

## CHAPTER 3

### United Drapery Stores Ltd.

52. United Drapery Stores Ltd. (UDS) was incorporated in 1927 for the purpose of acquiring five department store companies and one credit drapery business. The issued capital of UDS at 28th January 1967 was £22,809,067 made up as follows:

	£
5% preference shares ... ..	706,386
7% preference shares ... ..	1,347,338
ordinary 5s. shares ... ..	20,755,343

UDS stated that since 1927 the original character of the business had materially changed in consequence of expansion and diversification.

53. In terms of sales, the present activities of UDS may be summarised as follows:

	Group sales	
	£'000	<i>per cent</i>
Men's outerwear and mercery ... ..	24,599	26
Women's fashion chain and department stores	30,007	31
Mail order ... ..	4,860	5
Other activities ... ..	37,096	38
	96,562	100

54. Although it is only a quarter of the business, the most important of the trading divisions of UDS for the purpose of our inquiry is the Men's Tailoring Division, since the manufacture and sale of men's outerwear is the principal activity of the Burton group. However, the department stores, women's fashion shops and mail order also have some relevance since there are corresponding activities in the Burton group (see paragraphs 40 and 42(a)).

#### Men's outerwear

55. The principal businesses in the Men's Tailoring Division of the group are John Collier and Alexandre. Prices Tailors Ltd., trading as John Collier (formerly Fifty Shilling Tailors) and Claude Alexander, was acquired in 1953. This business had been started by Mr. (later Sir Henry) Price in 1907 with one small shop at Silsden in Yorkshire. In 1919 a private company had been formed, and by 1928 this company operated seventy-four retail shops and a small factory in Leeds. A public company was formed in 1928. In 1931 the number of retail shops had increased to 112 and an additional factory had been purchased in Leeds. In 1932 the number of retail shops had been increased to 232 by the acquisition of a chain of shops trading

as Stewarts Clothiers, and this had necessitated a further increase in the manufacturing capacity. Thirty-seven shops trading as Claude Alexander had been acquired in 1950. UDS told us that in 1953 it was offered a substantial holding (about 40 per cent) in Prices and that, since expansion was its policy, it accepted this holding and made a public offer for the remainder of the share capital. The whole of the ordinary capital of Prices Tailors was, in fact, acquired. After the acquisition the name under which most of the shops were trading was changed from Fifty Shilling Tailors to John Collier.

56. After acquiring Prices Tailors UDS found that the company was short of good top management; in 1954, therefore, UDS made an approach to Alexandre Ltd., and after negotiation acquired the whole of its capital. The Alexandre business had been founded in 1903 as a clothing manufacturing business. The first shop had been acquired in 1905, and by 1914 there were five shops. The business had become a private company in 1917 and a public company in 1937, at which time there were seventy-four shops. Factory production and retailing had continued to grow steadily and the number of shops had increased to eighty-four in 1953 and to eighty-eight in 1954.

57. Both John Collier and Alexandre sell principally men's outerwear but also some shirts and ties. Proportions of sales of suits by John Collier and Alexandre at various price levels were as follows in the thirteen weeks ended 30th April 1967:

	John Collier <i>per cent</i>	Alexandre <i>per cent</i>
Up to and including £12 19s. 6d. ... ..	38	14
Over £12 19s. 6d. and up to £14 19s. 6d. ...	30	23
Over £14 19s. 6d. and up to £16 19s. 6d. ...	16	19
£18 19s. 6d. and over	16	—
£18 18s. 0d. ...	—	19
£21 and over ...	—	25
	—	—
	100	100
	—	—

58. UDS's pricing policy in recent years has aimed to cover the whole range of selling prices normally covered by multiple tailors. In the five years to 28th January 1967 there was a marked upward trend in the average realised price both for made-to-measure and for ready-to-wear suits, although in the same period there was, as in the case of Burton, a relatively small change in the lowest normal price at which UDS offered suits for sale (see paragraph 41(b)). The movements in average realised prices and lowest normal prices of suits sold by John Collier in the period of five years to 28th January 1967 are demonstrated in the table below:

Year ended January	Lowest normal prices	Average realised prices			
		Made-to- measure		Ready-to- wear	
		£	s. d.	£	s. d.
1963 ... ..	8 19 6	11 19 4	10 15 4		
1967 ... ..	9 19 6	14 13 0	13 5 2		

Looking at the complete range, we found that, as in the case of Burton, suits sold at the bottom of the range made relatively little contribution per unit to (shop) overheads and profits, but that, above this, the contribution per unit rose rapidly, both absolutely and as a percentage of sales. (UDS stated that it regarded a low priced suit as essential in order to maintain unit sales at the level necessary to keep its factories in full production.) John Collier and Alexandre also sell women's made-to-measure coats and suits to the extent of £1 million a year (less than 4 per cent of their combined sales). The Claude Alexander shops are treated by UDS as a separate chain, and are referred to below.

59. When Prices was acquired it had 399 shops, of which 363 were trading under the name Fifty Shilling Tailors; but owing to closures and to the transfer of nineteen shops to the Alexandre chain the number has been reduced and the present total is 331. Alexandre had eighty-eight shops at the time of its acquisition, and the number has now risen to 126. Both companies have their own factories—John Collier seven factories with some 5,000 employees and Alexandre five factories with some 2,200 employees.

60. UDS stated that its Alexandre business had considerable experience in the manufacture of men's civilian tailored clothing for sale to US Army and Air Force personnel in US bases in Europe and elsewhere. This export business was started in 1948 and has expanded over the years.

