

WWD

Gaining Traction?

Gap Inc. earnings narrowly surpass expectations. **PAGE 3**



Headaches at American Apparel

As sale talk comes to light, former employees file suit. **PAGE 3**



Presidential Lots

Christie's is set to auction items from the house of Ronald and Nancy Reagan. **PAGE 6**

Fashion. Beauty. Business.

BEAUTY

Getting Emotional

Phuong Dang, a painter in Singapore, criticizes the fragrance market for lacking originality. But she plans to change all that with the launch of her first collection at Barneys New York.

For more, see page 4.



Photograph by George Chinese

RETAIL

Wal-Mart's Retail Basics Result In Better Sales, Better Outlook

- The retailer's cleaner stores and faster checkout resulted in better sales for the second quarter and impressed Wall Street.

BY DEBRA BORCHARDT

Wal-Mart Stores Inc. is taking on all comers.

Just two weeks after Wal-Mart inked a \$3.3 billion deal to acquire Jet.com and strengthen its competitive stance against Amazon, the discount giant turned in solid second-quarter results with a focus on the basics of retail that helped it outshine Target Corp., which reported a 1.1 drop in comparable sales for the quarter on Wednesday.

At Wal-Mart, cleaner stores, improved inventory levels, plus a fast checkout has led to an increase in U.S. sales for the second quarter. Lower gas prices and unseasonably warm weather also helped, pushing traffic higher for the U.S. stores and leading net sales to grow 3.1 percent

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MEDIA

Which Rio Olympic Athletes Could Win Fashion and Beauty Deals?

- Simone Biles, Aly Raisman, Katie Ledecky and Simone Manuel are some gold medalists who also could snag endorsements.

BY KHANH T.L. TRAN AND RACHEL BROWN

Every four years, the Olympics herald a major opportunity for competing athletes: the glory of victory, the agony of defeat and the promise of payday.

Along with millions of people around the world, marketers are tracking the performances at the Summer Games in Rio de Janeiro to see who could shine as a spokesmodel. Fashion and beauty executives are no exception.

"I really see opportunity there," said Vinny Nesi, senior vice president of Iconix Brand Group's men's fashion division, who also works on its athletic brands, including Starter and Umbro. Some of the athletes he's keeping an eye on are American beach volleyball players Kerri Walsh Jennings and April Ross

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BUSINESS

Victoria's Secret Embraces the Bralette

- The retailer said it was well-positioned to take advantage of the trend toward unconstructed styles.

BY EVAN CLARK

Victoria's Secret – which built a multibillion-dollar empire on the push-up bra – isn't taking the rise of the bralette lying down.

Instead, the retailer is diving in and rushing to get a piece of the business, which focuses on unconstructed styles that are meant to be seen outside the boudoir and offer more fashion pop than support.

Victoria's Secret has been run directly by retail guru Leslie Wexner since February, when the chairman and chief executive officer of its corporate parent, L Brands Inc., stepped in to take the reins from Sharen Turney, who left the company. Since then, Victoria's Secret has been steadily transforming, moving to exit the swim and apparel businesses and bringing in fresh management.

The Victoria's Secret business saw second-quarter comparable-sales gains of 2 percent, while its corporate sibling Bath & Body Works drove a 5 percent gain. Overall, L Brands posted a 24.7 percent gain in second-quarter profits as net sales rose 5 percent to \$2.89 billion.

Stuart Burgdoerfer, L Brands' chief financial officer and executive vice president, was questioned repeatedly about the bralette on a conference call with Wall Street analysts Thursday and acknowledged there are some important trends in its core lingerie business.

"We're taking significant action to participate in and frankly, lead with respect to those trends, and what I'm speaking about is, the unconstructed or bralette trend is one, and separately, the sports bra business as a second important development in the bra category," Burgdoerfer said.

The retailer saw "very significant growth" in both trends and expects to do even better going forward, he said.

"We've made some significant progress and drove meaningful growth in both of those areas in the second quarter and intend to pursue those segments of the bra business very aggressively in the fall season," Burgdoerfer said. "One of the important things about the bralette business or unconstructed bra business particularly is we do think it has a higher fashion element to it, and we think that's a good thing for us."

The cfo noted that bralettes tend to have a lower average unit retail price than other types of bras, but said consumers tend to buy them more often given their fashion quotient.

Overall, he said the company – lauded for years as one of retailer's savviest operators – is well-positioned to pivot.

"We've been a fashion specialty retailer for a long time," he said. "Our abilities in terms of lead times and speed and read and react particularly play well into the bralette at category."

Wall Street remains in wait-and-see mode.

