

Case

Pacific Brands: Segmenting Australian Brassiere Consumers

By Arvind Rangaswamy



1. Before beginning any case, students should familiarize themselves with the model being used. Marketing Engineering for Excel comes with tutorials that demonstrate the capability of each model. The tutorial can be found under each model within the ME►XL menu after starting Excel. These tutorials are designed to work with our OfficeStar examples which are located in the My Marketing Engineering directory, usually installed in My Documents during software installation.

There is no external data set associated with this case; all necessary data are included herein.

"Thanks very much for the ride, George!" She waved goodbye to her driver as he pulled back into traffic onto Burwood Road. "Always a pleasure, Madam - call me when you are ready to go home, or if your staff throws you out for being overdressed!"

Sue Morphet could not help musing over her quick change in scenery from earlier today. As he pulled off, she saw the platinum satin gown she was still wearing from the formal luncheon she had attended earlier in the afternoon. The gown reflected perfectly in the onyx-tinted window of his limo. Looking around now, she was a long way from the glitter of Rosemount Australian Fashion Week in Sydney. She was a little bit relieved actually, happy to be back to the scrappier location of her own PBG headquarters, and she took stock of it now. She surveyed the 270-degree view blocked only by PBG's building. The landscape was a motley collection of random industries: a regional petroleum company office, a law practice, and a large religious center. Yes, they were all where she had left them, and now they welcomed her back.

George knew Fashion Week was draining for Sue - she was already feeling its effects. She appreciated the creativity of it all, but the truth was she cared more about her own organization and keeping it running smoothly for the sake of her own employees, than she did about the champagne-and-caviar of Sydney. George warned her that she looked too fancy to go back to the office, but Sue wanted to get back into a work routine her travel fatigue won out against the freshness Fashion Week still had in her mind.

Background

In her last meeting with Pacific Brand Limited's (PBG) Board of Directors, Sue Morphet, PBG's Chief Executive Officer, had updated the Board about the

company's half-year results for 2009 (see **Exhibit 1**). Results were lackluster: sales were down 5.2% from FY2008, and net profits after taxes were down 0.9%. Net sales for the Underwear & Hosiery operating group had fallen 1.4% from 2007 figures despite strong performances by the Bonds, Berlei, and Hosiery brands. There also continued to be significant uncertainty about PBG's future earning potential, because consumers seemed to be trading down from department store-grade product line into discount store brands and private labels. On the supply side, unfavorable changes in the exchange rate between Australian and U.S. currency also made sourcing costlier, giving the company little flexibility on the price front.

Sue was particularly worried about two of PBG's new products, Infinity and Timeless, which had both just been launched under the Berlei umbrella. Both targeted fashion-conscious, female consumers seeking a high-end product. Sue had supported Berlei's aggressive outreach to this consumer profile, largely because of the flexibility and price inelasticity associated with the customer. In addition, with such a consumer in-hand, PBG could showcase advances in its abilities to reach the most creative and technologically advanced customer. Some of the improvements PBG could pursue on the target customer's behalf included greater technological manufacturing precision in fabrics, with cognizance toward accommodating body-fitting angles. Flexibility and choice other improvements the company was well-positioned to offer, thanks to PBG's control of its manufacture and design. It had also implemented a number of cost-cutting measures that allowed it to grow customer variety without losing control of its supply chain. Infinity targeted young women who sought color variety and saw a brassiere as an opportunity to make a fashion statement, while Timeless pursued women in their late thirties and early forties who were "young at heart" and wanted to look sportier and younger. In both cases, style variety would be key to the lines' success.

Despite PBG's understanding of the above segments, a struggling economic environment had dampened brand allure in general and any legitimacy that Infinity and Timeless would normally inherit from Berlei in particular. Women seemed less willing to pay more for stylish lingerie. Sue knew that lingerie was one of the few industries that could escape a recession relatively unscathed, but she also knew she would need a shrewd strategy to protect profits without undercutting quality. She also knew that given a spiraling economy, the company would have to promote Timeless and Infinity very aggressively but resist the temptation of running gimmicks to excite the customer. The company knew from experience that gimmicks raised awareness but not necessarily sales among consumers, and that this would be doubly true in the current economic climate.

To address the dual challenges of the market's austerity and a factious C-suite at PBG, Sue would need to call upon lessons she had learned from her many years at PBG. As General Manager of Bonds, the company's most iconic line of men's underwear, she had made the pivotal decision to launch a women's Bonds line as well. A well-executed strategy, Bonds nearly doubled its sales, and Sue found herself on the fast track to her current role as CEO.

Sue's Chief Marketing Officer, Mark Baxter, had now been with PBG close to two years. While PBG had not yet set him onto a large campaign, he had proven himself in the industry working with the Hanes and Fruit of the Loom brands prior to joining PBG. Sue trusted Mark's judgment both as a marketer and an industry expert. As PBG was now emerging from an intensive two-year restructuring, Mark had approached her with a segmentation strategy that would improve the way PBG identified and targeted customers for its different brands. Upon hearing of this, PBG's CFO, Kevin LaSalle had immediately intervened. Kevin argued strongly that developing a separate marketing program for each target segment would be a waste of resources. He felt that

since most consumers looking for Infinity or Timeless shopped at the same outlets, the brands would naturally cross-market as women saw them side-by-side at their retailers. The company had already sunk a massive number of resources into dealing with operational changes to accommodate dozens of additional SKUs over the last season alone, and Kevin saw Mark's segmentation strategy as a way to use up scarce cash flows during the tightest economy he had yet seen as PBG's CFO. Kevin also cited the growth of the discount store segment, which was far greater than any other segment, to bolster his argument that now was not the time to fragment the company's marketing program and resources. He believed that PBG should cut costs wherever possible to preserve funds as long as the global economy and consumer spending were suffering.

