Richard Ivey School of Business
The University of Western Ontario

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LEVI STRAUSS CANADA HOLDING AN EMBER: THE GWG® BRAND

Ken Mark and Jordan Mitchell prepared this case under the supervision of Professor Michael Pearce solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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INTRODUCTION

In early February 2002, Julie Klee, director of marketing for Levi Strauss Canada was considering whether the GWG® (Great Western Garment Company) brand should be taken back from the licensee.

GWG® was Canada's first jeans' brand, founded in Edmonton, Alberta, in 1911. It dominated the Canadian landscape until the late 1960s when it began to compete head-to-head with Levi's®[1] jeans. The two companies were consolidated in 1982, when both brands were selling approximately eight million units of jeans and apparel products. GWG® sales experienced a steady decline throughout the 1980s and 1990s, and by 1998, Levi Strauss Canada (LSC) decided to license GWG® to Jack Spratt Manufacturing Inc. (Jack Spratt), a small jeans manufacturer based in Montreal, Quebec.

Unsatisfied with the results to date and with the licensee contract up for renewal, Klee had to decide whether the embers of the fallen giant could be stoked to provide a viable brand in an overcrowded marketplace.

[1]*All references to Levi's® or Levi's® Red Tab®, Levi's® Orange Tab®, Levi's® 501®, Levi's® Engineered®, Levi's® Red®, Dockers® and GWG® are registered trademarks of Levi Strauss & Co. Inc.*

HISTORY OF GWG®

In 1911, Alexander Rutherford, Charles Graham and Alfred Jackson started GWG®, producing shirts, overalls, heavy outdoor coats (known as Mackinaws) and pants to meet the need for durable clothing that would stand up in harsh Albertan winters. GWG® sought innovation and developed the first pre-shrunk denim called Snobak® in 1927. Initial advertising for the brand centred around the Western Canadian lifestyle with cutlines such as "Made in the West for Westerners." As well, the advertising highlighted the clothing's durability with the slogans, "they wear longer because they're made stronger" and "best for choring." They also sponsored the Lone Ranger radio program, eventually spinning-off to a Texas Ranger® clothing line (see Exhibit 1). In the 1930s, they expanded into womenswear for the burgeoning female workforce. After Second World War, the company was experiencing dynamic growth and had trouble producing enough product to keep up with demand.

In 1961, Levi Strauss & Co. purchased 75 per cent ownership in the company, but allowed GWG® to operate autonomously. The company developed permanent-press clothing in the 1960s and later released a successful campaign featuring a jingle that climbed radio charts with its two created characters, George W. Groovey and Grace W. Groovey (see Exhibit 2). This allowed GWG® to expand into fashion segments to respond to style changes in the 1970s. By 1972, Levi Strauss & Co. bought the remainder of the company, but did not merge the two entities until 1982.

GWG® also was the first to produce pre-washed jeans, naming the product line Scrubbies® and inspiring a television advertisement called "Bum Bum," which featured a close-up of male and female backsides walking down the street to music. GWG® stretched its sub-brands into areas as diverse as padded workwear for construction workers and lumberjacks through to suits and dresses. The brand dominated in the Prairies and the Maritimes, and was split evenly with the Levi's® brand in Quebec. Levi's® products were the leader in Ontario and British Colombia. GWG® products fostered trust and respect throughout the nation since they were made exclusively within its several Canadian factories. GWG® actively promoted Canadian culture through several campaigns, one of which featured "the Great One" Wayne Gretzky in the early 1980s (see Exhibit 2).

In the 1970s, GWG® was sold in most clothing outlets, including major department stores, such as Sears and the Bay, as well as small independent shops. When Kmart, Zellers and Bi-Way became larger retail players in the 1980s, GWG® developed a line of good-quality, inexpensive jeans to take advantage of the growing mass-merchant channel. In 1992, the multiple product lines had been dropped for reasons of relevance, focus or profitability, and the name GWG® jeans took the back seat, as a new line, Company® by GWG® was introduced. The intent was to focus Company® jeans as a high-quality, inexpensive product

for the men's market only, as LSC was focusing on growing market share with the Levi's® brand. The Company brand was managed by Levi Strauss Canada, which was selling Levi's® Orange Tab® jeans into the same outlets. Eventually, sales of Company® jeans declined, and money was not invested into advertising or innovation.

With a low margin and pressures on both profitability and focus within Levi Strauss Canada, the decision was made to license GWG to Jack Spratt in Montreal, on June 30, 1998. Jack Spratt was one of Canada's five main jeans' contractors and competed on two levels: producing jeanswear for brands such as Mark's Work Wearhouse, Pantorama and Northern Reflections; and marketing, producing and selling its other licensed products such as Mustang.

In 2001, the royalty payments were half of the $1 million target. Throughout the five years of having the brand, Jack Spratt had focused on selling to smaller mass merchants in rural areas and independent shops, which sold the brand for a retail price of approximately $29.99. Exhibit 3 shows GWG® and Levi's® jeans sales over a 20-year period.

