patched and old. They made quite a scene out of it. Tears flowed down his cheeks. [Laughter.]

Nathan: I see. His trusty overalls.

Koshland: You see, in the advertising it's very difficult because we've got to show--well, we did always--you had to show the back part of a man's pocket displaying the kind of a pocket and the design and all that. But nowadays, like all other firms, they can advertise anything.

Nathan: I see. So originally you had to show that label and the little tab.

Koshland: Yes. It was necessary, because we were drawing the attention of the customer: See, if it doesn't have this tab, it's not a real Levi's.

Nathan: Well, that would really call up a certain creativity on the part of the photographer [laughing].

Koshland: Sure. Well, one of our board members is Joe Cullman of Philip Morris, which is probably the most successful of the cigarette companies. They've made a remarkable success. In the latter years, one of the cigarettes is Marlborough--the Marlborough man. It's always the cowboy in the country, the western theme. That's been used to push cigarettes. You know, the man pulls out a cigarette and lights it in romantic surroundings. So, that's what you know from modern advertising: the product may have no relation to the ad except through association, guilt by association.

Nathan: I suppose in the early days you did advertise, you were saying, in agricultural journals and the rodeo circuit?

Koshland: Really, our original growth in the manufacturing line came from the fact that the cowboys wore them and then the farmers wore them and then the miners wore them, and we played that up. We used to great advantage the western theme. Even when I was in Europe ten years ago, in Germany, in France, "the western"--what we called then western movies--they were a tremendously successful form of entertainment. I think the western theme is not quite as important now as it was then, although I gave you the Philip Morris example to show that it's still very potent.

Nathan: Now I suppose it's nostalgic in a way, because that West really isn't in existence any more.

Koshland: No. No, we realized from that advertising that we couldn't live forever on the western theme, the cowboy theme. But it still has some feeling.

Nathan: Yes, it has a certain charm still. You have seen the Levi theme change over the years. It really started, as you were saying, in the cowboy, western, miner, farmer kind of thing--

Koshland: Yes.

Nathan: How do you see it changing? What is it moving into now?

Koshland: The big growth came with the fact that the young people copied what the adults were wearing. And it really started at the University of California, when the sophomore class some year adopted this as their garment. It spread from one class to the University generally and then from that to other universities, from the universities to the high schools. So that our growth through the years has very much depended upon the young people. And now the young people we follow very closely, because they set the styles.

I think I mentioned before sometimes--they don't want a pocket, or two pockets, and we follow that very closely, our stylists do. Of course, we keep in touch with the retailers, who also are very aware of trends and changes.

Nathan: So you really have to listen very well.

Koshland: Oh surely. We have surveys made once in a while by

Koshland: outside agencies, picking out a number of cities and going to their main store and getting an impression of our garment and its allure for the different elements in the population, but primarily the young people.

Nathan: Has the advertising and the public relations--has that been an interest of yours pretty much over the years?

Koshland: Not especially. Generally, no.

Nathan: And was Honig-Cooper And Harrington your advertising agency?

Koshland: Yes, for quite a few years. Well, you don't want the history of that.

Nathan: Oh yes, I would like it--just a little.

Koshland: Well, when we first got going in advertising, we used a national firm, McCann-Erickson, which is still a very important one. But we were not successful with them. And then we took a local agent that understood us, a man named Leon Livingston. And Leon Livingston then joined up with Frank Cooper. The first outside person on our board of directors was an advertising man whom we all liked very much: Bill Day. He was associated with Honig-Cooper. We relied very much on the one person, the account executive, Bill Day.

So, in those early days the influence of the one individual was very important. It's still important. In all these years we've had our own advertising department, which works with the outside advertising, and that's always been a happy relationship.

Nathan: It's interesting that you found it more successful to work with a locally based advertising concern--

Koshland: --than a national one. That's right.

Nathan: And you were locally based very much in those early days, weren't you?

Koshland: Yes, that's right. Going with the theme, you know, of "Patronize your hometown merchant, he's your friend." You know nowadays the Chase Bank in New York, their main advertising is built around "the friendly bank," "We're your friend," "You have a

Koshland: friend at Chase Bank." [Laughter.] It's carried to an extreme, you see.

Nathan: Friendly money, that's nice to know about.

I did promise you that I would not proceed beyond the allotted time.

Koshland: Yes, I'd better go to work for Levi Strauss now, although I guess I have been working for them, eh?

Nathan: Oh, I think so, very importantly.

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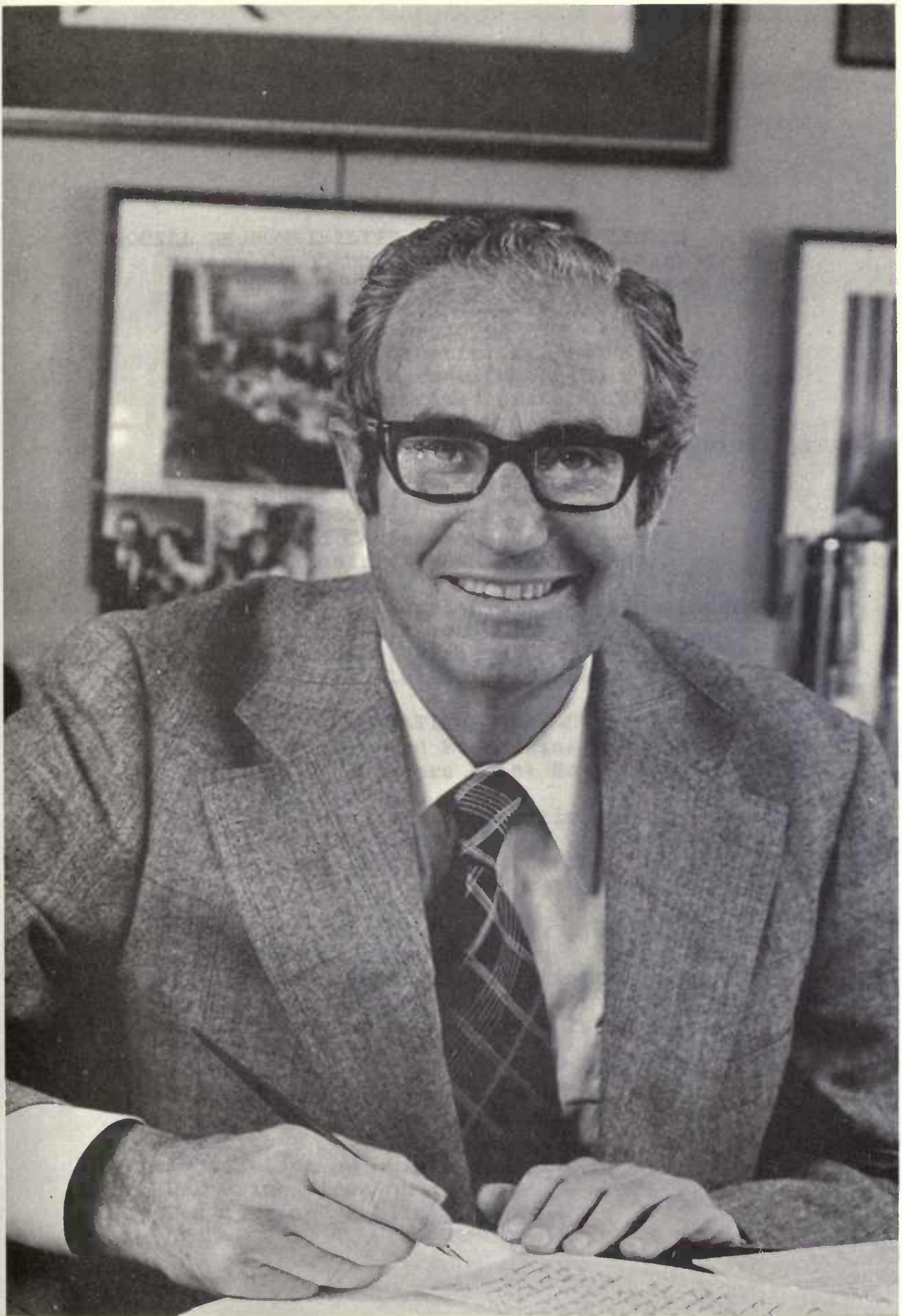
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LEVI STRAUSS & CO.: TAILORS TO THE WORLD

Walter A. Haas, Jr.

An Interview Conducted by
Harriet Nathan



Walter A. Haas, Jr.

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INTERVIEW HISTORY

Walter A. Haas, Jr. made his contribution to the Levi Strauss & Co. memoir during one extended session from 8:45 a.m. until shortly after 12 noon. It took place at the Battery Street office in San Francisco on August 10, 1973. After the interview was transcribed, it was lightly edited and submitted to Mr. Haas for review and approval. He made a few editorial corrections.

At the time of the interview, the firm was undergoing its shakedown period of transition from a family-owned enterprise to a public one, and Mr. Haas was able to discuss business questions while they were still evolving. He also spoke of some aspects of his personal life as well as outside interests and activities.

He called attention to the qualities and achievements of the two older presidents of the firm, his father Walter A. Haas, Sr. and his uncle, Daniel E. Koshland, Sr., and to his brother Peter's abilities and the way they worked together. He noted examples of his wife's clear judgment and recounted his delight at feeling "tall in the saddle" when his children approved of a particular policy.

Mr. Haas spoke with the kind of wry candor that also characterizes many of his public speeches. Along with a generally easy demeanor, he radiated enthusiasm in discussing evidence of the use of and demand for Levi's he had seen in many places around the world. His attitude was one of welcoming change and challenge, with gratitude that the firm is in a field that permits adaptation. As he said, "We're lucky we're not in buggy whips."

Harriet Nathan
Interviewer-Editor

23 April 1976
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I SOCIAL RESPONSIBILITY AND COMPANY POLICY

W. Haas, Jr.: Do you want to start with company policy and social responsibility?

Nathan: That would be fine.

W. Haas, Jr.: I suppose that Pete [Haas] and I came by it rather naturally because we were born into a family that had a tradition of public service, and we also were in a private company, where we could do pretty much as we wished without worrying about outside stockholders being concerned on expenditures that might not look like there was an immediate payoff.

This started, with Levi Strauss in the family, when we were first born, and in the company it goes back many, many years. The incident I recall has to do with Milton Grunbaum. I don't know if he told you this, and if he did, I'll stop; I doubt that he might have mentioned it.

He was an elevator operator when he first started, and he went to my grandfather, Sigmund Stern, and asked if he could be transferred to the factory on Valencia Street. My grandfather asked why, and he said, "Well, I'm ambitious and I want to get to the top, and in a family business I'll never be able to do it in the headquarters because I'm sure it will be in the family's hands." So he was transferred.

About this time, or soon after Dad came into the business, he discovered that a couple of grandfather's most trusted employees--key people--were not at all what they were supposed to be.

W. Haas, Jr.: In essence, he brought this to Sigmund Stern's attention and indicated it was either them or him. One of them was the factory manager.

So, my grandfather backed Dad, and the factory manager was let go, and there was a tremendous schism in the business. We lost a lot of key executives at that time, including one brother of Dave Beroneo; Dave stayed on. In other words, one brother left, one stayed, and Dave Beroneo ended up the most highly valued and trusted officer of the company and was with us over fifty years.

Well anyway, at this point they had nobody to run the factory except young Milton Grunbaum.

Nathan: How old was he?

W. Haas, Jr.: About eighteen years old.

Milton Grunbaum and the First All-Factory Bonus

W. Haas, Jr.: But he was very young and very new, and able and ambitious. And so he did, he took over, and at the end of the year my grandfather called him into his office and said, "You've done a fine job in difficult circumstances, and we want to reward you. It's customary in 98 Battery Street to give bonuses at the end of the year for those who have done good work."

And Milton Grunbaum said, "Yes, I appreciate that. And you know, I need it, I'm supporting my mother and father. But I can't accept a bonus unless you give a bonus to every girl in the factory as well." This was an unheard of thing, because in those days women on machines were just numbers, they weren't human. This was a new concept, and my grandfather said he'd have to think about it. Overnight he thought about it, called Milton in the next morning and said, "All right, we're going to do it." Milton said, "You've got to do one other thing. You've got to come out to the factory when we make the award." My grandfather apparently did. The

W. Haas, Jr.: amounts weren't much--a dollar, two dollars, five dollars, but the fact that there was recognition of these women as individuals caused a scene that I couldn't describe because I wasn't there. They were hysterical, they were crying, they were kissing, and my grandfather left in the middle because he was so ashamed that they'd never thought of it before.

So, that's as far back as I go, but there's a long tradition of concern about people in this company, and it's been maintained.

Keeping in Touch with Retired Employees

W. Haas, Jr.: Then, we have another program that's overlooked a lot, but I'm very proud of it. It's good because it's not directed towards any particular group, at least not only to minorities. (Most people, when they think of social responsibility, think of minorities or the disadvantaged.) We have a plan that we started, I don't know, fifteen or twenty years ago for our retired employees. We take one, now two or three, retired employees and pay them a small amount to contact the other retired employees on a regular basis to bring them news of their friends in the company, bring them company news, indirectly see how they're doing; if their finances are low, without hurting any pride, we get to know about it.

Like just yesterday we heard of a woman who'd been with us a long time; she's very proud; but apparently she's destitute. So, without her knowing it, she's being singled out, and we were able to raise her pension.

Or if someone needs health care and isn't getting it, we're able to provide this.

It's not a big program, it's not an expensive program, but it's one that I'm very proud of because it lets our people know they won't be forgotten. On birthdays they get a box of candy or flowers. I wish more companies did that; it's so simple, and I think it's very rewarding and meaningful.

An Equal Opportunity Employer

W. Haas, Jr.: One of the early things that we did was to decide to hire regardless of race or ethnic background. I don't know when this started; it must have been at least thirty years ago in the plants. I know it was over twenty-five years ago here, because I remember giving a twenty-five year pin to Booker T. Washington, the first Black that was hired, and I was happy to be the man that hired him.

But, long before then our factories were hiring minorities--certainly Mexican-Americans in the Southwest, and I'm sure Blacks and Orientals here and in other locations.

We adopted a policy, as we grew and needed additional production facilities, of going to the community that was trying to entice us--and we're a very big employer for a small community and very desirable--so many of these communities would offer all kinds of tax incentives. The local business development group would buy property or get loans at low interest rates. There are various things that they do to attract industry which are quite proper, which of course we took advantage of.

We would go to a community and indicate that we were an equal opportunity employer and that they should know this before we were established, and if for any reason that this was not compatible with their way of doing things or if they resisted in any way, we would say, "That's all right. We'll look elsewhere." I don't know of an instance where we were refused, but I know of a number of instances where we changed the whole employment practices in a community because our attitude influenced others. And this goes back a long time.

Nathan: Was this not only in the South?

W. Haas, Jr.: Well, most of our plants are generally in the Southwest or Southeast--Tennessee, I'd consider the South, Missouri maybe borderline. Yes, it was mostly in the Southern part of the U.S. In those days the focus was more there.

W. Haas, Jr.: You ask, "How did this start and develop?" and I think that's it. And then you ask --"is it important, is it imperiled by growth, what are the rewards and hazards, problems of communicating our divisional structure"--

No problem really. I get on a soapbox when I say how important it is. We did it because we just thought it was morally correct. It turned out to be very good business. I could say that if this business is going to survive in today's environment, it has to take a look beyond what it used to think its responsibilities were, which was to make a profit for the stockholders. We've got to be part of the community and the country and its problems. There are certain things a business can do to help those problems and a lot of things it can't do that it's expected to do.

Benefits for the Employer

W. Haas, Jr.: We've discovered an awful lot of areas where you can do something, and it's very rewarding, very satisfying. The biggest benefit you get is the pride of your own people--your ability to attract the very best young people--because business in general has a very poor image in the eyes of the public and especially of many of the younger people. So those who want to make a business career are attracted to companies who have this philosophy. We haven't tooted our horn, but we have become known as leaders in this area, and we're known all over the country.

And I think ten or fifteen years ago we'd go to Stanford Business School or Harvard Business School, and [they'd say], "Who's Levi Strauss?"

Today, there are not enough hours for our recruiters to talk to the people. We can recruit against IBM or Ford or anybody and get the top people. That's immeasurable in value, because a business succeeds only in proportion to the calibre of the people it has.

Possibility of Competitive Disadvantage

Nathan: Do your policies, do you feel, ever put you in a difficult competitive situation? Is it more expensive to do what you do?

W. Haas, Jr.: Yes, by one measure, by measuring it on short-term results. I can't show the stockholders a five-cent return on our attempt to help minority retailers, or the training costs of people who perhaps haven't the background that we require in entry level positions, or the training required to bring people of native intelligence up to the point where they can take on more responsibility. This costs money. The latter type of thing I think pays off in the long run, because we're enlarging our work force and potential management group.

But, we then went public--you ought to see it, if you haven't seen the prospectus.

Nathan: I have it.

W. Haas, Jr.: It's the first time, I was told by the investment community, the first time that any company in its prospectus indicated--I forget the exact wording--that it was dedicated to social responsibility, and in a sense warning investors that they had to expect this and we weren't going to change. [Laughter.]

I don't know if it had any effect.

Nathan: Does it ever happen that people you have invested in, and trained, are ever lured away then by other companies?

W. Haas, Jr.: Oh yes, that's one of the hazards. I really don't know of any that we've felt we wanted to keep. We've had a number that have been disappointing. We didn't object when they were able to find other positions.

I'm just following this outline: you asked whether it puts us at a competitive disadvantage.

Some of our costs are higher. We for years

W. Haas, Jr.: have had a factory on Valencia Street; I've referred to it. San Francisco is a very high-cost town to produce in. The factory is inefficient, relatively, in view of the fact that it's on several floors and it's an old building--sixty-five years old. With the inducements that other communities offer us, this production could be more efficiently developed in some other area. And so, for a long time we considered moving out of San Francisco, and I have to confess that part of our reason for staying is that this is where the business started and there's some nostalgic desire to stay here. But also, most of the people working in that plant are minorities; they're disadvantaged. And we just didn't think it was consistent to throw over three hundred people out of work that would have a hard time getting jobs. Admittedly, they were trained, and we would have to train new people. I don't want to sound too self-serving, but in the long run, we should not be operating in San Francisco, particularly since even though we provide steady work and working conditions are good, it's a low-pay industry. We are someday going to get some very bad publicity when some militant organization accuses us of operating a sweatshop in the middle of San Francisco, which we could avoid by going out.

What I started to say is we decided to stay, and put out almost a million dollars to renovate the plant, make it modern and nice, and attractive--it isn't modern--but attractive and bright and comfortable. That is a cost we wouldn't have if we didn't have this sincere feeling that we have a responsibility to our employees and to society in general.

Nathan: Are jeans still manufactured at Valencia Street?

W. Haas, Jr.: Yes, but I think a variety of them, not necessarily the same copper-riveted overall. But they're still making various types of jeans.

Nathan: As you become larger, as you were saying, do the pressures change to eliminate high-cost plants?

W. Haas, Jr.: Sure. You referred to divisionalization--I think we've been doing what we've been doing



Valencia Street Factory in San Francisco before and after 1971 renovation. Walter Haas, Jr. shown with children in playground.

W. Haas, Jr.: long enough so that everybody understands what we expect. But now we're big and we're public, and we're divisionalized. A divisional manager has the responsibility of making that bottom line. It's hard for him to have a high turnover on the sales force, for instance, because he's trying to find women and minorities to reach the affirmative action goals we've established five and ten years down the road.

. Fashion and the Market for Rejects

W. Haas, Jr.: It's costing him more, but this is one of the costs of doing business, just as research and development or other things are expenditures that perhaps don't have an immediate payoff. Those are the rules of the game. And we feel that in the fashion business, the style business, that we can be ingenious enough to overcome this type of thing. It's not as if we were selling, oh, I don't know--steel ingots--where you couldn't tell one from the other. Our business lends itself to an opportunity to overcome some of these expenses. It's harder to do business this way, but that's the way we want to do it.

Nathan: This emergence into a fashion business really does mark a change from perhaps the very early days--?

W. Haas, Jr.: Yes. In the early days we were mostly in wholesaling and made some western wear, which was fashion, and blue jeans and overalls and coveralls, which were, I suppose, primarily utility garments. And of course, that gets into a whole sweeping series of changes that occurred in the business, and I don't think this is the time to start talking about it.

Nathan: We can come to it later, if you like.

I was just thinking that this does put a different kind of pressure on your designers, in a sense.

W. Haas, Jr.: I don't know that we even had designers; we probably had pattern makers [laughter]--in the

W. Haas, Jr.: early days. No, that's unfair; I'm sure that we did have designers, but we didn't have designers of high fashion certainly. Now I guess the staid old copper-riveted blue Levi guaranteed to fade and shrink is one of the high fashion items. In fact, they're now being sold used, as you have probably learned.

Nathan: Yes, this is something I hoped you would mention.

A Contest for Decorated Jeans

W. Haas, Jr.: It's incredible. Well, we sell our rejects, which we used to give away as rags. I think we just raised the price on them to a little over two dollars. Then they're decorated and sold for fifteen or twenty dollars, I understand. Don't let this get out just yet, but we are just going to sponsor a nation-wide art contest for prizes for the best decorated jeans. All the kids are doing it; we've seen some of the things that come in here that are fantastic, and we expect some very high quality artists to enter the contest. I think it will be kind of a good publicity stunt or public relations stunt, but it's not been announced, so I do ask that you don't mention it.*

Nathan: I won't. They are apparently taking used jeans and opening the seams so that they become fabric, and then they cut something new.

W. Haas, Jr.: I know. And they make caps and skirts and everything else. This has been done for some years, I believe, but it's just suddenly caught on. There are shops that are doing very well doing this. I don't know where they get them. I don't know if it's cut down our returns. This gives me an idea I ought to look up; it probably has.

*A catalog of exhibits in the decorated jeans contest, Levi's Denim Art Contest Catalogue of Winners (Mill Valley: Baron Wolman/ Squarebooks, 1974), has been deposited in The Bancroft Library with this memoir.

Nathan: Maybe hire some bad operators especially to make rejects so that you can get in on this. [Laughter.]

W. Haas, Jr.: Well, I know of one retailer who's thinking of offering a trade-in, if you can believe it. Like you take your car in to buy a new one; they'll give you an allowance on your old car. He's thinking of offering, I don't know what--a sum of money--for anybody to bring an old pair of Levi's in and buy a new pair. And then he in turn will probably sell the old pair to us. [Laughter.] It's an unbelievable business. We're not smart enough to cause these things to happen, but they all add to the--I don't know--the aura that Levi's are somehow different and exciting and in demand, which of course we benefit from.

Nathan: Once the jeans have been worn and they've been faded and then the fabric is used and made into a cap--I saw a picture of a cap with a little tag on it--you no longer have control over the thing once it's remade, do you?

W. Haas, Jr.: I know. Well, sure, I can't do it if you buy a pair of jeans and make an American flag out of them to put on the seat of your pants, I really can't do much about it [laughter]--although I'd like to.

On the ones we sell, we remove all distinctive markings. We do remove the tags and the labelings. But there's a button here that says "Levi Strauss," and we stamp it so they can't be returned under our guaranteed policy of getting a new pair free for any returned. [Laughter.] This could be a revolving door; you could have a lifetime supply.

Nathan: The same pair of jeans could keep coming back over and over in different guises then probably.

W. Haas, Jr.: It could.

Fading and Shrinking

W. Haas, Jr.: I'm not familiar with it, but we have a laundry that's developed a means of laundering new Levi's

W. Haas, Jr.: to make them look old [laughter] without taking a lot of the wear out of them, which usually happens when you put bleaches in. Actually, one of the reasons Levi's blue jeans are so successful is that they're one of the very few items in the whole world that are better after they're used than when they're new. They're softer, they're more comfortable, they fit better. They also wear better, because they shrink, since the same weight of cotton is compressed into a smaller area, which obviously makes it stronger. This is one feature about the utility of the pants that people don't realize, and yet this is probably one of the reasons it's done so well through the years.

Nathan: I might ask--perhaps you already have done this-- why you don't pre-shrink the way some other manufacturers do.

W. Haas, Jr.: Oh, we've been pre-shrinking for fifteen years.

Nathan: But not that particular model?

W. Haas, Jr.: Oh yes, we have the same model pre-shrunk, and we have the zipper on it instead of buttons, but there's still a tremendous demand for the old-fashioned, button-fly 501s, as we call them.

In fact, that's the only model out of several thousand different styles that we have that is not pre-shrunk. But we developed our own pre-shrinking. We didn't think Sanforizing was good enough for a heavy-weight material, and so we developed what we call Process 686, with the help of the mill, and we think it's a better shrinking process. Now, we use all types of shrinking processes on different types of fabrics, or we buy fabrics that have been pre-shrunk by different methods, but on the hallowed blue jean we developed our own shrinking process.

Now, what's next?

Beginning Affirmative Action, and Communicating Attitudes

Nathan: In addition to your reference to racial minorities, you might want to comment on some of these other groups that are harder to employ.

W. Haas, Jr: This was not really a program of the company. I hired the first Black man as a janitor. We wanted to expand on this, and there was considerable resistance.

Two things--first of all, Booker [T. Washington] said, "Now, if you're going to hire any more colored--" (or Negroes, I guess, was the term used then.) He said, "You let me find somebody, because I don't want anybody coming here and lousing up my chances by not doing a good job." So, for the initial part of our affirmative action program at 98 Battery street, the first employee was the screening committee. And he didn't bring in a bunch of relatives; he employed some very good, qualified men. But in the office we've never had anybody do that. And these were all in menial, janitorial-type jobs, warehouse, and they progressed from there eventually.

We in the summer employed part-time help to help out in the vacation period, in what was then the mezzanine, which is now our whole computer center. We had that in a very small area. And we hired a temporary woman, Ruth Cole--we still keep in touch--and she was a highly intelligent, well-educated, qualified typist, I suppose, and she was doing file work. And at the end of the summer, I went to the department and said, "Now, it happens that you have an opening for a permanent job. Normally, if we had some qualified temporary employee, he or she has the first crack. But in view of the situation, I wanted to check with you if it's okay if we offer Ruth the job." After having already spent two or three months in the department as a temporary, there was no problem. So, she came on the permanent payroll and the doors were opened.

Nathan: Did you have occasion to discuss the matter with the other employees to explain your point of view?

W. Haas, Jr.: I did. I meant to give the impression that before we offered her a permanent job, I discussed it with the employees in her department. I didn't go beyond that. I had subsequent complaints from her supervisor about her use of the toilet facilities. And I said, "Well, we all eat in the cafeteria, and I see no difference. We're not going to change it. If you don't like it, you can find other toilet facilities." Or in effect, another job. And that ended anything that I heard about the situation.

Nathan: I take it that the sense of conviction on the part of management carries a good deal of weight.

W. Haas, Jr.: Yes. It's impossible to have a successful program without it in any area. Now admittedly, it's hard to transmit things--communications is one of the major problems of a business of any size, particularly as we get bigger. We get a lot of lip service on various programs. So, just because the top management has a conviction, doesn't mean it's going to get done. But it won't get done without that conviction.

Nathan: You have systems for making certain that policies are carried through?

W. Haas, Jr.: Yes, to the degree we can. We evaluate a person in his job, whether he or she is doing it in accordance with basic policy and do it through a level of supervision. And we have 22,000 human beings in this organization, and they're not all MBAs [Masters of Business Administration] and they're not all saints, and they're not all the best qualified individuals for that job. So things fall through the cracks and policies are subverted.

When we find out about it, we change and sometimes there have been some casualties in terms of unfair treatment, loss of money or whatever.

Using Tests

W. Haas, Jr.: I was personnel manager for a period of time

W. Haas, Jr.: (for six years, it says here).

Nathan: You were quite a young character for that job.

W. Haas, Jr.: I don't think I was director of personnel that soon. I think that's wrong, because I just got out of the service in '46, I believe. I didn't start as personnel manager--for quite a while. I think it was a much shorter period, and I would guess it started three or four years after I came. But it was bad because I was a member of the family. I think businesses should have somebody to be something of an Ombudsman so that if you have a complaint about your supervisor or have a personal problem, you can come without fear of having information go to the wrong people. It would be an awkward thing for somebody to come to me with a personal problem, close as I was to the family and obviously I was probably going to move ahead in the business.

But I also thought it would be--you know, a little knowledge is so dangerous--I thought it would be good to try to apply some of these aptitude tests to employees. We'd never had them, and I wasn't trained to administer them. But I did. From Stanford, there was an interest test. I don't even remember the name of it. It's not used anymore. I know it was considered good then, and I used it and I administered it. I used it more in the negative sense--if people didn't do well I wouldn't consider them. On the whole I think it was probably helpful. But I gave the test to myself, and the one thing I rated lowest on was personnel managing, so I decided we ought to move me out of there [laughter] into something else. And I was in a position to do it.

[Laughter.] So, that's the way I got my start. I flunked.

Nathan: From there what did the test tell you to do?

W. Haas, Jr.: I don't remember. I do remember that negative part. I was appalled and I wouldn't show it to anybody.

Nathan: Oh, that's a good story.

Employing Special Groups

W. Haas, Jr.: Here we go into Fair Employment Practices. You're right. After the days of Hitler--as many, many other employers in businesses owned by Jewish families--we brought in a great many German refugees. Of course, it was a hard thing for some of these men and women, particularly the men, I suppose, who'd maybe had important positions in business, to work in the warehouse. Yet they were not only grateful, but exceedingly good workers, and the great majority of them had the old-fashioned attitude of saving their money. They invested it in Levi Strauss stock, and they all benefited, those that did. Many of them have since retired and are quite well-off financially.

I don't think we were particularly unusual in doing this. We do have ex-convicts, we do have handicapped, we do have a program for hard-core unemployed, and of course, we have an affirmative action program for women that attained national publicity. I mention that because we're not doing that much, but we have been able to have sensitive enough antennae to, I think, realize some of the winds that are blowing and perhaps develop programs before we're forced to, a little sooner than other people do. You only have to be an inch taller to stand out in a crowd. (When you meet Tom Harris, talk with him.) You'll see that if you talk with some other executives. Of course, Peter and I are on several boards of directors; there are many ways of keeping your ear to the ground and recognizing what I consider a proper concern for society, instead of hoping the problems will go away or resisting, which is too much the case with many other corporations.

Personal and Company Awards

W. Haas, Jr.: I remember I was given an award by the Harvard Business School Club, the first award for Business-Man of the Year. I got it because of what the company does, of course, and I only mention this because I had to make an address,

W. Haas, Jr.: and the title of my address was, "We Want More Competition." In a sense it's what we're doing-- the more we do, the more we appreciate how much more we should be or could be doing and hope that by example, others will follow. People inevitably ask, as you did, "Does this hurt you competitively? Can you do it without sacrificing profits?" I think our record shows that so far, if we're classed as good guys, good guys can be successful.

Nathan: This is very central, and I'm sure people are interested in this particularly with respect to Levi Strauss.

Do you have consultants or people with whom you discuss social changes and social needs?

W. Haas, Jr.: No, we don't. We have a lot of "instant experts." I remember when I was with the National Alliance of Businessmen, some Black guy told me, "Well, there are a bunch of racists that suddenly are experts on race relations now."

The trouble with consultants in this field, I think, is that the companies that need them won't use them, and the companies that don't need them, don't need them. [Laughter.]

I think we've developed our own programs. We get to know some of the people with other good programs, and we kind of keep in touch and exchange views--people like Irwin Miller at Cummins Engineering or Bruce Dayton at Dayton-Hudson are the two I think of. Henry Ford is excellent. I'm on the Ford Foundation board. Their staff and the projects that they're looking into can give you great insight into possible developments, areas where assistance is needed, so that's a great help. But it kind of feeds on itself, because I'm darned sure that I was asked to be on the Ford Foundation because of what Levi Strauss is doing and because of my NAB [National Alliance of Businessmen] association, and Henry Ford was the chairman and knew me.

Need for Sensitivity and Conviction

W. Haas, Jr.: So, you say "What does it take to make fair practices-affirmative action programs work?" I think I've touched on it. I think it's a dedication to be realistic but not to accept excuses. It's a real conviction of the importance that we do this. It takes a lot of oh, "stick-to-it-iveness," for want of a better word. But along the way there are lots of disappointments, a lot of reasons to stop if you want to have an excuse. If you don't want to go ahead, there are plenty of times along the way where any decision to reduce the program or eliminate it could well be justified. I think this is what's happened to a lot of people who intellectually know they should be doing something but in their gut don't have the heart for it.

Nathan: A great mixed metaphor! [Laughter.]

W. Haas, Jr.: Sure is mixed.

At any rate--they start the minority hiring and the guy doesn't get in here on time or steals some money or whatever, and you begin to classify all minorities as ne'er-do-wells or lazy. It's very easy.

I think it all has to start right in the top chief executives' office, and I mean Dad [Walter A. Haas, Sr.] and Dan [Daniel E. Koshland, Sr.] before us, and Pete and I now. It just comes back to a sensitivity and conviction.

Now where do you want to go from here?

Citizenship Classes

Nathan: Could we talk about the Community Affairs Department and the citizenship classes?

W. Haas, Jr.: Why don't you speak to Tom Harris about these citizenship classes?

Nathan: Fine, right. That could go under the Community

Nathan: Affairs Department.

W. Haas, Jr.: That was great--particularly the citizenship class. I went out to the first class and saw the proud families standing before the American flag. With all the things you read in the papers about all the things that are wrong with the United States of America, and here, people were forsaking their own native land, swearing to defend the country and the flag. It was a very moving experience for me, and I wish more people could see something like that.

Nathan: Do these classes continue?

W. Haas, Jr.: As far as I know, they are continuing. The initial graduating group was relatively small; I think they were thirty to forty. I heard there were requests far beyond that number, and I have no reason to believe that they were discontinued.

Nathan: Thinking about the awards to Levi Strauss that are listed under yours, you're very cool about them, but they do of course represent something with respect to the business too, I would imagine.

W. Haas, Jr.: Of course.

Nathan: Maybe we should bind into the memoir some of the verbal citations Levi Strauss has received. Most awards come with a citation, and we can include some. I don't know how you feel about it, but they're sometimes useful and revealing.

W. Haas, Jr.: Okay.

Nathan: And equally, if you have a speech that you think is apt and expresses important ideas, for example, your presentation to the New York Society of Security Analysts?* That might be a useful thing.

W. Haas, Jr.: Sure, I think we can find it.

*Deposited with Levi Strauss & Co. papers in The Bancroft Library.

Jobs and the National Alliance of Businessmen

- W. Haas, Jr.: [reading] "The most significant for me" outside of public service--I think the first really significant one I'm not sure I even see here.
- Nathan: I could very well have missed the best one, so please do talk about it.
- W. Haas, Jr.: Well, that was when I was appointed by President Johnson to be regional chairman for the National Alliance of Businessmen.
- Nathan: Certainly let's talk about that one.
- W. Haas, Jr.: That one was very significant. I was, first of all, very, very proud of it, because I know it was recognition of the company and its work in the area of minorities. I was regional chairman and on the executive committee. But also, I think the employees took pride in the appointment and my children did. And that was very significant; they thought this was great recognition. It was significant because although we had felt that we were involved in a number of programs and were good citizens --with the experience I had in the two years of that appointment (actually one year and then Nixon reappointed me)--I learned what other companies do. We learned how much more business can do, and I think the first year under Johnson the National Alliance of Businessmen really did something very unusual.

It not only got a lot of jobs for a lot of hard-core people, but more than that, it awakened the business community to the kind of responsibilities it should look at, and the kind of things it could do. Now a lot of businesses backed off from it, but it did bring a consciousness, truly, to the leaders of business, because Henry Ford was the head and Leo Beebe was the guy Henry sent up to Washington to run the program; he was a very forceful man. The regional chairmen were generally well-known businessmen, and they were able to influence their peers in their areas.

Well, I think it opened our eyes to a lot of things. It was the precursor of our Community Affairs Department, because what I did was

W. Haas, Jr.: build a small staff--

Nathan: Here, at Battery Street in San Francisco?

W. Haas, Jr.: Here, to do most of the reporting and detail work of the program, which was initially in nine cities and then became twenty-two cities in the eight western states and Hawaii, I guess. I think it was eight or nine states.

Nathan: Before we get out of this part of it, I just want to refer back to one other thing on the National Alliance of Businessmen. What was the mission of the Alliance? Why was it formed?

W. Haas, Jr.: All right. The initial charge--I don't remember the exact statistics. (This is terrible because I lived with them twenty-four hours a day.) It was a three-year program to provide jobs for the hard-core unemployed. Now, the figure 150,000 sticks in my mind, but I think that was for the first year. And in essence, it was a joint effort between business and government, the Commerce Department and the Labor Department.

The Commerce Department--I don't know if they were in an advisory role, but they were very much involved. The Labor Department provided money for training contracts. In essence, it was like the United Crusade campaign. There were about fifty cities; I don't remember what the exact number was. Throughout the United States were target cities, the biggest. On the West Coast, we had the nine biggest cities. Our job was to, first of all, select a chairman in each city, and then have that chairman set up an organization, as I did, within his own organization, plus volunteers to solicit jobs among the major business concerns in the city. Levi Strauss had pledged ten jobs to hard-core unemployed, and Standard Oil pledged two hundred jobs.

We had a goal for the region and each city. It wasn't just because someone was a minority; they had to be disadvantaged--school dropout, someone with a criminal record, someone who'd been on welfare for a period of time. I forget the criteria. But if you were a college graduate, you were not considered countable, although I suspect that some of our statistics weren't

W. Haas, Jr.: exactly completely accurate.

The Labor Department would provide matching funds to a business that wanted to use them to train people. Some of the people were so disadvantaged they weren't used to getting to work on time, they needed glasses, or needed dental work, or needed to be coached in personal habits, really. They were involved in this whole new world. We trained supervisors to understand and accept that they were going to get a bunch of people who had never been exposed to a lathe or broom before or whatever it was.

So that was really what happened. I got a call on Tuesday from the White House, which was pretty exciting because my secretary thought it was a customer. [Laughter.] It wasn't Johnson, but it was Joe Califano. I said, "Well, I have to think it over." And he said, "What do you mean? This is the President of the United States!" I said, "Well, I still have to speak to my wife."

So, the next day was Wednesday; I accepted. On Saturday (there's a picture of one of the luncheons we had) at the White House, with Henry Ford and Harold Geneen of ITT and Clark Clifford of the Defense Department. I can get the list. McDonnell of McDonnell-Douglas, was one; they were very important business leaders. That's where it started, and we did it.

Nathan: Just very briefly, the people who were the first organizers were invited by the White House?

W. Haas, Jr.: Well, actually, President Johnson asked Henry Ford to be the chairman and Paul Austin, the president of the Coca-Cola Company, to be the vice-chairman. Then they were to select their regional chairmen, plus some at-large chairmen. Quentin Reynolds of Safeway was the at-large representative out here. So, there was a fifteen-member executive committee. I don't know to what extent the White House had input and to what extent Ford made the selections. But it was done regardless of political background. You think of the heads of those businesses; most of those men are Republicans. That's another good thing

W. Haas, Jr.: about it: it was a non-partisan effort, and it was a joint "hand-holding" between government and business. I wish there were more programs like it, because it was successful.

Nathan: Has it come to an end now?

W. Haas, Jr.: It's still limping along but it's lost all the drive. Well of course, you never think it's as good when you're not a part of it.

The whole attitude of the administration just changed. My second year wasn't the same. They got another chairman, the president of Pepsico, Don Kendall, who's a great personal friend of Nixon's, and he just didn't have the kind of commitment. My chairmen and the chairmen that everybody got that first year were the heads of their own corporations; that's the way to get things done. But now they're getting vice-presidents and public relations men, and they don't have the clout or the interest.