Wells Fargo analyst Ike Boruchow noted that L Brands "appeared to stumble a bit to start 2016" and that the most recent results do show some signs of stability, but remained something of a skeptic.

"While it's commendable that the business seems to be avoiding the 'hard landing' that many bears have been waiting for, we don't think [L Brands] is totally out of the woods just yet," Boruchow said. "On the negative side, the outlook on Victoria's Secret remains a bit cloudy (margins will continue to be under pressure and comps could be negative in Q3), international remains slow."

He said the company's been pulling back on "brand-damaging promotional activity, and instead focusing promotions on driving trial in new and key categories, such as bralettes, sport and beauty." But he noted the cut-back on promotions last quarter was "offset by the elevated clearance activity."

That leaves the focus clearly on the second half as Victoria's Secret continues to feel its way forward without swim or apparel.

BEAUTY

Phuong Dang Launches Namesake Perfumes at Barneys New York

- An artist by trade, she is launching the namesake collection with no formal training in perfumery.

BY ELLEN THOMAS

Phuong Dang, an artist whose primary medium is painting, has had no formal training in perfumery, but her collection of 10 scents launching in September exclusively at Barneys New York has inspired high expectations by the retailer.

Her self-named collection of *extrait de parfums* is comprised of high concentrations of raw materials of what Dang described as "precious and rare quality" and sourced from all over the world – like rare oud from Vietnam, black pepper from Madagascar, frankincense from Somalia, rose from Turkey and Morocco, and rare flower notes like narcissus. "We stop at nothing to achieve the originality and the beauty we are looking for," said Dang.

She designed the fragrance packaging herself, a simplistic glass bottle, hand blown by a master glassmaker in France, with a black wooden top. "My intention is to convey more with less," Dang told WWD. "[I used] only the essential elements." Dang sees perfumery as another outlet through which she can express her creative vision. "Perfume is an extension of my artwork in another form," said Dang. "The concept [for my collection] is based on my own artwork, but as an olfactory scent, conveying very specific emotions."

Dang noted that each fragrance is rooted in a concept from her own artwork, and begins with what she refers to as an olfactory sketch—"a feeling of mine, an emotion that I want to translate into liquid form." The scents are named for the emotions they are inspired by, and each contain a complex combination of notes.

Raw Secret, which is meant to feel intimate



A selection of Phuong Dang Perfumes scents.

and abstract, is comprised of a heart of jasmine absolute, lily of the valley, and white flowers, a base of amber and sandalwood and finished off by top notes of bergamot, mandarin, red pepper, tea leaves and ginger.

Untamed Oud, developed to evoke inspirational and powerful feelings in the wearer, is made up of a base of vanilla absolute, tobacco, tonka bean absolute, oak moss, musk, amber grey, atlas cedarwood, oud and cypril, a heart of narcissus absolute, honey, rose oil, clove and apple and top notes of tar, coriander seeds, rum and cumin.

Along with the *extrait de parfums*, candles and a travel-spray atomizer will launch at Barneys' flagship on Madison Avenue and the Barneys' Beverly Hills store the first week of September, as well as on Barneys.com. The line will roll out to the remaining Barneys' doors over the course of the month. Prices range from \$300 to \$450 for a 50-ml. bottle to \$450 to \$650 for a 100-ml. bottle. Candles are \$40 and a discovery set containing all 10 fragrances retails for \$380.

After dabbling in mixing her own scents for personal use, Dang decided to pursue a formal line. The current state of the fragrance industry, she said, is overrun with commercialization and sameness, even on the niche side, and she aims to offer something different with her assortment of scents. "My perfume line is about the human spirit," said Dang, who noted that each scent is meant to evoke a particular raw emotion in the wearer. She sees the current state of the fragrance

business as lacking unique vision, and her line, she says, offers something entirely original. The feeling at Barneys' is mutual.

"It's very different from anything else that we sell," said Jennifer Miles, vice president of cosmetics at Barneys. "It's going to bring a unique take to the category." Miles told WWD that she expects Dang's fragrances to be one of the standout launches for the store's fragrance department this season.

With no formal experience in the perfume world, Dang tapped the help of seasoned veterans. She sent a blind letter to perfumer Bertrand Duchaufour detailing her vision. A painter himself, Duchaufour was intrigued by the project and ended up developing nine out of the 10 scents, working with Technico Flor and Art et Parfum. Perfumer Marina Jung Allegret, working with Düllberg Konzentra, developed the remaining scent, Raw Secret.