HISTORY OF LEVI STRAUSS & CO.

Levi Strauss & Co. was founded in 1853 and was the world's largest jeans' manufacturer. In 2002, it employed more than 23,000 people and operated in more than 150 countries, producing and marketing two central brands, Levi's® and Dockers® and other smaller brands or sub-brands depending on the region.

In Canada, from 1998 to 2002, Levi Strauss Canada (LSC) had experienced a downturn in sales as designer brands attracted the attention of high-end jeans sales and private-label brands grabbed market share on inexpensive jeans.[2] LSC did not own and operate retail outlets. The majority of its sales were transacted through department stores, mass merchants, independents, outlets or Levi's® and Dockers® banner stores, both operated by a third party. The Levi's® and Dockers® stores were separate entities from one another and were intended to be showcases for each brand. The 40 Original Levi's® stores were owned by four different partners: Pantorama in the east and three independent business people in the west. In the case of Dockers® stores, Levi Strauss Canada had set up an eight-store test with Mark's Work Wearhouse to test the viability of the concept. By early 2002, indicators were too early to tell if the roll-out would be successful.

[2] *Private label jeans are defined as jeans sold exclusively by retail outlets. Examples include Nevada by Sears, Originals by Wal-Mart, Cherokee by Zellers or Denver Hayes by Mark's Work Wearhouse.*

Klee talked about Levi Strauss & Co. global brands and local brands:

> We have to prioritize: we have a limited amount of marketing funds. Where will GWG® fit into our overall brand portfolio? We have two market-leading brands (Dockers® and Levi's®), with products and marketing support and we can largely "borrow" from the United States without investing in development enabling us to focus scarce funds on media. On the other hand, there is GWG®: neglected to be sure, but barely registering market share and a marginally profitable business. We are part of a multinational business, seeking synergy and market share growth around the world. So, we are faced with a self-fulfilling prophesy: GWG® is underdeveloped in the market place, but in order to justify an investment it needs to produce higher volume and profits. So if we don't invest it can't grow, but unless it grows, we can't justify an investment, particularly with urgent market pressures facing our higher return brands: Levi's® and Dockers®.

THE JEANS CONSUMER

Jeans were invented in 1873 by Levi Strauss and Jacob Davis for individuals seeking gold with the aim of providing a durable and extra strong pant. For practicality, comfort and strength, blue jeans were adopted as a workers' pant, and in the 1950s, they became a symbol of rebellion when stars such as Marilyn Monroe and James Dean began sporting variations of the denim bottom. Innovation occurred in the preceding four decades, resulting in the modern interpretation of the blue jean — an everyday common garment for varied occasions from manual labor through to high fashion. Reasons for wearing jeans ranged from convention through to reflecting one's own personal independence and style. Unlike other consumer products, such as soft drinks, jeans spoke about the character of their owner. Consumers in younger segments were often spurred on by "image" and peer pressure, ensuring that they were wearing a "cool" and acceptable jean. Advertising, locations of where the jeans were sold and placement on celebrities influenced what brands were considered "cool." Other segments of the market chose jeans for comfort, ease and compatibility with a variety of wardrobe choices. Klee talked about why people wore jeans:

> How could people not! It's a garment that is truly universal and democratic. People can wear it for fashion reasons or to be utilitarian. People wear jeans for work, relaxation, to be themselves, to attract others and to feel good. Jeans are truly egalitarian. Denim is universal.

By 2002, a wide variety of types existed, complementing diverse lifestyles, and fashion preferences. Examples included relaxed fits for comfort aimed at an older consumer, flare jeans for fashion-conscious consumers and ultra-baggy for younger consumers emulating heroes in musical categories such as hip-hop. The trend of casual wear in the workplace was also growing, allowing a combination of different pant styles, including blue jeans, corduroy and khakis.

Traditionally, GWG® and Levi's® brands' greatest successes in unit sales came from the men's jeans market. The women's market experienced greater flux and change and varied, based on alternative purchases such as khakis, skirts or capri pants. The market size for all men's and women's jeans was estimated at 28.6 million units. Exhibit 4 shows both jeans and casual pants' sales from 1996 to 2000. Industry observers believed that the marketplace had moved from jeans to casual pants with the popularity of the "khaki" pant from 1998 to 2000. In 2001, the denim cycle was believed to be beginning again.

Increasingly, consumers across Canada were seeking good-value jeans, and new entrants such as Wal-Mart and Costco had challenged the status quo by offering jeans priced between $15 and $20. Characteristics such as fit, fashion relevancy and the cool factor of the name brand were also important to consumers, but held more weight with the 15-to-24-year-old category that purchased twice as many jeans as the 25+ age group, per capita.