61. In addition to John Collier and Alexandre there are in the group three other chains of shops selling men's outerwear. These are Claude Alexander (already mentioned), Brooks Bros. Ltd. and Peter Pell Ltd. Claude Alexander, which was acquired in 1953 as part of the John Collier group, had thirty-six shops at the time of its acquisition, but owing to closures and transfers within the Tailoring Division the number has been reduced to twenty-five. The Claude Alexander shops operate in Scotland. Brooks Bros. was offered to, and acquired by, UDS in 1963; it then had twenty-seven shops and now has fifty-one. Peter Pell was acquired in 1964, also as the result of an offer to UDS; it now has fifty-one shops in the north of England (forty-five at the time it was acquired) and its own factory employing about 200 people. The shops of Claude Alexander, Brooks Bros. and Peter Pell sell a wider range of goods than the John Collier and Alexandre shops, and include knitwear, casual wear, shoes and women's ready-made outerwear. They also differ from the John Collier and Alexandre shops in that most of their business is on credit, sales being almost entirely on weekly payment terms. The number of men's suits sold in all UDS shops in the year ended January 1967 was 1,119,000.

62. The changes in the numbers of shops operated by the various chains since their acquisition have been due to the opening of new shops, closures and transfers within the organisation. A total of fifty-seven shops has been closed since UDS first entered the multiple tailoring trade in 1953, and UDS told us that all closures were for one of the following reasons:

Legal—expiry of lease or compulsory acquisition.

Property—considerable expenditure needed on rebuilding or renovation.

Trade—falling away of business in a particular area and the shop becoming unprofitable.

In the same period fifty-two shops have been opened.

63. In July 1967 about 13,000 persons were employed in the Tailoring Division. However, UDS employs some people who work part time. These people are employed mainly in the retail shops, working either on Saturdays only or parts of days during the week, and the full time equivalent of the total employed would be slightly less than 12,000. Wages of factory employees (excluding supervisory staff) are paid primarily on a piece rate basis, but a proportion are on an hourly rate basis.

64. **Other Divisions.** (a) *Department Stores.* The Department Stores Division of UDS operates fifteen department stores in the south of England, the north of England, Aberdeen and Cardiff.

(b) *Household Supply.* The Credit Household Supply Stores Division is mainly engaged in supplying popular-priced household goods and furnishings through salesmen/collectors operating from 257 branches. Burton has no organisation comparable to this division.

(c) *Women's Fashion Chain.* The Women's Fashion Chain Division has 105 women's fashion shops trading as Richard Shops and selling women's popular-priced coats, dresses, separates and underwear.

(d) *Mail Order.* The Mail Order Division operates from head offices in Manchester and Edinburgh, and trades as Atlas Stores, Worldwide Warehouse and Heather Valley. It sells through agents in all parts of the United Kingdom.

(e) *Ocean Trading Export.* The Ocean Trading Export Division sells duty-free goods to shipping companies and also operates thirty-three shops on board ships of a number of leading shipping lines. This division does not sell men's outerwear.

(f) *Wholesale and Merchanting.* The Wholesale and Merchanting Division is concerned with wholesaling of men's and women's clothing and knitwear to home and overseas markets. It does not in general supply men's outerwear to the shops of the Tailoring Division.

### Profits

65. We obtained from UDS detailed information about its trading results for the two years to 28th January 1967. Many of the UDS Tailoring Division's retail properties are partially let (usually the floors above the ground floor); the income derived from letting is included in the Tailoring Division's profits and makes a significant contribution to them. We give below for the year ended 28th January 1967 a summary of the profits expressed as percentages of capital employed\*.

Tailoring Division (men's outerwear and mercery)	...	11.5
Other activities	... ..	21.0
	Group total	<u>16.4</u>

In the balance sheet at 28th January 1967, the group's freehold and leasehold properties were valued at £58 million. The properties were professionally valued in 1965 as the result of which about £22 million were added to book values.

\* These figures are comparable to those given in the table in paragraph 46 (see also footnote to paragraph 46), but it was not practicable to obtain figures for UDS comparable to those given for Burton in the last sentence of paragraph 46.

## Production and efficiency

66. In the table below we give for the John Collier and Alexandre factories production\* indices, based on the year ended January 1963, for the four years to January 1967:

Year ended January				Men's wear production index
1963	...	...	...	100
1964	...	...	...	105
1965	...	...	...	107
1966	...	...	...	104
1967	...	...	...	98

67. In the period under review the number of employees in UDS factories has substantially fallen and despite the fall in production since 1964-65 UDS has succeeded in raising the output of garments per factory employee.

68. During the period of nearly five years to January 1967, when wage rates and actual average earnings increased by more than one-third, direct making costs increased by less than 5 per cent. Production per factory employee per annum rose from 217 units in the year to 28th January 1963 to 237 units in the year to 28th January 1967. UDS stated that its success in mitigating the effects of wage rate increases on unit costs was derived largely from its continuous review of methods of manufacture, and particularly from detailed work study and the introduction of manipulative aids by its own staff of production engineers working in conjunction with independent production engineering consultants.

69. Research and development are carried on mainly on the factory floor, but UDS has a central research organisation at Leeds which employs seven men.

## CHAPTER 4

### The Merger and the Case for it

#### The merger

70. We were told by both UDS and Burton that the possibility of a merger between them was first considered in 1964. At that time discussions took place but, for reasons which are not relevant to our inquiry, they were broken off by the Burton side before any agreement could be reached. No further action was taken until the middle of 1966 when a third party suggested to the Deputy Chairman of Burton (Mr. R. M. Burton) that the possibility of a merger should again be considered by both groups. With the agreement of the Deputy Chairman the third party, acting as intermediary, then approached the Chairman of UDS in order to discover whether UDS was interested in re-opening the matter. As a result of these moves it emerged that both sides were again interested in the possibility of a merger, and discussions were again started.

---

\* For measuring production UDS adopted the same formula as did Burton (see footnote to paragraph 48).