

## Fireworks at Financo Forum

By DAVID MOIN and VICKI M. YOUNG

WHETHER IT'S THE kiosks cluttering the common space or the smell of popcorn, there's a lot about malls that J. Crew Group Inc. chairman and chief executive officer Millard "Mickey" Drexler apparently doesn't like.



Millard "Mickey" Drexler

"We pay a lot of rent," Drexler asserted from his seat in the audience of Monday's Financo Forum at the Harmonie Club in Manhattan. And in a nation overstocked with malls, "I don't see any excitement or improvement in 98 percent of them. Right now, there is a diminishing return. I just wonder where it all takes us."

The always outspoken Drexler sparked some spirited banter with two prominent developers that were also in the audience: Robert Taubman, chairman and ceo of Taubman Centers Inc., and David Simon, chairman and ceo of Simon Property Group Inc., who were both clearly miffed by Drexler's diatribe and fired back with sharp responses of their own.

But it all began with Drexler criticizing malls and characterizing last Christmas as one of the most discounted ever next to possibly 2008 after Lehman Bros. crashed, and as a season marked by "enormous apparel deflation" and poor performances across the sector. "Everyone was disappointing," Drexler contended.

Drexler and the packed-in crowd of 300 retailers, suppliers and consultants had just sat through a rather tame Financo Inc.-organized panel that gave no hint of the travails retailers endured during Christmas when they promoted hard to lure procrastinating consumers, or of the ongoing issues between developer-landlords and their retail tenants.

"I don't know what the optimism is about," said Drexler, who sees a retail landscape marked by discounting gone out of control squeezing everyone's margins and "getting overrun by more cheap players entering the marketplace than ever before." As far as what's happening in the malls, Drexler sees too many kiosks selling inferior products, not enough innovation and, maybe worst of all, traffic on the decline.

He even complained about one mall selling popcorn in a spot just below a J. Crew store. Apparently, the pungent odor wafting through his store was too much for him to take. Drexler, who avidly visits stores and malls, couldn't recall whether the popcorn problem was at a Taubman Centers property or in a mall operated by the Simon Property Group.

But Taubman came back at Drexler, stating: "Mickey, God bless you. It's not like you haven't made a living off shopping malls, maybe two livings compared to a lot of us."

Taubman said his centers are up 13 percent year-to-date, mostly due to increased traffic, and not so much because of inflation. "Our merchandise mix is better. We are driving more traffic in our centers. We are taking market share from other venues. Our value proposition is better. That's why you [Drexler] should be paying more rent."

Drexler's popcorn and mall concerns triggered a reaction from Simon as well. "I'll take all your space back right now," Simon said, presumably sarcastically.

Bill Taubman, chief operating officer of Taubman Centers took a middle ground, agreeing with Drexler that malls are losing traffic — but not all malls, he emphasized. The spread between high-performing malls and low-performing malls is widening, Taubman said.

Michael Gould, chairman and ceo of Bloomingdale's, also took a middle ground, noting that Taubman and Simon are "great partners. We can't do business without them." However, he did add that,



Financo's panel: Colin Welch, Walter Robb, Kevin Plank, Susan Lyne, Chris Burch, Margaret Brennan and Gilbert Harrison.

"We are in the business of theater" and questioned whether the theatrical environment of the Apple store is reflected in the rest of the mall.

Then it was back to Drexler, who did eventually hedge his comments, noting that in criticizing malls, "I didn't say 'all' malls." Still, Drexler was clearly concerned about how the economics play out across channels of distribution. "There's something not right when we put a buck

into the Internet and make twice as much money as opening a store," said Drexler, who as in past Financo Forums, managed to upstage everybody.

That included an impressive panel of successful industry players made up of Chris Burch, founder and ceo of C. Wonder; Susan Lyne, chairman of Gilt Groupe; Kevin Plank, founder and ceo of Under Armour Inc., and Walter Robb, ceo of Whole Foods Market.

Later, Drexler told WWD, "David, Bobby, Billy and I will continue to be good friends and good business partners, so why not challenge each other as we do all the time? We are interdependent, and I do think there are things all of us can work on to improve our businesses."

Financo chairman Gilbert Harrison kicked off the evening with an upbeat outlook that contrasted from Drexler's industry perceptions. "We firmly believe that 2012 is going to be a successful year in retail and at Financo," Harrison said. "All the data points to a much more positive climate for consumer companies. Psychologically, people feel better. Unemployment has dropped. Credit card debt is down."

He said this year's panel was stacked with "entrepreneurs and founders that consistently take their businesses to the next level, and each in their own, different way. While one might be very methodical, another is very quick in making decisions."

"Frankly, these are companies generating outsized growth compared to the rest of the market," added Financo president and ceo Colin Welch. "That's because they're businesses that have brand



Robert Taubman

PHOTOS BY KYLE ERICKSEN

sociates telling customers, "We're sorry."

He also spoke of risk-taking, using gut instincts to invest, and decisiveness as critical for success. "We'll open nine brands. There'll be a lot of deaths along the way. A fast bad decision is 10 times better than one slow good decision....If you don't take risks at every level, you can't win."

Plank spoke of his firm as an "achievable premium brand to consumers," those seeking affordable luxury in the performance-athletic sphere. The firm's primary selling focus is the U.S., and it'll probably grow first via expansion of its women's business and then footwear.

He also noted how competitors that play in the same space he does are all fighting for the same kids, who are comfortable in the mobile world, do research online or on smartphones before entering stores and, once inside, scan QR codes for more information, he explained.

Plank also boasted of how his firm, which has annual volume of \$1 billion, should hit \$2 billion by 2013.

Lyne said Gilt appeals to two types of young, educated customers: aspirational consumers seeking access to luxury brands, and successful men and women who have more money than time. Gilt's multiple assortments make it easier for them to shop.

She did express concerns over the news that 24 million customers' accounts were breached at Zappos.com, but said her firm is laser-focused on protecting its customer accounts. "I'm not saying we're not immune to hackers; there are feelers everyday," Lyne said. She emphasized that the key for e-commerce players to be successful is in "making people comfortable with shopping online."

She also spoke of how the firm micro-targets its e-mailing through algorithms that update a user's browsing and buying behavior. Since one has to sign in, it's easy to target events to meet a user's interests. In the nine months or so that the algorithms have been used, "We've seen an incremental conversion rate of 10 percent," Lyne said.

Whole Foods' Robb spoke of his firm's roots during its "hippie days" when fresh healthy foods appealed to the boomer generation, the same foods that now appeal to their kids due to selection and value that the firm represents. "The capital markets may be screwed up, but our business on the ground is good," he said.