Unfortunately, it was another one of these programs that raised a lot of hopes, and lasted longer than most. It's still operating but I don't think it's nearly as effective as it was.

Nathan: You were saying that in this process you had gathered together a little cadre of very informed and effective people and kept them. Did this happen in other companies, do you think?

W. Haas, Jr.: I don't know, that's an interesting question. I'm sure every company had its little cadre. But what happened to them I don't know. A lot of them, unfortunately, probably after a year or two had lost momentum. I think in some cases, companies had picked qualified men but they didn't quite know what to do with them, really. I think that occurred to a number. Some went back to Washington on the national staff, got appointments there. Tom Harris can update you on it, but I think the programs aren't doing much now. Although, we had one going here and they're getting reports in San Francisco.

Nathan: These people who were brought in and trained, were they supposed to have permanent jobs?

W. Haas, Jr.: Oh yes, that was the idea, and the retention rate with a company that gave the program proper attention was just as good as with the people who had been hired in the normal process. Unfortunately, again, some companies didn't fully appreciate what was happening and didn't realize what they were getting, when they made pledges. Really, you handled some people who had never been exposed to this kind of an environment. It took long and complicated study, and even when they adjusted, the supervisor wasn't sensitized.

Nathan: How did they recruit? There must have been an enormous pool of people. I'm wondering about the problem of selection.

W. Haas, Jr.: Well, I think much of that was done through the Labor Department. Our end was to get the pledges, and there was a city chairman and he probably called up. If it was Jerry Hull of Pacific Telephone Company, who was chairman for one year, he would call up Tom Clausen of the Bank of America and say, "Tom, I need ten jobs," and a guy at Standard Oil--"I need fifty," and he said "Okay" and the word would go down. And he'd also say, "Levi Strauss, can you lend me an executive for three months to make some calls or sign up some other companies?" It was just like the United Crusade campaign, with volunteer executives.

Nathan: Yes, so there still really is a network of decision makers?

W. Haas, Jr.: You bet. There's no question in my mind that in any city, I'll say six (you can probably make it less)--if six of the right people wanted to do something, you could get it done. I think the same thing's true in the country. If you got twelve of the right people that wanted to really accomplish a program, changing business attitudes or taking on a hard-core program like this, it would work. There were fifteen of us.

Of course, beginning with the President, that was very important. It started out with eight regions, eight guys who had the right backing. We would send names into the White House, and they'd have to be cleared, and then

- W. Haas, Jr.: some poor guy in San Diego is going to get a call from the White House. Of course, that's a pretty effective way of recruiting, or at least, it used to be. [Laughter.] It was very exciting, as you can tell. I light up when I think about it.
- Nathan: A very fine idea; it's a shame it had to change.
- W. Haas, Jr.: It was very effective. And I do urge you to spend a little time with Tom on that. Actually, the first man I had help me was Herschel Goldberg who is still here. Herschel Goldberg, who was a retired admiral in the navy, and a great man, someone you might enjoy talking to--
- Nathan: Was he part of Levi Strauss?
- W. Haas, Jr.: He was an admiral in the navy. And anybody with the name of Goldberg who becomes an admiral has to be pretty good. [Laughter.] He was in charge of the Supply Corps. He was a graduate of Harvard Business School and had great experience in distribution and handling people and took early retirement. And so he came in another capacity, and then I asked him to be my deputy in this. He's the one who really should get credit for organizing it. I got invited to the nice dinners, but he did the work. And he did it very effectively, and after a year, he turned it over to Tom Harris.

MESBIC and Frustration

- Nathan: I had a note about this MESBIC [Minority Enterprise Small Business Investment Company] organization for minorities. Was this one that you thought Tom Harris would handle?
- W. Haas, Jr.: Yes, well, I got involved in this. And it sounded like a good idea at the time. It was pushed by Secretary Stans of the Commerce Department, and it had a large committee of some very important businessmen, Arthur Wood of Sears--oh, a lot of others. The idea was to provide the money and technical assistance to small minority businesses. We tried it on our own long before this MESBIC

- Koshland: Yes. Of course, the rebate system I referred to was based on volume. Certain people got $2\frac{1}{2}\%$, some got 3, $3\frac{1}{2}$, up to 5. The purpose of that was to make people concentrate their purchases on our goods so that they'd get this rebate. If they didn't make the certain number, they didn't get any rebate.
- Nathan: This would be so they didn't get so many of yours, so many of Farah's, so many of Blue Bell--?
- Koshland: Yes, that's right. That's pretty much out of date now.
- Nathan: But so many of your principles did seem to work. They did get the effect that you wanted.
- Koshland: We built the name for stability and integrity, standing by our commitment, and that together with the fit and wear of the garment, as I mentioned previously, were what built this business.

Giving Jeans Away

- Nathan: Milton Grunbaum mentioned one thing that I might ask you about too: I think it was after the Korean War, when clothing was very much needed--I guess the Red Cross asked for clothing. Do you remember this at all? It was suggested that Levi Strauss could contribute some jeans--seconds perhaps.
- Koshland: Oh yes. There was quite a little publicity made of our contributions to the Korean people, poor people in devastated areas. We've always given some garments away to charity, the seconds usually--new garments that had little blemishes in them. Now most of those we sell at half off, something like that. We've always given to Salvation Army and Goodwill Industries and that sort of thing. And some of them, such as these particular two I've mentioned, take old garments and clean them, disinfect them, and then give them away to their clients. We referred to them when we talked about Chinatown before--garments made in the home. Well, that's been done away with by law--hygienic reasons particularly. You see, we deal in a product that doesn't harm people physically, although once or twice we've been asked for restitution where the dye in a shirt, for

W. Haas, Jr.: But we find--it's an awful thing to say-- but, during the training period we paid the minimum wage, and then they can earn whatever their skills will allow, which is considerably above the minimum wage. But the minimum wage is \$1.65 an hour. Nobody in this little community had ever earned more than 60¢ an hour. And after they worked a couple of days, that's all the money they need, and they don't show up. And we're having a terrible time with that plant.

Nathan: You're dealing with big sociological problems.

W. Haas, Jr.: Yes. Again, it takes an awful lot of conviction to keep a plant open two years that's losing money and not giving you the production you want when we're in short supply. So, it takes, as I say, a lot of conviction.

The Community Relations Program

W. Haas, Jr.: When I resigned from the regional chairmanship of the NAB program, here were some very capable people, and what do we do with them, and what do they do to make a contribution? It took us about a year of experimentation to develop a good plan. We made a community relations program, and they were kind of responsible for following up on minority employment and one thing and another, and now they're adding to programs and to the staff, they're so busy. I think you'll find it a joy to talk to them on what they're doing and their enthusiasm for it.

That to me was a very significant thing, that appointment to NAB.

II SOME REWARDING ASSOCIATIONS AND ACTIVITIES

Trustee of the Ford Foundation

- W. Haas, Jr.: The other thing that means the most to me, of course, is my association as a trustee of the Ford Foundation. It's a tremendous amount of work, but to be associated with other trustees, who have great intelligence and great compassion and great knowledge of affairs, has given me a chance to study and learn in areas which I was never exposed to before with a kind of objectivity and intelligent study that Ford can give matters from global population to drug abuse to you name it.
- Nathan: What an education!
- W. Haas, Jr.: There are some wonderful things, very exciting. I'm enjoying that.
- Nathan: Do you have a particular field of interest or responsibility?
- W. Haas, Jr.: Yes. The Ford Foundation is divided into five divisions: the international is the biggest, the national, which is urban affairs really, education, humanities, one that deals with the arts and another with public television. I'm on two committees, the international and the national affairs.
- Nathan: That must give you plenty of scope.
- W. Haas, Jr.: It sure does. Plus I'm chairman of the audit committee, and we audit a corpus of three billion dollars and we give away over two hundred

- W. Haas, Jr.: million dollars a year now.
- Nathan: I don't even understand that amount of money.
- W. Haas, Jr.: I don't understand that either [laughing]. Isn't that something?
- Nathan: I understand, parenthetically, that the Ford Foundation is doing a self-study.
- W. Haas, Jr.: Yes, I've just been through this--with one of the researchers, and I said, "Well gosh, if I can see him, I'd better see Harriet." [Laughter.]
- Nathan: Well, thank you Ford Foundation, wherever you are.

Guardsmen and Hunters Point Boys Club

- W. Haas, Jr.: Those are the ones--of course, I wouldn't do these things if I didn't enjoy them. Those are the ones that are really significant.

The first one was the Guardsmen, I suppose, in my younger days, because I was part of the group that founded it and watched it grow. It was a very pleasant, uncomplicated thing, raising money for summer camperships. But it was good.

From that, of course, we went into the Hunters Point Boys Club, and I have to say that was another good one. I was a member of the San Francisco Boys Club Board, I think as having been past-president of the Guardsmen, as a matter of fact. We saw a need for a boys club out in the Hunters Point area. There were a lot of reasons why the San Francisco Boys Club wouldn't do it--they didn't have the finances, this, that and the other thing. When you get right to it, the leadership didn't want to get involved with the Blacks.

So Bill Zellerbach and I jointly decided that we'd start it on our own, and we did. We went and got a bunch of ex-Guardsmen to sit on the board. We got Tom Harris from the San Francisco Boys Club to be our director. I'm cutting through two years of study with a charter from the National

W. Haas, Jr.: Association of Boys Clubs, whatever it's called. We tried through the years to get San Francisco to take it on, but they wouldn't. And of course, the ironic thing now is that the San Francisco Club is 90% minority in its Ernest Ingold branch.

This was a great satisfaction because it served a real purpose in a very, very depressed area. I've lost touch with it. But it was a place where youngsters could come, attendance was high, there was no vandalism, none of the things associated with the recreation department out there, a lot of other places where they didn't identify. So that was a good one.

Family Influences

W. Haas, Jr.: Well, on just a personal history aspect--I don't want to dwell on it, but there are a few observations I might want to make.

Nathan: Fine, very good.

W. Haas, Jr.: [reading] "Which individuals have had the greatest influence on your life?"--the usual ones, certainly starting with my parents, to whom I am tremendously grateful for setting the kind of example they set. I'm also grateful that I happened to be born in a situation where you could do something as a result of things being made a little easier. I didn't have the struggles a lot of other people have. But I'm grateful primarily for the example they set in terms of integrity and responsibility to do something for someone besides yourself. I think I referred to this earlier.

Obviously, of course, in a wonderful marriage--there's no way of saying how my wife has helped. But she's wonderful and she cuts through a lot of things. Just to give a couple of examples: Some of our oldest friends are friends I made in college and, matter of fact, that she made before we were married. Many of her good friends are friends she had before we were married and many of my closest friends are friends I've kept up with since college. And one of them is Bob

W. Haas, Jr.: McNamara.

Bob and I were classmates at Berkeley and then classmates at Harvard Business School and worked in the same little case study group for two years, and subsequently, we've taken a great many vacations together. He and Willard Goodwin, who was the head of the department of urology at UCLA, are the closest of friends; and Vernon Goodin, who's a lawyer in this area, all used to take vacations skiing in Aspen all the time. They'd ask us to go, and it was over Christmas, and we didn't particularly want to be away then. We had family Christmases. They asked us again about a month after Bob was made Secretary of Defense. I said, "Let's go." Evie said, "You're only going because he's Secretary of Defense. He's no different than before. That's not a good reason." And we didn't go. She was right, of course.

Nathan: That's a human response.

W. Haas, Jr.: Of course. Naturally, I was more interested, because I thought maybe I'd hear some things that I wouldn't have before. But these attitudes that people are important because of position or something affect me more than they affect her. She cuts through them, looks at people as individuals.

The other thing was very interesting: I was asked a year ago, when I was doing the campaign (I'm a registered Republican), to be the dinner chairman of a thousand-dollar [a plate] dinner for President Nixon. Now, it's hard today, during Watergate, to turn back to the atmosphere and attitudes in the country at that time. But Nixon at that point had begun his rapprochement with Russia and China. In the area of foreign relations he was making history, and in my opinion he was running against a candidate who was unqualified to be President of the United States.

The fundraisers of the Republican party were the Attorney General of the United States and the former Secretary of Commerce of the United States, and I'm the head of a business. Here was a chance to do something which wouldn't require a lot of work, for a guaranteed winner.

W. Haas, Jr.: I had a lot of pressure. I was invited by David Packard, I had a call from Lucius Clay in Washington, I got a personal visitation from the president of our bank. And I was debating this--"Well, I would like to sit next to the President and introduce him. I'd enjoy the invitations to the White House that would follow, and what are you going to lose?" So I went home, and we started to have our evening cocktail, and I said, "Evie, I have something I want to discuss with you." I outlined this thing, and she said, "You can't do it." I said, "What do you mean? I'd like to discuss it." She said, "There's nothing to discuss. You don't believe in it; you can't do it." She was right. And I didn't. And now look.

It had nothing to do with raising money for the Committee to Reelect the President; it was for the Republican Party. Under the circumstances, it was a very tempting invitation, but she wouldn't let me dissemble, and I feel better for it. We don't have the invitation to the White House, and if I got it now I don't know if I'd accept it.

And of course, our children--you ask, Have I sought to form our children's attitudes? [Laughing.] If I could form them, I would like to change some of them, but not many. But they've helped form mine, particularly in business. The NAB thing--I was tall in the saddle as far as they were concerned.

Yes, I remember Dad used to tell me that he was considered very liberal by his business peers, and I thought he was very conservative. Well, I think I'm considered liberal compared to my peers, but I'm certainly more conservative in every attitude than my children are. To the extent that we discuss things, and the good relationship we have, we are able to discuss some of these things without too much heat. They influence me a great deal in their attitudes towards a lot of things and particularly in pushing as hard as I do for social responsibility in the company. I think they've had a great influence on me. In fact, I've often thought--with other companies, people say to you, "If you change the board of directors, the composition--what does it take to

W. Haas, Jr.: make other businesses responsible?" It has to start with the conviction of the chief executive.

The only way I can find is maybe to find some chief executives who have children whom they get along with who feel like my kids do. [Laughter.] I'm serious. It's the only thing I can think of, outside of a small riot or a fire that will bring them all around in a hurry to doing things that ought to be done. I don't know how else to sensitize people that are caught up in the day-to-day problems.

Nathan: Change is painful and threatening.

Bill Day, Advertising Executive

W. Haas, Jr.: Exactly. In my business career I guess the fellow who influenced me as much as anybody is the man whose picture I have here, Bill Day. Bill Day was our advertising executive, the executive in our advertising agency for the Levi Strauss account.

Nathan: Was this Honig, Cooper?

W. Haas, Jr.: No, this was long before Honig, Cooper. It was the Leon Livingston Agency.

Nathan: Is Bill Day alive?

W. Haas, Jr.: No, Bill Day passed away several years ago, and his wife sent this picture [gesturing toward it].

He was an account executive and a partner in the agency. As a matter of fact, he was the one who influenced Peter to come into the business. Peter--you can, I think, get his side of it--didn't want to come into the business initially. He felt that in a family business the way was made easy and you had to prove yourself. I've found it's the opposite: the way was made easy, but you have to do a better job, I think, than you would normally to prove to yourself that you're accepted by others. At least that was the way I've approached it.

W. Haas, Jr.: Peter tried several jobs, and among them, he worked for the agency for a while. Bill said, "This is silly. You have the same problems in a lot of other areas." I don't know what he did, but he said, "Remove the blinders about going into your own business. Take a real hard look at it." Peter did. And Day was the man who persuaded him.

Then Leon Livingston passed away, and a lot of people vied for our Levi Strauss account. Well, I had such high regard for Bill Day and all of us did that we said that we would leave the account with him and he could take it to any agency that he would feel comfortable in, as long as he continued to handle it. That's how he went with Honig-Cooper And Harrington. And Bill was closer to us than he was to the agency. He'd sometimes tell us our advertising budget was too high.

We ended up, I think, making him an honorary director. I'm giving his history. He was a hard-nosed, intelligent, experienced business executive who worked hard, and under the gruff exterior had a warm heart. I'm quickly influenced sometimes by superficial personalities or attitudes, and he'd cut through all this. He really taught me a good lesson on how to get facts, how to judge situations without going too fast. So I have a great business debt to him.

Nathan: He gave you an approach?

W. Haas, Jr.: Well, he just gave me a maturity. I was a great admirer of his and tried to analyze the way he did certain things.

In retrospect, I think towards the later years perhaps, well, like anything else, he did a great job in advertising for us, but he wasn't as completely indispensable as anybody thought he was at the time, because the advertising is now going very well.

Nathan: Did he make suggestions about the characterization of the company?

W. Haas, Jr.: Oh, I don't know--I'd consult with him about advertising, about policy, about people. He

- W. Haas, Jr.: knew the people, he knew the people that worked and didn't work.
- Nathan: And he had a little detachment, I suppose.
- W. Haas, Jr.: Yes, he had an objectivity that was very helpful.
So, he was a great influence.

Tennis Coach Tom Stow

- W. Haas, Jr.: I note in here, "Professors or others at the University that had an influence on my life"-- [laughs] the first one may sound ridiculous, but he's still a good friend of mine, my tennis coach Tom Stow. I learned, I'm sorry to say, probably as much about life and relationships playing on the tennis team as I did through my studies. I was a conscientious student but not a very--I studied because that's what you were supposed to do. I wasn't really learning, I don't suppose, but I learned playing tennis. I wasn't as good as a lot of the fellows, and I always thought if you worked hard, you would obtain the results you were promised. And I just wasn't as good as a lot of them. It took me three years before I finally made it. It was a long and interesting, and at times harrowing three years, and I came out a lot better for it.

Tom Stow was my mentor in a lot of things besides trying to improve my backhand. And he's still a good friend. He's up at the Silverado tennis club. We don't see as much of each other as we'd like. But he was an influence.

Harvard Professor Georges Doriot

- W. Haas, Jr.: And the other was a great professor at Harvard Business School, Georges Doriot, who is quite well known, and who again taught us to think instead of to memorize a book. Without going

W. Haas, Jr.: into all the details, one of our assignments was once a week to come up with a new idea that would be good for a product that could be marketed or a service that would help mankind, or whatever. It didn't even have to be practical. It didn't have to be anything that was feasible under the arts or science or whatever it was of the day, but it was just something that would be a good idea. That's a great assignment, although it's very hard to do once a week for forty weeks. Pretty soon we started trading ideas. [Laughter.]

It would be something like a typewriter ribbon that would erase. They have a system now to do something like that, but this was thirty years ago. Or how you'd preserve food for a length of time. Well, now we all have freezers. But it was a marvelous assignment. And some of the cockeyed ideas are in effect now.

Nathan: What was the purported intent of this class?

W. Haas, Jr.: It was called "Manufacturing." But it was really a class in Doriot.

Nathan: Has he written considerably?

W. Haas, Jr.: I don't know. He's been on a number of boards, he's been a consultant; he was a general in the quartermaster's corps in World War II, in charge of developing, I think, equipment and mostly clothing that would be more modern and useful in hot climates or cold climates. I've kind of lost touch with him, although we used to correspond, and when he came out here a few years ago, we had him to the house. He's a little Frenchman with a Hitler moustache and an unusual accent and a great way of handling people.

Those are the two I would pick out of the dim, distant past.

Clubs

W. Haas, Jr.: I don't know if it's appropriate to note clubs, but I will add a couple, because they're significant in a way.

W. Haas, Jr.: One is, I'm a member now of the Bohemian Club, and I'm on the approved waiting list of the Pacific Union Club, which is a major breakthrough in this community.

Nathan: Is it the first?

W. Haas, Jr.: Well, at the Pacific Union Club there are two other Jewish members now also on the approved waiting list, but it's a very definite attempt by the PU Club to open its membership, which should have been opened twenty years ago. We've been promised that we're the first of others to come.

The same is true in the Bohemian Club. I won't say I'm the first, but I think I'm the first regular member in modern times. They had some artistic members, and they had some members from the University community. They've been more forward in this than others, because they have such a long waiting list. They have a number of young Jewish applicants who are on the waiting list and will get in when their time comes. I just mention it because I think it's of some significance.

And I guess I'm a Jackie Robinson, because I was the first Jewish member of Alpha Delta Phi when I went to Berkeley.

Nathan: Tell me why this is something that you feel is worth your attention.

W. Haas, Jr.: That's a good question. Well, I think it's an outrage that there are restrictive rules. There are other cities that have tried to influence this type of thing through pressures, by not only not attending civic luncheons at clubs to which they would not be admitted but urging other organizations not to, and surprisingly enough, good friends in these clubs don't realize that there is a restriction, or has been.

I just didn't feel this is the right way to do it, and I feel the change is inevitable anyway in the next ten or twenty years. I think when a gesture of that type is made, you owe it to your fellow Jews to accept, on the condition that it's paving the way for open membership.

W. Haas, Jr.: Because I certainly don't need any more clubs. [Laughter.] In fact, I don't know which one to go to.

We had the same thing, and we urged our daughter when she was active, to become a member of the Junior League. She really didn't want to, and we urged her to. I think today she wouldn't do it, and I think today we probably wouldn't urge her to do it. We were just trying to open up the kind of restrictions that were offensive. And as I say, this is like Jackie Robinson--I haven't been through the same circumstances that he did in terms of insults or embarrassing situations--and he had some things that were a lot more than embarrassing. But there have been some uncomfortable moments when people say things and don't realize who you are.

They're very anxious to get my son into the Bohemian Club, and he won't go until they open it up to Blacks and Orientals and everybody else. So, he's not going to be a member of the club for a while, I don't think [laughing].

Nathan: He does it his way.

W. Haas, Jr.: Well, good for him. I will say I think you have a right to choose your own friends. It is different. You can make the argument that unless you're a member of the Pacific Union Club, in business you don't really know what's going on or you don't really influence things, because that's where a lot of things are accomplished.

Nathan: So you see it really as an adjunct of power and influence more than just being purely social?

W. Haas, Jr.: Oh yes, it is. My interest is not purely the social part. The company is big enough to be effective and influential. But we'd be more effective if we had three or four members up there because you just hear what's happening in a different way or talk about things with people in an informal way. You have opportunities that you don't have if you're not a member of the club.

Nathan: Sort of the antenna working?

W. Haas, Jr.: Yes. So I thought I ought to mention that.

Nathan: Right. Incidentally, the outline does not become a part of your memoir. You can always write in or add in anything else you like.

III NEW DIRECTIONS FOR THE BUSINESS: 1946 ON

W. Haas, Jr.: Just kind of looking ahead a little bit--[reading] "Aspects and changes of growth in the business". Without looking at your notes; let me give my views.

Nathan: Please do!

W. Haas, Jr.: I think the major change has occurred in this business since 1946. It started under the leadership of Dad and Dan Koshland, and some very fundamental decisions were made then. Actually, it looks good in hindsight, but it took a lot of guts to make some of them.

Since then our business has doubled every five years, as you probably know, for twenty-five years, and it's still going at that rate; and we sold more Levi's in June, I think, than the whole company did ten years before. It's just an incredible growth.

It just didn't happen. The first thing was, I think, that we decided that the future was not in wholesaling but in manufacturing our own brand name. Now that meant giving up what was then three-quarters of our business virtually, at least two-thirds of it. Of \$8 million in sales in 1946, I don't think more than \$2.5 million was in products under the Levi's brand name. And looking back, it was fine, but we could see that this was the right way to go.

Recruiting College Graduates

W. Haas, Jr.: So, having decided that, we also decided that we had some very competent, qualified people--dedicated--who were most able in the positions they had in a business of our then-current size, but they were getting along in years and didn't have the breadth to develop a bigger business. So we went out and actively recruited college graduates for the first time. This created a major problem in the business, because we brought in bright-eyed young fellows. In the past, everybody'd been promoted--Milton Grunbaum started as an elevator operator, and Bill Lagoria started as a wrapper in the basement, became sales manager, and Mr. Beroneo, who became senior officer of the company, was a packer also.

This was a very difficult thing to get across. One of the first was Mel Bacharach, who is now our executive vice-president, and Art Roth, who was a divisional manager until he retired a year ago. This was a major decision. I don't know the files in any particular order--but in doing this, we decided also that we had to diversify our line, from utility wear into other types of pants primarily.

Interpreting Population Statistics

W. Haas, Jr.: We saw what everybody else could see, statistics of the birth rate. (I'm going ahead through a few years.) This didn't all happen one morning in 1946. But we could see the birth rate of the war babies and the growth of the young population. We decided to gear our product line to the teenagers, instead of to the cowboy and the workingman and the laborer and the farmer. Again, in retrospect it looks good, but this was a conscious decision and a very important one. This information was available to all, yet nobody else recognized it to the extent we did. Other companies had the same opportunities and either stood still or have grown far less than we have.

Diversifying Products and Distribution

W. Haas, Jr.: Then in addition to diversifying our product line, we decided we should diversify our distribution, because until World War II we were primarily a Western wholesaler and manufacturer. We had a few mail orders from the East. In fact, we had one salesman just before the war that made a swing through the East, but then the war came and limited production. We diversified all over the United States.

Subsequent to that, we decided that we would expand our distribution to international markets, which we have done with considerable success. But this last thing came fifteen years ago.

These to me are the major forces within our company that caused what growth developed now. We have benefited from a number of outside factors which we can't control but which we recognize: increased leisure time, more interest in recreation, more relaxed living, more changes in life style, more informality in clothing, particularly among the young people. I think if we were sitting here ten years from now, I wouldn't be wearing a necktie or a coat that matched my pants.

Nathan: You'd be wearing a white shirt?

W. Haas, Jr.: [laughing] Maybe we'd be back to that.

These trips that Bill Lagoria made overseas, and exporting and all the rest of it were, I feel, the result of a lot of study, a lot of hard work and choices that proved to be, I think, very good.

Again, it sounds self-serving for the company-- but I see so many people in business that are suddenly faced with a terribly difficult situation. I'm glad we weren't making buggy whips, let's say, instead of Levi's. We were lucky we were making the kind of a product that lends itself to all the factors I've outlined.

I see people who are suddenly faced with the

W. Haas, Jr.: problem of whether or not their business is going to be able to survive. I don't know--I'm not an expert on other people's businesses, but I think normally a good businessman will anticipate this and not let it get to that point. If we'd stayed in the wholesale business, we might still be around, but there are not many wholesalers left. There are a great many companies that started at the same time Levi Strauss did, in the 1850s, in San Francisco, or were in business thirty years ago and aren't today. They stayed in wholesaling or they stayed with a product line that became less in demand.

So we look in our executives, to the extent you can, not just for someone who can react to a problem. I think if you define the problem anybody can react to it. But we look for someone who can anticipate change. That's true in a lot of things besides business. I'll get off my soapbox.

Dad and Dan and their advisors made some very fundamental decisions twenty-five years ago that really made this business what it is today.

Worldwide Acceptance and New Interests

Nathan: Would you care to speculate about the future? You were talking about watching the graphs rise on birth rates. Something else is happening now. What does this suggest?

W. Haas, Jr.: I do see something like that. I think as far as our own business is concerned, there are still large markets that we haven't filled, but we can't continue to grow at the rate we're growing without looking afield. There's a question if we want to grow; and I think we have to if you want to continue attracting young people and good people and give them opportunity. I don't like size for size. I take great pride in the fact that people come back from all over the world--last night someone came in from Sicily and they saw Levi's in Sicily.

W. Haas, Jr.: I was in the Seychelles Islands last spring and they wanted Levi's, and nobody even knows where the Seychelles Islands is! [Laughter.] So that's great.

The big thing I see is something I've referred to, but it's growing, and that is more leisure time, more interest in recreation-- tennis, backpacking, hiking or whatever. I suspect that we will probably look at the possibility of clothing for some of these areas. I don't think we're ever going to make tennis rackets, but maybe tennis shorts. There are so many things--ski-mobiling, skiing, mountain climbing, backpacking, golf, you name it. This is evident, I think, now, and we're looking into these things. Again, this is information that I wouldn't want to broadcast at the moment, but it's there for everybody to see, just as the population growth was. Not everybody saw it.

Nathan: What does the increase, let's say, in the proportion of older people do for your future planning?

W. Haas, Jr.: It's changing our product mix. The goods we designed for the teenager twenty years ago are now designed for a fellow in his middle thirties who has a different figure. The kind of slacks I'm wearing right now--

Nathan: Are these knit?

W. Haas, Jr.: These are knit for, as we say, the "mature figure," but they're not as tight as a pair of Levi's, and they're very comfortable.

Get me started and I--

Nathan: Well, you express these things very clearly.

W. Haas, Jr.: "Are all your goods manufactured outside this country sold outside?" The answer is yes. We don't bring any back here.

The foreign business. If you want to speak to somebody about our foreign business, you should probably speak to Bud Robinson. I'd hate to hazard my opinion. It's just very nice to be as widespread as we are internationally. We

W. Haas, Jr.: took a trip around the world and one of the best parts of it--I guess it's a sign of my age--but at every stop, with the exception of the Seychelles Islands, Levi Strauss had an office or a factory. It was just great fun to meet the people and know that our hotel reservation was in order and there'd be a car at the airport in places like Bangkok and Singapore--Indonesia, I guess, no. But New Zealand, Australia--Hong Kong of course. It was a very exciting, prideful experience to see these very able young people, full of enthusiasm, having a product get the reception it does--in the hottest of climates. In Indonesia they want the genuine Levi's and a Levi's jacket, and all I want is to get in an air-conditioned hotel room. [Laughter.] But there's a mystique about it, that's wonderful.

Some Names for Reference

W. Haas, Jr.: [reading from outline] "Recruitment and promotion for leadership, middle management positions." Boy, I am not the best one to talk on this. Obviously this is crucial.

Alec Paul is a key executive and he's an honorary director. He retired at a relatively young age because he hasn't been too well, but he goes back many years.

Nathan: Oh, that would be good.

W. Haas, Jr.: And Oscar Groebl. But the trouble is he's in Florida retired. But you surely should speak to Oscar Groebl, or send him a couple of tapes and ask him some questions by mail. Oscar very definitely should be--And ask him if he wants to consult with Henri Van Kirken. Henri hadn't been with us so long, but he worked in the New York office as well. He's also retired, and he may want to have a conversation with him, because he can certainly give you an awful lot of background on relationship with suppliers and a long relationship with Cone Mills, and there might be some people at Cone Mills. The ones that we were really close to aren't there now. And I think

W. Haas, Jr.: that would be worth researching.

I'm going to jump over a lot of these programs, because I think Tom Harris was very familiar with them--Tom and Jim Marshall. Jim Marshall works with Tom in community affairs. I think either one of them could answer.

IV LEGAL ASPECTS

W. Haas, Jr.: Let's jump to the legal aspects, if that's all right, unless you want to go back.

Nathan: Let's do it as you like.

Trademarks, Patents and a Name

W. Haas, Jr.: The initial patent was on the copper rivet, which we had for seventeen years and then renewed it for seventeen years, and it's since, of course, expired, and now everybody makes riveted jeans. We have a number of trademarks that we consider extremely valuable and we spend a great deal of money trying to protect them.

One, of course, is the name Levi's, and it's the most important one. And it should always be spelled with the "L" and the "'s." Everyone says it's lucky it's become a generic term. Well, this is what we don't want it to become, and we do everything we can to avoid it. We had it listed in some dictionaries properly as a trademark of Levi Strauss & Co. Whenever we see it printed incorrectly with a small "l," we will write to the Washington Post or the publisher of a book, and we'll do it in a friendly way, but usually the response is quite good. We don't have too much trouble with that, although R. J. Reynolds is applying for the name on a cigarette right now, but I don't think we'll have any problem.*

*Proposed usage subsequently abandoned by Reynolds.

Nathan: A "Levi's cigarette"?

W. Haas, Jr.: Yes. Well, I think they're trying to get Western names to counteract the Marlboro man, and among them they've got Levi's, or they're trying to. You know, on the surface it's flattering. [Laughter.]

The next most valuable other trademark we have is that little tab on the back pocket, and this is the one we have the greatest trouble with in terms of infringement. We're constantly, constantly in litigation on that because we first try to reach an amicable understanding, and we have, up until recently, had it very much under control domestically. We had Sears Roebuck back off and so did many others. Currently we're in a major confrontation with a big competitor, so I can't tell you how it's going to come out. We will do anything to defend what we consider our rights, which have been proven in over fifty cases so far.

Pirating

Nathan: Do you get pirated, let's say, from other countries?

W. Haas, Jr.: Oh, I should say. This is where the real problem is. Many times it's inadvertent; other times it's not. In France we had a lawsuit that went on for four years and we won. But for four years the guy we were objecting to was laughing all the way to the bank.

Nathan: He continued all through--?

W. Haas, Jr.: Oh sure. And then when it was all over, the damages didn't even pay for the legal fees. We got a big one in Belgium we lost through a minor technicality which has no relation to the merits of the case. That went on for years. But the big problem is with the little manufacturer--in Greece or Japan or particularly in Bangkok, places like that. They are so small you can't really run them down. But we try, and we have gotten all kinds of pressures put on them from

- W. Haas, Jr.: the police when we can get assistance. It's not always easy in a small, undeveloped country to get anybody to pay much attention to the American consul trying to defend this big, multi-national octopus, you know. [Laughter.]
- Nathan: I would hardly recognize you from that description.
- W. Haas, Jr.: Oh, we've had some very amusing experiences on that piracy. The first one--it's so delightful. This happened in Italy, before we could import into Italy. A pair of pants was developed and marketed that was identical in appearance to ours. It had Levi Strauss & Co. Two-horse brand, made in San Francisco, red label, Levi's button (they got some of our buttons), the whole works. To the uninitiated or even to the initiated, it was virtually impossible to tell them apart. We had no rights because we had no registration, because we'd not been able to do business there.

Well, it made me furious, because it was real piracy. It wasn't just using the name--you just couldn't tell the two apart. I thought, "Here the United States is pouring in millions and millions of dollars to rebuild the economy of Italy, and dammit, this just isn't right!" So, by golly--two things happened: First of all, J. D. Zellerbach was the ambassador, happily. We contacted him and asked him to just find what the source was and [tell them to] copy somebody else. [Laughter.]

Then, I was also on the board of the Bank of America, and they own the Bank of America D'Italia. I went to my friend Roland Perotti, who was then head of the international division--marvelous, delightful man. I made the same big impassioned speech about how frightful it was that this was being done. Roland looked at this and looked at me and started to laugh, "Oh wow, you know the Italians. They've been imitating and copying since the day of Titian and Michelangelo." [Laughter.]

- Nathan: He put you on a pretty good level, at least.
- W. Haas, Jr.: Anyway, we did get it resolved. But that's one

W. Haas, Jr.: of my favorites. And they started copying somebody else.

I really can't comment on the Koratron situation because we haven't had a decision yet, and it's before the judge. I think it would be inappropriate to comment. Obviously, our attorneys, as we said in our letter, feel that we're on very good legal grounds, but I'd be happier once we had a decision. Uncertainty's always difficult.

Legislation on Multi-national Companies

W. Haas, Jr.: [reading] "Legislation immediately affecting Levi Strauss & Co.; Lobbying; Taking a stand on public issues; our interests in politics "-- That's a broad subject.

Nathan: It is. We can take a break any time you want to.

W. Haas, Jr.: Well, let's take a break after this, and I'll answer a couple of those phone calls.

I think the legislation we're most concerned about is not the minimum wage, because I think that affects everybody. But it's the possibility of some sort of modification or restriction on the operation of the multi-national company. The Burke-Hartke bill, as initially presented and supported by labor, would have been, I think, very very bad legislation for the country because it would have caused a counter-reaction, and affected free trade very strongly. But it would certainly have a very serious and adverse affect on our operations.

Nathan: Would it have limited your freedom to function?

W. Haas, Jr.: Oh, absolutely. I don't know what we would do. We might have to sell off our overseas business. It would be a very counterproductive type thing. But that seems to have been modified, and I think the President's current program, as I understand it, would be logical, would provide the flexibility he would need, and we could certainly live with it. I think it would be

W. Haas, Jr.: appropriate, and I think all the multi-national companies feel so too.

Differing Views on Imports

Nathan: Do you join with other companies or do you send your individual representatives?

W. Haas, Jr.: Well, we really are very naive, I guess. We don't do any lobbying; we don't have any lobbyist. We have gone it on our own, much of the reason being that our views are generally different from those of the major trade association which we belong to, the American Apparel Manufacturers Association, the AAMA, whose membership normally is in the posture of wanting quotas and restrictions on the import of competitive garments and protection of the industry. We constantly remind them that we're the biggest member they have, and they can't give this view as a unanimous view, by any means. I think we make it difficult for them.

We do know, of course, our own representatives in Congress and in the Senate. On this particular thing I'm in pretty close touch with Alan Cranston, who happily and interestingly enough, although really very much beholden to labor, feels, as we do, that this is bad for the country. He just doesn't want people to be against something; he wants constructive suggestions. To the extent we can give them, we do.

Politics and Public Issues

W. Haas, Jr.: [reading] "Interest in politics personally"-- I'm the one that's least involved of the family in supporting candidates and issues, and I try not to become involved, just because there are other things that are more interesting to me and you can't do everything. There are great pressures and demands for support.

Support of a candidate and taking a stand

W. Haas, Jr.: on a public issue is difficult, because even though it's done personally, there is some relationship with Levi Strauss inevitably associated with my position in the company. For those reasons, I guess the only time I ever took a public stand was when I became one of the businessmen for Johnson, and it was more or less because at the time, I didn't feel Mr. Goldwater would make as good a President. Outside of that--and an occasional personal contribution--I try not to even get my name associated with a candidate. I can say unequivocally, as far as the corporation is concerned, it has never made a contribution to any political party or candidate. [Laughter.]

We do take a stand on certain issues which are legally proper and we think appropriate, when we think it might affect the community or society in a way that might affect the business.

But we do have a program--and I think this is what other businesses should do, because I think they're very suspect in the way they handle their political contributions. As a director of a couple of corporations, I'm being sued for contributions the company made in some anti-high rise campaigns--this type of thing. We have started this recently because of the attention it's been getting. But when there's an issue that's apt to be controversial, we try to study both sides of it, get the arguments on both sides and make them available to our employees, and ask for their views on whether or not we should take a stand and what they think the stand should be. Now that doesn't mean we follow their view, but they're consulted. Then the executive committee will decide whether or not to take the stand and what position to take, after which we announce to our employees our position, our reasons, and how much we've given. And in most cases they're rather amazed that the amount is as little as it is.

Somehow or other there's been a feeling about big corporations--and some of the big corporations do give huge amounts. I'm sure Standard Oil gave a tremendous amount on the energy thing. But a couple thousand dollars

W. Haas, Jr.: for school bonds or defeating the high-rise thing couldn't bother them at all. Actually we get very little input now.

So as I say, this kind of open communication defuses a lot of potential criticism.

Nathan: So you really, in a sense, take a sort of straw poll--

W. Haas, Jr.: But everybody understands we're not going to be bound by it. And we don't take it from 22,000 employees either. I'm talking about local things, and I'm talking about our people here, because I think probably this is the place with the highest level of education.

I would think that if out of eight hundred people, five hundred of them answer and 90% of those felt strongly about one position, we'd have a hard time taking the opposite side.

Nathan: That's interesting--the way it affects you.

W. Haas, Jr.: So, this is relatively new, but I think it makes sense.

Nathan: And these are, let's say, the city and county and state measures exclusively?

W. Haas, Jr.: Yes.

Nathan: Of course you don't have any federal measures.

