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WWD

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2016
No. 5

DEVIL OR ANGEL

Has Edward S. Lampert's management been good for Sears?

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THE AGE OF KIEHL'S

Marking 165 years of the neighborhood druggist-turned-global skin-care giant.

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TEXTILE TECH

Fabric innovations spur new high-tech products.

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Keeping It Real

Beauty has a new look on the runway
and it's all about individuality.



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The Sears Tower in Chicago, under construction in 1973.



The Features

Real Girls

52 Models once walked the runway in uniform beauty looks, but recent seasons have seen a trend toward letting each individual stay true to her own features and style.

Saint or Sinner?

60 Since taking over Sears and Kmart and forming Sears Holdings Corp., chairman Edward S. Lampert kept the ailing chains going with a stream of funding maneuvers, spin-offs and real estate transactions. But has he been good for the brands?



Kiehl's is the sixth-largest skin-care brand globally.

The Age of Kiehl's: What started as a corner apothecary in Manhattan's Greenwich Village has grown into an international powerhouse.

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The men's wear segment is attempting to navigate the changing landscape of retailing and consumer behavior. Last week, top executives, designers and retailers discussed strategies at WWD's Men's Wear Summit.

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Bill Zielke, chief marketing officer of fraud prevention firm Forter, tells retailers to embrace embedded-microchip credit card systems.

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ON THE COVER: Photograph by DAVID URBANKE

CORRECTION: Kiehl's was founded in the mid-19th century. The century was incorrectly identified on page 39 of the WWD Milestones section on Kiehl's 165th anniversary.

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Carven artistic directors Alexis Martial and Adrien Caillaud designed a custom dress for actress Liu Shishi's Bali wedding.

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


"Reunion? #GirlPower" Victoria Beckham found a new girl group in Korea.

 @victoriabeckham
Designer



Can Banana Republic's sales jump as high as Kevin Love?

 @bananarepublic
Brand

Worst



"why so crabby? / because we don't make jeans with enough legs for them #badjokes" According to market research: no missed opportunity here.

 @madewell1937
Brand



Jessica Hart's birthday celebrations got overly festive.

 @thelsd
Cofounder of Moda Operandi



"#mood after spending too much time in the smoking area this weekend" And it's not even Coachella yet.

 @houseofholland
Brand

Trending

MARCH MADNESS: Brands are joining the annual NCAA basketball tournament chatter.

 @jcrew
Let's face it, nobody works stripes quite like an NCAA ref #marchmadness

 @neimanmarcus
March Madness is here. Have you found your perfect outfit yet? #neimanmarcus #marchmadness

 @RalphLauren
Contemplating the bracket strategy. #SelectionSunday #MarchMadness

 @Macys
Swoosh! Our Sweet 16 sweets are winning major points at today's game-watch. #MarchMadness

Let's Follow

MODEL MOMENTS



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Model and actress

SKILL AT WORK



 @jordanskill
Accessories designer

DESIGN LIFE



 @sebastienmeyer
Co-creative director, Courrèges

Murphy photograph by Billy Farrell/BFA.com/REX/Shutterstock, Meyer by Justice Apple/Askil by JAB



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AGENDA



The Battle Continues

After a tough and lingering slog, watchmakers hope they've turned the corner and are holding their breath about the year ahead.

By JOELLE DIDERICH

Basel, Switzerland – Keep calm and carry on. That seemed to be the unofficial motto at the Basel-world watch and jewelry fair as watchmakers unveiled their strategies for beating an extended market slump, ranging from lowering prices and boosting marketing spending to introducing smartwatches and more women's styles.

Executives at the big conglomerates – Swatch Group, LVMH Moët Hennessy Louis Vuitton and Kering – put on a brave face, but many admitted they would be satisfied if they end the year with business stable.

“I don't see a huge drop, but definitely not a huge increase,” said Marc Hayek, chief executive officer of Breguet and Blancpain. “We've seen a very difficult January, February in most brands.”

While comparable sales are set to improve in the second half, the market is beset by negative factors including the strong Swiss franc, weak demand in Hong Kong, terrorist attacks in Europe and uncertainty ahead of the U.S. presidential election, which traditionally weighs on watch sales.

Swiss watch exports fell 3.3 percent in February, marking their eighth consecutive month of decline, according to the Federation of the Swiss Watch Industry. It forecasts foreign sales of Swiss timepieces will remain stable, at best, this year after posting a 3.3 percent drop in 2015, their first annual decline since 2009.

The number of buyers and visitors at Basel-world was down 3 percent year-on-year to around 145,000, although media attendance rose 2.3 percent, organizers said.

“Some people made the decision not to come for cost reasons,” said Elie Bernheim, ceo of Raymond Weil. Although revenues at the

MEN'S COLLECTION

ROW 1: Calvin Klein Control, Citizen Eco-Drive One, Gucci GG2570 and Hublot Big Bang Unico Chrono BI-Retrograde UEFA Euro 2016.

ROW 2: Frederique Constant Manufacture Perpetual Calendar, Omega Speedmaster CK 2998, Blancpain Fifty Fathoms Bathyscaphe, Breitling Superocean Heritage Chronographs, Ulysse Nardin Marine Chronograph Annual Calendar and Rolex Air King.

ROW 3: Chopard Mille Miglia GTS Automatic Speed Black, Tudor Heritage Black Bay Dark, Harry Winston Project Z10, Tag Heuer Carrera Heuer-02T Black Phantom limited edition, Patek Philippe World Time Chronograph and Zenith Academy Tourbillon Georges Favre-Jacot.

independently owned brand grew 5 percent in 2015, his outlook was cautious. “I do not expect big growth this year. If I do at least what I did last year, I will be very pleased,” he said.

Raymond Weil lowered its prices by 2 percent on average in order to be more competitive, but the issue of pricing once again divided exhibitors at the fair.

“There is a rule in this profession – you don't reduce prices,” insisted Walter von Känel, ceo of Longines. The brand, which rules the middle market and is heavily exposed to Greater China, saw sales plummet 40 percent in Hong Kong last year. “I multiplied my turnover by nearly five over the last decade and in 2015, I was flat.”

The executive, known affectionately as The Colonel due to his military past, uses tactics like group singing sessions to pump up his staff. “You have to motivate the troops, you have to galvanize them, you have to be positive,” he said. ▶

Jean-Claude Biver, ceo of Tag Heuer, hopes it will grow 6 percent in 2016 following a wide-ranging repositioning. “The entry price point is the basis of a company. It’s like a staircase: if the first step is a foot high, everyone can climb the stairs,” he argued. “So the entry price point must be broad, easy to reach and enticing.”

Even Tag Heuer’s high-end pieces are aggressively priced. Its Carrera Heuer-02T offers an in-house movement equipped with a tourbillon complication for a market-defying price of \$16,000. By comparison, the cheapest tourbillon at sister brand Zenith is the El Primero Tourbillon Skeleton, billed as a bargain at \$47,600.

Chopard marked the 20th anniversary of its L.U.C. collection with the L.U.C. Perpetual Twin, the first in-house movement launched exclusively in a steel case, retailing for \$25,760.

“For those who really enjoy watchmaking, they may not want to spend \$50,000 on a gold perpetual calendar, but they may be OK to spend less and have a beautifully crafted steel case, which is still a beautiful object at the end of the day,” said Chopard co-president Karl-Friedrich Scheufele.

Tudor, the sister brand of Rolex, brought in-house movements into its popular Heritage Black Bay collection, including the new Black Bay Bronze, featuring a slightly larger case in a brushed aluminum-bronze alloy.

Peter Stas, ceo of Frédérique Constant, said its competitive price positioning helped it weather the previous crisis in 2008 and 2009, but he anticipated a difficult year.

“Those watches that were supposed to be sold in Hong Kong, China and a little bit in Russia, they surface everywhere. They surface in the gray market, they surface in the stores with certain brands giving up to \$300, \$400 incentive for every watch sold, just to try to push out the overstock, and of course, this is also affecting us,” he said.

“In 2017, we hope that some of the overstock problems around the world have been solved and retailers can really concentrate again on more constructive matters, instead of just trying to stay afloat,” he added.

Some believe the influx of watches on parallel markets will change the face of watch retailing.

“I think that all the problems that we have now in the real world will be a booster for the e-commerce business,” said Paolo Marai, president of the Swiss luxury division of Timex Group.

The company sells its Versace and Salvatore Ferragamo brands on Amazon in the U.S. and is working to sell regular-priced product with Chinese online retailers Secoo and Vipshop. “Either you do it, and you control it, or somebody else will be doing it,” said Marai. “So it’s much better that you start working with all these platforms.”

Bulgari, on the other hand, plans to open or renovate 15 stores this year to capture rapidly changing tourist flows.

“You can see very quick shifts and obviously the winning companies will be those with a global network, including in travel retail, capable of permanently adapting their assortments to a shift,” forecast Bulgari ceo Jean-Christophe Babin.

The Roman brand unveiled a new high jewelry watch collection, Serpenti Incantati, and a technological feat, the Octo Finissimo Minute Repeater, presented as the world’s thinnest minute repeater – a watch that chimes the time on demand.

It was one of several models that grabbed the attention of watch connoisseurs.

Within hours of publishing its Baselworld novelties, Rolex was fielding phone inquiries for the new steel version of its Cosmograph Daytona, despite its \$12,400 price tag.

Patek Philippe wowed critics and collectors with



WOMEN'S COLLECTION

ROW 1: Boucheron Reflet Bleu de Jodhpur, Blancpain Ladybird, La Mini de Dior Satine and Bulgari Serpenti Incantati.

ROW 2: Tory Burch Collins, Chanel Boyfriend, Gucci Green-Red-Green and Swarovski Memories.

ROW 3: Calvin Klein Minimal, Harry Winston Emerald, Tissot Bella Ora Piccola and Salvatore Ferragamo Gancino.

vice president, chief strategy and digital officer at Fossil Group, said of the firm’s smartwatch push.

“We sell 30 million watches a year and all they do is tell time. Imagine now if we can have the same branding and design and styling, but now every one of them has enhanced functionality that matters to customers. If you think about that for a second, then this has massive scale,” he added.

Ulrich Grimm, creative director of shoes and accessories design at Calvin Klein, said it was debating whether to enter the category. “We want to be right and we want to be really also useful and relevant, to not bring a gimmick to the table,” he said.

Gucci has postponed the launch of the smartband it is developing with Black Eyed Peas frontman Will.i.am, but it presented a new store concept and redesigned watch and jewelry lines, courtesy of creative director Alessandro Michele.

“It’s been beyond expectations,” Stéphane Linder, president and ceo of Gucci Timepieces and Jewelry, said of the impact of Michele’s designs.

Among Gucci’s new offerings are runway pieces, like the Plexiglas bangle in its heritage green-red-green “Web” strip, and the new GG2570 line for women and men, which channels a Seventies vibe with cushion-shaped cases.

“With a fashion brand with a big name, we are maybe more resilient because the brand is so strong anyway,” said Linder.

Chanel unveiled additions to its Boy.Friend collection, launched last year, ranging from upscale models with diamond-paved dials to a more day-friendly version on a Milanese mesh bracelet stamped with a tweed pattern.

Dior also harked back to its couture roots with limited-edition timepieces like the Dior VIII Grand Bal Plissé Ruban, featuring an oscillating weight on the dial set with diamonds and mother-of-pearl, in a design reminiscent of a pleated petticoat.

Harry Winston’s limited edition Premier Precious Weaving featured dials inspired by a rare Japanese technique in which threads of gold are woven with slivers of natural mother-of-pearl.

They were part of a strong offering of women’s timepieces at the fair, including a large selection of diminutive watches. Blancpain celebrated the 60th anniversary of its Ladybird watch, originally touted as the world’s smallest round watch, with a limited edition of 60 with a diamond-set bezel and a mother-of-pearl dial priced at \$19,300.

Boucheron, in the midst of a reorganization under new ceo Hélène Poulit-Duquesne, highlighted its Reflet watch, launched in 1947, which comes with an interchangeable strap in more than 60 options. Two new versions, both in a limited edition of 88, featured dials made from aventurine glass or marble.

Jacques Panis, president of Shinola, explained the allure of the female customer.

“Ladies are more apt to buy multiple watches and have watches as a part of their wardrobe and match to what they’re wearing on a daily basis,” he said. “They’re potential repeat customers.” ■

its World Time Chronograph Ref. 5930, which pairs its patented world time mechanism with a proprietary chronograph movement. The watch will retail for \$73,700.

Omega harked back to a sought-after version of its Speedmaster, a.k.a. Moonwatch, released in 1959. Featuring a silvery dial with three blue subdials, the CK2998 will be available in a limited edition of 2,998, priced at \$6,500.

“We’re not a fashion brand, we’re not a hype brand, we’re not a bling-bling brand – we’re basically a watch brand that’s trying to make the best watch for a lot of people,” said Omega ceo Stephen Urquhart. “We’re a big industrial brand. I always say, every day we have to sell 2,000 watches over the counter.” Omega will step up its marketing spend this year as official timekeeper of the Summer Olympic Games in Rio de Janeiro.

Hublot also plans to increase its marketing budget, by 10 percent, as timekeeper of the Euro 2016

“All the problems that we have now in the real world will be a booster for the e-commerce business.”

Paolo Marai, Timex Group

soccer championship but it will curb costs in other areas. “We are not hiring as we used to hire in the last two years,” admitted ceo Ricardo Guadalupe.

Swarovski expects to spend an extra 15 percent on marketing activities this year.

“You have to be anti-cyclical in your activities, otherwise you will just go with the flow and if the flow goes the wrong way, you go the wrong way as well,” said Robert Buchbauer, head of Swarovski’s

consumer goods business. “Of course, we have to cut back on a lot of nice-to-haves, but those are must-haves. You need to be heard in the market.”

Ulisse Nardin put design and communication at the heart of its new strategy, dubbed “Roadmap 2020,” marking its 170th anniversary with a new advertising campaign and slashing the number of references in its collections by 40 percent.

“The message today has to be much clearer than in the past. When you look now at how our collections are divided, it’s according to design. In the past, it was according to the movement,” said Patrik Hoffmann, the firm’s ceo.

Citizen put the accent on technology, celebrating the 40th anniversary of its Eco-Drive technology with the Eco-Drive One, billed as the world’s thinnest light-powered watch. Available in a limited edition of 800, it will cost \$6,000.

Unlike last year, smartwatches were not the main talking point of the fair, although there were

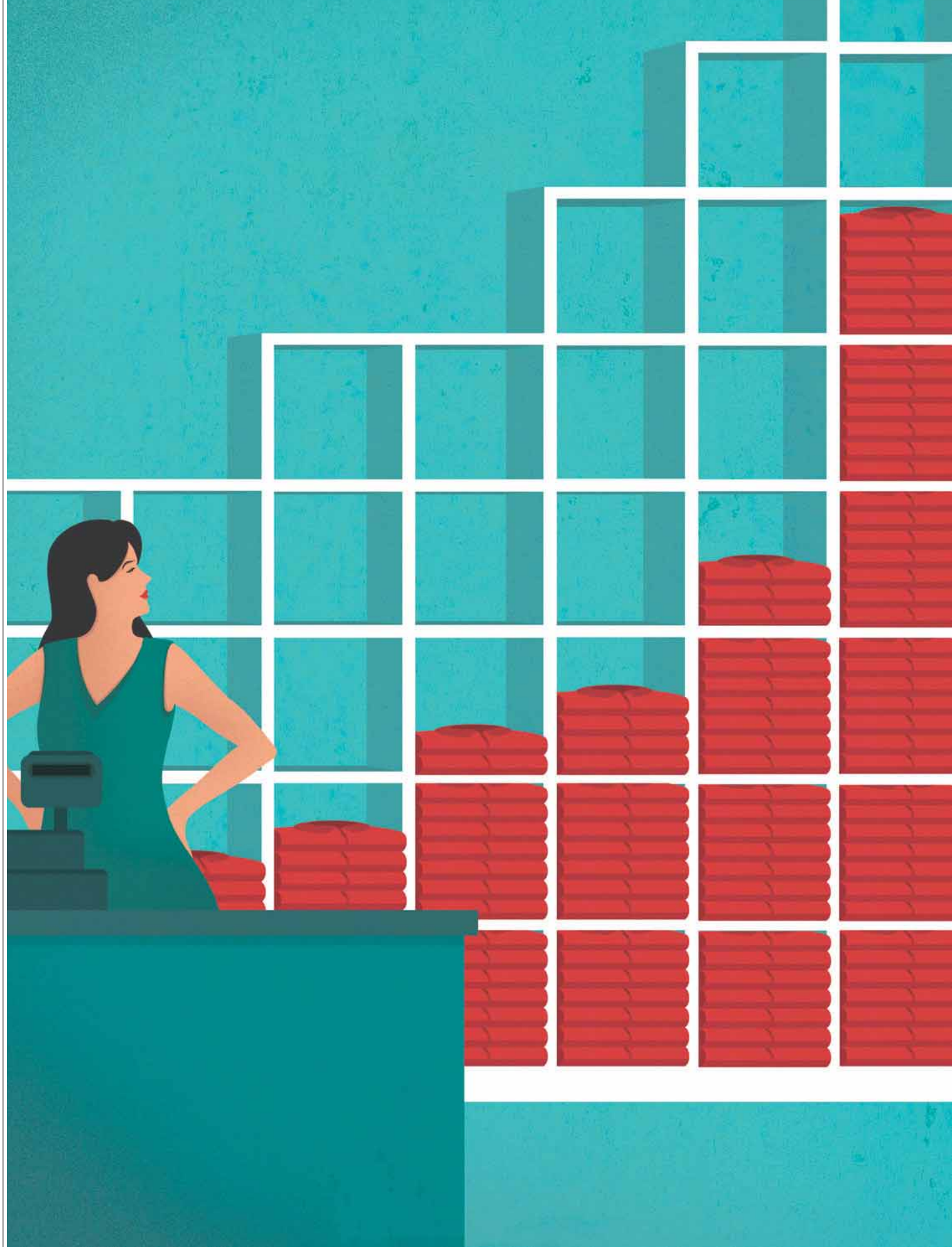
some significant introductions in the segment.

The most unexpected was the Samsung Gear S2 by De Grisogono, studded with more than 100 black and white diamonds. At 14,900 Swiss francs, or \$15,000, it probably qualifies as the world’s most expensive smartwatch.

Tissot presented the Smart-Touch, an evolution of its existing T-Touch model that can be connected to a smartphone, in addition to peripherals that allow the wearer to track objects and receive detailed weather reports.

Fossil Group confirmed it would launch more than 100 wearable products for eight brands by the holiday season. Michael Kors ceo John Idol flew in for a press conference in the group’s new headquarters to introduce its Access smartwatch.

“We think that over time it is going to be not only a very meaningful part of our business, but we believe that one day every watch we make will be connected,” Greg McKelvey, executive



So Bad, It's Good

Even though the consumer isn't shopping, fashion stocks are rebounding as investors try to get in early.

By DEBRA BORCHADT

Business is tough, but stocks are coming up – welcome to the topsy-turvy world in which publicly traded fashion companies live. While the two themes seem to be pushing the industry in opposite directions, investors are actually taking into account last year's funky weather and the West Coast port disruption, as well as current valuations. As a result, they're betting (and they always have to bet one way or the other) that the only direction for shares to go is up.

"My thesis is that investors recognize that sales have improved (and so have margins) since fiscal yearend. They also know that the odds of having worse weather for holiday '16 than in '15 are one in 100," said retail expert Jan R. Kniffen, chief executive officer of Kniffen Worldwide Enterprises. "So, since the 'bad news' is out, the water seems safer. I actually told my clients that all of the vendors and all of the retailers were buys, but only after the news was out. That proved prescient."

U.S. retailers just weighed in with 2015 results and generally painted a dark picture of an industry in flux, coping with the digital revolution, a port dispute that gummed up supply lines and cold-weather gear hanging on the racks as holiday shoppers sweated-out unusually warm weather.

Consumer companies are expecting more pain this year, with slow wage growth holding back shoppers even as lower gas prices leave them with some more spending money.

Seventy-four percent of consumer discretionary companies in the S&P 500 have projected negative earnings per share for the first quarter of 2016, according to FactSet. All told, 119 companies out of the S&P 500 have issued EPS guidance for the quarter, with 93 negative forecasts and 26 positive.

The fashion and retail firms that have talked down the coming year vary from higher-end players like Ralph Lauren Corp. to the mass department store chains like Kohl's Corp. Several European players brought up currency issues as they discussed their outlooks for the year. Kering SA is said to expect volatility in the short term due to currency fluctuations and an unsettled economic environment, while Salvatore Ferragamo wrote of the geopolitical environment affecting elements of the luxury sector.

In its recent earnings statement, Hermès

wrote, "sales growth in 2016 could be below the medium-term goal of 8 percent revenue growth at constant exchange rates due to the economic, geopolitical and monetary uncertainties around the world."

Looking ahead to its fiscal fourth-quarter ending April 2, Ralph Lauren said it needed to clear out end-of-season inventories. It expects revenues for the three months to be flat to down 2 percent. The company also projected that foreign tourist traffic would continue to be pressured. Lauren's stock is down 27 percent to \$95.55 over the past year, but has risen almost 4 percent in the past month.

Kohl's said revenues for the current fiscal year could range from down 0.5 percent to up 0.5 percent as the company clears out inventory. Kohl's wants to reduce inventory by 10 percent in each store by 2017 and is also trimming its store fleet. The retailer's stock is off 38 percent to \$45.93 for the past 12 months and down 1.6 percent for the past month.

"I don't think [retailers] really have any idea how much resources they need to devote to their businesses and how quickly they can turn it into earnings," said Jay Silver, a managing director at professional services company CBIZ Inc. "Retailing is so different. How do you drive that to the bottom line?"

Silver pointed out that the e-commerce change has occurred so quickly and is so dramatic that retailers are struggling to adapt to the change. Implementing a digital strategy is expensive and disrupts the company's financial statements.

But investors who want to get in early on a good thing are starting to buy into fashion.

The 100-issue WWD Global Stock tracker has dropped by more than 4 percent over the past year, but is bouncing back. The group is up almost 3 percent for the past month, with 67 stocks advancing and 33 declining.

In Europe, companies with a strong e-commerce

"The bad news is priced in. I think the story out there is stronger than it's been in a while."

Deborah Weinswig, Fung Business Intelligence Centre

presence have performed the best. In the past month, Burberry Group plc has popped more than 11 percent to 13.22 pounds, or \$18.17, and made a nice comeback considering it has declined by 27 percent for the past year. The new Yoox Net-a-porter Group is up 3 percent in the past month to 26.43 pounds, or \$29.53, capping off a rise of 21 percent for the past year.

