

Levi's – The Fashion Phoenix

Suffering from harsh competition, a lack of innovation, and a blurred brand image, by the mid-aughts nothing was looking good for the inventor of jeans founded in San Francisco in 1853. Recovery came under the management of Chip Bergh, formerly of Procter & Gamble – and the fans are back. We take a look at how Levi's rose from the ashes.

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Tracey Panek pulls on her white gloves and leans over a large cardboard box, delicately unfolding several layers of tissue paper to reveal a brown leather jacket – oily, cracked, and weathered. *“This was the jacket Albert Einstein wore in the 1930s – a Menlo,”* explains Levi's official historian at the group's headquarters in San Francisco. To get its hands on this rare gem, the firm had to bid as high as \$104,000 at a Christie's auction in 2016. *“The leather still smelled of the scientist's pipe,”* recalls the archivist.

And so it was that another item entered the Levi Strauss & Co collection, now running to several tens of thousands of garments, carefully preserved in different warehouses across the city. It's a story like none other in the fashion industry – and a goldmine for stylists seeking an endless source of inspiration. Take the recent ladies' collection Crazy Legs, one of the big hits of last summer. *“It was a revival of a 1967 model, covered with flowers symbolizing the Summer of Love, when over 100,000 hippies converged on San Francisco,”* explains Tracey Panek. The historian is not alone in collecting legacy Levi's. In early October, an auction in the boonies of New Mexico saw a pair of 1880s jeans discovered in a disused mine go under the hammer for \$76,000. The buyer was a young reseller of vintage clothing from San Diego.

A Procter & Gamble veteran to the rescue

There can be no doubt that the inventor of jeans is enjoying a new lease of life, and a fan base to go with it. That's no small feat given that not so long ago, many thought it had had its day. Amid competition from newcomers, an unclear brand image, and a dearth of creativity, nothing seemed to be going right any more for this American icon. But the past ten years or so have seen a breath of fresh air. Under the watchful eye of Chip Bergh, summoned from Procter & Gamble to mount a rescue operation in 2011, sales have recovered from \$4.6 billion to a forecast \$6.1 billion this year, 55% of them outside the US. The firm's debt has halved, to \$1 billion, while the net margin is now almost 10%. *“We're only just getting started,”* says the 64-year-old boss, wearing (what else?) Levi's 501 raw selvedge jeans and a black T-shirt, talking to us in his office, which has a stunning view over the Bay. *“We should be seeing over \$9 billion in sales by 2027,”* he adds. And the analysts on Wall Street, where the firm has been listed since 2019, are believers. *“Chip Bergh's strategy is pretty impressive,”* notes Bob Drbul of Guggenheim Securities, New York. *“The group still has strong growth potential, especially in France, one of its biggest markets.”*

It's a major comeback for the venerable company, 170 years old and still majority-owned by the descendants of its founder, Levi Strauss. The adventure began in 1853 in the era of the conquest of the American West. Having emigrated to New York from his native Bavaria, Strauss settled in San Francisco at the age of 24, originally with the aim of peddling denim tarps to gold miners. In his store, young Levi often heard prospectors moaning about their inadequate

clothes. He hit on the idea of using the tarps to make dungarees and work pants. They'd be blue. They'd be rough, too. But they'd also be super tough. It was a winning formula. Dubbed Levi's, the garments sold like hot cakes.

From gold prospectors to Silicon Valley

Twenty years later, Levi Strauss & Co was a flourishing business located on Battery Street near the city's port (just down from today's corporate headquarters). It was there that Levi received a letter from one Jacob Davis in Reno, Nevada, a maker of work clothes for lumberjacks: the woodsmen were complaining that their pockets were too fragile; Davis came up with the idea of using metal rivets to strengthen them. The seamster was keen to patent his invention, but lacked the funds to do so; Levi Strauss had no shortage of funds and found the idea wonderful. And so, on 20 May 1873, the two partners registered the patents for the first pair of denim pants reinforced with rivets, named the 501 after a batch of material. Levi Strauss was childless when he died in 1902, leaving his nephews, the Haas Brothers, a tidy fortune and a prosperous business. Jacob Davis handed over his shares to them in 1907, one year before his death.

The century or so that followed witnessed one of the greatest success stories of American enterprise. Having started out as working apparel for carpenters, stonemasons, miners, farmers, and truckers, Levi's jeans gradually became the symbol of a counterculture. Worn on screen by Marlon Brando, James Dean, and Marilyn Monroe in the late 1950s and popularized by John Wayne westerns, they went on to be adopted by rock icons such as Bob Dylan, Mick Jagger, and Bruce Springsteen. France had its fair share of ambassadors too: Jane Birkin and Serge Gainsbourg, Christophe, Johnny Hallyday, Antoine, Jacques Dutronc, and others.

