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FASHION'S HARBOUR

Bal Harbour marks 50 years in high-end retail in Miami.

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LUXURY AT THE BEACH

For half a century, Bal Harbour Shops has taken full advantage of its beachside environment to create an aura of high-end retail in a relaxing and inviting atmosphere.



Illustrations by CHARLOTTE DAY

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Randy Whitman,
Matthew Whitman Lazenby
and Stanley Whitman.

BUILDING BY THE SEA

The Whitman family's half-century project provides a breezy setting for luxe retail at Bal Harbour Shops.

By DAVID MOIN

shopping-center industry caught on. He saw Miami's Lincoln Road retail enclave losing relevance and affluence and real estate values rising to the north by Bal Harbour. He sensed Miami as a tourist mecca would only grow, and that tourism and luxury would be a potent combination.

In 1957, he purchased an odd, L-shaped 16-acre plot of land in Bal Harbour on the site of a former prisoner-of-war camp for \$2 a foot – at the time, a record price for retail property. Despite never developing a shopping center before, he came up with the concept of bringing high-end Fifth Avenue retailers to north Miami. He fired his architects who advocated a traditional enclosed, air-conditioned mall format and hired other architects who came up with an open-air plan, considered radical then due to what would be expected for Florida's hot, steamy climate. He's made Bal Harbour Shops an experience that transcends typical shopping and transacting, a place to see and be seen, and a mecca for world-class, high-end brands seeking retail space.

"I broke all the shopping center rules," said Stanley. "What I did not break was Economics 101. I was the first to charge for parking. If I had not charged for parking, the lot would have filled up with retail employees, hotel clerks. I wanted to protect my customers." He took it further, putting palm trees in the parking lot. "It wasn't just for the aesthetics. Florida is hot as hell. This is the tropics. Let's give them some shade." Wind patterns were researched by a University of Miami professor so Bal Harbour Shops, located at 9700 Collins Avenue across from the beach, could be designed to capture the sea breeze and cool off visitors.

"Let's put it another way. I had no believers. None. Zero," said Stanley.

THE NEXT 50 YEARS

Over lunch one recent afternoon at The Grill at Bal Harbour inside Bal Harbour Shops, three generations of the Whitman family – Stanley, his 71-year-old son Randy, and his 39-year-old grandson Matthew Whitman Lazenby – discussed 50 years in business and the challenges ahead. They talked about the proposed and long-contemplated expansion seen, nearly doubling the size of the center from approximately 450,000 square to 850,000 square feet; becoming partners in Miami's Brickell City Centre to grow the family business; the decline in international tourism; the proliferation of luxury, and the enduring and distinct character of Bal Harbour Shops.

The expansion now seems closer to reality, but has been entangled in politics and community issues. A 50,000-square-foot Barneys New York, they said, is expected to become the third anchor inside Bal Harbour Shops, along with Saks Fifth Avenue and Neiman Marcus, though a Barneys lease depends on the expansion being green-lighted. Barneys would include a Fred's restaurant. The project also entails relocating Saks to a larger space, adding designer shops while giving additional space to ▶

At Bal Harbour Shops, things change and stay constant.

The focus on luxury and upscale clientele and the serenity of the tropical garden setting will always be there. Yet as Stanley Whitman, the visionary developer of Bal Harbour Shops, pointed out, "We are doubling the amount of space we have. That is a big deal. It's going to be fantastic."

This year, Bal Harbour Shops, widely considered the world's most productive shopping center and among the few driven purely by the luxury lifestyle, marks its golden anniversary. It's impossible to celebrate the property without celebrating the tenacious and audacious Stanley Whitman, who turns 97 on Nov. 15 and comes to work at least three days a week.

Fifty years ago, Whitman saw the potential in luxury long before the rest of the



Congratulations

to The Whitman Family for 50 years of innovation and success. We celebrate the legacy and future of the Bal Harbour Shops.

Cushman & Wakefield and the Pomerantz Family



many existing shops.

The Whitman family business has always been a one-trick pony. However, two years ago, in a shift from their singular focus on Bal Harbour Shops, the family became codevelopers and equity partners in the 500,000-square-foot retail component of the 2.9 million-square-foot Brickell City Centre, a mixed-use project being built in Miami's financial center and codeveloped by Swire Properties and Simon Property Group. The Whitmans are bringing their high-end retail expertise to help lease that shopping center, and see that skill set as having legs so they could potentially work on other projects, in or outside of Florida. It's a recognition that the distribution on luxury is getting wider, that Bal Harbour Shops has greater competition than it used to, particularly with the rise of the Aventura Mall and the Miami Design District, and that growth avenues must be sought.

"Miami is entering a new phase and hopefully, we will rise to the occasion," said Matthew, operating partner, president and chief executive officer of Whitman Family Development LLC, who joined the family business in 2003 after working with Robert K. Futterman & Associates LLC and Taubman Centers. "Having found a partner in Swire is one of the most fortuitous things that has happened to us. Brickell has long been identified as sort of filling the hole in the doughnut," meaning there are several malls to the north, south and west of Miami, though nothing within miles of Brickell. The plan is to create a five-level center with a core luxury component anchored by a 100,000-square-foot Saks.

"I BROKE ALL THE SHOPPING CENTER RULES. WHAT I DID NOT BREAK WAS ECONOMICS 101!"

Stanley Whitman

According to Randy, managing director of Whitman Family Development, "It won't open as 'Bal Harbour Shops South' because that would be unresponsive to the marketplace and not what Brickell needs. It should be a place to buy anything and everything," including luxury, but not excluding premium and other high-end categories. Valentino, Chopard and Armani are among the tenants announced so far, but more of what the Whitmans characterize as premium brands will be disclosed, hypothetically, brands like Williams-Sonoma and Pottery Barn.

Asked why there was never another project in the Whitman family portfolio until recently, Stanley explained, "Sure, I looked at New York, Los Angeles, Worth Avenue, where there was high-end shopping. I once got a call from the Howard Hughes Corp.," on a project opportunity in Las Vegas. "But I got spoiled with Miami. Miami has more international tourists than New York City. That's what makes us run. I saw that opportunity. That was the meat of the coconut."

Many shopping centers around the country must rethink their space and come up with alternative uses to draw greater traffic and raise

A BRIEF HISTORY OF BAL HARBOUR SHOPS

1946

After Coral Gables, Bal Harbour Village was the first planned municipality in South Florida. Stanley Whitman and his family move to the future site of Bal Harbour Shops to assist with the incorporation of Bal Harbour Village. In coming years, Whitman would be influential in the community, helping to acquire a new zip code, traffic plans, landscaping and beach restoration, an improved water main, a resort tax and more.

1954

The Whitman family buys half of the 16-acre lot on the north side of 96th Street and Collins Avenue from Robert C. Graham.

1957

Since Stanley Whitman's vision of an all-luxury fashion center differed dramatically from Graham's mixed-use plans, the Whitman family agreed to purchase full ownership. Whitman paid a record amount, \$2 per square foot – 20 times what regional competitors had paid for land.

1954 to 1962

Stanley travels around the U.S. studying shopping centers to glean how to maximize the square footage of the narrow plot of land and what innovations would make his center unique.

1954 to 1962

He hires Victor Gruen, considered the top shopping-center designer of the day, but after much debate, goes another route. He ultimately selects Herb Johnson, a Miami-based firm.

A palm-tree filled atrium; inset: the stucco exterior.



productivity. But that's far from the case at Bal Harbour Shops, which continues to lead the industry, hovering around \$3,000 in sales per square foot.

"The world has gotten a lot smaller," said Matthew. "Many of our [retailers] recognize that the customer who enters their Bal Harbour store is likely the same customer that shops them in Milan or Paris or London. So how do you differentiate those stores and make them special? Obviously, it's a dilemma that faces brands and prudent shopping center owners and operators. How do you stand out? I don't think for us the prudent thing is to reinvent ourselves. I think the thing to do is continue on that course of creating a compelling destination for the next 50 years. It's time to improve the product, and we think the way to do it is by this expansion.

"All of our stores want to be significantly larger – two, three, four, five times the size they used to be, he added. "You can't do that in the existing space unless you talk about taking 100 stores and reducing the count to 50, and then the consumer loses. Clearly, the ratio of store count to square footage is changing. So if we have 100 stores today in around 200,000 square feet of mall store space and we add another 150,000 square feet of mall store space, you'd think we'd be adding around 75 stores if they would all stay the same size, but that is not what we are doing. It will be closer to 40 stores [coming on board] so a lot of the existing stores get bigger, and a lot of stores that belong here will come in. We may have somewhere between 30 and 50 new stores. We are in the process of finalizing some of those major leases."

KEEPING IN CHARACTER

"For us to go from 450,000 to 850,000 square feet is huge, though from our perspective we are still a tiny, intimate shopping center on a human scale, which I think people like," said Matthew. "Even on the most maddening day of the year, it's hard to find someone here who doesn't want to be here. There is a sense of calm that people feel in this environment that is probably what we are most proud of. There are these fortress centers throughout the country that do very well, but people hate going through. The key to our expansion is to make sure we never go down that road. We don't ever want to lose that intimacy and create an experience that is just so overwhelming that it kills the soul of the place."

The Whitmans have been actively working with the city for a decade in getting approvals.

"It is a complicated process because we are attempting to utilize the land under the Village Hall," Matthew explained. "It's publicly owned land, therefore it requires a public vote. Due west of Saks is the Church by the Sea, and due west of the church is the Village Hall. We have made an agreement with the church. We are seeking to include the land under the Village Hall as part of our application. Getting that scheduled has not been easy."

The Whitmans had to purchase the land beneath the church and need to find an alternative site that meets the approval of the city and community residents. They also must work out with the city where to relocate the Village Hall, but own real estate that could house it. Traffic has been another issue, but the expansion calls for an additional driveway into the ▶

mall parking lot, and lengthening of the existing access road off Collins Avenue into the parking lot to avoid traffic backing up onto the avenue.

