WWD
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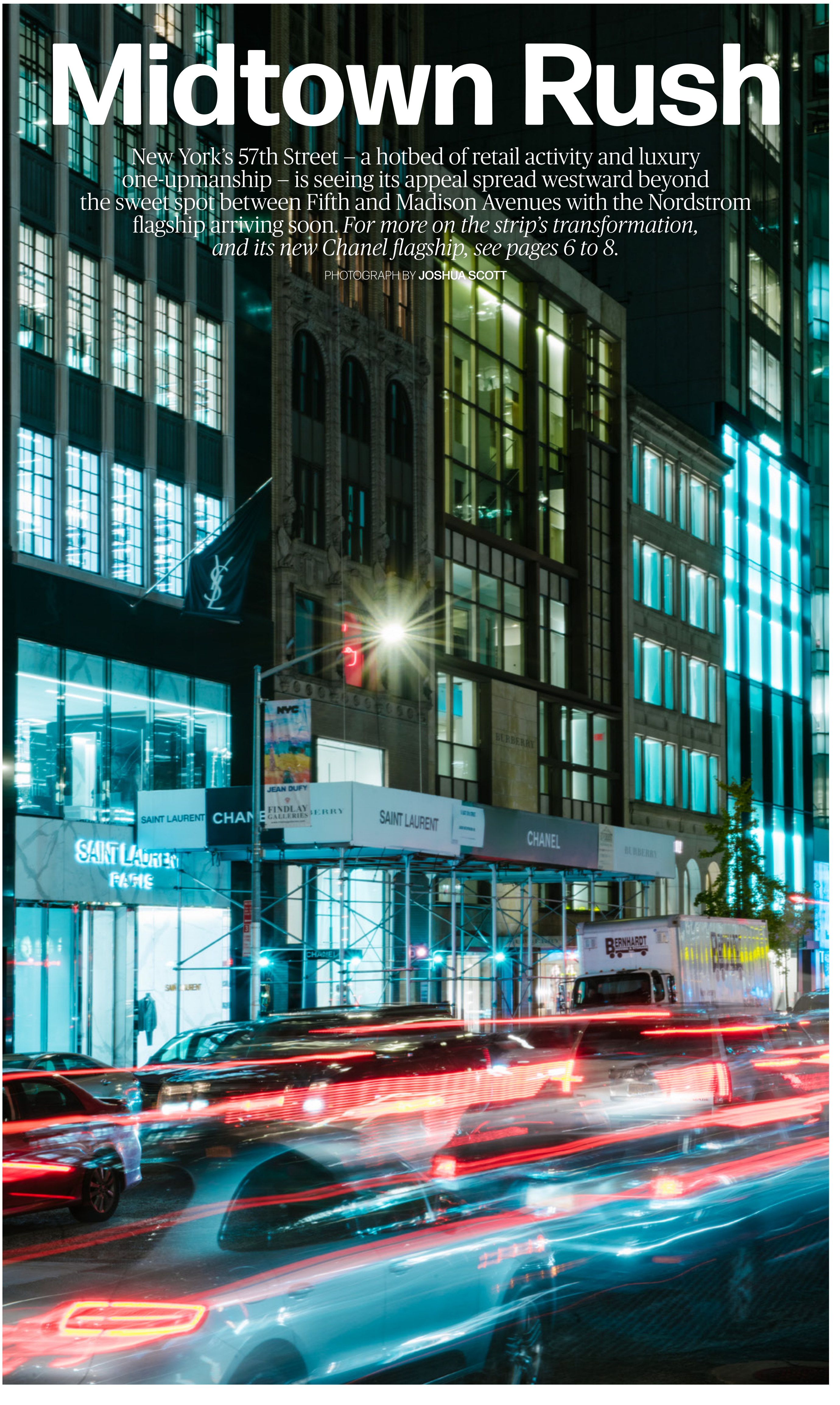
Retaining Relevance
Trade shows continue to evolve with the times.
Pages 13 to 36

eye
Report Card
Sometimes taking a chance doesn't pay off.
Page 39

Moda Moves
Moda Operandi adds men's, women's fashion directors.
Page 2



Midtown Rush

New York's 57th Street – a hotbed of retail activity and luxury one-upmanship – is seeing its appeal spread westward beyond the sweet spot between Fifth and Madison Avenues with the Nordstrom flagship arriving soon. *For more on the strip's transformation, and its new Chanel flagship, see pages 6 to 8.*

PHOTOGRAPH BY JOSHUA SCOTT

BUSINESS

Valentino Drawn Into M&A Dance: Sources

- The designer company's owners might not be looking to sell, but sources said they're open to listening and that Kering has made overtures.