DISTRIBUTION CHANNELS

There were six basic channels of distribution for jeans in Canada:

Channel	Examples of Stores
Department Stores	The Bay, Sears, Eaton's, Les Ailes de Mode
Jeaneries	Original Levi's® Stores (not owned by Levi Strauss & Co.), Pantorama, Jean Machine, Bootlegger and Le Jean Bleu
Specialty Stores	Thrifty's, The Gap, Mark's Work Wearhouse, Old Navy, Reitman's, Cotton Ginny
Large Mass Merchants	Wal-Mart, Zellers,
Small Mass Merchants	Saan, Best Value, Fields, NorthWest, Giant Tiger, Hart's, Cohoes, Riff's and Army & Navy
Other	Winners, Costco, outlet stores and catalogue sales

In the department store channel, Eaton's had been absorbed by the Bay and Sears. The specialty channel saw growth with aggressive expansion plans by the Gap and continued presence by chains such as Thrifty's and Mark's Work Wearhouse. The specialty channel had also received several new entrants, such as American Eagle Outfitters and Old Navy (owned by Gap Inc.).

Mass merchants had also undergone extreme changes with the purchase of Woolco by Wal-Mart in 1994 and the closing of half the Kmart stores in 1998, with the

other half purchased by Zellers. Wal-Mart was expanding at a rapid speed and by February 2002 had 150 stores. The "other" channel had also grown with entrants such as Winners and Costco.

THE COMPETITION

The changes to the retail landscape had produced fierce competition. The average price paid for jeans had fallen consecutively for five years, mostly as a result of two trends: increased promotional pricing by department stores such as the Bay and Sears; and, entrants such as Wal-Mart and Costco pushing down the average price paid for jeans. The blended final margins for both retailer and manufacturer in the industry ranged from 20 per cent to 40 per cent. Exhibit 5 shows the prices paid by different channels of distribution while Exhibit 6 lists all of the major jeans competitors in men's and women's jeans.

GWG® and Levi's® Jeans

GWG® was estimated to have one per cent market share, while Levi's® jeans was the leader, owning 16.1 per cent of the men's jeans market, with 8.7 per cent owing to Red Tab® and other products and 7.4 per cent attributed to Orange Tab®. The Levi's® brand was the first brand consumers recalled in "top of mind" unaided awareness brand studies with its prominent brand attributes being classic, quality, originality, fit and independent. Levi's® jeans were complemented by a range of other products and sub-brands and were available in every channel, including main positions at the Bay, Sears, Zellers, independent jean stores, Mark's Work Wearhouse, as well as Original Levi's® Stores, which were not owned or operated by Levi Strauss Canada. List retail prices ranged from $42.99 for Levi's® Orange Tab® at Zellers to $69.99 for the classic fits such as 501® at the Bay. The average wholesale price of Levi's® was $28, weighted between Red Tab® and Orange Tab®. However, due to aggressive off-pricing by retailers, Orange Tab® jeans were often available for $29.99 and Levi's® Red Tab® for $49.99. Orange Tab® jeans had five main fits[3] with three finishes[4] or colors on high-quality fabric. Levi's® Red Tab® jeans had more than 12 fits, with new fits and styles being constantly updated and brought to market. The Levi's® brand was constantly innovating, bringing a minimum of three new fits in men's jeans and five new fits in women's jeans to the market each year. Frequently, the jeans were differentiated through different finishes, fabrics or colors. Levi Strauss & Co. supported its brands through TV advertising, promotion of music or film events and print advertising in fashion, music and lifestyle magazines. The Levi's® brand was focussed on the age 15 to 24 men's and women's market, and used its

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[3] *The "fit" refers to the silhouette, shape or cut of the jean. The Levi's® brand often distinguished these through numbers or names such as the 501®, 505, 565 or Metro jean.*

[4] *The "finish" refers to the treatment of the denim to produce a certain look. Common examples include, stonewash, stonebleach, rinse, sandblasted and distressed to produce a worn look.*

premium lines of products, such as Levi's® Engineered® Jeans or Levi's® Red®, to heighten brand image.

VF Corp — Wrangler and Rustler

The largest branded competitor to Levi's® and GWG® was Wrangler and its less expensive counterpart Rustler, both of which were owned by the U.S. apparel manufacturer, VF Corp (VF). Although no competitor could set retail prices, VF targeted Wrangler at $29.99 retail and Rustler at $19.99. Branding for Wrangler leveraged the brands "western" and "country" attributes and had taken over from GWG® as the lead apparel sponsor for the Calgary Stampede. There were five main fits with three different finishes that Wrangler offered in Wal-Mart and Zellers. The Rustler line had three fits with two finishes with a coarser "hand"[5] to the fabric than Wrangler. VF offered Rustler as an alternative to Wrangler, with a similar level of ruggedness and "western" styling, without the recognized brand name of Wrangler. Rustler products were also available in Wal-Mart, Zellers and smaller regional mass merchants, such as Saan and Giant Tiger.

