

V F CORP
Form 10-K
March 03, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 3, 2009

Commission file number: 1-5256

V. F. CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania

*(State or other jurisdiction of
incorporation or organization)*

23-1180120

*(I.R.S. employer
identification number)*

105 Corporate Center Boulevard
Greensboro, North Carolina 27408
(Address of principal executive offices)

(336) 424-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, without par value, stated capital \$1 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements

for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934). YES NO

The aggregate market value of Common Stock held by non-affiliates (i.e., persons other than officers, directors and 5% stockholders) of V.F. Corporation on June 28, 2008, the last day of the registrant's second fiscal quarter, was approximately \$5,172,000,000, based on the closing price of the shares on the New York Stock Exchange.

As of January 31, 2009, there were 110,155,581 shares of Common Stock of the registrant outstanding.

Documents Incorporated By Reference

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 2009 (Item 1 in Part I and Items 10, 11, 12, 13 and 14 in Part III), which definitive Proxy Statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

This document (excluding exhibits) contains 92 pages.
The exhibit index begins on page 45.

PART I

Item 1. *Business.*

V.F. Corporation, organized in 1899, is a worldwide leader in branded lifestyle apparel and related products. Unless the context indicates otherwise, the terms VF, we, us and our used herein refer to V.F. Corporation and its consolidated subsidiaries. Our stated vision is: VF will grow by building lifestyle brands that excite consumers around the world.

For over 100 years, VF has grown by offering consumers high quality, high value branded apparel and related products. Since 2004, we have been implementing a growth plan that is transforming VF's mix of business to include more lifestyle brands. Lifestyle brands are those brands that connect closely with consumers because they are aspirational and inspirational; they reflect consumers' specific activities and interests. Lifestyle brands generally extend across multiple product categories and have higher than average gross margins. Accordingly, this transformation has included the acquisitions of several growing lifestyle brands, such as *Vans*[®], *Reef*[®], *Kipling*[®], *Napapijri*[®], *7 For All Mankind*[®] and *lucy*[®]. At the same time, we have continued to invest in our other businesses, including extending *The North Face*[®] brand to new product categories and new markets, enhancing product development and marketing strategy in our *Nautica*[®] men's sportswear business, and expanding *Levi's*[®], *Wrangler*[®], *The North Face*[®] and several other brands into Asian and Eastern European markets.

An important step in VF's transformation was the sale in 2007 of our women's intimate apparel business, which had over \$800 million in revenues but lower profit and growth prospects. This business is separately reported as discontinued operations in this Annual Report. The remaining discussion of VF's business, unless otherwise stated, is focused on VF's continuing operations. See additional discussion regarding our discontinued operations in Note C to the Consolidated Financial Statements, included at Item 8 of this Annual Report.

VF is a highly diversified apparel company across brands, product categories, channels of distribution and geographies. VF owns a broad portfolio of brands in the jeanswear, outerwear, packs, footwear, sportswear and occupational apparel categories. These products are marketed to consumers shopping in specialty stores, upscale and traditional department stores, national chains and mass merchants. A growing portion of our revenues, currently 16%, are derived from sales directly to consumers through VF-operated retail stores and internet sites. A global company, VF derives 30% of its revenues from outside the United States, primarily in Europe, Asia, Canada and Latin America. VF products are also sold in some countries through licensees and distributors. To provide many types of products across numerous channels of distribution in different geographic areas, we balance efficient and flexible internally-owned manufacturing with sourcing of finished goods from independent contractors. An array of state-of-the-art technologies provide us with, among other things, sophisticated inventory replenishment capabilities that enable us to get consumer-right products, on time, to our customers' shelves.

VF's businesses are organized primarily into product categories, and by brands within those categories, for both management and internal financial reporting purposes. These groupings of businesses are called coalitions and consist of the following: Outdoor and Action Sports, Jeanswear, Imagewear, Sportswear and Contemporary Brands. These coalitions are treated as reportable segments for financial reporting purposes. Coalition management has responsibility to build their brands, with certain financial, administrative and systems support and disciplines provided by consolidated functions within VF.

We consider our Outdoor and Action Sports, Sportswear and Contemporary Brands coalitions to be our lifestyle coalitions. These are VF's growth engines, where we expect long-term revenue and profit growth at a mid-single digit to low-double digit rate. Our Jeanswear and Imagewear coalitions are our heritage businesses where our focus is on

strong profitability and cash flows, with long-term revenue growth expectations at a low-single digit rate.

The following table summarizes VF's primary owned and licensed brands by coalition:

