

Lights, Camera, Action: Showbiz Moguls Become Fashion Players

Published: Friday, June 01, 2007

By Miles Socha with contributions by Marcy Medina

Welcome to the third stage of fashion's romance with celebrity and entertainment.

Designers hiring celebrities as their faces in ad campaigns and on the red carpet was phase one, followed by the celebrity-as-designer (a phenomenon that shows no signs of abating — pick a star and she's bound to be talking of launching her own fashion collection because, of course, every woman wants to dress like her).

But, observers say, it's now a new world and entertainment bigwigs are emerging as brand owners, backed by powerful investment funds.

Recent transactions include Harvey Weinstein's acquisition of Halston, backed by Hilco Consumer Capital, and "American Idol" and "Pop Idol" mogul Simon Fuller's partnership with Roland Mouret, who plans to unveil his new RM collection during couture week in Paris in July, as well as his deal with Victoria Beckham to launch her own fashion line, DVB.

And a host of other Hollywood-fashion deals are brewing, according to sources, suggesting there's no business like showroom business.

"Entertainment plays a more critical role in driving brand awareness than ever before," said David Baram, president of Beverly Hills talent management company The Firm. Previously, Baram served as chief executive officer of Pony after The Firm became one of the first entertainment players to acquire a fashion brand in 2001, flipping Pony less than two years later.

"We took it from zero to \$50 million and it became a situation where the company started to grow faster than our infrastructure allowed, so we sold it," he said in an interview.

Baram is also managing director at VMG Equity Partners, a private equity fund looking to make acquisitions in consumer-product companies. "We are looking at some fashion companies right now," he said, declining to name them.

Separately, sources indicate a "major celebrity manager" is corralling investors to relaunch several historic fashion brands, similar to what Weinstein plans to do with Halston.

Observers said they're not surprised Hollywood has deemed fashion ready for its close-up.

"They certainly have an advantage in terms of getting exposure, and we all know the right celebrities help sell fashion. Managed correctly, [fashion] can be a very profitable and successful business. There's also a certain allure and sexiness to buying fashion that you're not going to get from buying a cement company," said Robert Burke of Robert Burke Associates, a luxury consultancy in New York. "It's a very good sign they're buying brands. It can help revitalize fashion," noted Concetta Lanciaux, a luxury and fashion consultant in Paris. "Someone who brings a cinematic eye on a fashion brand — it can be very strong."

Diesel is a brand that already combines fashion and entertainment elements, and "Tom Ford, I think, has that cinematic eye," Lanciaux said.

But observers from the worlds of corporate finance, recruitment and luxury goods cautioned that the fashion business is tricky for outsiders to master, and movie moguls — weaned on the short-term buzz of film premieres — are hardly guaranteed long-term success on the selling floor. However, executives applauded the arrival of entertainment figures as a positive development since they hold the promise of invigorating the retail experience and innovating with brand management.

Eric M. Beder, senior vice president of Brean, Murray, Carret & Co., a New York-based investment banking firm, said closer ties between the two industries are inevitable.

"The entertainment and fashion businesses are very similar in that you assemble talent, create product and put it out there," Beder said. "But a fashion company is probably lower risk than a movie since it has more longevity."

"I have always believed that the process of managing an artist and a brand are similar," agreed David Schulte, president and chief executive officer of eyewear firm Oliver Peoples Inc., who was previously with The Firm. "The barriers between the two businesses have been broken down. The world is now about the lifestyle of the consumer: what he or she wears, consumes, listens to, travels to, etc."

Baram, who manages the likes of singer-actress Mandy Moore and her apparel company, Mblem, said, "We are essentially a marketing branding company working with artists. A lot of those skills can be brought to the table in any business."

Since the arrival of entertainment figures as executives and brand stewards is still a recent phenomenon, experts could draw on few case studies.

Probably the most famous example was Arnon Milchan's 1996 acquisition of a stake in Puma AG. Milchan, owner of the production and distribution firm Regency Enterprises, made such films as "L.A. Confidential," "JFK" and "Pretty Woman." Last year, Milchan resigned from Puma's supervisory board after seeing the German activewear giant enjoy a strong growth phase. (French retail and luxury giant PPR recently launched a friendly takeover offer for all of Puma, which would cost it a total of \$7.17 billion.)

There are plenty of examples, however, of celebrities out to build and nurture their own brands. Jay-Z sold his Rocawear venture to Iconix Brand Group Inc. in March for \$204 million in cash and another \$35 million in payments of Iconix shares depending on performance over the next three to five years. In addition, Iconix tapped the music star to be in charge of a new brand management and licensing company that will make further acquisitions.

Mary-Kate and Ashley Olsen, meanwhile, seem determined to expand their fashion empire to reach from Wal-Mart to Bergdorf Goodman and Barneys New York. The acting duo is launching a contemporary line for fall called Elizabeth and James, which will join the mary-kateandashley collection sold at Wal-Mart under a license with Dualstar and the Olsens' high-end collection, called The Row, which the twins fund themselves. Elizabeth and James is being made under license by L'Koral Industries.

