

NORDSTROM NET LEAPS/2 TOUGH HALF AT NEWSSTAND/15

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WWD FRIDAY

Beauty



Face Off

NEW YORK — On the face of it, the skin care market is shaping up to be one of fall's busiest categories. Sonya Dakar will launch the UltraLuxe antiaging line, MD Skincare is adding an acne-control collection and PreVage is coming out with an eye treatment. For more, see pages 4 and 5.

Gloomy Days at Gap: Second-Quarter Profits Slide 52.9 Percent

By David Moin

NEW YORK — Gap Inc., struggling to win back customers and showing few signs that turnaround efforts have begun to have an impact, posted more than a 50 percent fall in net profits and a 5 percent

decline in comparable-store sales in the second quarter.

Net income fell 52.9 percent to \$128 million, or 15 cents a share on a diluted basis, from \$272 million, or 30 cents a share, for the same period last year. Total sales were

\$3.7 billion, which were flat with a year ago.

"The second quarter continued to be challenging, as we aggressively cleared inventory to prepare for fall merchandise, and we invested

See **Gap**, Page 17

Nordstrom Net Jumps 20%

By Sharon Edelson

Nordstrom Inc. on Thursday reported net income rose 20 percent to \$178.8 million in the second quarter ended July 31 on a 7.8 percent rise in sales to \$2.3 billion.

Earnings per share rose 26 percent to 67 cents, compared with 53 cents in the same period last year, and were ahead of expectations. The results compare with net income of \$148.9 million last year on sales of \$2.1 billion in the second quarter of 2005. Same-store sales for the period gained 5.7 percent.

Unlike most retailers, Nordstrom's second-quarter sales are an important contributor to the company's annual results, roughly equaling 90 to 95 percent of its fourth-quarter volume.

In June, Nordstrom's experiences clearance activity, as most retailers do. Its anniversary sale in July produces the highest sales volume days of the entire year. Mike Koppel, executive vice president and chief financial officer, said on a conference call with Wall Street analysts that the June clearances and anniversary sale delivered positive same-store sales increases, while regular-priced business showed strength in the quarter.

The anniversary sale is significant because it offers insight into how customers will respond to fall merchandise; the sale is a preview of the season.

The strongest regional performance for full-line stores was in the Northwest, where merchandise categories ahead of plan included men's apparel, cosmetics, accessories and intimate apparel. Nordstrom's Rack division extended its streak of double-digit same-store sales increases to 24 months. Gross profit margin increased 26 basis points for the quarter over last year and merchandise margin was above plan and beat last year's results.

"We're beginning to see some traction from our cohesive approach in women's apparel," Pete Nordstrom, president of merchandising, said on the call. "As we move into the fall season, we have a lot of work ahead of us."

While the anniversary event produced only a 2.1 percent sales increase in stores, when combined with the online business, the increase was 4.1 percent.

"We've had some challenges over the last quarter or two in Brass Plum [teen fashion], women's and juniors," Nordstrom said. "That's a big part of our business, particularly during the anniversary sale. So when that isn't particularly healthy in an event like that, it drags the total down."

Nordstrom is trying to offer more luxury brands throughout the store. "If we're able to bring in the coveted brands...they sell," Nordstrom said. "Price doesn't really seem to be a barrier as much as the desirability and the fashion of it. Yes, there are lines that we either don't get or don't get as much of and that's just an ongoing pursuit for us and I think always will be."

Nordstrom is focused on expanding its luxury offerings.



Alluding to Federated Department Store's sale of Lord & Taylor and other consolidations in the retail industry that allowed Nordstrom to acquire real estate in certain shopping centers, Pete Nordstrom said: "As the retail landscape continues to transform, we are positioned to benefit. The number of attractive opportunities keeps growing and we look forward to sharing any developments as they unfold."

The company in October will be relocating its Nordstrom Topanga store in Canoga Park, Calif., he said.

Nordstrom has tried to offer online a wider selection of merchandise that can be found in stores. The strategy has paid off. Online sales are exceeding industry average and the direct business is expected to reach \$1 billion in sales in the next four to six years. "It's become a source of substantial growth potential," Blake Nordstrom, president of Nordstrom Inc., said. "Success will be measured over a course of years for our multi-channel offering."

The company is installing a new technology platform that will bring the direct and full-line store inventory systems together to create a more seamless shopping experience.

During the quarter, Nordstrom repurchased 9.7 million shares of stock for a total of \$350 million. For the third quarter, the retailer anticipates low single-digit same-store sales increases and earnings per share in the range of 40 cents to 45 cents versus 39 cents in the third quarter last year.

Updated earnings outlook for the year is \$2.31 to \$2.39 per share, up from \$2.24 to \$2.32 per share. Nordstrom shares on Thursday closed at \$36.49, down 1 cent on the New York Stock Exchange.

WWD FRIDAY

Beauty

BEAUTY

- 6** While the turbulence in travel retail may have subsided since news of a foiled terrorist plot broke last week, smooth sailing it isn't.
- 6** Coty is bolstering the Beckham brand with a his-and-hers duo, Intimately Beckham, an ode to soccer star David Beckham and wife Victoria.

GENERAL

- 1** Gap Inc.'s net earnings plummeted 53 percent, to \$128 million, in the second quarter ended July 29, on flat sales of \$3.7 billion.
- 2** Boosted by the annual July sale, Nordstrom's second-quarter net gained 20 percent, to \$178.8 million, as sales grew 7.8 percent, to \$2.3 billion.
- 16** Specialty retailers reporting quarterly figures Thursday saw earnings affected by option expensing, settlement gains and weaker sales.
- 17** Urban Outfitters, the Philadelphia contemporary retailer, is set to open its 100th store in Copenhagen, which symbolizes its international growth.
- 17** Sears Holdings Corp. saw net income jump 83 percent, to \$294 million, in the second quarter, on sales that fell 3 percent, to \$12.8 billion.
- 18** President Bush signed a bill intended to help textile producers and importers doing business in Central America recoup financial losses.
- 18** Max Azria, designer of the contemporary line BCBG Max Azria, is at last letting his separate designer collection stand on its own two feet.

Classified Advertisements.....19

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Arden Posts Loss in Quarter

By Amy S. Choi

NEW YORK — Due to a number of "external challenges" Elizabeth Arden Inc. faced in fiscal 2006 — including the Federated and May department store merger — the company experienced a net loss of \$1.9 million in the fourth quarter, noted chairman and chief executive officer E. Scott Beattie.

"Although we met our previously amended guidance, the general disruption during the second half of the year had an impact on sales and earnings," Beattie said during a conference call with analysts. "It's not just a North American or U.S. issue. Consolidation has impacted our markets in Canada, the U.K. and Australia, as more and more department store retailers are merged or private equity groups are buying them out."

Wal-Mart's push to reduce inventory, a move that was followed by many other mass retailers, also negatively affected Arden's sales in the second half of fiscal 2006, said Beattie.



E. Scott Beattie

The company reported net sales of \$189.9 million in the quarter ended June 30, up slightly from \$187.1 million a year prior. It experienced a net loss of \$1.9 million in the quarter, or 7 cents per diluted share, compared with a loss of \$4.5 million, or 16 cents per share, a year earlier. Net income for fiscal 2006 was \$32.8 million, down 14.7 percent from \$37.6 million in fiscal 2005. Net sales for fiscal 2006 were \$954.6 million, up 3.7 percent from \$920.5 million a year prior.

The company, which recently completed strategic acquisitions of the brand licenses for Riviera Concepts and the prestige fragrance distributor Sovereign Sales, is optimistic for fiscal 2007. Arden will launch With Love...Hilary Duff and Danielle by Danielle Steel this fall. Next year, it expects to launch two fragrances, one Elizabeth Arden scent and one under a license with Mariah Carey. The company also partnered with Sephora to

sell a Prevenge product exclusively in Sephora stores beginning in January.

Quote of the Week

"Some of the same issues affecting our customers, such as higher utility costs and gas prices, are impacting corporations like Wal-Mart, as well."

— H. Lee Scott, Wal-Mart's chief executive officer following the firm's first profit decline in a decade.

Corrections

Jones Apparel Group is not closing all of its Bristol, Pa., operations. After April 2007, the company will still have more than 500 associates working in Bristol. The photograph of the Lauren by Ralph Lauren line showed the first collection produced by Polo Ralph Lauren since taking back the license from Jones. This information was misstated in a story that ran on page one, Wednesday, and in a caption on page 8.

Tween Brands' Bob Atkinson's name was misspelled in a story on page 13, Thursday.

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with Love...

HILARY DUFF

A new fragrance

The Beauty Report

Dakar Puts Time on Her Side

By Julie Naughton

SONYA DAKAR WANTS TO TURN BACK TIME — WITH A NEW ANTIAGING line set to launch this fall.

While the brand offers skin care for a variety of skin ailments — acne, discoloration and scarring — as well as antiaging products, the new line represents the “most cutting-edge technology of any of our products,” said Mimi Dakar, vice president of marketing and public relations for her mother’s company. “UltraLuxe is the first subcollection to the Sonya Dakar skin care line, and we intend for it to be the new standard of age control.”

The UltraLuxe line consists of a wash, a mask, two serums for retail sale and two professional products intended to be used in tandem at spas.

The key products, UltraLuxe 9 and UltraLuxe 9 OC (oil control), are \$185, 1-oz. serums formulated for normal/dry/combination skin and oily skin, respectively. Both contain the same signature ingredient, Nonaplex, which contains nine technologies — including argireline and violox — said to diminish the appearance of fine lines and wrinkles.

The standard UltraLuxe also includes aloe leaf juice, said to lend healing powers; bitter orange essential oil, as a mild astringent, and vitamin E to neutralize free radicals. The OC formula mixes Nonaplex with potassium azelaoyl diglycinate, a sebum control regulator; sweet almond extract to soothe skin; mandarin orange essential oil as a mild astringent; jasmine oil to minimize redness, and rosemary oil for its astringent and antibacterial properties.

UltraLuxe Age Control Active Mask, \$70 for 1.75 oz., employs tripeptide technology to help diminish the appearance of fine lines and wrinkles. Marine algae, said to boost the skin’s immunity and metabolism, is mixed with papain, which serves as a mild exfoliant; oat protein, said to have anti-irritant and anti-inflammatory properties, and bitter orange and neroli essential oils, said to provide astringent and aromatherapy benefits.

UltraLuxe Nourishing Wash, \$45 for 4 oz., is a foaming oil cleanser with antioxidants and is said to hydrate skin as it cleanses. The formula is a blend of pomegranate peel extract and lemon verbena, orange blossom, rosemary leaf, grapefruit and apricot kernel essential oils. According to Dakar, the oils in the cleanser bind to dirt and oil on the skin, and rinsing with water triggers a slight foaming action that removes the oils and dirt from the skin without stripping it of moisture.

The two professional items are Hydrating ProPeel, a lactic acid and peptide cocktail said to exfoliate and soften skin before a second item, the UltraLuxe Age Control Facial, is applied.

In total, the products will be available in about 100 doors, including Dakar’s Beverly Hills flagship and spas, hotels and resorts across the country, beginning in September. While Dakar wouldn’t comment on projected sales, industry sources estimated that the UltraLuxe line could ring up sales of more than \$2.5 million at retail in its first year on counter.

Sonya Dakar, the longtime aesthetician and family matriarch, has made the running of both her treatment center and her eponymous product line a family affair.



From top: Sonya Dakar (center) with Natan, Donna, Mimi and Yigal Dakar; Sonya and Israel Dakar; the rooftop garden.

Israel Dakar, Sonya’s husband, is head of research and development, and formulates all products packaged at the corporate office. Their children, Yigal, Natan, Mimi and Donna, are all involved in the business as well. Yigal is vice president of sales and marketing and heads up the company’s New York satellite office. Natan is president of Sonya Dakar Skin Care, and oversees the general operations of the company. Mimi is vice president of marketing and public relations, and the company’s official spokeswoman, and Donna is vice president of education and spa sales.

The company is also readying the formal unveiling of the Sonya Dakar Skin Clinic, a 12,500-square-foot, five-story space in Beverly Hills. Dakar has been working out of the building’s second floor since March, but the building’s additional floors and a luxe rooftop party space will open in September. In addition to an on-site concierge to attend to a client’s every whim — not to mention nannies and pet-sitters on call — a vegan cafe, a water bar with reservable cabanas and valet parking are in the plans. Bowing to Dakar’s celebrity clientele — said to include Gwyneth Paltrow, Debra Messing, Drew Barrymore and Britney Spears — there also will be a VIP Suite, complete with private parking lot and entrance, a private butler to run errands and return phone calls and wireless Internet capabilities. Medispa services, such as Botox, are also expected to be added.

Prior to the unveiling, Dakar will open up the space for her Beauty Boot Camp, an event she holds for celebrities before major awards shows such as the Primetime Emmys and the Academy Awards. This edition will offer a wide variety of skin care, nail and hair services, as well as a couture gown exhibit of Kati Stern for Venexiana. Dakar is also offering celebrities chauffeured car service (sponsored by Audi USA) to and from the event and to a partner gifting suite at the Liberace Penthouse.



MD Skincare Spots Dollars in Acne

NEW YORK — Spot on? If Dennis Gross has anything to say about it, it will be “spot off.”

In October, his indie skin care brand, MD Skincare, will launch three new products specifically dealing with acne — but this isn’t your seventh-grade pimple cream.

“There are two types of acne — flat and bumpy,” said Gross, a New York University-trained dermatologist and skin cancer researcher who founded MD Skincare in 2000.

