China’s Sourcing Pains Other Nation’s Gains

By ARTHUR FRIEDMAN and KRISTI ELLIS

HAS CHINA PEAKED as a textile and apparel manufacturing giant? Industry buyers and sellers within China fear for the future of the business, saying that profit margins have all but disappeared. They said it has become clear that central government policy is not likely to change in favor of promoting more textile and apparel manufacturing.

“Current economic policy is focused around high-end production and high-tech goods, offering incentives to companies that engage in these businesses,” said Li Puyang, a textiles industry analyst. “There is little attention paid to lower-end manufacturing like basic clothing and textiles without added value.”

With rising costs for personnel and raw materials across China, and pressure to keep costs low for buyers, factories have been shutting down in quick succession across the Pearl River Delta and other manufacturing zones. There has been a re-invigorated effort to push factories into the poorer, less developed Chinese interior and western regions. Though some factories have moved, experts say the higher cost of transporting finished goods from China’s landlocked interior basically negates what amounts to only 3 to 7 percent savings in overall production costs.

“The industry might die in 10 years if there’s no good policy coming up from government.” said Shi Jiajun of the Shanghai office of Li & Fung, the Hong Kong-based global trading company.

SEE PAGE 8
Prada Charts Retail Growth

By LUISA ZARGAN

MILAN — Prada SpA plans to open 80 stores a year over the next three years as investments in its own retail network drive the company’s business.

Spurred by a 33.4 percent increase in its retail channel in the six months ended July 31, the Italian fashion house posted a 74.2 percent jump in net profits to 170.5 million euros, or $256.7 million, compared with 103 million euros, or $133.8 million, in the same period last year. Retail sales accounted for 74.8 percent of revenues, which rose 21.1 percent to 1.13 billion euros, or $1.62 billion in hope period. Prada, which in the company invested 134.7 million euros or $192.6 million, mainly aimed at the expansion of its retail network.

And that expansion will continue for the foreseeable future: Prada aims to have its first as a public company. However, there was no conference call with analysts and press interview requests were declined.

Despite the increase in profits, Prada’s shares fell 4.7 percent on Monday after an announcement that the company plans to expand its stock exchange to close at 41.30 Hong Kong dollar, or $5.30 at current exchange. The decline came amid a generally tough day for global stock markets, which fell sharply on fears over the Greek debt crisis.

Earnings before interest, taxes, depreciation and amortization rose 39.9 percent to 315 million euros, or $454.0 million.

Operating profit increased 47.1 percent to 253.4 million, or $362.3 million.

Retail sales rose thanks to higher margins at exchange rates. As of July 31, net debt stood at 714.7 million euros, or $1,013.3 million, compared with 408.6 million euros, or $588.7 million, a year ago. The total at the end of January. The company said management debt through a capital increase of 206.6 million euros, or $290.4 million, reserved to the market and operations-driven free cash flow. Prada raised about $14.0 billion from the IPO, with a majority of shares coming from existing stock owned by Bertelli’s wife.

Another major shareholder was Italian bank Intesa Sanpaolo SpA, which sold 102.25 million shares of Prada, representing about 4 percent of the fashion firm’s capital upon the listing, retaining 25.6 million shares.

Asia-Pacific continued to be the group’s largest market with sales of 368 million euros, or $526.2 million, up 35.4 percent compared with the same period last year.

All geographical markets showed gains, with Europe and the U.S. posting 17.2 and 35.3 percent, respectively, while the Middle East and Latin America, which were previously served through franchise agreements, saw the greatest growth.

During the last six months, the group opened 29 stores, with an additional 15 units in the following weeks, bringing the number of directly operated stores to 358.

In addition to its own retail, Prada pointed to gains in its core leather goods division and advancements at both the Prada and Miu Miu labels for the performance in the first half. The Prada brand grew 21.3 percent, accounting for more than 55 percent of revenues, while Miu Miu would have risen 26 percent. Sales in Japan were up 38.2 percent while restraining his vote in 2008 as the full force of the economic downturn took hold. Prada made its initial public offering in 2009 at just to 495.60, before approaching the more typical 627.600 last year, representing a 26.8 percent increase over the number of retail jobs added for holding since 1996. ISIC also forecast growth of 5 percent at general merchandise stores, including department stores.

The dollar reading on retail employment came as investors in both Europe and the U.S. hit the buying按钮, worrying anew that Greece might default on its debt. The CAC 40 fell 3 percent in Paris, even after a 2.9 percent gain in Frankfurt and the FTSE 100 declined 2 percent in London after European economists downgraded Greece’s credit rating, raising the possibility of a delayed emergency funding for Greece.

Shares of Penney’s tumbled 0.2 percent kicked off the week with steep declines, but saw those losses moderate as trading central to a conclusion about how many retail workers to add for the upcoming holidays. The company hired dipping slightly in 2007, falling 3.5 percent to 720.80, before going into a 54.9 percent swoon, to 324.90, in 2008 as the full force of the economic downturn took hold. In 2009, it was over at just 495.60, before approaching the more typical 627.600 last year, representing a 26.8 percent increase over the number of retail jobs added for holding since 1996. ISIC also forecast growth of 5 percent at general merchandise stores, including department stores.

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REACH EVERYBODY WHO’S ANYBODY IN FASHION
Burberry Prorsum: Even though Burberry Prorsum has been leading luxury’s charge into cyberspace — and live tweeted its runway show — the brand isn’t only about life in the fast lane. For spring, chief creative officer Christopher Bailey slowed down, cracked the history books and paid homage to old-fashioned hand craftsmanship in this polished and vibrant collection.

It was an evolution of the men’s wear Bailey showed in Milan last June, and was filled with printed, jacquard and embellished outerwear. Trenchcoats, some with slim lines and others with full skirts, had detachable beaded or crocheted collars, chunky bits of mismatched colored wood, or raffia flourishes. Sexy pencil skirts were fashioned from striped jacquard raffia and stretch cotton basket knit, while parkas had sleeves made from woven leather.

“I was so busy just now staring at every detail and trying to work out was this raffia? Was that leather? How did...” said Olivier Theyskens after the show.

