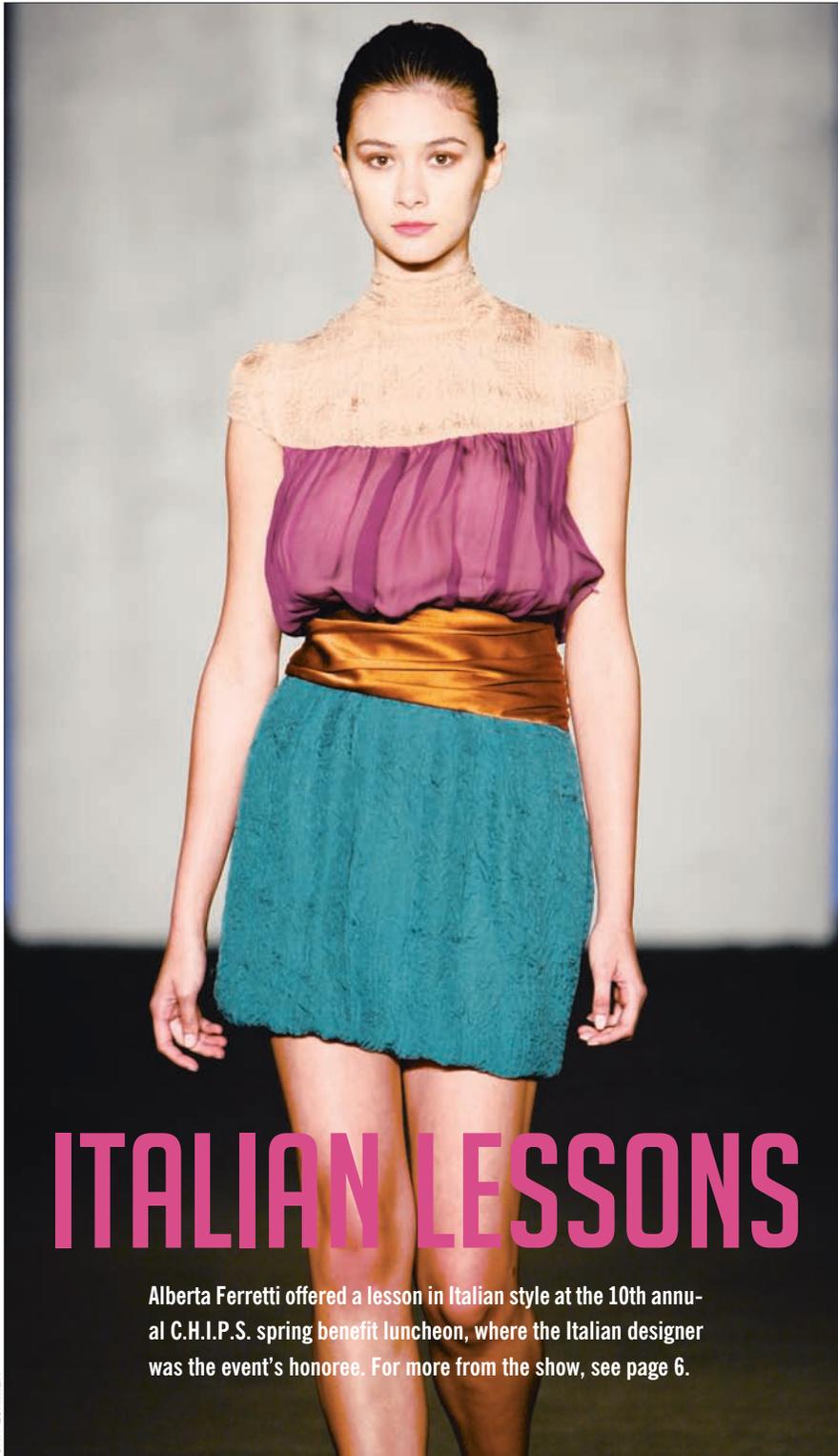


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ITALIAN LESSONS

Alberta Ferretti offered a lesson in Italian style at the 10th annual C.H.I.P.S. spring benefit luncheon, where the Italian designer was the event's honoree. For more from the show, see page 6.

JOHN ECKMIER

Swine Flu Stoppages in Mexico Reverberate Through U.S. Apparel Cos.

By Deborah Belgum *Senior Editor*

The swine flu outbreak in Mexico is costing California companies making clothing in that country millions of dollars to cover the expense of government-mandated factory closings and a high-rate of absenteeism.

With Mexican factories ordered to close between May 1 and May 5 to thwart the flu's spread, many U.S. clothing companies now expect to fall anywhere between three to seven days behind on deliveries to retailers, many of whom are prone to take chargeback money for late deliveries.

"It did hurt us financially," said Daniel Barcenas, international sales director for **Fortune Fashions Industries Inc.** in Vernon, Calif. "Fortunately, this was so well-publicized that we have gone to our customers to explain what happened."

Last year, Fortune Fashions, founded in 1991, moved
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Online Sale Sites Experiencing Growth in a Slow Economy

By Connie Cho *Web Editor*

A growing coterie of upscale sample-sale Web sites is providing designers with an outlet to discreetly sell overstock merchandise, but these e-tailers say they are helping build brand loyalty for the labels they sell with their buzz-worthy "flash sales" and fashion-savvy customers.

While traditional retail remains unsteady during the ongoing economic downturn, online retail is expected to sustain continued growth.

