Plumes Day

Shown during couture, Bouchra Jarrar’s luxury ready-to-wear collection was a refreshing palate cleanser amid all the flash and drama — but it was far from ho-hum. Jarrar worked her day clothes with exquisite, asymmetric tailoring, often with big, layered cross-over collars in leather and feathers, such as this hackless wool vest with matching pants. For a look at daywear from couture, see pages 4 and 5.

COUTURE PARIS SPRING 2012

EXCLUSIVE

TSG Buys Stake In Alexis Bittar

By VICKI M. YOUNG

FOR JEWELRY DESIGNER Alexis Bittar, 2012 will be a year new of beginnings: a new investment partner in the form of TSG Consumer Partners and a line that straddles bridge and fine jewelry.

Neither TSG nor Bittar are disclosing the terms of the deal, which was signed Friday, but Bittar confirmed the partnership involves a 50-50 equity stake on both sides.

“There’s a lot of trust in the relationship. They have a proven track record and their investments have resulted in a growth trajectory that is incredible,” said Bittar, who remains chief executive officer and creative director of the company.

TSG in the past has shown particular expertise in the personal care space. The San Francisco-based private equity firm specializes in investments in high-growth, middle-market-branded consumer firms. Investments have included Smashbox Cosmetics, E.L.F. Cosmetics, Perricone MD Cosmeceuticals and Cutex in the beauty and skin care arena. Investments in premium hair care brands include Alterna, Kenra and Pureology. TSG acquired Sexy Hair Concepts in May. The firm sold its minority stake in Smashbox to The Estée Lauder Cos. Inc. in 2010 for an undisclosed amount — although the total deal including the majority stake held by founders Dean and Davis Factor has an estimated price of between $200 million and $300 million — and its stake in Pureology to L’Oréal in 2007 for an undisclosed amount of cash.

TSG closed on its sixth fund at $1.3 billion in November. At the time, managing director Jamie O’Hara said TSG was eyeing investment opportunities in fashion and apparel. Many of those who made commitments to the sixth fund were repeat investors.

The investment in Bittar represents TSG’s first foray into the accessories space.

Jennifer Baxter, vice president at TSG, said the fund has been actively researching firms in fashion

FORMER L&T CHAIRMAN

Joseph E. Brooks Dies

By DAVID MOIN

JOSEPH E. BROOKS, the flamboyant former chairman of Lord & Taylor and Ann Taylor and one of the titans of retailing in the Seventies and Eighties, died Thursday at Memorial Sloan-Kettering Cancer Center in New York.

The cause of death was leukemia, according to a daughter, Elizabeth Brooks Rains. He was 84. A memorial service will be private.

He was larger than life, very colorful, and he could be difficult but he had a tremendous heart,” Rains said. “He brought me up to be feisty.”

Brooks, a domineering sometimes controversial executive, brought a sense of elevated prestige and pride to Lord & Taylor, which he aggressively expanded from 19 to 46 stores and from $500 million to $900 million in annual sales during his 11-year tenure from 1975 to 1986. The store also became the most profitable division of the now-defunct Associated Dry Goods Corp. during his stewardship. Under his leadership, Lord & Taylor opened its first stores in Florida, and intensified its presence in Washington, Boston, Chicago, Detroit, Houston, Dallas and Hartford, as well as in the New York metropolitan area.

Although he brought much growth to Lord & Taylor, he is widely remembered for establishing a tradition of playing “The Star Spangled Banner”
Procter & Gamble: Looking for Growth

By EVAN CLARK

THE PROCTOR & GAMBLE CO. faces a beauty conundrum that’s showing up on its bottom line. The company has very effectively taken smaller brands, such as Pantene and Oral, and reinvented them for a broader market, rolling out a wide array of products that expand the profit margins. The strategy has paid off, with profits increasing year by year, but that growth is no longer so easy to come by, and both brands are situated in the economically strained middle market, not the booming prestige sector.

Factor in higher commodity costs, which have offset modest sales gain, and profits at P&G’s beauty division fell 8% in the second quarter ended Dec. 31. Sales rose 1 percent to $8.4 billion on unit volume gain of 1 percent, although organic sales and volume expansion logged in at 2 percent.

The business’ growth is also tilted toward developing geographic regions where volume grew in the single-digits in developing markets and decreased in the mid-single digits in richer developed nations.

In the U.S. market, P&G has been challenged by new entrants, according to figures supplied by the Chicago-based sales tracking firm, Symphony-IRI.

“P&G underperformed across the board [not counting the relatively small fragrances category],” said Alex Stewart, principal of strategic insights of Symphony-IRI. “The only growth they saw was in cosmetics.”

For the period ended Dec. 25, P&G’s sales in cosmetics grew 2 percent, while the overall market moved ahead by 8 percent in food, drug and mass stores. P&G’s share of the business was 1 percent, which was better than the 5 percent drop sustained by the general market. In hair care, P&G had a 2 percent drop compared with a 4 percent gain in the overall market. The company’s skin care sales dropped by 5 percent, in sharp contrast to the 3 percent rise for the category.

Overall, P&G’s total beauty business declined 2 percent, while the market moved ahead by 4 percent.

P&G highlighted some of its second-quarter strengths. In Asia, the company’s hair care volume grew by the midteens and skin care expanded by mid-single digits. In North America, it said, for prestige-priced products were up by single digits. And there were a number of gains in the blade and razor business.

Wall Street’s take on P&G’s beauty business covers the spectrum from those who believe the company is a symptom of macroeconomic woes, to those who wonder if it makes sense to keep beauty in the P&G fold. The consensus seems to be that P&G needs to add the Olay brand successfully,” said Ali Dibadj, an analyst at Sanford C. Bernstein & Co., in a research note. “That Proctor & Gamble benefits from being big and what you see is that over the past several years, the beauty business has not benefited from that.”

Mr. Dibadj noted P&G has overexpanded some brands. “In many instances, companies like Procter don’t continue to improve the business, it starts milking it and arguably what they’ve done with the Olay brand is to essentially take two categories (hand and foot care) and make 200 different products and that essentially milked the brand without maybe supporting the brand as much as they should,” he said.

On a conference call Friday, Dibadj said there was support for the belief that the beauty and nonbeauty businesses were “divorcing in terms of growth.”

“What do you think about that argument — that it’s just too complex to continue to support them all, and it would be better managed broken up?” he asked Robert McDonald, the company’s president and chief executive officer.

Mr. McDonald replied the company’s size was a double-edged sword and that it is incumbent upon the management team to turn that scale into better growth.

“Improving the performance of big beauty brands is going to be part of it, to give us flexibility when these kinds of short-term impacts occur. Continuing to innovate, continuing to build brands,” he said.

“Performance has not been terrible,” said John San Marco, analyst at Janney Capital Markets.

