

The Nautica Design For Living: Where Concept Creates Consistency

*Address by David Chu
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Thank you for that very kind introduction.

Every time I come to this area, I'm struck by its natural beauty. It's a designer's paradise.

If it didn't exist -- I'd like to believe we could design it

Of course, with just enough waterfront and classic landscape to give it the Nautica look.

Many of you have come to think of Nautica as a clothing line celebrating the joys of the water -- such as sailing and yachting.

Today, Nautica is all those things and much more.

Since launching the Nautica concept 14 years ago, we've grown well beyond eye-catching men's, women's and children's clothing.

Today, the Nautica lifestyle encompasses everything from eyewear and fragrances to a Lincoln-Mercury minivan and a complete line of furnishings and products for the home.

This morning, I'd like to share with you some of the exciting things we're doing to expand the Nautica lifestyle.

In the process, I'll explore our philosophy of business, and offer some thoughts about partnerships, staying focused, positioning of the brand, and doing business globally.

And finally, I'll leave you with a few observations about what we see as Nautica's formula for continued success.

Perhaps like some of you, I seem to have gotten here by accident.

I say that because I originally wanted to be an architect. But as fate would have it, I took a class at New York's Fashion Institute of Technology -- and never really looked back.

Nautica began as a single idea. Because I like something that's very classic, and I also like very functional things, I combined the two ideas I enjoy most and created the Nautica concept.

What's most exciting about the Nautica concept is that you can't get away from it. Water is all around you wherever you go -- except maybe here in Arizona.

We live water. We bathe in it. We swim in it. We sail on it. And here in Arizona, I'm told they sometimes even fight over it.

Because 75 percent of the world is water, everywhere we go people can understand what the concept is all about.

To me, Nautica is a spirit of the adventurous. The spirit of the seafarer. You're exploring, looking for new ideas.

It's an attitude and a way of living life to its fullest – a spirit of adventure that captures the imagination of the person who yearns to be part of it.

The concept first took form some 14 years ago in a collection of six jackets that I designed.

And from that point, it evolved into a casual framework of what today we call sportswear.

Four years into the business, we unveiled an entire collection – total-lifestyle concept sportswear.

For me, Nautica has always been a lifestyle idea.

It's about being outdoors – being casual – being places you need to be – to have performance and functional things at the same time.

In essence, it's that modern, on-the-go person who respects classic ideas.

The Nautica concept has a very clear definition.

It's timeless. But at the same time it's new.

The Nautica philosophy is classic combined with functionality – but always with consistency in developing new ideas of a classic concept.

And this philosophy is embedded in every design and product that Nautica creates.

In clothing, for example, there is the classic sailing jacket. A new Nautica design might incorporate the latest fabrics using advanced technology to arrive at the functional need for waterproofing.

Instead of adding rubber backing to a cotton material, for instance, we might use a high-tech material -- such as Gortex -- that's breathable and waterproof at the same time.

In furniture, the Nautica philosophy again retains the classic concepts, but uses new materials to give a different cast to them and update them.

Good classic designs are borderless – crossing all cultures.

Good art is appreciated internationally.

In clothing, the special patterns used can also be used in the home collection – and *vice versa*.

Instead of typical fabric in a wing chair, we might use braided sea grass or different fabrics – like velours.

By changing them, the silhouette remains the same – but the feeling is different.

But the shape and the style are very similar in concept to the classic chair.

So throughout the design – the Nautica concept remains consistent.

For instance, the paisley I use in upholstery came from my sports shirts.

Because Nautica is a very successful business, we work hard to protect the integrity of that concept.

And that, as you might imagine, can be quite a challenge – particularly when it comes to finding the right partners with whom to do business.

Design companies are usually focused on the aesthetic and conceptual aspects of the project they're working on.

Manufacturing companies want to ensure long-term growth and profitability by creating products that bring value to the customer at the most-efficient cost.

While not mutually exclusive, their interests are not always or automatically aligned.

Fortunately for Nautica, the marriage of design and manufacturing has created a new generation of minds and ideas.

It is also very exciting, because both parties bring a tremendous amount of sheer value -- added value -- to the market and the consumer.

Many of today's best designers have been able to initiate an idea, expand on the original concept, and then translate the design elements – their signature design – from clothing into other products.

Forward-looking manufacturers have done much to make this possible. And those who did it well, went smiling all the way to their annual shareholders' meetings.

Because of the tremendous profit potential, more and more companies are looking for opportunities to get into products that today's top designers bring to the market.

Manufacturers are also seeking new ideas that a designer company can provide or a new ways of positioning a product already in the marketplace.

And together -- by finding the right combinations as partners – design companies and manufacturers are creating new synergies and new niches in the marketplace.

That means more added value. More market penetration. More bottom-line results for shareholders who expect nothing less.

For the designer, of course, the key is finding the right manufacturer as your licensing partner.

How does a designer select the best partner?

First, I think it's important to look for a company that has a quality standard which is properly aligned with the design concept.

Second, I look for the one that has the best understanding of what we tried to create from the design concept.

Third, I want to be sure they possess the technical know-how to build the products.

And finally, I would want to know exactly what is the best idea the partner can produce at a very-efficient cost and at a high-quality level.

Looking at it from the other side: How does the manufacturing company find the right design partner?

First, I would say identify the design company that will bring the best positioning of the brand.

The focus should be on positioning to an assortment of offerings that the manufacturer does not already have in the distribution channel.