While the Whitmans have always envisioned Bal Harbour Shops expanding horizontally, the center has grown vertically. In 1983, a 100,000-square-foot second level was constructed giving Randy the tough task of wooing European designer boutiques to the new space. "Oh, I thought, 'that poor man,'" recalled Stanley. "They all want to be on the first level."

The solution was to extend the parking deck to the second level so people leaving their cars would be right by the second-level stores. "When Chanel was renovating its store on the first level, they took a temporary space on the second level and their sales were better," Stanley said.

Still, the bigger picture has always been for horizontal expansion. "The day my grandfather bought this land, he was knocking on the church's door and said, 'Hey, let's talk.' So it really has been 50 years in the making in terms of his securing his initial vision," Matthew said.

As the family grows its business, it's working on repairing its relationship with LVMH Moët Hennessy Louis Vuitton, which a few years ago



1965

Bal Harbour Shops opens as the first all-luxury fashion shopping center.

1971

Neiman Marcus opens at the center, the department store's first location outside its native Texas.

1974

Whitman's son, Randy, joins the business as the leasing agent and managing partner.



removed its designer boutiques from Bal Harbour Shops and relocated them in Miami's emerging Design District and the Aventura Mall, in the wake of a dispute involving radius clauses.

The family is said to be tough in tenant negotiations, taking the approach that brands need Bal Harbour Shops more than the center needs the brands. Rekindling the LVMH relationship could benefit Bal Harbour Shops as it expands, as well as other projects that Whitman Family Development tackles.

"On occasion, they may have overplayed their hand with some of the vendors with stores, particularly LVMH and a few others like Hermès," said one retail source. "They ended up losing. I don't think they had to be as aggressive as they were."

Brooks Brothers was another tenant that left after some trying negotiations over space and charges.

"They do charge a lot. They believe the best will do the largest volume and believe rent should be a function of how much sales they do," said one real estate expert.

"We're not pushovers," acknowledged Matthew. "Whether it's development, leasing or working with vendors, we are in the business of negotiating. We reached a point a long time ago, frankly, where we had enjoyed an excess of demand, and not enough supply of space so we went through a process that began in the early 2000s of going tenant by tenant and analyzing the ones that weren't performing. Every month we are trying to assess who is working in this market and who isn't. For us, it's never really been a rent-driven discussion. We always want to provide to the customers the stores they want. We are constantly analyzing sales. We do look at monthly reports, but they are never actionable, which is why we always talk about rolling 12-month figures, sales per square foot and sales volume. That's when you start seeing real trends."

MONITORING THE MIX

Ten to 12 years ago, "We started calling the tenants who were consistently underperforming and first saying, 'Do you acknowledge you are underperforming?' and if you don't know, you should, and what can we do to help. So we always try to help first," Matthew said. "Maybe they are not aware of promotional events that we are doing, the marketing opportunities, but at some point in time, if it's not working, we get concerned. We are constantly trying to improve the mix. We look at how our individual categories are performing. If we lose a tenant in the home category, we ask ourselves, 'Is that a good thing or do we need to replace?' We are constantly trying to find the balance."

The last original tenant was FAO Schwarz, which closed eight years ago, though there are several such as Gucci, Saks and Neiman's that have been in Bal Harbour Shops for around four decades. Neiman's opened in 1971 and Saks opened in 1976. "For better or worse, Bal Harbour Shops for 50 years has become a place where many brands want to be, despite their performance. Sometimes we have to say, 'I am sorry,'" noted Matthew.

Regarding radius clauses as a source of friction with certain tenants, "In my mind, it's much ado about nothing," Matthew said. "There is not a shopping center on the planet that does not have a radius clause. Any tenant who is paying its landlord a percentage of sales as rent, the landlord is naturally concerned that they don't open a competing store across the street because then there goes the rent. That's the industry standard. The only thing about us that is a little different is we say it's the uniqueness of the experience that drives us. In some instances we say to tenants, 'Listen: If your plan is to come to Miami and open up half-a-dozen stores, ▶

Stanley Whitman (above); fountains in front of the luxury boutiques.



A Mantra of Luxe

The Whitmans' mission is a strict focus on luxury. Here's what contributes to the Bal Harbour Shops experience:

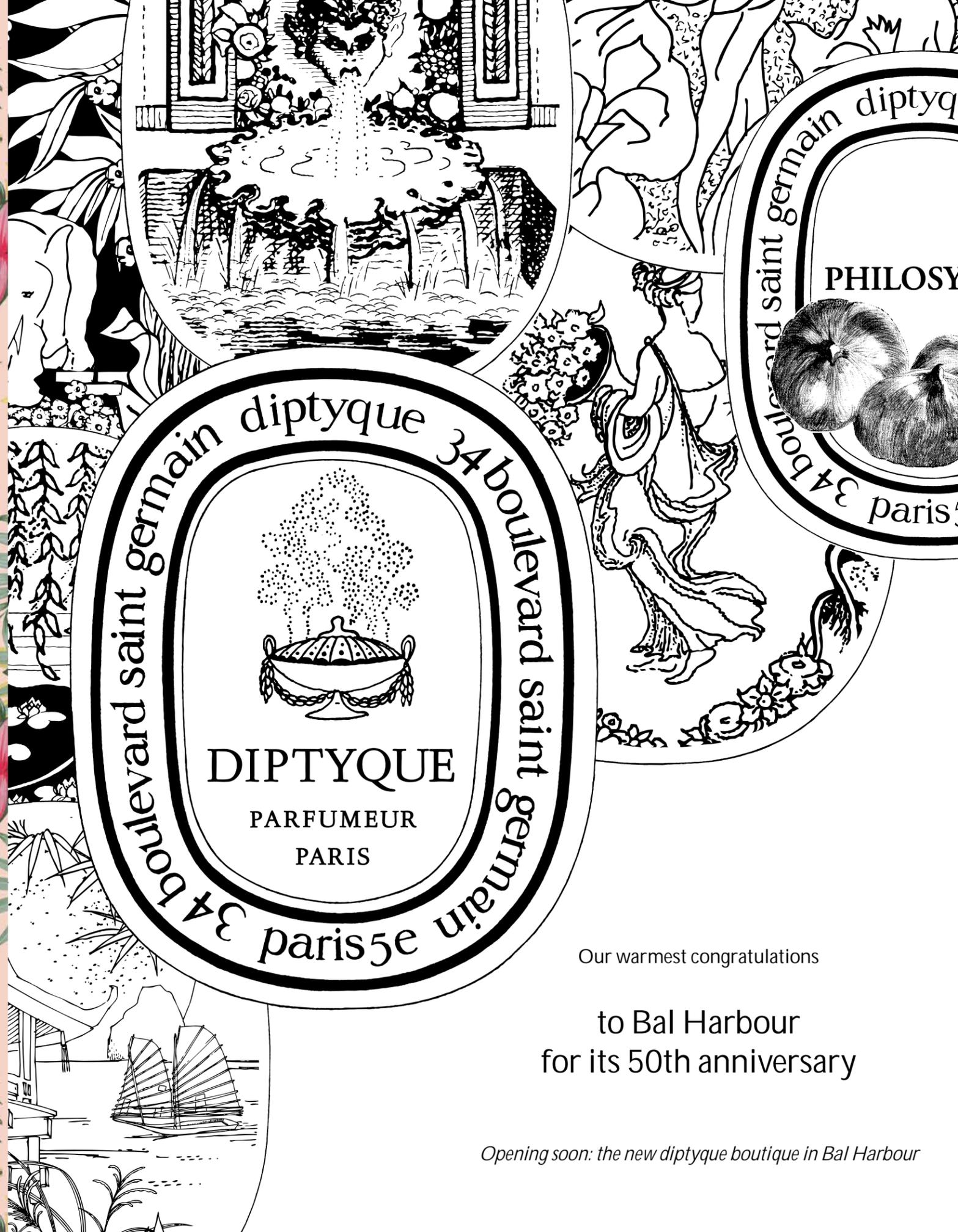
- Neiman Marcus and Saks Fifth Avenue complemented by top designer shops such as Valentino, Gucci and Chanel and multibrand stores Intermix and The Webster
- Unusually high concentration of fine jewelers, including Bulgari, Tiffany &

Co., de Grisogono, Cartier, Graff, David Yurman, Harry Winston, Van Cleef & Arpels, Buccellati, Chopard and Audemars Piguet

- Alfresco dining with extensive square footage for food and beverage, including Carpaccio, Makoto, Santa Fe News & Espresso, The Grill at Bal Harbour, The Zodiac at Neiman Marcus and Stephen Starr Bistro Concept. Dining occupies 10 percent of the center's square footage.
- A serene, intimate shopping environment and lush,

shady landscaping creates a leafy, tropical garden setting but curtails sight lines to storefronts. Tenants learn to live with it.

- Cooling sea breezes flow through the center. Stanley Whitman hired a scientist to study wind flow and walkways were changed to let the breeze in.
- A mix of tourist and local clientele; shoppers dressed to the nines, a place to see and be seen. No mallrats here.
- Stratospheric sales per square-foot productivity, hovering around \$3,000



Our warmest congratulations

to Bal Harbour
for its 50th anniversary

Opening soon: the new diptyque boutique in Bal Harbour

that's great, but we don't want you. But if I have other choices with tenants who just want to have one store with me, that's what I am going to do because that's who we have always been."

The radius clause "was never a contentious conversation until Vuitton came to us and said 'here is what we are going to do because we are Vuitton' and then we said, 'Good luck. We don't want to stand in your way.'"

Radius restrictions, noted Matthew, have shrunken every 10 years or so. "Right now, it's no longer measured in terms of drawing a ring around the center and saying its 'X number of miles,' because the reality is, if you have spent any time driving through town you can go five miles to the west and get there in 10 minutes, and you can go five miles to the south, and get there in an hour-and-a-half. It's almost irrelevant, the radial distance. What's relevant is how long it takes you to drive here. We took a map and said, what is a reasonable 15-minute or so drive to get here? It doesn't go any farther south than 20 miles, and in some cases it's probably less than 10, and the same thing to the north."