Reston, Va.-based Web-marketing firm **ComScore Inc.** reported on April 30 that e-commerce revenue in the first quarter of 2009 was \$30.6 million, a 16 percent increase over the same period in 2008. In January 2009, **Forrester**
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Research Group forecast that e-commerce sales will grow 11 percent to \$156.1 billion this year.

Sites devoted to sample sales are proving to be an emerging niche among Web e-tailers. These sites often require members-only access and special invitation codes for modes of entry and offer discounted designer brands. The online sales typically last for a limited amount of time, further drawing the ardor of consumers, who can now gain access to designer goods.

Some Web sites—such as **HauteLook**, **Gilt Groupe**, **ideeli** and **Billion Dollar Babes**—host flash sales, a term coined for the limited time that the sales last, to assist brands and labels to clear inventory while providing consumers a sense of a private place to shop.

Some key players

Los Angeles-based **HauteLook** (www.hautelook.com) launches several sales a week, and each sale lasts about 39 hours. Upcoming sales include **Johnson Motors Inc.** and Los Angeles-based contemporary label **Meghan by Meghan Fabulous**.

HauteLook works with brands and designers to create sale events on behalf of the brand and provide a platform to clear their inventories, according to Chief Executive Officer Adam Bernhard.

"Brands choose what they want to sell, when they want to sell it and for how much they want to sell it," Bernhard said. "We allow brands the maximum amount of control in the three areas that matter most—what, when and how much goods will be sold."

HauteLook has hosted sales for contemporary line **Rory Beca** to sellout success, according to Rory Beca Chief Executive Officer Aubra Edelman, who was introduced to the concept of online sample sales by HauteLook Vice President Carlota Espinosa. "People don't want to be stuck with inventory," Edelman said. "It's a great way to get rid of it."

HauteLook projects to stay on course for growth. "Our

sales will be four times last year's, and our membership grows by 25 percent a month," Bernhard said.

New York-based **Gilt Groupe** (www.gilt.com) proves that despite these tough recessionary times, some consumers will still continue to shop.

Gilt Groupe's buyers work directly with designers to negotiate the best price for their members, according to Manager of Marketing and Communications Amanda Graber. Gilt Groupe's buyers look through designers' available inventory for items that are on trend with their shoppers.

"Due to our relationships with the design community, we are able to select items from the designers' collections that we know will sell best, while keeping in touch with what our members will wear," Graber said. "Consumers are much more informed today of the cost of merchandise and what they are willing to spend to obtain these items."

Upcoming Gilt Groupe sales will feature shoes by **Cynthia Vincent** and designer line **Hervé Léger**, a division of **Vernon, Calif.-based BCBG Max Azria**.

According to Graber, Gilt Groupe's revenue in the last quarter of 2008 doubled from the previous quarter, and revenue for the second half of 2008 was 350 percent greater than the first. Gilt Groupe projects that it will reach \$80 million in revenue in 2009.

New York-based **ideeli** (www.ideeli.com) works exclusively and directly with designers and labels, and ideeli's focus is on providing a valuable service to the brands showcased on their site. "Authenticity is critical to us," said Paul Hurley, ideeli founder and chief executive officer. "We help tell a brand's story to our members."

While online sample sales may be a discreet way to clear large amounts of inventory for brands, Hurley said he wants ideeli members to get educated about a brand and get to know a brand after their shopping experience on ideeli.

More customers are buying the brands at full price after experiencing them on ideeli, according to Hurley. Recent sales featured contemporary lines **Generra** and **Cynthia Rowley**.

Hurley said ideeli's positioning is community-orientated and plans to include more social-networking aspects. Ac-

ording to Hurley, ideeli has not seen a drop-off in demand and business had doubled from October 2008 to January 2009.

Billion Dollar Babes, a long-time organizer of offline sample-sale events, made the leap to the Web with its own flash-sales site (www.billiondollarbabes.com).

After being acquired by Los Angeles-based **Onestop Internet**, an e-commerce service provider, in late 2008, taking its sale events online became a logical next step, according to Director of Marketing Kelly Ryan O'Brien. Onestop Internet—whose clients include **7 For All Mankind**, **True Religion** and **Paul Frank Industries**—provides all aspects of e-commerce business such as product photography, marketing, fulfillment and customer service. Operations for the online Billion Dollar Babes sample sales are conducted out of the Onestop Internet offices.

According to O'Brien, Billion Dollar Babes sells clothing on a consignment basis during a 48-hour sale period. Senior Buyer Stacey Baime edits the collections for the site. Baime looks out for styles that will appeal to the Billion Dollar Babes shopper and what's on trend with their purchases. "Being on consignment terms gives us that flexibility," O'Brien said. "If you're not careful, you get a lot of stuff that nobody wants. There's a reason for a lot of overstock."

Upcoming sales will feature wares from **Trina Turk**, **Splendid** and **LNA**.

Billion Dollar Babes will continue to produce offline sales events, and O'Brien said the company will continue to interact directly with customers and maintain a community outside of the Internet.

O'Brien did not provide sales figures for the online sale site but did say that Billion Dollar Babes' combined membership has grown.

Having straddled the line between online and offline, Billion Dollar Babes will continue to rely on the credibility it has established as a well-marketed sample sale, according to O'Brien. "The online sample sale is here to stay," O'Brien said. "It will only become more mainstream as the process becomes more fluid and less complicated in this competitive climate." ●