By identifying a design company in that way, the manufacturer can realign itself to its partner in a ways that add significant value to the existing base.

This lets the manufacturer offer a collection of products that will both capture a potential niche in the marketplace and fill a void that doesn't conflict with their other products.

When Nautica looks for a partner, we go through a rigorous process of due diligence – a process that begins by understanding the financial base of the company.

Three factors are key – and we always look for them.

First, we want a partner that has an excellent reputation in their field.

Second, we want to do business with a company that is very stable financially.

And third, we look for a very progressive management team that really believes in the concept, the image, and the design philosophy.

Those are the three elements I'm always looking for in a partner – and they're winning ingredients every time.

A design company is usually driven more by aesthetic factors – such as the look, the quality, and integrity of the product.

It's surprising how often the relationship between the designer and the manufacturer boils down to the right chemistry.

Put simply, we both have to be on the same page.

In the retail distribution channel, this makes a huge difference and greatly affects the positioning of the brand and the design of the product – whether it's a car or a dining-room table.

It's really the combination that makes for success.

To be truly successful, partnerships must be based on mutual respect, a shared vision or concept, similar values, and a commitment to carrying out the concept consistently over a long period of time.

I stress longevity, because I think it's so very important to the success of a winning concept.

When you're out there offering a product, it's like a horse coming out of the gate at the Kentucky Derby.

The consumer picks who they really believe in and who they like – and that's who eventually wins the race.

If one day you're a classic, and the next day you're contemporary, and the day after that you're *avant-garde*, the consumer is going to be very lost and very confused.

They're not going to come back to you from season to season.

In other words, once you take a position about what your product stands for – and what you believe in -- you should stick to your concept.

Of course, because your core concept is always evolving, subtle changes can and will occur. That's okay.

At Nautica, for example, we have continued to evolve through the years.

We expanded from a very small outerwear company to a total-collection sportswear company -- and over the course of the past seven or eight years -- to a total lifestyle company.

As we continue to move on, we've raised our horizons time and again.

And as we've done so, we've understood that the person who wears our clothing -- or buys our minivan -- also has many other needs.

From that point forward, we translated to the family -- wife and children -- as a total Nautica family lifestyle.

Today, the Nautica lifestyle includes the home collection -- which is how the consumer lives, wants to live, and what new ideas we can bring to the home.

In the Nautica home collection, we're going to align ourselves with the best companies in America -- Lexington, Dan River, X-Cell, and Leshner.

This month, in fact, we are opening a showroom in High Point -- about 10,000 Square feet -- an entire Nautica lifestyle area with furniture and related products.

I'm very excited about this because I've always liked to create furniture and concepts related to architectural ideas.

I think the potential is just phenomenal. It's exciting. And it's very challenging to be there.

This year, we will distribute through 600 doors, with 50 in-store shops for Nautica across the country.

I believe the future for home furnishings is absolutely tremendous.

The Baby Boom generation is spending more time at home and they are redecorating their current homes.

This is a great market for Nautica.

Will it work? We think so!

And I think the most important factor in our success will be the reputation we bring to the party.

Permit me to add a word here about brand value.

The first value of branding is that the consumer wants to feel familiar with the name they associate with quality -- and in the case of Nautica -- the spirit of the adventurous.

I think the value of branding, really, is what the name stands for.

Consumers feel an affinity for the idea and want to stay with the concept.

In a sense, it's a type of communication with the consumer where -- as with a good friend -- the subtext to the conversation is always understood in ways that go beyond the words that are spoken.

It's the consistent personality of the brand.

I think the great architect, Louis Sullivan, had it right when he said that "form follows function."

At Nautica, we believe that the "concept creates consistency."

In today's marketplace, when you have the right concept and the right products, they will be very easily accepted and adopted the world over.

And overseas as well, it is critical to have the right partner.

Forget the money side for a moment.

What counts most is having a partner who knows the lay of the land and local business conditions.

We've been taking the Nautica design concept outside the U.S. in the last 5 years and now have 14 international licensees.

We have licensing partners in Korea, Japan, Taiwan, Hong Kong, China, Thailand, Australia, New Zealand, Canada, and all the way from Mexico to Chile.

And we just launched a joint venture in continental Europe and England.

Both internationally -- and here in America -- today's consumer has many, many choices.

It's our job to give them the best choice so that the best guy -- Nautica -- wins.

A great concept or idea need not be complicated to be successful.

But shaping it, developing it, -- and if you will, nurturing it -- takes time spent testing what works, what fits, and what matches the philosophy, the particular needs, and the aspirations of today's consumer.

From the beginning, Nautica has had a very clear positioning -- and we've known precisely what our design philosophy stands for.

To others who might want to chart a similar course, I would suggest the following.

Stay focused on concept. Find creative and innovative ways to expand on it, to shape it, and to help it evolve.

Remember, too, that the biggest is not always the best.

You can be the most profitable company by being the most creative and the most efficient. And that's the best company.

To me, Nautica has never been about how to be the biggest.

Nautica is about how we enjoy what we do while putting out the best idea and the best product at the best price that people can afford.

As one who has been privileged to emigrate to the United States -- and to fulfill dreams beyond my fondest hopes -- I'm the wrong person to ask why something won't succeed.

In partnership with some here today, I believe Nautica will bring high standards of design excellence to its home-furnishings business.

I am very excited about that challenge. And I welcome the chance to play a positive role in the continuing success of this great industry.

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