Levi's jeans reached their zenith in 1969 at Woodstock, where over 500,000 hippies wore bleached, ripped, patterned, or flared variations. *"Levi's had a market share of 97% at Woodstock; the remaining 3% were probably in the nude."* Or so legend has it at the firm's head office. After that, Levi's became virtually mandatory wear for cool dudes everywhere.

When AIDS swept through San Francisco's gay community in the mid-1980s, Levi's became one of the major nonprofits to offer patronage – and its jeans became the pants of choice for gays: skin-tight pairs topped by a leather jacket. At the same time, Silicon Valley was starting to burgeon around the Stanford campus. Levi's was about to become the favorite brand of thousands of students and tech wizards. Apple founder Steve Jobs made Levi's part of his uniform. The result was that in 1997, Levi Strauss & Co. (in addition to the Levi's brand, the company also owns Dockers, launched in 1996) hit record sales of \$7 billion.

A wave of competition

That was not going to last. By the turn of the millennium, this embodiment of the American dream was starting to show signs of age – as were its original fans. By 2003, sales were down to \$4.2 billion, while losses rose to \$349 million. Still headed up by the family, the group found itself unable to withstand the incoming armada of competitors. From jeanmakers Kaporal, Guess and Diesel to off-the-peg brands, fast fashion outlets such as Zara and H&M, and luxury firms, everyone was getting in on the act. Caught in the crossfire, Levi's began to lose its way.

Meanwhile the younger generation showed no signs of having the same affinity for the brand's heritage, and saw little interest in sporting the red back pocket label so beloved of their elders. In 2010, the average age of US Levi's (mostly male) clients was 47. That said it all; *"My sons*

were 24 and 29 back then, and they'd never worn a pair," admits Chip Bergh. The rise and rise of athleisure added to the woes of the Californian firm and other veterans in the market such as Lee and Wrangler. The trend toward wearing comfortable apparel designed for sport when in town made the straight cut and rough canvas of 501s and their ilk look so yesterday.

'Levi's Blues' – and strong medicine

Things were not much better in-house. In 2009, the New York Times ran the headline 'Levi's Blues', and when Chip Bergh took the helm in 2011, the former US Army captain lost no time in making changes. He started out by wielding the scythe among the senior executives. Eighteen months into his tenure, nine of the eleven top managers were gone. *"Today, I have the best team in the business"* says the CEO of Levi Strauss & Co. He also put the firm on a strict diet, shedding 800 jobs.

After that, he ruthlessly winnowed the brand's distributors. During his first reviews of the troops worldwide, he observed that Levi's were hard to find in department stores, drowned out by the competition. A fresh order went out: sales must be pushed on the brand's website and in its network of 3000 Levi's stores, where margins were much higher. *"As a result, we now have full control of the customer experience and can leverage data from our outlets,"* explains the former Gillette boss. Manufacturers were not immune from these sweeping reforms. Those failing to comply with the brand's increasingly strict social and environmental specifications were dropped. Today, the group only has two factories (in Poland and South Africa), but the list of its 500 or so subcontractors in some forty countries can now be consulted online – a rarity in the industry. All of them are audited annually.

Once the clear-out was complete, and with the management on an even keel, Chip Bergh went on to revitalize the Levi's brand. *"My aim was to make it younger, more feminine, and more responsible, without abandoning its heritage,"* he explains. It was a delicate exercise. *"But it was a textbook study of how it should be done,"* says Gilles Cohen, a partner at strategy consultants Klartis. There was only one possible path to success: *"Innovation, innovation, innovation"* was the boss's watchword when addressing employees.

"That mantra rekindled our passion," acknowledges Jonathan Cheung, Head of Design from 2009 to 2019 and now a consultant in San Francisco. Against the advice of his Finance team, Bergh invested several million dollars to provide his creatives with an incredibly effective resource: the Eureka Innovation Lab, four blocks down from headquarters. *"That's how Lévi's is reinventing the world of denim like no-one else anywhere in the world,"* concludes Laurent Vasilescu, a New York-based BNP Paribas Exane analyst.