Among American retailers, it was the downtrodden that performed the best. Abercrombie & Fitch Co. jumped 11 percent in the past month, adding to the 41 percent stock gain over the past year to trade at \$31.41. J.C. Penney Co. Inc. exploded with a 30 percent increase in the past month and has made a 36 percent gain for the year.

"The bad news is priced in," said Deborah Weinswig of Fung Business Intelligence Centre. "I think the story out there is stronger than it's been in a while."

Weinswig pointed out that the coming comparisons will be easier as retailers go up against last year's port strike and the terrible weather in the early part of 2015.

The first quarter of 2015 was colder than normal and the wettest since 2011, according to Planalytics. The rain continued into the second quarter, turning the period into the wettest in 20-plus years, negatively hitting store traffic.

Weinswig also sees a lot of sentiment around mergers and acquisition activity and expects the industry could see further consolidation. "We could see capacity taken out of the market and fewer stronger players," she said.

Analysts at Wells Fargo noted that store traffic has picked up, with the month-to-date traffic for March proving to be relatively solid.

"Following a choppy start to the year, retail stocks have regained momentum, as better-than-feared numbers, relatively inexpensive multiples and fairly stable outlooks have all helped the group go through a meaningful re-rating over the past month," the analysts said.

Wells Fargo also found that only one-third of the retail group was more promotional than last year. The rest were either the same or less promotional. They pointed out that investors are particularly fond of off-price brands like TJX Cos. Inc. and Ross Stores Inc. Beauty names like Ulta Salon, Cosmetics & Fragrance Inc. and Sally Beauty Holdings Inc. are also big favorites.

The markdown days for fashion stocks might be coming to an end. ■

M

The Men's Side

Last week, WWD invited top executives, designers and retailers to discuss strategies at the Men's Wear Summit in an attempt to navigate what's real, what's a fad and how to remain competitive.

John Elliott

DESIGNER

John Elliott is still in the "I can't believe it" phase, and rightfully so. The slight and incredibly polite designer — he referred to his acquaintance Kanye West as Mr. West — only launched his line three years ago as a basics brand, but he's been able to maintain

momentum and awareness by innovating on top of his core and offering up streetwear pieces with subtle but impactful design nuances.

In a conversation with WWD men's fashion director Alex Badia, Elliott talked about how he has

developed a cultlike following, his less-than-ambitious wholesale plans and what he's doing to answer the buy-now-wear-now mandate that's touching everyone in the apparel industry. Here are some of the highlights.

What year did you start the company?

I started working on the company in 2011 and we formed the company in 2012. In January 2013 we delivered our first products. So it's been just a little bit over three

years that we've been in existence.

How did you get Kanye West to come to your first show?

He and I had become mutual acquaintances. We actually met at a gym and rode a stationary bike for like an hour and a half and just talked. It was awesome. But the thing about that show that was really cool was that there was great energy. I liken that show to a music analogy. That was maybe our first EP and I felt a lot

of pressure because Mr. West is such an important cultural figure and there were a lot of people that came to that show and there was a lot of buzz around it. I felt a great responsibility to validate that buzz.

You told me you not only started an apparel company but also a technology start-up. Can you elaborate?

I think from our first season onward we've been in a little bit of a survival mode. Not so much right now, but I can remember when we were first starting with only \$30,000 and it forced us to really learn on the fly. I saw this interview with Bernard Hopkins, a boxer from Philadelphia who had served time in prison, and he discussed prison innovation and how prisoners innovate with nothing. So Aaron [Lavee, Elliott's business partner] and I really took this to heart.

We started with three fabrics: jersey, French terry and denim. We tried to create products that matter out of those three fabrications. The goal has always been to keep our business at a very balanced level. So in order for our business to run we need to basically maintain a balance between about 40 percent brick-and-mortar wholesale and 60 percent online. We've been forced to understand, utilize and grow our direct-to-consumer base.

What about communication with your consumer?

When we first started we got looped into this forum. A forum is a little bit of a fashion faux pas. That doesn't sound cool at all. But what it actually did was it created a layer of transparency between the brand and our customer and it also helped cultivate a cult. Now we communicate with our customers on a daily basis through Instagram and also a forum where we have a moderator and can basically explain decisions that we are making. It's been extremely effective for us.

What's your wholesale strategy?

To stay exactly where we are at 50 stores. I think right now we are in some of the best retailers in the world and I think that basically our goal is to work with experts that can tell a story. I'd rather go deeper with the best stores in the world than spread out and really risk having our brand just be on a table or on a rack without a story behind it.

Talk about your delivery schedule.

One thing that is kind of an advantage that we have is the fact that I basically live in the factory and I'm the consumer. I'm growing with the product just like our consumers are growing with the product. About three months ago I wanted to create an oversized cropped sweatshirt with a rib that could frame my face. I sat there and I sketched it. The next day we worked on the tech pack. The following day we had the sample and two weeks later we had the sweatshirt and we tested it on our e-commerce site. It sold out in about three minutes. That's the speed at which our customer is reacting to product. If you have an idea and you can get it out fast and it's something that's culturally relevant and seasonally relevant you can take advantage of the market.

— ARIA HUGHES

Kean Etro

CREATIVE DIRECTOR, ETRO INC.

Thanks to Alessandro Michele's designs at Gucci, the vibrant Etro aesthetic is having a moment, too, and Kean Etro, who leads the company's men's design team, is welcoming it. He said Michele's vision has impacted sales at Etro in a positive way.

In a conversation with WWD men's fashion director Alex Badia, the passionate creative director waxed philosophical about who the Etro customer is, how he's grappling with social media and what he's doing to ensure his brand remains relevant after 30 years. Here are highlights.

You didn't get your start in men's wear, right?

I started dealing with all the IT things like software and hardware. I'm a heavy mathematician so I love mathematics. Something like one plus one doesn't always make two and that's Hans Weinberger. That means that numbers are infinite. So when we talk about the future of social media and all of that, I think we have to deal with eternal beta. So it's something that will change constantly through time and this is the great challenge we are facing in that field. Then I also started a perfume business. I went to school at seven o'clock when I finished working at Etro. I had a tutor teaching me how to use my nose and then I built the perfume business out of that. I was learning.

How did you get into men's wear?

I was doing many things at a time. When I was 14 or 15 I would buy books from all over the place and I would go to flea markets and dress like a general or like a Carabinieri (policeman). Then we started a collection called Sports and Country. It was in competition with Etro, which was my father's.

It was the typical thing between father and son. So I didn't have access to the Montopoli shops and I was traveling from Salzburg making this collection and slowly I thought I could break through by designing my pieces and pretending they had to be repaired. So we placed them on the men's floor where customers came in and slowly all the customers were asking for that stuff. So I just got

my father out of Montopoli and I started the men's business as it is now. But we are great friends.

That sort of summarizes the ethos of your brand today, which is about a new tradition. Is that new tradition still what moves you today?

I love tradition. I'm always working through archives and thinking about what is tradition and how do you fly away from tradition to something new. It's not something that you can stop. Tradition

is tradition. But then again, for example, there's the gender thing with Gucci that brings a new touch to tradition. It's always cultural in the end.

What inspires you after 30 years?

We are all breathing in this room, so inspiration is really this. I'm breathing freedom because air is everywhere. It's like ubiquitous. In a way it's like God. So I think that is the first step. It's to be aware that you can take part in nature. Nature has always been

my inspiration. It's not just me but all great designers and great artists.

Who is the Etro man?

The Etro man is a gentleman. He's very gentle. I did this show where you had this gentleman and this busy man. The busy man doesn't have time for people or for his family. So I prefer to work on the other side. The Etro man is good at heart. He has a great sense of humor and a sense of irony. He doesn't take himself too seriously. I think he

shouldn't travel too much because if you travel it's double the trouble and you are always worried.

Are people trying to escape reality by wearing your clothes?

Reality escaped reality. Reality is not there anymore. I think we live in a state of illusion. Before the wars there was color and life. Henry Ford designed cars with lots of colors. Think of the wheels. They were white, red and purple, and now it's all black. Why don't we make

made-to-measure tires? **How are you growing your business and introducing it to new customers after 30 years?**

I started this thing called the Circle of Poets in the last six months and it's a group of young guys under 30 and we meet and talk about creativity and creation. When I say poet, I mean musicians, architects, sculptors and painters. I think they are the only ones that can change this situation.

— A.H.

"I love tradition. I'm always working through archives and thinking about what is tradition and how do you fly away from tradition to something new."





"It felt like Fashion's Night Out, but they were buying."

Kevin Harter, Bloomingdale's

Kevin Harter and Pierre-Henri Mattout

VICE PRESIDENT, FASHION DIRECTION FOR MEN'S AND HOME, BLOOMINGDALE'S / DESIGNER

Retailers need to think outside the box to keep their customers engaged.

That was the idea behind Bloomingdale's decision to install pop-up shops for PHM Saints Peres, the influential Paris-based multibrand men's store owned by designer Pierre-Henri Mattout.

The pop-ups opened about three weeks ago at Bloomingdale's 59th Street flagship and its store at the Beverly Center in Los Angeles. So far

the results have exceeded expectations.

"This was a moment for us," said Kevin Harter, vice president of fashion direction for men's and home for Bloomingdale's. He said retail today is very challenging and "we need to surprise and delight the customer. I thought this would be the way to [do it, by giving] some new brands and some we had carried in the past, but in a really great edited assortment."

While the idea is a bit unorthodox, it didn't take much convincing for Harter's higher-ups to give it the green light. "Fashion directors are like lobbyists — we have to go around and sell not only our stores to the vendors, but ideas like this within our own institutions," Harter said.

The night the shop launched, some 300 men showed up to check it out. "It felt like Fashion's Night Out, but they were buying," Harter said. "And it was

really refreshing. I turned to my boss and said, 'Retail is not dead, it's alive — if you give them a reason to come to the store.'"

One reason for the success, they believe, was the ability to replicate Mattout's Paris shop. "We did the buy together, and 95 percent of the brand selection [from Paris] is represented in the New York and Los Angeles stores," Mattout said. "It's slightly different, but basically has the same

look and feel as the Paris flagship."

Mattout refers to his store as a "men's wear concept shop" that combines his "passion for Japanese avant garde and streetwear and the outdoor world." It's heavily skewed to sneakers, from brands such as Pierre Hardy, Lanvin, Common Project, Y3 and others, but also offers apparel from the likes of Comme des Garçons, Junya Watanabe, Visvim and Sunspel.

Many brands were added to the Bloomingdale's assortment and have been successful at attracting a new customer. "I'd be lying if I said it was perfect," Harter said. "But we brought in a new customer, sell-throughs have been amazing and it's had this great halo effect. The categories that it sits next to — the casual sneakers, the contemporary designer businesses — have really benefited from this collaboration."

Harter wouldn't reveal the names of the brands that are performing the best, but said, "There are a couple of brands we did not carry in the past that had the best sell-throughs, so it's giving the customer something they haven't seen before. And probably the worst sell-through was a brand we've carried for years. So it's been interesting and telling, and a couple of these brands we'll carry going forward."

Bloomingdale's installed the pop-ups at its two best markets as well as online and promoted the collaboration through social media, e-mail blasts and in its men's catalogue. Mattout also was hands-on, tweaking the shop to ensure its consistency with his Paris store. "He's not only a designer, he's a shopkeeper," Harter said. After he was done, it "reminded me even more of his store and he made it more exciting."

Harter admitted that perhaps the biggest challenge was educating the sales staff about the new brands, so the store made a big educational push to get associates "behind it."

The collaboration has been a learning experience for both parties. Mattout said it was "very interesting to see how the concept [worked] in the American market. I'm glad it's been successful and glad it translates so well in the department store environment," he said. It gives him the confidence to perhaps open his own store in either New York or L.A.

For Harter, the success of the pop-up means there will be others in the future.

"Going forward, we're just going to have to do more and more of these collaborations to bring a new customer — and even our existing customer — into the store," he said. "It's a reason to jump in a cab and come to a brick-and-mortar."

— JEAN E. PALMIERI

Tom Kalendarian

VICE PRESIDENT, BARNEYS NEW YORK

If the days of spending an entire career at one company are long gone, no one bothered to tell Tom Kalendarian. Barneys New York's vice president of men's, children's and home has loved his job for 37 years.

Asked why he stayed through two generations of Pressmans, the founding family, at the helm, a bankruptcy and a revolving door of changes in ownership, Kalendarian sounded incredulous that the question had been asked. "Why would

I leave?" he said during a conversation with WWD's senior editor of men's, Jean Palmieri.

"You have to look at situations like this as never being one reason or one thing that makes you feel a certain way," he said. "In life, everything is always the sum total of many parts."

Kalendarian is definitely a glass-half-full kind of guy. When he accepted a 30-day sales job at Barneys in 1970, he landed, somewhat haphazardly, in a thriving creative

hive. A year later, he was promoted to management and the following year, Fred Pressman, the son of founder Barney, hand-picked him for his team. Working for Fred "were the most incredible 17 years of my life," he said.

"I had such a unique experience of being exposed to a family that was on the cutting edge of every aspect of the retail industry. Their level of creativity and innovation and their constant search to do something better had a deep effect on my

personality and point of view on business," said Kalendarian. "I was more than loyal, I was fascinated by what they were interested in and it never ceased to amaze me how they never felt that they were done. It was a consistent learning experience that was life-changing, in a way. I knew how lucky I was at the time and I honestly never wanted it to end."

Kalendarian credited Fred Pressman with elevating men's wear with his discovery and promotion of designers such as Giorgio Armani.

"Exclusivity is one of the keys of the Barneys brand, dating to the Seventies, when most of the clothing was American," he said. "Fred Pressman was challenged to take his store

to the next dimension. His vision took him to Italy to meet custom tailors like Bruno Plattelli, who was making clothes for Marcello Mastrolanni and films by [Luchino] Visconti and [Federico] Fellini. He worked with Hubert de Givenchy and walked into Huntsman on Savile Row and signed a contract for 30 years. He created the designers that didn't exist at the time — he was actually using tailors as designers. This predated Nino Cerruti, Mr. Armani, Ferré and Versace."

Pressman created awareness, excitement and desire that made consumers feel like they couldn't live without the clothes.

Kalendarian said his own sense of discovery

sends him to see potential new talents at odd hours or on a moment's notice. When he got an urgent call asking him to drop everything and go to Great Jones Street to see the work of Greg Lauren, he took the bait. "I walked into a loft space filled with art — clothes as art. I was absolutely speechless. I knew in a moment that this was something great. [Retail] is one part art and one part math. At the end of the day, if you don't feel the art, you can't do the math," Kalendarian said.

Lauren, who repurposed army fabric from tents, duffel bags and coats from the Forties, staged his garments on clotheslines hung with clothespins. Kalendarian called Barneys chief executive officer Mark Lee and said, "I know you're superbusy, but could you meet me at 7:30 in the morning and see this before the guy gets on a plane to L.A.? Greg is one of our top vendors today."

Lauren's collection isn't mainstream, but "the biggest brands in the world may not work at Barneys," Kalendarian said. "A great idea can become a great business, but it takes the same approach you put into your top vendor."

Barneys last month opened a 58,000-square-foot store on Seventh Avenue between 16th and 17th Streets, in a portion of the space that was occupied by its original downtown flagship, which closed in 1997 and was where Kalendarian started his Barneys career.

"We decided not to dabble," Kalendarian said of the Chelsea store. "It's a designer store. We have luxury and tailored clothing uptown on Madison Avenue. We wanted downtown to be different and feel fresh. I'm surprised how successful the store is. It's beating the plan."

"Overall, we're doing very well, but we have very high peaks and some valleys," Kalendarian admitted. "We need to focus on the parts of the business that need the most attention right now to get things working in concert and on an even keel."

Fingering a black bracelet on his wrist, Kalendarian said, "My team gave it to me. What it means is that I've hopefully helped some young people enjoy what I've enjoyed in my life. You realize that every organization is not about merchandise and stores and designs, it's about people."

— SHARON EDELSON



George Zimmer

FOUNDER, MEN'S WEARHOUSE

George Zimmer isn't embarrassed to tell the world that he was fired.

The founder and former chief executive officer of Men's Wearhouse was unceremoniously dumped in June 2013 when he floated the idea of taking the company private and disagreed with current management's plans to buy its longtime rival, Jos. A. Bank.

That acquisition has proven to be "problematic,"

he said, causing the company, now called Tailored Brands Inc., to borrow "a lot of money" — \$1.8 billion — with disastrous results so far. Bank's comparable-store sales have been in free fall — down 31.9 percent in the fourth quarter — as Tailored Brands tries to move away from Bank's aggressive promotional cadence. The net loss in the fourth quarter was \$11 billion and the company has also said it will close

250 stores, including 80 to 90 Jos. A. Bank units.

"I don't think they've done a whole lot well since I left," Zimmer told the audience, citing "fear and anxiety" among the employees at the store level who are "bemoaning their fate" as the business continues to struggle.

In answer to a question from the audience about what he would do to turn around the business, Zimmer reiterated what he

said he told his successor, ceo Doug Ewert, upon being pushed out: "On almost any day of the year, you'll do a fine job as the ceo, but on those select days when you're not sure what to do, don't call me," Zimmer said. "I think they're in a spot where they don't know what's going on."

Despite the publicly embarrassing circumstances of his exit from Men's Wearhouse, Zimmer wasn't ready to retire; instead, he took the lessons he learned in his 40-year retail career and immediately "began searching for my second act."

That "act" is Generation

Tux, an online suit and tuxedo rental business, as well as Z Tailors, an on-demand personal tailoring service.

"When you think of me, you probably don't think of technology and the Internet," said Zimmer — famed for his TV commercials for Men's Wearhouse and recital of the slogan "You're going to love the way you look; I guarantee it." But that's where his path has led.

He was at the helm of Men's Wearhouse when it went public in 1992, a move that caused the company to rapidly expand to satisfy the demands of Wall Street. Although Zimmer said he never regretted

going public, American capitalism is "all about the shareholder and not about the stakeholder," he said, and customer satisfaction takes a backseat to earnings per share.

To meet these demands, Men's Wearhouse in 1999 made two acquisitions as well as its "most impactful move," which was to introduce tuxedo rentals inside its stores. The first year, tuxedo rental sales were \$1 million, but that number quickly grew to more than \$400 million.

"By the time I was fired in 2013, we rented over three million tuxedos a year, dry-cleaned them all in our own dry-cleaning plants and shipped them back and forth to our stores in our trucks," he said. "Needless to say, it was very profitable."

With this as a backdrop, it's not surprising that Zimmer turned to the same concept for his new businesses. After two years, Generation Tux boasts 25,000 unique visitors a week and just exceeded \$1 million in retail revenue.

"But every online apparel company has one common problem," he said. "How do you get it to fit?" Gen Tux's solution includes self-measurement videos as well as a "promise" to send a tailor to a man's home, drawing from its sister company, Z Tailors, which has a network of 500 tailors around the country.

"At the end of the day, we believe renting a tux comes down to trust," Zimmer said, something that requires a blend of "high-tech and high-touch. When it comes to your wedding," he said, "there are no back orders."

"We must focus on earning trust, and I believe this is achieved through the incorporation of high-touch practices like tailoring into our online business. I think this is the future of retail. Trust is an intangible. It takes a lifetime to create, but only a second to destroy."

Even so, Zimmer said he has no plans to take Generation Tux into a brick-and-mortar play, although he has looked at opening pop-up stores inside regional malls.

"But right now, about 40 percent of the tuxedos we're renting are masquerading as suits, so I think there is a strong business for suit rentals," he revealed. "Right now, there are fewer than one million tuxedos purchased in the U.S. every year and over 10 million rented. So if that same ratio were to apply to suits, watch out."

—J.E.P.



Greg Petro

PRESIDENT, CEO, FOUNDER, FIRST INSIGHT INC.

Achieving success at retail isn't easy. In fact, 62 percent of all products fail, according to Greg Petro, president, chief executive officer and founder of the nine-year-old First Insight Inc.

"It's really just a flip of the coin," Petro said. "This is the inertia we all face."

But Petro is adamant that it doesn't have to be that way. By using data and predictive analytics, retailers and brands can key into consumer preferences and brand sentiments to increase the success rate of product launches. But

it "requires educated risk-taking," Petro said.

That means drilling down into the data and cross-referencing it against demographic information to determine what works and what doesn't in the fashion apparel realm, which is exactly what his company did at the recent men's runway shows.

Surveying consumers about the men's season in New York and Europe and then analyzing that data, First Insight found that the most popular item by far was a coat from Salvatore

Ferragamo, Petro said. The style generated an overall positive consumer sentiment of 67 percent.

The analytics firm also found that red went from being unpopular last year to being trendy this year as the average positive sentiment for the color jumped to 35 percent this year, up from an 8 percent score last year. Navy was the overall top color with a net positive sentiment score that increased 35 percent over 2015. Solid designs emerged as the most

Jessica Murphy

COFOUNDER, TRUE FIT

Jessica Murphy, cofounder of consumer-facing fitting solution True Fit, knows what's on the mind of retailers: returns.

"I'm getting a lot of calls from retailers about return rates, which are seemingly higher than normal," Murphy said. Similar to other speakers, she said to understand what's going on, it's important to focus on some math.

Murphy's lesson examined how companies calculate returns, which is done in a variety of ways that include units received and sales within a month.

"But a better method is to look at the return rate as returns in a given month divided by the weighted trailing average of sales," she said, adding that the advantages include real-time measurement of returns and a four-time reduction in return-rate variability.

"It is more correlated to the sales that created those returns," she said.

But that's only a part of the equation. "We also

need to understand consumer behavior," Murphy said.