Why does that matter? “Flat acne, which is the beginning stage of acne, can be treated early — and that will minimize the chances that it will grow into bumpy acne,” he said. In fact, he explained, flat acne can appear on the skin as many as 30 days before transforming into bumpy acne — acne that is inflamed and infected.

Given that acne can appear at any age — and can be made worse by factors like hard water — the market is “wide open,” said Gross. “While prescription Accutane is effective in dealing with severe acne, it also carries a number of possible side effects and many doctors are reluctant to prescribe it. There is a real need for effective, topical, non-prescription solutions.”

All-Over Blemish Solution is Gross’ answer to flat acne. Although it employs an old favorite for dealing with acne, salicylic acid, it’s the delivery system that’s different this time, said Gross. A proprietary chelating complex blocks the actions of calcium and magnesium, which Gross said can cause one’s own oils to form waxy plugs in the pores and cause breakouts. A potent form of salicylic acid then lifts the waxy plugs, while farnesol kills bacteria in the pores and bisabol (the active ingredient in chamomile) soothes redness and inflammation, Gross explained.

All-Over Blemish Solution will retail for \$84 for 1.7 oz. It can be used by any skin type, although Gross recommends that dry and combination skin be treated once at night; oily skin can be treated in both the morning and the evening.

Correct and Perfect Spot Treatment targets bumpy acne as it appears on the sur-

face of the skin. Gross explained that its formula is designed to pull blockage from the pores, “sort of like reverse osmosis.” Sulfur is said to control the oil that feeds bacteria, while farnesol targets bacteria deep in the pores. It is \$28 for 0.5 oz.

All-in-One Cleansing Foam, \$36, contains chelators to help neutralize the damaging aspects of hard water, as well as witch hazel for a gentle drying effect, Gross said. “You don’t have to dry out your entire face to get one particular spot,” he said. In fact, that can actually make acne worse, he added, because the skin then goes into overdrive, producing even greater quantities of pore-plugging oil.

The myriad misconceptions about acne — that scrubbing with harsh cleansers will help it, for instance — have made Gross passionate about education. “The real trick to getting people better is educating them,” he said. To that end, MD Skincare will relaunch its Web site, mdskincare.com, on Monday, said Carrie Gross, chief executive officer of the firm and Dennis Gross’ wife. “It will be set up in a way that a new consumer can log on and get a prescription for their skin type — and exactly why it is right for them — as well as printable instructions,” said Carrie Gross. “We will also continually update the site, and it will be a good source of information for everyone, from customers to salespeople.”

The brand is available in about 775 specialty store and spa doors, including Nordstrom, Sephora and Bergdorf Goodman. It will also be carried in the Sephora stores-in-store at J.C. Penney, said Stefani Thionnet, executive vice president of MD Skincare. “However, spa doors are still very important to us, and we continue to add spa doors and professional treatment options for them,” she said, adding that Bacara Resort and Spa, in Santa Barbara, Calif., and Miraval Spa in Tucson, Ariz., are two of the latest to carry MD Skincare. The brand is also growing its international distribution, and plans to add Space NK in the U.K. this fall. It is already sold in a number of countries outside the U.S., including at Mecca Cosmetics in Australia, and is expanding its doors in Japan, Hong Kong, Korea and Mexico.

While none of the executives would comment on projected sales, industry sources estimated that the acne line would do at least \$8 million at retail in the U.S. in its first year on counter.

— J.N.



Part of the new acne lineup.

Prevage Says Eye Do to New Category

Prevage is eyeing a new category for its skin care products.

The brand, which made its department and specialty store debut last September, will launch a new eye product, Prevage Eye, next month.

Allergan, which launched Prevage — an antiaging serum powered by idebenone, a powerful topical antioxidant — in fall 2004 in dermatologists' offices, signed a comarketing deal with Elizabeth Arden last fall to take a less-concentrated product — a 0.5 percent idebenone concentration, as opposed to the 1 percent of the dermatologist-office version — into department stores last December. That deal gave Arden rights to the Prevage name and its main ingredient, idebenone, in every market globally except dermatologists' offices.

"Our initial department store launch last fall was extremely successful — and we're seeing a very loyal consumer who wants other products with this technology," said Elizabeth Park, executive vice president of global marketing and general manager of Elizabeth Arden U.S. While Park wouldn't comment on Prevage's first-year sales, industry sources estimated that the serum had done more than \$50 million at retail in the U.S. since its launch in December.

And an eye product is a logical extension of the franchise, said Park. "Eye



One of the Prevage print ads.

products can help to bring in younger consumers, because that's often where people notice the first signs of aging — the skin around eyes is thinner than it is elsewhere on the face," said Park.

Like the Prevage serum, Prevage Eye is powered by idebenone. In the eye product, however, it is mixed into a cocktail that Arden calls I-Seryl Complex. That proprietary complex includes peptides designed to target crow's-feet and help maintain collagen; algae extract, said to smooth the

appearance of fine lines and wrinkles, and Haloxyl, said to minimize dark circles and puffiness.

Prevage Eye is \$90 for 0.5 oz., compared with \$150 for the 1.7-oz. flagship product. Like the serum, Prevage Eye is packaged in a silver-toned airless pump.

The new eye product will roll out in the U.S. and the U.K. in October, and to the rest of its global markets in March. In the U.S., Prevage is marketed in about 2,300 department and specialty store doors, including Saks Fifth Avenue, Bergdorf Goodman, Bloomingdale's, Sephora and Nordstrom.

National print advertising will begin in November fashion, beauty and lifestyle magazines, said Jessica Roth, director of global skin care marketing for Elizabeth Arden.

Roth said a large sampling effort is planned — more than 500,000 packets and deluxe samples. A Web site, prevageskin.com, is intended to educate consumers, added Roth. Prevage serum will be promoted during this campaign.

The executives declined to comment on projected sales or advertising spending; however, industry sources estimated that the new eye product would do at least \$8 million at retail in the U.S. in its first year. Sources estimated the first-year advertising and promotional budget at \$4 million in the U.S.

— J.N.

Skin Is in for Lorac

CAROL SHAW IS PLANNING TO GO WELL beyond the surface with her two new skin care offerings this fall.

"What good is great makeup if the skin you put it on doesn't look good?" asked Shaw, a California makeup artist and the founder of Lorac. "Even the best makeup can't fix bad skin."

For that reason, she formulated Makeup Prep, an exfoliator, and Aqua Prime, an oil-free makeup primer.

Makeup Prep comprises the proprietary ProMC3, a mix of calcium, magnesium and aluminum crystals, teamed with hydrating jojoba beads. "The best thing about this exfoliator is that no matter how sensitive your skin is or whether your skin is oily, dry or whatever, you can use this product without irritating anything," said Shaw, who adds that she was watching her employees tear up their skin with harsher formulas. "With this formula, you can control how hard or gently you'll use it — a sponge if you've got sensitive skin, your fingers if you really want to go deep with it."

Shaw, who has also been testing the formula on herself, said she has seen a "dramatic improvement" in her skin's appearance. "I have acne scars, and this is really reducing their appearance," she said. "Plus, if you're constantly exfoliating, you're ridding yourself of dead, flaky skin cells, which will make you look younger." Makeup Prep will retail for \$32 for 3.7 oz.

Shaw sees Aqua Prime, a water-based makeup primer designed to facilitate smooth makeup application, as the second half of the "perfect skin" duo. The colorless gel is oil-, fragrance- and silicone-free, and contains sodium hyaluronate for moisture and to help diminish the appearance of fine lines. It will retail for \$30 for 1.35 oz. "It gives your skin a good drink of water, and hydrated skin holds makeup on the skin much more effectively," she said.

Speaking of makeup, Shaw has two color collections on tap for the second half of the year: Her fall 2006 collection, Animal Attraction, bows in September, and her holiday collection, Social Butterfly, is out in November. Animal Attraction includes a limited-edition face palette called Snake Charmer, \$35 for a jeweled compact with four eye shadows and a blush — not to mention a faux-snakeskin armband — and four limited-edition Brow Kits, each \$22.

The centerpiece of the holiday collection — a \$49 palette called Social Beautyfly — will be exclusive to Sephora, and includes six eye shadows as well as blush, luminizing powder and lip polish.

While Shaw wouldn't comment on projected sales, industry sources estimated that the new products would do upward of \$1 million on counter in their first year.

Lorac is in about 160 doors, including Sephora and a lineup of boutiques. The brand is also sold on QVC and qvc.com, and will enter the Sephora shops slated for J.C. Penney doors. "What I most enjoy about QVC is that customers get to hear my methods and about my products from me," she said. "It's not a diluted version of what I hope people are saying in stores. It's like the ultimate personal appearance — people can call in and ask specific questions. Also, QVC is a good partner, and we are building a business together. They do an amazing volume of business." Shaw appears on the channel roughly once a month.

— J.N.

Lilly Pulitzer Puts Beauty in the Bag

Lilly Pulitzer is into bags this fall — makeup bags, a category the company is using as its first foray into the beauty market.

"In the past, we've dabbled, but we haven't taken a full step into many of the accessories categories that we are now embracing," said Janie Schoenborn, senior designer of accessories, footwear and new product development for Lilly Pulitzer. Schoenborn, who for years ran her own preppy, New York handbag line, Buzz by Jane Fox, joined Lilly Pulitzer this past spring, relocating to the company's King of Prussia, Pa., headquarters. "The company is now completing the lifestyle for customers, and making a real commitment to the accessories. The makeup bags are a logical addition."

As for other categories, executives say they are examining a deeper entry into the beauty world. In time, that could mean both a color cosmetics line and a fragrance collection, said James Bradbeer Jr., president of Lilly Pulitzer. "We are looking very closely at the beauty world as an integral part of our lifestyle positioning," he said. "We are in the earliest stages of our due diligence to determine how best to approach this substantial opportunity." Bradbeer co-owns Lilly Pulitzer, along with the brand's chief executive, Scott Beaumont.

While the company expects the core Pulitzer lover — the preppy, classic type — to embrace the makeup bags, Schoenborn thinks the bags and additional accessories will draw in new consumers, as well. "This is a great entry point to understand the Lilly lifestyle — the bags are practical yet whimsical, and can also be given as gifts," she said. "We plan to keep expanding our focus in this arena."

The first pieces in the collection will enter Pulitzer distribution — 15 company-owned stores, 75 Signature stores (privately owned boutiques that license the Pulitzer name and have a merchandise assortment of 90 percent Lilly Pulitzer merchandise or more) and 100 department store doors, including Bloomingdale's — in November as part of the resort 2006 collection. Pulitzer items are also sold in about 500 specialty and pro shops

in the U.S.

For resort, two separate makeup bag sets of two, each in different colors, will be offered. This collection will be available at Bloomingdale's, Signature stores, specialty stores and the company-owned retail stores. For spring 2007, in the same distribution, three makeup bag sets of two will be offered, beginning in February. Spring offerings also include Lilly's Beach Tote, a clear plastic tote with a detachable wristlet for makeup, and the B&T Tote, which has a detachable PVC makeup bag.

The collection will retail from \$58 to \$98.

Schoenborn emphasized that designing a makeup bag — a good one, at least — isn't about slapping two pieces of fabric together. "There are challenges in creating makeup bags that don't exist with regular bags," she said. "The first difference is fabrication. You've got to assume that spillage is a possibility, so all of our bags are lined with PVC, which can be easily wiped down. But at the same time, we wanted to make them as whimsical and fun as everything else is. We're working in new mediums — clear PVC for spring 2007, nylon for summer 2007. Everything will change seasonally as the apparel changes." Speaking of changes, the new Lilly Pulitzer label — a pale pink bordered with a cream-and-green bamboo print, with the Lilly Pulitzer name in deeper pink handwriting — will make its debut on the spring 2007 bags, as will a gold-tone LP logo on

several styles.

Even small details, right down to the hangtags and ribbons, convey the whimsy that Pulitzer is famous for, said Schoenborn.

"We need to have hangtags, obviously, but didn't want them to be run-of-the-mill," said Schoenborn. "We designed one that reads, 'Too much is never enough. Lucky you, this is set of two!' And the ribbons we've used to tie the sets together is printed, 'Business or pleasure?' Our girl travels — she's in Palm Beach for fun, she's away on a business trip. She's all over the place, and we need to give her bags that accommodate those needs — big enough for makeup brushes and everything else that she wants to carry. And they can be fun, too."

— J.N.



Resort (top) and spring makeup bags; the new hangtag design.



The Beauty Report

Some Travel Retail Brand Sales Said to Fall Nearly 50%

While the turbulence experienced in travel retail since news of a foiled terrorist plot broke last week might have subsided, smooth sailing it isn't.

Some European beauty brands are estimating that new security regulations banning liquids on board certain flights may have reduced sales by as much as 50 percent over the past week. "It's been chaotic for us," said Diane Mee, area director for Groupe Clarins' travel retail division, noting that the brand's U.K. duty free sales were practically nonexistent in the two days following the alert.

Meanwhile, on Wednesday, U.K. home secretary John Reid encouraged European ministers to adopt more stringent security regimes at airports, taking the lead from measures already in place in Britain. A meeting regarding air transport security will be held by the European Commission Sept. 6 and 7.

The Duty Free World Council, an umbrella group representing numerous travel retail trade organizations met Wednesday and urged the industry to take a calm approach to the situation.

"The Duty Free World Council is currently collecting information from members around the world in order to clarify the situation and allow for a considered response and are also in contact with relevant government authorities," it said in a statement Thursday. "The Council hopes to issue a further statement later."

