

Prospect Dossier

# LEVI STRAUSS & CO.





Levi's is working to expand its loyalty program, fine-tune its mobile app, and take more risks with all things digital. CEO Chip Bergh says the company's innovation strategy is focused on "failing fast, failing cheap, and moving on."

Purchases from its own retail stores and websites accounted for 39% of Levi's revenue last year. The company wants to grow that figure to 55% by 2027. The aim: increase higher-profit-margin sales and better exploit customer data to simplify the shopping experience.

After several false starts, Levi's has undertaken a reinvention of the Dockers brand that appears to be sticking. New leadership, smart brand collaborations, and retail expansion are changing the "dad pants" reputation that hindered growth.

CMO Kenny Mitchell, who joined the company this month from Snap, has described himself as "a Philly boy who tells it like it is." He believes the most effective marketing marries "a tremendous amount of discipline with a tremendous amount of soul."

Thrift-minded millennial and Gen Z shoppers have created a thriving market for secondhand denim. In 2020, Levi's launched a website offering store credit for vintage jeans.

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# THE OVERVIEW

## The Backstory

Levi Strauss & Co. is a 170-year-old apparel brand sizing things up in a changing room. In the midst of a drawn-out CEO succession plan, the company is doubling down on its direct-to-consumer business, diversifying beyond denim, and working to grow revenue to \$9-10 billion by 2027, up from around \$6 billion today

Finding those extra billions could be a tough needle to thread, and it's a task that will fall to an overhauled management team in the coming months.

The San Francisco-based company recruited former Kohl's CEO Michelle Gass as president this year and anointed her CEO-elect. She is being mentored by current Levi's CEO Chip Bergh, who will pass the baton in mid-2024. In March, *Women's Wear Daily* wrote of Bergh: "He turned around what was a stumbling jeans giant, successfully took it public, put it on offense, and made it clear that a solid hand off to a strong leader is a key part of his job."

Discussing his management approach, Bergh told one interviewer, "I came from Procter & Gamble, 28 years. I was a brand guy. What we've managed to do in a big part of the Levi's turnaround was put the brand back at the center of culture."

That has sometimes meant taking a stand on hot-button issues like access to abortion, social justice, gun rights, and voting laws.

While Gass is traveling the world with a plan to hit all of the company's major markets by the end of the year, she is on "much more than a listening tour" according to one assessment. Her job was previously handled by two executives—one overseeing Levi's as well as the more budget-minded Signature by Levi Strauss and Denizen brands—and the other running the commercial division. Her remit puts Gass in charge of 85% of the company, responsible for everything from product design to sales strategy.

One of Gass' early observations: "There is a lot of upside in the e-commerce business. Whether that is the loyalty program, the app. In my prior two lives, I've seen the power of both of those things."

She will be getting a strong assist in that area from Jason Gowans, the recently-appointed SVP and chief digital officer for the company. Gowans, who reports to Gass, spent the past 10 years at Nordstrom in a variety of marketing, data science, and digital roles, most recently as SVP of digital commerce, leading the growth of the retailer's business on Nordstrom.com and Nordstromrack.com

Marketing maneuvers are also in motion. Charged with overseeing the company's go-forward advertising agenda is freshly-minted CMO Kenny Mitchell, who previously held the same role at Snap. According to one colleague's assessment, "Kenny has a track record of considered bets that have created and sustained relevance for his brands—without ever resorting to empty stunts."

Stunts or no, the open question is whether cash-strapped consumers will continue to see Levi's jeans as a necessary purchase—or make do with what they already have.

At this year's Milken Conference, a candid Bergh conceded, "The U.S. market is where we are seeing the greatest challenges. In the first quarter, our U.S. wholesale business was very challenged. We have two value brands that we sell in the key mass retailers in this country. Those businesses are both off by double digits. The lower-income, low-to-moderate-income consumer, they are now making very tough tradeoffs with their monthly budget. They are literally to the point where they're making decisions about, do I really need another pair of jeans?"



**"Levi's strategy is to increasingly push shoppers toward its own branded stores and website. While the company will continue offering products at other retailers, it wants to emphasize sales via its own channels, since they are more profitable and offer more data about customer shopping habits."**

**—Bloomberg**

## View From the Top: Chip Bergh

### **On the Levi's brand in Q1...**

We achieved share leadership in the U.S. among the key 18-to-30-year-old target consumer group, and we continue to grow share in women's denim bottoms, closing the gap to the #1 position. In the quarter, the Levi's brand was up 9%, with our men's bottoms business delivering a record Q1 and women's bottoms achieving the highest revenue of any quarter.

### **On Dockers milestones...**

Dockers continued to build momentum with net revenues up 29%, driven by broad-based double-digit growth across geographies and channels with DTC especially strong. Dockers' e-commerce remained robust with over 30% growth in part supported by increased repeat customers and the brand's loyalty program, which is now driving over 30% of sales in this channel across the U.S. and Europe.

### **On the 150th anniversary of 501 jeans...**

We're infusing energy and newness into our iconic 501 through new launches for him and her inspired by historical fits. We also have a robust lineup of collaborations planned—like our recent drop with the iconic streetwear brand, Stussy, which sold out in one hour...and an exciting partnership with NewJeans, the popular K-Pop girl band, furthering our ambition to engage younger consumers.

### **On 2023 product launches...**

We're planning a steady cadence of newness through the year, and we continue to lean into trends, like with our newly launched women's XL Balloon and '90s Boots and a shift in rise from high to mid and wider leg openings, all of which drove solid growth in the quarter.

### **On digital investments...**

The investments we're making to elevate our consumers' digital experience and strengthen their digital connection to our brands are paying off. Even with consumers returning to our stores in large numbers, our e-commerce business grew 14%, driven by broad-based global growth across all brands, including levi.com, which was up double digits. We continue to expand the breadth of our offering online while improving the user experience.

### **On accelerated marketing...**

In February, we launched our largest coordinated global marketing campaign, "The greatest story ever worn." It kicked off during the Grammys, where Bad Bunny also opened the show wearing a pair of vintage 501s and helped drive nearly 3 billion impressions with consumers worldwide.

### **On the growth of DTC...**

Our direct-to-consumer channels sequentially accelerated with net revenues up 16%, driven by broad-based positive comp sales growth on top of extremely strong first quarter comp sales last year—attributable to higher traffic and higher volumes across geographies, including in the U.S. and Europe.

### **On building loyalty...**

Our loyalty membership was also up almost 40% in Q1 to nearly 25 million members, and this continues to translate to a higher level of spend among loyalty members.

