Lack of Luxury

High-end men's is reaching a turning point as the economy continues to scare off shoppers. << By Jocelyn Anderson

The effects of the stalling economy are being felt across the footwear industry.

Even the high-end space, which is typically immune to the small fluctuations of the market, is taking a hit as widespread layoffs rattle the corporate world. Men once flush with cash are cutting back on discretionary purchases — and that includes pricey shoes.

While many industry sources say aspirational shoppers have been hit hardest, most agree that the luxury brands — with shoes that typically sell for more than \$500 — are not impervious to bad times either.

"High-end footwear is no different from anything else," said Eli Portnoy, CEO of the Portnoy Group, consumer trend analysts. "It's going to be hurt because gas [prices continue to rise], and even people who have a lot of money are saying, 'I don't really need another one of those.' Societally, we have always seen that even rich people get a little nervous that it's too showy. And they, too, need to be a little observant of the economic climate and not be so extravagant."

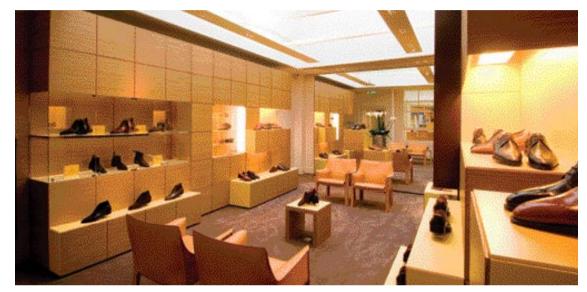
At Arthur Beren in San Francisco, men's shoe buyer Gary Alexander reported that sales have dipped by about 15 percent so far this year. "Even the higher-end customers will have a tendency to tighten their belts, and more so in men's than in women's, because men are usually the first to cut back on spending," Alexander said. The store recently launched a Website in an effort to increase sales.

The new permanent 50 percent-off section at San Francisco-based Bulo's men's shoe store is evidence of the same troubles. The retailer's women's location across the street has survived the downturn better than the men's location, according Roberto Scaccia, GM of the men's store, which carries such brands as Officine Creative and Jo Ghost. "Right now, the men's store is not doing great," Scaccia said.

Steven Taffel, a former retail manager for Prada, secured space for his new high-end men's shop, Leffot, before he saw reason to worry about the economy. But by the time Leffot opened in New York's Greenwich Village in May, things had changed.

"It's a little scary," he said, of the retail climate. "But my feeling is that it's hard for people who buy luxury goods to go down-market. It's a little more insulated [in high-end footwear]." Taffel said he hopes his unique merchandise mix will attract consumers. He stocks many brands that are hard to get this side of the Atlantic, including Gaziano & Girling from England and Aubercy from France.

Vendors also say they are feeling the crunch as their retail customers scale back on future buys. Emiliano Baccarini, a partner at Ultramoda, which distributes such









Clockwise from top: John Lobb reaps the benefits of increased tourism in New York; Leffot banks on an exclusive spread of brands to bring in high-end customers; and Arthur Beren recently launched an e-commerce site to help bolster sales.

high-end labels as Calvin Klein Collection and Rodolfo Zengarini, said sales are down compared with last year. "How could they not be?" he said. "Our product was positioning itself at mid-\$200 to high \$200 before, and now [because of increases in other costs] we have to be between low \$300 and low \$400. And to sell a shoe at \$375 is not easy."

Designer Martin Dingman said he noticed consumers beginning to curb spending as soon as the economy started to tank. "They cut back on the amount of dollars they spend," said Dingman, who manufactures high-end shoes, as well as belts and wallets. "At this point, when a consumer spends a dollar, he doesn't want another one [of the same thing]. When times are difficult, [our company tries] things we've never tried before." In addition to adding unique styles to the mix, Dingman said he hopes to expand distribution in foreign countries, relying less on the American market for business.

It's not all bad news for the high-end category: One bright spot is the influx of international tourists coming to the States to shop. With their local customers

watching their wallets, retailers are reaching out to foreign shoppers in an effort to boost business. Stuart Newmark, GM and buyer for Beverly Hills, Calif.-based boutique Carroll & Co., said the weak U.S. dollar translates into big bargains for tourists. For instance, he said, Alden of New England's shell cordovan runs about \$535 at Carroll & Co., but in Japan, it costs twice as much, and in Europe as much as \$800.

International tourism in New York City has been steadily increasing since 2003, according to the U.S. Census Bureau. Kelli Duggan, manager of the John Lobb store on New York's Madison Avenue, said she's definitely noticed an increase in international shoppers. To attract this group, the store has reached out to luxury hotels, including placing advertisements within in-room guidebooks.

"With the economy now, we have customers trying to take advantage of exchange rates," Duggan said. "We always tell them not to shop the different stores only for pricing, but also to do it because it becomes a souvenir."