

WITH Michael Silver, President of Silver Jeans and partner in Western Glove Works Ltd.



Michael Silver is a partner in Western Glove Works Ltd., one of Canada's largest clothing companies, which has been producing branded products under the Silver Jeans, 1921, and Victoria Beckham labels and private label denim since 1921. A diverse enterprise part of the Stern Group, the company is involved in the ownership of Warehouse One jean stores, a 120 unit retail clothing chain and Alberta News print, a major paper supplier, the Winnipeg Free Press, Brandon Sun and Urban Barn Furniture stores. The entire group employs over 2000 employees and generates annual sales in excess of one billion dollars CDN. He has been President of the Manitoba Fashion Institute and Director of the Canadian Apparel Federation; an executive position on the Canadian Export Advisory Council. Michael has a fine arts degree from the University of Manitoba and is a regular lecturer at the Business Faculty on clothing, textiles and marketing. He was interviewed following a speech to a Frontier breakfast on October 10, 2007.

FC: Frontier Centre: What do you think of globalization? Is it good or bad?

Michael Silver: It's definitely good. Once we figured out what the word meant and once we figured out what it meant to our industry I think we embraced globalization both from the perspective of the world to sell and the world with which to procure goods from. It's liberating. From when you only could make from the confines of what your own facility could make and sell to a restricted market place it was, as I just said, restrictive.

FC: You said your operations once had 1700 employees and now you've moved to 50 employees. You'll always face criticism that somehow we've "lost" jobs. How do you respond?

MS: Fortunately in the province of Manitoba, anyone that we've lost has been taken up by another industry with an unemployment rate of less than five percent. And I don't think anyone is truly concerned with an over-abundance of employment. What we have done is created a growing, viable company that is bringing literally millions of dollars back into Canada on a tax basis and putting more dollars into the economy on that basis. Our company The Western Glove Company and the Stern Group has maintained to take any profits we may have earned and put them back into purchasing or being involved in other Canadian companies.

FC: You talk about making what you sell, not selling what you make. What do you mean?

MS: Most factory settings and traditional manufacturers can only tool up to make a variety of products within fairly structured criteria. When you are sourcing around the world you literally determine what you want to sell, what you need to sell, what the consumer wants and you go out and find it. While that is a challenge, to go out and find the right country, the right manufacturer, the right situation at least is not an attempt to retool your own facility. It becomes a search and find mission.

FC: Why is the brand more important than the product?

MS: Well, unfortunately, the brand is what consumers are driven by. Today's communication technology, be it TV, be in web, be it print media is just so rampant that the world is aware of the major brands and a product on its own is just not significant enough. Now I will add that you can not be a major brand unless you have a significant product but you can not be a major brand *just* with a significant product.

FC: How do you respond to the question "How can you manage a major brand out of Winnipeg, the middle of nowhere?"

MS: That's a good question. I've often said that I think it's more convenient to be from the middle of nowhere. Being too close to any one particular market when your market is global, North America, Europe, Asia, etc., I think biases you to what's right in front of your door step. Winnipeg is isolated from the rest of the world on a fashion basis and that's a convenient thing for us. It allows us time to really consider and ponder all the fashion direction and branding and marketing directions for the entire world in the solitude of Winnipeg.

FC: Does being a Canadian company help your marketing?

MS: That's a good question. It doesn't hurt. I've often said that showing up at trade shows, I never want to be in the Canadian section. I never want to be seen as part of a Canadian contingent. But I will tell you that being a Canadian a) as a business person and b) as a person is not offensive to everywhere in the world and that there is a perception of Canadian quality be it correct or not that is a slight advantage.

FC: You mention that traditional retailing is dying. Why is that?

MS: For several reasons but primarily that retailers have figured out how to procure product on their own. They have built up their own sourcing staff. They have determined that leaving the brand out of the equation and being the brand themselves is much more lucrative from a profit perspective than paying the brands which they may consider as a middle person, an additional margin.

FC: If you had to change tax policy in any way, how would you do it?

MS: It's interesting that a lot of my competitors in the fashion industry who are sourcing product around the world are leaving a lot of those profits in those countries with a far different corporate tax base. In the province of Manitoba, there are issues about payroll taxes. Generally the tax and tariff scenarios that we have, we've almost considered to be acceptable, we'd always like them reduced but we do realize that the environment is not one, and I am speaking specifically for Western Glove, we don't feel we can personally change it and so we create a pricing structure that is inclusive of encumbrances that are quite difficult. They usually have to do with, quite simply, payroll at tax levels.

FC: So you'd like to see the end of the payroll tax?

MS: Absolutely.

FC: Corporate tax, you'd leave it the way it is?

MS: There's no question that comparatively, I was just talking with someone about Hong Kong's corporate tax which is anywhere from 10 – 17% and that's my competition. I'm dealing with fashion labels supposedly located in Montreal, New York, Toronto that are not paying the level of corporate tax that I am paying in Canada or in living here in the city of Winnipeg and it does put me at a disadvantage. It perhaps ultimately puts the consumer at a disadvantage because they will ultimately pay the additional price for my lack of effective pricing based on a higher tax base than many other countries around the world. There's no question that the comparative pricing of my product to say a product even of European countries is not as effective based on corporate taxes that we have to pay.

FC: There's been a lot of talk about the rising Canadian dollar and some of your business colleagues here in Winnipeg are quite keen to see a lower dollar. What's your view on the dollar?

MS: I sit on the fence. Certainly it was easier to be more profitable in the United States in terms of transfer into my Canadian banks when the dollar was lower and it did make for an additional advantage to purchasing my product in the U.S. and international markets based on the value of the U.S. dollar. It can't be the deciding feature of my product is price comparativeness from a U.S. dollar that was to a U.S. dollar that is today but it would be advantageous to my profitability. What I have been doing is to hold my price in the U.S. and the margins are less and I'm just operating on less margin now so I guess the answer would be that I would prefer, in my dreams, to see a lower value Canadian dollar but I also and am a realist

and have to strategize on the basis that that day may not happen for some time.

FC: So you just have to sharpen your game essentially.

MS: Absolutely. Sharpen my game is correct.

FC: Can you give us some stats on where you were before and where you are now? You had mentioned that the fashion industry in Manitoba had gone from 8,000 employees to 800 but it had tripled in sales. Silver Jeans, itself, had some pretty impressive stats.

MS: I'm not great at remembering these numbers. But I will tell that Silver Jeans started 17 years ago, we hoped to do half a million dollars in volume. I also jokingly said that all I wanted to do was a million dollars in volume and then all I wanted to was ten million dollars in volume. This year Silver will finish with hopefully over 80 million dollars worldwide for that division. Our 1921 division, if we add the two together is over \$100 million and Western Glove from a denim perspective at wholesale is shipping product in the neighbourhood of \$150 million dollars, adding to our retail venture with Warehouse One we are probably close to a quarter billion dollars in wholesale.

FC: So full circle, back to the question of globalization, it seems it worked out?

MS: It seems to have worked out. It's impossible to picture a world where I didn't look over that big fence around Canada and look to the rest of the world. I must admit that the day we did look over that fence, it looked ominous. It looked daunting and perhaps if there's any help that the Canadian government and the provincial government could help us on to ease the pain, to ease the fright, because it sure seemed like a scary world out there. It turns out it's a lucrative world.