### **On constrained consumers...**

We are seeing pretty significant softness in our signature Denizen business. That value consumer is really being squeezed. There's definitely a bifurcation happening where the lower-end consumer is making hard choices and either trading down or just not buying denim. But that middle-income consumer, which is kind of the sweet spot for the Levi's brand, is doing well and is still buying denim, and that is driving the growth of the Levi's business.

### **On which products are hot...**

Our non-denim business has done pretty well. It was up low double digits. Some of our best-selling items right now are chinos and cargoes and things like that. Those categories moved really well.

### **On Sephora as a traffic driver...**

Our Levi's women's [sales] in Kohl's Sephora stores are dramatically [better than] the Levi's women's business in the non-Sephora doors. It's still really, really early days, but I think that's a proof point that they're bringing in new consumers and it's going to lift the business.



**"While our core consumer has generally remained resilient, we continue to experience demand softness from the value-oriented consumers, most notably impacting our Signature and Denizen brands."**

**—Chip Bergh**

*While it eked out some revenue gains in its most recent quarter, the company's stock has taken a hit. Still, company execs pointed out that demand for denim held up in the first part of the year, even as overall consumer spending cooled. "Levi's jeans are worth paying more for—for the quality and longevity," Chip Bergh told analysts. "As a result of that, we're pretty well positioned to continue to navigate through this inflationary period."*


## Strategic Focus, Market Opportunity

In a 2022 presentation, the company outlined three key strategic priorities and discussed the whitespace opportunity for denim jeans. Expanding into non-denim categories like footwear and tops has also been a key objective. In 2021, Levi's partnered with heritage footwear brand Clarks on a limited-edition collection of shoes and apparel inspired by the 1980s British music scene. CEO Chip Bergh said the company has also been slowly growing its gender-neutral or gender-fluid line. "We know that women buy some men's product and men buy some women's product. There is definitely consumer appetite, and we're there for that."

**1**

**AMPLIFY DENIM LEADERSHIP**


THROUGH BEST-IN-CLASS FIT, FABRIC, STYLE AND INNOVATION



**2**

**ACCELERATE LIFESTYLE DIVERSIFICATION**

- TOPS
- NON-DENIM BOTTOMS



**3**

**ACTIVATE BRAND HEAT**



ENERGY

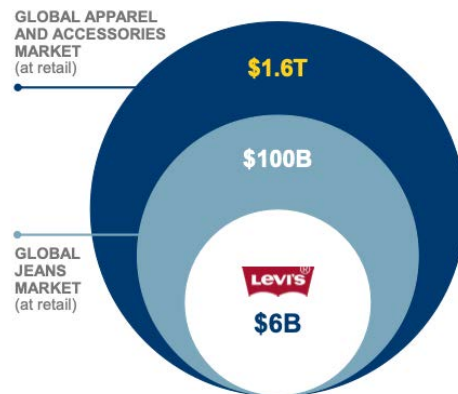


EXPERIENCES



BUY BETTER.  
WEAR LONGER.

ENGAGEMENT



## Let's Get Physical



The company has launched "Next Gen" concept stores in key doors around the world, as well as themed "shop-in-shops." Chip Bergh recently discussed the brand's retail strategy. Key takeaway: "There is no question that brick and mortar is here to stay. We're continuing to invest. We opened about 100 new doors around the world last year. Some of it's mall-based. But also street level stores. So a mix. We've really put an emphasis on our mainline doors, which sell our better product. That has always been a challenge for us here in the U.S. But we've been opening mainline doors very successfully over the last two years or so and we believe we've got a real bright future.



**"Most of our doors in the U.S. historically have been outlet stores. The dirty secret of the apparel business is that's where a lot of the profit is made."**

**—Chip Bergh**

### Bottom Line: Built to Last

A counterintuitive “less is more” philosophy has driven the Levi’s denim brand in recent years. “We had a lot of internal debates about whether selling the idea of ‘Buy Better, Wear Longer,’ was going to reduce consumption, Levi’s CFO Hermit Singh told *Bloomberg* in a 2021 interview. “I fundamentally believe that it plays to our strong suit. It almost defines what the Levi’s brand is all about. I think it’s a share-building idea. Young consumers have started to realize that buying a cheap T-shirt or a cheap pair of jeans at a fast-fashion retailer, wearing it three or four times, and throwing it into the garbage—which winds up in a dump—is a very unsustainable practice. It’s just not good for planet Earth. Buying a high-quality product, paying a little bit more for it, but wearing it longer and being able to dress it up/dress it down is a much more sustainable way to go—and it’s something that Levi’s can uniquely own.”



### More Than a Jeans Machine

Levi Strauss has been working to move beyond its signature jeans—perhaps most notably with the acquisition of workout and activewear brand Beyond Yoga in 2021. CEO Chip Bergh told *Women’s Wear Daily* that Beyond, while small, plays in a space that is 2.5-times bigger than the \$100 billion global denim market. “Beyond Yoga is the big opportunity, the big unknown. It’s a really strong business from a financial standpoint. We’re going to have to see how that goes. If it takes off, maybe we’ll do more stores. We’ll see. That’s the big unknown.”



### Well Worn at 150

In May, Levi Strauss commemorated 150 years of its original five-pocket jean, the 501. “Whatever happened, it happened perfectly right,” said legendary stylist Tonne Goodman of the development of the 501. “It’s the standard, a garment that simply *works* in so many ways, and on so many kinds of people. The cut is ideal, and what I especially love is the way the jeans get worn in, so they really belong to you.” To mark the anniversary, Levi’s introduced new looks to the 501 lineup, including limited-run product drops like a reimaged version of Levi’s first blue jeans—the 1873 “XX Waist Overalls” and the men’s 501 ‘54 and the women’s 501 ‘81.



### Good/Better/Best Framework

Summing up the brand’s approach to retail distribution and positioning, one Levi’s executive recently explained, “If you think about product hierarchy, there’s a good/better/best product. The good product is the jeans for about \$40. The better product is anywhere between \$60 and \$80. And the best product is upward of that. Wholesale in the U.S. is largely a ‘good’ product market. Our direct-to-consumer business is more of a ‘better’ and ‘best’ product.”

**The Brand at a Glance** Levi Strauss products are sold in more than 110 countries worldwide through a combination of chain retailers, department stores, online sites, and a global footprint of approximately 3,200 brand-dedicated stores and shop-in-shops. 2022 net revenues were \$6.2 billion. The company designs and markets jeans, casual wear and related accessories for men, women and children under the Levi’s, Dockers, Signature by Levi Strauss & Co., Denizen, and Beyond Yoga brands.