Dang sought out a mutual friend to connect her with the now chief executive officer of Phuong Dang Perfumes, Spencer Kanis, an industry veteran who helped found 3Lab Skincare. Kanis noted that Phuong Dang's strategy for its first year in business is to "get as many people as possible to experience each scent."

"This isn't a me-too line," said Kanis. "Every formula is very unique – Barneys' is great for that because it has a well-educated consumer who is highly selective and truly understands what luxury and uniqueness are all about."

A body cream with a scent of its own is planned for later this year or next, as well as the addition of one or two fragrances within the next year. Industry sources estimate Phuong Dang perfumes will generate in excess of \$1 million in retail sales in its first year at retail.

Next year, Kanis said the line will enter international markets – specifically Russia, Germany, France, Hong Kong, Singapore and the Middle East.

BEAUTY

Tribe Ties Social Media Conversation to Future Revenue Growth

- The company's latest metrics predict which beauty companies will grow.

BY ALLISON COLLINS

Makeup and skin-care brands with an outside share of the social-media conversation, such as Anastasia Beverly Hills, are likely to see their revenues increase, according to the latest research from Tribe Dynamics.

"If you have a greater share of your voice amongst your competitive set, that's a really strong indication that you're going to grow next year, and if you don't, it's likely that you're going to decline from a revenue standpoint," said Conor Begley, cofounder of Tribe Dynamics. The report will be circulated to Tribe's subscriber base in the coming days.

In order to figure out which brands are likely to experience revenue gains, Tribe groups them into a new iteration of competitive set.

"There are ways to define your competitive sets very objectively," Begley said. "You can talk about their distribution, so are they Sephora, are they

Ulta, are they Macy's, are they Nordstrom; you can talk about their price point, are they prestige, are they mass; you can do more subjective things, like brand identity or consumer perception. What we wanted to attack was the more subjective field."

"The way we did it is with influencer-determined competitive sets. What this means essentially is we're defining brands that have a lot of really common content creators as competitors. The way to think about that is that if you're a makeup artist brand...say I'm Anastasia Beverly Hills – I'm going to have a lot of people talking about me that also talk about MAC Cosmetics. Versus Too Faced and Chanel, who have very few people in common," Begley continued.

Then, Tribe looks into the share of conversation a brand has compared to that brand's share of revenue for the competitive set to determine which brands will grow versus which may decline. Examples include Anastasia Beverly Hills or Tatcha as potential growers, and MAC and Bare Escentuals as brands that may see a slow down, according to Tribe.

Anastasia's EMV, or earned media value, gained 71 percent to \$159.1 million for the second quarter. The brand had significantly higher EMV for 2014 than expected based on its revenue share, and gained 4.9 percent market share within its competitive group for 2015, according to Tribe's research. Tatcha, also expected to grow, gained 404 percent year-over-year in EMV to about \$5.3 million for the quarter.

"They're probably one of the most interesting stories right now," Begley said. "If you look at what I think is really driving growth for brands in general...great products win more than they used to. That's an overarching theme that's really important."

"They've created really great products that

people really like," he continued. "I think that's what is driving a lot of the growth from Tatcha, as well as the embrace of the influencer community."

Skin care is still a slower category, social media-wise. "The amount of volume created about skin care is pretty low right now," Begley said. "I don't know if that's related to the low growth in the category, but it certainly can't be helping." Tribe did not track competitive set market share growth from skin-care brands that were punching above their EMV weight between 2014 and 2015, but said it expects the growth trend to ring true in that category as well.

Aside from Tatcha, blogger-created brand Parsali grew EMV 1,526 percent; Clinique grew 243 percent; EOS grew 79 percent; Kiehl's grew 44 percent; Glossier grew 425 percent; Caudalie grew 169 percent; and the Body Shop grew 9 percent, according to Tribe. In skin care, Lush dropped 47 percent and Loving Tan dropped 12 percent.

Makeup, which was the fastest-growing category in prestige with a 13 percent gain for 2015, according to the NPD Group, also saw some shifts in EMV. Aside from Anastasia, growth came from Benefit with 165 percent increase; Tarte with a 182 percent increase; Too Faced with a 130 percent increase; NYX with a 107 percent increase; ColourPop with a 168 percent increase; Huda Beauty with a 684 percent increase; and Morphe with a 171 percent increase. MAC's EMV declined less than 1 percent.

The report also calls out several specific events for generating lots of social media buzz, including Benefit's Benefair product reveal party, and Becca Cosmetics' party for the Becca x Jaclyn Hill Champagne Glow collection.

Begley called out the outliers as brands that should reign in particular attention. Right now, that group includes Violet Voss and Jeffrey Star Cosmetics, he said.