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WWD WEDNESDAY

Sportswear

Demi Mode

With her own Disney Channel sitcom, made-for-TV movies, a summer concert tour and sophomore album, "Here We Go Again," hitting shelves July 21, Disney starlet Demi Lovato is poised for tween-world domination. Here, the 16-year-old lets loose in a Frock by Tracy Reese silk dress. Belt by 213 Industry; Louis Vuitton bangles; Alexis Bittar cuff; Omnatura rings; Brian Atwood shoes. For more on Lovato, see pages 4 and 5.

Gauging Their Worth: H&M, Vuitton, Wal-Mart Top Brand Value Study

By Valerie Seckler

THE MEGABRANDS ARE POWERING ahead.

H&M, Louis Vuitton and Wal-Mart, respectively, are ranked as the world's most valuable apparel, luxury and retail brands this year, according to a study by consulting group Millward Brown Optimor.

The group assessed global brands with the highest valuations in 17 sectors, from cars and coffee to technology and personal care. Much like a financial analyst evaluating the prospects of a company's stock, the Millward Brown study forecast the "intrinsic value" of 100 global brands by estimating their ability to "generate demand."

The valuations are not based solely on conventional measures, but use both tangible

See **H&M**, Page 8



Marketing

H&M, Vuitton, Wal-Mart Top Brand

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and intangible measurements from Millward Brown, such as earnings directly attributable to sales of a brand and consumers' views of those brands. In some cases, such as Vuitton, Millward Brown's valuation for 2009 exceeds the brand's 2008 revenues, and in other cases, like Wal-Mart, the valuation for this year is far lower than the company's actual revenues. This points to the aura of the Vuitton brand, for instance, playing a bigger role in purchases of those luxury products than, say, the Wal-Mart brand figuring into shopping the discount giant.

Google was assessed as the number-one brand worldwide, worth \$100.04 billion, followed by Microsoft, \$76.25 billion; Coca-Cola, \$67.63 billion; IBM, \$66.62 billion, and McDonald's, \$66.58 billion.

H&M blew by Nike under Millward Brown's assessment to become the most valuable apparel brand, worth an estimated \$12.06 billion, in a sector hit hard by the recession.

The 62-year-old Swedish fast-fashion retailer was fueled by its offer of fashion, value and exclusive designer collections at affordable prices, such as a recent collection by Matthew Williamson and a collaboration with Jimmy Choo, which will launch a collection for women and men in about 200 H&M stores in November, said Pierre Dupreelle, a director at the brand consultant.

H&M's mastery of the supply chain hasn't hurt, either. As fashion is fundamentally about the offer of something new, the chain continues to benefit from the frequent deliveries of fresh items to its stores — in intervals of about three weeks, according to The Boston Consulting Group Inc. Its even speedier competitor, third-ranked Zara, gets it done in 14 days.

"They've also been helped by ongoing store openings," Dupreelle acknowledged of H&M's more than 1,500 locations worldwide. New stores helped H&M to continue to gain market share in the second quarter as

APPAREL BRAND	BRAND VALUE	CHANGE IN VALUE VS. 2008
1. H&M	\$12.06B	+8%
2. Nike	\$11.99B	-4%
3. Zara	\$8.61B	-1%
4. Esprit	\$6.57B	17%
5. Adidas	\$4.94B	+2%
6. Ralph Lauren	\$3.03B	0%
7. Puma	\$1.89B	-19%
8. Next	\$1.67B	-39%
9. Gap	\$1.30B	-9%
10. Old Navy	\$986M	-7%

SOURCE: MILLWARD BROWN OPTIMOR, BRANDZ TOP 100 MOST VALUABLE GLOBAL BRANDS 2009



H&M was rated as the most valuable apparel brand this year, offering shoppers value with its mix of fast fashion and designer exclusives. Here, an ad from Manhattan Modern Luxury magazine.



A refusal to discount and a tight grip on distribution placed Louis Vuitton atop luxury brands. Here, an ad in Vogue.