Mee said, "It's very quiet in stores, it's demoralizing for our consultants as they can't increase sales, they can't sell to people."

It's a similar situation at Beiersdorf-owned La Prairie where sales are expected to have halved in the days following the scare. "Eighty percent of all our customers have no restrictions but it's still affecting consumers' behavior at the moment," said Maïke Kiessling, managing director of travel retail-duty free for La Prairie International. "They are overstressed, completely frustrated, they think about everything but not about buying. They are completely insecure, [and are asking]; 'Can I buy? Can I not buy? What happens to my goods? Is the ban only for the U.S.?' However, others, such as Mark Riches at World Duty Free [said],

'Hey wait a second, calm down and don't panic.'"

Retailers and operators that did keep their cool have come up with innovative ways to help passengers affected by the new regulations to carry on shopping. At many airports, for example, goods bought in travel retail shops are being delivered to planes.

While such systems skirt the underlying security issues and make travel retail shopping possible, Kiessling believes such measures might negatively impact the appeal of duty free. "Life is complicated enough, if shopping gets complicated, people will stop," she said. "We have been working over the last five years to make airport shopping a real pleasure. Before, travel retail was just cheaper [than domestic stores]; there were no services. If it were now to go in the other direction it would be a disaster."

“Life is complicated enough, if shopping gets complicated, people will stop.”

— Maïke Kiessling, La Prairie

For retailers, such solutions might not be an ideal long-term answer, either: "It sounds like a fantastic customer proposition but it also sounds like a nightmare logistically," said a spokesman for Boots the Chemists, which runs more than 20 stores in major airports across the U.K.

"For the longer term, the travel retail industry is teaming up with airport authorities in order to find sustainable solutions for sales at airports in the future," stated Carlo Bernasconi, executive vice president, business development and strategic marketing at The Nuance Group, an airport retailer. "The introduction of arrival duty-free as a viable alternative is one possible option."

According to Martin Moodie, founder of the travel retail newsletter and Web site, The Moodie Report, it

seems likely that airport retail concession holders will seek compensation for loss of earnings in the future since often a store's rent is based on the number of passing passengers who under normal conditions could potentially make a purchase.

"The industry's major argument is that the [travel retail] supply chain is ultraregulated and strictly compliant in terms of security and other regulatory concerns," said Moodie.

"All our goods are in secure areas of the terminal," said a spokesman for the Gebr. Heinemann group, which runs 135 doors in airports worldwide. "Everything brought on to shelves is scanned."

The Heinemann spokesman was also keen to put the new regulations in perspective. "The U.S. is a small part of the market, over 10 million flights leave Hamburg and Berlin every year, one a day goes to the U.S.," he said, adding the retailer's strength lies in sales to intra-European passengers. "The new security procedures only affect three destinations — the U.S., the U.K. and Israel — but for everywhere else in the world it's business as usual," said a spokesman for Aeroports de Paris. "Charles de Gaulle airport serves more than 500 destinations and this situation only affects three of them."

The Heinemann spokesman noted that in Germany, retailers and operators are working together to enable passengers to continue buying goods. In Frankfurt, for example, items purchased by passengers are being brought directly to the gate by officials so there is no risk of them being tampered with before the flight. While at Düsseldorf, goods that are confiscated are returned to passengers when they reach their destination.

Similarly, while sales of Clarins products have been hit, the brand's treatment center in London's Gatwick airport has seen a sizable upswing in stressed-out passengers looking for respite from the harried airport environment, according to Mee. "It's fully booked because so many people have been delayed," she said.

— Ellen Groves, Paris, Brid Costello and Lucie Greene, London

Coty, Beckham Get Intimate With New Masterbrand

LONDON — Coty Inc. plans to bolster the Beckham brand with a his-and-hers duo that will bow Monday.

Dubbed Intimately Beckham, the masterbrand is an olfactive ode to the famously stylish soccer player David Beckham and his wife, ex-Spice Girl Victoria. The scents follow the launch last year of Instinct, a men's fragrance fronted by David Beckham.

"We always believed the Beckham brand could be a master brand," said Stephen Mormoris, senior vice president of global marketing at Coty Beauty, a division of Coty Inc. "[We've planned to] explain the different facets of David Beckham — as an athlete, a fashion icon and an inspiration for young people."

Added to the mix for the first time with the launch is the female half of the Beckham couple and the dynamic between the two celebrities. "Intimately Beckham celebrates their intimacy as a couple, the intimacy of a man and a wife and their belief in beauty," said Mormoris. That relationship is clearly spelled out in the master brand's advertising, which features the couple in an intimate moment against the backdrop of a beaded curtain. Shot by Mikael Jansson, single- and double-page ads picture Victoria, who sports a low-backed evening dress, leaning against David's bare chest; he has his hand on her upper thigh and looks to the camera.

"The issue of intimacy is always important in the life of a celebrity couple," said Mormoris. "In the ad, we [see] an intimate moment in the life of a couple caught in an embrace in a semi-public environment. We were really extremely pleased that both David and Victoria embraced the idea of portraying themselves in an intimate way through the product and the photography."

Industry sources estimate Coty is planning an advertising spend of \$5 million to \$8 million to support the launch. The David and Victoria Beckham logo and images of the master brand's bottles appear in ads. Designed by Lutz Herrmann, the cubic glass flacons are topped with clear cubic caps. As in the Instinct

bottle design, which was also created by Herrmann, a diamond impression is cut into each bottle's base. The women's juice is tinted pink and the men's is tinted amber. The outer packaging has a textured finish. "It reflects style and sophistication," said Mormoris.

The eau de toilette's price points are at the higher end of the masstige market, according to Mormoris, adding that the men's units are 1 euro to 2 euros, or

Deodorant Stick.

Intimately Beckham for Her comprises 30- and 50- and 75-ml. sprays as well, at the same prices as the men's line. Its ancillary products will include a Body Silk Lotion, a Shower Cream and a Deodorant Spray.

The Intimately Beckham for Him juice, concocted by International Flavors and Fragrances, features notes of bergamot, grapefruit zest, cardamom, violet, nutmeg, star anise, sandalwood, patchouli and amber. The women's scent, blended by Firmenich, offers notes of white flowers, bergamot, rose petals, Casablanca lily, tuberose, orange blossom, vanilla, sandalwood and musk.

The fragrances will bow worldwide starting in September, except for the U.S. The U.K.'s Superdrug chain will begin selling the line on Monday.

"Superdrug is getting ready for the biggest launch in its fragrance calendar," the retailer said in a statement, adding it will open its Central London stores early and deliver stock by "Beckham Bikes" on the day of the launch. A bus offering makeovers and samples will travel around London to celebrate the event. "In 2005, Superdrug sold 2,000 bottles of David Beckham Instinct in the first morning it hit shelves."

While Mormoris declined to discuss forecasts, industry sources estimated the Intimately duo could generate first-year retail sales worldwide in the region of \$40 million.

David Beckham recently stepped down as captain of the English soccer team, but Coty plans to keep the Beckham beauty ball rolling. The beauty brand will tackle the U.S. in the fall, when Instinct will hit shelves in Sephora doors. A plethora of other products is also in the works, including possibly a makeup line. "I believe the David Beckham image and popularity will endure for a long time," said Mormoris, adding that Instinct exceeded initial expectations. "He has done so much to expand the idea of masculinity throughout the world."

— B.C.

The new Intimately Beckham ad.



\$1.30 to \$2.60, higher than Instinct's.

"David and Victoria were looking to reach a more upscale market, a consumer who is looking for a sense of sophistication from a couple who embraces fashion," said Mormoris.

Intimately Beckham for Him will be available as 30-, 50- and 75-ml. sprays, which will retail in the U.K. at 19.50 pounds, 26 pounds and 32.50 pounds, respectively, or \$37, \$49 and \$62. The lineup will include a Hair & Body Wash, a Deodorant Spray and a

Makeup Bags Get a Facelift From Markwins

NEW YORK — Markwins International hopes sales are in the bag.

Fifteen years ago, the cosmetics bag industry was approaching \$200 million in sales and was a must-have at every chain. Retailers created huge departments for names such as Caboodles, Sassaby and imported brands.

Then sales softened and space shrunk. Today, according to Information Resources Inc., sales of cosmetics bags totaled only \$34.6 million in drug, food and mass stores (excluding Wal-Mart) for the 52-week period ended July 15. That's down 0.2 percent from the same period the year before. For the similar period in 2005, sales were down an astounding 30 percent.

Now, as retailers search for new ideas in the cosmetics department — especially since new cosmetics lines are underperforming — they are once again looking at the bag category.

The timing couldn't be better for Markwins, which purchased Soho Cosmetics in February 2005, which gave Markwins bags and a cosmetics line. The cosmetics line has been shed and efforts have been put into adding fashion to the bags. The new styles were unveiled at the National Association of Chain Drug Stores' Marketplace meeting in June. "The category has been stale and we wanted to brand the category because there hasn't been a strong brand associated with it," said Shawn Haynes, senior vice president, marketing and global brand development.

Acquiring a cosmetics bag company was a natural progression for Markwins, which manufactures many beauty kits housed in reusable cases.

"Soho is a perfect fit in our brand portfolio since it completes the package we offer to our retail partners," said Haynes. "In the value segment, we offer the Color Workshop as our seasonal cosmetic collection and Wet 'n' Wild as our basic stock cosmetics brand. In prestige, the Color Institute is our seasonal cosmetics collection brand and Calvin Klein is our basic stock offering. Soho positions itself perfectly in midtier, cross-channel distribution."

Several retailers, such as Sears Holdings,



Critical Mass By Faye Brookman



with its Kmart stores, are looking to become partners with Markwins to rebuild the business. Barbara Poling, vice president and general merchandise manager for Kmart, applauded the new designs and said her company would be implementing a program.

Markwins tapped designer Lindsay Randolph to infuse the collection with European inspiration and luxury goods styling. Natural accents such as linen, straw, bamboo and rope are mixed with bright colors in collections created for all age ranges. There is even a Soho men's collection of kits.

Prices are reasonable; few bags are more than \$20. Haynes recommended retailers put together a department with 50 percent fashion merchandise and 50 percent basics. The bag collections will change on a seasonal basis.

Markwins is also making use of its Wet 'n' Wild logo with Podulars, a collection of all-black bags that fit into one another for maximum storage.

Markwins isn't the only company beefing up its presence in the cosmetics bag category. Other key vendors include A.J. Siris, Caboodles and Paris Presents.

Markwins has also been busy integrating the Wet 'n' Wild businesses it acquired four years ago. The entire Wet 'n' Wild collection has been repackaged, a skin care line called Fresh Face was launched and Black Radiance has been updated. Next on the firm's plate is a relaunch of Tropez as a Latino-specific brand to serve what the company sees as a void in the value-priced market for Hispanic women.

The company's North American president, Jim Koeppel, recently stepped aside to spend more time in his family's business, but is continuing to consult with Markwins.

Task Looks to Establish Foothold in U.S.

By Matthew W. Evans

Task Essential, a men's personal care line produced in Switzerland and introduced in the U.S. last spring, is gearing up to launch new products and expand its limited distribution base. Its newest item is Happy Face, a 50-ml. self tanner priced at \$28.

Task is on track to do \$250,000 during its first six months in 17 doors in the U.S. Meanwhile, executives at MGL Associates, the New York-based firm that is managing sales and operations of the brand in the U.S., envision the label in 25 to 40 more doors in the next six months. That would put Task's U.S. distribution base at between 42 and 57 doors, including select Barneys New York, Nordstrom and Bloomingdale's stores, by February.

First-year retail sales of Task could reach \$750,000 in the U.S., according to industry sources. The brand, which is marketed by Paris-based Task Essential SARL, made its debut two years ago in France, Switzerland, the U.K., Italy, Spain, Belgium, Korea, Japan and Hong Kong. Products are manufactured in Neuchatel, Switzerland.

"Our intention is to grow [Task] in existing stores and continue to roll it out with those retailers," Chris Czajkowski, vice president of MGL, said of distribution plans at the three U.S. chains that carry the brand. "The idea of the brand is to keep it in tight distribution in the specialty arena. It's a service-oriented brand, so we'll [distribute] it only in stores

that can nurture it."

The addition of Happy Face self tanner next month will bring the Task assortment to 11 items.

Czajkowski said the line's bestseller is Eye Rescue, a 20-ml. serum priced at \$42, which accounts for as much as 25 percent of the business. Other popular products include Age Rescue, a 50-ml. antiaging lotion for \$42, and Skin Feed, a 50-ml. moisturizer priced at \$36.

"The products are based on the delivery of oxygen to the skin to boost collagen production," said Czajkowski. Aside from oxygen molecules, which are encapsulated in a compound called perfluorodecalin, Task formulations contain vitamins and plant and fruit extracts. The perfluorodecalin "imitates the functions of hemoglobin, carrying oxygen to the body cells," the firm claims.

The Task assortment also includes Face Wash, 100 ml. for \$19; a face scrub called New Skin, 75 ml. for \$24; a shaving foam called Sweet Shave, 150 ml. for \$14; an aftershave balm called Stop Burning, 75 ml. for \$25, and Oxywater, a 150-ml. hydrating spray for \$13. There's also Wash Off hair and body shower gel, 150 ml. for \$18, and Keep Fresh deodorant stick, 75 ml. for \$14.

A sampling campaign that features packettes of the eye serum, antiaging lotion, moisturizer and aftershave balm, is employed to support the brand in stores. While Czajkowski was mum on details about future products, he said there are three new Task items planned for next spring.



