

# 3 The parties

## A. COATS VIYELLA PLC

3.1. Coats is a leading international textile group engaged in the manufacture and distribution of knitwear and garments, garment trim, sewing thread for industrial use, hand-knittings and sewing thread for domestic use, household textiles, carpets, yarn and fabrics, and precision engineering products. In the year to 31 December 1988 Coats' turnover was £1,855 million and pre-tax profits were £135 million on net assets of £787 million.

### History

3.2. The present Coats group was formed in a series of mergers carried out in the 1980s but the origins of some of the companies within the group date back to the 18th century.

3.3. The four companies which make up the present Coats group were set up during the 1960s and 1970s. These were:

- (a) *Vantona*, whose business was mainly in household textiles and table linens and also in uniforms.
- (b) *Carrington Viyella*, formed in 1969 mainly on the initiative of ICI to market its polyester as polyester/cotton textiles. Carrington Viyella produced staple and filament fabrics, shirts and home furnishings.
- (c) *Nottingham Manufacturing Company Ltd*, which had a long history in the clothing industry mainly as a supplier of knitwear, outerwear and hosiery and also had a carpet-making subsidiary.
- (d) *Coats Patons*, a company which had its origins in the thread business of J & P Coats which pioneered the introduction of cotton sewing thread in the 18th century and became one of the first multinational companies. It also owned the Patons & Baldwins hand-knittings business, the West Riding yarn business and Dynacast precision engineering business. Coats Patons also had a wide spread of international interests primarily in thread and hand-knittings and also in retailing and engineering.

3.4. Vantona and Carrington Viyella merged in 1983 to form Vantona Viyella which in turn merged with Nottingham Manufacturing Company in 1985. The Vantona Viyella group merged with Coats Paton in 1986 to form the present Coats company.

3.5. In addition to the major mergers described above, Coats has made a number of other acquisitions including the following:

- (a) *F Miller*, a clothing manufacturer based in Glasgow, acquired in 1984;
- (b) *Youghal*, an Irish carpet-making company, in which a majority shareholding was acquired in 1987;
- (c) *Opti*, a zip maker based in West Germany, purchased in 1989; and
- (d) *Unigarn*, a small German thread manufacturer, also acquired in 1989.

3.6. Coats also has minority interests in certain other businesses. Coats told us that it has had for some 60 years a 20 per cent shareholding in the two companies, one Swiss (Interfina) and one German (Gütermann) which we refer to in this report as the Gütermann group. The Gütermann group has interests in industrial and domestic sewing thread. Coats appoints a director to the supervisory board of Interfina and also has a pre-emptive right to buy shares sold to parties other than the existing shareholders (subject to the consent of the other shareholders and the approval of the German Bundeskartellamt). But Coats also told us that these links give it no influence over the commercial operations of the Gütermann group.

3.7. Coats also has a 24.9 per cent holding in William Prym-Werke GmbH & Co KG, a German manufacturer and distributor of industrial garment trim. Prym has a United Kingdom subsidiary, Newey Group Ltd, which manufactures and sells hard haberdashery products such as studs.

3.8. [

*Details omitted.  
Se note on page iv.*

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## Present activities

3.9. Coats' main business base is the United Kingdom but it operates manufacturing facilities in over 30 countries world-wide and markets its products in over 130 countries. Whilst the United Kingdom businesses cover a wide range of activities, the overseas textile businesses are predominantly in thread and hand-knittings. Table 3.1 summarises the 1988 sales by Coats' United Kingdom businesses and by the group world-wide.

TABLE 3.1 Coats' sales in the United Kingdom and world-wide, 1988

	United Kingdom		World-wide		Of which
	£m	%	£m	%	UK %
Yarns	95.0	97.6	4.9		97
Woven fabrics	162.3	254.7	12.7		64
Industrial trim	7.0	27.2	1.4		26
Industrial thread	16.3	229.7	11.4		7
Garments	373.6	376.9	18.7		99
Carpets	137.8	153.4	7.6		90
Household textiles	202.8	207.8	10.3		98
Consumer craft	53.2	263.9	13.1		20
Domestic thread	1.8	106.3	5.3		2
Garment retail	84.5	108.5	5.4		78
Precision engineering/ other	87.5	184.3	9.2		47
	<u>Total</u>	<u>1,221.8</u>	<u>2,010.3</u>		<u>100.0</u>
Less inter-group		(155.5)			
External sales		1,854.8			

Source: MMC from Coats data.

