

INSIDER

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John Varvatos says he regularly receives pitches for reality television shows from producers hoping for a glimpse inside his life.

The curiosity makes sense. Over the last 14 years, the men's designer has built a fashion empire with a decidedly rock 'n' roll aesthetic. Famous friends such as Iggy Pop, Willie Nelson and Ringo Starr — with whom Varvatos will announce a new collaboration today — have helped build buzz. He hosts a Sirius XM radio show devoted to music. And this year he even started his own music label, John Varvatos Records (*see sidebar*). All that, and his business is on fire.

Still, he isn't ready to open up to TV viewers again. (He previously was a mentor on two seasons of NBC's competition show "Fashion Star.")

"It's probably something I would never do again," said Varvatos, 59. "I kind of learned I like my full-time job. I want to be the best at what I do here."

For Varvatos, that has meant steady focus on growing the company, which he said is now "significantly more than a \$250 million brand." In 2014, he expects a 47 percent sales increase, with footwear making up about 30 percent of that.

In fact, the designer is something of a shoe dog himself. He launched the label with a full range of luxury styles, added the younger Star USA footwear collection in 2009, and continues to partner with Converse in a long-term deal that has already spanned 12 years.

"It's exciting to see that we are a force in the shoe business across many fronts, from athletic-inspired to elegant dress shoes," he said. "I dreamt of that when we



JOHN JAMS

An aggressive retail push and new record label are amping up the designer's business.

BY JOCELYN ANDERSON



The designer's Madison Avenue store is his third in New York

started the company. Shoes always have been one of my biggest passions.”

On that note, the company is exploring its first footwear and accessories store. Still in the early stages of planning, Varvatos said a location could open in the next 12 months — in a city yet to be named — and it could be an expanding concept that goes beyond one door.

Next up for now, however, is the firm's first European store, set to bow in London in August. That 10,000-sq.-ft. space, on Conduit Street, will house Varvatos' largest shoe department yet at 2,500 square feet.

Retail expansion has been a priority for the company since Lion Capital LLP acquired majority ownership from VF Corp. in 2012. This year the initiative kicked into high gear, and the label will have 22 branded boutiques by the end of 2014.

“It's the largest part of our business in sales and the most profitable part of our business, as well as the best experience for the customer and branding,” said Varvatos.

Store openings this year include Mexico City; Bangkok; Bal Harbour, Fla.; Houston; and New York. The Manhattan store, which opened this spring on Madison Avenue, marked the designer's third in the city.

While the Bowery location — known for being housed in the former CBGB nightclub — has added to Varvatos' music-industry cachet, the new store has a completely different personality, he said. The space takes inspiration from a traditional Upper East Side apartment, furnished with handcrafted carpets and antique accessories, and boasts a

skylighted atrium.

“It's fun that we have these different concepts; most brands only have one,” he said. “We can merchandise and style differently [in each spot]. It gives me, as a designer, much more room in my inspiration to play around and still feel as though I am in my genre.”

Beverly Hills, Calif., and Chicago are slated next for new locations. Vancouver has been mentioned as a possibility as the label grows its presence in Canada (Toronto opened in 2013).

The recent push

does not discount the firm's wholesale partners, Varvatos said. That business will grow by almost 50 percent this year thanks to expansion in Star USA, as well as strong fragrance and eyewear options, he noted.

Lord & Taylor carries Star USA in seven stores as well as online. When the retailer revamped the men's department in its New York flagship last year, it also added a Star USA shop.

“It is a great American casual contemporary shoe with a rock 'n' roll edge. There is not a lot in that category,” said Wayne Drummond, group SVP of branded apparel at Hudson's Bay Company, owner of Lord & Taylor. “The

trends have been toward American heritage in footwear the last few years, so the edge it offers feels fresh.”

East Dane, brother site to Shopbop.com and a wholly owned subsidiary of Amazon.com, also carries Star USA footwear, as well as the Converse product. Fashion director Jonathan Evans said the shoe line attracts a range of customers.

“The brand does a good job of making shoes and boots that feel dressed up but not too buttoned up, by which I mean they skirt the line between formal and casual in a way that feels easy to wear and approachable for a lot of guys,” said Evans. “Our customer looks to Star USA footwear for when he wants to look put-together but not necessarily like he's getting ready for a big meeting. That said, as long as the office isn't too traditional, he can probably wear them there, too.”

As for the Converse styles, Evans said Varvatos brings his signature design sensibility to an iconic brand. “[That collaboration] is a great example of a brand bringing a new perspective to classic styles by teaming with an outside designer,” he noted.

For his part, Varvatos said Converse offers an endless source of inspiration. The challenge, he added, is injecting freshness to the classic silhouettes. Even his own laceless concept, which he developed about 10 years ago on the All



John Varvatos spring '15

Music Man

His love for music is well-documented, and in February, John Varvatos took it a step further, announcing that he partnered with Republic Records, a division of Universal Music Group, to create his own record label.

John Varvatos Records has yet to sign any artists, but the designer said he is close to doing so.

“I wouldn't back anybody that I wasn't totally 1,000 percent behind; I don't care if everyone tells me they are the next big thing,” he said. “I'm going to be nurturing a handful of artists a year. Instead of being part of a label that has 50 or 100 acts, they will be part of one with [just a few].”

Originally, the idea was to find talented young musicians who have never had representation. But according to Varvatos, so-called “monster artists” have approached him looking for a change — and muddying his vision.

“It wasn't even part of my thought process initially to look at large artists because I thought they were untouchable,” he said. “When we announced this, we got calls from management of big artists who said they were tired of the record industry the way it is.”