“The company had a tough liquidation (by low single digits) this year. Given how much exposure they have in Europe, that’s nothing to shake a stick at, let alone anything else,” he said.

Conor Monney, analyst at BMO Capital Markets, said P&G’s beauty business has seen slow growth for quite some time.

“In some ways, Procter’s beauty business is a victim of its success because they took Pantene and Olay from small players in categories and they grew them to be very big businesses and at a certain point, it’s very hard to get big businesses to continue to grow,” he said.

Mr. McDonald pointed out the business is making a big push in China.

“China’s market is 30% of the size of the U.S. and China has 200 million internet users. China is in the middle of this huge transformation, and China is leading the way,” he said.

Mr. McDonald also said the US is “emerging from the worst of the recession.”

“Screening the bottom line, you take out the drag of H1N1 and the recession in the US, the US is recovering quickly,” he said.

Mr. San Marco noted that “the [US] residential market is the only bright spot left in the economy.”

The company’s forecast for the fiscal year ending July 30, 2012, was in line with Wall Street expectations, and Mr. San Marco said that “there’s nothing to kick the back door on this stock.”

-- CONSIDERATION

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Geithner Blasts China Subsidies at Davos

DAVOS, Switzerland — U.S. Treasury Secretary Timothy Geithner’s uncharacteristically strident tone about China’s subsidization of state-owned enterprises here Friday drew varying responses from trade and business officials, with some applauding his more aggressive stance as others urged restraint.

Geithner said China “systematically subsidizes” enterprises’ costs of energy, access to credit capital and land prices and also caps the exchange rate below its real value, hurting trading partners and the global trade system in the process.

“It means that even though China is starting to have a world-class manufacturing sector, it is supporting that ambition with a set of policies that are very damaging not just to commercial and economic interests of the trading partners, but the critical geopolitical and more broadly world for sustaining the world trading system,” he said.

During a public debate addressed by nearly 2,000 business and political leaders attending the 2012 Davos World Economic Forum, Geithner, a mandarin speaker, said, “It’s very important that we get China to move comprehensively, not just on the exchange rate, but on dialing back those set of subsidies and on reforming.”

Chinese trade officials contacted by WWD declined to comment on the secretary’s remarks.

Textile and apparel manufacturing associations have been vocal in recent weeks, and that claim it has undermined the competitiveness of their products in the domestic and global markets.

Geithner’s remarks drew mixed reactions from participants, attending from range to warnings that the world’s two biggest economies should stir away from a trade war.

-- JOHN ZAROCOSTAS

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THE BRIEFING BOX IN TODAY’S WWD

TSG has acquired a stake in jewelry designer Alexis Bittar, which has big expansion plans. PAGE 1

Joseph E. Brooks, former chairman of Lord & Taylor, died Thursday at 84. PAGE 4

Collective Brand’s Sperry Top-Sider grows beyond footwear with five new licenses. PAGE 3

Costco is eyeing major expansion under new chief executive Craig Jelinek, who succeeded founder and chairman James Sinegal. PAGE 5

Retailers were out in force at the Salon International de la Lingerie and Intimfitelle trade fair in Paris. PAGE 8

The fashion pack got playful at the 10th annual Sidaction Gala. PAGE 9

Clad, the men’s site launched by J.C. Penney and Esquire, has shuttered after only three months. PAGE 9

Four emerging actresses whose films stirred buyer buzz in Park City. PAGE 11

Alessandro Benetton and Federico Marchetti were acknowledged last week for helping to strengthen the wave of all things Made in Italy. PAGE 11

Leonardo Servadio, founder of sportswear company Elleisse, died last week at the age of 87. PAGE 11

The watch show SIHH was dominated by talk of retail expansion and the booming Asian market. PAGE 12

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CORRECTIONS

Elizabeth Stewart is the stylist for Freida Pinto. This was incorrect in a story on page 7, Wednesday.

The favour nanette lepore collection be sold exclusively at J.C. Penney will target 13- to 19-year-old girls but not a collegiate crowd or those embarking on careers. This was unclear in a story on page 7, Thursday.

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The Rock the Coat: Coats may be a basic necessity, but the ones shown for pre-fall looked anything but. All were major plating and bold prints were just a few of the toppers. For more, see WWD.com/fashion-news.

A pre-fall look from Chanel.

ON WWD.COM

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Joseph E. Brooks, Former L&T Chairman, 84

(Continued from page one)
every morning so it could be heard throughout the store just at the time the doors swung open to loyal customers waiting outside, some of whom were offered folding chairs to sit on before shopping. At the time, Brooks was quoted as saying he ordered the playing of the national anthem because the U.S. - with all its problems - is still the greatest country in the world.”

At Lord & Taylor, another one of his traditions was the Rose Awards, a black-tie award held at the store which each year honored a cultural icon. Beverly Sills and Norman Mailer were among the honorees. Though Lord & Taylor did heavily stock moderate merchandise and rolled it out to branches around the country, Brooks gave the store a veneer of catering to the carriage-trade and maintained its reputation for being classic and updated American style.

Many considered Brooks a throwback to the styles of earlier retail legends such as former Lord & Taylor chief executive officer Dorothy Shaver, who was the first woman to run a major department store and built the store’s reputation by nurturing American designers and selling their products. Others have said that his authoritative aura was influenced by retail giants such as Adam Gimbel and Stnature.

He resigned from the chain in 1986 just days after the parent Associated Dry Goods was purchased by the May Department Stores Co., but the playing of the national anthem continues on to this day.

After Lord & Taylor, Brooks linked up with Merrill Lynch Capital to buy the Ann Taylor specialty chain in February 1989. As chairman, Brooks ran the company as it increased sales and earnings before interest, taxes, depreciation and amortization by more than 50 percent; introduced a private label shoe line after dropping its exclusive Joan & David shoe collection; expanded the chain to 34 new markets, and achieved sales per square foot of more than $400.

Before joining Lord & Taylor, Brooks ran Filene’s, Rike’s and Burdines, a chain of nearly 200 Federated Department Stores Inc., now called Macy’s Inc. According to his daughter, one of his sayings, “I did my best,” will be engraved on his tombstone.

Along with his wife of 61 years, Alice, Brooks was deeply involved in charitable and community affairs. They launched the International Symposium on the Neurosciences at Harvard Medical School, established a Faculty Scholar at the Center for Blood Diseases at the University of Miami School of Medicine, and are Third Century Fellows at Harvard Medical School.

Most recently, Brooks served on the advisory board of New York Hospital-Cornell Medical Center; the board of the Michael Wolk Heart Foundation, and the board of the International Tennis Hall of Fame, among a multitude of community activities and charities. He was an avid tennis player.