## United Kingdom activities

3.10. Most of the sales by Coats in the United Kingdom are of products made by the group within the United Kingdom. But over the period 1986 to 1988 there has been a growing volume of sales of internationally-sourced goods, finished goods which are bought in by Coats and sold on without further processing, and raw materials or intermediate products such as grey yarns and fabrics which are then further processed or made up by Coats in the United Kingdom. This trend is shown in Table 3.2.

TABLE 3.2 Coats' imports into the United Kingdom, 1986 to 1988

	<i>£ million</i>		
	<i>1986</i>	<i>1987</i>	<i>1988</i>
Finished goods	34.4	41.4	60.3
Imported intermediates	<u>131.0</u>	<u>156.3</u>	<u>164.1</u>
	165.4	197.7	224.4

*Source:* MMC from Coats data.

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## European activities

3.11. Within the European Community (EC) Coats has manufacturing plants in Italy (thread, zips and precision engineering), Germany (thread, zips, crafts and precision engineering), Spain (thread and precision engineering), Portugal (thread and zips), France (precision engineering) and the Republic of Ireland (carpets). There is also a distribution centre for household textiles in France. Within Europe but outside the EC the group has production facilities in Switzerland (thread), Austria (thread and precision engineering), Turkey (thread) and Finland (zips).

## Rest of the world

3.12. In North America Coats has production facilities for fabrics, thread, craft and precision engineering and also retailing interests (including Jaeger) as well as long-established businesses in a number of South American countries supplying thread products and zips (mainly to local markets) and precision engineering.

3.13. Coats also has substantial thread businesses in Hong Kong, Malaysia, the Philippines, Indonesia, Pakistan, Australia and South Africa and has recently formed trading relationships in China. In India Coats holds a 40 per cent share in Madura Coats supplying local markets with sewing threads, fabrics and industrial textiles.

3.14. The contributions to Coats' turnover of the different activities are shown in Table 3.1 and described in more detail below.

## Yarns

3.15. In 1988 the yarns business of Coats accounted for £88.7 million of turnover in the United Kingdom (including intra-group trading) representing 8 per cent of the group's gross United Kingdom sales in that year. Over 90 per cent of the yarn sold in the United Kingdom (£81.5 million) was processed by Coats in the United Kingdom, the remainder being imported as finished product from third parties.

3.16. Spinning of yarns takes place in seven mills with the larger facilities in Lancashire and Yorkshire and smaller operations in Scotland and the Midlands. Within the past three years a £6 million investment in new technology processes for acrylic yarn spinning has been completed in the Northern Ireland plant of Thomas Burnley.

3.17. The yarns sector has experienced considerable trading difficulties over the past two years due mainly to competition from yarn imports and major rationalisations have taken place in Coats and throughout the United Kingdom industry.

## **Fabrics**

3.18. Coats' fabrics business contributed £145.4 million to group turnover in the United Kingdom in 1988 (13 per cent of total United Kingdom sales by the group). Of that £145.4 million, £139.4 million (96 per cent) was produced by Coats in the United Kingdom, the remainder being imported as finished product from third parties.

3.19. In addition to sales within the United Kingdom, Coats exported fabric to the value of £7.9 million to the EC and £9.0 million to the rest of the world. Coats' overseas fabrics businesses are principally Consoltex in Canada and Gelvenor in South Africa. Fabrics are also produced in high volumes by the related company Madura Coats in India.

3.20. The United Kingdom weaving, dyeing and finishing units are mainly in Lancashire; Standish (Wigan) is the major dyeing and finishing plant. The group also has several smaller commission dyeing and finishing works. Apart from dyeing fabrics the group has a major facility for dyeing garments, which permits rapid response to changes in colour demands.