Coalition	Primary Brands	Primary Products	
Outdoor and Action Sports	<i>The North Face</i> [®]	performance-oriented apparel, footwear, outdoor gear	
	<i>Vans</i> [®]	skateboard-inspired footwear, apparel	
	<i>JanSport</i> [®]	backpacks, luggage, apparel	
	<i>Eastpak</i> [®]	backpacks, apparel	
	<i>Kipling</i> [®]	handbags, backpacks, luggage, accessories (except in North America)	
	<i>Napapijri</i> [®]	premium outdoor apparel	
	<i>Reef</i> [®]	surf-inspired footwear, apparel	
	<i>Eagle Creek</i> [®]	luggage, packs, travel accessories	
	Jeanswear	<i>Wrangler</i> [®]	denim and casual bottoms, tops
		<i>Wrangler Hero</i> [®]	denim bottoms
<i>Lee</i> [®]		denim and casual bottoms, tops	
<i>Riders</i> [®]		denim and casual bottoms, tops	
<i>Rustler</i> [®]		denim and casual bottoms, tops	
<i>Timber Creek by Wrangler</i> [®]		casual bottoms, tops	
Imagewear	<i>Red Kap</i> [®]	occupational apparel	
	<i>Bulwark</i> [®]	occupational apparel	
	<i>Majestic</i> [®]	athletic apparel	
	<i>MLB</i> [®] (licensed)	licensed athletic apparel	
	<i>NFL</i> [®] (licensed)	licensed athletic apparel	
Sportswear	<i>Harley-Davidson</i> [®] (licensed)	licensed apparel	
	<i>Nautica</i> [®]	fashion sportswear, denim bottoms, sleepwear, accessories	
	<i>John Varvatos</i> [®]	luxury men's apparel, footwear, accessories	
	<i>Kipling</i> [®]	handbags, backpacks, luggage, accessories (in North America)	
Contemporary Brands	<i>7 For All Mankind</i> [®]	premium denim bottoms, sportswear	
	<i>lucy</i> [®]	women's activewear	

Financial information regarding VF's coalitions, as well as geographic information and sales by product category, are included in Note R to the Consolidated Financial Statements, which are included at Item 8 of this report.

Outdoor and Action Sports Coalition

Our Outdoor and Action Sports Coalition, VF's fastest growing business, is a group of outdoor and activity-based businesses that represent a collection of lifestyle brands. Product offerings include outerwear, sportswear, footwear, equipment, backpacks, daypacks, luggage and accessories.

The North Face[®] is our largest Outdoor and Action Sports Coalition brand. Its high performance outdoor apparel, equipment and footwear is sold across North and South America, Europe and Asia. (In Japan and South Korea, *The North Face*[®] trademarks are owned by a third party.) *The North Face*[®] apparel lines consist of outerwear, snow sports gear and functional sportswear and footwear for men, women and children. Its equipment line consists of tents, sleeping bags, backpacks, daypacks and accessories. Many of *The North Face*[®] products are designed for extreme

applications, such as high altitude mountaineering and ice and rock climbing, although many consumers also purchase these products because they represent a lifestyle to which they aspire. *The North Face*[®] products are marketed through specialty outdoor and premium sporting goods stores in the United States, Canada, Europe and

Asia and select department stores in the United States. In addition, these products are sold through approximately 40 VF-operated full price retail and outlet stores in the United States and Europe and online at www.thenorthface.com, as well as over 180 *The North Face*® retail stores operated by independent third parties dedicated to selling *The North Face*® products in Europe and Asia.

VF manufactures and markets *Vans*® performance and casual footwear and apparel for skateboard, bicycle motocross (BMX), surf and snow sports participants and enthusiasts. Products are sold on a wholesale basis through national chain stores in the United States and through skate and surf shops and specialty stores in the United States and Europe. The brand's products are also sold through approximately 200 owned full-price *Vans*® retail and outlet stores in the United States, primarily on the West Coast, and in key European markets. These retail stores carry a wide variety of *Vans*® footwear, along with a growing assortment of apparel and accessory items, most of which bear the *Vans*® trademarks. The *Vans*® brand is marketed through a 50%-owned joint venture in Mexico. VF is the 70% owner of the *Vans Warped Tour*® music festival, which presents over 50 alternative rock and heavy metal bands in performances in over 40 cities across North America each summer.

JanSport® backpacks, duffel bags, luggage and accessories are sold through department, office supply and national chain stores, as well as sports specialty stores and college bookstores in the United States. *JanSport*® daypacks have a leading market share in the United States. A technical line of *JanSport*® backpacks is sold through outdoor and sporting goods stores. *JanSport*® fleece and T-shirts imprinted with college logos are sold through college bookstores and department stores in the United States. In Europe, *Eastpak*® and *JanSport*® backpacks, and a line of *Eastpak*® clothing, are sold primarily through department and specialty stores, where the *Eastpak*® brand is the leading backpack brand. The *JanSport*® and *Eastpak*® brands are also marketed throughout Asia by licensees and distributors. In 2007, VF acquired the maker of *Eagle Creek*® adventure travel gear. *Eagle Creek*® products include luggage, daypacks and accessories sold through specialty luggage stores, outdoor stores and department stores throughout the United States and Europe.

Derived from the Finnish word for Arctic Circle, *Napapijri*® is a premium-priced brand of performance skiwear and outdoor-inspired casual outerwear, sportswear and accessories for men, women and children. The *Napapijri*® brand enjoys especially strong consumer awareness in Italy, where it was created, and is expanding across Europe. Products are sold on a wholesale basis primarily to European specialty shops, such as sport stores and fashion boutiques, and through VF-operated and independently-operated retail stores in several countries in Europe. In 2007, VF entered into a majority-owned joint venture to market *Napapijri*® brand products in Japan.

Kipling® handbags, shoulder bags, backpacks, luggage and accessories are stylish, colorful and fun products that are both practical and durable. The brand name comes from the author of *The Jungle Book*, Rudyard Kipling, and that provides the connection to the *Kipling*® monkey mascot, which symbolizes fun and adventure. A colorful monkey key ring is attached to every bag, with a different monkey design for each product collection. Products are sold through specialty stores in Europe, Asia and South America, as well as through approximately 30 VF-operated and over 170 independently-operated retail stores. The *Kipling*® business in North America is managed as part of the Sportswear Coalition.

