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WWWD **MONDAY**

Accessories/Innerwear/Legwear



For jewelry show coverage, see pages 6-8.

Prep Rally

NEW YORK — Is preppy the new hipster uniform? Could be. In Tommy Hilfiger's world, the classic look gets a chic update, giving V-neck tennis sweaters a more fitted look, shrinking trenches and adding cool nautical details to coats and minis. Here, his lean sweater, shirt and canvas twill skirt, all in cotton.



The Bentonville Boom: Wal-Mart Leads Region To Explosive Growth

By Katherine Bowers

BENTONVILLE, Ark. — Sam Walton is buried in the cemetery directly behind Wal-Mart's headquarters, within sight of its huge data satellites and surrounded by the rapidly populating cities that are as much Wal-Mart's progeny as its nearly 5,000 stores worldwide.

Like the sales data streaming to those satellite dishes, the world is being drawn to Wal-Mart's hometown.

Flight attendants greeting passengers at the regional airport freshly carved out of farmland

See **The Boom**, Page 12

Kimmel Stands Behind Jones

By Lisa Lockwood

NEW YORK — Would the legal mess between Jones Apparel Group and Polo Ralph Lauren have happened if Sidney Kimmel were still ceo of Jones? In a word, yes.

Although Kimmel, currently chairman of Jones, has had a close business relationship with Ralph Lauren, Kimmel told WWD he fully supported his company's move last week to file a \$550 million breach of contract lawsuit against Polo and Jackwyn Nemerov, former president of Jones, over the Lauren brand by Ralph Lauren license.

In addition, Kimmel gave a vote of confidence to his hand-picked successor, Peter Boneparth, chief executive officer of Jones, who replaced him in that role in May 2002.

Separately, sources said Jones has been having discussions with Michael Kors honchos Lawrence Stroll and Silas Chou about manufacturing and marketing a better-price women's sportswear line for Kors. A spokeswoman for the brand said the company never comments on rumors. Anita Britt, executive vice president of finance at



Sidney Kimmel

Jones, said Friday, "We, as a company, obviously have no comment on any pending deal discussions or acquisitions."

While some industry observers questioned whether Jones and Polo would be suing each other if Kimmel were still ceo, Kimmel defended Jones' move.

"The decision to file suit against Polo was made unanimously by the Jones Apparel Group board, and I supported that decision without reservation," said Kimmel in an exclusive statement. "Moreover, I believe we have the ideal management team to lead the company in this next chapter of its history, as it maximizes the potential of

the Jones New York name as a lifestyle brand."

Kimmel added, "I have the highest level of confidence in Peter Boneparth, who I fully supported to be my successor as ceo of Jones Apparel Group. He has been instrumental in providing leadership to the 15,000 employees of the company and has provided a culture of unity and teamwork across the organization. He is very focused on maintaining a financially strong organization that will continue to evolve in terms of diversification in its portfolio of brands, product competencies and target customers. I am extremely confident that we will continue to build Jones Apparel Group into an even more dynamic powerhouse."

Boneparth told shareholders at its annual meeting last month that no matter the outcome of the Lauren situation, the company was "always evaluating licensing opportunities."

Polo officials declined to comment for this story.

Based on the long-standing relationship between Kimmel and Lauren, some observers believe that Polo would never have enforced the "cross-default

Continued on opposite page

WWD MONDAY

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GENERAL

- 1** About 1,000 people a month move to Benton County, Ark., to work with Wal-Mart, as the boom in Bentonville attests.
- 2** Jones chairman Sidney Kimmel says he supports Jones's move last week to sue Polo Ralph Lauren and, moreover, supports Jones ceo Peter Boneparth. They'd take sites on Fifth Avenue and 34th Street, then hop to the suburbs. Now, retailers are waking up to the inner-city neighborhoods in between.
- 3** **BEAUTY BEAT:** Questions are rising about the shakiness and sluggishness of the fragrance business as it heads into the crucial fall season.
- 6** **ACCESSORIES:** For fine jewelry firms, there could be some sparkle next season, despite the dulling effects of the down economy.
- 11** Employment across all apparel and textile sectors fell in May, as the nation's overall unemployment rate hit a nine-year high of 6.1 percent.
- 16** **EYE:** The baker's daughter takes over; Anime — the Japanese word for animation — is turning up everywhere; a new vintage market, plus a scoop.

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COMING THIS WEEK

- MONDAY:** 31st Annual Fifi Awards, New York.
- TUESDAY:** Luxe Pack New York (through Wednesday). Licensing 2003 International, New York (through Thursday). Phillips-Van Heusen Corp. annual meeting, New York.
- WEDNESDAY:** Salon Luxe fragrance and cosmetics show, Paris (through Friday). Federal Reserve Board releases Beige Book report. Saks Inc. annual meeting, Birmingham, Ala. Aeropostale annual meeting, New York.
- THURSDAY:** American Apparel & Footwear Association annual meeting, San Francisco (through Saturday). Commerce Department reports on May retail sales.
- FRIDAY:** Labor Department reports on the Producer Price Index for May.

In Brief

- **SPADE AT HOME:** Kate Spade LLC has signed three licenses for home products that are slated to bow in stores in 2004. Scalomandrè will make and distribute Kate Spade woven fabrics, trimmings and wallpaper; Lenox will manufacture Kate Spade tableware, and Springs Industries will develop Kate Spade bedding and bath collections. As reported, the 10-year-old accessories company has planned to enter home for some time and has been looking for licensees. Pricing and other details of the lines are still being determined.
- **CHILE ON THE PLATE:** Congress has until September to vote on a Chile free-trade agreement, signed Friday in Miami by President Bush, the second completed FTA in his administration. The Chile pact drops tariffs on all two-way trade for 12 years. While Chile exports less than one-tenth of all foreign apparel sold in the U.S., the pact's rules of origin for granting duty-free status to apparel are of keen interest to U.S. retailers. To importers' dismay, the Chile FTAs strict yarn-forward rule of origin is being pursued by U.S. negotiators in FTA talks with five Central American countries. That means only Central American and U.S. textiles could be used in qualifying apparel. Importers hope a final pact will allow for third-country fabrics and yarns.
- **BALMAIN TALKING:** Christian Courtin, president and chief executive of Groupe Clarins, confirmed Friday negotiations are under way to have Balmain take over the factory and stores of its soon-to-be shuttered Thierry Mugler fashion business. Courtin made the disclosure at the company's annual shareholders' meeting. Until then, both sides had been mum on the subject. Employees of Mugler's fashion house are slated to convene Tuesday in Paris to learn final details of the shutdown plan. Clarins owns the Mugler trademark, but plans to focus on the fragrance business only.

Unilever Appoints Kevin Boyce President, CEO

NEW YORK — As anticipated, Kevin Boyce has been tapped as president and chief executive officer of Unilever Cosmetics International, filling the posts vacated by Paulanne Mancuso in May.

A company announcement Friday confirmed a report in WWD on May 30 that Boyce, president and ceo of Unilever Canada, was Mancuso's likely successor.

Boyce, 47, has been with Unilever since 1986. His first position was vice president, marketing, for Chesebrough-Ponds Canada. He has since held senior executive positions in the U.K. and Italy, primarily in personal care.

New York-based UCI, a division of Unilever plc, manufactures Calvin Klein, Cerruti, Lagerfeld, Valentino, Chloé, Vera Wang, Nautica and CCBG Max Azria fragrances.

Charles Strauss, business group president, had overseen UCI during the interim.

N.Y.'s Outer Boroughs Provide Retail Frontier

By David Moin

BROOKLYN, N.Y. — They'd take sites on Fifth Avenue and 34th Street, then leapfrog to the suburban malls. Now, big-name retailers are waking up to the inner-city neighborhoods in between.

Hybrid retail centers are sprouting along inner-city stretches, and since the late Nineties, retailing has been pouring into middle- and lower-income communities in the city's boroughs. Wal-Mart; Kohl's; Old Navy; Burlington Coat; Target; Penney's; Sears; Foot Locker; Bed, Bath & Beyond; Ikea; Nine West; Home Depot; Athlete's Foot; Ashley Stewart; Finish Line; Champs, and The Children's Place are among the chains said to be aggressively scouting locations. The activity has picked up since Sept. 11, 2001, which opened up businesses to the potential of under-retailed areas outside Manhattan, where there are huge populations.

"It's evidenced by all the new big-box construction," said Barry Fishbach, executive vice president of Robert K. Futterman & Associates, citing Target's upcoming store in downtown Brooklyn, Lowe's plan to enter

Brooklyn near Red Hook, not far from a Home Depot, and Linens-N-Things, which recently signed a lease on Cropsey Avenue in Coney Island.

"We feel inner-city neighborhoods are largely underserved, and there are still very few national retailers that embrace these markets," said Mario Ciampi, senior vice president of store development and logistics for The Children's Place. "For some reason, they can't get their hands around the operational aspects. We feel very comfortable in inner cities because of the density and because they're not overstored like a lot of suburbs. Our priorities are New York's five boroughs, Chicago, Philadelphia, Miami, Los Angeles and San Francisco."

"You walk on any street anywhere, and there is no shortage of apparel," said Hal Kahn, chairman and chief executive of Macy's East. "The [question] is: Are there enough quality retailers penetrating the markets? As far as we are concerned, we are very well covered in the boroughs. Our stores do well. I don't think there is a shortage of retail, or really an opportunity for many

Continued on page 4

Art Cooper in Critical Condition

NEW YORK — Art Cooper, former editor in chief of GQ, remained in critical condition at press time after suffering a severe stroke on Thursday. He had been rushed to the hospital after collapsing following a lunch at the Four Seasons.

A spokeswoman for Condé

Nast said there was no change in his condition over the weekend. "He remains gravely ill," she said.

Cooper stepped down from his post in February after a successful 20-year run, atop the most influential magazine in men's fashion.



Kimmel in Full Support Of Jones Suit Decision

Continued from opposite page agreement" on the Lauren license if Kimmel were still in charge. They believe Kimmel wouldn't have let the relationship get to this point and would have paid more attention to the line before it started slipping and ironed out any differences with Lauren, without having to resort to litigation.

On the other hand, a few executives believe that Polo, in its single-minded quest to get the Lauren license back, made it impossible for Jones to hold onto it, wouldn't agree to a higher royalty payment and strong-armed Jones into relinquishing it three years early.

Under the cross-default agreement, Polo contends it has the right to end the more lucrative Lauren license at the end of 2003, three years earlier than its official expiration, because of the failure to meet minimums in the Ralph agreement that expires Dec. 31, 2003. Jones had a different interpretation of the agreements and felt it has the right to keep the Lauren license through the end of 2006.

Jones, whose overall volume last year was \$4.3 billion, generated \$548 million in its Lauren by Ralph Lauren collection in 2002. Ralph by Ralph Lauren fell short of its goals and did \$37 million in volume. Polo Jeans does around \$400 million to \$450 million in volume.

