

BONDS®

THE MARKET

In Australia as everywhere else in the world over, the clothing industry can be fickle. Brands and labels wax and wane.

In the Australian market for core clothing items, the competition is fierce. Duties and tariffs have come down over the years, which means pricing at a retail level has remained steady. In most other consumer goods categories one would expect a gradual increase in prices over time. As a result, basic essential clothing items like t-shirts, polo shirts and underwear have become largely commoditised.

Due to the reduction in barriers and cost of entry, a plethora of international brands and non-branded cheap goods have entered Australia, making it an altogether different marketplace for those brands that thrived here in the preceding decades.

In a marketplace where the trend is to commoditise, only those brands with the foresight to reinvent themselves during the times of change have risen to the top. Bonds is one such brand. How do they do it? Innovation in all that they do, from product manufacture through to logistics. The result - a brand that has seized the opportunity to lead and has truly come out as a leader. Bonds is a true superbrand.

ACHIEVEMENTS

The company's overwhelming achievement is to have established its products as national icons - despite the fact that underwear and baby clothes can hardly be described as glamorous in themselves.

Bonds has done more than any other manufacturer to grow the market for basic essential clothing in Australia, and over the years has won and held the position of undisputed market leader. Bonds has managed this achievement through its ability to control quality from cotton bale to finished product. Bonds is committed to technical superiority, has unusual depth in its product range, and



boasts unique key products in each category in which it operates.

The volume of total production of these garments is quite extraordinary. More than 400 million Bonds singlets and 150 million Cottontails have been sold since they were launched 70 and 41 years ago respectively. The Bonds Wondersuit was introduced in the 1960s using US technology and Australians have bought more than 17 million of them since then - virtually one for every man, woman and child now living in Australia.

Bonds has produced this staggering output while consistently improving its environmental performance. In 1986, for example, Bonds' knitwear and dyeing operation used 2.5 million litres of water per day to process 12,000 kg of fabric. By last year, that figure was down to 1.5 million litres for 20,000 kg of fabric. This represents a drop of more than 50% from 208 litres to 75 litres per kilogram of fabric processed. Bonds has achieved this by pioneering environmentally friendly 'cold pad batch dyeing' technology, and by promoting the wise and careful use of water by all its employees.

The company has also introduced new energy efficient procedures to save

electricity, including extensive computer control of equipment and processes. Bonds has steadily reduced or eliminated the use of chemicals which can potentially contaminate wastewater, and actively promotes recycling programs for all reusable materials.

Bonds has invested more than \$15 million in the last three years in technology for more efficient manufacturing systems. It has recently achieved AS 9002 quality accreditation and is already looking at aiming for new quality targets.

Bonds has been a leader in experimenting with organic cotton - cotton grown without any chemical inputs - even though the Australian public is generally reluctant to pay the premium cost of garments made from such 'green' cotton.

HISTORY

George Alan Bond set up a small factory in Redfern where from 1917 he manufactured hosiery. He moved the factory to Camperdown in 1918 and started manufacturing underwear as well. His plan was to capitalise on the shortage of goods available in Australia during World War 1.

Bond did not stop there. He had a vision of controlling the entire manufacturing process from spinning to finished garment, and this led him to establish Australia's first spinning mill in 1923 at Wentworthville, to the west of Sydney. Bond even

grew some of his own cotton, on properties in Queensland and New South Wales.

In 1925 his company was one of the principal participants in the legendary Great White Train travelling exhibition of Australian made goods which toured New South Wales country areas for a full six months. By now Bond and his company were more than merely successful: in 1927 the company



was described as the 'largest hosiery manufacturer in the British Empire'. In 1928 Charles Kingsford Smith and Charles Ulm wore Bonds athletic singlets and woolen underwear on their first historic flight across the Pacific. Kingsford Smith even wrote to the company commending their product.

Bonds Industries was formed as a public company in 1930 and by 1932 Bonds was producing 7000 garments an hour - 5000 dozen per day - and buying 70% of Queensland's entire cotton crop.