BY EVAN CLARK WITH CONTRIBUTIONS FROM LUISA ZARGANI AND JOELLE DIDERICH

Could Valentino be the next designer name to find a new home?

Industry and financial sources are buzzing that Gucci parent Kering is eyeing the brand, which Qatar-backed Mayhoola for Investments picked up in an $858 million deal six years ago.

One source said Marco Bizzarri, president and chief executive officer of Gucci and architect of the brand's current success, reached out to Mayhoola about

CONTINUED ON PAGE 12

BUSINESS

Fashion Makes the Most of Data War

- Knowing one's customer is taking on a whole new meaning and new urgency, from Chanel to Alibaba.

BY EVAN CLARK

Fashion is having a knowledge-is-power moment.

And players as diverse as Chanel and Alibaba are trying to make the most of it – signaling a broader shift that has merchants scrambling for new tools to understand their customers.

When luxury powerhouse Chanel said last week that it would transition its wholesale business into a concession model, it signaled real changes for its accounts, from Bergdorf Goodman to Saks Fifth Avenue to Bloomingdale's.

But beyond the ability to more directly control its image in department stores, in part through hiring 700 people, the new arrangement takes the retailers out of the equation in a very important way and connects Chanel right with its end customer.

Control over customer data is one of the biggest advantages of moving to a

CONTINUED ON PAGE 11

WWD

Outside Alibaba Group headquarters in Hangzhou, China.

Fashion Makes the Most of Data War

CONTINUED FROM PAGE 1

concession model.

"It means owning the client experience and being able to connect the touch points for the shopper," John Galantic, president and chief operating officer of Chanel, told WWD in a rare interview. "So the visit to a Neiman's or Saks or a Chanel boutique, whether it's fashion, watch or fine jewelry, is part of the same brand and not happening in different silos."

Chanel wants to own the Chanel experience and the Chanel customer.

In many ways, Galantic is reading from the same script as Alibaba, the giant Chinese e-commerce giant that has made a point of being where buyer meets seller even if the sale happens in a brick-and-mortar shop.

Michael Evans, Alibaba group president, has said: "We're very happy for people to come online and search and look and have an experience and then go off-line to buy the products because we're going to track the data either way, we're tracking what they're searching for what they're looking for, how much they're spending. They're going to use their Alipay app to buy in the off-line stores. We can see what they're buying."

That kind of visibility is more important than ever.

If Alibaba – or any merchant – knows their shoppers are going elsewhere for a certain product, they can react and bring that competitor into the fold or find an alternative and market directly to the shoppers who have strayed.

Retail has always been awash in sales data, but the web has opened up new avenues to the nitty gritty details of their customer's lives. And those details are being used in increasingly sophisticated ways. Big splashy marketing come ons in magazines have been replaced with exercises in digital micro targeting.

"The path to the consumer has changed," said Marcie Merriman, Americas cultural insights and customer strategy leader at consultancy EY. "If [brands] don't take more ownership of it, they're going to end up in a very challenging situation."

Customer expectations have been reset, she said. Shoppers are now used to having their own preferences reflected in their online browsing and are less patient and looking for more when it comes to hunting through physical stores.

Retailers need to know what their shoppers want if they're going to meet their needs.

And while the information on what shoppers buy, when they buy it and how much they spent has long been available, putting that knowledge to real work has been hard until recently.

"Even if the data had been there before, there just wasn't the bandwidth and the capability to do the quick and meaningful analysis that there is now," Merriman said. "And there is going to be more of in the future."

It's the rise of artificial intelligence has suddenly made it possible to make sense of that data and put the insights to use.

But it's a fast-moving work in progress.

"This is fundamentally different than even a year ago," said Sarah Engel, chief marketing officer of DynamicAction, a prescriptive analytics firm. "Customer data is the new sustainable energy, we've moved beyond this broad stroke, big data concept. You're unique understanding and your relationship with your customer is your most-valuable resource. It's something Amazon and none of your other competitors have."

The industry is still learning how to talk about the art and science of using customer data in a more targeted way and building a lexicon.