## Santiago Cucci Revives Dockers

Just prior to the pandemic, Levi Strauss created a standalone team to oversee its Dockers brand, naming company veteran Santiago Cucci CEO of the label. (He previously was managing director over both the Levi's and Dockers brands.) "When you are in charge of two brands and one brand is so big and aspirational, your energy goes there first," he said in an interview last year. "So we were managing Dockers and Levi's, which was [fine] when the business was OK, but when the business starts to be a bit more complex, it looks like you are giving up. That's why Dockers was declining in the Levi Strauss organization for the last 12 years—nobody was really accountable." The continued growth of Dockers, according to one industry watcher, "will be driven by a thrust to appeal to a younger consumer, as well as an expansion of its product offering and a move into more international markets."

**The brand's CEO acknowledged that the "reinvention" of Dockers has been promised at least five or six times over the past several years, but he said this is the first time the strategy is actually paying dividends.**

## Dockers Has More in Store

Dockers is in the midst of a global retail expansion, *Sourcing Journal* reported last year. The brand had one U.S. store at the start of 2022 but finished the year with six, four of them in California (Citadel Outlets; Las Americas; Livermore; and San Jose). New units were also opened in Sawgrass Mills, Florida, and Arundel Mills, Maryland. Recent international openings include Fuencarral, Spain; Bordeaux Bègles, France; Puerto Montt, Chile; and Jockey Plaza in Lima, Peru. "Our new store on Calle de Fuencarral in Madrid is one of my personal favorites," said Natalie MacLennan, vice president of global retail, e-commerce, and licensing for Dockers. "Located in a popular center among youth shoppers, the store's new brand expression and product assortment is helping us win over new millennial and Gen Z consumers. I'm really proud of how we brought the brand to life at this store."



## Products and Partnerships



Above: Dockers' new Made in the USA collection. Increasing women's sales has been a key focus for the brand.



Dockers has recently collaborated with brands and influencers including Malbon Golf, Maurizio Donadi's Transnomadica, BMX champion Matthias Dandois, professional surfers Maud le Car and Joan Duru, and others.



**Brand head Santiago Cucci said that after unfounded sales rumors began floating again, he was charged with taking the helm of Dockers. He set out to build a team and moved toward realizing his vision, which was to position Dockers as a "West Coast cool brand—a California brand versus an East Coast brand like Tommy or Ralph," he said. "California for me is sunny, dynamic, and cool. It's disruptive. I think big ideas come from this valley."**



# CHIP BERGH

PRESIDENT AND CEO, LEVI STRAUSS & CO.

Approximate Age: 66 Current Position Since: September 2011



## Career at a Glance

**Oct. 2005 - Sept. 2011**  
Group President, Global Grooming  
Procter & Gamble

**July 1999 - Oct. 2005**  
President, ASEAN, Australasia, India (AAI)  
Procter & Gamble

**July 1997 - July 1999**  
VP, Beverages (Coffee & Juice)  
Procter & Gamble

**July 1995 - June 1997**  
General Manager, Hard Surface Cleaners  
Procter & Gamble

**July 1992 - June 1995**  
Marketing Director, Folgers and Jif  
Procter & Gamble

**June 1990 - July 1992**  
Assoc. Advertising Manager, Peanut Butter  
& Baking Mix, Procter & Gamble

**1986 - 1990**  
Brand Manager, Procter & Gamble

**June 1983 - June 1986**  
Brand Assistant and Assistant Brand  
Manager, Procter & Gamble

## Education

**1975 - 1979**  
BA, Lafayette College

**Personal:** Grew up the eldest of three boys in Bronxville, New York. He and his wife, Juliet, have one daughter, Elin.

**Food for thought:** "I started in lodging products and food service, affectionately known internally as 'flop and slop.'"

**Military-minded:** Prior to joining P&G in 1983, he served in the U.S. Army as second lieutenant, first lieutenant, captain. ("I loved ROTC. I got deeply involved. I was the commander of my unit and went to jump school, where I was trained as a paratrooper. I jumped out of airplanes—only five times—to get my jump wings.")

**Born to run.** Enjoys long-distance running. Has competed in the Boston Marathon.

**Not just numbers:** "The reason having iconic brands and strong brands matters is, costs are going up. Everybody has to take pricing, we've been taking price. Strong brands really matter at a point of time that's inflationary. Consumers may wind up buying less, but they're going to wind up buying product that has meaning."

**The art of the handoff:** "I am super optimistic about our future as a company. I think my biggest legacy is not the turnaround. It's not taking the company public. My biggest legacy will be [the transition] to a successful successor who takes the company to the next level."

**On recruiting Michelle Gass:** "She's been through the wars," Bergh told CNBC. "It's one of the reasons we called her—and she wasn't out looking."

**On the risk of taking a stand:** "When we decided to weigh in on the gun violence issue, I had unmarked police cars in front of my house for a couple of weeks. I had death threats, but it was the right thing to weigh in on."

**On dressing the part:** "I met the pope wearing jeans. It's in my contract."

**Denim confession:** "My jeans have never seen the inside of a washing machine. I do wash my jeans, but I wash them kind of the old fashioned way, the way we did when we were kids traveling around Europe with a backpack—hop in the shower with a bar of soap, rinse some off, ring them out."

**Forward-thinking:** "When I joined Levi's, I wrote down my retirement speech. It was an exercise that I had to do in my early days. I kind of looked at it a couple of weeks ago and so much of it came true. I kind of lived into the future that I wanted, I guess."

**At the end of the day:** "Underpromise and overdeliver. It's the way I like to roll."



# MICHELLE GASS

## PRESIDENT, LEVI STRAUSS & CO.

Approximate Age: 54 Current Position Since: January 2023



### Career at a Glance

**May 2018 - Dec. 2022**  
CEO, Kohl's

**June 2013 - May 2018**  
Chief Merchandising and Customer Officer  
Kohl's

**July 2011 - May 2013**  
President, Europe/Middle East/Russia/Africa  
Starbucks

**Sept. 2009 - July 2011**  
President, Seattle's Best Coffee, Starbucks

**July 2008 - Sept. 2009**  
EVP, Marketing and Category, Starbucks

**Jan. 2008 - July 2008**  
SVP, Office of the CEO, Global Strategy  
Starbucks

**Sept. 1996 - Dec. 2007**  
Various marketing roles ladder up to  
SVP, Marketing and Category, Starbucks

### Education

**1996 - 1999**  
MBA, Business  
University of Washington

**1986 - 1990**  
BS, Chemical Engineering  
Worcester Polytechnic Institute

**Personal:** Born and raised in Lewiston, Maine. Has said she wakes up daily for a 4:30 a.m. run. She and her husband, Scott, have two kids, Will and Megan.

**Off the market:** She and her husband (who works for Anthony Robbins Cos.) sold their home on Oconomowoc Lake in Wisconsin for \$6.2 million earlier this month.