## **Industrial garment trim**

3.21. Industrial garment trim accounted for about £7 million (roughly 0.6 per cent) of Coats' United Kingdom turnover in 1988. All of that £7 million represents sales of zips under a distribution arrangement (dating originally from 1945) with Opti, a German zip business. The company was acquired by Coats in June 1989.

## **Industrial sewing thread**

3.22. Although this product is of major importance in Coats' international business, the sales of industrial thread represent only a small proportion of its total United Kingdom production and turnover. In 1988 the industrial thread business accounted for £16.3 million (including exports) of group turnover in the United Kingdom, less than 1 per cent of world-wide group turnover in that year and 1.4 per cent of United Kingdom sales. In contrast the group's overseas companies made thread sales of £186.9 million in 1988. Sales of thread in the United Kingdom represented only 6.6 per cent of the group's world-wide industrial thread sales. Turnover and profit figures are shown in Appendix 3.1, Table 3.

3.23. A wide range of thread is produced by Coats in the United Kingdom at Anchor Mills, Paisley in Scotland. In 1982 to 1985 the mill underwent a major reorganisation and refurbishing with the introduction of new machinery across the whole manufacturing process from spinning through dyeing and finishing to final packaging.

3.24. The spinning and twisting capacity is used for the production of cotton-wrapped cospun threads. Other products are bought in as grey thread (usually from non-United Kingdom sources) and dyed and finished in the Paisley mill. A small percentage of sales is in products which are bought in as finished goods and resold on a merchanting basis. These tend to be specialist threads such as continuous filament nylon, bag closing or embroidery threads.

3.25. Coats' main thread distribution centre is located in Leicester with depots in London, Gateshead, Paisley, Belfast and Dublin. Coats places great emphasis on rapid service: orders for stock items are delivered to the customer's premises within 24 hours. When a special colour is required, Coats aims to deliver within five days.

## **Garments**

3.26. Coats produces and markets a wide range of garments including knitwear, shirts and ties, socks and tights, trousers and jackets, lingerie and nightwear and leisurewear. In 1988 turnover from sales in the United Kingdom was £331.6 million, contributing 30.5 per cent to total United Kingdom turnover in that year. Of that £331.6 million, £314.4 million (95 per cent) was produced in the United Kingdom. There were also exports of £13 million to the EC and £29 million to the rest of the world. Sales of garments by overseas companies were only £3.3 million.

3.27. Most garment sales are under own-label names to leading retailers; more than half are made for Marks & Spencer. Coats also has established brand names including Van Heusen, Peter England, Viyella and Rocola (which specialises in dress shirts) in shirts and Byford in socks.

3.28. The bulk of production takes place in factories in Northern Ireland, the East Midlands and Scotland but several businesses also buy garments from the Far East or elsewhere. Sourcing from outside the United Kingdom is increasing, and this is regarded as complementary to supply from the United Kingdom. The group has two sourcing offices in Hong Kong for the Pacific basin, and buying liaison offices in Brazil, Portugal and Turkey.

3.29. Historically, much of the Coats United Kingdom capacity has been directed at high-volume commodity products. Such capacity is vulnerable to changes in taste and to import competition, and fluctuations can lead to substantial losses from under-utilisation of capacity. To overcome these problems the group has invested in more flexible garment production bases in Northern Ireland (particularly shirts), Scotland (nightwear, leisurewear and childrens wear) and the East Midlands (knitwear and hosiery).

## **Carpets**

3.30. Coats is a supplier of tufted and woven carpets, the latter under the Wilton Royal brand name. In 1988 the total turnover for the carpet business in the United Kingdom was £130.3 million, representing 12 per cent of United Kingdom turnover.

3.31. The main carpet production is carried out in the group's businesses in Coats Carpets in Northern Ireland and at Youghal Carpets in the Republic of Ireland and in England.

## **Household textiles**

3.32. Coats manufactures mainly bed linen, table linen and towels. In 1988 United Kingdom sales of household textiles amounted to £181.8 million, representing 16.7 per cent of total United Kingdom turnover. Although very little of the product sold was imported as finished goods, the making up of the products within the United Kingdom involved the import of £43.3 million of mainly grey, wide-width fabric which was then printed or dyed and finished in the United Kingdom. In 1988 there were £11.1 million exports from the United Kingdom to the EC and £9.9 million to the rest of the world.