Dempsey On Board With Avon

NEW YORK — Avon has signed celebrity makeup artist Jillian Dempsey to be its global creative color director.

As part of the multiyear contract, which was announced today, Dempsey will work to modernize shade palettes within the company's core color brand. In addition to creating new eye, lip and face shades, Dempsey will also come up with limited-edition seasonal color collections that are scheduled to launch starting next spring. The deal marks the first time Avon has partnered with a makeup artist. Industry sources speculate the deal is worth between \$500,000 and \$1 million.

"We wanted a makeup artist to collaborate with us to help elevate the style quotient of the brand," said Jill Scalamandre, senior vice president of global beauty brands for Avon. "We wanted someone who was not just out there doing movies, but touching a broad array of women while listening to and educating them. She's reaching out and connecting with women on a consistent basis, and her relationships underscore our commitment to women."

Dempsey will also work on product development for Avon's youth-oriented Mark brand, assisting with colors, texture and packaging.

"She will raise the innovation bar [for Mark] and will make sure all the forms, textures and products are right for the young women we are targeting," said Claudia Poccia, president of Avon U.S. Beauty and global president of Mark.

According to company executives, Avon's color business exceeds \$1 billion.

Dempsey will be featured in Avon brochures globally starting next spring, where she will bring in an educational perspective, according to Scalamandre, and present editorial tips and techniques to customers.

"This is an opportunity for me to globally reach out and touch a lot of women," said Dempsey. "I can identify with what the Avon brand puts out — it's about owning your beauty."

Throughout Dempsey's 15-year career, she has worked with celebrities including Kirsten Dunst, Kate Winslet and Rachel Weisz. Her experience has ranged from working at a Shu Uemura boutique in Los Angeles in 1989 to being a key makeup artist in film and television. Dempsey is also the founder and chief executive officer of Delux Beauty, a color cosmetics line she launched in 2000.

— Michelle Edgar



Claudia Poccia and Jillian Dempsey

Natural Products Section, Textile Show Rejoin Extracts

NEW YORK — There were some familiar faces and new twists at this year's Extracts, a four-day biannual trade show focused on personal care and wellness. The show, which kicked off Sunday, realigned with former partner, the New York Home Textiles Show, for the first time since April last year, and also reintroduced the Natural Products section.

Some 70 exhibitors attended Extracts, while 50 exhibitors were on display at the New York Home Textiles Show. Both shows were held at the Metropolitan Pavilion and ran concurrently with the New York International Gift Fair.

"The synergy between the shows creates a more comprehensive experience and a one-stop shop for the buyer," said Rita Malek, Extracts show manager. "The objective was to grow the show into a larger market and educate the buyers attending the New York International Gift Fair. We want Extracts to be known for new and established companies that have new lines they're trying to bring into the marketplace."

Robin Brown, president and owner of Erbviva, an eco-friendly and organic skin care line for babies and adults, has attended Extracts for eight years and is excited about the two shows joining forces.

"Previously, we found that when the two shows were co-located, it brought a different spectrum of buyers than we would normally reach in other markets," said Brown. "The venue adds extra appeal for the high-end buyer, and the space

lends itself to the boutique and specialty market buyer."

This year's show attracted 3,000 visitors, many of them buyers from specialty stores, gift shops and department stores.

In response to the growing market for natural and organic products, Extracts decided to revive its Natural Products section from April 2005. The section featured a dozen natural and organic bath and body lines, candles and essential oils, from companies including Tiny Tilia, Shady Day, Solescence, C. Keith Vintage, Clear My Head and French Quarter Candles.

"This section is a reflection of what's happening in the personal care and wellness industry, and we were responding to our retailers and manufacturers who told us they were looking for more natural products," said Extracts' Malek. "It makes it easier for buyers looking for naturally based products, and we plan on further developing the natural and organic section."

At the show's Best Products contest, awards were handed out to winners in six categories. Of the 30 products submitted, Principessa Beauty Inc. won Best of Show, Garden Botanika took home the Bath & Body award, Erbviva came out on top in the Natural/Organic category, Shady Day placed first for Cosmetic & Fragrance, Dr. Carolyn Collection won for Beauty Accessory and the Jimmy Belasco Soy Candle took home the Packaging award. Below, some highlights from the show.

— Michelle Edgar

LUND

A year after the company launched in the U.S., Sohum Cosmetics is introducing Lund, a separate company under the Sohum umbrella. The four-year-old cosmetics company, which has six lines in the Sohum brand focused on bath and body products, wanted to create a unisex line made from more sophisticated and complex fragrances. "We wanted to create a more mature assortment that is a fragrance-focused range," said Jenny Alex, Sohum's co-founder. "This is definitely a departure for us since it's a more serious line with more masculine scents, with black packaging."

The Lund line, named after a cathedral in Sweden, features a candle made

of organic palm wax and palm kernel oil (\$35) and a travel-size fragrance (\$24.95 for an 0.8-oz. eau de cologne). Both products come in eight scents, including Cordial, Tropicale, Cupcakes, Fireside, Champagne Strawberries, Pacific, Rouge and Cashmere.

Lund will expand to include a full-size fragrance, as well as a room spray. Lund was launched in Australia three months ago where it is distributed in 60 doors, as well as two Sohum apothecary-style freestanding stores in Melbourne. The company attended Extracts with hopes to launch Lund here and in the U.K. next month in department stores and specialty boutiques. Sohum's products have been available at Fred Segal since June.



Select products from the Lund line.

SKINCUBED

Skincubed bowed at Extracts and appeals to high-end retailers. The brand's skin care range includes a face cream, an eye cream and a lifting serum. "We wanted to take people's skin to a higher power," said Louis Carvalho, chief executive officer of the year-old Scottsdale, Ariz., company. "Combined with the fact that all our products have a form of tripeptides in formulations, we thought that we could take skin to the third power." Skincubed hopes to attract women 30 years and older who are knowledgeable about the cosmetics market.

The company's Age-Defying Formula cream, composed of peptides and antioxidants such as green tea and vitamin C, is designed to reduce wrinkles, restore the skin's elasticity and protect the skin from environmental damage. Instant Eye Repair contains antiwrinkle peptides, antioxidants and natural firming ingredients, such as sunflower seed oil, to treat dark under-eye circles and also firm and tone the eye area. The Instant-Lift Peptide Formula contains gamma amino butyric acid designed to act as a muscle relaxant, reducing and smoothing fine lines, wrinkles and crow's-feet. Products will range in price from \$130 for the Age-Defying Formula to \$150 for the Instant Eye-Repair and Lift Peptide. Products will be sold on the company's Web site, skincubed.com, starting in September. By November, the company will introduce a cleanser, toner and skin lightener.



Items from the Skincubed range.

MACLAREN

Maclaren, the 40-year-old British company known for baby strollers, is breaking into the beauty market with the launch of Beginning — an organic, aromatherapy-based collection of products designed for pregnant mothers and their children. Maclaren plans to evolve into a lifestyle parenting company, hoping eventually to break into the natural and organic environment category. "It's about helping the mother get in touch with herself and take a few moments to learn how to relax, nurture and rejuvenate herself and find ways to connect and bond with her baby," said Bahman

Kia, president of Maclaren USA. "We're selling a philosophy and want to continue addressing mothers' needs by introducing a full program — whether it's transporting their baby around or taking some time to care for themselves through our beauty products." All six items in the mother's

range, from bath milk to belly balm, contain orange essential oil, a fragrance said to have "uplifting" effects. Prices range from \$9.99 for Absorbing Dusting Powder to \$24.99 for a Celebration Natural Wax Candle, and products will be available in October in New York's FAO Schwarz. A U.S. and U.K. launch will follow in November in select department, specialty and kids' stores, spas, boutiques and health food stores. By September 2007, the company plans to introduce high chairs, coats, blankets and car seats.

Selections from the Beginning collection.



GARDEN BOTANIKA

Garden Botanika is set to launch the company's seventh body care line, Prickly Pear Jojoba Body Care, this September. Composed of extracts from the prickly pear plant, which increases cellular renewal, the line is designed for people with sensitive skin. Both allergen- and paraben-free, the line contains a body cleanser, body scrub, body butter, body lotion and a hand treatment, all made from desert botanicals that exfoliate the skin and are said to reduce the appearance of wrinkles.

"Our customers were asking for a body care line geared toward people with sensitive skin," said Lisa Springer, brand and product development manager for Garden Botanika. "The mild formula is great for sensitive skin since it doesn't cause photosensitivity or skin irritation. This is an ingredient that advances cellular renewal while stimulating the natural process of exfoliation." Prices of the collection range from \$15 for the body cleanser to \$32 for the body scrub and butter. The line will be sold at Ulta and online at gardenbotanika.com, as well as in the company's catalogue.

Select items from Garden Botanika's Prickly Pear Jojoba line.





FORMULA *to* FINISH:

HBA Health & Beauty America Spotlights Innovation in Beauty, Health and Wellness

The upcoming HBA Health & Beauty America expo, September 12-14, 2006 in New York City, will be the largest ever, featuring over 650 exhibitors in more than 1,000 booths, 18,500 visitors, and the latest innovations in product and industry education, confirmed Jack Gonzalez, group show director.

"HBA brings the whole industry together and gives it a one-stop opportunity to see it all," added Jay Gorga, director of sales. "We'll examine the latest legal issues impacting the industry, developments with anti-aging agents, botanicals and organics, questions on toxic ingredients — all the issues that are hot and important right now."

HBA will draw participants from across the world and experts from inside and outside the industry, Gorga noted.

Sessions will also include new developments in packaging, stressed Gonzalez. "We have made a major commitment to the market and once again we will be the leading packaging event in the cosmetic and personal care industry."

HBA's popular educational sessions will attract over 1,500 delegates, said Gorga. "We provide a true educational forum for an industry that often lacks specialized education."

Sessions examining naturals will be particularly popular this year, with consumers seeking more information about product ingredients and formulas. The event will also include the first annual HBA Regulatory Summit, said Gonzalez.

While New York is the beauty capital of the world and a large portion of the show's audience is from the surrounding area, foreign attendance accounts for approximately 10 percent of HBA's audience, he noted. Foreign countries participating at HBA include Thailand, France, China, Italy, Germany, Korea, Taiwan, Argentina, Austria, Brazil, Canada, Hong Kong, India, Indonesia, Israel, Mexico, Netherlands, Poland, Spain, Tahiti, Turkey and the United Kingdom.

"With the support of International partners and agents, we draw a growing group of attendees from Europe, Canada, Central and South America," Gonzalez said.

"Global is a much used word today, but really applies here. Our future strength is linked to an increase in our global perspective, with priorities including the many international issues."

This year's show will include a large representation from Thailand for the first time, with 16 companies showing in a special Thai pavilion. On display will be the most natural, exotic products available in the spa, finished product, private label and ingredient markets.

The events will spotlight the industry's many new developments in private label, raw material, packaging and active ingredients, Gorga said. "It's not just larger companies making news. Smaller companies also are paying attention to what consumers are asking for today, such as new products, product enhancements and innovation. HBA gives a clear view of what is going on out there."

Eric Thoreux, president of Coty Beauty Americas and keynote speaker of this year's conference agreed. "Combining educational conferences, product hot spots and networking opportunities, HBA forum allows (the industry) to stay on top of the latest trends in a timely, efficient way," he said. "I would not single out one event versus another. I would recommend each visitor select a few elements of the forum, which fits the current issues they are facing, but then take time to walk around with a curious and open mind. To get the most out of HBA, it should be a journey rather than a destination."

HBA's Education Conference: The Power of Knowledge

HBA Health & Beauty America's Educational Conference will be a "classroom to the industry," presenting the largest and most comprehensive program in North America for the cosmetics, wellness and personal care industries.

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Be a part of this once-a-year trade show and educational conference. Where the top marketers, R&D teams, suppliers, industry experts and innovators from all over the world gather for three days to discover what's new, what works, and who is hot in the beauty business.

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INSPIRATION



- Keynote Address by Eric Thoreux, President of Coty Beauty Americas. His address, "Brand Building Innovations," will set the stage for an exciting HBA. Everyone is invited.

EXPANSION

- With over 600 exhibitors from 1,100 exhibit booths on 280,000 gross square feet of floor space, HBA has the industry covered. Whether you're looking for raw materials and ingredients, private label innovations, packaging solutions, lab equipment, or finished goods, a walk through the aisles of HBA will provide a wealth of opportunities.

INNOVATION

- Seize market opportunity and stay ahead of the curve by visiting INSIDE BEAUTY, your one stop event for beauty, health and wellness. Leading experts will discuss The Green Beauty Economy; Ancient Science/Modern Beauty; The Beauty from the Inside Out Market Phenomenon, and Insights on Global Trends and Business Practices.



EXPLORATION

- A collection of the best suppliers from Thailand will be exhibiting at Inside Beauty and showcasing the most natural, exotic products available in the spa, finished product, private label and ingredient markets. Other International Pavilions include China, France, Italy, Germany, and Taiwan along with several other international exhibitors.

PREPARATION

- The 1st Annual HBA Regulatory Summit on Wednesday, Sept. 13th is a pro-active initiative to provide insights into the movements, legislation and scientific technologies and impact of emerging global regulations in the health and beauty industry.

EDUCATION

- More than 200 expert speakers, 50 sessions, master classes and special sessions on anti-aging, smart packaging, dispensing, marketing certification, HBA is the Classroom to the Industry. Technical sessions focus on hair, skin and personal care, nanotechnology, new delivery systems, active ingredients, naturals, nutraceuticals and more.

