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<sup>1</sup> For the "Technical resources  
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<sup>2</sup> For the "Business life" seminar

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## THE EVER-CHANGING WORLD OF LAFUMA

by

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Translation by Rachel Marlin

### Overview

Lafuma has undergone numerous transformations since its creation in 1930 and its emergence as the second biggest European supplier of outdoor leisure equipment. In 1936, Lafuma's launch of the modern backpack with a metal frame coincided with the arrival of paid holiday leave. Later, Lafuma's camping equipment symbolised leisure activities for the masses. However, enthusiasm for camping waned and gave way to travel to exotic places, Club Med, and second homes. Lafuma filed for bankruptcy in 1984. Philippe Joffard was asked to turn the company around at the age of twenty-nine. He quickly transformed it by laying off one quarter of the workforce, relocating part of the production to Tunisia, and changing the *savoir-faire* of the rucksack to the schoolbag. He launched new products, made the company international and floated it on the stock exchange. The 35-hour working week and the fact that employees now take holiday leave in short periods throughout the year (cf. three week periods) convinced him that he should steer the company towards a limited number of outdoor activities. This resulted in a style which is in keeping with his customers' tastes for nature and ecology.

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## **TALK : Philippe JOFFARD**

### **Three brothers**

To start with, the company was a small tannery employing about ten people in the northern part of the Drôme *département*. There were six Lafuma children : three brothers and three sisters. The eldest son launched the company in the 1920s at a time when leather was facing competition from synthetic products. One of his brothers, who was a sales manager in another company, advised him to use the leather off-cuts to make bags and cushions. Demand became so great that they had to use cotton instead of leather, and in 1930 the two brothers joined forces with the third brother who was an accountant. Thus, the Lafuma company was launched. In 1936, Lafuma invented the metal-frame of the backpack. At the same time, the company benefited from the arrival of paid holiday leave, and more particularly from a supply contract for the French army for the next thirty years or so. Thanks to a metal disc with the inscription '*brevet Lafuma*' ('Lafuma patent'), Lafuma became one of the first companies to invent a label for its products. As a result, people no longer used the word 'rucksack' to refer to their backpacks, but 'Lafuma' : I realised this during my military service in the 1970s. The army clearly contributed to the reputation of the brand on the civilian market.

### **The army as a brand image**

Another reason for the formation of the company was also linked to the army. Declining orders from the army for rucksacks in the 1950s created a need to find new outlets for the metal tubes and canvas. Because of increased population mobility and paid holidays, there was an opportunity to enter the camping market. We had to design a product which we could handle both on an industrial and a commercial basis. It worked well right from the start and for thirty years the company's production was based on both rucksacks and camping equipment. It should be noted that several years earlier, there was talk of economic intelligence, and in a climate of full employment, Lafuma made sure it perfected the strategic organisation of its supplies. Military orders were handled by sub-contractors, thereby protecting the company from any social or economic dependence. Lafuma production was concentrated on civilian orders, and the company guaranteed the best possible standards of quality.

### **A difficult handover between generations**

An important moment occurred in the middle of the 1980s. In a difficult situation, while changes were taking place in the distribution networks and with competition from steel-producing countries in Eastern Europe, the family-run company went through a succession crisis involving the third generation. In May 1984, I took over the management of the company having spent three years working for Bossard Consultants. At that time, the company was insolvent. I realised that the repayment plan could not be resolved by an out-of-court settlement, and so I decided to follow my instincts and filed for bankruptcy. Nevertheless, I had an exit plan : I told the receiver that we would be out of compulsory liquidation within the year. He did not believe me, but eight months later we registered our bankruptcy proposals and the following July, a little more than a year after filing for bankruptcy, they were agreed. These proposals form the basis on which our strategy over the last twenty years has been founded.

### **Constructing a multi-activity group**

From 1985 to 1995, Lafuma's future was very closely linked to my objective of making it a multiple-activity and multi-brand group. To make this a reality, we had to work simultaneously on the restructuring of the group and its development. At the time, our turnover was 22 million Euros, of which one or two million Euros were generated in