Last year, the \$2.3 billion Polo collected \$65 million in royalties from its Lauren, Ralph and Polo Jeans licenses with Jones.

In a business where relationships are key, one apparently never developed between Lauren and Boneparth. Sources said that Lauren was irked because Boneparth never called him for a meeting after becoming Jones ceo. When Lauren called to see if something was wrong, Boneparth said he'd been too busy, sources indicated. After that, things got steadily worse. Polo executives reportedly felt Boneparth and Wesley Card, chief operating and financial officer of Jones, were more focused on the financial and operating ends of the business, rather than merchandising the line. Furthermore, sources said, it bothered Lauren when

Boneparth would tell Wall Street and the press that the Lauren line was a "mature" business when he thought there was still plenty of growth left. Boneparth said during conference calls this year that Jones doesn't see Lauren as a "double-digit" growth driver going forward.

"Truly, Jackie [Nemerov] and Sidney [Kimmel] had a very good relationship with Ralph," said one source close to the company. "They understood the schmooze factor. Peter's smart as hell. He's not a warm and engaging personality that will be accepted by the design community. He's not into kowtowing to the designers. In this industry, that kind of stuff counts. Jackie and Sidney set a culture with a lot of respect and deference to Ralph. For whatever reason, Peter chose not to do that."

R. Fulton McDonald, president of International Business Development Corp., a consulting firm here, said Jones wouldn't have lost the license with Kimmel in charge. "He wouldn't have let something like that slip."

Todd Slater, an apparel and retail analyst with Lazard, disagrees. "My impression is that this was a business decision made by the management of Ralph Lauren prior to negotiations," said Slater.

"In my view, Lauren's motive is to show growth in a non-growth company," Slater added. "I would call it a form of financial engineering. On one hand, it will appear that the company is suddenly growing. On the other hand, this move will increase the company's risk profile."

"I think it would have happened anyway," said Andrew Jassin, managing director of Jassin O'Rourke Group, a consulting firm here. "The dynamics of the Ralph relationship have changed so dramatically. From the sidelines, it's apparent that Ralph is taking back a lot of his brand's licenses. It puts the company in a completely different position of being a manufacturer again."

"There's a dynamic going on that wasn't caused by Peter," added Jassin. "Peter is doing what seems to be the right thing for Jones. I can't imagine Sidney's not involved in all these decisions."

Beauty Beat

Fragrance Makers Hopeful for Fall

NEW YORK — As the fragrance industry prepares for another rite of celebration and self-congratulation at tonight's FiFi Awards, hopes are emerging for the improvement of the stubbornly lackluster business, particularly as it heads into the crucial fall season.

That emerging hope is based partly on the fact that the department store fragrance business has improved from the first quarter, when sales were depressed by as much as 5 percent, to being essentially flat for Mother's Day. As Andrea Robinson, president of Ralph Lauren Fragrances Worldwide at L'Oréal USA, said, there has been "a teeny, tiny upturn. I'm more optimistic than I have been."

"The industry is not out of the rough waters yet," said Patrick Bousquet-Chavanne, chairman of the Fragrance Foundation, which bestows the FiFi's, and a group president of Estée Lauder Cos. "The waters have calmed down a bit but it's still rough." However, he asserted, "I think we will have a modest recovery in the fragrance category for the second half."

One of the key drivers is foot traffic in the stores — "we're dealing with a high impulse purchase category" — and traffic has returned to pre-Iraq war levels — but not pre-9/11 levels. "And we're far from that," Bousquet-Chavanne pointed out, adding that achieving plus business in the fall will depend on generating a sustained increase in traffic and that task remains a "fragile" proposition. However, thanks to the passing of the war in Iraq, Bousquet-Chavanne senses a betterment in consumer confidence, which is key to discretionary spending. He also thinks that the industry will get a break this Christmas, if the stores refrain from last year's markdown mania in the fashion departments, giving beauty a price competition it couldn't match. "Value sets on the fragrance bar didn't quite crack it," Bousquet-Chavanne said.



Patrick Bousquet-Chavanne

Similarly, the industry has to stop living on new fragrance launches alone. Bousquet-Chavanne's reading of the current business reveals that while newness is providing the power, it comes at an unsustainable price. The existing business, cannibalized by the advent of the new products, is down by a double-digit rate. That yawning gap is large enough to swallow the gains made by the newcomers, hence an overall flat picture. For the category to produce a 1 or 2 percent gain in the second half, the erosion of the existing business has to be held to single digits. "The classics have to rebound," he said.

But the new entries should pull their weight, according to Bousquet-Chavanne, who sees "more horsepower" in this fall's crop of launches. Desirability to the consumer is a burning issue that Bousquet-Chavanne raised a month ago when he called the Fragrance Foundation board together for a skull session to fix the business. Bousquet-Chavanne says money needs to be invested in ways to explain the value of buying the product, not just another value set. "We have got to put before the consumer the primary reason why they should buy fragrance. Retailers have to focus on the business. There is not room for error in the fall season."

Camille McDonald, president and chief executive officer of the U.S. divisions of Parfums Givenchy and Guerlain, agreed "the quality of the launches are better" and last week's buoyancy in the stock market bodes well for consumer confidence. Donald J. Loftus, president and chief executive officer of Cosmopolitan Cosmetics USA Inc., asserted "new launches are positive" for the business. "[Fragrances] launched in November are still new," he said. What's more, "we've seen stabilization of existing brands — last year's fall launches through this year."

The retail community, however, appears more wary, with at least one department store buyer predicting a flat season. One of the weakest spots is the men's business, where there are few launches. One retailer suggested that lack provides an opportunity for building existing business.

Eric Thoreux, president, Coty Beauty Americas, said Coty has a three-pronged approach to restarting growth in the mass fragrance category. For one, it wants to strengthen sales of its core mass brands — Stetson, The Healing Garden and Jovan. Two, an attempt will be made to make merchandising entertaining, such as pairing the Celine Dion scent with her music CDs. Thirdly, Coty is aiming to make sure price points reflect the positioning of individual brands.

Rochelle Bloom, the new president of the Fragrance Foundation, said not only are manufacturers being more daring in their new offerings, but consumers are ready for "richer, fuller fragrances" following a long, tough winter.

— Pete Born

Editor's Note: This column marks the start of regular daily coverage of the beauty industry in WWD under the Beauty Beat banner. Fridays will continue to include comprehensive coverage of the category.

JLo Jumping Into Jewelry

NEW YORK — Jennifer Lopez is taking her fast-growing fashion empire into the jewelry arena.

Lopez's holding company, Sweetface Fashions, has entered into an agreement with costume jewelry maker Miriam Haskell to make and distribute JLo by Jennifer Lopez jewelry. The pending deal was first reported in WWD in April and adds one more item to JLo product offerings, which include sportswear, sunglasses and perfume.

As is fitting for Lopez, the collection has plenty of glam. Initial products include oversized hoop and duster earrings, stackable rings and cross necklaces in silver and gold plating, all of which have a tiny crystal, a signature item on each piece.

Although the deal wasn't yet sealed, Haskell began showing



A ring from the new JLo by Jennifer Lopez jewelry line.

some stores the product during May market and the initial line of merchandise will begin shipping to stores in July, in time for back-to-school selling.

Wholesale prices range from \$4.50 to \$22, said Gabrielle Fialkoff, executive vice president of Miriam Haskell. Fialkoff projected first-year sales of \$5 million to \$7 million.

Miele Flagship Salutes Human Form

NEW YORK — Brazilian designer Carlos Miele doesn't just believe in staying true to his roots — he believes in flaunting them.

Miele, whose first U.S. flagship opened Friday at 408 West 14th Street, channeled his heritage as well as his love of art, expression and the human form into his store's design.

"I wanted the store to reflect this idea of the expanded body," said Miele, on site supervising the construction in the 3,800-square-foot space. "The idea was to use a different language, like architecture, to express the body."

Miele and his team of architects — Hani Rashid and Lise Anne Couture of Asymptote — have done just that by creating a winding sculpture through the store, artsy video installations and suspended "floating" mannequins. Each represents the human form in one manifestation or another.

The glossy, white space is an ideal backdrop for Miele's colorful clothes. The architects worked to develop more of an art space than a traditional retail environ. "We wanted to create a space that was a canvas in which Carlos could operate," Couture said.

They designed seating alcoves in the store in an effort to recall the social gatherings of the piazzas in Miele's native Brazil, so shoppers might sit in clusters socializing.

"I wanted to create a bridge between different cultures and bring something new to the area," said Miele.

The designer himself is also something of a celebrity back home in Brazil, where he owns 93 stores called M. Officer, has 600 in store shops and



Suspended mannequins float through Carlos Miele's store.

does approximately \$60 million in sales annually. Now he's set on expanding his wholesale business in the U.S. and is looking next to open a showroom here as well.

Retail prices for Miele's designs range from \$110 to \$400 for jeans; \$400 to \$900 for silk-chiffon short dresses; \$800 to \$2,500 for denim dresses and \$900 to \$3,200 for floor-length silk-chiffon gowns.

The label is also sold at Henri Bendel, Scoop, Hirschleifer's in Manhasset, N.Y., and Ultimo in Chicago. The clothes range from silk and chiffon pieces festooned with sequins or beads to handcrafted denim ensembles.

Miele declined to project first-year sales. However, real estate sources estimated the store's annual volume would need to be between \$2.5 million and \$3.5 million to be profitable.

— Anamaria Wilson

Paving the Way in N.Y.'s Outer Boroughs

Continued from page 2

more malls in the city, though we are expanding our Queens store [in the Queens Center]."

Among the most ambitious projects under way is right in downtown Brooklyn, close to where Macy's has a store. "We're sitting on gold — right here on Fulton Street," exclaimed Joseph Sitt, the energetic chairman of Thor Equities LLC, a New York-based inner-city real estate developer, which bought the former Albee Square mall out of bankruptcy from Forest City in 2001 and is spending \$400 million to transform it into The Gallery at Fulton Street. It's no Bellagio, though with the mosaic tiling, Portobella porcelain floors, skylights and fancy logos etched into glass railings, the project will bring some of that Las Vegas glitz and a higher grade of retail to downtown Brooklyn. With three levels and 1.4 million square feet of retail, hotel and office space, and with over one third just for retail, it will be the borough's most upscale-looking mixed-use complex.

But will the enhanced environment put off Brooklyn's blue-collar population? "We don't think it is going to scare off anyone," Zitt asserted. "The platform will be upscale, but the retailers will be moderate."

Sitt expects high productivity — \$900 in sales per square foot, or close to \$200 million in annual sales, compared with \$38 million in the old Albee Square. He bases his projection on population statistics, office development and the performance of stores nearby. He said 235,000 people shop the neighborhood each day, 300,000 live within a mile and the average household income is \$54,000. There's 10 million square feet of office space in the neighborhood, including 8.4 million built in the last decade.