In the meantime, Mark was going home shell-shocked daily, wondering, "What did I get myself into? I am getting paid too much not to contribute here, and I have been waiting now for nearly two years. I should be moving the company forward. I never dreamed I would be fighting for my team to undertake something as basic as a segmentation strategy. It will be on my head if consumers do not respond to the lines – who does he think he is, telling me not to segment my customers?" Kevin, having been burned in the past and afraid of having to shore up PBG through a possible recession, is not about to budge on this. He did not want to be in the same situation he had been in with Mark's predecessor, Jeff Hindiger. Kevin had had it with marketers who thought they were media stars and just wanted limelight for PBG or for themselves.

Sue knew that she had to either steer Mark and Kevin toward an agreement or decide herself how to keep PBG competitive in the new normal of a slow, extended period of economic recovery. The irony was that she had brought Mark into PBG originally because of his reputation as a numbers man. She was convinced that both officers were exactly the right individuals for their roles and for this moment in time. She would simply have to convince them how to talk to one another: in figures.

Australian Retail Women's Wear Market

The Australian retail apparel industry fragmented into many small retailers, though some national chains used department or discount store formats. The market was driven by large wholesalers like PBG that specialized in both sourcing and brand management. Because the wholesalers controlled popular brands, retailers had little choice but to accommodate a wholesaler-led supply chain. Intimate apparel had long been dominated by PBG and Gazal, both of which used their economies of scale and diversified corporate expertise to build their respective brands.

This forced multiple retail outlets to carry their products. However, by 2008, distribution trends were shifting. This shift was due to three major forces: (1) department store consolidation, plus a focus on private labels within those stores; (2) declining consumer spending due to a slower economy; and (3) global discount retailers entering Australia, which were accustomed to utilizing their own supplier networks. As a result of the economy, manufacturers began abandoning low-margin brands, while – conversely – consumers began demanding more benefits at lower prices. To add to the confusion, the average Australian consumer was profiled as time-poor, convenience driven, and often away from home to either work or to socialize, though shopping-as-leisure remained a popular outing among Australian consumers.¹ This consumer also paid attention to where clothes were made, and she had a perception of which brands were best. Both these points represented opportunities for increased competition among retailers.

Even with an increase in online shopping and general decline in the Australian retail market, the sale of women's wear continued to drive the retail apparel market more than men's or infant apparel sales. Online purchases of apparel had increased from 20% in 2005 to 33% in 2008. Women's wear generated total revenues of \$6.9 billion in 2007, or 58.6% of the total Australian apparel market, while men's wear generated only \$4.4 billion, or 37.4% of the market. According to Data Monitor, the Australian women's wear market grew by 2.2% in 2007, reaching a value of \$4.9 billion in profits and \$6.9 billion in revenues. However, the 5.3% compound annual growth rate (CAGR) of the women's wear market from 2003 to 2007 was expected to slow down from 2008 onward in response to the global economic slump (see **Exhibits 2a and 2b**), so all retail suppliers would have to compete fiercely for a piece of this decreasing pie. At PBG, Kevin was intently aware of this dynamic. It had been almost two years since the start of the downturn, and he was still awaiting a retail resurgence lead by consumers.

Another Australian consumer pattern was that women spent more of their disposable income on clothing and were more likely than men to purchase fashionable items that were high-priced.² The range of offerings to this demographic in the market continued to grow, and retailers sought perpetual changeability for their stock as well as more fashion seasons per year. In addition, recent consolidation in the retail industry had granted retailers more market and buying power than they were accustomed to in the Australian market, especially for low- to moderately-priced merchandise. High-volume discount chains, such as Walmart, Costco, H&M, and Primark, offered additional low-cost, "fast-fashion" brands. They sourced clothing directly from suppliers with whom they had existing relationships. In contrast to the customary supply chain in Australia, this added flexibility to their strategies to reach both the budget-conscious consumer and the "clotheshound."³

More than 70% of women's apparel sales represented dresses, skirts, and trousers (47.4%) or blouses and other tops (25.7%). Despite low switching costs for the consumer, shoppers tended to respond favorably to branding and advertising efforts, which had the potential to increase loyalty toward a favorite designer instead of to a retailer. A large market for non-designer women's wear also attracted the less affluent customer to department stores, so designers depended on retailers to encourage the consumption of branded products. This was not necessarily to the retailer's benefit.⁴

Underwear and hosiery made up only 14.8% of the women's wear market (see **Exhibit 3**), and differentiation among a vast range of global and local brands required the achievement of an optimal product mix (see **Exhibits 4 & 5**). In an effort to define this mix, PBG had invested increasingly in intimate apparel brands that targeted fashion- and style-conscious women. This targeting had become potentially lucrative only recently, because the "social visibility" of bras had increased in response to fashion trends that showcased bras as part of an apparel ensemble. This important trend quickly moved brassiere design to the fore, which in turn led to increased consumer demand for contemporary, stylish bra straps, new fabrics, and improved precision of fit. Sue had seen evidence of this at Rosemount this week and was relieved that she had already led PBG to address it so aggressively over the past few years.

Overview and Strategy of Pacific Brands

Pacific Brands originated in 1893 as Pacific Dunlop, a manufacturer of bicycle tires. In the 1920s, the company expanded into the manufacture of rubber boots and later entered the outerwear and underwear categories as well (see **Exhibit 6**). In the early 1990s, the company restructured, leaving the Dunlop family of brands to specialize in tires, safety, and health products, and the

newly formed Pacific Brands to focus on wholesale distribution and brand management of consumer lifestyle brands.

