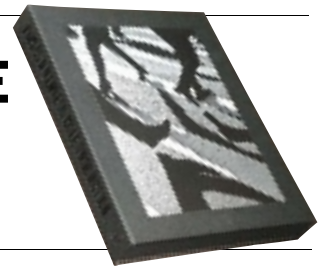




EL PALACIO DE HIERRO AT 125 • SECTION II

KENNETH COLE'S NEW BOOK LOOKS AT THREE DECADES OF PROVOCATIVE ADVERTISING. PAGE 3



WWD

MONDAY SEPTEMBER 30, 2013 ■ \$3.00 ■ WOMEN'S WEAR DAILY

Silver Standard

A lush mix of wisteria, roses and vines set the stage for Dior's garden party, where Raf Simons twisted the house codes with an infusion of modernity. He celebrated the *Femme Fleur* with his take on ladyfied silhouettes, all leading up to the captivating finale — a parade of evening looks in metallic floral jacquards. For more from the Paris collections, see pages 4 to 12.

SPRING 2014
PARIS
COLLECTIONS

PHOTO BY STÉPHANE FEUGÈRE



The Made in France Push

By JOELLE DIDERICH

PARIS — France is banking on the Made in France label to restore pride to its ailing national industry.

The Socialist government of President François Hollande has unveiled a 10-year plan aimed at reversing the industrial decline of the euro zone's second-largest economy, which has lost 750,000 manufacturing jobs in the last decade.

"We are going to give birth to the inventions of tomorrow, the factories of tomorrow and the products of tomorrow. We are going to tell the world that France can and

will surprise you," Hollande said earlier this month in a speech outlining his vision for "the new industrial France."

Industry Minister Arnaud Montebourg, who is spearheading the initiative, has launched a drive to boost homegrown products ranging from Moulinex food blenders to Armor Lux striped sailor shirts, which he has turned into a symbol of his campaign after wearing one on the cover of a magazine last year.

A frequent critic of the effects of globalization and free trade, Montebourg set out his manifesto for reconquering market share in a book — "The Battle SEE PAGE 14

Ghesquière in Wings?

LVMH, Jacobs Talks Hit Critical Phase

By MILES SOCHA

PARIS — A new era could be dawning at Louis Vuitton — and at Marc Jacobs International.

Vuitton and its parent, LVMH Moët Hennessy Louis Vuitton, are enmeshed in complex negotiations that could see designer Marc Jacobs wind up his stellar 16-year tenure at Vuitton in order to focus on taking his signature brand to the next level, possibly with an initial public offering, sources said over the weekend.

Parallel to that, Vuitton has held talks with Nicholas Ghesquière about succeeding Jacobs as artistic director of the French luxury brand, the same sources said.

But the denouement may not arrive as quickly as some might have expected.

Talks with Ghesquière — considered the leading contender for the Vuitton crown in a post-Jacobs era, and the talk

of Paris Fashion Week — have not been concluded. The likelihood of an agreement with him could not immediately be learned.

Despite speculation that Jacobs — whose current 10-year contract with Vuitton expires in the coming months — could do a swan song with his spring fashion show for the brand on Wednesday, it is understood he could yet be tapped to do more Vuitton collections, including the fall show in March.

Adding an additional frisson of intrigue, Wednesday's show on the final day of Paris Fashion Week could involve retrospective or archival elements, other sources said. If that's the case, the runway spectacle could provide a glance back at a fruitful collaboration that helped catapult Vuitton's — and Jacobs' — global profile.

Reached on Sunday, an LVMH spokesman had no comment, and SEE PAGE 13

Offering Hits Penney's Shares

By VICKI M. YOUNG

SHARES OF J.C. Penney Co. Inc. hit a new 13-year low on Friday as investors digested its secondary stock offering of up to 96.6 million shares and wondered about its turnaround strategy.

The stock closed at \$9.05 Friday, falling 13.2 percent, although the shares fell further in early after-market trading to \$8.97. Shares of Penney's had fallen even lower to \$8.85 in intraday trading.

Friday's sell off was the reflection in part of the unhappiness of some investors over a 30 percent dilution rate as a result of the secondary offering. The company priced the shares Friday at \$9.65 each. The offering is expected to close on Tuesday. The offer is for 84 million shares, with its sole underwriter Goldman Sachs having an option to pick up another 12.6 million shares. Rumblings surrounded Penney's last week that it was seeking to raise around \$1 billion in cash to shore up its balance sheet. At \$9.65 a share, the offering would raise up to \$932 million if all the shares are taken up.

There was also some backlash Friday against Penney's chief executive officer Myron "Mike" Ullman 3rd, who was said to have told a small group of investors at a meeting Wednesday that the company wouldn't need to raise additional capital until the end of the year.

A Penney's spokeswoman reportedly denied that Ullman ever said that at the meeting.

In the case at Penney's, what might have also garnered the ire of investors was a filing with the Securities and Exchange Commission on Thursday by the company's general counsel and secretary, Jan Dhillon.

In the filing, which updated the company's business in a preliminary prospectus supplement connected with the secondary offering, the company said it is "pleased with its progress thus far in the company's turnaround efforts and the traction its initiatives are starting to achieve. Moreover,

The company's business update also said: "Given the company's current cash position, along with the undrawn portion of its credit facility, and not taking into account the net proceeds of this offering, the company currently expects to end the year with approximately \$1.3 billion in overall liquidity."

Penney's said in August when it posted second-quarter earnings that it expected to end the year with \$1.5 billion in overall liquidity.

Given the \$1.3 billion projection stated in the regulatory filing by Dhillon, that raised the possibility that Penney's cash-burn rate might be higher than expected.

Paul Lejuez, senior analyst at Wells Fargo, on Friday lowered his stock valuation to \$4 to \$5 a share, the second time he lowered the valuation in as many days. He lowered the share-price target to \$6 to \$7 from \$10 to \$11 on Thursday, before the announcement of the secondary public offering.

Lejuez also emphasized: "Our bearish call was never about bankruptcy."

The analyst said that with the additional capital raised from the offering, "we believe the company would be able to fund its working capital and capital expenditures through 2014. While some may view this as a 'lifeline,' we never viewed bankruptcy as the primary concern for the stock (and still don't). We assume liquidity would be there in one form or another when they need it."

13.2%

DROP IN J.C. PENNEY STOCK PRICE ON FRIDAY.

the company said it is starting to see greater predictability in its performance across many areas. The company continues to be encouraged by improvements in purchase conversion both in store and on jcp.com, primarily due to being back in stock in key items and sizes the customer expects to find at J.C. Penney. Overall sales on jcp.com continue to trend double digits ahead of last year. The company still anticipates it will experience positive comparable store sales trends coming out of the third quarter and throughout the fourth quarter of 2013."

Lipman's Agency Files Chapter 7

NEW YORK — David Lipman's advertising agency, Lipman, has filed a voluntary Chapter 7 petition in Manhattan bankruptcy court.

The petition, under Lipman Operating LLC, was filed Tuesday, and involved four related entities. Those entities include parent company Revolute Holdings Inc. and the three Lipman Archetypes Holding divisions.

A Chapter 7 filing under federal bankruptcy code provides for the liquidation of the company that has filed. The proceeds of the sale of a debtor's nonexempt property is distributed to satisfy claims of creditors. In the Lipman filing, the debtor has indicated that following the sale of nonexempt property and the payment of administrative expenses, there will be nothing left to pay

unsecured creditors. Unsecured creditors are those who extend credit based on a promise to pay.

Lipman, the chief creative officer of his firm, said, "I'm in mourning right now. I fought for four months to try to get these bills paid. It consumed every minute of my days and nights, to try to make this happen, and in the end it didn't happen. All that mattered to me during these last four months was to make sure people got paid. My heart goes out for all the people who got hurt, to my employees, my clients and my investors."

"This business has been in my family for three decades. I have to live with this. It's now about picking up the pieces and trying to help those that got hurt along the way," he added.

Revolute's chairman, Gregory Rayburn, the turnaround expert who was brought in midsummer to restructure operations, could not be reached for comment.

The creative agency Lipman shuttered its doors two weeks ago.

The creditor matrix in the bankruptcy court filing includes brands (Seven For All Mankind, Christian Dior Couture, Fendi Adele S.R.L., HMX LLC, Stuart Weitzman); talent and service agencies (Billy Farrell Agency, Entourage Model and Talent Agency, Ford Models Inc., Milk Studios LLC) and media firms (Brides and Brides.com, Elle.com, Hearst Communications Inc., Wall Street Journal). It also included Lipman, Rayburn and Andrew Spellman, chief executive officer of Revolute. — V.M.Y.

Harvey Nichols Eyeing Cartwright

By JULIA NEEL

LONDON — Could ex-Burberry chief financial officer Stacey Cartwright be in line to succeed Joseph Wan as chief executive officer of Harvey Nichols?

Industry sources here said Cartwright, who left Burberry in July, is the front-runner for the Harvey Nicks role, and that a new ceo for the department store will be named in the coming weeks.

Cartwright is well known in the industry for her charm,

smarts, and experience building a brand on an international scale. During a Burberry conference call in April, she said that she planned to take some time off, and was looking to move on to "a consumer-facing chief executive role in 2014. But I'm in no rush to commit, and it will be at the end of the year at the earliest."

Wan denied that an appointment had been made.

He took over as the store's ceo in 1992, shortly after it was acquired by the Hong Kong-based Dickson Concepts. He helmed the store throughout its Nineties hey-

day, and helped to take it public on the London Stock Exchange in 1996. It was subsequently delisted in 2003, and is wholly owned by Dickson Concepts.

Wan oversaw the brand's expansion into catering, namely the launch of its fifth-floor food hall and restaurant and the Oxo Tower restaurant, bar and brasserie on London's South Bank. He also directed the retailer's expansion into more U.K. cities, Saudi Arabia, Hong Kong, Ireland, Indonesia and Turkey.

— WITH CONTRIBUTIONS FROM SAMANTHA CONTI

THE BRIEFING BOX IN TODAY'S WWD



Paris Fashion Week street style. For more, see WWD.com.

PHOTO BY KUBA DUBROVSKI

A new era could be dawning at Louis Vuitton — and at Marc Jacobs International. Page 1

France is banking on the Made in France label to restore pride to its ailing national industry. Page 1

Kenneth Cole will be hitting college campuses this fall promoting his new book, "This Is a Kenneth Cole Production," which looks back at his brand's 30-year journey. Page 3

The retrospective "Virgule, etc...in the Footsteps of Roger Vivier" exhibition opens Wednesday in the Saut du Loup section of the Palais de Tokyo in Paris. Page 3

Karen Harvey Consulting Group has bolstered its team by naming Michael Bowes and Caroline Pill to posts in New York and London, respectively. Page 3

Jean Patou is about to swing back into fashion, according to the label's vice president, Bruno Cottard. Page 12

Kanye West has had his share of run-ins with paparazzi lately, but on Sunday, he briefly joined the pack of photographers snapping front-row guests at the Givenchy show. Page 12

Bulova Corp. is revamping its 52-year-old Caravelle collection to appeal to a younger, hipper crowd. Page 13

Digital guru Oliver Walsh is looking to raise Aritzia's profile as the Canadian chain's first chief marketing officer. Page 14

Elie Saab has teamed up with the French writer Janie Samet for an Assouline-published book. Page 14

Nobel Peace Prize winner Muhammad Yunus on Thursday at the Stephen Weiss Studio talked up Glasgow Caledonian University's satellite New York office. Page 15

Bloomingdale's sold an estimated \$45,000 to \$50,000 of the new Tory Burch fragrance — the designer's debut scent — during its first day on counter. Page 15

ON WWD.COM

EYE: WWD went off the runways and onto the streets and sidewalks for the best looks from Paris Fashion Week. For more, see WWD.com.

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Cole's New Book Details Brand's History

By LISA LOCKWOOD

NEW YORK — Kenneth Cole will be hitting college campuses this fall promoting his new book, "This Is a Kenneth Cole Production," which looks back at the brand's 30-year journey.

With text by Lisa Birnbach (coauthor of "The Official Preppy Handbook") and published by Rizzoli, the book provides a history of the accessories and apparel company and Cole's social activism. It also contains letters from such well-known people as former President Bill Clinton, Robert Redford, Diane von Furstenberg and Mark Seliger. All of Cole's profits from the coffee-table book, which retails for \$75, will be donated to amFAR, of which Cole is chairman.

"It's mostly pictorial. It's a visual representation of this 30-year journey," said Cole, chairman and chief creative officer of Kenneth Cole Productions Inc., in an interview at his New York headquarters.

"Our messages have reflected the times. I believe what has kept us relevant over the years is not just the fashion — which has sometimes been more timely than other times — but has also been our messages, which have consistently reflected the context of the world we're living in and what was happening and



PHOTOS BY GEORGE CHINSE

voke people and engage them in a unique way, your message is more likely to resonate longer. I figured out the less-than-140-character concept long before Twitter came along," said Cole. In addition to his company's Twitter account, Cole has a personal one. "I tweet multiple times in a day, and sometimes less," said Cole.

During the first 25 years of the company, Cole could communicate provocative thoughts during its semiannual ad campaigns, which he said was empowering, because it was twice more than most people were communicating. "Now I'm realizing there are no boundaries, and to the degree there are, they are self-imposed," said Cole.

Asked if he believes it's more difficult to break through the clutter today than it was 30 years ago, Cole replied, "Arguably, I would say it's significantly easier to break through today. That's because of social messaging. [With the Internet] you have the ability to reach and connect with massive amounts of people everywhere simultaneously," said Cole. "In the past, you needed extraordinary access in certain markets to communicate your message. Today you can get through to audiences on your own terms. Everybody curates their own program today, and they do it on Instagram, Pinterest and Facebook. They decide who they want to be their audience and who they want to have access to their platform. It's amazing today," said Cole.

So was it fun to go down memory lane and put this book together?

"No, I kind of do better looking forward than I do looking back. What was healthy was building an archive. We've been working on it for a year and a half," said Cole. Most of the ads are on the Web site,

30YearsBold.com, along with upcoming events tied to the 30th anniversary. The ads can be navigated chronologically or by topic, and can be shared on different social media platforms.

Cole said his most memorable ad was part of a multipage campaign he did in 1996, in which he asked, "Where will we be in 2020?" "It talked about our ability to craft the world we're about to live in. Some of it was very clever. It said, in the year 2016, a woman's place will be in the House...the White House."

The book also features additional behind-the-scenes content in the form of augmented reality. Consumers can scan the sticker on the book cover to download Junaio, a free mobile app, which will launch an image and personal message from Cole. In addition to the cover, select pages of the book have been activated with augmented reality, giving readers special access to insider video content about the designer and KCP. Designed by Lee Swillingham, the book goes on sale Tuesday at all Kenneth Cole stores worldwide, on kennethcole.com and at bookstores.

Cole's book tour will take him to such schools as the Fashion Institute of Technology; Academy of Art University in San Francisco; University of California, Berkeley; University of Pennsylvania; Harvard University; Columbia University; University of Miami, and Miami International University of Art & Design, as well as stores such as Nordstrom in San Francisco and Bloomingdale's in Aventura, Fla.

Cole said he's looking forward to sharing his story with students and customers. "I plan to tell them that their opportunities are boundless, and there are frontiers that are first being defined and explored. I will also tell them that business and philanthropy are interconnected and interdependent," said Cole, who will also be traveling this fall to Rio de Janeiro, Mumbai and Bangkok for an international AIDS conference, for various amFAR events and to screen "The Battle of amFAR," which he executive-produced.

Looking ahead, Cole — who took his company private in 2012 — said he's feeling "energized and invigorated" about KCP's future. He sees a "very significant opportunity" in accessories and plans to capitalize on that. "Footwear and accessories have become a very defining characteristic of most global brands today. Our roots are in accessories," he said.

Paris' Vivier Exhibition: A Shoe Extravaganza



PHOTOS BY FRANKO NUOVA

Olivier Saillard and Bruno Frisoni discuss some finishing touches to the Roger Vivier exhibition.

By ALEX WYNNE

PARIS — When is a shoe not a shoe? When it is a work of art.

For his "Virgule, etc...in the Footsteps of Roger Vivier" exhibition, which opens Wednesday, fashion curator Olivier Saillard has given every single shoe — there are about 170 in the show — an alternative name, like artworks in a museum.

With titles like "The Mona Lisa of Shoemakers" or "Floorboard Skater," little more proof of Saillard's humor is needed.

"I nearly said no to the exhibition, because I was opening [the retrospective of Azzedine Alaïa at the reopened Palais Galliera], but I said to myself, either I find an idea and have fun with it, or I'm stupid and I need to give up this job," Saillard told WWD during a preview of the show, on which he was putting finishing touches Sunday before an opening party Monday night.

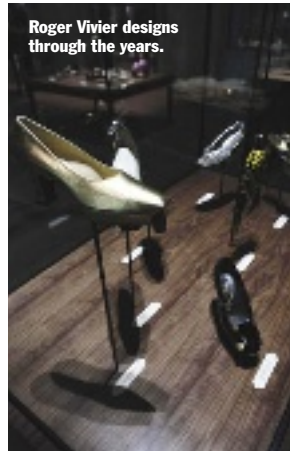
The exhibition, in the Saut du Loup section of the Palais de Tokyo, evokes 19th-century museums like the Louvre or Prado, with dimmed lighting and glass cases in which the shoes are, in Saillard's words, "like caged birds."

The collection spans some of Roger Vivier's earliest designs, including models made for Christian Dior in the Fifties, through the decades when he created his iconic stiletto and comma heels, and includes recent models by current creative director Bruno Frisoni — even one that is currently in stores.

"The light Olivier sheds on my work is what interests me," said Frisoni, who joined Roger Vivier in 2002 and is largely credited with rebuilding the brand. "The result is what Roger Vivier represents today for both him and the public."

Rather than being grouped by era, the works are gathered into art movements — "French Paintings" and "Egypt Department," for example.

"Sometimes you look at the date and the label before you look at the artwork itself, and you miss out on the pleasure of looking at the object," Saillard explained.



Roger Vivier designs through the years.

Purists rest assured — an explanatory booklet gives dates and technical information.

Alongside the shoes, the exhibition, which runs through Nov. 18, includes drawings and collages by Vivier and sketches by Frisoni.

Certain items are on loan from museums including the Galliera, Toronto's Bata Shoe Museum, The Metropolitan Museum of Art in New York and the Musée de la Chaussure in Romans, France.

But the majority is part of a collection of 100 shoes sold by Vivier's adoptive son, Benoit, at auction and bought by the brand in December 2011.

On his choices — which include designs worn by Brigitte Bardot and Marlene Dietrich, as well as African models made for Saint Laurent — Saillard said: "You should always imagine if there were a fire, which ones would you take with you to save them? There were a lot."

The retrospective follows the April publication of a book about the house's history, while some of Frisoni's recent designs have delved into the archives for inspiration.

"It was the right time," said Frisoni. "Today, Roger Vivier means something to people. Ten years ago, when we relaunched the brand, you really needed to be involved in fashion; it wasn't part of popular culture."



"This Is a Kenneth Cole Production" goes on sale Tuesday.

that which was affecting what we were thinking and what was inspiring us," said the designer.

Often witty and irreverent, Cole's ads have spoken out in support of the HIV/AIDS community, gun safety, marriage equality and the homeless. They have frequently been amusing, but sometimes they have provoked hate mail. The book contains letters from people supporting him, as well as those saying they'll never buy his clothes and shoes again.

Cole has always opted to use words to get his message across. "To the degree you could pro-

Karen Harvey Taps Pair of Executives

By DAVID MOIN

KAREN HARVEY Consulting Group has bolstered its team by naming Michael Bowes managing director of executive search at the New York office and Caroline Pill as director of recruitment at the London office.

Harvey said the appointments further the strategy initiated 18 months ago, when Jacqui Marcus rejoined the group as president. The firm operates with three divisions

and two headquarter offices that concentrate on talent acquisition, organizational development, brand incubation and investment advisory services for the luxury goods, fashion and retail sectors. The New York office specializes in C-level talent acquisition and consulting to brands and investors, while the London office focuses on luxury goods, specifically in the European and Asia-Pacific markets.

Bowes has 18 years of human resources experience in the fashion and retail in-

dustry, having worked at Saks Fifth Avenue, Tommy Hilfger, Nike and Coach. He's been involved in long-term talent strategies, succession planning and recruitment. Pill previously worked for Spencer Stuart executive search, covering the international fashion and luxury sector, particularly women's wear, jewelry and accessories. Earlier, she was a corporate lawyer. A Belgian national, Pill speaks five languages and has worked in Brussels, Amsterdam, New York, Shanghai and London.

Givenchy: A killer creative instinct has put Riccardo Tisci at the top of his game. His last show was a blockbuster. His influence continues to seep onto the runways of others and has trickled down to the mainstream — see the explosion of designer sweatshirts and bomber jackets everywhere. Maintaining that level of intrigue and celebration takes more than commercial hits and insider hype; self-awareness is crucial.

“I’m not saying leave it, but I want to move on from the print, which is a success. I want to just explore a new world.” Tisci said backstage after his spectacular spring show, which featured virtually no prints — no Bambi, no panthers — nor a single sweatshirt. For his new direction, he summoned his fascination with Japanese and African cultures, intertwining their indigenous traditions of dress for a collection that pulsed with elegant female power.

It started off on a quiet, natural note with a bare-faced, dark-haired model in a tawny draped jersey dress with a pleated harness neckline and a sporty, elastic detail at the waist. Tisci built on the sultry draping, enhancing with woven leather harnesses, layering in silk tailoring with a soft kimono influence, and coursing through a rich, earthy palette of oranges, taupes, red, black and navy. All of the models wore flat sandals, and some had their faces painted like colorful sequined masks to underscore the ongoing tribal sensibility, which was handled with the utmost modernity. It came in evocative draping, Masai-like corded details and raw, feathered capes. It showed through, too, in the exquisite finale: a series of glamour goddess gowns cut with wide strips over the breasts, and a skirt of sunburst pleats that opened into a rainbow of graphic sequins.

Tisci showed it all in a circular setting anchored by a curious installation — a pileup of smashed and steaming Mercedes, a tenuous allusion to the clash of different cultures. The show opened with the stirring tribal percussions of Sing Sing Rhythms, with Kanye West and the recently blonde Kim Kardashian making their first official post-baby public appearance. In other words, the clothes had ample competition for attention. And yet the fashion trumped all.

Comme des Garçons: Remember when the world was flat? That was back in fall 2012. Now it’s as 3-D as can be, all arcs, curves, circles and swirls in a collection that nevertheless referenced Rei Kawakubo’s groundbreaking 2-D collection with its first look out — a black dress (of sorts), its sheer bodice revealing a harness underneath, its huge skirt made of what appeared to be stiffened organza, rippling like waves and bordered in padded velvet.

A little help here, Rei? “The only way to create something new was to start without the intention of making clothes,” she said backstage postshow.

Got it. Well, maybe not. That Kawakubo challenges is a given; the questions each season are how and why. Is she



Givenchy

Comme des Garçons



Paris Collec

IT WAS ONE BUSY WEEKEND IN PARIS, WITH ARTFULLY FABULOUS COLLECTIONS FROM GIVENCHY, CÉLINE, COMME DES GARÇONS AND DIOR.

making a major proclamation on the state of fashion or the larger world? Is she mocking us for assuming so? Does she ever think, in the deepest, most private recesses of her mind and soul, “Commercial — that’s what resort’s for”?

Kawakubo’s runway suggested spring’s antiflat manifesto; the models traversed a large, gently sloping arc of unpainted wood. There

were lots of bound arms and harness constructions, and some pieces were framed on pannierlike cages. Even given such recurrences, each look was wildly different from the one that preceded it, a point highlighted by the soundtrack: Every girl had her very own, its music (or other sounds) unrelated to the next. Some in the audience viewed the cages as exoskeletons; was there a

bug motif?

One thought crossed the mind: that Kawakubo was in twisted merch mode, set on delivering something for everyone in the world’s most perverse lifestyle lineup. Cocktail Dominatrix in harness and founce. Pretty Crazy in Pink with separation issues (teddy bear attached). Galactic Morticia in saucer skirt with train. Lolita at the Asylum

in baby-doll pleats. There was even a perversion of a chic chemise. And were the big black overlapping curves on white canvas intended to reference the rue Cambon?

The show triggered countless other questions, rumblings, musings, as we expect of any Kawakubo extravaganza, and along with them, the raw, rare excitement that such uncertainty brings. Nearly four

Céline



Dior



FOR MORE REVIEWS
AND IMAGES, SEE
WWD.com/
runway.

PHOTOS BY GIOVANNI RUSSO

tions

weeks into the season, that's called fashion fabulous.

Céline: Once a minimalist always a minimalist? Not necessarily, at least if the creator in question is Phoebe Philo. The powerful Céline collection Philo showed on Sunday made a daring argument for overt, unfussy surface decoration, her appetite for such flourish perhaps whetted by the flamboyant

modernist plaids she worked to exquisite effect for fall.

This time, Philo took her decorative urges in a different direction, channeling tribal, artisanal concepts into some serious optic verve. The bold graphics startled, at least initially; here was an aggressive statement — in a good way. Philo retained her clothes' inherent refinement while injecting them with a primal

energy influenced not only by the creative adornments of exotic, nonspecific cultures, but also by Western graffiti. One could also nod to a pair of designers who preceded Philo to the earthy palette/bold brushstroke genre of decoration: Jean-Charles de Castelbajac and Donna Karan.

Philo channeled their shared motifs into her fashion world view, which is to say

ultracool and consummately modern. She opened with sturdy elongated, crisp T-shirts and tanks decorated with big, bold painters' brushstrokes over delicate, breezy pleated skirts, the contrasts of structure and texture creating a fresh, interesting silhouette. She widened her stance with oversize tunics and sweaters and added textural diversity with festoons of thick fringing.

Coats went the bold painterly route for women who dare, while those who prefer their outerwear with more tempered bravado will love the belted black coat with a border of three-deep multicolored O-rings. The bags were fabulous, whether big sacks with endless fringing or big, flat carryalls in bright colors with contrasting linings and metal handles.

Underscoring it all: the essential pragmatism Philo takes to her work. She understands and delivers the function busy women want and need with their fashion.

Dior: Miles of hanging wisteria, roses, vines and branches created a dense, mysterious wonderland. Some of the flora was real and some fake, painted in intensified variations of nature's own hues. The effect was enchanting and a bit surreal, a foreshadowing of a transition from one state to another; the viewer not always able to distinguish definitively between the two.

In his third season at the creative helm of Dior, Raf Simons wants to temper the reverence, and start imposing his own ethos on the house more flagrantly.

"It's that DNA that I'm very attracted to myself, like nature and some flowers, everything we know so well from the brand," he said before the show. "It's challenging to see how I can deal with those elements that we all think about when we think about Dior, but also twisting them around seriously."

Twisting the codes means infusing them with modernity. As powerful as the vision of the house founder was, as hallowed his name and legacy are, and with every respect given his impact on fashion, some of the core elements of his aesthetic don't radiate 21st century.