New production methods

We find ourselves at a nameless old warehouse stands at the bottom of a dead-end street. Cross the threshold, and you're in a different world. There are rolls of material strewn along the walls, dozens of prototypes scattered on the ground, a sewing workshop – and a row of washing machines full of pumice stones to achieve the legendary 'stonewashed' effect. It's like a mini factory, where some thirty engineers test fibers, indigos, wear marks and cutting techniques. *"We've already registered around forty patents,"* boasts Bart Sights, who heads up the Lab – shaven head, small glasses, black varnished nails, and vintage jeans. His team's achievements include a stretch mix designed to provide better-fitting ladies' models, a connected jacket developed with Google (sensors embedded in the material allow wearers to answer phone calls

simply by pressing their sleeve) and the 511 Commuter model, aimed at cyclists, made using a stretch, waterproof denim that's also reflective in the dark.

Factories are not forgotten: the Eureka Lab also studies new production methods. Perhaps the most revolutionary is Project F.L.X., devoted to jeans finishing. Conventional finishing takes a lot of water, chemicals, and labor. F.L.X. (Future-Led Execution) is making it fully digitized. *"All finishes – bleaching, ageing, ripping, and so on – are sent in digital format to the manufacturer and then applied directly to jeans with a laser"* explains Bart Sights, operating the incredible machine in question for us as he does so. As a result, the time between the design of a new model and its entry onto the market has tumbled from eighteen months (pre-2018) to no more than a couple of days today – and now uses almost no chemical additives.

In 2019, F.L.X. acquired a new feature: known as 'Future Finish', it allows consumers (so far, only those in the US) to customize to their jeans in 3-D using the brand's website. Once you've chosen a cut (slim, loose, bootcut, etc.) and a model (501, 511, 527 etc. for men, 710, 720, 315 and so on for women), you can decide between several shades of denim, select wear marks, and perhaps opt for colored leather patches at the waist. Since January, Levi's own stylists have been able to refine their creations on-screen in just a few mouseclicks, rather than having to send samples back and forth over a period of weeks. *"The technology has allowed us to reduce the environmental impact of our industry significantly,"* notes Bart Sights.

Fully recyclable 501s

This makes sense: after all, environmental matters are a priority for young people keen on 'slow fashion' – a new target for the firm, as attested to by its most recent ad campaign, 'Buy Better, Wear Longer'. *"There's no way we could go on using over 980 gallons of water between the cotton harvest and the finished product,"* acknowledges Paul Dillinger, Levi Strauss & Co.'s top designer. *"From 2018 onwards, I told my team that instead of simply following fashion, we needed to rethink the way our garments were designed."*

Copy that. After four years' research, Levi's recently launched a 'circular' version of its legendary 501 jeans, made with 60% organic, pesticide-free cotton and 40% Circulose, a new material based on recycled jeans. Circular 501 jeans contain not a single ounce of nylon, and will be fully recyclable. They'll cost \$128, compared to \$98 for a conventional pair. Paul Dillinger's teams have also spent three years working on the High Loose collection, made from 30% hemp denim. Made in Italy, the fabric uses one third less water and chemicals than 100% cotton jeans.

Capsule collections with artists

Environmental aspirations haven't stopped Levi's enriching its collections. Drop by the brand's flagship stores in San Francisco or on the Champs-Élysées in Paris and it's immediately clear that the firm is now much more than a brand of jeans. A huge wall covered with denim jeans remains the stores' hallmark, but T-shirts, jackets, hats, bags, and shoes are taking up more and more real estate. *"The group still has room to diversify,"* argues Mark Owen, who teaches at Columbia Business School, New York.

While the trend among lifestyle brands is to sell three tops for every skirt or pair of pants, the ratio for Levi's is one for two. The brand has increasing numbers of capsule collections featuring artists, too. *"In France, we gave a free hand to the rapper Orelsan and his business*

partner Sébastien Strappazzon; under their Avnier brand, they reworked three of our iconic garments: the Trucker jacket, the 501, and the 512, with flecks of paint and black and fluorescent yellow strips,” explains Diana Dimitian, VP Southern Europe. Launched in mid-September, the mini-series is already rumored to have sold out.

Reinventing the brand isn't enough, though. “You have to let people know,” insists Karen Riley-Grant, a marketing guru recruited in 2014. Immediately prior to her arrival, Chip Bergh already scored points by buying the naming rights to the largest football stadium in California (68,500 seats), home to the San Francisco 49ers. Under the terms of the \$220 million, 20-year contract, the venue is now known as the Levi's Stadium.

“It was a lot of money,” he concedes. “But having been the boss of Gillette, a partner of the Boston Patriots who as a result have played at the Gillette Stadium since 2002, I know what this type of sponsorship can achieve. Matchgoers remain our target market. The 49ers mascot wears Levi's; the brand is everywhere you look in the stadium.” The Levi's Stadium also hosts mega-concerts. South Korean boy band Bangtan Boys are there this coming January, followed by UK artist Ed Sheeran in September 2023. It's a great way to reach young people. “Music is now part of the brand's DNA again,” enthuses Karen Riley-Grant.