W. Haas, Jr.: No. Again, it's not the candidates, it's issues.

I'm going to skip the next section too, at least the promotion and merchandising part of it, because my general interest has been in the marketing area, but it's gotten so big that I don't even know what we make now, truly.
[Laughter.]

People come and say, "Do you have any more of those blue chambray shirts?" and I didn't know we had them in the first place.

V COMPANY COMMUNICATIONS

W. Haas, Jr.: In public relations, we have enjoyed for many, many years the most remarkable success without any effort on our part for the majority of that period. I think--I don't even know--I think it was three or four years ago we felt the need for a public relations person. And we hired a very unique man, Bud Johns, who has done the most incredibly marvelous job since then in a very inexpensive and low-key way.

In fact, he doesn't even like the word "public relations"; it's more "company communications," and I think it's a better phrase. He knows everybody outside and inside. He's kind of a corporate conscience. He doesn't want to be known as a flack for a corporation. He's the kind of a guy we could never get if we didn't have the philosophy of responsibility that we do have. This is one of the plusses, a very definite example.

Nathan: What is it that you wanted him to do?

W. Haas, Jr.: Two things: one, to obviously publicize our garments from a fashion standpoint with fashion magazines and editors and so forth. Secondly, to--I don't know what we do. I guess try to maintain a good public image of the company. This was the primary thing, but it is advantageous to have articles in national publications. Actually, he's almost overdone it to the point of embarrassment; we are mentioned so often now. He helps advise on what public appearances we should make and not make among the great many requests we have for this kind of an appearance. Helps with writing some of the speeches now.

W. Haas, Jr.: Does a lot of work now with the investment community now that we're public, trying to tell our story, although that's incidental to other things that he does.

You might enjoy talking with him a little bit, Bud Johns.

Nathan: I have talked with him briefly.

W. Haas, Jr.: Oh. Well, he's the one that developed this "Art on Levi's" idea. He's pretty unstructured and innovative. He developed this Gremlin car promotion with American Motors.

Nathan: The one that's upholstered with Levi's material?

W. Haas, Jr.: Well, it's supposed to be Levi material; it isn't. With the shortage of denim, we've had complaints that all our customers are ending up on the seats of cars instead of their own seats.
[Laughter.]

But he's very innovative and very, very sensible and good, helpful.

VI FOREIGN EXPANSION

- W. Haas, Jr.: Well, is there anything you want to go back to in the next ten minutes or so?
- Nathan: Perhaps a little thought about the development and the almost explosive overseas expansion. I suppose one could include the Canadian and the European aspects.
- W. Haas, Jr.: Well, yes, they're part of it. Whenever it was that Bill Lagoria made that European trip--1960? Well, whenever it was, we had decided that we had two opportunities for expansion: one was in Canada, which seemed very easy and across the border, and their lifestyle seemed to be very much the same. The other was in Europe. Internationally our demand was growing. We were again very fortunate; Levi's became known through the PXs, through the GIs selling them on the black market. [Laughter.] We began to get inquiries, people began to want to represent us. So, we had to send a study team over there.

An Approach from Canada

- W. Haas, Jr.: Meanwhile, we had McKenzie & Co., a research consultant, analyze the Canadian market. The results came back that the Canadian market was dominated by one company, Great Western Garment Company of Edmonton, Canada, and it would be very difficult to break in. And the European boys came back and said, "It's wide open." So that's why we went to Europe instead of to Canada.

- W. Haas, Jr.: Having made this decision, it wasn't three months before a very handsome and personable gentleman named Jerry Godsoe came into the office unannounced and wanted to see me and said he was president of Great Western Company, married to the daughter of the founder. There were some estate tax problems, and they felt they wanted to sell the business and would we be interested.
- Nathan: Had he been alerted by the inquiries of the people you--?
- W. Haas, Jr.: No, no. He called on our competitors back East with the same offer, but he said, "I don't know if they're interested and I don't care, if you're interested. I've heard so much about Levi Strauss." Again, this is one of the intangible benefits that you get from the image the public has of the company with integrity and progressive policies. I think if we'd been head and head with anybody else, we'd have won out. Just as-- though there are a lot of goods in short supply now--I think the mills give us more than our share, not only because we're a big factor and going to be bigger, but because I think we're the kind of people they like to work with, at least they tell us that and we like to believe it.

Well, getting back to Godsoe, I knew a lot more about his company than he thought I did. [Laughter.] And he knew a lot more about us than I thought he did, so we were even there. One thing led to another, and that's how we got GWG. Great Western is now GWG, and we had 75%; now we own 100%, and he's retired but picked a good successor. We're doing very well in Canada, and as a matter of fact, we've formed our own little marketing organization up there, and we're competing with each other, which is a strange story. We're trying to sell as many pants as we can in Canada, and this seems the best way.

Development in Europe

- W. Haas, Jr.: Well, getting back to Europe where the growth

W. Haas, Jr.: is much greater--there was demand; we had a first manager who was not too well qualified and not representing the company properly. Then we sent somebody over from here who straightened that out and helped the development. He was replaced by the current manager, who's one of these fellows I was talking about out of Stanford Business School, probably the number one candidate in the class. He'd been in the marines, and he was a little older--thirty or thirty-one years old, Peter Thigpen. His picture's in Fortune magazine this month, incidentally [August 1973], and he's been there five years, and he's the most experienced man we have. We do over a hundred million dollars of business in Europe. We're having some inventory problems right now.

Nathan: That means keeping enough on hand?

W. Haas, Jr.: No, unfortunately just the opposite. We have too much and we're suffering some losses. But in fairness, we grew too fast, we didn't have proper controls, nor experienced people. And their only problem with sales in the last eight and a half years was producing too much of some things and not enough of some others. It got turned around and it wasn't recognized soon enough, and we're in kind of a mess right now.

Again, we're beset by imitators. If imitation is the highest form of flattery. [laughter] But people want the genuine Levi's. The European business has changed. It used to be staple Levi's or corduroys or jeans. Now it's become very high fashion and the competition is tougher, because the style and the fashion are more important than the name. So we just have to be right. But it's almost incredible to see how from zero the business has grown and is continuing to grow.

It's very exciting.

Nathan: Yes. It is a fascinating story. And thank you for a vivid account.

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LEVI STRAUSS & CO.: TAILORS TO THE WORLD

Peter E. Haas

An Interview Conducted by
Harriet Nathan



Peter E. Haas

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INTERVIEW HISTORY

Peter E. Haas provided four interviews for the Levi Strauss & Co. memoir on the following schedule. The sessions took place in the Battery Street office in San Francisco.

Interview I	April 28, 1972
Interview II	May 12, 1972
Interview III	May 19, 1972
Interview IV	June 2, 1972

After the interviews were transcribed, they were lightly edited and submitted to Mr. Haas for review and approval. He made a few editorial corrections.

Each session lasted between one and a half and two hours, the first two beginning at 9:30 a.m., the third at 10:30 a.m. and the last at 8:30 a.m. The firm had gone public a little over a year earlier, and Peter Haas was thinking about and dealing with long-term consequences as well as the day-to-day operations of an international business. He also talked about aspects of his personal life, and his community and other activities outside the firm. Mr. Haas spoke with respect and affection of the leadership and integrity of the older team: his father Walter A. Haas, Sr., and his uncle Daniel E. Koshland, Sr., and with warmth and appreciation of his own teammate Walter A. Haas, Jr.

His approach was thoughtful, questioning and analytical. He noted with pride the firm's record of treating employees as individuals, and its leadership in furthering integration at work even before the "crutch of legislation" came along. He also captured the kind of high-pressure excitement the business can provide as he recalled urgent discussions in a telephone booth just as the company's shares were about to be put on the market for the first time. The four leaders had to agree about price, with all the considerations involved, and they had to decide quickly. They could, and they did.

Harriet Nathan
Interviewer-Editor

23 April 1976
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University of California at Berkeley

I CORPORATE SOCIAL RESPONSIBILITY AND EARLY RECOLLECTIONS

Peter Haas: You have some notes here on company policies particularly in the area of corporate social responsibility. We could talk about those first.

In recent years I think the company has become quite well known for its posture in this area of corporate social responsibility which now everybody's looking at. Maybe we started somewhat sooner than others. I think this is my brother Walter's particular forte. This is an area in which he has made some of the greatest contributions, which enabled Levi Strauss in turn to make great contributions. I think though that the whole philosophy of involvement, of responsibility, really goes back to our forebears: to Dan Koshland, my Father, and I guess to their parents before them, as a personal ethic of caring for your fellow man. I guess it's inherent in being a good Jew, too. Not only was it a personal ethic, but they applied it to the character of the company in the way in which employees were treated, as well as the way they themselves and the company were involved in the outside world. By no means to the extent that we are now, but this formed the foundation, the background, I guess, to what Walter and I have learned. I think the greatest impetus came when Walter was involved in the National Alliance of Businessmen to provide jobs for the hardcore unemployables. That probably sparked his and our further interest in doing other things in the community in moving ahead.

It goes back some years, in fact it was shortly after World War II, and I was out at the Valencia Street plant understudying Milton

Peter Haas: Grunbaum. I felt that we should think seriously about giving jobs to Negroes (they were Negroes then and not Blacks), because we had many coming in and applying for jobs. Of course there was the influx into San Francisco during and after the war. After discussing it considerably and talking with floorladies, and doing all the orientation that we know how to do much better now, we did employ some. That was the beginning; it seems like medieval times now, but that was twenty-six years ago. Of course, look how far our whole society has come since then. It was quite new and it bumped into some considerable resistance in the beginning in the plant.

I guess it was shortly thereafter when Walter was in charge of personnel on Battery Street, we had the first Black, Booker T. Washington, who came in as a janitor and really provided the basis for so many who came in after him.

Nathan: Was his name actually Booker Washington?

Peter Haas: Booker T. Washington. And gradually the percentage went up. We had never integrated our plants in the South, even though it became standard procedure here in California, in San Francisco and our San Jose plants and at Battery Street. We began to add more and more plants in the South and for some years we were reluctant and probably just not courageous enough to consider breaking the color barrier in the South.

Integrating in Blackstone, Virginia

Peter Haas: Paul Glasgow, our production manager, came to us one day knowing that we were interested in integrating our plants and said he felt the time was right to do it in Blackstone, Virginia. He had discussions with the city fathers and within the plant. I remember going back to Blackstone in the summer and in the process meeting with some of the city officials and the city fathers, and telling them that we were reluctant to impose our views and our conception of morality on them but it was a matter of just dollars and cents. We weren't getting enough people applying for jobs

Peter Haas: and it was a question of whether we'd stay in the town if we didn't start employing Blacks. I think on that basis they saw the light and as far as I know there was no opposition.

Of course when we started doing it in the plant there was a considerable process of softening up and explaining to the key people. Some had said, "Well, this is fine but maybe we should put a wall down the middle of the building." We said no. "Well, could we run a line, put a line down and have one side white and one side Black?" And we said no. Then you got to the really tough ones, the really tough prejudices when you got to the drinking fountains and restrooms. And we said no, no segregation there either, and it went through. We might have lost one or two people. I think there was one girl who was pulled out because her husband didn't want her working under this kind of condition.

But after Blackstone the others began to fall in line. This was well before, of course, the federal law was passed.

Nathan: Were these men, women or both whom you hired in Blackstone?

Peter Haas: Predominantly women, 90% women.

Nathan: Yes. Both in Blackstone and in San Francisco when you felt that it was necessary to win the understanding of the floorladies and the people who would be in charge, what sort of discussions did you have with them? How did you go about it?

Peter Haas: Well, we simply explained that we thought these people had a right to work, they should have the opportunity, and it was the only proper thing to do. I don't remember much beyond that, just talking over some of the questions and the prejudices and trying to bring those out to help pave the way.

Vallejo, California

Peter Haas: I should also mention, I remember one other particular incident in 1949 when we started a new

- Peter Haas: plant in Vallejo, California. We made a special point in the first fifteen people who were hired, there would be two Blacks. So that when they came to work on the opening day, this was the established pattern and if they complained about it "Well, we're sorry, this is the way we do business." I remember a gal from the South. She objected to it and we said, "Well, we're sorry, that's the way it is. If you don't want to work there--" She stayed. I think it's important because this is--again, it sounds like the Dark Ages, but this was well before you had the crutch of legislation to use to help in accomplishing integration. Of course that was just the beginning. Then in more recent years, we've had the affirmative action, the upgrading, the training again, the hiring of hardcore unemployables. Those early days were phase one but I think probably as meaningful as anything we've done later, because it was a start.
- Nathan: I might ask you about other minorities too. Did you deal with Asians? Did you already have Spanish-speaking people employed?
- Peter Haas: Yes, we had Asians in San Francisco. Subsequently we've had an influx of Spanish-speaking people from Central and South America. Certainly in many of our southwestern plants there's always been a very heavy concentration of people of Latin background. When we talk about our affirmative action program and upgrading and so on, then we talk about all minorities participating.
- Nathan: It sounds almost like a contradiction when you say "We are hiring hardcore unemployables." How do you make them employable when they come to you unemployable?
- Peter Haas: I don't remember the criteria for calling them unemployables. The government has some such definition. But I guess they have been considered unemployable up to now without the very massive concentration you have to perform to make them employable. It takes obviously a lot more attention and a lot more time, and businesses generally were not ready to go that extra step. The chances of success are well below the norm; you have a much higher turnover. But if you stick with it, it works.

Conviction, Inspection and Feedback

- Nathan: Does this suggest that maybe one key to the success of this effort has been the conviction behind it? Because everything you say carries this feeling that "This is our conviction, this is the way it's going to be."
- Peter Haas: I think that goes without saying and again it goes back to the way we were brought up. And so if we have that conviction, the big problem, well, maybe not a problem, but the big job is to convey this conviction on down the line. It gets down to the plant level so the plant managers and the floor-ladies themselves have that conviction. Or at least if they don't completely agree, they realize that it's company policy and they're being judged accordingly. That's another way of convincing people, too. [Laughter.] It's easy to have this conviction but unless you can implement it and move it on down it won't work. One of the problems in the early days was that maybe people weren't getting the word enough. We would make these pronouncements from on top, but it wasn't sifting down as it should and we weren't getting the feedback or the reports. Well, we were able to improve our management techniques and the program was well implemented, I think.
- Nathan: May I ask you a little more about management techniques? What you have described sounds like the problem that any big organization or any bureaucracy has to cope with. How do you make sure, or make it more likely that each level on down is going to understand and accept?
- Peter Haas: That's difficult to answer. It's easy to go and spout what the textbook says, I suppose--I'm not sure I remember what the textbook might say--or try and remember what we were supposed to be taught back in business school. But it's partly, I guess, a matter of communication: clearly indicating what the policy is and following up to make sure the policy is implemented. I think too often things fall down because there isn't that follow-up or reporting back or whatever it may be to make sure that the job is getting done. I think it's the monitoring and the checking that's important. Most managers do what they think the

Peter Haas: guy upstairs, the one above them, feels is important. He'll do things that are, let's say, inspected by the people above him, and not just what some general policy statement may say. So again, I think, it's continual checking and continual inspecting: a sort of process that you have to rely on others to do down the line, but once in a while you skip all the levels and check yourself, too. That's probably the best way to find out.

Nathan: You mentioned feedback also. How does this work in a company like Levi Strauss?

Peter Haas: As we grow bigger it becomes more and more difficult. We had to develop different monitoring systems, different indices, to show how the job is being done. As we've divisionalized now I think we've had to learn completely different techniques that revise the kind of a feedback we have. There isn't the same line of authority, line of communication there was before, so we have to do it a little bit differently.

One thing that comes to mind when you ask me about management techniques is I think we've always tried to operate here on the basis of discussing, exploring a problem, often seeking a consensus if we can before anything is put into effect, before there's any pronouncement from on top, from Walter or myself. It takes longer that way but we'd like to think that in the end the results justify taking longer and getting a consensus. Although this doesn't mean that in certain situations where we may have to move quickly, or we feel that something is right and has to be done, that we don't shortcut the decision process.

Affirmative Action, and Leadership by Women

Peter Haas: Getting back to corporate social responsibility I guess the most recent development has been in "Women's Lib" where we, not too many months ago, put into effect an affirmative action program for women. We have one lady in charge of it who is one of our most outspoken employees on many "human element" subjects, so we felt that she would be

Peter Haas: awfully good in this position, and she is. It's something we mean business with because there is a lot of catching up to do. I think it's something we've overlooked too long.

Nathan: In which aspects of the business is this especially necessary? I've gathered you've had floorladies and you've had people in the production end, many women in that aspect. But where do you feel they've had a rather thin time of it?

Peter Haas: I think it's in the management area here in the home office more than anything else. In the matter of equal pay for equal work, we're squared away on that now. I can't say that we were two or three years ago. Too often we may have followed traditional pay scales for women in comparable jobs in office management and in our plants. I'm afraid two or three years ago they might have been paid less than if a man were there. I think we've got that well straightened out now.

But it's not only equal pay, it's equal opportunity: the opportunity to move ahead into management positions. Even the opportunity to be a member of our sales force, traveling on the road, which is being done now. I'm told it's working well but I guess we'll have to see. There are some roadblocks in that often a woman is qualified and ordinarily, if she were a man, would be moved to some other geographical location, let's say, some other distribution center. There'd be an opportunity in the other location, but her husband doesn't want to move so she can be stymied. That's a very practical drawback over which we have no control.

The most natural areas to upgrade jobs in our affirmative action program for women are in our plants where we have so many women working. For example, we are looking for a woman plant manager.

It reminds me when I first came with the company we had one then. There was a woman running Valencia Street. Of course she reported to Milton Grunbaum, and though maybe he was managing this plant, she actually ran it. And so all this time before Women's Lib--she ran it for many, many years until she retired. [Laughter.]

Nathan: Do you know her name?

Peter Haas: Annie Heinzer, we all called her Annie. I don't remember but I think that was her final name when she quit, because she got remarried; Annie Hurliman, she was also known as.

Nathan: So you are now back to where you were?

Peter Haas: [Laughter.] We are almost getting back to where we started. I remember another lovely lady, a floorlady, Mrs. Dunnigan. And I guess between her and Annie I learned more about production and running a plant than I could have learned from anyone else. They were the ones that really operated the plant. Mrs. Dunnigan was just a great lady.

I remember one particular episode. We had these Christmas parties the day before Christmas. People would officially stop working at twelve. Actually the parties went on from almost eight o'clock and you had to learn to pace yourself because everybody had their homemade wine and cake and everything.

So, there was very little accomplished in the morning, then everyone officially clocked out at twelve o'clock and there was a big Christmas party. One day Mrs. Dunnigan said to me, "You know, I think this is really wonderful that the company has a Christmas party. But people lose their paycheck for that afternoon, and I wonder if it is right."

So, that was food for thought and shortly thereafter we made the afternoon a paid holiday. She was very sensitive to these things and made me sensitive. For many of the thoughts that Annie wanted to pass on to management, she would use me as a conduit.

Nathan: Yes. I assume that these women would know every operator in the plant.

Peter Haas: Yes, Mrs. Dunnigan just had one part of the plant really, but they still knew everybody.

Nathan: And this was the plant where the Levi's jeans were made?

Peter Haas: That is practically all we made. We made some western wear at that time, we made some shirts, but the big production was in the regular Levi's

Peter Haas: jeans.

Nathan: Did these women have anything to do with setting the piece work pay levels?

Peter Haas: Generally it would be done by someone else, but Milton Grunbaum would often check the figure with them to see whether they thought it seemed right or not.

Nathan: Are you looking for woman plant managers in other places besides Valencia?

Peter Haas: Oh, when I mentioned looking for plant managers, I meant wherever we could find them. Not for just one of the thirty-three, thirty-five plants.

I don't know whether this should be put in, but you asked a question about policies concerning the giving and receiving of gifts by company representatives. Quite a few years ago we put in a policy prior to Christmas time that we would neither give nor receive gifts, because it was really getting out of hand. I think we were doing quite a bit and giving to our retail accounts, to individuals. At the same time our suppliers were doing more and more for us and for a number of others, and we thought it was just unwise to have that conflict. So that's how it came about. About every two years, before Christmas, we send out a reminder on it because we have new people coming in all the time.

Nathan: Is this usual in industry, or can you tell?

Peter Haas: I don't know if it's usual in our industry. I really can't say. I think we've got some figures and could check and see what other company policies were. Judging by the number of gifts coming from suppliers at the time we eliminated the practice, I would say that we were unusual to put in this new policy.

Nathan: When you have tended to move in new areas, to bring in new sources of personnel, let's say minority women and so on, how have the unions responded?

Peter Haas: There has been no particular problem on that score. They haven't been for and haven't been against; at least the unions we've dealt with in

Peter Haas: the past have pretty much had a passive view of the situation. I should mention one thing in talking about corporate social responsibility: It's not just a matter of "doing good." It's turned out, I think, to be also good business. Obviously when we were talking about employing minorities, when you do that you immediately open up a brand new labor market, a market where you can draw new employees. In our plants which are labor intensive, we need a lot of people coming to work. In Blackstone, as I've said, we would have had to close the plant if we hadn't started employing minorities.

Hiring Practices and the Stock-Purchase Plan

Peter Haas: Just backtracking a minute on some of the early hiring practices and background, an example of that of course is the hiring of refugees from Nazi Germany, a number of whom are still with us, and a number of whom have retired. One of the most pleasant aspects of going public was that these refugees who had come here with nothing but their character and a desire to work, through our stock purchase plan had accumulated over the years a fair number of shares, many quite a large number of shares; they gained because of going public and the market value that was put on stock that they had purchased at book value. The market value when we went public was probably in the neighborhood of seven times what the book value was at that time. And of course many had purchased it at much lower cost. Certainly they had more money than they could have ever dreamed of having. As I say, many are still working with us. That was one of the nice aspects. Of course we often hired former prisoners. Bob Koshland particularly has done much in hiring handicapped people here.

I mentioned the stock purchase plan, and this had been a tremendous device. Our employees could buy Levi Strauss stock at book value and on an extended payment plan, with the understanding that if they retired or left the company that stock would be bought back at the then book value. With our profits increasing, doubling virtually every five years, though there was no insurance

Peter Haas: when they bought that that record would continue, there was a continual increase in the value of stock. This in turn gave the employees a stake in the business as well as incentive to stay with the business. It was a better investment than generally they could make on the outside, and it was kind of a golden handcuffs sort of thing.

Nathan: Who devised this?

Peter Haas: Dad and Dan did it. Actually it was Iris Securities that provided the vehicle for financing over many years until just recently when Levi Strauss took over the lending of money and transactions back and forth. Of course it also meant that there was far less stock available than was wanted--the supply was less than the demand. In recent years we allowed key people--directors who retired or key department managers--to retain a portion of their stock. If they passed away, then their widows could hold it for a limited period of time. But our basic idea was to have the stock revolving to those who were actively involved in the business.

It was a blow to those who retired or left a year before we went public. The bonanza was gone. On the other hand, of course, those who did have stock when we went public--we had over twenty who overnight became millionaires or multi-millionaires, just because of the stock they'd accumulated, or through stock options we had given to key people.

Unfortunately with new people coming in we no longer have the same kind of device. But we have tried to develop other kinds of benefits that make up for it. But I doubt if we'll ever discover anything that was quite as effective and simple as that stock purchase and re-purchase vehicle.

Nathan: I gather that an employee who purchased stock, as you say, at book value under this system, could not dispose of it elsewhere. It had to come back to the company.

Peter Haas: We, the company, had first option on the stock. Now if the company did not pick it up, they could sell it on the outside. That never happened.

Peter Haas: I know one other thing I wanted to mention. The figures of Levi Strauss's sales and profits were a jealously guarded secret. It was never mentioned on the outside. So about two years before we went public, because of the SEC [Securities and Exchange Commission] rules we were forced to the decision whether we would have to release these figures or not. This came about because a company with assets over a certain amount and shareholders above five hundred in number had to file with the SEC certain information that we had formerly kept quiet: sales and profits.

Included also were salaries and how many shares a family owned, and a lot of stuff that we just felt uncomfortable about giving out into the world. Well, this was brought to a head because we had something over four hundred shareholders and we knew at the next stock distribution which we did about once a year there was a good chance that we would go over five hundred.

We could have kept below five hundred very easily by just limiting the kinds of positions or people that we would sell stock to, say, key managers, people in certain kinds of positions, and not go into widespread distribution. But here again this was a decision of the operating committee. We took it to them. There seemed to be a consensus that we should not limit the distribution, that we should not say to a secretary or a clerk, "No, you cannot have Levi Strauss stock." We felt that was one of our built-in advantages that we had in the past, so many of the "little people" had a stake in the business, were part owners in the business. We decided that we'd go above the five hundred level and submit this information to the SEC. From our family standpoint, maybe we didn't care quite so much about the sales and the profits becoming public but we were a little reluctant to let the personal information go out; our size, our stockholdings. I think it's one of the best decisions we made.

And of course two years later when we had to go public, it was a different kind of ballgame too.

English Classes

Nathan: There's so much that we could talk about, including the classes in English.

Peter Haas: Yes, this a program I think that is kind of unique and that we are proud of. I'm trying to remember just how it started or the reason. I guess it was during a period where people were a little downcast about our plant on Valencia Street, which is in the Mission district, pretty much in the middle of the Spanish-speaking area, and a large portion of our employees out there are Spanish-speaking.

In order to try to improve communications and try to improve their lot too, we instituted English classes out there. I think this was rather successful. We've had a number of so-called graduations. One of the better incidents I think was when one of the operators because of her learning English was able to get a better job downtown! [Laughter.] I wouldn't go so far as to say the program backfired, but that was fine. [Laughter.]

And then these worked out so well that now we've extended them to El Paso, at least. Our El Paso plant is, again, in the middle of the Spanish-speaking area. I'm not sure if we extended it elsewhere to the other plants in the Southwest, but that undoubtedly will happen.

Nathan: Do you have any other classes, mathematics, citizenship, or any of these other possible ideas?

Peter Haas: We've had some citizenship classes.

Decisionmaking

Nathan: Turning to major decisions now, before you went public I gather that there were really four principal people who had to come to some agreement. Would that be right?

Peter Haas: I'm not sure when Dad and Dan Koshland disassociated

Peter Haas: themselves from the day-to-day operations and were not as involved as they had been twenty years ago. Although they were and still are very much in the picture on the major policies, the major decisions, these usually come to them after we've pretty well decided on a recommendation. Certainly we may have discussed these in a preliminary way with them so that they could give their views. But we have what we call an operating committee that meets about once a month consisting of Walter and myself, Ed Combs, Mel Bacharach, Paul Glasgow, Al Nathe. The operating committee through the informal process (I would say the ones I named, and of course Bob Kern) reach the over-all decisions. You know there are others who are involved in various aspects; there's Dan Baran in credit. But the ones I've mentioned I'd say are the top group. This was in operation well before we went public, so it wasn't suddenly changing from four to six or seven when we went public, not at all. We had that going pretty well before.

However, now that we have gone public we have many kinds of decisions that we have to red tape a little bit, be a little more careful about how we go about the process. They are involved particularly with our two outside directors; we have to keep them informed and they contribute immensely to our making this change to a public company. But many of the decisions we still may go ahead and make, but there's an informational process prior to that time, too, that we have to go through.

Product Integrity

Nathan: I see. I was just admiring this pair of Levi's for Gals, while we were preparing to talk. How would you describe this garment?

Peter Haas: Well, it's pretty wild. It's wild in colors and the pattern of the fabric. The reason these pants were in here was that a couple of days ago our Director of Product Integrity and our Levi's for Gals divisional manager came in here because they could not agree whether these pants should be sold or not: the reason being that the inseam

Peter Haas: was sewed very badly.

Nathan: Oh, I see. I was so taken with the six colors and all the stripes that I didn't even notice that.
[Laughter.]

Peter Haas: The divisional manager pointed out that these are not blue jeans; it's a style item; they have to be in and out fast. Because of the kind of material that was involved here he doubted that the poor sewing on the inseam would show up and that anybody would object to it.

Nathan: There's a sort of puckery strip in the fabric, a little like old-fashioned seersucker.

Peter Haas: Yes. Well of course our Product Integrity man felt that it was all wrong. As a matter of fact usually he gets those things settled without coming in here. We have to try to settle a dispute like this one only once or twice a year. This is where the buck stops. [Laughter.] Although there were six thousand pair of pants involved in this that would have to be sold at a terrible loss, I said that I did not think that these could go on the shelves with the Levi's label on them. The divisional manager was very disappointed, but it had to be that way. So we dumped quite a few dollars down the drain but protected our reputation.

Now I will say that the divisional manager had a lot of reasons on his side. The ladies' business is different. He was absolutely convinced and came close to convincing me that it would not hurt. But in the end I felt that I had to back up our Product Integrity man. He's relatively new on the job; he's only been in for a few months. I had given complete backing to his predecessor, and I felt that it was inexcusable that this kind of sewing should have continued through six thousand pairs without a supervisor or plant manager, or someone in that plant catching it, that it was inexcusable that it wasn't caught in time. Although there were many reasons, none of them carried. [Laughter.] You know, they could have been put aside. Actually the solution to this is a different method of sewing. It would have taken time to get the machines in, but it would have been far better than scrapping six thousand pair of pants.

Nathan: These are not easy decisions to make.

Peter Haas: No, they're not. I guess that sparks another thing. This Department of Product Integrity: I guess it's an unusual name, yet it describes exactly what we have in mind. By way of background, some years ago we were getting increasing complaints from our salesmen that our quality was slipping. Something that we had cherished for so many years, had bragged about, was beginning to go down the drain. Now the one thing they were referring to particularly was the appearance of our casual pants, our sportswear pant. Our major competitor in El Paso, Farah, was putting out a far superior pant in appearance and in the quality of the fabric. We did not look very good beside them, but in addition to that they were complaining about our jeans having too many threads on them, the measurements were not consistent, and we weren't delivering as we promised, we weren't delivering on time. They said that when we did deliver we didn't deliver what was ordered. It was just a rising crescendo of complaints about how we were doing in the marketplace.

Well, we started to put into effect a major corporate effort to turn that around. Up until then we had had the quality control aspect, but we had what we called quality control under our Production Manager, Paul Glasgow. At some time, I guess every new management employee that came in said, "Why do you have quality control under production? That's wrong." By the book it was wrong, but we felt that from the time of Milton Grunbaum through Paul Glasgow, our Production Manager was so quality minded that it was safe to put it there. But we finally decided that maybe we were staying with it too long.

There were other aspects. It wasn't only production, it involved the distribution centers; it involved how we were handling complaints. So we were thinking of making an independent department, were just about ready to set it up, and we had the individual selected.

Walter came in one morning and said, "I was awake at two o'clock last night," and I was shuddering. When he's awake at two o'clock there are always five different things that have to be done

Peter Haas: or questioned [laughter]. He said, "How about calling this new department, the Department of Product Integrity?" And it just seemed to fit right there because it involved testing materials before we bought them, it involved monitoring quality of production, it involved handling consumer complaints. It involved many things in the area of product integrity.

And in the process too, it wasn't just the name, it symbolized a complete change in our posture. Of course, to make it go we were smart enough to pick the guy in the company who could do it and would not be beholden to anyone.

We wanted someone who had been in the company for many, many years, but who was still quite young, a guy who called the shots as he saw them. Of course one other aspect was that he was made independent of production and merchandising. Any report would be turned in directly to me. He set up his completely new organization and it went from there, and I guess my main role was in backing him up and making quite clear to the organization that he was making the decisions and the quality was going to improve. Walter often talked to outside people about our new Department of Product Integrity, he would say, "That manager has the ability to stop shipments or close a plant, shut down a plant, when he feels the thing isn't right." So Al Sanguinetti came to me and said, "Peter, is that right? I have the authority to close down a plant?" I kind of gulped myself, but figured I had to go all the way on this, and I said, "You do Al, but if you do, let me know right away before the phone starts ringing." [Laughter].

Nathan: That is really rather terrifying in a way, isn't it?

Peter Haas: He's never done it, he's never had to do it. But he has that muscle behind him. There was no position in the company, I guess, that was subject to more fire from two sides. Because the merchandising people would always think, and production people too, would think he was being too tough, and something should pass, which he wouldn't pass. But I think as an indication of the respect in which he was held, when it came time to divisionalize and we were trying to select the man to

- Peter Haas: lead the largest and most important division, he was the choice of the people who had subjected him to this fire from both the production and merchandising side. He did get things turned around. Many people still feel that he might have been too tough, that our seconds, the garments we make into seconds and sell at a reduction are better than most of our competition's first quality garments.
- Nathan: Do you take off the Levi's label when they are sold as seconds?
- Peter Haas: When they are sold as seconds, we stamp them irregular on the label. Also he introduced a higher quality standard for our piece goods. As a result, we often have to reject yardage and distressingly, have to shut down a plant because we don't have enough back-up yardage to cut. Then of course, our people are under a great fire--how can you put people out of work? There's a great temptation to make this "one" exception.
- Nathan: When you speak of piece goods, does that mean the fabric that comes in that is made up into jeans?
- Peter Haas: That's the body fabric, the body material. Blue denim, or the seersucker or the corduroy, or what have you.
- Nathan: So this quality, or this Product Integrity, begins before it's a product really.
- Peter Haas: That is right. Before any fabric is purchased initially, it's tested in the Product Evaluation Department laboratory to make sure it meets strength or color fastness or washability standards and so on, including such new standards as pilling.
- Nathan: Pitting?
- Peter Haas: Pilling.
- Nathan: Oh, yes, I know. Where the top fibers roll up in a little ball.
- Peter Haas: So, they had to be tested before the merchandising people can buy that fabric. Then there's a continual monitoring of the delivered fabric to make

- Peter Haas: sure it is up to the original standards. As a result we are under a great deal of pressure by some of our suppliers, "It will be too tough; it's going to cost more; we can't produce to these standards." But we've made great progress along that line.
- Nathan: Do you find then that once you have been able to establish a standard your producers can meet that level? I suppose there are always other producers if the original can't quite make it.
- Peter Haas: Unfortunately there aren't others. You could say, "Well, let's shift to someone else." That's really impossible to a large extent during the season. Over the long run, you hope you can--except that in certain areas, particularly denim and corduroy--we simply can't get enough from the suppliers we have. We are beginning to get enough denim, but we did this by encouraging two other suppliers to go into it, to provide us our own special denim. But corduroy we can't get enough of; so far we simply can't get enough, so our ability to force them to the standards we think we need is a little bit menaced. They can sell a good part of that to someone else, because everyone else can't get enough either.
- Nathan: Is it ever a temptation for Levi Strauss to want to move back in the chain of production and produce your own corduroy?
- Peter Haas: No, we're often asked that, but we have enough troubles and problems doing what we think we know best without getting into someone else's business. This way we have a much greater choice of the available supplies and the kinds of fabrics we want. If we were to go into a mill process, one mill can produce denim, another mill may produce corduroy, another produces something else. I don't know where we would start milling. No, we've never really thought seriously of that kind of vertical integration.
- Nathan: When you speak of Product Integrity which seems to be very central to your business, does this extend into promotion and advertising?
- Peter Haas: No, Product Integrity doesn't. In the promotion and advertising we try to do what is ethical and

- Peter Haas: has corporate integrity in it, yes, but the Product Integrity Department has nothing to do with that end of it.
- Nathan: I gather from the way you've described the development of that department that this direct line to you has really helped to make it effective.
- Peter Haas: I'm sure it must have. The cause of its success was of course the man heading it. But if it was this office or Walter's they'd look at it pretty much the same, I think. It was seldom that we had any confrontation in this office--people after one or two encounters were reluctant to come in here. It was settled at a lower level and it was a testing process in the beginning to see just who's in charge and what are the rules of the game. I think we cleared that up rather rapidly.
- Nathan: I gather then that Al Sanguinetti now has a different assignment.
- Peter Haas: He is manager of the Jeans Division which is by far the largest division and by far the most profitable division. He took over just at the beginning of the year when we did this divisionalization process.
- Nathan: How did you find the man to succeed him?
- Peter Haas: Part of his being a good manager was to develop someone under him who could take over. I guess most people should realize that a good man under them isn't a threat but it makes it a lot easier for them to move on up if there is someone to take over in their place. He had a good one trained.
- Nathan: Then you don't believe in the "Peter Principle," that you are promoted to your level of incompetence [laughter].
- Peter Haas: That's a little too close to home [laughter].

Promotion and Recruitment

- Nathan: But this, I gather, is the way you'd like to see developments made in the personnel aspect of the

Nathan: business. You do like to promote from within?

Peter Haas: We much prefer to promote from within. In fact, shortly after the war when we started to grow, the policy had always been, without exception, we had to promote from within. That's why we had so many top executives who we proudly would announce had started as elevator operators or warehousemen or what have you. This was fine but unfortunately, I know we could never have gotten where we are now if we had continued that. For one thing we needed more people, and you couldn't promote that many. We needed the kind of talents from outside that you couldn't always get from someone who started as an elevator operator.

I don't know what year it was, but the major change that we made was when Mel Bacharach and Art Roth were hired as business school graduates. I guess the only business school graduates in the company up till then were Walter and myself. And of course Mel Bacharach is one of our senior vice-presidents and Art Roth is head of our Levi's for Gals division. They were the first two, and there were many who followed after them. So it has to be the combination of the two of promoting from within and getting help from the outside.

Take Ed Combs who came with us, I think, eight years ago, to head our International Division which we thought was not being operated well. We just didn't think we had anyone inside to do it. Ed came in and of course now he's our executive vice-president in a pretty short time. I know that his selection came as somewhat of a surprise to most people. I think they were betting on someone else. When it was announced, there was complete acclaim that he was the right one. So I don't know if that's promoting from within or taking from the outside. He'd only been with us eight years.

Nathan: Yes, I'm sure you must need the sophistication that some outside or graduate training supplies. This is a very complicated enterprise, after all.

Peter Haas: Oh, there's no question, you have to have the sophistication and knowledge, and the kinds of techniques that are being taught now will have to be brought in. I think we have much more of

- Peter Haas: that kind of talent in this company than our competitors. For a while we might have been bringing in too many business school graduates and trying to put them through some training program. They just couldn't see where they were going. We were building a little too much fat in. I think we are adjusting better now. Also I'm not sure whether it's wise to bring some of these people in right out of business school. Let them work for someone else for a while to adjust their aspirations to the realities of corporate life in some other company than in here. Hire them after they've had one job elsewhere.
- Nathan: Are you constantly on the look-out for promising people in school and in other businesses and just in general? Do you watch out for these?
- Peter Haas: Yes, we do. There have been times when some outstanding person came along and we didn't have a slot at that time for them or have it budgeted, and we just went ahead and took them in. We have not done that as much recently because too often we find you do this and it is difficult to find the right spot soon enough. So I'd say, "Yes, in theory it sounds right, we should be doing that." We do, but in practice it doesn't happen quite that often.
- Nathan: Finding the right person for the right job seems to be very central to you.
- Peter Haas: Yes. We've tried to make it clear to the whole organization that seniority has very little to do with promotion--that it is ability. Age doesn't count one way or another; there are opportunities to move ahead for our younger people and not by trampling over some others who have been here longer.
- Nathan: Do you move someone around from one job to another, or if he doesn't fit one job do you suggest that he go somewhere else?
- Peter Haas: Well, as a matter of training we do move laterally at times and certainly from one division to another as a promotion. We've brought quite a few people in the international area into domestic and vice versa.

