

NEWS IN BRIEF

KOHLS, LAVIGNE LAUNCH JUNIORS' BRAND

MENOMONEE FALLS, WIS. — Kohl's has partnered with singer Avril Lavigne to launch an exclusive juniors' lifestyle brand that will feature new fashion collections updated every 60 days. The Abbey Dawn collection will launch in Kohl's stores nationwide and Kohls.com beginning in July, just in time for the back-to-school season. According to the company the line will include apparel and jewelry at launch. Additional categories may be added over time. Apparel prices will range from \$24 to \$48.



AVRIL LAVIGNE

SURVEY: LOW PRICE TOP CONCERN TO SHOPPERS

NEW YORK — According to a survey of more than 7,400 consumers by consulting firm AlixPartners, shoppers today for the first time in more than 10 years consider low price as the main factor in determining what and where they shop. The survey found that pricing was important to consumers at all income levels, and all were likely to shift "one level down" in terms of the type of stores they shop, with aspirational high-end retail shoppers shifting down to department stores, department store shoppers dipping down into mass-market stores and so on.

WHOLE FOODS TOUTS NEW NATURAL LABELING

AUSTIN, TEXAS. — Whole Foods Market has developed a new labeling system to help consumers easily identify personal care products that are natural and organic. The new Premium Body Care standard and labeling seal of approval guides customers in their selection of body care products by easily identifying which ones contain the most natural and highest quality ingredients. These standards will be applied to new products as well as products already available at the Whole Body store that fit the standards.

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Expo touts 'green' beyond environment

BY MIKE DUFF

NEW YORK — The market for green goods is rapidly developing, but the opportunities it provides aren't limited to improving the environment, important as that may be. Sustainability has ushered in an era of innovation that isn't only making products greener, it's often making them better.

An event dubbed the Green Products Expo was held on Feb. 28 at the Marriott Marquis in New York's Times Square, and 75 exhibitors representing product categories ranging from technology to electronics, cosmetics, apparel, accessories, furniture and home decor demonstrated a flair for new ideas.

Everyone who is involved in buying or selling consumer goods in North America and over to Europe knows the green market has evolved way beyond hippie stereotypes, and products that are being introduced today are rolled out with finesse.

Organic vodka is a fine example of how the market has evolved. Square One Organic Vodka was among those suppliers that emphasized the purity of the production process, but not just in an ideological way. The organic vodka process creates a better tasting vodka, company founder Allison Evanow, asserted. Square One positions the product to that theme, providing materials to help consumers concoct their own upscale drinks using real fruit rather than bottled mixers to create a tastier, more satisfying cocktail. Like many organic products, Square One takes a gourmet slant on its product category and adopts premium pricing. It is a rye vodka, which makes it expensive, but unique, providing an upscale cachet in a spirits category that has rewarded top-shelf products.

Square One is a small start-up that just launched in 2006, but newcomers weren't the only companies that emphasized innovation at the show. Among the more established was Pentel, which also offered a new initiative. The company

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REI evolves from sustainability do-go

BY MIKE DUFF

SUMNER, WASH. — LEED certified buildings and cutting down on energy use are all noble ideas, but outdoors retailer REI has concluded that companies that really commit to sustainability must look within and develop a strategic plan for green action.

Although it has promoted environ-

mental issues for years, only within the past three has REI established an organizational structure that looks across the enterprise at both mitigating the company's environmental impact and using its auspices to improve environmental quality.

Looking within produced some surprises.

Kevin Hagen, REI's director of corporate social responsibility said that in analyzing greenhouse gas emissions, the company discovered that

ADIDAS REFUELS WITH DIESEL

BY YELENA MOROZ

NEW YORK — The reopening of the newly designed Atelier retail concept for adidas Originals is just another effort by the brand to embrace contemporary lifestyle. In an effort to "Celebrate Originality" the store allows customers to find self-expression while shopping.

The Originals concept first started with the NYC store opening in May 2001. Upon refurbishing, the store gets back to its roots while mixing the past and the future. "The key to being successful in the marketplace is going forward to create the experience for customers in stores," said Patrik Nilsson, president of adidas U.S. "That's what we are doing."

