A Flip Attitude

NEW YORK — Turn it over. That’s the advice from a variety of designers who are exploring the reverse sides of fabrics for fresh, unexpected looks. Here, a Tuleh coat for fall, which Bryan Bradley designed using the alternative side of a Luigi Verga fabric. “The front was just too applied,” says Bradley. “The back is more unified.”

For more on this and other textile trends, see pages 6 and 7.

Saks Inc. Takes Action: Retailer Fires Executives Following Internal Probe

By David Moin

NEW YORK — Saks Inc. is cleaning house, but its problems aren’t going away.

The retailer said late Monday afternoon that its internal investigation into alleged improper collections of about $20 million in vendor markdown allowances, as well as related accounting and disclosure issues, is over and several senior executives are either being fired or asked to resign.

Saks also disclosed that it received an inquiry from the U.S. Attorney for the Southern District of New York, raising speculation that broader and more
Barneys Turns It Up: I

By David Moin

NEW YORK — Building flagships is back on the agenda at Barneys New York.

The retailer, which was bought by Jones Apparel Group last year, has plans to more than double its number of flagships by 2008, while at the same time maintaining the expansion of its Co-op format. The aim is to achieve Jones’ goal of growing Barneys New York into a $1 billion business.

Right now, we are very busy planning through 2008. The number one priority is to roll out flagships. Co-ops are number two,” stated Howard Socol, the chairman, chief executive and president of Barneys.

Barneys executives have hailed Co-op’s expansion potential since the first freestanding unit opened on 18th Street in Chelsea in 2000. The smaller, more specialized shops will always outnumber Barneys’ full-line flagships. They’re less costly, less risky, and the formula seems to work.

Now it’s time to move on with flagships, which require precision site selection, and far greater planning and creativity in store design and merchandising, and commitments from designers. Although there could be as many as nine or 10 flagships by 2008, Socol didn’t specify the number. “This was the strategy we put together and really the strategy that Jones bought. Jones has money to take Barneys to the next level,” he said.

The Jones Apparel Group bought Barneys in December for $397.3 million from two vulture funds, Whip-poor-will Associates and Bay Harbour Management, which in 1999 bailed out Barneys from bankruptcy stemming from its ill-conceived expansion program in the Nineties. In many locations, the merchandise was too avant-garde or too “New York” in orientation. So for Barneys’ second attempt at expansion, tailoring the assortment for each market will be material.

Now, he wants to push it further. A Boston flagship is set for March 2006, and locations for future flagships are being scouted in Las Vegas, San Francisco’s Union Square, Miami and Washington. Certain cities, such as San Francisco, could house a flagship and a Co-op.

Real estate sources also cite Lexen in Atlanta, NorthPark in Dallas, Fashion Valley in San Diego, and Northbrook and Old Orchard shopping centers in suburban Chicago, as possible flagship locations.

“We could put up more than one flagship in a year,” Socol said. “It depends on how much work is done before a lease is completed. You could have a gentleman’s agreement before the official agreement,” enabling a head start on the planning.

While there has been speculation that Barneys would open stores abroad, Socol said, “International is not where we are looking next.” There are only three overseas Barneys, all in Japan and operated and operated by Isetan through a licensing arrangement.

Currently, Barneys in the U.S. operates three flagships, the 240,000-square-foot Madison Avenue store, the Chicago unit which has 45,000 square feet, and Beverly Hills, with 120,000 square feet. The fourth will be a two-level, 46,000-square-foot store in Boston’s Copley Place complex. It’s the first to be built in more than 11 years and will house a former movie theater. The shell will stay intact, but there will be a huge skylight in the center, and the front will resemble a glass ship, with a wide glass window to see inside. The interior, Socol added, will have an “innovative artisan feeling. The floors are very open — not one shop after another. You will feel that it is Barneys and that it is different. And hopefully, you will see that in each flagship we open.”

While the attempt with the Boston store is to capture the Barneys spirit, it is by no means a prototype for future flagships. They will be bigger than Boston, and the architecture will vary depending on the location. “We contin-ue to see the use of architecture and design as a key way of differentiating. Some will have two stories; some will have multiple floors,” Socol said.