ASPIRATION

- HBA's Industry Awards Dinner, September 12th, honoring outstanding executives from Clairol, Estee Lauder, Revlon, and leading skin care academic, Dr. Zoe Draelos. With the International Technology Awards and the International Package Design Awards it's a special night to celebrate the industry's best. Call 609-759-4732 to reserve your tickets now.

DESTINATION

- No where else in North America will you find a greater source of intelligence, ideas and inspiration for your next new product launch than at HBA Health & Beauty America.

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Danielle de Winter
CEO and Author
Danielle de Winter Skin Care;
INSIDEOUT Beauty

Dr. Barbara Gilchrist
Department of Dermatology
Boston University School of
Medicine

Anthony Johnson, Ph.D.
Director Consumer and
Clinical Science
Unilever Skin Research
and Development

Kathi Lentzch
CEO
Elephant Pharmacy

Laurice Rahme
President
Bond No. 9

Michael Twitty
Senior Group Research
Manager
Unilever Shopping Insight

Kendal Ascher
Assistant Vice President,
US Marketing,
Kiehl's

Dr. Zoe Draelos
Department of Dermatology
Wake Forest University,
School of Medicine

David Greenspan
CEO
Chopra Wellness Center

Kathleen Kayse
Executive Vice President
AOL, American Media
Networks and Partnership
Alliances

Amby Longhofer
CEO/Founder
DermaNew

Meade Rudasill
Executive Vice President
Bath & Body Works

Sheila Ulery
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Disney Consumer Products

Elaine Binder
Founder
Spongeables

Gary Edwards
Director, Retail Events &
Education, Elizabeth Arden
Dept. Store Fragrance Group

Jennifer Haid
VP, Consumer Strategist,
Health/Beauty
ICONOCULTURE

Daniel Moes
Vice President, R&D
Estée Lauder

Steve Segal
Vice President
Ecuadorian Rainforest

SHOW ACTIVITY SCHEDULE

GENERAL SESSION – Keynote Address • Tuesday, September 12 • 9:00am - 10:00am

CONFERENCE SESSIONS

Tuesday, September 12 • 10:30am - 5:30pm
Wednesday, September 13 • 9:00am - 6:30pm
Thursday, September 14 • 9:00am - 12:30pm

EXHIBIT HOURS

Tuesday, September 12 • 10:00am - 5:00pm
Wednesday, September 13 • 10:00am - 5:30pm
Thursday, September 14 • 10:00am - 4:00pm

HBA INDUSTRY AWARDS DINNER

Tuesday, September 12 • 5:30pm - 9:00pm
Sheraton NY Hotel & Towers



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For complete information on the Conference Program, Exhibitors, and to Register go to WWW.HBAEXPO.COM or call 212-600-3351.

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Marketing Sessions/Marketing Master Class

SESSION/SUBJECT	DATE	TIME
M1 Bath and Body: Ah! That Good Feeling	Tuesday, Sept. 12th	10:30am-12:00pm
M2 Grooming the Man of Today	Tuesday, Sept. 12th	10:30am -12:00pm
M3 Tweens, Teens, Twenties	Tuesday, Sept. 12th	10:30am-12:00pm
M4 Successful Fragrance Marketing: Scents and Sensibility	Tuesday, Sept. 12th	12:30pm - 2:00pm
M5 Marketing through Salons, Day Spas, and Medical Spas: Exciting New Professional Marketing Opportunities	Tuesday, Sept. 12th	12:30pm - 2:00pm
M6 Integrated Marketing: Creating an Experience	Tuesday, Sept. 12th	12:30pm - 2:00pm
M7 Samples: A Little of What They Fancy	Tuesday, Sept. 12th	12:30pm - 2:00pm
M8 Editor's Pick: How to Utilize Magazines for Your PR	Tuesday, Sept. 12th	2:15pm - 3:45pm
M9 Personal Care: The Most Competitive Challenges	Tuesday, Sept. 12th	2:15pm - 3:45pm
M10 Sourcing Successfully from China: The Basic Lessons-and Then Some	Tuesday, Sept. 12th	2:15pm - 3:45pm
MMC1 The Building Blocks of Perfumery: Note by Note	Tuesday, Sept. 12th	2:15pm - 4:30pm
M11 Cosmetic Marketing at Its Best	Wednesday, Sept. 13th	9:00am - 10:30am
M12 Marketing in the Digital Age	Wednesday, Sept. 13th	9:00am - 10:30am
M13 Building Your Company From Concept to Market: A Presentation by the Independent Cosmetic, Manufacturer and Distributors Association (ICMAD)	Wednesday, Sept. 13th	11:00am -12:30pm
M14 Product Marketing: Skin and Derm Products	Wednesday, Sept. 13th	11:00am -12:30pm
M15 Hispanic Marketing: The Niche Keeps Growing	Wednesday, Sept. 13th	1:00pm - 2:30pm
M16 Boomers: A Booming Business	Wednesday, Sept. 13th	1:00pm - 2:30pm
M17 The Healthy/Premium Personal Care Market: Is There a Natural Product in Your Future?	Wednesday, Sept. 13th	3:00pm - 4:30pm

Packaging Sessions

SESSION/SUBJECT	DATE	TIME
P1 Meet the Package Designers: What you Need to Know About the Creative Process	Wednesday, Sept. 13th	9:00am -10:30am
P2 Rigid and Flexible Packaging: New Trends on Technologies	Wednesday, Sept. 13th	11:00am-12:30pm
P3 Prestige Packaging Within Your Budget	Wednesday, Sept. 13th	1:00pm - 2:30pm
P4 All You'll Ever Need to Know About Dispensers	Wednesday, Sept. 13th	3:00pm - 4:30pm
P5 Labeling and Decorating: New Ideas	Wednesday, Sept. 13th	3:00pm - 4:30pm

Display Sessions

SESSION/SUBJECT	DATE	TIME
D1 Creative Displays and New Technology	Tuesday, Sept. 12th	10:30am -12:00pm
D2 Making P-O-P Work: Supplier/Marketer Joint Presentation	Tuesday, Sept. 12th	2:15pm - 3:45pm
D3 In-Store Advertising: Getting the Customer's Attention	Wednesday, Sept. 13th	1:00pm - 2:30pm

Special Sessions

SESSION/SUBJECT	DATE	TIME
SS1 Star Series: Multi-Channel Marketing and Distribution Success	Tuesday, Sept. 12th	10:30am -12:00pm
SS2 Anti-Aging: Where Do We Go From Here?	Tuesday, Sept. 12th	12:30pm - 3:00pm
SS3 Smart Packaging: Opportunities in Merchandising, Quality Control and Brand Security	Tuesday, Sept. 12th	Full Day Conference
SS4 Regulatory Summit	Wednesday, Sept. 13th	Full Day Conference
SS5 Marketing Certificate Program	Wednesday, Sept. 13th	Full Day Conference

Product Development Sessions/Master Classes



SESSION/SUBJECT	DATE	TIME
Plenary Technical Session	Tuesday, Sept. 12th	9:00am -10:00am
PD1 New Developments in Hair Care	Tuesday, Sept. 12th	10:30am -12:00pm
PD2 New Developments in Skin Care #1	Tuesday, Sept. 12th	10:30am -12:00pm
PD3 New Developments in Anti-Aging Ingredients #1	Tuesday, Sept. 12th	10:30am -12:00pm
PD4 New Developments in Skin Care #2	Tuesday, Sept. 12th	12:30pm - 2:00pm
PD5 New Developments in Personal Care	Tuesday, Sept. 12th	12:30pm - 2:00pm
PD6 New Developments in High Performance Ingredients	Tuesday, Sept. 12th	2:15pm - 4:45pm
PD7 Exciting New Developments #1	Tuesday, Sept. 12th	3:15pm - 4:45pm
PD8 Exciting New Developments #2	Wednesday, Sept. 13th	9:00am - 11:30am
PD9 Formulating for Color Cosmetics	Wednesday, Sept. 13th	1:00pm - 2:30pm
PD10 New Developments in Skin Care #3	Wednesday, Sept. 13th	1:00pm - 2:30pm
PD11 New Developments in Sun Preps	Wednesday, Sept. 13th	2:45pm - 5:15pm
PD12 New Developments in Naturals #1	Wednesday, Sept. 13th	2:45pm - 5:15pm
PD13 New Developments in Naturals #2	Wednesday, Sept. 13th	2:45pm - 5:15pm
PD14 New Developments in Anti-Aging Ingredients #2	Thursday, Sept. 14th	9:30am - 12:30pm

Trendscapes Theater at Inside Beauty



SESSION/SUBJECT	DATE	TIME
TT1 The Insiders Circle—Presented by France's Nutriform Magazine	Tuesday, Sept. 12th	10:15am -11:45am
TT2 The "Beauty from the inside...out" Market Phenomenon	Tuesday, Sept. 12th	2:15pm - 3:45pm
TT3 The Green Beauty Economy—by LOHAS and Conscious Media	Wednesday, Sept. 13th	10:15am -11:45am
TT4 Ancient Science, Modern Beauty—by the Ayurvedic Institute	Thursday, Sept. 14th	10:15am -11:45am

SPECIAL WWD OFFER

GUEST PASS FOR EXHIBITS ONLY – HBA Health & Beauty America • September 12 -14, 2006 • Jacob K. Javits Convention Center • New York City

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HBA Health & Beauty America is a professional trade event only. Persons under the age of 18 may not register or enter the show. INCOMPLETE FORMS WILL NOT BE PROCESSED. Your badge is not transferable. HBA Health & Beauty America reserves the right to use photographs of you at the show for promotional purposes.

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7. <input type="checkbox"/> Marketer To Retailers	14. <input type="checkbox"/> Sales Rep. Independent	22. <input type="checkbox"/> M&A	34. <input type="checkbox"/> Other, please indicate
	15. <input type="checkbox"/> Other, Please Indicate	23. <input type="checkbox"/> Management/General	
		24. <input type="checkbox"/> Marketing, All Functions	
		25. <input type="checkbox"/> Marketing, New Products	
		26. <input type="checkbox"/> Packaging/Label Supplier	
		27. <input type="checkbox"/> Packaging/Package Development	

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From Formula to Finish

Continued to HBA, page 1

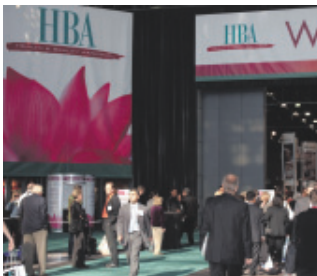
the educational conference will provide attendees with a unique and rewarding learning experience, HBA reported.

The conference program includes:

- The Marketing Conference, with 26 sessions covering an array of general topics as well as specialized presentations on display and packaging.
- The Product Development Conference, with technical sessions on hair, skin and personal care, nanotechnology, new delivery systems, naturals, nutraceuticals and other important topics.
- The Inside Beauty Conference, dedicated to the concept of "beauty from the inside out," targets the convergence of the beauty, health and wellness industries. This year, presentations will include: The Green Economy, Insider's Circle, Ancient Science, Modern Beauty and The Beauty from the Inside Out Market Phenomenon. Keynote speakers include Kat James, Jennifer Haid and Daniele de Winter.
- The First Annual HBA Regulatory Summit, an all day presentation focusing on consumer safety issues in the beauty and personal care industry from a global perspective.
- The Smart Packaging Conference, taking attendees beyond conventional design, and showing how to add "intelligence" to their packaging and brand.
- The Marketing Certificate Program, highlighting marketing skills needed to successfully compete in today's challenging industry.
- The Star Series, a new presentation this year, featuring Dermanew Personal Microabrasion System and Amby Longhofer speaking on her company's success strategies.
- Anti-Aging: Where Do We Go From Here? featuring Dr. Albert Kligman and top academic researchers and product development experts from Estee Lauder, Unilever and DFB Pharmaceutical.



Visitors to HBA preview the latest product introductions in health, beauty and wellness.



HBA draws exhibitors, attendees and industry experts from across the globe.

HBA Industry Awards Program

Individuals and special topics will be honored at HBA's

Industry Awards Program on Tuesday, September 12, at the Sheraton New York Hotel & Towers.

The evening will include the presentation of four major awards for individual achievement, two awards recognizing the importance of technology, and the International Package Design Awards celebrating the major contributions of packaging to the industry.

The Lifetime Achievement in Product Development Award will go to Joseph Gubernick, chief marketing officer, Estée Lauder, acknowledging his contributions to the industry.

The Annual New Product R&D Technical Team Award will be presented to the Nice n' Easy Root Touch-Up Technical Team: Saeema Shakir, Laura Scott, Pauline Errey and Beth Agostino.

The Packaging Executive of the Year Award will go to John Butcher, senior vice president, Packaging & Equipment Development, Revlon Inc.

The Lifetime Achievement Award for the Advancement of Beauty Through Science will go to Dr. Zoe Draelos, clinical associate professor, Department of Dermatology, Wake Forest University School of Medicine.

HBA and Cosmetics & Toiletries Magazine will present The International Technology Awards honoring new technologies. The Best New Technology Award will go to a new technology launched in 2005/2006 and the Best New Technology Launch Award will honor the impact a new technology launch made on the industry.

The Seventh Annual International Package Design Awards (IPDA) will showcase innovative packaging from designers, suppliers and marketing companies. The IPDA awards are sponsored by Happi and Beauty Packaging magazines.

For more information on the HBA awards program, contact Barbara Wheat, Director of Educational Programs at bwheat@cmp.com or 609-759-4732.

To register in advance for the HBA event including Inside Beauty and PCITX, and receive complimentary admission to the exhibits, go to www.hbaexpo.com or call 212-600-3351.