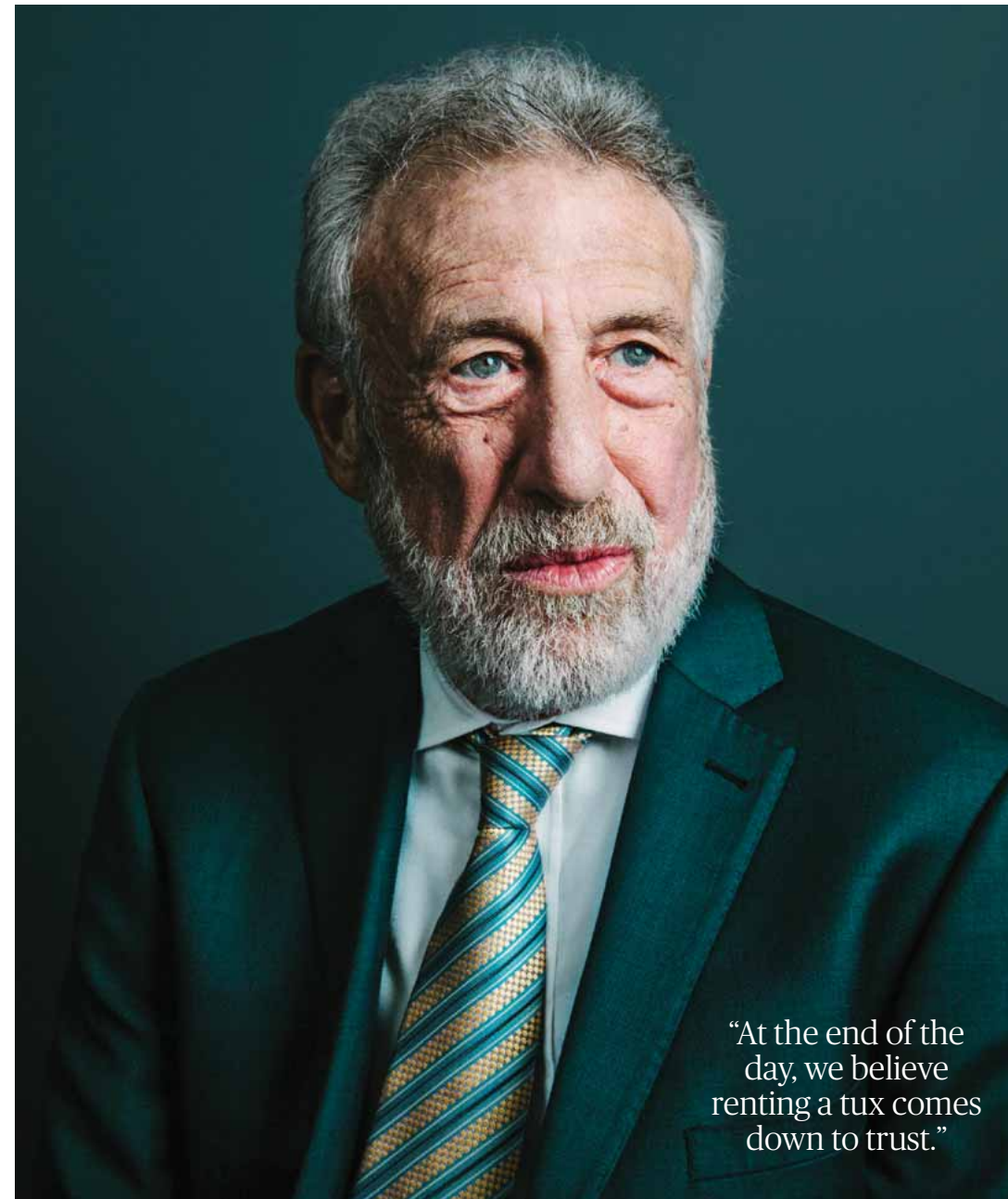
That's where data plays a role. True Fit's data are drawn from 10,000 apparel and footwear brands offering millions of styles and hundreds of attributes per style, involving 100 million consumers with a variety of body stats, brand and style affinities, Murphy noted.

The process also requires looking at order sampling from a size, style and color perspective, as well as "sequential order sampling" that occurs across multiple orders. The analysis also includes "sample consumer clusters" from "the 'super shoppers' to the 'one-and-done' consumer," Murphy explained.

As a result, she said the "data reveals what actually works for a particular consumer."

Moreover, once the data is analyzed — to include returns, styles, sizing, etc. — "You can start to see some trends."

—ARTHUR ZACZKIEWICZ



"At the end of the day, we believe renting a tux comes down to trust."



James Curleigh

PRESIDENT, LEVI'S BRAND, EXECUTIVE VICE PRESIDENT, LEVI STRAUSS & CO.

"You didn't think you'd be getting a physics lesson at 8:13 in the morning, did you?"

But that is exactly what James Curleigh, president of Levi's Brand and executive vice president of Levi Strauss & Co., gave as he opened the WWD Men's Wear Summit and immediately walked attendees through Sir Isaac Newton's three laws of motion that include the law of inertia and the equation of force equals mass times acceleration.

Curleigh then cited the

third law, which states that for every action there is an equal and opposite reaction, "which is the most scary of Newton's laws," he said.

Curleigh used that analogy to frame how the iconic jeans brand is positioned in the market and how competitive forces and the complexity of a fragmented industry impact business as well as the Levi's brand itself. And after citing lyrics of the late David Bowie's 1969 song "Space Oddity" — "take your protein pills

and put your helmet on" — Curleigh laid out a dualistic approach used by the brand to navigate a market where the company has been under attack from fast fashion, premium brands and private labels.

"It's about turning moments into momentum," the president said. "When I first joined the company, I was often asked if we should leverage the brand's heritage and history," Curleigh said, "or should we innovate for the future?"

He said that 150-plus

years of heritage include a presence during key milestones, from the California Gold Rush to the Woodstock Festival in 1969, "where I learned that the Levi's brand had a 97 percent market share — though the remaining 3 percent were naked."

So does the company lean on its heritage or eye the future?

"You do both," Curleigh said, adding that this is accomplished by "bringing together our innovation [via its Eureka lab] with the brand's heritage. You tether the past and invent the future."

Curleigh then went on

to cite other dualities that are similarly transformed from "an either/or choice" to an approach where the Levi's brand oscillates between the two strategic hemispheres. "Do you stick to your core or expand for more?" Curleigh asked.

"When I joined in 2012, I was told that we're the worldwide leader in denim," he said, before quickly noting that jeans only have 6 percent of the share of consumers' closets.

"Really, we're the worldwide leaders of just 6 percent of the closet," he went on, adding that this realization helped his

team to change its entire perspective. "That led us to now understand not only share of denim, but share of closet."

That led him to push Levi's to consider expanding into any product that touched a pair of jeans. So now the brand is pushing more aggressively into shirts, jackets, socks, underwear ("Trust me, I am wearing Levi's underwear," Curleigh said), footwear and belts. Speaking about the latter, Curleigh said on one of his first days at the brand, he asked who was the worldwide leader in men's belts. No one knew the answer, but the next day a colleague came in to reveal the embarrassing news: It was Levi's. "We were the worldwide leader in belts and no one knew. No one knew," he said.

In his view, that proves the brand was a ripe for expansion into other categories. "We protect the core, and expand for more," Curleigh said.

Another example is the duality of either being accessible to the masses or presenting higher-end products for the aspirational consumer. Once again, Curleigh said it doesn't have to be a choice between one or the other.

"You do both, like Starbucks," the president said, adding that the coffee company created an aspirational experience — "they taught you a new name, venti" — while being everywhere in the market. For Levi's, the approach is to offer accessibility — "without being so accessible that it becomes a commodity" — while also creating a bit of exclusivity, "such as our customer-designed jeans," he said, adding that at the Levi's store in New York's Meatpacking District, customers can literally create their own jeans, down to the denim used, the stitching and the rivets. "That's the journey we're on."

Other dualisms that Levi's engages in include striking a balance between "simple or sophisticated" and being "aggressive or patient." Of the former, Curleigh likened it to the mullet hairstyle: "It's simple in the front, yet sophisticated in the back," he said, adding that the backend requires complex solutions to deliver a seamless and simple experience for the consumer.

"This is the new dynamism of today. You need both. It's the virtue of business," Curleigh said.

— A.Z.



Patrick Janelle

INSTAGRAM INFLUENCER

"I find that when a brand gets familiar with my work, the partnership becomes less transactional and more impactful."

Patrick Janelle has created a well-crafted life on Instagram and brands want to be a part of it.

Janelle, whose Instagram handle is @aguynamedpatrick, has amassed around 400,000 followers on the platform over the course of four years with help from his beautiful photography and recognition from the Council of Fashion Designers of America, which granted him the first Fashion Instagrammer of the Year Award.

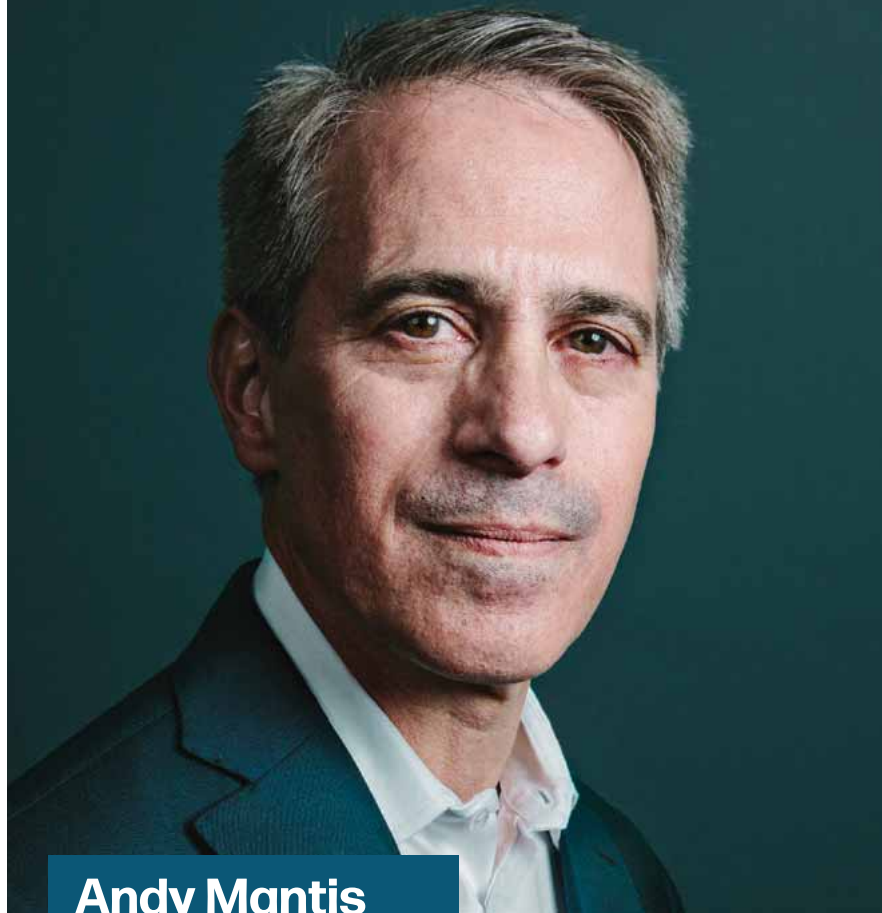
He's one of the many new influencers that brands are beginning to pay in exchange for real estate on his popular Instagram feed. But Janelle admitted his strategy isn't that different from classic marketing techniques.

"When you think about how important traditional advertising is, it's very similar to the approach that I have in terms of positioning," said Janelle, who got his start in New York as a freelance graphic designer at Bon Appétit Magazine. "Traditional advertising thinks about positioning on a page in a magazine. Native advertising has become very important and I think about positioning within the context of all of the other content I'm showing in my feed."

According to Janelle, in order for brands to remain authentic on his highly orchestrated feed — he mostly uses a tripod and Bluetooth clicker to take pictures with his iPhone — they must fit within his lifestyle, which centers around shots of New York, latte art and rustic spaces. For example, Ralph Lauren suits only make sense when shot on the Brooklyn Bridge, while an event with Suitable, the custom suit start-up he created a collection with, is only believable if held at a café that Janelle actually visits.

"I find that when a brand gets familiar with my work, the partnership becomes less transactional and more impactful," said Janelle, who added that impact isn't confined to a user's follower count. Janelle said his followers include the 100 most influential people on Instagram, who are themselves leaders in fashion design, travel and style and represent a following of 140 million people.

— A.H.



Andy Mantis

EXECUTIVE VICE PRESIDENT, THE NPD GROUP

Andy Mantis steers NPD Group's "checkout tracking" service that aims to answer a seemingly simple question: What exactly is in the shopping cart of a typical Millennial male?

To gain that perspective, Mantis, who is executive vice president of the service, which keys into consumer buying behavior on a "market-basket level," offered a detailed analysis of "Joe," a 28-year-old male and a parent. "To know Joe you have to see how he spends his money,

what he buys, where he shops and the brands he buys," Mantis said.

"Joe, who is from Sioux City, Iowa, visited 67 retailers over a six-month period, and spent 17 percent of his money online," Mantis said, noting that his retail preferences ranged from Wal-Mart and Aéropostale to Best Buy and Hollister.

"What's interesting is the diversity of his spending," Mantis said, adding that in the six-month period, Joe "bought multiple apparel items" that included logo graphic

sweatpants from Hollister, skinny jeans from Zumiez, a graphic T-shirt from Express and cargo shorts from Wal-Mart.

NPD's tracking data also revealed that in a single day Joe spent \$77.97 at Zumiez, \$32.08 at Payless Shoe Source and \$44.78 at Target, where he also picked up items for his children.

"This compares to other generations who tend to lean toward one-stop shopping," Mantis said.

"Millennial men seek quality and value and will shop, for example, at Nordstrom as well as Nordstrom Rack," he said. Millennial males are

also early adopters of technology and "over-index on games, apparel, footwear and technology [as compared to other generations]," Mantis said.

He said the population group spent "more on outerwear than other" demographics, and favors activewear, too. They gravitate toward e-commerce and specialty stores, Mantis noted, "and as a result tend to underindex at the national chain stores."

"Millennials spend on events and experiences," Mantis said. "But they also value fashion and wardrobe variety."

— A.Z.

John Ballay

COFOUNDER, KNOT STANDARD

"It was about a niche, a hole in the market that made it ridiculous that this didn't exist, that drove us to come out and say, 'Hey, there is a market void that needs to be filled in custom men's wear,'" said John Ballay, founder of men's apparel company Knot Standard, about why he started his company.

Ballay, who in 2010 was an expatriate living in Dubai, started scaling a local tailor shop in the area and selling suits to friends and family almost six years ago. Now the company operates a robust e-commerce platform and maintains eight national showrooms with an original flagship based in Dubai.

Bespoke suits and tuxedos on knotstandard.com range from \$595 for a classic charcoal and blue windowpane suit to \$1,995 for a Drago gray Glen plaid suit, with overcoats starting at \$695 and going up to \$1,695. But the point of differentiation is the

level of personalization that goes into the creation of each piece—whether it's trousers for \$175 or a blazer for \$695.

The site asks for a few measurements to build a 3-D body model of the consumer's body so it can create a digital pattern that's unique to them. From there, the piece is laser-cut and hand-assembled, with the consumer being able to customize cut, lapel style (skinny or wide), jacket details (buttons, pockets or overall style), embroidery, pleats and upgrades including stitching, contrasting button holes, adding extra pants or a waistcoat.

Ballay insisted that he didn't build the company this way to "tick this box of omnichannel; it was about how can you create this experience and this product for as many as possible—and that drive is what pushed us to expand and grow."

— RACHEL STRUGATZ



Nicolas Pickaerts

MATCHESFASHION.COM

Connecting the dots to create one seamless shopping experience has been the key to the success of Matchesfashion.com.

Nicolas Pickaerts, e-commerce director for the U.K.-based retailer, related the company's "journey" from one small store in Wimbledon on the outskirts of London founded by Tom and Ruth Chapman in 1987 to a

global e-tailer today. "When you sell luxury fashion in a village with no local footfall, you learn to love your customer very fast," he said.

Over the next 17 years, the company opened 11 additional stores, all of them with a different selection of brands. In 2007, the Web site was launched as a way to offer Matches' entire breadth of product to its customer base, regardless of where

they were located.

"Seven years ago, our business was U.K. only and bricks and mortar," Pickaerts said. "Today, 85 percent of our sales are online and most are outside the U.K." In fact, 76 percent of sales are international, he said.

Once the Web site was up and running, the company "rebranded" and changed its name to Matchesfashion.com to

better reflect the change. In 2015, the company decided to invest and rework its Web site.

"It took us 18 months to fully change the backend technology and reinvent the experience for our customers," he said. This has resulted in a "fully responsive Web site" that provides customers with the same experience no matter "how they engage with us: tablet, mobile, laptop, desktop."

The results have been impressive.

Pickaerts said Matchesfashion.com has half-a-million unique visitors a week to its site, the average full-price transaction is more than \$1,000, the business retains 65 percent of its customers and there is a 40 percent repurchase rate. "We ship to 176 countries, all from one central warehouse in London, and 45 percent of our revenue is mobile," he said.

The company offers same-day delivery in the U.S. and Europe and men's wear represents 20

percent of sales. Pickaerts said men's is a major growth opportunity and the company projects it will increase to 30 percent of sales within the next three years.

Matchesfashion.com has seen distinct differences between its men's and women's shoppers, with the return rate in men's half that of women's, or around 15 percent. Men have been slower to embrace shopping on their cellphones.

Regardless of gender, the company's overall goal is to "make the physical as digital as possible and the digital as physical as possible," he said. "But what keeps us awake at night is the constant drive to inspire our customers with the unexpected."

To appeal to this shopper, the company last year launched Raey, a private brand for both men and women with its own creative director and design team. "It's all about creating a point of difference and is a story we can tell," he said.

The retailer also tells stories through editorial. Matchesfashion.com produces an online magazine every week with 10 to 15 new articles—and everything in the magazine is shoppable. Customers can click on images and immediately purchase what is being featured.

Pickaerts said over the past four years, sales deriving from smartphones have risen from 5 percent to 19 percent, while the share of traffic has risen from 10 percent to 36 percent. "But what is even more impressive is the acceleration this year. Comparing February 2016 with February 2015, mobile has grown from 18 percent of sales to 26 percent and traffic from 32 to 39 percent.

Despite its humble beginnings, Matchesfashion.com has not lost sight of its mission to provide luxury to its customers.

"It's embedded in our DNA," he said. "It's about the product selection, the way we present that product to the customer, it's about the imagery, the content. We are inclusive, we are not stuck in the old concepts of retail. We constantly innovate and change ourselves to do things better."

Even so, Pickaerts said, Matchesfashion.com understands its place in the luxury landscape. "We love everything we do but we are under no illusion—our role is to sell product."

— J.E.P.



American Made

Tucked away in an industrial section of Queens, N.Y., is a working factory where a handful of noncompeting yet complementary brands quietly create artisanal products.

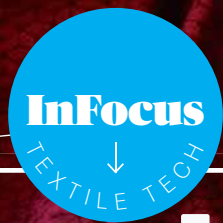
In 2013, Knickerbocker Mfg. Co. rescued a 60-year-old manufacturing facility and set out to create its hats, accessories and workwear-inspired apparel.

Knickerbocker has since been joined by Slightly Alabama, a handcrafted

leather goods line, as well as Poglia, a high-end knife and leather bag manufacturer.

That unique location served as the site of a private dinner where designers Kean Etro, John Elliott, Robert Geller, Tim Coppens and others came together for an acoustic guitar performance by a local musician, followed by a catered dinner in the middle of the factory floor.

— J.E.P.



Creating a New Climate

From fabric and technological developments in activewear to the growth of sustainability, innovation is bringing fresh products to the consumer.

Rain on Me

Meant to have the effect of a raincoat turned inside out, Columbia Sportswear's OutDry Extreme has a tough waterproof membrane exterior and a soft wicking fabric inside.



Let It Snow

Adidas Outdoor's Terrex Climateheat Agravic down jacket has heat guards at the neck, sleeve and waist to prevent warm air from escaping.

Silver Mine

● "We are right on the cusp of 'silver thread' technology that allow us to make the actual fabric conductive."
— MICHAEL DENNISON, FLEX

40%

Core Performance claims that wearers' hydration levels can be 40 percent stronger.

R&D Time

● Columbia Sportswear's new OutDry Extreme required more than two-and-a-half years of research.

Active's Next Gen

Brands are combining fabric development and technology advancements to design clothes that add an array of properties.

By ROSEMARY FEITELBERG and MAGHAN MCDOWELL

Technological innovations through textile and material product development are being felt in all areas of the fashion world, but none more keenly than active-wear and outerwear.

Value-added advancements are highlighted in waterproof, moisture control and ultrawarm materials that tend to be lightweight to fit the comfort quotient. Performance characteristics are also important in areas such as antiabrasion and friction reduction, while health benefits and ways to track them are all in constant development.

Here's a range of innovations in front of consumers:

- Columbia Sportswear's new OutDry Extreme required more than two-and-a-half years of research. Designed with durable exterior layers and microporous interior ones, the garments are waterproof and breathable for extreme elements, according to Woody Blackford, vice president of design and innovation.

"Our goal is to use these properties everywhere we can," Blackford said.

OutDry Extreme outerwear in the 18-piece collection has an interior membrane to help wick perspiration, he said. Retailing from \$100 to \$500, OutDry Extreme technology is being used for a \$200 women's trenchcoat with external seam tape and bonded hem and cuffs.

- Nike continues to invest heavily in research and development and communication, as evidenced by the brand's Innovation for Everybody event, an Olympic-size marketing extravaganza in advance of this summer's Olympics in Rio de Janeiro.

One highlight was Nike Vapor track-and-field uniforms that feature AeroBlades, a bladelike accent designed to reduce drag and create lift for runners. Hundreds filed through Moynihan Station's II product station/installations, with another highlight being the HyperAdapt 1.0, a sneaker that laces itself via a sensor that tells the sneaker to tighten on its own.

- Adidas is also very much about advancing athletes' performances with technology. In advance of the German national team's 2014 World Cup win, players used the MiCoach Elite Team System to monitor their physiological performance. Players used a small Player Cell device in a TechFit elite under layer with heart-rate sensors in the fabric. By doing so, they were able to track speed,

distance, acceleration, heart rate and exertion levels for further analysis.

- The Fairfax, Va.-based start-up Qore Performance specializes in products that help keep athletes hydrated to try to bolster physical exertion and reduce recovery time. Using heat-absorbing inserts in athletic apparel that target six pulse points on the body, the company claims that wearers' hydration levels were 40 percent stronger. The \$52 hydration sleeves, for example, are designed with the brachial artery in mind. Made of a material that has a melting point of about 60 degrees Fahrenheit, Qore products are meant to off-load heat efficiently without blood vessels constricting.

The company developed an "Ice Plate," a body-armor-shaped device meant to be worn beneath a shirt. In addition to keeping the wearer cool, the Ice Plate will inevitably melt, creating water that endurance athletes, U.S. soldiers and others can drink. Qore's director of sales and business development, Doug Burr, said the concept has been pitched to the U.S. Army.