Fashion executives recruited from the entertainment world are relatively few, the most recent being Benetton's new chief executive officer, Gerolamo Caccia Dominioni, who will join the apparel giant in June from Warner Music International with a mission to put Benetton back in touch with young consumers. But the tenure of another such recruit — Paul Pressler, who was hired from Walt Disney Co. to run Gap Inc. — showed the difficulties of translating management skills from the entertainment to the fashion and retail worlds.

Still, observers suggested entertainment types could offer plenty to the fashion business.

"The fashion industry embraced marketing a while ago and is recruiting good marketers from fast-moving consumer goods, entertainment and elsewhere," said Pierre Mallevays, founder and managing partner of Savigny Partners, a luxury goods advisory and mergers and acquisitions firm in London. "Entertainment people who are investing in fashion do it with their investment-business hat on, and it definitely helps if they have leverage over the media to increase the visibility of the brand.

"Fashion lends itself extremely well to licensing, and the entertainment industry has been making licensing deals for a number of years," he added. "That's a key aspect of the

industry."

Lanciaux argued entertainment specialists "know how to create value by creating new concepts, new ideas. Basically, it's an industry of intangibles. In the film industry, you don't make money rationally. You make money by creating something completely out of the blue that inspires consumers."

Floriane de Saint Pierre, who runs an executive search and consulting firm in Paris, noted that entertainment executives are accustomed to "thinking big" and have valuable experience dealing with creative people with large egos — not unlike many top fashion designers. Also, their approach is one "extremely focused on the final consumer" rather than design expression, which is typically less risky. "It will be more about branding and marketing rather than research and creativity," de Saint Pierre said. "It will inject a lot of cash in the industry."

Lanciaux said entertainment experts could contribute greatly to animating the retail experience. As more and more products are being purchased online, brick-and-mortar shopping must become less functional and more engaging and emotional, she said. A simple example is Harrods, which has employed an Italian opera singer in its food halls to attract customers to its restaurants and food services, she noted. On a grander scale are hotel developments, like Frank Gehry's new Marqués de Riscal in Spain's wine region, where architecture and art elements "offer another experience."

"That's going to happen more and more," Lanciaux said. "The online revolution, it's only beginning, and so why would we want to buy something in a boring store if you can buy it online?"

And, as entertainment moves deeper into fashion, designers are delving more into the entertainment world. Dolce & Gabbana recently said it would launch a new store concept next year with devoted space for musical events. Although details are scarce, it's an example of how designer brands are seeking to animate the store experience. Louis Vuitton, for instance, packed its Paris flagship with art attractions, including a giant video wall abutting the main elevator for rotating exhibitions and a blackout elevator by Danish artist Olafur Eliasson. Many Hermès stores worldwide also have art galleries attached.

Oliver People's Schulte said the "element of lifestyle and crossover appeal has attracted entertainment executives to fashion." However, the odds of success still rest on strong management and a vital brand.

"With Puma, Arnon [Milchan] was lucky to have an amazing ceo like Jochen Zeitz, who has a 10-year vision for where he wanted to take the brand, and they put the right

resources behind this vision to succeed," he said. "I have to remind entertainment executives sometimes that on the surface it may have seemed like it was getting the sneakers in movies or on celebrities, and, by the way, this helped, but the human and financial capital Arnon put behind Puma is what made it go."

Schulte also noted management must have a solid plan for ramping up a brand, as The Firm did when it bought Pony, a brand that resonated with certain consumers from the Eighties.

Weinstein and Fuller have yet to fully detail the strategies for their respective brands, but both men have spoken of breaking the fashion mold. "We want to innovate and challenge the norm," Fuller said when he unveiled the formation of Mouret's new fashion company, RM19, hinting at a variety of fashion-related projects.

For his part, Weinstein said at the time of the Halston deal that he was inspired by Milchan's success, and "in Halston, we found that brand that relates to the kind of movies that we make." He tapped Tamara Mellon, founder and president of Jimmy Choo, to assist with Halston's creative direction and brand structure.

Observers agreed brands like Halston give movie moguls plenty of cachet upon which to build. But important caveats include recognizing there are few quick fixes in fashion, nor overnight successes.

"There's certainly a learning curve to this industry. It's a business that is hard to quantify," noted the consultant Burke. "It can't be approached like the entertainment industry because it's not."

Echoing other observers, de Saint Pierre also noted that entertainment managers are accustomed to working on a "project basis" based on film launches, whereas fashion requires commitment "season after season. You have to be extremely disciplined." She also noted that production issues are predominant and difficult for outsiders to grasp.

Beder said entertainment types could find the day-to-day operations of running a fashion business dull. "It's tough to imagine that someone would want to spend five to seven years building a brand," he said.

"I feel there's a lack of understanding sometimes for the amount of capital it takes to successfully launch or turn around a fashion business, and that is where many of the newcomers will get seasick in the upcoming years," said Schulte. "With that said, no one is better at image and mystique than a great entertainment executive....If the cultural vibe

is right for more celebrities to promote brands, good executives will know how to leverage this."

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