Private Label

The private-label brands, such as Nevada at Sears ($24.99), Rockland at Costco ($16.99), Originals at Wal-Mart ($19.99), Cherokee and Truly at Zellers ($19.99), all owned significant portions of the men's and women's jeans market. Sears, Reitman's ($25 to $30) and Cotton Ginny's ($25 to $30) private-label jeans were strong in the women's segment, often simulating styling from branded competitors and offering strong promotional pricing frequently 30 per cent to 40 per cent off of their listed price. Costco had experienced growth due to its aggressive pricing by placing thousands of units on skids on their sales floor beside other product in categories such as electronics or dry goods. Wal-Mart and Zellers placed their products beside brands such as Wrangler, Rustler or Levi's®. Typically, retailer buyers saw the unreleased branded product during the sales process six months before it started shipping, allowing them to imitate the styling, arrange its manufacture by sub-contractors in off-shore locations and offer the product at two-thirds or half the price. Zellers frequently released weekly sales flyers, offering branded names at a discount in order to attract consumer traffic.

Specialty Retailers

Three stores developing their own brands were Mark's Work Wearhouse with Denver Hayes ($34.99), Thrifty's with Bluenotes ($39.99) and The Gap with the brand of the same name ($49.99). The store environments catered to their targeted

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[5] *The "hand" refers to the feel of a fabric determining whether it is coarse or soft.*

groups: Mark's Work Wearhouse targeting 25- to 50-year-old males at locations in suburban strip malls, Thrifty's targeting 15- to 24-year-old males and females at locations in suburban malls and The Gap targeting 18- to 35-year-old males and females at locations in malls and urban store fronts. All of the retailers tried to offer a broad range of apparel products, going for a wardrobe approach, as opposed to an item-driven jeans approach. Mark's Work Wearhouse (Marks) frequently advertised through flyers and print media, while Thrifty's and The Gap chose TV advertisements, billboards and magazine advertisements. Mark's was the only retailer out of three that offered other products in their stores, such as Levi's® and Wrangler jeans alongside Denver Hayes product. Thrifty's and the Gap had both carried Levi's® product in the past, but were focussed on building their own brands. The jeans products that all three retailers offered used medium- to high-quality fabrics. All three brands had approximately five main fits with three main finishes. In addition, the Gap and Thrifty's offered seasonal specialties with new fits, finishes and promotions, frequently based on denim innovations in the higher-end segment.

Premium Brands

There were hundreds of premium brands commanding small market share but spending substantial budgets on advertising and garnering attention from the media. Brands such as Silver ($69.99), Guess ($79.99), Tommy Hilfiger ($89.99), Polo Ralph Lauren ($89.99), Calvin Klein ($79.99) and Diesel (+$100) leveraged their unique lifestyle imaging and their catwalk fashion collections. These brands were sold through dedicated shops within department stores or in upscale and image jean or apparel stores. Tommy Hilfiger and Diesel were in the process of opening their own line of stores in shopping malls and storefront locations.

CURRENT STATE OF GWG® BRAND

Under the helm of Jack Spratt, the GWG® offering was limited to the men's segment and offered four fits, four finishes (stonewash, stonebleach, rinse, black) and 16 sizes (28 waist to 42 waist with two lengths).

In 2001, Jack Spratt sold 220,000 units of GWG® jeans to retailers at average of $19.50 (wholesale ranged from $18 to $22, depending on the fit and finish of the product). While wholesale prices remained relatively constant, Jack Spratt's sales had increased from 180,000 units in 1999 to 200,000 units in 2000. Jack Spratt had expanded sales by selling through an independent commissioned sales force of 15 people, who represented other companies' complimentary products. With varying markups depending on the retail venue, GWG® typically had a listed price of $29.99. However, the retail industry sold the majority of its jeans products at a discount, causing the average price to fall below $25 per pair of jeans. GWG® jeans were available in the smaller regional mass merchants, such as Saan, Fields,

Workwear, Army & Navy and select Mark's Work Wearhouse stores. Most promotional efforts were based on early payment discounts and returns and allowances equating to three per cent. As per the licensee agreement in 1998, Jack Spratt paid Levi Strauss Canada eight per cent on net wholesale dollars. A Licensing Manager was employed for $80,000 by Levi Strauss Canada, dedicating approximately 15 per cent of the time towards managing Jack Spratt.

Klee talked about the current state of the brand:

> [The] licensee is doing absolutely nothing with it. He hasn't invested any money into it, hasn't updated any of the fits and hasn't tried to build it. I think he's essentially milking the remnants of the brand's past glory and will eventually run it into the ground. He was openly disdainful when we asked to see a marketing plan. He managed to churn out half a page saying he was going to do the same thing he had been doing. I think there's some way to get more value from it.

From limited consumer research, the GWG® brand was described with its leading attributes being quality, comfort and price. A cross-section of qualitative consumer comments are captured in Exhibit 7.