- Asics, Adidas, Under Armour, Billabong, Rosignol, Salomon Group and Carhartt are among the brands using Cocona's 37.5 technology in fabrics that has patented active particles embedded in fibers to capture and release moisture. The process was developed by Cocona founder Gregory Haggquist, whose research found that activated carbon, the same substance that water treatment companies use to filter drinking water, had beneficial properties beyond odor control. After a lot of lab time, he determined that activated carbon from coconut shells was well suited to quick-dry fabrics and help keep athletes cool.

- Through a deal with Aspen Alpine Guides, Adidas Outdoor suits up hiking, skiing, climbing and mountain-biking guides with its Outdoor Terrex line. As a sign of its commitment to outdoor enthusiasts, Adidas Outdoor will sponsor the Aspen Backcountry Marathon for the first time in August.

With an expansive research and development facility in its headquarters in Germany and another in the U.S., Adidas tests fabrics to try to ensure they hold up under extreme climate conditions.

"Our fabrics are extremely technical. They need to hold up in extreme climate situations, whether you are summiting Everest or hanging 300 feet from the side of a cliff," said Loren Gwartney-Gibbs, key account manager. "Certain technical fabrics we will share across different business units."

One of its newer proprietary fabrics is "climachill," a double-knit polyester that is a meshlike fabric with aluminum-silver dots that conduct heat away from the wearer's body. Available in a handful of styles, the T-shirt is popular with backcountry skiers, according to Gwartney-Gibbs, who said, "They need to make sure their core stays dry. If not, and they work up a sweat, when they stop, all of a sudden their body temperature is going to drop."

Adidas Outdoor Terrex Stockhorn jacket has Formation technology to support the athlete's



Columbia Sportswear's high-tech rain gear.

muscular system and help maintain proper posture. Made of Pontetorto Technostretch, the body-hugging zip-front jacket is durable and insulated with wicking properties. The Terrex Agravic hooded ultralight rip-stop nylon jacket also fends off wind and rain with bonded seams and elastic bindings. Another near-featherweight option is the Terrex Swift Climaheat Agravic down jacket, which has heat guards at the neck, sleeve and waist that keep warm air from escaping.

- San Francisco-based Flex is designing and building connected products for Nike, Fitbit, Lumo Bodytech, OMSignal and Ralph Lauren. Flex president of consumer technologies group Michael Dennison cited the convergence in how tech integrates into clothing, from sensors and notification devices to more intelligent types of fabric.

The company has made headway. Technology in the waistband of running shorts, as with Lumo Bodytech, allows runners to measure how they're running and the efficiency of their gait. With a detachable electronic device, the shorts can be washed up to 50 times.

- Earlier this year at the CES consumer technology trade show, OMSignal introduced a smart bra with a removable module that measures and analyzes fitness biometrics like breathing, heart rate and exertion, which are connected to an app. Flex's subsidiary Multech PCB Technologies Co. Ltd. is creating bendable printed circuit boards to be interspersed with stretchable materials.

"We are right on the cusp of 'silver-thread' technology that allow us to make the actual fabric conductive," Dennison said, meaning wearers can transmit information across the garment.

- Wearable Experiments collaborated with MAS Holdings for Nadi fitness tights equipped with conductive, motion-detecting wires that provide real-time haptic vibrations that "coach" the yoga-practicing wearer's body positioning. Sri Lanka-based MAS Holdings added waved wires into fabrics that are stretchable, washable and durable. The prototypes were created with yoga in mind, and work with an app that registers movements and illustrates guidance on form.

Experts predict expansion beyond fitness tracking in wearable tech. Dennison is seeing interest from outdoor companies for safety-improving apparel and accessories such as a transponder that could be woven into the sleeve of a mountaineer's jacket. ■

JACKYTEX

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50x

Flex's Lumo Bodytech shorts can be washed up to 50 times.

To the Qore

• Qore Performance's heat-absorbing inserts in athletic apparel target six pulse points on the body.



Flax to Fashion

A modern take on linen thrives on innovation.

By SOFIA CELESTE

Linen is a fabric whose popularity has ebbed and flowed with fashion. But in recent years, technology and innovation have helped enhance linen's luxury veneer – and demand has followed.

Testament to that are the designer women's wear items being sold by retailers such as Net-a-porter: a \$5,990 linen blend Saint Laurent bomber jacket, a \$1,470 Tom Ford linen peplum top and \$965 "Lola" linen Charlotte Olympia sandals, to name a few.

The innovation fueling demand for this sustainable fabric starts in the blue floral flax fields of Belgium, France and the Netherlands. The flax heartland produces the finest linen due to its mild coastal climate, which allows the flax stems to maintain the necessary oiliness, while farmers are able to cultivate a fungus special to the region that grows on the flax stems, a process that helps the linen fibers detach from husks.

"Our cooperative is keen on innovating," said Pascal Prevost, president of Cooperative Du Plateau du Neubourg in Neubourg, France.

The cooperative improves its efficiency by using modern equipment in the mill as well as in the fields and has robotized the end of the scutching line where the impurities and straw are separated from the flax fibers, Prevost explained.

Nearby, linen spinner Safilin, which was founded in 1778 in Sailly-sur-la-Lys, has been working on developing a special process for knitting low-gauge or high-gauge yarns on circular or flatbed knitting machines. Much like wool spinners, linen yarn makers are focused on thinner linen fibers.

"The main challenge was to spin fine counts of 26, 39 and 50 NM," said Safilin president Olivier Guillaume, referring to how linen yarns are measured and which stands for length in meters per one gram of mass.

These yarns now offer vast possibilities and can be knitted in single- or two-ply from 2.5 gauge to 28 gauge.

"Circular and flatbed knitting produce high-end jerseys with a distinctive handle and sheen, as well as piqué fleece, heavy gauge, double, crepe and glitter," Guillaume explained.

Helping to fuel the demand for linen is fashion's



The processing stage.

increasing push toward the use of sustainable and ethical materials and manufacturing processes. Flax is the ultimate eco fiber, experts noted. There is zero water needed, zero genetically modified organisms and zero waste, as almost everything is utilized in a flax flower – the seeds are eventually used for everything from beauty oils to food.

"The innovation has become a success story because industries worked together and because

the products are comfortable, easy, soft, thermo-regulating and absorb color in a unique way and they are also easy to care for and wrinkle-free," claimed Marie Emmanuelle Belzung, president of the European Confederation of Linen and Hemp, or CELC.

The industry also has worked to improve on what have long seen to be linen's drawbacks: its stiff hand, susceptibility to wrinkling and droopiness if the weather is too damp or humid.

Larusmiani, which has a license for the global distribution and production of Bellora fabrics, is known for its luxury linens. Larusmiani has been working on a special stretch linen-blended yarn for maximum comfort destined for trousers, shorts, jackets and summer suits. The company

increase during spring-summer of 2017, as we foresee a 20 to 25 percent rise compared to this spring season," said Larusmiani chief executive officer Guglielmo Miani.

Larusmiani is also working to improve its assortment of crease-free linen with special lines like its "Linen-Stretch" collection.

Not that Miani is making excuses for linen's wrinkles. "A more sophisticated client respects that linen will crease because it is indicative of its premium quality, much like how a collector would appreciate the patina on an old vintage watch," he said.

Now under the Loro Piana umbrella, linen manufacturer Solbiati unfurled its "Linen-breeze" line of fabrics that are blended with aloe vera.

"The aim is to preserve the typical look of linen and add new performance features."

Pier Luigi Loro Piana, Loro Piana

is also working on special finishes like wax with water resistant treatments on pure linen in order to diversify the use of the fabrics in outerwear.

"During the last three years, our sales of linen and linen fabrics have been stable, but will surely

The Corona, Italy-based company acquired the historic linen mill Solbiati in 2013 to enhance its linen offerings and take advantage of the material's underexploited potential.

"Research is centered first and foremost of all in the development of new blends, of which linen is mixed with other fibers," said Loro Piana deputy chairman Pier Luigi Loro Piana. "The aim is to preserve the typical look of linen and add new performance features."

In the last year, sales of Loro Piana's linen products increased 60 percent and the company sees this trend continuing in the near-term.

At the last Milano Unica textile trade fair held in Milan, mills focused on linen more than ever. Traditional wool players like Tollegno 1900 amped up their offering of linen blends in their spring 2017 catalogue, which included pure linen denim and luxe linen, silk and wool blends for spring jackets.

Another prominent purveyor and proponent of linen as a sustainable material is the Albini Group, which owns Cotonificio Albini, Albini Dona, Thomas Mason, David & John Anderson and Albiate 1830.

On April 25 at the The New School's Parsons School of Design, the Albini Group in partnership with CELC will unfurl a visual presentation called "Linen 2.0" that will showcase linen's journey from the flax fields of Normandy to the Albini factory.

"Innovation for us is involved in every step of the process, from the spinning to the weaving of the fabric. Our proposal of linen is expansive, not limited to just pure linen. New blends and new finishing techniques give new life to linen," said Albini Group ceo Silvio Albini, who added that the company's spring fabrics included linen with cotton and linen with silk, while it offered 100 linen fabrics with a flannel finish for winter to demonstrate that the fabric can be adapted for use in apparel for all seasons.

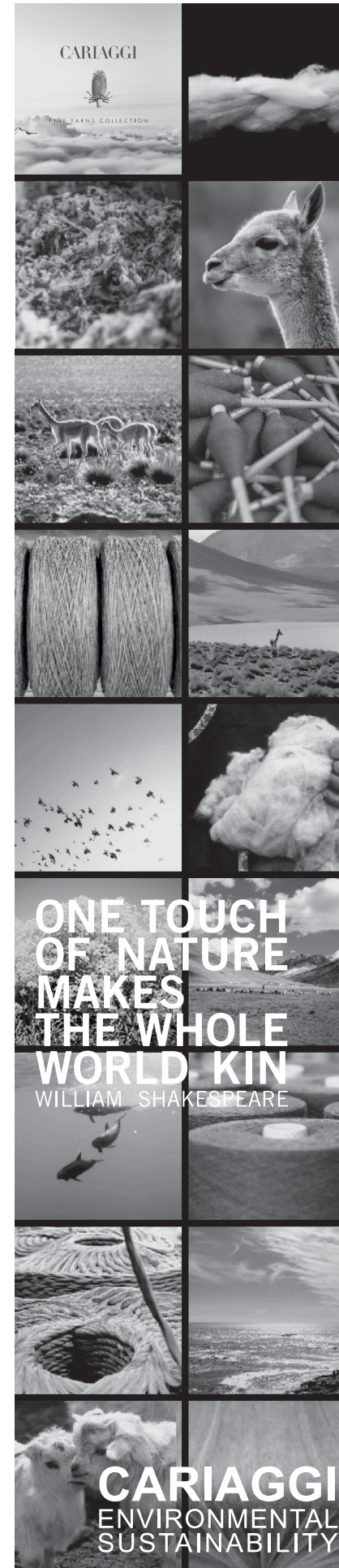
"We offer a multitude of colors, yarn-dyed as well as piece-dyed, reinventing the way linen is presented today," Albini said. ■



Turning the fiber into yarn.



Photographs by CELC – European Confederation of Linen and Hemp – European Flax



CARIAGGI



THE YARNS COLLECTION

ONE TOUCH OF NATURE MAKES THE WHOLE WORLD KIN WILLIAM SHAKESPEARE

60%

Sales of Loro Piana's linen products increased 60 percent last year.

2017

Larusmiani forecasts a 20 to 25 percent sales gain in 2017.

CARIAGGI ENVIRONMENTAL SUSTAINABILITY

First Federal Smart Fabrics Summit Set

Commerce Department to hold showcase for tech fabrics.

By KRISTI ELLIS

T

he Obama administration is joining forces with leaders in fashion and technology to promote collaboration on new smart fabric technologies that could give momentum to the Made in America movement.

Under the direction of the U.S. Department of Commerce, the administration will devote a full day to a “Smart Fabrics Summit” on April 11 in the nation’s capital.

The day will feature David Lauren, executive vice president at Ralph Lauren; Josh Walden, senior vice president and general manager of Intel; Commerce Secretary Penny Pritzker, and several other government officials and small business executives who are developing some of the most cutting-edge technologies and fabrics in the wearable-tech area.

Advances in technology have brought a trio

of industries – apparel, technology and textiles – together to develop capabilities in fabrics that could transform how athletes, soldiers and first responders interact with their clothes and the environment.

“The thing that is exciting and challenging about smart fabrics is that it really involves all three sectors working together to make products that work,” Joshua Teitelbaum, deputy assistant secretary for textiles, consumer goods and materials at the Commerce Department, who is spearheading the agency’s initiative, told WWD in previewing the summit. “I think this is going to be a great venue for each of those sectors to get together.”

Teitelbaum said the purpose of the summit, jointly hosted by Commerce and the International Fabrics Association International, is threefold:

- Foster collaboration between the three industries.
- Raise awareness and increase education among

the public sector agencies about the capabilities of the products.

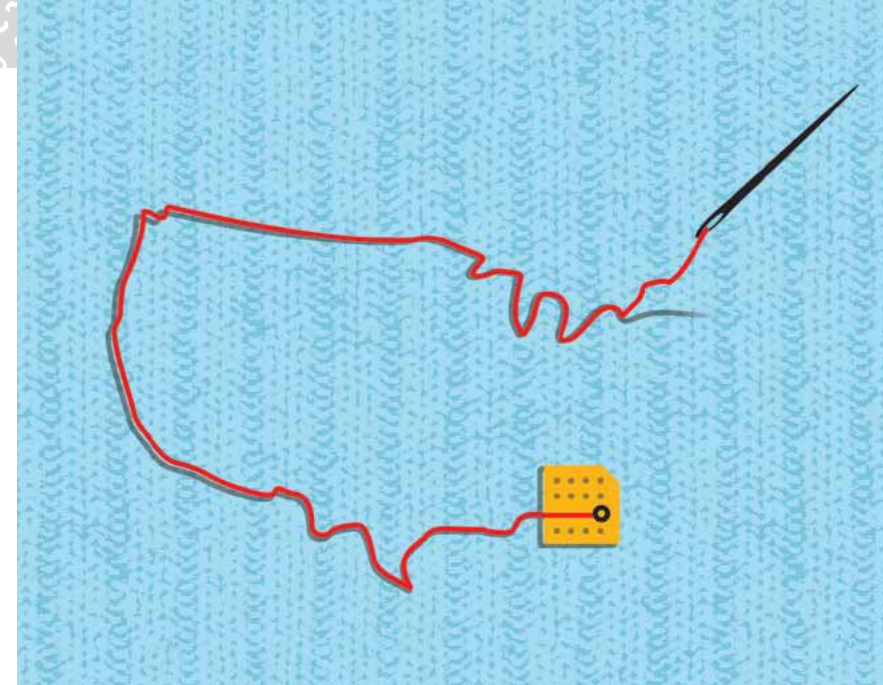
- Consider new policies related to standards and intellectual property protection.

The wearable tech area has spawned much attention in recent years as companies launch finished commercial products into the market. Ralph Lauren, for example, introduced Polo Tech, a compression shirt that reads biological and physiological information via sensors knitted into the product, at the U.S. Open last August.

Levi Strauss & Co. and Google Inc. launched the “Project Jacquard” initiative last year to bring wearable tech to traditional apparel like jeans and shirts by incorporating conductive fibers into woven textiles, essentially putting functions available on smartwatches directly into woven fabrics.

Under Armour introduced its “Speedform Gemini 2” smart shoe that tracks a user’s runs.

The high-tech products have a range of capabilities, including tracking and communicating data



about their wearer or environment to other devices through embedded sensors and conductive yarns.

The global market for smart clothing is expected to grow to \$600 million by 2020 from \$17.2 million in 2013, according to research from Tractica LLC. Teitelbaum said other analysts think the market is already on track to surpass that figure by 2020.

There are skeptics who question whether the new field is a gimmick or a true niche industry that is developing. But companies don’t appear to be listening and continue innovating and introducing new products. Teitelbaum sees it as an emerging industry.

“As the administration’s ‘innovation agency,’ as the secretary [Pritzker] likes to say, I think we can play a really important role to try to bring all of the different players together and say that this appears to be an emerging industry,” Teitelbaum said. “Let’s see if, with the industry, together we can identify policies that might accelerate the design of these products by U.S. companies or manufacturing them in the United States.”

Teitelbaum said there could be opportunities for the U.S. textile industry, which has seen some hints of revival as a “Made in America” sentiment

have to bear while they are in the field,” he said. “Fiber and textile innovation is going to be key for all of those things.”

The fiber and textile institute will be an important factor in being a place of innovation for apparel as well as smart fabrics, he added.

Textile employment and export data has shown “this continued resurgence over the last few years” in the textile industry. U.S. textile exports increased nearly 40 percent to \$17.6 billion in 2015 from \$12.6 billion in 2009, according to Commerce data.

Average annual employment has increased 0.6 percent, by 1,500 employees, from 2013 to 2015.

Several companies, such as PurThread, a maker of antimicrobial thread, will provide demonstrations of their products at the summit, he said.

“That is a high-tech textile product that may be a good fit for smart fabrics because they don’t interfere with any electronics in the garments,” Teitelbaum said. “There is that interesting complement between an electronics integration and an advanced textile.”

Teitelbaum said he began analyzing emerging industries when he was appointed last year and

“Let’s see if...together we can identify policies that might accelerate the design of these products by U.S. companies.”

Josh Teitelbaum, U.S. Commerce Department

has improved in recent years.

To that end, the administration launched a competition for \$150 million public-private investment in a new textile manufacturing innovation institute last March.

Dubbed the “Revolutionary Fibers and Textiles Manufacturing Innovation Institute,” it will seek to “ensure that America remains at the leading edge of fiber science” through a \$75 million public investment that will be matched by more than \$75 million of private investment in researching, prototyping and commercializing fibers with “extraordinary properties,” the White House said. The applications, currently under review, were open to leading manufacturers, universities and nonprofit organizations.

“It is focused on technical textiles of all kinds, whether that’s extraordinary flame resistance or fabrics that have photovoltaic capability to capture sunlight and store that as energy or [features] that really reduce the weight that soldiers

smart fabrics was one of those identified. After speaking to several industry leaders and academics, the idea of a summit was born.

“One of the pieces I thought was missing from that conversation...was the policy piece. That’s what we are trying to contribute here.”

As such, the summit will feature a panel on intellectual property protection, as well as a discussion about developing standards.

He added that more information on the summit can be found at smartfabricssummit.com. ■

\$600m

The global market for smart clothing is expected to grow to \$600 million by 2020.

\$150m

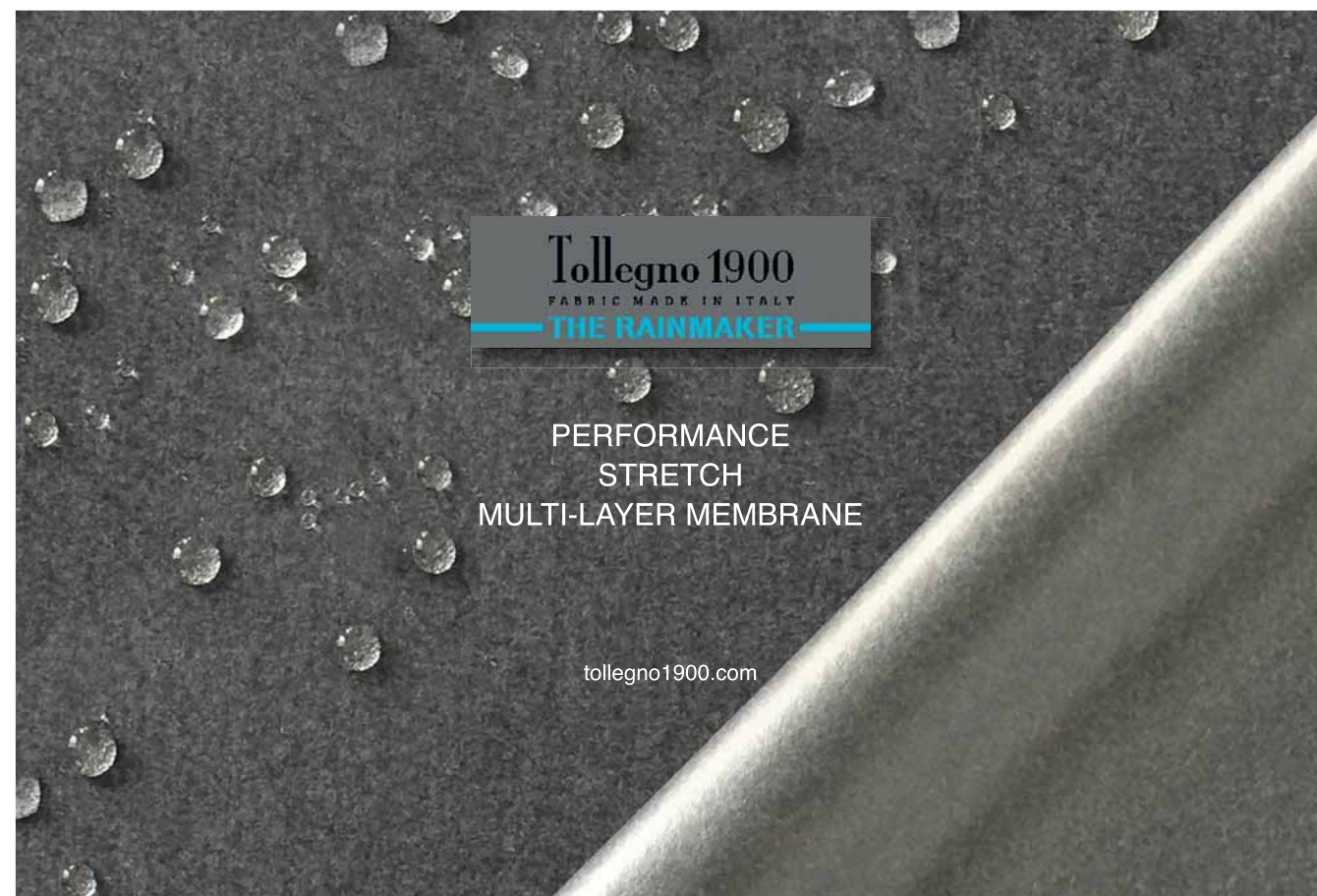
The White House’s competition for a \$150 million investment in a textile manufacturing innovation institute.



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Lessons in Sustainability

CFDA designers take part in CLASS workshop.

By ARTHUR FRIEDMAN

It was a teaching moment. Brands and designers chosen to participate in the CFDA + Lexus Fashion Initiative were schooled on sustainable innovation in textiles this month as part of their 17-month virtual residency program.

An integral aspect of the program, designed to inspire thought leadership, facilitate the implementation of innovative business practices and create meaningful change within American fashion, is to elevate the level and percentage of sustainability within apparel, jewelry and accessories design businesses.