Through a large house of brands, PBG aimed to address consumer lifestyle needs for the underwear, socks, hosiery, intimate apparel, footwear, bed linens and accessories, foam, corporate uniforms, workwear, streetwear, lifestyle apparel, and sporting goods markets (see **Exhibit 7**). The vast majority of its sales occurred in the Asia-Pacific region, and the company maintained four operating groups: (1) Underwear & Hosiery (U&H); (2) Workwear; (3) Footwear, Outerwear & Sport; and (4) Homewares. In FY2008, Underwear & Hosiery represented the second-highest contributor to PBG sales at 30.1%; U&H also experienced 3.3% sales growth during 2008 and became the clear market leader in Australia in the category. Berlei, Bonds, and Hestia represented the top three brands for the region, the category, and within PBG. In short, PBG dominated women's intimates.

In 2008, PBG divested to the tune of \$27 million in low-performing brands in response to findings from a strategic review of the company conducted earlier that year. The review concluded that PBG had overall (1) too many brands, (2) too much complexity, (3) significant excess costs, (4) limited uniformity of process and procedures, and (5) no significant organic growth.⁵ It recommended that PBG pursue cost savings through outsourcing and best-in-business processes. In addition, PBG realized that smaller businesses were succeeding by providing fewer, but more profitable brands, than was PBG's norm. PBG decided to follow suit and dump its low-margin brands to compete more effectively and build profit reserves.

In 2009, however, the company's overall sales declined significantly anyway. Volume through department stores represented the greatest decline (see **Exhibit 8**), though PBG saw growth in discount department store sales. This change in sales distribution reflected a shift in consumer spending patterns as well as of locations where the consumer thought to seek out PBG products. Despite these setbacks, the Board had supported Sue in continuing forward with PBG's restructuring efforts toward a more consolidated operation. The focus of the PBG 2010 strategy was a brand restructuring taking into account the given data: (1) top 20 PBG brands contribute 67% of sales, (2) top 10 contribute 40% of sales, and (3) top 5 contribute 33%. In 2008, more than 200 PBG brands had contributed to only 2% of the company's sales. Mark wondered if he should reach out and tell Kevin how much he supported Kevin's leadership and analyses during the decision to refocus on fewer brands. After all, that was essentially the same goal Mark was trying to achieve through his segmentation study.

As **Exhibit 9** highlights, the 2010 strategy focused on increasing marketing and manufacturing efficiencies, and the company decided to focus its efforts and resources on more profitable brands. In addition to discontinuing brands, PBG closed seven manufacturing sites in Australia and moved production functions to China. This resulted in 1,200 layoffs in Australia, which led to a rash of bad publicity for PBG due to the sense of pride Australians took in purchasing Australian-made products.

Berlei

The Berlei group offered three intimate apparel brands—Berlei, Playtex, and Hestia—that catered to various levels of functionality and fashion including Everyday, Everyday Special, Full-figure, Maternity, Post-surgery, and Sport products. From its beginnings in the early twentieth century, Berlei had always been an innovator. From developing the first physician-designed corset to the development of the Figure Type Indicator facilitating a perfect fit, and from the Gothic bra to Australia's first maternity bra (see **Exhibit 10**), Berlei had served a wide variety of consumer preferences. However, while the brand had

often self-identified as a luxury bra brand, consumers often perceived it as an economy brand (see **Exhibit 11**). Among its competitors, Calvin Klein, offered by PBG's closest competitor, Gazal Corporation, had communicated greater luxury appeal consistently to consumers, and had captured two categories in the same price-fashion matrix: the high-priced traditional practical and the upper-brand functional sport. Gazal portrayed its brands with more class than Berlei did, according to the perceptions of the highly influential "fashionista" constituency at Fashion Week and other leading-edge events throughout Australia.

PBG Retailing & Advertising Strategies

Advertising and Promotions

PBG's foremost goal going forward was to grow customer loyalty in the midst of an increasingly competitive and decreasingly loyal selling environment. However, a concerted attempt to build awareness in 2008 via the "Great Shape Bus" campaign did not lead to greater loyalty. The GSB was a specially designed, red charter bus that had roamed Australia, making stops throughout the country to demonstrate the fit, comfort, and glamour of a Berlei bra. It was viewed at the time by the media as a hugely successful campaign and by the company as one of the most successful since the "only the ball should bounce" billboard campaign of 2000, with tennis champion Anna Kournikova. However, the buzz generated by the Great Shape Bus tour did not translate into "infinite" or "timeless" sales. PBG needed something more to attract not only a customer's curiosity, but also her wallet.

Sue thought back to that promotion, to Jeff, her prior CMO, and to the night Kevin came into her office wondering what in the world Jeff was thinking. Jeff had been an idea man and had come from a media background. He had been the perfect person to lead a national, highly visible campaign. In retrospect, Sue thought just now, he had not had the necessary analytical grounding to build a media event strategically and profitably. After the tour, she had gracefully redistributed him into a media management role, where he had since thrived, and brought in Mark. Kevin, however, was reticent to appreciate any CMO after GSB, and Sue did not blame him for being cautious.

To compete more effectively and frugally, PBG was now ramping up its online efforts. It had invested in creating new content for the Berlei website such as consumer tools like the Lingerie Guide; the Style Finder; an index by feature descriptions of a bra; and a searchable database designed to make online bra buying simple and fun. Both applications also featured a complete color catalog with product photographs and engaging, interactive features. Mark had been directly responsible for cultivating a climate of competitive research that had led to the marketing team's developments of these leading-edge tools for the consumer, and Kevin could see the payoffs from these efforts in online sales figures.

The company had also recognized the emergence of digital technology as a tool for "short-term branding," and as an information source that influences off-line sales. Although television and magazines might remain the best long-term branding solutions, in-store and in-transit media including text messaging and other social media, were on the rise. In particular, "[m]edia that are on the way to the retail environment—which can include radio and transit advertising if the person is on the way to the shops, and also includes advertising in the car park and entry points to shopping malls—act as a short-term brand recall zone."⁶

To support the kind of demand and variety an advanced online presence would require, PBG set out to introduce more new styles than its competitors. Sue had hoped this would allow it to set trends and drive changes in the industry in

the most aggressive manner possible. PBG's recent production move to China gave the company a cost advantage that would make it more plausible than ever to produce more style and color variety than its competitors.