Along with his daughter and wife, Brooks is survived by a son, Thomas, and other relatives. The family requested that in lieu of flowers, contributions be made in memory of Joseph E. Brooks to The Harvard AIDS Initiative, 651 Huntington Avenue, Boston, Mass. 02115. Brooks lived in Greenwich, Conn.

Sperry Top-Sider Brand Moves Beyond Footwear

By ALEXANDRIA STEIGRAD

AMID PRIVATE EQUITY CHATTER, Collective Brands Inc. is in the final stages to sell its Sperry Top-Sider brand, allowing it to expand beyond footwear.

The deals, which have been inked with swimwear manufacturer Manhattan Beachwear Inc., specialty firm Renfro Corp., handbag and belt maker Tandy Brands Inc., scarf and glove vendor Interbrand LLC and U.S. Continental, a leather and shoe care firm, will give rise to new collections in spring 2013.

Additional deals are pending with other partners for eyewear and watches, the company said, adding that clothing isn’t far off either.

“The first wave of our strategy is to really go after accessories,” Sperry president Craig Reingold told WWD. “Down the road, we will move into apparel.”

Acquired by Collective in August of 2007, Sperry is known for its boat shoes, which it launched when the company was founded in 1935. Since joining Collective, the brand has experienced “accelerated growth,” adding other nautical-inspired footwear, such as boots and sandals, according to the brand, which declined to provide financials.

“These initiatives are critical next steps for Sperry Top-Sider as we aim to connect more broadly with our target consumer and continue our mission to create the leading nautical performance and lifestyle brand across the globe,” said Gregg Ribatt, chief executive officer of Collective’s performance and lifestyle group, which oversees the brand.

Currently, Sperry has 14 stores and is carried in outlets and premium lifestyle department stores. By the end of fiscal 2012, it’s slated to grow its doors to 20.

But Collective, which swung to a third-quarter net loss of $114.3 million, or $1.91 a share versus year-ago income of $47.6 million, or 75 cents a share, has been weighed down by its Payless and Stride Rite chains.

The firm, which also owns Sauscony and Keds, said in November that it plans to shutter 472 Payless and Stride Rite doors by the end of 2013. Costs connected to those closures will total between $25 million and $30 million.

Last week, there was speculation that Collective could be wrapping up its first round of bidding, with Wolverine Worldwide Inc. or Sketchers USA Inc., leading the pack as potential suitors.

Sperry declined to comment on how a potential sale could impact its business.

“What I love about the people we are partnering with is that they are the best at what they do,” Reingold said, rerouting the conversation back to the licensing deals. “The product will be nautically inspired. What is so special about our brand is that it’s about a life and a lifestyle that we are creating.

Alexis Bittar Inks Deal With TSG

(Continued from page one) and accessories for the past several years, looking to find the “right brands to partner with.”

Baxter added that TSG will continue to eye investments in fashion and accessories, as well as beauty, which it considers a core category.

“We plan to make additional investments in fashion, which will open up a lot of opportunities for us. We’re not so much looking at a given category or price point, but are focused on finding best-in-class brands, founders and their teams. We’re looking for firms that are doing something different and are innovative in their category, from luxury all the way down to mass,” Baxter explained.

Janki Lalani Gandhi, a vice president at The Sage Group, the investment banking firm that represented Bittar, said, “This is a very exciting partnership. We think that the brand has tremendous potential. While Alexis has done a great job getting the company to where it is today, the partnership will take the company to the next level.”

For Bittar, first up on the agenda is the launch of a line that straddles the bridge and fine jewelry categories to be sold at the end of the year. He is already in discussions with several retailers about carrying the line.

According to Bittar, expansion plans include his first foray into watches and eyewear in 2013, followed by handbags in 2014.

The firm’s wholesale business and operates seven retail locations. Bittar said the expansion into retail calls for three new stores a year.

Bittar declined to provide sales volume but said, “The firm is profitable.”

Market sources estimated that wholesale volume is more than $30 million annually and plaid onto Lucite, being named “Rising Star of the Year” in 2004 by the American Council of Excellence and winning the Council of Fashion Designers of America’s “Accessory Designer of the Year” award in 2010.

Many of Bittar’s designs are a favorite of several celebrities, such as Lady Gaga, a more recent First Lady Michelle Obama, who wore his signature brooches, earrings and necklaces at a number of events. She most recently wore Bittar’s Lucite sapphire drop pin to President Obama’s State of the Union Address on Tuesday.
Day Shift

While extravagant eveningwear is often couture’s main attraction, some terrific day clothes caused a chic stir on this season’s runways.

Giambattista Valli  
Christian Dior  
Valentino

PHOTOS BY GIOVANNI GIANNONI
Costco Keeps Formula as It Expands

By SHARON EDELMAN

QUIET AND HUMBLE Costco Wholesale Corp. has big expansion plans. The Issaquah, Wash.-based warehouse chain has earmarked $1.4 billion to $1.6 billion for capital expenditures. Co-founder Jim Sinegal, 76, who retired as chief executive officer Jan. 1 but is staying on in an advisory role for one year and maintains a seat on the board, said increases from this level are expected in fiscal years 2013 and 2014. “We would expect increased expansion activity as we’ve got more in the pipeline as well as an ongoing increase proportionally of some of the overseas expansion, which tends to be a little more expensive in some of these very densely populated major cities.”

While Costco is continuing to open stores in the U.S. — 20 are on tap for 2012 — it’s delving deeper into international markets. Costco operates units in the U.K., Mexico, Australia, Korea, Japan and Taiwan. In addition, Craig Jelinek, 58, the 28-year Costco veteran who was most recently president and chief operating officer and is succeeding Sinegal, has said that the company is eying major European cities, including Paris and Madrid.

“We’re looking at those markets, but there’s no formal announcement,” said Jeff Elliott, assistant vice president of financial planning and investor relations. “We have somebody there kicking the dirt around for us.”

While phasing out merchandise — and the company hasn’t disclosed volume for apparel, in a fiscal 2011 presentation, the company listed the sales for categories such as $5.1 billion, which was $1.3 billion, and telecommunications, $1.9 billion. A photo of a bin of men’s shirts was included in that accruals and allowances information. On display recently were Calvin Klein trenchcoats for $43.99; Kenneth Cole women’s dress pants, $14.99; and Calvin Klein five-pocket flair jeans, $24.99; Polo jeans ruffle T-shirts, $12.97, and Cole Haan wool coats, $64.99. Labels such as Speedo, Gloria Vanderbilt, Adidas and DKNY Jeans were also in evidence. The house label Kirkland appeared on cashmere sweaters at $39.97.