"Here's the real problem," said Randy. "It's called public ownership. When a company goes public, it's got to grow. Gigantic [private] corporations essentially have the same objective, like a Richemont. You get so big, whether you are privately or publicly held, it's just about driving growth. When you get right down to it, there are two things that clearly define luxury: one is price and the other is limited distribution. Louis Vuitton was down this road before Mr. [Bernard] Arnault owned it. And nobody wanted the stuff. Gucci has been down that road, too. Frankly, it's hard to find a luxury store operator of any size that isn't experiencing that problem."

The world of luxury and retail was far different more than a half-century ago. Stanley's father, a Chicago printer who built a successful business largely by printing the Sears Roebuck catalogue, decided he'd had enough of Midwest winters and relocated to Miami. He retired from the printing company, but still owned it and died when Stanley was attending Duke University. His strong-willed mother instilled in Stanley a wisdom about business when women were rarely associated with business acumen.

Stanley married his college sweetheart, entered the navy during World War II, and his son Randy was born while Stanley was off at sea. Stanley's daughter Gwen was born after he returned from the war. That's when the elder Whitman got to work buying and selling real estate throughout South Florida. Some buildings he bought and sold four times. He was good at flipping and also good as a hired broker.

He was working out of a building in Surfside,



Breaking ground five decades ago.

Bal Harbour Breaks Convention: Famous firsts for the center

- First Neiman Marcus location outside Texas

- First shopping center in the country to house Neiman Marcus and Saks Fifth Avenue together, forming a luxury power center
- First U.S. location outside New York for Yves Saint Laurent and Oscar de la Renta

- First shopping center to plant palm trees in a parking lot
- First shopping center planned for vertical expansion
- Storefronts were set back in a second-level redesign in 2003, sacrificing selling

- space to grow common area for spaciousness and Barbara Neijna sculptures
- First mall to display "his and hers" Egyptian sarcophagi, which legendary Stanley Marcus obtained for the opening of Neiman's

1976

Saks Fifth Avenue opens, making Bal Harbour Shops the first location to have both Saks and Neiman Marcus as anchors. It soon becomes the largest Saks in Florida.

1978

Shortly after opening at the center, Gucci makes good on a pledge to reach sales of \$1,000 per square foot.



just across the street from Bal Harbour Shops, when Robert Graham, the owner of the land under Bal Harbour Shops and the original developer of the Village of Bal Harbour, asked Stanley to help him create a shopping center.

"ALL OF OUR STORES WANT TO BE SIGNIFICANTLY LARGER – TWO, THREE, FOUR, FIVE TIMES THE SIZE THEY USED TO BE. YOU CAN'T DO THAT IN THE EXISTING SPACE." Matthew Whitman

"Graham approached him, on a fee basis, to do this. Not that my grandfather had any shopping experience but he was commercially savvy," Matthew recounted. "My grandfather said, 'I'll help you but I want to be 50-50 partners or let's not talk any further.' It ultimately ended with my grandfather owning that land outright."

Stanley sensed that Lincoln Road to the south of Bal Harbour, which had long been the Fifth Avenue of Miami, was floundering. Tenants were moving out and buildings were owned by ▶

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different owners, creating a pastiche with no shared vision.

"My whole idea was to create a Lincoln Road North," Stanley said. "From the 1920s until 1945, Lincoln Road had a lot of the highest-end Fifth Avenue merchants. I went after all of them."

"Martha was the key," Stanley said, recalling the former carriage trade specialty shop that carried the finest and most expensive American and European designers. "Martha, in some 10,000 square feet, sold millions of dollars of inventory." When he toured the center with Stanley Marcus, the late chairman of Neiman Marcus and great retail impresario, they walked by Martha's and eyed the couture. According to Stanley, Marcus turned to him and said, "For us, that's only image-building. We lose money on it."

Apparently, that's not the case nowadays with Neiman's current designer offerings. "Bal Harbour is definitely one of our most productive stores from a sales-per-square-foot perspective," said Karen Katz, chief executive officer of the Neiman Marcus Group Inc. "Bal Harbour was our first store outside Texas. We have an alterations department that has the most beautiful views to the beach. It's also our only store that doesn't have any escalators. When Stanley Marcus built the store, he didn't want to take up any space with escalators. Surprisingly, to this very day, our customers just seem fine with using our elevators."

"WHEN YOU GET RIGHT DOWN TO IT, THERE ARE TWO THINGS THAT CLEARLY DEFINE LUXURY: ONE IS PRICE AND THE OTHER IS LIMITED DISTRIBUTION."

Randy Whitman

Asked if Neiman's will change its footprint with the proposed Bal Harbour Shops expansion, Katz replied, "We stay very in touch with the Whitman family. As those plans get solidified, we will make some decisions. The fact that Bal Harbour is still family-owned really says something about the family and center and the vision."

Saks Fifth Avenue, on the other hand, plans to relocate to a new wing of the shopping center, a move enabled by the expansion, and will put up a three-level, 180,000-square-foot unit seen opening in fall 2019. The existing store has 142,277 square feet. "Bal Harbour has been a key market for Saks Fifth Avenue," said Marc Metrick, president of Saks Fifth Avenue.

EXPANSION NEARING REALITY

"Saks agreed to several iterations of plans," says Matthew. "One presumes that the Village Hall remains; the other presumes that we get that site, and they could move west, to where the

1983

A vertical expansion adds a second level of stores with 100,000 square feet of retail space.



1983

Randy introduces European designer boutiques to the South Florida retail market.

1997

Total sales reach \$300 million. Sales per square foot reach \$1,000, five times the national average.

1999

The center adds signature koi ponds to the lushly landscaped courtyards (right).

2002

WWD ranks Bal Harbour Shops as the most productive shopping center in the U.S., based on average sales per square foot. At the time, the mall generated more than three times the national average, with sales of \$1,350 a square foot.

2003

Stanley's grandson, Matthew Whitman Lazenby, joins Bal Harbour Shops as the next generation in charge of leasing.

2003

A multimillion-dollar redesign sets back new storefronts on the second level to create a spacious promenade for the addition of the Barbara Neljna Sculpture garden and fountains. In the process, retail space is diminished to establish larger common space — a retail industry first.

Village Hall was, and that creates more retail space. Saks gets a more favorable store design and we get an extra 40,000 square feet of retail space."

Asked how long they have been working on this horizontal expansion, Stanley replied, "I have a terrible time pinpointing that." But he says one of the first things he did when he bought the property was to get a building mover from Chicago to check out the church and discuss moving it off the property. "They laughed at me and said, 'Don't you realize you could build a new church and it would cost less than moving it.'"

"It took 45 years to get an agreement with the church," Matthew added. "At the end of the day, they didn't really know what they wanted. We had to just keep guessing and we finally got it right. What they ended up wanting was a brand-new building designed by us."

Asked where the church will go, Matthew replied, "That's been the billion-dollar question," and an issue entangled in getting city approval and facing some local dissent. "There is a guy that lives in an apartment not far from here, sort of adjoining our property, and he doesn't like hearing the church bells," added Randy.

"We think we have found a solution that the church is still digesting that puts them in a place that they will be happy, the town will be happy and everybody will live happily ever after," Matthew concluded.

While contending with getting the expansion off the ground, there is the immediate challenge of day-to-day business and the decline in tourist spending due to the strength of the dollar and difficulties in some international economies, particularly Brazil and Russia. "We are down about 6 percent from where we were this time last year. In this market, that is something I am personally very happy about," said Matthew. "We have been hovering around \$3,000 a square foot for the last couple of years," while the average regional mall generates around \$450 a foot, according to the International Council of Shopping Centers.

Asked if they can compensate for the decline in tourism with added strategies, Randy offered, "Not really. If you are losing tourists, you are losing tourists."

But Stanley said, "We offset with our restaurants, which draw local business."

Tenants who are stepping up special events, Matthew noted, do particularly well when they tie in with charities. "That tends to activate the local market. In any given week, there are a dozen events. There is that awareness that with the currency inefficiencies, targeting the strong dollar makes a lot of sense now."

Economic trends aside, "Bal Harbour never loses its cachet, and won't even if the Miami Design Center does well over time," said Michael Gould, former chairman and ceo of Bloomingdale's. "It's never gone down in quality."

Stanley always tried to woo Bloomingdale's into Bal Harbour Shops, but Gould said, "Our customer is much more in Aventura. We never did a deal, but we became friends. Every time we talked, whether he was wishing me Happy Birthday or I was saying Happy New Year, he always would bring it up and ask, 'When are you bringing Bloomingdale's to Bal Harbour?'"

Stanley's drive is also evident to Laura Pomerantz, vice chairman and head of strategic accounts at Cushman Wakefield. She visited Bal Harbour Shops three-and-a-half years ago, first talking with Matthew about how her consulting service at the time, which was her own, could help Bal Harbour Shops. "In comes Stanley, tough as nails," Pomerantz recalled. "He just had both knees replaced — bandages still on, using a cane. He was just amazing. Another person in his condition wouldn't have been out at all."

But Stanley has always kept pressing forward through the decades. "It doesn't feel like 50 years have gone by because to me, this hasn't been a business," he said. "It's been a love affair." ■



KERING

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Bal Harbour Shops

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BEHIND THE SCENES

General manager Richard Lodes keeps things running at the center.

By DAVID MOIN

Richard Lodes isn't your garden-variety mall manager. He's been with Bal Harbour Shops for more than 33 years and has a financial background, having served as controller for the center for a few years before being promoted to general manager, his current job. Earlier, he was in accounting at Burberry in New York when the brand had a small U.S. presence.

"At the time of my promotion, we were going from 50 stores to 100," said Lodes. "I was doing all the accounting work and when the general manager left, I was already so immersed in the general operations of the shopping center. It was a step up, but I never really relinquished my accounting duties."

Here, Lodes describes the challenges of the job and what makes Bal Harbour Shops unique.

What's the toughest part of the job?