The Children's Place, at 471-485 Fulton Street, posts in excess of \$800 in sales per square foot, establishing it as among the 672-unit chain's top stores. Ashley Stewart, specializing in large sizes for African-American women, also has a top store on Fulton Street, posting around \$5 million. Sitt founded Ashley Stewart in 1991 to help tenant his other urban properties, and eventually sold it off to institutional investors.

Other urban retailers contend they also do well where least expected. Harvey Gutman, senior

vice president of retail development for Pathmark, said at last month's International Council of Shopping Centers convention that shrinkage at the Pathmark in Harlem, opened about two years ago, is no worse than any other high-volume Pathmark. Its \$29 million in annual volume exceeds projections and offsets the higher real estate, delivery and security costs of that location. "Inner-city development can be very profitable for the company and the community it serves," he said.

According to Diedre M. Coyle, senior vice president and director of communications for the Initiative for a Competitive Inner City, which does research to support urban business, there is an \$85 billion sales opportunity in inner cities, largely being missed by retailers. She described the urban customer as "a savvy and unique group of shoppers, extremely brand loyal, seeking high-end, quality products that satisfy ethnic and trendy needs."

Trendy retailers is what The Gallery at Fulton Street is seeking. Among those signed on are Forever 21, which will have 20,000 square feet and will be the chain's biggest unit in the U.S., Sitt said. William Barthman fine jewelers, which has a store in lower Manhattan, is opening in about a week. Also, Avenue, a plus-size division of United Retail that's already operating in the mall, is doubling its space to 6,000 square feet, while Toys 'R' Us is remodeling.

Still, Sitt has lots of leasing left to do. In a new 300,000-square-foot addition to The Gallery, he's seeking a department or discount store, such as Sears, Roebuck or Wal-Mart. He tried Target, but Target has decided to open in nearby Atlantic Center, a competitor at Atlantic and Flatbush Avenues. Sitt said he has handshakes covering another 200,000 square feet of space in The Gallery, though no signed leases. Phase I of the retail project is opening in October, with other components including a hotel and office opening in the next three years. "You've got to build it and show them. Like a field of dreams, they will come," Zitt said. "The urban market has incredible sales potential, yet it is heavily underserved."

Other new developments and venues in the boroughs attracting retailers include:

- Jamaica Center, Queens.

Old Navy, Walgreens and Foot Locker are among the tenants in this year-old 200,000-square-foot project on Jamaica Avenue and Parsons Boulevard, built by the Matton Group.

- Atlantic Terminal, at Flatbush and Atlantic Avenues in Brooklyn. It's an extension of Atlantic Center across the street, owned by Forest City; has 373,000 square feet, and will be anchored by Target. Also coming are Children's Place, Daffy's, Red Lobster, Payless and Bath & Body Works. Total space on the entire Atlantic project is 760,000 square feet. Tenants in the existing phase include Circuit City, Pathmark, Marshalls, Old Navy and Party City.

- Main Street and Roosevelt Avenue in Flushing, Queens. The former Caldor space remains vacant, but deals are pending, according to Fishbach. Macy's, Gap, Footlocker, Payless and Modell's are on the block or nearby, and there is a proposed project on Main Street and 39th Avenue, between Roosevelt Avenue and Northern Boulevard, for a 100,000-square-foot indoor mall to house small tenants, with roughly 500 square feet each.

- The Queens Center, a powerhouse mall on Queens Boulevard and Woodhaven Boulevard posting \$964 in sales per square foot, is expanding to 921,500 square feet, from 606,800, with Penney's relocating and growing to 202,000 square feet from 137,000. Tenants are being sought.

- Fordham Road, the strongest retail strip in The Bronx. A former Caldor's with 265,000 square feet was recently converted to retail and office space, with Bally's, Children's Place and a yet-to-open PC. Richards all moving in. Dr. Jay's and Jimmy Jazz also operate on Fordham Road.

- Steinway Street, Astoria, Queens. Express opened in 2001, and a movie theater at 2860 Steinway Street converted to retail with Duane Reade, which opened already, and other tenants are expected.

Historically, national retailers have avoided such urban locations because of high real estate and construction costs, crime rates, complicated and lengthy permitting processes and misconceptions about consumers. "The key is to be really on top of it," Ciampi said. "We consider New York City its own region and we give it real attention. We've



PHOTO BY DAVID TURNER

Joseph Sitt, at The Gallery at Fulton Street. Beautifying a blighted property.

created our own trucking operation to serve these stores, control the distribution of product, from a security and timing standpoint. We ship as often as we need to keep the costs down, and we have ample room in each store for back stock and storage. In inner cities, you get creative, you use basements and second levels. In the suburbs, you don't have these opportunities."

For Thor Equities, which has about a dozen inner-city projects and is planning six more, the key is to buy the real estate cheap, and Sitt has purchased several bankrupt or foreclosed properties. It's also important to partner with municipalities for incentives and tax breaks, and to charge high rents based on a percentage of sales. Rents will be higher, though, as a percentage of sales can end up being lower at high-volume locations, compared with suburban sites.

The process of obtaining electrical, fire and structural permits can be long and complicated, as can financing. For his Fulton Street project, Sitt said

he went to Wall Street, including J.P. Morgan, Smith Barney Citigroup and Credit Suisse First Boston, and obtained 4 percent, securitized loans.

Sitt, the son of the founder of Baby Togs children's apparel, saw the potential of the inner city as far back as 1985. He bought a foreclosed vacant lot on East Tremont Avenue in The Bronx and on it built a small strip center with a 12,000-square-foot building with a steel roof to prevent break-ins. He leased space to Rite Aid and Payless, and most importantly, found his calling: converting blighted urban areas to viable retailing. He's got a 100,000-square-foot project in the works on a downtrodden stretch of State Street in Chicago, recently bought a property in Detroit that will be redeveloped and wants to enter such markets as Puerto Rico and Los Angeles, all with his Gallery concept. But for this native of Bensonhurst, Brooklyn, it's The Gallery at Fulton Street that's dearest.

"I love this project," he said. "This is home for me."

Fashion Scoops

"HE AIN'T AS FLY AS ME": Sean "P. Diddy" Combs, who walked out, entourage in tow, of Monday's CFDA ceremony shortly after losing the men's wear award, has taken to calling himself the **Susan Lucci** of men's wear. Clearly disappointed at this fourth loss in as many years — Combs has been nominated twice for the Perry Ellis award and twice for Men's Wear Designer of the Year — Combs reacted emotionally. "At the end of the day, fashion is about being honest. I'm the best loser in the world, but I'm a real person, I'm not going to smile and say cheese," he told DNR (WWD's sister publication). "Fashion is about speaking out, having that swagger, having that confidence, and **Michael Kors**' collection wasn't better than mine. I'm not trying to offend anybody. I congratulate him. But is he better than Sean John? [His] collection looked like it was a Sean John

collection." (Kors showed long fur and leather coats in his most recent fall line.)

Continued Combs: "I'm fashion. I'm full-frontal fashion. I'm in your face. Michael Kors is my man, and I'll shake his hand and congratulate him, but he ain't as fly as me. When I walk in a room, he'll disappear. When any of my Sean John crew walks in a room, [Kors' crew] will disappear. We are fashion. We are the future of this industry. At the end of the day, **Ralph Lauren** should have won it, that's just being perfectly honest."

The next day, however, Combs phoned DNR to retract his comments. "I definitely congratulate him. This is just going to have me working harder. I'm young and I'm going to keep getting better. At the end of the day, I feel blessed just to have been nominated for the award. I'm cool with being the Susan Lucci of the CFDA's. What I said before just wasn't right — I don't want to criticize or hurt anyone's feelings."

Reached for comment, Kors took the high road, noting, "I admire what Sean John does and is all about, as well as Ralph Lauren. It was great

to be nominated, and it's always excellent to win. I know what being 'Susan Lucci' is all about. It took me almost 20 years to win the CFDA women's award, and I know it won't be that long for Sean John to win the men's award."

IMAGE CONTROL: The latest ads for Dior's classic men's fragrance, Eau Sauvage, have put the house's men's wear star, **Hedi Slimane**, in a foul mood. Sources said Slimane is "furious" that he was not consulted on — or even told about — the ads, which depict a variety of men, one shirtless, clutching a bottle of the cologne. Some are vaguely reminiscent of Slimane's fashion ads for Dior, insofar as they are black and white and artfully lit. But the casting and attitude are also a far cry from the edgier image of masculinity Slimane has been carving out for the fashion house. The ads have shown up in French newspapers and even on the back page of FHM, a laddie title in Paris that comes polybagged with a portfolio of "the 100 sexiest women." Slimane could not be reached for comment.



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Stephen Webster's 18-karat white gold, quartz and diamond rings in ruby, top, and black opal.



Jewelers Ri

By Melanie Kletter

NEW YORK — For fine jewelry firms, there could be some sparkle next season, despite the dulling effects of the down economy.

Coming off one of the most challenging retail seasons in recent memory, jewelry buyers shopping the Couture Jewellery Collection & Conference in Phoenix and the JCK Show in Las Vegas weren't exactly ordering with gusto, but most said they were feeling a little more upbeat about business as they nailed down their merchandise and marketing plans for the critical holiday selling season.

They attributed their improved outlook to salable trends and a general sense that business is starting to pick up again now that the Iraq war is over and consumers are beginning to head back into stores. (For more news on the shows, see page 8.)

On the trend front, while large colored stones still dominate many new offerings, there were a number of new styles featuring black and white looks such as black enamel, onyx, pearls and platinum.

Among other key trends at the shows were:

- Chandelier earrings, including some in platinum with diamonds.
- Colored diamonds, particularly pink and yellow.
- Art Deco-inspired offerings such as fan earrings.
- Swirl motifs, seen in rings and earrings.
- Oversized cocktail rings, many with diamonds.
- Large pendant necklaces.

In other news, jewelry analyst Ken Gassman of Rapaport Research, who spoke at an educational seminar at JCK, said the Bush administration's new tax plan is good for jewelry demand and that increased diamond marketing will help fuel sales of diamond jewelry this year.

"We forecast that jewelry sales this holiday season will rise 5 to 6 percent over last year," Gassman said.

Nonetheless, many buyers perusing the booths said they were keeping inventories controlled and buying carefully for the coming months, unlike the late Nineties, when many jewelry stores loaded up on merchandise.

Lucas Amelung, a buyer at Molina Fine Jewelers in Phoenix, said, "We are still being strict with inventories, but we are also going after

more fashion-forward pieces. We are finding that higher-end jewelry is selling in our stores."

The general sense among exhibitors at both shows was that traffic was down slightly, but buyers who were there were ready to shop.

Designer Steven Lagos said, "It's a weird time and everyone is tentative, but we have been around for 26 years and have seen that everything is cyclical. We believe things are starting to pick up again."

