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by WWD Staff

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Photo By: Courtesy Photo

Clockwise, from top right: Cartier, Judith Ripka, Tory Burch, Coach, Nancy Gonzalez.

Can accessories save the holiday season?

Given the enormity of the U.S. economic crisis, probably not. But if history repeats, the category could give a boost to a particularly weak retail year. Amid the dire forecasts, stores are pushing well-priced gift items they hope will be bright spots.

In last year's fourth quarter, accessories was the revenue leader, generating a 32 percent share of department store sales, while apparel was 29 percent, according to research firm the NPD Group. And jewelry, watches and handbags were at the head of the pack. Jewelry and handbags also dominated third-quarter accessories dollar share at 52 and 19 percent, respectively. In jewelry, watches led at 21 of the 52 percent total.

"Accessories have always remained very important to us, but perhaps they're different than before," said

Ron Frasc, president and chief merchandising officer at Saks Fifth Avenue. “We’re seeing a greater interest in accessories that are more gift-giving accessories, maybe things like small leather goods, soft accessories. We’re seeing the good in spite of everything, especially across the contemporary accessories zone within handbags under \$1,000.”

Frasc cited brands such as Marc by Marc Jacobs and Tory Burch as those weathering the storm in handbags, and established labels such as Cartier, Chopard and Graff in Saks’ fine jewelry segment. He noted that jewelry brands spanning multiple price levels, such as David Yurman and Judith Ripka, are hanging tough.

“We believe very strongly in our jewelry and in product that is not ‘of the moment’ — product that is an investment piece and will hold up well,” Frasc said. “People make purchases or investments in jewelry from those companies with strong brand credibility.”

However, as the luxury sector feels the full force of the troubled global economy, Saks Inc. this month posted a third-quarter net loss of \$42.8 million, or 31 cents a diluted share, compared with last year’s net profit of \$21.6 million, or 14 cents a share. Saks said for the first time in memory its shoe and handbag business was suffering, even after opening a luxurious shoe floor at its Manhattan flagship in August 2007.

Last week, the retailer offered up to 90 percent off on select merchandise in a bid to keep traffic flowing throughout the store. According to one saleswoman, it reached “pandemonium” in the handbag department where they “were practically giving things away.” Handbags normally priced at over \$1,000 were on sale between \$100 and \$200. By Monday, the handbags located near the elevators were completely gone, and in its place were Magaschoni cashmere sweaters at 40 percent off. Last week, designer shoes were listed at 40 to 70 percent, where a line formed for entrance into the eighth floor department. Lines were also evident Monday in the fifth floor footwear department, and the entire floor was teeming with people, combing through sale racks. The retailer is said to continue to offer big sales through year’s end.

Jim Gold, president and chief executive officer of Bergdorf Goodman, said the store is also pushing through holiday with the help of “iconic brands that will stand the test of time,” such as Chanel, Bottega Veneta and Nancy Gonzalez. Accessories fare especially well in a challenging economic climate when consumers may consider “recycling an outfit or postponing a major wardrobe purchase,” but still spend on accessories that can complete a look.

Barneys New York is focused on offering items shoppers can’t find elsewhere, such as its exclusive launch of Proenza Schouler handbags.

“Accessories are great gifts and drive the holiday business, and our focus is on artisans and exclusives that are benchmarks to that business,” said Sarah Blair, vice president and divisional merchandise manager, women’s accessories. “The more whimsical and delightful the merchandise, the better. We believe handmade beautiful items have intrinsic value.”

Coach is one brand offering festive items at accessible price points. At its Madison Avenue flagship, Coach featured a display of coin purses, wallets and jewelry all retailing for less than \$100 and situated at the front of the store. Shoes ranged from 40 to 50 percent off. Last month, Coach posted a 5.8 percent drop in first-quarter net income on an 11.2 percent rise in sales. It also lowered its sales forecast for the year.

J. Crew recently began expanding its accessories collection and is looking for the effort to pay off in time

for the fourth quarter. At its new Collection store in New York, the retailer placed costume jewelry displays up front and weaved handbags and shoe offerings throughout the apparel assortment.

Accessories have become so important that some retailers are reorganizing their main floors to beef up the selections and add special gift-giving pieces. Ed Bucciarelli, president and ceo of Henri Bendel, said the store is upping its assortment because “accessories are becoming increasingly important every Christmas season.”

“I don’t know whether it will save the season, but accessories are a major emphasis of our brand and our store,” Bucciarelli said. “So clearly when you come in, you will see major gift-giving shops centered around accessories and our store. We do it every year, but we are expanding the amount of accessories shops this Christmas by 30 percent over last year. The strength of the holidays is around accessories.”

The specialty store recently launched accessories-based shops in markets such as Columbus, Ohio; San Diego, and Boca Raton, Fla.

J.C. Penney Co. Inc.’s holiday program focuses on a “red box” assortment of 60 items priced between \$19 and \$109. The retailer is emphasizing affordable products and practical gifts.

Brian Bolke, co-owner of Dallas boutique 4510, said accessories are the dominating business moving into holiday, and luxury brands with entry-level pieces, such as scarves by Yigal Azrouël and Marni necklaces, are winners.

“We’re finding that the things our customers feel they can wear all the time and every day is where they’re finding value,” Bolke said. “Something we’ve been really focused on is working with our fine jewelry vendors to do earrings in gold or precious stones that retail under \$250. We’ve just had to work a little harder to find the right things customers want as gifts and pick-me-ups that they can justify.”

Fashion brands also are relying on accessories to push them through the fourth quarter. In the last two years, brands such as Emilio Pucci, Proenza Schouler and Alberta Ferretti have launched eyewear collections, while Badgley Mischka, Zac Posen and Valentino have introduced watches.

“You must have a main-floor business to have resonance and respectability, and everyone understands that categories like eyewear and watches are part of that category and are the most approachable,” said Mark Ginsberg, senior vice president of designer brands at Marchon Eyewear, which manufactures sunglasses for Michael Kors, Coach and Fendi. “It’s part of the whole picture, but it’s an integral piece of the puzzle.”

But at some firms, accessories are more than an “integral piece of the puzzle.” For Michael Kors, which once designed exclusively for the elite, midtier accessories have become his stronghold. The company opened accessories-based stores throughout the world to push the category, which now accounts for 75 percent of its volume. Donna Karan has also relaunched her handbag business. The firm’s chairman and ceo Mark Weber, also ceo of LVMH Inc., U.S., has discussed the possibility of opening accessories-based shops.

Suzanne Hader, principal at 400twin Luxury Brand Consulting, said holiday will depend on the vagaries of the volatile stock market and decisions made by President-elect Barack Obama during the transition, such as his announcement Monday of the team that will steer his economic policies.

“We’re all holding our breath to see what the gift-giving mood is going to be about,” Hader said. “Part of it will come from how people feel about a new president coming in, can he turn things around or not?”

We're seeing people shop on a budget for their Christmas shopping. We haven't heard people talk about holiday budgets in a very long time."

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