

## Coats plc

**Incorporated:** 1909 as Spirella Company of Great Britain Ltd.

**NAIC:** 31321 Broadwoven Fabric Mills; 313113 Thread Mills;

**SIC:** [2211 Broadwoven Fabric Mills - Cotton](#); [2221 Broadwoven Fabric Mills - Manmade](#); [2231 Broadwoven Fabric Mills - Wool](#); [2299 Textile Goods Nec](#); [2284 Thread Mills](#); [2311 Men's/Boys' Suits & Coats](#); [2385 Waterproof Outerwear](#); [2325 Men's/Boys' Trousers & Slacks](#); [2329 Men's/Boys' Clothing Nec](#); [2331 Women's/Misses' Blouses & Shirts](#); [2335 Women's/Misses' Dresses](#); [2337 Women's/Misses' Suits & Coats](#)

Coats plc--formerly Coats Viyella plc--operates as the world's largest manufacturer of sewing thread with a 22 percent market share. During the late 1990s and into the new millennium, Coats was involved in a major restructuring effort brought on by weakening demand in the U.K. textiles market. As such, Coats divested most of the Viyella division, retaining retail fashion brands [Jaeger](#) and Viyella, which are sold in 450 outlets in 15 countries. Coats thread products are used in apparel, footwear, furniture, cars, sporting equipment, and fiber optic cable. The firm also manufactures needlecraft products and household sewing thread. In 2000, the majority of the firm's sales stemmed from operations in Europe and [North America](#).

As an entity, Coats plc comprises both the history of much of the United Kingdom's industry and the business career of one man, Sir David Alliance. Alliance came from a [Tehran](#), Iran, family already involved in textiles, arriving in Britain in 1951, at the age of 19. He stayed and eventually presided as chairman over a group that is largely his own creation. At the beginning of the 1980s, there were four large British textile companies--Carrington Viyella, Coats Patons, Courtaulds, and Tootal Group. By the end of the decade two of them had fallen into Alliance's hands and a third was firmly in his sights.

The foundations for such growth were laid in the 1950s and 1960s. Alliance's first acquisition, in 1956, was Thomas Houghton (Oswaldtwistle) Ltd., a firm of cotton goods manufacturers. Many such companies still existed in the so-called junior league of [Lancashire](#) textile firms and their acquisition, reconstruction, and turnaround was the substance of Alliance's activities for some years. By the end of the 1960s, he operated through three vehicles--Alliance Brothers, a mail-order and textiles firm, R Greg & Company Ltd., a spinning and fashion fabric firm, and Northern Counties Securities, a finance group.

The pace of growth accelerated in 1968 when Alliance took control of publicly traded Spirella Company of Great Britain Ltd. through a reverse takeover involving R Greg. Spirella was to form the nucleus of what was to become Coats Viyella. In 1969, it became a holding company as Spirella Group Ltd. into which the textile interests of Alliance Brothers were absorbed. Together with his partner Jack Menaged, Alliance reorganized Spirella into three groups--foundation garment manufacture (the business of the original company), textile merchandising and spinning (based on Greg), and household textiles (based on Alliance Brothers).

Spirella soon set off down the road of further acquisition. The foundation garment side of the business was strengthened by the purchase of Richard Cooper & Company

(Ashbourne) Ltd. and Leethems (Twilfit) Ltd. A more significant growth area was that of household textiles, particularly towels, where several takeovers were made. John Ainscow & Company Ltd. of [Bolton](#) was purchased in 1970, as was WT Taylor and Company Ltd. of Horwich. These two companies were merged with Stott & Smith Ltd., toweling and cotton goods manufacturers, to form the Stott & Smith Group Ltd. Other acquisitions at this time included the Barber Textile Corporation Ltd., Horrockses Ltd., and Dorcas Ltd.

By 1973, Alliance was already contemplating the takeover of another household textiles firm, Vantona Ltd. For Vantona the takeover of 1975 represented a reversal of fortunes, since Spirella had previously been seen as a possible target for Vantona to acquire. The £5 million offer for Vantona was widely seen as shrewdly judged rather than generous and the Vantona board was very publicly split. The industrial logic, however, was undisputed, for while both companies were involved in household textiles, Spirella's strength in towels complemented Vantona's own strengths. The merger, misleadingly billed as the marriage of whalebone and sheets, led to the disappearance of the Spirella name, it being felt that it was too closely connected with corsetry ever to outlive the association. In 1976, the merged company changed its name to Vantona Group Ltd.