As more brands and luxury conglomerates enter the \$100 billion global jewelry business, a number of store executives said they are searching for ways to bring in younger customers and freshen up their offerings with more fun and fashion pieces. Buyers from stores including Henry Birks & Sons, Mayors Jewelers and Michael C. Fina said they were looking to stock up on merchandise that would be exclusive to their stores to help them stand out from the pack.

While SARS and the war in Iraq were on the minds of many at the Basel fair in March, neither of those topics was discussed much at these shows. Exhibitors from Hong Kong and a few other Asian countries were kept at the main venue after undergoing a special health check and some other precautions. Show organizers said the precautions didn't deter many exhibitors from coming.

It was diamonds that dominated much of the talk. The Diamond Trading Co., the sales and marketing arm of De Beers Group, last week confidentially revealed its pared-down list of siteholders, the companies that distribute their rough diamonds. This is a move the industry has been anticipating since De Beers first announced its Supplier of Choice program three years ago.

While the list wasn't made public, it is believed that the number of siteholders will be less than 100, down from 125, after the new program takes effect at the end of this year, with a handful of new companies being added and a number of others losing their siteholder status.

The Supplier of Choice program is designed to encourage diamond siteholders to pump up their marketing and branding efforts to raise the profile of diamonds and gain a greater share of the luxury market. Those that do not comply are in jeopardy of losing

Yossi Harari's 24-karat yellow gold, citrine and hessonite garnet earrings.



Lagos' 18-karat gold and sterling silver bracelets in blue and white topaz and amethyst.





Valente Milano's amethyst, citrine, smoky quartz, topaz, peridot, red garnet and multicolored sapphire necklace.

Rise and Shine

their status as a siteholder. De Beers controls roughly 60 percent of the global diamond market.

"The diamond industry of the future belongs to those that know how to create demand around the product," said diamond expert Martin Rapaport, president of the Rapaport Group of companies, who also spoke at an educational seminar at JCK.

Advertising agency J. Walter Thompson, on behalf of the DTC, unveiled details of the Right-Hand Ring campaign, a marketing and advertising strategy for the fourth quarter designed to encourage women to wear diamond rings on their right hand and not just as bridal jewelry. The multimillion-dollar campaign will dominate the DTC's magazine and outdoor advertising for the remainder of the year.

Retailers shopping the show were looking for innovative products for the new season.

Aida Alvarez, vice president of merchandising at 28-unit Mayors Jewelers, said her team is focusing on "colors and unique products that have distinct designs."

"Versatile jewelry is important today for women on the go, so we have focused on both long-term and short-term trends," she noted.

Melissa Geiser, the fine accessories buyer at Stanley Korshak, said chandelier earrings were a key buy for her for fall.

"I think what it's about now is diversifying and not carrying what everyone else is carrying," Geiser said, noting that jewelry now represents about 25 percent of total business at the Dallas-based retailer.

Barbara Dorfman, owner of Dorfman Jewelers in Boston, said she is being more selective in her purchases, but also was embracing colored sapphires, as well as platinum and pearl jewelry.

"You have to go into the season with some enthusiasm or you won't have any new merchandise," she noted.

Among the collections buyers cited as being particularly strong this season were Nanis, John Hardy, Stefan Hafner, Delanau, Elizabeth Rand, Christian Tse, Siegelson and Favero. Stephen Webster's new all-diamond line, Lagos' gemstone looks and clawed gemstone rings by Rodney Raynor also garnered buyer attention.

Jewelry firm Anthony Nak, a newcomer at Couture, drew widespread praise for its use of bold stones such as blue topaz and sapphires that are set in 18-karat gold chain nets.

"We love color, and it's all about the stones," said Anthony Camargo, co-founder and co-designer of the line.

Another newcomer at Couture was Mimi, a collection

of jewelry from Italy featuring colored pears and precious stones that is distributed by ViewPoint showroom.

Designer Cathy Carmendy showed a range of chandelier earrings featuring stones such as coral and orange sapphire, as well as yellow gold and platinum styles.

"People have had enough of being conservative," she noted.

The nine-year-old Couture show was held at a new venue, the JW Marriott Desert Ridge Resort & Spa, in Phoenix. The three-day conference drew about 400 attendees and 160 exhibitors, including a number of high-end Italian designers.

The JCK show ended its five-day run on Tuesday at the Sands Convention Center. The giant show has exhibitors from around the world and includes everything from ring shanks and insurance providers to upscale diamond and platinum jewelry collections.

Accompanying both shows was a steady parade of cocktail parties, guest speakers and educational seminars. Comedian Al Franken poked fun at the jewelry industry during his opening-day speech at Couture, while fashion maven Leon Hall told attendees at his JCK presentation that they should stock and carry more brand-name designer jewelry and create programs around awards shows.

Model and entrepreneur Heidi Klum was at both shows showing her new diamond jewelry collection produced by Mouawad.

New at JCK this year was an invitation-only luxury watch gallery, which drew a number of Swiss luxury firms, some of which hadn't exhibited in Las Vegas before. Among the 26 brands that showed in this section were Cartier, Tag Heuer, Concord, Corum, Blancpain, Roger Dubuis and Omega. For the fourth year in a row, a smaller show called Luxury by JCK was held in suites at the Venetian Hotel on May 27-29 before the larger core show and drew upscale firms such as Escada Fine Jewelry, Erica Courtney and Roberto Coin.

There were a number of newcomers at JCK, including Tenth by Sofia, a line of fine jewelry featuring bold gold rings and earrings, many of which have colored enamel and are designed as jeweled sculptures. Designer Sofia Koustis said, "In hard times or good times, if you are new and if you have something new to add, people want it."



Anthony Nak's 18-karat gold, rose quartz and multicolored tourmaline earrings.



Rodney Raynor's 18-karat white gold rings in aquamarine, blue sapphire and diamonds, left, and rock crystal, amethyst and diamond.

Accessories Report

SHOWBITS

LAS VEGAS — There was plenty of action at the recent Couture Jewellery Collection & Conference in Phoenix and the JCK Show in Las Vegas, as companies of all stripes bustled to find their place in the crowded world of baubles and gems.

Here, some of the new and established players looking to gain a bigger foothold in the jewelry scene.

● Two fashion brands not usually associated with jewelry made their Couture debut. Upscale handbag company Judith Leiber and Vera Wang, best known for bridal dresses, came to the Couture show to give jewelers a look at their new offerings. Leiber, which celebrates its 40th anniversary this year, sells its jeweled creations in only a handful of jewelry stores, and new president and chief executive officer Margaret Siegel believes this channel is ripe for the company. "We have a strong brand name that we think can work well at independent jewelry stores," Siegel said. Among the offerings on display was the new gilded cage handbags, including a one-of-a-kind style in 18-karat white gold with diamonds and semiprecious stones, as well as more widely available versions in four color variations. A range of the firm's handcrafted minaudières and other styles were also being shown. Diamond firm Rosy Blue was at Couture to present the new Vera Wang jewelry collection, which it is producing under license. While few details of the collection were revealed and merchandise wasn't even at the show, Vera Wang jewelry is slated to

bow this fall and will include plenty of platinum, gold and diamonds and both bridal and fashion elements, according to a company spokeswoman. The Vera Wang jewelry business is overseen by Koichi Takahashi, the former chief operating officer at Mikimoto who is now president of Rosy Blue Fine Inc., a new luxury-brand division of the giant Antwerp-based diamond concern. Takahashi declined to give prices or sales information for the Vera Wang line.

● Among those checking out the new offerings at JCK was Samuel Getz, the former president and chief executive officer at Mayors Jewelers, who has now opened a salon in Coral Gables, Fla., under the name Samuel Getz Private Jewelers & Designers. "It's all about the stones," Getz said of his new business, which sells upscale gemstone and diamond jewelry. Prices start around \$500 and can range up to \$1 million. First-year sales are estimated at around \$3 million. The 2,100-square-foot salon is designed to evoke feelings of comfort and serenity, he said.

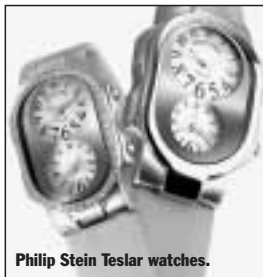
● Designer Scott Kay, best known for his upscale platinum bridal jewelry, introduced his new silver division at JCK. The line includes rings, necklaces, bracelets and earrings, many of which have a basketweave theme. Retail prices range from \$300 to \$1,000, and some pieces have 18-karat gold and diamonds, as well as gemstones. Kay, who has been in business for 20 years, wanted to reach out to a wider audience, said a company spokeswoman, who declined to give sales projections for the line. Two former David Yurman executives



A look from Scott Kay Sterling.

are overseeing the Scott Kay Sterling division: Dawn Pearson is president of sales, while Janet Hayward is president of corporate affairs.

● Among the new watch offerings was brand Philip Stein Teslar, which is distributed and marketed out of ViewPoint Showroom. Retail prices range from about \$595 to \$1,995 for the watches, which feature a special chip designed to shield the body against electromagnetic fields that come from computers, cell phones and other electrical sources. "This watch brings a new technology to the watch



Philip Stein Teslar watches.

industry and it also combines fashion elements," said Jim DeMattei, president of ViewPoint. Both ladies and men's styles are available and come with interchangeable straps in leather and high tech fabrics. Some are available with diamond treatments. Distribution is aimed at independent jewelers and better departments stores, and first-year sales are projected to reach about \$5 million, DeMattei said.

● At Couture, accessories and



A piece from Barry Kieselstein-Cord's new diamond line.

jewelry designer Barry Kieselstein-Cord showed diamond jewelry from his new joint-venture company called Kieselstein-Cord Premier, which is a collaboration between Cord and New York diamond firm Premier Gem Co. Set to debut this fall, the collection includes bold gold and diamond jewelry, including cuff bracelets with flower motifs. "This is an opportunity for me to showcase the designs we are famous for and incorporate high-quality gems," said Kieselstein-Cord, who made his first appearance at the show,

although this was the third time his company has exhibited. He said later collections will include diamond-only pieces. Wholesale prices start at around \$700 and range up to \$250,000, and Cord projected that first-year sales could reach about \$10 million.

● At Couture, the winners of the annual 2003 Couture Design Awards were announced at the annual gala event. Harold Tivol, the longtime industry executive and chairman of Kansas City-based Tivol Jewels, received the Gerald Goldwyn Couture Lifetime Achievement Award for his contributions to the industry and to his community. Also recognized were Mark and Robin Levinson of Levinson's Jewelers, who received the new award for Retail Marketer of the Year. There were two other award categories introduced at this year's gala: Henry Dunay received an award for Outstanding Public Relations, while jewelry firm David Yurman was honored as Outstanding Advertiser/Marketer. The Editor's Choice Award went to Marilisa Zen, who exhibited as part of the Design Atelier. The Best of Design Awards honor jewelers in a number of categories. Here are the winners of the event, which is sponsored by Town & Country magazine:

- Colored Gemstones: Rodney Raynor, Siegelson (tied)
- Diamonds: Vista International
- Gold: Christina Termine
- Pearls: Schoeffel
- Platinum: Michael Bondanza
- Bridal: Michael B.
- Haute Couture: Favero
- Timepieces: Delaneau

— Melanie Kletter



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Innerwear Report

Vesperini Vies for Growth

PARIS — Vannina Vesperini, a young, French lingerie designer, has been a relative secret to all but the most sensitive style hounds. But now, she's ready to bark out a new message.