Doing the teaching was Giusy Bettoni, founder of CLASS, or Creativity Lifestyle and Sustainable Synergy, whose purpose at the two-hour workshop at Council of Fashion Designers of America headquarters, was to facilitate a conversation regarding

responsible sourcing.

CLASS is a multiplatform network that showcases exclusive fashion, textiles and materials created using the latest technology that demonstrates sustainable design solutions.

Ten brands have been selected to participate in the CFDA + Lexus Fashion Initiative, which focuses on the environmental, social and financial challenges faced by the industry today with the intention of problem solving through new materials, processes and systems, including responsible sourcing, ethical manufacturing, supply chain transparency, scalable business strategies and consumer literacies.

Among the finalists in attendance were Christopher Kunz from Nicholas K, Prabal Gurung, Britt Cosgrove and Marina Polo from SVILU, Erin Isakov of Erin Snow and design team members from Tome and Zero + Maria Cornejo.

Kunz agreed with a key point Bettoni made during her presentation that “sustainable fabrics

Christopher Kunz



take on great designs and are eco-friendly.”

He said he “loved the recycled wool and cashmere” and was looking into using some in his collection. Kunz said Nicholas K also uses a lot of cotton in the collection and is sensitive to yarns and fabrics produced with methods that use less water.

In the end, he said, “It’s more difficult to sell sustainability to the consumer. It’s easier to sell a product and then explain it to the consumer in some way to show that it’s an added benefit.”

During the workshop, Bettoni also stressed that the “commercial viability of the sustainable material and fabric” was essential.

cashmere yarn is dyed with herbs, berries and roots such as the blue-indigo tones of the woad plant from the spinners’ native Cagli territory.

At the most recent Pitti Filati fair, Lanificio dell’Olivio showed off its sustainable “Going Green” project that uses organic cotton yarns for a cleaner, more classic approach.

Tollegno 1900 has stressed its investment in sustainability through areas such as methods to decrease water usage, and in more energy-efficient machinery, and Zegna Baruffa has developed a special technology with Turin’s Politecnico University that was applied to wool to manufacture H2Dry, a high-tech yarn that’s washable for travel wear and activewear.

Additional finalists for the CFDA + Lexus Fashion Initiative are Dezso by Sara Beltran, Katie DeGuzman and Michael Miller from Killer Collection, and WWake’s Wing Yin Yau.

At the conclusion of the program, the three brands that have most significantly advanced their companies’ ethos to a higher standard of sustainability and social responsibility will be awarded the grand prize and two runner-up prizes will also be handed out. The winner will receive \$150,000 and each runner-up will be awarded \$50,000. ■



Prabal Gurung checks out the fabrics.



Britt Cosgrove and Marina Polo of SVILU.

\$50k

Each runner-up to the CFDA + Lexus Fashion Initiative will be awarded \$50,000.

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Finalists in the CFDA + Lexus Fashion Initiative are involved in a 17-month virtual residency program.



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“The average consumer still believes sustainable doesn’t equate with quality,” she said.

That’s why she likes to call this new generation of fabrics “responsible innovation” with a “3-D approach: creativity, innovation and responsibility – three distinct elements when combined... guarantee a competitive market advantage.”

Bettoni explained and showed several examples of fabrics that are part of CLASS. Ecotec by Marchi & Fildi, which drew Kunz’s interest, transforms pre-dyed fabric clippings into high quality cotton yarns, thereby saving water and energy and reducing landfill space.

Re.Verso is a line of re-engineered wool and cashmere upcycled using pre-consumer fabric cutoffs. Bettoni showed a Gucci fall 2016 coat being made using Re.Verso cashmere.

New Life’s polyester, made using post-consumer plastic bottles, is now being utilized by Gruppo cinque in a new range of jacquard prints, while Asahi Kasei’s Roica Eco-Smart stretch is made from 50 percent pre-consumer recycled elastane that saves water and has better dye uptake due to its lower oil content.

There was also Asahi Kasei’s cupro, a cellulose fiber made from recovered cotton waste that’s being used by such mills as Jacytex, which also uses the company’s Roica fabric.

Gurung, like many of the attendees, seemed impressed by the hand and look of the materials presented, as pieces were passed around the room for the old “touchy feely.”

While not part of Milan-based CLASS, many Italian mills have been pioneers in textile sustainability and innovation.

Cariaggi’s Systema Naturae collection of

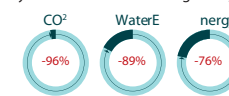


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Green Lit Actress and sometimes Miu Miu front-rower Emma Greenwell makes it big in Hulu's "The Path."

By LEIGH NORDSTROM Edited by TAYLOR HARRIS

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Emma Greenwell has just changed back into her fitted striped T-shirt and frayed jeans after wrapping a photo shoot, and in the process has drawn a gaggle of ogglers over her cropped Rachel Comey denim. "They're coming out with these in black, which is going to be really sick," she says. "The dark is really good."

The 27-year-old English actress is set to discuss "The Path," the Hulu show premiering Wednesday in which she stars alongside Hugh Dancy, Aaron Paul and Michelle Monaghan. But first, there's some fashion to attend to — she's just returned from the front row of Miu Miu's fall show in Paris and it needs to be discussed.

"It was spoiling, it was divine," she says. "We were out of the show by around 4 p.m., but then there was the dinner with Mrs. Prada, and so all of us sat in the bar of the hotel eating hamburgers, in the most beautiful clothing, trying to keep ourselves pristine."

Greenwell was born in Greenwich, Conn., to a French mother and an English father; the family moved back to London's South Kensington neighborhood before her second

birthday. She attended the London Academy of Music and Dramatic Art for a year — "It was good, it made me realize that I didn't want to go to drama school" — before trying her luck at pilot season in Los Angeles. "Shameless," the Emmy-winning Showtime drama, was her first job. She booked it when she was

ing up was the granddaughter of the owners," she says. "I really wanted to be the receptionist because I liked to practice my accents on the phone, and I did that a little bit but I think they knew that I was doing that so they were like, 'No.'"

On her last shift, the night before moving to L.A., she happened to

"I've only ever bought one designer handbag and I thought that I would like feel something different — which I didn't — so I don't think I'll ever do that again"
— Emma Greenwell

22. "I was meant to be leaving on a Saturday to go back to London, and I booked the job on Tuesday," she says. "I had to rent a car, get a place, and I didn't end up going back to London for nine months."

Her arrival onto the American acting scene is, fittingly, something out of a Hollywood motion-picture fairy tale. In the months before "Shameless," she'd been working as a server at London's Michelin-starred, Thames-hugging restaurant The River Café. "My best friend grow-

serve André Balazs, owner of Los Angeles' famed Chateau Marmont and London's Chiltern Firehouse. "I'd never been to L.A., I had no idea who he was or what the Chateau was," she says. "My boss said, 'Oh, Emma's moving to L.A. tomorrow,' and André asked what time I got in on Friday and I was like, 'I get in at 7,' and he said, 'OK, come to my party.'"

The casually mentioned party was, in fact, his Golden Globes bash — not bad for a new actress' first night in L.A. "I was so underdressed,"

Greenwell recalls. "I was standing in the penthouse of the hotel next to Cate Blanchett and Quentin Tarantino, it was a crazy first night. And his daughter was then in 'Shameless.'"

As most Brit thespian darlings do, she's done the period-piece thing, first in February's "Pride and Prejudice and Zombies," and next alongside Kate Beckinsale and Chloë Sevigny in "Love & Friendship," out in May. But first comes "The Path," Hulu's latest full-bodied drama, which is about the personalities embedded in a religious cult and its pathological success. Greenwell's character Mary is "an incredibly vulnerable girl who gets swept up in the idea of being saved," she says. "She grew up in a trailer park, her mom died when she was young, and she's a heroin addict. The show opens where there's been a tornado through her trailer park and The Path arrive to help out."

Promoting a show obviously can create more acting opportunities — as well as fashion ones, Miu Miu front



Greenwell in "The Path."

rows included. Greenwell, for her part, is a natural scourer. "I've only ever bought one designer handbag," she says, "and I thought that I would like feel something different — which I didn't — so I don't think I'll ever do that again." ■

LEFT: Hellessy's silk and cotton jacquard top and Rachel Comey's cotton denim jeans. Delfina Delettrez ring. BOTTOM: Burberry's silk and satin dress and Laurence Dacade's shoes. Hiroataka earring; Ariel Gordon ring; Sydney Evan ring.



Report Card

eye Super Slump

Henry's style suits the mediocrity of his movie reviews and Dave shows us how Santa slims down in the off-season.



- ✓ The Dodgers flat cap is unflattering on his extra-round face. If he's trying to be incognito, he should opt for a different style of headwear and wraparound sunglasses.
- ✓ The combo of black and white normally reads minimalist chic, but on him, an all-black palette would suit his new body type.
- ✓ The high-top sneakers with black socks do nothing to elongate his legs, nor do they frame his tattoos. A low-top would be less aggressive.

D+

Rob Kardashian



- ✓ The bubblegum pink lip gloss coordinates well with her Pepto-pink footwear, and her skin looks nice for having just flown. That said, the hair is way, way too long, and the sparkly headscarf is bewildering.
- ✓ The rose gold watch feels very 2009, but it's upstaged by those terrifying talons.
- ✓ The jeans are overdressed, done in an unfortunate, bleached-out color and are way too tight.
- ✓ Something never to invest in? Barbie work boots.

D

Blac Chyna



- ✓ Our new Superman is really hot, but he looks better wearing his superhero tights than this boxy navy three-piece suit.
- ✓ The repp red tie reads aging Wall Street banker. A tonal navy tie would have been a more sophisticated choice.
- ✓ Although this look is very Clark Kent, dressing up muscles is not an easy task. A two-piece notch lapel suit would have been a better option, especially if he needs to fit the costume and cape underneath.

B-

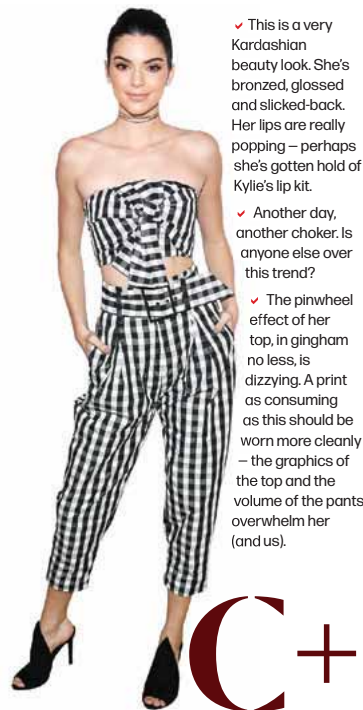
Henry Cavill



- ✓ Jaime looks her best when she veers ever-so-slightly retro with her look. Here, the bold brow, porcelain skin and citrusy-red lip are elegant and timeless.
- ✓ There's a slight Fifties air here. The print feels kinetic — it's a wonderful cacophony. The asymmetric ruffled tiers are ladylike and the blue-tinged lace inject a girly touch.
- ✓ The metallic strappy heels add just the right degree of modernity and polish.

A-

Jaime King



- ✓ This is a very Kardashian beauty look. She's bronzed, glossed and slicked-back. Her lips are really popping — perhaps she's gotten hold of Kylie's lip kit.
- ✓ Another day, another choker. Is anyone else over this trend?
- ✓ The pinwheel effect of her top, in gingham no less, is dizzying. A print as consuming as this should be worn more cleanly — the graphics of the top and the volume of the pants overwhelm her (and us).

C+

Kendall Jenner



- ✓ The high-volume hair makes his receding hairline more apparent. His forehead appears endless.
- ✓ There are times in life in which the turtleneck is the only way — this is one of those times.
- ✓ The worn-in leather jacket works with the well-fitting jeans; however, he should have considered a slimming, vertical-striped knit. He looks barrel-bellied. We hope this is also an early April's Fools joke.

C

Jon Lovitz



- ✓ The Seventies feel of her rose-hued aviators works with her undone, glam bedhead. The lenses should be a touch smaller, though.
- ✓ What's going on here? Is it a walk of shame? A victory lap? In any case, it's all coordinated: the lacy bra, high-waisted briefs, dotted tights and leather-panel knee-highs. The oversize camo jacket thrown over it gives her a laissez-faire cool. She could have zipped it up to hide her lingerie but she doesn't give AF and that's why it works.

B+

Cara Delevingne

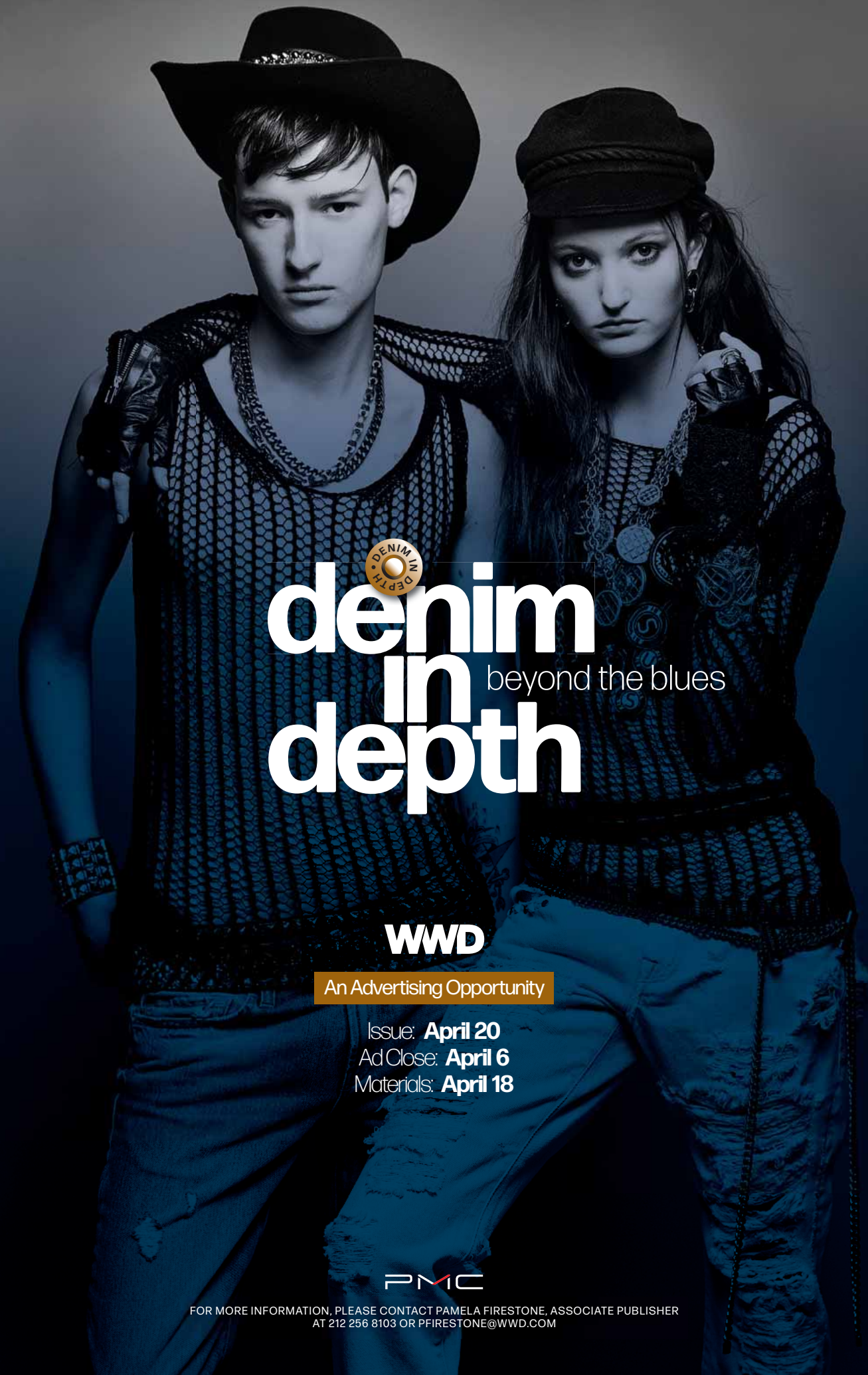


- ✓ Now we know what happens when someone retires from late-night TV. They turn into garden gnomes with an appetite for ill-fitting aerobic clothes.
- ✓ The buffalo print T-shirt looks like a giveaway from a cheap Las Vegas steakhouse — in 1984. If he wants to sleep in it, fine, but don't wear it outside.
- ✓ For a 68-year-old, he has great legs, but the oversize ill-fitting gym shorts don't flatter his athletic frame. Thank goodness he's not wearing cycling shorts.

FAIL

David Letterman

Kardashian, Delevingne, Chyna and King photographs by Broadimage/REX/Shutterstock; Cavill by David Fisher/REX/Shutterstock; Jenner by John Solangang/BFA/REX/Shutterstock; Lovitz by Buckner/Variety/REX/Shutterstock; Letterman by Splash News



denim in depth beyond the blues

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THE AGE OF KIEHL'S

165
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What started in a corner shop next to a pear tree in mid-19th-century New York has grown across 54 countries in 165 years. Kiehl's Since 1851 now ranks as the sixth largest skin-care brand in the world.



Photograph by CLAIRE BENOIST

Male Awakening

"Men are more conscious than ever of their appearance, and more open to talking about it or treating it than ever before."

CHRIS SALGARDO, KIEHL'S USA

← The Power Serum is one of the new products joining the Kiehl's lineup.



The Classics

"We definitely have been building the perception of Kiehl's as a skin-care expert and that has been very important to our success."

CHERYL VITALI, KIEHL'S SINCE 1851





Photograph by JOSHUA SCOTT

the company calls a KCR, or a Kiehl's customer representative. The customers are quizzed about their most pressing concerns and, based on the analysis, the top two problems are targeted.

Two skin-specific Targeted Complexes, or boosters, are picked out of the five available in the line and paired with a Skin Strengthening Concentrate, or base.

The formula of the concentrate includes 35 percent Squalane and 20 percent of Skin Lipid Complex.

Geoffrey Genesky, Kiehl's head chemist, said the ingredient blend of the concentrate base has been mixed to fortify, moisturize and protect the skin barrier.

The two boosters are meant to be mixed with the base concentrate at

and with a San Francisco exclusive in Neiman Marcus in June. The same month, there will be a European rollout in France, Spain, Italy and Germany. Distribution will expand into Asia in the fall.

Vitali estimates that the Apothecary collection will be available in 150 doors around the world by the time the first phase ends in mid-2017. By the time the second phase ends in mid-2018, the number is expected to grow to 300 doors. Europe, including the Eastern Bloc, has been fertile territory, and so has China.

The distribution is out of a global total of 1,550 doors worldwide, 25 percent of them in the U.S. Vitali stressed that not every door is suitable for the new line. "It will be where we think the customer fit is, and then we have to have the right level of service and in-store presence. Consultation is required," she said, noting that the store has to be able to accommodate a detailed discussion.

"This is for people who are very engaged and interested in combatting...skin-care concerns."

Cheryl Vitale, Kiehl's Since 1851

home, thus activating the mixture. The company cautions that the boosters are so potent that they cannot be applied to the skin directly without being mixed with the base.

The retail price of the three-item set is \$95, and depending on rate of usage, one mixture can last up to six months, according to Vitali.

The line is designed for men and women and Vitali thinks customers will be drawn from Kiehl's current base. "Part of our current customer base will be interested in this level of service," she said. "But I think we will also get what I call 'the involved age fighter.'"

"This is very much for Boomers and Millennials who are starting their anti-aging fight," she said. "This is for people who are very engaged and interested in combatting some of these skin-care concerns." She noted that both groups could be confronting the same problem, like redness.

"We are going to get new consumers to Kiehl's because of two reasons," she asserted. "One - this mind-set is pretty broad, pretty global. But also it's a pretty unique proposition. If people haven't been sure that Kiehl's has something for them, this gives them a chance to revisit us."

Asked what the new line will contribute to a market that already offers products targeted to the same maladies, Vitali said, "First of all, this is more targeted. You can buy products that address many issues, including the ones that we suggested, but not in this focused combination, and not with the level of efficacy and concentration we have. I have to point to the service piece as well," she said, underscoring the value of the consultation process, during which the customer's worries can be brought into focus.

"Personalization is a growing trend, whereby customers are seeking products 'just for me.' This customer wants to be engaged in the conversation, wants to be part of determining the best solution for themselves," Vitali continued. "Apothecary Preparations is driven by an assessment between the customer and KCR - not by a device. The customer's participation is a key dimension of our personalization service."

The Apothecary line will make its debut in Kiehl's New York flagship in Greenwich Village in April, then follow up in London at Harrods in May

Kiehl's, a subsidiary of global industry leader L'Oréal, does not break out sales projections, and Vitali declined comment when asked about the new line's prospects. But industry sources estimate that Apothecary Preparations could generate 15 million euros, or \$16.9 million at current exchange, in the first year after the line is fully rolled out in the first phase. As for the total business on a global basis, industry sources estimate Kiehl's generates sales of about \$1 billion a year worldwide. Executives had no comment.

Speaking of the wider significance, Vitali prefaced her answer by saying, "We definitely have been building the perception of Kiehl's as a skin-care expert and that has been very important to our success. This allows us to take and elevate the personalized skin-care service to really cement our expertise in skin care. The other thing, which is really important, it allows us to extend directly from our apothecary heritage."

Chris Salgado, president of Kiehl's USA, noted, "As a brand that consistently creates unique and efficacious products, we're looking forward to offering our customers this new, interactive experience."

Vitali summed up the opportunity: "We are very much expecting it will help bring new customers to Kiehl's. We don't advertise; we rely on word of mouth. This will give us a lot of visibility to people who maybe don't know us but may want to revisit us." ■

Back to the Apothecary

A new range of skin care personalizes solutions to common problems.

By PETE BORN



Kiehl's Since 1851 is breaking new ground to mark its 165th anniversary.

Rooted in skin-care innovation and proud of its penchant for service, the beauty chain is playing on its strengths with the launch of Kiehl's Apothecary Preparations, a move aimed at tapping into the growing personalization trend.

"We had not done anything like this before," said Cheryl Vitale, Kiehl's worldwide general manager and a seven-year veteran.

The new Apothecary line consists of a collection of skin-care concentrates that are designed to deal with five skin concerns - redness, wrinkles, rough texture, large pores and dullness. The products are meant to be used in conjunction with an in-store skin analysis conducted by what



● The new Apothecary Preparations.

Product photograph by George Chinise



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Chris Salgado, Easy Rider

Kiehl's U.S. president sees a men's boom ahead.