Music at the heart of marketing

Since 2015, Levi's has also had a powerful presence at the Coachella Festival, held every year near Palm Springs in Southern California (the most recent edition saw the stage comeback of Stromae). Hundreds of thousands of spectators attend the two weekends, including a myriad of stars, models, and influencers. Levi's clothes many musicians and has a huge stand featuring a bar and a customization workshop. Elsewhere in the world, the Levi's Music Project allows young artists to receive six months of mentoring from well-established colleagues. Studio rehearsals, concerts, individual coaching (and of course, Levi's outfits) are all funded by the brand. In France, the group Hyphen Hyphen, Belgian rapper Isha, and singer-songwriter Gaël Faye have all benefited from the scheme.

“And that's how Levi's has once again become a cool, timeless legend, with products made to last that appeal to every generation,” boasts Chip Bergh. His two sons, now in their 30s, are converts – as is his youngest daughter, aged 13. The stage is set for a happy retirement in 2024, when he is due to pass over the torch to Michelle Gass from retail chain Kohl's.

Levi Strauss & Co.: key dates

1829 Levi Strauss is born in Bavaria.

1846 Strauss joins his emigre brothers in New York.

1853 Strauss sets up in San Francisco, selling equipment to the pioneers of the Far West.

1873 With his business partner Jacob Davis, Levi Strauss registers the first patent for 501 blue jeans: denim canvas pants reinforced with metal rivets.

1902 Levi Strauss dies, leaving his nephews, the Haas brothers, a flourishing business.

1934 Launch of the first jeans for women.

1966 First steps abroad, to Europe and Asia.

1986 The group launches Dockers, a chinos brand.

1997 Levi Strauss & Co. sets a new sales record of \$7 billion.

2005 Robert Haas, the last family member in an operational position, steps down.

2010 Sales collapse to \$4.5 billion.

2011 Chip Bergh (aged 53, ex-Procter & Gamble) becomes CEO.

2019 IPO. The Haas family still owns a 75% stake.

2022 forecast sales of \$6.1 billion; headcount of 14,000; 3000 stores worldwide.

How often should you wash your jeans?

Denim lovers are divided on the question. In 2014, Chip Bergh, boss of the largest jeans manufacturer in the world, revealed that his jeans had not seen a washing machine for a long time; he preferred to wash them with a brush and soap. This allows the denim to acquire a patina, and last longer – as well as saving water. The confession lit up social media. Even today, a Google search for Chip Bergh leads to a prompt for ‘washing jeans’. Received wisdom is that you should wash your jeans once a month at most. “Inside out, and with warm water (90°F), never hotter,” insists Virginia Jure, Levi’s ‘master tailor’ in France, who oversees the made-to-measure workshop at the brand’s Champs-Élysées store.

Politically engaged

Located from the start in San Francisco, Levi’s has always been associated with Californian counterculture. The firm opposed racial segregation from the 1950s onwards and the war in Vietnam in the early 1970s, led the fight against AIDS in the 1980s, and began advocating equal pay, the right to choose abortion, and longer parental leave well ahead of its time; today, the company is also actively campaigning for stricter gun controls. In 2020, CEO Chip Bergh announced the creation of The Safer Tomorrow Fund, which aims to provide non-profits and NGOs working to limit the spread of guns with \$1 million over the next four years.

Levi Strauss’ lucky heirs

One hundred and twenty years after his death, the descendants of Levi Strauss no longer have a management role in the company (listed on Wall Street in 2019) but still own a 75% stake, estimated to be worth close to \$5 billion. The richest, Mimi Haas, is a prominent San Francisco philanthropist with a special interest in the education of underprivileged children. Group CEO Chip Bergh appreciates “*the long-term vision of these family shareholders*” with whom he enjoys “*very warm relations.*”

501s: part of Steve jobs' uniform

The founder of Apple, who died in 2011, whittled down his wardrobe to just a few basics: a black Issey Miyaké turtleneck, gray 992 New Balance sneakers, and a pair of Levi's 501 jeans. His aim was to save time by not having to choose an outfit, instead adopting no-nonsense, impeccably designed garments. At a charity auction in 2016, Levi's archivist Tracey Panek secured the purchase of a pair of 501s worn by Steve Jobs in the 1980s, customized with waist buttons for suspenders. *"They're a reminder that the history of Levi's is also bound up with that of Silicon Valley and its innovators."*