With a new private investor on board, Vesperini harbors plans to roll out a string of boutiques in Europe this year with a plan to double sales in 2003 to \$6 million. She has introduced a new bra collection and a debut swimwear line, which, along with her lingerie, will be exhibited at the Sept. 6-8 Lyon, Mode City trade fair in Lyon, France.

"You could say that things are moving fast," said the 32-year-old Vesperini, who founded her brand in 1996 after graduating from the Esmod fashion academy in Paris and working for a brief stint at Sabbia Rosa.

Three years ago, she opened a tiny shop on the Left Bank here, quickly attracting a cult-like following for her sexy, ultrafeminine wares.

Vesperini has always stuck to a concept — what she calls "over-under" lingerie — that is meant to be seen. Her calling card is her bustiers. By adding bras this year, she has completed her lingerie line, which also boasts intricate camisoles, slips and panties.

"I always wanted to do bras, but it's an expensive process," she said. "The production is very technical. Now I have the money to do it right."

Her partner, Patrick Moysan, an early financier of designer sportswear brand and retail chain Plein Sud, also has become president of the company.

"The potential for the Vannina Vesperini brand is tremendous," said

Moysan. "At present, it has a niche as a young designer brand, but I think it can become an international player."

The company opened its second boutique in Saint Tropez in April. The 1,500-square-foot space mixes stark minimalism, such as pared-down steel racks, with more opulent touches like Venetian mirrors. The concept will be used in Vesperini's additional boutiques, which include a franchise operation slated for Ajaccio, Corsica, and a wholly owned unit in Marbella, Spain.

“Our idea is to open more boutiques around Europe. We are open to franchising, but we want to open as many wholly owned units as possible.”

— Patrick Moysan

Both boutiques are scheduled to open within the next few months. Another unit in the French ski resort of Megeve is planned for December and Vesperini said she is scouting for a larger retail space in Paris.

"Our idea is to open more boutiques around Europe," said Moysan. "We are open to franchising, but we want to open as many wholly owned units as possible."

Vesperini's new swimwear line features one-piece maillots and bikinis and will be launched exclusively this summer at its stores in Corsica and Saint Tropez.

— Robert Murphy

Vannina Vesperini shows off her lingerie designs at the Salon International de la Lingerie in Paris.



Barry Ross and Diane Paccione

INTIMATE NOTES

HUGGING PACCIONE: Diane Paccione, former vice president and general merchandise manager of ready-to-wear and intimate apparel at Sears, Roebuck & Co., was feted recently at a gala cocktail party hosted by the Intimate Apparel Square Club at The Water Club in Manhattan.

Over 100 executives of the intimate apparel industry attended the event, which precedes the annual HUG Awards scheduled for Aug. 5 at the Grand Hyatt New York Hotel. Paccione will receive a HUG, an acronym for Help Us Give, for her dedication and support of the organization's primary charity, the pediatric unit of the Rusk Institute at NYU Medical Center.

Also on hand at the party was Barry Ross, president and director of sales at Sextet Inc., a fabrics concern. Ross received the annual Al Jaffin Award for his "in-house years of service" to the 48-year-old organization. The award was created in 1991 and named after the late Jaffin, a longtime veteran of the intimates industry.

VESPERINI PHOTO BY DOMINIQUE MATTE; HUG PHOTO BY STEF ECHECNER



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Change of Plea Delays Rite Aid Suit

NEW YORK — A plea change by Rite Aid's former chief financial officer has resulted in a delay in the start of the trial against former chief executive Martin Grass until June 23.

As reported, Grass, in a 37-count indictment handed down last June, was charged along with other former Rite Aid executives with masterminding an accounting fraud that overstated earnings by \$1.6 billion.

The start of the trial in the government's case against former vice chairman and general counsel Franklin Brown, arising from the same indictment, has also been delayed until June 23, according to his attorney, Reid Weingarten of Steptoe & Johnson in Washington, D.C. Both defendants pled not guilty last year. They were originally scheduled to appear in a Harrisburg, Pa., court for the start of the trial today.

Former cfo Frank Bergonzi, also indicted last June, changed his plea to guilty on Thursday, five days before jury selection was to start. He pled guilty to one conspiracy charge and agreed to cooperate with federal prosecutors in their ongoing investigation. Bergonzi faces up to five

years in prison and a possible fine of up to \$250,000. A sentencing date has yet to be scheduled. The former cfo reportedly has told prosecutors what evidence he could provide against Grass and Brown and is likely to get less prison time if he testifies against them.

Defense lawyers for Grass and Brown sought a delay of the trial in light of Bergonzi's plea deal. William Jeffress Jr. of Baker Botts in Washington, who represents Grass, could not be reached for comment.

Rite Aid has been the subject of a Securities and Exchange Commission probe since December 1999. In July 2000, the Camp Hill, Pa.-based firm was forced to issue a \$1.6 billion restatement of earnings, then the largest such revision in history. With its \$9 billion earnings overstatement, WorldCom Inc. has since claimed that distinction as its own.

As reported, Grass, without admitting wrongdoing, in April agreed to pay \$1.45 million to settle a civil shareholder lawsuit regarding financial information provided by the company over a 30-month period. Rite Aid, also a defendant, agreed to

pay \$200 million to settle the class-action lawsuit.

Earlier this month, a federal district court judge in Philadelphia approved a \$125 million settlement by accounting firm KPMG, whose audits failed to catch Rite Aid's financial misstatements. KPMG was neither charged with nor admitted to any wrongdoing.

Combined with the KPMG contribution to the Rite Aid and Grass settlements, investors of Rite Aid shares from May 2, 1997, through Nov. 10, 1999, could share in a \$326 million pool to partially cover their losses.

— Vicki M. Young

Biggest Percentage Changes For Week Ending June 6

Gainers	Close	Change
Tropical Sportswear	7.43	27.23
Guess	6.04	19.13
Sears	34.63	15.51
Cherokee	20.44	14.06
Ann Taylor	29.10	13.81
Losers	Close	Change
Galey & Lord	0.02	-20.00
Syms	6.41	-12.43
Bluefly	1.22	-9.63
Movado	21.17	-7.88
Delta Woodside	2.92	-7.01

Weekly Stock Index

52-Week		Sales		Amt	
High	Low	P/E	(00's)	Last	Change
Broadline Retailers					
5.28	3.37	Bon-Ton Stores	6.2	139	4.65
30.16	12.32	Dillard Dept.	11.7	41083	13.74
42.60	23.51	Federated	11.7	121531	36.50
3.53	0.94	Gottschalk's	-	1659	1.68
25.55	14.07	J.C. Penney	16.0	188294	18.46
35.98	17.81	May Dept. Stores	13.7	129963	23.96
14.49	6.66	Saks	21.4	30233	9.37
58.84	18.25	Sears	7.5	445647	34.63
40.27	24.90	Target	20.6	222535	37.79
4.35	1.48	Value City	314.0	4206	3.00
58.88	43.72	Wal-Mart	29.4	459904	53.82
Softline Retailers					
30.07	17.05	Ann Taylor	16.4	89885	29.10
1.81	0.55	Bluefly	-	5300	1.22
22.91	15.40	Burlington Coat	11.8	3977	18.17
8.67	2.70	Charming Shoppes	13.9	16037	4.76
24.49	13.02	Chico's FAS	26.9	86232	22.04
17.50	11.06	Dress Barn	15.5	2954	13.40
16.00	8.20	Foot Locker	12.0	48887	13.27
18.27	8.35	Gap	24.4	333645	17.75
75.99	44.00	Kohl's	28.6	221386	53.39
21.84	10.88	Limited Brands	16.7	110112	15.60
38.77	23.75	Neiman Marcus Group	14.4	5812	36.35
25.23	15.00	Nordstrom	18.8	45317	19.57
24.45	10.81	Pacific Sunwear	21.8	83836	23.81
47.77	31.85	Ross Stores	16.8	48712	42.75
8.40	5.80	Syms	-	2555	6.41
39.64	20.59	Talbots	14.9	17184	29.27
21.48	15.30	TJX	18.8	136617	19.44
Vendors					
53.45	41.55	Alberto Culver	19.7	12103	50.44
62.55	43.49	Avon	27.1	80763	62.15
21.99	13.65	Cherokee	12.7	1459	20.44
53.53	17.19	Coach	35.3	68160	52.63
53.34	27.46	Columbia Sportswear	19.2	19700	49.23
38.30	25.20	Estee Lauder	36.3	49990	33.61
24.61	14.99	Fossil	18.2	18800	23.03
8.30	4.49	G-III	23.3	125	7.40
98.01	82.53	Gucci	35.2	7054	97.55
7.31	3.30	Guess	-	4303	6.04
40.39	25.61	Jones Apparel	11.0	139383	28.18
32.50	19.70	Kellwood	38.8	16246	30.15
29.95	16.00	Kenneth Cole	15.1	10548	21.62
35.80	23.55	Liz Claiborne	15.4	40153	34.85
11.40	3.40	Mossimo	5.4	2671	4.09
25.15	14.60	Movado	13.2	1228	21.17
13.75	8.06	Nautica	17.7	7504	10.60
42.80	19.50	Oxford	14.6	5059	41.67
15.99	10.80	Phillips-Van Heusen	16.5	3163	14.27
27.93	16.49	Polo Ralph Lauren	14.3	52287	26.14
18.25	8.63	Quicksilver	18.1	55439	16.06
6.17	1.85	Revlon	-	2710	3.01
21.15	13.14	Russell Corp.	14.1	9647	20.67
6.50	3.07	Tarrant Apparel	-	664	3.54
15.71	5.61	Tommy Hilfiger	6.5	84119	9.12
25.34	4.14	Tropical Sportswear	-	11967	7.43
43.07	31.50	VF Corp.	11.4	22614	38.65
14.10	8.80	Warnaco	-	44545	12.70
Textiles					
3.80	1.21	Cone Mills	5.9	3791	1.65
6.15	1.75	Delta Woodside	12.1	137	2.92
0.10	0.02	Galey & Lord	-	441	0.02
8.00	2.25	Guilford Mills	-	196	6.40
11.47	4.25	Unifi	234.0	8991	7.00

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WWDStock Market Index for Week Ending June 6

Composite: 108.18 ↑ 2.90	Broadline Stores: 108.40 ↑ 3.42	Softline Stores: 105.65 ↑ 3.77
Vendors: 108.35 ↑ 0.70	Textiles: 122.32 ↑ 0.87	Index base of 100 is keyed to closing prices of Dec. 31, 2002.