Bonds cotton singlets have been around since 1920 but it was J. Walter Thompson, the advertising agency, which created the famous 'Chesty Bond' character. Chesty performed amazing feats of strength whenever he donned his Bonds singlet, after the fashion of Popeye and his spinach. The Sydney Sun newspaper published the Chesty Bond comic strip for nearly 20 years, and it helped make Chesty Bonds the biggest selling singlet in Australia within a few months of its appearance.





ing product in the range is The Bonds' Wondersuit, the Number One baby coverall in Australia for the last 35 years.

In true Bonds tradition, everything has been considered to give maximum comfort to the newborn. Made from a special cotton/terry blend, the unique Wondersuit stretches both ways, allowing baby freedom of movement without restrictions.

There are no shoulder seams to cause discomfort and the unique 'SquareGro' toe gives plenty of room for little feet to wiggle. Neck to toe studs make nappy changing easier.

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Bonds offers an extensive range of men's underwear, of which the flagship product is probably the Chesty Bonds singlet. Made from a high quality knitted cotton fabric, the Chesty Bonds singlet, like all Bonds underwear, is put through the unique Bondset fabric treatment to reduce shrinkage.

In the women's underwear category, Bonds has an extensive range with styles to suit every figure. The recently launched Bonds 'Cottontails With Extra Lycra' has been met with enormous consumer success. The lycra component woven into the fabric means the underwear moves with the body, without losing its shape. This makes for greater comfort and looks great under fitted clothing.

Bonds commands over 60% market share in the Australian t-shirt market - a figure that is still growing. Made from Bonds renowned combed cotton, Bonds t-shirts are worn by virtually all Australians. Most recently, Bonds has made a significant impact with the 15 - 25 year old high street consumers with the reintroduction of some 1960 fashion lines within the t-shirt range.

No discussion of leisurewear would be complete without mention of Australia's most famous sport shirt, the Penguin polo shirt. This was the original polo-style shirt in Australia and over 20 million Penguin shirts have been sold since the product's inception in 1957.

RECENT DEVELOPMENTS

Following a rigorous selection process, Bonds was selected by the Sydney Organising Committee for the Olympic Games to produce licensed apparel for the 2000 Olympic Games. As a licensing partner, Bonds will produce apparel for SOCOG's own retail outlets and provide t-shirts, polo shirts and fleece sweatshirts for other licensees, as well as managing its own licensing program. With Bonds' expertise in apparel manufacturing and marketing, the company will provide the essential everyday items worn by Australians at the 2000 Olympic Games.

PROMOTION

Bonds has always placed a high priority on effective and creative advertising. The ageless Chesty, of course, has been a Bonds spokesperson since the 1930s. The advertising line "It's gotta be Bonds" has become part of the vernacular in Australia; and Chesty is still going strong today. For example, he starred with Paul

Mercurio, of the smash hit Australian movie 'Strictly Ballroom' in Bonds' 1993 TV advertising campaign.

A new Bonds advertising campaign is being launched in August 1997. Led by an heroic brand commercial, the campaign reflects the modern face of Bonds in Australia today as it moves towards the new millennium.

The new Bonds brand TV commercial will give Bonds a consistent presence, backed by additional product specific TV advertisements which will appear periodically. Each commercial is a simple story well told with the Bonds brand as the hero of the story.

Using a quintessentially Australian character to represent Bonds, the brand commercial's storyline is about a group of tourists stranded in the desert, unable to get the attention of a passing aircraft. At the last minute, the unassuming Bonds hero awakes from his sleep, removes and waves his Bonds singlet and in that simple way, summons the rescue forces.

The brand campaign continues to build on the well established theme "It's gotta be Bonds", whilst introducing an additional tag: "The one and only"

which simultaneously helps to explain why 'It's gotta be Bonds' and reinforces Bonds' authentic brand heritage.

