



'Light' Is Right

U.S. designers have their eyes set on the City of Light.

By MILES SOCHA

Rue Saint-Honoré is starting to look a little bit more like Fifth Avenue, with Tory Burch and Coach soon joining one of the hottest and most diverse retail strips in Paris, which is already home to Michael Kors, Tom Ford and Theory boutiques.

Burch's 4,400-square-foot store, slated to open in a seven-story building June 27 with a cocktail celebration programmed for couture week, is only the latest high-profile arrival. Tommy Hilfiger recently planted his second Paris flagship on the Boulevard des Capucines and J. Crew christened a women's-only store in the trendy Marais district in March.

The flurry of arrivals suggests that premium and upscale American brands are increasingly looking beyond their borders and comfort zones to fan growth — and eager to accrue the prestige and credibility a Paris address offers.

"The stage of Paris is a very important stage," said Nigel Darwin, Coach's president in Europe. "You not only position your brand in the city and the country, you position your brand globally."

"New York brands really evoke something that's very appealing across Europe," Darwin added, lauding the American city's reputation for energy, freedom and spontaneity. "In some ways, American sportswear has never been more relevant."

Daniel Grieder, chief executive officer of Tommy Hilfiger, said European capitals are integral to its retail strategy, with a halo effect across broader markets.

"Paris, as a leading world fashion capital, has tremendous visibility and influence for French and global consumers. Establishing high-profile locations in Paris has helped us develop the Tommy Hilfiger brand more quickly throughout the country," he said. "The recent opening of our second store in Paris underscores the city's significance to us. Our success is rooted in identifying the right real estate opportunities — location is always key."

American banners have had a mixed track record, with Calvin Klein Collection and Brooks Brothers among those that have bid adieu to the Paris retail scene in recent years. Canada tends to be the first stop abroad for American brands, followed by the U.K. Paris is a popular third step, though in competition with Asian cities such as Hong Kong and Tokyo and other European capitals.

"For fashion, Paris is the place to be." That's why Valentino opened its first men's store in the world on Rue Saint-Honoré," said Marc-Christian Riebe, founder and ceo of Zürich, Switzerland-based retail real estate agency Location Group, referring to the unit across from the forthcoming Tory Burch store.

Hilfiger's Grieder noted Parisian consumers are "more fashion-forward and trend-focused, and have a very strong appreciation for style and quality. To appeal to this consumer base, we increased the number of fashion items in our Parisian retail offer."

Each arrondissement also has its "different psychologies and styles," he added. For example, Hilfiger's Champs-Élysées flagship store attracts more tourists, especially from China and the Middle East, while its Capucines location "resonates more strongly with a local consumer base."

Riebe estimated that 90 percent of American brands initiate their overseas expansion in London because the business parameters are more transparent, there's no language barrier, and the market looks more familiar. After Paris, likely next steps are Milan or Rome, Munich or Frankfurt, or Zürich.

Diane von Furstenberg, who planted her first boutique in Paris back in 2004, credited her upbringing in Belgium and French being her mother tongue for an easy transition.

"France is intimidating if you are American, but I think the way to tackle it is to present yourself as an American in Paris because that suddenly is glamorous," she said. "I was never intimidated by going there, and they've been extremely welcoming and good to me. It doesn't feel that foreign to me...The truth is you end up working with mostly tourists, or people who travel."

Beyond the language barrier, chief among inhibitors for a Paris retail sojourn is a lack of data about pricing and productivity of various districts, according to Location Group's Riebe.

Also giving pause are the crisis in Russia, anemic demand in Southern Europe, and dramatic swings for the euro and the now de-pegged Swiss franc.

"Everybody is much more careful than in the past when it comes to new locations," Riebe said.

Still, he's bullish on prospects for Burch and Coach, calling the latter "the next Michael Kors," likely to add up to a dozen new boutiques in Europe annually. He considers Victoria's Secret, John Varvatos and Shinola, which opened London locations in recent years, among brands likely to plant stores in the French capital eventually.

Coach's Darwin was bullish: "Certainly I see growth potential in Paris," he noted.

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Yet in general, barriers in Paris include a high cost of entry, with the Champs-Élysées ranked the third most-expensive street in the world by Cushman & Wakefield. And then there's key money. Riebe said Brooks Brothers received a payment of 10 million euros, or \$11.3 million, from Alexander McQueen for its prime stretch of Rue Saint-Honoré, with the McQueen unit slated to open this summer.

Given the high costs of operating in Paris, Brian Ehrig, retail strategist at global consultancy Kurt Salmon, noted brands should be prepared to open multiple locations, allowing them to shift around unsold merchandise. "It's pretty hard to be profitable with just one store," he said. "You have the same administrative support if you have one or five stores."

Also, having multiple outlets allows brands to test various locations, as J. Crew did in London, opening high-street and mall locations, Ehrig noted.

He described a "beachhead" approach, wherein brands mount large stores in various European capitals — as Abercrombie & Fitch and Forever 21 have done — or alternatively "coming into a marketplace, understanding and penetrating it deeply. That's more of a recipe for commercial success and profitability."

Pricing is a challenge as American brands are typically tagged a double-digit percentage higher in Paris to reflect higher operating costs.

And brands in Paris have limited options when

inventory is not selling, given tight regulation of official sales periods and fewer off-price options.

Yet the pressures on American brands to boost revenues are only growing, with e-commerce and international expansion the two chief avenues to topline expansion.

"It's slow going in the U.S.," Ehrig noted, adding "there's a lot more channel conflict" that can make opening directly operated stores difficult.

Ehrig said premium American firms "all offer a brand story that is compelling and offering a certain lifestyle. A lot of European shoppers come to New York's Fifth Avenue and they see all those products."

American brands are also getting a spotlight on Paris' Left Bank at Le Bon Marché, which has a storewide Brooklyn-themed exhibition running from Aug. 29 to Oct. 17 and showcasing brands such as J. Crew, Ulla Johnson, Knickerbocker and Kinfolk.

"This is a way of life we intend to showcase and explain it to our customers," said Jennifer Cuvillier, style director of the department store owned by LVMH Moët Hennessy Louis Vuitton, mentioning the borough's emphasis on DIY and local artisans.

Le Bon Marché has also hosted a large-scale exhibition for Proenza Schouler, carries "emerging" designers such as The Row and will add Trademark, Piamita and Mansur Gavriel to its assortments for fall. "We have American designers in every kind of category," she said. "We always find a lot of new, interesting things in the States." ■

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