Industry Continues Losing Jobs

By Kristi Ellis

WASHINGTON — Employment across all apparel and textile sectors fell in May, as the nation's overall unemployment rate hit a 9-year high of 6.1 percent.

Apparel employment, on the decline for three decades, fell by 2,700 in May, on a seasonally adjusted basis to 315,100, according to the U.S. Department of Labor's newly revised employment report released Friday. The Labor Department conducted a major overhaul of its monthly employment report, changing the way jobs are classified and updating seasonal adjustment calculations.

In many sectors, the revised employment numbers in a particular category, such as apparel manufacturing, are much lower than in past reports because a portion of the jobs were reclassified under different categories.

For example, 20.7 percent of the jobs under the old apparel manufacturing classification were shifted to the textile prod-

ucts category, while 5.4 percent of the jobs were shifted to transportation equipment and 4.9 percent of the jobs were shifted to the printing and related support activities classification, according to a Labor official who requested anonymity.

In April, the Labor report showed apparel employment at 495,000, on a seasonally adjusted basis. Since a portion of those jobs has been transferred to different categories, the total employment in the apparel manufacturing category is smaller.

However, the monthly and year-over-year apparel numbers also have declined due to layoffs, which Labor officials have revealed by revising all of the historical data based on the new classifications. Compared with May 2002, the apparel sector lost 46,100 jobs, according to the revised numbers.

In the textile sector, the Labor Department has created two categories: textile mills and textile mill products. The textile mill

category lost 4,400 jobs in May to employ 273,100 workers, while the textile mill product sector lost 1,600 jobs in May to employ 189,000 jobs. The two combined employ 462,100 workers.

Compared with May 2002, textile mills lost 21,000 jobs, while textile mill products lost 8,000 jobs. About 15 percent of the textile jobs were reclassified as textile mill products in the new report and 12.8 percent of the textile jobs were shifted to apparel, according to the labor official.

"The decision was made five to six years ago to move to a different classification system for government data," said John Mothersole, an economist with Global Insight. "The old system was viewed as dated in that it focused too heavily on the manufacturing sector and didn't have as much detail in the service sector, especially in the newly emerging high tech industry."

In the aggregate sense, Mothersole said he doesn't think the overhaul has changed the manu-

facturing picture. "I like to think the introduction doesn't detract from the manufacturing picture, but rather enhances it," he said.

However, due to the reclassifications, employment in the apparel and textile industries combined is much smaller than under the old reporting system. The total number of apparel and textile workers now stands at 777,200, which is 126,800 fewer workers than the old reporting system showed, according to Charles McMillion, chief economist at MBG Information Services.

Under the new system, the apparel and textile industries combined lost 8,700 jobs in May, he noted.

"This fits the pattern we've seen of acceleration now in job losses and the shutdown in capacity with demand weakening

and increased price and volume pressure from imports," McMillion said.

Meanwhile, department stores slashed 4,500 jobs from payrolls in May to employ 1.693 million workers. Compared with May 2002, department stores employed 20,600 fewer employees.

Apparel and accessories stores cut 2,900 from payrolls in May to employ 1.285 million workers and employed 23,300 fewer workers against a year ago. General merchandise stores cut 4,500 jobs from payrolls in May, but employment was up by 1,200 against May 2002.

The overall economy lost 17,000 jobs in May, as the unemployment rate rose from 6 percent in April to 6.1 percent last month and the number of unemployed people stood at 9 million.

EUROPE WATCH



BACK IN BLACK: C&A, Germany's third largest apparel retailer, has turned the corner. Two years ago, the chain, which operates 185 C&A doors in Germany and 279 elsewhere in Europe, was mired in losses. But a concentration on moderate, value-for-money apparel and a fresh, new, easy-to-shop retail environment seem to have paid off. Net earnings in Germany for the fiscal year ended Feb. 28 tripled to \$125 million, and German sales were up 2 percent to about \$3.3 billion. Dollar figures are converted from euros at current exchange rates. Once derided as "Cheap & Awful" in Germany by the very youth its trendy ads tried to attract, C&A switched to a more mainstream ad style, upping the German ad budget 10 percent to \$117 million. While modernizing the last 40 old-style units, C&A also is expanding its C&A Kids chain, and a C&A Woman concept is being tested in Bremen and Lindau, with three new German doors to follow. — **Melissa Drier**

ENDANGERED SPECIES: French shoppers on the hunt for great fakes should take heed. The French luxury goods trade association, Comité Colbert, has launched an anticounterfeiting campaign designed to discourage travelers from bringing back bogus watches, handbags and apparel. More than 10,000 posters depicting fake Lacoste, Hermès, Chanel, Dior and Cartier products are going up at 200 customs borders in France. The accompanying text aims to deter shoppers by reminding them that the purchase of counterfeit products is considered a major infraction, contributing to forced child labor and illegal drug and arms trafficking. The posters also underline that importing counterfeit products is punishable by fines of up to \$300,000 and up to three years in jail. Five of the top six brands that suffer from forgeries in the European Union are French, according to the Comité Colbert. More than 100 million fakes were confiscated in the E.U. last year, including 1.2 million in France. The campaign is scheduled to last until the end of October. — **Emilie Marsh**

BOOTED OUT: The Boots Group plc said it will ax 500 jobs from its Nottingham, England, head office over the next six months. John McGrath, chairman, warned that there would be more job losses to come, although he declined to give numbers. The losses, mainly from IT, human resources and finance departments, are part of a \$167 million cost-saving program called "Getting in Shape" that was introduced last November. The announcement came as Boots reported a 25 percent loss in net income for the year ended March 31, to \$493 million. — **E.M.**

WESTON STEPS CLOSER TO SELFRIDGES: Canadian billionaire Galen Weston has boosted his stake in Selfridges to 25.71 percent as part of his bid to take over the London-based department store chain. Weston's company, Oxford Acquisitions Limited, said in

a statement Friday that since mid-May, it had purchased more than 24 million shares — or 15.61 percent of the company — from shareholders. As reported, the Selfridges board has recommended Weston's bid, which is valued at approximately \$1.14 billion. His offer went out to shareholders last month, and the first closing date was Thursday. Shareholders have until June 19 to sell their shares. — **Samantha Conti**

TOM-TOM CLUB: The German retail market may be in the dumps, but that hasn't stopped Tommy Hilfiger from opening three stores there in the last nine months, bringing the total to five. A Hilfiger flagship bowed in Düsseldorf last August, Hamburg followed in March and last month, the designer added a 7,900-square-foot flagship in Berlin. Housed in a former cinema on the

Inside Tommy Hilfiger's flagship in Berlin.



city's key shopping street, Kurfürstendamm, the store retained the balconies for displays and part of the screen above a jeans wall for projecting rock videos. Tommy Hilfiger Europe operates 83 stores in Europe and the Middle East, including ones in London, Manchester, Saint-Tropez, Istanbul, Amsterdam, Athens, Rotterdam, Vienna and Kitzbühel. Openings in Barcelona and a second door in Antwerp are set for this year. While acknowledging the challenging economy in Germany, Avery Baker, senior vice president of marketing and communications for Tommy Hilfiger Europe, characterized it as "our strongest market in Europe," accounting for a fifth of its turnover. Hilfiger's European sales reached \$275.8 million in fiscal 2002, up 44.2 percent. Sales growth of more than 20 percent in Europe is forecast for fiscal 2004. — **M.D.**

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The Boom in Bentonville

Continued from page one

acknowledge this fact. "Whether you're visiting Wal-Mart or returning home," one announced recently, "welcome to northwest Arkansas."

Executives from Fortune 500 companies are doing both — and the signs are all over, from endless construction sites to the status-symbol cars tooling the area's roadways. The executives come to conduct business with Wal-Mart and then, with increasing frequency, end up opening branch offices and calling the region home.

Some 1,000 people move into Benton County each month, mostly to work for or with Wal-Mart, said Jeff Hawkins, executive director of the Northwest Arkansas Regional Planning Commission. Benton is the third-fastest-growing county in the nation, behind Orange County, Fla., and Clark County, Nev. The metropolitan statistical area — 1,800 square miles encompassing Benton and Washington Counties — has a 311,121-person head count, the second-highest job-growth rate in the U.S. and unemployment of less than 2 percent, according to the 2000 census and chamber of Commerce statistics.

Wal-Mart itself is a huge contributor, directly employing about 17,000 people in northwest Arkansas.

The gravitational pull is so strong that 25 percent of the workforce from nearby McDonald County, Mo., and Madison County, Ark., commutes to Benton or Washington Counties for jobs. The two counties are within an hour's drive of Bentonville.

And when vendor executives relocate here, they mostly notice two things: Their paychecks go a lot further and they miss the amenities they left behind.

"There's definitely an upper-middle-class demographic here that's under-served in goods and services," said John Schupp, senior vice president with developer Jones Lang LaSalle, which is active in \$1 billion worth of regional construction. "It's no slam to Wal-Mart, but the people moving in want to shop other places. They want Steve Madden shoes and Chico's clothes."

Rich Davis, director of economic development for the Bentonville-Bella Vista Chamber of Commerce, put it another way: "We're building gated communities in Bentonville not because crime is a problem, but because it's chic everywhere else."

Indeed, signs for high-end retail, residential and office complexes prickle from red clay construction sites and grassy fields all over the area. Several million square feet of new construction are either proposed or under way in the 20-mile chain of communities running north and south along I-540. Most projects are in Fayetteville (home to the University of Arkansas), Bentonville or Rogers (site of the first Wal-Mart and the area's first gated community).

Plans call for several lifestyle malls, myriad housing developments with names like Allencroft and Stonehenge, 20-story office towers and a 250-room Marriott with an adjoining convention center. That hotel, Marriott's first in Arkansas, will bookend the 250-room Embassy Suites, which opened in May and charges, in local terms, an astronomical \$200 a night. Prior to the hotel opening, visitors had a choice of stale-smelling motels along Walton Boulevard, Bentonville's main commercial artery.

Development — much of it Spanish-tiled, stucco or fieldstone — stands shiny-penny new against the region's rolling fields, abandoned chicken coops and Dairy Queens.

An occasional homespun business survives along highways, like Stuff Mart, with the slogan: "We get real good stuff." In a land where admiration and emulation blur, there's also a Sam's Furniture and a Car Mart (neither is connected to the Walton family or Wal-Mart.)

Raymond Burns, president and chief executive officer of the Rogers-Lowell Area Chamber of Commerce, estimates he's fielded more than 100 retail inquiries in the last 12 months, during which time Barnes & Nobles, Linens 'N Things, Old Navy and Chico's all opened their first units in the region.