Like Sam’s Club, Costco is trying to make a mark with diamonds. Inside the sleek display cases next to the flat-screen TVs are diamond engagement rings ranging in price from $999 to $50,000 — while prices online run as high as $749,999.99 for a 4.23-carat round solitaire. There’s also gold jewelry, colored stones and pearls. Kirkland brand products are also available.

“While there’s a lot of competition,” said Jelinek at Washington University last year. “One of Costco’s few hardships is finding real estate options for swaths of large buildings.”

“I do believe that the membership model run by Costco will prove successful in Europe,” said Sean Naughton, a retail analyst at Piper Jaffray.

“While it will not be easy; the company’s limited asset-stripped supply chain will help make it successful on continental Europe. The membership model has resonated well in Asia, Canada and Mexico and I believe Costco’s model will prove successful in continental Europe given the company’s limited asset-stripped assortment of high-quality merchandise.”

Part of the company’s success can be attributed to the demeanor of its executives. Jelinek is said to have the same trait, humility, as his mentor, Sinegal. In a speech to students of Seattle University last year, Jelinek said he puts his pants on “one leg at a time, like everyone else.” That lack of pretension is a hallmark of Costco executives, who shun the media spotlight, politely declining interviews. “I don’t think it does have a public relations department. ‘We’re in a competitive business and don’t want to compromise any supplier relationships or divulge anything that might be considered proprietary from a competitive perspective,’” said Elliott.

While Wal-Mart and Target have worried about being perceived as either too upscale or too bare bones — depending on the direction of the prevailing economic winds — Costco has perennially tried to straddle both ends of the spectrum.

The retailer satisfies budget-conscious shoppers and small business owners and caters to consumers who are discriminating to a fault. Costco’s business model — intentionally low margins coupled with high inventory turnover — has been a key to the membership club’s success.

“The retailer, which operates 596 clubs worldwide, puts a 14 percent cap on its profit margin for all products except its Kirkland private label brand, which earns 15 percent. By comparison, supermarkets typically have a 25 percent profit margin and department stores mark up their inventory by as much as 50 percent. Costco’s warehouse club concept is built on keeping a low number of stock- keeping units in stock and constantly rotating them to match consumer preferences. Retail analysts said Costco sells about 4,000 stockkeeping units. Its major competitor, Sam’s Club, has annual sales just shy of $50 billion in 2011 and operates 690 stores. “Costco focuses on higher price point and quality items, which appeals to its core affluent customer,” said Naughton.

“We look at them as being one of the most disruptive forces in retail other than Amazon,” said Hotovy. “[Costco] gets the same kind of price power typically reserved for Wal-Mart and Kroger. Its merchandising team, we consider to be one of the strongest in retail. The proof is in Costco’s consistently excellent financial performance.”

Costo’s net sales for 2011 rose 14 percent to $78.7 billion from $73.6 billion the year before. Excluding sales from the company’s joint partnership in Mexico, the increase would have been 11 percent. Net sales for the first quarter of fiscal 2012 increased 13 percent to $21.8 billion from $18.82 billion during the first quarter of 2011. Comparable sales for the period ending Nov. 20 were up 10 percent in the U.S. and 11 percent internationally. Net income for the first quarter was $320 million, or 73 cents a diluted share, compared with $312 million, or 71 cents, in the previous year.

“Costco has a very long-term view” when it comes to low prices, slim profits, and treating employees — and the company’s track record backs up that approach, Jelinek said at Washington University last year.

“The enthusiasm of the company’s (largely) hourly workforce is hard to find in other stores. ‘Costco compensates employees very well, well above [the industry] in terms of wages and benefits,’” said Hotovy. “When retailers are cutting health benefits, Costco employees really don’t have to worry about that. It’s a trademark of Sinegal, and will continue with Jelinek. The happiness and morale of employees goes a long way and it’s often overlooked in retail. Costco has one of the lowest turnovers in the industry and generates $330,000 in sales per employee.”

Costo’s ability to retain and entice its members to stay and spend more is even during the downturn in 2008 — is a testament to its merchandising prowess, Hotovy said. The club’s renewal rate is in the 89-plus percent range in the U.S. and Canada and 86 percent worldwide. While Costco has increased membership slips $200 a trip and up. Members at the “business” level have a renewal rate of 93.3 percent and for “gold star” members, it’s 88.1 percent. Membership increases of $5 to $10 a year went into effect in November, but members’ reactions remain to be seen.

Apparel occupies a prime piece of real estate smack in the center of the store. Costco doesn’t seem to consider apparel a priority. “We’re really in the basic business, not the fashion business,” Elliott said. However, last year it ventured into the bridal arena with CostcoBride, sold in Costco’s California stores. The gowns, priced from $650 to $1,400, are designed by Kelly Kristen, former partner for Disney Bridal. Kelly has been making appearances at stores.

Photo: Rick Reinhard; ppm via WireImage}
Congratulations to you
Consistent quality
Errific products
Tellar experience
Utstanding staff
Customer satisfaction
International Traffic Brisk at SIL

By ALEX WYNNE

PARIS — Despite a dark economy, retailers were out in force at the salon Intermountain de la Lingerie and Interfilex trade fair here. Traffic was brisk at the three-day event which closed Jan. 23. Show organizer Eurowet reported a 3.3 percent gain in visitor turnout against year-ago figures, totaling 30,000 visitors. International visitors accounted for 50 percent of overall traffic at SIL and 62 percent at the Interfilex textiles and lace venue.

The shapewear category was stronger than ever and increasingly diverse.

“There is a lot of nice innovation in shapewear and it’s starting to look pretty, which is needed,” said Erin Donohoo, director of fashion accessories and intimates for House of Fraser.

Wacoal introduced a lace shapewear girdle, Eglantine, in white or black, priced at 38 euros wholesale or 46.05 euros at current exchange.

Scandale marked its relaunch with a glamorous contemporary take on its Thirties heritage, with an eight-piece collection available in three colors, priced between 30 and 60 euros wholesale, or $39 and $104.

Stephanie Chan, brand manager of Scandale, which was bought four years ago by Hong Kong-based Hop Lun, said retailers who showed interest in stocking the brand included Neiman Marcus and Brown Thomas.

Meanwhile, U.S. shapewear expert Spanx was a first-time exhibitor, looking mainly to recruit French retailers, said international marketing manager Rebecca Turk.

Looking at trend direction, the color palette for fall lingerie collections was toned down with classic, almost vintage shades such as champagne, gold and powder pink, accompanied by nude, black and gray hues.

The “Black Swan” theme was visible at several brands, and Aubade dedicated two ballet-inspired sets as part of its Paris-themed lineup. Retail prices for a bra and tanga set are around 190 euros, or $247.

Aubade’s brand manager, Claire Masson, said the label is expanding its stand-alone store presence internationally.

“We will open a new store in London in February, followed by boutiques in Monaco and Germany,” she said.