By JULIE NAUGHTON

As he looks back on Kiehl's past, Chris Salgado, who was named president of the U.S. business in 2006, also has his eyes firmly on the future.

First up: expansion. The brand will open a freestanding store in Hawaii on Oahu in April, and Salgado is eyeing new markets and adding stores to existing ones, such as a store at the World Trade Center and new locations on the West Coast, which Salgado regards as the label's second home. Its first retail outlet outside of its own freestanding store was at Bergdorf Goodman in 1971, followed by Neiman Marcus in Beverly Hills in 1977. The brand is now sold in Bergdorf Goodman, Neiman Marcus, Saks Fifth Avenue, Nordstrom, Bloomingdale's, Dillard's, Macy's and Lord & Taylor.

Salgado aims for Kiehl's new Age Defender franchise, due in April, to fill some of those needs. "The Age Defender collection works to strengthen skin, minimize the appearance of fine lines and wrinkles and visibly firm skin. Our chemists identified the unique requirements and challenges of men's skin and responded with a 1-2-3 solution: Power Serum, Moisturizer and Eye Repair, which is my powerhouse product." The serum will sell for \$50 for 2.5 oz., the moisturizer for \$40 for 1.7 oz and \$52 for ww2.5 oz., and the Eye Repair \$30 for 0.5 oz. While Salgado declined to discuss sales projections, industry sources estimated that the Age Defender lineup could generate first-year retail sales of \$8 million.

The serum, the brand's first for men, is designed to penetrate the skin to deliver active and highly concentrated ingredients – cypress extract, a blend of hydrolyzed pro-

teins and adenosine – that are lightweight and fast-absorbing. "Our serum is the ultimate warrior, while our moisturizer is the ultimate guardian protecting the skin's barrier, all topped off by my powerhouse product, Eye Repair, to lift and reduce wrinkles and dark circles," Salgado said. Men's skin thickness rapidly declines and hydration levels decrease as it ages. Deeper expression lines and other lifestyle factors such as smoke, UV rays, pollution, poor preventative behavior and insufficient skin-care regimens also contribute to differences in aging between men and women.

"Last year, the men's category saw 8 percent market growth, heavily driven by activity in the antiaging arena, where Kiehl's was up 34 percent."

Chris Salgado, Kiehl's USA

24 and 63 percent of males 25 to 34 globally use a facial moisturizer.

"Men are more conscious than ever of their appearance, and more open to talking about it or treating it than ever before," Salgado said, adding that "2015 was the first year there was more interest in men's hair than women's hair on Google [by around 6 percent], meaning real guys are showing a real interest."

And for men, it's not all about shaving cream and toothpaste anymore. "It's not just that men are becoming more comfortable with committing to regular grooming routines; we're actually hearing increasing demands for more sophisticated formulas such as antiaging serums and eye-area treatments," Salgado said.

Kiehl's consumers are 40 percent male and 60 percent female at present, Salgado said. "Last year, the men's category saw 8 percent market growth, heavily driven by activity in the antiaging arena, where Kiehl's was up 34 percent, and the oil-control category, where Kiehl's was up 23 percent," he said. "And though Kiehl's products can all be used by both genders, we know that men tend to have thicker, oilier, sweatier, denser skin. With that in mind, our men's products are formulated with ingredients that specifically target that skin type. Our routine recommendation for most men is: cleanse, shave, moisturize."

Salgado aims for Kiehl's new Age Defender franchise, due in April, to fill some of those needs. "The Age Defender collection works to strengthen skin, minimize the appearance of fine lines and wrinkles and visibly firm skin. Our chemists identified the unique requirements and challenges of men's skin and responded with a 1-2-3 solution: Power Serum, Moisturizer and Eye Repair, which is my powerhouse product." The serum will sell for \$50 for 2.5 oz., the moisturizer for \$40 for 1.7 oz and \$52 for ww2.5 oz., and the Eye Repair \$30 for 0.5 oz. While Salgado declined to discuss sales projections, industry sources estimated that the Age Defender lineup could generate first-year retail sales of \$8 million.

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Also in April, Kiehl's will introduce Smooth Glider Precision Shave Lotion. "This builds on our heritage of formulating shave products specifically for men's skin," Salgado said. "This new, unique lightweight gel-lotion is infused with Cupuacu butter, Kukui nut oil and cypress and eucalyptus essential oils. It is made for all skin types and is designed to enable a faster, more precise shave, especially for those with sideburns, etc., that they need to work around. It instantly softens facial hair and provides hydrating protection." Industry sources estimated that it could do \$4 million to \$5 million in its first year on counter.

One of Salgado's favorites is due in June: Nourishing Beard Grooming Oil. "Beards start-

ed to gain traction and become a trend phenomenon in 2014," Salgado said. "Now beard oil is in the top five Google searches amongst men, and 67 percent of New York men have some sort of facial hair. So in June we will launch our first beard grooming oil. It tames unruly facial hair while deeply nourishing dry, itchy skin underneath."

The oil will sell for \$27 for 1 ounce. Sources estimated that it could do \$3 million at retail in its first year on counter.

Salgado also published the brand's first book, "Manmade," in December with Random House imprint Clarkson Potter.

"Manmade" is the first of its kind in that it not only provides answers to basic concerns, but also offers a unique blend of product-agnostic guidance and lifestyle tips," Salgado said. "And it's showing: 31 percent of 'Manmade' book buyers are first-time Kiehl's shoppers."

Salgado also discussed the company's strong philanthropic efforts. "As a company that's philanthropic, giving back to the communities in which we do business has always been a part of our heritage," he said. "To be able to do the HIV and AIDS, children's, environmental and women's work that we do is the greatest gift. We've proven you can be a successful company while doing good in the world." ■



● A collection of new men's products, along with Salgado's book.

"Beard oil is in the top five Google searches amongst men, and 67 percent of New York men have some sort of facial hair."

Product photograph by George Chinsee

Photograph by JOSHUA SCOTT

A Short History of Kiehl's

By ELLEN THOMAS

1851

Brunswick Apotheke opens as a neighborhood pharmacy on the corner of 13th Street and Third Avenue in New York.



1921

Irving Morse buys the pharmacy from John Kiehl, introducing skin and hair products under the name Kiehl's Since 1851.

1961

Aaron Morse takes over the family business from his father, Irving.



1964

Blue Astringent Herbal Lotion launches. Store regular Andy Warhol loves it so much that he only buys it in its largest size, a 32-oz. bottle.



1970s

Ultra Facial Moisturizer and Creme de Corps are introduced.

1988

Jami Morse Heidegger, daughter of Aaron Morse, takes the helm of the family business.

1850
1860
1870
1880
1890
1900
1910
1920
1930
1940
1950
1960
1970
1980

1884

Apprentice John Kiehl purchases the original East Village location and renames it Kiehl Pharmacy.

1920s

Under Morse's influence, customer sampling is encouraged, and "try before you buy" becomes the pharmacy's motto. Kiehl's also begins listing its ingredients on product labels.



1960s

In an attempt to appeal to male customers, Aaron Morse begins displaying his collection of vintage Harley-Davidson and Indian motorcycles as decor inside the pharmacy.



1969

Kiehl's Lip Balm #1 is launched.

1971

Bergdorf Goodman becomes the first wholesale account.



1988

As its first foray into "adventure testing," Kiehl's sponsors the first ascent of Mount Everest's East Face without supplemental oxygen. Climbers are supplied with skin-care formulas from the company to protect skin from the elements.

2000

After customer demand becomes overwhelming, Jami Morse Heidegger sells Kiehl's to Cosmair, the American licensee of L'Oréal that will later become L'Oréal USA, for an estimated \$180 million.



2005

Dermatologist Solutions is launched with three items, including the Powerful Strength Line-Reducing Concentrate with a 10.5 percent level of stabilized vitamin C, said to withstand degradation.



2014

The Oil Eliminator skin-care range, developed with a proprietary technology based in aerogel, an insulation material used by NASA, is introduced. An outer-space-themed social media campaign ensues, centered on the launch of a weather balloon carrying the new products to an elevation of almost 120,000 feet above the Earth.

1990
2000
2010

165
YEARS

2001

Kiehl's opens its second freestanding store in the Pacific Heights district of San Francisco. Plans for Boston and Los Angeles locations are unveiled.

2002

The first international freestanding store opens in London's Covent Garden.

2006

Ultra Facial Cream, a richer version of the original Ultra Facial Moisturizer, is introduced.



2009

With the launch of Midnight Recovery Concentrate, Kiehl's becomes an early adopter of the facial oil trend.

2010

LifeRide for amfAR, a 12-day charity motorcycle trip, is introduced to fund AIDS research. Routes over the years have ranged from San Diego to San Francisco to Miami to Washington.

2016

The Smithsonian Institution adds 10 products to its Kiehl's collection, which numbers more than 100.



SINCE 1851
KIEHL'S

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THAN SKIN

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Edgy by Design

Staying true to its apothecary roots is at the forefront of Kiehl's store design strategy, leading the brand's outposts to feature Mr. Bones the skeleton and a smattering of test tubes under chandeliers and neon lighting.

"We're New-York-born-and-bred, so we always stay true to our East Village roots, keeping it edgy through eclectic design elements like wall murals, graffiti, exposed brick walls and neon lights," said Maria Gustafson, Kiehl's senior vice president of global creative. "We commissioned a mural from graffiti artist group Tats Cru outside of our Hell's Kitchen store as a nod to the gritty history of the neighborhood, and a full-service barbershop caters to men and references the look and feel of early New York barbershops." —ALLISON COLLINS

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ACNE TREATMENT

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- KATE SOMERVILLE Eradikate Mask Foam-activated Acne Treatment
- NEUTROGENA® Rapid Clear® Stubborn Acne Spot Gel
- PETER THOMAS ROTH CLINICAL SKIN CARE Acne-clear Invisible Dots
- SHISEIDO COSMETICS AMERICA Ibuki Multi Solution Gel
- YES TO TOMATOES Detoxifying Charcoal Mud Mask

ANTI-AGING MASS

- AVON Anew Power Serum
- LANEIGE Firming Sleeping Mask
- L'ORÉAL PARIS Revitalift Volume Filler Daily Re-volumizing Serum Concentrate
- SONIA KASHUK Detox Purifying Black Mask
- VICHY Liftactiv Supreme
- YES TO GRAPEFRUIT Pore Perfection Brightening Peel

ANTI-AGING PRESTIGE

- COTY INC. Philosophy Microdelivery Overnight Anti-aging Peel
- DERMALOGICA Age Smart Overnight Retinol Repair
- ESTÉE LAUDER New Dimension Shape + Fill Expert Serum
- GLAMGLOW Flashmud Brightening Treatment
- ORIGINS Three Part Harmony Oil-infused Serum for Renewal, Repair and Radiance
- SHISEIDO COSMETICS AMERICA Future Solution LX Replenishing Treatment Oil

BATH AND BODY MASS

- AVEENO® Daily Moisturizing Sheer Hydration Lotion
- JERGENS Wet Skin Moisturizer
- LA ROCHE-POSAY Cicaplast Baume B5
- NIVEA In-shower Body Lotion
- OLAY Fresh Outlast Cooling White Strawberry & Mint Body Wash
- PALMER'S Coconut Oil Formula® Coconut Oil Body Lotion

BATH AND BODY PRESTIGE

- AHAVA Cactus & Pink Pepper Dry Oil Body Mist
- AVEDA Stress-fix Composition Oil
- COTY INC. Avojuice
- ELIZABETH ARDEN Eight Hour® Cream All-over Miracle Oil
- FRESH Cocoa Body Exfoliant
- MOLTON BROWN Heavenly Gingerlily Caressing Body Polisher

CLEANSER & SCRUB

- BIORÉ Pore Penetrating Charcoal Bar
- GLAMGLOW Powercleanse Daily Dual Cleanser
- NEUTROGENA® Ultra-light Cleansing Oil
- OLAY Regenerist Luminous Brightening Foaming Cleanser
- ORIGINS Dr. Andrew Weil for Origins Mega-mushroom Skin Relief Micellar Cleanser
- SIMPLE® SKINCARE Micellar Cleansing Water

EYE PRODUCT MASS

- COTY INC. Rimmel Wonderlash Mascara
- COVERGIRL Plumpify Mascara by Blastpro
- L'ORÉAL PARIS Voluminous Superstar Mascara
- MAYBELLINE NEW YORK The Falsies Push Up Drama Mascara
- NEUTROGENA® Nourishing Long Wear Eye Shadow + Built-in Primer
- ULTA BEAUTY Champagne Eye Shadow Primer

EYE PRODUCT PRESTIGE

- BENEFIT COSMETICS Roller Lash Supercurling & Lifting Mascara
- BURBERRY Eye Colour Cream
- CHRISTIAN DIOR Diorshow Mascara
- CLINIQUE Chubby Lash Fattening Mascara
- SMASHBOX COSMETICS Brow Tech Pencils
- YSL BEAUTE Mascara Volume Effet Faux Cils

EYE TREATMENT

- AVEDA Botanical Kinetics Energizing Eye Creme
- CLINIQUE Smart Custom-repair Eye Treatment
- COTY INC. Philosophy Ultimate Miracle Worker Eye Multi-rejuvenating Eye Cream Broad Spectrum SPF 15
- IT COSMETICS Your Skin but Better CC+ Eye Cream SPF 50+
- SHISEIDO COSMETICS AMERICA Ultimune Eye Power Infusing Eye Concentrate
- YSL BEAUTE Forever Light Creator Dark Circle Corrector

FACE PRODUCT MASS

- LANEIGE Cushion Concealer
- LA ROCHE-POSAY Effaclar BB Blur
- L'ORÉAL PARIS True Match Lumi Liquid Glow Illuminator
- NYX COSMETICS Highlight & Contour Pro Palette
- SONIA KASHUK Undercover Liquid Concealer
- ULTA BEAUTY Demi Matte Foundation

FACE PRODUCT PRESTIGE

- BURBERRY Face Contour
- CLINIQUE Beyond Perfecting Foundation + Concealer
- ESTÉE LAUDER Double Wear Makeup to Go Liquid Compact
- LAURA MERCIER Silk Crème Moisturizing Photo Edition Foundation
- SMASHBOX COSMETICS Camera Ready BB Water
- YSL BEAUTE Touche Éclat Blur Perfector

HAIR COLORING PRODUCT

- L'ORÉAL PARIS Excellence Age Perfect Hair Color
- ORIBE HAIR CARE Airbrush Root Touch-up Spray
- RUSK Deepshine Color Touch Up
- SCHWARZKOPF Color Ultime Coloration
- STYLE EDIT Root Touch Up
- ZOTOS PROFESSIONAL Agebeautiful Root Touch-up Temporary Haircolor

HAIR SHAMPOO/HAIR CONDITIONER

- CLAIROL Hair Food Sulfate Free Honey Apricot Cleansing Conditioner
- DOVE Quench Absolute Ultra Nourishing Shampoo
- DRYBAR Detox Dry Shampoo
- KÉRASTASE PARIS Résistance Soin Premier Thérapiste
- LIVING PROOF Perfect Hair Day (PHD) Dry Shampoo
- ORIBE HAIR CARE Bright Blonde Shampoo for Beautiful Color

HAIR STYLE/CARE PRODUCT

- AVEDA Thickening Tonic
- BUMBLE AND BUMBLE Don't Blow It H(air) Styler
- DRYBAR Triple Sec 3-in-1
- FEKKA! Pre-soleil Hair Mist
- JOICO Hair Shake Finishing Texturizer Spray
- LIVING PROOF Blowout

HAIR TOOLS

- BABYLISPRO Rapido
- CHI Smart Gemz Zirconium Titanium 1" Hairstyling Iron
- DEVACURL Devadryer & Devafuser
- GHD Platinum Styler
- SARAH POTEMLA, INC. Beachwaver S1
- T3 MICRO, INC. Pro I Professional Hair Dryer

LIP PRODUCT MASS

- COTY INC. Rimmel Provocalips
- COVERGIRL Outlast Longwear Lipstick
- FLOWER Lip Radiance High Shine Lip Lacquer
- L'ORÉAL PARIS Colour Riche Le Matte Lip Pen
- NYX COSMETICS Liquid Suede Cream Lipstick
- ULTA BEAUTY Shiny Sheer Lip Gloss

LIP PRODUCT PRESTIGE

- BURBERRY Kisses
- CHARLOTTE TILBURY Matte Revolution
- CHRISTIAN DIOR Addict Lipstick Sensational Color Hydra-gel Core Mirror Shine
- CLINIQUE Pop Lip Colour + Primer
- ESTÉE LAUDER Pure Color Envy Liquid Lip Potion
- SMASHBOX COSMETICS Be Legendary Matte Lipstick
- YSL BEAUTE Volupté Tint-in-Oil



LIP TREATMENT

- CHAPSTICK Total Hydration 100% Natural
- CLÉ DE PEAU BEAUTÉ Lip Serum
- FRESH Sugar Nourishing Lip Balm Advanced Therapy
- GLAMGLOW Poutmud Fizzy Lip Exfoliating Treatment + Wet Lip Balm Treatment
- HONEST BEAUTY Magic Balm
- MURAD Rapid Collagen Infusion for Lips

MEN'S GROOMING

- AMERICAN CREW Liquid Wax
- CLINIQUE Clinique for Men Charcoal Face Wash
- HARRY'S Daily Face Wash
- JACK BLACK Double Header Shampoo + Conditioner
- LAB SERIES SKINCARE FOR MEN Future Rescue Repair Serum
- NIVEA Men Sensitive Cooling Post Shave Balm

MEN'S SCENT

- BPI SHISEIDO Salvatore Ferragamo Acqua Essenziale Colonia
- CHRISTIAN DIOR Sauvage
- GIORGIO ARMANI BEAUTY Acqua di Gio Profumo
- JOHN VARVATOS Dark Rebel
- TOMMY HILFIGER FRAGRANCES TH Bold Eau de Toilette
- VIKTOR&ROLF Spicebomb Eau Fraîche

MOISTURIZER MASS

- BURT'S BEES Intense Hydration Nourishing Facial Water
- LANEIGE Water Bank Moisture Cream
- L'ORÉAL PARIS Youth Code Skin Illuminator Tinted All-in-1 Moisturizer SPF 20
- NEUTROGENA® Hydro Boost Water Gel
- OLAY Regenerist Luminous Overnight Mask
- YES TO CUCUMBERS Cooling Hydrating Mist

MOISTURIZER PRESTIGE

- AERIN Rose Oil
- CLINIQUE Dramatically Different Moisturizing Cream
- COTY INC. Philosophy Ultimate Miracle Worker Multi-rejuvenating Cream Broad Spectrum SPF 30
- DARPIN 8-flower Nectar Oil Cream
- FRESH Seaberry Skin Nutrition Booster
- SK-II Mid-day Essence

NAIL PRODUCT

- BUTTER LONDON Patent Shine 10x Nail Lacquer
- CND Rescue Rxx Daily Keratin Treatment
- COTY INC. Sally Hansen Miracle Gel 2.0 Topcoat
- ESSIE Gel Setter
- YSL BEAUTE La Laque Couture Pop Water
- ZOYA Naked Manicure Lavender Perfector

SKINCARE TOOLS

- AMOPE Extra Coarse Electronic Foot File with Diamond Crystals
- CLARISONIC Alpha Fit
- ILUMINAGE BEAUTY Skin Rejuvenating Eye Mask
- PANASONIC Micro-foaming Cleansing Device
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SUN PRODUCT

- JERGENS Natural Glow Instant Sun Sunless Tanning Mousse
- LA ROCHE-POSAY Anthelios AOX Daily Antioxidant Serum with Sunscreen SPF 50
- NEUTROGENA® Cool Dry Sport Sunscreen Spray SPF 70
- SHISEIDO COSMETICS AMERICA Ultimate Sun Protection Lotion Broad Spectrum SPF 50+
- ST. TROPEZ Gradual Tan in Shower Tanning Lotion
- SUPERGOOP! Defense Refresh Setting Mist SPF 50

WOMEN'S SCENT MASS

- AVON Attraction for Her
- COTY INC. Katy Perry Mad Potion
- FLOWER Sparkling Garden Fragrance
- MARY KAY COSMETICS Cityscape Eau de Parfum
- REVLON Love is On Eau de Toilette
- SONIA KASHUK Eau de Toilette in White Etheriana

WOMEN'S SCENT PRESTIGE

- AERIN Rose de Grasse Parfum
- COTY INC. Marc Jacobs Decadence
- ESTÉE LAUDER Modern Muse Le Rouge Eau de Parfum
- MICHAEL KORS 24k Brilliant Gold Eau de Parfum
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- TULA



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- DOVE White Beauty Bar
- NEUTROGENA® Make-up Remover Cleansing Towelettes
- Q-TIPS® Cotton Swabs
- VASELINE® Jelly Original

ICONIC BEAUTY AWARD PRESTIGE

- BUMBLE AND BUMBLE Surf Spray
- CLINIQUE Moisture Surge Extended Thirst Relief
- COTY INC. OPI Infinite Shine
- FRESH Sugar Lip Treatment Sunscreen SPF 15
- MOROCCANOIL Treatment Original
- ORIGINS Clear Improvement Active Charcoal Mask
- URBAN DECAY Naked

MOST BUZZED ABOUT AWARD MASS

- BIORÉ Deep Cleansing Charcoal Pore Strips
- DARK AND LOVELY Au Naturale Moisture L.O.C. Lock It In Sealing Cream
- DOVE Quench Absolute Supreme Crème Serum
- JOHN FRIEDA Beach Blonde Sea Wave Sea Salt Spray
- L'ORÉAL PARIS Colour Riche La Palette
- NEUTROGENA® Hydro Boost Water Gel

MOST BUZZED ABOUT AWARD PRESTIGE

- COTY INC. OPI Colorpaints
- ESTÉE LAUDER Modern Muse Le Rouge Eau de Parfum
- KIEHL'S SINCE 1851 Daily Reviving Concentrate
- MAKE UP FOR EVER Ultra HD Foundation
- ORIGINS Original Skin Renewal Serum
- URBAN DECAY Naked Smoky

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Real



Girls

Models once walked the runway in uniform beauty looks, but in recent seasons, backstage makeup artists and hairstylists have stepped away from the tools, products and highfalutin creative inspiration – letting each individual stay true to her own features and style.

By ELLEN THOMAS Photographs by DAVID URBANKE
Makeup by GRACE AHN Hair by HELEN REAVEY

Backstage at the fashion shows, a quiet revolution is under way.