Kohl's and Target are also relatively recent entrants to northwest Arkansas, apparently willing to face the competitive nightmare of playing on the home turf of the world's largest company in exchange for a slice of the burgeoning market.

Kohl's has doors in Fayetteville and Rogers. Target, which opened less than a year ago in Fayetteville, announced it also wants to open in Rogers. Local scuttlebutt — and perhaps poetic irony — places Target across the street from Wal-Mart's oft-expanded first store, in a space Kmart recently abandoned.

It begs the question: In an area so tied to Wal-Mart, who shops Target? Plenty, apparently, as the lot was a respectable three-quarters full on a Saturday this spring.

"My wife loves Target," Hawkins said. "She likes the wide aisles and the selection. It doesn't seem so cluttered with stuff piled in the aisles like you're seeing at Wal-Mart."

Not to be outdone, Wal-Mart is plunking a second supercenter in Rogers, its sixth in a 30-mile radius already rife with Neighborhood Markets and discount formats.

Needless to say, Wal-Mart stores are such community institutions here it's difficult to imagine saturation. On Bentonville High prom night, bored couples strolled the aisles in taffeta and tuxedos, checking out televisions and stereo equipment as if Wal-Mart was the only place

Most of the growth is propelled by "Vendorville," the estimated 500 to 600 vendor branch offices clustered within a five-mile radius of Wal-Mart's headquarters.

Vendorville is a Fortune 500 microcosm, with everyone from Procter & Gamble to Exxon and Mobile running offices dedicated to serving Wal-Mart. Kraft redefines "branch office" with 200-plus employees ensconced in a 50,000-square-foot building. Like Kraft, many vendors are choosing to open in new construction areas, rather than repopulate the sleepy town centers.

This spring, Levi's opened a dozen-person sales office near a cluster of Wal-Mart warehouses. The office will run the Levi Strauss Signature brand business, bowing at Wal-Mart in July.

The thought of working in Bentonville might initially send chills down the spines of many vendor executives. But many big-city expats become enamored with the region's mild seasons, low cost of living and wide, green spaces and decide to stay. Many switch to another vendor, rather than take a promotion back to corporate headquarters. Locals call it "vendor hopping."

"Most come here for a two- or three-year stint kicking and screaming, so we must be doing something right," Davis observed.

The job-hopping goes both ways. Sources say vendors, in hopes of getting insight and an inside track, are lurking away Wal-Mart buyers and other junior staffers with higher salaries.

The Village on the Creeks retail/office complex in Rogers — with its freshly potted pansies and "For Lease" signs still draped on some facades — epitomizes the current state of Benton County. The pond centered in the Japanese-style landscaping is not only decorative, but a functional fishing hole. It's commonplace to see vendor executives cutting out of work early to cast a line.

Given that Wal-Mart has 27,000 vendors, it's logical that Vendorville is in its fetal stages in terms of clout and scope. A persistent rumor traveling local circles is that Wal-Mart has mandated that all vendors of a certain size will have to open branch offices in the next 18 months if they want to do business with the retail behemoth.

"We do not require suppliers to open offices in northwest Arkansas," a Wal-Mart spokeswoman responded. "However, when they do choose to do this, it is certainly a convenience for both parties."

Indeed, the retailer is well known for preferring its operations centralized, even keeping its international top brass planted in Bentonville. Executives have recently been vocal about the time and money saved by having staffers work via e-mail rather than travel to SARS-afflicted countries. Wal-Mart may well continue to operate that way even after the epidemic ends, perhaps prompting some international companies to hang a shingle in Bentonville.

That is, of course, developers' dearest wish. In Bentonville, population 23,000, there are eight office parks currently under construction.

Architect Perry Butcher, whose namesake firm is developing 250 acres on the outskirts of Bentonville, estimated another 2,500 to 3,000 vendors will arrive in the next five years. "What's here now is just the first wave," he said. "We're planning for a bigger wave behind this, with the people who sell packaging or marketing or other services to the vendors. It's going to be enormous."

As for Butcher's plans for his 250 acres, he envisions placing several residential neighborhoods, a mall, movie theaters and ultimately a 20-story office tower, which would be the tallest thing for miles.

Butcher sees the development, dubbed "Brownstone," eventually functioning as a 12,000-person township within Bentonville, peopled by white-collar executives who work with or for Wal-Mart. In vision and scope, it's reminiscent of Limited chairman Leslie Wexner's



Clockwise from top left: Wal-Mart's headquarters; There's a rush to build offices in the Bentonville area; A house for sale in one of the many new developments designed to attract executives moving into the area; A truck passes Vendor Boulevard, and a Wal-Mart distribution center.

to wait for the party to start.

To put a scope on all the construction activity, Rogers issued a record \$128 million worth of construction permits in 2002. This year, permitting is up 63 percent over last year, according to chamber statistics.

"There is not a better 'if you build it, they will come' story in America," Rogers mayor Steve Womack crowed.

Many locals believe the real gold rush is yet to come, mostly because of lagging data that misses the nearly 30,000 people that have already arrived. Nearly 50,000 more are expected in the metropolitan statistical area (MSA) in the next two years.

The Latino population, in particular, has exploded. The group has gone from less than 1 percent of Benton County's population a decade ago to 8.8 percent in 2000. Rogers has seen its Latin minority leap from less than 1 percent to 19 percent in that period, according to Burns at the chamber of commerce.

Despite these statistics, many national retailers are absent from the region. Ann Taylor, The Limited, J. Crew, Urban Outfitters, Wilson's Leather, Pottery Barn, Crate & Barrel and PacSun all lack an outlet within 50 miles of Bentonville, according to their Web sites.

Wal-Mart Plans to Add 800,000 Workers by '08

By Katherine Bowers

FAYETTEVILLE, Ark. — Wal-Mart better keep its employees happy, because it needs to hire 800,000 more globally in the next five years to man all the square footage it's adding to the empire. That's more workers than the entire domestic textile industry employs.

Aside from sustaining its great sales and profit growth rate, Wal-Mart's major challenge is finding new workers, even though unemployment is high.

That message came clear at Wal-Mart's annual shareholders meeting Friday at the Bud Walton Arena here. The company hammered messages of corporate ownership, career opportunity and advancement for women and minorities at the five-hour meeting, which serves as much as a pep rally as a financial recap.

"That is the challenge — developing and retaining good people," said chairman Rob Walton. The retailer has about 1 million employees in the U.S. and another 300,000 abroad.

Susan Chambers, senior vice president of benefits, told associates to expect more stories about their achievements in community media. "We're not only celebrating the individual," she said. "We're helping our customers and communities understand how great the jobs we have are."

After the meeting, William Blair analyst Mark Miller posed the question, "How long can Wal-Mart go without some component of the company becoming unionized?" That, he added, "is the biggest risk here."

To help equate ownership with loyalty, the famous Wal-Mart cheer has been amended to include the line "Whose Wal-Mart is it?"

“We’re helping our customers and communities understand how great the jobs we have are.”

— Susan Chambers, Wal-Mart

When that question came over the loudspeaker, the 4,000 or so associates roared back, "It's my Wal-Mart." Thus far, Wal-Mart has fended off unionizations, although it has not been able to duck personnel issues, including one potential class-action suit alleging systematic discrimination against women.

Aside from people concerns, Wal-Mart is rethinking its box, where it's perennially tinkering. Green-and-taupe exterior facades, instead of blue, as well as drive-through pharmacies; wireless devices to help customer service staff communicate on the floor; and a seatless conference room at headquarters are all being tested.

The conference room, called the Winner's Win room, is a utilitarian space with a scoreboard on back and hightop, bar-style tables to discourage idle chatters. "You can't sit back and get comfortable," said Tom Coughlin, newly promoted executive vice president, and president and chief executive of Sam's Club and Wal-Mart Stores Inc. "When we tried this, meetings went from two-and-a-half hours to an hour and fifteen minutes."

Tom Schoewe, executive vice president and chief financial officer, reviewed fiscal 2003, citing revenues at \$245 billion, up 12 percent, and net income at \$8 billion, with a 16 percent earnings per share growth. Inventory turns improved to 7.6 and shrinkage fell to 3.35 percent. The company stemmed its three-year return-on-asset decline, posting a 9.2 percent increase.

Expansion remains the most aggressive in retail, with some \$11 billion allocated to add 48 million square feet spread over 350 stores. Supercenters remain the driving format, with 200 to 210 planned to open in fiscal 2004.

Apparel remains a high priority, which was evident when international division president and ceo John Menzer appeared in an outfit entirely purchased at Wal-Mart. It included a George black business suit and red tie, and underneath, Simply Basic boxer shorts. Total cost: \$94.66. Also, models paraded in George, Canadian junior label 725 and B.U.M. young men's garb, available in Wal-Mart stores in Canada and Argentina.

Interspersed between the financial and fashion presentations, there were performances by bagpipe-playing brothers who stomped and sweated all over the stage, gospel singer Amy Grant and two store associate crooners who won Wal-Mart's version of American Idol. But it was Coughlin who brought the house down when he inadvertently caught sight of the back of his head on the big screen. "Wow, I'm going bald," he said. "I should put a smiley on that."

The conservative Wal-Mart also announced Friday that it is rolling out magazine racks that partly cover the racy headlines of four publications: Hearst Corp.'s Redbook, Cosmopolitan and Marie Claire and Condé Nast's Glamour. The magazines, which give advice on sex, will be available in full view at the back of Wal-Mart stores. The retailer had previously banned laddie mags Maxim, Stuff and FHM.



New Albany, Ohio, an enclave of white-fenced Georgian mansions and coordinating country clubs housing Limited execs.

Brownstone will be in stiff competition with other locally led, equally ambitious projects.

Developer Charles Reaves is working on Pleasant Crossing, a 345-acre complex of retail, residential and office space in Rogers. About 950 homes, with a median price tag of \$350,000, will be master planned around an 18-hole golf course.

Even before Brownstone or Pleasant Crossing hit the drawing board, the Pinnacle projects in Rogers proved there's a taste and means for luxury in north-west Arkansas.

In 1999, the Beauchene and Walsh farms were bulldozed to make way for Pinnacle, the area's first gated community of million-dollar homes replete with spurting fountains and flagstone gates. Directly across the street, there's the preboom picture: a white farmhouse with a corrugated-roof barn nesting blandly on considerable acreage.

Wal-Mart ceo Lee Scott reportedly lives on the gated side of the street. Locals say he gets his hair cut at the Pinnacle Point Aveda Concept Salon, a departure both symbolically and fiscally from the barbershop where paparazzi once surprised Sam Walton getting a trim.

The upscale retail and services at Pinnacle Point — ranging from a gourmet food mart to a plastic surgeon — have been a hit. Sixty percent of Pinnacle Point retail tenants expand within 18 months, according to Hunter Haynes, director of leasing and property management.

In Rogers, there's now a Pinnacle country club, Pinnacle office towers, the Pinnacle private jet service and the Church at Pinnacle Hills, which has a rotating spire and televangelist aspirations.