**Rough sledding:** Gass left Kohl's under pressure from activist investors, a fact the Levi's CEO Chip Berg has framed as a positive, arguing that she is battle-tested.

**On choosing her major:** "Engineering was a great foundation, it was great training to be a problem-solver—to look at complex problems and deconstruct them, peel back the layers and go deep so you can come out the other side with an answer."

**Making the shift:** "I realized early on that I was more passionate and curious about the consumer than perhaps I was around more traditional engineering. That pivoted me over into marketing and brand management, which for me is really when my true career began."

**No Aha! Moment:** "I can't say that there was a specific moment where I woke up one day and said I wanted to be a CEO, but over the kind of lifetime of my career I really enjoy and thrive leading teams and bringing people together."

**Professional point of pride:** "When I joined Kohl's, the digital business was right around a billion dollars. When I left, it was \$6 billion."

**During her 17-year tenure at Starbucks,** Gass famously expanded the Frappuccino line and eventually became the equivalent of chief of staff to CEO Howard Schultz. He has described her as "an energetic, hard-charging, creative leader who embraces risk and bold thinking, as well as details."

**Management philosophy:** "When you're a leader of a company, you're proving it every day. That's what I believe. I work for our shareholders, our stakeholders, our teams, and our customers. My job is to make sure that I can unleash the talent in this incredible organization."

**On taking a stance:** "I love the values of the company around courage, originality, empathy, integrity. Those align with my values. And what does that mean? It means that we take a stand and we're not afraid to talk publicly about the things that matter to our employees and that matter to our customers."

**Paying it forward:** "I always want to be able to advocate and be a role model. I feel a great sense of responsibility to be an advocate for more future female leaders."

**Advice to young professionals:** "It's thinking about the world differently. And zagging when everybody else is zigging. Ask questions and look for dots that perhaps on the surface aren't naturally connected. Try to find those connections."



# KENNY MITCHELL

## CMO, LEVI STRAUSS & CO.

Approximate Age: 47 Current Position Since: June 2023



### Career at a Glance

**June 2019 - June 2023**

Chief Marketing Officer, Snap

**2018 - 2019**

VP, Marketing, Brand Content and Engagement, McDonald's

**2015 - 2018**

Head of Global Consumer Engagement Gatorade

**2013 - 2015**

Managing Director, Brand & Consumer Marketing, NASCAR

**2012 - 2013**

VP/GM, Dew Tour, Alliance of Action Sports

**2010 - 2012**

Director, Sports Marketing, Gatorade

**2008 - 2010**

Sports Marketing Manager, Gatorade

**Education**

**2004**

Earned his MBA from the Tuck School of Business at Dartmouth College

**1994 - 1997**

BA, Sociology, Economics  
Dartmouth College

**Personal:** Married. He and his wife, Heather, have a 16-year-old daughter, Carter.

**In his own words:** "Philly boy who tells it like it is."

**Career in another life:** "Growing up, I always wanted to be a combination of the owner, president, and coach of my favorite sports team, the Philadelphia Eagles."

**Tuned in:** Has a passion for music; worked as deejay in college.

**Nothing but net:** He was inducted into Dartmouth's Sports Hall of Fame as a member of the men's basketball team. Played in Portugal and on several US-based semi-pro teams for three years after graduating.

**On the creative process:** "Part of the magic of marketing in my mind is kind of uncovering the truth of the brand, peeling back to find what about the brand or the service is really unique. Then telling that story with a tremendous amount of discipline and a tremendous amount of soul."

**It's about time:** "You have to remember that the best brands in the world are timeless, but they also know how to be timely in regard to their strategy and the way they communicate and market to customers."

**Order on the court.** "Participating in sports taught me a lot about discipline and how to work in teams. I was a point guard on a basketball team. Some of the things you're responsible for are making sure the team knows the game plan and that they are in the right positions to succeed. That type of mindset has been very valuable now in how I approach business and my career."

**Outside the office:** Enjoys hiking, rollerblading.

**Management philosophy:** "I strongly believe in the old adage that leaders have the responsibility to 'lift as they climb.'"

**A piece of advice that stuck:** "Dolly Parton famously said, 'Figure out who you are and be that on purpose.'"

**Lesson learned:** "My late grandmother had a conversation with me and several other family members about a year before she passed and asked us, 'What is the reason you think you're here?' I think mine was, 'I want to raise a good citizen and a good human.' And she's like, 'We are here to be in the service of others.' And I tell you what, that hit me like a Tyson blow—it's something I've really doubled down on."

**Seat at the table:** Serves on the board of directors of e.l.f. Beauty.

**Favorite Peter Drucker quote:** "Culture eats strategy for breakfast."



# THE CATEGORY

## The Skinny on Skinny Jeans

It's a subject of popular debate: is the skinny jean standing at death's door? Opinions vary, but most agree the style is on its way out. Early last year, Levi Strauss CEO Chip Bergh told analysts, "Skinny jeans will never die. Half of our revenues on bottoms [in Q4] came from the looser, baggier fits, but our top two women's bottoms items were the 311 and the 721. So the skinny jean is not going anywhere, anytime soon." He has conceded in other interviews that the industry is experiencing the "early innings of the new denim cycle," which is all about "looser, baggier fits." One driving factor: in the U.S., almost 40% of shoppers have had their waist size changed during the pandemic. "Skinny jeans are fading fast and flares are in. Big time. Right behind those flares are wide-legged denim pants popular in Europe and inching their way into U.S. stores," noted *Women's Wear Daily* in a recent assessment. Charlie Chung of Just USA Jeans, told the publication, "Everybody did skinny jeans a couple of years ago. They are still selling, but it is more straight legs, mom jeans and girlfriend/boyfriend jeans. Flares are getting there, and cropped flares are really popular because you can wear them with any kind of shoe."

**"Skinny jeans have been in everyone's closet for the past decade or so, but soon they might end up in the recycling bin. These leg-hugging versions of denim pants gained notice with the rap and hip-hop crowd and by 2010 quickly took over the fashion runways."  
—Women's Wear Daily**

## A.I. Has Designs on Denim

Artificial intelligence is coming for the apparel industry, but it's doing more than streamlining production and tracking web surfing behavior; it may play a role in the design process of the future. Levi's operates an internal A.I. bootcamp that has schooled more than 100 employees. Few of them have backgrounds in tech or coding; some have worked for the company for 30 years. The goal: "creating opportunities for team growth as well as imaginative problem-solving." One member of the company's design team is conducting an ongoing experiment making A.I.-inspired garments. *Fortune* magazine noted "He is currently working on a trucker jacket inspired by Vincent Van Gogh's 'The Starry Night,' which features a specific, hand-painted design with fine-tuned control. What was once reserved for couture fashion ateliers may be done at a mass scale sooner than we think."