And if people think they know what type of music Varvatos will back, he said they're in for a surprise.

“I want this label to be more than a rock 'n' roll label,” he said, adding, “This is going to be a very democratic [project].”

John Fams

◀ Star, has become instantly recognizable.

"We should have patented that when we did it because every single brand knocked us off immediately," Varvatos said. "That was one of those great items that will be around for many years."

The designer will revisit the look for spring '15. "I've always loved what it represented, and we wanted to expand the offering — in everything from materials and construction to finishing," he said.

Converse is also upbeat on the partnership. "For over 10 years, Converse has partnered with John Varvatos to create incredible collections that not only represent Converse's rich heritage but John Varvatos' passion for rock 'n' roll and distinct designs," said Geoff Cottrill, VP and GM of brand & segments at Converse. "He continues to be one of today's most visionary designers and has helped Converse establish a premium presence in the marketplace."

These days, Varvatos said additional collaborations are not on his to-do list, though he does one-offs when the match is right. Last year, he promoted a limited-edition Chrysler 300C in his name and designed a Patrón tequila bottle stopper for his charity of choice, Stuart House.

For Bloomingdale's, he created exclusive pieces, including a Chelsea boot, under the Collection and Star USA monikers for the store's fall '14 campaign that boasts 1,000 pieces by 100 designers.

"John's a huge partner for us; we've been with him since he launched his collection," said Josh Peskowitz, men's fashion director at Bloomingdale's. "It's very rock 'n' roll-inspired. It has a dressy attitude to it and appeals to a lot of guys who want something outside of the more traditional [offerings]."

Turning to category expansion, the designer said he has considered adding underwear and maybe a home collection. He continues to field questions about women's product; Varvatos said he remains focused on his male customers.

And now that the clientele has become more adventurous in their fashion choices, he said he can push the boundaries even more.

"There really are almost no rules anymore. The only rule is to be true to your brand," said Varvatos. "I want this to be one of the great American brands. I want that to be the legacy when I'm done with it."

Alibaba Makes Big Splash

BY KHIA MERCER

NEW YORK — Chinese e-tail giant Alibaba Group is taking aim at America, and the digital landscape is about to get a lot more crowded.

The company's highly anticipated public debut is expected to take place on the New York Stock Exchange in August.

"Alibaba is a big player entering the market, and they are a formidable competitor stepping onto the playing field," said Marshal Cohen, chief industry analyst at The NPD Group.

Even before the IPO, Alibaba is building buzz here with its new boutique-focused site called 11 Main, which launched last month.

"The 11 Main shopping experience was designed for the U.S. shopper, from the overall design through to the shops and products most wanted by the U.S. consumer," said 11 Main president and GM Mike Effle.

The site hosts 1,000 merchants and plans to keep adding more as a way for Alibaba to grow its brand awareness in the U.S. ahead of its IPO. One of the stores featured on the site is Solestruck, a shoe store in Portland, Ore., that sells new and vintage footwear.

The site fulfills two unmet needs, according to Effle. "Consumers wanted a beautiful shopping experience that brings together a hand-selected collection of shops and boutiques, where they can discover new, trusted shops. And [storeowners] requested a more affordable way to reach consumers that also elevates their individual shops' brands within a trusted environment," he said.

Insiders said the move was a strong way to introduce Alibaba's business model to the U.S. market.

"What [Alibaba founder] Jack Ma is doing is building brand recognition and showing that Alibaba is not a retailer but a marketplace connecting merchants and consumers," said Jim Tompkins, CEO of Tompkins International, a supply chain and retail strategy firm.

11 Main is a prelude to Alibaba's 2015 state-side launch of a wholesale marketplace offering products at factory prices.

Unlike the firm's China-based sites Alibaba.com and Aliexpress.com, Tompkins said the U.S.-based site will likely have an American-style look and feel, and would be similar to online shopping sites such as Zappos.com or Amazon.com, which offer a large product assortment.

"Next year you will see the company make its real play in the U.S. with a new website. Ma will be able to build a huge marketplace in America because he will have the brand recognition he



doesn't currently have," Tompkins said.

He warned that U.S. retailers should prepare for increased competition. Alibaba will compete most directly with online retailers such as Amazon and eBay Inc. or Zalando in Europe. (Amazon did not respond to requests for comment, while eBay declined to comment.)

While many online competitors are concerned about Alibaba's increased presence, Yahoo is supporting its development.

Alibaba's strong fourth-quarter results were the highlight of the period for Yahoo, which holds a 22.5 percent stake in the company.

"With its reaccelerating revenue growth and high margins, Yahoo will continue to reap the rewards of its Alibaba holdings," added Ben Schachter, an analyst at Macquarie Equity Research.

In a recent research report, Morningstar analysts put Alibaba's equity value at \$220 billion and suggested its IPO could raise \$26 billion, which would make it the biggest IPO in the U.S. to date.

One concern ahead of the company's listing is the sale of counterfeit goods on Aliexpress.com, according to designers and merchants.

"What these companies are doing is using images of original product to sell the shoes online, confusing consumers, and shipping fake China copies to the consumer," said Aquazzura president and creative director Edgardo Osorio.

"Young companies like myself not only suffer from counterfeiters like Alibaba, but also from their American counterparts ... who make their business from copying the designs of other designers, in many cases young brands that don't have the financial power or structure to fight against them," Osorio said.

For its part, Alibaba recently stated plans to clamp down on merchants offering copycat products. Alibaba Group will strengthen its punishment on offenders through a three-strikes-and-you're-out enforcement policy for Alibaba.com and Aliexpress.com, Alibaba recently said.