Simons took aim from the start, slicing the Bar jacket at the waist over vibrant silk floral shorts. One could argue that a hipless Bar jacket is a Bar no longer, but so what? The effect was current rather than retro, and accomplishing that transition is an essential part of Simons' mandate.

Which is not to say Simons has gone rogue iconoclast, at least not yet. Much of the show celebrated the *Femme Fleur*, and he kept his silhouettes lean and ladyfied, with subtle hints of the Fifties.

Where he broke away most effectively was in details of cut. He reconfigured a ballgown into a short, multistrip lantern skirt, and finished a sexy striped shirtdress with a provocative knot in back. Sometimes his decorative urges resulted in complicated insets and layering that felt unresolved. While there was nothing casual about the lineup, light, roomy sweaters offered an alternative to the more fitted lines that prevailed.

Simons focused mostly on daywear — often accessorized with a new, smart version of the Lady Dior bag in cutout leather — until the finale, for which the models all changed into either black tailored looks or short evening dresses. Rendered in silvery metallic floral jacquards, these intentionally familiar silhouettes were intended as a definitive, sparkling move into the future.



Haider Ackermann



Chloé



Yohji Yamamoto



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Haider Ackermann: “A handsome woman.” Not feeling the compliment, ladies? Allow Haider Ackermann to change your minds.

The designer’s riveting collection celebrated that genre of unfussy woman to exquisite effect. “I love to talk about handsome women,” Ackermann said after the show. “There is a duality. They were lost and they were on their way. It feels like they were walking forever on those highways. And the clothes are tripping and falling and fainting, and I think that’s a beautiful mood.”

Vague backstory aside, this was really about beautiful clothes delivered in Ackermann’s artful layerings, even as he continued the relative simplification he started for fall. It was anchored in tailoring, most looks featuring a lean jacket with narrow lapels that showed Ackermann to be a savvy student — but not mimic — of

Saint Laurent.

One of the hallmarks of Ackermann’s work is that it looks genuinely new, inclusive of reference but free of retro. His perfectly cut jackets were worn over diaphanous skirts or pants, and sometimes both, the former worn over the latter. While some such long dresses were mere veils of chiffon, others had skirts finely pleated for linear volume and graceful movement.

Ackermann worked in black played against high-shine incarnations of rich, dark tones — bronze, sapphire, purple. Yet he mixed in shots of white, in both tailoring and a gem of a wide schmatta over pants.

And as if to answer past criticism that his pilings can turn too complicated, he interjected two moments of pure minimalism: a long-sleeve off-the-shoulder gown and a strapless jumpsuit, both in black. These didn’t seem out of place, but played beautifully

into the mesmerizing whole.

Chloé: “High summer feeling” and “airy opulence” were two of the show notes for Clare Waight Keller’s Chloé collection this season. The designer elaborated on the descriptors backstage before the show: “I’m trying to create the sense of lightness and transparency. That modernity — just crisp and sharp.”

From her first exit — a sandy tunic top with khaki wafflelike silk pants — Waight Keller made another message clear: It’s going to be a breezy summer at Chloé. The proof came via her ultralight fabrics, especially the crushed plissé pleats that were everywhere. Most notable were the lovely Japanese polysilk ones that, while superfine, allowed Waight Keller to experiment with volume and still maintain a relaxed feel.

Several of the languid dresses exuded sweet romance via the details. A chic blue silk

cloque dress, for one, featured fabric tied around the arms in place of sleeves. As for her palette, the olive hues felt a bit drab — it’s hard to imagine them inspiring a day by the sea — but her blues were lovely and romantic. Particularly strong: the smocked patchwork jacquards used for a long, lean dress, and the medallion *fil coupé* looks that added an opulent depth.

Such richness was also evoked in the set — striking gold-disc light installations shaped like the sun and casting a warm light onto the runway.

Yohji Yamamoto: The stripped-down presentation of bare, white lighting, a simple guitar soundtrack and slow-motion modeling was classic Yohji Yamamoto. So too was the lean, black tailoring that opened his spring show, a series of jackets and skirts — mini- and ankle-length — with slits and relatively subtle deconstruction

at the shoulders that suggested a sexy direction.

It proved to be just a suggestion, as Yamamoto set about a seemingly rudderless course, veering from sporty neon layers to pixelated camouflage to spongy knit gowns. There were also exaggerated shirtdresses, deconstructed dandies and looks similar to the those that opened the show, but reworked in electric colors.

Besides being sprung from Yamamoto’s general design vocabulary, it was difficult to see what the groups had in common. Such disparate aesthetics ultimately competed with each other: the young, colorful and kooky versus the avant and elegant. Each had strong moments, but Yamamoto’s twisted basics — a lean black bustier dress with black sleeves layered on and partially ripped off — were more compelling.

Viktor & Rolf

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Jean Paul Gaultier

Akris

Bouchra Jarrar



PHOTOS BY GIOVANNI GIANNONI

Viktor & Rolf: Pink Floyd's "Another Brick in the Wall" and Britney Spears' "...Baby One More Time," remade coolly by Joan as Police Woman, played on Viktor & Rolf's spring soundtrack. Viktor Horsting and Rolf Snoeren couldn't have picked a more suitable music mix: They worked a rebel schoolgirl theme with playful charm for spring.

The designers deconstructed the classic school uniform — navy blazer, crisp white shirt and pleated skirt — in myriad ways. Some were more tame — the navy jacket with a school badge and white piping — others, more experimental, i.e., an asymmetric dress, its bodice made of half a jacket.

Skirts with bold geometric pleats flirted with the designers' more eccentric leanings. Those looks aside, this season favored a more commercial appeal, with a contemporary touch.

The standout — a fun graffiti

T-shirt with a silver-studded collar, teamed with Bermuda shorts — demonstrated a punkish streak. The headmaster better look the other way.

Jean Paul Gaultier: "Dancing with the Stars." The television show is a phenomenon worldwide. On Saturday night, Jean Paul Gaultier gave it his own spin with a campy show of choreographed model dance antics and clothes to match the spirit.

Gaultier had a panel of three judges on stage at the chintzy Paradis Latin cabaret theater: evergreen muses Rosy de Palma and Tanel Bedrossiantz, and choreographer Blanca Li. They played their roles with such zest it made Carrie Ann Inaba and Bruno Tonioli look like wallflowers.

The same was the case for the models: Coco Rocha was a mean Danny Zuko, doing the "Grease" dance with a Sandy wannabe. Karlie Kloss came

out voguing; Joan Smalls sizzled at the samba, and Hannelore Knuts did a sultry tango. The audience had a good time.

Just like the various dance shticks, the clothes went in all directions, from the tough black leather group that started the show, including several deconstructed moto jackets, to pretty, tiered ruffle off-shoulder dresses in lace or leather. When teamed with a chic trenchcoat, the dresses were standouts. Rather than focus on just glitzy ballroom numbers, Gaultier updated many of his greatest hits, including new versions of his cone-bra bustier tops and sailor stripe sweaters. Not that the clothes mattered so much — they just played a supporting role in the show spectacle.

Akris: Switzerland's St. Gallen, where Akris is based, is known for its exquisite embroidery and lace work, a point Albert Kriemler makes, understandably so,

with hometown pride. For spring, he showed the level of craftsmanship again, with mixed results. "It's a dream of fabrics and nature — moved forward through technology," he said in his show notes.

The designer worked his intense textural play via several nature-based motifs — mainly honeycomb and algae, along with sandstone lines and granite curve patterns. The details here were impressive, although looks that played with transparency and skin — sheer insets and angular cutouts at the waist, and a black ponyskin dress with bodice that was half circle, half a jersey bandeau — were eye-catching, but not for the right reasons. The laces were loveliest when shown on elegant, form-fitting dresses that will appeal to the label's sophisticated clientele.

Bouchra Jarrar: Bouchra Jarrar has carved out a unique niche for herself as a couturier who shows her main collection —

which also includes ready-to-wear — during the haute seasons of January and July. That leaves the lineup she presents on the real ready-to-wear schedule as a naturally derivative, more accessible version of her most recent couture.

For spring, Jarrar masterfully distilled the handmade woven fabrics, soft silk scarf dresses and zipper accents of her fall couture beautifully, measuring the details while retaining an essence of luxury.

The wovens were reinterpreted into beautiful cotton and silk stripes that gave a chic artisanal quality to sporty separates — a bomber jacket, a vest with zipper trim and straight, cropped pants.

Subtle athletic references surfaced in terrific striped knits, densely woven with military button details, and a silk shift with stretchy knit sweatshirt cuffs. Everything was current yet can be kept forever.



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Junya Watanabe: Entering Junya Watanabe's spring venue, at Paris' natural history museum, guests had to pass under a giant dinosaur skeleton suspended from the ceiling. There were no Jurassic expeditions for Watanabe, though — instead, he jumped millions of years ahead with a trip to Native Americana, spun in his own impressive way. It was beautiful.

The designer approached the theme via fringe, which he worked with ravishing variety. It appeared to be made from draped blankets on cool black dresses, and came as unexpected details elsewhere — on the hem of a chic reworked trenchcoat, the cuffs of a tailored jacket, dangling from poncholike tops. Watanabe interpreted

the stringy look more subtly, with fine fraying on a caped beige top paired with a draped brown skirt. This was Pocahontas at her most stylish, the models' braided hair tousled to add a rastafarian-meets-punk edge.

Watanabe's strength is in taking a singular idea and riffing on it in surprising new ways without feeling repetitive or boring. The collection demonstrated this perfectly, down to the mesmerizing feather headpieces that graced the last few exits — true creatures of the wild.

Kenzo: Who was in the mood for a Sunday morning trip to the suburbs of Paris? Kenzo staged its spring show in Saint-Denis, the equivalent of Queens. There, La Cité du Cinéma

provided a gigantic space for Humberto Leon and Carol Lim's ever-escalating production scale, which this time included a runway set with water-filled dishes that produced a splash syncopated to the soundtrack and a huge waterfall — all of it atmosphere for the collection's ocean theme.

As native Californians, Lim and Leon "have always been impressed by the ocean, its power, its constant change," read the show notes. They proved it with a plethora of aquatic references: graphic rain prints, cool tailored shirts cropped in the shape of waves and fish motifs — the novelty-print replacement for last season's evil eyes, which could be spotted all over the audience.

Some of the looks had too much going on patternwise,

but in general, the sporty silhouettes combined a grown-up polish with lots of athletic references, including print-coordinated sneakers.

The water works were not purely superficial: Program notes announced Kenzo's partnership with the Blue Marine Foundation, which focuses on ocean pollution and overfishing. Sales of a capsule collection of Kenzo T-shirts and sweaters will benefit the foundation.

Roland Mouret: The Palais Royal and its Daniel Buren-designed black-and-white candy cane columns informed Roland Mouret's spring graphics. "Since I am a kid, I love the contradiction of this place," the designer said backstage before the show. He was referring to

the whimsy of the structures against the park's calm environs, a contrast he also channeled for his clothes.

Mouret explored his showier side with bold color play, and black-and-white stripes on a leather coat and skirt, the latter with a turquoise inset. These, along with many other looks, had an early Eighties feel — think Debbie Harry. The use of gaffer's tape details as straps on a dress or appearing to hold together different fabrics for a top added a punkish, but polished, DIY vibe.

Some of the casual white numbers, also worked with tape, provided a more relaxed, less flashy counterpoint.

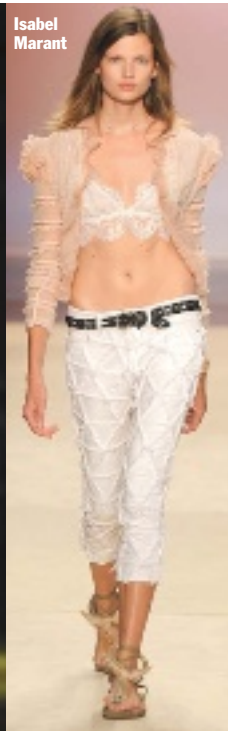
Chalayan: As the value and visibility of pre-collections increase, more designers are



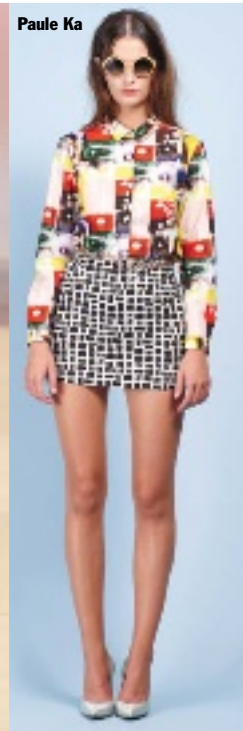
Chalayan



Sonia Rykiel



Isabel Marant



Paule Ka



Andrew Gn



Vanessa Bruno

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PHOTOS BY GIOVANNI GIANNOINI AND DAVIDE MAESTRI

using them as blueprints for the runway. This season Hussein Chalayan's spring collection was yet another example.

He built on his very resort-oriented lineup, in which beachwear clichés became fashion concepts via dresses in seaside prints and some that looked like towels wrapped over bikinis.

Amped-up versions of the same motifs opened the spring show: transformable wraps in navy-and-white cabana-striped terry, for example. The seaside ideas, including clear sun hats carried like parasols, were clever but not silly and ultimately set a tone of breezy calm.

An assemblage of easy sportswear put an emphasis on flowing culottes and oversized tops, some with a neat

braillelike texturing, while eveningwear included slim gowns with bustlines sculpted in graceful tucks and folds, bringing to mind sand dunes and sea foam.

Sonia Rykiel: It's a year to the month since Geraldo da Conceição arrived at Sonia Rykiel with the mandate to breathe some fresh air into the venerable house. The designer's beautiful spring collection proved that he's had no trouble settling in.

He worked Rykiel's codes with confidence and ample charm, riffing on Twenties silhouettes with many terrific knits. The Lurex tank tops and slim skirts, for example, had just the right amount of placed argyle patterns, with neon ribbon details at their waists

and hemlines to accentuate their youthful punch. The chic striped T-shirt and pencil skirt were among the looks that evoked Deauville with au courant ease.

The wovens exuded a similar romance, demonstrated with a voluminous layered suit and a red top with a soft pink skirt, the latter finished off with a powdery blue ribbon-belt loosely tied around the waist.

If the presentation at the gilded Sorbonne space felt more serious than those in the past, da Conceição's clothes lost none of Rykiel's signature joie de vivre.

Isabel Marant: Not so long ago, Isabel Marant was a local label, an insider's designer known for her distinctly Parisian tomboy/bohemian mix, which

has caught on like wildfire. She's global, H&M's current designer-collaborator du jour and a fetish target of the trend-hungry fashion consumer, to whom she seems to have become a bit of a slave. Her recent runway shows have felt like a recitation of hits — variations on cropped denim and ruffled dresses with ever-rising hemlines.

Not much changed for spring. The ruffles were pink and lingerie-like, and the jeans came in frayed lattice patterns and pirate-rocker leathers. The best moments — a few fluttery floral prints and mannish jackets that were wrapped, belted and had nicely tailored shoulders — fell outside the overarching theme and harkened back to Marant's earlier days.

Paule Ka: Pushing forward an aggressive expansion strategy targeting Russia, China and the U.S. (a New York boutique is set to open in mid-November), Serge Cajfinger, Paule Ka's artistic director, proposed a youthful collection for spring.

Playful prints, invoking the colorful ceramic pottery of Vallauris in southern France, were splashed on a men's shirt-inspired blouse and tapered pants, cropped just above the ankle.

Most skirts came extra short and Sixties style. When longer, they were curve-hugging and worked in an appealing mélange of textures that included Neoprene, raffia, double crepe and a graphic honeycomb pattern.

As for the house's signature bows, this season Cajfinger tied them to the sleeves of cropped shirts, conjuring little boleros that looked fun when teamed with another shirt, adding contrast to the plain structure.

The one evening look — a retro-looking kaftan in fuchsia Dutch satin with a bow on its sleeve — had a ballroom feel that seemed out of place in the rest of the modern lineup.

Andrew Gn: In a city like Paris, there are seemingly infinite opportunities to view art. On Sunday morning, Andrew Gn added another option with a sophisticated lineup, named The Peggy Guggenheim Collection, that referenced such art.

"It's an homage to some of my favorite modern and contemporary artists," said Gn backstage before the show. Referring to Pablo Picasso, Fernand Léger, Georges Braque, Peter Doig, Carlo Mollino and Giò Ponti, the designer boldly used graphics inspired by the artists, working the motifs with a light, youthful hand.

Many of the looks had a cubist touch, from the graphic angles on folded jackets and skirts to the cool black-and-white rendering of a modern city landscape that served as both the set's backdrop and the print on a languid jacket and full skirt.

Braque-inspired doves and stars were appliquéd onto a green silk georgette T-shirt and navy crepe shift dress, while the insets that formed a Léger-like guitar on a silk georgette top were equally striking. Such crafty visuals could easily lean toward kitsch, but Gn executed the look with just the right amount of restraint.

Vanessa Bruno: Sweet simplicity. Such was the strength of Vanessa Bruno's spring collection. The designer proposed a number of straight-forward, ultralight silhouettes, including lingerie-like dresses and cropped tops matched with pleated skirts. Bruno playfully upped their appeal with a flurry of prints — delicate butterflies and cute poppies, simple geometry and undemanding paisleys.

The youthful vibe transcended into the outerwear, where a perfect in a seemingly weightless fabric, lined with the pretty butterfly print, was a standout.



Maison Martin Margiela



Issey Miyake



Acne Studios



John Galiano

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Maison Martin Margiela: This circus-inspired collection was the equivalent of walking a tightrope a few feet off the ground — rather safe yet still a balancing act between commercial imperatives and the conceptual legacy of the founder, who exited the house in 2009.

Strip away the replica big-top items — bedazzled cabaret corsets, trapeze trousers and a tattered ringleader jacket — and this Maison Martin Margiela show was mainly about tailoring inspired by men's wear and then dissected.

Tuniclike jackets were sliced open in the back and fastened loosely with black ribbons, as were a series of sparkly vests and bustier dresses. A pin-striped blazer, sheared off at the bosom and without sleeves, became an unusual shoulder-baring tunic held up by overall-like straps.

Suit sleeves, in fact, became free-floating elements lassoed to the neck with ribbons. A handsome black tailcoat, among

the best looks in the show, came without sleeves and was paired with terrific trousers. On tuxedo pants, contrasting harlequin shapes replaced satin stripes.

Some of the eveningwear was dead simple and striking, particularly the strapless evening columns in peach satin or black chiffon, their tops cinched with black elastic. They didn't need any circus ballyhoo.

Issey Miyake: Yoshiyuki Miyamae explored the contrast of light and shadows in his spring Issey Miyake collection, with outfits that played with variations on the color spectrum.

He opened with a series of coats, jackets and skirts made of stiff leather punched with tiny holes meant to evoke the stars at night, going on to work masculine and feminine variations on monochrome looks.

A white boatneck blouse with three-quarter-length sleeves was tucked into a perforated black leather wrap skirt, while a white button-up

shirt with short mesh batwing sleeves was paired with black trousers in woven grid cotton.

While these outfits had a quiet graphic appeal, Miyamae hit a more summery note when he allowed for color. A cape-backed shirt and skirt were printed with color gradations that evoked light filtering through a prism, while sheer white cotton was layered over citrus-colored fabrics, dulling their hues to a faint glow.

Acne Studios: A surprise operatic performance by The Hives frontman Pelle Almqvist spiked the energy at the opening of Jonny Johansson's Acne show.

Almqvist sang the Swedish poem "Till Havs," which translates to "Out to Sea" and was the main inspiration for Johansson's mariner references handled with a cool, blunt edge.

Fast and furious, the models stormed by in a high-speed blur of white leather that was precision-sliced into strips on a great jacket and pants. There was also boxy, utilitarian

tailoring worked on denim, crisp shirts, rumpled pants and fisherman jackets.

Johansson flexed his eye for dynamic color — optic whites offset by Bauhaus red, yellow and blue — that made everything pop.

John Galiano: Bill Gaytten's most pressing subject for spring was technique. "It was about launching something new, so we did a lot of research," he said backstage.

Looking beyond the fashion industry for fabrics, Gaytten settled on a vacuum-form Neoprene, which was originally developed for car interiors, employing it for a zippered coat and roomy, cropped jackets. He assured the material was "more flexible than it sounds." To soften it further, he punctuated it with floral prints.

Origami folds were key. This ancient Japanese practice added form to billowing dresses and yielded artfully folded tops. A flurry of geometric laser cutouts — little circles,

squares and triangles — also telegraphed Gaytten's high-tech approach. The perforations appeared on sporty varsity jackets and cropped pants, giving them a youthful and modern flair.

More techno were dresses that looked as if they were made from bubble wrap, further underscoring the designer's taste for the unusual.

Overall, the collection was girly and upbeat, with its bold citrus palette, perky caps and heavy platform shoes festooned with oversize bows. Gaytten has definitively turned a page on the romantic narrative of the house founder.

Vivienne Westwood: The Middle Ages are a fertile fashion period for Vivienne Westwood, who for spring marched out a group of medieval pilgrims. The show was theatrical. Models' faces and limbs were splattered with mud, and their rustic clothes were sometimes torn and wrinkled as if they had just hiked all day through



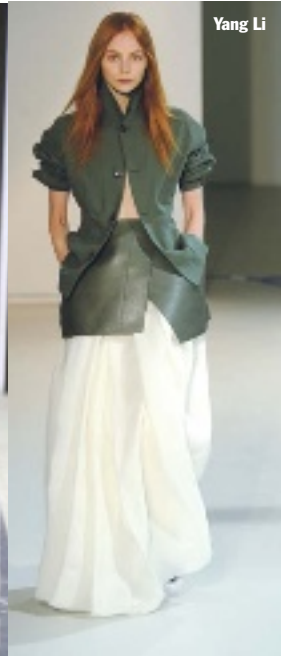
Vivienne Westwood



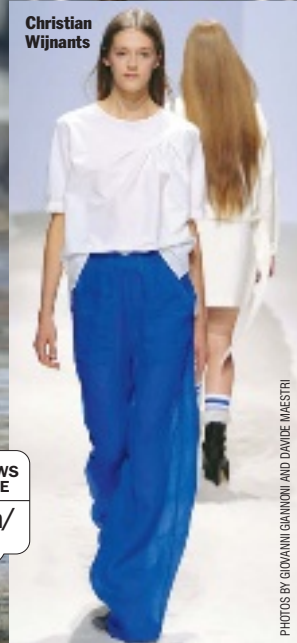
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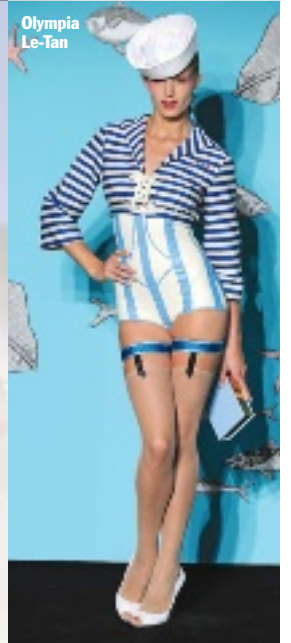
Maxime Simoons



Yang Li



Christian Wijnants



Olympia Le-Tan

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PHOTOS BY GIOVANNI GIANNOI AND DAVIDE MAESTRI

deep woods.

On the whole, Westwood's pilgrims were a dressy bunch, donning the designer's signature jersey goddess dresses and lustrous satin gowns with undulating ruffles, which often took on a distressed aspect via asymmetric cuts and draping. With their plunging necklines and tight bodices, some of these looks were beautiful.

Then Westwood shifted gears, catapulting into modern times with a streetwear vibe. Cue a series of skimpy knit dresses and separates in ultrathin mesh, scraps of fabric draped from their shoulders like tiny capes. Several were embellished with bits of mirrored sunglass lenses and styled with athletic socks.

Westwood also mixed in a series of square-shouldered power blazers, which were more Wall Street than medieval. The cap she wore to take her bow seemed to sum up the zany show: It read "Chaos."

Maiyet: This was the best collection yet from Maiyet, a compelling reflection of its luxury brand ambitions and artisanal ethos, synced so that the fashion quotient was the main takeaway.

Program notes missed no opportunity to remind of Maiyet's exotic, do-gooding sourcing mission — the hand-blocked batik prints from Indonesia, the Varanasi weavers whose production was interrupted by a goat, the knits handmade in Bolivia — handled as an undercurrent of crafty sophistication on clothes that were about summery ease. Some of the best looks had a light lingerie attitude rendered with bra tops, camisoles, slips and gowns. A sheer slip with delicate silver embroidery layered over a bralette and shibori miniskirt captured the season's mood of transparency and shine, as did the main shoe: a strappy silver sandal with a geometric Lucite heel.

Maxime Simoons: The short, tight, zippered leather moto look that dominated Maxime Simoons' spring runway has been circulating en masse at the contemporary level, and even further down the fashion food chain for some time now.

Simoens is up at the top of the design pyramid, with LVMH investment, yet he did little to elevate or differentiate his version of sporty, sexy aggression. It was fueled by a commitment to graphic contrasts — combinations of white, silver, black and an occasional flash of teal in paneled leather with zipper accents around pockets, sleeves and the curves of a tight skirt. Two pairs of pants could be zipped on or off at various points up and down the leg.

Yang Li: While still done in a minimalist vein, Yang Li's terrific spring collection had a romantic heart, with ballroomlike skirts and clever layering adding depth to the otherwise unadorned, sober fabrics.

Li gave a casual grace to rich organza skirts by pairing them with short leather aprons and workwear-inspired shirt jackets, while raw edges on pockets and the seams of skirts provided a spontaneous touch to the studied yet sensual lineup.

Christian Wijnants: Christian Wijnants wove ethnic influences and graphic effects inspired by sportswear into his spring collection, which he said was inspired by Somali women who play basketball in defiance of threats from Islamist militants.

Wijnants, winner of the 2013 International Woolmark Prize, went for a lightweight look with sundresses in a crinkled silk organza in light gray and beige stripes that was draped into asymmetric folds, and sheer linen wide-leg pants, including one pair in a striking shade of Tuareg blue.

Olympia Le-Tan: Starting off on a menacing note with the music

from "Jaws" and real sharks watching on, Olympia Le-Tan's spring presentation at the Paris Aquarium turned sweet fairly quickly — in keeping with her tongue-in-cheek style.

The designer sent out a troupe of sailor chicks in extra-short petticoat dresses that showed off their garters; sometimes they posed as pinups wearing striped tops and tight Forties-style shorts in printed candy-pink satin.

More wearable looks included a pair of wide-leg sailor pants and a series of solid outdoor pieces such as a raincoat, trench and parka.

For the finale, Le-Tan upped the sex factor again, pairing high-waisted latex panties and fishnets only with nipple pasties and whimsical minaudières. This season the latter were shaped like fish or disguised as a Joseph Conrad novel — fittingly, the one where disaster strikes at sea.