**"I believe artificial intelligence can save fashion," says Levi's Katie Walsh. "It can optimize profitability, creativity, and sustainability all at the same time. That's what I'm so excited about."**

## Jeans Bounce Back

**“Jeans were among the first clothing items to rebound after 2020, as consumers sought a wardrobe refresh and craved the latest fashion trends to make their debut back into public life,” said the NPD Group’s Susan Merrill, president of fashion apparel. “Offering a variety of styles and options catering to consumers’ demands for comfortable clothing that can be dressed up or down, jeans manufacturers continue to be leaders in innovation.”**

SUSAN MERRILL  
President of Fashion Apparel, NPD Group



### Summer Trend: Jorts Sighted

*Sourcing Journal* recently weighed in on one denim trend to watch this summer: "Jorts (a.k.a. jean shorts) are proof of how all trends cycle back into style. The '90s Bart Simpson-inspired garment was a mainstay across spring/summer 2023 men's collections."

# THE COMPETITION

## Competitor Activity: Wrangler and Lee (Kontoor)

### U.S. Performance Saves Q1

Kontoor Brands, parent of Wrangler and Lee, had a rough go of it in its most recent quarter, particularly abroad. The company recorded overall revenue of \$667 million, a 2% decrease over prior year. "Revenue increases, primarily driven by strength in domestic wholesale and DTC, were more than offset by decreases in international wholesale, primarily driven by the continued impacts of COVID-policy changes in China," the company said in a news release. U.S. revenue was \$518 million, increasing 2% over the same period in the prior year. U.S. wholesale increased 1% compared to the first quarter of 2022. Digital wholesale increased 11% compared to last year. International revenue was \$149 million, a 14% decrease over prior year.

### Retail Wrangling

Kontoor has been expanding online distribution with domestic partners including Amazon, Walmart.com, and Kohls.com. According to CEO Scott Baxter, "The most important thing is that we're a very important piece of their business. We drive consumers to not only their stores, but their [online] sites. They look at us and see the volume that we drive, they see the passion consumers bring for our products. We've become a very important partner of theirs; we're central to what they're doing as far as how they're trying to work with their consumer. We become a very important piece of that strategy for them."

### In Hot Pursuit of Gen Z

Kontoor president and CEO Scott Baxter recently told *Sourcing Journal* that the company is taking a multi-pronged approach to staying on Gen Z's radar, ramping up efforts in brand partnerships and increasing its social media activity. The Lee brand benefitted from high-profile celebrity placement for its Rider jacket in Q1, and a recent partnership with Dragon Ball Z also proved successful. Wrangler has generated buzz by deepening its focus on the music scene, including a newly inked deal with country music singer and "Yellowstone" actress Lainey Wilson. ("I have been devoted to the western lifestyle all my life, and there's nothing that feels more like home than a pair of Wrangler jeans," Wilson said.) Later this year Wrangler will drop collections with cowboy boot maker Lucchese, Inditex's Gen Z fast-fashion retailer Pull & Bear, and Kentucky bourbon brand Buffalo Trace.

### Good to Know...

Last month, Lee launched a global collaboration with Medicom Toy, creator of the BE@RBRICK dolls, for an apparel and figurine collection inspired by the Lee mascot, Buddy Lee. The two-foot-tall figurine wears a denim overall and hat. The (human) apparel line consists of three tees and a denim jacket. • Kontoor says "cultural influencers are seeking the brand like never before," pointing to organic placements like Channing Tatum outfitted in Lee overalls in *Vanity Fair* and Pedro Pascal in rider jeans in *Esquire*.



**"Housed under the Kontoor umbrella since their 2019 spinoff from VF Corp., both Wrangler and Lee have not only transversed the pandemic, but are giving consumers a new and maybe unexpected look."**  
—*Women's Wear Daily*



Kontoor says it is seeing a major uptick in sales of its non-denim assortment at Target.



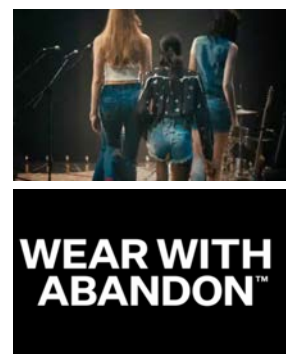
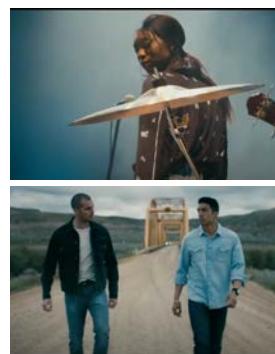
**"It's not a cycle," says CEO Scott Baxter. "Cycle implies to me that you're going to cycle out. I just don't see a cycle out. Denim is here to stay. Casual is here to stay...that is not going back."**



In October 2022, Lee launched the latest iteration of its “Lee Originals” campaign, featuring new artists and music. The brand worked with photographer Mark Seliger and costume designer/stylist Arianne Phillips “to highlight individuals who approach moments—big or small—with boldness and optimism.” The campaign features a suite of new talent as well as the single “New Wave” from Nashville songwriter Sam Tinnesz. Models Tai Verdes and Yuka Mannami, actor Deaken Bluman, singer Natalie Nootenboom, dancer Vinson Fraley, artist Mell, and snowboarder Cherokee Jack are among the new tastemakers featured. “We love a great story, and this season’s cast of originals has plenty of tales to tell,” said Brigid Stevens, Lee’s VP of global branding.



Lee drives home its “fearless original” positioning in this spot, which employs moody black-and-white footage to showcase “the people who don’t just stand the test of time, but define it. They are the doers and the makers, the thread that shapes and stitches together our story.” Pillow fights, backseat make-out sessions, and laundromat strip-downs are just some of the activities favored by these trend setters. Watch [here](#).



In 2019, Wrangler launched the first global advertising campaign promoting its clothing line. Themed “Wear With Abandon,” the work included print, digital, radio, broadcast, and online video. The videos asked real people to define the “moment before” they had decided to take a chance on something. The campaign was created with Mother New York. (Previously, Wrangler worked with agency Toth+Co for 19 years.) *Marketing Dive* observed, “The campaign comes as interest in cowboy culture and the so-called ‘yeehaw agenda’ is at a new high for millennial and Gen Z consumers.” Watch [here](#).