Engel said executives talk about their company's "customer centricity" or how they're evolving to a "customer first model," but what they're getting at is how they're using massive amounts of data to understand their customers.

Mom-and-pop boutiques can "know" their customers, national chains with thousands of employees and supply chains that reach around the world, need some help.

"If you have a million customers, you almost have a million opportunities to have a different type of interactions," she said.

As more companies pull off the feat of giving something like individualized attention to shoppers, more consumers are going to expect it.

"I don't believe there's an option not to evolve in this way," Engel said. "The customers are not going to allow it."

And that seems to hold true, from Chanel to Alibaba and beyond.

BUSINESS

Amazon's New York HQ2 Could Spell Hiring Trouble for Retailers

● Retailers trying to bolster their digital businesses will have to compete with Amazon for tech talent.

BY KATHRYN HOPKINS AND JEAN E. PALMIERI

Amazon's decision to choose Long Island City in New York as one of its second headquarters was welcomed with open arms by politicians and business organizations, with New York City Mayor Bill de Blasio stating, "New Yorkers will get tens of thousands of new, good-paying jobs, and Amazon will get the best talent anywhere in the world."

Not everyone, however, might be happy about the giant descending on the city. As well as those set to be priced out of Long Island City's housing market, another group that may be irked by it creating a 25,000-strong workforce in New York is the retailers headquartered there, who after years of falling behind in the battle for customers as Amazon grew into a global behemoth are trying to catch up by plowing a lot of money into their digital businesses.

That has meant looking outside of their usual hiring pool of sales executives and dipping their toes in the tech world, with LinkedIn data finding that software developer is now the fastest growing job in retail and the third most popular job across the industry.

Amazon's move could therefore cause them somewhat of a recruitment headache as while it hasn't specified the jobs it will advertise, it's widely believed that many will be quality assurance engineers, software development engineers and senior user experience designers – the type of positions retailers need to fill if they are going to build competitive digital offerings.

"It's going to cause a recruitment headache for everybody," Craig Rowley, a senior client partner at headhunter Korn Ferry, said of Amazon's plans, although he stressed that it's not going to be 25,000 jobs at once so competitors will have time to prepare.

But it's not just Amazon, which is expecting to add those positions by 2029 and up to 40,000 jobs by 2034 with an average salary of more than $150,000, that is putting a wrench in the works as far as its hiring plans are concerned.

This comes at a time when Google is rumored to be gearing up to double its New York workforce to around 20,000 and when the U.S. has an extremely tight labor market, with unemployment at a 49-year low of 3.9 percent and vacancies topping 7 million.

"There are a number of companies out there that are looking to ramp up their technology capability," added Rowley. "There's a lot of recruiting going on already. Companies are significantly increasing the size of their tech force. It's going to be an ongoing problem for the next couple of years."

However, Simeon Siegel, a retail analyst at Nomura Instinet, said that if you look at the example of Seattle where Amazon is headquartered, retailers can still attract tech talent if they have something interesting to offer tech types.

"Seattle has a very strong retail contingent, some of which, mainly Nordstrom, are particularly tech-savvy. Being next to Amazon has not precluded retailers from hiring tech talent," according to Siegel.

"At the end of the day as great as Amazon is, they are certainly not the be all and end all and even when companies create monopolies, other companies still manage to find talent."

Amid a tight labor market, though, he stressed that companies need to be competitive and make sure what they are offering is enticing enough to be there and that traditional retailers need to play up that fact that this is an opportunity to revolutionize an icon.

"It's allowing tech-savvy and creative people to come in and leave their imprint and bring a historic icon into the new future," he said.

A report by Moody's found that despite being among the worst performers in retail for two years, department stores have been among the more aggressive in harnessing e-commerce and digital innovations as a powerful part of their recovery. Around 22 percent of total sales are now online, well above the estimated 13 percent average penetration for the broader retail industry for fiscal 2018.

Apparel retail, meanwhile, is racing to get digital capabilities up to speed and Moody's expects online penetration for the rated apparel retail sector to hit 20 percent in 2019, among the top four in retail.

Still, the sector has a long way to go. In a recent digital capability survey by Korn Ferry, retail came in 19th place.

A view of Long Island City in New York.

Long Island City photograph by Bebeto Matthews/AP/REX/Shutterstock; Alibaba by Ng Han Guan/AP/REX/Shutterstock