

## Hot Pockets

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### WWD Staff Report

Retailers are struggling with what they describe as their toughest selling season, but they're not throwing in the towel.

Some merchandise — whether it's well-priced, trend right, good value or simply has that “must-have” quality — is resonating with cash-strapped consumers. And that goes for categories, retail hot spots and even some fashion-focused public figures in this U.S. presidential election year.

Among this summer's product winners: Prada's animal key chains, “Sex and the City” lingerie, Eileen Fisher sportswear, Chanel hair accessories, Ray-Ban's two-tone sunglasses, Tory Burch Reva ballet flats and Sephora's Blockbuster color palette.

WWD asked reporters and editors around the world to find out why some items are going strong despite an economic climate that seems to deteriorate almost daily, while other merchandise is either glued to the shelves or drastically marked down.

Here are some of the products, fashion stocks and companies, retailing venues and people that defy gravity:

### PRADA'S TRICKS

The luxury goods house has turned a key chain into a money generating and waiting list success. Launched last fall, the Tricks line-up includes teddy bear key chains and other gadgets. Spurred by the strong performance of its winter collection, Miuccia Prada tweaked the line for summer by outfitting the furry animals as sportsmen, including tennis and baseball players a boxer and a swimmer. Retailing for \$184 at current exchange rates, they arrived at Prada flagship stores worldwide at the end of June.

### BOTTEGA VENETA TIES KNOT

Three decades after its debut, Bottega Veneta's Knot bag is as popular as ever. Upon creative director Tomas Maier's arrival in 2001, the brand's iconic small and rounded box clutch was enriched with a small leather knot that provided its name. Part of its success lies in the fact that every season Maier introduces new elements that make consumers feel up-to-date even if they're carrying a five-year-old Knot. The variations on the theme include a bag crafted with antique sterling silver treated to a moiré effect; ones encrusted with stones such as onyx, amethyst and tigereye and Art Deco-inspired pieces.

Many styles are limited to only 25 pieces. Priced between \$1,100 for intrecciato satin to \$14,500 for the multistone limited edition Knot, the bag is a favorite of Nicole Kidman and Julianne Moore, among others. To celebrate the bag's 30-year milestone, the house has organized a traveling exhibition called "The Knot: A Retrospective," which will display 50 styles and will hit many Bottega Veneta flagships worldwide through October.

## **CHANEL CLASSIC**

Confirming the trend for spending sensibly on investment pieces, classics are selling best at Chanel, particularly the house's signature quilted handbags in black and gray, a spokeswoman said. Classic quilted bags retail for about \$2,800 at current exchange. Exquisite craftsmanship is also in demand, with elaborate ready-to-wear pieces and Baroque jewelry items from Chanel's pre-fall Métiers d'Art collection doing especially well. Prices for the line's jewelry range from \$250 for a bracelet to \$3,800 for an elaborate brooch, at current exchange.

## **VERY VUITTON**

Louis Vuitton Richard Prince Monogram Jokes bags, priced from 1,650 euros to 2,200 euros, or \$2,592 to \$3,456 at current exchange, couldn't stay on the shelves upon their entry in March, with only a handful left in Vuitton's Champs-Élysées flagship, a spokeswoman said. "Any design that is limited edition is always enormously successful," she added.

## **ZAGLIANI'S SKIN GAME**

When former dermatology student Mauro Orietti-Carella decided to apply his skin care knowledge to bags, little did he imagine he would open a new chapter in the accessories book. First, his exclusive formula of silicon and plant resins is injected into python and crocodile skins and 14 hours later the skins are quilted into bags. The result are bags that maintain their natural suppleness and softness. Spring's bestseller is the Puffy bag, or a large and slouchy tote in acid green and fuchsia that retails for \$3,000. Celebs that appreciate Zagliani's revolutionary techniques include Madonna, Kylie Minogue and Jennifer Lopez.

## **HELLO DUBAI**

"Dubai is a fashion bud on the verge of blossoming into the next fashion hub of the world," Karl Lagerfeld said recently. The Kaiser made an agreement with Dubai Infinity Holdings to design 80 residential homes, with 10 percent of those made-to-measure, on

Dubai's Isla Moda, the world's first dedicated fashion island. The deal between Lagerfeld and DIH is the latest fashion marriage in Dubai, the fast-growing Gulf kingdom that has become the oil-rich region's shopping and vacation capital. Elie Saab last month said he would start designing signature luxury hotels with Dubai real estate developer Tatweer. His first project will be a high-end boutique hotel at The Tiger Woods Dubai Resort, which is expected to open in September 2009.