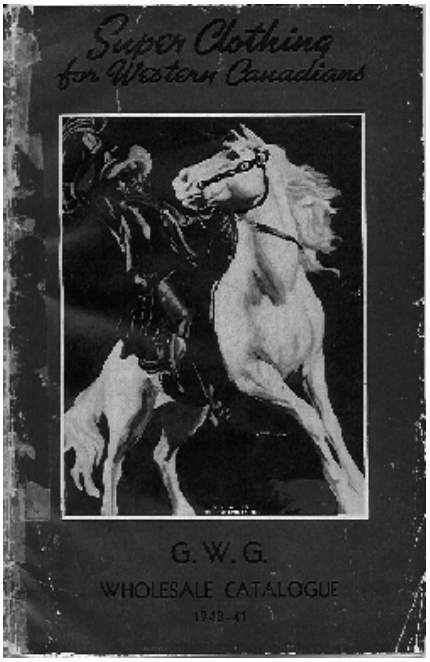
DECISION

Klee considered the priorities of the parent company with the Levi's® and Dockers® brands and turned her mind to the Canadian-born GWG®. She could not be guaranteed that there would be any growth beyond Jack Spratt's sales numbers for the first year if the brand were to be taken back. She had spoken with her colleagues and was told that the jeans could be made for a minimum cost of $15.00, shipped at $0.35 a unit, with an estimate 90 days of inventory needed. It was standard to expect 15 days in both accounts payable and accounts receivable, and Levi Strauss & Co. used a tax rate of 40 per cent and a weighted average cost of capital (WACC) of 12 per cent to evaluate internal decisions. She figured that she would need to be consistent with the Levi's® and Dockers® brands in offering an additional two per cent as a discount on top of the early payment discount (also two per cent). Furthermore, she would need to have a person responsible for the updating of all the fits and general management of the brand's product for a cost of $60,000 a year. Other existing staff could be used to create some refreshed point-of-sale materials (the materials themselves were estimated to be an additional two per cent of net sales), sell the brand to retailers (three to four people would add the brand to their sales portfolio) and support it from the existing infrastructure, which was worth a combined value of $50,000.

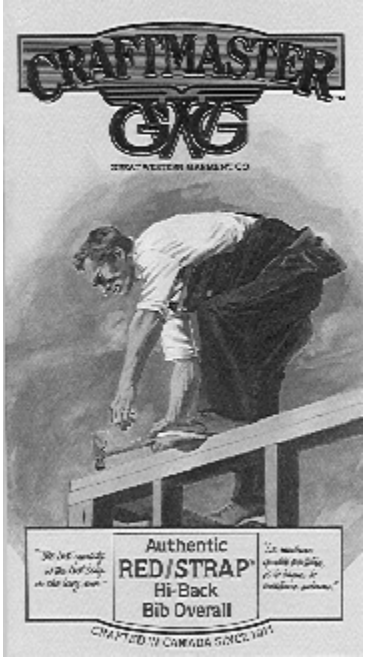
She thought, "should I try to revive this brand?"

Exhibit 1

SAMPLE OF GWG® ADVERTISEMENTS



Lone Ranger on GWG® Catalogue



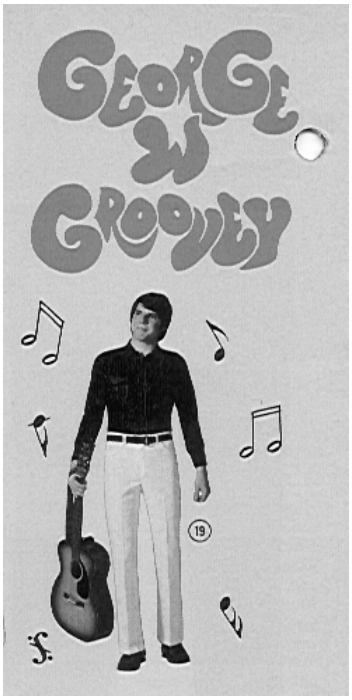
Work clothes by GWG®

1930's and 1940's GWG® advertising

Source: Company files.