## Competitor Activity: Gap and Old Navy

### Feeling the Branding Blues

While it built a reputation as a major marketer of jeans, Gap is struggling with relevancy issues. In a move characterized by Forbes.com as “desperate and smart at the same time,” Gap in November 2022 opened a storefront on Amazon. Mark Breitbard, president and CEO, Gap brand, said in a statement, “Collaborating with Amazon Fashion provides us a new channel to deliver Gap’s modern American essentials to even more customers in the U.S. and Canada.” Some industry watchers viewed the news with skepticism. “Given all the calamity at Gap,” wrote Mark Ryski, CEO of HeadCount Corporation, “it’s clear that Gap needs to drive sales, and broadening distribution to Amazon is one way to get it. But I’d argue that selling on Amazon also carries with it the downside of loss of control of their brand. I can’t blame Gap management for looking for new sales, but I do question whether this is the best way to do it.” Rick Watson, CEO of RMW Conference Consulting, said of the Amazon deal, “Gap’s primary problem is no one cares about its clothes anymore, and the brand doesn’t stand for anything. A new distribution channel doesn’t solve that core problem.”

**“Amazon has reach, but I wouldn’t have said Gap had a reach problem,” wrote Jeff Sward of Merchandising Metrics. “They have a brand promise, product, and marketing problem. None of which are 1% solved with this move.”**

### If the Jeans Fit

Gap’s Old Navy brand, keen on bridging the online and in-store shopping experience, last fall introduced a new online guide to help women pick out the perfect denim. Industry trade *Just-Style* said the “Denim Fit Guide” was the result of in-depth research revealing the most common pain points faced by shoppers who wanted an easier way to understand how various style fit their bodies. “Once customers find what they are looking for, whether it’s a style or certain rise,” wrote *Just-Style*, “they can directly shop from the page available on desktop and mobile. The online experience will extend in-store with similar matching visuals to guide customers in finding the right fit for them, as well as access to a QR code on the store’s “Denim Menu” that gives shoppers easy access to the site.”

**Denim is a top-three category for Old Navy, with the brand selling upwards of 65,000 pairs of jeans per day, according to the company.**

### New Collection, Circular Reasoning

Gap’s Bettermade Denim Collection in April dropped three new denim products with longevity and end-of-life recycling in mind. A unisex Icon jacket, women’s low Stride jean, and men’s ‘90s Loose Fit jeans were the result of a collaboration with the Ellen MacArthur Foundation’s Jeans Redesign project. According to *Sourcing Journal*, “The platform advocates that new denim be created to be used more, ‘made to be made again’ with ease of disassembly for recycling or reuse, and contain recycled or renewable inputs.”



“The Gap capitalized on the rise of denim as the go-to look for a generation of young Americans and then expanded into khakis, T-shirts, tops, hoodies and other basics. The brand won over everyone from moms to office workers to celebrities. But sales at the flagship Gap brand have slumped for years and it has become an afterthought for many American shoppers. The company’s other brands, including Old Navy and Banana Republic, have also struggled.” CNN, 7/13/2022

# GAP



A fall 2022 campaign themed “Icons” included a cast of people that Gap’s global head of marketing, Mary Alderete, referred to as “culture shapers.” Among some familiar faces: singer/songwriter Labrinth; author and multiple sclerosis advocate Selma Blair; model, author and activist Cameron Russell (above left in denim); NASCAR’s first female Arabic driver, Toni Breidinger; and model, actor and mental health advocate Lucky Blue Smith. The company said the campaign “reimagines iconography as it applies not only to the cast, but also to the brand’s classic wardrobe essentials.”

# OLD NAVY



In January, Old Navy launched its first-ever brand-backed entertainment property, “Lil’ Interns,” starring “Saturday Night Live” star Kenan Thompson. The six-episode effort follows Thompson as he tests out a potential career move to the corporate world—as an intern at Old Navy. The twist: he discovers that his fellow interns haven’t even graduated elementary school. Each episode takes place at Old Navy’s corporate headquarters in San Francisco and features real Old Navy employees from various business functions—finance, marketing, human resources, design, and retail. “We wanted to take our playful brand ethos beyond the traditional advertising space,” said Liat Weingarten, vice president of brand marketing and communications. “As storytellers we’re always looking for fresh ways to connect with our customers and are excited to test this new, unbranded content approach in our media mix.” Watch the first episode [here](#).



## **Competitor Activity: Calvin Klein (PVH)**

### **At a Glance**

Since March, PVH Corp's Calvin Klein brand has been under new management. The company named Inditex veteran Eva Serrano global brand president of the business, reporting to Stefan Larsson, chief executive officer of PVH. (Serrano also spent a number of years at H&M.) Larsson has been refocusing the company with his PVH+ plan, which zeros in on "hero" products, consumer engagement, online, a demand- and data-driven operating model, and other efficiencies. According to "Business of Fashion," Calvin Klein has a goal of boosting revenue by 46% to \$5.4 billion in 2025.

### **"Colliding With Culture"**

Calvin Klein and Tommy Hilfiger have been standout performers for PVH of late. For its part, Calvin Klein's revenue increased 8% on a constant currency basis in the quarter ending in March. CEO Stefan Larsson says part of the reason is attributable to deliberate marketing choices. "We're going back to the DNA of Calvin and Tommy that made each of these brands collide with culture in a positive way and become iconic globally," Larsson explained. "We're making that DNA current through product and marketing and the brand experience today. Our long-term vision is to build Calvin and Tommy into the most successful lifestyle brands in the world and then make PVH one of the highest-performing brand groups in our sector."

### **Flashback: CK Organization Gets a Makeover**

In 2019, Calvin Klein closed its New York City flagship store as part of a broader reorganization of its North American operations, which included consolidating its men's sportswear and jeans businesses. The shift merged the e-commerce teams for both groups, aiming to "create an omnichannel approach mirroring how consumers browse, shop and purchase today," the company said. Parent PVH said it was adopting a digital-first approach, with a newly formed "Consumer Marketing Organization." The new group includes highly specialized teams focused on areas including consumer engagement and shopper experience.

### **Singing Kim's Praises**

Calvin Klein ambassador Jennie Kim collaborated with the brand to create a capsule collection announced in May. It includes a denim shirt and a pair of '90s-inspired jeans "that evoke that effortlessly chic look," according to Fashionista. Custom branding reimagines the Calvin Klein logo in her handwriting." Jonathan Bottomley, global CMO at Calvin Klein, added, "Having worked with Jennie on several campaigns, we know firsthand that she's a cultural powerhouse. Her persona, talent, and distinctive style have a major global impact."

### **Calvin Klein Says Cheese, Please**

*Internet Retailing* reports that Calvin Klein and Tommy Hilfiger have become the latest brands to embrace cashback platform Cheddar. They join a growing list of fashion brands on the app, including House of Fraser, Jack Wills, and USC. The collaboration will see Cheddar users earning up to 10% cashback on purchases made online, with the cash available in the app's balance within 30 days.