FASHION SCOOPS

PATOU REDUX: Jean Patou is about to swing back into fashion, the label's vice president, **Bruno Cottard**, revealed during an interview with WWD.

"We already have plans, we have ideas and know what sort of fashion we would like to do — and even consulted designers, who are all excited because no matter what school they've done, for them Patou is an enormous reference," he said, stopping short of specifics.

Karl Lagerfeld, Jean Paul Gaultier and Christian Lacroix are among those to have designed for the house before it stopped producing couture in 1987.

Cottard said he'd like Patou to make its return on the fashion scene during the Paris collections a year from now.

The Patou brand — including both fashion and fragrance — is owned by London-based Designer Parfums, which acquired the business from Procter & Gamble Co. in the summer of 2011. P&G, for its part, purchased Patou from Jean Patou SA in 2001.

In fashion, Jean Patou is best known as one of the early sportswear pioneers. He also introduced the ankle-length cocktail dress in 1929 and was an early proponent of accessories. — **JENNIFER WEIL**



Kim Kardashian, Kanye West and Ciara

COME TOGETHER: Kanye West has had his share of run-ins with paparazzi lately, but on Sunday, he briefly joined the pack of photographers snapping front-row guests at the Givenchy show.

West lined up with the shutters to take a cellphone picture of his girlfriend **Kim Kardashian**, making her first official outing since the birth of their daughter **North West** in June, as she posed alongside CR Fashion Book editor **Carine Roitfeld**, who styled Kardashian's outfit — a black dress with sheer panels and python sandals.

The couple rushed backstage to congratulate designer **Riccardo Tisci** after the show. "It was breathtaking," Kardashian opined.

Also taking in the evening display were **Lily Collins, Noomi Rapace, Isabelle Huppert, Ciara, Rila Fukushima and Natalia Vodianova**. Huppert said she will be seen next in "Abus de faiblesse" ("Abuse of

Weakness"), French director **Catherine Breillat's** movie based on her relationship with con man **Christophe Rocancourt**.

Rapace was virtually unrecognizable, having dyed her hair blonde for "Child 44," costarring **Tom Hardy**. "I do not think that people are different to you," she mused. "If you're dark, people expect you to be more aggressive maybe, or more kind of strong. I think people see blonde as more soft and kind of more friendly, in a way."

The Swedish actress revealed she was on board for a sequel to sci-fi flick "Prometheus," in which she played archaeologist **Elizabeth Shaw**. "As soon as we have a script and everybody is available, I think we're going to do a second one," she said.

Collins was not sure whether there would be a follow-up to "The Mortal Instruments: City of Bones," released last month. "We're all in a waiting pattern now. We're all signed on for the sequel, and they're taking their time to make sure everything will be done perfectly," she explained.

The actress will be seen next in "Love, Rosie," set for release next year. "It's one of those films that will make you laugh hysterically, but make you cry as well. It's like 'Love, Actually,' 'Notting Hill' meets 'Juno,'" she said. — **JOELLE DIDERICH**

COUNTRY RELATIONS: Guests at the Chloé show in Paris on Sunday included **Gemma Arterton**, who is in town shooting director **Anne Fontaine's** upcoming "Gemma Bovary."

"It's based on 'Madame Bovary,' but it's a contemporary version about an English girl instead of a French girl. I play Gemma, which is weird, because we have the same name," she said. "It's the first time I've made a French-language film, so I'm quite nervous."

Ana Girardot also plays a provincial character in "Le beau monde," which is shooting now. "It's a great part — a young girl from a small town who goes to Paris and is faced with a world she doesn't know," she said. In January, the French actress will appear opposite **Niels Schneider** in "Romeo and Juliet" at the Théâtre de la Porte Saint-Martin.

Elettra Wiedemann was in town for modeling assignments with French Vogue and Madame Figaro, and was gearing up for season two of her cooking show "Elettra's Goodness" on Vogue's YouTube channel. Ever the multitasker, she has also been writing for

FOR MORE SCOOPS, SEE **WWD.com**

magazines such as Teen Vogue and Tank.

"I wrote a lot in graduate school, so I'm trained to write. I never expected to write for fashion magazines, but people have been asking more and more and so I'm accepting, and it's fun," she said. — **J.D.**

FASHION CAMPAIGN: French politician **Nathalie Kosciusko-Morizet**, a candidate to become mayor of Paris, hit

the campaign trail on Sunday morning before taking in the Céline show.

She said she handed out pamphlets about security and taxes to get a dialogue going with constituents ahead of the vote next March. "This is the way to campaign. I start early," she said. "I also knock on doors."

Kosciusko-Morizet, who is with the center-right Union pour un Mouvement Populaire party, said she also attended the Yang Li show. "I like creativity," she said. "This is just for the pleasure of the eyes."

The 40-year-old Kosciusko-Morizet was an environment minister under former president **Nicolas Sarkozy**, and is known for her sleek fashion style. She wore a Dior pantsuit to the show. — **MILES SOCHA**

GLOBETROTTERS: An international crowd turned out at the Musée Rodin for the Dior show on Friday, which drew guests including **Valérie Trierweiler**, the partner of French President **François Hollande**, **Isabelle Huppert**, **Olga Kurylenko**, **Ni Ni**, **Eva Herzigova** and **Camille Rowe**.

Hong Kong actress and model **Angelababy** said she was gearing up for the release of 3-D film "Young Detective Dee: Rise of the Sea Dragon," which came out on Saturday. "It's a kung-fu movie," she said.

Lou de Laâge was preparing to shoot "Respire" ("Breathe" in English), the second feature film to be directed by "Inglourious Basterds" actress **Mélanie Laurent**. "I mustn't reveal too much about the film at this stage, but it's not your usual polite good-girl role. It's a little more complex," the French actress said.

Natalia Vodianova said her Naked Heart Foundation is launching educational programs for children with deep autism in six schools in Russia. "We're actually the first ones to do it — there's only one school in the whole country that provides education to children with deep autism," she said.

The foundation will also host a forum on autism in Moscow from Oct. 14 to 17. "In Russia, the question of autism



Gemma Arterton



Delphine Arnault and Valérie Trierweiler

is very new. It was just introduced in 2007 as a separate condition from schizophrenia," the face of Guerlain's Shalimar fragrance explained. — **J.D.**

BABES IN TOYLAND: Peter Dundas is a magnet for beautiful women, and on Saturday, they flocked in droves to the cocktail and party celebrating the opening of Pucci's new boutique on Paris' Avenue Montaigne.

The designer was swarmed with well-wishers including **Ciara, Poppy Delevingne, Daisy Lowe, Eugenie Niarchos, Tallulah Harlech, Dolores Chaplin, Lindsey Wixson, Tao Okamoto, Leigh Lezark and Coco Rocha**, who was still sporting a quiff after her dance performance as a **John Travolta** lookalike at the Jean Paul Gaultier show.

Dundas, who designed the store with architect **Joseph Dirand**, said he wanted to bring a little bit of Italy to Paris. "I think 'home' is probably the very best word I can choose for it, because it was really inspired by the palazzo in Florence," he said, referring to the Pucci family's 15th-century building.

Mannequins sporting giant hair sculptures had guests doing a double take. "I haven't touched them yet, but I'd like to, strangely enough," mused jewelry designer **Betty Vernon**. "Could it be wood or resin?"

After the cocktail, the crowd moved to the nearby Palais de Tokyo for a party at its Monsieur Bleu restaurant, which included a performance by **Solange Knowles**.



Solange Knowles

ALL PHOTOS BY STEPHANE FÉLIGÈRE

Ciara said she was about to release the single "Overdose" from her namesake fifth album. "I'm getting ready to shoot my video with my friend **Diane Martel** and I'm excited about that," said the singer, adding that she hopes to go on tour next year.

Delevingne said she was shuttling between London and Los Angeles, where she is trying to break into television. "It's tougher than what I thought, but I'm a stubborn Taurus and I will see it through until I get a job," she said. — **J.D.**

Alaïa Opens on Avenue Montaigne

By MILES SOCHA

PARIS — In his inimitable on-my-own-terms way, Azzedine Alaïa has opened a three-story boutique a stone's throw from Paris' most famous luxury strip, the Avenue Montaigne.

Housed in an 18th-century mansion at 5 Rue de Marignan, the store boasts no window displays and a minimalist, futuristic decor worthy of a science-fiction film.

The boutique opened quietly over the weekend for press tours, but the first two women to cross the threshold were shoppers, either curious or eagle-eyed, having spied Alaïa's name etched into the pale stone. (They left with a pair of shoes.)

The designer tapped many of his design and artist buddies for the project: Marc Newson for UFO-like circular light fixtures; Martin Szekely for angular racks

anchored in the floors, and Kris Ruhs for a chandelier of brushed steel garlands that dominates the coiling, four-story marble staircase.

The gallerylike space is also appointed with blue-chip vintage design, including a hulking Charlotte Perriand table and modular shelves, serpentine couches and "cathedral" tables by Pierre Paulin. There are also two abstract paintings by Christoph von Weyhe.

"He started looking for a boutique on Avenue Montaigne and we ended up here," said his friend and business adviser **Carla Sozzani**, the Milan retailer behind 10 Corso Como. "Azzedine wanted to keep the feeling of a maison. He wanted to keep the feeling of Rue de Moussy."

Sozzani was referring to Alaïa's original Paris boutique in the Marais district, shielded behind a big red door that buzzes open for private clients. That unit,

housed within Alaïa's sprawling headquarters and dating back to 1990, is to remain open in a building that will eventually become the designer's foundation, Sozzani noted.

Compagnie Financière Richemont took a majority stake in Alaïa in 2007, and funded the new retail venture. The fourth floor of the 14,000-square-foot building is to house Alaïa's accounting, administration and finance departments.

While best known for his curve-enhancing dresses and tailoring, Alaïa devoted the main floor of the new shop to accessories — shoes to the right and handbags and small leather goods to the left. Flat screens embedded in one window broadcast saturated images of Alaïa fashions.

The shoe salon leads to a courtyard appointed with marble tables by Angelo Mangiarotti and chairs by Harry Bertoia, from which visitors can gaze up at a vegetal wall by Patrick Blanc.

Ready-to-wear is featured on the two upper floors: daywear on two and eve-



Accessories sit on a table by Charlotte Perriand.

PHOTO BY DAVIDE MAESTRI

ning-oriented fare on three. Spacious fitting rooms boast the same Szekely racks and Newson light rings as the sales floor.

It's been a busy Paris Fashion Week for the Tunisian-born designer, who is the subject of a sprawling retrospective that just opened at Palais Galliera and the Musée d'Art Moderne de la Ville de Paris.

Order taking for his spring collection is to start Friday, two days after Paris Fashion Week officially closes.

Jacobs Said in Contract Talks With LVMH

(Continued from page one)

Jacobs, in the throes of his show preparations, could not be reached for comment.

WWD broke the news on June 10 that talks to renew Jacobs' contract with Vuitton centered on recalibrating LVMH's business relationship with the Marc Jacobs brand — with the Vuitton contract initially a footnote to those discussions.

It is understood an eventual public listing for the Jacobs business remains one of the leading scenarios because it would allow the parties to capitalize on a U.S. market hungry for new share offers, and to resolve complex business entanglements.

Besides owning a majority stake in the operating company Marc Jacobs International, headquartered on Spring Street in Manhattan, LVMH holds one third of the Jacobs trademarks. Jacobs and his longtime business partner, Robert Duffy, who is president of Marc Jacobs International, hold another third each.

Those arrangements date back to 1997, when Jacobs was tapped as artistic director at Vuitton and charged with marching the heritage leather goods brand into ready-to-wear and other fashion categories.

According to sources, talks between Jacobs, Duffy and LVMH over the road map for the future recently hit a roadblock.

While the parties face no deadline, since beyond Vuitton they are linked via ownership of the Marc Jacobs business and brand, they all must agree as co-shareholders on plans for the Jacobs company.

"They're married for the future," one source said of the parties. "The question is how they change their relationship."

It is understood LVMH officials are eager to capitalize on the potential of the

Jacobs business, but Jacobs and Duffy "are not yet on board," the source added.

Having Jacobs dedicated fully to his own brand is seen as a requirement to assure the highest possible valuation for an eventual IPO.

The road to a listing could be a long one in order to sift through complex value equations. Since LVMH took a stake in Jacobs, the partners have introduced the contemporary brand Marc by Marc Jacobs and rolled out a global network of stores, also extending into businesses ranging from licensed children's wear to book retailing.

Market sources estimate sales for the entire Jacobs brand across retail is approaching the billion-dollar leagues.

Most recently, Jacobs launched a range of color cosmetics exclusively at LVMH-owned perfumery chain Sephora, which one source described as one of the strongest introductions in the retailer's history, signaling the brand's potential.

No doubt Jacobs and Duffy took notice of the staggering valuation Michael Kors achieved when he listed his New York-based fashion house in 2011. Today, the Kors company's market capitalization is estimated at \$15 billion.

Kors, from the same generation as Jacobs, has already cashed out some of his shares and pocketed hundreds of millions of dollars.

(Ironically, LVMH once owned a one-third stake in Michael Kors, which it took in 1999 when Kors was designing its Céline brand. Silas Chou and Lawrence Stroll bought 85 percent of Kors in 2003, including the LVMH stake.)

Meanwhile, speculation about Ghesquière's future has dominated front-row chatter during the European shows.

That he could wind up at LVMH was

a scenario that emerged shortly after Ghesquière parted ways with Balenciaga last November after a 15-year tenure. The Frenchman is frequently seen in the company of designers and executives from LVMH.

Indeed, only weeks after the split from Balenciaga, Ghesquière attended a private Dior dinner attended by the likes of Delphine Arnault, daughter of LVMH kingpin Bernard Arnault and now second in command at Vuitton, and Camille Miceli, Dior's artistic director for costume jewelry, who had previously held the same role at Vuitton.

WWD has learned that Ghesquière also was approached in recent months by Japanese fashion giant Fast Retailing Co. Ltd., parent of the Uniqlo chain, about a collaboration along the lines of its +J project with Jil Sander from 2009 to 2011.

However, those talks were characterized as preliminary and have ceased. Ghesquière has been mum about his intentions, while hinting in interviews published last May in *System* and *O32c* magazines that he was fielding offers and would soon be back to work.

It is understood Ghesquière has talked to various parties, including LVMH and Fast Retailing, about the possibility of launching a signature fashion house.

The designer is currently embroiled in a lawsuit with Balenciaga over declarations made in *System*. As reported in WWD on Sept. 4, Balenciaga is seeking damages of 7 million euros, or \$9.2 million at current exchange, charging that Ghesquière violated their separation agreement, which stipulated that he refrain from declarations that could damage the image of Balenciaga.

Lawyers for Ghesquière and stylist Marie-Amélie Sauvé, who is also



Marc Jacobs' contract with Louis Vuitton expires in the coming months.

PHOTO BY GEORGE CHAINSE

named in the suit, are to deposit their arguments at the Tribunal de Grande Instance of Paris on Oct. 15.

LVMH has had its eye on Ghesquière for years, and had considered him to succeed Lee Alexander McQueen at Givenchy and, more recently, to follow John Galliano at the head of Dior.

Bulova Relaunches Caravelle Collection

By ALEXANDRA STEIGRAD

NEW YORK — Bulova Corp. is revamping its 52-year-old Caravelle collection to appeal to a younger, hipper crowd.

Set to hit stores on Tuesday, Caravelle New York, which will include men's and women's watches as well as chronographs, is the brainchild of Gregory Thumm, Bulova's recently appointed president.

"The whole watch product category is pretty penetrated these days. There are so many brands out there. It can diminish the consumers' choice," Thumm said. "I took that into consideration."

With hopes of infusing Caravelle with more fashion and an element of "storytelling," Thumm focused on creating a "cool, cohesive branded version" of the original line.

"Watches today aren't about timekeeping," Thumm said, explaining the importance of updating Caravelle's look. "For the most part, consumers are concerned

with wearing watches as an accessory."

This translates into a collection with 80 different watches, priced from \$60 to \$135. Materials include rose gold, stainless steel, leather and metal bracelets and vibrantly colored silicon. Watches range in size from an oversize dial at about 44 millimeters to a smaller, 17-millimeter dial, and include watches on bangles for women, opening at \$59.

The rollout of Caravelle will include a social media, Web and print campaign in the coming weeks. What makes the collection particularly interesting is that Bulova decided to lower its original Caravelle price range, which hovered between \$80 and \$195, Thumm said, explaining that he's noticed a "white space" in the competitive fashion watch category.

"We've reduced price points to create a much more distinct line [in the market]," he added. "We thought it would be a great place to reposition Bulova in the market."

With Michael Kors' fast-growing watch business and rivals such as Fossil,

Coach, Swatch, Movado, Seiko and other brands crowding the marketplace, Bulova, through Caravelle, is hoping to catch a new customer seeking compelling value.

Taking cues from the competition — especially Kors — Thumm said consumers should expect Caravelle to take inspiration from current fashion trends for upcoming collections. What Kors has done is to pair its handbag line with its watch line, explained Thumm, but that's not all the brand has accomplished.

The speed-to-market for rivals such as Kors has been much faster than that of Bulova — until now. As part of his mandate, Thumm has "reshuffled" the supply chain to manufacture and produce much faster than before.

By coupling the faster supply chain with launches — which include a diamond-centric product range using less expensive Japanese movements over Swiss movements, as well as a Swiss-made collection — Thumm is hoping to inject energy into the 130-year-old Bulova.



Timepieces from Bulova's relaunched Caravelle New York collection.

While price points for higher-priced lines extend up to \$2,000 now, Bulova isn't abandoning its core customer; instead the company is relying on fresh product, storytelling through advertising and marketing, as well as new partnerships as a way to shake things up.

"When you're changing the direction of a brand, it has to be done as a transition," Thumm offered.

Lands' End Taps Michele Donnan-Martin

By DAVID MOIN

LANDS' END has named Michele Donnan-Martin as executive vice president and chief merchandising design officer.

Donnan-Martin will lead the merchandising and design for the brand, and work to ensure that the product development, its aesthetic and prices are aligned, Edgar Huber, Lands' End presi-

dent and chief executive officer, told WWD. She will start her new job on Nov. 4 and report to Huber.

"She's got a solid background and a very unique skill set in terms of product, brand development and channel experience," Huber said. "Michele's strong experience in merchandising and design will be a valuable addition to our team as we continue to evolve our brand through new product design

and innovation." Huber has been leading efforts at Lands' End, which has a reputation for classic and traditional styling and strong service, to develop more fashion-forward styles, a wider variety of fits, and broaden the scope of category offerings. Lands' End is part of Sears Holdings Corp.

Most recently, Donnan-Martin was the senior vice president and general merchandising manager for Coldwater

Creek. Prior to that, she was the brand president, retail and direct, for Delia's Inc. She also worked at Abercrombie & Fitch Co., where she was instrumental in building up the women's apparel division; at American Eagle Outfitters Inc., where she helped launch the Martin + Osa label, which was eventually discontinued, and at J. Crew Group Inc. Donnan-Martin fills a position that has been vacant for about a year since the departure of Chris Kolbe, who had the title of brand president and earlier was executive vice president and chief merchandising design officer.

Plan Boosts Made in France Label

(Continued from page one)

for Made in France" — a Flammarion title that hit shelves on Sept. 18.

"The battle for Made in France is a daily battle, in our minds and in our deeds," the minister said recently at the opening of the Cuir à Paris leather and fur trade show.

"If we do not have a production base that is strong enough, we cannot do this, and France will become poorer, risking little by little to disappear from international radar screens. That is why this is a battle for all French people, all patriots and all those who love this great country of ours," he added.

Montebourg has been touring the country's factories in a bid to energize its managers and workforce. Next month, the minister is expected to inaugurate the renovated Courreges facility in Pau, in southern France, and he cites ballet shoe brand Repetto as a success story in his book.

Earlier this year, Montebourg charged advertising executive Philippe Lentschener with devising a "France brand" strategy aimed at promoting French products and know-how. A five-person task force that includes designer Agnès Troublé — better known as agnès b. — is due to publish its final report on the issue at the end of October, following several months of consultations with leading industry representatives, including officials from LVMH Moët Hennessy Louis Vuitton and Hermès International.

In an interview with WWD, Lentschener, chief executive officer of McCann Worldgroup France, said the onus for implementing the report's conclusions would lie with the private sector — echoing similar comments made by Hollande.

In a preliminary report published in June, his task force recommended creating a Comité Eiffel, along the lines of the Comité Colbert for the luxury goods industry, that would group together companies wishing to promote and work with the France brand, including existing members of the Comité Colbert.

"Any brand that wants to support France, from a sausage maker to LVMH, has to join the committee, because either we make this a collective effort to take France in hand, in which case it will succeed, or people will think it only concerns a handful of luxury or high-end brands, and then it's hopeless," Lentschener said.

Among his recommendations are gathering members of the future Comité Eiffel into an Economic Interest Group in charge of managing the France brand. "It would fall under private law, which means you could fund initiatives with private funds, without having to obtain countless clearances from the ministry," he explained.

Another is to register the Made in France logo as a trademark, in order to protect French products from counterfeiting.

Lentschener wants to build on existing initiatives, rather than start from scratch, in the hope of speeding up implementation of the final measures the government is expected to unveil by yearend. "If nothing is set in motion by Jan. 1, then I think we're in trouble, because that would signal there

is no drive behind this," he noted.

For example, the task force recommends maintaining labels such as Origine France Garantie (French Origin Guaranteed, in English), a certification delivered by Bureau Veritas, but adding four variants: French Service Guaranteed, French Design Guaranteed, French Production Guaranteed and French Know-How Guaranteed. This would allow companies that are dependent on foreign suppliers for their raw materials, such as exotic leathers and cashmere, to nonetheless highlight the Frenchness of their products.

The task force is in talks with Pro France, the organization that launched the French Origin Guaranteed label in 2011, on how best to harmonize their activities.

"For the moment, we have reached a consensus on launching a French Service Guaranteed label, along the lines of French Origin Guaranteed. The rest is still under discussion," Lentschener said.

Daniel Wertel, president of the French Women's Ready-to-Wear Federation, welcomed the government's efforts to restore France's battered textile industry.

"It is obvious that the level of French wages prevents anyone but luxury brands

but I think that what matters more is quality and creativity. The place of manufacturing is an added value, provided the first two factors are in place."

Elisabeth Ponsolle des Portes, president and ceo of the Comité Colbert, said the luxury industry supports any measures to boost the visibility of Made in France, since its members' output has largely contributed to the positive perception of French products overseas.

"We are favorable to this movement if the aim is to promote quality French products, but not if it hides a protectionist intent," she said.

But the executive also noted there were inherent limits to sourcing and producing high-end goods domestically. "A 100 percent French product is a total illusion, because what kind of jewelry would there be? None. The stones don't come from France. Neither do gold, silver, cashmere, cotton or even wine corks," Ponsolle des Portes said.

"It's no secret that a portion of textile and leather manufacturing is carried out in Italy. Nonetheless, the vast majority of French luxury goods are manufactured in France, making us the country's leading export industry," she added.

For companies such as Robert Clergerie, the challenge is to combine cost-effective sourcing with French manufacturing. The French luxury shoemaker, which was bought in 2011 by RC Holdings — a new entity held by Fung Brands Ltd. and fashion veteran Jean-Marc Loubier — makes more than 85 percent of its shoes in Romans, a traditional footwear hub, where it employs 140 people, including 90 in production.

"We reengineer the product so that it can still be mounted in France and not be that expensive," said Eva Taub, ceo of Robert Clergerie. "It pushes you to be more innovative and more creative, and to find a point of difference, a real point of difference — not just a story line — in the shoes."

Among the challenges of manufacturing in France, she cited the lack of creative emulation from domestic competitors (Stéphane Kélian and Charles Jourdan, who were also based in Romans, both shut down in recent years), a dearth of secondary suppliers and the 35-hour workweek.

London-based Roland Mouret, creative director of Robert Clergerie, said the legal limit on working hours meant France was less competitive than other countries.

"France is very poorly positioned in terms of speed," Mouret said. "People need to realize that Made in France products are not aimed at the domestic market but at foreign consumers, who have different buying habits. If the French want to boost Made in France, they need to at least adapt to those consumption habits."

However, Mouret was confident the initiative could ultimately be successful.

"I think a Made in France product can still be competitive, though not where the mass market is concerned," he said. "But for a luxury product, it is perfectly possible and perfectly feasible. There is always demand for Made in France products."

— WITH CONTRIBUTIONS FROM ALEX WYNNE



Shoes at the Robert Clergerie plant in France.

from regularly and massively producing Made in France products. Nonetheless, this doesn't mean others can't do the same for small runs, limited editions or capsule collections destined for specific markets as a promotional tool," he said.

"Small streams form big rivers — if every brand took responsibility and produced between 0.5 percent and 2 percent of their products in France, this country would see a massive reindustrialization," Wertel added.

Petit Bateau is a case in point. Though the bulk of the company's clothing is produced in its directly owned factories in Morocco and Tunisia, the 120-year-old firm knits and dyes its jersey fabrics at its headquarters in Troyes, where workers also produce limited-edition Made in France runs.

"There is a resurgence in foreign demand for Made in France products. Certain customers in Japan ask us to produce specific Made in France lines," noted Petit Bateau ceo Patrick Pergament, citing the example of a capsule line of men's polo shirts produced for Japanese department store Isetan.

But with an average product price of 20 euros, or \$27, producing its regular lines in France is not an option for the iconic children's brand, Pergament added.

"Even a lot of high-end brands today no longer produce in France," he said. "Of course, the country of origin is important,

MEMO PAD

THE STORY OF SAAB: Come November, readers will be able to learn all about the life and business of **Elie Saab**. The designer has teamed up with the French writer **Janie Samet**, whom he has known since his first show, for an Assouline-published book.

Simply named "Elie Saab," the oversize tome contains archival photographs, including shots by **Laziz Hamani**, and each chapter will detail a different stage of the brand. There will also be photos from Saab's childhood and his early days as a designer.

Due in stores Nov. 15, the book will be sold in a luxe slipcase.

— ROSEMARY FEITELBERG

MEMORIES OF VOGUE: Getting fired from Vogue Australia last year wasn't such a bad career move for **Kirstie Clements**, who has a new book coming out just nine months after the release of her memoir, "The Vogue Factor."

Clements' account of her 25-year career at Vogue Australia, 13 of them as editor, proved a bestseller in Australia, reprinting twice and selling 13,000 copies so far — in a market in which selling 5,000 copies is considered a successful launch. Editions have also been published in the U.K. and the U.S.

Such was the buzz in the lead-up to the book's February launch that Clements was signed that month by the same publisher, Melbourne University Press, to a new two-book deal — the first installment of which, "Tongue in Chic," is due out Nov. 1.

With cover art by **Candace Bushnell's** preferred illustrator, Melbourne-based **Megan Hess**, Clements' second crack at chronicling the corridors of Condé Nast's marquee title Down Under is less biographical and more "salacious" than "The Vogue Factor," said Clements.

Clements' insider accounts in "The Vogue Factor" of, notably, the efforts to which models go to be "Paris thin" fascinated the media in the U.S., the U.K. and Australia.