Texture and color were major themes, with one sweater a marriage of nubby crosshatch knitting on top and stripes on the bottom. It was paired with a dirndl skirt and wooden necklace. Meanwhile, tufts of raffia and lozenges of brightly colored wood spilled onto shirt collars and silk dresses. Block-printed skirts took their cue from the sarong. “I wanted the collection to be joyous, happy, upbeat,” said Bailey in the crush of photographers and TV cameras backstage after the show. “I love the contradiction between this idea of artisanal hand skills, things that take time to make and digital speed. They can coexist.”

Giles: Giles Deacon had swans in mind this season, in particular the mechanical one at The Bowes Museum in the Yorkshire Dales, and a Cecil Beaton photograph called “Symphony in Silver.” Hence the red and black cygnet prints on everything from T-shirts to floor-sweeping, bias-cut evening dresses. The birds even fluttered in subtle silver jacquard over cream silk satin day dresses. The elegant collection took a tougher turn with a group of leather laser-cut skirts that looked as if they were edged in lace. Deacon also showed a host of evening gowns — he’s been selling increasing numbers of couture pieces — that ranged from the ethereal, including a lacy tiered number trimmed with ostrich feathers, to the theatrical in the form of a flowing white gown cinched with a blood-red bow at the back.

Christopher Kane: The polished and proper ladies of the late Sixties are providing rich fodder for London’s designers, and Christopher Kane is no exception. The designer used a host of stiff couture fabrics for a series of pert shifts with nifty origami folds, and sparkly, embellished ones for playful A-line skirts in pastel pink or mint green. Kane also channeled his inner child, cutting out hologramlike flower shapes, framing them with sequins, and sticking them onto skirts and blouses. With the exception of some clunkers — such as the jewel-embellished jeans and muddy brown taffeta coats — the collection was young and fun.

Peter Pilotto: Working their inventive prints onto clean, surfwear-inspired silhouettes, Peter Pilotto and Christopher De Vos’ sleek and precise collection looked to Indonesia’s tropical landscape for inspiration. While the surf motif is hardly new fashion turf, the duo managed to deliver a fresh, expertly crafted take and proved that sporty looks can also walk a glamorous line in dresses with billowing cotton skirts, one of which was printed with a crashing wave. Optical patterns designed to evoke lush jungle scenes came in green, sea blue and yellow. And the designers...
played with handcrafted textures in the form of pencil skirts embellished with shimmering crystals and delicate PVC leaves.

**Pringle of Scotland:** For the debut of his women’s collection, creative director Alistair Carr mined Pringle’s archives — and then pushed the brand’s heritage into the 21st century. He took intarsia knitwear from the Sixties and gave them a 3-D spin on two-tone dresses and twinsets with a nubby texture. Among the standouts was a sleeveless white shift with black T-bar trim across the front. Caviar beading — which has adorned many a past Pringle knit — was subtle, spilling over a light gray argyle sweater and skirt. There were also shifts with bright, hand-knitted blocks of primary color. Next up: Carr plans to unveil a line of handbags created in collaboration with the British artist Liam Gillick at Art Basel Miami in December.

**Erdem:** The ornate, Wedgewood blue ballroom at The Savoy is a swell place for a fancy tea party and the perfect venue for Erdem Moralioglu’s parade of very proper, pinkies-up spring looks. The clothes seemed from another time, when women wore gloves and boater hats (which some of his models did) with their demure, past-the-knee dresses. Moralioglu paved them in busy, vaguely Japanese prints, sometimes embellished with silk embroideries and beads. His signature florals, in Easter shades and occasionally glazed or blurred, shared the limelight with dense guipure and delicate Chantilly lace, worked into stiff trenchcoats and ethereal slipdresses. While the clothes were pretty, they lacked currency and energy. In lieu of tea, the show could have used the modern rush of a double espresso.

**Acne:** How would a hip Stockholm girl interpret the sights and sounds of Marrakech? After a recent trip to the Moroccan city, Acne’s founder Johnny Johansson answered with a cool and modern lineup. His nod to North Africa came in the form of baggy tangerine culottes, navy camisole tops and crisp white cotton jackets. And when the designer wasn’t dreaming of Africa, he was thinking about New York — “Sex and the City 2” in particular — with bubblegum pink full-skirted prom dresses. Of course, there was lots of leather and denim, too, including star cutout details on camel shift dresses, and jean skirts paired with androgynous black shirts.

**Antonio Berardi:** Antonio Berardi was another in a line of London designers who summoned a Forties-meets-futuristic mood this season. His signature statement gowns had peaked shoulders, shiny PVC panels at the hips, and swishing fishtail hems. Sharp-shouldered silk blazers — in lipstick red or pastel pink — were teamed with loosely tailored pants or leggings encrusted with armorlike patterns of sequins and crystals. As a counterpoint to all that tough glamour, Berardi worked in softer, romantic elements. One delicate chiffon dress had a cape that fluttered as the model walked.

**Louise Gray:** In her show notes, Louise Gray said she wanted to celebrate inspiring individuals, listing such radical feminine figures of the 20th century as Claude Cahun, Vali Myers and Gala Dalí. But the designer’s short tweed suits with patch pockets soon yielded to her familiar and colorful melting pots of Sequins and crystals. As a counterpoint to all that tough glamour, Berardi worked in softer, romantic elements. One delicate chiffon dress had a cape that fluttered as the model walked.

**Mark Fast:** Known for his clingy, sexed-up knitwear, Mark Fast took a more refined approach this season and channeled Thirties glamour. Evening gowns fit for a screen goddess came in cream-colored loose weaves while gold flapper dresses had tassel fringe. The designer continued to speak to his hard-core fans with plenty of thigh-skimming minidresses. But he still needs to work on the wearability of some of his pieces as some added unnecessary (and certainly unwanted) bulk.

**Todd Lynn:** The designer took a softer, more feminine approach to his signature masculine tailoring, using a muted palette. Todd Lynn’s Victorian-inspired silhouettes included belted coatdresses made from layers of silk, and draped gray skirts with bustles. There were more fluid pieces, too, including off-the-shoulder dresses made from stretch viscose and loose, asymmetric knit numbers in dark teal.
Fazio Departs Simon Spurr For Nordstrom Men’s Post

By JEAN E. PALMIERI

TOMMY FAZIO, president of Simon Spurr, has resigned to join Nordstrom as men’s trend director; a newly created position. Fazio, who served as men’s fashion director of Neiman Marcus and Bergdorf Goodman before joining Simon Spurr in September 2009, will relocate to Seattle.