## **SECOND CITY ATTRACTION**

Retail development along Damen Avenue in Chicago's Bucktown section is moving at breakneck speed. Within the last few weeks, LeSportsac and Bebe launched boutiques, and Club Monaco and Lululemon opened boutiques July 18. Still under construction are outposts for Joe's Jeans and Jill Stuart, both of which are set to open in September. They will join the growing list of national and international retailers, including Intermix, Cynthia Rowley and Marc by Marc Jacobs.

## **STREET SCENE**

Just when it seemed like Manhattan was running out of pockets for luxury retail to discover, Howard Street, at the southern end of SoHo, emerged as fashion's shopping hot spot of the moment. In mid-June, Jil Sander opened a striking store on the corner of Howard and Crosby Streets, unveiling a new interior concept by creative director Raf Simons with artist Germaine Kruip. Sander's arrival heightened the fashion quotient on the block: Opening Ceremony, the uberhip boutique, has already made the area a must-see destination for the international fashion set. And Derek Lam is planning a store there, too.

## **PIT STOPS**

On almost any weekend, Abercrombie & Fitch's megastore on Fifth Avenue or Anthropologie at Rockefeller Center are filled with shoppers — many of them tourists lured to the U.S. by the favorable currency exchange rate. These two chains appear to have become a must-see destination for visitors. They love their designs, the shopping environment and the fact that, besides Abercrombie's recently opened London location, they can't find these stores outside North America (though they can shop at them online).

## **RAY-BAN'S COLOR WHEEL**

Oversize, round sunglasses had faded, so when paparazzi pictures turned up of celebrities

such as Kirsten Dunst, Sienna Miller and model Agyness Deyn wearing small, flat-fronted, squared-off colored frames, eyewear brands went full throttle. None has been able to touch the sunglass silhouette's inventor, Ray-Ban, which reissued its original 1952 Wayfarer acetate model this year in popping and primary colors that contrast inside and out, or on the frame's front and the arms. Running with fashion's trend of channeling the better style parts of the Eighties, Ray-Ban went one step further and recently evolved its Wayfarer spin-off design from that decade, dubbed Wayfarer II. The new model sports two tones, a band of color on the slightly raised upper part that extends to the arms and an opposing shade to frame the bottom of the lenses. Wayfarer I and II models retail for \$139.95.

### **CLICKING AT COLETTE**

The lure of limited edition items continues to fuel business at Paris' Colette, with 150 pairs of the store's "Colette x Married to the Mob x Reebok Freestyle" sneakers selling out in a couple of days, priced at \$170. Fans even camped outside the boutique to snag one of the 178 pairs of Nike Air Force 1, designed by "Busy-P" (Pedro Winter). Bottles of Le Labo fragrances, priced at \$160 for 50 ml., have also been selling well, while big spenders have been splashing out on the store's Hublot and Franck Muller watches, priced, on average, at \$20,000.

### **LUCKY LUCITE**

Given today's shaky retail climate, costume jewelry is experiencing a major resurgence that hasn't been seen in decades. For summer, Alexis Bittar's Lucite collection — ranging from bangles to brooches — are best-selling items at such luxury retailers as Saks and Nordstrom, as well as in his own boutiques. Averaging between \$150 and \$750, Bittar's baubles hit that retail sweet-spot that make great wedding or bridal shower gifts and even spur-of-the-moment self-purchases.

"The economy makes things much sweeter for fashion jewelry," said Michael Coan, associate professor and chair of the jewelry design department at the Fashion Institute of Technology. "People who would look to buy something fine between \$3,000 and \$5,000 can find a similar and even more avant-garde piece in fashion for \$100 to \$200. In times of trouble, people want to splurge, but not on a fine piece of jewelry."

### **THE DRESSES STILL HAVE IT**

Cedric Charbit, general merchandise manager for Printemps in Paris, said evening dresses, particularly in the 900 to 2,200 euros, or \$1,413 to \$3,454, retail range were strong sellers. Some lines doing particularly well are Lanvin, Alberta Ferretti and Roberto Cavalli. "To dress properly in the evening or an event, a dress is a must," Charbit said. "Who would wear denim for dinner?"

