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## Liz Claiborne, Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator instructions) Your first question is from the line of Omar Saad with Credit Suisse.

#### Bill McComb

Hello, Omar.

#### Omar Saad – Credit Suisse

Hi, thanks. Good morning. Bill, I was hoping if you could walk through kind of the Li & Fung decision process. I know you started with Mexx, and I don't know that you've even had a chance to learn much from that relationship on the Mexx side and then the decision to kind of blow it out for the whole company. What were the, kind of the pros and cons as you went through that decision process and where do you think this takes you? From a longer term perspective, how does this change – fundamentally what Liz Claiborne is as a company?

#### Bill McComb

Well, yes, okay. We'll get to the last part of that. I don't think it changes anything to be honest with you. I'm a little surprised by the market, the general market places understanding of what these sourcing functions do and how they work. Take it from the top. In fact, you should know that we had visibility to a significant amount of what I'll call improvement, already in a very short window with Mexx. What you all should know is, that in a very short cycle, of what I'll call sourcing or the tendering process for a given season, the ability to improve cost of goods sold becomes very apparent. Also their processes of how they go about using different regions in the world, to basically double source or triple bid, if you will, a given product line, it absolutely became very clear to us that, that their tendering processes were far more aggressive and very advantageous to us.

Add that to the fact that as I said, the marketplace in general is putting significant pressure on AURs. Whether you think we're bearish in our view of 2009 or just realistic, any model that you would have for the business would suggest that there's going to be big AUR pressure, which really steps up the need as we say to do more with less much faster and really deliver value to the consumer. And with the early line of sight that we had to Mexx and the fact that, as I said, the changes that Peter Warner began implementing with the divisional VPs of sourcing, we began to conclude, very clearly, that Li & Fung is the benchmark, that they have the best practice in vendor management and vendor development. And if we were going to spend a lot more time and money working and pushing the

issue, all we would be doing is attempting to get to the level of Li & Fung. Li & Fung specializes in apparel sourcing.

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