Competitors and Retailer Relations

The PBG + retailer equation was also becoming more crucial for brand success as internet-based buying had gained greater acceptance in late 2000s. The democratic nature of the internet also meant that more small retailers and online sellers would enter market spaces they might not have been able to reach previously. These sellers might have a critical advantage offering a wide variety of brands without the expense of maintaining brick-and-mortar overhead. This meant more competition for PBG. In addition, by exploiting the labor of staff in existing outlets or remotely, smaller players could maximize profit opportunities for themselves. PBG would have to compete with these players, and she needed all her divisions to understand the urgency of this change in the competitive landscape. She needed Mark's attention to be on this landscape like a hawk, but she knew he would stop looking as intently at it if he could not use some basic market analysis techniques to move forward.

Another strategic issue that presented itself if PBG increased its SKU count was that maintaining amicable relationships with retailers might be a challenge, if that SKU increase inconvenienced retailers. PBG had traditionally dictated the terms of its retailing partnerships. Its products were available in all major retail formats: independent retailers (44.6%), discount department stores (28.9%), standard department stores (15.2%), and supermarkets (5.5%). PBG was a leading presence in both moderate prestige (e.g., David Jones, Myer) and discount (e.g., Target, Kmart) department stores. However, decreased consumer spending had now emboldened retailers to reduce both shelf space and sales efforts for PBG and other premium brands, in favor of private store brand labels. Gazal challenged Berlei with its range of well-known licensed fashion brands for the Australian market. In addition to Calvin Klein, Gazal also distributed Lovable, which also targeted the same premium market segment that PBG would need to support Infinity and Timeless.

Exhibit 12 provides an overview of the major brands that compete with Berlei in the Australian market. The low-end private labels are primarily sold in discount outlets, and the high-end brands are sold primarily in lingerie boutiques. The mid-market brands are sold through both department stores and boutiques. Berlei, Triumph and Elle Macpherson are the three best-selling brands in Australia. All the brands, except the private labels, are also available online (e.g., zodee.com.au). Some brands offer more styles (SKUs) online than offline. Berlei, Triumph, and Simone Perele offer about twice the number of SKUs online than offline, whereas Elle Macpherson offers three times the number of SKUs online than offline. Some brands offer far fewer SKUs online than offline (Pleasure State (VIP and Couture)).

Work Politics

Sue had some problems as she got settled in after Fashion Week. First, she was hungry. The growling stomach she had noticed earlier had not been due to thinking of the failures of Jeff's tenure as CMO after all. After watching the tiny and the chic for two days, it dawned on her now that food had been nowhere to be found at Fashion Week, and that she had not eaten in thirteen hours, despite having just come from a luncheon. In fact, it could only have been considered "lunch" to a small child. Second, she smiled as she thought about the problem of having a bulldog CFO watching out for her and simultaneously a CMO who was willing to take big risks to promote the company. She had to let Mark invest in some strategies of his own, or someone else would lure him away soon. She knew Kevin's and Mark's

increasing animosity was largely a manifestation of their loyalties to her and to PBG. She was lucky to have them both, and she needed to convince Kevin of that. The problem remained, though – as she thought through what food she might have nearby – that Australian consumers were doing exactly what any sensible consumer would do. In the gloom of the global slowdown, they were spending less. Sue appreciated Kevin’s conservatism and his challenge to Mark’s plan to spend for the Timeless and Infinity launches. His concerns were well founded after the “Great Shape Bus” failure, and the consumer trend toward downward spending was obvious in both the stylish and the sporty lingerie sectors. She knew Mark could give Kevin what he needed, though.

As she foraged now for a peanut bar she started and was pulled away from eleven days ago, she felt urgency pulling her to coach Kevin and Mark on how they could all work as a team. Kevin was new to the lingerie business. The marketer in Sue knew that some industries had opportunities to maintain momentum during hard times, and that lingerie was one of them. She believed that brassiere shoppers might need a little nudge and some encouragement to choose Infinity or Timeless, but that they could still be captured. Infinity and Timeless were different enough in appeal that Sue knew the company needed the quantitative proof a significant segmentation study would give it in order to understand how to allocate appropriate resources to each line. Mark was right to push for it. Although the failure of the “Great Shape Bus” campaign to drive sales was one of the key reasons Kevin provided for his strong refusal to support numerous campaigns for different market segments, Sue felt strongly that she had not communicated the value proposition of what quantified marketing could do for an organization. This was unfair to him and Mark, as Mark had been left to defend all campaigns, many times unsuccessfully, to Kevin.

Wrestling the cold peanut bar from its sticky wrapper, Sue decided that enough was enough. “Kevin just needs to understand our analytics, and that the GSB failed precisely because we tried to broadcast ourselves instead of segmenting properly ahead of time...*before* executing the tour.” She vowed, as she noted to find a vending machine with fresher candy next time she ran out of food that a debacle similar to the “Great Shape Bus” failure would not repeat on her watch. She also vowed to have her assistant, Josh, buy both officers a set of executive finger paints if they could not learn to work together like adults.

Consultants’ Brief

To date, Sue had already asked Mark to commission a market research study to gain a better understanding of the consumer segments, in hopes that such understanding would allow PBG to develop effective segment- or product-specific advertising campaigns. She also wanted to develop deeper relationships with PBG’s retailers, and knowing consumers’ expectations could suggest some redesigns for “retail experience” factors, such as appropriate store and shelf displays and retailers’ desired levels of sales and training support. Therefore, PBG could have frank discussions with its retailers and offer incentives to ensure that retail experience factors would be able to fully support sales of the fledgling Infinity and Timeless lingerie lines.

