R.G. BARRY BLAMES LOSS ON ERRORS

Slippermaker says it has taken steps to right itself

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PICKERINGTON -- Gordon Zacks didn't mince words when asked to explain why R.G. Barry Corp. lost nearly $12 million during 2002 -- a year the company had predicted would be profitable. "We screwed up. Things happened that shouldn't have happened," said Zacks, R.G. Barry chairman and chief executive, after the slippermaker's annual shareholders' meeting yesterday.

Zacks said the company didn't properly monitor and control its sales to retailers, for example, creating an oversupply of product. As a result, R.G. Barry's profits fell and expenses rose last year, even though Zacks had proclaimed that 2001 had marked a turnaround year. But Zacks said the problems could be fixed and called 2002 results an "aberration." The company already has replaced key members of its sales team and tweaked internal controls.

He said he believes the company can return to profitability this year if the economy improves and the company executes its plans well. "I'm bullish about the future," said Zacks, who received no bonus last year. "We're not in the position of having to change things -- we just have to execute the changes we made." Certainly, the sour economy didn't help during 2002. R.G. Barry lost $8.5 million worldwide on its Vesture thermal-retention business, Zacks said.

Vesture products include thermal bags to keep pizza warm and crisp. It once was a promising business for R.G. Barry, but the company now expects to announce a plan by the end of the month to stem those losses. The pressure is on because R.G. Barry is in the final year of a three-year plan to sustain profits after losing $14.6 million in 1999. The company lost $806,000 in 2000 and earned $932,000 in 2001.

As part of that plan, R.G. Barry moved all of its remaining U.S. manufacturing to Mexico to save money and signed an agreement with a British company to make and distribute its products in Europe. Zacks told shareholders yesterday that the risk and cost of that restructuring is behind R.G. Barry and the company should begin to see results in the coming quarters.

R.G. Barry, which already controls 40 percent of the U.S. slipper market with such brands as Dearfoams, is hoping its new line of Terrasoles will appeal to consumers who usually wear old shoes around the house. The company also announced a licensing agreement yesterday to sell a line of NASCAR robes, towel wraps, sandals, slipper socks and other footwear featuring popular drivers such as Dale Earnhardt Jr.

R.G. Barry's stock, which reached a 52-week low of $2.10 on March 20, rose 57 cents a share from Monday through Wednesday. It closed yesterday at $3.45, up 18 cents.

Zacks, 70, whose family founded the business in 1947, has a contract that expires in July 2004 but can be automatically renewed. He said he plans to remain chairman and CEO as long as the work is challenging. "I don't know how long that will be."

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