Other brands showed collections inspired by jewelry. One example was Chantelle, which is going beyond its classic color portfolio into shades such as emerald green.

“Even though the period is difficult, we think customers want to see color,” said wholesale collections manager Marie-Gabrielle Alphen.

Lise Charmel was also inspired by the jewelry trend, showing a collection based on stretch Leavers lace in a unique woven filigree pattern. The brand held an invitation-only runway show on Saturday evening to showcase its new collection.

Lise Charmel posted sales gains of 6 and 7 percent in 2011, totaling 80 million euros, or $104.1 million, said managing director Olivier Piquet. Some 60 percent of sales were international, he said.

“We opened a subsidiary in New York about a year ago. We have around 30 points of sale...We are going to accelerate our (U.S.) presence,” said Piquet. The Epure line, a less elaborate collection based on a second skin concept, will be important for the U.S. market, he said.

Other jewelry-inspired lines included the British brand Beautiful Bottoms, which showed a silk and lace collection in sapphire and jade shades. Stocked at Selfridges, Harvey Nichols and Anthropology, the brand is looking to gain distribution in U.S. department stores.

Beautiful Bottoms was among the up-and-coming brands spotted by Galeries Lafayette trend coordinator Nathalie Zamel, who was looking for new names. She said she also liked Singapore-based at-home wear brand Les Affaires and American lingerie and swimwear brand Zinke.

“We are looking to soften the color portfolio with bright pastels and beige coming back in a forceful way,” said Zamel.

At the Interfilex, lace manufacturers were out in force, and color was the name of the game for spring 2013.

“Brighter colors in lace keep the vintage theme fresh,” one buyer for a well-known U.S. retailer said, on condition of anonymity.

Calais-based Douceuil Lace, which underwent a management buyout in August, was showing an orange and pink Monet-inspired design that had already been sold to a leading brand.

“We are working on elasticity in order to offer something different for the shapewear category,” said company president Jean-Louis Dussart. The company counts Victoria’s Secret, Gap, Chantelle and Aubade among its customers.
Ditto That

An Alexis Mabille-clad Dita Von Teese took a break from Sidaction Gala action in Paris to lend a cosmetics hand to Beth Ditto. For more from the party, see page 10.

MEMO PAD

CLAD NO LONGER: The new era at J.C. Penney won’t have the Clad men’s e-commerce site in the mix.

The Pano, Tex.-based retailer will shutter Cladmen.com on April 27. Staffers were told on Friday of the plans. Launched just this past November, Clad is a partnership between J.C. Penney’s Growth Brands Division and Esquire, in which the magazine’s staff curated items alongside Clad’s buying teams. Promotional sections within Esquire were intended to drive traffic to the site. J.C. Penney owns and operates the site.

The decision to close the site after just three months in business comes as Penney’s chief executive officer Ron Johnson initiates a sweeping overhaul of the retailer’s operations and strategy, as outlined in a two-day summit last week in New York. The site stocks a wide range of designer, contemporary and denim brands for men, such as Calvin Klein, Michael Kors, John Varvatos, Joseph Abboud, Ben Sherman, AG Adriano Goldschmied, Vince and Persol.

Clad got off to a rocky start from the beginning, delaying a planned launch in August until November. The original business plan was for Esquire to publish quarterly “Clad Reports” within its pages, which would also be available on Esquire.com and Cladmen.com. The first “Clad Report” was published in the September issue of Esquire, but the site remained dormant until November.

Once the site was operational, Esquire created editorial on the site in sections titled “Damn Good Advice” and via “Esquire’s Picks” sprinkled throughout. — DAVID LIPKE

MIXING IT UP: Meaningful connections with high-powered people in New York don’t come cheap these days. At least, not for the flush few accepted by 24th Letter, a new exclusive mobile site that is a client of multibrand marketing and entertainment agency AllDayEveryday, for which former New York Times editor Horacio Silva serves as chief brand officer.

For $50 a year, members will be invited to monthly mixers on topics such as “hedonism in New York.” They can keep in touch with their new well-heeled friends using the site. “Whether people want socialization, intellectual currency, shameless networking, a life partner or spouse, they can find it here,” said Silva. “It’s like Grindr [a mobile app that allows gay men to meet] for rich people.”

Yes, it’s like Grindr, but for those who follow these kinds of services, 24th Letter is more like a cross between ASmallWorld — a once-exclusive private site for the international jet set — and Crowded Room, the new location-based service created to connect users who frequent similar places.

Silva said 24th Letter is not a site intended for those lacking in socialization but for those who want to meet and talk to like-minded people. Silva and his colleagues will host a kickoff party Tuesday at Acme, the trendy new restaurant on Great Jones Street, but the site won’t officially launch until sometime during the first quarter. — AMY WICKS

QUEEN BEE: Sean & Seng’s bumblebee-lipped cover shot of Lana del Rey is not the only thing that’s bound to generate some buzz with the debut issue of Interview Germany, which hit newsstands Friday.

A more full-framed version of the bee-lined shot, which appears on the cover of the Russian Interview’s second issue, also coming out Friday, got leaked online earlier this month. But that’s all part of the syndication game. The photos and interview were produced for and by the Berlin-based German magazine, which, like its Russian sister, is published by Vladimir Doronin and Bernd Runge under sublicense from LLV Publishing House.

Interview Germany editor in chief Sølve Sundsbø, who also edited the magazine’s London edition, said she didn’t care whether the cover shot was published in Russian or German on the same day.

“It was a big moment for us,” she said. “It’s the first time a German Edition has been featured in Playboy Russia.”

Because of that, she added, it was her biggest regret. “I wish we had been able to do it together.”

German publisher and investor Francoise Dorleac said the decision to run the photo on the cover of the German edition was made by the company’s advertising team based on responses to the Russian edition. “They thought it was important to stick to the same cover for both magazines,” she said.

The German edition is also the first to include print interviews written by the magazine’s American staff. The June edition will include interviews with Nicki Minaj, shot by Patrick Demarchelier, and rapper Sacha Strumpfer, who was on the cover of the Russian edition.

“I always find it important that one can feel where a magazine’s been produced, and we do want to create a product relevant to Germany.”

Hence, Interview Germany brought in former Andy Warhol assistant, the poet and filmmaker Gerard Malanga, to do portraits of 57 creative types, both stars and lesser knowns, in Berlin. Cultural studies professor Thomas Macho interviews author and theater director René Pollesch. But the Berlin team also set up interview duos such as artist George Condo and men’s wear designer Adam Kimmel, or arranged for an exchange of letters between interview-shy artist Maurizio Cattelan and singer Adriano Celentano.