As part of a team of consultants hired to analyze the data gathered from the commissioned study, you have access to a subset of these data for your analysis. The data include variables related to the self-image and personal characteristics of female shoppers, relevant product-related characteristics, and factors associated with specific retail situations that might create or enhance satisfaction with the purchase experience. **Exhibits 13a and 13b** list the variables about which you have data.

Exercises

Your primary task is to identify and define the segments within the brassiere market and recommend cost-effective advertising and promotional activities that the Berlei team can execute to promote Infinity and Timeless. As such, you should consider the following issues:

1. What are the key segments of brassiere shoppers, according to differences in consumers' physical, psychological, and retail-experience needs?
2. Does it make sense for PBG to target specific segments to increase sales for Timeless and Infinity? If so, summarize the strategic rationale for the segmentation strategy and specify the segments that PBG should target. If not, explain why not.
3. What specific advertising and retailing programs would allow the company's new brassiere offerings, Timeless and Infinity, to target their potential respective consumers most effectively?
4. Based on your analysis, develop a strategy brief for Sue Morphet, explaining how she should address the concerns of her CFO and CMO.

Note: This case describes a real business situation using a mix of real and hypothetical data. Information sources have been listed as footnotes and include annual reports, industry reports, and media and press accounts. The purpose of this case is to illustrate a business situation based on real events; it does not purport to represent the actual situation facing Pacific Brands or the decisions made by the company. This case was developed by Professor Arvind Rangaswamy, with the assistance of Rahul Kumar, Jatinder Jassal, Manu Parameswaran Nair, and Lindsay Williambrown. The author thanks Yelena Tsarenko of Monash University for providing the data included in the case.

Exhibits

\$ millions	HY2008	HY2009	% Change
Net sales	1,098.8	1,041.6	-5.2
Other revenue	9.4	9.0	-4.3
Total revenue	1,108.2	1,050.6	-5.2
Cost of goods sold	(625.5)	(585.3)	-6.4
Gross margin	482.7	465.3	-3.6
Freight and distribution	(72.5)	(74.0)	2.1
Sales, marketing & advertising	(209.4)	(195.9)	-6.4
Information technology	(15.2)	(16.4)	7.9
Admin expenses	(73.2)	(67.5)	-7.8
Impairment	0.0	(206.4)	0.0
EBIT	112.4	(95.0)	
Net interest	(33.0)	(32.9)	
Tax	(22.2)	(22.0)	
Profit after tax	57.2	(149.8)	

Notes: HY = half year.