Belgium, and 300,000 Euros in Germany. Our products were still confined to rucksacks and camping materials. We did not resemble a multi-activity group at all. To achieve this change, we welcomed investors between 1984 and 1989. The installation of a 'grey market' enabled us to attract Axa and the European Bank to finance our substantial need for working capital, while at the same time assured investors of a possible stock exchange flotation. This situation prompted us to think about external growth. We had made two attempts to take over Millet, in 1989 and in 1993. The buy-out eventually took place in 1995. I should tell you that the Annecy tribunal judge dealing with trade disputes, had told me back in 1989 '*First look after your own creditors before looking after everyone else's.*' This was the moment when I was able to appreciate the strength of the lobbying power of *Polytechnique* graduates (a prestigious *grande école*) because there were many of them standing between my board of directors and the Camping Gaz holding company, which took over Millet in 1989. We accelerated the bankruptcy repayments and in 1991 repaid the entire amount in advance. In 1995, Lafuma finally bought Millet and another company, Le Chateau. This created a multi-activity group, both in terms of products and brand names. We were now not only in the rucksack and camping equipment markets, but also in the sleeping bag, tent and clothing markets, with three brand names.

### **Oxbow : making a strategy reality**

Nevertheless, we realised that despite all our technological attempts, Lafuma would always be labelled a 'camper-hiker' company. We had to adapt our group to the four existing sporting 'tribes'. We already had a presence in the outdoors market and the 'brown' products sector (camping), thanks to the Lafuma brand name, the group's most profitable activity. The Millet and Le Chateau takeovers allowed us to establish ourselves in the 'white' (mountaineering) and the 'green' (country pursuits) product markets. The missing tribe was the 'blue' sector. It was therefore necessary to finalise our multi-activity strategy with an acquisition in the rider-sports and the 'blue' product market. This decision determined our take-over of Oxbow in 2005, despite initial hesitation on our part. In fact, we had previously launched ourselves into the sailing world when we signed a distribution contract with the Henri-Lloyd company, but we quickly realised that their products were too fashion conscious : the technical aspect was merely an excuse for selling ready-to-wear clothes. In February 2005, we pinpointed surfing as the 'blue' sport closest to our group. In April, we met the Oxbow share holders. We had to get 95 % of the capital from the share holders to complete the operation successfully : outside financiers thought this was impossible. However, on May 7th, the stock exchange prices of both companies were suspended and on July 15th, we held 98 % of the Oxbow capital. In September, Oxbow left the stock exchange, leaving the Lafuma group in the secondary market, where it has been since 1997. This acquisition cost 42 million Euros and was achieved by reinforcing the equity capital by successfully raising 25 million Euros on the stock exchange with a subscription rate of 150 %. Other numerous company *rapprochements* in 2005 confirmed that our multi-activity strategy made sense. In the same year, Atomic and Salomon made agreements to work together, the textile group Vanity Fair took over Reef, and the SME Quiksilver bought Rossignol, one of the leading sports groups, thereby giving rise to a group which was present in both the 'blue' and 'white' product markets.

### **Both a selfish and altruistic organisation**

As well as this multi-brand strategy, we strengthened our expertise in our product sector by carrying out targeted acquisitions, such as OneSport (the hiking shoe specialist), Rivory (ropes for mountaineering), Dubourg (hunting and fishing clothes) and, more recently, Schumacher (riding breeches) and Bishoes (upmarket flip-flops for surfers). With all these acquisitions, we had to create a system which was both selfish,

(we had to defend our market share and the identity of each of our brands) and altruistic (we had to play off the interactions and synergies each time it was possible). In terms of product development, in R&D (research and development) this can be demonstrated by the creation of a common production structure. For example, a no-frills Lafuma product can be transformed into a more sophisticated Millet product, with pockets, openings under the arms, parts in stretchy material, and so on. This change of a material or a technical solution from one product to another helps to improve sourcing by sharing the purchases. Similarly, with respect to information systems, which are an essential element in competition, Lafuma has been able to transfer a very efficient system to Oxbow. Savings in investments at Oxbow helped secure a return on our group's system. Finally, the links between the companies has also played a role in commercial organisation and distribution. In seven strategic countries, a structure, which was common to the brands, was put in place, with a managing director and a back office. Lafuma's and Oxbow's store networks are managed jointly.

### **The Lafuma group today**

Today, our group turnover is 250 million Euros : half the sales are generated by the Lafuma brand name, a quarter by Oxbow, 15 % by Millet and 10 % by Le Chameau. On an industrial level, there are three product formats : "made in France" which includes the local production of camping furniture and top-of-the-range boots ; "made in Lafuma" products manufactured in Lafuma factories in Morocco, Tunisia, Hungary and China ; and, lastly, "made in Asia" products, which represent the main part of our sourcing. As well as the multi-activity strategy, the group has continued to develop abroad. After we created our German subsidiary in 1985, we created fifteen others abroad. In 2005, 44 % of our turnover was generated from international sales, in other words, about 100 million Euros, of which 10 million come from the North American market and 20 million from Asia. This method is not at all straight-forward and calls for both a strategic approach (as was necessary in the Millet take-over) and seizing opportunities, as was the case with our purchase of Ober (jeans) which met the industrial needs that I had anticipated for Oxbow. In any case, a company which has managed to survive volume retailing and the French administration, not to mention the 35-hour week, is well armed for the international arena. Theories have certainly been developed about this at the highest levels because a company which is capable of running with such millstones around its neck is obviously better than its competitors.

