

President Battle Praises Quality Of Fieldcrest People

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superior people, much superior to the people in the competitive companies. I am not knocking our competitors, but I am very proud of the type of people, and I can say this without my bragging because I have really had nothing to do with it. These people were here when I came; actually, that's the reason I did come because I felt that it was a company that had great talent.

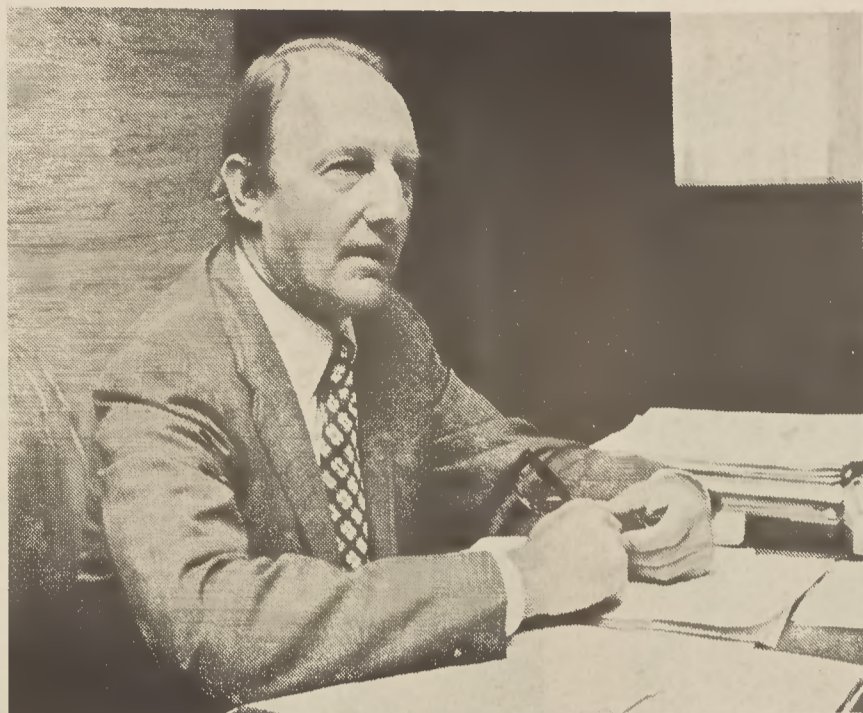
Goals For 1973

I think that Fieldcrest's main goal for 1973 was to catch up, if you will, on our capital improvement, our capital expansion. For several years, we have been on a plateau, and we have only spent depreciation, which is \$6 to 7 million a year. A company our size, a growing company, cannot expect to maintain its position in the market, to say nothing of expanding its position, unless it can continue to plow capital back in for new equipment, new plants, new facilities. This year we had approved a \$23 million capital program of which we will spend about \$18 million in 1973 and the other will carry over to 1974. But I think that is certainly the most significant thing we have done this year.

Effect Of U.S. Economy

The most telling effect of the country's economic problems on the Company this year has been in the extremely high rising and fast rising costs when our prices could not keep pace, which means that the margin of profit in our sales is reduced.

Now, our sales have increased and will be up around the \$280 or 290 million mark this year which would indicate a very definite expansion in our sales; but with the high cost of raw materials and inflation and all of that, and the price controls on our retail products but not on our raw



"... The quality of the people ... has contributed more to this growth than any other factor."

materials, our margins are down because our costs are going to be so much higher. So it has had a bad effect.

Internationally, throughout the world, the situation has had a very good effect; and I think it will be long-range because with the devaluation of the dollar abroad, people in France, England, Australia can buy about 30 percent more for their money than they could a year ago and this means they are looking to American products. We are being interviewed all the time by trading companies from Japan and people overseas who want to market our textile products overseas at very good prices, better prices than we can get here at home. So I think that the international market is very attractive. I think that this will be a long-range thing. I don't see a recession at all.

Activity In International Market

We have a man, Fred

Stigeler, who has just returned from a world-wide trip analyzing the key markets in the Far East, in Japan, Australia, New Zealand, and South Africa. We also, of course, have a man in Western Europe who covers Western Europe and England. I will be going to England myself the latter part of this month to the opening of the Fieldcrest Shop in Harrod's Department Store. This is a brand new exclusively Fieldcrest Shop in probably the most famous department store in the world. I think it will be quite a treat.

