

Odd couple revives retailer

Michael Bárbaro



A Lord & Taylor store on Fifth Avenue in New York. (Chester Higgins Jr./The New York Times)

It had loomed just out of reach, a tantalizing prize that the U.S. retailer Lord & Taylor could not win: Juicy Couture, one of the hottest women's clothing brands and a best seller in rival stores.

Every year, the chief executive of Lord & Taylor, the oldest American department store chain, pleaded to have Juicy Couture. And every year, its owner, the giant clothing house Liz Claiborne, refused. "It was considered out of their league," said one person involved in the negotiations.

No longer. With little fanfare, Claiborne started selling Juicy Couture jewelry at a handful of Lord & Taylor stores last month, with handbags expected soon, according to people briefed on the deal.

The deal is the latest chapter in one of retailing's most striking turnaround stories. With its cluttered aisles, bland clothing and perpetually deep discounts, Lord & Taylor not long ago appeared destined for the same doom that befell once-venerable names like B. Altman, Sterns and Bonwit Teller.

But the 182-year-old department store chain has, improbably, come roaring back to life. Once-dowdy floors are lined with up-to-the-minute fashions. Cheap plastic shopping bags have given way to hefty, luxurious ones. And formerly empty stores are bustling with shoppers, giving the chain its best sales figures in 15 years.

Behind the resurgence is a most unlikely turnaround team: Jane Elfers, a tough-talking, well-connected former department store buyer who is fiercely protective of Lord & Taylor's heritage, and Richard Baker, a baby-faced financier who has virtually no experience running a retail company.

When Baker, head of a buyout firm, purchased Lord & Taylor in 2006, many people on Wall Street assumed he would dismember the venerable chain by shutting down stores and selling off valuable real estate.

Instead, he has decided to support Elfers, a chief executive who was already in place, backing her with the trust and money needed to turn Lord & Taylor around.

Together, the pair are plowing up to \$500 million into the chain's stores, marketing and Web site. And Baker has embarked on a buying binge, starting with Fortunoff, a jewelry and home furnishing chain, that will allow him to fill in gaps in Lord & Taylor's lineup of merchandise.

Lord & Taylor's unexpected success has turned conventional wisdom about modern retailing in the United States on its head. Since about 2000, it was believed that U.S. department stores had to merge with rivals to survive, wielding size to win over designers and consumers. That encouraged Macy's to buy its biggest rival, May Department Stores, and Kmart to purchase Sears Roebuck.

Yet the 47-store Lord & Taylor chain, one-twentieth the size of Macy's, is proving that there is still room for a small, regional department store chain. The era of relentless mergers, it seems, has left many Americans rejecting the coast-to-coast sameness of Macy's in favor of something different.

Elfers, 46, who has worked at Lord & Taylor for 19 years, calls the merger trend "over-consolidation." Consumers, alienated from the combination of behemoths like Macy's and May, which wiped out Marshall Fields and Hecht's, are streaming into Lord & Taylor. "People are looking for a store to call their own," she said.

For years, it appeared Lord & Taylor would not have a chance to win over anyone, as it was bought and sold by one owner after another, careening from one near-death experience to the next.

The chain, which opened in 1826, started by dressing the white glove set in New York. Soon, it became a fixture of upscale suburban shopping in the American Northeast.

But in 1986, it was bought by May, a national conglomerate. To squeeze more money out of the chain, May managers began building Lord & Taylor stores in markets like Florida, Texas and Georgia, where the chain - known for coats, sweaters and boots - had little following.

The stores carried less expensive clothing brands. And new managers introduced steep markdowns and bountiful coupons.

All of this dragged down the shopping experience and prestige of Lord & Taylor, leaving it indistinguishable from local rivals. "Lord & Taylor had no reason for being," said Paul Charron, a former chief executive of Liz Claiborne, a major supplier to the chain.

Elfers is more blunt. "The store had become a dump," she said of that period.