“It’s an amazing opportunity to join an amazing company,” Fazio said.

A Nordstrom spokeswoman confirmed Fazio’s appointment but did not provide further details.

The Seattle-based retailer has no men’s fashion director but in 2005 purchased a stake in the trendy Jeffrey specialty stores, whose founder and president, Jeffrey Kalinsky, serves as chief merchant for men’s and women’s designer merchandise for the company.

On Monday, Simon Spurr said: “Tommy has made an instrumental contribution to the development and growth of the Simon Spurr brand over the past two years. While we will certainly miss the dynamic approach that he brought to the brand, we sincerely wish Tommy the very best in this new venture with Nordstrom.”

Spurr and his business partner, Judd Nydes, launched Spurr exclusively at Bergdorf’s in fall 2006 with three styles of jeans and it has since developed into a full lifestyle brand sold at such high-end stores as Bergdorf’s, Nordstrom, Jeffrey and Saks Fifth Avenue.

Fazio had been Bergdorf’s fashion director for four years and took on parallel responsibilities for the Neiman Marcus Group in 2009 in a reorganization of the group’s fashion office. Before joining Bergdorf’s, Fazio worked for a year at Hickey Freeman, developing the younger hickey label, and spent five years at Calvin Klein as vice president of sales and marketing for men’s.

EBay Launches Virtual Outlet Mall

By VICKI M. YOUNG

EBAY ON MONDAY launched Fashion Outlet, its virtual “outlet shopping mall.”

The firm, once known primarily as an auction site, has shifted gears to include that and more as it focuses on the leading U.S. destination for fashion. The latest launch has more than 200 brands available on the site. Discounts are generally between 20 percent to 65 percent off the retail price. Some items are made exclusively for the outlet, and the made-for-outlet items reflect competitive pricing that is typically not further discounted. Additional discounts on all items, include MFO items, might be available during promotional periods.

Currently the U.S. outlet site only ships to U.S. addresses. Shoppers at Fashion Outlet can browse by the eBay store or by brand. Those shopping by store are typically shopping a retailer that carries various brands, whereas those browsing by brand will see all offers included on those available at the multi-branded retailers on the eBay site.

Factory stores online at the Fashion Outlet include Brooks Brothers, Calvin Klein, FilA. Last Call by Neiman Marcus, Reed’s Jewelers and Tommy Hilfiger.

In the women’s section, accessory brands available include Bodhi, Botkier, Elliott Lucca, Fossil, Furla and Kooba. Intimates are represented by Bali, Barely There, Hanes, Jockey, Spanx and Wonderbra. Footwear firms include Bruno Magli, Charles David, Donald J. Pliner, Frye, Sesto Meucci, Seychelles and Stuart Weitzman.

Women’s apparel brands include A.B.S. by Allen Schwartz, Adrienne Vittadini, Anne Klein, Badgley Mischka, BCBG Max Azria, Christopher Blue, Erle Tahari, Elizabeth and James, Garam & Spencers, James Perse, Joe’s Jeans, Juicy Couture, Miss Sixty, Nanette Lepore, Nicole Miller, Rachel Roy, Rainforest, Rebecca Taylor, Robert Rodriguez, Studio 148 by Lafayette New York, Theory and Visions.

Men’s brands include Seven For All Mankind, American Essentials, Bobby Jones, Emporio Armani, English Laundry, Hickey Freeman, Robert Graham, Rock & Republic, Timberland, Victorinox and William Rast.

Ebay, which has outlet sites for shoppers in the U.K. and Germany, is eyeing similar sites for other countries.

Pucci Outlines Plan for U.S. Shop-in-shops

By LUISA ZARGANI

MILAN — The opening of a new shop-in-shop at Saks Fifth Avenue is only the first step in Emilio Pucci’s expansion in the U.S.

Capitalizing on the fact that the U.S. market is excellent for Pucci, one of the markets that is growing the most, as it showed 20 percent gains year-to-date,” said Alessandra Carra, who joined the company in March as its new chief executive officer. “We didn’t use to have shop-in-shops in department stores, as it was a common practice in the past to focus on building our boutiques, but we thought that with Saks, it was the right moment to change our strategy.”

The symbolism of the decision, since Saks was the first American department store to carry Pucci in the late Sixties.

The CEO said Pucci plans to replicate the shop-in-shop in other department stores. The brand, controlled by LVMH Moët Hennessy Louis Vuitton, operates eight stores in the U.S. and is sold at department stores such as Bergdorf Goodman, Neiman Marcus and Nordstrom.

Sales through its own stores account for 50 percent of global revenues, and Carra noted that Pucci doesn’t plan to change that percentage while mapping out a strategy to develop its wholesale division in the future. “Department stores are very important for us and a strong vehicle for growth,” she said.

Carra underscored how the U.S. is “very strategic and very important for Pucci,” despite a general slowdown in consumer spending in the area. “Luxury is not often influenced by this factor, and the American market has picked up after a couple of difficult years, although it remains hard to forecast the future,” said Carra.

Capitalizing on the strong brand awareness, Pucci is enjoying growth because of the work of creative director Peter Dundas, who has rejuvenated the brand while respecting its past. “The market is responding to his designs, which evoke Italian style and glamour,” said Carra, pointing to celebrities such as Paris Hilton and Miley Cyrus (who wore a black, midriff-baring Pucci look to the Emmy Awards).

She said there were two major projects in the pipeline for the brand. “We have big plans to grow,” she said. The U.S. accounts for 20 percent of wholesale sales and 25 percent of retail sales, added Carra. As per company policy, she declined to reveal sales figures.

Pucci recently opened its first boutique in Lebanon, in Beirut, in a partnership with Aishli Group, as the Middle East is seen as an opportunity for growth for the company. “Beirut is a sophisticated, glamorous city, which maintains its joie de vivre even in difficult moments,” said Carra. Pucci is also looking at expanding in the Arabian Peninsula with a series of openings over the next 18 months.