3.33. Coats' main manufacturing plants for household textiles in the United Kingdom are in Lancashire, Derbyshire and Northern Ireland. A major investment programme has recently been completed in its bed-linen business, embracing spinning, weaving, printing, making up and distribution.

3.34. Coats sells bed linen under its major brand name Dorma mainly in about 90 shops-within-shops in the United Kingdom and also in France. Further bed-linen brands owned by Coats are Vantona and Horrockses; the group is a licensee of several other brands. A large proportion of sales are to the major retailers including Marks & Spencer, BHS/Habitat and Debenhams.

### **Consumer craft and domestic thread**

3.35. Consumer craft, including hand-knittings, is a relatively small part of Coats' United Kingdom business, though the overseas sales are significant. In 1988 turnover in the United Kingdom was £41.4 million, representing 4 per cent of United Kingdom turnover. Of that, £24.1 million was of hand-knitting materials. All the hand-knitting United Kingdom sales were of goods produced in the United Kingdom. Exports were small, only £4.7 million to the EC and £7.1 million to the rest of the world.

3.36. The hand-knittings part of this activity is carried out by Patons & Baldwins at its mill in Alloa, Scotland, which was substantially re-equipped between 1982 and 1985. The design and marketing is carried out at Darlington which is also the distribution centre for the product. Trade is mainly in branded hand-knittings under the Patons, Jaeger and Copley names.

3.37. Coats Leisure Craft, which has a distribution centre in Glasgow, distributes a wide range of products for home sewing and needlecraft, including domestic sewing thread, printed tapestry canvases, embroidery fabrics, knitting pins and kits. Coats Leisure Craft also has graphic design and needlework design studios.

3.38. Coats' United Kingdom business in domestic sewing thread amounted to £1.8 million in 1988. The product is bought in from Coats' subsidiaries overseas. There were no exports of domestic thread but the sales by overseas companies amounted to £104.5 million in 1988. The main brand under which Coats domestic thread is sold is Drima. Turnover and profit figures are shown in Appendix 3.1, Table 4.

### **Garment retailing**

3.39. Coats operates 153 Jaeger outlets for ladies wear in the United Kingdom and about 45 outlets for mens wear. The outlets are a combination of stand-alone shops, and shops-within-shops in major department stores. There are also 39 Viyella outlets.

3.40. The group's garment retailing activity in the United Kingdom generated a turnover of £84.5 million in 1988, which represented 8 per cent of the group's total United Kingdom turnover. Of that £84.5 million, £72.8 million (86 per cent) consisted of sales of goods manufactured by Coats in the United Kingdom and the rest of imported products originating mainly from Italy and Hong Kong.

3.41. There are 51 Jaeger outlets in the USA, 13 in Canada, and 8 in Europe. There are also 63 other outlets operated by third parties world-wide. Sales from these overseas companies amounted to £24.0 million. Most of the clothes sold overseas are manufactured in the United Kingdom.

### **Precision engineering**

3.42. The Precision Engineering Division comprises three main areas: a specialist zinc diecasting business operating under the brand name Dynacast, the manufacture of medical products such as scalpels, specialised needles and synthetic arteries, and the wholesale distribution of educational

supplies in the United Kingdom. The non-textile business also includes a wool top-making business, and a transport business for product distribution.

## Employment

3.43. Coats currently employs some 61,000 people world-wide, including about 36,000 in the United Kingdom. Garments account for some 46 per cent of the group's United Kingdom employees. In the United Kingdom, the major regional areas of employment are:

- 9,500 in the Midlands, mainly East Midlands;
- 7,800 in the North-West, mainly Lancashire and Cumbria;
- 6,100 in the North-East, mainly Yorkshire;
- 4,500 in Scotland; and
- 3,000 in Northern Ireland.