## FLAT-OUT SUCCESS

They come in just about every color imaginable, are available in leather, patent leather or haircalf, retail for \$95 to \$250 and stores just can't seem to keep them in stock. They are Tory Burch's Reva ballet flats, which are being worn by teenagers and adults. The seasonless flat shoe is adorned with a large metal "double T" logo on the toe. They go with practically everything in a woman's wardrobe, industry experts said.

## WAL-MART ON A ROLL

In a world where size doesn't necessarily equate with stock market strength, Wal-Mart has managed to pull off a twofer — the world's largest retailer is also one of retailing's stronger stocks. Year-to-date, Wal-Mart's shares jumped 19.6 percent, while the S&P Retail Index has dropped 14.9 percent. Shoppers are flocking to Wal-Mart for budget relief amid higher gas prices, sinking home values and other economic woes. "Wal-Mart's clear pricing message and strong value proposition are helping the company gain share of wallet with existing customers and attract new customers," said Deborah Weinswig, broadlines analyst at Citigroup Global Markets Inc.

## A HELPING HAND

**The weak economy has been a boon for consultants who help fashion firms find partners when they come to the end of their financial rope. "There's a fair amount of savings in strategic mergers because all the infrastructure costs are being shared," said Jack Hendler, president of Net Worth Solutions Inc. The pressure to hook up is being propelled not only by consumers who are cutting back, but by supply side dynamics and cost pressures. "The manufacturer is clearly getting price increases around the world, anywhere from 7 percent to 12 percent from a year ago," Hendler said.**

## BATTY ABOUT BARACK

Barack Obama became the presumptive Democratic presidential nominee — and has emerged victorious in the fashion sweepstakes, too, according to CafePress, a Web site where people post T-shirt designs. CafePress' contributors created 1.7 million designs featuring Obama, outpacing those featuring Sens. Hillary Rodham Clinton (850,795) and John McCain, the likely Republican nominee (488,131).

## SURVIVOR TURMOIL

in the bridge market during the last decade left one survivor unchanged and thriving — Eileen Fisher. The 24-year-old brand continues to generate growth — 15 percent to 20

percent annually over the last five years — unusual for a mature brand. The \$254 million bridge company has more than 40 stores. “This is a terrifying time, but I feel safer than I’ve felt in our history,” designer Eileen Fisher told WWD this spring. “I’ve had the experience of actually doing well in rough times in the past, maybe because the clothes are simple and have a timeless quality around them, so people don’t feel like they are buying something terribly frivolous or wasteful.”

## **AFFORDABLE LUXURY**

Women used to finer things aren’t giving up style or quality entirely. The result is growth of bridge-priced (but not bridge-looking) brands such as Tory Burch, M Missoni, Elie Tahari, Lafayette 148 and Nicole Miller, which is launching a full bridge-priced sportswear line for spring. “Luxury is a bad word right now; what the word means is foolish,” said Bud Konheim, chief executive officer of Nicole Miller. “The trend is toward more sensible buying and away from conspicuous consumption.” Bridge floors (now called “Modern” at Saks Fifth Avenue or “The New View” at Bloomingdale’s) are getting a second life after their first incarnation — with Ellen Tracy (now with new owners), Dana Buchman (which will move down-market to Kohl’s for spring 2009) and Anne Klein — fizzled out. Its new occupants have slimmer (though not contemporary) fits and more stylized, fashion-forward looks than their predecessors.

## **LULULEMON FEELS THE ‘OM’**

After a \$327.6 million initial public offering last July, the Canadian yoga firm’s earnings more than tripled to \$31 million on sales that almost doubled to \$275 million. Anticipating comparable-store sales growth in the low-teens or high-single digits on a constant dollar basis, the 86-unit chain plans to grow to by as many as 300 stores, rolling out about 35 units a year through 2012. The trend toward health, wellness and fitness bolsters the yoga company’s *raison d’être*, but Lululemon differentiates itself from other active offerings with its fashionable product, which analysts describe as uniquely feminine. Another key to the Vancouver-based company’s success is its community-building formula. A year before Lululemon launches in a new city, it opens a small showroom that hosts community events and reaches out to local yoga and Pilates instructors.