In addition, the premiere issue has a 40-page A-to-Z appendix on the history of Warhol’s most famous publication. — MELISSA DRIER
Sidaction Packed

THURSDAY NIGHT’s 10th annual Sidaction Gala, which raises money for AIDS research and patient care, saw the fashion pack in a playful mood at the tail end of Paris Couture Week.

An excited Beth Ditto pounced on Jeanne Jones for a hug, burying the disco diva’s head in her ample bosom at one point, sending Jones into hysterics. Architect Peter Marino, sporting his signature biker leathers, decorated his cap with tickets printed with the word “Perdu,” referring to how he came out empty-handed when he opened prize envelopes from the raffle.

“I’m one of the lost boys,” he teased.

Dila Von Teese said she is getting ready to launch her show, “The Strip, Hooey,” in America before hitting Europe.

“An hour-and-a-half-long revue of the best of burlesque,” promised Von Teese. So who did the costumes? “Elie Saab, Alexis Mabille. There’s a little Dior in there, a lot of Mr. Pearl and Swarovski. The most Swarovski anybody’s ever worn at one time, it will be in that show.”

Fashion credits are crucial with this crowd and with models, designers and actresses — most of them dressed in black.

Caroline Sieber and Lauren Santo Domingo in Louis Vuitton.

Asked about her Goth-tinged ensemble, Juliette Binoche reached into her clutch and pulled out a cheat sheet: Haider Ackermann and Yves Saint Laurent topped the long list of credits.

The French actress said she would play sculptor Camille Claudel in a forthcoming film by Bruno Dumont. Before that, she’ll be seen in “Edes,” a French movie about university students who turn to prostitution to pay for their education. “I play a journalist,” she pointed out.

Ralph Toledano, who officially starts Monday as head of the fashion division at Puig, table-hopped between Jean Paul Gaultier and Nina Ricci, among the Spanish beauty and luxury group’s Paris properties. Toledano beamed for photos with designer Peter Copping and praised Ricci as “one of the historical and most prestigious French couture houses.”

Over at the table hosted by Estée Lauder group president John Demsey, Ditto said she had a blast dreaming up possible names for the limited edition product collaboration she’s working on with Jean Paul Gaultier.

“I’m shameless, and I love a pun. There’s a lot of Beth puns,” Ditto said. “I wanted Crystal Beth Amphitheater, but they weren’t having it; they wouldn’t let me do it.”

WWD STAFF

The Sundance Film Festival wrapped up on Sunday, a key step for several new movies — and faces — that will be hitting theaters in the next year. Titles acquired by studios include the Richard Gere-Susan Sarandon France drama “Arbitrage,” also featuring one of last year’s breakout ingenues, Brit Marling; “Red Lights,” the Sigourney Weaver- Robert De Niro paranormal thriller with past Sundance darlings Elizabeth Olsen and Josh Radnor’s “The Liberal Arts,” also co-starring Olsen. Here are four fresh faces whose movies also stirred buyer buzz in Park City.

EVE HEWSON
To hear any young actress tell it, the dreaded “girlfriend role” is the script most of them try to avoid. So Eve Hewson, the 20-year-old offspring of Bono and Ali Hewson, considers herself lucky to have snagged the plum part of Mary, Sean Penn’s platonic pal in “This Must Be the Place,” which made a stop on the Sundance circuit after premiering in May at Cannes. “It’s rare to have a young female character with so much depth. But the question I get the most is, ‘How was it working with Sean? I really love him,’” says Hewson. “It’s really rewarding to have a special relationship in the movie. I would describe them as an old married couple. She’s an old soul.” Hewson says growing up surrounded by her parents’ friends gave her good practice to play a lonely teen who strikes up an unlikely friendship with Penn’s aging rocker character. It’s only her second movie, and while she’d like to make more, her priority is finishing her studies at New York University, where she’s double-majoring in theater and child psychology. Her advice to other aspiring actresses? “I think it’s important to study and have something else to offer that is personal to you. I don’t like the idea of modeling yourself to what you think a director wants. You should always just be yourself.” She adds, “It’s a lonely road, so naturally my parents were worried about me at first, but they’ve warmed up to it.”

DREAMA WALKER
Starring in a gritty, low-budget Sundance film is one way to break out of a mainstream television mold. The tactic seems to have worked for 25-year-old Dreama Walker, who until now was best known for playing mean girl Hazel Williams on two seasons of “Gossip Girl.” In “Compliance,” directed by Craig Zobel, Walker plays a fast food employee who falls victim to a prank caller. The film, which polarized audiences at the festival — some called it misogynistic and others praised the tension-filled plot, which was based on true events — has been garnering buzz.

“I was interested in showing the perspective of a naive young girl who felt as if she didn’t have a choice,” Walker says. “These people were not idiots. They were put in a horrible situation.” She’ll be switching gears to co-star ABC’s new comedy, “Don’t Trust the B— in Apartment 23,” which will follow “Modern Family” in April. “I’m all for proving women can be funny,” says Walker, who plays a second-year law student living in New York City with a manipulative man-eater played by Krysten Ritter.

Since her first role as a drunken teen on “Law & Order,” Walker has appeared in “Gran Torino” and “The Invention of Lyric” and has three more films in the pipeline: the family dramedy “The Discoverers,” the teen coming-out tale “Gay Dude” and the comedy “The Kitchen.” “I’m still at a place in my career where nobody sees me in a certain way, so I can do different things,” she says.

LIZZY CAPLAN
From comedies (Lauren Anne Miller and Ari Graynor in “For a Good Time, Call…”) to dramas (Emily Blunt and Rosamund DeWitt in “Your Sister’s Sister”) to thrillers (Katie Aselton, Lake Bell and Kate Bosworth in “Black Rock”), female leads took center stage at Sundance. In two of the fest’suzziest entries, the acerbic “Bachelorette” and the more optimistic “Save the Date,” Lizzy Caplan puts her sharp comedic skills on display as the marriage-phobic wild child, not the bride. And even though men in both films climb onto stages to declare their love for her, Caplan, 29, insists the films are “different. ‘Yes, they’re both wedding movies, and I’m sure there will be tons more, but they’re less about the wedding and more focused on the relationships between the women,’” she says.

Thankfully, Caplan shared an instant rapport with her “Save the Date” co-star Alison Brie and fellow “bachelorettes” Kirsten Dunst and Isla Fisher (the three even shared a house at Sundance). “It’s easier to get along with women who also value their girlfriends. Never trust a girl who doesn’t have girlfriends.”

KATIE ASELTON
She may be known more for her comedic work on FX’s “The League” and indie movies “The Puffy Chair” and “The Freebie,” but Katie Aselton went out of her comfort zone to direct and star in the thriller “Black Rock,” which was quickly acquired by LD Distribution at the festival.