LOUIS VUITTON

LUXURY BRAND	BRAND VALUE	CHANGE IN VALUE VS. 2008
1. Louis Vuitton	\$19.40B	+5%
2. Hermès	\$7.86B	+13%
3. Gucci	\$7.47B	+15%
4. Chanel	\$6.22B	-3%
5. Rolex	\$5.53B	+35%
6. Hennessy	\$5.40B	0%
7. Cartier	\$4.91B	-12%
8. Moët & Chandon	\$4.85B	-2%
9. Fendi	\$3.47B	+5%
10. Prada	\$2.70B	0%

SOURCE: MILLWARD BROWN OPTIMOR, "BRANDZ TOP 100 MOST VALUABLE GLOBAL BRANDS 2009."

the chain reported a better-than-expected 6.4 percent increase in net profits.

Fashion players dominated the 10 luxury brands ranked as the world's most valuable, led by Louis Vuitton, worth \$19.40 billion, up 5 percent from 2008. Wal-Mart was the retail brand with the highest valuation, at \$41.08 billion, a gain of 19 percent. Both Vuitton and Wal-Mart far surpassed the second-place brands in their respective categories: Hermès, projected to be worth \$7.86 billion, and Tesco, \$22.93 billion.

"Louis Vuitton and Hermès control their distribution channel from A to Z and they don't discount," Milton Pedraza, chief executive officer of the Luxury Institute, said of the luxury brands' leading status.

Flexing some marketing muscle has helped Vuitton and Hermès as well, contributing to reports of "[mid]- to high-single-digit profits and tens of millions of dollars of growth throughout this recession," said Greg Furman, president of The Luxury Council.

On Monday, for instance, LVMH Moët Hennessy Louis Vuitton, the world's largest luxury goods company, said it will be a main sponsor of New York City's 2009 Summer Streets event. Summer Streets closes a 6.9-mile route from the Brooklyn Bridge to Central Park to cars, so that people can run, bike, walk and participate in eco-friendly activities on the thoroughfares on Aug. 8, 15 and 22.

In conjunction with the beginning of Summer Streets, LVMH will unveil prototypes of the biking apparel designs created by the winner of its Bike in Style Challenge, Fashion Institute of Technology student Jessica Velasquez. LVMH Inc. in North America worked with New York City agencies and FIT to create the Bike in Style Challenge this year.

Although LVMH has said it is feeling the impact of global economic woes, the French luxury group continued to gain market share in the second quarter, reporting a better-than-expected 6.4 percent increase in net profits — thanks to strong demand for Louis Vuitton bags.

Wal-Mart Stores Inc. has been in the right place at the right time during the recession, with its low-priced merchandise appealing to cost-conscious shoppers, but Goldman Sachs & Co. last month cut Wal-Mart to "neutral" from "buy" and said there were few "positive catalysts" to drive the stock higher.

To make its valuation projections, Millward Brown Optimor identified the earnings of brands flowing from direct sales to customers. Next, the group analyzed the potential impact of consumers' views of the brands and conditions in markets and countries where they are sold. Based on these tangible and intangible factors,

“Consumers are loyal to luxury brands, whereas mass brands are more interchangeable.”

— Milton Pedraza, Luxury Institute

Pricing power helped Wal-Mart lead all retail brands.



Value Study

Millward Brown Optimor projected the dollar value of 100 leading brands worldwide.

Apparel was one of five sectors appraised in the new study, "Brandz Top 100 Most Valuable Global Brands 2009," which realized a decline in overall value, falling 9 percent to \$53.05 billion. Just two of the 10 top apparel brands saw gains this year: Hennes & Mauritz, rising 8 percent to \$12.06 billion, and fifth-ranked Adidas, increasing 2 percent to \$4.94 billion. The sector's top name in 2008, Nike, decreased 4 percent to \$11.99 billion. Zara fell 1 percent to \$8.61 billion, and Esprit, ranked fourth, was down 17 percent to \$6.57 billion.

"H&M has made itself more relevant to what the consumer wants and needs now: great value," said Patricia Pao, ceo of strategic consultant Pao Principle. "Value as defined by meeting or exceeding customers' expectations versus comparable products. Matthew Williamson's product — not one of the best known designers — sold out [this spring] in three hours in H&M's Piccadilly store in London."

Sectors besides apparel losing combined brand value were retail gasoline (-5 percent), financial institutions (-11 percent), cars (-22 percent) and insurance (-48 percent).