When she became chief executive in 2000, Elfers decided to try something that rarely succeeds in retailing: taking a tarnished brand back upscale. She insisted on selling off 32 poorly performing stores that accounted for roughly \$400 million in annual sales; dumping the Liz Claiborne conglomerate's mid-priced clothing line, a \$100 million business; and recruiting higher-end designers.

Her vision? A Lord & Taylor "comfortably above Macy's, well below Neiman's and Saks, elbowing in between Nordstrom and Bloomingdale's," she said.

Customers started trickling back in - and so did designers. Since 2003, Lord & Taylor has recruited more than 200 upscale brands, like Trina Turk, Tracy Reese and Nanette Lepore for women and Lacoste, Hugo Boss and Ted Baker for men.

Like consumers, clothing makers were eager for an alternative to the giant department stores. "We are all rooting for Lord & Taylor to make the transition," said Roger Farah, the president of Polo Ralph Lauren.

For the first time in more than a decade, sales at Lord & Taylor stores open at least a year, a crucial yardstick in retailing, rose in 2006, before consumer spending began to decline. Sales per square foot are an estimated \$250, higher than Macy's but still well below Nordstrom.

In the midst of the turnaround, May merged with the owner of Macy's, once again putting the future of Lord & Taylor in doubt.

Rumors swirled that its stores would become Macy's. In the end, the chief executive of Macy's decided to sell it for \$1.2 billion, making Lord & Taylor the only former May chain to survive as an intact brand.

It was assumed that the new owner of Lord & Taylor, NRDC Private Equity, would sell off the stores and cash in on the value of locations like the Lord & Taylor store on Fifth Avenue in New York worth an estimated \$600 million.

Baker, chief executive of NRDC and the son of Robert Baker, a real estate developer, seemed to fit that mold. Retail executives dismissed his purchase of the chain as motivated by short-term profit, with some likening him to Edward Lampert, the hedge fund manager who took over Sears in 2005 and has since run that chain on a shoestring, extracting profits but turning off consumers.

But Baker is emerging as the anti-Lampert: a serious figure in retailing committed to spending the time and money necessary to rebuild a brand.

He has already spent \$60 million on stores, buying new carpet, chairs and fixtures. Another \$100 million will be used to modernize Lord & Taylor's dated Web site, which is attracting a paltry \$6 million in sales a year.

"He is in it for good," said Bud Konheim, the chief executive of Nicole Miller, the contemporary dress house. "He wants to put Lord & Taylor back on the map."

Baker, 41, concedes that when he bought Lord & Taylor, he attached a high value to its real estate. "But what happened, literally days after signing the purchase agreement," he said, "is that the business started to perform better than we expected." Monthly sales began rising 10 percent.

Macy's decision to eliminate century-old local brands, like Marshall Fields in Chicago, pushed shoppers into Lord & Taylor, where they found Elfer's new, higher-end store. "When people got there, they were surprised, because Jane had transformed the stores," said Baker, who holds the title of chairman at Lord & Taylor.

In interviews, customers talked of rediscovering Lord & Taylor. Ava Reich, 45, who has shopped sporadically at the store for a decade, said it "was not as frumpy and middle-aged" as it used to be. "It's more contemporary, and it just looks really good."

Despite the tough credit market, Baker is considering buying several retail companies, in addition to Fortunoff, which he purchased last month. He plans to put Fortunoff jewelry and home goods into every Lord & Taylor store.

People familiar with his thinking said Baker is eyeing Kleinfeld, a venerable New York bridal chain, which could make Lord & Taylor a destination for designer wedding dresses.

Elfers said that, even as dozens of its competitors went bankrupt or were sold and renamed, Lord & Taylor refused to be killed off.

"What else could be done to this brand?" she asked. "The more barriers that are thrown in front of it, the more people believe in it."

Disponível em: <<http://www.iht.com>>. Acesso em 17/3/2008.