

# WWW MONDAY

Accessories/Innerwear/Legwear



## Class Mates

Taking a breather from fashion hijinks, Marc Jacobs is reworking some of his classics at Louis Vuitton, creating an urbane mix-and-match wardrobe for pre-fall. Conservative yet quirky, the collection blends Fifties tailoring with sportswear influences. Here, his wool skirt suit, silk blouse and leather gloves and pumps. For more on the season, see pages 8 and 9.

## Facing Growing Pains: Indie Bag Brands Soar, But Tough Road Ahead

By Caroline Tell

**I**t's becoming harder than ever for the little guy to survive and thrive in the handbag business.

Even as demand for handbags continues to climb at retail, and scores of new designers flood the market in hopes of becoming the next Kate Spade or Coach, many independent brands are facing an increasing number of hurdles to growing their businesses — from the weakness of the dollar against the euro to the marketing might of major designer brands like Louis Vuitton, Gucci or Prada. Then there's the concern of expanding too quickly for

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# Indie Bag Firms Carry Heavy Burdens

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fear of becoming too popular too quickly and causing a brand to burn out.

"My competition is the big brands," said Devi Kroell, who designs python and leather handbags for her four-year-old signature firm. "They have advertising behind them and they have the clothes behind them. All of this creates a strong brand identity. We don't have those advantages."

Kroell is slated to open a store in Manhattan this year and opened a boutique in East Hampton, N.Y., in 2006.

With so many moneyed, established ready-to-wear brands launching handbag collections in the last two years — Diane von Furstenberg, Jill Stuart and Elie Tahari among them — independent designers are going up against larger companies with much bigger marketing and design budgets.

Jessie Randall of Loeffler Randall — who last year won the CFDA Swarovski Accessories Award — has also felt the heat in the market, specifically with her materials. Loeffler Randall's leather totes and clutches wholesale from \$85 to \$385.

"Our leather out of Italy has really affected our pricing," Loeffler said. "We've worked hard to stay within our market, but it's a challenge because the euro has gone above where we'd imagine it would ever go. We try and buy early, but it's still a gamble."

The euro's surge has had similar effects on European designers. Nadine Ferber, who owns Mick Margo, a boutique in New York's West Village that seeks out lesser-known labels, said she is shortening her order of brands she encounters at the Paris trade shows.

"I don't take a chance on the smaller designers anymore," Ferber said. "For smaller French labels, people here aren't willing to pay the up-charge now. I'll go to Paris this season, but if it continues to rise, it becomes less valuable to go over there for us."

The average number of bags the American woman buys annually has tripled, according to Marshal Cohen, chief industry analyst at The NPD Group, a research firm based in Port Washington, N.Y.: She now buys three every two years instead of one every two years.

In the Nineties, retailers created showcases on the main floors of their stores for innovative, trendy bags priced a level below the leather goods icons such as Gucci, Prada and Louis Vuitton. Out came lines like Kooba and Botkier, with fashionable leather bags selling for around \$375, compared with the top-tier brand's average bag prices of \$1,000. The lower-priced bags turned up on the arms of celebrities such as Sienna Miller, whose name was given to Kooba's signature whipstitched style, and Lindsay Lohan, who often wore Botkier's Trigger design.

In this category, Spade is both the benchmark for fledgling bag companies and the warning signal. Started in 1993 by Kate and Andy Spade, the company built its brand based on a concept of handbags as fashion items, opened stores and branched out into multiple categories, from shoes to tabletop. Spade was acquired by Liz Claiborne Inc. in 2006 for \$125 million, but many believe the brand's core bags have lost some of their luster in recent years, given the rapid expansion into other categories. Claiborne hired Deborah Lloyd as Spade's new creative director, and has charged her with first reinvigorating the core handbag line.

Spade's presence in the market is an example of how a successful small brand inevitably makes the leap to big business. Handbag brands with strong sales often expand into other categories in a similar effort to expand their company. Loeffler Randall recently added swimwear to its repertoire. But they must be careful not to dilute their brands and weaken their core product.

Many independent labels are sitting on this cusp. Kooba, for example brought on an equity partner through a growth investment from Swander Pace Capital in October. Botkier reported increases of 40 percent. Devi Kroell, another CFDA winner, said her sales have tripled in the last year.

But designers entering the race need to grow their core category brand by pairing up with smaller specialty stores and boutiques. And despite the rising cost the euro is placing on the consumer, firms need to keep their wholesale prices affordable.

"We can't compete with certain big-name stores and neither can our boutiques," said Jeremy Bassan, owner of Big Buddha, a handbag firm based in Santa Cruz, Calif. "So we try to provide [the boutiques] with good individual styles at affordable costs. We treat them well."

According to Emily Blumenthal, who founded the Web site handbagdesigner101.com to guide emerging designers, boutiques are often the better option for independent designers, regardless of department store interest. They

often take more chances on lesser-known names.

"The idea of getting a bag into a department store is an aspirational goal, but a whole lot of work," Blumenthal said.