There are 48 Pucci stores, mainly directly operated, and the label is available at 350 multi-brand stores.

Balmain Ink Eyewear Deal With L’amy Group

By RACHEL STRUGATZ

BALMAIN HAS SIGNED A long-term licensing agreement with L’Amy Group for the design and distribution of ophthalmic frames and sunglasses that will make its debut at the Milan International Optical Fair, or MIDO, in March, followed by a U.S. launch at Vision Expo East 2012 later that month. Retail prices will range from $275 to $400.

“(Balmain)’s international reputation fits perfectly with our aim to develop luxury accessories and to expand our brand portfolio,” said Stephen Rappaport, president of L’Amy America. “We are very pleased to partner with Balmain and to launch a luxury collection for men and ladies that will perfectly complement our current brand portfolio.”

Currently, the 101-year-old eyewear company creates frames for brands such as Chloe, Kenzo, Nina Ricci, Rochas, Theory and Proenza Schouler — and has nearly doubled in size since being acquired by Groupe TWC in 2010.
Barneys Launches Alexandre Mattiussi

By DAVID LIPKE

FRENCH MEN’S WEAR designer Alexandre Mattiussi will launch in the U.S. this fall with a push from Barneys New York. The retailer begins selling the collection in 10 doors this month, in addition to its Web site.

Barneys chief executive officer Mark Lee, creative director Dennis Freedman and fashion director Amanda Brooks will host a party today with Mattiussi in the Madison Avenue flagship, followed by a dinner at Le Bilboquet.

“AMI is targeted for a guy looking for modern classics,” said Tom Kalenderian, general merchandise manager for men’s at Barneys.

Barneys New York is the exclusive retailer for the label in the U.S., which is called AMI Alexandre Mattiussi, apart from The Webster in Miami and Mrporter.com. Barneys is merchandising the collection — which emphasizes wearable staples — in the Co-op department of its Barneys stores as well as in the freestanding Co-op doors.

I wanted to make a collection that was easygoing, chic and comfortable, without being pretentious. I don’t overthink the clothes,” said Mattiussi. “It’s very easy to make an expensive collection and find the best fabrics and the best production. It’s harder to make a collection in a smart way that’s affordable.”

Mattiussi’s tailored jackets retail for $695, pants for $295 to $375, jeans for $280, shirts for $225 to $285, knitwear for $380 to $555, outerwear for $560 to $740 and a leather jacket for $1,200.

Flannel is a key signature in the line for fall. The legs of jeans are lined in a thin layer of soft flannel, wool sweaters are adorned with flannel elbow patches and the undercollar of a jean jacket is trimmed with the fabric. A mixed-media car- digan is fashioned from flannel with knit wool sweaters.

A small footwear line accompanies the collection, including leather lace-up oxfords and ankle boots with a slender strap and a distinctive sole.

Globally, AMI Alexandre Mattiussi is launching at about 30 doors this fall, including Le Bon Marché in France and 10 Corso Como in Milan and Seoul, and will expand to more than 40 doors in the spring, including Printemps in France and Lane Crawford in Hong Kong.

Mattiussi, 31, was born and raised in Normandy, France and moved to Paris to attend design school at Duperré. At 21, he secured a position at Dior Homme as an assistant for Riccardo Tisci. He then worked for two seasons as a senior men’s designer for Marc Jacobs, traveling between New York and Europe, before leaving to start AMI Alexandre Mattiussi with a group of about 10 individual investors.

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China’s Decline Creates New Dynamic

(Continued from page one)

Rick Helfenbein, president of Luen Thai USA, said that while he believes China will maintain its position as the number-one apparel supplier to the U.S., his company has changed its sourcing strategy and “redirected some of its business out of China” to other countries. “If you look at it from our perspective as a direct manufacturer, we’re seeing changes and have been restructuring our portfolio, but we haven’t decreased our China production,” Helfenbein said. “We have increased our alternatives [sourcing countries] for our customers that want alternatives.”

When it comes to the steady trickle away from China as the world’s textile and apparel manufacturing center, the Asian country’s loss appears to be everybody’s gain. Industry experts say the production business that is leaving China is ending up in a large number of other countries and regions, from Vietnam to the Western Hemisphere.

China’s impressive infrastructure and logistics platform continue to make it a key destination for most major buyers, but it has lost apparel import market share in the U.S. in the last 12 months, falling to 40.8 percent for the year ending July 31 from 41.9 percent in the year-earlier period, according to the Commerce Department’s Office of Textiles & Apparel. In July, combined shipments fell 7.6 percent to 2.4 billion square meter equivalents, as apparel imports fell 3.2 percent to 1 billion SME and textile imports declined 10.5 percent to 1.3 billion SME. “That is an astronomical number,” Julie Hughes, president of the U.S. Association of Importers of Textiles & Apparel, said of the import share decline. “It could represent a substantial increase for other countries,” such as Vietnam, Bangladesh and Indonesia. “There are definitely shifts away from China.”

Luen Thai is sourcing more in the Philippines, where it has had a presence for more than two decades, as well as Indonesia, Helfenbein said. “The Philippines is an excellent environment to work in,” he said. “The peso is stable and worker-retention rate is high, around 80 percent, which is a big deal for us, because we use skilled labor. We are also going into Indonesia and expanding there. Everybody should have backup plans. Costs will continue to rise in China. The cost of labor will continue to go up, but what you have in China that you don’t have elsewhere is enormous flexibility and skill level.”

The Western Hemisphere is also benefiting from sourcing shifts out of China and Asia, as companies try to offset the rising labor and raw materials costs by making apparel closer to home. While China lost apparel import share, other countries have gained share in the past 12 months. (See box.)

Combined apparel and textile shipments from Vietnam rose 6.6 percent to 267 million SME in July compared with a year earlier, as apparel imports increased 0.9 percent to 167 million SME and textile shipments were up 17.7 percent to 100 million SME. Still, China’s overall apparel and textile import volume to the U.S. dwarfs that of Vietnam, the second-largest supplier. For the year ending July 31, China’s combined import volume was 25.8 billion SME, while Vietnam’s was 3.1 billion SME.