### **A development philosophy**

This success is based on a development philosophy founded on three principles. Firstly, I kept religiously to a plan. Even though the term 'plan' is not fashionable today, I find it inconceivable that a company cannot know its future strategy. The first thing I did when I arrived in 1984 was to draw up a plan. Not only did I have to devise it, but I also had to share it with others and tell people whether it had achieved its announced objectives. Secondly, I advocated what I call 'disobedience marketing'. Almost everything which has worked for Lafuma over the past twenty years is a collection of factors which people in the very beginning told me would not work. This was the case with the Millet take-over and also when we launched clothing production at Lafuma : people advised me against these operations. Of course, the initial clothes Lafuma made were not very well cut and this gave rise to jibes such as '*it's normal, Lafuma makes bags after all*'. Disobedience marketing is a case of not listening to advisers, either in or outside the company. Lastly, I apply to myself Umberto Eco's expression when he defined himself as a 'worried optimist'. I think it is the perfect definition of what an entrepreneur should be. At a conference, heads of companies were asked what they considered to be the necessary factors for international success. Everyone replied '*innovation, innovation*' in the same way one might say '*implantation, implantation, implantation*' when discussing retail strategy. I replied that one had to be a megalomaniac and a paranoid ; sufficiently megalomaniac to compete with rivals who

are better established, and sufficiently paranoid to know that it will not work as well as was intended.

### **The value of sustainable development**

Lastly, without being either an activist or an opportunist, I think that sustainable development is a real innovation in the sense that it is a true means of differentiation. I am convinced that sooner or later companies will be forced to put an ecological stamp on their products. Companies which will be capable of mastering this, will have a differentiating factor : either their products will or will not be unreferenced. Ecodesign is the very epitome of value. It advocates a smaller volume of materials and less energy in order to satisfy the consumer. For years, we have been working on value analysis from an industrial angle. Now it is exactly the same thing with an added moral argument stating that it is good for the planet and future generations. But it is not politically correct to talk like this.

## **DISCUSSION**

### **Creativity and disobedience marketing**

**Question :** *The former managing director of the RATP (Parisian municipal transport system), Pierre Giraudet, had a habit of starting his sentences 'I may be talking rubbish but...', but each time it was spot-on. His successor adopted the same method but each time he got it completely wrong, or so it was said. You mention disobedience marketing or disregarding marketing advice : how do you deal with this and how does one distinguish between a productive 'disregard' and one which is unproductive ? Who decides which is which ?*

**Philippe Joffard :** It is the boss who deviates from the norm most often. The worst thing in a company is mindless conformity ('the herd instinct'), in other words when the employees are too attached to the activity of the market. We are all too involved. At any given moment, everyone relies on everyone else. In order to have new ideas, you have to step back. In fact, I am set in my ways not because I'm fifty-one years old but because I have been managing the group for twenty-two years. I admit that some of the problems linked to the Lafuma brand are due to my presence. People must be allowed to make decisions without me.

Knowing how to step back is a matter of experience. That is why we created the *Observatoires de l'air du temps* to give us a breath of fresh air. Thanks to outside management, we can discuss any subject and this allows us to order summaries and above all to put our ideas on paper and devise plans. Every six months, we have a report on current social tendencies. This allows us to know about the importance of sustainable development. In 1996, we were one of the first companies to check that our foreign subcontractors were respecting human rights. As a result, we avoided a great many problems. Analysts, and especially those whom we only meet once, play the same 'open' role because they do not hesitate to highlight the parts of the plan which are unrealistic.

Ultimately one does not run a great risk in opposing what the market does. The same is true of politics. Without wanting to criticise democracy, the majority is not necessarily in the right. Disregarding the market is both a state of mind and one of taking action at an appropriate time.