“I never thought I’d make a scary movie, but I got the idea when I started thinking about what’s the scariest thing that could actually happen in real life,” she says. “I’d never make a movie about paranormal activity.” Aselton, pal Lake Bell and Kate Bosworth play childhood friends who take a sentimental camping trip only to find that they’re not alone on the tiny island. She developed the story while visiting her hometown of Milbridge, Maine (where the movie was shot) and her husband, Mark Duplass, wrote the script while based on an airport layover. “Lake is also known for comedy, but she has a raw, animal quality that I knew would work. I knew Kate socially, and at first thought, She’s so tiny for such a physical role. But she has a huge spirit,” says Aselton, whose next project is a baby due this summer.
Leonardo Servadio, 87

Milan — Leonardo Servadio, founder of sportswear company Ellese that was a major force in the Seventies and Eighties, died last week in his hometown of Perugia, Italy, at age 87. Servadio founded the company in 1959 as a manufacturer of pants, naming it Ellese after his own initials. He invested heavily in production techniques and research and development. Servadio believed in the need to innovate fabrics and technology and the company became a leader in the production of skiwear and tennewear globally. Ellese reached its peak in the Seventies and Eighties, as top-ranking tennis players worldwide, including Chris Evert and Boris Becker, donned the brand on the court. Last September, Evert — who still played with the Italian sportswear brand for about 15 years of her time as a shareholder in Ellese’s North American operation and a brand ambassador, involved with design, promotion and marketing — said she had no intention to develop as a capsule collection called Chris Evert Ellese. The collection is a part of a collection of the brand in North America being overseen by former Danskine executive Byron Hooper.

In 1993, Servadio sold Ellese to English holding firm Pentland Group. Ellese North America acquired the license for the Ellese brand in all product categories for the North American market from Pentland in 2004. In 1959, Servadio remained very close to Perugia throughout his life, and when he retired he turned to the development of the city’s iconic Caffé di Perugia restaurant, coffee and wine bar — one of the 14 most important cultural sites in Perugia.

In 1959, Servadio bought the Collection of the Toy Museum of Stockholm, aiming at making it into a cultural, commercial and entertainment park in Perugia. Brunello Cucinelli, whose name-sake firm stands in Solomeo, outside Perugia, said Servadio “was a very elegant gentleman who loved beauty and also the dignity of man.”

**OBITUARY**

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**FASHION SCOPS**

**HELPING THEIR COUNTRY.** Italian fashion entrepreneurs Alessandro Benetton, executive vice president of the Benetton Group, and Federico Marchetti, founder and chief executive officer of the Yoox Group, were acknowledged last week for helping to strengthen the value of all things Made in Italy. Benetton took home the award for Young Entrepreneur of the Year 2011 award on Jan. 23, while Marchetti was bestowed a prestigious Leonardo Award on Jan. 25 from president Giorgio Napolitano, in recognition of his contributions to Italian business. — CYNTHIA MARTENS

**PARIS MATCH:** Reed Krakoff is expanding his Paris footprint. The New York-based designer just opened a 300-square-foot pop-up shop on the main floor of Printemps. Dedicated to leather goods, the space is adjacent to brands such as Prada. Hip boutique Colette is also expected to showcase Krakoff’s designs in its windows this week. — MILES SOCHA

**ADROVER’S TRIFECTA:** Miguel Adrover will be back on the New York Fashion Week scene, showing off three different ventures. The designer is jetting in from his home in Majorca to present his signature collection on Feb. 11 at Teatro Latino on Perugia Street. That will include the capsule collection for Hessnatur, the eco-friendly label he first teamed with in 2008. On Feb. 12, Adrover will be at Jimmy in The James hotel, another solo show that’s conscious label. Savage Sense, debuts a limited edition assortment. Started by Gary Nelson, David Diodio and Wobda Tejada, and play Japanese handmade goods and will donate 10 percent of sales to environmental and social concerns. Adrover has created and organic T-shirt that will be sold Feb. 13 to 29 at Casa Di Moda. There will be only 25 units each of the $175 women’s and men’s, with all proceeds benefiting the nonprofit Wine to Water. The initiative will coincide with founder Doc Hendley’s new book “Wine to Water: A Bartender’s Quest to Bring Clean Water to the World” — ROSEMARY FETTSLER

**SOPHIA’S CHOICE:** Sophia Kokosakali will next month unveil bridal and costume jewelry collections that will be sold exclusively through Net-a-porter.com. Kokosakali has designed 12 silhouettes, including cocktail dresses and bridesmaids’ gowns, that range in price from 800 pounds to 4,500 pounds, or $1,256 to $7,065 at current exchange. They will go on sale on Feb. 15. She described the collection as being full of Grecian-style silk gowns, with influences from Feb. 11 designer Dior and Madame Vionnet. She has used materials including silk tulle, jet and charms. The designer’s full collection of jewelry is meant to complement the bridal offer, she said. The dramatic pieces are all full of flourishes, curlicues, sires, and rams’ heads — and are made by the renowned Greek jeweler and goldsmith Ilia Lalousis. They range in price from 100 pounds to 600 pounds, or $157 to $942 at current exchange. — SAMA THA CONTI

**DOWN UNDER UP HERE:** On Wednesday night, the hors d’oeuvres at the Crosby Street Hotel had Melbourne-born model Shanna Shalk feeling more than at home than usual. “I just had a Vegemite sandwich and it felt so good,” the recently minted Victoria’s Secret Angel said. The Australian delicacy isn’t normally on the catering menu at the Soho spot, but it made an appearance Wednesday as a clutch of Aussies turned out for a cocktail party to celebrate the launch of the Australian Fashion Foundation initiative, a joint project of The Woolmark Co. and the Australians in New York Fashion Week. The project brought five of the country’s young designers — Feodor Adre Doherty, House Helenka, Yum Ellery, Michael Lo Sordo and Christopher Esber — to New York to showcase their wares. A dozen or so models wore the designers’ creations, all constructed of Australian merino wool, for the assortment of New York editors and stylists who turned out to welcome them. — MATTHEW LYNCH

**FRESH TITLE:** Toronto Fashion Week has a new name thanks to a new sponsor World MasterCard. The event will be known as the World MasterCard Fashion Week, according to The Fashion Design Council of Canada. The World MasterCard Fashion Week will take place at David Peacet Square March 12 to 17 with over 80 designer runway shows and presentations. — MARC KARMAZDEH

**JIMMY CHOO’S NEW LONDON HQ:** London’s Victoria area is fast becoming a mecca for luxury labels’ headquarters. On Wednesday, Jimmy Choo said that it has pre-let 37,000-square-feet of offices at the 123 Victoria Street development, which lies between Mayfair and Green Park. The location is currently being refurbished and is due for completion in June, and Jimmy Choo plans to move into the new space from its current Kensington headquarters later this year. The label joins Burberry and Tom Ford in locating its headquarters in the area. — NINA JONES

**SHOE BUSINESS:** Intimacy was on public display at the launch of Tod’s new shoe collection, No. Code, last week at Paris’ sultry Hotel Amour. Inspired by Dazed & Confused co-founder Jefferson Hack, the line, which includes light desert boot and loafer styles in leather and suede, is meant to be travel-friendly. They are also unisex, which means men and women alike can enjoy the same foot size can exchange shoes — a form of cleverness in itself, which was reflected in the feeling of the event.