## **FAST FASHION KEEPS SPINNING**

With their dual focus on being trend right and delivering value, fast-fashion chains seem to be gaining market share. European retailers like Zara and Hennes & Mauritz are weathering the economic storm well and are changing consumer expectations about cost and timely delivery of trends. Despite the negative impact of weather this spring and general economic conditions, Inditex Group, the Spanish chain that runs Zara, reported first-quarter profits rose 10 percent, and Swedish giant H&M said its most recent quarter saw profits improve 6 percent to \$839.3 million, following a first-quarter earnings gain of 28 percent. As it opens its first New York store this year, the 310-store British chain

Topshop is projected at \$1.8 billion in sales and north of \$300 million in profits for 2008, a more than 10 percent increase.

## **SALES TURN ON AT OFF-PRICE**

One bright spot in the otherwise dim retail industry is off-price stores, with both Neiman Marcus and Saks Fifth Avenue reporting expansion plans and strong sales from its clearance units. "Over the last two years, we have added infrastructure to support the growth of this business," said Burton Tansky, chairman and ceo of Neiman Marcus Group, last month. Three Last Call units are opening soon, bringing the total to 27. "All the merchandise in Last Call stores are either from Neiman Marcus stores or goods purchased from one of our existing vendors. During this challenging time, sales at our Last Call stores have remained strong," said Tanksy.

In addition, Saks Inc. said it will open three additional Off 5th units next year. Off 5th operates about 50 units and last year generated volume of just under \$400 million.

## **WRAP IT UP**

"In this time, people are not going to run out and buy an expensive something," said Wendy Red, fashion director at Up Against the Wall, a 25-store junior retail chain based in Washington. "They take what they have and try to accessorize around it." Red, who built her business on capturing the fleeting trends in the junior market, said lightweight, fringed, black-and-white checkered scarves by David & Young, often referred to as "peace scarves" have been one of her bestsellers. "It is a lot easier to buy a \$15 scarf than it is to buy a \$100 pair of jeans," Red said. "That's where it's at."

## **SUMMER NIGHTS = LONG HALTERS**

Southern California boutiques are finding long halter or tanks dresses are the must-have item for the season, a fashionable staple of beach-ready comfort that can go from day to night with just a change in footwear. At Malibu stores such as Legends and Musina, simple feminine styles are de rigueur, like a white cotton halter dress from Loup Charmant for \$385, and California Rising's long organic cotton "Cleopatra" dress in navy and heather gray for about \$190. At Agoura, Calif.-based M. Frederic specialty stores, owner Fred Levine said he can't keep them in stock, particularly Luna Luz's knit halter and bandeau dresses, Gypsy 05's knit tie-dye halter dress, T-Bags' and Pink Polka Dot's rayon and silk halter dresses. The dresses retail from \$80 to \$165. "Jeans have taken a total backseat for now," Levine said. "All I've been doing is getting on the phone and reordering."

## **CHINESE T**

As China prepares to host the Olympics in August in the face of international criticism of its human rights policies and a succession of domestic crises, young Chinese are showing support for their country with the summer's must-have fashion item: the "I heart China" T-shirt. Shirts "hearting" Beijing and Shanghai have long been staples for tourists, but the ones supporting China, with black text on a white shirt and five yellow stars on the red heart recalling the national flag, emerged this spring. The shirts' meaning became universal, and their styles more diverse, after the May 12 Sichuan earthquake. Versions now sport five interlocking hearts recalling the Olympic rings, the white-on-red Beijing Olympic logo within a heart, and red maps of China with slogans such as "Go and "One China, One Family." Popular T-shirt brand Color Banner has released an edition with the national landmark of Tiananmen combined with the curlicues from the torch design, and another depicting a map of China being held aloft by doves.

## **THE GROVE IS GROOVIN'**

There aren't many destination retail centers that expect to do better than last year. But The Grove in Los Angeles, developer Rick Caruso's outdoor faux-village mall concept, may be an exception. On a Saturday in June, the mall's 3,500-space parking structure was just shy of capacity. Last year, The Grove's 50 tenants, which include Anthropologie, Coach, J. Crew, Michael Kors and Nordstrom, had 18 million visitors, and reps said the center is on track to do that or better this year. The Grove's stores, too, have seen good times, with Barneys New York Co-op, along with stores like Kiehl's and Theodore posting performances at or near the top of their respective chains. "It's not really like anything else in town, so you can see why people come here," said shopper Carla Neuhouse.