Vantona was then the third-largest producer of household textiles in the United Kingdom but still a relatively minor player within the industry as whole. It was all the more remarkable, therefore, that in 1978 Vantona was able to beat off the challenge of both Carrington Viyella and [Courtaulds](#) in order to acquire uniform manufacturers J Compton, Sons & Webb Ltd.

The next takeover, in 1982, was breathtaking in its scale, for it involved a bid by Vantona for Carrington Viyella, a company eight times its size. Carrington Viyella, a manufacturer of garments, home furnishings, carpets, and fabrics, was a troubled giant, considered by many to be too debt-laden to be an attractive acquisition. It did, however, come with an attractive dowry of brand names including Dorma, Van Heusen, and Viyella itself.

The branded cloth was merely the most famous of a number produced by William Hollins & Company Ltd. (established 1784), the Nottingham-based yarn spinners. The name had been registered as a trade mark in 1894 and was derived from the Via Gellia, the road linking the [Derbyshire](#) villages of Cromford, where Hollins had a mill, and Bonsall. It had become synonymous with quality so that when, in 1961, Hollins became the core of a larger group, it adopted the name Viyella International Ltd. Viyella was to make numerous acquisitions throughout the 1960s before being taken over by ICI Ltd. in 1969 and merged with Carrington & Dewhurst Ltd. the following year.

Skepticism over the wisdom of the Carrington Viyella takeover was perhaps behind Alliance's difficulty in raising the required £50 million, a sum that would soon be made to seem modest. The importance of the Viyella name was again acknowledged when the group became Vantona Viyella plc in February 1983.

The year 1985 saw another significant merger, with the Nottingham Manufacturing Company plc, established 1805, after a friendly deal between Alliance and Harry

Djanogly of Nottingham Manufacturing. The company was as cash-rich as Carrington Viyella had been debt-laden and brought with it strong links with the retailer Marks & Spencer, to whom Nottingham Manufacturers supplied hosiery and knitwear. This acquisition bolstered the group prior to the climactic merger in the following year with Coats Patons plc.

Coats Patons was itself the result of a 1960 merger between J & P Coats Ltd. and Patons & Baldwins Ltd. J & P Coats had its origins in [Paisley](#), near Glasgow, commencing thread manufacture in 1825. The business was especially successful in the North American market, and its growth culminated in a highly successful public offering in 1890. By the turn of the century, by amalgamation with other thread producers--including its Paisley rivals, Clark & Company--Coats had become the largest textile firm in Britain, with factories worldwide.

Patons & Baldwins derived from two separate concerns--JJ Baldwin & Partners Ltd., established at Halifax in 1785, and John Paton, Son & Company Ltd. of [Alloa](#), established 1813, that merged in 1920. The merged company was a woolen and worsted spinner, specializing in knitting wools, with factories throughout Britain, as well as in Canada, China, and [Tasmania](#).

Early in 1986, Coats Patons was the subject of an agreed takeover bid by a knitwear group, [Dawson International plc](#). Coats had already been identified as a possible long-term target for Vantona Viyella but the proposed Dawson deal precipitated action by them. Dawson was successfully outbid by an offer worth £715 million. In March 1986, Vantona, like Spirella before it, was dropped from the company's name that then reflected its largest components in its new name, Coats Viyella plc.

By 1989, it began to look as if another famous name would have to be accommodated. Tootal Group plc was the descendant of the English Sewing Cotton Company Ltd., incorporated 1897, a sewing thread and yarn producer whose Sylko domestic sewing thread became a household name. As part of the trend towards larger groupings in the textile industry, English Sewing Cotton expanded, acquiring the Manchester-based business of Tootal Broadhurst Lee & Company Ltd., incorporated 1888, in 1963. Five years later, the company changed its name to English Calico Ltd. following the acquisition of the Calico Printers Association Ltd. The change of name was short-lived, and in 1973 the company became Tootal Ltd.