"In the industry that we are in, the sporting goods industry, the experience in stores has not really been focused on, especially not in the American market. That's where we would like to make a difference," Nilsson added. By inviting people in, the brand tells its story, shows what it has to offer, then invites customers to add their own creativity to the experience. Once inside, customers can design unique, personalized shoe models, lounge in the 'Library' stocked with an array of books and comfortable couches, take pictures and videos that can be added to the Trefoil wall and, of course, shop for tees, jackets and jeans.

Yes, jeans.

Although adidas is mainly known for its performance gear, the brand is building a lifestyle following. "Look at the youth culture today," continued Nilsson. "It's a lot about tops and jackets and sneakers and they [customers] are wearing that with denim. "We are not doing denim, but to collaborate with someone who has credibility in that area is a good way to mix it together."

As a result, customers can expect to see adidas Originals Denim by Diesel



Office Depot soldiers on amid numerous uncertainties

BY MIKE TROY

DELRAY BEACH, FLA. — While the retail industry ponders the question of how deep and how long as it relates to a national recession, a more useful long-term exercise involves knowing how to spot an impending economic slowdown before it takes place.

As it turns out, a good place to look is the office products industry and more specifically, Office Depot. The company's exposure to high-flying real estate markets in Florida and California resulted in it seeing a softening of its results in the second quarter of last year. That's when a modest decline in net income for the quarter, ended June 30, 2007, ended what had been a string of eight consecutive quarters of earnings per share growth in excess of 30%.

"We're not economists, but it appears that Office Depot was a leading indicator as we were seeing effects as early as last spring from the economic slowdown that

U.S. retailers and manufacturers are now widely reporting," Office Depot chairman and ceo Steve Odland said on the company's conference call to discuss fourth-quarter results.

The weakness the company noticed in the second quarter of 2007 extended into the third quarter and was most evident in the results for the fourth quarter, ended Dec. 29, 2007, as the company reported deteriorating results at both of its North American divisions. Fourth-quarter sales at the company's 1,222-unit North American retail division declined 3% to \$1.7 billion and same-store sales declined 7%. An even larger decline was seen in profitability, where operating income dipped to \$23 million from \$109 million. Office Depot's North American Business Solutions division saw its sales decline 4% to \$1.1 billion and operating profit decline to \$1 million from \$72 million. The company's international division managed to increase sales by 12% to \$1.1 billion, but

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Order to strategic leader

neither trucks nor buildings were creating its biggest carbon burden. As it turned out, the greatest volume of greenhouse gases was being produced by an REI initiative that meant to support environmental awareness.

Indeed, Hagen said, a lot of assumptions went out the window when REI took a long, hard look at itself. "Almost in every instance, our intuition was wrong," he said. "When we sat down and did our greenhouse gas inventory, we realized that lots

of emissions were coming from places we didn't even notice. When we did the math, we came up with the REI Adventures, our travel business, as our biggest source of greenhouse gas emission—a third of the corporate result, even though it's a small part of sales."

REI Adventures, the company's travel program, promotes human powered trips through exotic locations. Currently, the company is

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SEL COLLABORATION



jeans for the spring and summer 2008 seasons. The collection is the result of a four-year partnership between adidas Originals and the Diesel creative team, headed by creative director Wilbert Das. Each store showcases the denim in a distinct section with wall paneling that contains two male and two female models with several washes available for each.

According to Nilsson, the success lies in targeting a smaller consumer group and providing them with the specific experience they seek. "If you look at mass merchants today, they are not doing too well," he said. "People are not going into stores just to spend money and to buy certain items—they also want an experience. And I think that's what this store is going to provide."

Of course, it's difficult to be relevant to every consumer, but retailers can accommodate shoppers with stores-within-a-store. Instead of overwhelming the sales floor with a plethora of items, the merchandising team should work on telling a story that builds a relevance between the customer and the merchandise. Nilsson believes that consumers demand a lot more than what retailers are offering; they want more information about the brand: who it's done for, its relevance and its story. ■

Adidas' New York lifestyle store concept features a denim venture with Diesel jeans (top left, right) as well personalized shoes, tees, jackets and even a lounge area stocked with couches and books.