Cynthia O'Connor, whose New York showroom COC + Co. represented Kate Spade, Kooba and Isabella Fiore in their early years, found that since the luxury handbag boom, bigger stores are less inclined to pick up contemporary or independent labels.

"Right now, we're battling the issue of 'luxury is what sells,'" O'Connor said. "The more luxury bags stores have, the more sales per square foot they get. And as long as designer product blows out of stores, dollars will close on contemporary."

Cate Adair, a costume designer on "Desperate Housewives," is well known throughout fashion and Hollywood circles but has had a hard time selling her

price tag and find their own niche.

"The market is tough," Babcock said. "I like seeing individuals do their own thing and not knock off higher-end designs, which is a challenge. Those people are doing extremely well, though."

Babcock noted the Foley + Corinna City Tote has an almost "cult-like" following. Other strong sellers are Lauren Merkin clutches and any bag from Marc by Marc Jacobs.

Sandra Wilson, accessories fashion director for Neiman Marcus, said the store "is always looking for fresh new talent, new ideas and great product that would appeal to our customer. We are just beginning the process for this fall."

Most independent companies are still seeking editorial coverage from magazines and celebrities to endorse their brand.

Loeffler recalled the impact bloggers had on her launch. She attributed much of her start to fashion sites such as refinery29.com and racked.com.

Celebrity power in building a brand hasn't declined either. In the last three years, handbag firms such as Kooba and Bulga have exploded thanks to paparazzi and red-carpet coverage of such stars as Jessica Alba and Cameron Diaz.

"I'm happy celebrities are wearing the bags," said designer Monica Botkier, whose label is a Hollywood favorite. "But they're also real women. We have a great following with Angelina Jolie. She's a mom of four and running around. It's great to see her using her bag with her kids."

Botkier acknowledged such celebrity snapshots have sparked consumer demand at retail. Jolie's Sasha Duffie is a top seller.

Some independent labels are playing to a broader customer base by creating capsule collections with big-name retailers. Rafe, Loeffler Randall and Devi Kroell are three firms that have stretched their brand awareness by partnering with Target Corp.

"For us, the main benefit was to get the brand name out there," Loeffler said. "We're fairly new and people know us, but I don't think people in Middle America know about our brand. It's a great way to get it out. Plus, the marketing money Target put behind the campaign was incredible. We don't advertise, so for us to have an ad in the back page of the [New York Times] Sunday Styles section is huge."

Kroell said her partnership with the retailer helped her see how to eventually start a secondary line to her designer bag collection, which wholesales from \$300 to \$7,000.

Showroom operator O'Connor said independent handbag designers must start branding themselves from the moment they complete their first sketch and that the issue is not whether it's a bad or good time to enter the race, but whether it's a good time for a particular designer.

"Ninety percent of the people who design have no clue where the money is coming from, it's all a pipe dream," O'Connor said. "I look for people who know where their next \$3 million is coming from. If they do, and if they know where their next \$3 million will come from after that, it's a good time."



namesake fledgling handbag line at Bloomingdale's. The retailer picked up the line from the get-go, but the brand was getting lost among major designer brands. Adair has had more success at smaller stores such as Kitson and Fred Segal.

"It's hard because you have to build a name and brand [yourself]," Adair said. "You really do need to build your brand in smaller stores first."

Tim Schifter, chairman and chief executive officer of Schifter + Partners, which produces and distributes L.A.M.B., Jill Stuart and Kid Robot handbags, emphasized the importance of having strong brand awareness before shopping a label to a big store.

"When retailers see a brand's rtw line doing really well, they're going to take the chance on the handbags," Schifter said. "It's about having an emotional connection."

Kassidy Babcock, buyer for Shopbop.com, scours the New York trade shows — like the recent Accessorie Circuit and AccessoriesTheShow — for independent labels, where her budget for emerging designers is about 31 percent of her open-to-buy, compared with 23 percent last spring. Babcock said in 2007, handbag sales grew 222 percent, and projects 125 percent growth this year. She encourages those designers to stay under the \$400 retail

## Lighter Hues Shine for Spring

It may be winter, but spring was in the air at Accessorie Circuit and AccessoriesTheShow, where companies presented warm, sunny jewelry in shades of pink, blue and seafoam green.

### DANA KELLIN

The designer showed dragonfly and floral pendants in aquamarine, opal and peridot clusters.

"It's about happy, colorful necks this spring," said Janet Goldman, chairman of Fragments, which represents the brand. "We think the short, unique neck and the big earring will be trends this season."

### SUSAN HANOVER

Hanover's bright, chunky bracelets with citrine and turquoise stones are perfect for stacking. Hanover cut her stones for spring with a raw edge.

"It's like the cuff, but with a new take," Hanover said. "It's natural looking and bright."

### PILGIRM

The Danish brand's floral collection connects to its 25-year-old history.

"We have been doing floral pieces for years," said chief executive officer William Genco. "It fits well with our brand and especially with the season." — Caroline Tell