Although one of the "big four" of British textile firms, Tootal's disappointing performance during the 1980s had left it vulnerable to a takeover bid. This duly emerged in the shape of Australian entrepreneur Abe Goldberg, who acquired a 29.9% stake in the company. When he was rebuffed by the Tootal board, Coats Viyella stepped in to acquire Goldberg's shareholding and to agree to terms for a £395 million takeover. The bid lapsed, however, after it was referred to the Monopolies and Mergers Commission (MMC).

Prospects revived after the MMC recommended that Coats divest itself of its U.K. and German sewing thread businesses, a condition with which it was relatively easy to comply. However, when it became clear that Coats was to renew its offer at a much lower valuation, Tootal's resistance grew. Reluctance to be taken over on the cheap, as they saw it, was accompanied by references to differing management cultures by

the Tootal board. The *Daily Telegraph*, compared Tootal's behavior to "... a dowdy Jane Austen heroine: desperate to wed but equally desperate not to look too keen."

Finally, Alliance was persuaded to do what he had never done in all his deals up to this point--launch a hostile takeover bid. An initial offer worth £194 million was raised to £241 million in April and this was sufficient to win the day. Like many previous deals its appeal lay in its industrial logic rather than mere corporate aggrandizement, for while the two groups dominated the international thread market their businesses were largely complementary.

However, the takeover met with reservations on three counts. First, it had been said that the expansion of Coats Viyella had done little more than gather most of the surviving elements of a declining industry under the control of one company. The bid for Tootal succeeded, in this view, not because of Coats Viyella's own performance, which was judged disappointing, but because Tootal's results were even poorer. Fears had also been expressed that the integration of the Tootal businesses might prove difficult and that Coats Viyella's record in this area had not been good. There was additional speculation that, in achieving a dominant position in the industry, Coats Viyella might alienate customers fearful of becoming dependent on such a large supplier, and that they might now be inclined to seek alternatives.

Early indications were that Coats Viyella had appreciated the dangers of imbalance in this area and that through disposals excessive market share in certain areas would be voluntarily relinquished. The appointment of Neville Bain as chief executive in 1990 also increased business confidence. Formerly with [Cadbury Schweppes plc](#), his recognized skills in integrating businesses were matched by the £65 million set aside for integration costs following the Tootal takeover.

While Coats Viyella entered the 1990s a victor in the Tootal deal, the company soon realized that the final decade of the 20th century would perhaps be the most difficult in its history. The U.K. textile industry remained in a downturn and the firm was forced to close plants and lay off employees. In 1992, Coats Viyella cut 566 jobs at two North Ireland manufacturing facilities due to the recession and the increasing amount of cheaper imports that were available. As the European textile economy remained in decline, Bain began to focus on international efforts. A move into the China market signaled the firm's commitment to operations in Asia. Bain stated in a 1993 *Financial Times London* article, "We have already signed six joint ventures and are confident of clinching more shortly. There are enormous opportunities in China; there are 1.2 billion people who are not fully clothed."

While Coat Viyella's profits remained unremarkable, the company continued to acquire and divest certain operations. In 1993, the firm purchased Berghaus International Fashion, a distributor of women's fashion in [Western Europe](#) and Russia. It also sold its carpet division to U.S.-based [Shaw Industries](#). By 1995, profits had fallen by 6.4 percent over the previous year, forcing the firm to restructure further. It began to move production from Western Europe and North America to cheaper labor regions including Asia and Eastern Europe. Nearly 3,000 jobs were cut in 1996 as raw material costs increased and demand for thread weakened.

As conditions in the textile industry worsened, Coats Viyella continued to face challenges. In 1997, Bain retired unexpectedly as the firm reported another year of falling profits. Michael Ost was named his replacement. The firm posted record losses in 1998, and it announced a divestiture program that would allow it to focus on thread operations. In February 1999, Coats Viyella sold precision engineering business Dynacast as part of its program. Alliance retired that year, leaving the remains of his textile empire to Sir Harry Djanogly, who took over as chairman of the floundering firm.

Coats Viyella entered the new millennium on weak ground. It continued eyeing its thread business as key to surviving and began to divest its contract clothing, home furnishings, and branded clothing business. As it left the contract clothing market, nearly 2,000 jobs were cut, and it was forced to break ties with Marks & Spencer, with whom it had been doing business for over 70 years. The company reported continued losses in 2000.