The *Reef*® brand of surf-inspired products includes sandals, shoes, apparel and accessories marketed primarily to surf shops and department and specialty chain stores. Since its acquisition in 2005, we have significantly expanded the *Reef*® brand's presence by adding *Reef* men's swimwear and other apparel in the United States and by acquiring rights previously held by independent distributors to market *Reef*® products in other geographic areas, particularly in Europe.

We expect continued long-term growth in our Outdoor and Action Sports Coalition as we expand into new product categories, open additional retail stores, expand geographically and acquire additional outdoor or activity-based

lifestyle brands.

Jeanswear Coalition

Our Jeanswear Coalition markets jeanswear and related casual products in the United States and in many international markets. The largest of these brands, the *Lee*[®] and *Wrangler*[®] brands, have long-standing traditions as authentic American jeans brands as they were established in 1889 and 1947, respectively, and have strong market

positions. *Lee*[®] and *Wrangler*[®] products are sold in nearly every developed country. Products also include shorts, casual pants, knit and woven tops and outerwear, which are designed to complement the jeanswear products and have helped to extend our brands.

In domestic markets, *Lee*[®] products are sold primarily through national chain stores and specialty stores. *Wrangler*[®] westernwear is marketed through western specialty stores. The *Wrangler Hero*[®], *Rustler*[®] and *Riders*[®] brands are marketed to mass merchant and regional discount stores. Despite significant competitive activity, VF's domestic jeanswear revenues have been stable in recent years. Including all of its jeanswear brands, we believe that VF has the largest unit market share of jeans in the United States and is one of the largest marketers of jeans in the world. We also market cotton casual pants under the *Lee Casuals*[®], *Timber Creek by Wrangler*[®] and *Wrangler*[®] Khakis brands.

We believe our vendor-managed inventory and retail floor space management programs with several of our major retailer customers give us a competitive advantage in our domestic jeanswear business. We receive point-of-sale information from these customers on a daily basis, on an individual store and style-size-color stockkeeping unit (SKU) level. We then ship products based on customer data to ensure their selling floors are appropriately stocked with products that match their shoppers' needs. Our systems capabilities allow us to analyze our retail customer's sales, demographic and geographic data to develop product assortment recommendations that maximize the productivity of their jeanswear selling space and minimize their investment in inventory.

Jeanswear in most international markets is more fashion-oriented and has a higher selling price than similar products in the United States. The jeans market internationally is also more fragmented than in the United States, with competitors ranging from global brands to a number of smaller national or regional brands.

VF's largest international jeanswear business is located in Western Europe. During 2008, we acquired the remaining portion of our former 50%-owned joint venture that markets *Lee*[®] branded products in Spain and Portugal; this business is being integrated with our existing European jeanswear business. *Lee*[®] and *Wrangler*[®] jeanswear products are sold through department stores and specialty stores where we employ some of the same retail floor space management programs described above. We also market *Lee*[®] and *Wrangler*[®] products to mass market and specialty stores in Canada and Mexico, as well as to department stores and specialty stores in Asia and South America. In many international markets, we are expanding our reach through VF-operated retail stores, an increasingly important vehicle for presenting our brands' image and marketing message directly to consumers. We are continuing to expand our jeanswear brands in emerging markets, such as China and Russia, and through our majority-owned joint venture in India. In foreign markets where VF does not have owned operations, *Lee*[®] and *Wrangler*[®] jeanswear and related products are marketed through distributors, agents or licensees. *Lee*[®] and *Wrangler*[®] products are sold in over 500 independently operated single brand retail stores, primarily in Eastern Europe and South America.

In the United States, we believe our Jeanswear Coalition can grow its jeans market share in the mass market and national chain channels of distribution through superior consumer insight and marketing strategies and continuous product innovation. In our international businesses, growth will be driven by (i) product innovation, positioning and marketing in Europe and Latin America, (ii) expansion of our existing businesses in Asia, particularly in China, Russia and India, and (iii) the continued rollout of new retail stores.

Imagewear Coalition

Our Imagewear Coalition consists of the Image division (occupational apparel and uniforms) and the Activewear division (owned and licensed high profile sports and lifestyle apparel). Each division represents approximately one-half of Coalition revenues.

The Image division provides occupational apparel for workers around the world. Uniform and career apparel are sold in North America and internationally, primarily in Europe, under the *Red Kap*[®] brand (a premium workwear brand with more than 75 years of history), the *Bulwark*[®] brand (flame resistant and protective apparel), the *The Force*[®] brand (apparel for law enforcement and public safety personnel) and the *Chef Designs*[™] brand (restaurant and food service apparel). Products include work pants, slacks, work and dress shirts, overalls, jackets

and smocks. In 2009, the Image division will launch a new services apparel line featuring high-end tailored apparel marketed under the licensed *Joseph Abboud*[®] brand. Approximately two-thirds of Image division sales are to industrial laundries, resellers and distributors that in turn supply customized workwear to employers, primarily on a rental basis, for on-the-job wear by production, service and white-collar personnel. Since industrial laundries maintain minimal inventories of work clothes, a supplier's ability to offer rapid delivery of products in a broad range of sizes is an important factor in this market. Our commitment to customer service, supported by an automated central distribution center with several satellite locations, has enabled customer orders to be filled within 24 hours of receipt and has helped the *Red Kap*[®] and *Bulwark*[®] brands obtain a significant share of the industrial laundry rental business.

The Image division also develops and manages uniform programs through custom-designed websites for major business customers (e.g., FedEx Corporation, Air Canada, Continental Airlines and American Airlines) and governmental organizations (e.g., U.S. Customs and Border Protection, Transportation Security Administration, National Park Service, Fire Department of New York City and New York City Transit Authority). These websites give employees of these customers the convenience of shopping for their work and career apparel via the internet.