Once in a Lifetime



Joseph Gubernick

Joseph Gubernick, chief marketing officer of Estee Lauder and 34-year veteran of the company, will receive the Lifetime Achievement in Product Development Award on Tuesday, September 12, 2006 at the HBA Industry Awards Dinner.

"It's certainly an honor but it also connotes that you're old," Gubernick joked. "It's wonderful but they should give it earlier, a half-a-lifetime award."

Gubernick has made thousands of products in his more than 40 years in the cosmetics industry and is currently interested in learning more about water.

"I think water is the future," he said. "We have worked

a long time to understand water, how it functions, its structure and how complex it is. We have made significant advancements in the area of producing waters that have highly-enhanced biological activity. I think we're going to find out how important the structure of water is in the transportation of materials through the skin into cells and throughout the body. I think that is probably the most fascinating, interesting work we're doing at this point."

Gubernick's contributions to the industry were noted by his peers, who voted on the lifetime achievement award. "I've had maybe a thousand people over my lifetime in the business work for me. I guess enough of them think highly of me. That's a great achievement."

Gubernick stressed that HBA provides people from across the country the chance to meet and hear from industry leaders. "I think HBA offers people a great opportunity and a wonderful chance to improve themselves."

Forever Young

The bustling anti-aging market each year generates sales of billions of dollars, with the amount of money spent on wrinkles exceeding the annual budget of some major health organizations, according to Dr. Albert Kligman, M.D., Ph.D., department of dermatology at the University of Pennsylvania.

Kligman will be a session leader of the "Anti-Aging: Where Do We Go from Here," session on Tuesday, September 12th at the Health and Beauty America Expo, and his market expertise is considered one of the highlights of the show this year.

"One of the key points of why people come to HBA or should come to HBA is new products, product enhancements and innovations," said Jay Gorga, director of sales for HBA. "That's why you should be at the event, to see what's going on out there."

Kligman plans to touch upon a number of topics concerning the anti-aging market at the event, leading a panel of speakers that includes experts in both dermatology and top beauty companies.

"We have an enormous number of new anti-aging products coming on the market and the issue here is this is an unregulated marketplace — you don't have to be approved by the FDA, you don't have to show that it works, you don't even have to show that it's safe," Kligman said. "That, of course, is an invitation to all the dishonest quacks to cash in on an enormous business."

"I could stand there without notes and talk about this for six straight hours. The whole idea is to discuss the role of dermatologists and manufacturers of skin care products regarding the modern scene and what's happening."

ADVERTISEMENT

Cosmetic Packaging is in the Bottle

ABA Packaging Corporation has served the cosmetic packaging industry for over two decades and has exhibited at HBA since the show's inception.

"We've been at HBA since the very first show, and find it, without a doubt, to be the premier packaging show in the industry," said Charles Marchese, vice president, marketing and sales. "If you want to be a major player in this industry, you really need to be there."

Marchese said ABA consistently draws new customers at HBA, particularly smaller firms just entering the market. ABA will introduce an array of innovative items at the upcoming HBA show, Marchese confirmed. New products will include the Dakota PETG Jars, available in a variety of sizes from 5 ml. to 200 ml. as well as its new Cindy and Tucker airless pumps, which are customizable with the base, body and actuator all changeable, available in sizes ranging from 15 ml. to 50 ml.

"From new companies that need only a thousand pieces to major cosmetic manufacturers that need millions, we make the same effort to satisfy their every need. We view our customers not only as customers, but also as business partners. We feel that if they do well with our product,

then we also do well."

In recent years, ABA made major efforts to expand its stocking capabilities, keeping more products on hand "so that when you need it, it's ready to go out the door to you."

Increased stocking enabled ABA to buy in larger volumes, keeping costs low and minimizing the impact of currency fluctuations.

"We believe we have the most comprehensive color catalog of stock cosmetic bottles, caps, pumps and accessories in the industry, with most of these items available directly from our warehouse."

With over 100 years knowledge in the packaging industry, ABA is one of the fastest-growing suppliers of bottles, jars, vials, pumps and caps, and will also help clients design and produce their own private designs, he noted.

"What's hot today is anything to do with treatment, anything to do with skin care. That's where the business is right now. We know what people are buying and what trends they prefer because we've served the cosmetic industry for over 22 years."

Marchese noted new ABA products also are featured on the company's web site, www.abapackaging.com.



Leah Airless package by ABA Packaging Corporation.

14TH ANNUAL Health & Beauty America

(HBA) Conference
www.hbaexpo.com

September 12-14, 2006
Jacob K. Javits Convention Center
New York, NY

Exhibit hours:
Tuesday, September 12, 10 a.m.-5 p.m.
Wednesday, September 13, 10 a.m.-5:30 p.m.
Thursday, September 14, 10 a.m.-4 p.m.

HBA Conference hours:
Tuesday, September 12, 10:30 a.m.-5:30 p.m.
Wednesday, September 13, 9 a.m.-6:30 p.m.
Thursday, September 14, 9:30 a.m.-12:30 p.m.

Other special events:
Keynote Address: Eric Thoreux
President, Coty Beauty Americas
September 12, 9:00 a.m.
Special Events Hall, Jacob K. Javits Convention Center

Industry Awards Program and Dinner:
September 12, 5:30 p.m.-9 p.m.
Sheraton New York Hotel & Towers

The Inside Beauty Program:
September 12-14, 2006
Jacob K. Javits Convention Center

Personal Care Ingredients Technology (PCITX) showcase:
September 12-14, 2006
Jacob K. Javits Convention Center

Mid-Year Technical Conference:
March 21-22, 2007
Crowne Plaza Hotel, New York

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Scaasi Steals Show at CFDA Fete

NEW YORK — “The wonderful thing about having your own party is you can do whatever you want,” blared Arnold Scaasi into a microphone from the top of the staircase overlooking the courtyard of his Beekman Place apartment building.

And boy, did he ever at Wednesday night’s Council of Fashion Designers of America soiree. During one of several impromptu announcements, Scaasi wasn’t above a shameless plug or two. “Anyone who wants to do licensing for Scaasi, speak up,” he said. “This party was not for nothing.”

It was intended for the CFDA’s 18 new members, though they got little air time. The designers did get to chat with such guests as Francisco Costa, Nicole Miller, Peter Som, Thom Browne, Gilles Mendel, Yeohlee Teng, Steven Kolb, Carmen Marc Valvo and other partygoers.

As the only CFDA founding member in attendance, Scaasi welcomed the gang and added “who knew the 282 that belong were all going to show up?” That was an overstatement, but when the RSVPs were tallied, the soiree had to be held outside instead of in Scaasi’s art-adorned apartment, much to the revelers’ disappointment.

Upstairs at a photo op before the party got under way, Tina Lutz, Marcia Patnos, Esteban Cortazar and the rest of the rookies stole a glimpse of Scaasi’s \$10 million pad, which is on the block.

“If I could move it to Alabama, I’d definitely move in,” said Project Alabama’s Natalie Chanin.

The rest outside were left to wonder: “I just want to go up and see the apartment,” Rafe Totengco whispered to a friend.

Mary McFadden made heads turn when she arrived with organist-runway model Cameron Carpenter. The unlikely duo prompted Duckie Brown’s Steven Cox to gasp, “I love Mary McFadden. Is that her boyfriend? They kind of look similar.”

Scaasi, meanwhile, still had plenty to say and managed to strike a serious note, recalling how he had to ask executives at Henri Bendel for an advance when he was getting started in 1956.

“There was no such thing as chargebacks,” he said. “I don’t suggest you ask Saks Fifth Avenue to pay the bills you will have. But have courage. Most of all you have to have courage with what you do.”

— Rosemary Feitelberg and Marc Karimzadeh



New members welcomed by some CFDA veterans.



Steven Kolb and Francisco Costa



Arnold Scaasi



Natalie Chanin and Butch Anthony

Fashion Group Sets Honorees

NEW YORK — The Fashion Group International has lined up its honorees for the 23rd Night of Stars gala on Oct. 26.

Carolina Herrera, Yves Saint Laurent’s Stefano Pilati, Consuelo Castiglione of Marni, Aerin Lauder, Ruben and Isabel Toledo and The Washington Post’s Robin Givhan will receive Star awards that night. Other special awards, such as the Superstar award that went to Valentino last year, will be revealed at a later date.

The black-tie affair, which will take place at Cipriani 42nd Street here, will be themed “The Visionaries,” and the honors are handed to those designers from the fashion, design and business communities whose achievements exemplify the theme. Simon Doonan, creative director of Barneys New York, has again been tapped as the night’s host. The event is sponsored by Givaudan, In Style, Bebe and Vertis.

— M.K.



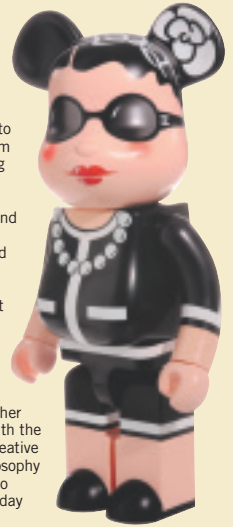
Carolina Herrera



Stefano Pilati

Fashion Scoops

SUMMER SCHRECK: Trust Karl Lagerfeld to jazz things up a little in August, which can be a slow month for fashion. The designer last week sent out 18 customized Bearbricks to editors around Manhattan as his unique way of wishing them a great summer. Bearbricks are Japanese figures resembling futuristic bears, and Lagerfeld customized each by styling it with Chanel icons such as the tweed suit, the camellia in the hair, oversized black sunglasses with the double-C logo and a pearl necklace. Chanel is the first luxury fashion house to create a fashion Bearbrick. Each is numbered in this limited edition. They were exhibited at Colette during the haute couture shows in July, but Lagerfeld had no intention of selling them and wanted to give them to some of his closest friends. Each Bearbrick came with a sketch of the figure and a handwritten note from Lagerfeld, which, naturally, is as humorous as the objet itself. “Karl calls me Schreck 5...he is so mean,” Lagerfeld wrote to one editor.



The Bearbrick dressed in Chanel by Karl Lagerfeld.

ST. JOHN BACK TO BASICS: Marie Gray isn’t about to take up her old role of design director at St. John, but she is working with the design team on a consulting basis since the departure of creative director Tim Gardner last June. “I’m here to convey my philosophy and vision for the brand for people [on the design team] who may not have been there when I was there,” she said Thursday at a St. John fashion show benefit at the Fairmont Newport Beach for Childhelp, one of the company’s charity partners. Also at the luncheon, sponsored by Nordstrom, was interim chief executive officer Philip Miller, who said the company’s focus now is “to have the collections be a reflection of what we are historically known for at St. John — beautiful quality with good fit.” He added, “Mrs. Gray is helping us do that, not just out of the goodness of her heart, but as vice chairman of the board; she is being a responsible board member.” As for future charitable endeavors with the company’s spokesmodel, Angelina Jolie, Miller said, “Surely, we will both be going forward with that in the near future.”

As for former St. John ceo Richard Cohen, a company spokeswoman who worked with Cohen at Zegna said he has taken a job as head of the Carmel, Calif., men’s specialty shirt maker Robert Talbott.

DINNIGAN ON SCREEN: Collette Dinnigan may have been conspicuous by her absence from Paris for the past two seasons, but her 10-year runway stint in the City of Light is about to make it to the small screen in Australia. On Sunday, American Express will unveil Dinnigan as the latest face of its “My life. My card.” global brand campaign. In television and print executions, the ads chart Dinnigan’s beads-to-riches story, from her native South Africa, to growing up in New Zealand to settling in Australia, where she launched her fashion career, to finally showing in Paris as the first Australian invitee of the Chambre Syndicale. Dinnigan is only the second Australian to feature in an AmEx campaign, after actor Anthony LaPaglia. According to one model agency involved, the campaign is for Australian release, “but with an option to roll out worldwide.” Appearing alongside Dinnigan, who wears her latest resort collection, are two upwardly mobile Sydney models: 18-year-old Alexandra Agoston-O’Connor and 14-year-old Tallulah Morton. Morton, only 13 when she first emerged at Mercedes Australian Fashion Week in May 2005 to open Josh Goot’s show, is being widely tipped as Australia’s next big modeling star, after Gemma Ward. Shot by David Sims for Benetton’s fall campaign, Morton could be about to make her international runway debut at Prada next month.



Collette Dinnigan with models in the AmEx ad.

BEARBRICK PHOTO BY ROBERT MITRA

Everything But Water Owner Adds Water Water Everywhere

Bear Growth Capital Partners already had Everything But Water, and now it’s getting Water Water Everywhere.

The investment firm said Thursday it plans to acquire Water Water Everywhere, a 20-store specialty retailer with units in 11 states offering designer swimwear and accessories. When the deal is complete, Bear Growth Capital will combine Water Water Everywhere, based in Baltimore, with Everything But Water LLC, based Orlando, Fla.

“All stores will operate under the name of Everything But Water,” said Ann Tucker, president of Everything But Water. “Initially, both companies will continue their own operations, but once the integration process is complete, they will function as one entity.”

Everything But Water, with 34 stores, is the country’s largest independent specialty chain for women’s contemporary swimwear. The acquisition of Water Water Everywhere is part of Bear Growth Capital’s strategy to establish a broader geographic base for Everything But Water.

For this year and next, the two chains plan eight store openings in Florida, Connecticut, Illinois, New Jersey and Wisconsin. Growth likely will continue as the integration becomes more complete, according to Tucker.