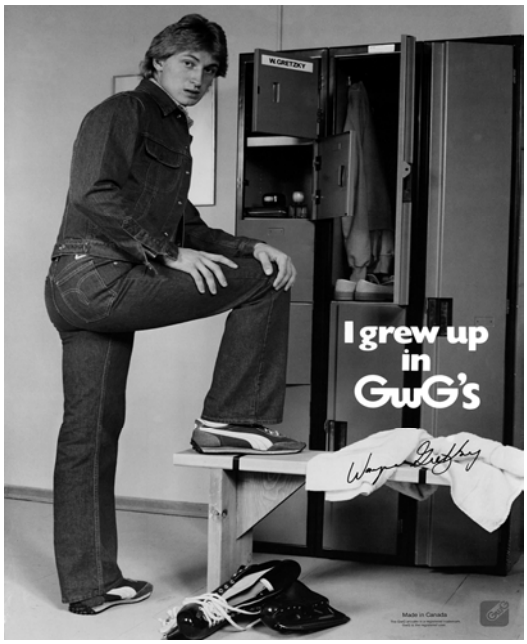
Exhibit 2

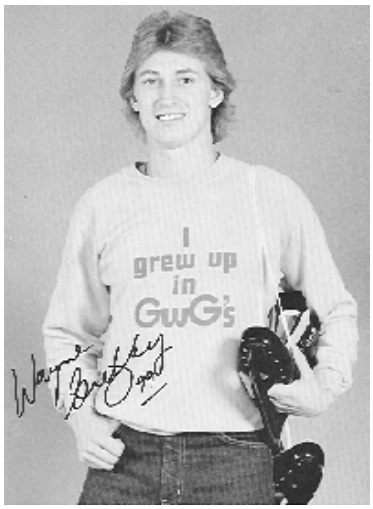
ADVERTISING CAMPAIGNS



George W. Groovey Campaign – 1960's

Wayne Gretzky Campaign – 1980's

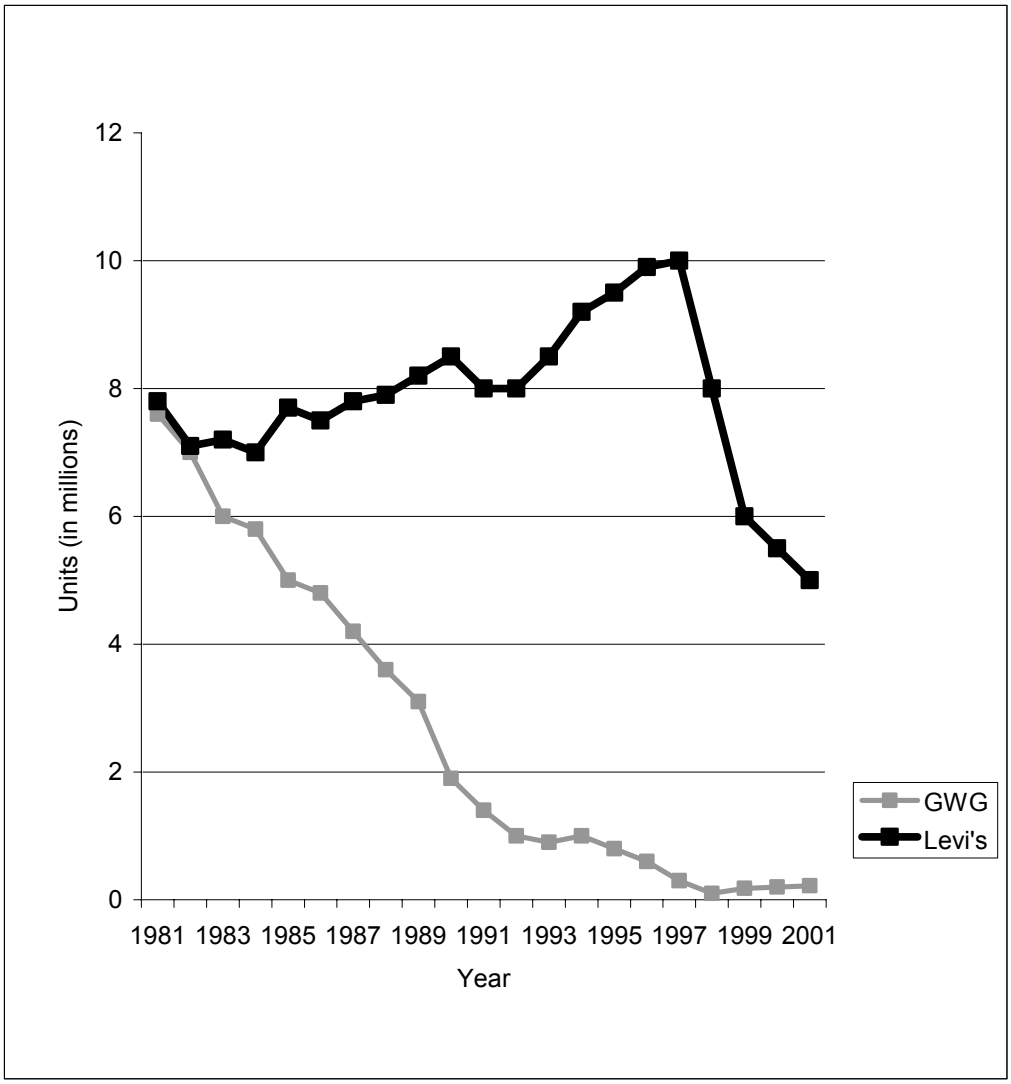




Source: Company files.

Exhibit 3

20-YEAR SALES CHART
Levi's® and GWG®
(1981 to 2001)



Source: Company files.

Exhibit 4

JEANS AND CASUAL PANTS
(sales in units)

Jeans

	1996	1997	1998	1999	2000
Men's Jeans 15+	14,488	13,531	13,298	12,849	13,056
% Change		-6.6%	-1.7%	-3.4%	1.6%
Population Total	10,105	10,228	10,338	10,451	10,577
Per Capita	1.43	1.32	1.29	1.23	1.23
Women's Jeans 15+	14,000	14,500	12,700	11,200	12,000
% Change		3.6%	-12.4%	-11.8%	7.1%
Population Total	10,250	10,350	10,400	10,450	10,500
Per Capita	1.37	1.40	1.22	1.07	1.14
Total Jeans 15+	28,488	28,031	25,998	24,049	25,056
% Change		-1.6%	-7.3%	-7.5%	4.2%
Population Total	20,355	20,578	20,738	20,901	21,077
Per Capita	1.40	1.36	1.25	1.15	1.19