BRAND VALUES

Bonds is far more than just another clothing brand. It is an Australian icon that is tightly interwoven into the Australian lifestyle. Consumers see the Bonds brand as an integral part of their lives. They consider it part of being an Australian.

This owes something to Bonds' own internal corporate culture. In fact, Bonds always had a strong corporate culture - and a remarkably modern one -

from way back at the start of the business in the 1920s. Sayings such as "We don't work FOR each other. We work WITH each other," were common around the mills and contributed to an ethic of mutual support and teamwork which have persisted to this day.



In 1945 Bonds acquired the Commonwealth Weaving Mills and during the 1950s and 1960s went on to develop new products such as men's woollen socks, ladies underwear and sleepwear. Among other products first manufactured in this period were household names like Cottontails and the Bonds Wondersuit. Other familiar Bonds brand names are Grand Slam, Penguin and Gotcha.

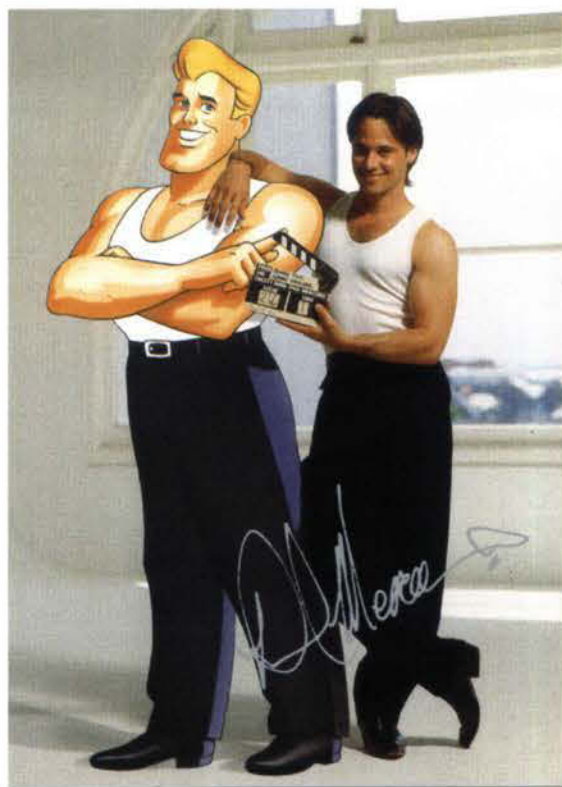
After a merger with Coats Paton of the UK in 1970, Bonds was taken over by Pacific Dunlop in 1987. Coats Paton was sold back to the UK, and this left Bonds as a wholly owned subsidiary of Pacific Dunlop, and, once again, an Australian company.

The 1990s has seen a consolidation of manufacturing and distribution operations, and major investment in new technology, especially for the Bonds knitting and dyeing operation.

THE PRODUCT

Bonds makes basic essential clothing in certain well defined categories for Australians of all ages. The company concentrates on babywear, men's and women's underwear, and leisurewear. In each category, Bonds is noted for the quality and comfort of its clothing. It is designed to endure, to look good and feel great, no matter what stage of life its wearers have reached.

In the babywear category, Bonds is the first choice for Australian mothers, whether they are buying vests or coveralls. The Bonds label even appears on nappies. Perhaps the most outstand-



Things you didn't know about Bonds

- Over 400 million Bonds singlets have been manufactured and sold since the line was first introduced in 1920, as well as 150 million Cottontails, and 17 million Wondersuits.
- Bonds took part in one of the first major 'Buy Australian' campaigns when the company was aboard the Great White Train which toured country New South Wales for six months in 1925.
- Charles Kingsford Smith and Charles Ulm wore Bonds underwear for their 1928 first transPacific flight - and wrote to the company commending the product.
- By 1927, Bonds was described as 'the largest hosiery manufacturer in the British Empire'.
- The character Chesty Bond was created in 1937 by Ted Moloney of the advertising agency J. Walter Thompson. Adopted by the Sydney Sun newspaper as a comic strip, Chesty Bond ran for nearly 20 years.