Runway hair and makeup has long served as the finishing touch for a designer's vision, with models turned out in identical beauty looks to unify a particular collection. That's beginning to change, both in the U.S. and to a lesser extent, Europe. The past few runway seasons have seen fewer makeup and hair products being used to distort and transform heads and faces into a designer fantasy. Instead, distinct features are emphasized, where they once were concealed. The beauty look has shifted to multiple, different looks reflective of the models themselves, who are cast to highlight their unique features and personal style.

"Every single show I've done [this season], the big trend is individuality. Sometimes a girl will walk into a show and we'll be like, 'She looks great — leave her alone.' Literally not touching," says hairstylist Anthony Turner.

The digital age is at a juncture where selfies are aggressively shared on social media, Millennials control the marketplace and fashion is no longer governed by a central point of view.

"Accentuating what's unique about yourself if you want to or not — honestly, there are no hard-and-fast rules — is really a celebration of more diversity, more uniqueness [and is] more unconventional, which is the new conventional now," says John Demsey, executive group president of the Estée Lauder Cos. Inc.

In Europe, while many designers still cling to the notion of a singular — sometimes extreme — look, others have adapted the concept of individuality alongside their American counterparts. The shows in total also tend to be more of a spectacle. In Paris, the makeup look at Céline, Giambattista Valli and Sonia Rykiel was bare-faced; at Stella McCartney, several models kept their own hairstyles. At Fendi and Gucci in Milan, natural hair texture was kept in place, and at Gucci, the makeup was noticeably pared-down. Each model at Fendi received a different eyeliner treatment. At Burberry in

London, each model sported a different hairstyle.

"Especially this season, she wanted the girls to be themselves, and I think the casting had reflected that, too," makeup artist Diane Kendal says of the Céline show and its designer, Phoebe Philo. Kendal keyed the makeup look. "It's in Europe, too...for the past few seasons, designers [globally] have kind of wanted the casting to reflect [the] individual, to have [each model] have sort of a personal feel."

Lyne Desnoyers, executive director of makeup artistry, MAC Cosmetics, tells WWD, "We've seen this individualized beauty trend in Europe in shows such as Charlotte Olympia, I'm Isola Marras, Iceberg, Marques' Almeida, Giambattista Valli and Emanuel Ungaro. The idea is to give each model a beauty look to highlight her own individuality, while still staying true to the designer's story."

Millennials and their younger, more superconnected siblings, Generation Z, are growing up in a society that embraces diversity in a way that generations before them did not.

"With my generation, I felt that we were more adaptable to a [societal] norm, whether it be in beauty or fashion. Looking at Ally and Taylor, it's like, 'If this doesn't fit into what I like or what is meaningful to me, I'm not going to bother,'" says Jenny Frankel, founder and chief executive officer of Nudes-tix, a cosmetics line she founded last year and runs with her teenage daughters.

Individual beauty expressed on the runway is indicative of a generational shift in perspective on beauty.

"This girl gets her curly hair — it's beautiful, we just thickened it up," says hairstylist Orlando Pita, waving a hairbrush toward the model sitting in a chair behind him backstage at the Michael Kors fall runway show. Pita crafted a variety of looks for the show, keeping in mind the original hair textures of each model. "There are little differences, but everybody's different. It's embracing each girl and enhancing what they have."

"They are not soldiers. They are women that [Joseph Altuzarra] likes, and he likes them all because they are individuals and he wants to treat [them] that [way] now," agrees makeup artist Tom Pecheux while backstage at the Altuzarra show this past season, for which he led the makeup direction.

When François Nars, founder and creative director of Nars Cosmetics, returned to backstage makeup artistry after a 10-year hiatus for the Marc Jacobs spring 2009 show, he created 65 unique looks for the 65 models walking the show. "Marc said that he wanted all of the girls to have a different look, to express each of their individuality," says Nars. "We wanted them to look like they were getting ready to go out, so naturally there would be a variety of looks. For me, I've always pushed for women to be more themselves and to find a look that really fits them. So it goes back to what we were doing at the show, which was to really show different characters and to tell women that you don't have to follow just one look."

Fashion being fashion and Marc being Marc, he has since gone in a different direction. This past season, Nars created six makeup looks for the show, inspired by Eighties punk. Paired with Guido Palau's Twenties-style waves shellacked with hairspray, it was a Goth-meets-flapper moment that harkened back to the notion of runway beauty as a singular look.

But several major designers, most notably Alexander Wang and Michael Kors this season in New York, are holding fast to the concept of individuality.

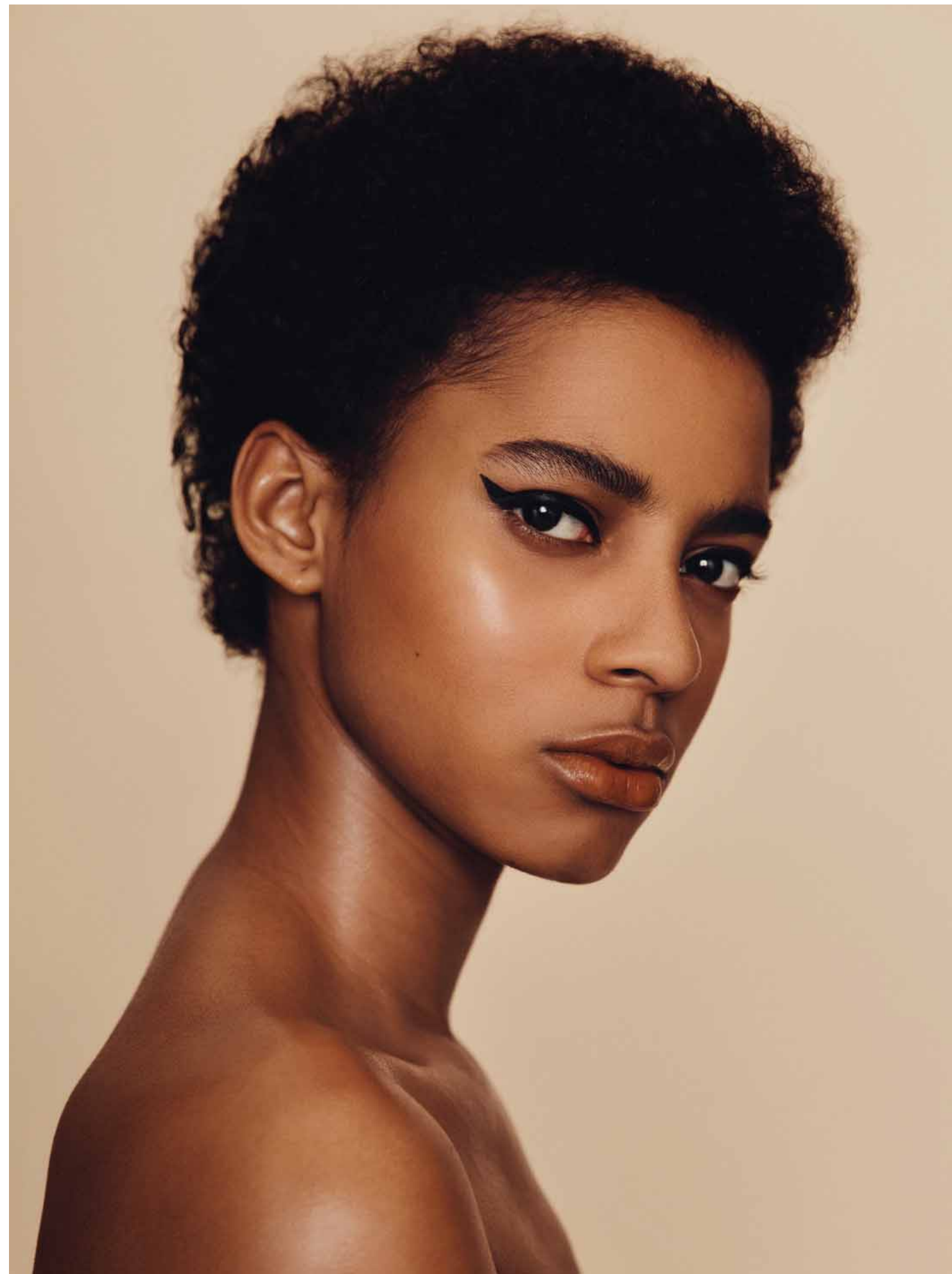
Backstage at the shows has long been a place where beauty trends are born and product development is set in motion. If makeup and styling agents are affecting a new natural minimalism, the beauty industry would seemingly question the impact this will have on the marketplace. If products aren't in fashion, what happens to consumer demand?

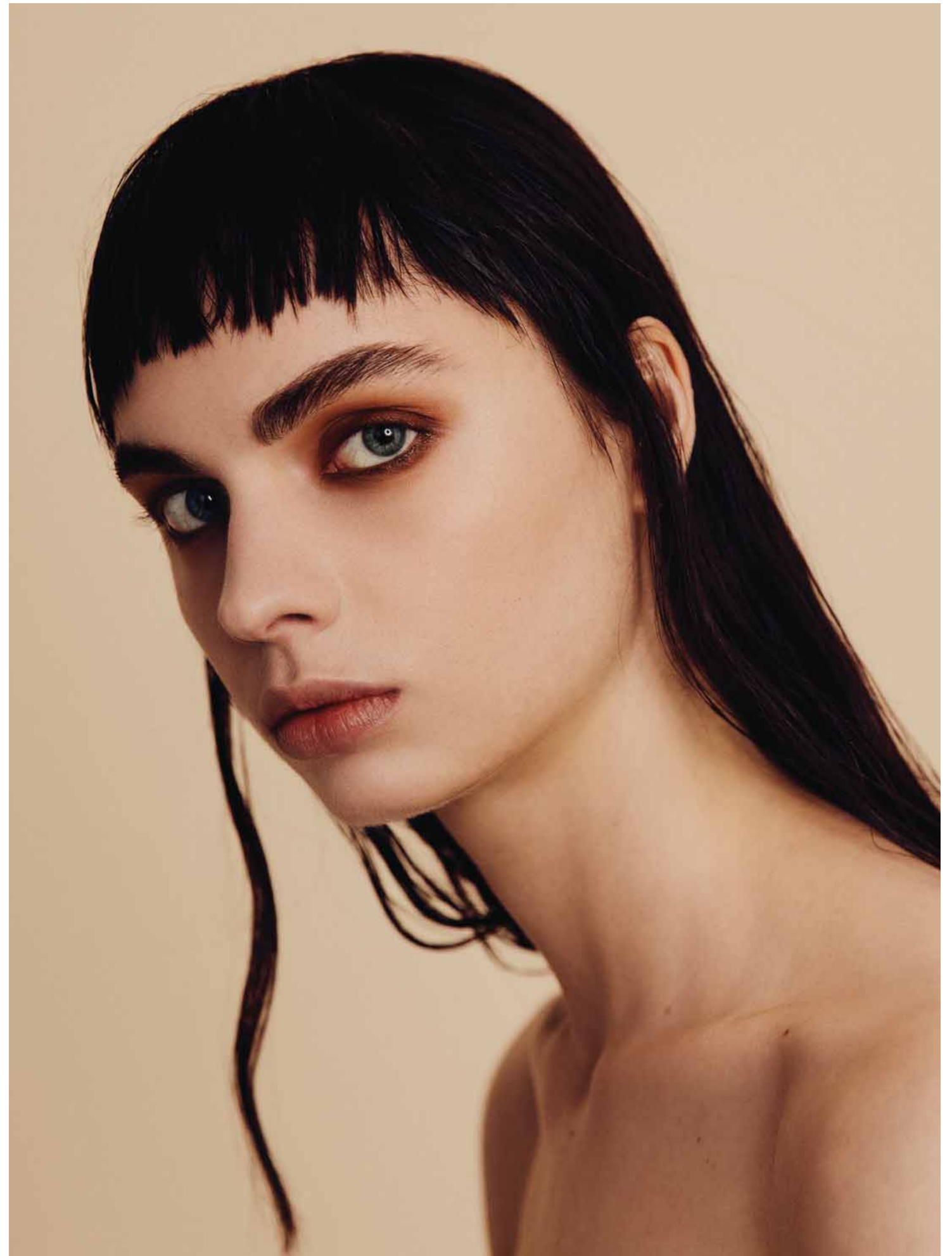
It seems counterintuitive that makeup sales are soaring in the midst of a "no makeup-makeup" moment on the runways, but makeup, always a standout category for sales, is not losing momentum in the marketplace. Rather, just the opposite — it's accelerating.

"The consumer perception has shifted in a way to think about using makeup [both] to transform and to celebrate the individual," says Deborah Yeh, senior vice president of marketing and brand at Sephora. "That's totally driven by influencers, makeup videos, celebrities and the like."

According to data from The NPD Group, makeup category ▶

The new take on beauty has shifted to highlight the unique features of each model. Shown here, clockwise from top: backstage at Altuzarra, Zac Posen, Michael Kors and Altuzarra.







Beauty expressed on the runway is indicative of a generational shift in perceiving beauty. Shown here, backstage at Rag and Bone (top) and Ralph Lauren (bottom).

“Every single show I’ve done [this season], the big trend is individuality. Sometimes a girl will walk into a show and we’ll be like, ‘She looks great – leave her alone.’”

Anthony Turner, Hairstylist

out,” says Mazdack Rassi, cofounder of Milk Studios and Milk Makeup, the studio’s new beauty line.

“It was a lot easier for them to establish who they were because they had no legacy issues. They came right out the gate and they spoke the way they wanted.”

Milk Makeup, which launched in February, was born after Rassi and his fashion editor wife Zanna observed a common laissez-faire attitude toward makeup possessed by the young adult women working and attending events at Milk Studios over the past five years.

“She doesn’t use makeup to change who she is, but just kind of enhance it. She doesn’t hide behind it,” says Rassi. “She’s proud that she doesn’t wear a lot.”

The Milk products are ambiguous by design, meant for multipurpose use.

“That was our point of view, we weren’t actually creating a cosmetic line – we were creating fun. It was another form of accessory.”

Runway models are a reflection of a moment in time – the aesthetic and attitude of the prevailing era. The Eighties saw supermodels and excess, and after, the Nineties brought a return to minimalism with the controversial rise of “hero-in-chic.” Mass pop culture dominated the style influence of the early Aughts.

For the digital generation, the ability to craft and curate one’s own unique identity via online platforms has been a force in the rise of individuality.

“This final picture of a look to achieve is a little bit outdated,” says Emily Weiss, founder and ceo of Glossier and Into the Gloss. “Women have authorship – real ownership over their character and their persona from a digital perspective.”

What is happening in backstage beauty is a reflection of what is being seen online and on the street. There are more outlets when it comes to self-expression, allowing for countless sources of inspiration for consumers. “All of the fashion shows have no makeup,” says Pecheux, exaggerating to make his point. “It’s no longer a full look.”

But Pecheux acknowledges there’s still a place for the heavily made-up side of the equation, especially outside the runway. Exhibit A: the Kardashians.

Other players point out that greater emphasis on individuality opens the door for greater emphasis on diversity.

“The world has gotten smaller with our devices, and the industry is heeding a call to find women and men that reflect the society. We want the consumer to see themselves in the people that we represent,” says Ivan Bart, president of IMG Models.

He notes that the most successful models today have an authentic voice on social media – “whether it’s Twitter or Instagram or Snapchat, it’s key that you are able to communicate well.”

“If you look at the Gigi Hadids or the Kendall Jenners of the world, they’re the new network,” says Demsey. “The biggest trend in the world right now are InstaGirls. The impact of [social media] and all these things [is] a never-ending stream of imagery, content and people showing off the diversity of different looks.” ■

sales grew 13 percent in the \$16 billion prestige market last year. Growth was accelerated by the “all other face” segment, including contouring, strobing and highlighting products. CC creams and makeup primers, popular with Millennials for their multipurpose effects, grew 58 percent in the last two years and contributed \$490 million to the industry in the past year alone.

“Backstage is still a laboratory,” says Demsey. “Young women today are 15 or 20 different people all at the same time. It’s the same person and that person will change up her look all the time, and experiment with makeup, hair [and] fashion...whereas 20 years ago, there was a standard and everyone tried to replicate [it] every day of their life.”

Yeh adds that Sephora customers are buying more makeup, particularly products driven by social-media-fueled trends. Contouring and strobing products were key sales-drivers last year, and the company is banking on color correcting as the next big makeup wave in 2016.

“People are wearing and using a lot more makeup now. And they’re more individual, and they’re more diverse, and [those are] kind of related to each other,” says Demsey. “Whether it’s in fashion or not in fashion, it’s the way of the world...the one standard of beauty is gone.”

Before manifesting in runway beauty, individuality took root in fashion. The new generation of American designers – Alexander Wang, Proenza Schouler and Altuzarra – that cropped up over the past 10 years, paved the way, acting as champions of their own distinct visions and crafting their own unique directions while ignoring the inclinations of the fashion industry at large.

“We call them Renaissance kids – they spoke digitally first, they had their own community built [and] they didn’t have to rely on retailers and wholesale just to get their message



Makeup by GRACE AHN using DIOR
Hair by HELEN REAVEY using MR. SMITH at Bryan Bantry Inc.
Makeup assistant: SENA MURAHASHI
Hair assistant: AKI YAMAGUCHI
Photo assistant: PAOLO TESTA
Models: CHEN LIN for IMG
LAMEKA FOX for IMG
ROS GEORGIU at The Society Management
AMELIA RAMI for Trump Models
TINA VESHAGURI for Trump Models
YULIA MUSIEICHUK for Ford Models



Eddie Lampert

The industry is questioning whether Lampert's strategy will save Sears or destroy it.

Saint or Sinner?

By **David Moin** with contributions from **Evan Clark**, **Sharon Edelson** and **Vicki M. Young**

Illustration by **Chris Buzelli**

He's been called a visionary, a financial genius and the next Warren Buffett.

He's also been called a calculating wizard of real estate who shuffles assets for financial gain while performing a slow disappearing act with a stalwart of American retailing, Sears.

The one thing Edward S. Lampert, the chairman and chief executive officer of Sears Holdings Corp., has never been mistaken for is a retail merchant. He's said to micromanage at both Sears Holding Corp. and the hedge fund he manages, ESL Investments, and get deep into the details. He's described as assertive, inspirational and motivating, particularly on a one-on-one basis, when he's strictly business and avoids conversing on a personal level. But he maintains a rigid point of view and if one of his strategies flops, it wasn't his problem – the fault was in the execution.

This year, Lampert's reputation and the fate of his Sears Holdings Corp. – formed in 2005 from the merger of Sears and Kmart – are on the line. He'll be deemed either the savior of Sears or the wrecking ball. Investors have become adamant that the company must return to the black in 2016.

Lampert took control of the two chains more than a decade ago when they were already well past their prime. A turnaround would be a challenge for even the most seasoned retail guru. Sears and Kmart have hung on for decades, despite sustained losses, shriveling confidence among vendors, executive turnover and increasingly questionable relevance to

shoppers in the age of fast fashion, Amazon, Wal-Mart, Home Depot and Lowe's.

When he formed Sears Holdings, it was a \$55 billion corporation. Now it's down to \$25.1 billion.

He's kept the business running (if not steadily shrinking) through a stream of funding maneuvers, spin-offs, advancing the Shop Your Way digital platform, and big real estate transactions. But his net worth has shrunk with the value of Sears' stock and his fortune is now estimated to be about half of what it was shortly after the formation of Sears Holdings.

Today, Sears remains more viable in hard goods and appliances, with around a 20 percent share with brands like Craftsman, Kenmore and DieHard, according to analysts. Strength in consumer electronics, including televisions – where Sears bet big – has been eroded by price compression and by the market for tablets and mobile phones peaking. Of Sears' \$14.9 billion in total volume, \$7.9 billion was in hardlines last year, and \$2.9 billion in apparel and soft home. At the \$10 billion Kmart chain, more than \$2.9 billion was in hardlines; \$3.43 billion in apparel and soft home.

"For new Americans with moderate to low income, there's decent value. The emphasis is on family shopping," observes Craig Johnson, president of Customer Growth Partners. "Otherwise, traffic is a fraction of what it used to be. The stores are hugely unproductive and

thinly staffed."

While the stores have been starving for upgrades, Sears Holdings last year sold 235 Sears and Kmart locations to Seritage Growth Properties, a real estate investment trust formed by Lampert himself, along with 50 percent interests in ventures with Simon Property Group, General Growth Properties and The Macerich Co., which together hold an additional 31 Sears Holdings properties. Through the deals, Sears Holdings raised \$2.7 billion for greater financial flexibility, and the company leases back the majority of the stores. The developers in the ventures have the ability to convert 50 percent of the space they obtained to other retail formats or uses, leading to reduced square footage for Sears and Kmart. Sears Holdings still owns 419 of the 941 Kmart and 731 Sears stores operating in the U.S. as of Jan. 30, 2016. There are plans to close some, though the locations haven't been specified. Officials say it's "a very small percentage" of the overall fleet.

Mark Dufton, chief executive officer of DJM Real Estate consulting, which has worked with Sears Holdings, says Lampert and his team are aggressively examining "every location for opportunities to create value and redevelop." Among the real estate maneuvers: seven locations were turned over to Primark, the fast-fashion chain from Ireland, which entered the U.S. last year with two locations. At six Primark locations, Sears will have streamlined stores of around 100,000 square feet. Seritage is planning a redevelopment of a Sears store and adjacent land in north Miami's Aventura Mall, which is being litigated with Aventura's owners over issues related to the mall getting approvals for its proposed 240,000-square-foot expansion.

In the fourth quarter of 2015, Sears Holdings dove deeper into the red with a \$580 million loss, compared with a loss of \$159 million a year ago. Included was a onetime noncash accounting charge for the impairment of the Sears trade name. On an adjusted basis, the loss was \$181 million, from a loss of \$36 million.

Revenues fell 9.9 percent to \$7.3 billion from \$8.1 billion. Comparable-store sales dropped 7.1 percent for the quarter, with Kmart down 7.2 percent and Sears falling 6.9 percent.

Over the past five years, Sears Holdings has tallied net losses of \$8.2 billion.

"Sears can't go on losing that much money, but Eddie deserves credit for being among the first to see value in retail real estate assets when no one else was looking," says one retail chairman who competes against Sears. "All along from the start, he knew it was going to be a slow liquidation, but of course he couldn't say it. Then again, he made money for his investors," largely through ESL Investments, which includes Sears Holdings, AutoNation, Lands' End, Gap, Seritage and Sears Canada in its portfolio.