We have always been highly productive and a top shopping destination in the world. It's very difficult to maintain that status. Every day is a challenge. We have a beautiful property, so maintaining the facility, making sure things go right, is always a challenge. Just keeping Bal Harbour Shops as Bal Harbour Shops is a challenge. We have our own security. We have our own maintenance staff. We have our own landscapers. We do it all. The only things we farm out are contractors for the major construction jobs.

Bal Harbour Shops is planning a major expansion. What's the challenge there?

Yes, going forward the biggest challenge is the expansion. We are using the best architects available. We hope to preserve the character of the center. We don't want to get like everybody else. We want to be unique.

Is being general manager here a different kind of job from being general manager of

2004

For the first time in its history, the center closes early to customers to host a private charity fund-raiser to benefit The Buoniconti Fund to Cure Paralysis. Destination Fashion 2004 features a star-studded fashion show and concert.

2006

Bal Harbour Shops marks 40 years and becomes America's highest concentration of luxury jewelry and watch brands with 25,000 dedicated square feet. Graff Jewelers and Audemars Piguet join a shop roster that includes Harry Winston, Van Cleef & Arpels, Bulgari, David Yurman, Chopard and Tiffany & Co.

2008

The center breaks another industry record as sales continue to rise during the early part of the year, exceeding \$2,000 per square foot — more than five times the national average.

2008

The International Council of Shopping Centers' "Shopping Centers Today" ranks Bal Harbour Shops the world's most productive luxury shopping center.

a mainstream mall?

That's a difficult question because I have never done that before. I assume there could be reporting into a headquarters. My reporting is to Stanley, Matthew and Randy [Whitman]. There's a family feeling that runs throughout this center. I believe that of the staff of 80 that works here, something like 25 of them have been working here for more than 20 years.

What changes are you seeing in the complexion of the traffic in the center, seasonally, or with tourism?

We have really always maintained our sales. At some point, the European traffic could be good and South American might not be, or Europe isn't doing well, and South American tourists play a big part of our business. But the Miami person knows who we are. We are not as seasonal as you might think. We have two seasons, the five-month season, December through April [with more snowbirds] and the seven-month season, May through November. We do 50.4 percent of our volume in December through April; 49.6 percent is May through November. We are not as seasonal as you might think.

Does Bal Harbour Shops get the same kind of Christmas rush that other shopping centers see?

We do get Black Friday. That starts off everything. It's probably the busiest day of the year. Oddly enough, our busiest time is after Christmas. We actually bus our employees in so they don't use the parking here. We run shuttle buses north of us back and forth from another parking lot where they park. Historically, it's always been that way here that time of year.

What was it like meeting Stanley Whitman?

It was a pleasure meeting Mr. Whitman. The shopping center at that time had 50 stores operating and we were building a second level, and he said he had a vision of further expansion, which is what we are currently contemplating and talking about. So 30 years ago, he had the vision. It was part of the discussion when I first met him. One of the first things he imparted to me, I remember, was that he told me never to abuse a tenant or anyone. "And don't you take abuse, either," he said.

What was your most challenging day on the job?

It was after Hurricane Andrew. That was pretty darn memorable. I remember driving to work and hoping the center was still here. We were able to open three days later. The eye of the storm went south of us. There was some foliage that was destroyed but this place is built like a fort. We don't have a normal roof like other shopping centers. We have a concrete parking deck — roof-top parking. The center is also elevated. Stanley had the vision during the initial construction to bring in all of this sand from the Americana Hotel [now the site of the St. Regis Hotel], which was being built. They were trucking sand out of that area, so Stanley said, "Pack it here." As a result, our elevation is higher. We have never had a drop of water in our shopping center. ■



The main entrance, Sixties.



*For 50 years,
The Bal Harbour Shops
has been leading
the way with style.*

*We're delighted to
be one of them.*

Neiman Marcus

FINESSING THE MESSAGE

The center's marketing efforts strive to include substantial editorial alongside promotional materials.

By REBECCA KLEINMAN



The magazine is published twice a year.

The marketing office at Bal Harbour Shops smells more like Santa's workshop these days. Boxes of custom candies are stacked in anticipation of the luxury shopping center's anniversary festivities.

"The scent of peppermint follows me everywhere I go," said marketing director Cheryl Stephenson, who's more concerned about the ice cream she special-ordered in fun flavors like Stanley's Antiaging Cream for Bal Harbour Shops founder Stanley Whitman's 97th birthday, which coincides with the weekend celebration. "I just hope it doesn't melt."

"FROM THE BEGINNING, WE WERE SERIOUS ABOUT COMPELLING CONTENT." Cheryl Stephenson

The milestone event is just another major undertaking in her portfolio of projects. When Stephenson, a South Florida hospitality veteran, came on board in 2002, she had big shoes to fill. She called her predecessor Enid Rosenthal "a legendary, well-spoken, elegant woman," who was known for sizzling fashion shows and her long tenure at Neiman Marcus Bal Harbour before joining the center.

"She did a strong job in establishing Bal Harbour Shops as a destination, and my goal was to take the brand worldwide," said Stephenson, who spearheaded international advertising campaigns in line with the overall shift to globalism.

2012
The mall scores record sales of nearly \$2,730 per square foot, more than six times the national average.

2012
The St. Regis Bal Harbour Resort opens on the ocean across from Bal Harbour Shops.

2013
The Whitmans reveal plans to codevelop Brickell City Centre.

2013
Chanel unveils its redesigned 8,000-square-foot boutique at Bal Harbour Shops.

2013
The mall records a 12.4 percent increase in sales over the same period last year, making July the most successful month in the history of the Shops.

"The name is recognized throughout the world today."

She also transformed the center's direct-mail catalogue into a fashion magazine a decade ago. Rather than collaborate with an advertising agency, the center tapped local publishing companies, starting with Ocean Drive magazine and working with Whitehaus Media Group, to hire journalists and photographers whose bylines and photo credits appear regularly in well-respected newspapers and magazines. Kate Betts and Lynn Yaeger are among contributors, while Hilary Rhoda and Lily Donaldson have modeled.

The magazine is an effective driver of business, consistently reinforced when word gets back to Stephenson from brands that customers come in wielding a page ripped from the magazine and requesting a featured item. "Brands often credit our fashion shoots for inspiring sales [compared to hard-sell advertising], such as when Ferragamo sold two of a red lace outfit on our fall 2015 cover."

However, Stephenson said they had to overcome a stigma that the magazine was strictly a sales tool. "From the beginning, we were serious about quality, compelling content that had a longer shelf life," she said. To that end, content goes beyond style with articles on travel, books and other cultural topics, including the opening of Georgia O'Keeffe's exhibit at Tate Modern. The magazine sent American photographer Jessica Craig-Martin to the Venice Biennale for a 15-page photo essay. A champion of fashion illustration, Stephenson resurrected the waning medium – Megan Hess' series "The Couture Dresses" appeared in the spring 2015 issue, for example – and commissioned illustrators to commemorate the 50th anniversary.

Sarah Harrelson, Bal Harbour Magazine's publisher and editor in chief, concurred that the magazine strives for newsy features. "We get pitched brand stories but avoid them because they're too commercial." ▶



SAKS FIFTH AVENUE
congratulates
BAL HARBOUR SHOPS on
50 YEARS
of FASHION.



saks.com

Harrelson is also the founder and editorial director for Whitehaus Media Group, which prints and distributes 100,000 complimentary issues biannually through direct mail and high-end resorts like St. Regis Bal Harbour. Fifteen percent of the subscription base is paid.

Along with the magazine's makeover, Stephenson has nurtured the Web site and social media. Her technology team advised that a sophisticated audience required more substantial content and services than a store directory. The revamped site has conveniences like tap-to-dial listings for store phone numbers and expands editorial content to eight new articles a week.

"Web sites are hungry animals that you have to keep feeding great content," she said, "or people won't keep looking."

Bal Harbour Shops also hired Jessica Michault, editor in chief of Nowfashion, who has contributed to its magazine, as fashion news editor for balharbourshops.com in 2015.

Five years ago, the center built an app and bolstered social media to promote limited-edition and exclusive product that would entice followers to call the store for the item or make a beeline for Bal Harbour upon arriving in town.

"The hard sell no longer gets attention like it used to. It's about beautiful visuals of yummy merchandise," said Stephenson.

Despite the center having 244,000 Facebook followers, Stephenson was an early adapter of Instagram in putting it on the Web site's home page. A dedicated tech team posts several times daily on both, as well as on Twitter and Pinterest.

"We treat these posts just like the magazine. There must be a newsworthy reason behind them," she said. "We're constantly aware of patterns and how to make it easy to navigate." ■

2014

Salvatore Ferragamo reopens its boutique with a two-story flagship, the first town house concept store at the center.

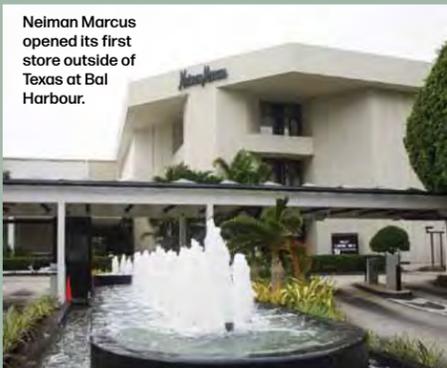
2015

Bal Harbour Shops marks its 50th anniversary. Milestone festivities include the April opening of a cultural exhibition Fashion Project by London-based curator Judith Clark. The only cultural space of its kind in a major U.S. retail center will host four exhibitions throughout the year, including 50+50, A Century of Fashion.

2015

The 50th-anniversary celebration culminates Nov. 12 to 15 with the kickoff for Destination Fashion, the debut of The Bal Harbour Shops Vintage and Exotic Car Show and a Family Day in honor of Stanley Whitman's 97th birthday.

Neiman Marcus reopens its boutique outside of Texas at Bal Harbour.