**Q. :** *How do you find good ideas ? Do you have clients on whom you test your ideas ?*

**P. J. :** Of course we have typical sample populations or clients who are representative. This is the case with the shop *Au Vieux Campeur*. Equally, some foreign salespeople (Italians or Germans, for example) are very good at detecting mistakes in their home markets. We must learn how to make use of these facts. In the past, Leclerc, the retailer,

was very competent in this field : its managers also handled purchases and knew how to tell whether a product was going to be successful or not.

**Q. :** *Economic intelligence is fashionable. In the initial strategic stages how does your monitoring process work ?*

**P. J. :** Reading the files is already part of the benchmarking and monitoring process. We started monitoring in 1987 when we employed a company to keep a technological look-out for innovations. However, I wanted to go further and have an information watch also. In fact, this monitoring keeps us 'tuned in'. It forces our employees to see what is going on outside the company.

**Q. :** *How do you manage to keep in touch with the markets ?*

**P. J. :** There are two ways to stay in touch with the markets. Firstly, one should constantly test one's strategy with those 'in the know'. Secondly, one should exert self-discipline. Twenty-one years ago, I had never been mountaineering, but I decided to try it. As far as surfing is concerned, because my father-in-law was a post admiral in Tahiti I started windsurfing in 1977. In brief, one's attitude is determined by one's contacts, by reading and by practical experience.

### **Management of a multi-activity group**

**Q. :** *How important is camping furniture among your products ?*

**P. J. :** When I started in the group, our products were camping furniture and rucksacks. We concentrated on these and it is due to them that we have been able to build up the rest of the business since 1985. Since everything was well established, we focussed more on the other brands, and, just like when one leaves an obedient child to grow up on his own and at the age of twenty one finds that he is a rebel, these products are now on the decline. We are returning to the original two markets on a technological and industrial basis. We are confident that over the next three years, despite Asian competition (Asian products are a bit like the Tupolevs as opposed to Boeings : they look the same but they are 40 % heavier) we will succeed. Furthermore, our Chinese rivals in the camping furniture market have considerable transport costs. In a product price of 22 Euros, transport costs 6 Euros. Clearly, what is true for Europe is not true for the United States, since everyone has to cover their transport costs.

**Q. :** *You have taken over a large number of companies. What has the result been ? How have you created a culture common to the whole group ?*

**P. J. :** On a cultural level, one must not be too imperialistic. One also has to make sure that one's employees are not either. The problem is not the governor but the sergeant-major who is the petty tyrant. It is a constant balance between opening one's horizons and discipline within the group. It is necessary to make sure that the culture of the company which has been taken over is preserved, while at the same time one imposes the group culture which should be the greatest common denominator.

**Q. :** *Can you tell us more about your joint operations regarding people and brands Does your human resources department manage any changes or is it the managers who do this ?*

**P. J. :** The main advantage of having several brands is to make a quicker return on investment and to have an aggressive innovation policy. The sewn seam designed for Millet was able to solve the waterproofing and aesthetic problems associated with the Lafuma bags, while at the same time making it easier to repay the innovation costs. It is possible that after a certain technological change which is available to everyone, one

might find an innovation at Oxbow, with the result of an even better profit on one's investment. A multi-activity group permits more efficient monitoring. With four brands which are available in markets similar to the ones where we are present, it is less likely that we will miss out on an innovation. If Lafuma misses something, Millet certainly will not, and vice versa.

As far as people are concerned, we let our employees move from one brand to another : one can move from Oxbow to Lafuma and vice versa. The problem comes moving employees who would like to stay where they are with a certain brand, and also to move employees whom the managers wish to retain. The objective remains to encourage movement within the group as well as internationally. Our human resources department is in charge of this. As a result, the group committee which comprises about fifteen people, includes seven foreigners.

**Q. :** *What does the expression 'socially responsible' mean to your employees ?*

**P. J. :** As far as our French employees are concerned, being responsible means putting communication into practice. Using information means sharing strategy, using the social ladder, and encouraging mobility. Within the company, we have a suggestions box because the most interesting suggestions are often those made by our employees.

On an international level, being socially responsible means making sure our own sites are industrially, economically and socially beyond reproach. In practical terms, this means providing dormitories where one can get a good night's sleep, and canteens where the food is good. In the Drôme *département*, being socially responsible means meeting the personnel but also having organically grown canteen food so that mealtimes are pleasant and efficient. And, incidentally, this is the best way to keep Sodexho (the catering company) in business !

### **Governance of a family-run group**

**Q. :** *I read through your annual report and I found the numerous explanations you give, both positive and negative, very interesting.*

**P. J. :** The more you anticipate the questions, the more likely it is that people will ask sensible questions. In general, this is the way I work. We have nothing to hide and it is the best way of making progress with one's employees, one's works council and of course state administration.