Peter Haas: The most difficult decisions, I think, are what to do with those people who just aren't able to perform under present conditions. I think our standards of performance have escalated over the years, as they've had to, and what might have been acceptable some years ago is now no longer acceptable in terms of performance. And yet with a man or a woman who's been with you for fifteen or twenty years, what the dickens can you do? Up until recently they would be here for life. We've gotten a little more hard-nosed about it, having had two or three terminations we might not have considered before. But we just felt that these people had dead-ended, and they were affecting the morale of those around them. It was better to make the change. I think most of those came out pretty well; they had Levi Strauss stock and when it went public they got a fair amount of money. We of course made a very generous termination severance pay settlement.

I'm director of another company that just recently reorganized and an awful lot of heads fell, and some senior people have been let go. I just can't see that happening here at Levi Strauss, nor do I think we have that many personnel who don't qualify. That's quite a different way of doing things than I've been accustomed to.

This is a different subject, but it's somewhat the same. Last year in about June we found that our sales were not coming up to what we had anticipated. Our expenses just continued to go up and up, and we'd budgeted, of course, on a sales volume that wasn't coming in, so our expenses were getting completely out of line. We put into effect more of--not an austerity program--but we did cut back on most budgets. In most departments we relied upon attrition to cut down on the number of people, because that's where the major expense is. In some very isolated instances we did let people go, except in one area, what we call Management Information Services. We had a manager who'd been with us about a year. We got the new manager in because we knew the old manager was (1), becoming seriously ill and (2), we just weren't satisfied with the kind of results we were getting in this area. So we got the new manager in and it turned out that that move for the company was propitious because the previous manager unfortunately did

Peter Haas: pass away.

The new manager came to me and said, "Honestly, I can do 95% of what we're doing now, or supposedly doing, with about thirty less people." Well, this was quite a shock to hear; that was maybe one third of his work force. He worked up a table; I think eventually we cut down the list to about eighteen or nineteen. But it was the first wholesale firing, to use a word I hate, that we'd ever had in Levi Strauss. And even though we went about it as carefully as we could there were repercussions particularly about, "Well, this is what we expected when we went public, it's becoming impersonal." We tried to point out that was not the case. We had some opposition in our management group when I got them together. Walter was in Europe at the time, but I felt we had to be firm on this because it was the only way we could get anything done. We made the most generous severance pay allowance we could; we tried to find other jobs. For many we were able to find jobs in other parts of the company. We had to be careful too of the minority element to make sure that we were taking a real look at those we were letting go, to make sure that we had reason for doing it and the Equal Employment people, the government, wouldn't be in with complaints. But in the end I think it eventually all calmed down and I know it had to be the right thing for the company. It was the kind of thing you don't like to go through, when you're making the final decision.

Nathan: Well, at least you'd have to say the new manager was no empire builder.

Peter Haas: Yes, he said, "I can replace these people with quality people--far fewer--who can get the job done." Fortunately too, he's the kind of man with the ability to earn the respect of the organization, whereas pride at that time had regrettably left that department. It had a pretty poor reputation with the rest of the departments, so it couldn't get the job done.

Unfortunately that's a science in itself. Sitting in this office you have a hard time knowing whether it's being done right or being done wrong. I guess in this case we realized we just weren't getting anywhere. We had to make a

Peter Haas: change and that's why we brought the new man in, but you are very much at the mercy of these experts.

Maybe this is interesting to you: in the selection process our personnel people narrowed the choice down to two people. Since this man was going to report to me, naturally I had to interview them both, and they were also interviewed by other top people in the company. The consensus was that another man should be hired, but in my interviews the man we eventually hired came through to me far, far better. He was the kind of guy I was looking for, he seemed to be the one that would get the job done, and get it done fairly rapidly. There was a dilemma because here I was in the minority. I remember I spoke to Walter about it. He had not interviewed the two. I explained the situation. Here was one man whom I thought I could work with much better than the other, but I was in the minority.

He said, "Look, if that's the way you feel, you ought to go ahead and do what you think. Use your own judgment." Of course I don't know how the other man would have worked out, but I think the present one could not be better as far as I'm concerned.

Nathan: Well, you do have to use your own responses. I was interested in what you look for in someone; what is it about him that comes across to you as being valuable and right? Is it hard to tell?

Peter Haas: Yes, I think it's hard to tell. Obviously he knew his business; technically he was right. He was dynamic and I thought in this case we needed someone who was dynamic because he was quite the opposite of the previous man who was much more passive. I thought his theories, the way he thought of approaching things was--well, it's really hard to put your foot on it, call it a gut reaction if you will. I felt that he could do the job and that he and I could work well together, and that he would relate well to other parts of the company as well. He had great confidence and he would instill it--that's what we were looking for, we were looking for confidence in that area.

Human Relations Within the Company

Peter Haas: There is one thing I wanted to spend a little time on; because often when I talk to some of the new men and women coming into Levi Strauss, as part of their orientation process, this is one topic I always try to stress. It involves, again, the outlook towards people here at the company. And I go back to the days when I first came to Levi Strauss in 1945, starting out at Valencia Street under the tutelage of Milton Grunbaum. Of course at that time it was a small company: we had just three plants, San Francisco, San Jose and Santa Cruz. All of them put together could have been a place in the corner of our Knoxville plant.

But it meant then that you knew really everybody in the company. I got to know all the people--at least in the production end of the business--the operators, the cutters, the mechanics. I was especially fortunate to be studying under Milton Grunbaum who had the most amazing faculty for relating to people. I remember particularly every morning, within five minutes after he came to work, he would walk around the three floors at Valencia Street saying good morning to every single person in the plant. With a smile. This is something I tried to emulate for a long time. I think it was a real lesson in what might be called personnel relations--really human relations.

As I said, we knew everybody. You not only knew them by name but you knew something about their families, something about their children, their aspirations. If their child graduated from high school and went on to college it was the most tremendous achievement and matter of pride for some lady that had come from Italy and could hardly speak English.

Of course Milton Grunbaum was not only reflecting his own feelings but those of Dad and Dan Koshland. They treated people as individuals and human beings, not as numbers on a payroll--people who deserved to be treated with respect. Again, I guess, just like the golden rule, treat people as you and I would want to be treated.

As we've grown larger and larger we have to

- Peter Haas: rely more and more upon people down the chain of command to carry out this philosophy. I think we've been reasonably successful. But it is a very difficult thing to make sure that it's carried out, that's something you have to insist upon.
- Nathan: Is there any way that you, in your present position can test whether your precepts are being followed pretty much? Do you have any feedback?
- Peter Haas: Well, we have to rely on the line people in production particularly to carry this out, but we have two ways of getting some feedback. One's through our personnel department and our personnel staff in the field. They monitor the morale and the carrying out of policies. We have a very, very able labor relations man, who is only one person of course, but he is extremely perceptive in checking out things that aren't going right.
- Nathan: Then I take it that this would be outside of the union grievance procedures.
- Peter Haas: Yes, in fact the sign of how well a job is being done is in the absence of grievances through the union procedure. As a matter of fact, going back again many years, when Milton Grunbaum was running things I can't remember any instance where a matter became a formal union grievance. Of course, things have changed considerably since then and I guess we have a number of them. I'm not aware of all of them, but I think far, far less than most companies that are unionized.
- Nathan: Am I right in thinking that this recognition of your employees as individual people was rather unusual in the industry at this time?
- Peter Haas: I can't say that exactly, but I would imagine so because it is an extremely competitive, demanding industry, very demanding in the kind of work it expects from its operators and people in our piece work. I doubt that many of the companies in the industry, if any, had quite our philosophy.
- Nathan: Your early days sound very interesting. Could you trace back a little bit some of the things that you did? I think that you came first into Valencia Street. What was the first operation?

Peter Haas: I guess there was never any formalized plan formed, or at least I wasn't aware of it. Maybe it was done indirectly. [Laughter.] Maybe Dad just said, "Milton Grunbaum, take Pete and train him." [Laughter.] There was nothing specific given me, but gradually you just began to take some things over. Naturally, coming in new out of business school you felt there were things that you could improve upon. I think I had the sense not to try to do it the first day or even the hundredth day. But gradually I think Mr. Grunbaum gave me more and more rein to do things.

I know coming in, there was a great deal of scepticism and a questioning attitude on the part of some of the people out there. The boss's son is coming in, and what's going to happen? The greatest feeling that maybe I had "arrived" was in an incident involving one of the old time employees in the office who was pretty jealous about giving anything up. She was very close to Mr. Grunbaum. One day there was a problem she wanted to get solved and she asked me to persuade Mr. Grunbaum to do it her way.

Nathan: Well, it implies a lot of trust, certainly respect. If she wanted you on her side, that sounds pretty important.

Taking Inventory: Old Style

Peter Haas: Of course, I remember one of the hectic jobs at the end of the year was the taking of the inventory and the pricing of the inventory. Well, there's no comparison with how we do it now. I remember gradually I began to take over all aspects of that. We did it pretty quickly, I think, and very efficiently although it was not as scientific as our accounting department may do it now. Our cost accounting was practically nil, but it was reasonably effective too.

Nathan: Did you have a lot of people with notebooks and pencils, writing down numbers?

Peter Haas: Well, this was decentralized in each of the plants. We didn't have that many. But fortunately

Peter Haas: someone came out from cost accounting to kind of understudy what was being done, so gradually they began to take that over.

I remember that usually the first day of inventory-taking always seemed to be on the day of the U.S.C. - Notre Dame game. I'd go to our Vallejo plant and help them take inventory there. Driving back from Vallejo I'd get snatches of that game and then we'd go to work that Saturday night and work all Sunday, right on through, and we got it done by Monday or Tuesday of the following week. It was quite a chore but it was a matter of pride to get through with it.

Scheduling Denim and Sundries

Peter Haas: One other thing I remember in the earlier days was the scheduling of denim to the plants. Originally Dan Koshland handled this and then I became interested and asked if I could do it. So each month I'd work out the requirements of each plant and schedule the denim carloads in.

Nathan: The denim carloads?

Peter Haas: Yes, the cars of denim, big carloads. How many it finally ended up with, I don't remember, but I'd schedule up to fifty carloads of denim, I think, a month. Each one would contain about seventy-five to a hundred thousand yards. That was much later on. And of course now our requirements are well beyond that. In addition then I took over the scheduling of the sundries, that is the buttons and the thread and pocketing and all the other components.

Of course it was with one product, one item, very few plants. It wasn't the kind of scheduling problem it is now where we're so diversified. It was always a source of pride to me that not one plant lost one day of production because of lack of piece goods or sundries. Of course, now with our much more complex operation and quality standards and so on, one of the vexing problems is when plants do go down. What concerns us then is not so much the loss of production, although

- Peter Haas: that's important, but the loss of the paycheck on the part of the people. I just thought it was a criminal act if any plant ever went down. As I say, not one ever did. Sometimes we had to use special measures to keep that from happening.
- Nathan: Was there some reason why you didn't want to have excess fabric on hand just as a cushion?
- Peter Haas: Well, we would keep a reasonable amount as a cushion. But number one, there could be a question of storage space. Number two, the investment in this cushion was such that after a certain point it would be unwarranted. I just had a rule of thumb on the denim, for example, that there would always be enough denim at the plant, that if a shipment leaving the mill got derailed or something happened, there would always be enough time to order another one to back it up. It was just as simple as that.
- Nathan: And from what distance did these shipments come?
- Peter Haas: Well, the denim came from North Carolina so the amount that we would hold at the plants would vary according to the distance from the mill. With sundries I think we had another simple device of scheduling that gave us enough of a cushion and not too much.
- Nathan: When you say "derailed" you mean literally that these were coming on trains?
- Peter Haas: Some were coming on trains and some of our plants relied on truck shipments. But again when the shipment was derailed or damaged or something happened to prevent it from arriving, we still had enough time to send another one on its way before a plant went down.
- Nathan: Well, you would have a formula then, for each plant. I suppose based on--
- Peter Haas: Based on the time of transportation. You asked me earlier about some of the other training, and did I ever sit down at a machine. No, I didn't, I never pushed a knife on the cutting table and if I were to do it all over again I think these are two things that I definitely would want to do.

Peter Haas: As a matter of fact Walter was out there, on Valencia Street, although he was there for a much shorter period of time. I think he made a pair of Levi's jeans. I don't know what they looked like but he supposedly made one, and I'm sorry I didn't, because it would have been a good experience. I think most of the production people we have now go through that kind of training, although I'd like to check up on that.

Visiting the Plants

Nathan: Then did your experience start with the sort of thing you've been describing, that is the inventory, keeping track of the needs, of the supplies?

Peter Haas: Well, I guess that was just one part of it, the rest was just the whole production area: learning the problems of production--which are balancing of operations, hiring of people, maintaining quality, all of the day-to-day production problems, problems of pay and make-up and guaranteed pay at Valencia Street, San Jose and Santa Cruz. Then as we added more plants, I began traveling around the country visiting all of those: Denison, Wichita Falls, Sedalia, El Paso; each one was added to the list.

When you visited, let's say Wichita Falls, you were supposed to have the answers to anything that came up, or be able to get the answers if you didn't have them. Whether it's in the procedures, how to do the payroll, or how to handle what our policy was on make-up or lost time, inventory control, cutting reports, office procedures, just anything involved in the operation of the plant.

Now that everything has become so specialized no one person could hope to cover those things. You have internal auditors, you have accountants, you have personnel people, you have production people, you have security people, insurance experts, you just have a wide variety of people that are visiting these plants. It just shows how much more complex the job has become.

Of course I think we didn't do a bad job of straightening out and answering some of the questions.

Peter Haas: Budgeting has become a very important part of the plants' operation. When I visit the plants now I don't attempt to tell anybody how they should do anything. Number one: I don't know; and number two: it wouldn't be my job to do it, either.

Nathan: Well, it must have been a little intimidating; wherever you went it was "Here comes the answer man." [Laughter.]

Peter Haas: Well, it wasn't as difficult in those days; the answers were easier.

Of course, comparing those "old days" with the present time, now one of our major tasks is to coordinate all of these various functions. These various functions that I mentioned, people visiting plants, giving directions to plants. Obviously, when we went around before there wasn't quite the same problems of coordination because you were performing all these different tasks yourself. And you should be able to coordinate them, the right hand knew what the left hand was doing to a much better degree than now. [Laughter.] That was one of the interesting aspects of getting so much larger, also because it is so much more complex, with so many more requirements for running a plant.

A Special Kind of Schedule

Nathan: Was there anything else that comes to mind about your own early entrance into the business?

Peter Haas: Well, a number of things, one kind of amusing. I may have mentioned before I've had dealings with the production area. Down at Valencia Street we made some western wear--western shirts and western pants--for what was then called the "K" department as opposed to the "P" department which handled the Levi's. Chris Lucier was merchandise manager for "K" department; Milton Grunbaum was in charge of production, responsible for giving him what he wanted.

I remember Chris Lucier set up a schedule of, let's say, twenty-five dozen Poiret shirts--

Peter Haas: western shirts--twenty-five dozen a day. And I think we were producing something like twelve or fifteen, but he was getting enough material to produce many more.

I remember Milton Grunbaum on his records setting up a schedule to reach a peak of twenty dozen a day. I asked him about this discrepancy between twenty and twenty-five dozen. He said, "Oh, well, Chris isn't going to sell them." [Laughter.]

Nathan: Do you remember whether he ever did sell twenty-five dozen?

Peter Haas: He didn't have the opportunity, we never got the production up to that point. [Laughter.]

Informality and Growth

Nathan: Lovely. Well, I might just ask you if this is a deliberate policy or just the personalities of the people involved? There seems to be a great informality in the relationship between people in the upper and lower echelons. There doesn't seem to be any particular starchy separation, just in the little contact that I've seen.

Peter Haas: Yes, that's true. We've always tried to be as much on a first name basis as possible. I've tried to encourage it. I guess it is just a matter of the life style of Walter and myself, I suppose, to operate on such a basis. Get away from the brass, stuffed-shirt kind of thing. We've always kept our doors open, although fewer people take advantage of that, I think, as we grow bigger.

But we've consciously and unconsciously striven for the relaxed, informal atmosphere.

Nathan: When you go into your new building will this make it more difficult?

Peter Haas: I've never even thought of it. I don't know why it should. The same people will be going over to the eighth floor as they do over here. It shouldn't matter.

Peter Haas: Along that line, I remember when we went public a little over a year ago, one of the great concerns on the part of our people was how going public was going to change the character of the company. We tried to emphasize that we felt the problem was not going public, the problem was our increasing size, and that was the great danger. Growing size could change the character of the company, its informality, this feeling about people. I think I've mentioned that earlier.

Nathan: We just touched on it briefly, but it is certainly crucial.

Computers and Men

Nathan: Maybe before we move on I should ask how you would define Management Information Services.

Peter Haas: Well, specifically it is use of the computers to help run the business. That's what Management Information Services is basically.

Nathan: So you put in, let's say, the statistical material on productions and sales and orders and this kind of thing, and get out what you need for decisions?

Peter Haas: That's right, yes.

With respect to Management Information Services, I think, in the past, this has probably been the most frustrating department that falls in my area of responsibility. I can connect with it great inadequacy in the past, but now I think we are on target, going in the right direction. But for so many years it was just so difficult to know whether we were accomplishing. Well, we felt we weren't accomplishing, but how to accomplish what we wanted to accomplish was fairly frustrating.

I have a favorite saying about the computers that they're like women, you can't live with them and you can't live without them, and they're terribly expensive. So, as I said, for many years it was awfully difficult to know what to do and how to do it. I don't think we're alone in that, I think every company has gone through it to one

- Peter Haas: degree or another. It's a great bottomless pit and morass.
- Nathan: I guess it's easier to know that it isn't working quite the way you want it than knowing what it is exactly that is going wrong.
- Peter Haas: I think so. As I was saying here, one of the keys is, have we got the right man in, the right man to do the job? If we do, our troubles begin to disappear. We got the right man in to do the Product Integrity job and our troubles began to disappear. Who can argue with that? You just have to know who the right man is. So often it's difficult to know if you have the right man doing the job, or if there are other things that are preventing him from doing it.

Aid to Minority Businesses

- Peter Haas: One area I don't think we've touched on, which is really more within Walter's bailiwick, is our aid to minority businesses, which ties in with the whole corporate responsibility effort.

One of our earliest thrusts was in trying to aid minority retail stores. We did help a number. We've agreed now that for many reasons this was not successful. Also, outside of helping retail stores with expertise and management know-how, we also had an extensive line of credit that we made available on special terms to ghetto-based retail stores. That now we have abandoned.

Another effort was in helping a minority operated manufacturing firm to get started: "Ghettos Incorporated." Over the years we gave them apparel contracts, we gave them management help and financial assistance. For some time it was nip and tuck whether they would make it. Now that we have withdrawn all support and they are on their own, I think they have a very good chance of making things go; maybe not under the original concept we had. But it may be a viable industry, though that remains to be seen.

We feel in the future this may not be the

Peter Haas: area where we can really help. As I say, we are mapping out a new program. One very unique and very important way in which we did help minority business involved minority banks. In order to help these kinds of banks out, the usual custom is to deposit money, so they have money which they in turn can lend out.

But we had been reluctant to do this because it was really more a hand-out. We had no real purpose in doing it. The money would be idle, and we had use for our funds. So instead, our people figured out quite a different thing. We need to borrow money; we get the prime rate because we are considered in that area of the lowest risk. But there was no Black bank, for example, that could even give us any meaningful loan, that would even be worth the bookkeeping. We got a bank in Chicago to form a consortium of Black-operated banks, so that we could borrow through them (I think it is a million dollars) at the prime rate.

It took some convincing of them that this was good business because they would be lending money at so much less than they were used to lending. On the other hand, the risk factor was so low that this was much better business for them than lending money on a refrigerator or what have you for 12% or 18%. So that has been unique, and I think can set a pattern for many other businesses.

Nathan: I don't know that this is really right on the main topic of your interest, but I wondered if part of the difficulty with supporting the development of very small businesses is that perhaps that the era of the small business is past.

Peter Haas: Well, I think it is more difficult, but I'm sure there are areas in which they can flourish. A part of our new program right now is a purchasing program, which we haven't tied down yet, but a certain percentage of our purchases of supplies and so on would be from minority-operated businesses.

Now we are being very careful in doing this to learn from our lessons in the past. We are not going to give them any special break as to price. They have to earn the business on a

- Peter Haas: competitive real life sort of thing, but we'll give them the opportunity to get their foot in the door to compete. And I think that is going to work out well.
- Nathan: Are you thinking in terms of allocating a certain proportion of your expenditures to do this?
- Peter Haas: We are thinking of setting a certain percentage of our total purchases, whatever it might be realistic to achieve over a period of a couple of years, as a goal. Again, on a competitive basis as to price or service and so on. Because if these businesses ought to survive they can only do it with the same rules as anyone else, otherwise they won't survive.
- Nathan: Does this encompass businesses in just the San Francisco Bay Area?
- Peter Haas: No, this is going to be nationwide. We are about to hire someone to really take on this program. To seek out resources and try and match up what we need with what is available.
- Nathan: Well, I suppose this is in a sense moving away from something I have listed as benevolence. This was the story of helping out flooded-out merchants with new inventories, as you've done in the past.
- Peter Haas: That sort of program would still continue. If there were a tornado or flood in a certain area we would replace the Levi's merchandise that was lost. We might give them a little better break on credit terms until they could get going again. That sort of thing would not change.
- Nathan: So you and the federal government recognize disaster areas. [Laughter.]

Division of Responsibility

- Peter Haas: Let me get on one other subject that you mentioned earlier. I guess it is how over the years Walter and I have worked together in the business. Generally until our reorganization at the end of last year when we went on a divisional basis and

Peter Haas: Ed Combs came in to perform a very important function, Executive Vice-President--until that time we kind of divided the company into two spheres of responsibility. Walter's main attention was involved in the marketing area, merchandising, sales and advertising. At one time too he had Personnel--that shifted over later to me. He was involved in the overall community aspects. Certainly he had a very great interest in and was responsible for the Community Affairs Department, for social responsibility, corporate responsibility programs, overall corporate planning, looking ahead.

Whereas I spent most of my time on the operations end, the production, engineering, distribution, that is the warehouses, the whole financial bit, financing and accounting, the management information services. Product Integrity of course was an important responsibility.

So, in these two different areas we concentrated our attention; at the same time all the major problems, and many of the smaller problems, would be discussed between us. That way both of us were quite familiar with what was happening in the other areas. When one was away, the other could take over. People recognized how this worked. I like to think despite the different titles, that it was really two who were working together at the top. And I think that is pretty much the way it has worked.

Nathan: That is a remarkable achievement in itself.

Peter Haas: I think also, of course, in these spheres of responsibility it reflected not only our interest, but our bent as well. I don't think I have the same sense for advertising, for sales or community relations that Walter has. At the same time I don't think he has quite the same feeling for the production, accounting, etc. that I do.

Of course, then it is kind of reflected in the immediate personalities of the operations. As a matter of fact, we kind of kid a little bit; I always think they are spending more money than they should, and he thinks that I'm being too tight about the way we spend money.

Nathan: Sounds like a fine balance you have.

Peter Haas: So it is; in the end it is a balance of the two really.

I could think of lots more but I don't know where you would put it; at some point I guess you have to stop.

Nathan: I would like to touch on some of the other interests that you have had, partly because they are interesting and partly because they do, I think, have some relationship to the operation of Levi Strauss.

II BUSINESS OPERATIONS

Policies on Moving Individuals

- Nathan: Even in the early days when you had, as you say, relatively few plants, did you attempt to move people around from one to another? Or did someone go to work in one plant and perhaps stay there many years, or for his whole working life?
- Peter Haas: There was much less of a tendency to move although there certainly was movement. I think we do much more of it now than we did then.
- Nathan: Is there a reason, is there an advantage in moving people about?
- Peter Haas: Yes, I think there is. Certainly one of the advantages is that usually people are moved about because there is a greater opportunity at some other plant. They go from being a cutter at one plant to an assistant manager at another, and then from an assistant manager at that one to manager in some other facility. I think we've overdone some of the moving this year. It's become more costly too for people if it's done to extremes.
- Nathan: If you move someone, let's say from one plant to another, do you defray the cost of moving?
- Peter Haas: Oh yes, we have a policy that defrays their cost of moving. There are formulas for the sale of his house, if there is a loss. We have a formula for covering that, and one if there is some opportunity in buying a new house, so there's no great burden until he's sold his own house, and things like that.

Full Employment

Nathan: As far as actually hiring people. let's say, farther down the line, do you have any policy about having full employment for the people already on the payroll before you add more?

Peter Haas: Well, our policy is just full employment, to provide forty hours a week. We're talking about production people really. It's our objective to provide forty hours' work per week, for fifty-two weeks out of the year, including vacations of course. We watch very carefully, and I get a report on my desk once a month--this is circulated throughout the organization--of the lost time in each plant in each division of the company as a whole. If a plant doesn't work forty hours there is a loss of needed production; but again the people in that plant suffer because they aren't earning the pay they should.

I also want to mention the fifty-two weeks out of the year. Maybe this has changed in the industry, but I think in years past we were one of the few companies in the industry that provided steady year-around work. We felt this was important to our people even though it meant building up inventories in the off season to take care of the peak season.

I think it has become much more common in the industry to do what we are doing.

Nathan: Is it still seasonal? Are there times when demand falls?

Peter Haas: Yes, it does; there is a seasonal pattern. But it's not as pronounced as it used to be because we've gotten into different products that have had somewhat different seasonal patterns. I think some time back we did two thirds of our business in one third of the year. I think that was it; it seems high to me, but it's in that order. It's by no means that way any more. But we still find it necessary to build up inventories to take care of the peak seasons.

Piece Work and Engineering

Nathan: I'm really going to expose my ignorance about business, but you were speaking of your very great concern that no one lose work time because it meant that he wasn't going to be paid during the time that he didn't work, which brings up the question of payment for piece work as opposed to salary. No doubt there is a reason why this industry uses the piece work system.

Peter Haas: Well, traditionally a piece work system does (or at least the theory behind it claims that it does) promote greater efficiency. And very frankly you get more for your money; the company gets a greater productivity through the piece work system.

I think if you visit needle trades plants you will immediately, if you've never been to one before, you will immediately be impressed, almost shocked by the pace, which I don't think you would get without piece work.

Now every so often we consider the possibility of going off piece work. For instance, among our inspectors there has always been a great body of opinion that feels that putting inspection on piece work is wrong, that we cannot maintain quality, that there is a conflict of interest, if you will.

We made a study not too long ago along this line. For a while we took the inspectors off piece work, and the productivity went down tremendously. I think we would have had to add, I forget how many more people, I think 25% more inspectors to do the job the same people had been doing before without any appreciable change in the quality level.

On the other hand, it may be that in some of our plants where there is a high style factor, there was a continual change in models. People are unable to build up their proficiency within a period of time because they've been changed to a different kind of a model. We may have to go to some modification of the piece work system, or to some guaranteed amount, or hourly rate or salary rate, and that is being considered.

Nathan: I was just thinking of those seersucker pants that we were looking at last time. It struck me that maybe there are certain fabrics that are harder to handle.

Peter Haas: Very definitely, and in our engineering we try and take that into account. There are very definitely some fabrics that are harder to handle than others. Often the operators will say that one color is more difficult to handle than another. I don't know whether that's psychological or actual in the dyeing process. Usually when they change from one fabric to another there is a period of adjustment to take care of the different feel or the flexibility of the fabric or the stretchability or what have you.

Speaking again on piece work or engineering, I would say that if we went off of piece work in our mass production jeans plants, at this point we just could not compete with others that are on piece work. I firmly feel our costs would skyrocket. It may be there's more opportunity, as I say, in the high-style, changing, non-competitive areas, as in Levi's for Gals and maybe some elements in sportswear where a modification of piece work or abandonment of it would be desirable.

Nathan: Is there a level below which one doesn't fall; that is, do you establish or have in mind a sort of floor payment?

Peter Haas: Yes, well first of all the floor payment generally has been the federal minimum wage. I don't remember, but there may be some plants where the minimum that is paid is above the federal minimum, I can't say for sure.

But of course when a new operator comes to us there is a training period during which time we in effect subsidize her because she does not produce the minimum required. In fact we have a plan which will pay her gradually more than the minimum as her efficiency comes up. So that she has an incentive to keep improving her efficiency until such time as she gets over the minimum, then she's pretty much on her own. Except if she's transferred to a new job we immediately guarantee her what she has been making, which is usually above the minimum.

- Nathan: Is there a period of time in which someone is expected to arrive at this take-off point?
- Peter Haas: Yes, there are curves for each job, learning curves which engineering mapped out. For the simpler jobs they are expected to arrive at 100% or at least a minimum wage within a much shorter period of time than one of the more complex jobs.
- Nathan: Taking it to the other extreme, is there a ceiling? Suppose someone was just very phenomenal?
- Peter Haas: There is no ceiling. They can earn as much as they can, again of course assuming the quality is right. Our greatest danger is when an operator or a group of operators are earning well above the average, and then you decide to cut the price of that job. Immediately everybody will say, "Well, that's what happens when we produce, so we better hold it down." And nobody's going to gain through that.
- I think we have the best engineering staff in the country. As a result the company gets efficient production and the operators at the same time are able to earn more than they would in a poorly engineered company.
- Nathan: I'm interested in your use of the word "engineering." Is this a term that is used particularly for this industry? I realize these engineers aren't building bridges; they're production engineers?
- Peter Haas: I guess you would call them production engineers. They are more methods and standards engineers. In effect they devise the best methods for each operation which includes both the techniques the operator uses as well as the aids they put on the machine to make it more efficient. Then they set piece rates based on those methods.
- Nathan: If there is any one central element that makes an industry of this kind more or less efficient, do you feel it is methods and standards?
- Peter Haas: That is a tremendously important part of success, I think the other has to be involved with planning. Because no matter how fine your engineering staff may be and how proficient and efficient the methods

Peter Haas: they put in, and how sound the piece work standard, if the planning process doesn't keep that plant supplied for forty hours of work a week, and not just supplied with forty hours of work but supplied with the right mix that is proper for the plant, you just won't have efficiency.

Nathan: Have you sought to upgrade your personnel in the methods and standards operations and the planning? Has this been of special interest to you?

Peter Haas: I don't think it has been necessary. The main decision to be made was in the selection of the man who heads the engineering job. Paul Glasgow selected an outstanding man, Norman Smith. And he in turn just automatically tried to get the very best people he could. I guess the secret is again, as I mentioned about Management Information Services, to get the right man to do the job. That takes care of a lot of problems.

Acquisitions and Mergers

Nathan: Is a company like Levi Strauss ever approached for mergers and combinations of one sort or another?

Peter Haas: That goes on continually. I don't think, since going public, that we've had quite as much interest shown in acquiring or merging with us. We've gotten awfully big, so we get all kinds of feelers about our acquiring other companies. That's where Mel Bacharach and his program, as senior vice-president in charge of New Business Development, comes in.

I don't know how many he gets now, but I'm sure it's a very large number.

You also had a question that when Levi Strauss takes over a company is there a policy with respect to the personnel already employed.

Whenever we do take over a company we have tried very hard to absorb those people. Speaking now of management and non plant people, we try to absorb them in amenable positions in Levi Strauss.

Peter Haas: A case in point is when we took over Oberman Manufacturing Company.

When we took over Oberman, we tried to find meaningful positions for each one of the people in the company. I'm talking of non plant people, because that's a separate subject. And I think in all but two or three cases we were able to do that. With the two or three that we couldn't, they were given a generous severance allowance as well as given time to find some other position.

Of course with respect to the plant people, they are usually no problem, except the possible question of managers. Generally we will consult them and test them out and make sure that they will do the job for us.

But I think one of the aspects when we took over Oberman, when it was in the process, was the question of jobs, and of course there were all kinds of rumors about it. We tried early on to allay the concerns of the people, saying we expected to find a spot for all of them, that we thought what we could offer them was even an improvement over what they had been enjoying in the way of benefits, opportunities.

Nathan: Was Oberman a production plant?

Peter Haas: Yes, our main reason for taking them over was that they had some excellent production plants, and we needed production. That's why we worked out a deal with them.

Nathan: Where were they located?

Peter Haas: All their plants were located in Arkansas, except for one in Jefferson City, Missouri, where the headquarters were. We've phased out the Jefferson City plants, but the Arkansas plants have continued; in fact they've been expanded since we took over.

Nathan: Do you have a core of people who are constantly looking for facilities, or does this still present a problem?

Peter Haas: We are on a constant look-out for plants. This is primarily Paul Glasgow's responsibility along with the help of the divisional production

Peter Haas: manager. Right now we are definitely looking for more facilities.

We have, not necessarily a five-year plan that's meaningful, but at least a three-year plan, which shows when we have to either acquire new plants or build new plants. That's a constant process of updating.

Nathan: I gather then that acquisition presents fewer problems in some ways than building fresh.

Peter Haas: It's hard to say whether it presents fewer problems. It's a way sometimes, of getting a certain production more quickly. If your building program, let's say, has fallen behind schedule, acquisition of plants may be one way of getting it more quickly.

One of the problems is, that as we've upgraded our standards in the kinds of plants that we want to be buying, in which people work, the opportunities to acquire what is an acceptable plant have been reduced. What we might have bought five years ago we would not buy now.

Nathan: Is the technology changing in this industry?

Peter Haas: No, it is not so much technology, but we have a policy now of the kind of environment in which we want people to work. It involves air conditioning, a plant which has an appearance that we and the people working in there can be proud of. Again I look back on the plants that we bought even five years ago and I doubt that we would buy them now. Even though they are fine production plants, they just give the appearance of being, not necessarily a sweat shop, but just not the kind of environment in which we want our people to work.

Nathan: And I gather this includes lighting and safety.

Peter Haas: Lighting and safety, cafeteria, landscaping, parking, the amenities we think that are necessary.

Plant Managers and Aspects of Community Participation

Nathan: Do you have any concerns for the communities in which these plants are located?

Peter Haas: Yes, we've always tried to stress through our managers, for example, that they represent Levi Strauss in the community in which they are living. It is pretty easy for us here in San Francisco to talk in theory about trying to be good citizens in the plants where we operate, but it is up to the plant manager to carry out that policy. We want them very definitely to be a part of the community, so there is no feeling of absentee ownership.

Now although we've preached this for a long time there are varying degrees of success pretty much depending upon the individual plant manager's personality and interests. We have some plant managers who did a great job in the community. And others that just were not a factor. And again it depended too much upon the manager's own bent and make-up.

So, now our Community Affairs Department, which has only been in existence a few years, has expanded their activities. They now have the responsibility of helping the local plants, giving them advice, telling them how they might be part of the community, helping create projects that the plant people themselves can take on in the community, as a contribution and involvement that goes beyond any contribution the company could make to the local Boy Scouts or what have you.

Nathan: This brings us to an interesting point. Do you have a formula whereby people can have released time to participate in community both at the upper and the lower levels?

Peter Haas: No, we don't have a formula. Here in the home office we try to encourage people to take part in the community. We often get requests from agencies, "Is there someone in your organization that will go on our board?" We try to sift through the people who might have an interest and ask them if they would like to participate.

Peter Haas: They should have time off to participate in those activities. I don't know that we have really tied that down as you get out into the field. Of course the plant managers have their time and their people under them who have to have the time off if necessary to do that kind of a job.

Nathan: Then you sort of encourage people to participate in community things but don't necessarily spell out--

Peter Haas: We don't spell out the conditions under which they can or should, no.

Nathan: There seems to be some interest lately in having people at the very lowest levels, I guess you'd call them--that is, people who are definitely not administrators--work on city boards and commissions. With the understanding that their own local businesses will continue to pay them so that they don't have to take a salary cut. Have you moved in this direction?

Peter Haas: We haven't because I don't know of any instance where our people have been asked either to do that or asked us whether they can. I do know this question has come up in the United Crusade recently, this whole idea of having consumers involved in different levels of activity in the Crusade. The question came up, as I remember, whether if consumers served on committees of the Crusade they should be reimbursed for expenses, lunch, what have you. In connection with that someone asked, "What about their salaries, what about their time lost?" Someone pointed out that most companies allow people at a higher level time off, without loss of pay to participate, and there is no reason why that should be a problem with lower levels. The Crusade should point out to the businesses that this would only be consistent. They should consistently pay these people as they do at higher levels.

I can't see how there should be a problem on that score.

Nathan: Of course you are in a uniquely good position because you are both involved with the Crusade personally and with the business community. I gather this is sort of an unresolved matter still.

Peter Haas: The whole matter, well, if you are speaking of consumer participation in the Crusade, is not resolved yet, although I think within the next two or three months it is going to come to a head. We have a committee involved in the so-called governance of the Crusade and it is discussing that whole matter of consumerism, and it will be before the board in the next couple of months.

Nathan: That will be most interesting. I gather then too, that you do encourage your plant managers and I suppose people farther up on the ladder, to take part in civic enterprises as a part of their own general interest. How do you feel about their actively serving in government, on boards, commissions, or running for office?

Peter Haas: Well, as to serving on government boards again, I think, we would encourage that. I don't know of any instance where our people were involved in that way. Generally it is more a Chamber of Commerce board, that sort of thing, rather than a government situation.

As to running for office, I think it depends on what is involved. If it is a board of supervisors in a small town that has a meeting once a week, we would very much encourage--well, we would certainly have no objection. As for running for a full time elective office, I can't really see that coming up, because he couldn't do both. And then, would you give him a leave of absence? I think, depending on the individual, we would be inclined to. But that is somewhat academic.

Nathan: Then these questions haven't been put to you yet seriously.

Peter Haas: No, not with respect to a full time elective office. There are many instances where, of course, you could run for school board or a board of supervisors. And there is no question in my mind that it is just completely acceptable.

Nathan: Do they notify you or mention that they are going to do it, or is this just entirely up to them?

Peter Haas: I can just remember one instance when someone notified me.

Nathan: Do you have any views about the desirability of people in upper echelons of the business being on the boards of other businesses and other enterprises? Is there guidance in this regard?

Peter Haas: The only guidance I think we have is that obviously there cannot be any conflict of interest. Some time ago we drew up a paper on this whole matter of conflict and potential conflict. It involves such things as that we didn't want any of our people to be involved in a retail store. And in one or two instances where this was the case they just had to disengage themselves.

But this had not been spelled out before. We thought it was unwise for anyone in a position of importance to own stock in either a supplier or a customer. I think the only ones at the present time serving on other boards are Walter, myself, and Dad and Dan Koshland. I know of no other instance anyone has asked, or is presently serving on another board. But there is no prohibition by any means.

Nathan: I think last time the term "two outside board members" was used. What are inside board members and what are outside board members?

Peter Haas: Well, up until the time when we went public our Board of Directors was composed of so-called inside directors. That is people who work for Levi Strauss, who are paid by Levi Strauss. When we went public we felt it was not only desirable but it was a requirement of the New York Stock Exchange that at least two outside directors be put on the board. People who had no previous involvement with the company. With the idea of course that they would bring to bear a broader perspective and better represent the shareholders than having an entirely inside board.

The Height Limitation Issue and Some Reactions

Peter Haas: Another aspect of company policies: I think because of our posture of being, I hope, progressive and doing these things in the community and

Peter Haas: being a little more with-it, we've been able to attract a lot of bright, young, able men and women, say, out of business school, that we wouldn't have been able to attract otherwise. We know how that generation often feels about business and not too many, I think, are attracted to big businesses, or into business. And we've been able, I think, to bring quite a few through our doors that wouldn't have come otherwise. Of course it puts us terribly on the spot in many ways. We have to keep a stimulating atmosphere here for these bright with-it kids. We also come in for criticism from them no matter how fine you try to be. Well, one example was--my God, they were horrified when it was printed in the papers that Levi Strauss contributed to the defeat of the Duskin plan.

Nathan: That was the height limitation for San Francisco, wasn't it?