Openings and Reopenings, 2015

Years ago, Bal Harbour Shops reached a point where demand for space far outreached supply, so the Whitmans began closely examining each tenant and analyzing monthly and rolling 12-month volumes and sales per square foot, comparing how each brand stacked up against trends in their category as a whole. Those performing renewed leases, those underperforming are reviewed to see how to improve results, or they close to make room for a newcomer.

Following are stores that have opened or are opening this year, and those that reopened with new store designs.

NEW STORES

February: Dsquared2 opens a 2,000-square-foot boutique for men's and women's wear.
March: The Grill at Bal Harbour opens a 6,400-square-foot space with indoor and outdoor dining, exterior patio bar, outdoor lounge and exhibition-style kitchen.
April: The first curated fashion cultural space in a retail center makes its debuts with a yearlong celebration of art and fashion curated by Judith Clark.
April: Watch designer Richard Mille opens a 600-square-foot shop.
June: Tomas Maier opens its 1,800-square-foot boutique.
August: Italian fashion house Ermano Scervino opens first store in the U.S., at 1,800 square feet.
October: London-based Orlebar Brown for designer swimwear and apparel launches its 1,800-square-foot pop-up boutique.
November: Goyard, the French fashion house and leather malletier, opens a

2,100-square-foot boutique.
November: Le Zoo, a new French concept restaurant by Stephen Starr opens on the first level.

November: Italian fashion shoe label Aquazzura opens a 2,000-square-foot pop-up boutique.

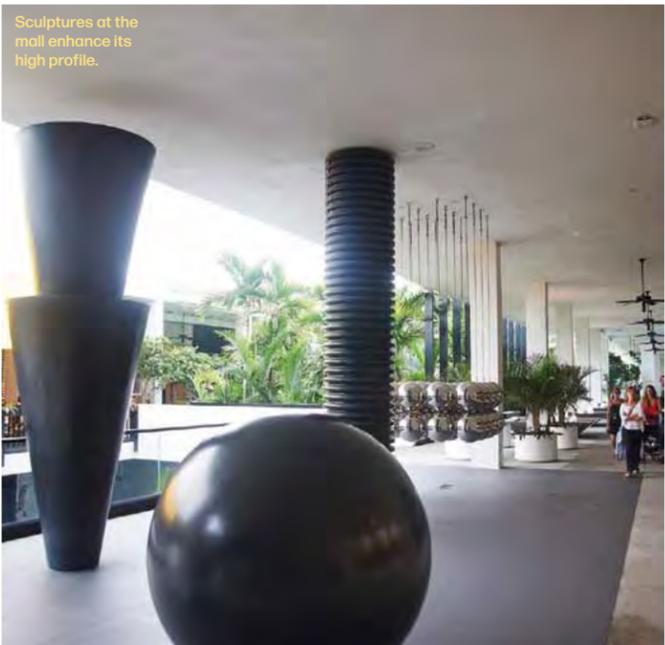
December: Diptyque, the French perfumer and maker of scented candles, home fragrance and body care, is set to open a 750-square-foot shop.

REOPENINGS WITH NEW STORE DESIGNS

January: Giorgio Armani reopens a new concept design store in a 4,200-square-foot space.
May: La Perla opens an expanded two-story town house concept adding men's wear.
June: Tiffany & Co. completes renovations on its new concept design for the 6,460-square-foot boutique.
July: Santa Fe News & Espresso reopens with a fresh design for the café and newsstand.
July: Wolford reopens with redesigned 750-square-foot store.
September: Roberto Cavalli launches a redesigned boutique on the first level.
October: Valentino expands to a two-story townhouse concept, adding men's wear to the 3,750-square-foot store.
October: Van Cleef & Arpels expands from 720 square feet to 1,080 square feet.
November: Chopard expands from 720 square feet to 1,080 square feet.
November: Christofle reopens with a newly designed boutique on the second level.

— DAVID MOIN

Sculptures at the mall enhance its high profile.



ShubinBass Congratulates Bal Harbour Shops & the Whitman Family on 50 iconic years of fashion & family

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CHARITY CIRCUIT

The company has taken on tough, often underserved challenges.

By REBECCA KLEINMAN

P

hilanthropy can be a slow, frustrating endeavor with no guarantees, but Stanley Whitman has had the good fortune to see real results in his lifetime. The maverick behind Bal Harbour Shops took the same uncharted course in partnering with fledgling causes in fields that were either last in line for raising awareness or considered too daunting.

"He realized there's nothing more important to a community than hospitals and schools," said Matthew Whitman Lazenby, Stanley's grandson and president and chief executive officer of Whitman Family Development. "For a long time, we've been aligned with the University of Miami Miller School of Medicine and Miami Country Day School."

"[STANLEY] REALIZED THERE'S NOTHING MORE IMPORTANT TO A COMMUNITY THAN HOSPITALS AND SCHOOLS."

Matthew Whitman Lazenby

The Whitmans chose to take tough medical challenges like the Buoniconti Fund to Cure Paralysis, the fund-raising arm for the Miami Project, which launched in 1985, and is touted worldwide for its spinal cord injury research. Named after the Buoniconti family when Marc Buoniconti, the son of former Miami Dolphin Nick Buoniconti, was paralyzed in a football injury, the fund has raised more than \$300 million and has five FDA-approved SCI clinical trials under way, including Schwann cell transplantation, which uses one's own cells to lessen the chances for rejection, according to Stephanie Sayfie Aagaard, director of major gifts, corporate relations, marketing and events for the Miami Project and the ▶



Marc and Nick Buoniconti at Destination Fashion, 2012.



Julio Iglesias, Gloria and Emilio Estefan at Destination Fashion, 2004.



Joe Manganiello and Tom Brokaw at Destination Fashion, 2012.

When you turn 50, it is time to celebrate the past and dream of the future. Congratulations Bal Harbour, here's to today, and tomorrow. Today is a special moment where the past is recognized and the foundations of the future have been laid. It is a great honor to be partnering with the Whitman Family Development and to be welcoming some of the world's most desirable names to Brickell City Centre. Here's to the next 50!



BRICKELL CITY CENTRE

SWIRE PROPERTIES

Buoniconti Fund. A couple of its main events are the annual Great Sports Legends Dinner in New York, and Destination Fashion, a bash that takes over the entire Bal Harbour Shops.

"We wanted to do something big in Miami because it's where the charity was born, and we have the number-one spinal research center in our backyard," said Sayfie Aagaard, who got up the nerve to ask the Whitmans to shut down the center for a night to host the inaugural party in 2004. "Mr. Whitman didn't even bat an eye. He just told us to go for it."

Three others followed – the 2012 event alone raised \$31 million – with designers like Michael Kors, Ralph Lauren and Emilio Pucci showing on a 400-foot runway in the parking lot during a seated dinner. Donna Summer and Seal performed at the finale after 2,500 attendees made their way from one end of the center to the other through interactive, themed vignettes and stores with exclusive merchandise.

"NO MATTER WHERE THE FUND-RAISER IS HELD, THE CENTER UNDERWRITES IT, AND THE WHITMANS ATTEND."

Schatzki Kassal, Project: Newborn

The next spectacle, scheduled for March 5, marks the center's 50th anniversary. Guests will travel through time to encounter pop culture (James Bond, "Sex and the City") over the decades. Two weeks prior, they can visit stores to bid on silent auction items that have included a his-and-her diamond bracelet and watch set from Tiffany & Co. and a tour of Chanel's Paris apartment. The fashion designer sponsored by Neiman Marcus and entertainment act will be announced in mid-November.

The Whitmans have also been involved with Project: New Born, an organization that has raised more than \$20 million to create and support the neonatal intensive care unit at UM's Holtz Children's Hospital and endow a faculty chair, among its initiatives.

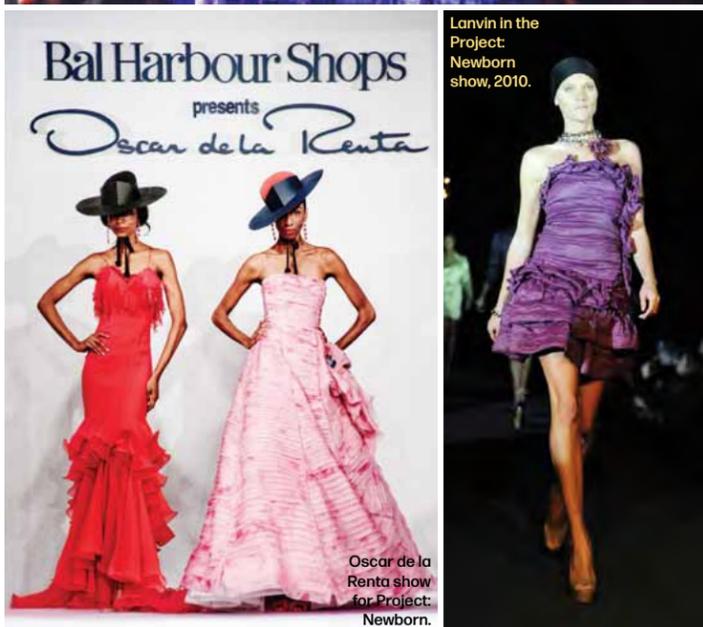
"Because Florida services an elderly community and its diseases like cancer and diabetes, babies are notoriously underserved," said Schatzi Kassal, who in 1973 founded the organization when the preemie death rate was 96 percent; now there is a 96 percent survival rate for preemies. "Stanley put us on the map."

Their initial collaboration, a book signing for Stanley Marcus' "Minding the Store," evolved into annual fashion shows and galas at Bal Harbour Shops and regional resorts for 600 attendees. Lanvin's first fashion presentation in the U.S. in 2010 drew a record audience.

"No matter where the fund-raiser is held, the center underwrites it, and the Whitmans attend," said Kassal. The next event is in fall 2016. "Stanley always asks questions like how many people are coming and who's the featured designer. It's more than writing a check." ■



Destination Fashion's runway, 2009.



Lanvin in the Project: Newborn show, 2010.

Oscar de la Renta show for Project: Newborn.