## Financial information

3.44. Coats' turnover and profit before taxation for the four years ended 31 December 1988 are set out in Table 3.3 together with return on average capital employed. Further financial information is given in Appendix 3.1.

TABLE 3.3 Coats: turnover, profit before taxation, and return on average capital employed

	<i>£ million</i>			
	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>
Turnover	1,695.9	1,750.0	1,794.8	1,854.8
Profit before tax	149.6	181.7	212.8	135.2
Return on average capital employed (%)	20.8	24.5	27.3	17.7

*Source:* MMC from Coats data.

## B. TOOTAL GROUP PLC

3.45. Tootal is an international textiles group with a broad base of interests including industrial and domestic sewing thread, woven and non-woven fabrics, garments and also decorative homewares (it has recently disposed of interests in office supplies). In the year to 31 January 1989 Tootal's turnover was £491.6 million and pre-tax profits were £42.3 million on net assets of £190 million.

## History

3.46. The present Tootal Group was created from the merger in 1968 of English Sewing Cotton Company and Calico Printers Association Ltd (CPA). English Sewing Cotton Company was itself an amalgamation of cotton spinning and sewing thread companies, the most significant of which was the merger in 1963 between English Sewing Cotton Company and Tootal Ltd.

3.47. The original English Sewing Cotton Company was established in 1893 by 14 companies located in England and Scotland engaged in the manufacture of sewing, crochet, knitting, mending and other cotton threads and in cotton spinning, dyeing, bleaching and polishing. During the 1950s the company re-equipped and modernised its spinning and thread activities, and to a limited extent diversified into weaving, knitting and garment manufacturing. A substantial part of the company's business involved the export of thread to garment makers. The company had, since 1899, owned a

major subsidiary in the United States, the American Thread Co, and in the 1950s and 1960s began to develop wider thread operations overseas.

3.48. Tootal Ltd was originally founded in Manchester in 1799 as an integrated textile company, with spinning mills producing yarn which was woven into fabrics and then made up into garments.

3.49. CPA was formed in 1899 as an amalgamation of 46 firms of fabric printers operating a total of 830 printing machines and producing a large proportion of cloth within the group for subsequent finishing and merchanting. In the period up to the 1960s CPA developed a series of overseas textile ventures in China, Egypt, India, Java, Australia and South Africa.

3.50. In 1986 Tootal acquired the industrial thread and yarn business of Standard-Coosa- Thatcher in the USA. The yarn business, together with the major part of the company's manufacturing plant, were sold but the Group retained the thread-finishing business together with the company's distribution and sales force. In the same year the Group acquired the decorative homewares business of Cloverleaf.

### **Corporate strategy**

3.51. Tootal told us that the key elements in its current corporate strategy were:

- (a) rationalisation of its high-cost vertically-integrated manufacturing operations in the United Kingdom;
- (b) concentration on the marketing and distribution of textiles and associated products recognising the significance attached by consumers to quality and efficient levels of service;
- (c) reorientation of the emphasis of the Group's United Kingdom and overseas manufacturing operations from basic commodity products to areas where there was an advantage in manufacturing close to the customer or where there were specialised processors or technology which added value to the product; and
- (d) selective investment in manufacturing, marketing and distribution operations to expand capacity and improve efficiency.

### **International sourcing**

3.52. Tootal described its underlying strategy as the development of a strong network of international sourcing operations, particularly in the Far East, in order to obtain the benefits of lower costs at acceptable quality levels. This international sourcing took three principal forms:

- (a) direct investment in new or existing production facilities in conjunction with a joint partner or partners;
- (b) management of third-party production facilities with an associated right to purchase or distribute all or part of the production; and
- (c) purchasing agreed quantities of materials.

3.53. Recent initiatives included the development of key sources of low-cost yarn and thread in China. In 1982 Tootal set up a sourcing arrangement at Tianjin in polyester yarn for use in the Group's Hong Kong thread operation supplying largely to the rest of the Far East. The venture now involves Tootal managing but not owning the plant, with an associated right to purchase all the production. Nearly 1,000 tonnes is drawn annually from the Tianjin plant.

