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WWD FRIDAY

Beauty

High Notes

With their upcoming women's scents, two fashion houses are attempting to distill the distinctive style of their namesakes. A Scent by Issey Miyake is keyed to the designer's mission of essential and simple luxury, while Viktor Horsting and Rolf Snoeren's Eau Mega is a bold juice with a patented oversize gold atomizer they've dubbed the Megamizer. A Scent will hit Saks Fifth Avenue in August, while Eau Mega bows in September. For more, see pages 4 and 5.

Tory Burch Says 'Hola': Designer Sells Minority To Mexican Equity Firm

By Julee Kaplan

TORY BURCH HAS FOUND A NEW partner.

After a yearlong search for additional financing, the designer has sold a minority stake in her more than \$200 million firm to Tresalia Capital, a Mexico City-based family-owned and -operated investment company known for investing in Mexican projects from young entrepreneurs.

Tory Burch executives declined to divulge the final price and the percentage stake they sold to Tresalia, but industry sources estimate it at between 20 and 25 percent.

Burch and her ex-husband, Christopher Burch, who cofounded Tory Burch five years ago, still jointly own the majority stake in the firm, which now operates 18 freestanding

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Burch Sells Stake to Tresalia

Continued from page one

stores and wholesales apparel and accessories to 450 high-end department and specialty stores worldwide. Christopher Burch is still actively involved in the company, but declined comment Thursday.

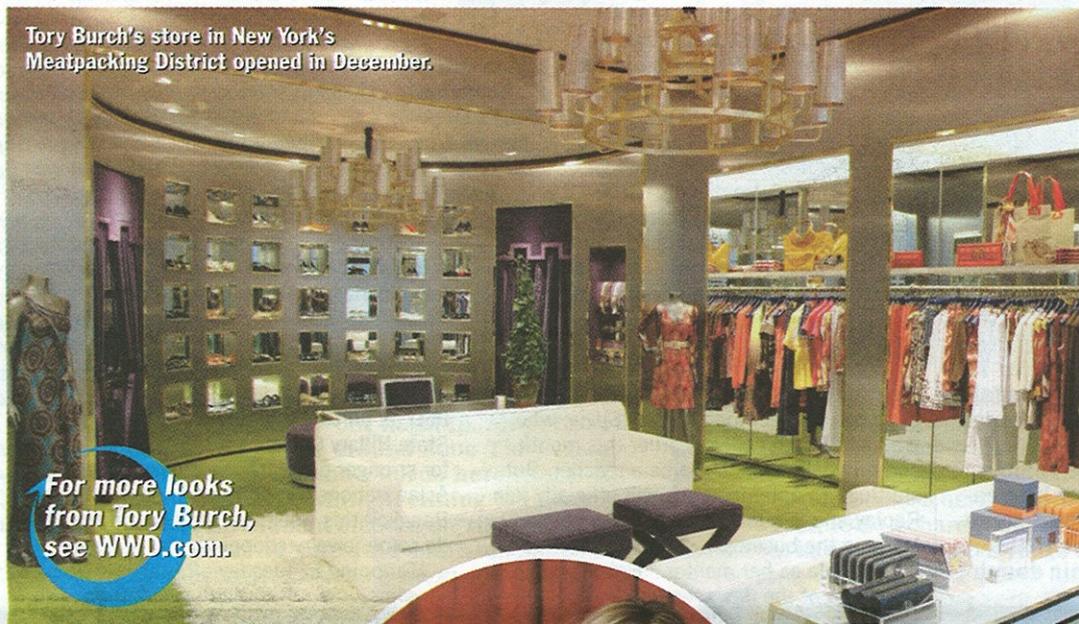
With the ongoing recession, increasing credit crunch and overall declining retail sales, the Burch deal comes at a time when few acquisitions or other investments are being made in the fashion world. In the past year, only a handful of key brands have inked deals — Jones Apparel Group Inc. acquired a 50 percent stake in Rachel Roy, VF Corp. acquired the Splendid and Ella Moss brands and Iconix Brand Group Inc. purchased Ed Hardy.