Nick Buoniconti, Gigi Whitman, Randy Whitman and Stanley Whitman, Destination Fashion, 2009.



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COURTING FOOD

Fine dining is a key draw and a lucrative component in the Bal Harbour experience.

By REBECCA KLEINMAN

As Stanley Whitman assembled a best-in-class group of stores, he knew a run-of-the-mall food court wouldn't cut it.

But shoppers needed somewhere to refuel, so he imported Schrafft's, a Manhattan mainstay for comfort fare. Fine dining premiered in 1979 with his son Randy Whitman's addition of Ristorante Tiberio. What the Whitmans didn't wholly predict was how lucrative the culinary component, which accounts for 10 percent of the center's square footage, would become in a retail setting.

"They thought of restaurants as a necessary amenity, like a bookstore rather than a profit center," said Matthew Whitman Lazenby, Stanley's grandson and president and chief executive officer of Whitman Family Development. The center hired consultants to understand how restaurants work and to connect to the industry, and conducted intense research by touring hot eateries worldwide. "Over the past two decades, restaurants have become more than a bite between shopping. They're destinations in themselves."

Anyone who has observed the social circus that is Carpaccio, which opened in 1995, can attest to this phenomenon. Sean Connery, Michael Caine and the Kardashians are among the celebrities who have been part of the nonstop parade that averages 1,400 diners daily, generating \$20 million in sales annually, according to founding partner Piero Filpi. His secret lies in service, consistency, and an average check of \$40 per person. The place is getting a top-to-bottom makeover next year.

It's going to need it to keep up with spiffy newcomers like Hillstone Restaurant Group's Grill at Bal Harbour, inspired by a vintage Chris Craft vessel and the city's midcentury-modern architecture. The Grill's 6,407-square-foot space is a combination of several former eateries and a major extension of the main



Dining alfresco is part of the mall's allure.

Who's Hungry?

Next time you're feeling peckish at Bal Harbour Shops, try one of these crowd-pleasers.

Le Zoo

Traditional Provençal bouillabaisse, with snap-per-bone broth loaded with

poached shrimp, clams, mussels and scallops and garnished with saffron-laced garlic aioli and croutons.

Carpaccio

A Maine lobster split in half atop linguine in a chopped tomato and garlic sauce swimming with clams, mussels and shrimp.

Makoto

Fried rice with "frosty" Kobe beef — its unique texture comes from its flash-frozen preparation — topped with a jidori egg.

The Grill at Bal Harbour

Ahi tuna tartare with sliced cucumber and avocado in miso dressing scooped up with toasted baguettes.

entrance's porte cochère to 2,300 square feet. From their palm-tree perch, diners can spot Ferraris pull up as the moon rises over the ocean. Hurricane-proof wraparound windows open and shut depending on the weather for an indoor-outdoor experience.

"[THE RESTAURANTS] ARE DESTINATIONS IN THEMSELVES."

Matthew Whitman Lazenby

"We came up with the bird's-nest concept and window system to connect to the action below for a Miami-esque feel," said Rakesh Patel, senior project architect for Hillstone Restaurant Group. "It took a while to find the right material, which ended up being Douglas fir, to get the sense of being under a boat or floating deck when you valet your car. The effect is especially beautiful at night when the wood glows."

The center looks for independent hospitality partners and hands-on restaurateurs like Carpaccio, Hillstone and Santa Fe News & Espresso, a catchall for magazines, sandwiches and cafecitos, that perform successfully in more than one market. It found another rainmaker in Stephen Starr, whose Miami foray Makoto totaled nearly \$12.5 million in sales in 2015. ■



A dish from Makoto.



The Grill at Bal Harbour.

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“
We do want to see healthy growth, but it has to be the right growth. We're constantly looking through that lens.
 — Tory Burch, Tory Burch LLC

CEO SUMMIT

The New Face of Fashion

The WWD CEO Summit late last month was a watershed moment for the industry as it sobers up from its e-commerce binge, and relearns how to connect to consumers.

By Evan Clark and Arthur Zaczekiewicz

Big Dreams in the C-Suite

It's not enough to just sell stuff anymore.

The give-and-take of modern life is lubricated by the ease of Amazon and e-commerce – and the promise of same-day shipping amid a never-ending flood of tweets, pins and posts.

Retailers can no longer afford to just have a store, stock it and hope the marketing dollars drive foot traffic. That distribution model – which lent itself to tired formulas – is arguably broken. And the retailers that have been holding on to its last vestiges are at last letting go.

Fashion is back to building dreams.

To build those dreams, though, brands and stores are looking back to their roots to relearn how to connect with consumers in a more meaningful way, to pull them close and tell them not just what to buy, but why they need it. Why this designer or that look is not only something to wear, but something to be experienced, a manifestation of nothing less than who the consumer is in their heart of hearts.

“Fashion is about emotion,” said Pierpaolo Piccioli, co-creative director of Valentino. “Our job is about delivering an idea of beauty of our time, and our time is about individuality, beauty and emotion for sure. Everybody is looking for

emotion. You don't really need clothes, you need emotions. When we work on a collection, we first try to focus on the message we want to deliver with the collection, then we make the collection. It's like creating a movie in a way. You want people to leave with a dream in their minds. That's what fashion is.”

That isn't what fashion has been, particularly during the rise of the big boxes and the ever-expanding universe of malls, strip centers and outlets.

A wistful-sounding Stanley Marcus told WWD before his 90th birthday in 1995 that: “In retrospect, I think I lived in the golden age of retailing – by pure luck, not through anything I did – when retailing was a personalized business and even in large operations, managers were owners.”

Marcus, known for forging close connections with customers (he loathed the word “consumers”), would have been encouraged to hear Piccioli as well as Fast Retailing's John Jay, Target's Brian Cornell, Warby Parker's Neil Blumenthal and the other top executives at the WWD Apparel and Retail CEO Summit last month. They talked about wresting back control of retail. And their focus over two intense days huddled together in Manhattan was on giving the customer what she wants, however she wants it, with innovation and creativity.

This is the new face of fashion: Old and new at the same time; a solid bid to remain relevant, to keep the tech giants from running away with the show and to mean something real to consumers today – to grab them and stay with them as they grow and change.

Here's a road map. ▶

REX SHUTTERSTOCK



“
Fashion is about emotion.
Our job is about delivering an
idea of beauty of our time.”
– Pierpaolo Piccioli, Valentino

“
There are no rules.
If there were rules,
anybody could do our job.”
– Maria Grazia Chiuri, Valentino

CEO SUMMIT
*The New
Face of Fashion*

Innovation

PROOF THAT NEW IDEAS WERE NEEDED – AND sorely – was illustrated by Kohl’s Corp., which took the racetrack store format and marched out to market after market, building an empire that hit \$19 billion in sales only to sputter in recent years.

“Over three years we weren’t able to get any growth,” said Kevin Mansell, chairman, chief executive officer and president, referring to the tough slog from 2012 through 2014. “We decided we were going to have to be innovative and figure out how to build a new Kohl’s for the future.”

That future, while not created from whole cloth, is certainly new to Kohl’s. It includes a push into outlet stores as small as 3,000 square feet for proprietary brands like Fila, smaller versions of its sometimes behemoth full-line stores and a new focus on data, data and data.

“Kohl’s spends billions of dollars to give great value to customers,” Mansell said. “We’re still going to spend billions of dollars, but we’re going to do it differently. We analyzed multiple years of Kohl’s data and conducted extensive consumer research...The core strategy is insight-driven pricing. We’ll focus intensely on the categories and items that create the greatest impact on value perception and reclaim our spot as the value leader.”

That’s a theme: Retailers using new ideas to take back what’s theirs, or what they think should be theirs. It’s a feistiness and thrust for new ideas that extends to the old guard and the new.

Eyewear disrupter Warby Parker, when it began exploring the potential of physical sales, turned a yellow school bus into a traveling store and parked in 15 cities across the country.

“Each city we went to two or three intersections, and suddenly we had data on where some of the best blocks for us to potentially open up a store [were]. Suddenly, we’re getting retail experience where we felt comfortable opening a store,” said Neil Blumenthal, cofounder and co-ceo.

Stores are new again in retail. Rumbblings are growing louder that big-time investments in e-commerce have been made at the expense of in-store experience. This is seen as a danger since consumers are the architects of their shopping journey, and it commonly begins online and ends inside a store.

So merchants are renewing their focus on the 93 percent of sales that flow from brick-and-mortar doors. Even omnichannel – an irritating buzzword for half-a-decade – is taking a backseat.

Laurent Potdevin, ceo of Lululemon Athletica Inc., said his company uses “archaic” ways to reach consumers. The activewear brand depends heavily on its 10,000 “educators” – or sales staff – and 1,500 “ambassadors,” who are “local heroes” dedicated to their chosen sport and the community in which they live. These nonpaid endorsers are an “integral part” of the Lululemon formula and help point the way toward growth opportunities.

“When we listen, we can’t go wrong,” he said. ▶



“
Kohl’s spends billions of dollars to give great value to customers. We’re still going to spend billions of dollars, but we’re going to do it differently.”
– Kevin Mansell, Kohl’s Corp.



“
If you look at the luxury industry [in China], it used to be completely male-dominated, and now almost half the luxury industry products [sold] are women’s products.”
– Pierre Denis, Jimmy Choo

“

The secret sauce is a convergence between e-commerce and brick-and-mortar.”