3.54. Another joint venture with the Government of China was the construction of a spinning mill in Canton in 1985. The Guangying spinning plant is partly owned but wholly managed by Tootal. The mill has 23,000 spindles producing 2,200 tonnes of yarn per annum.

3.55. Tootal's United Kingdom manufacturing is no longer focused on basic commodity products, but instead the Group concentrates on specialised or niche higher-value areas where the Group can benefit either from being close to the customer or from applying specialised processes and techniques to basic textiles sourced from lower-cost areas abroad. Examples include higher-quality clothing products, Batik wax printing for export markets, especially Africa, specialised non-woven fabrics, lace curtains and printing fabric for a variety of home- furnishing products. The Group has invested substantial sums in support of its various specialised United Kingdom manufacturing operations. For example, £1.6 million has been spent/ committed in re-equipping one Marks & Spencer dedicated shirt factory, and £1.5 million on a new production line for the specialised materials business.

## Present activities

3.56. Tootal Group sales for the year ending 31 January 1989 were just under £500 million. Table 3.4 summarises the Group's 1988 sales by its United Kingdom businesses and world-wide.

TABLE 3.4 Sales from Tootal plants etc in the United Kingdom and world-wide, 1988/89

	<i>United Kingdom</i>	<i>World-wide</i>		<i>Of which</i>
	<i>£m</i>	<i>£m</i>	<i>% of total</i>	<i>UK</i>
				<i>%</i>
Yarns	10.2	12.4	2	82
Woven fabrics	27.8	66.7	12	42
Non-woven fabrics	11.1	33.8	6	33
Industrial trim	0.8	15.0	3	0.5
Industrial thread	32.5	182.7	34	18
Garments	104.1	104.1	19	100
Household textiles	26.9	26.9	5	100
Consumer craft	11.7	20.9	4	56
Domestic thread	3.7	21.9	4	17
Other	54.0	55.8	11	
	282.8	540.2	100	
Less: intra-group (Sartel)	(14.2)	(37.4)		
Total	268.6	491.6		

Source: MMC from Tootal data.

## United Kingdom activities

3.57. Tootal operates more than 30 manufacturing plants in the United Kingdom. Group exports from the United Kingdom in the year to 31 January 1989 amounted to £33.5 million, about 12 per cent of gross United Kingdom sales.

## European activities

3.58. Tootal has manufacturing operations in Germany (industrial thread), France (industrial thread), Holland (non-woven fabrics) and Sweden (domestic thread). The Group has extensive warehousing and distribution facilities throughout Europe for thread (both industrial and domestic), fabrics (particularly Holland), and specialised materials.

## **Rest of the world**

3.59. Tootal has production, sourcing, distribution and marketing operations in North America, the Far East, Africa and Australia. The Group operates five companies in North America but its principal business is the American Thread Company, which manufactures and distributes industrial sewing thread. Other activities include consumer products, African batiks and related fabrics, and specialised materials. Group sales of thread and consumer craft in North America in 1988/89 were £78 million.

3.60. In Asia and the Pacific the Group manufactures or distributes thread in Australia, New Zealand, the Philippines, Singapore, Malaysia, Sri Lanka, Indonesia, Hong Kong and China. The emphasis of the Group has been to capitalise on the lower cost of production in the Far East, and on the growth of the textiles industries in the developing world.

3.61. Tootal supplies printed African batiks to a large number of African markets (as well as Europe and the United States). The grey cloth is sourced in China, the fabric then processed at the Group's wax printing plant near Manchester for subsequent distribution to Africa.

3.62. The relative contributions to turnover of the different activities within Tootal are set out in Table 3.4. These activities are described in more detail below.

## **Yarns**

3.63. Other than for the manufacture of thread, Tootal's yarn activities are confined to the production of yarn at its Belper spinning mill in Derbyshire. The yarn is sold principally to third parties for specialist uses, such as the manufacture of tea bags. The yarn is also exported to Group companies.