Kevin Burke, president and chief executive officer of the American Apparel & Footwear Association, said he sees some business coming back to the Western Hemisphere, especially the countries involved with the Central American Free Trade Agreement — the Dominican Republic, El Salvador, Honduras, Guatemala, Costa Rica and Nicaragua — to take advantage of the duty free imports to the U.S. “It’s taken awhile,” since the agreement was signed in 2005, said Burke. “It’s a vital area of the world that we want to produce product. Companies are trying to shorten the supply chain. If you have the choice of making a garment in Central America and making it in China and being able to get the same price, with 11 days less on the water, plus distribution time on the West Coast, you might want to look at that as a viable alternative.”

Burke noted that the region is known for producing basic merchandise, with companies such as VF Corp., Hanesbrands, Levi Strauss & Co. and other denim firms doing significant sourcing in the region, as well as a renewed interest in Mexico, which has enjoyed duty free import status since passage of the North American Free Trade Agreement in 1994. There’s also been revived interest in making goods in the U.S. and many of these are high-quality knits. So far the desire hasn’t translated into a real movement, but there are bits of data, such as 1,100 apparel workers hired in August, and much anecdotal evidence of at least a fractional rebound in domestic textile and apparel manufacturing. Established domestic knitters such as Fessler USA, Buhler Quality Yarns and Huntingdon Yarn Mill Inc. have reported increased orders and interest in future business from retailers and brands.

Michael Lakritz, product development and merchandise manager for Los Angeles-based Laguna Fabrics, and president of its Enviro Fabrics division, said, “There are more retailers and brands looking for U.S. consumption because they feel they can’t produce overseas effectively anymore.”

Lakritz said as a domestic converter of basic and novelty knits, Laguna has the ability “to turn relatively fast, which plays into what’s happening right now in the market.” “We can turn from the past day or two to make the fabric and get approvals in three to four weeks compared to six, eight, 10 weeks overseas,” he said. “Pricing has always been an issue. But retailers are helping us with domestic business because they’re placing orders so close to the season. We do a lot of private label for stores such as Nordstrom to Forever 21. Nordstrom is placing more business overseas, while private label manufacturers, and I think that’s going to continue. They’re in the fashion business. If you wait 12 weeks for the cycle, you’re missing the trends.”

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“Since we’re one of the largest converters onshore for novelty knits, our business has been up,” he said. As for the revival of U.S. manufacturing overall, Lakritz said, “There’s no problem right now that is even if manufacturers are willing to pay the price, they’re finding it difficult to find the needle, the cut-and-sew factories. There’s just not enough production capability. We’re talking about a 1.5 to 3 percent production shift back to the U.S. which may not seem like a lot, but after all these years, it’s significant. The desire is there but the orders are there, but the production is not, but it will come. For now, those who are making production closer to home are going to places like Guatemala, Honduras and even Mexico.”

Jon Terbell, president of Jack Robie, a direct merchant of men’s shirts sold exclusively on its Web site, jackrobie.com, chose to produce its line only in the U.S. when the company launched in June 2010. “The decision to manufacture in the U.S. was about quality, and not production halfway around the world, with time zones and language barriers and a host of other problems that come with it,” Terbell said. “We decided to pay a little more and be able to have better quality control, better relationships with our manufacturer, and provide our customer with the best product possible.”

Terbell said since Jack Robie is a direct merchant, “we’re able to produce in the States and still offer competitive prices. The line is made in a factory in Carlsbad, N.J., using mostly Japanese, Italian and French fabrics. We’ve tried buying fabrics in China, but the quality isn’t there.”

The factory’s offices are on Lafayette Street and Astor Place in Manhattan’s NoHo neighborhood. “We go to the factory personally every week or two to talk directly to the manufacturer,” Terbell said. “He has the best technology, the best Gerber sewing machines. We’re able to get the exact shirt we want and not compromise on anything.”

— KATHLEEN MCLAUGHLIN

BY THE NUMBERS

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<th>THE TOP FIVE COUNTRIES SUPPLYING APPAREL TO THE U.S. MAINTAINED THEIR POSITIONS IN THE PAST YEAR, BUT THERE WERE SHIFTS IN BUSINESS, AS CHINA LOST SHARE AND THE OTHERS GAINED.</th>
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* SOURCE: U.S. DEPARTMENT OF COMMERCE’S OFFICE OF TEXTILES AND APPAREL

A factory in San Pedro Sula, Honduras.

A booth at the Apparel Sourcing Show.
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vertical by design international’s Jen Roye and Patrick Knowles.

Sourcing at MAGIC introduced the Americas pavilion in its August edition.

Exhibitors brought their latest and newest offerings to Sourcing. Denim North America, a denim textile mill based in Columbus, Ga., and a first-time exhibitor, offered cotton denim with black filling at $5 a yard and a stretch fabric called EverFlex at $5.50 a yard. Hong Kong’s Capital Kingdom Ltd. highlighted texture in a cotton slab blend and a cotton dobby weave in a range of solid and white wovens, both priced at $2.20 to $2.50 a yard. Buhler Quality Yarns, based in Jefferson, Ga., displayed MicroTencel blended from Tencel and Supima cotton. Indonesia’s Bless, another new exhibitor, hoped to catch the trend for snakeskin bags and statement jewelry with its rings, necklaces and bags made of materials ranging from Bali shells and rose quartz to Indonesian python, crocodile and cowhide. Prices range from $10 for rings to $125 for python clutches encrusted with natural stones.

Aside from price, which remained a priority, specialization was also important as designers strove to add value and offer high quality in their garments.

“We were looking for vendors in terms of their specialty,” said Gloria Brandes, chief executive officer of young contemporary line BB Dakota in Costa Mesa, Calif., who returned to Sourcing after discovering a reliable knit maker there last February. “We were looking for knit vendors, crochet vendors, embroidery.”

Peru’s Comercial Distribuidora Ariana S.A.C. understood the importance of showing specialty knit products at its debut as a Sourcing exhibitor. Counting Rag & Bone and Custo Barcelona as clients, the manufacturer applied traditional Peruvian fabric in a star pattern on a cotton knit shirt. Requiring a minimum of 200 units, it charges $7 to $15 a garment.