**Q. :** *You appear to have a precise strategic vision and a positive approach. Given these two principles, how do you motivate your management ?*

**P. J. :** The salary question is not easy : the current Vinci case is an example. I try to share the development of a strategic vision with the managers. We do not have stock-options, but we have an employee profit scheme. Our objective is to open our capital to our executive employees by creating a grey market with equity-linked securities. The idea is that they are directly implicated in their company's profit sharing scheme. This will be put in place at Lafuma, and we aim to extend this scheme to some international subsidiaries. In any case, this is not applicable to companies with more than fifteen employees. It would work ideally with five. Let's fix a date in three years' time to see how it has worked !

### **The new markets**

**Q. :** *Can you talk about your experience in the US ? Is it worthwhile for a French SME to establish itself in such a huge country which represents 50 % of the global market ?*

**P. J. :** As far as our group is concerned, the United States is both an economic disappointment, (we have made only 10 million Euros turnover in the ten years we have been there) and an important learning place. Many of the products discovered there

have stimulated us and are now very successful here. In general, we learn a great deal in the US : they have a domestic market which is very powerful and their military market is a catalyst for change. The American soldier in Iraq today is the best equipped hiker : he transports twenty-five kilos without any problem, including a huge quantity of technical equipment. The fact that an American soldier has technical equipment is a forerunner of what will happen in the civilian market. In France, we have remained a quantitative military culture whereas the professional army involves a qualitative approach.

Today, our relationship with the United States is not the same. Twenty years ago, we had to learn from the Americans, especially with respect to marketing methods to try to penetrate a difficult market. Now, we are on equal terms with them in Asia.

**Q. :** *You highlighted the importance of military orders for North American SMEs. Is the economic downturn you experienced in the 1980s due to the decline in these orders ?*

**P. J. :** In fact, the military orders were stopped in the 1960s. During the 1980s, Lafuma was not faced with a problem linked to military orders, but with changing times. Originally my uncles worked with suppliers with whom they often had friendly relationships. They thought that the domestic market was enough and they did not have to worry about the price which was determined by the State. The 1980s disrupted all that. The company was not prepared for this change of direction.

**Q. :** *How have you managed the emerging markets such as Russia and Asia ?*

**P. J. :** One should not exploit these markets too quickly. As far as Asia is concerned, we firstly established an office in Hong Kong, then in Japan, and in China where we made a joint venture with a Chinese group in Hong Kong. We went there, learning as we went. We opened and closed shops and obtained licences in Korea. We have formed a partnership with the LG group (formerly Goldstar).

International business is above all a question of understanding the culture of the country where one is establishing one's company. Our commercial approach is different to our industrial approach.

In a commercial venture, we give priority to understanding each individual market. This means being German in Germany, Japanese in Japan, Iranian in Iran, and so on. That is why our staff are usually local.

On an industrial level, we export our standards, our techniques and often our people. The Lafuma flag flies over each of our factories.

**Q. :** *Where do you stand vis-à-vis your rivals ?*

**P. J. :** In Europe, the brands one finds most often are American or Swiss, such as Nestlé. In Europe, there are no European brands which are common to all countries ; or they exist on a worldwide scale, such as luxury goods.

One should point out that the European market does not exist as a consumer market as such. This is because in the first place the markets are national with their individual characteristics and national brands. Secondly, when there are universal brands, they tend to be American (such as McDonald's and Kellogg's) or Swiss (Nestlé). Thirdly, when our brands are supranational, they are as global as luxury goods, and with the notable exceptions of l'Oréal and Danone.

So where do we stand in all this ?

We have to respond to the dual challenge of nationalism in Europe, and the very strong – undoubtedly too strong – distribution circuit in France. An example of this is the sports good shop Décathlon which, with nearly 40 % of the domestic market, is a global exception (by comparison with Walmart which has about 12 % of the US market, or Tesco with 27 % of the UK market).

We respond to this challenge by promoting our multi-activity brands and products, our international development, and increasingly the efficient management of our distribution in the form of new Oxbow and Lafuma shops.



Finally, we believe in the Internet which gives us direct access to the consumer and for the first time in thirty years is attempting to restore the balance between the industrialist and the distributor.

Presentation of the speaker :

Philippe Joffard : trained as a lawyer. He was an organisational consultant at Bossard before he joined Lafuma, a family-run business. He has been CEO for the past 22 years.

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