Lampert acquired a controlling stake in Kmart in 2002 for \$1 billion, taking it out of bankruptcy and merged Kmart with Sears in 2005 to form Sears Holding Corp. Lampert's entrance into retailing was greeted with rousing shareholder approval, catapulting the stock price from

\$14.75 at Sears, Roebuck in 2003 to \$193 for Sears Holdings in 2007, and stirring those Buffett comparisons. Lampert's fortune – and those of Sears Holdings investors – rose. Sears Holdings' market capitalization was around \$20 billion back then, and Lampert's own net worth was close to \$4 billion.

Fast-forward to the present: The stock hovers between \$14 and \$15; market cap is down to \$1.6 billion, and Lampert is listed with a \$2.3 billion net worth by Forbes. The euphoria has been supplanted by concern for the future of Sears and Kmart. Some see Sears Holdings as a zombie company undergoing a slow-motion liquidation, with a hidden agenda to use the retail cash flow to boost financial investments rather than elevate the stores and the merchandise.

Not everybody buys that theory. "Eddie genuinely wanted to build the company back," says a former colleague at Sears Holdings. "Remember, he came into the business in 2003. He wouldn't have stayed with it for these 13 years if he didn't believe in it. If it was one of these Wall Street financial plays, Eddie would have sold it all off years ago. Unfortunately, he had to make some hard decisions to keep the business going."

The retail iconoclast has had supporters, notably Bruce Berkowitz, a mutual fund giant and founder and chief investment officer of Fairholme Capital Management, which owns a quarter of Sears' stock. Yet the stock declines have begun to irk Berkowitz, who in December repositioned himself as a Sears activist. Berkowitz's own investors have been keen to understand Fairholme's bet on the retailer.

During a conference call, Berkowitz told his backers, with no small amount of confidence, that: "Our thesis on Sears cannot be disproven: Sears has a vast real estate empire complemented by unique businesses. Sears also has constraints, and we understand those constraints.... We do understand today that the retail world is morphing, and we understand the challenge of optimizing a huge set of company assets."

Still, Berkowitz stresses that Sears must start making money. "It is taking longer than I thought to maximize and monetize the enormous asset base under the Sears umbrella than we would have expected, but it is happening."

Asked if the money Sears has spent trying to stay competitive has been worthwhile, Berkowitz says, "If Sears is able to return to profitability this year, which is the company's most important focus during 2016, then yes, it has been worthwhile. A considerable portion of the past cash burn is voluntary based on the transformation of the retail businesses. The remaining portion is based upon the pension and rent expenses, which will go down with time."

When he addressed the Sears board in January, Berkowitz focused on the continued cash burn and deteriorating confidence among all of Sears' constituents. "I'm talking about Sears' customers, vendors, suppliers, employees, creditors and investors," he said at the time.

"The bottom line is not everyone has



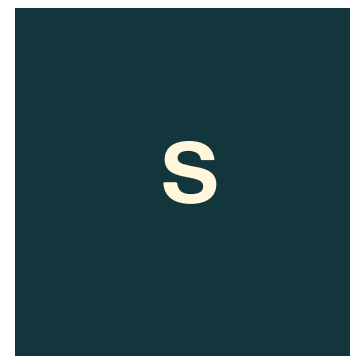
Chicago, 1900s: Sears employees in the cutting department of the clothing manufacturing plant work to fulfill 3,000 to 5,000 orders per day.

"The operating leverage in our apparel business...can change our profitability meaningfully if we manage the business differently."

— Edward S. Lampert

the ability to spend as much time studying Sears as we do," Berkowitz notes, adding, "Most do not understand the vast asset base at Sears, and I recognize that most do not understand the complexity of optimizing all of the assets. More information and a little more hand-holding may be helpful – it sure won't hurt."

That leaves Lampert and Sears with the balance of 2016 to stem the flow of red ink.



ources tell WWD that apparel suppliers are keeping an arm's length, providing merchandise to fill the shelves, but not thinking long-term to move their Sears businesses forward or assume much risk. Sears Holdings' apparel business consists of an office with buyers and merchandisers for Sears and Kmart in San Francisco in 2010, which helps the company attract talent and stay closer to trends. Design offices are located in Lower Manhattan and there's a support team with planners operating at Sears headquarters in

Hoffman Estates outside Chicago, posing some coordination challenges.

"We're just going to service them. We'll ship them goods, but not spend money building the business," says one vendor. "The problem has been the turnover. There's been so much, they can't get a footing on what to do. There's no jockey, no Marvin Ellison. No Michelle Gass," the source says, referring to J.C. Penney's ceo, and Kohl's chief merchandise and customer officer, respectively. "No one is pushing. If Sears went away tomorrow, it's not a problem for me. When you don't engage with a supplier, you have nothing. They're not engaged. For sure, I am building businesses with other companies."

The partnership with Lands' End, sold at more than 200 Sears doors, "needs to be more profitable," Lands' End ceo Federica Marchionni said last year. She hinted at changes to the wholesale distribution, but noted there are commitments with Sears that must be honored. Lands' End was owned by Sears from 2002 until 2014, when it was spun off into a public company.

Lampert declined to be interviewed for this story, though in his last letter to shareholders, he writes: "While the weather conditions magnified our apparel problems in the fourth quarter, our apparel business nevertheless needs significant improvement. The operating leverage in our apparel business is significant – it can change our profitability meaningfully if we manage the business differently. As a result, improving our apparel business will be a priority for the leadership team in 2016." ▶

Last year “was more positive for us in other areas,” Lampert contends. “For example, we continue to be the leader in home appliances and complete solutions for homeowners. In 2015, we successfully launched our Kenmore PRO Appliance Suite, a new premium line of appliances that gives homes an elevated look without the need for costly remodels.”

Sears Holdings executives suggest that stores are not being ignored, despite industry impressions to the contrary. They tell WWD that they’re trying to bring “the fun” back to Kmart and last year restored the retailer’s “Blue Light Special,” considered the original flash sale introduced in 1965. The famous “Attention Kmart shoppers” tag line is back, too, heralding each special. Blue Light Specials are also online for the first time. Kmart started “freebie Saturdays,” giving out such things as cotton candy and mini footballs to kids, and there’s a new dress code for associates who wear Blue Light blue T-shirts with funny sayings on the back. Kmart also is “working on the functionality” of its Web site, and to lower inventory costs recently began sourcing “extreme-value” deals including inventory from liquidated firms and “other opportunistic situations” that could fuel the Blue Light Specials.

Sears, they say, is cooking up a yet another new strategy for apparel, which has been the Achilles’ heel for years. The company has said that in 2016 and future periods it intends “to improve the performance of our apparel business through changes to our sourcing, product assortment, space allocation, pricing and inventory management practices.”

“We are working to improve the soft-lines business,” a company spokesman says. “We still have strength on the hard-lines side.” It’s premature, he adds, to divulge details of the strategy.



Lampert spends much of his time on Shop Your Way, which launched in 2009 essentially as a store loyalty program. It’s evolved to what he describes as “an engaging desktop and innovative mobile experience” and continues to grow its assortment, membership and benefits. He’s been on the forefront of technology, ahead of the industry on buy online, pick up in stores and delivery services.

His emphasis on Shop Your Way amid Sears Holdings’ shrinking store footprint has fueled perceptions the retailer is turning all digital. But Lampert states in his shareholder letter: “We are not becoming solely a digital company.” Rather, Sears

Lampert At a Glance

Born
July 19, 1962,
in Roslyn, N.Y.

Education
B.A., *summa cum laude* in economics, Yale University, 1984

Family life
Marries Kinga Lampert in 2001. They have three children.

1985 to 1988
Works with Robert Rubin in the Goldman Sachs risk arbitrage department.

1988
Becomes founder, chairman and chief executive officer of ESL Investments started with \$28 million in seed money from Richard Rainwater. The hedge fund grows to \$9 billion.

2003
Brings Kmart Holding Corp. out of bankruptcy by acquiring a controlling stake for \$1 billion.

Escapes from kidnappers after being held for two days.

2004
Earnings top \$1 billion; believed to be the first Wall Streeter to hit the mark in a single year.

2005
Acquires Sears Roebuck & Co., merges it with Kmart to create Sears Holdings and becomes its chairman.

2006
Makes Time 100 list as one of the most influential individuals in the world who leads a new group of activist hedge funds.

2012
Makes the Forbes list – at number 367 – of the world’s wealthiest individuals with a net worth of \$3.1 billion.

2013
Lampert adds the title of CEO at Sears Holdings in addition to chairman.

2015
Lampert descends the Forbes list of the world’s wealthiest, dropping to number 628.

Holdings is becoming an “integrated retail” company. “That means that our stores and our associates who work in our stores matter more than ever.

Last year, an array of services was introduced linking the shopping channels: a “meet with an expert” service enabling online shoppers purchasing home appliances, mattresses or lawn and garden departments to meet with Sears associates in the stores; an “in-vehicle” service so shoppers can pick up, return or exchange online purchases at Sears stores, in five minutes or less, without leaving their vehicles, and an in-store shipping service, providing free shipping on orders placed through mobile apps.

But only so much can be done, and as Lampert notes in his letter, cost burdens like higher minimum wages can be “the straw that breaks the camel’s back.”

Companies viewed through “a more traditional lens, like Sears Holdings, are met with skepticism even though we have an enormous asset base and a proven history of monetizing these assets and raising additional capital to fund our obligations and transformation,” Lampert writes. “The good news is that we have a vast portfolio of assets and businesses to draw from.” He also cites the possibility of one day opening smaller stores, though that seems remote now with the core base reducing square footage.

Credit is another concern. As one Seventh Avenue executive says: “I’m told Sears is borrowed to the hilt. They can’t really borrow much more and will continue to liquidate the assets to raise cash. Most of the plum assets have been sold [through the Seritage REIT] so I’m not sure what they have left.”

“Basically, they have made it clear they will need to raise money this year,” says the source. “Eddie is a financial engineer so he may pull something out of the hat.”

There’s speculation Sears could cut real estate deals with such companies as Amazon or Alibaba, which are evolving from pure online plays to omnichannel businesses requiring warehouses and brick-and-mortar stores. Any deal could help pull Sears Holdings out of its hole.

“Somebody at Sears once told me that Eddie’s biggest problem is that he has been a billionaire too long, that he’s lost touch with the consumer,” says the Seventh Avenue source. “He makes decisions, but doesn’t really understand the consumer. He’s shy, reclusive, awkward, but very bright, more of a real estate, value guy than a retailer. You’ve got to know something about the merchandise. You’ve got to be outgoing like Terry J. Lundgren or Burt Tansky,” Macy’s ceo and the former ceo of Neiman Marcus Group, respectively. “You’ve got to be able to step down onto the sales floor and sell something.”

Sources say Lampert doesn’t like to get on a plane and prefers people flying in from the San Francisco and Chicago offices to his offices on the East Coast.

“He would drive everybody nuts. He would create this daily or twice-a-week conference call and totally not be aware of the time zone. People on the West Coast would have to wake up at an ungodly time – 4 a.m.,” says an industry source who no

longer deals directly with Sears Holdings.

“When Eddie articulates, he makes you feel like you can really make something happen. He’s very dynamic. He thinks outside the box. Unfortunately, once you got into it, it was hard to get traction. Over time, it just waned,” says a source who worked at Sears Holdings and requested anonymity. For someone running a huge public company, the 53-year-old Lampert has managed to maintain a relatively low profile. “He definitely keeps to himself.”

One former ceo and competitor who knows Lampert says, “He’s never been a public kind of guy. He’s very introverted. When he lived in Greenwich [in Connecticut], I never saw him. He may be very charitable, but you don’t see him out and about.”

The low profile could partly stem from being kidnapped in 2003 by four men from the Greenwich parking lot of his ESL office. After being held in a cheap hotel for two days, Lampert, using his powers of persuasion, convinced the kidnappers to free him for \$5 million. While he was presumed to be getting the money, the kidnappers used Lampert’s credit card to order pizza, a transaction that the fraud department of the credit card company used to tip off the FBI, which proceeded to arrest the kidnappers.

“His intelligence is almost a negative,” says the former ceo. “It’s like he’s smarter than everyone else in the room. When companies fail it’s because of leadership. They succeed when leadership conveys to management how important they are. Lampert impresses me as a very smart guy, but that doesn’t necessarily mean he can be successful. You’ve got to be very close to the product, the people and the competition.”

“He is better as a real estate asset owner than as a retailer,” adds Johnson, of Customer Growth Partners.

Founded as a mail-order catalogue company in 1886, Sears, Roebuck & Co. didn’t open its first store until 1925. Sears eventually became a broadlines retailer and the iconic American department store. It was the largest retailer in the U.S. until 1989, when Wal-Mart took the lead.

The golden era for Sears and Kmart extended from the Fifties to the early Eighties during America’s suburban sprawl and when malls and strip centers proliferated. Sears was typically the anchor of choice for mall developers and Kmart was the anchor of choice at strip centers.

Lampert acquired Sears, Roebuck in 2005 in an \$11 billion deal. He merged Kmart and Sears into Sears Holdings Corp. Initially, he was seen as Sears’ savior, given his rescue of Kmart, though from the get-go at Sears, there was skepticism that Lampert’s vision to combine two antiquated companies could create one bigger, healthier company, even given the opportunities for consolidations, greater buying clout and synergies. The financial strategist side of Lampert continues to take heat from those claiming he was primarily interested in DieHard, Craftsman and Kenmore, and monetizing Sears Holdings’ vast retail real estate, the best of which is believed to have been sold to Seritage.



Chicago, 1900s: The freight packing room of Sears, Roebuck & Co.

“Most do not understand the vast asset base at Sears, and...most do not understand the complexity of optimizing all of the assets.”

— Bruce Berkowitz

In other deals, Lands’ End was spun off into a public company to generate a \$500 million cash dividend for Sears; a rights offering for senior unsecured notes and warrants raised \$625 million; a rights offering for Sears Canada raised \$380 million, and a short-term \$400 million loan was obtained from Lampert’s ESL. And that’s just between 2014 and 2015. Lampert also spun off Sears Hometown, Sears Outlet Stores, Orchard Supply Hardware and Sears Canada. And in 2006, he transferred ownership of the intellectual property for Sears’ key brands – Kenmore, Craftsman and DieHard – to a bankrupt-protected entity called KCD in a \$1.8 billion securitization bond. KCD now charges Sears a royalty fee for the licensing of the brands and is listed as a subsidiary of Sears Holdings.

Jeff Edelman, director of retail and consumer products advisory services for RSM, was a retail and apparel analyst for more than 40 years. He recalls that in the Seventies, while he worked at Dean Witter,

“Sears had a campaign that said ‘Sears Is Where America Shops.’ I put out a report that said, ‘Sears Is Where America Used to Shop.’ Sears was already starting to struggle back then. This was before the growth of Kohl’s. The malls had started changing and we saw the [early] growth of Wal-Mart and Target.

“I went into a Sears store the other day and there’s no merchandise creativity. Lingerie is displayed on pegboards. There’s nothing exciting about the stores. That’s why we see the steady decline in sales per square foot.” Edelman estimates that the transaction volume at the average Target store is three times that of a Kmart, and almost two times that of a Sears.

“I think the original reason [Lampert] bought Sears and Kmart was because he felt the real estate value was greater than the market value of the whole company,” Edelman says. Now he believes the hedge fund manager doesn’t have much left in his financial bag of tricks and is “running

out of options.” Remaining real estate sites may be harder to monetize, he adds.

Mary Epner of Mary Epner Retail Analysis did have an option in mind for Sears Holdings: encourage e-tailers to lease permanent space or create pop-ups inside Sears and Kmart to create some interest, though that would be a tough sell given the traffic and productivity concerns. She believes the two chains can’t stay as they are. “Sears may have more validity than Kmart because Kmart product could be found anywhere. It’s hard for Sears and Kmart to compete with Wal-Mart, Target and Amazon. There are not enough distinguishing characteristics,” although Kmart’s layaway program is appealing for customers, the retail consultant says.

Fitch Ratings has a “CC” rating on Sears Holdings, meaning “very high levels of credit risk” and “a default of some kind appears probable.” A default can be caused by a distressed debt exchange, a bankruptcy filing or a missed payment, according to the ratings agency.

Monica Aggarwal, managing director at Fitch covering Sears, says, “Department stores as a whole have had strong recognition that there’s been mall traffic declines, with the channel leakage having shoppers headed to Wal-Mart, Amazon and other online sites and retail outlets.” Sears and Kmart, she adds, “have been losing market share for years, which is not a surprise when they are spending 1 percent on capex [capital expenditure] and their competitors are spending 3 percent.”

Fitch projected the Sears Holdings cash burn rate at between \$1.6 billion and \$1.8 billion for 2016, and earnings before interest, taxes, depreciation and amortization in the negative \$800 million to \$1 billion range. The plan to obtain a term loan of up to \$750 million due in 2020 will help offset the April 2016 reduction of the credit facility – the revolver will shrink to \$2 billion from nearly \$3.73 billion – during the third-quarter peak borrowing season.

Aggarwal is not optimistic about Sears Holdings: “The fact that we are projecting midsingle-digit negative comps and an EBITDA performance the same [in 2016] as in 2015 shows that we don’t think the turnaround is going to happen.”

Dealing with labor and rent costs, and managing for liquidity, makes it hard to invest in the store base, she explains. On the other hand, Aggarwal points out, “When you still get \$25 billion in sales, it’s hard to say the customer has entirely gone away.” ■

The Sears Saga

1886
Richard Sears starts the R.W. Sears Watch Co. in Minneapolis.

1887
Sears moves to Chicago. Alvah C. Roebuck joins the business as a watchmaker.

1893
Company changes its name to Sears Roebuck & Co.

1895
A 532-page catalogue for apparel, wagons, fishing tackle, stoves, furniture, china, saddles, firearms, watches and jewelry is produced.

1901
Sears goes public.

1913
Kenmore is introduced.

1925
First Sears store

opens at Chicago mail-order plant.

1927
Craftsman gets launched.

1931
Sears’ retail stores account for 53.4 percent of the total \$180 million in sales.

1945
Sales top \$1 billion.

1967
Diehard launches.

1976
Sears introduces its “Where America Shops” campaign.

1985
Sears rolls out Discover credit card.

1986
Sears turns 100.

1990
Ground breaks for new headquarters at Hoffman Estates, Ill.

1993
“The Softer Side of Sears” campaign launches.

1995
U.S. catalogue operations are closed.

1999
Sears Direct is launched, combining specialty catalogues, telemarketing, direct mail and Internet operations. Sears.com debuts.

2001
Sears flagship on Chicago’s State Street opens, adding to the 850-plus unit department store chain.

2004
Kmart and Sears Roebuck merge into Sears Holdings Corp., the third-largest U.S. retailer with \$55 billion in annual revenues.

2005
Merger is completed. Edward S. Lampert is named chairman.

2013
Lampert named Sears Holdings ceo.

2014
Lands’ End spin-off generates a \$500 million cash dividend.

2015
Sears completes a \$625 million senior rights offering.

2015
Transfer of 235 stores to Seritage Growth Properties, a real estate investment trust, raising \$3.06 billion.

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Think Tank

Don't Fear EMV: Use It as a Catalyst

By Bill Zielke

Customers all over America have been confused by the recent switch to cards with an embedded microchip. Lack of government support in education around the move to EMV (which is Europay, MasterCard and Visa – the name of the original developers), learning to “dip” instead of “swipe” and a wait of up to 20 seconds for authentication haven't made things easy. ¶ Worse, although the official adoption-rate deadline was in October 2015, many retailers haven't yet brought on the system, so consumers have



an inconsistent experience during checkout. This was initially partly due to retailer resistance to changing around during the busiest and most important shopping season of the year, but things are being held up even now by the fact that the card networks are behind schedule certifying the new machines. They haven't got enough people to send out to do it. Merchants annoyed by unexpected delays and concerned by a rise in chargebacks aren't impressed.

You might think that with this delay, the expected rise in card-not-present fraud would be postponed as well. It makes sense that EMV adoption would cause CNP fraud to rise, as occurred in numerous other countries (in France, famously, it rose more than 360 percent), since when card-present fraud becomes more difficult, fraudsters sensibly move to an easier channel. But with EMV adoption half-hearted so far, you may expect the criminals to put off their own shift as well. It hasn't worked out like that.

Fraudsters, it appears, are more organized and better prepared than the card networks. They've been aware of the coming change for some time and they positioned themselves to get ahead of it. A recent Forrester Research report titled “Stop Billions in Fraud Losses With Machine

They know there's money to be made out of CNP transactions. Online, mobile and phone orders are a highly tempting and potentially very lucrative target.

Learning” indicated North American fraud losses would increase 55 percent by 2018. And it has already begun. Forter indicated that fraud attacks increased by a substantial 163 percent just during the first three quarters of 2015.

Moreover, fraudsters don't give up and they don't want to risk their illicit income being stopped by a new kind of card – so the move online, even ahead of the EMV curve, is a logical one. Fraud is crucial to fraudsters' bottom lines,

and they're individual, autonomous agents who don't have to worry about process and compliance the way retailers or card networks do.

They're also highly creative, they share information and techniques and they're part of a sophisticated underground ecosystem. They know there's money to be made out of CNP transactions. Online, mobile and phone orders are a highly tempting and potentially very lucrative target.

A fraudster's success is an online merchant's loss. The retailer takes the hit for a fraudulent transaction and all the associated costs – and with CNP fraud attacks on the rise, that means retailers without fraud prevention capable of meeting the challenges of modern e-commerce are facing huge potential loss.

And retailers – and their profits – could lose out from two directions.

Retailers lose when fraudsters win. But they also lose when, in response to the fraud threat, they insist on stringent fraud policies and outdated, risk-averse methods that reject and annoy good customers, thereby turning away good business. The solution to both problems is the same: full automation.

Traditional fraud prevention has relied on rules and manual reviews. Until recently there was no viable alternative, but cutting-edge technology means that's no longer the case. Full automation, based on machine learning that learns and adapts with every single transaction, is now possible.

That's just as well because it's the only way to beat today's agile fraudsters. Make no mistake: they're adept at leveraging new technology to their own ends. By the third quarter of 2015, suspected botnet attacks had risen to an astonishing 82 percent of all fraud attempts in the U.S. With the kind of speed and sophistication available to fraudsters today, rules that need manual adjustment simply can't keep up – especially when the sheer number of fraud attempts is rising anyway.

But fraud prevention can fall in line with the rest of your business and become consumer-centric. Fully automated, real-time fraud prevention won't interrupt the purchase process – it won't even be noticed by your customers, who will instead enjoy a swift, seamless shopping experience. You'll have happier customers, and more sales. ■

Bill Zielke is chief marketing officer of fraud prevention firm Forter, which offers solutions for online merchants. Prior to Forter, Zielke was a senior director and head of eBay Motors.



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