“Ten years ago, you could bring your [basic] T-shirts and polos to the show, said Karina Montes Romero, commercial manager. “Now, people are looking for fashion and the added value in the garment.”

Aware of the complexities of creating a fashion line, Jen Roye and Patrick Knowles began offering design services at their sourcing company Vertical by Design International this year. Participating at Sourcing for the first time, the San Francisco-based company hoped to attract customers who want to do private label or launch a line using their in-house design team and network of some 20 factories in China. Roye, who previously designed for Hale Bob and Sunwear of California, specializes in denim but she also offered pieces such as a melton wool cape and polyurethane biker jacket at Sourcing. Prices run from $14 for a pair of rigid denim jeans to $22.20 for the cape.

“This was an opportunity to leverage all my experience as a designer and give support to designers,” Roye said. “Our customers know they can talk about their design to another designer.”
A land of 20 million people, Sri Lanka lives up to the name English novelist Horace Walpole gave to it in the 18th century: Serendib, or serendipity, a place for discovering pleasing things by accident. This island paradise features rich biodiversity: miles of pristine beaches, a mist-shrouded hill country and lush tropical forests. A perfect balance of business and pleasure, it is also the home of a premier fashion and apparel outsourcing hub.

The beauty of the island is matched by its work ethic: with a legacy of ethical business practices and environmental responsibility, Sri Lanka’s apparel industry stands out as a proven business model that offers clients world class ethical solutions supported by fast turnarounds and uncompromising product delivery. All of this has helped develop longstanding partnerships with some of the biggest names in world fashion.

“We have the highest apparel exports per capita of any exporting nation in our region,” says A. Sukumaran, Chairman of Sri Lanka Apparel, the apex body guiding industry initiatives. “We account for 2% of U.S. clothing imports and are ranked number 11 in apparel supply to the U.S.”

It wasn’t easy to grow and prosper as Sri Lanka did during 30 years of war within the country. Now this peaceful paradise offers opportunities that are increasing as more space, people, and resources are all made available as a result of the peace dividend. Sri Lanka’s post-conflict economy is growing at 7-8% and, as an emerging economy in Asia, the country has the benefit of building around business. A massive investment in the nation’s infrastructure integrates all parts of the country and expands global connectivity. Sri Lanka’s small size works to its advantage, and this rapidly growing connectivity means reduced downtime, transportation time, and cost.

A Strategic Epicenter for Business

Sri Lanka is an innovative industry center located where east meets west, and a global economic hub for logistics, trade, investment, communications, and financial services in South Asia. It is uniquely empowered to meet the needs of the fashion and apparel industry through its location, philosophy, and innovative drive.

In an industry where hub-services are of increasing importance, Sri Lanka is a proven leader—it has elevated operations of the garment industry to that of a skills-based, knowledge-intensive undertaking. “Nearly 17% of U.S. apparel is sourced from the sub-continent,” says Noel Priyatilleke, the Deputy Chairman of the industry body, “Sri Lanka already partners on R&D, product development and design innovation requirements, and multi-country consolidation.” These elements make Sri Lanka an ideal locale for setting up regional headquarters for brands, back-office operations such as customer service call centers, financial operations, warehousing and distribution, and especially product design and development.

The island’s geographic location and focus on port development means minimum deviation for shipping lines, an efficient feeder network, fast turnarounds, and round-the-clock service. Clients can take advantage of fully equipped berths for vessels and containers, multi-country consolidation and entrepot cargo, EDI facilities with two modern container terminals, and state-of-the-art technology and control systems.

Strengthened backward linkage has resulted in the development of a significant local raw material base for woven and knit fabrics, as well as lace and a wide range of other inputs—thread, elastic, buttons, hangers and the like. Additionally, a partnering of garment factories and textile mills in the region forms “virtually vertically integrated factories,” offering an expanded garment supply chain.

Ease of business—combined with speed, efficiency, and low cost is not all Sri Lanka has to offer. The country’s commitment to a higher standard of business ethics—upheld over 350 plants and a half-a-million-strong workforce—means that the apparel industry is free of sweatshop practices, child and forced labor, and discrimination. Known for creating “garments without guilt,” the “Made in Sri Lanka” label has become synonymous with ethical apparel and responsible business.

When it comes to ecological awareness and responsibility, Sri Lanka has always been among the most progressive nations in the world. The country boasts numerous programs that include wildlife and marine preservation, and the green mindset carries into apparel manufacturing. Determined to leave the lightest carbon footprint possible, the country is constantly innovating to reduce carbon dioxide, sulfur, and nitrogen oxide emissions—and to save energy, reduce water waste and, of course, recycle.

Big business is thriving on the tiny island paradise of Sri Lanka—and experts are taking note. As the nation continues to build and innovate the apparel business, it is poised to become a power player and the true hub of the industry.
ITC: Trade Reform to Boost Economy

By ARTHUR FRIEDMAN

THE U.S. INTERNATIONAL Trade Commission, in its latest report on “The Economic Effects of Significant U.S. Import Restraints,” estimates that U.S. economic welfare, as defined by total public and private consumption, would increase by about $2.6 billion annually if the U.S. unilaterally ended, or liberalized, all significant restraints. Exports would expand by $9 billion and imports by $11.5 billion. These changes would result from removing import barriers in high-tariff manufacturing sectors, including textiles and apparel.

As in the previous six reports, the first of which was issued 20 years ago, the ITC — an independent federal agency with broad investigative responsibilities on trade matters — identified sectors with significant import restraints on the basis of high tariff rates, restrictive tariff-rate quotas and other restrictive import policies, such as preferential rules of origin. Among manufactured goods, the most restrictive restraints are in the apparel, footwear and leather sectors.

The ITC estimates that while liberalization reduces output and employment in directly affected sectors, it benefits sectors that use those products and the economy as a whole by lowering the price of imported goods and increasing U.S. productivity, causing gross domestic product to rise. While employment in liberalized sectors typically falls, this is offset by employment gains in other sectors, according to ITC data. Exports rise throughout the economy because of lower prices for domestic goods in liberalized sectors and higher productivity elsewhere. Imports also rise overall, driven by lower import prices and greater purchases.