Peter Haas: Yes. I think it was like they suddenly found out their parents were human beings [laughter], and that they weren't always right in their view. But I think it was quite a shock (I'm not expressing this well), they felt so deeply about the validity of the Duskin plan whereas we felt equally convinced that it was a bad thing for San Francisco and for Levi Strauss and for our people. So we opposed it, but as I say it was a real shock to them, and it was a shock to us to see that they were that much involved, that they saw things so differently than we did.

Nathan: This would be what you might call the younger generation in the business? Were these people who had some responsibility?

Peter Haas: Yes, I don't know if you'd call them middle management, not in the top, the upper layers yet. It was not only people from within. We got letters from the outside from people who maybe had put Levi Strauss up on more of a pedestal than it deserved, but who again, could not understand this company with all its standards doing this invidious thing of being against what was so good, they thought, for San Francisco.

Nathan: On what basis then did you, or did Levi Strauss, oppose the Duskin plan? Was it the actual number

Nathan: of feet of height or the idea of limitation, or something else?

Peter Haas: Well, I think a combination of the whole thing that was just a flat limitation. Certainly we thought that if you had a limitation, it was too low, it was throughout the city. It affected us in the new office building we were talking about. That probably could not have been built and I don't know what would have happened to us; we would have really no place to go. Well, we just thought it was a whole bad bill for San Francisco. On the other hand, I think the incident taught us that we should look a little more carefully at the things we supported or opposed, with one eye towards the public relations aspect both internally and externally. I won't say that would be by any means a guiding factor but it would make us a little more cautious about doing what we thought personally was good or bad, and take a little broader look at how it might affect others within and without the company.

Nathan: Are you suggesting then that if you and Walter, Junior had an opinion that you might speak out as individuals rather than as spokesmen for Levi Strauss? Or would it go farther than that?

Peter Haas: Well, I was thinking more of financial support of propositions and bills. Again of course, it involves our going public, and that's put a different light on things, [laughter] what we do personally or as part of the company. We don't have the same freedom that we did before to get involved, I suppose, as when it was a privately owned company.

Nathan: Is it hard to disassociate yourselves from the company in a sense?

Peter Haas: Oh, I guess it always is. There are times we are asked to have our name, for instance, in an ad supporting one thing or another. We will say, "All right, use our name, but not as an official of Levi Strauss," so often it just loses its value; then often you're not asked to be included because they want you as part of the company. So you have to differentiate between those.

Nathan: There is a problem of taking a position on a public issue, isn't there?

Peter Haas: [Laughter.] Yes, that's quite close to home. Up until recently it was pretty much our practice to support certain bond issues and in some cases some legislative issues on the grounds that we felt in favor of them. I must admit that the decisions were usually made by, most always made by Dad, Dan Koshland, Walter, and myself. And I never gave that process much thought as being wrong until the recent Duskin Amendment that was before the city, as I mentioned earlier. And we thought it was horrible. We felt the height limitation was a horrible thing for San Francisco and for our company. So we contributed, I guess it was \$1,500, to the defeat of this Duskin Amendment.

Well, if you remember, I guess it was for the first time under the new laws that the supporters and opponents of the amendment were publicly divulged, and there was Levi Strauss. And as I say, we hadn't given much thought to the thing, because we thought it was such a horrible thing that no sensible person would support it! It was kind of disappointing to find that quite a number of our younger people here were absolutely horrified that we opposed it. I guess we had a pretty good reputation with them. And they just couldn't understand--our wings were rather tarnished--the reputation was tarnished a bit, and they were quite upset about the whole thing.

Nathan: And they let you know it.

Peter Haas: Yes, they let us know it.

Nathan: How did they let you know?

Peter Haas: Well, they spoke to us individually, they spoke to others that brought it to us. They had no hesitancy. I remember meeting one gentleman in the elevator. He was quite vehement about the whole thing. [Laughter.]

Handling Proposition 9 Differently

Peter Haas: So, the sequel to that is that now we bring the more important matters before the Executive Committee so that we are just not making the

Peter Haas: decision without others involved. A case very much in point is involving Proposition 9 on the state ballot, the so-called clean environment act. I think we generally agree with the goals but it is very, very bad legislation. It is just extreme.

We took this matter before the Executive Committee, and they uniformly supported our feeling that the matter should be defeated, but about that time we consulted with a public relations expert. Although he was concerned about it, he finally agreed with our position. He recommended that we advise our people of number one: our taking this stand; number two: why we were doing it, without trying in any way to influence their own vote. But to let them know beforehand what we were doing. Actually that statement is just now being drafted. We do this before we send in a contribution.

Nathan: Now these rather lively young people you're speaking of wouldn't have any special representation on the Executive Committee.

Peter Haas: No, that is true. Yet at the same time I think we have people on the board who are sensitive, very sensitive, to what these people's feelings may be. As I said, we've been consulting a public relations man to get his views.

Nathan: Well, this process of informing, so that it doesn't come as a shock, I'm sure has great merit. It just makes sense.

Peter Haas: Yes, so we learned a little bit. [Laughter.]

Nathan: Yes. You spoke a little earlier about a Community Affairs Department. Would a Community Affairs Department have anything to do with this kind of decision?

Peter Haas: Probably not in this particular case because we were concerned more with the reaction of our own people. We felt that there was little we could do on the outside. There was one suggestion made that we use the money we would contribute to putting ads in the paper explaining why we were taking the position we were.

Peter Haas: But I think one of the concerns of the environmentalists in our company was the tactics being used by the opponents of Proposition 9. I think they objected more to that than anything else. In our statement we are saying that we don't agree with the tactics being used.

Nathan: If you chose, it might be that after this statement has been drafted, you might just want to send a copy of it to supplement your memoir.

The Cash Discount

Peter Haas: Maybe I could talk about a couple of major financial decisions, marketing decisions involving the company, that I remember. From time immemorial, I guess, we had always given what is called a cash discount; in our case it is a 1% cash discount. Our terms called for ten days E.O.M. That meant that bills were payable within ten days after the end of the month on goods shipped before the 25th of the previous month. So anyone who paid within that period of time got a 1% discount on their payment.

A cash discount was prime practice in our industry. But it also caused headaches because if a payment came in late you would charge them back. There were many problems involved.

And also as we looked around we found that it was not any longer the same common practice that it had been years before. Further than that, we felt it actually was a disadvantage with some competition that didn't give a discount because our mark-ups, even though they got an extra 1% on the merchandise in our retail accounts, didn't take that into account. So, after much soul searching we eliminated it, and then the roof fell in from many of our major retail accounts. They were just very angry with us.

We were one of the last major resources that was giving this discount and if we eliminated it

Peter Haas: then many more would eliminate it. Really, there were some tense moments for quite some time because there was some feeling within the company, "We've made a grievous error and we should retract." I remember going down and talking to some of the May Company people and catching all kinds of hell. But I came away feeling that we were still doing the right thing. And although they had threatened, they weren't going to give us up as their resource.

Nathan: Is this about the '50's, after the war sometime?

Peter Haas: It was. We'd have to check and see, but the late '50's, I would think.

Eventually the tempest blew over. As far as I know there was no serious long-term effect; maybe a temporary effect. It was the easiest money we ever made in the company, the 1% on our sales. You can imagine what it would amount to now if we were still continuing: \$5 million for no longer any real purpose.

Of course one of the theories behind it was to insure prompt payment. An account would pay promptly to get the cash discount. And many were concerned that when we did discontinue it, people would become slower in paying. It was a risk we took, a real risk, besides alienation of our accounts. We thought, and it actually did turn out, that our brand name was so important that if people did not pay on time and we went after them and told them we wouldn't ship, it was enough of a threat to make them pay on time. I don't think there was any appreciable change on how quickly our accounts receivable were liquidated.

The Rebate System

Peter Haas: One other similar sort of thing was what we call a rebate system. It was a rebate paid every six months, depending upon the quantity the account purchased during that six months period. It was designed obviously to encourage greater sales, whether they were jeans or sportswear or what have you. More and more we found that the rebate system had probably outlived its usefulness.

Peter Haas: So many accounts were so far above the minimal level for the 5% discount that there was no incentive for them to buy any more. At one point when the government was looking at the rebate system, among other of our practices, we thought that they would probably rule that it was illegal under the Robinson-Patman Act. We were almost hoping that they might tell us to discontinue it but that didn't happen. [Laughter.] Even though over the years we had revised the quantities, it put us at a disadvantage because depending on the way our customers did their bookkeeping often they did not take into account the 5% they were earning. So, they would say, "You're not giving us enough of a mark-up."

Well, we finally bit the bullet, as they say, and decided to eliminate the rebate. Again we bumped into some static on this because, well, the cost of the rebate averaged about 4%, the maximum was 5%. When we eliminated the rebate we reduced our prices by 5% so the large accounts came out even and the smaller accounts gained considerably.

But still the large accounts felt, "Well, you're just doing this temporarily. You are going to remerchandise it so we don't have the same mark-up." True, it enabled us to remerchandise the line and compete much better than we had before.

Now, that is a little complicated but again, it was one of those major decisions where something that was useful in the past had outlived its usefulness. You can be scared of what's in the closet but sometimes you have to go ahead and make these decisions. Again, this one turned out pretty well.

Nathan: Would you say that the E.O.M. system and the rebate system were more characteristic of smaller companies? And after you got past a certain magnitude it just didn't make sense any more? Or is it something other than just size, do you think?

Peter Haas: Yes, it is size. Because taking the rebate served as an incentive when there was smaller volume. It no longer served as an incentive because the volume had greatly exceeded generally the limits at which they could get rebates or work towards a higher rebate.

Peter Haas: The E.O.M. part, the cash discount, was just a change in custom, in the industry I guess. Our terms of payment are still the same, that hasn't changed; just the cash discount was changed.

I think it is difficult to describe the process whereby these previous two rather major decisions were made. Generally they had been discussed, although there was quite a time running between the discontinuance of the cash discount and the discontinuance of the rebate. Maybe the rebate is more indicative of the decision making process.

Some years previous we had decided that the rebate required examination. It had been in effect for so long and was due for someone to look at it. I think we got a professor at the University of California over to help on that. At that time, the rebate figures, that is the quantity that had to be purchased during a six month period to get a 3% discount was raised considerably. Of course during that process we asked ourselves, "Should we have any rebate at all?" And at that time we decided that we should continue but with revised quantities.

Also at that time we had to keep in mind what the government might think because, as I said before, the whole process might be suspect. It turned out later it wasn't. But after some years of operating under the new rebate quantities, I think there was a growing feeling about it among some of our merchandisers, as we got more into the sportswear area. There we weren't as dominant (we were in jeans but by no means in sportswear). They kept saying, "We are at a disadvantage competitively with this rebate."

I suppose at some point we said, "Let's really take a look at this." And we did, we canvassed our own people. We didn't really want to alert our customers to this possibility. We may have gotten some help from the outside, I don't remember. It turned out that more and more of our important people felt the rebate had outlived its usefulness. So we finally decided to make the change.

Nathan: I was thinking perhaps too, of the four of you,

Nathan: your father, Dan Koshland, you, and Walter, Junior. Was there one of you four that had a particular interest in this problem? Who may have pushed it?

Peter Haas: I think at this stage of the game it probably involved Walter and myself, and I think Dad and Dan were both obviously very concerned about the change but willing to go along with it. I think it turned out that I might have been in favor before Walter was in this particular case. I know I was on the cash discount, pushing that one.

But it was a gradual consensus that this was what we should do. Fortunately it did turn out all right.

The Robinson-Patman Act and Cooperative Advertising

Nathan: Did you want to say anything more about the Robinson-Patman Act and how it affected the business?

Peter Haas: One very important law to our industry, one that we are very conscious of is the Robinson-Patman Act. I can't go into all the ramifications of it, but essentially it means that it is designed to protect small businesses from special deals given to larger businesses. I think that's basically what it is.

What inspired the Robinson-Patman Act action I think was that for years it had been customary in the apparel industry to give such things as cooperative advertising where the manufacturer paid a portion of the retailers' advertising bill. It was customary to give that to larger retailers and not to smaller retailers. Now of course this was all under the table and rumored. It was more difficult to prove. We never gave cooperative advertising. First of all, to do it as the others were doing it was illegal. Secondly, at that time we had been able to accomplish what we wanted to accomplish.

Of course there are other devices--where they are selling on consignment to larger retailers--any number of devices that can be used to give them a

Peter Haas: break that you weren't giving to the smaller ones. We absolutely refused to get drawn into that kind of competitive situation. We must have been practically the only ones in the industry that didn't indulge in these practices.

Finally at some point the F.T.C. really decided to crack down and they had a very wide-spread investigation. I don't know how many hundred apparel manufacturers they cited as being in violation. There was a Cease and Desist order for most of the industry but we came out absolutely clean. We were very proud of that fact.

Nathan: Do you give any assistance in advertising to all of your customers now?

Peter Haas: Now we do. Again, as the business changes we've had to compete more strenuously in sportswear or for whatever reason, and because a lot of our people felt that co-op advertising was very effective. For a number of years now we have had a co-op program but again, it is set up on the absolute legally possible ways of doing it. Everybody is treated equally.

III GOING PUBLIC: ONE-TIME DECISIONS AND CONTINUING CONCERNS

Peter Haas: Obviously the most significant thing that has happened to the company in my memory is our going public a year ago; I think March 6 was the date. For years and years prior to that time people kept asking, "When are you going public?" We kept laughing it off and saying we saw no need to do it. Because there were certainly many advantages in not going public, if we could avoid it.

Growth and Financial Requirements

Peter Haas: But as our business grew so quickly and on a larger basis each year, we could see that the time was getting closer and closer when we'd have to make the step if we wanted to continue to grow. We felt we had to keep growing in order to attract people to us. Well, I guess it was just our way of life. We couldn't consider not growing.

Of course, we periodically make forecasts of what our financial requirements would be. One way of staving off the equity financing of going public was the \$20 million loan we got from Metropolitan Life Insurance Company back in whatever year it was. It enabled us to continue to grow.

But then it was obvious, I guess in the Spring of 1970, that it would be difficult to borrow further without making our debt larger than it should be. In talking with our bankers about it they just said, "It's obvious, you've gotten to the point you're going to have to get more equity money in the business."



Levi Strauss Building
Two Embarcadero Center
San Francisco
Artist's rendering

Brokerage Houses

Peter Haas: For years of course we had been wooed and romanced by practically every brokerage house in the country. They wanted in when we went public. We decided that Lehman Brothers was one of those that we wanted to handle the business. Young Warren Hellman had been calling us like a bulldog over the years. We also wanted our friends at J. Barth & Co. to be included. They had just merged with Dean Witter & Co. and so we felt that we just had two outstanding houses, Lehman plus Dean Witter. We wanted someone from San Francisco to participate.

So then began some very secret discussions on how we should go ahead. We could not let this leak out. It would have been disastrous if we had. Representatives from underwriters would visit certain of our facilities under some cover story. I remember no one knew, but Warren Hellman was in here and after one of his meetings I was taking him around just to see what the place looked like. He bumped into one of his old school buddies, who immediately suspected why he was here, even though he'd been here from years and years before and it hadn't been the case. [Laughter.] This time I almost blew the thing.

Issue Size and Prices

Peter Haas: But then there were questions of how large an issue it should be, how much the family itself should diversify. There was a very important negotiation so as to allow our own employees to buy at a favorable price. There was great pressure from our employees to be able to purchase. Although at first the underwriters couldn't figure out exactly how this might be done we finally worked out something where actually the employees got the price at somewhat less than the public had to pay, because the underwriters didn't take any commission on that.

As for the timing, they urged that we go ahead as fast as possible. We discarded the idea of coming out during the year because there would be

Peter Haas: problems in getting the proper ordered figures. We decided the issue would come out as soon as our year's results had been realized. And then as the time approached, there was the question of what the price would be originally. From the beginning they had suggested the possibility of twenty times earnings as the price, and the underwriters stayed with this until very near the end.

The day before the issue was to come out they finally zeroed in, as I remember, on a price of \$45 a share. This had been the price they'd been talking about for some time back. In the prospectus they said this is the maximum price. It was considerably higher than maybe the \$40 we had thought of at one time which would be nearer twenty times earnings.

Nathan: That is per share?

Peter Haas: Yes.

Nathan: Now you are up to \$45.

Peter Haas: Up to \$45 and this was getting up to twenty-five times earnings of \$1.92 per share. And then on the 6th, I think it was a Wednesday, it was decided that Warren Hellman would call us and just confirm the final price. It was supposed to be absolutely routine.

So, we thought that decision on the price would be routine. Walter and I were both up at the Family Club where we could be reached. Warren called and said, "This thing is heating up so much that I'm not sure whether you shouldn't consider a higher price."

Nathan: This is one day before?

Peter Haas: No, this was on the same day, less than an hour before it had to be set. Walter and I were in a phone booth at the Family Club trying to hear what was going on, [laughter] and make a decision. We finally agreed to see if we could get hold of Mickey Hellman, Warren's father, and Bob Sinton, both from Dean Witter & Co., and get hold of my father (I think Dan Koshland was unavailable). We finally located Dad, and we all met. This was a high-pressure thing. We met within fifteen

Peter Haas: minutes of the call at the Family Club in a private room. Everybody there could tell what was going on. We debated because we didn't want to have too high a price that couldn't be sustained, but on the other hand we pointed out that we were talking about a new price now of \$47.50, which could mean \$2.5 million tax free to the company. That's equivalent to \$4 to \$5 million before taxes, and how hard do you work to try to get that kind of earnings?

Dad was concerned if we went to \$47.50 with the 5% discount the employees would get, this would be above the \$45 price that they thought would be the maximum. So, we agreed on \$47 which gave the employees a price of a fraction less than \$45. It was really a game of dice for pretty big stakes. It turned out that if we had gone out at \$45 we would have thrown the \$2 million away whereas \$47 didn't. It was a good price; it went well above that in the beginning; later it went below that. But a year later we are well above the \$47 price, which is the test.

Nathan: How exciting!

Peter Haas: I remember trying to do this whole thing in a phone booth! [Laughter.]

Nathan: And at some point, all of your charts and studies have to be set aside and you are really going on something else.

Peter Haas: Yes, that's right.

Nathan: Maybe your instinct and your experience and everything else that you've been cooking up all these years helped.

Peter Haas: Well, of course, there were a lot of people involved in this sort of thing. These were joint decisions. At certain points not everybody is in favor of a certain action; it takes thrashing about in discussion to finally get the right one.

Advantages in Not Going Public

Nathan: You were saying a little earlier that for obvious reasons there were advantages in not going public. Would you want to state briefly what they are?

Peter Haas: One of those I mentioned earlier, that is divulging our earnings and sales and particularly some of our personal finances and salaries. That had been somewhat dispelled two years previously when, as I mentioned, we had to send these figures to the SEC, and they became public knowledge.

On the other hand, even this information would be much more widespread when we went public. But when we were private we felt, and it has come out that way, it was a little bit easier to make decisions. We weren't in a goldfish bowl. We didn't have people looking over our shoulders. Certainly we were conscious and had to be very conscious of our responsibility to our employee shareholders.

But we could still, I think, arrive at decisions a little more quickly. We were freer in the sorts of things we could do. We were more flexible; we might not be tied up in red tape. We might not have to make a lot of government reports we have to now. The whole thing has changed considerably as we feared it might.

Again, we've adjusted to it and I think we can move ahead just as successfully under these circumstances as we did before, but it takes more effort and you have to be more conscious of what might be the results. We may not be able to take quite the same gambles, if you will, as you did before. You have to explain things differently. You have to maintain, at least outwardly, a posture; you have to be much more concerned about PR problems. That in turn can affect whoever handles our charitable contributions. There is just a full gamut of things by which we are affected when we are public rather than when we were private.

Nathan: Earlier you spoke of these two major financial decisions about the rebate and the cash discount, which struck me as showing an ability to evaluate. Is this kind of re-evaluation and change more

Nathan: difficult in the present structure?

Peter Haas: I think it has to be done more carefully. You can't go on quite as much instinct, if you were inclined to do that. Certainly with our outside directors--I don't know if I mentioned this before--having outside directors involves doing your homework a little bit more. When you have capital expenditures you have to justify them in much more detail than you did before. Things like that.

Nathan: You have to marshal your evidence?

Peter Haas: Yes, that's a good word. You do. Whereas before generally you are talking with your own people and you didn't need quite as much of this evidence marshalling.

Nathan: Perhaps one more question. Speaking of growth as your way of life, you indicated that if the company were to continue to grow, it was necessary for you to make the decision to go public in order to be able to continue to borrow advantageously. Would it be possible, just theoretically, for a company like this to prosper if it did not grow?

Peter Haas: Theoretically, yes, it is possible. Year after year, Dad would say, "Look, we have a good business, how big do you boys want it to grow?" [Laughter.] We have a good business. He didn't say, "Why not keep it the same?" but "Why not grow a little more slowly and not strain our resources?"

I think if you don't seize the opportunity, there isn't the same excitement, the same challenge. Maybe it comes too easy; one can become complacent. I think in the end you may not have as good a business just because there isn't the drive to move ahead, excesses will creep in, or the desire or drive isn't there. We are talking theoretically. I don't know, we've never considered that. Certainly one of the reasons we felt compelled to grow, outside of our own desires, was that our own people kept us under great pressure to seize these opportunities. Because I think they were built that way too. They saw much greater financial return in growing rather than standing still. We had to continue to grow or we couldn't have attracted those kinds of people, which again feeds on itself.

Nathan: You attract the kind of people who in turn push you.

Peter Haas: Yes, no question. I guess not only attract, but select. We wouldn't select people who didn't have a feeling of aggressiveness and energy, of movement.

Combating the Generic Term

Peter Haas: As you probably know, one of our major sustained efforts through the years is to prevent the term Levi's from becoming a generic term. There are advantages and disadvantages in the term Levi's being given such widespread use. Obviously we are very pleased if Levi's is used to designate a pant which we manufacture. Therefore we've always tried to push its particular unique use.

On the other hand, when the term Levi's becomes used as designating any kind of blue jean then we're in trouble. People go into an account and they ask for a pair of Levi's, and it is fine if they do mean something we manufacture. If they are just asking for a pair of blue jeans, or if the retailer when they ask for Levi's tries to sell them something else, then again we are in trouble.

So, over the years we've jealously guarded the term Levi's. We've insisted magazines, newspapers write it with a capital L and an apostrophe s because that is ours. We raise the dickens when they spell it with a small l and no apostrophe.

And I know we've prevented it from going into the public domain. Dictionaries carry it as a capital L and an apostrophe s to denote the pants made by Levi Strauss & Co. That is a constant effort, though.

Nathan: How do you monitor something like this?

Peter Haas: Well, we have clipping services, we have our own salesmen, our own employees. Any time that anyone sees it used erroneously it comes into our trademark department and they immediately write. They are very polite and diplomatic, but it straightens

Peter Haas: the matter out. I think we are in very good shape now. There was a time when it might have gone the other way.

Now, in our own correspondence, we have to differentiate between Levi's blue jeans or Levi's sportswear, or what have you. So you use the term Levi's for any pant that we manufacture, even though it originally meant just blue jeans.

The Sta-Prest Milestone

Peter Haas: I think we should also talk about Sta-Prest because this was a real milestone in the company's history. I pay tribute to Mel Bacharach who was the father of this.

The background is that a local company, Koret, had a process which they used on pleated skirts to keep the pleats in after washing, so they didn't require ironing. Mel must have heard about this and could see big opportunities for its use on pants. The idea being that you take a pair of cotton pants, or a synthetic composition with cotton and simply throw it in the washing machine, hang it up, and wrinkles would come out and the crease would stay in the leg.

He convinced us. The idea was exciting, but it had never been used in mass production in men's pants. So we put a lot of money into the research and development before we knew it was really going to work, or could be marketed. At the same time we couldn't get an exclusive on this. We could get maybe a six-months' lead time ahead of everyone else.

So, from the start there were two things involved: producing successfully, and then marketing successfully. Our production people did a good job on the first and Mel had some ingenious programs involved in the second. I think more than anything, that put Levi Strauss in the minds of the public and the retailers moving out of just the work clothing, or jeans area, and into the area of fashion and high style and innovation and moving ahead--that kind of an image, which I don't

Peter Haas: think we had until then.

Nathan: Is this a process of applying a substance and cooking it on the fabric?

Peter Haas: A chemical substance is applied to the fabric at the mill. It is cut and sewn like any other material would be, but then there is a heat-setting process and the pressing process, and then going through an oven which sets the material as it has been pressed. And of course one of the advantages is that it remembers the creases it is supposed to have and also remembers where it is supposed to be flat. So, it cuts down on wrinkles and of course it eliminates the need for pressing.

Nathan: Is this the process that was involved in a court case?

Peter Haas: That's right. It is still being tried right now.

Nathan: I see, and that is the question of the copyright or patent?

Peter Haas: It gets into some legal things that I'd better not get into right now.

Nathan: Right. But it is going on right now? You have this Sta-Prest process?

Peter Haas: Along with about fifteen other manufacturers who are involved in the trial.

From Basic Pants to Fashions

Nathan: I see. You were saying that this process sort of helped move you into the fashion image and acceptance as a firm that produced fashionable garments in addition to basics. Would you want to talk about that newer development in Levi Strauss?

Peter Haas: Yes. Over the years the whole nature of the business has changed tremendously as we've moved from a solely basic pants to a more "fashion" area. At one time I guess 90% of our sales (that is sales under our brand name aside from wholesaling) were in the regular blue Levi's, "Lot 501."

Nathan: You call it "Lot 501"?

Peter Haas: "Lot 501," and it is still called that even though we have all kinds of different lot numbers now, with seven or eight digits. The one thing that we maintained was "501." We're kind of traditional sometimes.

I'm not sure if I talked about this before, Harriet, but I remember, I don't know what year it was, but we were expanding and adding new plants. We had one in Denison, Texas and I guess we had anticipated a greater increase in sales of "501" than transpired. So, we were looking for other kinds of production to put into Denison to keep them operating. Our sales manager from Southern California said there was a big need for this faded blue denim casual pant.

So, we designed a model. Looking back on it, I guess it was the kind of model that was designed more for production than for styling. But that was the way we were set up in those days, it was more production oriented. Anyway, so we started production on Levi's Lighter Blues, and that was our entry into the sportswear, casual pant market. One thing led to another. We added different colors and different fabrics, different models, and it just went from there.

And of course the jean area too, which is still our greatest and largest acceptance in the market, there are all varieties of jeans now. We went into pre-shrunk blue Levi's. I remember the tremendous arguments about going to a lighter weight double-knee jean for boys. Dad would say, "Are we fouling our nest? Are we cheapening our image, our product?" That was a real soul-searching decision. We went into ladies' Levi's.

But I guess what I'm leading up to is that this has changed so completely; the nature of the business, the operation of the business. At one time we were producing one model, one color, one fabric, in maybe thirty-four sizes; that was it, and now we have literally tens of thousands of different items; what we call stock-keeping units, to keep track of. You have to take some gambles on fashions because you can't wait to see how they sell before you produce. The lead time is such that

Peter Haas: you have to gamble and start producing something before you ever make one sale.

As a result there are times we are faced with much greater mark-downs, that is, obsolete merchandise that has to be sold at reduced prices, which is one thing that affected our performance profitwise very seriously last year because we had a horrendous amount of mark-downs. There was quite a change from patterned pants to more solid colors, less flamboyant, and so on, and we, apparently like everyone else in the industry, were caught in that change.

Nathan: You weren't alone in this big swing, I'm sure.

Peter Haas: No, and fortunately because of our strength in jeans we survived much better than others who might have been solely in sportswear, as some of our competitors are.

Divisionalizing

Nathan: Would you be interested in talking about the role of Ed Combs who is new now, or fairly new in the structure?

Peter Haas: Yes, I guess we haven't discussed that. I think I mentioned that at the beginning of this year, as a culmination of a process that had started some time back, we became a divisionalized company. Divisionalized in the marketing sense although we are still functionally incorporated in some other areas.

For some time I think Walter wanted to start taking life a little bit easier and also he felt that there ought to be some kind of succession for us, and summer leave for both of us. Ed Combs had done a tremendous job in the international field. I believe that someone else was probably considered to be the heir apparent, but we felt that Ed was the one to select, so we made him Executive Vice-President. And basically he is in charge of the divisions. Ed has introduced some techniques of management that have been extremely forward looking. He is a great delegator of

Peter Haas: responsibility, delegator of authority. At the same time, he sets up controls, reports, and indices to know how well that sphere of responsibility is doing.

Although surprising as I said, his appointment to Executive vice-president was almost universally greeted with approbation because I think people realized his outstanding ability. Considering all the nuances behind that appointment and the fact that others were overlooked, it was good to have that reaction. And I'm sure that now everyone agrees it was the right choice. And as a result, you can see that he has relieved us in the way of responsibilities. He's doing a far better job than any one of us. He's showing us what could have been done, really.

Nathan: You were saying that he had established his reputation with you in the international work. What had he been doing there?

Peter Haas: He took over the International Department. When it became the International Division (I don't remember what year) it had not been doing too well. He came into the company without any previous experience in the apparel field. We just felt that he would be a good manager and he took the International Division. It grew from much, much less than 10% of our business to where it is close to 25% and provides even a greater percentage of profits to the company. That's one of the things that also helped us in the mark-down debacle last year, having this international diversification.

So, he has built up an international business for Levi Strauss.

Nathan: Does this International Division then include the European, Asian, Latin American, Canadian area?

Peter Haas: The whole world. Up until recently he did not have authority for the Canadian, that is the Canadian affiliate. He does have that now.

Nathan: G.W.G.?

Peter Haas: Yes, G.W.G.

Nathan: I was looking at some of your major business interests in addition to being President and

- Nathan: Director of Levi Strauss & Co. I see you are Chairman and Director of G.W.G., that's the one we were speaking of.
- Peter Haas: Yes. That's the company that we acquired majority control of in Canada. They have been pretty much autonomous. We felt that they had been fairly successful and should operate as much on their own as they could. Up until now not too much involvement on our part except on a consultation basis.
- Nathan: Now G.W.G. is--?
- Peter Haas: It was originally, formerly was Great Western Garment Company.
- Nathan: Is it not that any more?
- Peter Haas: They changed their name to G.W.G. feeling that was more appropriate to what they were doing.
- Nathan: And they are actually manufacturers?
- Peter Haas: Yes, they are the largest apparel manufacturers in Canada. And we compete with them head to head. We sell Levi's; we have a Levi's sales force up there; we are going to put a production plant and distribution center in probably this year. But we are competing head to head with them, and we think that is a good way of doing it.
- Nathan: Is this a usual way of operation? Or is this something new?
- Peter Haas: Well, I guess you could liken it to General Motors where a Buick is competing with a Pontiac, with Chevrolet and so on. As a matter of fact, I must say there was and still is a very basic disagreement as to what the policy should be, whether we integrate the entire operation, which would mean buying up the minority shares to do this; to integrate them and no longer have the same kind of competition, although we might have different labels. There are others of us who feel that we would lose something by combining and integrating, that we are better off with the combination of competition, which would produce greater total sales and profits.

We've agreed at least on that course now

Peter Haas: because those who felt that integration should occur are now agreed that we might as well wait a while and see. We did get agreement that we should try and buy out the minority shares. There is about 20% of the shares outstanding. We will probably be in the process of buying those out.

Nathan: Turning again to divisionalizing, can you tell me the significance of organizing by divisions rather than on a corporate basis?

Peter Haas: The idea of creating these divisions is to break the company up into more manageable units. Into a number of smaller companies, as it were. To be able to react more quickly to the needs of the market place, with less red tape. As we grew, I think our arteries were beginning to harden a little bit; we were being tied up in red tape.

Because of our size we just weren't able to react fast enough. Again, by having these divisions there are assigned responsibilities. The head of the jeans division is held responsible for the performance in that division. And he has a hard time passing the buck, because formerly the jeans department had to rely upon a corporatewide production department. Now the jeans manager has his own production manager, his own plants to produce his jeans. And the same with sportswear and so on. They have their own advertising department, generally their own sales department, their own design department. So they can't pass the buck like they used to.

At the same time they rely upon certain overall corporate functions where they have the advantage of relying on a large company in the area of finance or computer science or management information services, accounting and research and development and so on.

Nathan: So, in a sense you are trying to retain the benefits of what you used to be, which was a rather small, flexible organization, even though you're so big now.

Peter Haas: That's right, that is very true. Again, as I said, it is really creating a number of smaller companies that can act more quickly and are more responsive to the needs of the market place, as

Peter Haas: opposed to what was becoming a slow-moving monster, if you will.

Of course the needs and the marketing approaches of these divisions are different. As far as the way people are thinking, the sportswear people are thinking of just sportswear, their production division is thinking sportswear, their advertising people are thinking sportswear, their salesmen are selling nothing but sportswear.

Nathan: Is this primarily men's sportswear? Are Levi's for Gals sportswear?

Peter Haas: Levi's for Gals is another division. Because they have their own special requirements and needs.

Nathan: Then you've really done a lot of delegating?

Peter Haas: Yes, very much so. The decisions are being made really at the level they should be made and not being bucked up here, then being passed on down and losing a lot of time meanwhile and without the proper knowledge of what the decision should be.

Nathan: You were speaking approvingly about someone who can delegate and who still has controls, reports, and indices to know how well this delegated responsibility is being discharged. I gather you do the same thing with your divisions.

Peter Haas: Me personally? I try to do it, I don't know if I do as well as Ed does. I've been accused too often of not doing enough delegation. I may dispute that.

Nathan: How much is enough? That's a very fine point.

Peter Haas: I think, when you're talking about delegation, a lot depends upon the individual to whom you delegate. There are some people who report to me in whom I have almost complete faith that they know how far they should go. And I encourage them to go as far as they can without checking with me. But there are others whose abilities may be not as good, whose judgment I don't respect quite as much, on whom I guess I keep a tighter rein. At least my theory is that you can't just have a uniform policy irrespective of the individual you

Peter Haas: are dealing with.

Nathan: Do you have a sort of timetable or trial period when people are put in new positions? Is there any rule?

Peter Haas: I don't think we have any definite rule. Of course new people come in at certain levels and there is a very definite probationary period. When you get into higher levels of management we don't really have any firm rule on that.

Nathan: Do you have any indoctrination or training process?

Peter Haas: We have had such programs on occasions. We don't have one now. I think we'll have to start again because we haven't done that much hiring of new management people, that is business school graduates, college graduates, last year or so because we were probably getting a little too fat and should tighten up on expenses. Now I know we will have to start again, so we will have programs, orientation and training programs, reinstituted.

When we get a particular individual, let's say the head of the personnel department, someone only recently hired, on a spot basis we set up a spot training program designed for that individual.

IV SOME PERSONAL COMMUNITY ACTIVITIES

United Bay Area Crusade

Peter Haas: You asked that I discuss my involvement with the United Bay Area Crusade, or UBAC, as we call it. I guess all of us here have been involved with certain agencies in the old Community Chest and then the Federated Fund and now the United Bay Area Crusade. As well as serving on that board, I think I served on the board of the Community Chest, at one time. It was interesting since my Grandmother had served on it as one of the charter members. And now we are celebrating the fiftieth anniversary of united giving in the Bay Area.

Nathan: That was Mrs. Sigmund Stern?

Peter Haas: Yes, Mrs. Sigmund Stern. But the heavy involvement of recent years started, I guess, when two business leaders spoke with Dad and said that it was Levi Strauss's turn to head the campaign. Since the corporations are backing the United Crusade quite solidly, each year one firm has taken their turn, and had one of their top executives head the campaign.

They felt no one from Levi Strauss had done it within recent memory. Dad had been involved during the war and in the War Chest at that time. He was president. And so they felt, if Dad agreed, it was up to either Walter or myself to head the campaign. They didn't care who, as long as one of us did. So Dad talked to us both about it, and I know neither one of us was anxious to take on that kind of a chore. Dad never tries to influence us really, but it was kind of clear that he thought maybe I should do it because he

Peter Haas: felt I needed more exposure to the community, that Walter had been exposed in other ways, and was better known, and maybe it was well for me to do it. That's where it started.

Nathan: Would that be '69?

Peter Haas: Yes, 1969, yes, and I was General Campaign Chairman of '69. Wisely they approached us a good year in advance of the year of the campaign. I had the chance to understudy Jerry Hull who was the '68 Campaign Chairman as well as to select a chairman for each major slot; they also understudied their counterparts in the campaign. So we had a pretty good team going a year and a half in advance which is, I felt, pretty good.

We had a campaign that turned out to be fairly successful. It was announced as the first campaign to meet its goal; unfortunately it turned out the actual results were slightly short. I suspected they might be, but the executive kept saying, "We are going to meet it." So they had a big celebration and said we had met it, and we were still a few hundred thousand dollars short. But that campaign has only been surpassed by the following campaign which beat it by maybe \$75 thousand.

Nathan: What is the approximate size of these campaigns?

Peter Haas: Well, we raised about \$16,300,000.

Nathan: That does sound impressive, it really does.

Peter Haas: Well, the San Francisco Bay Area does a very poor job of giving, but in retrospect last year only about \$15 million was raised. There were plenty of reasons why that went down so badly, but it did go down.

Then they like to have a succession. If everybody agrees, after you are Campaign Chairman you are kind of in the wings, so that you become Chairman of the Campaign Policy Committee. Then as I remember President-Elect, and now I'm President this year. So if that kind of a succession is followed you are fairly well involved over a period of time. Plus now the Presidency takes an ungodly amount of time.

Nathan: But you do pick up a certain amount of training, I would assume.

Peter Haas: You do if this kind of a succession is followed. It isn't always followed, but I think it is wise when it is.

Nathan: Would you care to comment on the expression of various social pressures that UBAC has received?

Peter Haas: Yes, as you know the so-called New Directions Program was instituted by UBAC. It was designed to make the programs of its agencies, or new agencies, more "relevant" to the times. As a result some people felt we were moving too fast, and the minorities felt we weren't moving fast enough. So we were getting it from both sides. It is rather quiet right now because I think the minorities, on the basis of the fall-off in money-raising last year, realize that if they raise too much hell the money is going to fall off even further.

But the pressures are there and right now we are in the middle of determining what the new governance of the Crusade should be, and that is going to provide some interesting meetings in the future.

Nathan: When you speak of new governance, are you thinking in terms of having representatives or members of the minority community sit on the Board of Directors?

Peter Haas: Oh, that's a bridge we passed a year ago, and we have an affirmative action program, a really strong one, so that there is proportionate representation on the staff and also on the Board and Committees of UBAC. Now the question may be whether those minority members of the Board and so on really represent the Third World group. I don't know whether you will ever be able to solve that one.

But the big problem right now is not proportionate representation but now the question is coming up of consumers and how many so-called low-income consumers should be on the Board. That is the problem we are facing now, as well as: how much agency representation, how much representation

Peter Haas: from the donors, so-called donors, plus geographic representation? That is the problem we are facing now.

We, the Board, had already agreed some time ago that so-called consumers and low-income consumers should be represented at the program services level. But the real battle is going to be at the Board level. We just had a meeting on it yesterday, and that is why it is fresh in my mind.

Nathan: I don't know if this is something that you can speak of briefly, but how is it possible to determine which old services should be phased out? Do you have to phase out old services in order to take in new ones? Is there a limit to the number of agencies that you can support?

Peter Haas: Well, there has to be. There just is not enough money to go around. And of course, that is where we are bumping into a lot of static because with less money raised the cuts have had to be severe and the cuts have been pretty much at the so-called "old agencies." And of course they are terribly upset.