In 2001, Martin Flower was named CEO of Coats Viyella. That year, the company announced a name change to Coats plc, reflecting its focus on its global thread business. The firm did however, retain the Jaeger and Viyella fashion brands. While the future of Coats remained uncertain, management was confident that the drastic restructuring of the firm left it in a secure position to compete in the ever-changing global textile industry.

#### Principal Subsidiaries

Coats Finance Co. Ltd.; Hicking Pentecost Ltd.; Jaeger Holdings Ltd.; Tootal Group Ltd.; Tootal Thread Ltd.; Viyella Holdings Ltd.; Vantona Viyella Ltd.; Coats Deutschland GmbH (Germany); Barbour Campbell Textiles Ltd. (Scotland); Coats Paton Ltd. (Scotland); J & P Coats Ltd. (Scotland); Coats North America Holdings Inc.; Coats Ltd.; Coats Bangladesh Ltd.; Coats Cadena SA (Argentina); Coats Australian Pty Ltd.; Coats Corrente Ltda (Brazil); Coats Canada Inc.; Coats Cadena SA (Chile; 60%); Coats Guangzhou (China; 90%); Guangying Spinning Company Ltd. (China); Jinying Spinning Company Ltd. (China); Coats Sartel SA (France); Coats GmbH (Germany); China Thread Development Company Ltd. (Hong Kong); Coats Hong Kong Limited; Coats Hungary Ltd.; PT Tootal Thread Indonesia (70%); Coats Cucirini SpA (Italy; 72.9%); Coats Tootal Malaysia (51%); Grupo Coats Timon, S.A. de C.V. (Mexico); Cia de Linha Coats & Clark Lda (Portugal); Barbour Threads Ltd. (Scotland); Coats South Africa Ltd.; Coats Fabra SA (Spain; 98.9%); Coats Thread Lanka (Sri Lanka; 87%); Coats Iplik Sanayii AS (Turkey; 76.1%); Coats American Inc.; Coats & Clark Inc. (U.S.); Coats Tootal Phong Phu Ltd. (Vietnam; 75%); The Jaeger Company Ltd.; The Jaeger Company's Shops Ltd.; William Hollins & Company Ltd.; Pasolds Ltd.; Berghaus BV (Holland); Jaeger Sportswear Inc. (U.S.); CV Home Furnishings Ltd.; Dorma France SA; Madura Coats Ltd. (India).

#### Principal Competitors

Burlington Industries Inc.; Springs Industries Inc.; Toyobo Co. Ltd.

#### Further Reading

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#### *Company Perspectives:*

*We are proud of our tradition of landmark innovations in thread products, colour technology, and manufacturing processes, many of which have become global industry standards. Our ability to continuously take customer service to higher levels remains unrivalled to this day. We recognize that the continued high quality and commitment of our employees provide the key to the future of Coats, which is why our investment in people matches our investment in technology. We believe that this investment is vital to anticipating and meeting the changing needs of our customers worldwide.*

#### *Key Dates:*

- *1785: JJ Baldwin & Partners Ltd. is established.*
- *1813: John Paton, Son & Company Ltd. begins operations.*
- *1820: JJ Baldwin and John Paton merge.*
- *1825: J&P Coats Ltd. begins manufacturing thread.*
- *1956: Sir David Alliance acquires his first company, Thomas*
- *1960: J&P Coats and Patons & Baldwins Ltd. merge to*
- *1968: Alliance gains control of Spirella Company of Great*
- *1975: Spirella merges with Vantona Ltd.*
- *1976: The firm takes on the name Vantona Group Ltd. and*
- *1982: Vantona acquires Carrington Viyella.*
- *1985: Nottingham Manufacturing Company is purchased.*
- *1986: Vantona acquires Coats Paton; the company officially*
- *1990: Neville Bain is appointed CEO of the firm.*
- *1991: Coats Viyella completes its purchase of Tootal Group*
- *1993: Berghaus International Fashion is acquired.*
- *1996: The firm begins restructuring efforts after reporting*
- *1997: Bain resigns unexpectedly.*
- *1998: Share price falls to a record low; plans are set in*
- *1999: Alliance retires; Coats Viyella sells its precision*
- *2000: Coats Viyella begins divesting its contract clothing*

- **2001:** *The firm changes its name to Coats plc*