The ITC estimates that liberalizing import restraints in textiles and apparel would reduce U.S. imports by $3.4 billion. However, as the domestic industry has been contracting for years, the report states that liberalization would reduce output and employment in this sector by 9 to 10 percent, which would magnify the already substantial trade deficit.

Import liberalization would also eliminate exports of U.S. goods that are stimulated by preferential rules of origin. This change would lead to large declines in exports of U.S. products such as thread, yarn, fabric and cut fabric.

Certain U.S. imports of textiles and apparel are eligible for duty free treatment under free trade agreements and preferential trade agreements. The value of U.S. textile and apparel imports that entered duty free under FTAs or PTAs in 2010 was $20.4 billion, or 20.1 percent of total imports of such goods, with 96 percent originating from North American Free Trade Agreement and Central American Free Trade Agreement countries.

The U.S. remains the world’s largest importer of textiles and apparel, accounting for about 25 percent of global imports by value in 2010. The U.S. recession between 2007 and 2009 exacerbated the contraction in the U.S. textile and apparel sector that has been under way since the late Eighties. Output of textiles and apparel fell 35.3 percent during 2007-09 to $36.2 billion before rebounding modestly by 5.9 percent to $66.4 billion in 2010. Output of apparel was especially hard hit, falling 47.9 percent, with a 1.3 percent recovery in 2010. Employment in the textiles and apparel sector also declined dramatically, falling 27 percent in 2007-10, for a loss of 146,300 jobs. As textile and apparel manufacturers have increasingly outsourced production to low-cost foreign factories, the number of U.S. textile and apparel plants has declined, with a corresponding decrease in the number of textile and apparel workers. In 2009, there were 3,463 apparel textile mills, down from 3,620 in 2007; 7,810 home furnishings and industrial textile mills, down from 8,130 in 2007; and 8,339 apparel factories, down from 9,492 in 2007.

Despite this sharp contraction, industry representatives project the rate of decline in the U.S. textile and apparel industry will slow through 2015. In part, this is because domestic products no longer compete directly with imports. The limited remaining domestic production of fabric and clothing is primarily for U.S. government defense contracts for high-end and niche markets willing to pay a premium price for higher quality product and fast-turnaround orders. In 2010, 85.6 percent of the total value of all apparel sold in the U.S. was imported, up from 74.7 percent in 2007. Between 2007 and 2010, U.S. imports of textiles and apparel from China increased 16 percent to $40.5 billion, while imports from Vietnam rose 37 percent to $61.1 billion.
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THE POST-EMMY PARTY machine cranked up on Sunday night as the 1,000-plus attendees made their way across the street to the Los Angeles Convention Center for the Governor’s Ball, where a black-and-white circus theme—including hanging fiber optic light designs and twirling trapeze artists—filled the cavernous hall. Winners such as Jim Parsons of “The Big Bang Theory” and Julianna Margulies of “The Good Wife” walked in with trophies in hand, then took their time finding their seats as they stopped to hug and kiss several peers and quite a few more strangers. “Wow, thank you,” Margulies said over and over again. As guests waited for Grey Goose cocktails at a bar carved entirely out of ice (and topped by a model wearing a two-story skirt that was clearly done with some cleverly draped scaffolding), they ogled stars like Jeremy Piven and Mark Wahlberg, who beat an early exit with wife Rhea Durham holding the cake pop party favors.

For many, the next stop was HBO’s post-Emmy party at the Pacific Design Center in West Hollywood, where a steady stream of stars arrived including Claire Danes, Anna Paquin and Stephen Moyer, Alan Cummings, Steve Buscemi, Kathy Griffin, Julia Stiles, Adrian Grenier, Sarah Hyland and Dianna Agron.

“One side of my jacket says Canali, but the other side says Gary’s Tux Shop,” chuckled Jon Voight, who flashed the inside of his jacket to illustrate on the way in. Winners each in their respective best supporting categories—Peter Dinklage, Melissa McCarthy and Guy Pearce—all walked in trophy-in-hand. “It’s like a dumbbell, actually, it’s quite heavy,” Pearce said. Other attendees were eager to hit the sizable buffet, which included steak, salmon, gnocchi and risotto.

“If there was a suggestion box at the awards, I would recommend some sort of food-related tie-in, like Kit Kat or something,” said Vincent Piazza of “Boardwalk Empire,” who was clad in Alexander McQueen. “I mean, with all the product placement opportunities in Hollywood, wouldn’t it be so easy to have a Hershey’s Kiss dancing across the stage?”

At the Entertainment Tonight post-Emmy party at the Vibiana downtown, sweets were more in abundance than stars, causing one guest to moan, “I’ve not seen one celebrity here, not one.” The crowd at least got some first-rate entertainment when Stevie Nicks hit the stage around 10:30 p.m.

The Fox Broadcasting Company, Twentieth Century Fox Television, and FX party at West Hollywood eatery Fig & Olive had more than its share of winners. The ubiquitous “Glee” kids were among attendees but the party’s big winners—Modern Family” couple Julie Bowen and Ty Burrell—proved surprisingly press shy—opting out of a walk down the golden carpet. “It’s an embarrassment of riches. I think I might have blacked out a little bit,” Bowen, who was accompanied by real-life husband Scott Phillips, laughed, of hearing her name called for Best Supporting Actress in a Comedy Series. She carried her award inside, where she met up with co-stars Hyland, Jesse Tyler Ferguson and Ed O’Neill. Heidi Klum and husband Seal made an appearance, but it was a still-energetic Emmy host Jane Lynch who generated the most buzz. The host summed up the night: “It was a big party. I enjoyed every moment of it and tried to be completely present. I had the time of my life.”
FASHION SCOOPS

VIEW FROM THE GARDEN: “It was un-be-lievable,” said Sienna Miller, who was part of a front-row lineup at Burberry’s show in Kensington Gardens that included Gemma Arterton, Kanye West, Elle Goulding, Kingsley Lake and Harry Tretheway effective May 1, and Britain’s First Lady Samantha Cameron. “I loved the parkas, the knitted leath-er sleeves, the ski fringing,” Miller enthused.