The Boston store will have a dramatic 30-foot glass facade rising two stories and a 45-foot wide octagonal skylight. With all the openness and natural light, the intent is to create “a beacon” that draws customers in, said Jeffrey Hutchison, president of Jeffrey Hutchison & Associates store designers. “There will be some amazing vistas. We are trying to celebrate the bigness of the sky- light and the space and the bright natural light. We don’t want to create nooks and crannies,” Hutchison said.

“Basically, from the entrance, there will be glimpses to every department. When you walk in, you will understand the department you’re in, and get a sense of what the whole store has to offer,” Hutchison added. “It is a modern setting. It’s all about creating a mix between modern architecture and a high degree of detail with luxurious materials,” including limestone floors, marble mosaics, bleached mahogany and wenge woods.

There are also three small Barneys, in Chestnut Hill, Mass.; Manhasset, N.Y., in the Americana shopping center, and in Seattle, seven Co-ops, and 11 outlets. Barneys plans to open its eighth Co-op in Chevy Chase, Md., in the fall. Four or five more Co-ops will open next year, following the four openings this year.

The 8,000-square-foot Co-op in Chelsea is the location with the biggest volume among the freestanding locations. Industry sources said it exceeds $1,000 in sales per square foot, putting it around $8 million in volume. However, Socol said it will be challenged by the newer Co-op opened on Broadway between 76th and 78th Streets. Between the freestanding Co-ops and the Co-op departments inside the Barneys New York stores, “We could have 30 to 50 of these concepts,” across the U.S., the Barneys CEO said.

It’s never been Socol’s way to openly discuss business much. The former Burdine’s CEO always kept his profile low, except when showing off a new location. But Barneys is a store that thrives on buzz, and it’s at a crossroads considering it has a new owner that envisions the retailer as a $1 billion business. Last year the chain reported $444.2 million in volume. Jones’ CEO Peter Boneparth has also expressed the possibility of opening Barneys in foreign countries, aside from Japan.

“The reason why Jones bought Barneys is clear. Bar-neys has a strong brand image and can have a lot more exposure than in the past,” Socol said. “We can double our volume very quickly.”

To support store growth, direct mail circulation is up 25 percent this year over 2004. The store has been creating
Flagships of the Future

new types of mailers, and will have its first tie mailer for Father’s Day this year. Typically, a mailer covering a particular category or group of designers might be mailed to 100,000 homes, whereas a more comprehensive Christmas catalogue would be sent to around 600,000, Socol said.

Socol also said Jones was not an eleventh-hour entry into the bidding, as widely believed. It was interested all along, and only insiders knew it, he said.

Barneys is stronger and better financed than in the past, a flagship expansion is still risky, considering the store’s rarefied and younger luxury appeal plays to a niche [business.] We think we’ve brought more people, younger people to the store, who could graduate to the designer floor. People have always felt Barneys was a niche [business.] We think we’ve expanded the niche substantially.

“Barneys is known for. Finding the newest and the latest. We could have a lot more design- ers, or to flip it in four or five years like a private equity firm would do,” Socol said. “They bought Barneys for the upside sales and profit potential.”

Socol said Jones didn’t buy Barneys for back-of-house synergies, or to flip it in four or five years like a private equity firm would do. “They bought Barneys for the upside sales and profit potential.”

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“The Co-op show that the Barneys name can traverse a lot of places. All of the Co-ops are beating plan,” Socol said.

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The Co-op business is roughly two-thirds women’s, one-third men’s. Socol thinks the men’s Co-op assortment is “just dominating. There’s not much competition. Most of it is Banana Republic.”

The Co-op is built on a three-pronged merchandising strategy: Premium denim stretches across much of the floor. Then there are key sportswear vendors such as Juicy Couture, Diane von Furstenberg and Theory, where designers are encouraged to provide exclusive silhouettes. The third element encompasses new and exclusive vendors from Europe. New York and California — Bar- neys “NoLita” group — including such labels as Lyell, Wyeth and Libertine.