Sees Improvement

I do think the situation here at home will get better. In all probability, the cost of our raw materials is going to stay high because of the present government's policies of encouraging the exportation of cotton and man-made fibers to reverse the imbalance of trade that we suffered from for so many years. "I would much prefer to en-

courage the exportation of manufactured products, which would mean that you not only give a nice price for the raw materials to the farmer and to the producer, but that you would also provide jobs for those people working in the manufacturing end of the business and then send the finished product abroad. That is a much better long-range program. I think that the price controls will go off. They have not been successful. If we can get our prices up to a point where they are realistic in view of our rising costs, things should get better.

Profit Improvement

I would like to comment briefly on the Profit Improvement Program which we have had in effect this year. My main observation is that it should have been in effect all along, but the significance of it is that we can define about \$5 million in savings already. These savings have now been eaten up by the increased costs, but we would have been in bad shape had we not done this. And it's not going to be a one-shot proposition, it's going to be an on-going thing under the direction of Robert Harris who knows this Company intimately and it's going to be a continuing thing. We are encouraging all employees who have ideas on how to save and what to do to make suggestions to its good.

Direction For 1974

I don't really see any changes in policy or direction for 1974, but I think we will have a period re-adjustment and consolidation of the results of the new expenditures, with new plant equipment and new techniques and things of that sort.

We have the new Bondi rug machine which is entirely

revolutionary in the carpet making world. We have world rights on it, and it is now beginning to produce carpet satisfactorily at Whiteville. We have the Mohasco machine, another very new operation at Laurelcrest. These things will be coming onstream and it will take some adjustment to get ready for them; but I think it will be consolidation here in 1974.

Statement To Employees

I have already said that the performance of the Company is directly attributable to the kind of quality of our employees, but I would like to say also that one of the things that has pleased me very much has been the reception of our new program of how to allocate funds from the Fieldcrest Foundation. I am talking about our educational grants program.

When I came here, a lot of the money from the Foundation was going into purchasing brick and mortar and buildings and into libraries here, there and all over this country and into hope houses all around. They are good causes, but they have no relation to our people; and so we developed this new program of trying to put the major emphasis on the children of our employees through educational grants-in-aid. The response has been tremendous.

At present we have 81 sons and daughters of employees now going on with higher education who probably would not have been able to do so without the outright grants from the Fieldcrest Foundation. And it's based on need and willingness to go to school and the ability to do the particular course that one has chosen. It is not based on scholarship as are the Fieldcrest Scholarships. I think it's a great program."

Karastan Marketing Goals: Quality, Fashion, Value

The phenomenal growth and development of the Karastan division truly began with the incorporation of Fieldcrest Mills, Inc. 20 years ago.

Between the years of its founding in 1928 and the incorporation in 1953, Karastan had established a respected name in the U.S. carpet industry as a manufacturer primarily of quality Oriental-design rugs aimed at a small but specialized market.

But, because of its limited product mix and distribution base, Karastan's sales volume was confined to a modest level even within the relatively small carpet industry that existed in 1953.

Contrast this with the carpet division's current position. Today, Karastan ranks among the 10 largest carpet mills in the United States in an industry that registered a volume of about \$2.8-billion in 1972. Also, the

Karastan brand is known and valued not only in the United States, but in Canada and Europe as well.

This remarkable marketing success story was achieved through the development of new products, expanding merchandising and advertising efforts, an effective sales force and a strong "marketing philosophy."

As explained by Walter B. Guinan, a senior vice president of Fieldcrest Mills, Inc. and president of the Karastan Marketing Division from 1957 to April of this year, the Karastan philosophy has been based on "quality, fashion and value." The dedication to these goals continues today under the direction of the current president, John F. Deery.

Karastan always had a reputation for quality, but its fashion image was established and nurtured in the years

following the incorporation. Mr. Guinan pointed out that it was no coincidence that important development of Karastan's own Kara-loc loom started shortly after the incorporation.

The Kara-loc, he said, eventually became the most versatile and efficient loom in the carpet industry. Its development and subsequent refinements have enabled Karastan to produce broadloom carpets and area rugs of many varied designs and textures which greatly expanded the division's product line.

Today, Karastan is as famous for its luxury broadlooms as for its Oriental-design rugs which continue to be as popular today as when they were introduced.

Mr. Guinan commented also that design and product development cannot be divorced from Karastan's marketing concepts. "It is the creative efforts of our designers and

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Karastan colors the big country... in bold carpets that enhance the design surprise of a traditional English Tudor home in Texas. Bursts of vivid color and lush texture as exhilarating as the big country itself. Karastan... for distinctive carpets and rugs that meet the challenge of creating beauty in any setting... familiar or unexpected.



1. Karastan's new design... 2. Karastan's new design... 3. Karastan's new design...

Karastan

Shown here is Karastan's latest consumer ad which is appearing in national magazines and major city newspapers.