Exhibit 1: Pacific Brands' Consolidated Interim Income Statement⁶

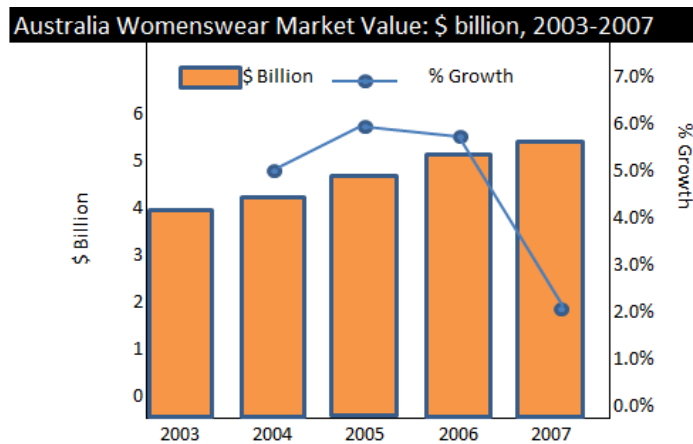


Exhibit 2a: Australia Women's Wear Market Value⁷

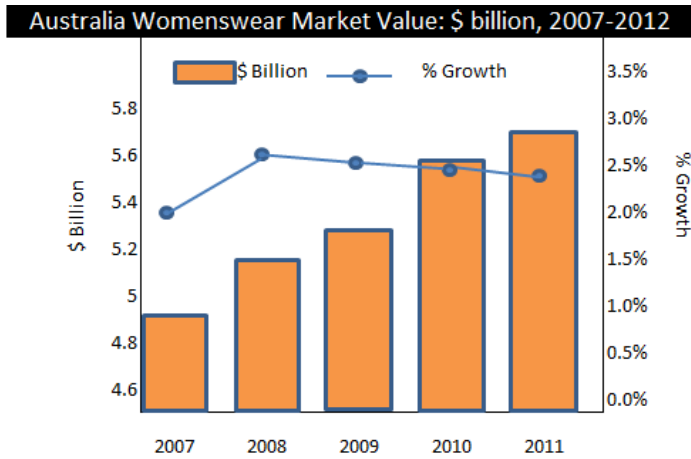


Exhibit 2b: Australia Women's Wear Market Value Forecast⁸

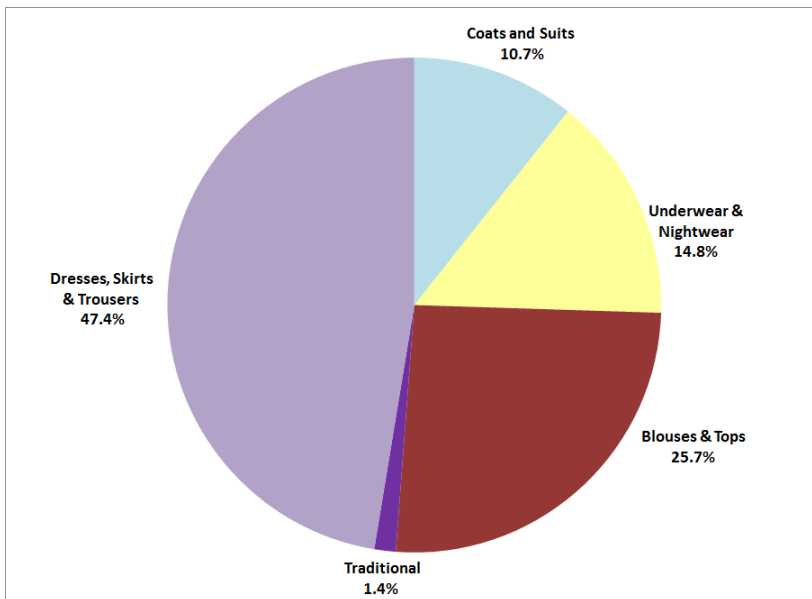


Exhibit 3: Australia Women's Wear: Breakdown of Categories⁹

Category	US\$ upper/lower	Functional Sport	Traditional Practical	Fashionable Contemporary	High Fashion Glamour	Extreme Fashion Sex
Absolute top end	300 100		Rigby & Peller	Christian Dior Rigby & Peller	Pleasure State Couture La Perla Moschino Myla	
High	100 75		DKNY Calvin Klein Fantasie Rasurel	Aubade Cacherel	Pleasure State VIP Aubade Dolce e Gabanna Agent Provocateur Simone Perele	Myla Dolce e Gabanna Agent Provocateur
Upper brands	75 50	DKNY Calvin Klein Berlei Elle Macpherson	Gossard Chantelle Fantasie Berlei	Freya Gossard Chantelle Fantasie Lejaby Elle Macpherson	Triumph Pleasure State	Triumph Tabu No Angel
Lower brands and Own label	50 30	Hanro Adidas Nike Ballet Berlei	Lejaby Bendon Triumph Anita Lepel Lovable Victoria's Secret M&S	Triumph Lepel Ballet La Senza Victoria's Secret Esprit	Victoria's Secret	Shirley of Hollywood Disc M*Selle Playboy
Mass Market Own label	30 15	Target	M&S C&A Next WalMart Carrefour	Espirit Zara La Senza H&M Knickerbox		Ann Summers Hustler
Low-end	15 <10	Asda BhS Matalan	Asda BhS	H&M		
Category	US\$ upper/lower	Functional Sport	Traditional Practical	Fashionable Contemporary	High Fashion Glamour	Extreme Fashion Sex

Exhibit 4: 2008 Price–Fashion Matrix of Lingerie Brands Worldwide¹⁰

- Economies of scope: Produce a wide range of apparel products to satisfy consumer demand
- Establishment of brand names: Brand strength and consumer demand for branded apparel products
- Access to niche markets: Firms that have a high degree of specialization in product areas can service niche markets and receive additional incomes
- Effective quality control: Firms that emphasize quality build up a base of loyal customers
- Ability to allocate product/service to area of greatest need: Quality of apparel manufactured and adaptation to changing fashion trends

Exhibit 5: Key Success Factors in the Global Apparel Industry¹¹

Year	Event
1893:	Begins to manufacture Dunlop bicycle tires
1929:	Commences manufacturing of footwear with rubber boots
1937:	Enters sporting goods market with the acquisition of Empire Racket Co.
1960:	Produces Sleepmaker inner spring mattresses
1969:	Enters underwear and socks market with the acquisition of Holeproof
1971:	Created branded footwear business with acquisition of Grosby
1982:	Acquisition of Winestock, which catalyzes movement into footwear importing
1985:	Formation of Pacific Brands as a division of Pacific Dunlop
1987:	Strengthens position in underwear category with the acquisition of Bonds
1995:	Enters outerwear market with the purchase of Boydex International
2000:	Develops branded footwear business with the acquisition of Clarks (children) and Hush Puppies licenses
2001:	Further develops key categories with the synergistic acquisition of Sara Lee Apparel Australia Business (including King Gee, Playtex, Razzamatazz, and Stubbies) Pacific Brands acquired by CVC Asia Pacific and Catalyst Investment Managers
2003:	Acquisition of Kolotex hosiery and Sachi women's footwear
2004:	Listing on the Australian Stock Exchange; License for distribution of Merrell Footwear
2005:	Distribution of Esprit. Acquisitions of Sheridan business including Actil and Arthur Ellis (Homewares New Zealand and Everwarm Survival businesses)
2006:	Acquisition of Peri and Foam Products Australia (FPA)
2007:	Achieved top position in the work wear category with the acquisition of the Yakka group of companies Workwear brands include Yakka, Hard Yakka, Can't Tear 'Em Lifestyle brands include Wrangler and Lee Jeans. Acquisition of streetwear division of Globe International (brands include Mooks, Mossimo, Paul Frank, and Stussy)

Exhibit 6: Pacific Brands' History¹²



Exhibit 7: Pacific Brands: Underwear and Hosiery Brands

<u>Channel</u>	<u>HY2009</u>	<u>HY2008</u>	<u>% Change</u>
Specialty/Independent/Others	\$542.2	\$585.0	-7.3%
Discount Department Stores	\$274.4	\$272.1	+0.8%
Department Stores	\$138.1	\$152.3	-9.3%
International	\$37.9	\$38.5	-1.6%
Supermarkets	\$49.0	\$50.9	-3.7%

Notes: HY = half year

Exhibit 8: Percentage Change in Sales by Channel (\$ in millions)