"By just telling the truth, yes, you tend to lift the lid in this industry," said Clements, who lasted far longer at Vogue than the architect of her dismissal in May 2012, News Corp. Australia chief executive officer **Kim Williams**, who stepped down last month after just 20 months in the job.

"Vogue is Vogue," Clements added. "I mean, you think, well, it's [just] Australian Vogue.... But you are privy to all the stuff that other Vogues are. [Tongue in Chic] is more observational and crazy reflections on those aspects of fashion that are so outrageous. When you look back, you think, 'Oh my God, really?' I wanted to do it while it's all still fresh in my mind." — **PATTY HUNTINGTON**

Aritzia Eyes U.S. and E-commerce Growth, Names CMO

By RACHEL STRUGATZ

DIGITAL GURU Oliver Walsh is looking to raise Aritzia's profile as the Canadian chain's first chief marketing officer.

Walsh, who founded a digital agency called Wednesday, spent the past four years working with brands such as J. Crew, Tory Burch, H&M, Balenciaga, Proenza Schouler, Alexander McQueen and Giorgio Armani

to develop mobile apps, digital marketing campaigns, new brand creations, e-commerce sites and in-store tech solutions.

"It was my job to know more about the intersection of retail meets digital than anyone else," Walsh said. "But being an agency, you only get so deep — and you're never going to be as close to the actual product, [or] as capable to make really significant business changes."

Now Walsh has a chance to

take a more hands-on approach at Aritzia. The 29-year-old retailer, founded by Brian Hall, carries a combination of in-house lines and brands such as Rag & Bone and J Brand, with price points ranging from \$50 to \$300.

Walsh worked to launch Aritzia's digital flagship last year, while still at Wednesday. The site at aritzia.com is able to respond and adapt to any device, eliminating the need for multiple sites.

E-commerce, marketing, cre-

ative services, editorial and corporate communications teams will report directly to Walsh — who is intent on doubling the retailer's e-commerce sales from 5 percent of total revenues to 10 percent in two years. The company, which will have 61 doors by yearend, is expected to log retail sales of nearly \$500 million this year, according to sources.

"There are huge disparities between [Aritzia's] brand awareness in Canada and the U.S. In Canada,

it's letting people know the clarity of what's been going on and what's been evolving, but in the U.S., it's more [about acquiring] new customers and awareness," Walsh said. "In eight years, J. Crew went from a direct mail catalogue to becoming one of the most relevant fashion brands in the U.S. They didn't do it overnight, and that is going to be my approach. It's about doing it right."

In the next 18 months, he hopes the brand is recognized as one of the top 20 leaders in terms of digital innovation in the fashion sector.

Yunus Touts Worker Plan

By ROSEMARY FEITELBERG

NEW YORK — He may be known as a Nobel Peace Prize winner and for championing microcredit, but Muhammad Yunus was fulfilling his Glasgow Caledonian University Chancellor duties Thursday when he talked up the school's satellite New York office at the Stephen Weiss Studio here. GCU's 64 Wooster Street space will bow in January.

In his remarks, Yunus also urged attendees to help protect and provide for underpaid and mistreated apparel-

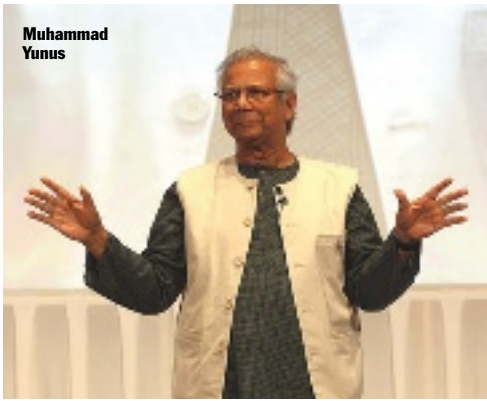
want to wear shirts stained with the blood of the people who died there. Why isn't anyone making sure those buildings are safe?

"This is the time to capture the moment to resolve these issues," he added. "Today, Bangladesh produces \$20 billion in apparel, and that figure is expected to increase to \$35 billion by 2016."

Female factory workers "have transformed Bangladesh by leaving their homes, coming to the city, having new lives for themselves as opposed to being stuck inside their homes. These women are brave and what do we give them? Eleven cents [for an hourly wage]," Yunus said.

Creating a "Happy Workers" tag for garments would require spending \$1 more for a \$10 shirt to ensure that the factory workers are treated fairly. The extra dollar would go into a common fund for workers' health services, insurance, education for children and retirement benefits. "Because if you take 10 percent from each of the [\$20 billion in] garments [made in Bangladesh] that would amount to \$2 billion for all kinds of services," Yunus said. "So consumers can take the responsibility. You don't have to convince every company to do it. If one company does it and consumers respond very well, every company will be attracted to do it."

As for whether housing, child care and education should be provided to workers, Yunus said, "Everything is wrong. Nobody cares. That should absolutely be included. If we pay attention, this problem can be solved just like that [snapping his fingers] except nobody pays attention. Everybody is busy making money. I have said, 'I'm not stopping you from making money.' But pay attention to this."



Muhammad Yunus

PHOTO COURTESY OF THE CONSUMER GOODS FORUM

factory workers. His words were well placed considering the crowd included U.K. Foreign and Commonwealth Office Minister Alistair Burt and Marks & Spencer's Patrick Bousquet-Chavanne, among others. With plans to host town hall meetings, TED-type lectures, executive education and "made-to-measure" programs with companies interested in improving labor standards or supply-chain issues, GCU expects 1,000 students and executives to pass through its SoHo doors next year.

After his remarks, Yunus spoke to WWD about how the Rana Plaza factory collapse in Dhaka, Bangladesh, has made people realize, "What is happening? Why are people dying? I don't

Hochman Exiting Company

By KARYN MONGET

CAROLE HOCHMAN, the longtime doyenne of the sleepwear and intimates industry, has resigned her post as creative director at the Carole Hochman Design Group.

Hochman, who has been the driving force of the company since she began designing the licensed Christian Dior sleepwear collection in 1968, will leave the firm Oct. 31. A successor has not been named.

The Hochman firm, which generates estimated wholesale revenues between \$150 million and \$200 million, was acquired by Komar, a \$900 million company, in December 2010. She joined Komar through the acquisition and continued to lead the creative and design process for a portfolio of brands, including the licensed Oscar de la Renta, Betsey Johnson, Ralph Lauren and Donna Karan names. She also created and oversaw the evolution of Carole Hochman Knits, Carole Hochman Midnight and Cottonista, a private brand developed exclusively for Saks Fifth Avenue. Most recently, Hochman designed and launched Jane & Bleecker, a contemporary line of lounge and sleep separates aimed at Millennials.

"I'm not a social person. I've been

going to work every day and work hard. I've worked very hard over the past three years in particular on designing the Donna Karan, Jane & Bleecker and Cottonista sleepwear collections, for which I am very proud," said Hochman, who began her successful tenure in the intimates field as an intern in the lingerie department at Bergdorf Goodman in 1964.

Now that Hochman will be "free" to do what she wants professionally, she said, "I am looking forward to the next chapter in my career."

The new chapter includes decorating and moving into her country home, but she insists she's not yet ready to retire.

Hochman has been a popular personality for more than a decade on QVC, where she wears her namesake pajamas on air and sells numerous Carole Hochman pj's and nighties.

"We're in discussions right now... I'm not sure I want to continue being part of this [QVC] if I don't have creative control of the product," said Hochman, who will continue to appear on QVC until December.

In the meantime, Hochman, a CFDA member, is exploring consultancy projects that include the sleepwear and intimates fields, as well as active, loungewear and ready-to-wear.

"It's a big world out there. I don't have to stay in New York," she said.

BEAUTY BEAT

Burch Scent Hits Bloomingdale's

By JULIE NAUGHTON

NEW YORK — Bloomingdale's sold an estimated \$45,000 to \$50,000 of the new Tory Burch fragrance at its first day on counter.

While executives at the retailer as well as Burch's fragrance licensee, the Aramis & Designer Fragrances division of the Estée Lauder Cos. Inc. declined to comment, estimates were the Burch fragrance — the designer's first — was a strong performer throughout the Bloomingdale's chain on the day of its launch, which was last Thursday.

That evening, Burch made a personal appearance for her fragrance at Bloomingdale's 59th Street flagship here, which drew about 500 people. Those buying the fragrance were able to have their bottle signed by the designer.

"I have two loves in my life — Bloomingdale's and Tory Burch," said Leonard Lauder, chairman emeritus of the Estée Lauder Cos. Inc. "Not only is Tory beautiful, she is talented and knows what women want."

The scent is exclusive in the U.S. to Bloomingdale's and Tory Burch boutiques through the holidays.

Michael Gould, chairman and chief executive officer of Bloomingdale's, called the event "the largest turnout for a fragrance personal appearance in my 22 years here."

"Tory is one of the most important designers and brands in the store," Gould added. "This is a major milestone for us." Bloomingdale's turned all of its store windows into a veritable Tory-land, featuring the scent everywhere. "I'm trying not to get emotional," said the designer with a large smile.



PHOTO BY THOMAS IANACCONE

Fabrizio Freda, Michael Gould, Tory Burch, Leonard and William Lauder.

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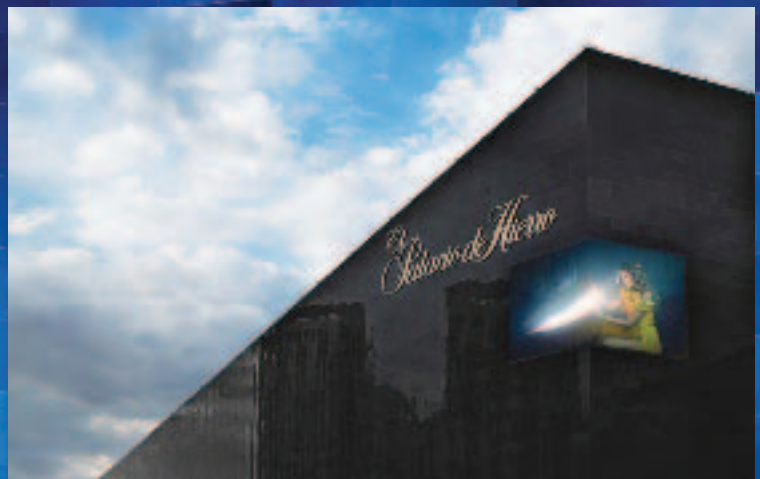
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WWD MILESTONES

SECTION II

El Palacio de Hierro At 125

Mexico's premier department store chain marks a century and a quarter of game-changing moves and innovations.



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SECTION II

WWD MILESTONES

Through The Years

El Palacio de Hierro traces its roots to French-Mexican entrepreneurs. By Ivan Castano

"THEY WORKED VERY HARD and even slept on their shop's counters," said Mexican history professor Luz Maria Silva, recounting the story of Joseph Tron and Joseph Léautaud, two French entrepreneurs who arrived in the country in 1864 and opened a small shop in Mexico City's downtown district.

The two partners sold a variety of goods imported from France, including fabrics, clothing and soap, in their store, located in the historic Zócalo Square, where Mexico City's Metropolitan Cathedral currently stands.

They did so for a few years, until, in 1867 — following the end of Mexico's French occupation — demand for European and upmarket goods began rising in Mexico, prompting the two now-wealthier businessmen to explore ways to expand their store.

As Frenchmen, they sought answers in France, where several department store trademarks were becoming increasingly popular.

The men traveled to Paris to meet Eiffel Tower architect Gustave Eiffel, who also designed the cast-iron structure of Le Bon Marché's first store, to gain ideas about how to build a similar structure in Mexico City. They also visited department stores Le Bon Marché, Printemps and La Samaritaine, as well as Harrods in London, among others.

Back in Mexico City, the two Josephs pooled their savings and for 85,000 pesos, bought several houses to build the first El Palacio de Hierro in the downtown district, also fairly close to Zócalo Square.

The five-story building, inaugurated on July 1, 1891, was made of cast iron — "hierro" means "iron" — giving birth to the El Palacio de Hierro brand, which now spans 16 outlets and is Mexico's leading luxury department store chain.

El Palacio's maiden store measured about 7,000 square feet and was about a third of its current size, according to Silva.



An atrium view in Mexico City.



The first El Palacio de Hierro store in Mexico City.

Soon afterward, the partners changed their first business holding name, J. Tron & Co., to El Palacio de Hierro SA to begin expanding the retailer and grow its profits.

That plan hit a brick wall in 1914, however, when a short-circuit in a window triggered a fire that destroyed the entire store. The executives, including Tron's brother Henri, did not give up, however, continuing to sell an expanding array of merchandise in buildings across the ruined building.

They persevered, and in 1921, reopened a

El Palacio's second store opened in the tony Roma neighborhood in 1958.

larger and glitzier El Palacio de Hierro. The new store also marked a change of sales strategy for El Palacio to cater to booming demand for luxury and aspirational clothing on the back of an expanding Mexican economy.

Indeed, El Palacio shifted gears to become more of an upmarket emporium and less of a mass-market retailer.

The fledgling downtown shop, designed by French architect Paul Dubois and boasting an impressive glass dome, was created with that purpose in mind.

"You could buy the finest jewelry, watches, glassware, homeware, perfumes and other high-end clothing," Silva said, adding that the game-changing outlet also added custom-made tailoring by the hand of then-famous French designer Margerite Rosane.

As business flourished, El Palacio opened its second store in the city's tony Roma quarter in March 1958. That year, the retailer also launched a store credit card, the first of its kind in Mexico, where the credit card industry had not yet taken off.

El Palacio was a then a very profitable and debt-free enterprise, according to Silva. Aware of its potential, Alberto Baillères,

(Continued on page 6)

Key Dates

1888: J. Tron & Co., a partnership founded by entrepreneurs Joseph Tron and Joseph Léautaud, begins construction of a five-story building on the corner of what today is Venustiano Carranza and Avenida 20 de Noviembre in Mexico City. The store would be called El Palacio de Hierro, or "The Iron Palace."

1891: On July 1, the first building of El Palacio de Hierro Centro (Downtown) opens.

1898: The company changes its name to El Palacio de Hierro, and the partnership is born as an SA-structured company, the first of its type in Mexico.

1914: On April 15, a fire consumes the main building of El Palacio de Hierro Centro.

1921: It takes seven years, but on Oct. 22, El Palacio de Hierro Centro reopens.

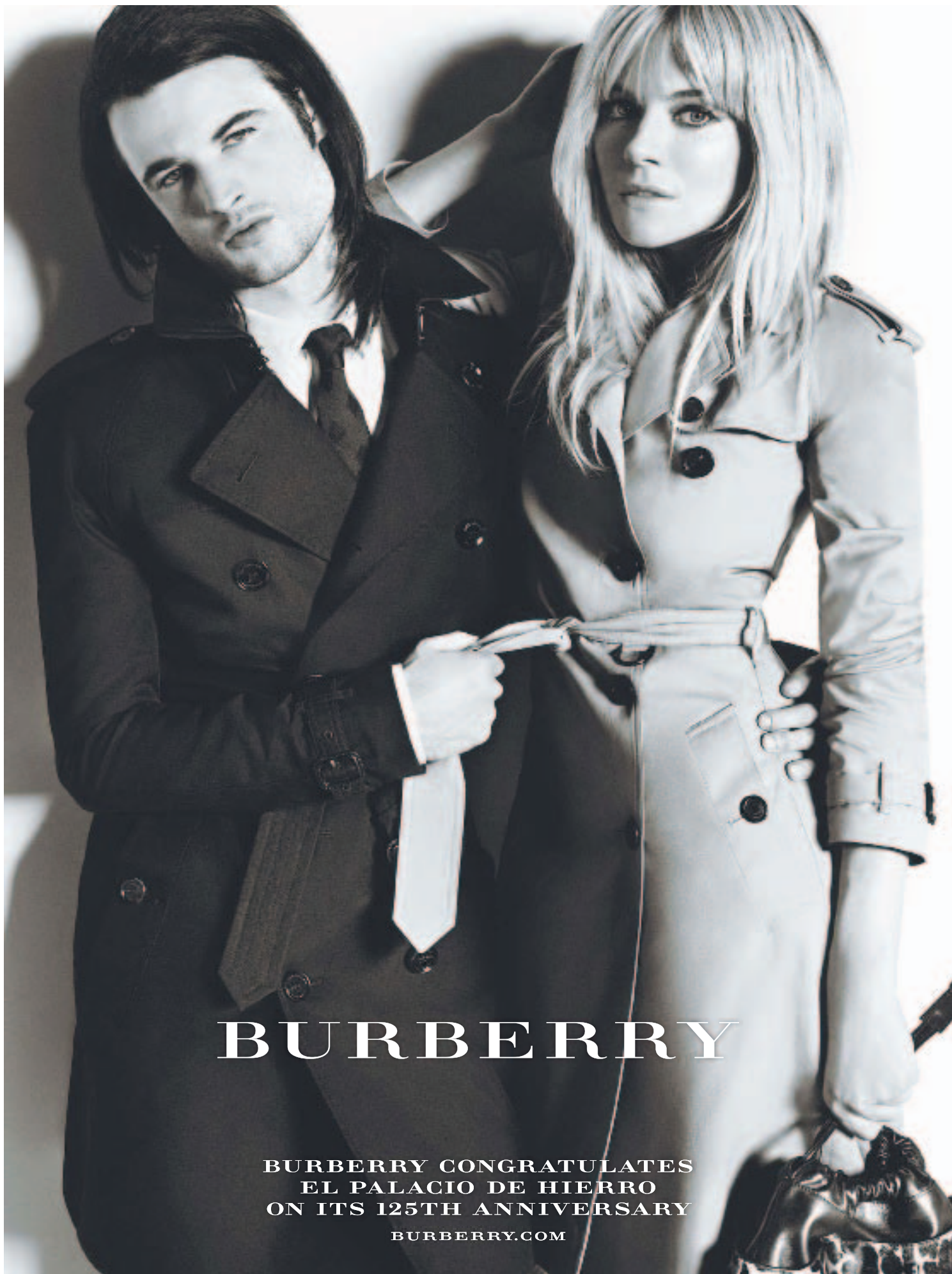
1935: After a trip to Paris and New York, Hipólito Signoret (Joseph Tron's brother-in-law) returns with a way to spur business in the midst of the global depressed economy: Show off the merchandise. The store is filled with light, and everything is on view to the customer. Columns are covered with mirrors, and glass display cases and glass counters are installed all over the store, allowing the merchandise to be completely on display for customers.

1956: The store issues coupons for 100, 250, 500 and 1,000 pesos. They are credit extensions, designed to be paid in six months.

1958: El Palacio de Hierro issues its credit card, even before the banking system does. (Continued on page 8)



Fire destroys the store in 1914.



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WWD MILESTONES

(Continued from page 4)

the son of Mexican banking and mining tycoon Raúl Baillères, encouraged his father to take over the retailer. Trusting his son's instincts, the Baillères family bought a controlling stake in El Palacio de Hierro, taking over just before Christmas 1963.

Under the Baillères family, which still owns 80 percent of El Palacio through its Grupo Bal business conglomerate, the retailer entered a period of very robust growth.

A retail enthusiast, Alberto Baillères became the company's managing director.

Today, Baillères remains chairman of Grupo El Palacio de Hierro and is still actively involved in store design and marketing efforts.

El Palacio's acquisition was a savvy bet for Baillères, helping build the entrepreneur's wealth to turn him into Mexico's second-richest man with an estimated net worth of \$18.2 billion, according to Forbes. In Mexico, Baillères' wealth is only second to telecom and retail tycoon Carlos Slim, the world's second richest man and owner of the competing Sears de Mexico department store franchise.

Baillères also created El Palacio's current marketing slogan, "Soy Totalmente Palacio" ("I am totally Palacio"), launched in 1996.

Soon after the acquisition, Baillères introduced an overarching strategy for El Palacio: to make it Mexico's best store — "not the biggest, but the best," Silva emphasized.

It began fleshing out its



El Palacio in the Perisur mall opened in 1980 in Mexico City.

store-credit business and introduced the NCR 315 computer to automate business processes such as inventories and sales.

Then, in 1980, El Palacio's third outlet in Mexico City's Perisur mall swung open for business. The establishment was the first to offer individual brand corners and in-store shops. Through a marketing campaign dubbed "more than a place, a magnificent experience," the retailer promoted a lifestyle-inspired shopping experience.

In 1989, El Palacio opened another outlet in the Centro

The Perisur store introduced individual brand corners and in-store shops, and promoted a "lifestyle" shopping experience.

Coyoacán mall, the first owned by the Baillères family, in southern Mexico City. Four years later, the Centro Santa Fe store was inaugurated. Since then, the firm has opened four more units, the latest of which stands in Mexico City's upscale Interlomas mall.

With sales of 18 billion pesos (\$1.3 billion) in 2012, Grupo Palacio de Hierro now operates 17 stores, including two luxury home Casa Palacio doors and three La Boutique Palacio smaller concepts.

Getting there, however, wasn't easy, Silva said.

Apart from working to differentiate itself from archrival Liverpool, which operates nearly 100 stores, the company faced challenges in entering other Mexican cities with different demographics and consumer targets.

"Expanding to Monterrey had its challenges because people there like to go shopping in American malls," Silva noted. "So the company had to work to convince consumers to buy in El Palacio by offer-

ing special services and top-quality products."

The Monterrey store was built as a place where people can walk and socialize with friends while shopping, Silva said, as a way to encourage consumers to spend more time in El Palacio. The chain faced similar difficulties positioning itself in the beach town of Villahermosa, where people have different apparel requirements and tastes.

El Palacio also had to fight to win wealthy Mexicans, who have for years jetted to New York, Miami or Paris to buy luxury apparel in high-end boutiques.


"We have worked to bring [in] the world's biggest luxury brands," added an El Palacio source. "If you want Marc Jacobs, Loewe, Fendi, Gucci and the like, we have it right here. You don't have to leave Mexico anymore."

Store Openings

1891	El Palacio de Hierro Centro (Downtown)	Mexico City
1958	El Palacio de Hierro Durango	Mexico City
1980	El Palacio de Hierro Perisur	Mexico City
1989	El Palacio de Hierro Coyoacán	Mexico City
1993	El Palacio de Hierro Santa Fe	Mexico City
1997	El Palacio de Hierro Polanco	Mexico City
1998	El Palacio de Hierro Satélite	Estado de México (Mexico City Metropolitan Area)
2002	El Palacio de Hierro Puebla	Puebla, Puebla
2005	El Palacio de Hierro Monterrey	Monterrey, Nuevo León
2006	Casa Palacio Antara	Mexico City
2008	El Palacio de Hierro Guadalajara	Guadalajara, Jalisco
2008	La Boutique Palacio Acapulco	Acapulco, Guerrero
2010	La Boutique Palacio Acoxta	Mexico City
2010	La Boutique Palacio Cancún	Cancún, Quintana Roo
2011	El Palacio de Hierro Interlomas	Estado de México (Mexico City Metropolitan Area)
2012	El Palacio de Hierro Villahermosa	Villahermosa, Tabasco
2013	Casa Palacio Santa Fe	Mexico City



The store in Guadalajara opened in 2008.



Calvin Klein, Inc. congratulates
El Palacio de Hierro
on its 125th anniversary

Calvin Klein

WWD MILESTONES

Key Dates

(Continued from page 4)

■ On March 25, the Durango store opens in the new Roma neighborhood, a wealthy enclave. It comes about as a result of discovering that luxury shoppers are no longer traveling to the Centro to shop.

1963: Signoret's group contacts Alberto Baillères, who was visiting France and offers to sell the stores to his father, Raúl, a wealthy industrialist. A few days before Christmas, the Baillères family takes possession of El Palacio de Hierro.

1964: The Baillères family sets a new course for the retailer, including expansion and the new mission to become the best store in Mexico.

1964: To increase sales using both credit cards and coupons, transactions are automated using an NCR 315 computer. A promotional campaign asks: "Why carry so much money when you go shopping?" By the end of the year, sales increase 13 percent, and the upward trend continues after that.

1967: Salón Internacional is created, featuring top international and Mexican designers. Designers like Bill Blass, Manuel Pertegaz and couturieres from the house of Lanvin attend the opening to present their collections.

1968: Manuel Pertegaz and Lanvin present their collections outside the store in beautiful locations throughout Mexico City.

1969: Mexican designer Manuel Méndez joins the Salón Internacional. Oscar de la Renta, Hubert de Givenchy and Carolina Herrera are among the designers who visit Mexico and recognize El Palacio de Hierro as their entry to the Latin American market.

1980: Perisur is the first store to open under the Baillères leadership, making its debut on Nov. 17, in time for the holiday season. It also introduces to Mexico the concept of in-store boutiques. The new style of retailing is promoted as "more than a place, a magnificent experience," offering customers a new shopping experience that includes lifestyle. Carolina Herrera attends the opening and presents her collection.

1989: Centro Coyoacán is the first shopping mall owned by Baillères. In addition to El Palacio, the mall offers 130 boutiques, restaurants, a food court and banking services.

1993: El Palacio de Hierro introduces bar codes. Logistics are changing along with how inventory and merchandise are managed.

■ Centro Santa Fe opens, and Carolina Herrera returns to El Palacio



An early promotion for summer apparel.

de Hierro to present her spring 1994 collection.

1996: The now-ubiquitous "Soy Totalmente Palacio," or "I am totally Palacio," slogan is created by Alberto Baillères.

1997: The company's store and offices, along with the headquarters for parent Grupo Bal, open in the tony Polanco section of Mexico City.

1998: The company opens its Satélite store, in metropolitan Mexico City.

2002: El Palacio de Hierro Puebla opens. It is the chain's first store outside Mexico City.

2006: Casa Palacio Antara opens as the company's first freestanding luxury home design store.

2007: Yellow becomes the official signature color of the chain.

■ **2008:** The Guadalajara store opens. La Boutique Palacio, a smaller concept store, opens in Acapulco with a Casa Palacio department.

2010: El Palacio de Hierro Guadalajara receives an award from Euroshop Retail Design for being the best concept store in a department store category. ■ La Boutique Palacio Acoxa opens in Mexico City, and another La Boutique Palacio opens in Cancun.

2011: El Palacio's Interlomas unit opens with a new layout reflecting the lifestyle concept.

■ WGSN honors La Boutique Palacio Cancun as Outstanding New Store.

■ In a groundbreaking ad campaign, the retailer features octogenarian model Carmen Dell'Orefice.

2012: The Villahermosa unit opens.

■ WGSN recognizes and awards El Palacio de Hierro Interlomas as Best Store, defeating Selfridges and Harrods in London, Lane Crawford in Hong Kong and Barneys New York.

2013: Casa Palacio Santa Fe opens, the second such store in Mexico City.

■ The company marks its 125th anniversary with special events, a dedicated product line and a museum exhibition.

Marking the Occasion

FOR ITS 125th anniversary celebration, El Palacio de Hierro has a different spin on retailing — store as museum.