Details of the transaction were not disclosed. Bear Growth Capital is an affiliate of Bear Stearns Merchant Banking, the private equity arm of Bear Stearns Cos., New York. It focuses on making investments in companies valued at between \$25 million and \$150 million.

— Whitney Beckett

Media/Advertising

Newsstand Sales Slide in 1st Half

Blame it on the increasing number of magazines battling for pockets, or high gas prices decreasing the number of consumer trips to the mall, but the newsstand is becoming bloody territory for a number of publishers. Most fashion and lifestyle titles posted single-copy sales declines for the first half of 2006, according to numbers filed with the Audit Bureau of Circulations and provided to WWD. The ABC will release the figures on Monday, which will include a verified circulation category.

A handful of titles posted double-digit declines in single-copy sales for the six-month period. Jane's average monthly newsstand sales fell 14.8 percent, to 131,073, as editor Brandon Holley tweaked cover lines and her roster of cover stars to try to find a winning editorial formula. The monthly raised its cover price back to \$2.49 from \$1.99 with the June/July issue. O, The Oprah Magazine dropped 19.5 percent, to 891,000, for the period, compared with a strong first half in 2005, when heavy marketing and promotions around the title's fifth anniversary helped drive a 20 percent newsstand gain. Wenner Media's Men's Journal posted a 31.5 percent decline in newsstand sales, to 70,145, as bonus copies provided to advertisers in May and December were reclassified under ABC rules. Its March cover, featuring Olympic disappointment Bode Miller, bombed during the period.

At Teen Vogue, newsstand sales fell 1.9 percent, to 218,777, while total paid and verified circulation fell 36.4 percent, to 972,555. But publisher Gina Sanders said the drop is part of a planned depletion of subscriptions acquired when Teen Vogue bought the YM subscription lists from Gruner + Jahr USA.

There were some bright spots amid the gloom, however. Vanity Fair posted a 17 percent gain on newsstand, to 421,095, while Elle notched a 16 percent increase, to 320,516. Elle's best performer was its June issue with cover model Mandy Moore, which sold 360,000 copies. Martha Stewart Living continues to rebound, rising 4.3 percent during the period, to 300,194, and Vogue posted a 3.5 percent increase in single-copy sales, to 432,163.

— Stephanie D. Smith

1ST HALF CIRCULATION PERFORMANCE

	Newsstand 1H06	Newsstand1H05	% change	Total paid and verified Circ 2006	Total Circ 2005	% Change
ALLURE	293,711	313,065	-6.18%	1,125,961	1,048,497	7.39%
COSMOPOLITAN	1,930,000	1,992,446	-3.13%	2,908,900	2,932,554	-0.81%
ELLE	320,516	276,167	16.06%	1,050,520	1,031,108	1.88%
ESSENCE	279,717	259,423	7.82%	1,104,854	1,066,245	3.62%
GLAMOUR	814,443	892,520	-8.75%	2,248,961	2,340,958	-3.93%
HARPER'S BAZAAR	176,000	176,007	0.00%	733,100	716,340	2.34%
IN STYLE	783,388	865,003	-9.44%	1,777,283	1,793,902	-0.93%
JANE	131,073	153,893	-14.83%	706,561	700,159	0.91%
LUCKY	223,585	252,633	-11.50%	1,067,204	1,037,939	2.82%
MARIE CLAIRE	411,000	489,544	-16.04%	955,200	951,183	0.42%
SELF	364,638	354,341	2.91%	1,490,019	1,400,408	6.40%
VANITY FAIR	421,095	359,400	17.17%	1,215,999	1,136,824	6.96%
VOGUE	432,163	417,376	3.54%	1,293,185	1,219,164	6.07%
W	50,688	50,517	0.34%	472,148	460,778	2.47%
COSMOGIRL	352,900	413,537	-14.66%	1,403,300	1,395,827	0.54%
SEVENTEEN	327,600	324,478	0.96%	2,013,300	2,037,457	-1.19%
TEEN VOGUE	218,777	223,054	-1.92%	972,555	1,527,990	-36.35%
MARTHA STEWART	300,194	287,749	4.32%	2,003,132	1,928,627	3.86%
O, THE OPRAH MAGAZINE	891,000	1,106,712	-19.49%	2,336,400	2,622,718	-10.92%
REAL SIMPLE	393,861	424,384	-7.19%	1,937,598	1,947,004	-0.48%
BEST LIFE	80,121	95,502	-16.11%	422,324	305,629	38.18%
DETAILS	67,539	83,897	-19.50%	418,137	407,168	2.69%
ESQUIRE	102,200	108,650	-5.94%	711,800	712,503	-0.10%
GQ	215,980	215,096	0.41%	852,510	824,334	3.42%
MEN'S HEALTH	542,092	492,679	10.03%	1,856,162	1,773,612	4.65%
MEN'S JOURNAL	70,145	102,384	-31.49%	703,048	675,452	4.09%

SOURCE: PUBLISHERS ESTIMATES PROVIDED TO ABC



MEMO PAD

magazine is happy to take him. The downtown style and culture monthly has commissioned a piece from Frey for its November issue, which is being guest-edited by Bill Powers, the novelist and former contributor to The New York Times Style section. (He's also the husband of fashion designer Cynthia Rowley.) "It's the first thing he's done since the whole Oprah thing," said Powers. "He wrote a piece about Alex Soth, who shot Maggie Gyllenhaal for the cover. It's an appreciation, how he got into his work. We saw him at the Terry Richardson opening last week and that's when we solidified it. He collects Alex's stuff."

Has he actually seen Soth's pictures in his house? "No," said Powers. "But I saw him at a Phillips auction buying Matthew Barney. I know he collects."

But there will be fact checkers, right? "There will be," Powers said, laughing. "But it's BlackBook, not The New York Times. I don't know if people are going to be checking auction records." — Jacob Bernstein

PICKING UP THE PIECES: James Frey, author of the best-selling memoir "A Million Little Pieces" that turned out to be partially fiction, may not be able to get a spot on Oprah's Book Club again, but BlackBook



say Thursday whether they were fired or left on their own accord, but sources said they were asked to leave. The spokeswoman said Lewin's and Sutton's departures are part of Menichesi's transition toward building the strongest team possible in advertising, adding she wasn't sure if Lewin and Sutton will continue with Condé Nast Publications.

This leaves three positions open, as former advertising director David Wade left the magazine a few weeks ago. The spokeswoman said she doesn't expect any more departures and there is no timetable in place to hire new people. — Amy Wicks

MONDAY BECOMES FRIDAY: Time magazine is tired of starting the week. Beginning in January, subscribers to the newsweekly will receive their issues on Fridays instead of Mondays. "The new Friday on-sale date gives advertisers a tremendous opportunity to convey their messages to Time's 27 million readers before the weekend, when consumers do the large majority of purchasing," said Ed McCarrick, Time's vice president and worldwide publisher. A Time spokeswoman said that starting next year, the issue will close late on Wednesday — meaning the staff's 3 a.m. shifts will now be in the middle of the week instead of at the end. She said Time will reveal more changes in the coming months, but declined to provide details.

Newsweek did not return calls seeking comment, but Brian Duffy, editor at U.S. News and World Report, said his magazine has had a task force in place since 1989 to review its publishing schedule. U.S. News is also on newsstands Monday morning. So far, its research via focus groups and surveys has found readers still overwhelmingly prefer to receive the magazine on Mondays. "We are open to doing it [changing our publishing schedule]," said Duffy, but he added there are no plans to do so. — A.W.

ROLLING IN: It may have taken a while, but when Condé Nast's patience wears out, it wears out fast — just look at Vanity Fair, where Alan Katz wasn't the only ad person to depart the title in the wake of Edward Menichesi's appointment as its vice president and publisher. Ginger Sutton, associate publisher for advertising, and Renee Lewin, associate publisher, creative services and marketing, also have left. A Vanity Fair spokeswoman declined to

Specialty Stores See Weak Comps, Flat Net

By Jeanine Poggi

Among the specialty retailers reporting quarterly figures Thursday, earnings were affected by option expensing, settlement gains and weaker sales.

Aéropostale Inc., the mall-based teen specialty retailer, reported a slight rise in earnings for the second quarter because of a resolved dispute with a vendor regarding the enforcement of the company's intellectual property.

For the three months ended July 29, net income increased to \$8.4 million, or 16 cents a diluted share, from \$7.4 million, or 13 cents, in the year-ago period. Excluding the \$2.1 million received from the settlement, the company reported an income of \$7.2 million, or 13 cents a share. The results included net losses at Jimmy'Z of 3 cents a diluted share, as well as a 1-cent per diluted share charge related to the expensing of stock options.

Sales climbed 18 percent, to \$274.6 million from \$232.8 million last year, and same-store sales bumped 1 percent compared with a decrease of 2.2 percent in 2005.

"While we were able to achieve results in line with our plan for May and June, our sales and margins for the quarter were negatively affected by a significant



New York & Co. posted a decline in second-quarter earnings, as sales for stores opened at least a year fell below analysts' expectations.

"The trends in our business improved in August, particularly in the early back-to-school region, but we are unable to extrapolate this performance to the other regions."

— Julian R. Geiger, Aéropostale Inc.

slowdown in our business in the latter half of July," said Julian R. Geiger, chairman and chief executive officer of the company, in a release. "The trends in our business improved in August, particularly in the early back-to-school region, but we are unable to extrapolate this performance to the other regions, which have not yet packed in their back-to-school selling season."

The company remains cautious looking into the third quarter, expecting earnings in the range of 55 to 57 cents a diluted share, including a 1-cent per share charge related to the expensing of stock options.

New York & Co. posted a decline in second-quarter earnings, as sales for stores opened at least a year fell below analysts' expectations.

For the three months ended July 29, net income dropped to \$6.5 million, or 11 cents a diluted share, from \$12.3 million, or 21 cents, in the same period last year. Sales increased 4 percent, to \$264.9 million from \$254.6 million. Same-store sales decreased 4 percent, compared with a 0.4 percent increase last year.

"Our casual assortments were not on trend and certain styles were too similar to our wear-to-work assortments," Richard P. Crystal, chairman and ceo at New York & Co., said on a conference call with analysts. "Additionally, we were disappointed with our activewear category, having stayed too long with sets even as demand shifted to separates. Going forward, our casual assortments will provide greater differentiation as compared to our wear-to-work offerings. We are updating our activewear offerings currently to include knit separates that can be worn together or with the balance of our casual assortment." The company expects its full-year income to range from 70 to 82 cents per share.

Bebe Stores Inc. posted an increase in fourth-quarter earnings to \$22.1 million, or 24 cents a diluted share, from \$19.5 million, or 21 cents, in the prior year. This includes a

2-cent per share charge related to the expensing of stock-based compensation and the negotiated legal settlement.

For the three months ended July 1, sales were up 11.2 percent, to \$152.2 million from \$136.9 million last year. Total same-store sales increased slightly, 3.5 percent compared with a 34.2 percent jump in the year-ago period.

For the 2006 fiscal year, earnings grew 11.3 percent, to \$74 million, or 79 cents a diluted share, from \$66.3 million, or 71 cents, at the end of last year. Sales rose 13.7 percent, to \$579.1 million for the year, from \$509.5 million reported for 2005.

The company expects earnings in the range of 17 to 21 cents per share for the first quarter of fiscal 2007.

In accessories, the teen costume jewelry retailer Claire's Stores Inc. said its second-quarter earnings rose 1 percent, slightly exceeding company guidance.

"Now that we can look back on the second quarter, we would categorize it as good but not stellar," said Maria L. Schaefer, co-chairman and co-ceo at Claire's, during a conference call. "Our customers are certainly shopping, but they were not [drawn in] by a major fad like one we enjoyed last year when bohemian was all the rage. Since trends of that magnitude rarely occur two years in a row, the subsequent year is always challenging."

For the three months ended July 30, net income rose to \$36 million, or 37 cents a diluted share, from \$35.5 million, or 36 cents, in the year prior. Sales climbed 7 percent, to \$349.2 million from \$325 million. Total same-store sales for the quarter increased 2 percent on top of a 5 percent increase last year.

The company said it believes its merchandise is on target for the back-to-school season, and it is focusing on building strong operations internationally after logging negative comps in Europe for the quarter.

The company expects earnings for the year will reach \$1.90 to \$1.95 per share.



Bebe sales were up 11.2 percent in the quarter.

Uniqlo Said Eyeing Meatpacking Locale

By Amy S. Choi

NEW YORK — Uniqlo, in the midst of a massive publicity blitz for a new 36,000-square-foot flagship in Manhattan's SoHo that will be its largest venue, has a secret: There could be a deal for a store nearly twice the size in the Meatpacking District.

The Japanese value retailer would not confirm it was working on such a deal. "It is our policy that until an agreement has been signed, we cannot discuss potential real estate opportunities," said a spokeswoman for the company. "However, we are always looking for new locations."

Uniqlo is one of several retailers interested in taking over a retail property at 401 West 14th Street, confirmed Robert Futterman, president and chief executive officer of Robert K. Futterman & Associates, which is marketing the property for Taconic Investment Partners, the owner.

"I think Uniqlo is a great company, but it's certainly not a done deal," said Futterman. "They are one of the many tenants interested



in the site."

Other prospective tenants looking at the space are small department stores, said Futterman. Barneys and Apple were two retailers rumored to be interested.

Other sources said a Uniqlo deal for the 60,000-square-foot space, which sits on the northwest corner of 14th Street and Ninth Avenue, at the hub of the Meatpacking District, is close to complete. A Uniqlo store in the area would bring a sea change in the fashion customers have come to expect from a neighborhood that is home to Stella McCartney, Jeffrey New York, Alexander McQueen and Scop.