On the other hand, I want to emphasize that a lot of the older agencies did change their programs around and came up with new programs that were with-it, relevant and so on. It is not just new agencies that are providing new services, it is many of the old agencies that are doing quite a good turn around. But unfortunately there is not enough money.

Nathan: Do you feel that UBAC is going to be able to hold together and to continue to develop and operate?

Peter Haas: I really think so. I know we are at the cross-roads. A lot will depend on how the campaign goes this year. And we will know more by the time we read these reports.

Nathan: I saw in the paper a financial statement of UBAC. I don't remember ever having seen that before, that is, where the grants were made.

Peter Haas: It has been done before. I will say that one of the things we are trying to do this year is to

Peter Haas: improve communications with the agencies and the community. To let them know what is going on and be straightforward. I think too many times things have been swept under the carpet. Then they come out by hearsay or rumor, and everyone gets all shook up.

But I think maybe we are succeeding on that. Just one example was this year, when the allocations were made by the budget committee after agonizing long hours of studying and, as I mentioned, so many of the older agencies had to be cut.

This information was released to them two weeks before the Board was going to take final action. We did this just so there would be some advance communication before the Board took action. I thought all hell would break loose, but although they deplored the cuts, so many of them wrote and said, "Our salvation is to join this year and have a successful campaign." So I think they are rallying around, whereas the year before the whole thing was blown up in the papers for weeks and weeks. None of that happened this year.

Jewish Welfare Federation

Nathan: Right. Weren't you also active in the Jewish Welfare Federation: Vice-President in '52 and then again in '64. Does the Jewish Welfare Federation have some of the same kinds of problems?

Peter Haas: Well, on a much, much smaller scale and certainly when it comes to fund raising, there is just no comparison between the ability of the Federation to raise money and UBAC. It is so completely different. But I must say that, again, I guess you get more out of these things than you put into them. The people you meet, the contacts you make, the friendships, the relationships that occur, are really very satisfying.

I guess I was Business and Professional Co-Chairman in 1950 in the Federation. I think I was thirty-two years old. And then I was Campaign Chairman at thirty-four.

Nathan: My, you were very young! [Laughter.]

Peter Haas: Looking back, I would think, "What's a kid doing that sort of thing for?" [Laughter.] I think both campaigns were worked out quite well. In both ones we raised more money than ever before. And of course the knowledge and experience and technique that I learned during those stood me in good stead when I went over to the Crusade.

Nathan: Is personal contact still the most effective way of raising money?

Peter Haas: Oh, it is the only possible way. And unfortunately, there is just a limit to how much you can do of that in the Crusade.

Mt. Zion and Children's Hospital

Nathan: I just want to mention one or two things and if you want to talk about them, fine. Your interest in Mt. Zion Hospital as Vice-President and your being Trustee of Children's Hospital. I guess Mt. Zion may be the first.

Peter Haas: Actually, the ties to Mt. Zion go back many years because my Mother was very much involved in the hospital and was its first, and only, woman President. I remember as a child, I shouldn't say this, she may read it: I was a little resentful of the time she spent at that damn hospital when I was growing up. [Laughter.]

Dad was on the Board for a few years, Walter was on for one or two years, but it didn't take. My sister was scheduled to be Chairman of the Women's Auxiliary. But then she couldn't do it because she had an operation. But then she was on the Board for a number of years before I was asked to go on. When she went off, I went on a year later. I served for the allowable six years. And then she's gone back on after me. I liked the experience. Mark Berke was a giant.

Children's Hospital was just serving on the Board of Trustees. They have a Women's Board which runs the hospital, does a magnificent job.

Peter Haas: My sister-in-law Evie is on that Board at the present time. Then they have a Board of Trustees composed of men, which is really to give financial advice, and maybe help with fund raising, things of a businesslike nature. It did not meet that frequently, but it was a nice relationship and I got off, shortly after I went on the Mt. Zion Board because I felt it was just too much conflict.

Nathan: I like your phrase about how such activities either do or don't take, and it did take with you, I gather.

Peter Haas: I think so, yes. It took, yes.

Rosenberg Foundation

Nathan: You are also a Treasurer of the Rosenberg Foundation. Do you have any special interest in that field that you like to pursue?

Peter Haas: Well, I was very flattered when I was asked to go on that, because I've always thought it was one of the outstanding local foundations, not local but national, if you will. It's nationally recognized.

I think it has a very fine group of trustees and it has a wonderful executive who succeeded wonderful executives. Instead of just tradition, I think of excellence.

Nathan: Is this Ruth Chance?

Peter Haas: Yes. It is quite an exciting sort of thing because the thrust is first at youth, solely in California. It is generally towards more innovative kinds of programs. It is kind of a risk capital sort of thing, putting in seed money, so that the odds for success are rather low, but still the goals are important and unusual.

Roles of Professional Executives and Lay Boards

- Nathan: In two instances you've singled out the influence of the executive. You were saying that Mark Berke at Mt. Zion was excellent and Ruth Chance at Rosenberg has been very fine. What is the relationship between the executive and the lay board that you see as being crucial?
- Peter Haas: Let me just preface that by saying now that we are singling out outstanding executives, I've got to pay tribute to Sanford Treguboff and then to his successor Lou Weintraub.
- Nathan: This is at the Federation?
- Peter Haas: Yes, the Federation. These are just outstanding people. The best agencies are those that have strong, capable executives and staff, and strong capable lay people. They complement each other. I think it is not very good when one outweighs the other. It has to be a partnership where obviously the professional has a particular role to play. They shouldn't overlap or duplicate; they should complement.
- Nathan: What is the professional role as distinct from that of the lay person? Does the professional propose programs?
- Peter Haas: I think generally he has to provide leadership in proposing new ideas, new programs, because of his professional knowledge of the field. And then often he has to rely on the lay person to provide the ties to the community, to sell the program to the community, to raise the money in the community, to make the program possible. It has been maybe designed by the professional with lay input. You can answer that better than I.
- Nathan: No, I think you have had immense experience in this field.
- Peter Haas: I think the lay person has to rely so heavily on the professional. His life is so much easier when there is a capable professional. Frankly, I think that has been one of our problems with the Crusade. In the last few years, and even before that, the caliber of the professional staff at the Crusade

Peter Haas: is nowhere near what we find in the Federation, for example. But I think that has been true almost throughout the years. We've been rather proud in the Jewish community that our agencies and our staff and so on are just a few notches ahead of everyone else.

Stanford University

Nathan: Yes. I have a note that you are a trustee of Stanford.

Peter Haas: Well, that is a very new position and I just can't really comment on that yet. Except that I was extremely flattered and honored because Stanford in recent years has come up to a stance that's at least in the top five throughout the country, which it didn't have some time back. It's a wonderful group of people to be associated with in spite of the agonizing decision I had to make, being an Old Blue. You have no idea! [Laughter.]

University of California Alumni Foundation

Nathan: Of course! [Laughter.] Well, this has certainly been a growing year, no doubt about it. Are you still a trustee of the California Alumni Foundation?

Peter Haas: Yes, actually that started when I was a member of the Alumni Council. Here again, staff provided a certain leadership. They proposed to the president of the association that a separate fund raising group be set up apart from the Alumni Association. I was asked to chair a committee to put this idea together, and as a result the Alumni Foundation was created which over recent years now has become more and more an autonomous function separate from the Council. The money raised by the Association then amounted to maybe \$50 or \$60 thousand, and all of it going to scholarships.

Last year the Foundation raised between \$700 and \$800 thousand for a variety of purposes. But we are still far behind other universities.

Nathan: Right. Do you tend to encourage executives in Levi Strauss to get into this kind of community activity?

Peter Haas: Yes, we have, in just about every kind of community activity, I guess. Often agencies or organizations will come to us and say they would like to have someone from Levi Strauss serve on their boards or committees. And we try to keep track of those that might be interested or approach others whom we haven't heard from to see if they would be interested. We do have quite a few executives involved in any number of groups in the Bay Area.

Nathan: I suppose example may have something to do with this. If they are aware that you do it perhaps that encourage them a little.

San Francisco Aid Retarded Children

Peter Haas: I suppose. In talking about community organizations I think I should mention the one (now that we've gotten back away from Levi Strauss, I guess) that maybe I'm proudest of being involved in: the San Francisco Aid Retarded Children.

My involvement started when we saw a notice of a meeting. Michael was retarded, and we were in the process of trying to adjust. So we went to this meeting and for the first time realized that there were others with the same problems, and of course that is always good therapy. So Jody and I felt that we should become more involved in this group. One thing led to another, I guess, so I went on the board.

It was a very struggling, poor organization at that time but then again, an executive, Margaret Connolly, was the driving force, but was continually running up deficits because of her zeal. I, with my conservative view on things, would try and hold her back a little bit, but nothing would have ever gotten done if I had prevailed. But she did prevail and somehow she found the money.

Then eventually I became President, and when I was President we applied to the United Crusade,

Peter Haas: I guess it was the Community Chest at that time, I don't remember. But I felt that number one, it would help us financially, and number two, it would give the seal of approval of the community to this organization. We were accepted. We were the first new agency to be accepted in five or six years by the Chest.

And of course it didn't solve the financial problems because the program kept going ahead and we were still having to raise money. But it allowed the agency to really become established and to move ahead.

Nathan: You've really seen this from both sides: as a new agency trying to become accepted, and as a board member deciding on acceptance. You were saying that it certainly accomplishes something for the parents who are aware of others in the same situation. Does it support research, or other sorts of activities?

Peter Haas: Well, it belongs to a state and a national organization, and on the national scene there is an effort towards research. I think in this area, though, the amount of money to be raised through private sources through this kind of an agency is rather small.

There is so much government money going into it that these agencies, the local agencies, should concentrate on community acceptance, on pushing politically for services within the community. Tremendous strides have been made in that area where children are no longer institutionalized; they can live at home. They can get services from the community that are provided for normal children. And that was just unknown fifteen years ago.

Nathan: Yes. There's been an immense change.

Peter Haas: Yes, immense, and of course President Kennedy and his family did so much to bring this whole subject out of the attics and out of the closets. I feel that he did the sort of thing for mental retardation that Roosevelt did for polio and even Eisenhower did for heart disease. It has been a tremendous influence. I think we'd better get off the community stuff.

Nathan: It is so fascinating, it is hard to leave it!

Peter Haas: And I even said I wasn't going to talk much about it. [Laughter.]

Nathan: Well, it is all part of the whole picture. It rounds out the picture of some of your interests in addition to Levi Strauss & Co.

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LEVI STRAUSS & CO., BOARD OF DIRECTORS

(*Executive Committee)

HAAS, Walter A., Jr.*

Chairman and chief executive officer. Joined the firm in 1939. Named president in 1958 and was elected to present position in 1971. For further information see attached biographical sketch. (Born 1/24/16)

HAAS, Peter E.*

President. Joined the firm in 1945. Became executive vice president in 1958 and president in 1971. For further information see attached biographical sketch. (Born 12/20/18)

HAAS, Walter A., Sr.*

Honorary chairman of the board, 1971 - ; chairman of the board 1955-1971. Joined the firm in 1918 after six years as cashier of Haas Bros., Wholesale Grocers. President from 1928-1955. President of Iris Securities Co. since 1927. Also a director of Pacific Gas & Electric Co. and Pacific Intermountain Express Co. and was a trustee of Mills College. Former directorships include Crocker Citizens National Bank and is a past president of the San Francisco Chamber of Commerce. Received his B.L. degree in 1910 and LL.D. in 1958 from the University of California. (Born 5/11/89)

KOSHLAND, Daniel E.*

Chairman of the Executive Committee. Joined the firm in 1922 after experience with Equitable Trust Co. of New York and Lazard Freres. Served as vice president and treasurer and was president from 1955-1958. A director of Wells Fargo Bank from 1940-1965 and an advisory director since then. He served, under appointments from three governors, from 1947 to 1963 on the State Industrial Welfare Commission and for more than 20 years was a member of the San Francisco Juvenile Probation Committee. He received his B.S. degree in 1913 and his LL.D. in 1965 from the University of California. (Born 3/16/92)

Board of Directors - continued

BACHARACH, Mel L.*

Senior vice-president - new business development. Joined Levi Strauss as an assistant in the sales department in 1948 after graduation from the University of California. Was elected vice president-merchandising in 1967, vice president-marketing in 1968 and to present office in 1971. (Born 5/14/24)

COMBS, Edward E.*

Executive vice-president. Graduate of Temple University with an M.B.A. from Harvard Business School, he joined Levi Strauss in 1964 after positions with Nestle Alimentana S.A., Honig-Cooper & Harrington and international advertising sales manager for Time-Life International. Elected vice-president-International in 1969 and to present office in 1971. (Born 5/15/30)

GLASGOW, Paul*

Senior vice president-operations. Joined the firm in 1953 as a plant manager after apparel manufacturing experience with H.D. Lee Co. as an industrial engineer and plant manager. Attended University of Iowa. Elected a vice president in 1967 and to present position in 1971. (Born 7/12/21)

KERN, Robert B.*

Secretary-treasurer. Joined the company in 1950, was named chief accountant in 1956 and has held his present position since 1967. Graduate of the University of San Francisco. (Born 4/27/20)

NATHE, Al H.*

Vice president-corporate planning. Joined Levi Strauss as marketing research manager in 1959 after positions with The Emporium and California & Hawaiian Sugar Refining Co. A graduate of the University of Minnesota with an M.B.A. from the University of California, he has held his present position since 1967. (Born 8/4/20)

Board of Directors - continued

BARAN, Daniel W.

Assistant secretary, general credit manager and director of administration. A graduate of Notre Dame with an M.A. from Catholic University, he joined Levi Strauss in 1956 and was appointed general credit manager in 1964 and added responsibilities as director of administration in 1968. (Born 6/1/14)

COHN, Harry H.

Sportswear division general manager. Joined the company in 1947 at the age of 17 as an order filler. Later served in a number of merchandising positions, including appointment as Western wear assistant manager in 1956 and merchandise manager of casuals in 1964. Named to general merchandise manager in 1968 and to his present position in 1971. (Born 5/27/29)

ROTH, Arthur L.

General manager of Levi's for Gals. Joined the company in 1949 after receiving his B.A. and M.B.A. degrees from Stanford University. Was advertising manager and then sales manager for the New York region before being named to head the new LFG division in 1968. (Born 11/16/24)

SANGUINETTI, Alfred

Jeans division general manager. Joined Levi Strauss in 1946 as a checker and packer. Received his B.B.A. and M.B.A. degrees from Golden Gate College. Was merchandise manager of Western wear, double knee jeans and jackets before being named director of product integrity in 1967 and to his present position in 1971.

VAUGHN, Emory E., Jr.

Director of marketing. A graduate of Eastern Oklahoma A&M, he joined Levi Strauss in 1958 as a salesman, was named Phoenix regional sales manager in 1964 and general sales manager in 1968. Assumed current responsibilities in 1971.

Board of Directors - continued

CULLMAN, Joseph F. 3rd.

Chairman of the board and chief executive officer of Philip Morris Incorporated since 1967. A graduate of Yale University, he has been with Philip Morris since 1954 when it acquired Benson & Hedges where he had been executive vice president. Elected to Levi's board in 1971.

MILLER, Arjay

Dean of Stanford University's Graduate School of Business since 1969. A graduate of the University of California at Los Angeles, he joined Ford Motor Co. in 1946 and was its president from 1963 to 1969. Elected to Levi's board in 1971.

1971



FACT SHEET

History and Description of Business

Levi Strauss & Co. dates from 1850 when founder Levi Strauss arrived in San Francisco. He discovered a shortage of hard-wearing pants in the gold fields, so Strauss had a tailor cut several pair from tent canvas he brought by ship from New York. The pants were an immediate success, and the '49ers began looking for more of "those pants of Levi's". Thus was born one of the world's most famous brand names and a style of garment that has become recognized as a folk costume of America.

Several early pairs of Levi's® Jeans are part of the Smithsonian Institution's Americana Collection in Washington, D.C. and other museums across the country.

Strauss later switched from canvas to heavyweight denim made to his specifications. A special indigo dye was developed for the fabric and in the late 1860's copper rivets were added for greater strength. Levi's jeans became the regulation garb for cowboys, railroaders, lumberjacks, farmers, construction men, oil drillers, etc.

Levi Strauss died in 1902 but the business, which had been incorporated in 1890, continued to prosper, and the original Levi's® Blue Jeans grew in popularity -- the only fashion item that has remained basically unchanged in 120 years.

The company put new impetus into its growth following World War II by expanding the merchandising base with the introduction of a light blue denim sports trouser. Consumer acceptance of these trousers spearheaded the evolution of new finishes, fabrics and fibers, which the company now uses extensively in its broad sportswear lines.

In 1960 Levi Strauss & Co. brought out pants cut along the lines of the original Levi's® Jeans, but in a sand shade of heavyweight cotton twill. The youngsters named them White Levi's®. One of the most popular style of pants ever made, they are now available in dozens of colors and fabrics.



In the last decade, Levi Strauss & Co. has made tremendous strides. Entry into the casual slacks market was made with great impact, and led to creation of the company's Sportswear Division in 1971.

The first true permanent press slacks ever made were introduced in 1964 by Levi Strauss & Co. - Levi's® Sta-Prest® Slacks. Their introduction created a revolution in the garment industry. New fabrics, styles and colors are added each year in this highly popular Levi's line and the process has been extended to include Levi's® Jeans as well as shirts and women's wear.

After 118 years Levi's decided to chase girls and in early 1968 introduced Levi's for Gals, a new line of pants and sportswear for women based on the snug hip-hugging design of the original Blue Jeans.

To raise revenue for further expansion, Levi Strauss & Co. made its first public stock offering in March 1971 and listed in the New York and Pacific Coast Stock Exchange in May.

Operations

Levi Strauss & Co. disclosed operating results for the first time in 1969 and revealed one of the most amazing growth stories of modern corporate history. When World War II ended, the company's annual sales were less than \$10-million and a majority of that was from wholesaling the products of other manufacturers. That aspect of the business was phased out and total emphasis was given to Levi's® brand apparel.

That concentration has produced impressive results. Levi Strauss & Co. is now the world's largest pants maker. Its apparel is sold by more than 30,000 retailers throughout the free world and sales reached a record \$327-million mark for fiscal 1970.

Levi's® products are manufactured domestically in 31 company-owned or controlled plants in:

Arkansas	-Arkadelphia, Fayetteville, Harrison, Morrilton, Star City
California	-San Francisco, San Jose
Georgia	-Blue Ridge, Valdosta
Louisiana	-Bossier City
Mississippi	-Baldwyn

Missouri	-Sedalia
New Mexico	-Albuquerque, Roswell
No. Carolina	-Murphy, Elizabethton
Tennessee	-Centerville, Knoxville, Maryville, Memphis
Texas	-Amarillo, Corpus Christi, Denison, El Paso, Lubbock, Tyler, Wichita Falls
Virginia	-Blackstone, Warsaw

Distribution Centers are located in San Jose, California; Amarillo, Texas; and Florence, Kentucky. Sta-Prest® curing facilities are at Amarillo, Knoxville, Valdosta, and Memphis.

Levi Strauss & Co. has more than 17,000 people on its payroll.

The company is headquartered in San Francisco. It is headed by two great-grandnephews of Levi Strauss: Walter A. Haas, Jr., chairman of the board and his brother Peter, president.

International

Levi Strauss International

Levi Strauss International, a wholly-owned subsidiary of Levi Strauss & Co., is also headquartered in San Francisco. It handles U.S. exports of Levi's® to about 50 foreign countries as well as supervising foreign manufacturing or sales subsidiaries with the exception of those in Canada.

LSI's subsidiaries include:

<u>Subsidiary</u>	<u>Place of Incorporation</u>	<u>% of Voting Securities Owned</u>
Levi Strauss (Far East), Limited	Hong Kong	66%
Levi Strauss de Mexico, S.A. de C.V.	Mexico	100%
Levi Strauss (Australia), Pty. Limited	New South Wales, Australia	100%
Levi Strauss & Co. -Europe, S.A.	Belgium	100%
Levi Strauss Germany GmbH	Germany	100%
Levi Strauss-Nederland, N.V.	Netherlands	100%
Levi Strauss Schandinavia A.B.	Sweden	100%
Levi Strauss (U.K.) Ltd.	United Kingdom	100%
Levi Strauss (U.K.)Ltd.	Scotland	100%

Levi Strauss Gesellschaft, M.B.M.	Austria	100%
Levi Strauss de Argentina, S.A.	Argentina	100%
Levi Strauss France	France	100%
Levi Strauss de Espana, S.A.	Spain	(Not operational 6/71)
Levi Strauss Japan	Japan	100%

L.S.I. has manufacturing facilities in Belgium, France, Mexico, Scotland, Hong Kong, Macao and Argentina. Their products are all made for sales overseas.

Canada

In Canada, LS&CO. owns a majority interest in The Great Western Garment Company, Canada's largest manufacturer of blue jeans and work clothing.

Levi Strauss Pan America

Levi Strauss Pan America, a subsidiary of LS&Co., distributes Levi's® and Levi's for Gals® garments manufactured in the U.S. and Canada.

Levi Strauss of Canada, Ltd.

Levi Strauss of Canada, Ltd. another subsidiary of LS&Co., produces Levi's® and Levi's for Gals® garments outside the U.S. for distribution in Canada.

The shares of Common Stock offered hereby are subject to prior sale and to withdrawal, cancellation or modification of the offer without notice and those to be sold to the Underwriters are subject to delivery and acceptance by the Underwriters, to the approval of their counsel and to certain further conditions. It is expected that delivery of the shares of the Common Stock offered through the Underwriters will be made at the offices of Lehman Brothers Incorporated, New York, New York, on or about March 10, 1971, against payment therefor in New York funds.

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Until June 1, 1971 all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions. If any material changes take place after the date of this Prospectus, the Prospectus will be amended to reflect such changes.



1,396,000 Shares
Common Stock
(\$1.00 Par Value)

LEVI STRAUSS & CO.

PROSPECTUS *

Lehman Brothers
Incorporated

Dean Witter & Co.
Incorporated

March 3, 1971

*Complete Prospectus deposited in The Bancroft Library with Levi Strauss & Co. papers.

continued

PROSPECTUS
1,396,000 Shares
LEVI STRAUSS & CO.
Common Stock
(\$1.00 Par Value)

Of the 1,396,000 shares of Common Stock offered hereby, the Underwriters are purchasing 1,070,000 shares from the Company and 200,000 shares from the Stockholders named under "Principal and Selling Stockholders". The remaining 126,000 shares are being offered by such Stockholders to employees of the Company. To the extent that any of such shares are not purchased by employees, they will be retained by the Selling Stockholders. The Company will not receive any of the proceeds from the sale of the shares by the Selling Stockholders.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE
SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION
PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Prior to this offering, there has been no public market for the Company's stock. The public offering price has been determined by negotiations between the Company, the Selling Stockholders and the Underwriters.

The Company intends to apply for the listing of its Common Stock on the New York and Pacific Coast Stock Exchanges. Such listing will be conditioned, among other things, upon completion of distribution of the Common Stock in a manner satisfactory to such Exchanges.

PRICE TO EMPLOYEES: \$44.65 per share. See "Offer to Employees". The following table does not include the shares offered to employees. If all of the 126,000 shares offered to employees are purchased, the aggregate proceeds to the Selling Stockholders from the sale of such shares will be \$5,625,900.

	Price to Public	Underwriting Discounts and Commissions ^①	Proceeds to the Company ^②	Proceeds to Selling Stockholders
Per Share	\$47.00	\$2.35	\$44.65	\$44.65
Total	\$59,690,000	\$2,984,500	\$47,775,500	\$8,930,000

^① The Company has agreed to indemnify the Underwriters against certain liabilities under the Securities Act of 1933.

^② Before deducting expenses payable by the Company estimated at \$200,000.

Lehman Brothers
Incorporated

Dean Witter & Co.
Incorporated

The date of this Prospectus is March 3, 1971

THE COMPANY

The Company is successor to a business started in San Francisco during the California gold rush by Levi Strauss, whose great-grandnephews are currently the Chairman of the Board and the President of the Company. The Company's best known product is its riveted "LEVI'S" blue denim jeans, the historical importance of which has been recognized through display in the Smithsonian Institution's Americana collection.

The Company still manufactures its "LEVI'S" blue denim jeans and, in addition, designs, manufactures and distributes under its "LEVI'S" trademark a wide variety of jeans, slacks, shorts and related apparel for men, boys and women which are sold throughout the United States and in a large number of foreign countries. (See "Business—Products".) The Company believes it is one of the oldest firms in the apparel industry and that it is one of the largest manufacturers of pants in the world.

The Company's social responsibilities have for many years been a matter of strong conviction on the part of its management. Well before legal requirements were imposed, the Company was an "equal opportunity employer." In 1969, the Company received one of Business Week magazine's first two "Business Citizenship" awards in the field of human resources.

USE OF PROCEEDS

The net proceeds from the sale of shares of Common Stock being sold by the Company are estimated to be \$47,575,500. The Company intends to apply these proceeds, together with the \$10,000,000 to be borrowed from an insurance company (see Note 4 to "Capitalization"), as follows:

- a. Approximately \$27,575,500 towards the reduction of short-term bank borrowings of which about \$9,000,000 was incurred to finance capital expenditures made by the Company during fiscal 1970 and the balance of which was incurred for general working capital purposes; and
- b. Approximately \$30,000,000 to finance the Company's facility expansion program of which about one-half will be expended in calendar 1971 and the balance in calendar 1972.

Present plans for calendar 1971 call for the acquisition of two manufacturing plants of approximately 60,000 square feet in size for a cost of about \$1,000,000, the enlargement of a permanent press curing facility contiguous to the Amarillo, Texas, distribution center at an estimated cost of \$4,700,000 and the installation of equipment in three manufacturing plants to be occupied under lease in 1971 at a cost of about \$900,000. The balance of the \$15,000,000 which the Company estimates it will spend in 1971 will be devoted to the commencement of construction of five new manufacturing plants and one distribution center. The new manufacturing facilities when complete will, to some extent, replace older facilities in the same cities and will add a net of approximately 1,000,000 square feet to the Company's existing facilities.

Plans for calendar 1972 call for the commencement of construction of six facilities, the opening of two facilities in leased premises and completion and equipping of some of the facilities commenced in 1971.

Until applied towards the cost of acquisition, construction and equipping of facilities, such proceeds will be utilized for general corporate purposes and the further reduction of short-term bank borrowings. Although short-term bank borrowings will be reduced from the proceeds of this offering, the Company anticipates that it will be required in the future from time to time to incur additional short-term indebtedness to meet its working capital requirements. To the extent that any of the con-

LEVI STRAUSS & CO.

BOARD OF DIRECTORS MEETING

Wednesday, November 17, 1971

Report On:

Community Affairs Department

continued

LEVI STRAUSS & CO. has been a leader both in providing equal employment opportunities throughout our facilities and in developing an aggressive Community Affairs program. We believe that a corporation must become actively involved in facing and solving social problems of urban America. Today's corporation must develop practical means of giving human needs the same status as profit and production. This does not mean that business will not continue to assume its responsibility for making a profit for its stockholders, insuring ample income for its management and providing quality products for its customers, but the positive and negative social forces at work in our nation today demand that the corporation make a philosophical and material response to the other needs of the people and the community.

In the long run, this new task of the corporation will be in its own best self-interest since it cannot prosper as fully or as long in a society frustrated by social ills and upheaval.

HISTORY

The Community Affairs Department began in January 1968 when Walter A. Haas, Jr. accepted President Johnson's appointment to serve as Chairman of Region VIII of the National Alliance of Businessmen. The Community Affairs Department served as regional office of the National Alliance of Businessmen for slightly over two years, until March, 1970.

In October, 1968, the Community Affairs Department began a program of providing management and technical assistance to minority apparel retailers in the Bay Area. In cooperation with the Menswear Retailers of America, the Department provided management assistance to eight minority-owned retail stores. During the two years of the program, much about the potential and problems of minority economic development was learned, and five of the eight stores were assisted to reach a stable and profitable level of operation.

CURRENT PROGRAMS

Minority Manufacturers: We are assisting a group in Berkeley calling themselves Ghetto, Inc., in developing a clothing manufacturing plant, owned and operated by minority members of the Oakland community. We have assigned several consultants from among our production personnel to find items of ours which they could manufacture for experience. Three contracts have been completed.

The goal of Ghetto, Inc. is to produce and merchandise products of their own.

LEVI STRAUSS & CO.'s involvement is enabling the development of a skilled work and administrative force to reach this goal. To provide technical know-how and experience to Ghettos, Inc., we have paid a premium for the garments, but we believe it is a sound investment for the future.

Minority Economic Development: As a result of our involvement with the Retail Administration Program, and through our experience with other minority entrepreneurship programs, we have gained considerable experience in the field of minority economic development.

Levi's has joined with 17 other major California businesses, industries, and individuals to form a consortium (appropriately named Provident Enterprises Corporation) which will invest in and provide managerial and technical assistance to minority business opportunities. We have invested \$25,000 in the business and loaned one of our Community Affairs staff for a two year period.

Therefore, we do not believe in creating limited opportunities for small businesses in ghetto areas where the risks are high, the market marginal, the business under-capitalized and the managers inexperienced. This leads to frustration, not success. Rather, we intend to support methods whereby minorities may enter potentially profitable growth areas, not dead-end operations.

INTERNAL ACTIVITIES

Home Office Task Force for the Involvement Corps: During the past year, more than 80 employees have been doing volunteer work with the San Francisco Ecology Center under the auspices of the Involvement Corps. In

addition, more than 40 of these home office employees have been providing financial assistance for the corpsman (i.e: a project director from the Involvement Corps) who works daily at the Center and coordinates our volunteer effort.

Community Relations Teams: For almost a year now the Community Affairs Department has been providing support services to the recently established plant and distribution center Community Relations Teams. These teams consist of four to twelve members (employees) who volunteer their time seeking out and acting upon the "needs" of the communities where LEVI STRAUSS & CO. operates.

Foundation Research and Resource: For many years LEVI STRAUSS & CO. has had a Foundation that has provided thousands of dollars for education, scientific and medical research, youth activities, and numerous charitable programs.

One of the results of a recent employee study committee was the establishment of a Foundation Screening Committee composed of home office employees. Using the Community Affairs Department as a "research tool", the Screening Committee now "reviews and recommends" the requests for assistance that LEVI STRAUSS & CO. receives. Their recommendations are passed on to the Foundation Trustees for appropriate action.

Technical Assistance: Often the last thing that an emerging business or social action group needs is money. Most necessary to the new organization is "organization". The Community Affairs Department is prepared to meet with groups and businesses and advise them of the necessary organizational steps, from "filling out reports to opening doors."

continued

Classes for Non-English Speaking Employees: In 1970, the Community Affairs Department initiated a conversational English class for employees at the San Francisco plant who wish to learn or improve their English. The pilot program was so successful that similar programs have been implemented in San Jose and El Paso. Presently there are 106 employees participating in the classes.

We believe that the entire Levi Strauss family can be proud of this fine program.

In addition, we have been working with the school districts in El Paso, San Jose, and San Francisco to develop adult education classes leading to G.E.D. certificates for our employees. Classes are to be conducted in our facilities after work and will eventually be open to the general community.

National Housing Corporation: \$100,000 pledge to assist in low-cost housing development. As of June 1971, 2600 units are under construction, comprising 11 projects in 10 states (approval for 10,000 units, 46 projects in 23 states, has been granted).

Scholarship Programs: Four scholarships were given to San Jose State College. In El Paso, Operation S.E.R., challenged by LEVI STRAUSS & CO., launched a scholarship drive to assist minority students to enroll at El Paso Community College. Twenty-three students have received assistance and will be in school this semester. Further, LEVI STRAUSS & CO. and Foundation provide assistance to consortiums of colleges and universities, primarily for minority education programs; additionally, we provide a generous scholarship program for employees and families and have recently begun a "matching funds" program.

continued



Community Health Center in El Paso: To determine if a Center similar to the health center in San Francisco can be developed, we are bringing a group of leaders from El Paso to see and study the facility in San Francisco, and then will assist in obtaining federal money for a similar program near our Cypress Street plant.

Community School Concept: In El Paso we have met with School District personnel to try to institute a community school program there. Under such a program, schools would become community centers after school, on weekends, and during vacations. It is proposed that three schools, one near our main factory, become community schools starting in the fall of 1972 at the latest and that more schools gradually be added.

Project S.E.E.D: We have been working with an educator from Berkeley, Dr. William Johntz, who has been developing a new approach to elementary education, that of teaching advanced mathematics to elementary students in minority schools using Ph.D.s from industry and universities. We are introducing the program in Knoxville in two ghetto schools with teachers being drawn from Knoxville College, University of Tennessee, and Oakridge Atomic Energy Commission.

Conclusion: Recently Chairman of the Board, Walter A. Haas, Jr., in his annual message to stockholders summed up our feelings and position when he stated "...we feel our Company is leading the way in the area of corporate social responsibility and though these efforts are significant, we intend to do more."

We hope that the preceding examples have provided you with a "glimpse" at the scope of the Community Affairs Department activities.

continued

PROGRAMS AND PROJECTS

I. MINORITY ECONOMIC DEVELOPMENT - Bay Area

- A. Provident Enterprises Corporation
- B. Al's Men Shop
- C. Les & Joe's Retail Store
- D. Turner Fashions
- E. Sisters' Boutique
- F. Ghettos, Inc.

II. EDUCATION

- A. English & Citizenship Classes
- B. Community School Experiment - El Paso
- C. Project S.E.E.D. - Knoxville
- D. Scholarship Programs
- E. Minority Business School Graduate Students
- F. Opportunity Industrialization Centers

III. OTHER

- A. Foundation Screening Committee
- B. San Francisco Ecology Center
- C. Comprehensive Drug Study - Albuquerque
- D. Recycling Experiment
- E. Assistance to various community organizations
- F. National Housing Corporation
- G. Community Health Center - El Paso
- H. Involvement Corps
- I. Community Relations Teams
- J. Orientation



Levi Strauss & Co. Community Affairs bulletin

Levi Strauss & Co. involvement 1971

LEVI STRAUSS & CO. has been a leader both in providing equal employment opportunities throughout our facilities and in developing an aggressive Community Affairs program. We believe that a corporation must become actively involved in facing and solving social problems of urban America. Today's corporation must develop practical means of giving human needs the same status as profit and production. This does not mean that business will not continue to assume its responsibility for making a profit for its stockholders and in insuring ample income for its employees and providing quality products for its customers.

In the long run, this new task of the corporation will be in its own best self-interest. No company can fully prosper in a society frustrated by social ills and upheaval.

In this our first bulletin for 1972, we report on the scope of our activities in 1971 and highlight a few of the projects.

Thanks to the efforts of the LEVI Community Relations Team in Blackstone, Virginia, a new Community Playground was created out of an unused lot next door to the plant. The team cleaned up the lot, donated the equipment, and after many hard-working hours, lined up all smiles for the photographer.



our philosophy of giving

The philosophy that guides our process for giving is as follows:

- I. We operate on the principle of leverage. We do not fully underwrite the operating budget of any program. We expect our grants to serve as "seed money" to generate additional funds from private or government sources.
 - II. We assist demonstration programs which will be carried on by existing institutions when proven successful.
 - III. Our primary concern is to those communities where we have operations and where our Community Relations Teams can be involved in identifying local needs.
- The projects highlighted in this bulletin will serve to illustrate this operation policy.

Levi Strauss & Co.

Foundation programs and projects 1971

Provident Enterprises Corporation
 Al's Men Shop
 Ghettos, Inc.
 English and Citizenship Classes
 Community School Experiment — San Jose
 Project S.E.E.D.
 College Scholarship Program
 Graduate Business School —
 Minority Scholarship Program
 Opportunity Industrialization Centers

San Francisco Ecology Center 21
 Comprehensive Drug Study — Albuquerque
 Recycling Experiment — Albuquerque
 Community Organizations
 Technical Assistance Program
 National Housing Corporation
 Community Health Center — El Paso
 Involvement Corps
 Community Relations Team Project
 Star City Day Care Center

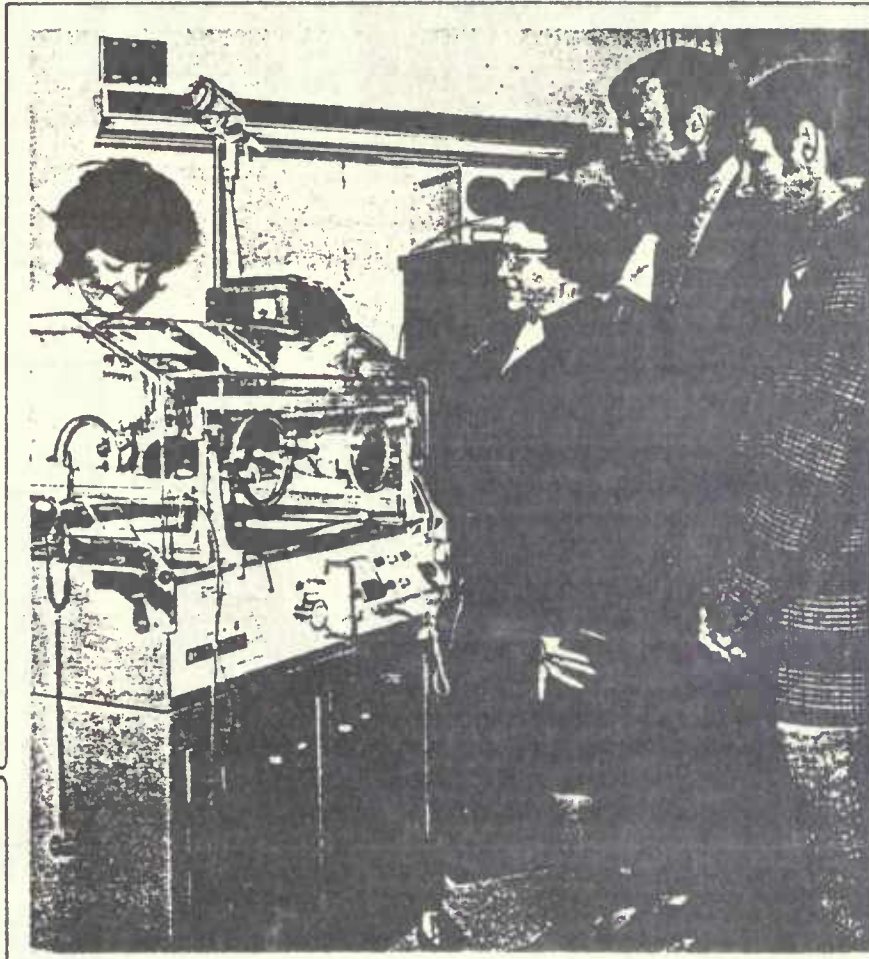
our philosophy leverage funding

East Tennessee Children's Hospital

When the Knoxville Community Relations Team became aware of the need for intensive care equipment at the East Tennessee Children's Hospital they decided to do something about it. The need was for \$15,000 — much more than they could hope to raise, but they felt they could come up with \$1,000 by organizing a flea market.

With the decision made, the CRT group went to work — posters and announcements went out over the plant, the local TV and radio stations picked up the momentum and spread the news, local businessmen donated a color TV and a Ford automobile. The people came and at the close of a long and busy Saturday, over \$3,000 had been raised. It didn't stop there — the Trustees of the Levi Strauss Foundation were so impressed they gave \$7,000 instead of matching the \$1,000 as originally planned. When the local business community in Knoxville heard this news they provided over \$5,000. Final results were \$15,917.14 to buy the much needed equipment. The Knoxville CRT people proved the Leverage Principle really works.