Casual

	1996	1997	1998	1999	2000
Men's Casual Pants 15+	9,000	9,500	11,000	12,000	12,300
% Change		5.6%	15.8%	9.1%	2.5%
Population Total	10,105	10,228	10,338	10,451	10,577
Per Capita	0.89	0.93	1.06	1.15	1.16
Women's Casual Pants 15+	15,000	13,000	14,000	14,500	14,100
% Change		-13.3%	7.7%	3.6%	-2.8%
Population Total	10,250	10,350	10,400	10,450	10,500
Per Capita	1.46	1.26	1.35	1.39	1.34
Total Casual Pants 15+	24,000	22,500	25,000	26,500	26,400
% Change		-6.3%	11.1%	6.0%	-0.4%
Population Total	20,355	20,578	20,738	20,901	21,077
Per Capita	1.18	1.09	1.21	1.27	1.25

Source: Company files.

Exhibit 5

PRICING CHART — 2000
(Units 000s)

Men's Jeans 15+

	>$20	$20 to $29.99	$30 to $39.99	$40 to $49.99	$50 to $59.99	<$60	Total
Department Stores	615	258	430	485	190	151	2,129
Jeaneries	43	393	344	330	114	221	1,445
Specialty Stores	390	828	689	387	345	186	2,825
Mass Merchants	2,144	1,870	843	120	10		4,987
Other	1,158	170	156	43	40	38	1,605
Total	4,350	3,519	2,462	1,365	699	596	12,991

Women's Jeans 15+

	>$20	$20 to $29.99	$30 to $39.99	$40 to $49.99	$50 to $59.99	<$60	Total
Department Stores	480	320	300	280	110	80	1,570
Jeaneries	60	350	380	360	230	280	1,660
Specialty Stores	800	900	500	250	200	120	2,770
Mass Merchants	2,200	1,500	700	100			4,500
Other	1,200	120	100	30	30	20	1,500
Total	4,740	3,190	1,980	1,020	570	500	12,000

Source: Company files.

Exhibit 6

TOP COMPETITORS MARKET SHARE

Men's Jeans 15+

	1996	2000	1996 vs 2000
Levi's Total	31.1%	18.8%	-12.3%
Levi's RedTab and Other	17.1%	11.1%	-6.0%
Levi's Orange Tab	14.0%	7.7%	-6.3%
Sears PL	2.6%	8.0%	5.4%
Wrangler	7.4%	9.9%	2.5%
Costco	0.0%	6.7%	6.7%
Mark's	5.9%	5.2%	-0.7%
Zellers	5.0%	6.0%	1.0%
Wal-Mart	0.6%	5.9%	5.3%
Rustler	2.8%	3.3%	0.5%
Thrifty's	2.4%	3.1%	0.7%
GWG	6.2%	1.3%	-4.9%

Women's Jeans 15+

	1996	2000	1996 vs 2000
Sears PL	7.0%	12.0%	5.0%
Levi's Total	13.0%	9.0%	-4.0%
Levi's Red Tab and Other	10.0%	5.0%	-5.0%
Levi's Orange Tab	3.0%	4.0%	1.0%
Zellers	6.0%	7.5%	1.5%
Wal-Mart	0.0%	6.5%	6.5%
Reitmans	4.0%	5.0%	1.0%
Silver	1.0%	3.0%	2.0%
Thrifty's	3.0%	2.5%	-0.5%
Gap	1.0%	1.5%	0.5%

Source: Company files.

Exhibit 7

QUALITATIVE CONSUMER OPINIONS ABOUT GWG® JEANS

Female, 24, St. John's, Newfoundland: I don't know much about GWG® jeans, but I'd say they are a brand that was perhaps more popular in the past than they are now. I think of them as being more functional than stylish. I don't think I've seen them for sale anywhere, around here, at least, for a long time. I don't even know which stores I could find them in. If I did see them somewhere and I liked the fit and they were well-priced, I would probably buy them.

Male, 32, Halifax, Nova Scotia: I'll wear any jeans that fit me well and are simple or some would identify as a retro style. No baggy bum and straight legged. That's it. I don't care what label it is.

Female, 38, Halifax, Nova Scotia: Retro Jeans. "Gee but I love my . . . GWG®s. Gee but I do, and so will you!" 70s style men and women romping in fields of wheat wearing tight-fitting jeans and striped wholesome looking sweaters. I would buy them as long as they made my butt look good.

Male, 57, Amherst, Nova Scotia: I have never bought GWG® jeans. I have seven pairs of jeans and they all are Levi's® Red Tab® and Orange Tab®. I just don't like the GWG® fit nor the feel of them. I've worn jeans at work for the last 41 years so one would have to work at it to get me to switch brands.

Female, 22, Montreal, Quebec: I don't know GWG® jeans. Maybe I wear them and I don't know. I don't look at the name of the jeans. I just look at the price and the style.