## **DISCO INFERNO**

True Religion Apparel Inc. is loving the nightlife, thanks to the surprise hit of its crystal-embellished Disco jeans. Despite a \$262 price tag, women are snapping up the boot cut in a dark wash that offsets the Swarovski crystals sparkling on the pockets. For a bit more spice, True Religion twisted the inner seam to curve toward the back of the leg. Retailers like M. Frederic's Fred Levine are getting a bump in business. The secret to True Religion's success was sprucing up a good-fitting jean that customers already loved with a little twinkle from the crystals, Levine said.

## **WHAT'S CLICKING?**

Gas prices are soaring, but so are sales of frilly things on dedicated lingerie Web sites, as well as those operated by specialty stores. The online segment of the annual \$12.6 billion lingerie business at retail has had annual sales gains of 15 percent to 40 percent and

higher, retailers said. A main reason is consumers can save money by letting their fingers do the driving as they shop online for basic undies, bras and sleepwear, or sexy items for everyday wear or special occasions. Among the popular sites are victoriasecret.com, bare necessities.com, fredericks.com, herroom.com, freshpair.com and lovefifi.com. Linda LoRe, president and chief executive officer of Frederick's, said, "Our online business has been phenomenal."

## **NAUGHTY BUT NICE**

The new "Sex and the City" lingerie collection is creating buzz. It's viewed as an aspirational line of naughty but sweet-looking bras, undies, garters and corsets, said Guido Campelo, vice president of marketing and innovation for licensee Cosabella. "Since we sold out stock twice before the movie came out, we've sold the line to 1,100 retail doors in the U.S. and internationally," he said. Retail prices on thongs are about \$21 to \$37; bras are \$65 to \$90; HotPants are \$51; camisoles are \$85; garters are \$56; bustiers are \$170, and lounge pants are \$110.

## **LOUNGE LOOKS**

Sophisticated, dual-purpose loungewear that has a sportswear flavor is a best-selling classification at retail, and is among the top-booking segments of innerwear for spring 2009, vendors said. Popular ideas include softly layered chemises and slipdresses with crop tops and unconstructed bras, as well as a variety of separates, including long and short tunics, tanks, baby dolls and camis paired with pull-on or drawstring pants, capris, boxers and tap pants. Caftans, especially luxe embroidered looks in silk, are in demand even at prices starting at \$1,200, said Josie Natori, chief executive officer of Natori Co. Key fabrics include slinky knits, jerseys, rayon blends, soft bamboo blends, Modal and organic cotton, she said.

## **ALL FOR ONE**

What, exactly, does a girl wear with the high-waist shorts, Fifties full skirts and rompers that are trend darlings? This season, Opening Ceremony proposed a new fashion basic — an adult "onesie" — and customers clamored for it. The \$180 crotch-snap bodysuit worked because its fine knit gave a sleek, tucked-in look for waist-emphasis dressing, but was not clingy like the leotard bodysuits of yore. "We modeled it after a Fifties bathsuit and did it in stripes in a couple of color ways," said brand showroom director Olivia Kim. The summer style sold out in Opening Ceremony's New York and Los Angeles stores before Memorial Day and was one of Barneys New York's best items from the brand, Kim said. The bodysuit will be back in more colors and fabrics for spring 2009.

## **BRIGHT SPOTS IN BEAUTY**

Although the beauty market is feeling the pinch, there are rays of light thanks to new product launches — especially in the color cosmetics market — and classic fragrances, which continue to attract consumers, said Karen Grant, global beauty industry analyst at The NPD Group. “Newness in color cosmetics, and smaller brands, are getting traction,” she said, adding that in the fragrance market, “women’s classics are doing well.” She cited scents from Chanel, Dolce & Gabbana, Estée Lauder and Diesel — a newer entry.