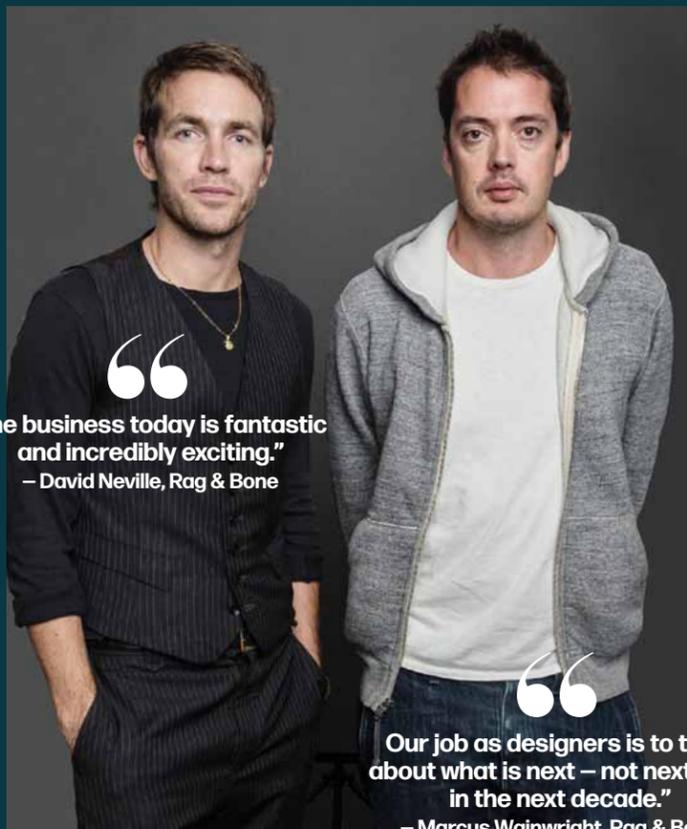
– Neil Blumenthal, Warby Parker



“

The business today is fantastic and incredibly exciting.”

– David Neville, Rag & Bone



“

Our job as designers is to think about what is next – not next year, in the next decade.”

– Marcus Wainwright, Rag & Bone

CEO SUMMIT

The New Face of Fashion

Creativity

TO INNOVATE, RETAILERS NEED TO OPEN themselves up to new ideas.

And while John Jay, president of global creative for Fast Retailing Co. Ltd., derided fashion for a sea of sameness, there is new hope in the air.

“We are probably living in the most creative era in history. Anything and everything is at hyper speed, whether it’s Uber, Netflix, Tesla, Airbnb, Alibaba – we see the status quo crumbling beneath the speed and the quality of innovation,” Jay said. “Technology is speeding everything up in the most creative era ever....There is no doubt that creativity is important. Maybe it is the most important human resource of all. Without creativity, there would be no progress.”

Jay pointed to collaboration as the key to this new creativity. “The old days of the auteur, miserable all by himself, are gone.”

Bringing a collaborative approach to retail is Rachel Shechtman’s Story, a 2,000-square-foot store in Manhattan that gives the space over to a new concept every month or two, restocking and reworking accordingly. Since 2011, the store has worked with more than 200 brands, from independent designers to Fortune 500 companies.

“Story is the space that has the mentality of a magazine – we reinvent it every three to eight weeks like a gallery, and we sell things like a store,” Shechtman said. “Our theory is that retail can be a media channel. Magazines tell stories by taking pictures and writing articles. We tell stories by curating merchandise around a certain theme and having events that bring it to life.”

Shechtman’s store is something of a laboratory, a place not just for new merch every couple of months, but for a new way of thinking about retail.

“Story is a store that changes, but all stores must change,” she said. “The old paradigm is about a place that sells things. The new paradigm is an experience that sells things.... Why are we still talking about brick-and-mortar in terms of sales-per-square-foot? I propose experience-per-square-foot.”

And when retailers go online, they don’t need to build just the equivalent of a digital store.

Dana Cho, partner at design firm Ideo, said retailers have a “tremendous” opportunity to tell stories online, noting the “future of digital content is not about replicating the in-store experience online.”

She pointed to the exercise app “Zombies, Run,” which pushes people to run as if they were in a post-apocalyptic world. The key, she said, is an interactive collaboration, not just content consumption. ▶

“

We are probably living in the most creative era in history.”

– John C. Jay, Fast Retailing Co. Ltd.





When I think about the future of retail, the only thing that is really clear to me is that in the U.S., people love to shop."

— Brian Cornell, Target Corp.

CEO SUMMIT
The New Face of Fashion

Serving the Consumer

MERCHANTS NEED TO DELIGHT CONSUMERS, speak to them individually and meet them on their own turf.

"Localization and personalization in today's environment is critically important," said Brian Cornell, Target Corp.'s ceo. "We are starting to test localization with a handful of stores in Chicago. It's really 77 different neighborhoods, and what works in one neighborhood may not actually work in another."

That's a new kind of reflectivity for retailers. And competitor Wal-Mart Stores Inc. is thinking along the same lines.

The company's app lets shoppers order any item online and pick it up at their local Wal-Mart, bringing more traffic to the store. And when that fails, the retailer is running out into traffic itself, testing "pop-up mobile vans" where consumers can pick up their orders at a predestined location such as a community center or local parking lot.

Liz Rodbell, president of the Hudson's Bay and Lord & Taylor divisions of Hudson's Bay Co., said retailers should be thinking about operating in "all channels" rather than being "omnichannel."

At the stores, this turns on merchandise, service and environment.

"The consumer today is time-starved, so we have to be there as quickly as possible and make the environment relevant," said Rodbell, noting that the company has 50,000 mannequins that are changed at least twice a month to provide "storytelling" cues to the customer.

Giving customers more of what they want is always a path to more full-price sales.

"Stop the price-discounting because it's not spurring sales," pleaded Sarah Quinlan, group head of market insights for MasterCard.

She pointed out that small businesses were stealing market share from the larger chains and those businesses are not known for their discounting, but for giving shoppers a special experience. Small business has experienced 3 to 5 percent growth over the last 20 months. "So, it's saying I don't need a discount to shop. 'Make me look different' is what the shopper is telling you," said Quinlan. "Create something special."

For Marvin Ellison, president and ceo of J.C. Penney Co. Inc., creating an omnichannel experience that is engaging and convenient for the consumer trumps steep markdowns. And like other companies trying to reconnect to consumers, Ellison is taking a page from the playbook of his mentor, Home Depot founder Bernie Marcus. "Bernie influenced me to think differently about leadership — it's called 'the inverted pyramid,'" Ellison explained. "This basically symbolizes the constituency groups that matter most to me: the customers and my associates." ▶



We work just like any other retailer.... We're a price follower not a price leader."

— Jeff Yurcisin, Amazon Fashion



The old paradigm is about a place that sells things. The new paradigm is an experience that sells things."

— Rachel Shechtman, Story

Summit By the Numbers

By ARTHUR ZACZKIEWICZ

Ceos and executive speakers at the WWD CEO Summit shared insights and information during their presentations on more than 430 slides and in a dozen videos. From sales and earnings growth to the number of employers and economic trends, the data presented covered a lot of ground. Here are some of the highlights:

Number of shoppers who walk through the doors of Wal-Mart each week: **260 million**

Total number of employees at Wal-Mart: **2.7 million**

September's year-over-year retail sales growth (excluding autos and gasoline): **+4.8%**

September's retail small business year-over-year sales growth (excluding autos and gasoline): **+7.3%**

Year-over-year sales growth at small business family apparel retailers: **+19.2%**

Number of consecutive months small business retailers outpaced total retail sales growth: **20**

Leading Retail Sectors (year-over-year growth): Restaurant: **+10.3%** Furniture: **+6.5%** Grocery: **+4.6%**

Lagging Retail Sectors (year-over-year declines): Luxury: **-12.8%** Electronics: **-4.5%** Department Stores: **-3.5%**

Number of U.S. consumers who visited a fashion Web site or app in August of 2015: **1 out of 3**

Number of people, globally, who are on Facebook each month: **1.49 billion**

Percent of Facebook users on a mobile device: **88**

Number of sales associates at J.C. Penney Co. Inc.: **104,000**

J.C. Penney's 2014 earnings before interest, taxes, depreciation and amortization: **\$323 million**

J.C. Penney's 2015 EBITDA (estimated): **\$620 million**

J.C. Penney's projected 2017 EBITDA: **\$1.2 billion**

Number of Jimmy Choo stores in China: **18**

Number of cities where Jimmy Choo is located in China: **11**

Number of cities in China that represent one-half of the country's gross domestic product: **20**

Number of daytime workers in lower Manhattan: **454,000**

Square feet of the Westfield World Trade Center: **365,000**

Percent of consumers who bought an item online after browsing it in-store: **72**

Percent of retail sales that are influenced by digital: **50**

Peering Ahead Fashion's top players contemplate the future. By EVAN CLARK

WWD thrust the crystal ball upon some of fashion's top executives and what many of them saw was a future defined by a much more assertive shopper.

"Fashion today is really being dictated by the customer," said Roger Farah, co-chief executive officer of Tory Burch. "They're different in how they approach design, product. They're willing to mix and match."

John Jay, president of global creative at Fast Retailing Co. Ltd., also

saw the customer as the new face of fashion: "In the world of customization, they're playing a part in design."

The same is true for the giant Wal-Mart Stores Inc.'s shoppers.

Jane Ewing, senior vice president of business development for the U.S. discount stores, said, "They're making all their own choices and they're adapting their style as they see fit, individually and collectively."

The solution, for Liz Rodbell, president of Hudson's Bay Co.'s namesake

and Lord & Taylor businesses, is to get close to that consumer.

"The next decade is really going to be about personalization — uniqueness, self-expression and really more and more about connecting with each and every one of the customers that we have," Rodbell said.

The digitally empowered consumer is also knowledgeable and paying attention.

"Authenticity is the future of fashion," said Neil Blumenthal, cofounder

and co-ceo of Warby Parker.

"We live in the age of the Internet, where you have so much access to information that I think it has to be everything from what a brand stands for to how it behaves, what are the individuals at a company, how do they act? How are they good stewards of the environment? Are they good stewards of the supply chain and the factories that they work with? All of those details matter."

And fashion, as a great recycler,

will always see a future informed by the past, although perhaps not dominated by it.

"We all are looking to the past because sometimes it's more safe looking at the past," said Pierpaolo Piccioli, co-creative director at Valentino. "But we've always felt that it was better to see, not to go back with nostalgic eyes. You can see heritage as memory and if you have a memory, you can look forward into the future with big roots." ■



“

Growing up in a small, two-stoplight town in western Tennessee, with seven brothers and sisters, I had come to understand, appreciate and embrace midtier customers.”