In the Activewear division, we design and market sports apparel and fanwear under licenses granted by the major sports leagues, individual athletes and related organizations, including Major League Baseball, the National Football League, the National Basketball Association, the National Hockey League, NASCAR, ESPN, Inc. and many major colleges and universities. Under license from Major League Baseball, *Majestic*[®] brand uniforms are worn exclusively on-field by all 30 major league teams. *Majestic*[®] brand adult and youth-size authentic, replica jersey and casual fanwear are sold through department, sporting goods and athletic specialty stores. Adult and youth sports apparel products marketed under other licensed labels are distributed through department, mass market, sporting goods and athletic specialty stores. In addition, the Activewear division is a major supplier of licensed *Harley-Davidson*[®] apparel marketed to Harley-Davidson dealerships. With the exception of the Major League Baseball license, loss of any license would not have a material effect on the Imagewear Coalition.

The opportunities to grow our Imagewear Coalition revenues include (i) the extension of its product and service capabilities into new markets, such as hospitality/services, (ii) growth of its *Majestic*[®] brand through expansion to new domestic and international customers, updates to key authentic and replica products and e-commerce, (iii) growth of the National Football League business through recently acquired rights to additional apparel categories, (iv) market share gains in key licensed categories and (v) the extension of VF's floor space management and replenishment capabilities to more retail doors, placing the product-right assortments on the sales floor in each geographic market. Looking forward we intend to drive Image and Activewear growth by leveraging the Coalition's ability to manage a complex mix of products where speed-to-market, product customization and superior service give us a competitive advantage.

Sportswear Coalition

The *Nautica*[®] brand is the principal lifestyle brand of the Sportswear Coalition. *Nautica*[®] sportswear is marketed in the department store and specialty store channels of distribution in the United States. The department store channel has undergone significant consolidation in the last few years, resulting in numerous store closings and negatively impacting sales of *Nautica*[®] brand products. The principal *Nautica*[®] product line is men's sportswear, noted for its classic styling. We believe *Nautica*[®] is the number two men's collection sportswear brand in national department stores. The *Nautica Jeans Company*[®] line features fashionable jeanswear and related tops for younger male consumers. Other *Nautica*[®] product lines include men's outerwear, underwear and swimwear and men's and women's sleepwear. *Nautica*[®] women's sportswear, initially launched in the department store channel in late 2006, did not meet our expectations and was discontinued in that channel of distribution in 2008. Women's sportswear continues to be marketed at www.nautica.com and in select *Nautica*[®] outlet stores.

The Sportswear Coalition operates approximately 110 *Nautica*[®] retail outlet stores in better outlet malls across the United States. These stores carry *Nautica*[®] merchandise for men, women, boys, girls and infants. The product styles sold in the outlet stores are different from the *Nautica*[®] styles sold to department and specialty store wholesale customers. These outlet stores also carry *Nautica*[®] merchandise from licensees to complete their product assortment. In addition, independent licensees operate over 200 *Nautica*[®] brand retail stores across the world.

The *Nautica*[®] brand is licensed to independent parties in the United States for apparel categories not produced by VF (e.g., tailored clothing, dress shirts, neckwear, women's swimwear, accessories such as fragrances, watches and eyewear) and for nonapparel categories (e.g., bed and bath linens and accessories). *Nautica*[®] products are licensed for sale in over 60 countries outside the United States. Wholesale sales of *Nautica*[®] licensed products total approximately \$470 million on an annual basis.

The *John Varvatos*[®] brand is a rapidly growing luxury apparel and accessories collection for men, including tailored clothing, sportswear, footwear and accessories. The *John Varvatos * USA*[®] line of tailored clothing, sportswear and accessories is designed to appeal to a younger consumer at somewhat more accessible price points. A *John Varvatos * USA*[®] line of footwear will be launched in 2009. Products are sold through upscale department and specialty stores primarily in the United States, as well as through eight showcase *John Varvatos*[®] retail locations. This business is 80% owned by VF, with the balance owned by Mr. John Varvatos.

The Sportswear Coalition also includes the *Kipling*[®] business in North America. *Kipling*[®] handbags, backpacks, totes, luggage and accessories are sold in the United States through specialty stores, department stores, VF-operated retail stores and at www.kipling.com. About two-thirds of products are the same as those sold in Europe, with the remainder designed specifically for the U.S. market.

We believe there is revenue and profit growth potential in each of our Sportswear brands through the expansion of owned retail stores, the expansion in the number of individual retailers offering our products and improved product offerings at accessible price points.

Contemporary Brands Coalition

Contemporary Brands, our newest coalition, is focused on upscale lifestyle brands. Formed in August 2007, it is currently composed of the *7 For All Mankind*[®] and *lucy*[®] brands. In addition, in May 2008 we acquired one-third of the outstanding equity of Mo Industries Holdings, Inc. (Mo Industries), a Los Angeles-based company that owns the *Splendid*[®] and *Ella Moss*[®] brands of premium knitwear marketed to better department and specialty stores. VF expects to acquire the remaining two-thirds of the outstanding equity of Mo Industries in the first half of 2009.