To bring to life its extensive history of fashion, furniture, tabletop, appliances and designers, the company is installing a 40-ton iron structure right in the main hall of its downtown Centro store. Héctor Esrawe, of the creative agency bearing his name, is the architect who designed the structure. The exhibition, which opens Oct. 9, reinvents the pop-up format in a sophisticated format and is a most appropriate setting, considering Centro is the original venue of the store chain.

"We are showing old products in a modern way," said Rodrigo Flores, fashion home director for El Palacio and the project leader for the exhibition, which will feature hundreds of items. "We figured out that there would be no better way to stage an exhibition like this. It's an important anniversary. We



A Nixon watch and Loewe purse designed for the anniversary.

wanted to take it to another level."

Centro Palacio's darkest moment, the great fire of 1914 caused by a short circuit in a window, will be commemorated with a window display. The store, inspired by the Art Deco and Art Nouveau architectural styles of the great department stores in Europe such as Le Bon Marché, Harrods and Galeries Lafayette, was gloriously rebuilt and reopened in 1921.

Another 18 windows will be adorned with products from the distant and more recent past, each with a story of its own, while the main attraction inside will occupy more than 4,800 square feet over three levels housing a total of 36 vignettes for fashion, furniture, memorabilia and historic pieces. It's being constructed like a 3-D grid, enabling visitors to walk inside and view the different floors from different perspectives. About half of the store's current merchandise is being temporarily swept aside to make room for the exhibition. Guides on each floor will help visitors navigate through and explain that the iron structure is symbolic, evoking the original "Iron Palace."

Sitting beside a scale model of the exhibition, Flores detailed many of the special products gathered for the event — early-20th-century kitchen gadgets; photos from designer and celebrity appearances; a silver centerpiece from Maximilian; 100 years of hats; 125 years of plates; vintage postcards; advertisements from the retailers of European capitals that



Héctor Esrawe, Nathalie Baaklini and Rodrigo Flores of the 125 Years event and marketing team.

PORTRAIT BY ANDREA CANON



The anniversary logo.

inspired the founders of El Palacio de Hierro; antiquated electronics of all kinds, like Gramophones and one of Mexico's first televisions from the Fifties, and a praxinoscope, one of

those old devices emitting a rapid succession of images for the illusion of motion, projecting men and women dancing in ballgowns and black tie.

There will also be a section devoted to the Salón Internacional, a format that was once inside El Palacio de Hierro to spotlight haute couture from international designers. There will even be a small "mourning" catalogue on display, providing head-to-toe looks for the entire family, from long black shawls and black umbrellas to corsets and veils adorned with crepe.

In addition, Flores is tapping his own collection of 200 dresses and gowns from different decades, putting several on display — notably a Jacques Doucet couture gown from the early 20th century. The French designer was known for flamboyant, flimsy dresses with pastel colors. Of the exhibition overall, "We will show pieces from every decade. This exhibition is quite extensive," Flores said.

— DAVID MOIN

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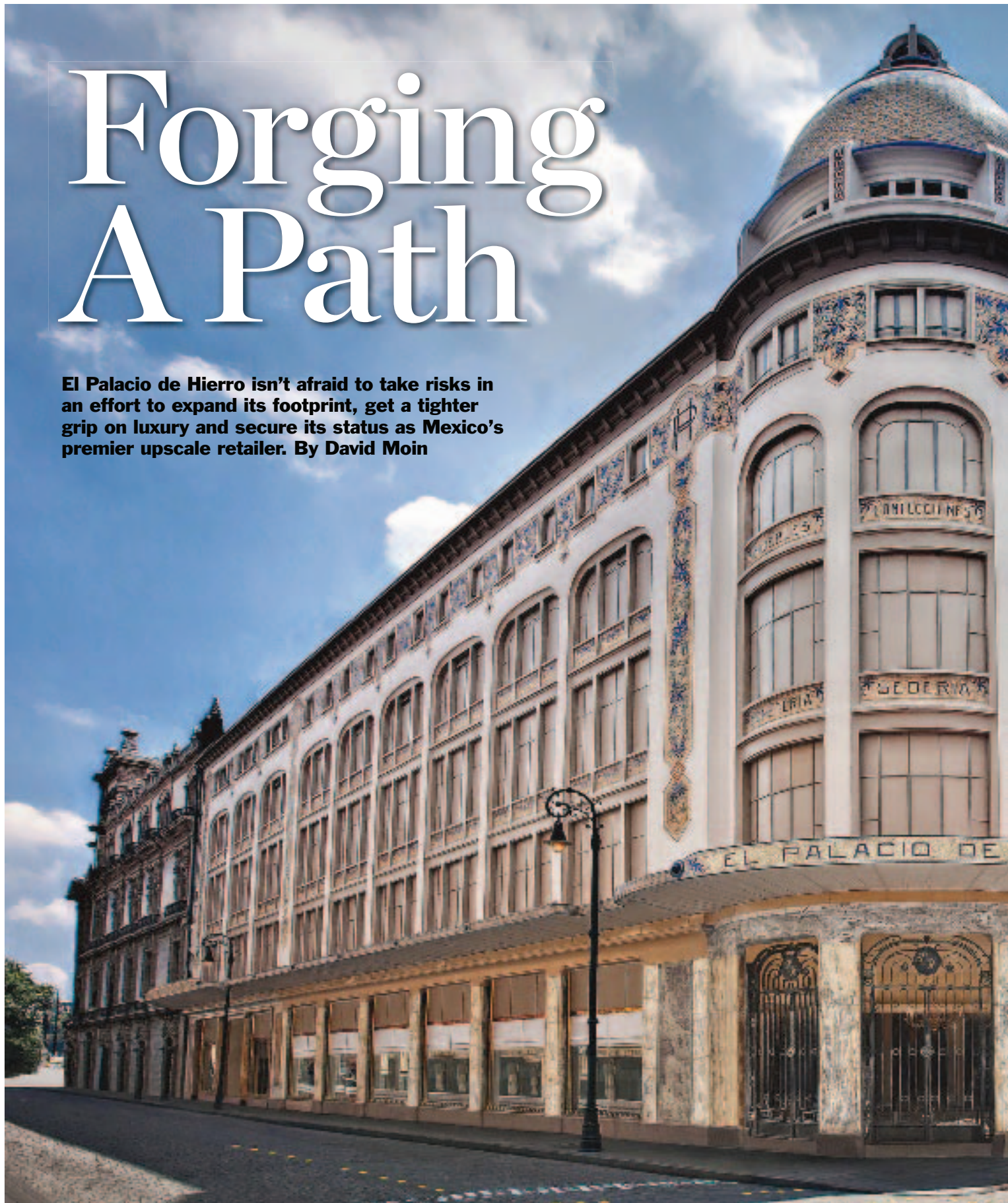
*on 125 years
of setting trends in Mexico*



Carat

Forging A Path

El Palacio de Hierro isn't afraid to take risks in an effort to expand its footprint, get a tighter grip on luxury and secure its status as Mexico's premier upscale retailer. By David Moin



El Palacio de Hierro Centro



JOSÉ MARÍA BLANCO, chief executive officer of El Palacio de Hierro, nearly fell out of his seat when Don Alberto Baillères, the company's owner, disclosed a daring scheme.

In the middle of Mexico's "Tequila Crisis," the economic collapse triggered by the sudden devaluation of the peso in 1994, Baillères instructed Blanco to buy some prime real estate in Polanco, an affluent neighborhood just north of Chapultepec Park in Mexico City.

"Buy the Polanco space. Go get it for me," Blanco said in an interview, recalling Baillères' words. "I was shocked. I said, 'this is very, very macho.'"

The company bought 80 percent of the Polanco block from the developer/owner, in a financially risky move that ultimately proved pivotal, marking the beginning of El Palacio de Hierro's major expansion, and reinforcing the new strategy of upscaling started in 1993 when the retailer opened in the well-to-do Santa Fe section of Mexico City.

In Polanco, El Palacio built a mall anchored by the store, which opened in 1998, and a year later, the imposing headquarters of Grupo Bal, the conglomerate owned by Baillères that includes El Palacio de Hierro, opened atop the site. It's among Mexico City's most recognizable structures — a towering triangular stone edifice evoking the mysterious Teotihuacán Pyramids outside Mexico City. In the years since, El Palacio de Hierro bought up the adjacent buildings to own 100 percent of the block and position the department store for a \$200 million expansion and renovation, more than doubling its size to 500,000 square feet.

"This will be the flagship of all flagships," Blanco stated, citing such introductions as Prada, Gucci and Louis Vuitton in luxury ready-to-wear and accessories. "They will all have windows and shops to the street. We started talking about this project over a year ago. Next month, we'll see the plans for the layout."

As part of the overall project, Grupo Bal's headquarters will grow, too, without losing its pyramid character and in proportion to how the store and the mall expand.

"In my 21 years at Palacio, I have never experienced a challenge like this," said Claudia Fabela, luxury director. "With Fendi, Dior, Hermès, Bottega Veneta, we currently only have their accessories. Now we will express their whole worlds. Polanco will transform into a luxury corridor, like a shopping mall that allows the brands to express their identity in the context of a Palacio concept store."

Creating a "harmonious" balance between brand expression and projecting the personality of the host store, Fabela stressed, is the crux of the challenge.

"Getting the Polanco property was a daring move, really at the height of the crisis," agreed Carlos Salcido, director of marketing. "It was a great opportunity requiring great vision. It said a lot about the spirit of this company and that Mr. Baillères believes in investing in this country and taking chances."

It also blocked Saks Fifth Avenue from taking the site. Saks was negotiating with the original property owner and having second thoughts due to the state of the Mexican economy.

"That's when Mr. Baillères jumped in. It was the perfect opportunity," added Françoise Lavertu, the communications director.

At 125 years old, El Palacio de Hierro — "The Iron Palace" — is far from maturity. That's the prevailing message from the executive team, who detail various redevelopments, renovations, store openings, brand introductions and image upgrades on the agenda. Following the Polanco project, the Durango site will be reimagined with a bridge linking two sections of the store and spanning above what will become a pedestrian plaza with bistros, cafés and shops. The street for vehicular traffic will be rerouted by creating an underground passage.

El Palacio de Hierro will further increase its footprint, albeit cautiously.

"We can't put 70 stores in Mexico," Blanco said. "The market isn't big enough. However, we do see opening stores in three or four

(Continued on page 12)

SECTION II

WWD MILESTONES

(Continued from page 11)

more Mexican cities," with Veracruz and Querétaro planned. In addition, "We are thinking about international expansion, to Panama, Colombia, Chile and Peru. Panama is a very big center for shopping."

Blanco, who has served as ceo for more than two decades since his arrival at the store, dismissed any possibility of bringing El Palacio to the U.S.

"The U.S. is beautiful, but the competition is very difficult," Blanco says. "It's very much another level."

El Palacio de Hierro dates back to 1888 when J. Tron & Co. started construction of a five-floor store in downtown Mexico City on the corner of Venustiano Carranza and Avenida 20 de Noviembre. The Centro store, as it is known, opened in 1891. In 1914, a fire caused by a short circuit in a window destroyed the main building and

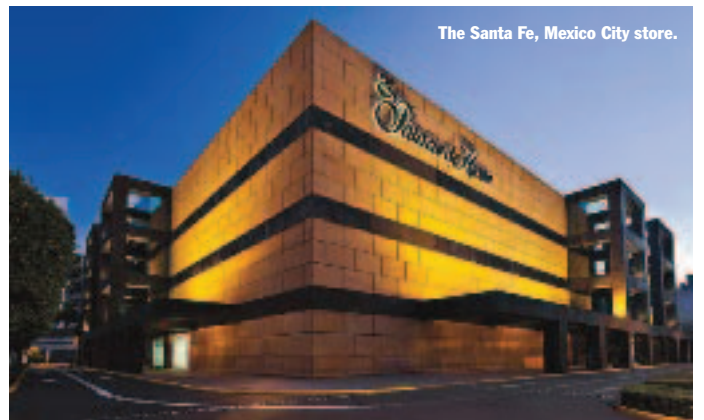


El Palacio de Hierro this week stages a "store takeover" for Ferragamo with intensified marketing and merchandising.



"We are thinking about international expansion, to Panama, Colombia, Chile and Peru....The U.S. is beautiful, but the competition is very difficult."

— JOSÉ MARÍA BLANCO



The Santa Fe, Mexico City store.

it wasn't until 1921 that El Palacio de Hierro Centro reopened.

The history of El Palacio — Mexico's first department store — is filled with pioneering maneuvers, from being among the earlier retailers to see real value in owning its real estate, to introducing a store credit card in 1958, before the Mexican banking system did.

In 1963, the Baillères family bought El Palacio de Hierro, and not long after, the store opened its Salón Internacional shop for designers and couturiers such as Bill Blass, Manuel Pertegaz, Lanvin, Oscar de la Renta, Hubert de Givenchy and Carolina Herrera, most of whom regarded El Palacio as their entry to the Latin American market.

Expansion began in 1980 with an opening in Perisur, Mexico City, which has become the company's biggest volume store, generating 2.5 billion pesos annually, or \$190 million. Nine years later, the Centro Coyoacán shopping mall owned by Baillères opened. In 1993, the Santa Fe store in Mexico City opened, and a store in Puebla, the company's first outside Mexico City, opened in 2002. Casa Palacio, the upscale home format, made its debut in 2006 in Antara, Mexico City. And in 2007, the retailer adopted yellow as its signature color.

El Palacio de Hierro remains a small but increasingly complex company that's growing. Currently, there are 12 department stores, two freestanding high-end home stores, three Palacio boutiques, a restaurant operation, outlets, a travel agency, two owned and operated malls and three other malls owned in partnerships, and more than 100 brand boutiques that El Palacio is licensed to operate in Mexico. Many luxury brands sold inside El Palacio

department stores don't have the infrastructure or market knowledge to establish freestanding shops in Mexico. That's where El Palacio steps in, by operating Burberry, Bebe, Mango, Kiehl's, Aldo, Cartier and Hugo Boss boutiques, among others, in Mexico.

"Even though it's an upscale store, it's becoming more and more accessible to anyone. There's a Mexican philosophy and kind of a cultural link to the society," observed Javier Sordo Madaleno, one of Mexico's most prominent architects, who has created 10 facades for El Palacio department stores.

Inside the stores, the ambiance is elevated compared to Liverpool, the much larger Mexican department store chain that reads like a standard Macy's. El Palacio is sometimes regarded as the Saks of Mexico but once past the main floor luxury accessories, fine jewelry and cosmetics, the tone is a rung below.

The luxury accessories, cosmetics, kids and high-end home businesses are among the retailer's strongest categories. On the other hand, contemporary sportswear, lacking such labels as Vince and Rebecca Taylor, designer rtw and e-commerce remain underdeveloped areas, and are regarded as opportunities. Across the rtw floors, American, Spanish and Mexican brands are in greater evidence than European lines; bridge, casual, children and active assortments appear fulsome.

In dissecting the El Palacio DNA, executives cited the company's accelerating luxury appeal — predominantly, its leased designer accessory shops. Luxury accessories and fine jewelry combined represent about 20 percent of the company's volume, and is mostly sold at the Santa Fe, Monterrey, Guadalajara, Perisur, Interlomas and

Polanco locations. There's a smattering of designer rtw, though going forward, the buy will grow. Trunk shows, such as with Bottega Veneta, are being stepped up.

They also cite a strong brand focus and that the company has identified 50 strategic brands for building up the partnerships, among them Apple, Louis Vuitton and Tiffany.

"Store takeovers" lasting a few days

Challenges and Opportunities

- Underdeveloped e-commerce, contemporary sportswear, designer ready-to-wear businesses.
- Encouraging Mexicans to shop more at home, less in the U.S.
- Mexico's image issues and world perceptions.
- Competing against rising influx of retailers from abroad.
- Later deliveries by vendors favoring bigger American retailers.

entail a 360-degree tactical approach involving intensified marketing, merchandising, visuals and special events. Store takeovers have been orchestrated with Tory Burch, Nautica and Apple, among other brands, and this week, Ferragamo gets spotlighted.

El Palacio is known for its innovative advertising and getting a lot of bang for the buck, spending no more than other department stores — 3 to 4 percent of annual revenues. The advertising projects an aspirational, upscale appeal, is image-oriented rather the price or promotionally driven and

it strives to differentiate the business. The retailer's enduring tag line, "Soy Totalmente Palacio," a Baillères brainstorm, was introduced in 1996 and has become part of the Mexican vernacular, the way Nike's "Just Do It" slogan has stuck.

The retailer is also known for unique store design marked by dramatic facades, and has been modernizing stores with curvilinear cosmetic floors for greater visibility and brand presentation. Big bright atria, fixtures with flair and cash-wraps installed in transition areas between categories so they're obvious and don't intrude on selling space, are signatures. For store design and merchandising, the company has drawn inspiration from the old grande dame department stores in Europe, such as Galeries Lafayette in Paris and Selfridges in the U.K.

Among El Palacio's most distinctive features is what isn't seen much at all in the department store industry anymore — an eclectic, old-style emporium-like assortment covering everything from apparel, beauty and footwear to food, toys, electronics, furniture, tabletop and appliances. The broad approach works because Mexicans are prone to shop as families.

Volume at El Palacio de Hierro reached 20 billion pesos last year, or about \$1.5 billion. Net profit was 7 percent of sales. "The target is 9 to 10 percent by 2018, as we continue to heavily invest in the company," said Daniel Elguea, chief financial officer. Capital spending is at 2 billion pesos a year, and the debt level is twice earnings before interest, taxes, depreciation and amortization, said Elguea, who conveyed that the company is growing significantly and is in good shape.

On the revenue side, he forecasted

(Continued on page 14)

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SECTION II

WWD MILESTONES

(Continued from page 12)

25 billion pesos, or more than \$1.9 billion, by 2015. For the 2010 to 2015 period, the company will have doubled revenues, and from 2008 to 2012, tripled profitability, he added.

"Managing growth — that's our biggest challenge," Elguea said. "We have the money, the financial discipline and the results to do it. And we already have a successful business model. We have been able to consume a substantial amount of complex projects."

Along with mall and store projects, the company has been installing an SAP enterprise-wide system for the finance, financial planning, human resources, payroll, real estate and merchandising functions.

Not too long ago, the executive ranks did have concerns that El Palacio had too much on its plate, and that the company should walk before running, particularly with many American and European retailers expanding to Mexico. Saks, which opened in 2007 in Santa Fe and in 2010 in Polanco, added to the anxiety. The Saks stores are in partnership with Carlos Slim Helú, Mexico's richest man.

"That was a threat, a huge competitive threat," Elguea acknowledged. "But the single fact that 80 percent of our brands opted to stay with us and only 20 percent left or chose to be in both stores validated our strong positioning in the high-end market in Mexico. Five years after, those that left us are back knocking on our doors. Now we set conditions of how we want them back — and we do want them back. When the big names stick with us, that is a validation that what Palacio is doing is right. It's not us saying that. It's a bunch of brands saying it."

It's helped that Saks has not been the perceived threat, with reports that the stores lack traffic and are priced too high.

This year, sales at El Palacio are seen running flat, due to cutbacks on exports amid the world economic malaise and government pulling the reins back on spending and infrastructure projects, impacting consumer spending. However, El Palacio's team thinks long term, so its game plan for upscaling is undeterred and supported by Mexico's rising middle class, relaxed import restrictions over the years and import prices approaching parity with prices in the U.S.

There's also the population's love of brands. "Our customers know all about fashion," said Blanco. "They're just like consumers in the States. They know Prada very well."

How well Prada knows Mexico and El Palacio de Hierro is another story. Last May, Blanco met for the first time with Patrizio Bertelli, ceo of Prada SpA. "He spoke a little Spanish. I spoke a little Italian — very little," Blanco said. "He never expected Palacio would be the kind of store it is, with the brands it has, the design and the visual merchandising."

"The most difficult have been the Italians. Some think Mexico is Central America. They think Mexico is like Colombia or Peru. When they finally come here, they quickly see that we are a sophisticated and educated society. When they come here, they see the city and say 'Wow. This is the new world.'"

That said, numerous Italian brands are carried in the store, and are among the key vendors, particularly in men's wear.

Along with the luxury buildup, cultivating an image of Mexico's most aspirational store, where consumers learn to trade up, is critical to keeping the customer from shopping abroad.



Daniel Elguea



Carlos Salcido



Ernesto Izquierdo Desoche

It's also key to differentiating from the retail pack that's crowding up with overseas retailers. Among the recent entrants into Mexico: Crate & Barrel, American Eagle Outfitters, Aeropostale, H&M, Express and Zara, while Walmart, which considers Mexico its second-largest market next to the U.S., would not be a direct competitor.

In the office of Ernesto Izquierdo Desoche, chief operating officer and commercial director, there's an old photo of a bullfighting ring that closed, though bullfighting still exists in Mexico.

"The ghost of the bullfighter visits us," he explained, to warm up his guest before getting into what the future holds for El Palacio de Hierro and a frank discussion about the business climate.

"El Palacio is an exciting place to

operations and marketing executives reporting to him.

He said the Polanco store will grow from 200,000 to 500,000 square feet of selling space, reopen in 2017, and contain a 140,000-square-foot area for designer rtw, as well as shops for Louis Vuitton, Gucci, Prada, Hermès, Dior, Chanel, Bottega Veneta, Fendi and Burberry. Some will be two levels or more. "We think the market is ready. We feel comfortable. Our partners are comfortable. We need to create the right environment."

"Mexico is still a good place to do business and attractive to retailing," Desoche said. NAFTA, the North American Free Trade Agreement, he pointed out, reduced imports, making the pricing on brands more reasonable and consistent with other countries.

brands there have a strong image. Galeries Lafayette takes it to the other extreme. You need to keep that balance so the consumer says, 'I know I am in Palacio.' And believe me, we put in some rules, like how large the lettering on their logos can be. And there are visibility requirements. They can't have closed spaces," with entrances that feel like the customer is entering a separate freestanding store. "We try to keep it open."

Lease agreements, for concession shops, are welcomed and on the rise, provided the brands meet certain criteria. "When there are capable salespeople, if they invest in image and take care of their inventory, it generally makes sense," Desoche said. "When the brand has these capabilities, we are very willing to make a lease agreement."

To some extent, El Palacio de Hierro takes its cue from the European retail model. "We like Selfridges very much," he said, "but you have to develop your own personality."

Besides luxury, "Contemporary, is an area where we are really focusing, building up business with Michael Kors, Tory Burch, Marc Jacobs, Juicy Couture, and our private Wild & Alive and Epsilon labels. Two French brands are being bought for next year, Sandro and Maje, and Diane von Furstenberg, Alice + Olivia and Vince are being pursued. Bridge is already "well established," he added.

"Our biggest project now is e-commerce," Desoche continued. "It's relatively dormant in Mexico. People here are worried about security and delivery."

E-commerce, he said, is about 1 percent of total revenues. "Our first objective is that it amounts to one of our medium-sized stores, like \$80 million [in sales] in two or three years." The Web site will be relaunched in October. Currently, the company leverages the store buying team, though there is a small supporting team totally devoted to e-commerce. "With the new design, our Web site will be very representative of what you see in the store."

On average, those shopping El Palacio de Hierro earn \$50,000 a year. Those earning \$100,000 or more represent a very small percentage of the clientele. "So even though our strategy is luxury, we also have to cater to the rest of the population. We have to be sensible about leading consumers in trading up," essentially educating them about why luxury products are priced so high, and what their value is.

"Many consumers don't understand it. For that, the most significant thing is staging events, like a breakfast at Tiffany's, or a fashion show for Zegna, or a wine tasting," Desoche noted. "When we do a wine tasting, 110 percent of the people we invite come. People with invitations bring other people," and not just for free drinks. "It's fun and they learn about the brands."



Leased shops for luxury, like Louis Vuitton, are integral to the strategy.

Core Competencies

- Historic and cultural connection to Mexicans.
- Differentiated, aspirational appeal.
- Strong positioning in luxury accessories, bridge, kids, cosmetics, upscale home.
- Architectural flair and energetic store design.
- Innovative advertising.
- Expansion potential in Mexico, Panama, Colombia, Chile and Peru.

work because in Mexico there is not much space for other luxury retailers," he says. "We are the most significant luxury player in Mexico. In Mexico City you have Masaryk, which is like our Rodeo Drive, but that street has a lot of problems in terms of traffic and parking. We have much better parking and better security," said Desoche, who has the purchasing directors [like general merchandise managers at U.S. stores] and senior

Also, Mexico's Minister of Finance and the Bank of Mexico have kept inflation in line, while the GNP has been consistently growing at 3 to 4 percent annually, and the middle class is growing. Still, he characterized Mexico as a nation of "parallel worlds," explaining, "For the main part of Mexico, the society lives well, but like any city you have to be aware."

Though business this year is running flat, "The bright side is that our economy is so pegged to the U.S.," Desoche observed. "What is good for the U.S. is good for Mexico and the best news that trumps all the other issues is that most of our exports go to the U.S. and that millions of Mexicans live in the U.S. and send money back to Mexico."

Amid Mexico's mixed economic signals, "We are moving from being a department store to being a conceptual store, that there's this balance between letting the personality of the brand project, and projecting the personality of the store. If you look at Bergdorf Goodman — practically all of the focus is on the image of Bergdorf. Very few

Gensler congratulates *El Palacio de Hierro* for 125 years of style.
We are proud to be partners in design of the most premium shopping experience in all of Latin America.



WWD MILESTONES

View From the Top

In a rare interview, Don Alberto Baillères, the very private owner of Grupo Bal, parent of El Palacio de Hierro, illuminates his strategy. By David Moin

DON ALBERTO BAILLÈRES, owner of the Grupo Bal conglomerate and among Mexico's richest entrepreneurs, believes that El Palacio de Hierro transcends retailing. In his eyes, it's a national institution that make Mexicans proud and has an emotional and cultural connection to the population.

"He is very rich, very private and very normal. I don't think he thinks that differently from the rest of us," said José María Blanco, chief executive officer of El Palacio de Hierro. "He's told me that Palacio should not have too many stores. He says, 'Palacio should be the best store. I don't want it to be the largest store.'"

Though Baillères owns a web of diversified businesses — from mining and silver production to insurance, a stock brokerage, investment funds, a brewery and a university — he stays close to El Palacio de Hierro.

To the outside world, he's low-profile. Inside El Palacio, he's a formidable presence. Executives at the store say Baillères is very involved in which brands should be carried, real estate decisions, the design of stores, the advertising and branding the business. In fact, he came up with El Palacio's enduring and hugely popular tag line, "Soy Totalmente Palacio." Translation: "I am totally Palacio."

"He's got branding under his skin, like that Frank Sinatra song," said Ernesto Izquierdo Desoche, chief operating officer of the store. "He personally supervises all image campaigns."

"He cares enough about the brand to get personally involved in the advertising. He looks at the casting, the music, the copy. Not many chairmen would do that," added José Alberto Terán, ceo of Terán/TBWA, the agency of record for El Palacio de Hierro.