Members of the Community Relations Team see the equipment in full operation.



our philosophy demonstration programs

Project S.E.E.D.

Nine years ago William Johntz started out to teach high school and college algebra to grade school children from poor areas. His method and results were dramatic. Elementary children with poverty backgrounds "don't make it in public schools", according to Johntz. But through Project S.E.E.D. (Special Elementary Education for the Disadvantaged), they are not only making it, but having fun too. Algebra is only a part of the lessons the students are learning. More important is the pride they develop by learning a subject far beyond their class level. Johntz' theory is that if a child can succeed in a subject where he's never had a chance to fail in the past, and in a subject that society values highly, the child will develop "a realistic picture of his own abilities". A further benefit of this teaching concept is that elementary teachers discover that their ideas of how much a minority child can learn change radically. The stereotypes crumble.

The Levi Strauss Foundation is making a grant to introduce this program in Knoxville using mathematicians from Knoxville College, the University of Tennessee, and Oak Ridge Atomic Energy Commission. It is the expectation of the Foundation that the program will be continued by the Knoxville Public School System should the demonstration project prove successful.



In this photo, Johntz is shown with his eager students who were performing a demonstration at Levi Strauss headquarters in San Francisco. (Photo Credit — Robert A. Isaacs.)

World Bank
Education Programs
and
Projects
1971

World Bank
Education Programs
and
Projects
1971

Table with multiple columns and rows, containing data related to World Bank Education Programs and Projects in 1971. The content is extremely faint and illegible.



NARSAW, VIRGINIA. One of our most unique CRT activities this year was the formation of the "LEVI Girls" softball team. The team was fully integrated, but the existing leagues were all white. There were problems scheduling games. The first seven were against "all Black" teams, but things began to change. By the end of the season there was an integrated league with an active, healthy and well accepted situation. Community leaders were very impressed, one churchman stated, "Your group's efforts have done more for community and racial relations in Northern Virginia than all others put together."



FAYETTEVILLE, ARKANSAS. The Fayetteville Boys Club was the recipient of a check from the CRT group to purchase park playground equipment. The funds were raised through a successful in-house raffle among LEVI employees.

SAN FRANCISCO, CALIFORNIA. In San Francisco, Levi Strauss & Co. persuaded local school authorities to conduct a Demonstration Project of holding English and Citizenship classes for LEVI employees at the LEVI plant. The project was so successful that similar classes were begun in San Jose and El Paso. In this photo, two LEVI employees are shown with their manager and classroom instructor. They, along with sixteen others, will become United States citizens



VALDOSTA, GEORGIA. A vacant lot next to the Valdosta Plant was officially dedicated on November 16, 1971 as the LEVI Park. The CRT group shown in this photo with local dignitaries, had cleaned up the land, built tables and barbecue pits, and the result of their effort was a park for the use of the entire community.



MURPHY, N. CAROLINA. The Murphy Team is presenting a check for 190 to the local Jaycees for their Toys for Tots drive. In addition, the box was filled twice with used and new toys. During the year they assisted a Boy Scouts Club to get started from results of a bake sale, as well as to send seven 4-H children to camp.



MEMPHIS, TENNESSEE. An active Memphis Oven CRT purchased a typewriter for Handicapped, Inc., of Memphis. They also gave \$500 to be used for transporting handicapped children to the Center. In addition, they provided a Memphis resident paralyzed by a stroke with a wheel chair, contributed to Madonna Day School for Retarded Children



BLUE RIDGE, GEORGIA. One of our most active Community Relations Teams this year, worked closely with the Tri-State Recreation Commission. They provided active support and leadership to establish a summer recreation program for youth and to develop a Community Center which would serve the entire area with programs geared to interest every age group. The Levi Strauss Foundation is providing a grant of \$3,000 to this project which is to be matched by the local community.

Levi Strauss & Co. community relations teams

programs and projects — 1971

ARKADELPHIA

School Renovation
Juvenile Home
Arkadelphia Children's Colony
Cub Scout Soap Box Derby

BLACKSTONE

Nottoway High School Band
Mini-Park

BLUE RIDGE

Relief Food Supplies
Christmas Drive
Recreation and
Community Center Project

BOSSIER CITY

Hire the Handicapped Drive

CENTERVILLE

Mayhew Loveless Fund
Relief Program

CORPUS CHRISTI

Orphan's Home

DENISON

Handicapped Children's Program
County Crippled Children's Home
Denison Boys Club
Lions Club Doll Program
Needy Children Clothing Project

EL PASO

Girls Club
Southwestern Children's Home

FAYETTEVILLE

Boysland of Arkansas

HARRISON

City Park Clean-up Drive

KNOXVILLE

City Children's Zoo
East Tennessee Children's Hospital

LUBBOCK

Community Playground

MARYVILLE

Welfare Relief Program

MEMPHIS

Klondike Rehabilitation Center
Handicapped, Inc.
Kidney Foundation
Madonna Day School
Police Service League

ROSWELL

Little League Team

SAN ANGELO

Halfway House
West Texas Boys Ranch
San Angelo Health Center
City-wide Relief Program

SAN FRANCISCO

Christmas Drive

SAN JOSE

Milpitas Mutineers
Gardner Youth Organization
Senior Citizens
Alma Neighborhood Council

VALDOSTA

Levi Park
Youth Baseball Team

WARSAW

Recreation Field
Warsaw Library Book Project
Integrated Women's Softball League

WICHITA FALLS

Little League Team

in conclusion

If a viable and meaningful program in your community needs and deserves the attention of Levi Strauss & Co. and your Community Relations Team is unable to provide the entire funds, contact the Community Affairs Department, Levi Strauss & Co., San Francisco.

The kinds of programs we are interested in would include:

Education: Company scholarships, grants to community educational institutions, minority group educational support, graduate schools of business administration, secondary and elementary education, and employee gift matching programs.

Health: Equipment for handicapped/mentally retarded children, free eye and ear examinations for children, flu

and other inoculations, school clinic equipment, free medical examinations and/or braces and glasses for needy children.

Human Resources: Organized drives, special projects to identify and solve community needs, arts and cultural projects (museums, music festivals, art groups).

Environmental Improvements: Local clean-up, fix-up campaigns, tree planting, litter basket distribution, establishment of small parks, matching funds to be used in conjunction with community groups.

Contingency: For experimental-special-creative programs.

In conclusion, it is the desire of the Community Affairs Department to work in partnership with all of our employees in meeting those special needs in our local communities that would not be met otherwise.

Levi's Letter

February 14, 1972

Issue Number 6

Walter A. Haas, Jr. Honored

Walter A. Haas, Jr., was honored as an "Apache Beau" by the Apaches Belles of Tyler Junior College. Tyler, Tex., of course, is the location of one of our LFG plants. As you may remember, the Apache Belles and Apache Band performed during the pre-game festivities and half-time at the Super Bowl in New Orleans this last January 16. Their mid-game salute to jazzman Louis Armstrong was quite well received. By taking his place as a Beau, Walter joins other such notables as Bob Hope, Buz Aldrin and President Nixon.

Presentations

On Tuesday, February 1, Sportswear Field Production Manager Jack Tucker presented to top management a slide/tape show which described the child care center in Star City. Staffed by 12 full and part-time personnel, the Center is a self-sustained educational/recreational facility which cares for children while their parents are working. Sixteen children are currently in the program, with room for as many as 57. Star City serves as Levi's first experience with child care and paves the way for future expansion in this area.

Bits & Pieces

Employees at the Midland-Odessa plant have adopted the High Sky Girls Ranch as a community project. For Christmas, they gave 200 pairs of Levi's for Gals to the 38 residents at the ranch, in addition to a dozen turkeys. Plant Manager Vic Delpine, area Levi's Salesman Bob Truitt and several supervisors and operators delivered the Yuletide offering ... we recently got a call from a group making a movie down in Florida. They needed a shirt for a cast member with a 37" sleeve and 18 1/2" neck. Unfortunately, we couldn't help them out... Last month, the Cincinnati Post ran a fashion picture of our garments worn by military salesman Tony Blankenship and Bobby Dabney, wife of Sportswear Product Manager Frank Dabney ... Business & Society Review ended an article rating companies on social responsibility with the sentence, "Who would doubt that if every corporation conducted itself along the lines of Xerox or Levi Strauss, America would be a better place in which to live?"

Last Frontier?

Is there anyplace that is yet untouched by Levi's? One of our overseas correspondents writes, "Levi Strauss Denmark just sold 1,000 units of Spring '72 Miss Levi's to Greenland. The last frontiers are crumbling." Indeed they are!

Personnel Announcements

John Hernandez was recently named to the position of Manager of Affirmative Action Program for Minorities. His last position was Personnel Manager for Bay Area Operations. Don Rodland becomes LFG Regional Sales Manager for the expanded Eastern Region. With the divisionalization of the Specials function, we find Gaylene Pearson Manager of the Boyswear Specials Department, Ben Miller Manager of the Sportswear Specials Department and Liz Roessing Manager of the Jeans Specials Department. Sharon Weiner, formerly in the Public Relations Department, becomes Manager of Affirmative Action Program for

continued



Women. Robert L. Eddy has been named Assistant Corporate Personnel Manager. He comes to Levi Strauss from Tasker Industries.

Tom Cox, Plant Manager in Albuquerque, will manage the new facility in that city. Bill McLeod, recently Plant Manager in Wichita Falls, will manage the existing plant in Albuquerque. John Holton becomes Assistant Plant Manager under McLeod. And Frank Dulaney moves up from assistant plant manager to Plant Manager in Wichita Falls. Richard Estep has moved from Amarillo to Tyler as Area LFG Quality Assurance Manager, and Ken Paulk has been named Quality Assurance Resident Manager in Corpus Christi.

Inventory Management

Who decides exactly what you're going to sew tomorrow? Like, the model, color and fabric. The answer is one of about a dozen Production Schedulers working in Inventory Management in San Francisco.

Initially, Merchandising decides upon an overall plan -- that is, what will be at the D.C.'s when. Then, the product managers and production schedulers coordinate the purchase of fabric and its coloring. The fabric we purchase is called greige goods, which means it lacks color. We decide when and in what way it will be colored.

After the fabric is purchased and colored, the production scheduler takes over. He ships fabric and contracts to the plants so that the finished garments will arrive at the D.C.'s to fulfill promises our salesmen have made to our customers. The production scheduler maintains the production plan by: (1) monitoring what the fabric mills have ready for us, (2) shipping sufficient fabric to keep our plants open, and (3) insuring that we stock the proper sizes at the proper time. In other words, their main concern is to make exactly the right things and yet not permit our cutters and operators to be out of work.

How does it feel to be a production scheduler? Due to unavoidable problems at the fabric mills, problems with new types of garments and bottlenecks which can occur within plants, the job can be "nerve-wracking." But when done well, it can be satisfying. It's very much a challenge.

Several production schedulers described their jobs for us. Mary De Yoe, who schedules Basic Jeans, put it quite simply: "I consider myself a trouble-shooter." Jeff Zeman sums up his job in Sportswear as "coordinating piece goods and contracts in an appropriate manner so as to attain optimum plant operations." And Boyswear scheduler Stu Ross explains, "Idealistically, we issue contracts and fabric to the plants and monitor the production. Really, though, we earn our money by keeping the plants going when there's no fabric anywhere."

And keeping the plants going requires teamwork. When problems develop, it takes a team effort between Inventory Management, Merchandising, Traffic, Production and our suppliers to solve them. And so fabric moves from the mills through the plants and into the stores as pairs of pants. Look in the next issue of Saddleman's Review for pictures of our production schedulers at work.

New Appointments



Gillian M. Sheather has been named Personnel Manager for Levi Strauss Australia. Before coming to Levi's she was an administration officer and personnel officer for Coca Cola Export Corp. She holds a B.A. degree from Sydney University.

Gillian Sheather

Otto Fernandez has been appointed Accounting Manager for Levi Strauss Inter-America. He last served as comptroller for Maru Distribution Co. in Miami and holds a C.P.A. degree from Havana University. Juan Casas become LSIA's Warehouse Manager. He most recently served as a controller for Nordic International Corporation in Hollywood, Fla., and was previously receiving manager for Sears Roebuck & Co. in Miami.



Otto Fernandez

Harry W. Kung joins Levi Strauss as an Analyst/Programmer III. He has 10 years experience with Libby, McNeill and Libby, most recently as data processing manager - Western region.

More Bits & Pieces



Juan Casas

The Levi's Letter has a second edition -- Spanish -- for Spanish-speaking employees in El Paso, San Jose and San Francisco ... the Boyswear line is now being handled by Jeans salesmen; however, in the near future, we will have five or six Boyswear specialty salesmen ... Over the Christmas holidays new more powerful computers were installed in the Florence and Amarillo D.C.s, and at 98 Battery Street ... in the past we have received letters from grateful consumers who have fallen from horses, slid down hillsides or suffered similar catastrophes and been saved by wearing our famous blue jeans. Now a letter from a mother whose son was thrown from an automobile and saved from worse injury by his Levi's. She writes, "I have always been skeptical of advertising and never believed your product was as good as my son said they were, but -- now I do believe" ... and "Levi's can dress furniture too" wrote New York Post columnist Carleton Varney. What can be more practical and inexpensive for sofas than denim!



Harry Kung

Largest Levi's Family

After looking over the letters we received in response to a past "Question of the Day", we have determined the Largest Levi's Family. There are two of them, each with twelve children. Jesus Barraza, a spreader at the El Paso Cypress Street Plant, and his wife Lidia have a family which includes: Arturo, 29; Maria del Carmen, 28; Lidia, 26; Jesus, 25; Hector, 23; Ofelia, 21; Guadalupe, 20; Norma, 18; Gerado, 15; Oscar, 12; Antonio, 9; and Olga, 6.

Marian K. Iles, a cart checker at the Florence D.C., wrote in that she didn't know if she had the largest family but that she could make a good showing anyway. Indeed she can, for the size of her's ties that of Jesus. Marian and her husband have a family which consists of: Barbara, 21; James, 20; Susan, 18; Shirley, 17; Paul, 16; William, 14; Kath: 12; Joseph, 11; Kevin, 9; Robert, 8; Laura, 5; and Virginia, 3.

Coming Next Issue

Who's making what? We'll take a look at which plants are making Levi's for Gals and Boyswear.

What's a CSR? There will be a brief story on what Customer Service Representatives do at the D.C.'s.

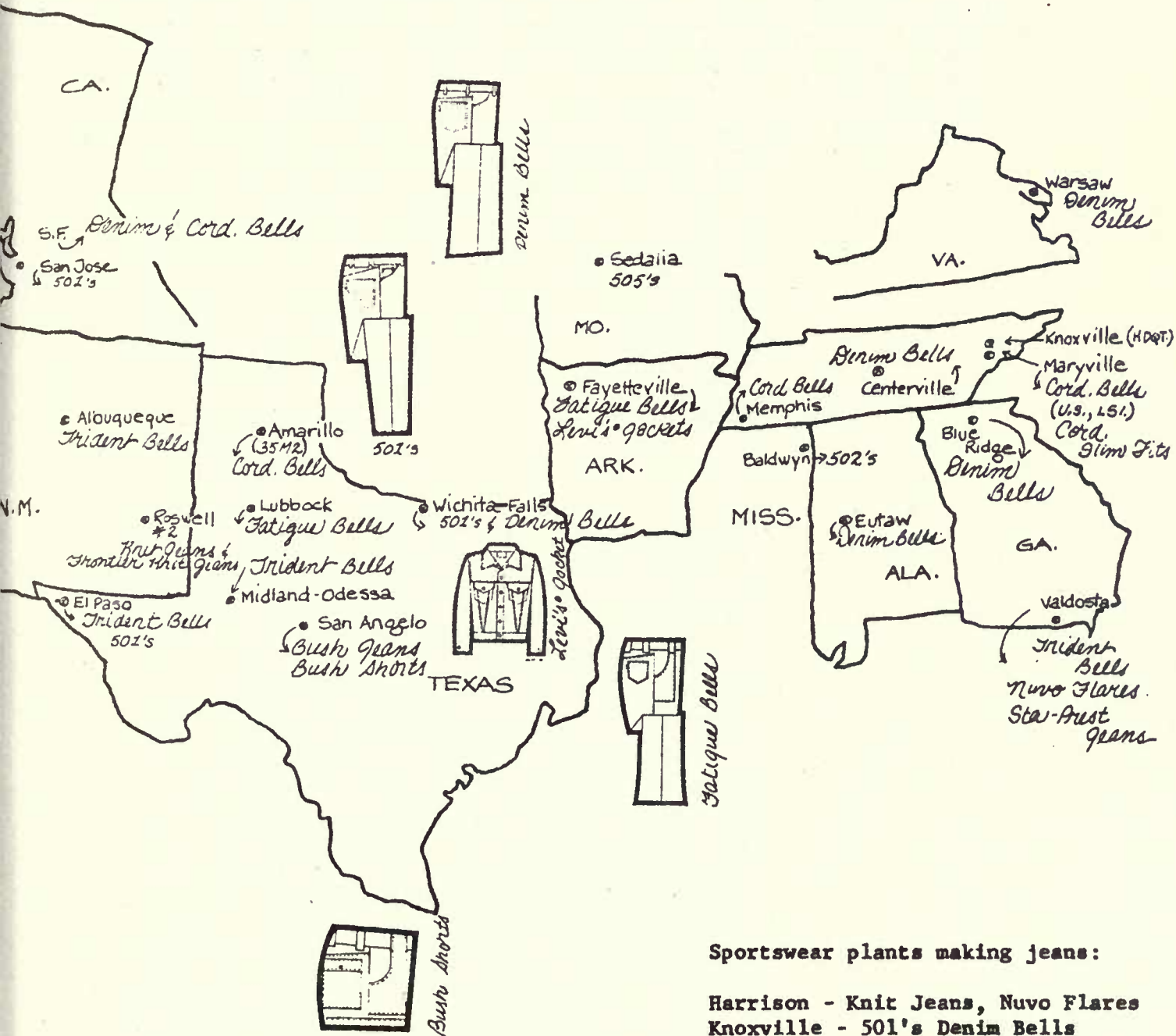
New Garments -- What's new in Sportswear and Boyswear.

jeans division

Who's Making What?

Let's take a look at the Jeans Division this week. Comprising more or less the old Western and Eastern Divisions, this group of plants will report to Jeans Field Production Managers Bill Roberts (Eastern) and Bill Leach (Western). The Eastern Jeans office is located in Knoxville, the Western in Amarillo, where both have such staff functions as Internal Auditing, Engineering, Personnel and Training. Divisional Stencil Departments are located in Knoxville and San Francisco, Curing Centers in Knoxville and Amarillo (both shared with Sportswear) and Valdosta, Ga., and Distribution at the three D.C.s

All Jeans Division production facilities report to National Jeans Production Manager George Simpkins.



OUR SOLID MERCHANTS.

The Immense Establishment of Levi Strauss & Co.

A Magnificent Display of Clothing and Dry Goods.

SPECIAL FEATURES OF THE VARIOUS DEPARTMENTS.

Interesting Particulars of the Growth and Prosperity of the Firm.

The force, energy and integrity which characterize our leading merchants have given them a deserved prominence. To be a solid and substantial merchant, one whose word is as good as his bond, is to rank among the first men in any community. As a class, in the progress and advancement of nations, the historians recognize the fact that merchants have done more to unite mankind, through the agency of commerce and the peaceful pursuits of trade, than any other element. The barriers of prejudice, which bays not only temptations strangers to one another, but have even made them enemies, have been broken by the gradual development of commercial relations, and thus merchants wielding the sword of peace have proved to be more invincible than Generals wielding the sword of war. In our own community we have worthy and noble examples of the far-seeing, enterprising, bold and honorable merchants whose labors, as we have shown, place them among the benefactors of mankind. From time to time the Chronicle makes it a pleasurable duty to bring before its readers examples of the men we describe, and at present our mind naturally reverts to the

WELL-KNOWN FIRM OF LEVI STRAUSS & CO.,

Importers and wholesale merchants, Nos. 11 and 13 Battery street. Happening to be in that part of the city a few days ago, we met our genial and wide-awake friend, Nat. Strauss. After a hearty shake, we exclaimed to the language of the hour, "Ruined by the snow blockade, Nat?" "Oh, not at all," he replied; "on the contrary, our trade was never better than at this very moment." "Suppose," we said, "that a Chinaman should stop in and interview you, what would be the consequence?" He replied, "We are not in the habit of being interviewed by newspaper men, but if you desire to walk in and take a look at our establishment, you will find perfect liberty to do so." Accepting the invitation, we first entered and examined the entire establishment.

THE MEN'S CLOTHING DEPARTMENT.

This is on the first floor, extending the entire width and length of the building, 52x151 feet. Running through from one end to the other are six platforms, upon which are carefully assorted all styles of imported ready-made clothing for men and boys. Beneath the shelves are chests containing reserved supplies of fabrics and trims. On each side of the building, the whole length, are shelves, upon which are placed samples of every article in this and other departments, so that the purchaser has merely to examine them, conclude as to his wants, when he immediately shown to the corresponding reserved stock from which, without trouble or delay, he can make his purchases. There is no end to the great variety of all styles to be found in this department. Gentlemen's furnishing goods, men's and boys' clothing, samples of cassimeres of every description, white and cotton blouse shirts, French cambric and silk handkerchiefs, gloves and the like of the choicest styles and quality of the world. Every article of ready-made clothing in the department is made to order by the leading New York firm of J. Strauss, Bro. & Co., Nos. 338, 340 and 312 Broadway, of which Levi Strauss & Co. are the representatives on this coast. The New York firm gives employment to a very large number of men and women in the manufacture of clothing destined for the representatives here. The work is done in the best style, by none but skilled and superior workmen and women are employed. The material out of which all their clothing is made is the best article to be found in the market.

THE DOMESTIC AND DRY GOODS DEPARTMENT.

Ascending to the second floor we enter the domestic and dry goods department, another immense room, 51 feet wide by 120 feet deep. Here to be seen the richest and most beautiful assortment of goods as well as the most complete of women's dresses, checks and cassimeres, linseys of every variety, cottonades, traveling-bags, shoe laces and shoe linings. We have never seen such a choice assortment of all kinds of calico, some of the patterns looking as fine and as rich as silk. On this floor is also a well-kept department, from which may be selected the rarest and choicest articles of Eastern and California manufacture, of every color—red, white, blue and mixed. The blankets are in a special department, included in a richly-furnished office—rugs, case, and are thus reserved for the private sale. In this department are also dry goods of various kinds manufactured in the United States, California furnishing a very large share of the goods described.

THE FOREIGN DRY GOODS DEPARTMENT.

Upon reaching the third floor we enter the foreign goods department, which is the largest of the kind west of New York city. It contains a very full assortment of English, German and French goods, and is a very well-kept and complete department. It contains a full line of ladies' quilts, tick, muslin, table linens, towels, etc. The quantity and quality of history manufactured in the first houses in Europe is one of the most remarkable features of this department. Viewed as a whole, this department is a very superior, filled with the richest goods as well as the most articles known in this branch of the trade. To supply this line buyers are employed at the great manufacturing centers in Europe.

THE PACKING AND STORAGE DEPARTMENT.

In the basement, which is fully 10 feet, is a room 20 feet square, used exclusively for packing goods. The moment goods are sold they are sent to this room, immediately packed and forwarded to the purchasers. The men engaged in this specialty are selected for their special ability to pack up goods, so that they by direction or damage by bad packing is never known. The other portion of the basement is devoted to a general storage, where the surplus goods which cannot be stored in the three floors described are safely deposited. We may here add that

AN ELEVATOR RUNNING FROM THE BASEMENT TO THE UPPER FLOOR.

Has lately been constructed at great expense. It works by hydraulic power, to elevate the smallest cars. The elevator carries a weight of 1,000 pounds. Accident is impossible, owing to the fact that if the six inch rope by which it works should break, there are claws on each side of the supporting beams, ready to catch the teeth which leap from two pulleys, instantaneously raised by the breaking of the rope. This elevator is held suspended and elevated until the load is again needed. The whole apparatus is handsomely ornamented. It was put up by the Boston Iron Works.

THE OFFICE IN AN ADJACENT BUILDING.

In the rear of the first floor the spacious and handsomely-furnished office of the principals and book-keepers. It is a room twenty-five feet square, well lighted and with an abundance of comfortable surroundings. From the office the principals can at a glance look out upon the wholesale clothing department. We now come to some of the important general features.

THE GENERAL SUPPLY ON HAND.

In addition to the full assortment of men's and boys' clothing and the varied assortment of gentlemen's furnishing goods, there is a very large stock of Godevart's and other brands of rubber clothing, Hayward's rubber boots, and like articles. Bulk stock of the finest and most substantial articles, such as wool, silk, linens, and hydraulic works is always on hand in great quantity. To enumerate the various articles is not necessary, but it is sufficient to state that a more general and extensive assortment has never been seen west of the Rocky Mountains. Of the value of the entire stock we did not learn, but there is expected on the tables, counters and stands, goods estimated, we should judge, at \$1,500,000.

WHERE THE DOMESTIC GOODS COME FROM.

The establishment of Levi Strauss & Co. are strong advocates and supporters of home manufactures. The best proof of this is that they are exclusively supplied with woolen and other goods from the Pacific Woolen Mills, the Pioneer Woolen Mills, San Joaquin Woolen Mills, Merced Falls Woolen Mills, Los Gatos Woolen Mills and the Oregon Woolen Mills. The Eastern manufacturers, as stated, by workmen employed by the firm.

WHERE THE GOODS ARE SENT.

The trade of the firm extends over a vast area of country, embracing California, Oregon, Washington Territory, Vancouver Island, British Columbia and Alaska Territory to the north; Arizona, Lower California and the States of North-western Mexico to the south; Nevada, Utah and Idaho to the East and in the Pacific to the Hawaiian Islands. In addition, a very large quantity of goods is forwarded to the retail clothing and dry goods stores in this city and in the towns surrounding the bay. The city trade has been growing exclusively for years, as purchasers find that by a walk of ten minutes they can step into the establishment of Strauss & Co. and purchase at a cheaper rate than in New York, without the delay and dangers of freight to the West. The firm never interfere with the retail trade, but conduct it as freely to the wholesale business.

THE GREAT AND IMPORTANT ADVANTAGES.

Of uniting the wholesale clothing and dry goods business together, and having an exhaustless supply of both articles on hand, enables the country merchant and the retail city merchant to make a full purchase of every article needed in their stores. They need not waste time in buying a portion of their goods here and another portion, but can at a moment's notice, under the same roof, purchase a stock of goods ranging in value from \$100 to \$10,000. This firm is the only one in the United States which unites the special features of mercantile trade mentioned.

FUNCTIONALITY AND HONORABLE DEALING.

Have always characterized the house of Levi Strauss & Co. As soon as goods are ordered a large force of men immediately fill the bills, and whether goods are to be shipped or delivered in the city the firm have their own teams to deliver the purchases made at their destination without loss of time. If a city retail merchant should call at an o'clock, he might make purchases to the amount of \$50,000, and have every article delivered in his store by 1 o'clock in the afternoon of the same day. If time is wanted, there is no need of arrangement on this point. The establishment is open from 11 in the morning to 6 in the evening. The large force of men engaged, salesmen, book-keepers, clerks, are steady, patient and business are always busy as bees. The most perfect order and greatest harmony prevail. Everything moves like clock-work, without even a discordant tick. The principals themselves are ever active.

A NOTABLE AND NOVEL FEATURE.

If any man employed by the firm, in no matter what capacity, shows by his honesty, industry, energy and responsibility that he deserves a higher position, the first opening is given to him. If a clerk in the basement may work his way up to the chief advances of his countrymen, he is not to be left behind in the advancement. There is no favoritism here, but it is the only test of merit. The principals have the same implicit faith in the capacity, industry and honesty of their employes, and in their long experience this faith

has never been violated. If in the absence of the principals a purchaser should call to buy \$100,000 worth of goods, the chief concern is expected to act in every particular as if he was a partner of the firm. How beautiful and ennobling is such a trait in our fellow men.

WHAT PERSEVERENCE AND UNDETERMINED EFFORT.

In 1850 the firm of Levi Strauss & Co. had present composed combined business in a small building in Sacramento with a small capital—very small in comparison with their present wealth. Gradually the firm progressed, through persistence and through hard times, and now at the end of twenty-one years in the firmness of California—equal to half a century in other countries—the firm own the magnificent building in which they do business, also the lot upon which it stands. They have moved into their present establishment five years ago, and a short time since expended \$25,000 in building, furnishing and equipping it in general. Everything within reaches clean and orderly; the various departments have capacious chandeliers, which throw a fine flood of sunlight through the building, and in the daytime there is an abundance of clear light from the numerous splendid windows which admit the building to the east and west.

BUSINESS ESTIMATED AT MILLIONS.

It was not our purpose to make special inquiries as to the exact figures in dollars and cents of the business transacted, but the amount may be safely estimated at millions of dollars yearly. Every year leading largely to the trade of the firm, and already the business income places its members among the Merchant Princes of the Pacific Coast.

THE WALL STREET JOURNAL.

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MONDAY, OCTOBER 4, 1965

No Blues for Jeans: Denims, in Many Hues, Sell Better Than Ever

* * *

They Travel With Peace Corps
And Save a Life in Houston;
Killer Joe's Wrangler Shake

By CLARENCE NEWMAN
Staff Reporter of THE WALL STREET JOURNAL

What is usually blue and has 300 million legs?

Give up? The 150 million pair of blue jeans that will be sold in the U.S. this year. And if you don't own a pair, you're in a distinct minority.

If you do own a pair, though, you're in with some swell company: John Glenn skies in them; Gov. Rockefeller, Barry Goldwater and Cary Grant ride in them; President Johnson, Princess Anne, Brigitte Bardot and the Beatles have been photographed in them; Elizabeth Taylor emotes in them, and Bing Crosby goes to balls in denims that have been fashioned into a tuxedo. Peace Corps members are one up on the average man: They each are given two pairs.

Merle Harjo also owns a pair. If he didn't, he'd probably be dead, for his sturdy Levi's didn't give way when a crane hook caught him under the pocket and swung him over the street while he was working on a 52-story building in Houston. "I thought I was a goner," he wrote Levi Strauss & Co., "but the Levi's didn't rip."

White Levi's, Yeh, Yeh

Blue jeans, jeanophiles aver, are the most popular garment in the U.S. And today they're more popular than ever, partly because they're now sold in brown, cranberry, turquoise and a host of other hues, and partly because of heavy continued promotion by makers.

Levi Strauss pushes sales by promoting a record entitled White Levi's, (Well now my boyfriend always wears White Levi's/Everywhere he goes he wears White Levi's/Every place he goes he wears White Levi's/And his tennis shoes, and his surfin' hat and a big plaid Pendelton shirt). Levi volume has doubled every five years since World War II, and now is growing ever faster, officials of the privately held company say.

Blue Bell, Inc., another large maker of jeans under the Wrangler name, has spent \$500,000 to popularize the Wrangler Stretch, a dance, using the services of twist expert Killer Joe Piro. Coming next: The Wrangler Shake. Such promotions are seen as at least partly responsible for the 30% profit rise Blue Bell expects this year.

The third of the Big Three in the world of blue jeans, H. F. Lee Co., says its earnings more than doubled in the five years through 1964, mainly because of surging sales to jean-loving teens. The company makes the Rider brand of dungarees.

French Had a Word for It

With all the promotions, blue jeans have come a long way since they were first named by Frenchmen, who used to identify sailing men of Genoa by their heavy cotton trousers. The French called the pants "genes," a derivation of the French word for Genoa. (Another seafaring town, Dhungaree, in India, outfitted its Hindu sailors with similar pants, resulting in dungarees; and denim gets its name from Nimes, France, where it was perfected and first known as "serge de Nimes," which later was shortened).

Today, jeans are known as much by the name Levi's as by any other name. Levi Strauss, the inventor of "the pants that shrank the West," was a Bavarian from New York who went West in 1850 with a stock of canvas as a grubstake. Intended for wagon covers and tents, the cloth was used instead for tight-fitting pants. He later patented the idea of riveting on the pockets, and switched from brown duck to blue denim—a cloth similar to that used in the sails of the Nina, the Pinta and the Santa Maria, according to denim scholars.

The Levi's became the uniform of the day for cowboys, lumberjacks and "all men who worked hard building on the land or extracting the riches from it," Levi Strauss & Co. says.

Levi's now are so popular they are being counterfeited—complete with orange thread, copper rivets and oilcloth guarantee patch—in Hong Kong, France, Morocco and Japan. Jeans have been chosen by foreign visitors as one of the American products they most like to take home. And last summer an East Berlin girl escaped to the West after her father forbade her to wear Western jeans; she used the pocket money she received at a refugee center to purchase a pair.

One index to the popularity of jeans is that 50 song titles registered with the American Society of Authors, Composers and Publishers begin with the words "Blue jeans." Another gauge: The Smithsonian Institution now exhibits Levi's as examples of Americana. Still another: Annual production of denim is equal to a 167,800-mile yard-wide strip—long enough to circle the world six times.

But the crowning glory came last year, when the Thalheimer Purchase Prize in a five-state art competition in North Carolina was awarded for a 44-inch by 60-inch canvas—on which was mounted a pair of Levi's.

International Commerce

March 6, 1967



MARKADSNYJUNG!

LEVI'S STA-PREST
FYRIRLIGGJANDI Í
ÖLLUM STÆRDUM
OG FJÖLBREITTU
LTAVALI
VINNUFATAGERO ÍSLANDS H.F.
EINKAUMBODSAJ FYRIR LEVIS
STRAUSS & CO UPPHAFSMENN
NÝTÍZKU VINNUFATNADAR



LEVI'S

المبهرسات الأمريكية المفضلة
صبرية وانيقة



Les jeunes preferent

**Pantalons
Sports
Robustes
Elegants**

Ets. **Aline**
PAPEETE - TAHITI

FROM ICELAND TO TAHITI BY WAY OF THE ARABIC LANDS, advertisements keep the name LEVI'S identified with up-to-the-minute trends among youth.

Price is no object with foreign LEVI'S buyers, still convinced product is straightest shooter

LEVI'S can't keep up with demand for blue jeans, despite increased costs; worldwide ad drive sustains momentum

Like their parents, kids overseas are willing to pay higher prices for U.S. goods if they're convinced the quality justifies the extra cost. A case in point is the continued success of LEVI'S blue jeans, which retail for about \$4.50 in the U.S., but which can cost European youngsters as much as \$7 apiece after the costs of ocean freight, import duties, sales taxes, importer margins and higher retail markups are thrown in.

Despite this premium price, foreign youth are buying LEVI'S in quantities which tax the company's ability to keep up with the demand. Obviously, the brand name has acquired a great deal of intangible value through aggressive advertising and promotion which have established it as a household word with foreign youth.

Foreign marketing began in a serious way for Levi Strauss & Co. a little over ten years ago with the commencement of exports to several Western European

countries. There are now exclusive import distributors or agents for the LEVI'S line in over 50 countries.

A warehouse and sales headquarters has been set up in Antwerp, Belgium, to service European customers. A similar installation was recently established in Hong Kong for supervision and servicing Australasian markets. In addition, the company has recently commenced pilot overseas manufacturing units in the Far East, Europe and Latin America.

Supervising all export activity and overseas subsidiaries is a domestic subsidiary, Levi Strauss International, also headquartered in San Francisco.

Foreign advertising and promotional campaigns are worked up on an annual basis. In most countries the company offers its exclusive import distributor a cooperative program in which the distributor pays half the cost and Levi Strauss International pays the other half.

At the beginning of each year, each

distributor is appropriated a certain advertising budget.

Next, the distributor and a home office representative discuss the proposed advertising program, including overall strategy, product mix, copy, art and media plan. Since most distributors have advertised the line for a number of years, they understand the company's philosophy as to the desired brand image and advertising philosophy, and basic disagreements concerning the desired advertising approach seldom arise.

Following approval by Levi Strauss International, the distributor has his program produced and placed by his local advertising agency. After the advertising has run, he sends copies of the ads together with the bills to Levi Strauss International for reimbursement of 50% of the cost, up to the pre-arranged limit.

The company also supplies its distributors and retail customers, free of charge, with a considerable volume of full-color display material such as posters and counter cards. Other promotional activities such as contests, record giveaways, and trips to the U.S. have also been conducted.

The company tries to achieve a similarity of appearance or brand image from country to country. This is not 100% possible, however, since the program for individual countries often has to be tailored to the prevailing marketing and advertising situation.

For example, media catering to the teenage and young adult audience do not

exist in all countries, but where available these offer a very efficient way of approaching the LEVI'S market. Good examples of such media are the weekly music newspapers published in Great Britain, the French teenage magazines, *Salute les Copains* and *Mademoiselle Age Tendre*.

In countries where such selective media do not exist, the company has to resort to general media such as newspapers, where a sports page location is sought. Where cinema advertising is used, an attempt is made to tie in closely with movies with special appeal for a youth audience. Other means of reaching a young audience include sponsorship of sports events, such as soccer or ski competitions.

The nature of the advertising message varies too, depending on the company's market penetration and the merchandising sophistication of the country. In cases where LEVI'S was just breaking into the market it often proved wise to concentrate on blue jeans and stay close to a western or cowboy theme. In more sophisticated style markets or places where a wide range of sportswear is offered, the company has moved away from promoting a western image to more of a contemporary, young "with-it" advertising presentation.

Flexible policy

Naturally, there is an overall economic relationship between overseas sales volume and the total advertising budget. Within that economic guideline, the company attempts to invest its funds in a flexible manner.

Putting it all together, however, adds up to an ever increasing world awareness of LEVI'S, and the brand's familiar trademark can now be seen all over the world: along canals in Amsterdam, billboards in Vienna, native magazines in Africa, illuminated signs in Tokyo, shopping bags in Bangkok, football stadiums in Berlin, the Tahiti Daily Journal, chic Paris fashion magazines, towed by airplanes over Belgian beaches, in the several Disneyland-type "wild west" villages throughout Europe, in Arabic movies in Lebanon, and in shop windows of Iceland.

Judging from the heavy number of inquiries received from Eastern Europe, much of this effort seems to be overflowing into countries where no organized LEVI'S advertising program is yet possible. The company says we may soon see an illuminated version of the familiar LEVI'S SADDLEMAN symbol riding tall in the saddle high atop one of the spires of Moscow!

Human resources (Business Week, November 1, 1969)

Style-setter in equal opportunity

Walter Haas, Jr., president of Levi Strauss & Co., always gets a little miffed when someone singles out his company for its good works in the ghetto. "We are doing much," he admits, "and we can and will do more. But instead of being the good example, we would much rather be only one of an overwhelming majority doing what should and must be done." Yet an example his company remains.

After the Detroit riots and the formation of the National Alliance of Businessmen, President Johnson appointed Haas as one of eight regional chairmen to help head the NAB's nationwide ghetto job program. Last April, a Harvard alumni group named Haas "business statesman of the year." And this week, Levi Strauss & Co. received one of two Business Week citizenship awards in recognition of its efforts in "human resources."

For a company that once labeled its popular blue-denim "Levis" as "Made by White Labor," Levi Strauss has come a long way.

Years before it was legally required, Strauss promoted equal opportunity at both its San Francisco headquarters and its 30 plants scattered mainly through the South. After his appointment as an NAB regional chairman, Haas further pledged to hire at least 5% of his company's new employees from among the hardcore unemployed, and set up special training programs that raised their retention rate to 70%—comparable to that of regular employees. Strauss also hired and upgraded minority group members for supervisory and managerial positions. Today, some 10% of the company's 1,000 supervisory and managerial em-

ployees come from minority groups. "These are not top-level positions, at least not yet," Haas stresses. "But they are positions in supervision and management, and they can be steps up the ladder."