7 For All Mankind[®] is a Los Angeles-based brand of contemporary denim jeans and related products – knit and woven tops, sweaters, jackets and accessories – for women and men. Products are noted for their fit and for innovation in design, fabric and finish. We believe the *7 For All Mankind*[®] brand is the leading premium jeans brand in the United States, with the premium segment defined as jeans retailing for \$150 or more. Retail price points for the brand's core jeans range from \$155 – \$199 for basics, with higher price points for more fashion-forward products. With approximately three-fourths of its sales in the United States, the brand is marketed through department stores, such as Bloomingdale's, Macy's, Neiman Marcus, Nordstrom and Saks, and through specialty stores. In addition, the brand is sold in VF-operated retail locations. We opened 13 retail stores in prime street fronts or malls in the United States during 2008, bringing the total to 15. Internationally, sales are through department stores, such as Harrods, and specialty stores. We are pursuing growth opportunities in several areas – additional direct-to-consumer expansion through company-operated retail stores and e-commerce, additional sportswear product offerings, further geographic expansion in the Eastern European and Asian markets, and licensing.

Based in Portland, Oregon, the *lucy*[®] brand of women's lifestyle apparel is marketed through approximately 60 *lucy*[®] branded retail stores across the United States and via the internet. *lucy*[®] is an activewear brand designed for versatility, comfort and fit for today's active woman. *lucy*[®] is an authentic activewear brand with functional product that women can wear from workout to weekend. The *lucy*[®] retail stores are currently being remodeled to emphasize the brand's four core types of activity-based apparel – yoga, gym, running and outdoor adventure. Approximately 90% of the products in the *lucy*[®] retail stores are *lucy*[®] branded, with the balance of the offerings being complementary lines,

including *Splendid*[®] knitwear. We expect that substantially all of the products in the stores will continue to be *lucy*[®] branded.

We expect to grow the *7 For All Mankind*[®] brand through retail and international expansion and new product lines and the *lucy*[®] brand through opening stores in new markets. We will pursue further opportunities to leverage VF's supply chain capabilities for both brands for future profitability improvement.

Direct-To-Consumer Operations

VF-operated retail stores are an integral part of our strategy for growing VF's brands, particularly our lifestyle brands. Our full price retail stores allow us to showcase a brand's full line of current season products, with fixtures

and imagery that support the brand's positioning. These stores provide high visibility for our brands and products and enable us to stay close to the needs and preferences of consumers. The proper presentation of products in our retail stores also helps to increase consumer purchases of VF products at our wholesale customers. VF-operated retail stores generally provide operating margins that are equal to or above VF averages and a return on investment above VF averages. In addition, VF operates outlet stores in both upscale outlet malls and in more traditional value-based locations. These outlet stores serve an important role in our overall inventory management by allowing VF to effectively sell a significant portion of excess discontinued and out-of-season products at better prices than are otherwise available from outside parties, while maintaining the integrity of our brands.

Our growing global retail operations include 698 stores at the end of 2008. Of that total, there are 624 monobrand stores, (i.e., with only one brand's products offered in each store), that sell *The North Face*[®], *Vans*[®], *Napapijri*[®], *Kipling*[®], *John Varvatos*[®], *7 For All Mankind*[®], *lucy*[®], *Nautica*[®], *Lee*[®] or *Wrangler*[®] products. Approximately three-fourths of these stores offer products at full price, with the remainder being outlet locations offering products at discounted prices. In addition to the monobrand retail and outlet stores, we operate 74 VF Outlet stores across the United States that sell a broad selection of excess quantities of VF-branded products as well as women's intimate apparel and childrenswear products under brands that are not VF-owned. Approximately three-fourths of the VF-operated retail stores are located in the United States. The remaining stores are primarily located in Europe.

Across the globe, internet sales (i.e., e-commerce) comprise a small but growing portion of total retail sales of apparel, footwear and accessories. E-commerce sales of apparel and footwear have become the second largest category of e-commerce purchases in the United States (behind travel purchases). At VF, e-commerce is a growing portion of our revenues as we currently market the *Lee*[®], *The North Face*[®], *Vans*[®], *7 For All Mankind*[®], *lucy*[®], *Nautica*[®] and *Kipling*[®] brands online. Additional e-commerce sites will be rolled out for consumers in 2009.

Total retail store and e-commerce sales accounted for 16% of VF's consolidated Total Revenues in 2008 and 14% in 2007. We expect our direct-to-consumer business to continue to grow at a faster pace than VF's overall growth rate as we continue opening retail stores for our lifestyle brands. During 2008, we opened 89 retail stores. For 2009, capital investments of approximately \$30 million are planned for leasehold improvements, fixtures and equipment for approximately 70 new retail locations.

In addition to the direct-to-consumer venues operated by VF, our licensees, distributors and other independent parties operate over 1,200 retail stores dedicated to our brands. These stores are located primarily in Eastern Europe and Asia.

Licensing Arrangements

As part of our business strategy of expanding market penetration of VF-owned brands, we enter into licensing agreements for our brands for specific apparel and complementary product categories in identified geographic regions if such arrangements with independent parties can provide more effective manufacturing, distribution and marketing of such products than could be achieved internally. These licensing arrangements relate to a broad range of VF brands and are for fixed terms of generally five years, with conditional renewal options. Each licensee pays royalties to VF based on its sales of licensed products, with most agreements providing for a minimum royalty requirement. Royalties generally range from 5% to 7% of the licensing partners' net sales of licensed products. Gross Royalty Income was \$81.0 million in 2008, with the largest contribution from the *Nautica*[®] brand.