## **Woven fabrics**

3.64. Tootal's fabric business consists of a number of sourcing, printing, finishing, distribution and marketing operations, notably in the United Kingdom, Holland and Hong Kong. The Group no longer weaves any fabric. The businesses supply and service a wide range of garment manufacturers, primarily in the United Kingdom but also in Europe and the Far East. The Group has developed a large number of quality lower-cost sources, predominantly in the Far East. Total sales amounted to £67 million in 1988/89, including £28 million sold by United Kingdom companies. Exports from the United Kingdom were £13 million.

## **Non-woven fabrics**

3.65. The production of specialised materials using non-woven technology originally applied principally to meshed textile waste products and to cheaper items such as garment interlinings.

3.66. Tootal's two principal operating subsidiaries for non-woven fabrics are located in the United Kingdom and the Netherlands. The Dutch operation is about twice the size of the United Kingdom one and is growing more rapidly on account of a different product mix. In addition there is a recently-acquired manufacturing facility in the United States and a manufacturing subsidiary in Australia.

## **Industrial trim**

3.67. The Group's only industrial trim business apart from thread is interlinings. The garment interlinings operation was originally based in the Netherlands but because of pressure on margins owing to high costs Tootal took steps to source its interlinings from lower-cost South Korea, via a joint venture.

## **Industrial thread**

3.68. Tootal Thread is a world-wide business. It accounts for about a third of the Group's turnover, has manufacturing units in over 20 countries and supplies to over 60 countries. The division consists of three strategic business units: Industrial Thread North America, Industrial Thread Europe and Industrial Thread Asia/Pacific.

3.69. In 1988/89 total world-wide sales of industrial thread (inclusive of sales to Group companies) were £183 million. Sales from United Kingdom plants accounted for £33 million of this, including exports of £12 million. Turnover and profit figures are shown in Appendix 3.2, Table 3.

3.70. The Group's strategy in relation to thread has been to concentrate on producing basic grey thread in the low-cost areas of the world, principally the Far East, and to establish a world-wide network of finishing, distribution and marketing facilities. The Group has dyeing and finishing plants in 14 countries and distribution networks in over 60 countries. The Group aims to meet customers' requirements for a swift service and offers a wide range of colours, often in relatively small quantities.

3.71. Tootal's thread production in the United Kingdom is located in Northern Ireland, Scotland and Derbyshire. The Group has two spinning mills at, respectively, Lisnaskea in Northern Ireland and Belper in Derbyshire, one twisting mill at Matlock in Derbyshire and one thread-finishing mill at Neilston in Scotland. Close to Neilston at Newton Mearns is the Group's dyehouse. The Belper mill produces yarn mainly for third-party use, but also for export to Group companies overseas. The Lisnaskea spinning mill and the finishing and dyehouse facilities at the Neilston/Newton Mearns complex have recently been modernised.

3.72. About 75 per cent of Tootal's sales of industrial thread in the United Kingdom are made either directly or indirectly to garment makers. About 14 per cent of sales are to wholesalers.

3.73. Tootal's main distribution centre is located at Enderby at Leicester from which the bulk of the Group's thread is distributed to customers. Small amounts of stock are delivered to specialist customers including trimmers from four other centres around the country and Dublin. The company aims to provide customers with a 24-hour service.

## **Garments**

3.74. Garments in Tootal are divided into two categories:

- (a) *Branded Clothing*, which sources and manufactures a wide variety of clothing for sale to a large number of retailers; and
- (b) *Contract Clothing*, which manufactures and sources clothing virtually all for Marks & Spencer.

In 1988/89 gross sales for Branded Clothing were £59 million and for Contract Clothing £45 million.