— Marvin Ellison, J.C. Penney Co. Inc.



The Takeaway

The one-size-fits-all approach is a thing of the past.

1. "Everything is so much faster-paced today, so prioritizing is key. We need to innovate because the world is changing so quickly."
— LIZ ROBBELL
HUDSON'S BAY CO.
2. "We want to conquer new customer acquisition."
— FEDERICA MARCHIONNI
LANDS' END
3. "While we have a light footprint in terms of stores, each one is a hub for our customers."
— LAURENT POTDEVIN
LULULEMON ATHLETICA INC.
4. "The magnitude of the dry powder is enormous, but only a small percentage is spent in fashion apparel."
— MARC S. COOPER
PETER J. SOLOMON CO.
5. "We think off-line retail is growing due to online, but there's still a lot of friction to it."
— KEVIN MCKENZIE
WESTFIELD LABS
6. "If a company gets a call [from an activist], this is not a call you do not want to take seriously."
— KATHY ELSESSER
GOLDMAN SACHS
7. "The reason you hear rumors on why [some deals] couldn't get done to go private is because financing was hard to get done."
— LISA CLYDE
BANK OF AMERICA MERRILL LYNCH
8. "I believe the physical store is not dead. We still need to experience the physical space. Technology doesn't change that."
— DANA CHO
IDEO
9. "One of the biggest misconceptions — and this is probably partly our own fault — is that people think that we're a social network, and we're not."
— TIM KENDALL
PINTEREST
10. "You still need to invest in stores, but it doesn't mean laying down a lot of cement."
— AIMEE KIM
MCKINSEY & CO.
11. "We sell enough jeans in a month to stretch from the U.S.'s East Coast to the West Coast. And we sell more than \$1 billion worth of bananas each year."
— JANE EWING
WAL-MART U.S.
12. "Data is ubiquitous, but insights are rare."
— GREG PETRO
FIRST INSIGHT INC.
13. "One hundred percent of your customers are on mobile so it's imperative to have a very strong mobile strategy going into holiday — and beyond."
— NICOLAS FRANCHET
FACEBOOK
14. "We do a lot of research to understand whether that chain is a bunch of stores or whether it truly has brand equity that resonates with the consumer."
— DAVID JAFFE
ASCENA RETAIL GROUP INC.



MARKETPLACE

Bridal Channel Television Network and 800rosebig.com

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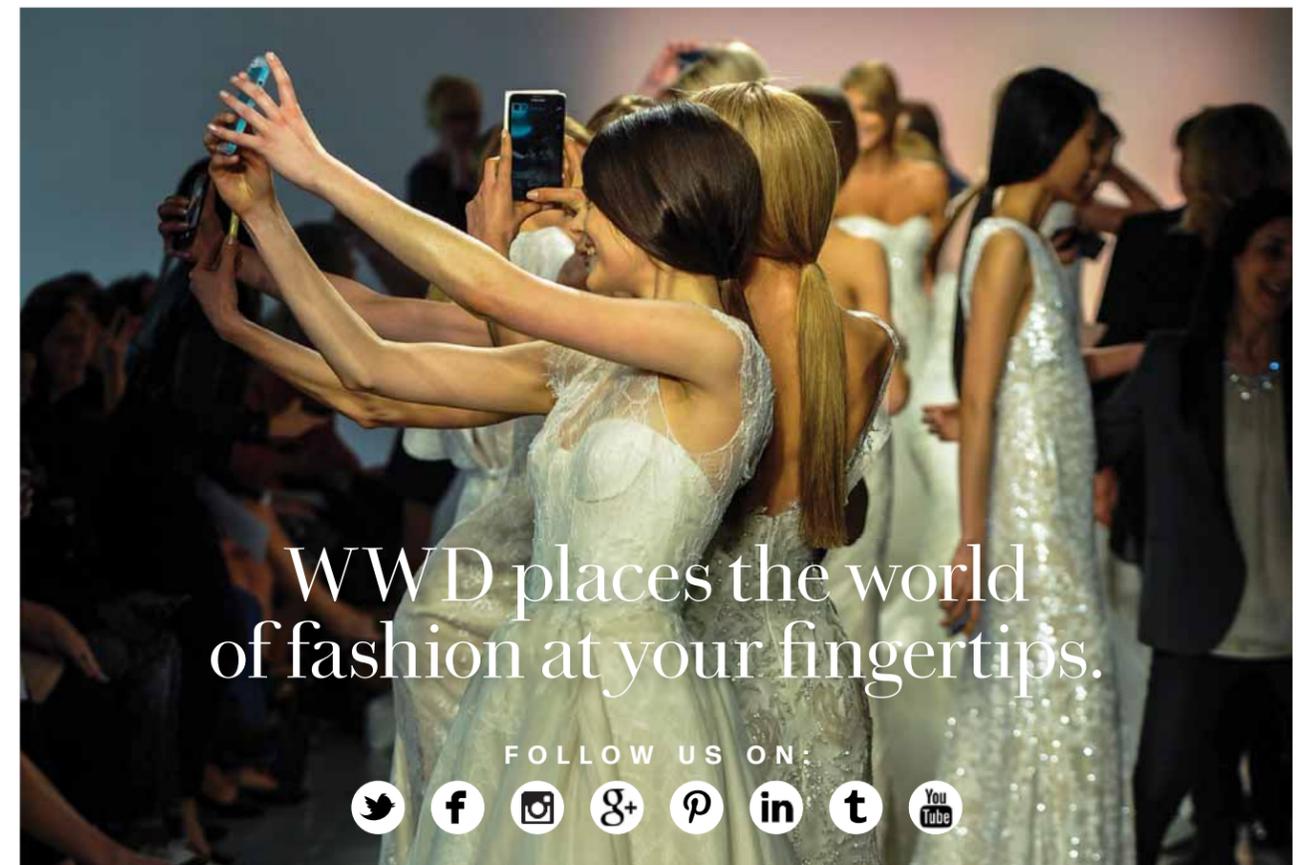
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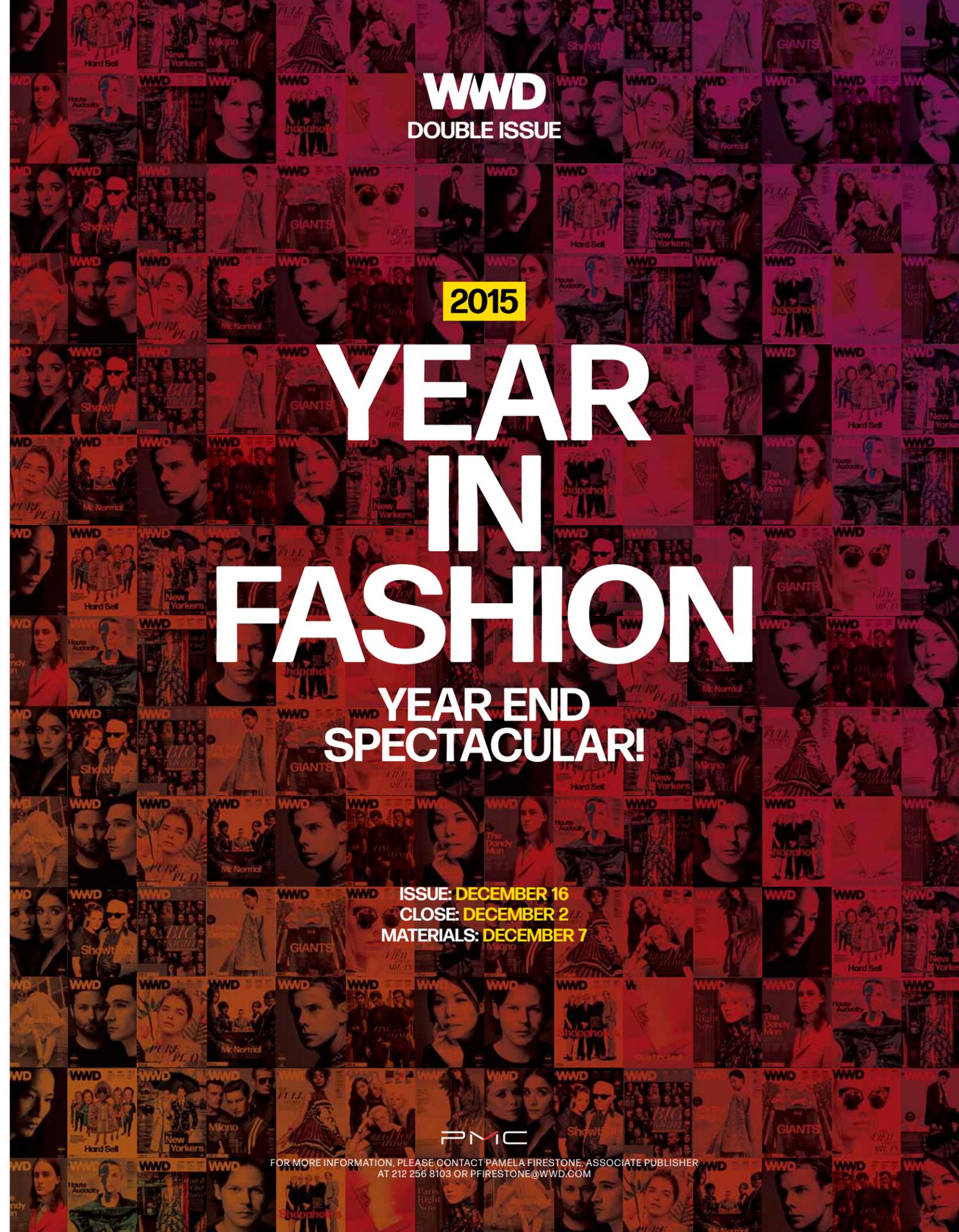
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WWD SENIOR EDITOR

A consummate journalist and beloved colleague.

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