In addition, licensees of our brands are generally required to spend a specified amount to advertise VF's products ranging from 1% to 5% of their net licensed product sales. In some cases, these advertising amounts are remitted to VF for advertising on behalf of the licensees. We provide support to these business partners and ensure the integrity of our brand names by taking an active role in the design, quality control, advertising, marketing and distribution of each licensed product.

VF has also entered into license agreements to use third-party trademarks. We market apparel under licenses granted by Major League Baseball, the National Football League, the National Basketball Association, the National Hockey League, Harley-Davidson Motor Company, Inc., NASCAR, ESPN, Inc. and major colleges, most of which contain minimum annual licensing and advertising requirements.

Manufacturing, Sourcing and Distribution

Product design, fit, fabric, finish and quality are important in all of our businesses. These functions are performed by employees located within each of our branded businesses across the globe.

VF's centralized global supply chain organization sources product and ultimately bears the responsibility to deliver product to our customers. VF is highly skilled in managing the complexity associated with the supply chain. VF's revenues are comprised of approximately 500 million units representing 500,000 SKUs spread over 30 brands. VF operates 30 manufacturing facilities and utilizes over 1,600 contractor manufacturing facilities. We manage over 30 distribution centers and nearly 700 retail stores. Managing this complexity is made possible by our use of information systems technologies with best-of-breed systems for product development, forecasting, order management, warehouse management, etc. attached to our core enterprise resource management platform.

Today, 23% of our global Net Sales are of products manufactured in VF-owned facilities in Mexico, Europe and Central America and 77% are of products obtained from contractors, primarily in Asia. We believe a combination of VF-owned and contracted production from different geographic regions provides flexibility and a competitive advantage in our product sourcing. We will continue to manage our supply chain from a global perspective and adjust as needed to changes in the global production environment.

Our domestic Jeanswear and Imagewear businesses operate owned manufacturing facilities (primarily cutting, sewing and finishing) located in Mexico and Central America. Our international jeanswear businesses operate manufacturing facilities located in Poland and Turkey. A significant percentage of our denim bottoms are manufactured in these plants. For these owned production plants, we purchase raw materials from numerous domestic and international suppliers to meet scheduled production needs. Raw materials include fabrics made from cotton, synthetics and blends of cotton and synthetic yarn, as well as thread and trim (product identification, buttons, zippers and snaps). In some instances, we contract the sewing of VF-owned raw materials into finished product with independent contractors in the United States, Mexico and Central America. While we obtain fixed price commitments for denim and certain supplies for up to one year in advance, specific purchase obligations with suppliers are typically limited to the succeeding two to six months. Our only long-term contract for the purchase of raw materials or finished products is a commitment in connection with the sale of VF's childrenswear business in 2004. This agreement requires VF to purchase a remaining total of approximately \$77.5 million of finished product for sale through our VF Outlet stores, with a minimum of \$15 million per year. No single supplier represents more than approximately 3% of our total cost of sales.

For the U.S. market, our current sourcing strategy includes a balance of VF-owned production and contracted production in the Western Hemisphere and contracted production from Asia. Owned production generally has a lower cost than contracted production. Product obtained from contractors in the Western Hemisphere generally has a higher cost compared with production obtained from contractors in the Far East but gives us greater flexibility and shorter lead times and allows for lower inventory levels. Approximately 33% of units sold in the United States and 27% of the dollar value of domestic Net Sales in 2008 were manufactured in VF-owned facilities, primarily in Mexico and Central America, with the balance obtained from contractors, primarily in Asia. This combination of VF-owned and contracted production, along with different geographic regions and cost structures, provides a balanced approach to product sourcing.

To an increasing extent, we are using independent contractors who own the raw materials and ship only finished, ready-for-sale products to VF. These contractors are engaged through VF sourcing hubs in Hong Kong (with several satellite offices across Asia) and Miami. These hubs are responsible for product procurement, product quality assurance, supplier management, transportation and shipping functions in the Eastern and Western Hemispheres, respectively. Substantially all products in the Outdoor and Action Sports and Sportswear Coalitions, as well as a growing portion of product requirements for our Jeanswear and Imagewear Coalitions, are obtained through these sourcing hubs. For most products in our Contemporary Brands Coalition, we currently contract the majority of sewing and finishing of VF-owned raw materials through a network of independent domestic and international contractors. Some of this volume is being shifted to the VF sourcing hubs. VF does not directly or indirectly source any products from suppliers in countries that are identified by the State Department as state sponsors of terrorism and are subject to

U.S. economic sanctions and export controls.

Management continually monitors political risks and developments related to duties, tariffs and quotas. We limit VF's sourcing exposure through, among other measures, (i) extensive geographic diversification with a mix of VF-operated and contracted production, (ii) shifts of production among countries and contractors, (iii) allocation of production to merchandise categories where the free flow of product is available and (iv) sourcing from countries with tariff preference and free trade agreements.

Through its contractor monitoring program, VF oversees the activities of the many independent businesses and contractors that produce VF-branded goods at locations across the globe. Each of the over 1,600 independent contractor facilities that manufacture VF-branded products must be pre-certified prior to performance of any production on behalf of VF, including contractors of our independent licensees. This pre-certification includes passing a factory inspection and signing a VF Terms of Engagement agreement. These requirements provide strict standards covering age of workers, hours of work, health and safety conditions and conformity with local laws. We maintain an ongoing audit program to ensure compliance with these requirements by using dedicated internal and outsourced staff. Additional information about VF's Global Compliance Principles, Terms of Engagement, Factory Audit Procedure and Factory Compliance Guidelines, along with a Global Compliance Report, are available on the VF website at www.vfc.com.