**"The benefit we have is we are an incredibly powerful brand, up there with some of the biggest in the world. It's crafting that image for today and using that opportunity with digital media that matters the most to consumers."**  
—Jonathan Bottomley  
Calvin Klein CMO

"We're on a journey of elevation. We benefit greatly from incredibly strong brand equities," said Jonathan Bottomley, global chief marketing officer of Calvin Klein, who joined the brand in 2022. "A lot of the opportunity is to crystallize what the brand has always stood for, but to do it in a way that feels right for the culture of today."



Calvin Klein's spring campaign, directed and photographed by Mert Alas and Marcus Piggott, features global stars such as Aaron Taylor-Johnson, Kendall Jenner, and FKA Twigs, as well as Michael B. Jordan. The effort, noted *WWD*, "continues the 'Calvins or Nothing' concept, which focuses on the sensuality and confidence of the diverse talent."



Calvin Klein in March tapped BTS member Jung Kook as global brand ambassador for its jeans and underwear. In campaign imagery shot by Park Jong Ha, Jungkook shows off Calvin Klein's '90s Straight Denim and Body Jeans, Relaxed Fit Denim Shirt, Oversized Denim Jacket, and Relaxed Fit Standard Logo Crewneck Tee. Although it is his first-ever solo campaign for the American brand, it marks the seventh major fashion deal he and his bandmates have inked since the start of 2023.



Bottomley says Calvin Klein has a diverse mix of consumers whom they want to engage across cultures and geographies. "There's a broad audience to talk to. Calvin is about sensuality. But beyond that, it's about provocation. It's about confidence. You put your Calvin's on and you feel ready, you really are out there," he said.

Last year, Kate Moss' daughter, Lila, appeared in a Calvin Klein jeans campaign 30 years after her mom's iconic ads.

## Getting Technical About It



Amy Gershkoff Bolles, global head of digital and emerging technology strategy at Levi Strauss, spoke with "Chain Store Age" in November about how the brand is engaging Gen Z consumers—online and in stores. Some takeaways:

### On the framework for technology...

Our scorecard for evaluating emerging technology opportunities involves looking at the strength of alignment between that initiative and our company's overall strategy, and our company values. We're a very values-driven organization. Levi's also leverages robust financial analysis to look at any opportunity to ensure it's going to generate enterprise value for our business. And, most importantly, we also look at the positive impacts that any initiative would have on the consumer experience. That's always front-and-center in how we make decisions.

### On metaverse opportunities...

As we look in particular at our Gen Z shoppers, they shop and live their lives in an entirely different way than prior

generations. Gen Z doesn't see a stark difference between the physical world and the digital world. Gen Z consumers are looking for experiences that blend the best of the physical world and the digital world together. We're trying to think with the lens of the Gen Z consumer in mind about how we can blend the physical and digital world together to create an immersive, fun, memorable shopping experience, such as in the metaverse.

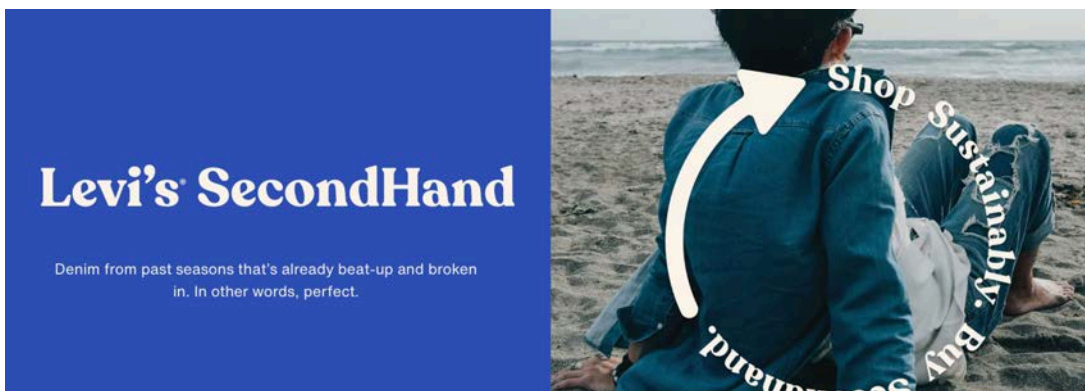
### On innovating in brick-and-mortar stores...

If you are shopping in one of our brick-and-mortar stores and you find a great pair of jeans that you fall in love with, we might only have a couple of different washes of that particular size and style of denim at that store. But right in that moment on our app, you can see our full assortment of all of the possible washes, and then leverage our app to place and order right then and have those jeans shipped to you right away. That is an example of how Levi's is blending the physical in-store experience with the digital experience. We are looking at lots of different ways to continue to integrate the physical and the digital shopping experience.

## Here We Go Again

CEO Chip Bergh says the company is dialed into one consumer shift that highlights brand loyalty: "One thing that's changing is the way teenagers are shopping. They're really into the circular economy and thrifting is really, really important. Buying secondhand, making it your own, wearing it for a while, potentially thrifting it later—that is where the puck is heading. And Levi's vintage is something that people will pay a premium for. They'll go hunting for it. I like to say nothing validates the value of our brand more than someone who's willing to pay \$300 or \$400 for a vintage trucker jacket when we sell them brand new for \$100 or \$150. It really does speak to the power of the brand."

## Denim and the Re-Commerce Market



In 2020, Levi's got into the secondhand denim market, launching an online site and offering credit to shoppers who book a trade-in appointment at a retail location.



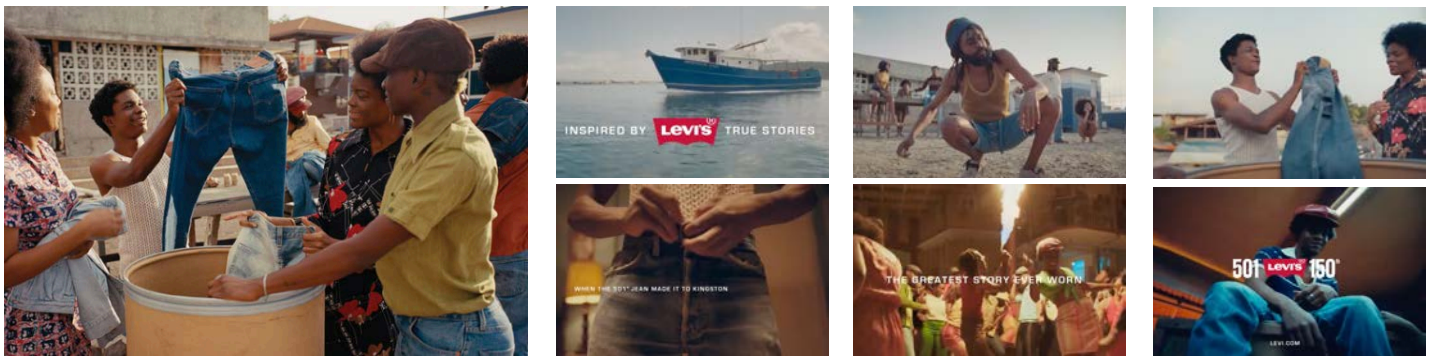
Levi's has 19 million members in its loyalty program. "We're experimenting...with a lot of technology stuff. Half of the things that we do wind up being total flops. You know, kind of fail fast, fail cheap, and move on," says CEO Chip Bergh.