Powerful brands	Right market offer	Efficient and effective delivery	Performance improvement culture
<ul style="list-style-type: none"> • Fewer, more powerful brands • Focus on distinctiveness first, volume follows • Brand Excellence built on insight to construct tighter propositions • Resource allocation based on brand opportunities 	<ul style="list-style-type: none"> • Disciplined product development to prevent errors that impact the whole system • End-to-end thinking from product designer to upstream 	<ul style="list-style-type: none"> • Driving efficiencies & continual improvement • Overhaul of sourcing • Office consolidation • Consolidated businesses, fewer reporting lines 	<ul style="list-style-type: none"> • Transparency on costs • Connected KPIs, not silos • Central functions accountable • Embed improvement capabilities

Exhibit 9: Pacific Brands' 2010 Strategy¹³

<u>Year</u>	<u>Event</u>
1910s:	Fred and Arthur Burley enlisted a medical doctor and a garment designer to create corsets. In 1919, the brothers renamed the business Berlei Ltd.
1920s:	Created Figure Type Classification to revolutionize the corset-fitting process; also created the Figure Type Indicator to improve corset fittings
1930s:	Expanded the business to the United Kingdom, introduced the Gothic bra from Canada and the Hollywood Vassarette from USA
1940s:	Berlei products became hard to find as resources became scarce during World War II, making them precious commodities.
1950s:	Made Australia's first maternity bra with the help of a medical professional; expanded Gothic, Hollywood, Warner, and Camp internationally
1960s:	Acquired by Hestia Company Ltd. Name changed to Berlei Hestia Ltd. and Dunlop Australia bought 70% share
1970s:	Launched Berlei Seabodies (swimwear) and Berlei Nightbodies (sleepwear); in 1972, acquired Osti Holdings and established three brands (Berlei, Hestia, Osti) in the market
1986:	Pacific Dunlop acquired 100% of Berlei Hestia Ltd.
1990s:	Introduced the Berlei Sports Bra; invested significantly in technological research and development, including cutting and sewing operations, computerized production systems, and speed of response technology
2000s:	Achieved leadership positions with brands like Berlei One and Barely There; Berlei T-shirt Bra became top-selling bra in Australia and official sports bra for the Australian Institute of Sport

Exhibit 10: Berlei Brand History¹⁴












Item	Description
Berlei Timeless Minimiser bra 	<p>Designed to reduce overall bust projection, Timeless Minimiser adds a modern look to a classic and practical garment. Smooth double-moulded cup for modesty and support. Bagged-out neckline for a clean tailored finish. Split side-wing for extra support, incorporating the lace detailing to keep a light appearance. Chimney-style back for added support, particularly in bigger sizes.</p>
Berlei Timeless Multiway bra 	<p>A must-have for every woman's lingerie drawer and practical for all occasions, the multiway bra can be worn with five alternative strap positions, including strapless, halterneck, crossback, diagonal back, and of course standard. Three-section, cotton-lined padded cups for a comfortable fit and perfect curves. Angled bone at side wing for support and comfort. Detachable straps allow for flexible styling.</p>
Berlei Timeless Smooth Cup bra 	<p>Perfect for wearing under sheer fabrics or close-fitting tops, the smooth cup bra features smooth molded cups, providing great shape and added support. Molded foam cotton-lined cups for extra comfort; chimney-style back for added support.</p>
Berlei Timeless Full Cup bra 	<p>Beautifully feminine, the full cup bra offers a practical piece of lingerie for women preferring non-padded, underwired bras but who still want a natural rounded shape; lace detail adds a delicate touch. Bottom cups lined with cotton for support and comfort. Flat cup seams for a smooth look. Rouleau strap feature at front apex. Chimney-style back for extra support.</p>
Berlei Timeless Deep Brief 	<p>Designed to co-ordinate with the Timeless Bra Collection, the Timeless Deep Brief features deep sides for a comfortable fit and a contemporary, feminine look. Side seams designed to sit forward of hip for extra comfort; shaped centre back seam for excellent fit; cotton gusset.</p>
Berlei Timeless Thong 	<p>Designed to co-ordinate with the Timeless Bra Collection, this thong features deep sides and a Tanga-style back for great comfort and fit.</p>

Exhibit 11a: Timeless by Berlei

Item	Description
Berlei Infinity Smooth Cup Black T-Shirt Bra 	<p>Features innovative flat-edge technology. Perfect for wearing under the sheerest of fabrics or close fitting top, the Infinity Smooth Cup Bra features moulded cotton lined cups with a tailored neck line and an underarm fit that ensure it is not only stylish but extremely comfortable as well.</p>
Berlei Infinity Smooth Cup Bra 	<p>Perfect for wearing under the sheerest fabric or close fitting top, the Infinity Smooth Cup Bra features moulded cups with tailored neck line and underarm for comfortable stylish fit. Patent-pending flat-edge technology, and floating wire for smooth look.</p>
Underwired Padded Black T-Shirt Bra 	<p>Perfect for wearing under the sheerest fabric or close fitting top, the Infinity Smooth Cup Bra features moulded cups with tailored neck line and underarm for comfortable stylish fit. Bonded hook & eye and silver rings and slides for contemporary styling. Features innovative flat-edge technology, and floating wire for smooth look.</p>
Infinity Multiway Bra 	<p>Using semi-sheen, paper-touch fabric over smooth moulded cups, the unique Infinity Multiway bra is designed with low center front and specially shaped neckline for tailored fit. Features innovative flat-edge technology, and floating wire for smooth look. Detachable straps allowing for flexible styling; maybe worn as a cross back, diagonal back, halter neck, strapless or standard.</p>
Berlei Infinity Short 	<p>Flat seams provide a smooth finish whilst the wide waistband sits comfortably for a great fit. Innovative flat-edge technology eliminates visible lines through clothing. Special purchase five-pair pack.</p>



Berlei Infinity Deep Brief with Tummy Control 	<p>Modern yet practical, the deep Brief with Tummy Control provides support front and back to smooth and flatten using a unique double-layered, breathable front panel. Special purchase four-pair pack.</p>
Berlei Infinity Thong 	<p>Designed to sit invisibly under clothing, the Infinity thong combines flat seams and paper-touch fabric to provide a comfortable, contemporary co-ordinate. Special purchase five-pair pack.</p>