Tresalia is run by María Asunción Aramburuzabala, who is president and chief executive officer. According to Tory Burch, her

tion between \$935 million and \$1 billion for the whole company. However, sources said with such a steep asking price, the field of candidates had been narrowed down to two main bidders, TSG Consumer Partners and Bear Stearns Merchant Bank. Calling the asking price too high, particularly given the current lending environment, sources estimated the stake's price would come in closer to \$250 million. Neither firm ended up investing in the brand.

Originally launched as a retailer, Tory Burch plans to add six more stores in the U.S. to her current 18 units before the end of the year. In addition, the company will open its first freestanding store in Japan in the Ginza section of Tokyo by yearend.

Burch also plans to build on the wholesale portion of the business. In March, the designer signed two long-term Asian distribution deals



Tory Burch's store in New York's Meatpacking District opened in December.

For more looks from Tory Burch, see WWD.com.

PORTRAIT BY JOHN AQUINO

company is Tresalia's first investment in the apparel industry. Tresalia has invested in several Mexican companies in industries such as telecommunications, real estate, technology, media, education and health, as well as the management of private and venture capital funds and the creation of new companies. Aramburuzabala, who could not be reached for comment, is also a vice chairman at Grupo Modelo, a family-founded Mexican brewery.

"I love that they are a family-owned business and a private company. I felt an instant connection with them when we met, and this is a process we started about a year ago. I'm so thrilled to have closed the deal with the right partner," said Tory Burch.

Burch said with a new investor, she now has the infrastructure to grow on a global scale, particularly in South America, where sales have been promising in many of the brand's wholesale accounts.

"The team at Tresalia Capital has the same entrepreneurial values that our brand was built on," she said. "They have a great understanding of the vision we have for Tory Burch and the future of our company. I look forward to working with them as we continue to expand and diversify our brand on a global scale."

Burch said she particularly likes that Tresalia's owners are big believers in philanthropy, and that they've encouraged Burch to continue her charitable work. Last year, she established The Tory Burch Foundation, which provides economic opportunity to women and their families in the U.S. The Foundation's first partner, ACCION USA, provides loans and financial services to small businesses.

WWD reported in July 2008 that Burch was on the hunt for an investor. At the time, Burch said she was looking to sell a 30 percent stake for about \$300 million, based on a self-valuation

— the first with Look Inc. in Japan and the second with Samsung Cheil Industries Inc. in South Korea. The deals marked the first time the Tory Burch brand was sold in those countries. According to Tory Burch president Brigitte Kleine, the goal is to eventually run businesses of equal size in the U.S., Asia and Europe. The fall Tory Burch collections will be sold in Japan in Isetan, Hankyu

Umeda in Osaka and in Takashimaya Nagoya, and the goal is to open six freestanding stores and 24 department store locations throughout Japan within the next few years.

Last year, the company opened a showroom in Milan. For fall, the brand will be sold in about 371 doors throughout Europe.

Currently, Tory Burch sells in major department and specialty stores worldwide including Bloomingdale's, Saks Fifth Avenue, Bergdorf Goodman, Selfridges and Harvey Nichols. Products wholesale from \$119 to \$166 for clothing and from \$95 to \$272 for accessories. Half the business comes from accessories, which includes handbags, shoes and jewelry. With the exception of eyewear, which is licensed to Luxottica Group SpA and will launch in November, and footwear, which is produced under a production partnership with Vince Camuto, all products are designed and produced in-house.

Although Burch's vibrant printed tunics and "luxury at a price" clothing were what launched her company in 2004, it was her popular line of Reva ballerina flats, which showcased her now-famous "double T" logo, that catapulted her success. Last year, she beat out Marc Jacobs and Michael Kors at the Council of Fashion Designers of America awards, winning the Accessories Designer of the Year. In 2005, and after just one year in business, she won a Rising Star Award for best new retail concept from Fashion Group International.

Industry Debates Impact Of Minimum Wage Rise

By Kristi Ellis

WASHINGTON — Retailers are bracing for another financial hit to payroll costs and profits as the last increase in the federal minimum wage rate takes effect today, while advocates maintain it will serve as a big boost to the livelihood of workers, the economy and businesses.