A new color item that’s been tagged as a hit is a shade of lip gloss created by Dior Beauty ambassador and socialite Tinsley Mortimer. The limited edition item, called Dior Addict Ultra-Gloss Reflect in Tinsley Pink (\$24.50), was launched exclusively at Saks Fifth Avenue in May. Also at Saks, Hermès’ newest scent, Un Jardin Après La Mousse, is a bestseller, priced at \$125 for 100 ml. The Chloé fragrance, Bond No. 9 scents and Tom Ford’s Private Blend fragrances have also been hot at Saks, as have mascaras from Dior and Guerlain, and skin care items from Trish McEvoy, SKII, La Prairie and La Mer. Popular items at Sephora include High Definition Microfinish Powder from Make Up For Ever (\$30), the retailer’s own Summer Blockbuster Palette (\$30) and Medi-Matte Oil Control Lotion SPF 20 from Cosmedicine (\$42).

## **GUCCI MUSCLES IN**

Frida Giannini, Gucci’s creative director, said she gave her debut women’s scent, Gucci by Gucci, a strong personality. While the fragrance’s juice is peppered with exotic masculine-tinged notes of Tiare flower and patchouli, its television advertising campaign checks all the cool boxes: director David Lynch captured three models dancing languidly to the tune of Blondie’s “Heart of Glass.” The winning combination saw the amber glass bottle adorned with a gold horse-bit pendant sell strongly when it launched last fall. In its first three months, Gucci by Gucci ranked as the top-selling fragrance in Harrods, Debenhams, House of Fraser and Boots The Chemists in the U.K., in GUM in Russia and second best in Neiman Marcus in the U.S. — and according to many retailers, it continues to sell well. The 1.6 oz. eau de parfum retails for \$80 and the 2.5 oz. size is \$100.

## **PELLINI ADDS SPICE**

These resin and semiprecious stone necklaces help spice up summer wardrobes for less than the investment in a lot of larger wardrobe items. The colors, saturated but not too bright, have resonated with consumers, said Nancy Pearlstein, owner of the Washington, D.C.-based boutique Relish. The Pellini necklaces come in reds, oranges, pinks and turquoise and vary in length so they can be worn long or wrapped up to look chunkier. “It

can add a lot to an outfit a woman already has; it spices things up,” Pearlstein said. The necklaces retail for \$495 to \$1,000 depending on the stones used and their length.

## **NOT BUCKLING UNDER**

Teen retailer Buckle Inc. is bucking the devastating economic trend. While investors are pulling away from most retailers, shares of Buckle are up 51.5 percent for the year-to-date period and the retailer has posted four consecutive months of more than 20 percent comparable-sales growth. The key to their success has been innovative marketing and a mix of unique branded merchandise and private labels, under such labels as Affliction, Archaic and Sinful, as well as its mom-and-pop corporate culture, which emphasizes customer service, according to analysts. Denim makes up 45 percent of total sales, as the company carries brand names such as Big Star and MEK, as well as mainstream players, like Lucky Brand. The Buckle has 371 stores primarily throughout the South and West.

## **AEROPOSTALE FLYING HIGH**

Aéropostale Inc. is also a mainstay among teen shoppers. Shares of the mall-based retailer are up 18.6 percent for the year-to-date period. With the addition of Mindy Meads as chief merchandising officer last year, the company has taken a new focus on balancing core basics with fashion items, while still remaining true to its mission to deliver value product. And teens are taking notice, with same-store sales outpacing competitors. The company is also working on turning around its contemporary chain Jimmy’Z and announced plans to roll out a new concept targeting a younger demographic in 2009.

## **THE LIPS STICK**

Australian consumer confidence fell to a 16-year-low in June, according to the Westpac-Melbourne Institute Survey of Consumer Sentiment. But AC Nielsen Australia said the “Lipstick Index” is holding true to form. Although consumers are tightening their belts in other areas, AC Nielsen said the cosmetics, lingerie, costume jewelry and domestic Champagne sectors have experienced recent sales spikes, with some recording spectacular double digit increases. L’Oréal Paris reports a 54 percent increase in lipstick sales from April 2007 to April 2008 — specifically in the specialty distribution channel, where it retails the Colour Riche Lip Colour, Colour Riche Star Secrets and the Colour Riche Made-for-Me Naturals lines. Most of the activity has come from the Colour Riche Made-for-Me Naturals line for \$22.60 (U.S.), which was launched during this period.