Exhibit 11b: Infinity by Berlei

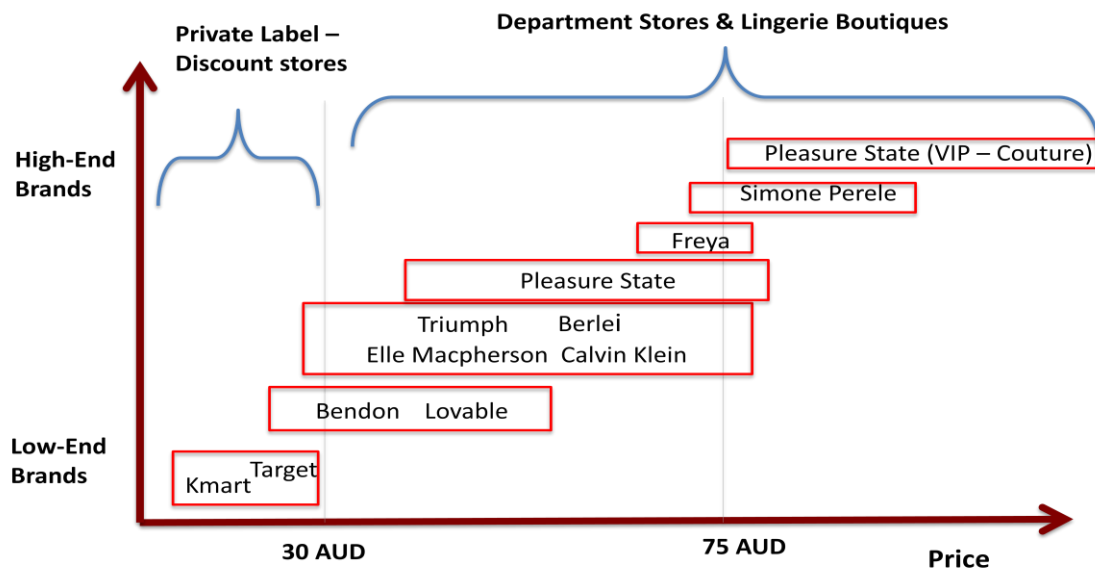


Exhibit 12: Brand Map of the Australian Bra Market

Segmentation Variables	
Fashion	I'm very conscious of bras as fashion objects
Price	I am price conscious when it comes to bras
Convenience	I usually buy my clothing at the most convenient store
ShopTime	I choose to shop at stores that reduce my shopping time
Fitness	I think about how my clothes fit situations/events/work
Perception	The clothes I wear are important to the way people think of me
ChannelNoise	When I see a range of bras, I find it difficult to make a choice
RetailExperience	The overall process when buying the bra
KnowledgeStaff	The level of knowledge about the bras of the sales staff
Brand4SIf	I always consider the brand name when purchasing a bra for myself
Brand4Els	I always consider the brand name when purchasing a bra for someone else
Popular	I will pay a higher price for bras by a popular designer or manufacturer
StoreDisplay	Store displays
SalesStaff	Advice provided by sales assistant
Fabric	Fabric
Cut	Bra cut
Seam	Position of seam on bra
ShpOHngr	Shape of the bra on its hanger
ShpOBody	Shape of the bra when on the body
Colors	Colours available in bra
Match	Availability of matching lingerie (i.e., Brief, g-string, cami, etc)

Exhibit 13a: Consumer Survey Segmentation Variables

Descriptor Variables	
Fst2Try	I'm usually the first to try new fashions
Fashnista	I'm more fashionable than most other women
PplThnkMe	Other people think I'm very fashionable
PplAskMe	Other people ask for my advice about fashion
FashnMzne	I like reading fashion magazines
NoBgDeal	Usually I do not pay much attention to the clothes I'm wearing
NotBld	I'm not very bold when it comes to fashion
OnlyBest	I attach great importance to buying the most appropriate bra
ExclsvShop	I like to shop for lingerie at exclusive shops
WhrFrndShop	I like to shop in the same lingerie stores as my friends
OtherPpl	From other people
MagznNews	Magazine or newspaper
Catlg	Catalogues
Web	Internet
Excitbl	Excitable
Thrfty	Thrifty
Contemp	Contemporary
Rationl	Rational
Yuthfl	Youthful
Orthdx	Orthodox
Modst	Modest
Age	Q 1. Please state your age
ApparelEx	Q 2. In an average month, how much money do you spend on clothes
Income	Q 7. What was your household annual income in the last financial year
Edu	What is your education level

Exhibit 13b: Consumer Survey Descriptor Variables

¹ Russell, Sophia. What modern shoppers want. *B & T Weekly*. April 25, 2008.

² Global Apparel Manufacturing–Global Industry Report.

³ Ibid.; Apparel Retail in Australia. Industry Profile. September 2008.

⁴ Data Monitor, Womenswear in Australia Industry Report. August 2008.

⁵ *Half Year 2009 Results Presentation and Strategy Update*. February 25, 2009.

⁶ Pacific Brands Interim Financial Report for the half year ending 31 December 2008.

⁷ Data Monitor, op. cit.

⁸ Ibid.

⁹ Ibid.

¹⁰ Adapted from Newbery, Malcolm. Global market review of lingerie and intimate apparel–forecasts to 2014. *Just–Style*. February 2008.

¹¹ Global Apparel Manufacturing, op. cit.

¹² <http://www.pacificbrands.com.au/About-Us/Our-History.asp>.

¹³ *Half Year 2009 Results*, op. cit.

¹⁴ <http://www.berlei.com.au/AboutUs/Timeline.aspx>.