# THE MARKETING

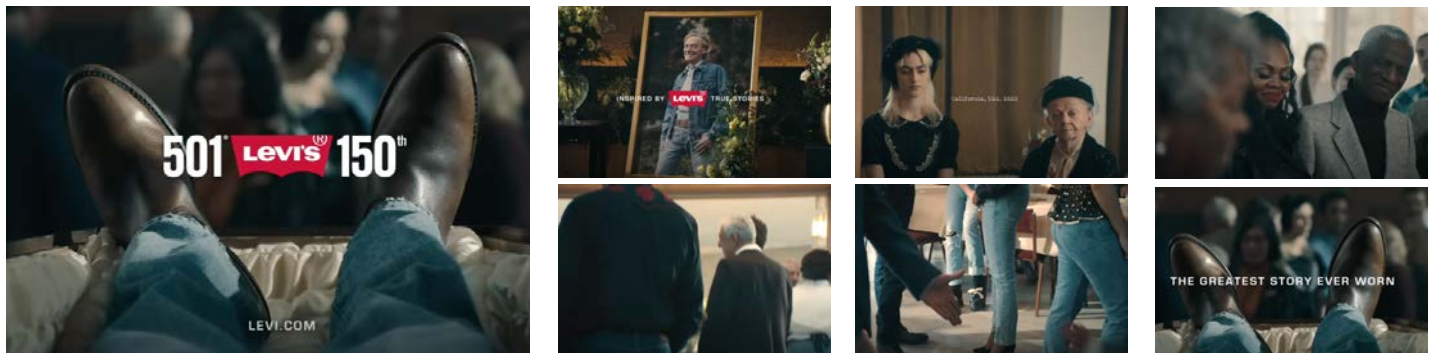
## Recent Marketing: Celebrating an Icon



To celebrate the 150th anniversary of its iconic 501 Jean, Levi's and Droga5 enlisted filmmakers Melina Matsoukas and Martin de Thurah to bring true tales to life. Three short films are part of a campaign, "The Greatest Story Ever Worn," that spans social, out-of-home, print, events, and digital activations. "All of the stories were gleaned from extensive research from the Levi's archive, newspaper obituaries, and online platforms like Reddit," noted "Marketing Dive." (Droga5's New York and Sao Paulo offices developed the milestone campaign.)



Two of the campaign's mini-films launched at the Grammys, illustrating some of the ways Levi's 501s have become a focal point in lives around the world. According to *Women's Wear Daily*, "'Precious Cargo' recalls the arrival of 501s to Jamaica in the '70s and how the people of Kingston made the look their own—and ultimately exported their style back out to the world." Watch [here](#).



"Legends Never Die" shows how a man who lived life in Levi's decided to die in them, too, asking that he be buried in his 501s and the people attending his funeral wear them as well. According to the company's press materials: "Hundreds of dearly departed have requested to be buried in their 501 jeans. Most funeral directors don't get it, but we definitely do. Because that's just going out in style in the greatest story ever worn." Watch [here](#).

## All Things to All People



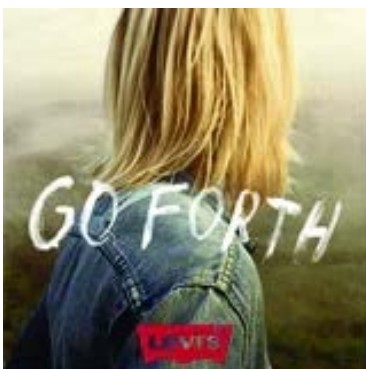
Levi's has stepped up the marketing of products crafted for gender-neutral audiences. The company first released a line of products specifically designed to be worn by different genders in February 2017. It was called Line 8. (Above left and center: a Levi's unisex style campaign from September 2019. Above right: a June 2020 unisex campaign collection.)

## California, Here We Come



A 35th anniversary campaign for the Dockers brand in 2021 marked a shift to what the company called "a more California-inspired aesthetic and contemporary, sustainably-focused mindset." Levi's tapped surf industry veterans Selema Masekela and Ryan Harris, noting that they "perfectly embody the diverse and stylish vibe of the Golden State."

## Miscellaneous Marketing Milestones



Levi's launched its first global marketing campaign in 2011. Work from Weiden + Kennedy used the "Go Forth" theme, intended as a "rallying cry to create positive change." The company said the tagline was also intended to inspire and influence future product development.



**Building Bridges**  
A promotion to mark the 150th anniversary of Levi's 501 jeans.

# PEOPLE ARE TALKING ABOUT PITCH PERFECT INTEL. LET'S HEAR THEM OUT.

WE ARE SO APPRECIATIVE TO HAVE YOUR PARTNERSHIP. LEADERSHIP IS BEYOND IMPRESSED BY YOUR PRODUCT. / IF YOU'RE KEEPING TABS, YOU'LL REALIZE WE'RE TWO FOR TWO WHEN IT COMES TO WINNING PITCHES WHERE WE GOT DOSSIERS FROM YOU. THAT'S WHAT WE IN THE BIZ CALL "POWERFUL RESULTS." SO THANKS AGAIN. / STEVE – THANK YOU. THIS IS TRULY FANTASTIC. BOTH COMPREHENSIVE AND INSIGHTFUL. / WE LOVE THESE DOSSIERS AND I ALWAYS APPRECIATE THE SPIRIT OF FUN. THE DELIVERY TIMING COULDN'T BE BETTER ON THIS ONE. / I'M SO HAPPY I CALLED YOU. BEST DECISION I EVER MADE. THANK YOU FOR YOUR GREAT WORK. / ONCE AGAIN YOU TOTALLY DELIVERED. REALLY APPRECIATE YOUR PARTNERSHIP. / LOOKING FORWARD TO THE NEXT PITCH. YOU'LL BE ONE OF THE FIRST PEOPLE I CALL. / LOVE YOUR WORK AND WE'RE EAGER TO FIND A WAY TO WORK WITH YOU AGAIN VERY SOON. / HOLY COW. THIS IS AMAZING. / SO. DAMN. SMART.