Male, 28, Montreal, Quebec: I wear Levi's®. I go for familiarity and dependability. The GWG® logo always looked funny on my bum.

Male, 44, Northern Ontario: GWG®s are rough, rugged and durable with a good fit. They're not for fashion. They take more washing, last longer before they come apart at the seams, and when I bend over I'm not afraid of them busting at the seams. I still wear them.

Male, 27, Kingston, Ontario: For some odd reason, I think of an ugly Orange/brown color — maybe the logo was orange? Are they still around? I don't think I've seen them since I was a kid. I recall they were sold at a discount store in my hometown, sort of like a Bi-Way. I tried them on, and they were really STIFF. At the time I think Wayne Gretzky was hawking them and there was a huge cut out of him giving the "thumbs up!" in his GWG®. He looked bad in them, what chance would I have? I think I was about nine or 10. Never went back. Doubt I ever will. I usually buy my jeans from Winners.

Male, 47, Toronto, Ontario: I can't get past my memories of "George W Groovey." I guess the actual pants are probably OK, but I so associate them with bad hair cuts and ghastly psychedelic print polyester shirts and ridiculous shoes. I'm afraid I could never bring myself to wear such trash.

Male, 32, Toronto, Ontario: GWG® to me represent the fact that growing up my mother dressed me at Bi-Way which only carried GWG® and not Levi's®. At some point as a pre-teen I swore I would never wear GWG® again.

Male, 31, Windsor, Ontario: GWG®s mean Great Wayne Gretzky, Bi-Way stores, and never being cool enough to wear Levi's® jeans. Oh, they also meant initial discomfort until they broke in. GWG®s also mean straight-leg, dark-blue with bright orange stitching.

Exhibit 7 (continued)

Female, 30, Kitchener, Ontario: I don't wear jeans. Short legs and short waist . . . not a very pleasant vision in denim. Never owned a pair of GWG®s but I do remember their commercial very well. It ran in the mid to late-70s. As some funny music played in the background, the camera focused in on a butt walking down the street. That was it. It was one of the best ads ever. Between the movement of someone's bum and the denim creases shifting to the beat of the music, they were just too ridiculous not to love.

Male, 57, London, Ontario: I have bought them over the years periodically and still wear them. Being frugal, I tend to buy good quality but at best price, GWG® weren't always a great price. To me they mean a popular brand, well-known company, durable, somewhat stylish, consistent quality, with even seams. They hold their color and dye, have a good fit with minimal shrinkage. I always liked the George W. Groovey jingle "in your GWG® jeans."

Male, 26 from Saskatoon, Saskatchewan: GWG® jeans were not really a sexy fit, but great to work in. I don't wear them now, because I don't need work clothes. I did wear them in lieu of dressier jeans. GWG® means a sturdy, well-made, unstylish pair of jeans. I probably believe this and chose not to wear them, because I was in the time of aggressive red tab marketing, and GWG® paled in comparison to that tiny piece of red cloth.

Male, 56, Northern Saskatchewan: To me as a kid, GWG® were my new pants, bright blue denim with a GWG® leather logo sewn on the back of them. Usually, at least the new ones, we wore with the pant legs rolled up. With any luck our legs will have grown before the pants wore out. Some of the older men wore bib overalls with the name proudly displayed. I can't remember girls wearing GWG® pants. I believe the story is a jeans salesman in Saskatchewan suggested the female version of blue jeans. I think it was in the 60s or 70s when those female body shape changes were made. Now I have no idea what brand of jeans I wear, colors are not nearly as standard as they were. We, perhaps I, seem not to think of brands with history or character as before. Forty to 50 years ago the word jeans was synonymous with GWG®.

Female, 32, Edmonton, Alberta: I think of the 70s and rollerskating and a denim hoop sewn in amongst the many pockets to carry a hammer if you must. I think of construction. I don't wear them because I think that the last time I saw a pair was when I was 11.

Female, 45, Calgary, Alberta: I am a born and raised Calgarian and blue jeans are the pants to wear. Unless or course you work in a office then dress pants are a must. I don't wear GWG®s anymore. The pockets make my butt look too big. My husband however still wears them.

Female, 48, Delta, BC: I have not worn GWG® jeans for about 25 years. I wore them all through high school in the early 1970s, and then in university. I really liked the fit of them better than Levi's®. I really hated jeans that had that stiff feel. As I recall GWG®s were more pliable. I like the ones that are the softer color blue and softer material — chambray — as opposed to the dark blue denim. My father-in-law, who is in his 70s, has a pair that look make him look quite in vogue. He was a farmer for about 20 years in Alberta, and these are from those days. I remember the shelves full of them all different sizes, a few different cuts, and very few colors. Most were the heavy weight dark blue denim. I may have had a pair that were white.

Male, 53, Victoria, BC: I haven't heard the name GWG® in years. I do remember what the initials stood for and remember fondly getting new ones every year just before school started. Haven't seen them for sale around here for years and don't even see any form of advertising for them. I presently buy Costco jeans because they are cheap. If GWG® were comparably priced or much much better I would consider buying them.