VF did not experience difficulty in filling its raw material and contracting production needs during 2008, and we do not anticipate difficulties in meeting our raw materials and contracting production requirements during 2009. The loss of any one supplier or contractor would not have a significant adverse effect on our business.

Product is shipped from our independent suppliers and VF-operated manufacturing plants to many distribution centers in the United States and international markets. In limited instances, product is shipped directly to our customers. Product is inspected, sorted and stored in our distribution centers until needed for packing and shipping to our wholesale customers or our retail stores. Most distribution centers are operated by VF. Some support multiple brands. A small portion of our distribution needs are met by contract distribution centers. Our distribution centers use computer-controlled inventory management technology for efficient tracking and movement of products.

Seasonality

With its diversified product offerings, VF's operating results are somewhat seasonal. On a quarterly basis and excluding the effect of timing of businesses acquired during 2008, consolidated Total Revenues for 2008 ranged from a low of approximately 22% of full year revenues in the second quarter to a high of 29% in the third quarter. This disparity results primarily from the seasonal influences on revenues of our Outdoor and Action Sports Coalition, where only 19% of Outdoor and Action Sports Coalition revenues occurred in the second quarter and 33% in the third quarter of 2008. With changes in our mix of business along with growth of our retail operations, historical quarterly revenue and profit trends may not be indicative of future trends. We expect the portion of annual revenues and profits occurring in the second half of the year to increase.

Working capital requirements vary throughout the year. Working capital increases during the first half of the year as inventory builds to support peak shipping periods and then decreases during the second half of the year as those inventories are sold and accounts receivable are collected. Cash provided by operating activities is substantially higher in the second half of the year due to higher net income during that period and reduced working capital requirements, particularly during the fourth quarter.

Advertising and Customer Support

We support VF's brands through extensive advertising and promotional programs that convey a lifestyle image for a specific brand or focus on specific product features. We advertise in consumer and trade publications, on national and local radio and television and on the internet. We also participate in cooperative advertising on a shared cost basis with major retailers in print media, radio and television. We sponsor various sporting, music and other special events and sponsor a number of athletes and other personalities. In addition, we provide point-of-sale fixtures and signage to our wholesale customers to enhance the presentation and brand image of our products in their retail locations. This includes shop-in-shops, which are separate retail sales areas within a department store or other retail customer location that are dedicated to a specific VF brand.

We also participate in various retail customer incentive programs. These incentive programs with retailers include discounts, cooperative advertising funds and margin support funds. We also offer sales incentive programs directly to consumers in the form of rebate and coupon offers. Sales incentive offers with retailers and with consumers are recognized as sales discounts in arriving at reported Net Sales (except that cooperative advertising reimbursements of retailer advertising costs are reported as Advertising Expense, and free product with purchase offers are reported in Cost of Goods Sold).

During 2008, we spent \$399.1 million on advertising and promoting our brands, a 10% increase from the 2007 level. We employ marketing sciences to optimize both the level and impact of advertising and promotional spending and to identify the types of spending that provide the greatest return on our marketing investments.

Internet websites are maintained for most of our brands. Some of them are business-to-consumer e-commerce sites where consumers can order VF products. Other consumer websites provide information about our brands and products and, in many cases, direct consumers to our wholesale customers where they can purchase our products. We also operate several business-to-business sites where our retail customers can order VF products.

Our Jeanswear, Outdoor and Action Sports, Sportswear and Contemporary Brands Coalitions employ a staff of in-store marketing and merchandising coordinators located in major cities across the United States. These individuals visit our customers' retail locations to inform the customers' sales force about our products and related promotions and to ensure that our products, and those of our licensees, are properly presented on the merchandise sales floor.

Other Matters

Competitive Factors

Our business depends on our ability to stimulate consumer demand for VF's brands and products. VF is well-positioned to compete in the apparel industry by developing consumer-connected and innovative products at competitive prices, producing high quality merchandise, providing high levels of service, ensuring product availability to the retail sales floor and enhancing recognition of its brands. We continually strive to improve on each of these areas. Many of VF's brands have long histories and enjoy high recognition within their respective consumer segments.

Trademarks

Trademarks, patents and domain names, as well as their related logos, designs and graphics, have substantial value in the marketing of VF's products and are important to our continued success. We have registered this intellectual property in the United States and in other countries where our products are manufactured and/or sold. We vigorously monitor and enforce VF's intellectual property against counterfeiting, infringement and violations of other rights where and to the extent legal, feasible and appropriate. In addition, we grant licenses to other parties to manufacture and sell products utilizing our intellectual property in product categories and geographic areas in which VF does not operate.

Customers

VF products are primarily sold through our sales force and independent sales agents and distributors. VF's customers are specialty stores, department stores, national chains and mass merchants in the United States and in international markets. Of our Total Revenues, 30% are in international markets, primarily in Europe, and 16% are through VF-operated retail stores (which includes international stores).

Sales to VF's ten largest customers, all of which are retailers based in the United States, amounted to 26% of Total Revenues in 2008, 27% in 2007 and 30% in 2006. These larger customers included (in alphabetical order) Kohl's Corporation, Macy's, Inc., J.C. Penney Company, Inc., Sears Holding Corporation, Target Corporation and Wal-Mart Stores, Inc. Sales to the five largest customers amounted to approximately 21% of Total Revenues in 2008, 22% in 2007 and 24% in 2006. Sales to VF's largest customer, Wal-Mart Stores, Inc., totaled 11% of Total Revenues in 2008, 12% in 2007 and 13% in 2006, substantially all of which were in the Jeanswear Coalition. Generally sales to our ten largest and five largest customer groups have increased in the last two years but are a smaller percentage of Total Revenues in 2008 and 2007 due to higher growth rates in our lifestyle businesses, which have a greater portion of their sales to other customers.