Tech, colors top list at Domestics Week

BY MIKE DUFF

NEW YORK — Last month's Domestics Week provided more evidence of how major mills are shifting their focus to the service side of their businesses. The mills continue to provide direction on style and color and introduce new technological elements, but they emphasize product development and supply flexibility to become more supportive of retail needs, including product differentiation.

Colors have pushed beyond spicy and center around a palette referred to as 'pharmaceutical,' while patterns have become somewhat more abstract, even as they continue to take inspiration from nature. Technology was in many ways more important than natural and organic sensibilities, although they continue to be represented, as mills used technology to create specific performance characteristics. Natural and organic continue to be part of the market, but they are being applied more narrowly and also seem to be more application oriented.

Still, meeting the evolving needs of retailers was an organizing factor around which introductions turned. One way in which Westpoint Home addressed challenges its customers face was by reorganizing its towel presentation. It devised a solutions orientation in a product display featuring various colors and fabrications, thus demonstrating how it can create customized product for those many mass-market retailers who want products that are differentiated in terms of quality, color and design in price points ranging from \$1.99 to \$12.99.

The Westpoint approach was similar to one devised by Official Pillowtex a few markets ago, and the presentation of introductory elements that can be at least preliminarily customized at the show has become more widespread. Of course, Iconix Brands acquired what had been the Pillowtex properties and recently announced a licensing agreement with Sears Holdings for its Cannon brand, which will roll out at both Sears and Kmart retail stores. Iconix also said it had reached an

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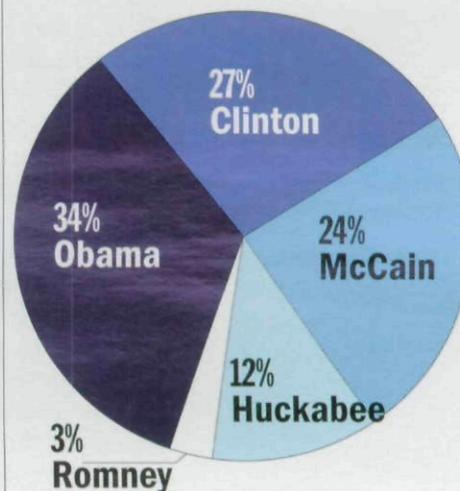
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ONLINE POLL RESULTS

PRESIDENT OR FOIL OF RETAIL

(Poll results collected from Feb. 7 to March 6)

Q. WHICH CANDIDATE WOULD BE THE WORST FOR RETAIL?



Note: As of press time, Huckabee and Romney had dropped out of the presidential race.

Reader Comments: "McCain will target tax cuts to the top 5% to 10% of consumers. Retailers will need cuts to reach middle calls HHLDS, which are \$45K to \$100K. — Anonymous

WHAT DO YOU THINK? ... TAKE OUR NEW POLL

Which retailer is positioned to be the most successful as the U.S. economy continues to spiral downward?

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Toy Fair showcases a revival of the low-tech plaything

BY YELENA MOROZ

NEW YORK — No show carries as much nostalgia for childhood as Toy Fair. But then, who can resist the pretty faces of Uglydolls, LEGO construction and Be Amazing Toys science kits that make cold snow out of powder?

The 105th Toy Fair held at the Jacob K. Javits Convention Center last month invited more than 1,500 global toy companies and 12,000 retail buyers, a 12% increase from last year, to the multibillion playground. Total show attendance rose to 27,750, a 5% increase from 2007. "There was an incredible amount of energy this year," said Reyne Rice, toy trends specialist for the Toy Industry Association.

Walking the floor revealed that traditional toys are on the radar. The pendulum

has been swinging back in reviving the toy box concept for retailers. "In the past five years, this is the first year I was surprised at buyers asking for things other than high tech toys,"

said Rice. Toys that focus on imagination, social skills and role-playing allow kids to be the hero. To accommodate such demand exhibitors have wooed buyers with popular themes like dinosaurs, science and archeology that are perhaps linked to entertainment venues like 10,000 B.C. and Indiana Jones and the Kingdom of the Crystal Skull.

Just between Mattel and Hasbro there are a dozen dinosaur toys, continued Rice. Both companies have a version of a technologically advanced 'pet' dinosaur that responds to touch and commands.

On the science frontier, Thames & Kosmos dominates with its advanced science

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Thames & Kosmos science-related toys.

RT photo

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