Arterton had worried her mind. “I’m glad it’s not too hot today — you can imagine, we’d melt in this plastic tent,” she said. “Everything is wearing leather and tweed, so I’m grateful the good old English weather came through.” The bubbly Arterton is headed to Dublin next week to begin filming “Byzantium,” di-rected by Neil Jordan. “I’m playing Saoirse Ronan’s mum, would you believe? That makes me feel old.”

Lily Donaldson, who was seated nearby, was feeling quite sprightly. “I’m finally out and about again after three months of mending a broken leg from a horse riding accident,” she said. “No heels for me.” Julia Restoin Roltfeld was sharing some of her innermost thoughts. “I’m mostly excited about the linge-rie collection I’m working on,” she said before the show. “I have a really great lingerie collection, but it’s not for my boyfriend — he doesn’t care — it’s mostly for me, it’s my favorite luxury.”

SOUNDS OF SILENCE: Kanye West, slated to unveil his debut women’s wear collection during Paris Fashion Week, had heard he was about to begin a charm offensive with the press. “Don’t ask me any-thing. I’m not going to say anything,” he said at the Christopher Kane show in London on Monday. He was, in fact, shushing the interviewers in front-row appearance, attending the show with T Magazine’s Sarah Mower. “My feeling is he’s good,” he shrugged. Byrne said he just unveiled a 90-foot inflatable globe sculpture that’s squashed underneath the High Line in Manhattan.

MOSTLY MARIO: Mario Testino swept into London on Monday for the Burberry show and to receive the inaugural Moet & Chandon Etollo Award at a Thirties-themed party at the Park Lane Hotel. “I have a sore throat — that’s why you see me wearing his tux,” Testino said Testino before the show. “But I can tell you I’ll be consuming my fair share of Chamagne tonight.”

Jasmine Guinness, who planned to attend the black-tie event, co-hosted by Lady Amanda Harlech, Lucinda Chambers and Hamish Bowles, said: “There’s not a tuxedo left in this city.”

Testino’s moment of glory will be a brief one. “Unfortunately I’m not staying in London for long this time around. I’m busy working. Here tomorrow, and off again tomorrow. It’s the working class, you know. It’s got to be done,” he said.

According to the company, the award celebrates an individual of exceptional talent and influence.

SLEEPING BEAUTY: Tilda Swinton, who was front row at Pringle Monday, has a busy schedule ahead — in bed. Lately, she’s been busy promoting her latest film, “We Need to Talk About Kevin,” which comes out next month in the U.K. and in the U.S. in December. And she’s recently finished filming Wes Anderson’s “Moonrise Kingdom.” Her plans going forward are to sleep. “An enormous sleep I’m like a farmer after a big harvest. I’ll be having a mas-sive old sleep,” she said.

SISTER ACT: Gienda Bailey hosted a cocktail gathering at the Savile Club Saturday to promote her latest book, “Harvey Bazaar: Greatest Hits.” Guests included Caroline Sieber, Charlotte Tilbury, Henry Holland and Nicholas Kirkwood. Bailey, who was decked in Miu Miu, was in a great mood to like the energy and the pas-sion really come across when you pick up a copy of Harper’s, but above all, I think people get that there’s a sense of humor to it, because after all that’s what fashion is about — that feel-good factor,” she said.

Holland, meanwhile, had a cover idea. “I’d love to do a joint cover shoot of the Fanning sisters. They have a very unusual appeal, and even though they seem to want to keep their identities separate I think that they’re going to be a pow-erful cover. Do you think I should mention it to Glenda?” he asked.

CAFFEINATED: Like many deadline-oriented workers, designers tend to operate in a highly caffeinated envi-ronments, so it’s fitting that Starbucks has recruited three up-and-comers to design one-of-a-kind T-shirts. 

Aung, Sophie Theallet and Billy Reid, win-ners of the CFDA/Vogue Fashion Fund, have been chosen to create the special shirt, which is going to be on display at Starbucks stores and available for purchase.

WILD ABOUT GARY: “Tinker Tailor Soldier Spy” — and photographer, too? The highly ver-satile Gary Oldman, who’s already generating major buzz for his star-ring role in the film adaptation of John Le Carre’s novel, was the guest of honor at a photographic exhibition at Paul Smith’s Albermarle Street store Friday night.

The photos were all taken on the film set by Jack English and Oldman, who shot his two subjects in black-and-white on a 35mm Widelux camera. “I’ve been getting into pho-tography seriously for about 10 years,” said Oldman, who noted his images “have this grainy effect, which suits the 1960s period. They’re very evocative, a string of flowers, Frida Kahlo, Vincent van Gogh and Charles Baudelaire. ‘We love the idea of these artists grasping at the nature as a way of expressing pain. Frida even ended up drawing flowers on herself,’” said Podgorny. Their knee-length, lightly tailored dresses — which were all worn with gold neck bands — came in gentle shades of green and yellow, while others were adorned with glit-tery embroidered flowers and fake gemstones.

FASHION DELIVERERS’ HONOREES: Thomas & Roland Modan, chief executive officer at Aeropostale Inc. Pamela Lifffer, executive vice president and gen-eral manager at Disney Consumer Products, and Andy Hilfiger, presi-dent of marketing at MESH/Star Branding and creative director of Andrew Charles, will be the honor-ees at this year’s Fashion Deliverers Gala event. The event is the yearly fund-raiser for the charitable foun-dation, which coordinates deliver-ies of donated men’s and women’s apparel and home fashions to aid victims of disasters throughout the year. This year’s event will be held on Nov. 8 at the American Museum of Natural History.

FRINGE ELEMENTS: “They are unique and stubborn, they do what they want and follow their passion,” said Roland Modan referring to the winner of the annual Fashion Fringe new talent contest: Fyodor Dolan. “They are artists, the vision was feminine and edgy, and drew its inspiration from Frida Kahlo, Vincent van Gogh and Charles Baudelaire and his poetry. ‘We love the idea of these artists grasping at the nature as a way of expressing pain. Frida even ended up drawing flowers on herself,’” said Podgorny. Their knee-length, lightly tailored dresses — which were all worn with gold neck bands — came in gentle shades of green and yellow, while others were adorned with glit-tery embroidered flowers and fake gemstones.
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