In contrast to the declining valuations projected for the top apparel names, Millward Brown's forecasts increased 10 percent to \$67.81 billion for the world's leading luxury brands and grew 7 percent to \$160.71 billion for the top retail brands.

Despite the struggles of the apparel business this year, six high-end brands of clothes placed in the ranks of the top 10 premium names, as did watchmaker Rolex, jeweler Cartier, and two types of spirits, Hennessy and Moët & Chandon. The third most valuable luxury brand, Gucci, was valued at \$7.47 billion.

"Ready-to-wear has great functional value, whereas jewelry and watches are more frivolous," Pedraza observed. "Consumers are loyal to luxury brands, whereas mass brands are more interchangeable," he added. "There are too many apparel brands competing for the same dollars."

Amazon.com — whose wide-ranging offer online stretches beyond its signature books and music to apparel brands such as DKNY, Reaction Kenneth Cole, Levi's, Adidas, Izod and Roxy — was worth \$21.29 billion, making it the world's third biggest brand in the retail category.

Mobile phone providers made the biggest leap in value, gaining 28 percent and led by China Mobile, with \$61.28 billion in brand worth.

RETAIL BRAND	BRAND VALUE	CHANGE IN VALUE VS. 2008
1. Wal-Mart	\$41.08B	+19%
2. Tesco	\$22.94B	-1%
3. Amazon	\$21.29B	+85%
4. Carrefour	\$14.96B	-1%
5. eBay	\$12.97B	+16%
6. Target	\$12.25B	-17%
7. Auchan	\$10.59B	+48%
8. Home Depot	\$9.28B	-40%
9. ALDI	\$8.64B	+49%
10. Ikea	\$6.71B	-21%

SOURCE: MILLWARD BROWN OPTIMOR, BRANDZ TOP 100 MOST VALUABLE GLOBAL BRANDS 2009

MEMO PAD

RAY OF LIGHT: Marc Jacobs was so pleased with this spring's Louis Vuitton campaign featuring Madonna that he was eager to do an encore. "But very quickly Marc said, 'I want something completely different,'" related Antoine Arnault, Vuitton's communication director. The new ingredients included a dash of Tamara de Lempicka and a soupçon of Man Ray for color-drenched images by Steven Meisel with a surreal edge, thanks to generous use of solarization, a technique of overexposure first perfected by Ray. "It gives something very graphic, more edgy" than the first Madonna campaign, also by



Marc Jacobs, Lorenzo Martone and Madonna.

Meisel, which depicted her as a French coquette in a Parisian bistro setting, Arnault said. The new spots, which break in a range of August titles, feature a variety of runway looks and leather goods, many in the house's signature monogram.

Asked about the impact of the first Madonna campaign, Arnault said, snapping his fingers for emphasis, "Everything she was wearing in the first campaign was sold within a few months. People came into the store saying, 'I want the Madonna bag, the Madonna shoes.'"

Arnault declined to specify budgets for the fall ads, but said investments would be "flattish" versus last year. "We're one of the rare brands to have not reduced investments," he said.

Also slated for the second half is a new campaign devoted to the Tambour watch. — Miles Socha

END NOTE: Urban music magazine Vibe is closing after 16 years. "It is with great sadness, and with heads held high, that we leave the building today," said editor in chief Danyel Smith. Staffers on Tuesday morning, said Smith, were "assigning and editing a Michael Jackson tribute issue when we got the news." AOL's Daily Finance first reported the title's closing.

In a memo to the staff, Steve Aaron, Vibe Media's chief executive officer, said the inability to receive additional financing to "restructure the huge debt on our small company" and the collapse of fashion, automotive and multicultural advertising were the main reasons for the magazine's collapse. In 2008, Vibe had 779 ad pages, a 20 percent decline from 2007, according to Media Industry Newsletter. Through June, the magazine registered 224 pages, a nearly 40 percent loss from the year prior.