And another round of Pinnacle-branded projects is under way. Dubbed Pinnacle Hills Promenade and led by a team that includes trucking millionaire J.B. Hunt and powerhouse developer Jones Lang LaSalle, the \$1 billion in new construction will include three 200,000-square-foot office towers; a Marriott hotel and convention center; and a 400,000-square-foot lifestyle mall.

"We're hoping to attract retailers who haven't even thought about Arkansas," said Bill Schwyhart, principal in Pinnacle Development Group.

Signing on a retailer like Saks Fifth Avenue "is not overshooting" the market, Jones Lang LaSalle's Schupp contends. "Tulsa has a Saks in its trade area."

Tulsa is, in fact, the model many cite in planning the transformation of Benton County. For years, the city, a two-hour drive, has been the major retail market for northwest Arkansas.

And the area's household income statistics make Schwyhart and Schupp confident that their upscale development is on firm economic footing. According to 2000 census data, the median household income in Benton County is \$40,281, while the state's median is \$32,000. Rogers and Bentonville both have 11 percent of their households pulling in more than \$100,000 a year, with 2 percent earning more than \$200,000. The median household income is projected to rise 46 percent by 2006, to \$58,070.

Wealth is moving into the region, but there are also plenty of homegrown millionaires.

"There are a lot of families around here that Sam encouraged to buy 500 or 1,000 shares to help him fund his beginnings," architect Butcher recalled. "Many

apparently took those shares and stuck them in a drawer. There have been so many splits that it wears me out to do the math on what they're worth now."

The younger generation is making some of that wealth liquid, investing it in new ventures or fancy cars, locals said.

Wal-Mart is also reportedly paying more in salary, creating a wealthier citizenry. The image of low-wage Wal-Mart executives toiling for a distant stock payout is no longer accurate, claims a source in the executive placement community, who requested anonymity.

"[Executive vice president, people division] Coleman Peterson and his group have done a yeoman's job in making their packages competitive," the source said.

Wherever the money originates, it's funding the Hummers parked at Pinnacle and BMWs in Wal-Mart's lot. One local resident is constructing a 20,000-square-foot French chateau replica on 350 acres behind a grandiose wrought iron and limestone wall. Million-dollar homes proliferate on the rugged shores of Beaver Lake, about a 25-minute drive from Wal-Mart headquarters.

Yet, a basic financial pragmatism seems to run deep.

"We aren't going to pay a premium to put someone's name on our golf course," replied developer Reaves somewhat testily — and in the spirit of Sam Walton himself — when asked if his course would be designed by a big name.

The longevity of Walton-think makes sense, since the region is a close-knit web of alliances, most of which connect back to and through Wal-Mart.

Reaves himself serves on the board of Arvest bank, a string of local banks purchased by Sam Walton and recently consolidated under one brand umbrella by son Jim Walton.

"He's expanded it rather significantly into Missouri, Little Rock and Oklahoma. It's become a major banking operation in this region," Reaves noted. "Jim is a good businessman. He

has many of the same qualities as his dad." Along with the \$1.2 billion in Pinnacle expansions, Schwyhart is on the regional airport committee, helping to push through the \$20 million expansion of a second runway and 13 new gates that have made travel to and from Wal-Mart immeasurably easier.

Others serve in smaller ways.

Wal-Mart senior vice president and general merchandise manager Celia Clancy, whose husband ditched law to write when they moved to northwest Arkansas, serves on the board of the Writer's Colony at Dairy Hollow in Eureka Springs, Ark.

"To get a board position like that in Boston, I'd have to be the granddaughter of Dr. Seuss or something," she laughed at an interview at headquarters in April. "Here there are a lot of opportunities to do things like that. My husband is on the board of the Montessori school and Lois [Mikita, senior vice president and gmm of men's and boys' apparel] is on the board of the Boys & Girls Club."

In northwest Arkansas, as elsewhere, Wal-Mart's name invokes a "very tough but fair" assessment. The prevailing local sentiment, though, is that Wal-Mart has helped everyone think big.

"There is a confidence we're beginning to have with ourselves here," Butcher said, citing his own 20 years spent traveling the U.S. and abroad designing Wal-Mart stores. "The fact is, Wal-Mart made us better. We couldn't keep to the same mold, but needed to expand our capabilities and horizons."



Wal-Mart spurred the construction of the Northwest Arkansas Regional Airport.

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Sales Help Wanted

Sales Help Wanted

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DESIGN ASSISTANT

Work in NYC office. Must have accessory exp. Good technical skills needed as well as ability to multi-task. Must be Mac proficient - Illustrator and Photoshop.

Both positions offer benefits and a great opp'ty for the right designers! Fax resume & position of interest: (480) 288-6567 or email: krutkowski@innovogroup.com

EXEC. ASST.

Well est. accessory co. seeks indiv. to manage credit dept., A/R, order dept. etc. Excel & Word skills a must. Loc. Queens/Bklyn border. Salary comm. Fax resume **718.821.0108**

Executive Assistant to CFO

Major apparel company seeks assistant to perform diversified duties for the CFO. Must have good communication and organizational skill. Computer skills required. Fax resume to 212-239-2766.

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Baker's Rise



PARIS — Apollonia Poilâne is your typical French teenager, insofar as she sometimes lounges at home in front of the television and occasionally whoops it up in nightclubs.

But the strong-willed 19-year-old is also chief executive of her family business, the Poilâne bakery founded in 1932 by her grandfather, Pierre, and made famous worldwide by her late father, Lionel, a charismatic man who perished with his wife, Ibu, in a tragic helicopter crash last November that made front-page news in France.

"My dad used to say, 'One day Apollonia may take over the business,' and I would correct him: 'One day, I will take over the business,'" she says during an interview at the bakery's original tiny outlet on Rue du Cherche-Midi. "This is what I have been wanting to do all my life. I am honored to come down here every morning and greet Felix, who taught me everything about making bread."

But it's not only Felix Ferreira, the master baker, Poilâne has to contend with. She oversees a company with 137 employees who produce some 3 million loaves a year, with 10 percent exported to more than a dozen countries. Gourmet recipients in the U.S. include Balducci's and Dean & DeLuca in New York, as well as Robert De Niro, Tom Cruise and Lauren Bacall, who rely on Poilâne for their daily bread.

“My dad used to say, ‘One day Apollonia may take over the business.’”

— Apollonia Poilâne



"I have to face huge responsibilities," says Poilâne, dressed primly in a crisp white shirt and pinstriped trousers. "But I know I also need time to myself. I still go to my classical dance class twice a week and I go horseback riding every chance I get."

Poilâne had plans to go to college in the U.S. to study management and economics, but for now she is content to learn at the helm of a company she describes as healthy and growing. Sales last year totaled \$14 million.

Somehow, Poilâne also has made time to manage her late mother's design business. Ibu Poilâne made furniture and home objects and designed jewelry, including pieces for a Chanel couture collection.

Not surprisingly, her parents' refined taste has rubbed off. The young Poilâne has an eye for Alberta Ferretti, Issey Miyake and Jil Sander. "I remember my mother and I would try on a Jil Sander jacket and it would fit perfectly," she says.

But don't expect to find this fashion lover clamoring for show tickets anytime soon. She's not the type to seek the limelight — not that the teenage bread heiress shuns the growing media attention. "It doesn't bother me," she says with a shrug. "It comes with the job."

— Chantal Goupil



Dearraindrop members Joe Grillo and Lara Grant.

Acid Rain

NEW YORK — For two artists whose work is so loud that it practically requires earplugs, Joe Grillo, 23, and Lara Grant, 22, are surprisingly soft spoken. The pair comprise half of the Providence-based art collective Dearraindrop, making their solo New York debut at the gallery John Connelly Presents... in West Chelsea.

Walking into Dearraindrop's multimedia installation, named "Have a Nice Forever," is like dropping down a neon-hued rabbit hole. Every inch of the narrow shag-carpeted room is teeming with found objects, from puffy stickers to plastic dinosaurs to old product labels, all combined with the group's cartoony paintings.

Under the head of a pink inflatable elephant, a TV plays their video art, featuring vintage icons like Mr. Kool Aid and "Teen Wolf." Nearby is a pile of the group's T-shirts, sweatshirts and dresses — vintage finds that they alter by sewing on scraps of printed fabric — all sold at the gallery for \$60 to \$100.

One of Dearraindrop's other two members is Hawaii native Alika Hereshoff, 23, whom Grillo met in Boston at an art school that shall remain nameless. "Let's just call it the question-mark school," says Grillo. "I hated it."

The youngest member is Grant's brother, Billy, 18, who passed on the trip to New York to attend his high school graduation.

For all the Dearraindroppers, half the thrill is in the hunt. Even the name is a found object. "We found a letter that this little girl wrote to a bird," says Grant. "The bird's name was Raindrop and the girl's name was Karma."

Five years later, Grillo and Grant can still recite the letter from memory — and proceed to do so together.

*Dear Raindrop,
I love you. You are pretty. I love your song. A root toot toot on the flute.
Tweet tweet tweet, you're so sweet.
Love, your bird-sitter,
Karma*

Beyond their dumpster dives, the artists are loath to reveal their found art sources. As Grant begins to divulge too much information, Grillo stops her with a zip-it gesture. They do, however, name one prime locale: a store called Big Fun in Cleveland. "They have things like Richie Rich puffy stickers," says Grillo. While in New York, the duo visited Pearl Paint to buy mass quantities of Flashe paint in all shades of neon.

Thus far, the foursome has managed to scrape by on sales of their T-shirts and the occasional grant. Hanna Fushihara, owner of the Tokyo boutique, Hanna, regularly puts in orders for their one-of-a-kind T-shirts. Fushihara also invited the group to show in Tokyo at the end of the year.

But the next project in the works is a full-length sci-fi film based on Werner Herzog's "Aguirre, the Wrath of God."

"We're going to take off three months and just do that," says Grillo. "Without talking to anyone or doing anything else."

— Meenal Mistry

EYE SCOOP

IN ANY LANGUAGE:

Language designer and shop

owner **Ana Abdul** was aglow last Wednesday, hosting the first trunk held in her NoLiTa store. Favorite clients, including **Beth Blake**, **Alex Kramer**, **Fernanda Niven**, **Celerie Kemble** and **Rachel Peters**, all put in their orders and checked out Abdul's new collection of reconstructed gowns.

"It's vintage," PR diva **Liz Cohen** explained, holding up a rose silk number.

"So it's not hers," **Lulu de Kwiatkowski** surmised.

"It is," said Cohen. "It's remade."

"So she makes them smaller," de Kwiatkowski determined.

But Abdul's gowns, which a few clients will wear to the New York City Ballet's "Dance With the Dancers" benefit tonight, are both smaller and better than the originals.



Lulu de Kwiatkowski, Ana Abdul and Liz Cohen at Language.