The hourly wage rate will increase to \$7.25 from \$6.55, the third increase in two years, stemming from legislation enacted in 2007. The change will give a boost to workers in 30 states, Washington, D.C., and Puerto Rico, where the state wage rate is currently lower.

Facing mounting bankruptcies and consolidations due to the recession, many retailers, particularly in the teen retail segment, will feel the spike in wage pressure with the increase.

"Heading into the third and final step, especially in this economy, I think there is a little more concern in the broader business community that this will bring additional wage pressure for companies that are working hard to protect the jobs they have," said Mark Warren, vice president for tax policy at the Retail Industry Leaders Association, which includes such companies as Wal-Mart Stores Inc. and Target Corp. "So that certainly gives us some pause."

Rob Green, vice president of government and political affairs at the NRF, which includes such chains as Macy's Inc. and J.C. Penney Co. Inc., said the impact will vary depending on the size and location of a retailer.

"The record shows that labor-intensive industries such as retailers, restaurants and other small businesses are disproportionately impacted by minimum wage increases," said Green.

Rep. George Miller (D., Calif.), chairman of the House Education & Labor Committee, on a call with reporters, dismissed the argument many in the business community have raised that a minimum wage increase will lead to a decline in hiring.

"The evidence just isn't solid," Miller said. "The fact is an increase in the minimum wage will put more money into workers' pockets and that worker will put more money into the economy with the spending he does. We hear that argument year after year and there are many studies that refute those statements."

Labor Secretary Hilda Solis, also on the same call, cited a study conducted by the Economic Policy Institute, a nonpartisan think tank, that estimated an increase in the wage rate would generate \$5.5 billion in consumer spending over the next year.

She also said her agency will hire an additional 250 wage and hour inspectors, bringing the total to roughly 900, to police minimum wage and overtime violations across the country. The agency collected \$82 million in back wages owed to 107,000 workers in the first half of the year and plans to step up enforcement with the new investigators, Solis said.

"This will give us an opportunity to do more targeted enforcement," said Solis. "Hopefully, we can work with those employers to prevent those kinds of abuses."

U.S. Sets Issues for China Talks

By Liza Casabona

WASHINGTON — The U.S. will encourage China to move away from an export-driven growth model during talks between officials from the two countries here, set for next week.

Senior Obama administration officials on Thursday said the Strategic & Economic Dialogue — high-level talks chaired by the U.S. State and Treasury Departments — will include discussions of how China can turn away from its long focus on expanding exports to drive its economic recovery toward a domestic-consumption model. China's currency policy also will be up for discussion, officials said.

The trade deficit the U.S. has with China decreased significantly in the last year, primarily driven by plummeting consumer demand in the U.S. For the first five months of this year, the U.S. trade deficit with China was \$84.6 billion, down from \$96.8 billion for the same period in 2008. For the 12-month period through May, the goods trade deficit with China was \$255.8 billion, down from the \$258.6 billion deficit in the same period a year earlier.

Administration officials said they will communicate to their Chinese counterparts that there has been a shift in the U.S. economy away from consumerism and they should change their growth models accordingly.

"The most important message we have for China is that there has been a fundamental change in the U.S. economy," said a senior official during a briefing.

The U.S. economy will recover, he said, but in a way that is different from past recoveries, as U.S. households raise their savings rates and shift away from a consumption-driven lifestyle.

"Our message to China will be that, if you want to achieve your growth objectives, you must do it in a different way than export-led growth," the official said.

China has made strides to increase domestic consumption in recent months, he said, but more needs to be done to keep the historic trade imbalance between China and the U.S. from returning to previous levels.

As for the ongoing issue of China's currency, which many consider undervalued and unfairly propped up by the government, the officials indicated that reforming its policies are an important step in helping China move away from a dependence on exports.

This is the first Strategic & Economic Dialogue meeting the Obama administration has held with China. Administration officials said other topics that will be part of the talks include climate change and reformation of international economic institutions such as the International Monetary Fund and the World Bank to give large developing economies like China more input.