The urban music magazine launched by Quincy Jones in 1993 was the hip-hop Rolling Stone in its heyday. By the turn of the decade, Vibe encompassed a magazine, Web site, an awards show and an on-demand television network. It later launched a fashion and beauty spin-off, Vibe Vixen. But as rap music became more mainstream, its artists slowly received more coverage in other titles — Beyoncé in the Nineties would have been a regular Vibe cover star, but in recent months, she was Vogue's. And Forbes'. And Self's. Vibe's audience migrated to the Web and other publications. In the second half of 2008, circulation declined 9 percent, to 817,825, but 112,071



Madonna in Louis Vuitton's fall ad.

LOUIS VUITTON

For more images, see WWD.com.

copies of those were public place issues. Newsstand sales declined 11 percent, to 100,318, in the second half of last year, according to Audit Bureau of Circulations.

In 2006, the magazine was sold to the Wicks Group for a reported \$20 million. But the new management struggled to bring Vibe back to its glory and folded Vibe Vixen in 2007. In February, Vibe said it would cut its rate base to 600,000 from 800,000; frequency was reduced to 10 times annually from 12 issues, and a four-day work week and a 10 percent salary cut were mandated for employees. Vibe in June launched a twice-annual tabloid magazine, The Most, but that too will fold. — Stephanie D. Smith

QUICK STINT: Susan Reed is departing O, The Oprah Magazine only a year after she was hired as its editor in chief. She will be succeeded by Susan Casey, a former creative director at Outside magazine and editor in chief of Sports Illustrated for Women. Most recently, Casey was development editor of Time Inc. from 2003 to 2007, where she worked on new magazine and Web concepts for the women's market. Though Reed oversaw a big news event when Oprah Winfrey in January decided to address her weight gain, sales for the magazine during her tenure fell substantially. In the second half of 2008, single copy sales declined 25 percent, to 625,961. Single-copy sales for the first five issues of 2009 are 3 percent lower than sales for the same issues in 2008, but are nearly 20 percent smaller than sales registered in 2007. — S.D.S.

SPECIAL DELIVERY: If TMZ is the town crier of celebrity deaths, People is the eulogy. And readers have been eager since Thursday to see how the Time Inc. weekly would cover Michael Jackson's death in print a week after it happened. This week, People will publish a double issue that will feature a flip cover and special 27-page photo tribute to Jackson. People will produce two back covers of the issue, one with a young photo of Jackson, the other of the singer in his adult years. The issue will also have a higher newsstand price — \$4.49, compared with \$3.99 for a regular issue. The Jackson issue will be on newsstands for two weeks, but People will publish a new issue next week as scheduled. — S.D.S.

Gap Said to Pick New Ad Agency

By David Moin

JUST LIKE IT DID THIS YEAR WITH OLD NAVY, Gap Inc. appears ready to crank up the advertising on its Gap brand.

Gap has been conducting an agency review and is likely to designate Crispin Porter + Bogusky for the Gap brand, according to sources. It's the same ad firm that does the campaign for the company's Old Navy division. There could be cost savings by utilizing the same agency for two divisions, though Gap is said to be pleased with Crispin Porter + Bogusky's quirky campaign for Old Navy, which features "SuperModelquins." Although they're mannequins, not live models, they have names, catty personalities and a penchant for getting into each other's business and checking out each other's jeans.

The Miami- and Boulder, Colo.-based Crispin Porter + Bogusky has a reputation for provocative campaigns. It recently scored big with Burger King's "Whopper Freakout" ads, but flopped when it paired Jerry

Seinfeld with Bill Gates in ads for Microsoft.

"We are still in the final stages of selecting an agency to partner with Gap brand for holiday 2009," said a Gap spokeswoman on Tuesday. A CP+B spokeswoman referred calls to Gap.

Laird + Partners has been Gap's agency since 2002 and was among the firms participating in a shoot-out.

Meanwhile, management is gaining confidence in Gap brand products and wants to be more in front of consumers to reverse declining traffic and market share trends.

In his first-quarter conference call, Gap Inc. chairman and chief executive officer Glenn Murphy acknowledged the need for increased marketing spend at Gap. The company plans a denim relaunch in August, to be followed by stronger marketing. "I do feel confident with the product at Gap," he said. "We are really finding a way to speak to the customer."

Last quarter, marketing costs for the corporation rose 3.2 percent to \$96 million due to increased spending at Old Navy and Athleta, acquired in September.

For more on top retailers, see WWD.com.