"He has a view of creating wonderful environments, so when you are standing in front of the store and about to go in, there's this sense of arrival," said Javier Sordo Madaleno, one of Mexico's most prominent architects, who has created many of El Palacio's facades.

"We see him every month or six weeks, and our ceo sees him every two weeks," noted Carlos Salcido, the store's chief marketing officer. "He's got many companies, but when he speaks to us about retail, he is very focused. His vision is very clear: He wants to have the best department store in Mexico and the best luxury destination in Latin America."

"He calls us his kids," added Françoise Lavertu, communications director for the retailer.

Baillères graduated in 1950 from Culver Military Academy in Indiana, where his family sent him to study. This experience taught him discipline and to act with precision in business and in life.

In 1957, he obtained a bachelor's degree in economics from the Instituto Tecnológico Autónomo de México, graduating magna cum laude. In 1999, the Institute awarded him an honoris causa doctorate for his accomplishments and support of Mexico.

While studying, he worked at Banco de Comercio, rising to branch manager in 1956, a year prior to his graduation. A year later, he joined Cervecería Moctezuma, a Mexican brewery, where he rose to ceo in



Don Alberto Baillères

1964 and added the title of chairman three years later.

With his father, Raúl Baillères — a Mexican industrialist who started in the groceries and grains business and got into mining and a host of other ventures — he purchased El Palacio de Hierro in 1963, and became its ceo and restructured the company.

Baillères is currently executive president and chairman of Grupo Bal, which he founded in 1967, and is a member of several other corporate boards.

An intensely private person, Baillères virtually never extends interviews, though he's frequently pursued by the media. Yet on the eve of the 125th anniversary of his retail jewel, Baillères broke tradition by agreeing to an interview with WWD. Here's what he said about the timeless department store.

WWD: At 125, what are the biggest challenges ahead for El Palacio de Hierro?

Alberto Baillères: Retailing has always been a very dynamic and competitive industry. But in the last two decades, retailing has become also a very innovative business. Traditional department stores are facing the challenges imposed by new players, new formats and new distribution channels. Marketing and merchandising are also evolving rapidly. The challenge is to keep efficiently adapting to the new marketplace and technology, and to anticipate new trends to better satisfy consumers' needs and aspirations.

WWD: How did you come up with the store's famous slogan, "Soy Totalmente Palacio"?

A.B.: I used to have long brainstorming sessions on marketing and advertising with our advisors [Terán/TBWA] and senior executives. One day, I was trying to express my vision on the main message for our advertising campaign. I was saying concurrent but disconnected phrases, like "El Palacio de Hierro is an inspired vision consumers share," "an unforgettable experience consumers love," "an intimate feeling consumers get," "an aspiration," "a real dream," on how well they look, how well they live and how well they feel; how deeply the consumer and Palacio are identified with each other.

Then, Palacio is its customers, consumers are Palacio de Hierro, I am Palacio...I am totally Palacio...Eureka! Soy Totalmente Palacio.

WWD: What gives you the most satisfaction and happiness in owning an important retail company?

A.B.: Retailing is an exciting industry. Of course, it is about business strategy, merchandising, logistics and service. But mainly, it is about the psychology of intimately communicating with customers...It is about numbers, but also about the art of beautiful displays and functional and inspiring architecture. It is about the magic world of fashion and a way of living. It is much more than just showrooms, but about lively theaters of expectations, findings and even surprises.

WWD: What was your most memorable or pivotal moment at Palacio?

A.B.: The most memorable time was when my father and I acquired it from French investors.

It was only two stores, and the company was without any plans for expansion, lacking a sound business strategy.

WWD: Why did you decide to buy the business, and why is it a good fit into the Grupo Bal portfolio of companies?

A.B.: I always envisioned being involved in retailing. We were running operations in mining, brewery and finance. So, retailing was the new frontier, and we found the opportunity to acquire El Palacio de Hierro.

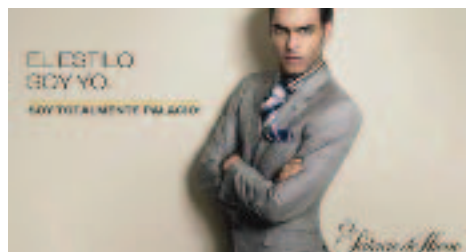
In those years, the Mexican economy was quite closed to international economies. Therefore, diversification was the only option for a high-growth strategy.

WWD: How much time do you spend with the team at El Palacio de Hierro?

A.B.: I follow the sales daily, store by store. I am in constant contact with the team.

WWD: How is Mexico's retail landscape changing, and how much room is there to grow El Palacio de Hierro, domestically or in other countries?

A.B.: The Mexican retailing market is as competitive and innovative as it is in any other part of the world, and it is changing as fast. El Palacio de Hierro's growth is closely linked with the growth of the country and the widening of the middle classes. I wholeheartedly trust Mexico's future.



Don Alberto Baillères came up with the tag line, "Soy Totalmente Palacio," which became part of the Mexican vernacular.

FELICIDADES A

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WWD MILESTONES

Reaching the Chic of All Ages

The marketing and advertising teams spread the word by casting a wide net. By David Moin

EL PALACIO DE HIERRO took a leap forward when it released its Soy Totalmente Palacio campaign in 1996. It was a breakthrough, initially depicting fashionable women, an aspirational message with witty catch phrases and surreal imagery depicting the chic set.

It caught on to such a degree that the slogan has become part of Mexico's vernacular, so when someone says to you, "Soy Totalmente Palacio," it's an expression of praise or admiration, suggesting that you are very stylish.

"From the very beginning, it was a very different message for a department store, much more about branding, lifestyle and image than about selling," said Carlos Salcido, chief marketing officer. "We started building up this campaign — 1996 to 2003 were its strongest years. In 2010, it shifted to being more about style, and to women and men of different ages."

Palacio even got Carmen Dell'Orefice, the 82-year-old model famous for her shock of white hair and legendary cheekbones, putting her face on billboards and in print initially and on TV ads in 2011. Carmen, as she is known, caused a stir in Mexico. El Palacio had never used her in a campaign before, and she was virtually unknown in Mexico — though she has been shot by some of the biggest names in fashion photography, like Cecil Beaton, Irving Penn, Richard Avedon and Norman Parkinson. Solve Sundsbo did the photography for El Palacio de Hierro.

"She got everybody talking. Everybody was asking, 'Who is this stylish woman?' And how amazing we were featuring a woman of that age," said Françoise Lavertu, communications director for the retailer.

Carmen is still integral to the advertising. A recent shot features her in a red Gucci dress with the quote "Color is my favorite emotion."

"We needed to talk to all ages, really stylish people, and use not really recognizable people," Salcido said, explaining the rationale for selecting Carmen. "She is very aspirational and beautiful still, and quite unusual. That's the uniqueness. It's daring to use Carmen, but whether it's an 80-year-old woman or a 20-year-old guy, we are really talking about style and touching many targets."

"We don't retouch her," Lavertu added. "We use the normal filters, and she does her own hair and makeup."

The marketing effort at El Palacio, executives say, steers toward conveying image and brand information, rather than price or discounts. "We don't try to sell. We try to engage," Lavertu said.

Aside from media campaigns, a major part of the marketing and communications team's efforts centered on creating La Gaceta, the company's twice-month-



El Palacio de Hierro caused a stir when the octogenarian Carmen appeared in the ads.

ly newspaper, which is distributed every other Monday to top-spending El Palacio credit-card holders and in stores, promoting brands, designers and special events.

The team also creates El Libro Amarillo, published twice a year. It's an editorial style guide with a shopping guide inserted. Catalogues revolving around holiday selling like Mother's Day, Father's Day and Christmas, or specific categories such as gourmet, technology or home, are also part of the strategy.

A big project being planned is integrating customer data attained from social media, e-commerce and credit card transactions to build a stronger customer relationship management program so, as Lavertu put it, "We don't work in silos anymore."

In addition, the team helps brands find their way and their voice in Mexico, working like consultants to help international labels negotiate positions in different digital, broadcast and print media including social magazines like *Hola* and stage press events and launches. El Palacio has worked with many brands in this manner — Ugg, Burberry and Michael Kors, to name a few. As a by-product, executives feel better partnerships are formed.

"We create a strategy to optimize their budgets, usually it's very small," said Vanessa Pérez, senior marketing leader and media coordinator.

The agency of record for El Palacio de Hierro is Teran/TBWA, which has worked for the store since 1947, creating campaigns, catalogues, graphic designs and ads.

"The real change for El Palacio started in 1995, when the chairman gave us a clear strategic direction: to differentiate," said José Alberto Terán, chief executive officer of the agency. "Mr. Baillères expressed to us that every-

thing looked the same: the sales, the promotion. Not much about the store itself or the brand was different. The competition then was very similar."

From 1995 to now, "Palacio has really embraced that strategy of differentiation," he added. To develop the Soy Totalmente Palacio campaign, the agency took a thorough examination of how women are portrayed in advertising.

"They're the daughters, the wives, the mothers, but not really portrayed as themselves," Terán said.



From the Teran/TBWA agency: Ignacio Borja, Anne Davie and José Alberto Terán.

So the idea became to talk about women as women and what makes them tick.

Carmen thinks it's a matter of respect. "Outside of this country [the U.S.], one runs into respect for age, respect for achievement and knowledge," she said. "There's no age prejudice there. It has to do with being the best, the healthiest, the kindest. That El Palacio adopted me was such a great compliment."

"We've been talking about developing in-store labels and products, possibly called Carmen's Choices or Carmen's Corner," she added. "I have a continuous dialogue with them. I'm in front of the camera whenever they think it's appropriate. The campaigns are for the 'arrived woman' who is timeless and ageless."

One commercial is titled "Plenitud," which translates into "prime of life."

"The white hair means older," Carmen said. "I stand up for older women, from 60 to 100 years old."

She admires the stores and how they're merchandised. "In every department, there's a kind of link to an imaginary life we aspire to," she said. "It helps people think outside the tawdriness of their own little lives."

— WITH CONTRIBUTIONS FROM SHARON EDELSON



The marketing/communications team: Alejandro Guevara, Françoise Lavertu, Carlos Silis and Vanessa Pérez.



GUCCI

FELICITA AL PALACIO DE HIERRO POR SU 125 ANIVERSARIO

WWD MILESTONES

Reinvention by Design

Architects aim to create a new standard in the department store experience. By Sharon Edelson



Exterior and interior views of the Villahermosa store.

EL PALACIO DE HIERRO two years ago set for itself the lofty goal of reinventing the department store.

Other retailers had tried before, with varying degrees of success. Most fell back on tried-and-true department store retailing tenets, such as always positioning beauty, accessories and jewelry on the ground floor and using typical vendor-designed in-store shops in apparel departments.

El Palacio has been chipping away at some of this conventional wisdom.

TPG Architecture, one of two firms selected by El Palacio to reinvent its stores, was tasked with building a new store, Palacio Villahermosa in the state of Tabasco, Mexico, and giving it all the novelty the company wanted. The 210,000-square-foot store, which opened in October 2012, has a completely new design, said Alec Zaballero, principal, and managing director of TPG and its retail studio.

The firm is now working on designing a new store in Veracruz. "Each of these sites is in a different city, and each footprint is very different," Zaballero said. "[Palacio Villahermosa] is its own flagship." While TPG was charged with building a prototype, "we'll customize each store moving forward to some degree," Zaballero said.

TPG was asked to do away with the old-school department store open racetrack design, "a model that's even being abandoned by American stores. Look at Bloomingdale's SoHo," he said of the retailer's downtown store, which broke many rules.

TPG's answer to reinventing the department store was to create 32 design concepts, each of them a separate room.

"It's like Harrods, where you go from hall to hall," Zaballero said. "We said, 'Let's take that idea and really loosen it up.' We took the city plan of Paris and combined it with the floor plan of Harrods to create individual rooms that represent a single department and provide the sight lines that draw you into the next room."

The 32 design concepts include rooms for departments [as defined by El Palacio] such as luxury, women's shoes, casual contemporary, boutique, better, bridge, sportswear, sports clothing, women's dresses and party and cocktail

"We created a model where luxury retailers can express their brand presence, including with their own storefronts."

— ALEC ZABALLERO, TPG ARCHITECTURE

dresses. Each room has its own palette, fixtures, ceiling designs and wall treatments. For example, sports clothing features distressed white oak tables and beadboard walls, while women's has antique bronze fixtures and marble tables.

The ground floor of Palacio Villahermosa consists of organic shapes clustered around a central atrium. On the second floor, the atrium is surrounded by hard shops for luxury brands such as Louis Vuitton, Gucci and Ferragamo. "That's a real rethink," Zaballero said. "It's not a shop-in-shop, it's not a pad. It's a magnet [that draws consumers] to the space. This is pretty strategic because it works for everyone. It works for Palaco because this is the product



their clients want. It works for brands because they can maintain control of their brand identity. They're able to drop in a full store concept."

The facades of the shops are designed by each luxury brand, conforming to their global design. "It's like walking into a little high-end mall and seeing everyone's storefronts," Zaballero said. "We created a model where luxury retailers can express their brand presence, including with their own storefronts."

TPG is working on bigger footprints that include gourmet departments, cafés and restaurants, what Zaballero called the "Eatly effect."

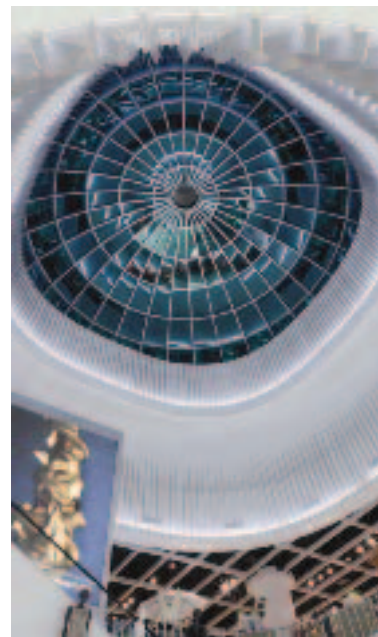
"Eatly is so energetic because of the multiple uses," he said of the popu-

lar New York specialty food store with multiple restaurants, a green grocer and coffee bars, which TPG designed. "We're putting in amenities like cafés, giving clients reasons to linger. We're creating some places where you can park your husband."

El Palacio harnessed more top creative talent, hiring design and architecture firm Gensler to interpret its vision for the Polanco flagship.

"They wanted to create a world premiere luxury destination in the heart of Mexico City," said Robin Klehr Avia, chairman and regional managing principal. "They saw this as a place where one could find all the major global brands with a sense of luxury and democratic luxury."

John Brinker, principal and creative director, said, "We're developing



the persona of the customer base in Mexico. We used it as a foundation of design. We considered the luxury customer down to the family that would go to the store on the weekend. Ultimately, it will become a tourist spot because it will be one of the largest destinations in Latin America and is in the heart of the nicest area of Mexico City, Polanco."

To service El Palacio, Gensler opened an office in Mexico City.

"As of two months ago, we have an office there, and are dedicated to building a strong architecture and design presence," Klehr Avia said.

The real focus of the project is creating a luxury world. "All luxury brands we know and love will be present there," she added. "Creating this as a destination is not so much about a department store, but a place where people want to go and spend time."

Consumers will be enticed to linger at El Palacio through what the architects call Palacio Moments, vignettes that enhance the shopping experience, from concierge service and lounge areas to a diverse assortment of traditional restaurants and cafés and quick coffee-based ideas. But, Brinker

(Continued on page 22)

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WWD MILESTONES

The flagship on Plaza Moliere in Polanco, Mexico City.



(Continued from page 20)

stressed, “There will be access to alternative experiences beyond coffee.”

Carlos Salcido, creative director of El Palacio, said the retailer currently operates cafeterias in some of its stores. Now, there will be Champagne bars, small bistros and Nespresso bars near luxury brands.

“We’re trying to sprinkle those moments all over the stores,” Salcido said. “Some of the restaurants will be outside. Most of them will be on the second floor. We’ll have a big gourmet restaurant with a terrace. Today we have the Palacio cafeteria. We’re moving one step further in Polanco to give shoppers a gastronomic experience. We’re even talking to top chefs.”

“Innovation is a hallmark of the brand,” said Michael Gatti, studio director of Gensler. “We’re developing a look and feel based on the amazing craftsmanship of Mexico. There’s quality in the craft of things. We’re looking at creative ideas where we’ll

store. I describe Mexico City as a series of parks. We’ll have terraces with restaurants or lounges. Nature is a fundamental inspiration, and we’ll be interpreting that in an interesting way.”

El Palacio’s Salcido said, “We try to move away from the typical department store layout. The [Polanco] store is more about concept than departments. We have a way of decorating the store. We like to call them worlds, such as men’s world, contemporary world, world of sport and intimate world for women.”

Some things are sacred, however. Salcido said cosmetics will remain on the ground floor and luxury has to be on the ground floor.

Brinker noted that because of the challenge to break new ground, “all eyes are on this project. Also, because of its scale and size. It’s the first department store in Mexico, built 125 years ago. We feel it’s going to be an important solution. The fact that the brand has history means it has authenticity. But there will be no direct cliché nods to the past. Because in the name El Palacio de Hierro, the word *hierro* means iron, we will be using iron and metal and different types of metals to harken back.”

On a more contemporary note, he added, “We’re leveraging style service and quality, which El Palacio de Hierro stands for.”

Luxury shoppers are the same throughout the world in that they want exclusive products and special service. The Mexican customer, however, is more social, travels in groups and cares more about social experiences than service. “We are thinking about having VIP locations for our big spenders and cardholders,” said Salcido. “We’re setting a higher benchmark.”

“Our design needs to accommodate enhancing the purchasing experience and socializing,” said Brinker. “Social media is a big part of the communications strategy. We’re strategically integrating technology throughout the stores, but we’re not putting in technology for technology’s sake. We’re integrating it into the architecture.”

Both groups of architects are working to give consumers every creature comfort they could imagine during a shopping excursion. Zaballero said cosmetics departments operate mini spas offering treatments. El Palacio also operates a full-service travel agency near the luggage department, should shoppers feel the urge to book a trip. Insurance is also sold in the store.

El Palacio’s tag line, “Soy Totalmente Palacio,” translates to “I am totally Palacio.”

“It means, ‘My whole lifestyle is in this one store,’” Zaballero said.

On the Face of It

JAVIER SORDO MADALENO, among Mexico’s leading architects, creates the facades of El Palacio de Hierro to exhibit a kind of architectural verve commonly associated with great contemporary cultural centers or museums of capital cities.

There’s nothing uniform or formulaic about his approach to retail exteriors other than always to expect the unexpected.

“It’s a strange thing, but store facades have always really attracted me,” Madaleno said during an interview at his office in Mexico City, which is idyllically situated by a lush park apart from the maddening urban traffic.

“Facades are among the simplest things to do. They’re kind of closed boxes. Retailers don’t want any holes in them. They want to keep all the space for hanging their clothes. It’s so simple.”

Easy for Madaleno to say — so why not take it to a higher level, so the storefront achieves greater purpose and meaning? Or instill, as he

and approves the store facades. And always, Madaleno incorporates the Baillères philosophy into the creative process. “His whole idea has been to have the outside of Palacio reflect the quality of the space inside, and also to create the feeling of what is happening inside the store outside. It’s not only about design. It’s about experience. That’s the most important thing an architect can develop.”

On occasion, Madaleno’s unorthodox approach gets challenged, as was the case in Polanco, where he designed a pyramidlike triangular stone structure to house both the headquarters of Grupo Bal and El Palacio de Hierro on Plaza Moliere. (El Palacio is part of the Grupo Bal conglomerate owned by Baillères.)

“The building on Moliere has become an icon,” Madaleno said. Yet there was a moment when it almost never came to be. Baillères initially had reservations about Madaleno’s design and called in three consulting firms to review the concept before construction proceeded. They



PHOTO BY ANDREA CANNON

“It’s not only about design. It’s about experience. That’s the most important thing an architect can develop.”

— JAVIER SORDO MADALENO, GRUPO SORDO MADALENO

says, “a sense of arrival” upon approaching the threshold.

Sitting by a scale model of a seaside Mexican mall project that will include another El Palacio branch, Madaleno conveyed that his father, the mid-20th-century architect Juan Sordo Madaleno, was a close friend of Don Alberto Baillères, the owner of El Palacio de Hierro. Madaleno has carried on the traditions of his father and has been instrumental in changing the urban landscape of Mexico with hotels, public squares, shopping centers, rehabilitation centers and housing developments. He’s known for his use of local materials and adhering to the conventions of Mexican architecture fused with the latest trends.

With the family connection, it’s hardly surprising that of all Madaleno’s projects, El Palacio seems closest to his heart. The involvement runs deep. Of the 12 stores in the chain, he’s created 10 of the facades, all dramatically different.

Baillères, he explained, reviews

gave it a thumbs down. But Madaleno came back to Baillères and made the case that his concept was as space-efficient as other more conventional structures and that Baillères could have his office at the very top of the pyramid with a 360-degree view of the city. His lieutenants could work right under him in the building, with the most important closer to the top, nearer to him, in effect symbolizing their status in the organization. Ultimately, Baillères was sold on Madaleno’s concept.

For the El Palacio de Hierro store in Querétaro, opening in 2014, another bold, unorthodox approach is under way. Madaleno, unveiling the rendering, explained that the facade will be constructed with huge horizontal zinc blades stretching 400 feet across, and 10 feet thick, that appear to have been lifted up on one end, like a raised curtain, affording a view inside the store.

Said the architect, “We go much more way out for Palacio than many other projects.”

— DAVID MOIN

BEAUTY CARES



Mini-spas are part of the high-end services afforded to customers.

collaborate with local craftsman to do site-specific pieces. We’re going to mix upscale and unexpected materials and finishes” for an effect that’s not what a traditional department store looks like. “We’re using stone and a lot warm palettes.”

Gatti pointed out that light has been an influence on the design.

“There’s always a level of light accessibility,” he said. “The quality of light [in Mexico City] is spectacular. Light will play a major part in terms of this design. The building takes up a city block. There will be outdoor spaces as well as light filtering through the building and skylights. Also, we’ll be integrating elements of water and elements of interior landscaping into the



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The Women's Touch

Apparel, jewelry and accessories with a wide assortment of international brands are a vibrant part of the mix. By Lisa Lockwood

WOMEN'S FASHION and accessories sales at El Palacio de Hierro rose 20 percent last year — and while growth is expected to slow somewhat in 2013, the category remains key to the retailer's future strategy.

"The Mexican customer is more classic and traditional," said José Ramón Ferrer, director of women's fashion. El Palacio caters to Mexico's growing set of wealthy customers, including working women and housewives, as well as to women of more moderate means. It attracts mostly local consumers, rather than tourists, with the exception of its Cancún unit, which includes a mix of locals as well as foreign and Mexican tourists, said Ferrer.

Luxury accessories and jewelry are also instrumental to the retailer's strategy.

According to Claudia Fabela, luxury brands director, the stores carry luxe handbag lines such as Louis Vuitton, Gucci, Hermès, Fendi, Salvatore Ferragamo, Bottega Veneta, Dior, Burberry and Loewe. In its multibranded space, the stores also carry handbags by CH Carolina Herrera, Yves Saint Laurent, Givenchy, Chloé and Lanvin.

Fine jewelry offerings include Cartier, Tiffany, H.Stern, Montblanc, Pomellato, Bulgari, Swarovski, Tane and a Mexican jewelry line called Berger. Some 95 percent of the luxury vendors operate leased departments within the stores.

Fabela explained that the Mexican woman used to have a lot of evenings out and would coordinate everything and buy fine jewelry, gold and semiprecious stones.

"Now we sell a lot of premium brands and fashion brands," she said.

"Mexico is famous for silver, and Tiffany is our number one vendor. The blue box is hot, and they have good entry prices on silver. They are also strong in engagement rings. Cartier also does well and is very strong in rings," added Fabela. She said the retailer has in-store jewelry shops with special seating areas to give a salon feeling. Other jewelry brands that perform well include Swarovski, Tous, Dodo, Michael Kors Jewelry and Pandora.

Like her American counterpart, the Mexican woman craves luxury handbags.

"Vuitton is always desired by every woman. We have a lot of aspirational clients. Bottega Veneta is growing a lot, also Gucci is one of the most popular brands," said Fabela.

Sometimes the customer will seek logos, while other times they don't want logos and just want the quality, she said. "They know the value of the brands."

El Palacio is most similar to "Bloomingdale's or Nordstrom" in the U.S., said Ferrer. He noted the contemporary business is becoming a more important segment of El Palacio's apparel mix, with the expectation of attracting a younger consumer. Lines such as Marc by Marc Jacobs, Juicy Couture and True Religion are carried. Next fall, Palacio plans to add Alice + Olivia, Diane von Furstenberg, Theory, Joie, Equipment, Maje and Sandro to the mix, beginning with the Santa Fé/Mexico City store, he said. Eventually, the Polanco store will carry these contemporary brands. They



Here and right, the wide expanse of women's areas.



José Ramón Ferrer

PHOTOS BY ANDREA GARCIA



Claudia Fabela

also plan to add J. Brand, DL 1961 and Paige denim lines.

Another important category is the bridge area, where they carry Michael Kors, Lauren by Ralph Lauren, DKNY and Tory Burch. "All these brands are very successful with us," said Ferrer. They also will begin to carry Stefanel in the near future.

Among the Mexican and Spanish brands carried are Julio, Adolfo Domínguez, Purificación García and Pineda Covalin.

For the most part, Ferrer pointed out that American brands in Mexico retail for practically the same as they do in the U.S. "The maximum difference is 5 to 10 percent," he said. "Our customer travels a lot and has access to the Internet and e-commerce," so it's important that the lines are competitively priced.

"We're trying to be in the same price range as the U.S.," agreed Fabela about the luxury sector. She said sometimes the European handbags are more expensive, by between 10 and 15 percent.

El Palacio does an e-commerce business, but thus far, it's very small. The Web site will be relaunched next month. The retailer also has a growing pres-

ence on Facebook, Twitter, YouTube, Foursquare, Pinterest and Instagram.

To court the Mexican consumer, the retailer hosts special events such as ladies' breakfasts and fashion shows at its stores. It sends out about 100,000 glossy style guides, called El Libro Amarillo, each season to its account base. The guides highlight the important trends of the season, as well as contain fashion news.

El Palacio also reaches out to its customers through TV advertising and billboards. Every November, the store hosts Noches Palacio, a celebrated commercial event with prizes awarded, depending on what people buy. Throughout the month, each store stays open late for one weekend, and they are decorated with specific themes — some of these themes have been Las Vegas, the U.K. and France. Twice a month, the store also sends to its cardholders La Gaceta, which is similar to a newspaper and has interviews and store promotions.

El Palacio de Hierro's women's offerings are divided among categories such as Gold Range, Contemporary and Designer. It is further divided by brands in corners. The store has a mix of concessions and wholesale models.

"For American brands, we buy wholesale. For Spanish and Mexican brands, we have concessions," Ferrer said.

Buyers work with The Doneger Group, the New York-based fashion advisory firm, for fashion and trend information. "They help us with fashion trends and also the development of the American market," said Ferrer, adding Doneger introduces Palacio buyers to new brands.