Guests were given a voyeuristic peak into the hotel’s rooms, where couples modeling No_Code designs lounged on beds and spoke softly to each other. The favorite of the evening was the wall whose well-known masseuse Julie Montesot treated models wearing little more than the shoes to a massage.

“Can I go next?” begged Elizabeth von Guttman, luxury consultant and co-founder of retail consultancy B2C. Marianne Faithfull said she imagined one of the couples must be talking about bringing a new boyfriend up again. And Claire and Jenna Courtin-Clarins popped right onto the bed with models in their Tod’s general manager Claudio Castiglioni said there is a verbal agreement to set up shop at the Soho store of the No_Code collection to include handbags, jackets, sunglasses and men’s wear.

Meanwhile, Brazilian designer Carlos Miele revealed he will launch a global jeans line next year. — DEBORAH LAUTER
GENEVA — While technology blogs buzz about the impending release of Sony’s SmartWatch, watch aficionados gathered here to celebrate the mechanical timepieces using ancestral know-how that is worth millions to serious collectors.

The Salon International de la Haute Horlogerie, or SIHH, which ran Jan. 16 to 20, is a top showcase for luxury watches, a category that is expected to defy economic turbulence and continue thriving in 2012, thanks to booming demand not only from Asia and other emerging economies like Russia and Brazil.

Compagnie Financière Richemont, parent company to most brands exhibiting at SIHH, famed for its specialist watchmakers division posting a 28 percent leap in revenues.

Vacheron Constantin is one of the rare professions that requires you to be rigorous, classically, and mechanically, and at the same time to create a spec-

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that vintage Reversos with colored dials routinely fetch more than 30,000 euros, or close to $40,000 at current exchange.

The quest for timeless products is also filtering through into watch design. One example is Piaget, whose launches include the Altiplano Automatic Skeleton, billed as the world’s thinnest automatic skeleton watch, with a case thickness of just 5.34 millimeters.

"We feel that when you pay the sort of price you pay for those products, you want, and you should make sure, that the product will remain very attractive down the line and can be brought to the design philosophies," said Philippe Léopold-Metzger, CEO of Piaget.

Cartier — the powerhouse brand of the Richemont group — is introducing a new version of its iconic Tank watch, the Tank Anglaise. The brand is set to enjoy another strong year despite increased uncertainty about near-term prospects, according to CEO Bernard Fornas. The brand has added a lot in countries and in regions where we were weak dur-

ing the last decade, to ensure that our sales are well distributed all over the world," he said. "The next three months are going to be critical to see which direction the trend is going in. There's a little fog in the air today.

The 2009 crisis has resulted in widespread restructuring on the retail front, with many brands reducing their total number of points-of-sale in order to focus on high-growth areas.

One example is Baume & Mercier, which has undertaken a thorough over-

hauled since the appointment of CEO Alain Zimmermann in September 2009. He has pared down collections to four key lines, introduced a new visual identity for the brand and cut points of sale to around 1,600 from 3,000 previously.

Zimmermann said he relies on wholesale for the bulk of his sales, but has started opening stand-alone stores with partners in select locations. The first opened in Dubai Mall in October in partnership with Ahmed Seddighi & Sons, and Baume & Mercier expects to add 10 spaces over the next two years in tier-

one and tier-two cities in China, starting with Chongqing in February.

"The more space you have, the stronger you are in the eyes of Chinese consumers," Zimmermann explained. However, everyone else is following the same logic, so as you can imagine, it’s becoming increasingly difficult to secure the right locations.

Competition is fiercest in Shanghai, Beijing and Hong Kong, a key destination for Chinese travelers.

Also chasing the Far Eastern watch consumer is Ralph Lauren, which plans to launch a dedicated watch and jewel-

The 2012 model is available in two contemporary versions: a 18-karat Art Deco-inspired 867 watch with diamond-set bezels.

Others are strengthening their own distribution networks to make themselves less reliant on independent retailers.

Last year alone, Parmigiani Fleurier opened subsidiaries in Russia, the U.S., Hong Kong, Italy and Germany, and plans to add Brazil and the U.K. soon. As a re-

sult, the brand fell short of its target of turning a profit in 2011, despite a 20 percent sales bump, according to CEO Jean-

"Last year was a very good year, but a year of heavy investment. If you want to be a respected brand, an international brand, then you have no choice," he said.

The significant investment in the complex watch making and retail business, brands have to juggle factors including rising labor and raw materials costs, volatile currencies and supply shortages, noted Wilhelm Schmidt, CEO of A. Lange & Söhne. "In the past, you could focus on one thing. Now, if you handled that one challenge, you got away with it. Today, if you neglect any one of those things, it will kill you and it will go fast," he said.

One of the biggest constraints fac-

ing luxury and other brands is a lack of skilled labor and key parts. "Our produc-

tion capacity is the limiting factor within our business," Schmidt said.

The shortage in parts has become even more acute since Jan. 1, when Swatch Group, the world’s leading watch- and-retailer, implemented a court ruling allowing it to reduce deliveries of components until Swiss competition authorities de-

termine whether it can permanently cut back supply.

As a result, many brands are taking steps to become more self-sufficient. High-end Italian watchmaker Officine Panerai is building a new produc-

tion facility in Neuchâtel, Switzerland, that will allow it to double its workforce to 10,000 within three years, CEO Angelo Bonati revealed.

"Today, if you don’t invest in production of the very same type, you cannot sur-

vive," he argued. "People want quality, they want to be assured that you are a serious ‘manufacturer’ and not someone who is just putting a label on a product."

IWC will add 213,000 square feet to its produc-

tion site in Schaffhausen, Switzerland, by 2014. "The real problem for us is how to increase our production capacity. We are a reasonable and intelligent way, in a context of a virtual instability," said IWC CEO Georges Kern.

Philipp Merk, CEO of Audemars Piguet, said the brand has also invested in new dials and technical materials that help speed up production. The company next month will celebrate the 40th anniversary of its iconic Royal Oak.

"Our relationship with the Swatch Group is very good. We look forward to a continued good relationship, whatever the outcome of the ruling by the compa-

nion authorities, but at the same time, we are investing in activities that will allow us a bigger degree of indepen-

dence," he said.