Employees

VF employed approximately 46,600 men and women at the end of 2008, of which approximately 19,900 were located in the United States. Approximately 900 employees in the United States are covered by collective bargaining agreements. In international markets, a significant percentage of employees are covered by trade- sponsored or governmental bargaining arrangements. Employee relations are considered to be good.

Backlog

The dollar amount of VF's order backlog as of any date is not meaningful, may not be indicative of actual future shipments and, accordingly, is not material for an understanding of the business of VF taken as a whole.

Executive Officers of VF

The following are the executive officers of VF Corporation as of February 14, 2009. The executive officers are generally elected annually and serve at the pleasure of the Board of Directors. There is no family relationship among any of the VF Corporation executive officers.

Name	Position	Age	Period Served In Such Office(s)
Eric C. Wiseman	Chairman of the Board Chief Executive Officer President Director	53	August 2008 to date January 2008 to date March 2006 to date October 2006 to date
Robert K. Shearer	Senior Vice President and Chief Financial Officer	57	June 2005 to date
Bradley W. Batten	Vice President – Controller and Chief Accounting Officer	53	September 2004 to date
Candace S. Cummings	Vice President – Administration and General Counsel Secretary	61	March 1996 to date October 1997 to date
Mike Gannaway	Vice President – VF Direct/ Customer Teams	57	January 2008 to date
Frank C. Pickard III	Vice President – Treasurer	64	April 1994 to date
Boyd Rogers	Vice President; President – Supply Chain	59	June 2005 to date
Karl Heinz Salzburger	Vice President; President International	51	January 2009 to date

Mr. Wiseman was named President and Chief Operating Officer of VF in March 2006, Director of VF in October 2006, Chief Executive Officer in January 2008 and Chairman of the Board in August 2008. He has held a progression of leadership roles within and across VF's Coalitions since 1995. Additional information is included under the caption "Election of Directors" in VF's definitive Proxy Statement for the Annual Meeting of Shareholders to be held April 28, 2009 (2009 Proxy Statement) that will be filed with the Securities and Exchange Commission within 120 days after the close of our fiscal year ended January 3, 2009, which information is incorporated herein by reference.

Mr. Shearer joined VF in 1986 as Assistant Controller and was elected Controller in 1989 and Vice President Controller in 1994. He has served as Vice President – Finance and Chief Financial Officer since 1998. He served as Chairman – Outdoor Coalition from June 2000 to January 2003. Mr. Shearer was also elected as Vice President – Global Processes in January 2003. In May 2005, he became Senior Vice President and Chief Financial Officer.

Mr. Batten rejoined VF as Vice President – Controller in September 2004. Mr. Batten had previously served as Vice President & Chief Financial Officer of VF's former intimate apparel business from 1998 to July 2000.

Mrs. Cummings joined VF as Vice President – General Counsel in 1995 and became Vice President – Administration and General Counsel in 1996 and Secretary in 1997.

Mr. Gannaway joined VF in July 2004 as Vice President – Customer Management. In January 2008, his responsibilities were broadened to Vice President – VF Direct/Customer Teams.

Mr. Pickard joined VF in 1976 and was elected Assistant Controller in 1982, Assistant Treasurer in 1985, Treasurer in 1987 and Vice President Treasurer in 1994.

Mr. Rogers joined VF in 1971 and served in a number of positions until his appointment as Vice President Operations in 1994. He was appointed Vice President Process Development Supply Chain in 2000 and Vice President Process and Technology in 2002. In March 2004, he served as Vice President Global Supply Chain and Technology until his appointment in June 2005 as Vice President of VF and President Supply Chain.

Mr. Salzburger joined The North Face in 1997 as Chief Executive Officer of European operations and was appointed President of The North Face in 1999. Following the VF acquisition of The North Face in 2000, Mr. Salzburger served as President of VF's International Outdoor Coalition from 2001 until his appointment as

President of VF's European, Middle East, Africa and Asian operations in September 2006. In January 2009, Mr. Salzburger was appointed Vice President of VF and President of VF International.

Available Information

All periodic and current reports, registration statements and other filings that VF has filed or furnished to the Securities and Exchange Commission (SEC), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act, are available free of charge from the SEC's website (www.sec.gov) and public reference room at 100 F Street, NE, Washington, DC 20549 and on VF's website at www.vfc.com. Such documents are available as soon as reasonably practicable after electronic filing of the material with the SEC. Copies of these reports (excluding exhibits) may also be obtained free of charge upon written request to the Secretary of VF Corporation, P.O. Box 21488, Greensboro, NC 27420.

The following corporate governance documents can be accessed on VF's website: VF's Corporate Governance Principles, Code of Business Conduct, and the charters of our Audit Committee, Compensation Committee, Finance Committee and Nominating and Governance Committee. Copies of these documents also may be obtained by any shareholder free of charge upon written request to: Secretary of VF Corporation, P.O. Box 21488, Greensboro, NC 27420.

After VF's 2009 Annual Meeting of Shareholders, VF intends to file with the New York Stock Exchange (NYSE) the certification regarding VF's compliance with the NYSE's corporate governance listing standards as required by NYSE Rule 303A.12. Last year, VF filed this certification with the NYSE on May 2, 2008.

Item 1A.