"El Palacio de Hierro has been a dominant retailer in the Mexican market providing designer and luxury brands to the affluent and aspiring fashion-conscious consumer," said Tom Burns, senior vice president of The Doneger Group. "As global brands and retailers continue to descend on the Mexican market due to a growing economy and high consumer confidence, El Palacio has continued to differentiate itself by designing, developing and producing private brands across all categories and classifications enhancing its appeal to the younger and updated consumer."

"The executives, management and merchandising teams are very focused on their customer, listening and interacting to make sure they continue to elevate their product assortments, brands and the shopping experience," said Burns.

The store's buying teams frequently travel abroad to purchase merchandise in the U.S. and Europe, although they seldom attend the runway shows in the fashion capitals.

These days, the fashion direction trends more toward dresses, said Ferrer. At the bridge level, Michael Michael Kors and Lauren by Ralph Lauren do very well in dresses. He said the store has two levels of dresses: at the higher end, there's Badgley Mischka and Tadashi, and at the next plateau is Adrianna Papell, Lauren by Ralph Lauren, Calvin Klein and various Mexican brands.

"Dresses are doing really well from the middle to the high ranges," said Ferrer.

Among the active/sport brands the retailer carries are Tommy Hilffger, Lauren Jeans, Lauren Active, Gant and Nautica.

Footwear brands such as Nine West and Steve Madden, as well as "afford-



able luxury” labels like Tory Burch, Coach and Michael Kors, are strong performers. In luxury, labels include Jimmy Choo, Sergio Rossi, Yves Saint Laurent, Burberry and Ferragamo. “We have been very successful with luxury accessories, and in shoes, we have developed the luxury business,” said Ferrer. “Our number-one brand for shoes is Tory Burch.”

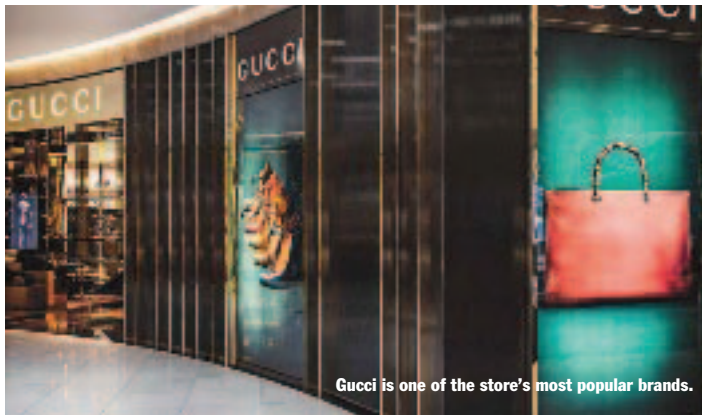
As for the strongest accessories category, Ferrer didn’t hesitate: “Bags are the strongest business.”

With the expansion of El Palacio’s Mexico City flagship in Polanco, from about 270,000 square feet to 650,000 square feet, will come a greater opportunity for additional brands to be carried.

“The idea is to have the flagship of flagships,” Ferrer said. That store will carry such European ready-to-wear lines as Dolce & Gabbana and Yves Saint Laurent, he added. Other lines that are carried in that department include Dior, Gucci, Prada, Louis Vuitton, Lanvin, Brunello Cucinelli, Roberto Cavalli and Hervé Léger.

The retailer also operates freestanding specialty stores for brands including Michael Kors, Tory Burch, Juicy Couture, Mango, Bebe and Ugg in Mexico, as well as three La Boutique Palacios, in Acapulco, Cancún and Mexico City.

As it is for most retailers, Ferrer said the fourth quarter is the most significant as far as volume goes.



Gucci is one of the store’s most popular brands.

“The November-through-January period is the most important sales period for us,” said Ferrer. It includes Noches Palacio, Christmas and the sales in January.

The retailer isn’t as aggressive as its American counterparts when it comes to sales. They mark down merchandise in January and July, when they have two sales periods.

“We hold it at full price until the end of the season,” he said.

Ferrer characterized the Mexican

economy as “OK.” With the change of the season, “we’re going to improve,” he said.

Ferrer noted that El Palacio’s apparel, accessories and footwear business — which accounts for 18 percent of the store’s total sales — increased 20 percent from 2011 to 2012, and would be up 5 to 6 percent this year. These figures exclude luxury accessories and jewelry. DKNY has been selling El Palacio de Hierro for the past 10 years.

“Our business is growing as they expand and roll out new doors like

Interlomas, and enter new regional markets such as Veracruz and Querétaro, slated to open next year,” said a DKNY spokeswoman. She said the retailer has DKNY rtw exclusively in Mexico and there are 11 in-store shops in key locations in Mexico City, as well as Puebla, Guadalajara and Monterrey. The brand also sells DKNY Active, accessories and shoes on a nonexclusive basis. El Palacio also carries DKNY watches, intimate apparel and fragrances.

“We’ve had a very successful relationship the past 16 years,” said Andrea Artigas, managing director for Mexico for Tiffany. Tiffany was one of the first luxury retailers to open a store within El Palacio de Hierro, where Tiffany operates the business, and today the brand is in eight Palacio stores.

She explained that when it arrived 16 years ago, most people didn’t know of the jeweler. “Working inside Palacio helped us to position the brand to a wider scope of the public,” she said. “Palacio helped us to open the brand to everyone. We were able to position the brand very fast and very successfully,” she said. In general, the Tiffany in-store shops are between 1,000 and 1,600 square feet.

She confirmed Tiffany does a large engagement ring to the bridal table to the wedding. “Palacio has been evolving the last few years to what the luxury customer wants, to improve the experience, atmosphere and environment,” she added.

Tiffany has two stand-alone stores in Mexico and eight within El Palacio de Hierro stores. She said there will always be the customer who likes the stand-alone store and wants to park in front on the street. “Then you have customers who want to multitask and shop within Palacio,” she said.

Tiffany’s main competition is Tiffany in the U.S. The prices are pretty similar, except for the fact that Mexico has a higher tax rate — 16 percent — than New York, where it’s 8.4 percent, or California, where it’s 7.5 percent.

“The amazing thing about Palacio is we have a wide variety of customers,” she said. “It’s an open space in a department store. It’s impossible to classify the customer. Palacio is very democratic, and that’s what has been amazing for the relationship. They position the brand at all levels. There are teenagers who buy the little heart for \$300, and there are women who want a yellow diamond. Everyone feels comfortable inside Palacio.”

Pixie Dust

WITH HER TAKES on the emerging trends in fashion and style, Pixie Hopkin has always been a little out there.

In the late Sixties, when Tom Jones was baring his hairy chest on stage, Mexican men who generally lacked that look felt envious. So Hopkin supplemented her eyelash and wig business with men’s hair pieces, fake sideburns, moustaches — even false chest hair pieces.

“For those, you would use the same glue to keep your head piece on,” she said.

She started selling her hair products to El Palacio de Hierro in 1969, which led to fashion jobs inside the company. Today, she serves as commercial sub-director of special events, but she’s really regarded as the in-house fashion adviser.

She coaches the sales staff with her vast product knowledge, advises buyers, attends shows and visits showrooms, combs cities and taps consul-

tants to discover what’s hot or on the horizon. She presses for change on the selling floors, and lately, she’s advocating pet fashion, which the store doesn’t carry. “It’s something we are missing out on,” though finding space for pooch products would be an issue, she acknowledged.

Today, Hopkin is wearing an Emporio Armani urban athletic outfit, not simply because she likes the look. It’s also because it represents an emerging trend she believes in — athletic clothes reimagined and redesigned for city life. “They’re very comfortable, mainly synthetic, with a lot of Japanese technology. I really think change is coming, from natural fibers to high-tech and recycled.”

Change is what she’s about. She looks forward to Agent Provocateur coming to El Palacio next season and

sees it as “a great advance,” if not daring addition, to the selling floor.

Some Mexicans might view it as “a sex shop,” depending on how far El Palacio goes with merchandising the brand, she said. There are, after all, whips and paddles in the product line, and women in Mexico often hesitate to exude too much sexuality. “They are wearing dresses with lower backs, though in any society the conservatives are still around,” Hopkin said.

In the contemporary space, which El Palacio needs to grow, Hopkin sees a dilemma: “Younger people don’t have the resources to buy a lot of the product.” Otherwise, several contemporary brands would be welcome additions to the store, like Rebecca Taylor. The store’s private Wild &

Alive brand fills some of that need with biker jackets, miniskirts, lots of shine and color and good prices, as Hopkin noted, though she’d like to see more edge in the Wild & Alive collection. “I don’t think it’s quite wild enough, but it’s definitely alive. We do have to proceed carefully.”

Ironically, kids, Hopkin said, is among the store’s most forward-thinking areas.

“The buyer is not afraid,” she observed, describing all the attitude in the fashion, like girls wearing tutus with cardigans and boots, or boys in boots with laces untied and T-shirts that say “It wasn’t me!”

For adults, light puffer jackets, easy dresses, Michael Kors bags, anything with the Tory Burch logo, BCBG Max Azria and the better-price Calvin Klein women’s line are among the strongest sellers. And she’s 100 percent behind El Palacio’s drive to sell more luxury.

“Once you put on a luxurious jacket or a Cartier watch, you feel the difference,” she said. “There is no going home.”

— DAVID MOIN



Pixie Hopkin

WWD MILESTONES

Putting the Muscle in Men's

Tailored and contemporary clothing are strong elements of the men's category. By Jean E. Palmieri

THE MEXICAN MAN loves Italian brands — so much so, in fact, that 60 percent of the merchandise in El Palacio de Hierro's men's department is of Italian origin.

Ermenegildo Zegna, Canali, Pal Zileri, Salvatore Ferragamo — these internationally known names form the cornerstone of the company's \$180 million men's business. Men's represents about 10 percent of the company's overall volume.

"Our [biggest] brands are from Italy," said Alvaro Arismendi, divisional merchandise manager for the retailer. "Made in Italy is very important in Mexico. It represents value."

And while American labels are not as well known in Mexico, they are beginning to make inroads.

"Italian brands are very reliable," he said. "And American brands are just starting to come to Mexico City." He pointed to John Varvatos as an example. "No one here knows John Varvatos yet."

And not even an American household name like Michael Kors means much to the Mexican consumer right now. "We're just starting to carry Michael Kors for fall," he said, noting that the brand is only now beginning to develop a following there. "The Mexican customer needs time."

One exception is Polo Ralph Lauren, which is the third-ranked brand in the men's area.

Spanish brands such as Adolfo Dominguez and Purificación García are also popular with the El Palacio customer. "Spanish brands have been in Mexico City for more than 10 years," he said. "So they're top-of-mind for consumers. They've been here a long time."

For most of its early years, Arismendi said, El Palacio carried mainly local Mexican brands, but the mix has morphed over time to rely much more heavily on European labels. And so today, "Our most important brand is Salvatore Ferragamo," Arismendi said. "Second is Ermenegildo Zegna, third is Polo Ralph Lauren, fourth is Hugo Boss and fifth is our private label, Chester & Peck."

Other top brands, according to the company's annual report, include CH Carolina Herrera, Armani Collezioni, Pal Zileri, Hackett and Thomas Pink.

Arismendi, who shops Pitti Uomo in Florence twice a year, as well as showrooms in Italy and the U.S., said artisanal brands too have yet to find a following in Mexico.

"We prefer big names," he said. "It's easier for us to work with them. It's very complicated for us to work with small brands. They don't have the capital or the infrastructure they need to sell to us, and our customer doesn't know them."

He said when he visits New York, he will walk through Barneys New York, Bergdorf Goodman and other well-known American stores, "but it's a different market," he said. He appreciates the artistry of the small labels that these stores carry, but it won't work at El Palacio. "In New York, there are tourists from around the world walking the streets and visiting the stores. But not in Mexico."

Instead, El Palacio caters to a high-end local customer — lawyers, politicians and other businessmen who look to the company's 13 full-line stores and three boutiques for their ward-

robing needs. "Our customer is luxury Mexican society," he said.

Indeed, the annual report attributes the company's success to its laser focus on this segment of the market. "The luxury segment continues to be central to the company's strategy," the report said.

The men's division is broken into five areas: tailored clothing and furnishings, shoes, shirts, contemporary sportswear and traditional sportswear.

Hugo Boss, with suit prices averaging around \$1,300, he said.

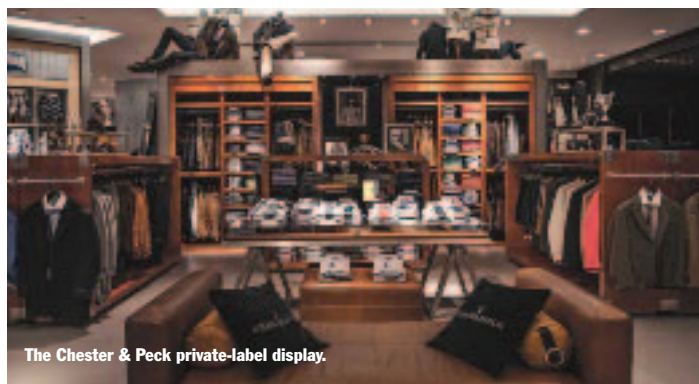
Even so, this represents a shift for the company. "We started selling suits to young men around five years ago," he said. "Before that, it didn't exist. It started when Zara came to Mexico City and introduced it. After that, we began offering it in our private label."

Another area of strength within men's is made-to-measure.

"We have made-to-measure events



Ferragamo is the most important men's brand at El Palacio de Hierro.



The Chester & Peck private-label display.



PHOTOGRAPH BY ANDREA CANON

Arismendi said that 40 percent of the company's men's sales come from tailored clothing and furnishings.

As in the U.S., younger men are turning to slimmer-fitting silhouettes in suits, especially in urban areas such as Mexico City, he said. However, these younger guys are gravitating toward private-label offerings, which retail for around \$300 to \$400. In contrast, the older customers tend to purchase high-end European brands such as Zegna, Canali, Pal Zileri and

Our most important business continues to be [tailored clothing] in terms of turnover, but we see how contemporary is growing every day.

— ALVARO ARISMENDI,
EL PALACIO DE HIERRO

with Loro Piana two times a year," he said. Other brands also offer this service to the Mexican customer, including Zegna and Pal Zileri. "It's a very important business to us and growing with different brands."

He related a story about a customer at the Monterrey store who bought \$100,000 in suits at a Loro Piana event — suits that cost around \$15,000 each. "We have important customers with a lot of money," he said.

Beyond clothing, Arismendi said



A look from Chester & Peck.

contemporary sportswear is also on fire at the stores. "It's been growing more than the average over the past two years," he said. One of the strongest brands is Boss Orange.

He said the contemporary brands appeal to a "young man who is just starting to work. He's 25 years old, he's an architect or something like that in the professional area. He's modern and contemporary."

Arismendi continued, however, that "Our most important business continues to be [tailored clothing] in terms of turnover, but we see how contemporary is growing every day."

Men's wear is offered in all of the company's stores, and Arismendi said the mix in the Mexico City flagship is the same as in the other areas. "We carry the same merchandise in all our stores. Ermenegildo Zegna is in 98 percent of our stores."

He said El Palacio has a database of around 700,000 customers and keeps in contact with them through a twice-yearly catalogue that provides details on everything new and noteworthy within the men's arena. In addition, the store advertises in local newspapers and has been beefing up its social media presence to communicate with its men's wear shoppers.

Arismendi, who has run the men's division at El Palacio for seven years, is a veteran men's merchant. Born in Argentina, he attended law school but opted for a career in fashion instead. He worked for Yves Saint Laurent as a men's wear manager in his home country as well as Chile before joining Haber's Group, a retail conglomerate, overseeing Robert's, High Life and Hugo Boss stand-alone stores in Mexico.

He said that upon joining El Palacio, he worked with many of the same brands that he'd carried at Haber's. "But some, like Canali and Burberry, are exclusive to us."

Looking to the future, Arismendi said he expects men's wear to continue to grow in popularity at El Palacio. Besides brands with a contemporary sensibility, he expects tailored clothing to continue to be the leader five years down the road.

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SECTION II

WWD MILESTONES

Lucky Seven

The retailer has private label covered with seven key brands. By David Moin

WITHIN ITS BUILDUP of luxury and international labels, El Palacio de Hierro finds room for homegrown private brands.

Private labels account for 5.6 percent of the company's total volume, yet according to Maria Teresa Ledesma, the divisional merchandise manager supervising the private-brand program, "Our goal is to reach 12 to 15 percent in five years," more than doubling the current penetration. Private label touches the women's, men's, kids, tweens and baby categories. In women's alone, private label accounts for 9.3 percent of the business.

Though El Palacio does work with Li & Fung in Hong Kong on sourcing, "The big challenge is to find manufacturers willing to work with us. Our volumes are not so big," Ledesma acknowledged.

The approach to private label is different from other retailers where sometimes on the selling floors there's a confusing array of labels that mean little or nothing to consumers, or the private-label business banks heavily on celebrity and designer collaborations which come and go. At El Palacio, the program is focused and contained — and devoid of popular music or movie personalities. The store's private-label development maintains a relatively modest portfolio — just seven labels — and that's just the way the merchants like it.

Growth, as Ledesma explained, will be accomplished organically, by nurturing the seven existing private brands, rather than adding new ones. The foundation of the business rests on selling lifestyle concepts. It's not geared to underprice other brands, or to be heavily promotional.

"We try to be aspirational," Ledesma emphasized.

The company's largest volume



Epsilon is a contemporary label for women and men.



A Wild & Alive area and, below, looks from the line.

label, and what could be considered the most important, is Chester & Peck, which evokes a neo-traditional, English countryside attitude. The collection revolves around updated classic and basic styles, and has a strong reputation in dress shirts, for men and women, that are made in Mexico with Italian fabrics. Prices are upper moderate, and the target audience would be inclined to shop Lacoste or Polo Ralph Lauren, which are also sold at the store.

On the other side of the private-label fashion spectrum is Wild & Alive, a one-year-old women's contemporary collection. The look is what Ledesma called "sophisticated edgy" — particularly for Mexico, where many women tend to dress conservatively — with metallics, skintight pants, studded jackets, short cropped tops and mixed media, as well as a range of jeans.

"They like sexy but not too revealing," Ledesma said, describing how the women dress, while men in

what we want — that customers buying these labels don't realize they are our private brands."

Epsilon, another contemporary label that does well with jeggings and leggings and other body-conscious, fitted looks, is the second-largest private brand at El Palacio. The label is sold in women's and men's, and caters to the type of consumer that would be apt to shop Club Monaco or Zara.

Catamaran, a casual sportswear private label in kids and juniors, appeals to those shopping American Eagle Outfitters and Aéropostale, and is important in jeans, second only to Levi Strauss at El Palacio.

"We want to sell that lifestyle but we don't want to look like them," Ledesma stressed.

El Palacio owns two designer labels for the private-brand program: Pertegaz, a Spanish designer known for men's suits and shirts, a very traditional line, at opening price points in men's and women's, and Carlo Demichelis, a contemporary label for women 35 and older. Rounding out the private-brand program is Primmi for newborns, toddlers and kids, emphasizing pima cotton products.

Ledesma said the company takes



process involving line reviews and analysis on bestsellers; visits to New York to The Doneger Group merchandising and consulting firm for information and advice on trends, demographics and important brands; combing trade shows in different countries such as Première Vision; color reviews, and assortment planning to structure the collections with key categories and items.

Much of the private-brand product is designed and developed in-house, though sometimes suppliers might design product based on what El Palacio is looking for. Samples are developed by suppliers who give price quotes to the store's seven private-label merchandisers. Also on the team are two graphic designers, as well as those involved in quality control, patternmaking, purchase orders, operations, planning and analysis.

Asked if additional private labels are contemplated, Ledesma replied, "Seven is a good number. We are not going to have more. We have the niches covered."

“That’s exactly what we want — that customers buying these labels don’t realize they are our private brands.”

— MARIA TERESA LEDESMA, EL PALACIO DE HIERRO

Mexico are gravitating toward skinny jeans. "Everything is about proportion in men's. They are becoming more body-conscious." Wild & Alive is a most critical label in El Palacio's strategy to become a bigger player in contemporary sportswear, where officials acknowledge they're playing catch-up to the competition.

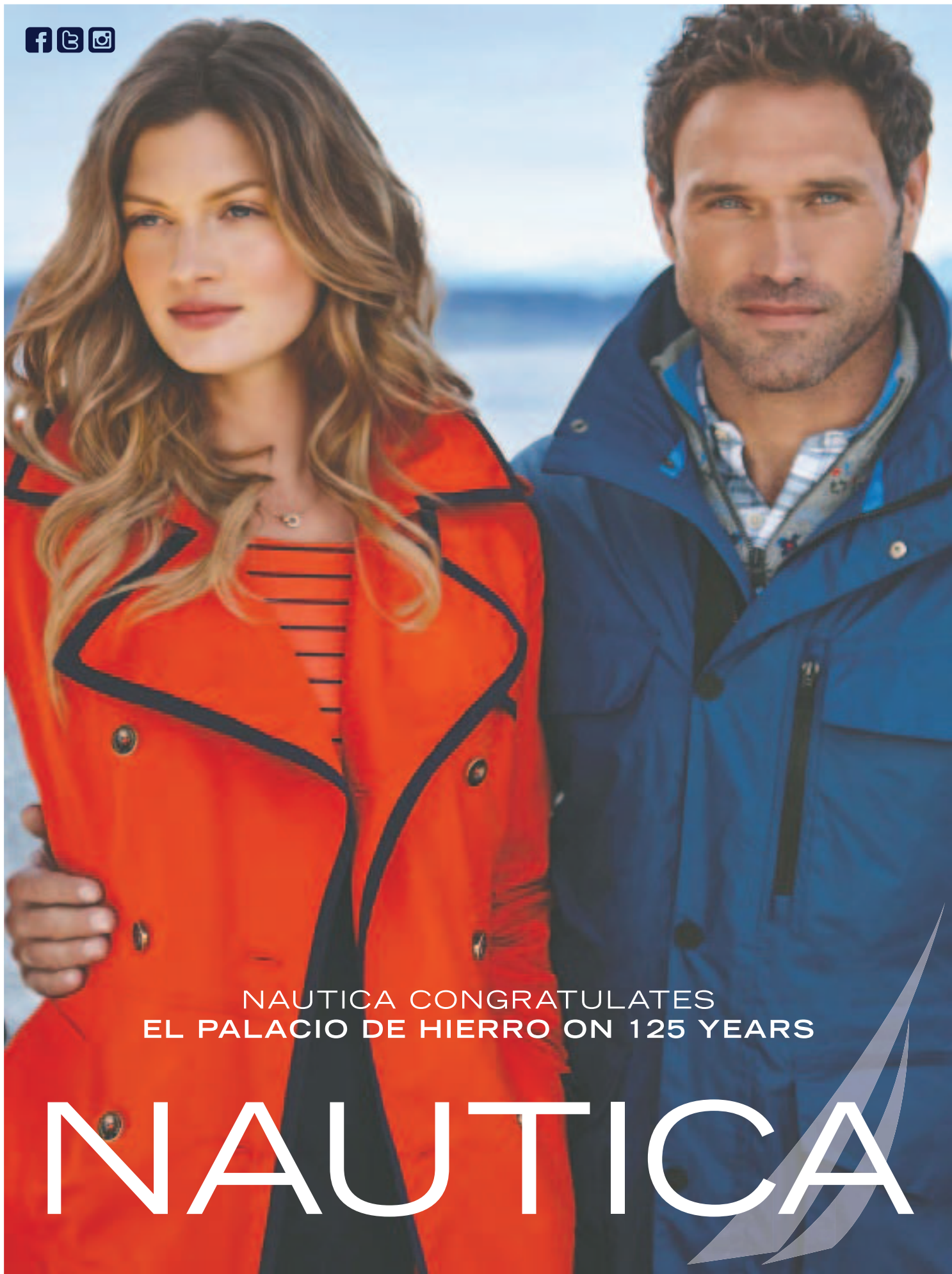
"Many of our customers think Chester & Peck is a British brand and that Wild & Alive is an American brand," Ledesma said. "That's exactly

"two critical paths" in developing and planning the private-brand products — a 10-month process for the longer-lasting trends and traditional styles, or a 10-week process for fast fashion and hot items like printed jeans and cropped tops for Wild & Alive. With the fast-track products, El Palacio buys fabrics and stores them in a warehouse so they are readily available and the production cycle is short.

In any case, private label design and development is a complicated



PORTRAIT AND STORE PHOTOS BY ANDREA CANON



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WWD MILESTONES

Online Blitz

With significant potential in the digital arena, El Palacio de Hierro is launching a major e-commerce effort, with social media playing a big role. By Rachel Strugatz

EL PALACIO DE HIERRO is gearing up for a significant e-commerce launch in a few weeks' time.

The retailer might not be getting the advantage of being first on the scene, but by coming in a bit later, it can implement some best practices like live customer service functionalities and the welding of online and offline programs.

Dario Okrent, El Palacio's e-commerce director, maintains that although e-commerce sales are "not significant" right now, this will change.

"For department stores in Europe, e-commerce is 6 to 7 percent [of sales], and in the U.S. it's about 15 to 20 percent," Okrent said, noting that online sales will make up about 7 percent of overall business at El Palacio in four to five years.

"We're going to develop the site, [and it] will have more features, [including] interactive propositions for customers. This is a very omnichannel-oriented portal and strategy," Okrent said. "We have to innovate to stay close to the customers, and for this age, the omnichannel and the consumer experience are fundamental for us."

El Palacio's digital marketing and advertising manager, Carlos Silis, agreed with Okrent.

"Our focus is trying to be omnichannel," Silis said. "We're searching for that holy grail."

Building the new digital flagship has been in the works for a year, with the department store partnering with New York and London-based digital creative agency Pod1 on the redesign.

Pod1 founder and chief executive officer Fadi Shuman said his team started from scratch, rather than enhancing or giving a facelift to an existing platform.

"We benchmarked Neiman Marcus and Harrods to see what they did online and literally created a checklist. Creatively, the approach was a high-end luxury destination, all about using their content and photographs," Shuman said. "In the U.S. or Europe, most brands have built their global flagships online already, but this is not the case in Mexico."

He added that one of the most important functions of the site is order fulfillment. In Mexico, where Shuman said it's typical for e-commerce deliveries to take up to 45 days to arrive, all



El Palacio has over 1.6 million likes on Facebook.



orders placed on El Palacio's site are guaranteed to arrive within five days anywhere in the country.

To complement next month's e-commerce launch, there will be efforts in-house to increase the team with a content curator who monitors metrics and client services associates.

The retailer already maintains a presence on Facebook, Twitter, YouTube, Instagram, Pinterest and Foursquare, and publishes a newspaper twice a month that, in addition to a print format, is available for download at the Apple app store.

Silis said the company has made a concerted effort in the past 18 months to firmly establish engagement with fans across the social channels. In this time, Facebook fans leaped from 180,000 to more than 1.6 million, while Twitter followers escalated from 10,000 to more than 230,000.