In a contained department, or a specialty store, “No one would have this as a strategy,” Socol maintained.

“The men’s store, he added, is also hardly one-dimen- sional. “It’s very democratic,” generally with men ages 25 to 35 shopping the Co-op component, and those ages 30 to 40 or older shopping designer.

Socol described the Barneys aesthetic as “tasty and luxurious with a sense of humor...Barneys has certain insignias, if you look at the jewelry area, there’s no big gold or silver baubles. Our jewelry designers are artists.”

It’s an aesthetic that’s hard to pinpoint, but you know when you see it. “We put in our own art,” created by artists commissioned by the store. “We have an artistic point of view,” he added. Moreover, with actual visual dis- plays, it’s often quirky and always unusual. “Some people buy artwork and put it on the wall. We put in our own.”

Overall, Barneys merchandise represents a combina- tion of young designers, avant-garde ones, and lots of luxury that’s often pricey and rarefied, whether it’s the $1,200 men’s Berluti shoes sculpted out of a single piece of leather, or a $1,620 Goyard handbag made from linen, cotton, hemp and waterproofed (the $745 Goyard totes are more popular).

Barneys recently opened a Douglas Little home shop featuring stuffed peacocks and handmade shell-covered candelabras, and each season offers limited-edition Nike sneakers. In January, 150 pairs sold out in 45 minutes and people were camped outside before the store opened, according to Barneys officials.

In everything we do, we push the envelope,” Socol said. “It could be in the Co-op, where the price zone reaches $275 to $300 in designer jeans,” with such brands as Antik, and Stitch’s, though price points start at $135, with the bulk of the jeans business conducted in the $150 to $175 range with such brands as Ernest Sewn, Seven For All Mankind and Citizens of Humanity. “Four years ago, Barneys never had a $200 jeans price point,” Socol said. “We still do the Marc Jacobs and Theory businesses. They are mainstays, but our exclusives and the way we edit — that’s what Barneys is known for. Finding the newest and the latest. We could have a lot more design- ers. But it’s also about who we don’t carry. It’s about what fits into the aesthetics of Barneys. It’s important that we keep the aesthetic, and not be like everyone else.”

Private label continues to evolve. “It’s not a knocked-off line,” Socol stressed. “In private label, the two most important things are our own sportswear collection and handbags. But we offer the whole gamut of what a designer would show.”

As far as the overall pace of business, spring contin- ues “the strong luxury trend,” and it should keep going. “All the demographics say the wealthy are ex- panding,” Socol said. “There will be more millionaires. There can be some blips, yes. But if I had to choose what zone I would be in, it would be the luxury market.”

The best-selling categories are handbags, notably Balenciaga, Goyard and Marc Jacobs; women’s shoes, notably Prada, Manolo Blahnik, Christian Louboutin and Dries Van Noten; jewelry, and Co-op.

The designer business at most stores isn’t as strong, though Socol indicated it often can be deceptive, ex- plaining that it’s one area that can generate huge sales volume with few customers. “You can have a customer come in one day and buy $30,000. If you get seven cus- tomers, you can do a quarter million in a day, though you are not going to see traffic in designer,” Socol said.

Last year, the Madison Avenue flagship was the fastest-growing store in the Barneys chain. “Some [reno- vation] work will be happening in the men’s store, but every year we’re probably looking at some renovations at Madison Avenue. The Beverly Hills flagship recently renovated four and a half floors.”

With each flagship, Socol explained, “Barneys is about a lifestyle, an attitude, not a street of shops, with wide open spaces and ease of shopping. We mix visual senses with merchandising and invest a lot of time to give the customer an experience.

One of the reasons we do a little bit better [than other stores] is because we have these special unique things that people who have money want. But it’s a full-line assort- ment, with more basic items. We have an assortment of goods. People have a perception that Barneys is unique and interesting, but there are also a lot of good basics.”

Will Barneys be as avant-garde in Boston as it is New York? No, but we are going to be Barneys with a lot of special goods. You’ll still see Lanvin and a lot of the other great resources you would expect.”