At the same time, Strauss has helped set up eight minority-owned clothing stores, and is providing long-term credit to nine stores, as part of a \$20-million credit pool organized by Phillips-Van Heusen Corp. and the Menswear Retailers of America.

One typical black retailer who is getting credit help is Rufus Butler, owner of Mister B's Men's Shop in Portland, Ore. "I wrote 'em," Butler



Walter Haas, Jr.

told a reporter, speaking of Strauss, "that I didn't know what extended credit was but that we sure needed it. Next thing, their local Levi Strauss man was here saying if he didn't do business with me, his boss would probably fire him."

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Courtesy of Newton Drury

MAR 4 - 1971

Allen's P. C. B. Est. 1888

Levi Stock Boon to Many

By Lindsay Arthur

Benefits of the Levi Strauss & Co. stock sale are fanning out from the wealthy to the not-so-wealthy.

The "go public" move on the part of the San Francisco-based apparel manufacturer enhanced Haas family holdings by millions.

Employee stock holdings are still "locked in" and their market appreciation is still to be seen.

Meantime, underwriters of the \$59 million issue disclosed that Walter Haas Sr., the patriarch of the clan, did not participate directly in this first public sale.

He sold no stock to the underwriters, nor to the Strauss employees, as did his sons — Walter A. Haas Jr., chairman, and Peter E. Haas, president.

The father, instead, gave 60,500 shares — worth \$2.8 million — to four institutions: 46,750 shares to the San Francisco Foundation, 6,250 shares to the San Francisco Museum of Art, 5,000 shares to Mills College

and 2,500 shares to the Save the Redwood League.

The recipients in turn sold the 60,500 shares to the underwriters and this block became part of the stock offered to the public.

Asked what the foundation will do with the \$2 million gift, John R. May, executive director, replied:

"Mr. Haas (Walter Sr.) is going to discuss with us the charitable projects in which he and Mrs. Haas are interested."

At Mills College, officials noted that Haas Sr. was a long-time trustee. The gift, worth \$235,000, fulfills a pledge to help finance the Walter A. Haas Pavilion, already completed and housing departments of dance, health, physical education and recreation.

Walter Haas Jr. and Peter Haas each sold 69,750 shares to the underwriters and 63,000 shares to Strauss employees.

Until now, stock re-sales were limited to the company at book value. Proceeds of 1,070,000 shares sold by the company increased this



STOCK HOLDINGS ENHANCED
 Walter Haas Jr., left, brother Peter

book value to \$12.17 a share.

Comparing that figure with the underwriters' price of \$47, the shares sold by the Haas brothers, chairman and president, were immediately enhanced by \$4.6 million each.

As the underwriters — Lehman Bros. and Dean Witter & Co. — acknowledged this was a "hot issue" by reporting a sell-out; the company chairman commented:

"Never have I experienced such a day. We are flattered by the response, a showing of confidence in

the company's management."

Asked if he and his brother are planning gifts in the pattern of their parents, he said: "We do have plans but we are not ready to discuss this."

Strauss employees own 18 percent of 97 million shares that were outstanding prior to the public sale. There is a 90-day embargo on sale of this stock to prevent the employees from upsetting the initial distribution.

The underwriters could lift the restraint but a spokesman said this is unlikely.

Pants Profits

For the People

A Commentary

By Nicholas von Hoffman

SAN FRANCISCO — The biggest problem at Levi Strauss & Co. seems to be persuading people to spell their principal product with a capital L. If the company loses the fight to keep its trademarked name from slipping into the language as a generic word, it would be understandable, for this San Francisco-based company sells more jeans than anybody else in the world. About \$328 million worth last year.

And in this recession year the numbers are even better with the company reporting first quarter earnings up to 34 per cent. To accomplish this Levi Strauss has exercised a degree of corporate sensitivity to what's going on in the world that many outfits are too hide-bound and self-satisfied to develop.

If it had not, the company would still be the dusty dry goods wholesaler it was at the end of World War II. Then it did not have a single salesman east of the Mississippi, while today it is one of the major forces dismembering the men's clothing industry. The Levi Strauss kind of thing—colorful, indestructible, easy to take care of, cheap clothes—is no longer an exclusive appurtenance of the young. The new Mr. Levi line of pants, cut for men with thick legs and fat fannies, is a sign that the age of the beautifully tailored, lovingly made men's suit may soon be over.

The conventional men's clothing business is in a state of disastrous decline while Levi Strauss prospers by staying in touch and giving people what they want. They do this not only through what they sell, but how they sell it. The company is doing all it can to further the development of the single-item, specialized pants store.

A year ago there probably weren't more than a hundred of them in the country, but in the drift away from the cumbersome department store to the specialty shop, the idea was bound to take hold and draw customers. There are now something like 1,500 such places that typically will stock 8,000 pairs of pants in every color and fabric for every shape and sex. They sell little else — some shirts and a few accessories — and they make nothing but money.

On March 3 Levi Strauss did something else that's very up to date: it went public. Much more interesting was the owners' decision to allocate a body of this stock for purchase by its employees. A 120-year-old, family-controlled firm, Levi Strauss had always had some employee stock ownership, but when you go public the brokers don't want to bother selling shares to secretaries and machine tenders. They like to move it in big blocks, but the Levi Strauss management insisted.

As a result, about 1,600 of the company's 17,500 or so employees own a piece of where they work. That's hardly a majority, but it's so vastly much better than employee ownership in most concerns that it merits looking into.

When the stock was first offered, it sold for \$47 a share—last week it was going for about \$57—and em-

MONDAY, MAY 31, 1971

"For the employees this is their only chance to become capitalists, to benefit more than marginally in the economy's creation of wealth."

ployees could buy it in blocks of ten shares or more. That's a lot of money for most people to put out, but they found that banks would loan them up to 90 per cent of the purchase price. Stock, after all, is a lot better collateral than a 400 hp air-fouler that will lose almost all its cash value in three years.

For the employees this is their only chance to become capitalists, to benefit more than marginally in the economy's creation of wealth. It means tax breaks, down payments on houses, college educations, and something more than the meager old age provided by our laughable social security system.

It also means something for the society at large. Everybody has noted that labor has become increasingly undisciplined, sloppy and slothful. The bosses are unable to frighten workers into line; the unions are unable to cajole them into giving out a day's work for a day's pay, but Levi Strauss says it is spared these problems. Indeed, when everybody else is yelling about cruddy merchandise, this company boasts it's raising its quality standards.

There are political ramifications, also. The independence of the capitalist private property system is under tremendous pressure, not from those we call the left, but from government, from this administration that routinely crashes into areas that were once private. It can do so without effective opposition because there are too few capitalists to sling decisive weight. The tens of millions of us who own no stock, no economic share in America, don't care if a Nixon or a Johnson destroys the capitalist system. It's not ours.

Yet companies continue to go public without soliciting their employee's participation. Even more bring out new issues of stock without thinking of including their workers, and all the while they complain about lazy, insolent employees. They might do better to emulate Levi Strauss and, if they do, the country may have more to thank these mellow pants makers for than a good pair of jeans.



After 100 years, a household word.

Business' Social Role

About one fifth of America's corporation believe business should take an active role in solving social problems, according to a survey by a student group in Stanford's Graduate School of Business.

These same companies report they make a direct commitment of time, money and manpower for social action projects.

Another 50 per cent of the companies agree in theory that business should become more heavily involved in solving social problems but lack specific action programs.

One fourth believe business carries out its social obligation by being profitable, paying taxes and supplying jobs. The remaining 5 per cent maintain that the proper social role of business is not to become involved in social problems.

The students singled out for special praise a number of company-sponsored programs in education and counseling. Among these were:

The Levi Strauss Co. of San Francisco for its program of technical assistance to minority retailers in the San Francisco Bay Area and for its policy of basing their purchases on a supplier's "affirmative equal opportunity program" as well as for quality, service and price.

First National City Bank of New York for a volunteer services program which matches needy community projects with available volunteers, and for its sponsorship of street academies which train delinquents and school dropouts for jobs or further education.

Quaker Oats Co. of Minneapolis for its programs to enable employees to tutor ghetto chil-

dren during the after work hours, for sponsoring nutritional education classes and neighborhood self-improvement projects and for contributing employee time, and equipment, to supplement resources for needy schools.

Kaiser Industries in Oakland for adopting a program enabling employees to work with the courts in counseling juvenile parolees.

Wells Fargo Bank of San Francisco for a program which sends employees into the community to help consumers with credit and family financial problems.

The survey results were reported in the business school's student newspaper, The Reporter, by James L. Smith and Mark Korell, two members of the Committee for Corporate Responsibility, a volunteer student group concerned with encouraging greater social involvement by business.

The two students who collaborated on the study obtained responses from letters sent to the president's of 500 corporations which regularly recruit at the business school.

"The only personal exposure many students will have to your company will be through campus interviews. In cooperation with the business school placement office, it is our intent to supplement company files with pertinent information concerning social responsibilities," Korell wrote.

A total of 100 companies replied.

Smith cautioned that the proportion of companies in the "progressive" category may be misleading. He believes that corporations with positive action programs would be more likely to respond to the survey in the first place.

CALIFORNIA MONTHLY / APRIL 1971

BELL BOTTOM BUSINESS

Walter Haas Sr. '10, chairman of the board of Levi-Strauss & Co. since 1955, has become the honorary chairman of that board, giving over the chairmanship to his son Walter A. Haas Jr. '37, who also will continue as chief executive officer.

Peter Haas '40, the former executive vice president of the firm, has moved up to take the job as president that his brother leaves vacant.

Walter Haas Sr., who will be 82 in May, decided on the changes as a result of the company's going public early this year. He felt that the duties of the chairman should now be handled by a younger man. "Other than that," said Walter Jr., "my brother and I will continue to head the company as we have in the past, despite the new titles."

Blue Denim Makes The Big Time

By Joan Chatfield-Taylor

IF IT'S blue denim, it's selling. That's the simple fact that brightened up the picture for a lot of stores this summer.

The popularity of Levi's kicked off the whole denim mania. Blue jeans were

followed by coats, skirts, overalls, Hot-Pants and capes, all in good old blue denim.

Then the accessory people got into the picture, and now you can buy blue denim handbags, totebags, cosmetic cases, caps, hats, belts, clogs, boots, sandals, notebooks, luggage and heaven only knows what else.

Prices vary but never really soar into the stratosphere, even at Mark Cross, which got so enthusiastic about blue denim that the New York salesgirls have been wearing it as a summer uniform.

One of the highest prices that you can pay for something made of denim is for Mark Cross' stylish version of a backpack. It stands about 30 inches high; and, at \$75, it's clearly the ultimate in chic for the young hitchhiker on the roadsides of Europe.

The blue denim mania has also meant money in the bank for a black-owned Berkeley manufacturing concern that has been manufacturing all the items that bear Levi Strauss' distinctive leather patch and red pocket tag.

This is the first time that Levi Strauss has ever allowed anyone to use its distinctive trademarks. The company changed its usual policy because Now Designs, the San Francisco gift

firm that designed the items, contracted the manufacturing to Ghetto, a black-owned firm.

In line with the company policy of aiding black-owned businesses, Levi Strauss has provided quantities of its precious denim, plus technical manufacturing advice and the patches and tags.

Now Designs' roster of Levi's items currently includes address books, binders, clip folios, photo albums, scrapbooks, placemats with bandanna napkins in the pocket, barbecue aprons, reminder boards, totebags and shoulder bags. New items include a huge laundry bag with two big pockets to hold soap and bleach and a backpack for cyclists.

They're available at several large San Francisco department stores, including Macy's, as well as many small boutiques.

A Chronicle reporter who used a Levi's clip folio to file his notes while covering a murder trial said that it was a smash success and that his traditionally blasé compatriots oohed and ahed like schoolgirls over it.

How long will the blue denim craze last? No one knows for sure, but it's obvious that a Levi's pocket patch currently packs all the status that a Saint Laurent scarf did a couple of years ago.



THE MOST luxurious backpack is Mark Cross' version in leather and blue denim (\$75), at left; more blue denim and leather are used for two shoulder bags at right (\$55 for rounded bag, \$60 for the rectangle)



Sept 29 '71 p. 15
Eugenia Sheppard



WALTER A. HAAS JR.
 A long overdue award

At Last: A Winnie For Levi's

New York

LEVI'S, the greatest American fashion of them all, walked off with the 29th annual Coty American Fashion Critics Awards at Alice Tully Hall earlier this month.

Early in the evening Coty's Dina Merrill and jury chairman Grace Mirabella of Vogue presented one of the awards reserved for special categories of fashion to Walter A. Haas Jr., the great-grandnephew of the original Levi Strauss and board chairman of Levi Strauss and Company. Later a film traced the life story of Levi's from the miners in the '49 Gold Rush to the Western cowboys, to the dude ranchers of the 1930s—and from there to the rest of the world.

Besides the long overdue award for Levi's as this country's great contribution to world fashion, the jury voted two bronze Winnie statuettes, one to Betsey Johnson as a designer for the young, and one to Halston, who belongs to the more sophisticated. A third Winnie put Anne Klein into Coty's Hall of Fame.

Special awards went to John Kloss for his lingerie and Elsa Peretti for jewelry. Chip Talbert presented a Winnie to Larry Kane of Raffles for his men's fashions and a special to Nancy Knox of Renegade for her men's shoes.

In a show staged and directed by David Clark and David Guthrie, the work of each designer appeared in a separate vignette.

The naive, let's-dress-up aspect of Betsey Johnson's clothes was emphasized. Models showed her landscape knits, one with the Grand Canyon down the front, matching little girl dresses minced in under old-fashioned hats, and a few dark cottons in calico.

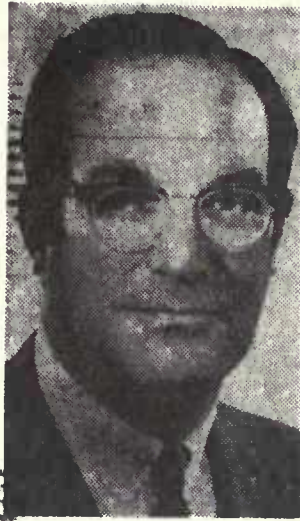
Halston's act was a complete contrast. He showed only party dresses, clinging and floating, bias cut, and made of crepe or matte jersey.

Bill Blass made the Hall of Fame last year but was voted an extra sensation for his success all along the line.

It was the blackest night in Coty Awards fashion history. Five ladies from Saks Fifth Avenue chose the same long black coverup crepe.

With a few exceptions, though, the whole effect was funereal, especially since at least one man's black jacket hit well below the knees.

The moral was right there on the stage for one and all to see. In the Bill Blass finale a man in dinner clothes was besieged by a crowd of ladies in black. He was playing the field until a girl in bright red came in and nipped off with him in two seconds flat.



PETER E. HAAS
Levi Strauss president

Haas Elected To Stanford Trusteeship

Peter E. Haas, president of Levi Strauss & Co. and president-elect of the United Bay Area Crusade, was elected to the Stanford University Board of Trustees yesterday.

A 1940 graduate of the University of California at Berkeley, he was graduated cum laude from Harvard Graduate School of Business Administration in 1943.

Haas is the great-grandnephew of the founder of Levi Strauss and joined the firm in 1945, becoming president last year.

He is a member of the National Business Council for Consumer Affairs, a trustee of the California Alumni Foundation, treasurer of the Jewish Welfare Federation, past president of San Francisco Aid to Retarded Children and past vice president of Mt. Zion Hospital.

His father, Walter A. Haas, is executor of the Lucie Stern estate, whose gifts to Stanford have included Stern Hall and the Faculty Club. Peter Haas serves as treasurer of the Lucie Stern Foundation.

He and his wife, the former Josephine Baum, have two sons and a daughter. One son, Peter Jr., received his A.B. in economics from Stanford in 1969 and is now at Harvard.

the door for a job, she was told only about those that had historically been held by women. Nobody ever sat down and thought what it was like to be a woman in the company."

One of the new program's immediate goals is to lift more women into jobs that once were monopolized by men. The first woman recently completed the management-training program; she is now a product manager. All together, 13 other women have been promoted to management positions after on-the-job training.

The chiefs of all the company's manufacturing divisions are under orders to appoint women to the next two management posts that open in their personnel departments. Personnel Boss Thomas Borrelli rejects the notion that women are bad management risks because they are more likely to leave than men. Says he: "The tendency has been to compare the turnover of managers with the turnover of secretaries. But if you look at the turnover of women managers, it is probably less than men."

Secretaries Out. For the first time, Levi Strauss is moving women into its field sales force: two are already working, one is in training, and orders are out to hire at least seven more before September. Some retailers warned that women in selling would have trouble with lecherous buyers. Haas rejects that argument. A more serious concern is that married saleswomen with children could face problems at home if they were forced to put in three-day or four-day stretches on the road. "We let the woman decide if she can handle it," says Borrelli.

Levi Strauss is also working to upgrade some office jobs that are now held by women. In the past year, 15 secretaries have been raised to administrative assistants—and not in name only. They allocate department budgets, make periodic changes in the size of salesmen's territories and investigate the causes of canceled orders. Indeed, top management reasons that many executives can do without secretaries; some are being phased out by promotion or attrition. The company has also liberalized its maternity-leave policy. In the past, women who left had no guarantee that they would get their jobs back. Now they can take up to 60 days' leave and be assured that their old posts will be waiting for them; Borrelli says that most women find this arrangement adequate.

For all its moderately bright beginnings, Levi Strauss's experiment has yet to resolve some problems. Upgrading and training secretaries for the new higher-paying administrative posts is an added company expense. In Levi Strauss's sales and distribution departments, transfers are considered part of the job, but married women find it tough to relocate because their husbands will not leave their jobs. Beyond that, Levi Strauss, like many

other companies, may have trouble meeting the new job demands of competing groups of activists. Says Borrelli: "There just aren't that many job openings. We are under pressure to hire women, blacks, Chicanos and Viet Nam veterans. I told our chairman that about 80% of our new managerial positions in the next five years could well be filled with non-males or non-WASPS. If you are a woman, a college graduate and a minority group member, you really have it made."

TIME, MARCH 20, 1972

CORPORATIONS

The Levi Experiment

In many ways San Francisco's Levi Strauss & Co., producer of the famous blue denim Levis, is a model employer. It pays top wages, and pioneered in hiring and promoting blacks. Yet Levi Strauss managers failed until recently to grasp the importance of the rising aspirations of women. Today, typical of many companies, Levi Strauss is striving to redress that lapse with a new program designed to give women the same job opportunities as men. Chairman Walter A. Haas Jr. was moved to act by pressures from the Government, from his conscience and from his customers. Levi Strauss sells mainly to young people who have plenty of progressive notions, and the company could ill afford to carry a male chauvinist label.

Bunched Low. The company, which employs 18,000 people in 35 plants, began to study a year ago how its women were treated. It found that most women were bunched into the lowest-paying jobs as secretaries, patternmakers, stencilers. Most men were in the better paid posts as salesmen or cloth cutters. Though 85% of the company's employees were women, only 9% of the 572 managers were women. Says Sharon Weiner, who heads Levi Strauss's "Affirmative Action Program for Women": "When a woman came to

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be made in a clear and legible manner, and that the accounts should be balanced at the end of each month. The text also mentions the need for regular audits and the importance of keeping the books up-to-date.

In the second section, the author provides a detailed list of the various items and services that are included in the accounts. This list is organized into several categories, such as goods, services, and expenses. Each item is described in detail, and the corresponding amounts are recorded. The author also notes any special circumstances or conditions that may affect the accounting.

The third part of the document contains a series of tables and charts that summarize the data presented in the previous sections. These tables provide a clear and concise overview of the financial information, and they are designed to be easy to read and understand. The author also includes a number of footnotes and references that provide additional information and context for the data.

Finally, the document concludes with a series of recommendations and suggestions for improving the accounting process. The author suggests that regular audits should be conducted, and that the books should be kept up-to-date at all times. He also recommends that the accounts should be reviewed and approved by a qualified professional, and that any discrepancies should be resolved as soon as possible.

campuses have been demanding that the stocks in college endowment portfolios be examined in the light of corporate social responsibility.

3. Mutual funds which are going to the public, asking for funds which they promise will be invested only in socially responsible corporations.

This last group—the mutual funds—deserve special attention because they are the latest to appear on the scene and because potentially they offer the greatest possibility for influence or corporate behavior. When Mr. Reynolds talked about security analysts who are asking questions about corporate social performance, he had in mind the new so-called “clean” mutual funds. One of these new mutuals is First Spectrum Fund; it was launched last October. By the time you read these words two more funds will probably be out of registration with the Securities and Exchange Commission and functioning in the stock market. One is Social Dimensions, the other is Dreyfus Third Century. These mutual funds are structured the way other mutual funds are, that is, they invest your money in a wide variety of stocks. The price you pay for shares in the fund is based on the net asset value. When the stocks held by the fund go up, the value of your shares goes up; when they go down, your equity also goes down. Shares are offered continuously to the public; the more buyers they have, the more money they have to invest. You can check out of the fund at any time, redeeming your shares at the net asset value. Those are the similarities, the common denominators with all other funds. Where the new funds differ is in their philosophy on what securities to buy. Here are the principles guiding the socially-oriented mutual funds:

1. *First Spectrum Fund.* Organized by two ex-brokers from Smith, Barney & Co., First Spectrum’s primary goal is “long-term appreciation of capital” to be achieved by

investments in companies “which comply fully with legislative and administrative requirements in certain areas of corporate social concern,” to wit: Protection of the environment, nondiscrimination in employment and fair dealing with consumers.

2. *Social Dimensions Fund.*

Backed by Louis “Bo” Polk, former executive vice president of General Mills and former president of Metro-Goldwyn-Mayer, Social Dimensions also seeks “capital appreciation” by limiting its investments to those companies “which are responding to the changing social di-

What does a model “social” investment portfolio look like? The First Spectrum Fund, a mutual fund which uses social criteria as a buying guide, held the following common stocks in its portfolio as of Feb. 1, 1972:

Alodex
Alza Corp.
Bohack Corp.
Bunting Steri-Systems
Childcraft Education Corp.
Communications Satellite Corp.
Environment One
Equitable Savings & Loan Assn.
First Pennsylvania Corp.
Friendly Ice Cream
Furr’s Cafeteria
Greenman Bros.
Hannaford Bros.
House of Fabrics
Levi Strauss
McDonald’s Corp.
Eli Lilly
MGIC Corp.
Norton Simon Inc.
Patagonia Corp.
Polaroid
Rouse Company
Sensormatic Electronics
Xerox
Zoecon Corp.

mensions of the times.” The fund points out that a company’s social responsiveness will be “reflected by its policies in manufacturing and marketing products or services and in its manner of conducting its daily corporate life.”

3. *Dreyfus Third Century.*

Organized by one of the nation’s leading mutual fund managers, Dreyfus Corp., Third Century is looking for those companies which “demonstrate concern for improving the quality of life in America.” The fund plans to analyze companies from the standpoints of “improvement of the environment and the proper use of our natural resources, consumer and occupational safety, product purity and equal employment opportunity.”

All right, what securities are going to be found in the portfolios of these new funds—and how will the decisions be made? Can companies be rated on their social performance? First of all, it should be emphasized here that these funds are not planning to ignore traditional investment criteria. In the end, they will succeed or fail on their performance for shareholders. They therefore will not invest in companies solely because of social considerations. They will look, as any fund does, for winners—companies which are going to grow. But they will be using social criteria as an additional measuring rod. To be specific: Texaco Inc. has long been the most profitable company in the petroleum industry, and it’s a favorite holding of many mutual funds. However, it’s extremely unlikely that Texaco will pop up in the holdings of these new funds because the company has an unenviable reputation in the area of social concern. The same goes for Standard Oil of California. One company that will certainly be a strong candidate for inclusion is Levi Strauss, the San Francisco jeans maker—it has a standout record in corporate social responsibility; on the other hand, if it repeats the dismal financial showing of its 1971 fourth quarter, the managers of the socially-oriented funds will think twice before flashing the buy signal.

There is a growing body of information to help analysts rate companies on social responsibility. For nearly four years now I have been

publishing a newsletter, *Business & Society*, which keeps tabs on corporate actions in this field. The Council on Economic Priorities, a non-profit research organization, has done social analyses of companies in many industries. Also tracking performance in this field is the new Corporate Information Center of the National Council of Churches. Finally, there are the legal histories. The proceedings of such agencies as the Equal Employment Opportunity Commission, the Environmental Protection Agency, the Federal Trade Commission, the Food & Drug Administration and a host of state and local consumer watchdogs provide a rich mine of evidence on corporate irresponsibility. This data bank is by no means comprehensive—but it is possible today to get a social reading on corporations. And the research activity of the funds themselves will help to augment this information.

One underlying principle of the new mutual funds is that companies which are the most socially progressive will be the successful corporations of the future. This is stated most explicitly in the prospectus of Social Dimensions, where the following point is made:

Management of the Fund believes that companies which perceive and are responsive to the changing social dimensions of the times will achieve significant direct profits over time and will have a greater ability to prosper in the long run.

It remains to be seen whether this social philosophy will bear fruits in the canyons of Wall Street. But one new phenomenon has already appeared, and that is the mutual fund as a social activist. First Spectrum, which has been operating for six months now, takes an aggressive stance in promoting companies which are making social contributions and attacking those which fail to measure up. For example, one of its early stock positions was in Purex Corporation, a California soap and detergent maker which is also in the fresh vegetable business. When Purex held its annual meeting last fall, the chairman of the company, W. R. Tinchler, made some uncomplimentary remarks about the Cesar Chavez union, the United Farm Workers

Organizing Committee. Mr. Tinchler alleged that Purex had been "blackmailed" into signing with the union. The First Spectrum Fund reacted promptly to this development. It fired off a hot letter to Purex, characterizing the chairman's comments as the height of social irresponsibility. And then it did something wholly within its power: It sold out its entire Purex position.

First Spectrum is still a tiny fund—total assets are only a little more than \$200,000—and so it doesn't have much financial leverage. But when's the last time you can remember a Wall Street manager acting in this fashion? You're going to see a lot more of it in the future.



Dennis Galloway

(California Monthly, June-July, 1973)

THE ROMANCE OF LEVIS

Peter E. Haas '40 heads the San Francisco pants-plus company of Levi Strauss, which seems to be taking over the world. Four generations of the Haas family have studied at Berkeley.

There really was a Levi Strauss. He never married, and so far as we know he had no children, and frankly I know very little about his romances. He had four nephews, however—the Stern Brothers. My brother Walter and I are his great-grand-nephews and represent the fourth generation of family in the company he founded in 1850 to sell dry goods to the gold rush pioneers.

Levi Strauss, at 14, came to America from Bavaria to join his brothers who had come earlier. Some people say he was a merchant back East and in the South before coming to California. I think that means he worked as a peddler. When gold was discovered here the brothers Strauss figured there could be some golden days for them as well, though not by mining, but by supplying the dry goods needed by the prospectors. Young Levi was sent west (around the Horn by ship) with an inventory of goods to try out the market. It's said that when he landed in San Francisco he sold the merchandise even before he was off the wharf—except for a roll of canvas. He had earlier thought that the stuff would be in great demand for tent and wagon covers. It wasn't. As it turned out, though, the leftover canvas was a godsend. A miner, noticing Levi's unsold product, is said to have said, "you should have brought pants." Levi, inquiring, learned that the pants that were available didn't wear well under the prospectors' rugged life. Folklore has it that Levi made a pair of pants from the canvas and sold them to the miner who then returned to his diggings. The pants wore well and the miner was the envy of his tattered friends, and when they came to San Francisco, they came to Strauss asking for pairs of his specially made pants. A product, a brand name, and a company was born.

By 1920, \$2 million of the company's yearly profits came from the sale of the canvas pants—in one model, one color, and 45 sizes. At that time there were 14 salesmen. Now, domestically, there are 500.

Parenthetically, I'm certain that this campus is one of the reasons for the

popularity of Levis. There was a time when Levis were the nearly exclusive costume of Berkeley sophomores. Freshmen were not allowed to wear blue jeans, and I guess upperclassmen disdained them. And collegians from other western campuses had the Johnny-come-lately *savoir faire* to pick up on them.

Major changes at the company came after World War II. We brought in management experts, people with advanced degrees, most coming from Cal. We decided to go after the youth market. Around 1950 we started selling the pants east of the Mississippi. ("The pants that are guaranteed to shrink, wrinkle, and fade," said a New York *Times* ad then.) By 1964, yearly sales were at \$99 million. Now, they're at \$500 million. What was the reason for our tremendous growth? Luck, the youth market, and a worldwide sociological revolution in clothing and lifestyles.

Devotion by our customers to our product has played no small part in our success. Imagine, our pants get fan letters. For example, a Texan wrote, "I am writing to thank you for your excellent work on your Levis and the material which is used to make the clothes that saved my life. I was working on a 52-story building in Fort Worth and a crane hook caught me underneath my pocket and the crane swung me out into open air which I thought I was gone but the hook caught me so that the Levis didn't rip until another man brought me back inside the building and got me to safety to take the hook off."

A letter came from a man who says he was employed as a fireman on a locomotive working the logging country. The coupling broke and the engineer took off his Levis and soaked them in water and twisted them into rope and they pulled that train for 13 miles.

Finally, there's a letter by a young woman who said: "I was moved to write as I contemplated your ad entitled 'Have you ever had a bad time in Levis?' Right now it's raining as it has been for eight days. I have them old-moving-into-a-new-house-baby-got-its-first-shot-and-fretting-camera-needs-a-new-shutter-sewing-machine's-broken-and-you-can't-make-curtains-can't-find-the-diaper-pins-stereo-up-and-died-got-the-moaning-groaning-yellow-paint-on-my-brand-new-Levis blues. I think this answers your ad . . . P.S. The sun just came out."

DISPARATE souls like Lauren Bacall and Sonny and Cher, style-conscious Parisians and young Americans seem to agree on one idea: The only thing better than a pair of well-worn blue jeans is something new made out of a pair of well-worn blue jeans.

A few Paris fashion designers are making a killing this summer selling clothes that are made out of either second-hand jeans or denim treated to look and feel old, and the French probably think they invented the idea.

In fact, the world capital of second-hand jeans seems to be Fairfax, where a young woman named Melody Sabatasso and her mother-business manager have a factory that is currently processing 10,000 pairs of blue jeans a month and turning them into shorts, skirts, jackets, halter tops and other sportswear items.

"It's hard to say who was the first to do anything — but I know I was," Melody said last week. That was three and a half years ago,

when she was living at Lake Tahoe.

"I decided I wanted a dress that I could wear the way I wore my jeans, so I suddenly flashed on making the dress out of my jeans."

Making clothes out of jeans and selling them to a Tahoe area boutique kept the rent paid for a while, "barely," according to Melody.

Then she moved to Marin county and opened a shop called Love Melody in San Anselmo. Her mother, a sportswear designer in Miami, came out to see what she was doing and suggested that she expand her business.

Next step was a factory. The clothes may look as though they were lovingly made by a couple of ecology-conscious longhairs living on a farm, but Melody and her mother have a busy, efficient little operation that currently employs about 15 people. They sell to shops all over the country, including Le Beau Monde in the Cannery in San Francisco, Mom's Apple Grave in Sau-

salito and Pandora's Box on the North shore of Lake Tahoe.

Customers include Lauren Bacall, who saw one of Melody's vests on a San Francisco salesgirl and insisted on going out to San Anselmo to order some clothes for herself. Sonny and Cher bought a lot of Melody's designs at a Miami boutique. Locally, Mrs. Enrico Banducci and Mrs. Arthur Dettner are fans of the clothes.

There are jeans piled up to the ceiling in Melody's factory. She gets her materials from a number of sources, including San Quentin, Goodwill and the flea markets. Every pair is inspected, and many are rejected because they're not made out of authentic, high-quality denim.

Then the pants are cut

S. F. Chronicle
Aug. 2, 1973
By Joan Chatfield-Taylor

for and about people



A pair of San Francisco entrepreneurs are using up jeans by the ton to make caps

apart along the seams so that the fabric can be laid flat for cutting. Some of Melody's designs are patchworks of small pieces of denim, while others are made up of big pieces of denim. It takes about four or five pairs of pants to make a jacket.

Up until now, all of Melody's designs have been for women, notwithstanding Sonny's insisting on buying five pair of bikini pants just like Cher's, for himself. The designer is just getting into men's clothes, in response to a constant demand for them.

Prices range from about \$20 for a halter top to \$25 and up for long shirts.

★ ★ ★

WORN-OUT blue jeans also inspired a successful

business venture for a couple of young San Franciscans, Jim Clark and Dean Jelley. They've named themselves Camp Street Enterprises and are in the business of making hats out of old jeans.

New⁴³ Duds Out of Old Jeans

Their San Francisco factory is currently using up jeans at the rate of about a ton every two and a half days, turning out about 200 caps daily. They presently employ about 20 people.

Their best-selling cap features a peaked visor, pockets and a button on top. Since they cut the jeans right across the seams, the caps often include rivets, patches or Levi's pocket tabs.

The caps sell for \$12 at the Emporium, Macy's, I. Mag-

nin and the Town Squire in San Francisco.

★ ★ ★

TO KEEP UP with the growing demand for worn denim, several big American fabric manufacturers are advertising fabrics guaranteed to look old almost immediately.

Cone Fabrics too a two-page color advertisement in a recent issue of Women's Wear Daily to promote sales of its new indigo-dyed corduroy and twill. The fabrics are guaranteed to fade fast for the first five washings and then settle down to a nicely worn look.

The company will do the washing for garment manufacturers if they wish, or the manufacturer can wash the finished garment or leave the washing up to the customer.

12-Sat., March 16, 1974 Berkeley DAILY GAZETTE

Barbara Pitre

Success story in the merchandising field

By PAULINE METZA, I-G Women's Editor

With the proper training, you can do anything you want, an employment office counselor told Barbara Pitre, then looking for her first job following an "after-high-school-graduation marriage" that ended in divorce.

Later events showed Barbara took that counsel very much to heart. With a high school diploma, no previous job training, and no educational background in the garment manufacturing field, she took her first job with Levi Strauss of San Francisco as a temporary mail order clerk.

THAT WAS 15 years ago. Today, Barbara, now 35, is a self-assured, aggressive young executive with the firm, the newly appointed merchandising manager of "Levi's for Gals Junior's" division. She is the only female holding such a title with the large firm which last year netted \$653 million dollars worth of business.

"It took a lot of hard work and sacrifices on my part," said Barbara of her achievement. "I was not part of the movement where blacks were hired to ease one's conscience. When the time came I felt I was fully qualified to do the job," she said of her latest promotion.

Barbara made up her mind early that merchandising was where she wanted to spend her time and was determined to learn all she could about the business when she was asked to stay on permanently after just three weeks with Levi Strauss.

FOUR YEARS in the mail room was followed by a move into Western Wear merchandising as a clerk typist. She then became contract expeditor in the same division, administrative assistant, and was appointed "Levi's for Gals" product manager in 1969 before taking on her present position last October. While working, she also returned to school attending Contra Costa and Golden Gate Colleges evenings for 18 months, studying marketing.

"I really got the basis of my training in Western Wear," said Barbara who resides in Richmond with her husband, Milton Pitre, and her son, Ronald Hopkins, 17, a senior at Kennedy High School who also works part-time.

"I learned the technical aspects of merchandising in Western Wear, how to put out a line of fashions, buy fabrics put together price lists, and was exposed to the ac-

tual printing and photographing of catalogues."

AS "LEVI'S for Gals Juniors" merchandising manager, Barbara is basically responsible for the profitability of a product line which includes jeans, shirts, jackets, skirts, sweaters, and, last summer, halters which were offered so successfully for the first time. She also is responsible for design, fabric, and color selections for the fashion line to be introduced as well as marketing and production operations.

"Levi's for Gals" which also has a separate "Misses" department, is one of five major divisions in the Levi Strauss organization. "Juniors" encompasses approximately 80 styles and 40 different fabrics designed primarily for the 13 through 18 age group.

On Barbara's staff are a designer, operational manager, and two production assistants. An "ordinary working day" runs from about 6:45 a.m. to 6:45 p.m., and she is sometimes in the office by six and frequently works at home on weekends.

SINCE THE first of January, she has been to New York three times, Chicago, and Dallas on marketing trips, visiting major mills to study trends, purchase fabrics, and determine what the color story will be for the next season. Her travel schedule also includes visiting Levi Strauss' regional offices in New York, Los Angeles, and Dallas; marketing trips to major buyers; and trips to Montreal where she picks up the European fashion influence.

Barbara put together "Levi's for Gals" Fall 1974 fashion collection which will be presented to the sales force March 18 in Burlingame with delivery to stores starting in June.

In terms of styling for fall, she said, "We have jeans, jackets, shirts, and our famous workshirt. Colors are primarily earth tones — browns and rusts — highlighted with muted dusty tones such as light blues and mauves. I feel that green will be a very important color this fall as well as fabrics such as corduroy and brushed denim. As always, our Number One fabric is denim."

"WE HAVE to project a fashion line nine months ahead — right now we are in the spring of 1975 — so you

see this business is very volatile. You can imagine if you are wrong in terms of color and styling — it could be a disaster profitwise.”

Barbara, however, feels up to the challenge. “Merchandising is the most interesting and challenging area of the clothes manufacturing business,” she believes. “The most rewarding thing about it is the opportunity you have to define the market and formulate a product mix that satisfies it. This makes all the frustrations one meets in the fashion field worthwhile.”

Reflecting on her own success in such a highly competitive business, Barbara said: “It is important for other blacks to know that, sure, it is very difficult and no one is going to give you anything. But working for a goal brings you great rewards.

“**PERHAPS** I put a little bit more into it than most people because I was supporting a son and maintaining a livelihood. As a woman in the business, it is difficult. As a black woman, I have been fortunate. I worked very hard and a lot of people were concerned about me and wanted to help. I particularly owe a great deal of my growth in the company to Al Sanguinetti and Al Garcia.” Sanguinetti is now vice president of General Manufacturing, Jeans Division; and Garcia, department manager of Customer Relations.

A great source of Barbara’s strength has been her husband Milton, who was recently appointed a foreman with Richmond’s Department of Public Works Corporation Yard, the first black to hold the job, Barbara said.

“That is an accomplishment,” she added enthusiastically. Though married only a year and a half, the couple has known each other for 10 years. “He has been a part of my growth at Levi Strauss,” Barbara confided. “He understands how important my work is to me. He is part of it too — my friend and ‘consoler.’”

For Barbara the most important thing about taking on her new job as merchandising manager of “Levis for Gals Juniors” was, she said, “I felt I could do it. I also felt that it was time for me to start paying the dividends to those people who helped me along the way. Perhaps now I could prove to them that the time and effort spent with me was not in vain.”



BARBARA PITRE, MERCHANDISING MANAGER
with Levi Strauss' "Gals Juniors" division

—I-G Photo

Harriet Siegel Nathan

Graduated from the University of California, Berkeley, in 1941 with an A.B. in Journalism. Was assistant women's editor and managing editor of The Daily Californian, then known as the Monarch of the College Dailies.

Prepared President Sproul's biennial report to the legislature, 1942-44; wrote advertising copy; edited house journals; served on local and state boards of the League of Women Voters, primarily in the fields of local and regional government and publications.

Returned to U.C. for a Master of Journalism degree in 1965.

Wrote for the University's Centennial Record. Now doing research, writing, and editing for the Institute of Governmental Studies, U.C., Berkeley.

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