On El Palacio's YouTube page, it's

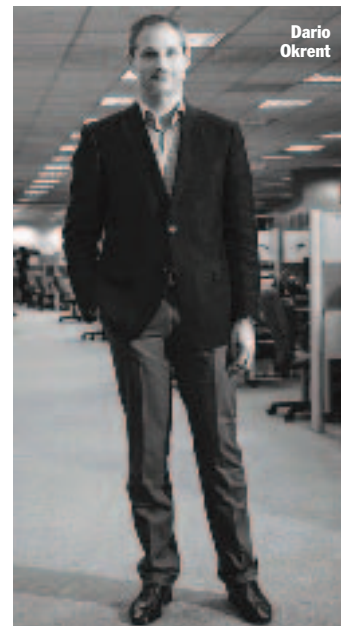
common for a video to get more than a million views. A video posted on Aug. 25 containing the retailer's slogan "Soy Totalmente Palacio" ("I am totally Palacio") has already received in excess of 3.4 million views.

But in Mexico, where digital marketing is still in its early stages, according to Silis, it's an especially effective way to connect with Millennials.

"We have just made the biggest database for El Palacio, with more than 1.6 million liking us [on Facebook]," Silis said. "It's the biggest database that the store has, bigger than credit cards, e-commerce and the newsletter that we have. This is an opportunity to engage with our customers."

E-commerce will amplify El Palacio's existing digital marketing strategies. Shared content will be linked to a point of purchase, hopefully driving users to the site to shop, Silis said. Client services will remain important — and live, on-site help will enhance the online shopping experience.

New York University's think tank Luxury Lab, or L2, has been consulting with El Palacio on its digital initiatives. According to Maureen Mullen, L2's director of research and advisory, El Palacio has the ability to become the aspirational destination online for luxury brands in Mexico. Right now, a search on google.mx or other local search engines reveals that luxury brands are most purchased by gray market discounters — and if one con-



Dario Okrent

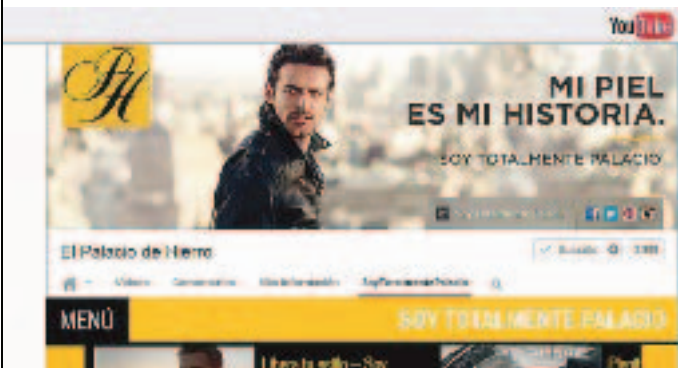
PORTRAITS BY ANDREA CANON

siders official distribution partners, there is potential for more aspirational places for these brands to live, she said.

"How the brand is positioned in the marketplace makes it overwhelmingly one of the more innovative companies in retail, from store concept to brands to the customers to which they cater," Mullen said. "The next step of that evolution is moving online, and the opportunity here for a retailer like El Palacio is to own the space in the Mexican market."

Total e-commerce penetration in Mexico is 0.5 to 1 percent of total retail sales — with one-third to one-half of these sales coming from foreign retailers.

She draws a comparison to Dafiti — a two-and-a-half-year-old online luxury retailer in Brazil that has begun to export to the rest of Latin America, including Mexico — and notes that with El Palacio's future efforts in the sector, it can "jump in and claim that [same] space for Mexico."



The YouTube channel and the Instagram page, right.

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SECTION II

WWD MILESTONES

Putting on a Brave Face

Amid increasing competition and sluggish sales in the beauty category, El Palacio de Hierro is upping its strategic ante. By Ivan Castano

THE BEAUTY MARKET is a tough, highly competitive one in Mexico.

So to keep holding steady in the fray, El Palacio de Hierro has mounted a series of events and additions in the stores. The retailer hopes beauty sales will grow 4 percent this year, thanks to strong make-up marketing efforts at a time when Latin America's second-largest economy is growing at a slower-than-expected pace and competition is heating up.

According to Adriana Lizarraga, director of El Palacio's beauty division, the retailer strove to market its leading makeup brands during its annual beauty festival, which ran from June 17 to July 7, helping bolster sales beyond expectations.

"The festival went extraordinarily well," Lizarraga said. "We grew 12 percent [versus last year], more than expected."

The retailer also opened a Chanel pop-up store in its Antara store in Mexico City in May — an effort that has sparked other brands' interest to open similar doors next year, Lizarraga said.

This year's festival — and other near-term makeup marketing efforts — will focus strongly on young people.

"We are focusing on young people and on doing more dynamic things with them, such as allowing girlfriends to try products on each other or offering makeup sessions with renowned makeup artists," Lizarraga said.

In other efforts to grow sales, El Palacio will also exclusively launch in November the Michael Kors Color brand in Mexico for a three-year term, Lizarraga revealed.

Asked why makeup has become so key for the retailer, Lizarraga said the category has become increasingly competitive in Mexico, largely due to French perfumery chain Sephora's successful arrival in fall 2011. The LVMH Moët Hennessy Louis Vuitton-owned retailer, which has a thriving makeup enterprise, has made the product much more popular by bringing an array of exclusive and cleverly marketed brands, analysts say.

Carlos Salcido, El Palacio's marketing director, conceded that Sephora, which plans to open three stores in Mexico this year, has hurt El Palacio's sales in the category. However, it's also causing headaches at other top rivals, including larger department store chain Liverpool.

Salcido said Sephora's 2013 expansion plans, combined with Liverpool and other rivals like Sears



The beauty floor in the Perisur store.



Adriana Lizarraga

PHOTOGRAPH BY ANDRÉS GARCÍA

and Sanborns' aggressive expansion schedules, will make it difficult for El Palacio to beat competitors' growth on an aggregated basis, including new stores. However, he said the retailer should be "on par" with rivals' same-store sales growth.

"In the past few years, we have grown above the market, except for last year, because our rivals opened so many stores," Salcido said. "The competition is brutal."

El Palacio's projection of 4 percent growth in same-store beauty sales this year is down from a previous forecast of a 7 percent hike to around \$100 million. Last year, sales rose about 8 percent on a similar basis — and 11 percent after including two new store openings.

Despite Sephora's splash, Lizarraga stressed El Palacio will continue to differentiate itself from the chain, as well as Liverpool (which caters to Mexico's middle class) and other competitors, by stocking a larger and more diversified portfolio of luxury labels.

"We focus on selling more luxurious makeup for a different target," Lizarraga said, adding that El Palacio exclusively carries makeup, fragrance and skin-care products by Prada, Viktor & Rolf, Elie Saab, Bond No. 9, Giorgio Armani Beauty and Burberry, to name a few.

Moreover, El Palacio targets women ages 30 to 50 compared with Sephora's target of 18- to 26-year-olds, and offers makeup and skin-care treatment cabins for each brand.

El Palacio's four best-selling beauty brands are Chanel, MAC Cosmetics, Lancôme and Estée Lauder, Lizarraga reported.

By 2017, the retailer hopes to maintain or slightly increase its current Mexican beauty market share, which stands at 20 percent compared with 50 percent for Liverpool, which is close to opening its 100th store. The chain also hopes to maintain a high-single-digit annual growth rate and or slightly lift it, depending on trading conditions and how Mexico's economy performs.

The effort won't be easy, however. Despite the competition, Mexico's beauty market is becoming increasingly mature and saturated, with consumption turning sluggish on the back of a weakening economy.

"The market is not as buoyant as a few years ago when there were many new brands and new malls opening," Lizarraga commented, adding that the industry grew 14 percent in 2010 and 12 percent in 2011.

For 2013, top industry association Canipec is predicting the market will grow 6 percent to just less than \$10 billion, though it claims promotional campaigns to promote emerging beauty categories should boost future growth rates to "sustained" double digits.

Beauty festivals apart, one way El Palacio hopes to grow sales is by opening a slew of stand-alone beauty shops across Mexico. El Palacio has no plans, however, to deploy a perfumery chain like Liverpool's Kybela.

Liverpool and Kybela did not return calls seeking comment.

El Palacio currently operates six stand-alones for MAC and two for Kiehl's, and plans to open one for Benefit Cosmetics soon.

"We plan to open more of these pop-up stores in the future," Salcido said. The shops, which will be opened under joint ventures with the brands, could be located in a mall near an El Palacio store or in a shopping plaza without one, depending on the location's strategic benefits, Lizarraga added.

By 2016, El Palacio could have three more MAC free-standing shops and three more for Kiehl's, she said.

El Palacio also intends to improve the layout and shopping experience of its stores' beauty sections, which usually measure about 10,700 square feet. In 2008, the chain changed the section's layout to an in-store shop structure, giving each brand 320 to 430 square feet to showcase its products in a more boutique-like and organized fashion.

Lizarraga said future stores will continue to boast this layout, which she said has been "very successful."



Chanel's area in the Interlomas unit.



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WWD MILESTONES

The unit in Antara.



Feathering the Nest

The freestanding Casa Palacio stores offer high-end home furnishings and accessories, from practical to whimsical. By David Moin

FROM THE \$20,000 sauna room to the \$250,000 Baccarat chandelier by Philippe Starck, Casa Palacio is thoroughly upscale, inspirational and occasionally over the top.

"The chandelier is beautifully designed with an umbrella at the end" serving to contain the light, noted Ignacio Reynoso, director of Casa Palacio. "It's our most expensive item."

The showrooms and selling floors of the two Casa Palacio home stores feature a comprehensive assortment covering the gamut for the home. The range includes not only Ralph Lauren and Missoni furniture and soft home products and Sub-Zero and Miele kitchen appliances, but also Loro Piana fabrics, salsa makers from Emilia Castillo, Nespresso coffee makers, room sprays from Durance, 85-inch Samsung televisions on special order, \$18,000 furniture pieces carved from a single piece of wood and a marketplace for silk plants and flowers.

There's also a sprinkling of whimsy in the product and the presentation, like billiard tables that convert to dining tables, French bookshelves in the form of polar bears, chairs suspended from the ceiling and quotes from famous people posted on the walls.

In February, Casa Palacio will introduce luxury mattresses by Hastens.

"One mattress can cost you \$50,000," Reynoso said. "No, I didn't buy one. I tried one and they are really great.... Actually, we have a range of prices. We want to offer the best, and that includes more accessible items. We are aspirational in many ways. People would love to see this mattress, but at the end they wouldn't spend this much necessarily. We also sell mattresses



Ignacio Reynoso

PHOTOGRAPH BY ANDREA CANON

that cost \$600. There's a huge range."

"That Philippe Starck piece is inspired by Mary Poppins," said Bibiana Guzmán, Casa Palacio's vice president, during a tour of the Antara store, which has 64,768 square feet of selling space. "Maybe in the end it gets sold to somebody. It's a collector's item. We do carry some strange things that our customers like to see, even if they don't buy it."

Guzmán takes a guest through all the shops and vignettes, past the sauna, which she noted can be customized with different measurements, through electronics, kitchen appliances, tabletop, elegant bedding and even the housekeeping section for storage and cleaning. "You can find affordable prod-

ucts here," Guzmán said, underscoring the range. "On the main floor, we don't carry luxury. Luxury is upstairs," while at the Santa Fe store, which has 74,874 square feet of selling space, luxury is mixed throughout. "The product placement is very different," she explained. "For Versace, you would have to go to the Santa Fe store. Fendi or Driade, you can buy here. Baccarat is at both stores. There is a 60 percent overlap."

When customers visit one store, they can see what the other one carries through the computer system. Casa Palacio also sells online and through its catalogue.

"What you see in the stores is a small percentage of what we have in the cata-

logues, which have huge selections," Reynoso said. "That's why it is very important for our interior designers to show clients all the possibilities they have even with the same products. Everything can be personalized and customized with different materials and finishes."

Casa Palacio opened its first store in the Antara section of Mexico City seven years ago, and the second in the Santa Fe section just last April. One or two more could open in Mexico City, and other Mexican cities are being eyed.

"Since 15 years ago, we have seen this movement all over the world — the home assuming greater significance," Reynoso observed. "We have seen many fashion brands going into the home area. Presenting the whole lifestyle has become much more important. The first was Ralph Lauren, then Fendi. Then Missoni. Everybody got into it," which encouraged El Palacio to launch the separate home stores.

"We have seen big stores like Bloomingdale's and Galleries Lafayette giving a different form of expression to the home area. In a department store, you are constrained. You cannot express all you would like to express in the home area." Now Casa Palacio is a specialist in the area, mainly with big players from the interior design scene.

"When the planning began eight years ago, we decided that we could do something different from everybody, something different for the home in all categories — electronics, decorative, paintings — everything," he added. "And we have been learning a lot. At first, we were tempted to be more volume-oriented, like Crate & Barrel or Pottery Barn or Habitat. Then we

(Continued on page 36)



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SECTION II

WWD MILESTONES

Feathering the Nest

(Continued from page 34)

said we have the opportunity to be upscale and to work in this segment of this market. Unfortunately, in Mexico, we have big social and financial differences [in the population]. But there are many rich people, and they have been going to the States to shop, with their interior designers or architects. Now they have the opportunity to do it here."

Reynoso said Casa Palacio is virtually unique in Mexico, though he did say there are some smaller competitors that carry high-end brands on a much smaller scale, like Roche Bobois. "We are the biggest and in that [sense] the most important one. You could say we are leaders."

From the opening of the Antara store to the Santa Fe debut, "There has been an evolution of the concept" so Casa Palacio targets two kinds of clients: one who comes to the store to buy for himself, and the other, a professional interior designer with clients. "We have 300 interior designers registered in our special program to help them with their projects."

Casa Palacio also has a bevy of in-house designers, 12 in Antara and 18 in Santa Fe.

Asked how the stores were performing, Reynoso said that since its opening, the Antara unit was growing at a double-digit pace, although this year, as government spending has

With future openings, "We already have a site selected in a mall in the south part of Mexico City, in Pedregal. I think it's going to take two or three years to open, to get ready when the mall gets ready to open. The other [in Mexico City] we still don't know. Outside Mexico City, we have plans to open stores in Guadalajara, Monterrey and Puebla."



Bibiana Guzmán

PORTRAIT BY ANDREA CANON

To educate consumers, "We present a lot of trends. We try to change our stores four times a year, to represent new trends. With our [in-house] interior designers, we train them with information about what's going on. Right now, everything is about materials and how these materials can be used in different ways. For example, wallpaper is coming back. It's very hot now, and you have many kinds of wallpapers. You see many different materials, a lot of textures. Mixing materials is very important. You can have silicon and plastic mixed with very natural materials."

"Another big trend is about respecting nature, respecting the planet. We have many products reflecting this. We have organic sheets and bedding. Everything is organic — the coloring, how they treat the products and the packaging. That can be more expensive, but there are people eager to buy these products. They think they have to live in a different way."

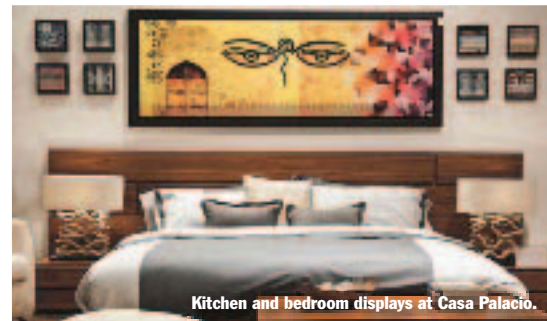
Next year, Casa Palacio will spotlight design "from every point of view," Reynoso said. "For example, we will be talking about young designers and the way they see things. We will talk about brands that hire different designers for their collections."

Lladró, known for its porcelain figurines, hired a batch of new designers to take the collection to the next level. "They have created chandeliers in porcelain. It's something spectacular."

Yet the mood is right, Reynoso suggested.

"Around the world, not just in Mexico, the environment is getting increasingly aggressive. So we'd rather stay home and do different things, entertain our friends. We spend a lot of time at home, and we want to make it quality time there and have the best for ourselves there, instead of showing off outside."

Aside from extending invitations to visit their homes, people to a greater degree are pampering themselves with finer things and experiences, Reynoso observed. "We are selling that sauna. People are looking to indulge."



Kitchen and bedroom displays at Casa Palacio.

dropped with the change in the ruling political party, the store is up about 5 percent.

He acknowledged that with the new Santa Fe store just six miles from Antara, "Now we are a competitor to ourselves. Even with 22 million people in Mexico City, we don't have such a big market. But Santa Fe is developing a lot and becoming more important. We believe both stores are going to do very well. We are very happy with the results at Santa Fe."

Reynoso said the best performing and main business in the store is furniture. "The big brands, of course, are doing well," he said.

The In-store Home Front

Home goods sold in the department stores target a different audience from the freestanding Casa Palacio units. By Ivan Castano

EL PALACIO de Hierro's in-store home goods division is taking some bold steps to maintain solid sales in the face of a downturn in the Mexican economy.

"We plan to grow around 12 percent, but we had expected a higher increase this year," the division's director, Rodrigo Flores, acknowledged. He said first-half sales fell after a surprise slip in the nation's economy sapped consumption.

Mexico's government recently revised forecasts that had called for growth of 3.2 percent in gross domestic product in 2013 to 1.8 percent, following a slower-than-expected second-quarter expansion.

So to battle the falloff, Flores said the retailer is deploying a major and unprecedented marketing and sales campaign. Profit margins, he said, should remain at 3 percent, thanks to operating efficiencies.

The marketing initiative will focus on promoting the key elements of the business — furniture, whites and kitchenware — which make up the bulk of sales.

In a first for the division, Flores' team will launch a social media publicity effort on Facebook, Twitter and other platforms that will feature videos on how El Palacio's home products can fit consumers' lifestyle needs.

As part of the move, top-selling brands such as Vera Wang, Mexican furniture label Boal and British brands Wedgwood and Royal Albert will be promoted, Flores said.

To further boost sales, El Palacio will deploy an aggressive discounting effort with prices slashed as much as 50 percent, compared with around 25 percent in past years, he added. It will also publish a larger sales catalogue and introduce home-decor option packages at reduced prices.

The unit will also have introduced six to seven exclusive brands by the end of this year, matching a similar number in recent years, Flores said. One notable launch will be Finnish home accessories brand Marimekko.

In addition, El Palacio will open two new corners of its top-selling Italian furniture brand Natuzzi, for a total of nine by the end of the year.

According to Flores, the unit's top-selling labels include Parker House, Spring Air, Natuzzi and Boal, for which it also runs corners.

El Palacio de Hierro sells a wide range of upmarket home-wear and decorative items in all 12 of its department stores across Mexico. However, the division's retailing sections vary from store to store. For example, El Palacio's downtown Mexico City store is about 13,000 square feet, while the newer Santa Fe outpost boasts about 54,000 square feet for a broader shopping experience.

El Palacio has sold home products since it opened its first department store in the down-

town area of the nation's capital. Since then, the chain has gradually expanded its offer to include Mexico's most exclusive brands.

Driven by Mexico's growing middle and upper classes, the retailer has made an effort to stock more lifestyle-inspired products for young consumers.

"People are much more informed [about interior design and products] than ever before, and they are demanding brands that fit their lifestyle," Flores said, adding that during El Palacio's earlier days, there was a stronger focus on selling luxury homeware to older, more affluent customers.

"In the past, upscale home decor was mainly reserved for the elite," Flores said. But with Mexico's rising numbers of moneyed professionals, that is no longer the case, he said.

To meet these consumers' demands, El Palacio's newest store — Interlomas — boasts a more contemporary environment with home goods stocked under three main lifestyle themes: contemporary, classic (à la French Provincial) and classic modern.

Flores expects the Interlomas marketing concept to be replicated in other El Palacio units when they are refurbished in the next five to seven years.

The executive said El Palacio competes mainly with Zara Home and the home division of its larger competitor, Mexican department store chain Liverpool, which targets a more mass-market customer.

Unlike these chains, El Palacio has a "more exclusive" and pricier product mix, Flores noted. However, he said the division has been working to bring more affordable, designer-oriented furniture to better compete with these retailers.

"We are introducing designer [style] at accessible prices," Flores said, adding that while it intends to remain an upmarket homeware retailer, El Palacio will introduce more midprice aspirational home goods to bolster sales in the next five years.

"We want to attract the professional thirtysomething segment and younger adults that have more decor mobility [meaning they redecorate more often]," he explained. "A 60-year-old customer is less likely to renovate her home often, but the 30- to 45-year-old professionals are in the most productive period of their lives."

"Their numbers are growing, so we are directing our efforts to attract this segment."

El Palacio's department store homeware business differentiates itself from the chain's Casa Palacio freestanding units by selling conceptual and lifestyle furniture for middle-, upper-class and wealthy Mexicans. In turn, the two Casa Palacio stores market haute couture furniture, stocking the country's priciest brands. They also offer a fully integrated interior-design service.

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SECTION II

WWD MILESTONES

The Vendors Speak

For many of the hundreds of international brands carried, El Palacio de Hierro has been the gateway to Mexico and Latin America.

Pietro Beccari, chief executive officer, Fendi: "Fendi has been working with Palacio de Hierro since 2011. We currently own three boutiques within their department stores and sell our collection in a total of six wholesale points of sale. The launch of our Fendi boutique in El Palacio went extraordinarily well. Within the upcoming months, we hope to open new doors to consolidate our business.

"El Palacio's luxury areas are very strong, and they continue to elevate their positioning year after year. They are an unquestionable leader in the Latin American market, with a legacy that has made the brand a true consumer landmark in Mexico."

Jan Heppe, president of the Americas, Burberry: "Our longstanding relationship with El Palacio de Hierro has played a significant part in developing Burberry's footprint across Mexico, working closely with their outstanding team to offer an assortment tailored to the climate and tastes of luxury customers across more than 11 key locations. We look forward to continuing to partner with El Palacio de Hierro to unlock future growth opportunities in this dynamic, high-growth market."

Daniel Rachmanis, senior vice president for Latin America, the Estée Lauder Cos. Inc.: "El Palacio de Hierro is synonymous with luxury and prestige beauty in Mexico. That's why the Estée Lauder Cos. chose to partner with them when we opened our first doors in Mexico in 1969. And it's because of El Palacio's high-end positioning that we sell some of our most luxurious brands exclusively there, like Crème de la Mer, Jo Malone and Tom Ford.

"Our long partnership with El Palacio de Hierro goes beyond business, too. We are also partners in important social responsibility efforts like the MAC AIDS Fund, World Oceans Day [a partnership between Oceana and La Mer] and the Estée Lauder Cos.' Breast Cancer Awareness Campaign."

Andrea Morante, ceo, Pomellato: "Pomellato is present in two El Palacio de Hierro locations in Mexico City. Both doors are branded concept corners [and opened in 2012]. We always felt that El Palacio represents the best gateway to the Mexican market, and...Sales performances are very encouraging and in line with our best first-year estimates in a totally new market for Pomellato.

"The customer profile is similar to Pomellato clientele found around the world. Within El Palacio de Hierro, Pomellato has been wel-

comed by customers already familiar with our brand and, perhaps most importantly, by new clients. The two corners have a broad assortment of Pomellato's collections with a focus on our most identifiable and international best-selling

also to test the wider Latin American acceptance for the Dodo product."

Sophie Rietdyk, president of international & licensing, BCBG Max Azria Group: "We have been working with El Palacio for

America, and El Palacio has been very successful at establishing itself as the most up-scale and successful department store in Latin America. However, the assortment we offer there is very similar to the assortment one could find in Bloomingdale's or Saks in the U.S. We stay consistent in our offerings around the world. Mexico is definitely

is if your clothing appeals to the culture of South America, Brazil included, then you want to find real leaders to buy it and distribute. El Palacio is just about as good as anybody. They operate like an American department store, but they've got the sensibility of catering to the boutique customer."

Karen Watkins, executive vice president, Dior USA: "Dior has been in El Palacio for more than seven years in two venues — Perisur and Santa Fe. We have recently expanded and remodeled our Santa Fe and Perisur boutiques, adding a market-specific assortment to each. The boutiques feature handbags and accessories, including our Lady Dior with the addition of timepieces in Santa Fe."

Lorena Combe, country manager, Swatch Group Mexico: "El Palacio de Hierro is an appreciated and longtime partner of the Swatch Group. [In 2012], Swatch Group Mexico registered an excellent year with record turnover for most brands. Our first corporate multibrand store was opened at El Palacio de Hierro. It hosts Rado, Tissot, Mido, Hamilton, CK watch & jewelry and a Longines in-store shop."

Yvette Reynoso de Gomez, director of Mexico and Latin America, Guess: "Guess has been working with El Palacio de Hierro since 2008. We're in all its locations [with] both in-store shops and generic shop concepts. The customers who shop there are fashion-savvy and understand the latest trends. We have been able to establish a loyal customer niche. The Latin American consumer [appreciates Guess because] it is sexy, young and aspirational.

"Mexico has set the tone of how we approach the Latin American market. Aside from geography, Mexico is the most similar to North American business and fashion trends. Having been established in Mexico for seven solid years, we have learned important business lessons of what to do and what not to do.

"Although Mexico is similar to North America, there is a percentage [of merchandise] that has to adapt to the local market needs. As you travel further south into Central and South America, the business and fashion trends become even more specific. Navigating through this business and fashion terrain is what makes Mexico the gateway to markets like Brazil; never losing sight of the brand's DNA, all the while adapting to the divergent market needs."

Greg Morel, president of International, Camuto Group: "El Palacio is a first-class retailer; and its ability to deliver quality fashion brands to the Mexican consumer is exemplary. We introduced Vince Camuto and Jessica Simpson footwear two years ago and look forward to continued partnership and growth within the market."

BCBG Max Azria



Burberry Prorsum



Nicole Miller



Pomellato

lines, such as Nudo, Capri, Victoria, M'ama non M'ama, Sabbia and Tango.

"The first point of sale that we opened for Dodo in Mexico was at the new Interlomas El Palacio de Hierro in November 2011. We opened another corner at El Palacio in the Sante Fe mall.

"There is no doubt that El Palacio de Hierro is the ideal partner for Dodo not only to expand the brand in the important Mexican market but



Jo Malone

over 12 years. We have key locations on the contemporary floor with in-store shop concepts averaging around 500 square feet. Our brand has flourished through the years in this environment. Due to its proximity to the U.S., Mexico is the leading market in Latin



Dior

the fashion window to Latin America. So our presence in Palacio is certainly helping us with our expansion in the rest of the region."

Bud Konheim, ceo, Nicole Miller: "El Palacio symbolizes the best of Latin American department stores, and they are hard to find. It's Mexican, but it really caters to Latin American shoppers. That region is really one of European-type boutiques or just boutiques. The main thing

BCBG PHOTO BY JOHN AQUINO; BURBERRY BY GIOVANNI GIANNONI; NICOLE MILLER BY ROBERT MITRA



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