3.75. The Branded Clothing Division of Tootal is divided into six areas:

- (a) *Raysil* designs high-fashion ladies dresses and separates for retail by major store groups.
- (b) *Trutex manufactures* and sources boys and girls schoolwear for the United Kingdom market. It also sources casual clothes for boys aged 2 to 12 under the Wild Bunch brand name, almost exclusively from Hong Kong.
- (c) *Tootal Apparel* manufactures ladies skirts and trousers for mail order companies and multiple retail stores.
- (d) *Tootal Addition* sources and manufactures neckwear (ties, scarves, cravats etc) and pocket handkerchiefs for retail under a variety of brands (70 per cent), and also for own-label retail (30 per cent of turnover).
- (e) *Tootal Leisure* sources garments from a large number of countries such as Hong Kong, China, Taiwan and India. The main garments are mens knitted casualwear (eg sweaters, rugby shirts, sweatshirts etc) and mens nightwear. These are retailed almost wholly in the United Kingdom, under a variety of brand names (88 per cent of turnover) and also for sale under stores' own labels (12 per cent of turnover).
- (f) *Tootal Fashion* sources and manufactures ladies separates in two main ranges. There is a range of standard shirts, trousers and blouses and also a range based on co-ordinated separates in a more traditional/classical style.

3.76. Contract Clothing is divided into three main areas and manufactures 93 per cent of its output in the United Kingdom. The three main divisions are trousers/skirts, ladies blouses and menswear. In supplying Marks & Spencer the Group sources fabric world-wide. It has extensive design capability, including computer-aided design facilities linked to Marks & Spencer, as well as modern clothing factories.

## **Homewares**

3.77. This unit consists of three businesses for the kitchen and window-related products. For the kitchen it produces a co-ordinated range of products. Cloverleaf manufactures flat melamine kitchenware and accessories such as table mats. The moulded melamine products are largely sourced from Thailand; the kitchen textiles from both the United Kingdom and overseas. The Group's ovenware pottery subsidiary, T G Green, supplies co-ordinated ranges of oven-to- tableware products.

3.78. Stiebel knits lace curtains largely for the United Kingdom market. The lace curtain material is sold both by roll and as ready-made curtains. Osman is also largely focused on producing printed curtain and furnishing fabric.

3.79. Calprina is a commission printer of vat-dyed drapes and upholstery fabrics. The grey fabrics are supplied by the customers for printing by Calprina in the United Kingdom.

## **Consumer craft and thread**

3.80. Domestic thread is marketed as part of the Group's consumer craft business. In the year 1988/89 total United Kingdom sales (including exports) of consumer crafts amounted to £15.4 million (including hand-knittings), of which domestic thread accounted for £3.7 million. Turnover and profit figures for domestic thread are shown in Appendix 3.2, Table 4.

3.81. The range of products supplied, in addition to thread, includes ribbons, lace, zips, buttons, needles, elastic, velcro, hooks and eyes, snap fasteners and a range of other sewing accessories. The Group obtains the products from a wide range of sources, both within the United Kingdom and overseas from Europe and the Far East. The domestic thread is now supplied in final packaged form from one dedicated plant in Sweden. The product is manufactured from grey thread produced by the Group at its Northern Ireland mill. The Group's principal brand of thread is Sylko. The company supplies a standard range of about 220 shades.

3.82. The Group's consumer craft products are supplied to retailers and wholesalers. So far as domestic thread is concerned, broadly equal quantities are sold to each category. In relation to the full range of craft products the bulk (95 per cent) is sold to retailers, since wholesalers tend to buy the other products direct from manufacturers, as Tootal itself does. The Group's principal customers are the major retail chains such as John Lewis, House of Fraser, Alders, Woolworth, Laura Ashley and major wholesalers.

3.83. The Group also operates a separate hand-knittings business, Greenwoods. This business supplies own-label knitting yarns to retailers.

## Garment retailing

3.84. Tootal's garment retailing is confined to Kingsway Apparel, a small chain of retail outlets selling the Group's seconds and surplus stocks.

## Employment

3.85. Tootal has some 41,000 employees overall, of whom just under 15,000 are employed in the United Kingdom.

## Financial information

3.86. Tootal's turnover and profit before taxation for the four years ending 31 January 1989 are set out in Table 3.5 together with return on average capital employed. Further financial information on Tootal is given in Appendix 3.2.

TABLE 3.5 Tootal: turnover, profit before tax and return on average capital employed

	1986	1987	1988	1989
Turnover (£m)	388.0	408.4	503.8	491.6
Profit before tax (£m)	27.4	30.2	40.3	42.3
Return on average capital employed (%)	18.6	17.9	22.4	17.9

Source: MMC from Tootal data.