"At 60,000 square feet, it would become the Uniqlo district," said Jeffrey Roseman, executive vice president of Newmark Knight Frank Retail. "The next stores in the area could be the Gap and Bath & Body Works."

Futterman admitted Uniqlo would be an unusual tenant for the building. "It's hard to imagine somebody more moderate in that space because the rents are so high in the area," he said. "I see it lending itself a bit better to the more luxury retailers out there."

Gap Sees Profits Tumble 52.9%

Continued from page one

in marketing and stores to improve second-half performance," said Gap Inc. president and chief executive Paul Pressler in a statement Thursday.

"Each brand is at a different stage in its turnaround," continued Pressler. "We are encouraged by improved performance at Banana Republic and our online division. And while we are making progress at Gap and Old Navy, we know it will take several seasons of consistent product, marketing and store improvements to win back our customers. We remain committed to the strategies at each of our brands and to our growth initiatives."

Gap will be tested severely in the second half and is pulling out all the stops, remaking product by reviving classic looks and signature Gap items, remodeling stores and ratcheting up marketing and in-store labor expenses to drive greater shopping — hopefully at full price — for fall and for the holiday season.

In the meantime, the steep clearances and lack of traffic in the stores are driving comps and margins down, as well as the company's forecast for the year. Gap revised its guidance for fiscal year earnings per share to between \$1.08 and \$1.12, from \$1.23 to \$1.27, based on disappointments in the second quarter and monthly sales. Executives also said August sales were trending below expectations.

Gross margins declined 4.4 points in the second quarter, and operating margin was 5 percent. Operating margins were also revised downward for the year from about 10.5 percent to 8.5 to 9 percent.

In a conference call, executives acknowledged they were disappointed the company overall didn't see traction in the latest quarter from turnaround efforts.

"We are at the beginning of a long-term strategy to win back customers," said Gap brand president Cynthia Harriss, during the call.

At Gap Inc.'s North American operations during the second quarter, Gap brand comps were down 6 percent, while total sales came to \$1.2 billion.

Same-store sales at Old Navy, the largest division, were down 5 percent, while total sales were \$1.6 billion.

Banana Republic's comps slipped 1 percent, and sales totaled \$571 million.

International sales, on a comp-store basis, fell 11 percent and totaled \$339 million.

On the call, Pressler cited improved product assortments at Banana Republic, healthier margins and a better balance of basics and fashion items. He said handbags have been a successful product extension and noted that in September, the division is launching a new personal care line including five fragrances.

Old Navy, he said, has seen some response to "elevated knits, graphic T-shirts and woven bottoms in women's, but men's and kids are more challenging."

Denim continues to underperform, but "trend right" denim was introduced on July 20 at Gap

brand, the division undergoing the most aggressive changes, ranging from remerchandising to remodeling and stepped up marketing. The remodeling includes distinct in-store shops for denim and T-shirts. At the end of the quarter, nearly 100 stores had the updated look.

Despite the disappointments with the overall operating results, there were some positives during the quarter. Banana Republic regained some momentum. Group cash flow was strong at \$2.8 billion in the second quarter, dividends and share repurchase strategies remain in place and online sales grew 27 percent in the quarter. Online gains were seen at all three brands.

During the second quarter, the company repurchased six million shares at a cost of \$111 million, completing the \$500 million authorization that was announced at the beginning of the fiscal year. In addition, the company said on Aug. 3 that its board authorized an additional \$750 million for its share repurchase program. The company paid an 8 cent-per-share dividend in the second quarter, which is nearly double the quarterly dividend for the same period last year.

There has been some speculation that Gap Inc. is being eyed by private equity firms, but analysts said the results don't enhance its takeover appeal. The second quarter report "calls into question the possibility of a private equity takeover of the company," said Mark Montagna, vice president, specialty retail, at C.L.

King & Associates. "The company's top and bottom lines are declining. Its year-end cash flow projections keep declining. Management should consider preserving cash and canceling its share buyback. This does not make an appealing proposition for today's private equity shops."

"We continue to believe the overall company is in the midst of a long-term downhill slide that is being exacerbated by a 40 percent rise in the doors of its competition over the past five years," added Montagna. "Additionally, those competitors are far more relevant to today's consumer, while Gap and Old Navy are becoming commodity products."

A more positive outlook came from Jennifer Black, president of Jennifer Black & Associates, who wrote in a research note: "Gap will likely experience another tough month or so, but a turnaround is under way...we expect improvements to come to fruition over time, not instantaneously. Initial fall product has now been infused into stores and we find it to be on trend and more appealing than what we have seen in Gap stores for a very long time. Our checks have suggested that both customers and employees are more enthused about the product in all three divisions this year. However, checks also continue to reveal sluggish traffic trends abound." She attributed weak traffic to customers' lack of knowledge of new Gap products and overall shifts in fashion impacting retailers.



Gap Inc.'s divisions are facing a crucial fall season.

Urban Outfitters Continues Measured European Growth

By Sharon Edelson

Urban Outfitters, the Philadelphia retailer that caters to the sartorial needs of 18- to 28-year-olds, is closing in on a milestone: the opening of its 100th store next month. And the fact the 100 mark will be achieved in Copenhagen underscores the growing importance of Urban's international business.

"The international business produces a positive bottom line," said Tedford Marlow, president of Urban Outfitters. "It's been productive for us."

The company opened its first store overseas in 1997 in London. It now operates three units there, and one each in Dublin and Glasgow, and Manchester and Birmingham, England.

"With the foothold we have in the U.K., we decided to look at other opportunities in the European market," Marlow said. "We decided the best way would be to cross the [English] Channel." In addition to the Copenhagen store, Urban Europe will open a unit in Stockholm in September.

The company is also considering locations in Sweden and Belgium. "We have a location in Antwerp that we're excited about."

Many specialty retailers have store fleets in the 500 to 1,000 range. Urban, which has been in business for 35 years, takes a deliberately restrained approach. "We've grown dramatically over the last five years and doubled our store count," Marlow said. "There are opportunities for continued expansion in the U.S. We feel comfortable opening 15 stores a year worldwide. This year, we're going to open 13 to 15 stores in the U.S. and two to three in Europe."

Martin Parker, managing director of Urban Europe, said the company tailors the product mix to local tastes. "It's important that you don't plunk everything down" that sells in the U.S., he said. "We have a wish to work with local designers and local brands to add that Scandinavian flavor. We're not assuming that the mix in Copenhagen will be the same as in the U.K. There's only a 50 percent overlap between the U.K. and the U.S. When we move to Scandinavia, we're looking for a 25 percent twist [overlap]."

Urban in the U.K. features Anglomania by Vivienne Westwood, Girbaud, Erotokritos, Paul & Joe, Sister and Sonia Rykiel. "We sell brands equivalent to those at Selfridges," Parker said, adding that Urban's closest competitor is Topshop. The Web site for Urban Europe features frilly blouses, while the U.S. site shows men's wear dresses and laid tops.

"The seismic shift in fashion began about two quarters earlier in Europe than it did in the U.S.," Richard Jaffe, a retail analyst at Stifel Nicolaus, said in a research note. "European customers' acceptance of the fashion change, evident in an 11 percent comp-store sales increase at Urban Europe, bodes well for future customer acceptance in the U.S., possibly in the second half of 2006." Urban's disappointing results in the first quarter were blamed in part on consumers' ambivalence about the new fashion silhouette, which caused Jaffe to trim his 2007 earnings per share estimate to \$1.15 from \$1.25.

Urban Europe's prospects seem bright. The five-year objective calls for 30 to 40 stores across the Continent. There will be 10 locations operating by yearend. "The long-term ambition is to be in all the major capitals and second cities," Parker said. "We approached Scandinavia and Benelux because we thought they were the closest to us fashion-wise. We could look at Oslo and Helsinki if the Scandinavian stores work well. We want to look at the German and Spanish markets and Eastern Europe."



A page from the Urban Outfitters Web site.

Sears Earnings Rise, Sales Slip

Sears Holdings Corp. sacrificed top-line growth for better profits in the second quarter and suggested that it could make investments into derivatives as well as other types of acquisitions.

For the quarter ended July 29, the retailer posted net income that jumped 83 percent to \$294 million, or \$1.88 a diluted share, from \$161 million, or 98 cents, in the prior year on sales that fell 3 percent to \$12.8 billion from \$13.2 billion. Operating income rose to \$517 million from \$324 million.

"Sears Holdings' resolve to improve the profitability of this business remains strong and is borne out in the company's second-quarter results," said Aylwin Lewis, chief executive officer and president, in a statement. "While we are making progress, we must continue to focus on our customers, improve the shopability of our

stores and continue to give our customers reasons to shop our stores more frequently."

The retailer said domestic same-store sales dropped 3.8 percent in the quarter, with its Sears nameplate falling 6.3 percent and Kmart dropping 0.6 percent. The company cited lower transaction volumes for the declines.

In the quarterly report, the company reminded Wall Street that the board "has delegated authority to direct investment of the company's surplus cash to its chairman, Edward S. Lampert."

"As of July 29, 2006, the company's surplus cash was primarily invested in short-term, highly liquid investments," the company said in the statement, adding that it is "currently using, and may in the future use, a portion of its available capital to invest in marketable securities and other financial instruments, including derivatives."

These investments, Sears said, may be related to "derivative positions with respect to the equity securities of public companies."

The retailer did not name any of those companies, but said the derivative contracts would be recorded on its balance sheet at fair value. "For non-hedge contracts, changes in fair value would be recognized currently in earnings as unrealized gains or losses," the company said.

"Our strong financial position and cash flow generation provide us with the flexibility to capitalize on a wide range of market opportunities as they arise. In addition to investing in our business and acquiring our shares, we are prepared to invest substantial amounts of capital if we identify other attractive investment opportunities which have the potential for returns we believe appropriately compensate the company for the associated risks." Lampert said in the statement.

— Arthur Zaczekwicz

Bush Signs Bill Tying Up CAFTA Loopholes

By Kristi Ellis

WASHINGTON — President Bush signed a bill Thursday that is intended to help textile producers and importers doing business in Central America recoup financial losses.

The bill's enactment ends months of uncertainty for many companies doing business under the Central American Free Trade Agreement, which eliminated trade barriers between the U.S. and El Salvador, Nicaragua, Guatemala, Honduras, Costa Rica and the Dominican Republic.

The Pension Protection Act 2006, a sweeping pension reform bill, includes provisions that change certain CAFTA rules to ease implementation of the trade accord. The U.S. and the CAFTA countries still must meet and make a final endorsement of the changes.

U.S. textile producers exporting millions of dollars worth of pocketing and lining fabric to the region have lost business because CAFTA has, until now, allowed the use of Asian fabrics.

The Bush administration and Congress now have fulfilled most of the commitments that Republican leaders and top trade officials made last year to House members from textile states to get them to vote in favor of the pact, which passed by two votes.

The bill gives the president limited authority to change the rules of origin for pocketing and lining to the U.S. or regional-origin only, and gives U.S. Customs & Border Protection the authority to enforce an arrangement with Nicaragua to purchase U.S. trouser fabric equivalent to the foreign fabric allowance allowed under CAFTA.

U.S. textile producers exporting millions of

dollars worth of pocketing and lining fabric to the region have lost business, according to industry trade groups, because CAFTA has, until now, allowed the use of Asian fabrics.

The legislation also allows retailers and apparel firms that produce apparel in the region to apply for retroactive refunds of duties they have been paying because of the staggered implementation of CAFTA. Importers were damaged by the enactment of the pact, signed last summer, one country at a time, because it created more costly sourcing for companies that lost duty-free benefits.

The bill gives legislative approval to concessions the U.S. made to several of the CAFTA countries in exchange for the pocketing and lining change.

In the case of El Salvador, the U.S. agreed

to allow an unlimited amount of foreign yarns and fabrics in the assembly of infants' dresses, women's and girls' cotton coats and women's and girls' man-made fiber suits under "single transformation rules," which means they have to be cut and sewn in the region, but can use fabrics and yarns from anywhere in the world.

Nicaragua received an increase in its foreign-fabric allowance of 100 million square meters equivalent, to 10 years from six years. Honduras was given a foreign yarn and fabric allowance under single transformation rules for men's woven, man-made fiber and cotton shirts, and Guatemala got a similar allowance for women's wool and man-made fiber coats.

Azria Designer Line Gets Own L.A. Door

By Emili Vesilind

LOS ANGELES — Max Azria, designer of the contemporary line BCBG Max Azria, is at last letting his separate designer collection stand on its own two feet.

Azria has been flirting with the idea of producing a full-fledged designer collection since 2001, when the company launched BCBG Max Azria Collection, a designer-price line carried in BCBG stores. In February, the Tunisian-born designer renamed the line simply Max Azria and on Wednesday, he opened the first freestanding store devoted to the label, on Melrose Avenue here.

The 2,760-square-foot location, a converted BCBG store, is the first of five freestanding Max Azria stores scheduled to open by November, in SoHo in New York; Paris; Palm Beach, Fla.; Newport Beach, Calif., and possibly in Dallas, said the company.

The store here opened with the line's resort collection, which Azria said "plays a lot with texture — burlap, linen knits and silk knits. It's a very piece-by-piece collection. Every item must be a piece of art."

The designer admitted the line suffered a few false starts. "We designed the collection for a long time, but were restricted by cost and price," he said. "Then we decided, you know, forget the cost — let's just think about creating an exceptional product."

Patrick McGregor, vice president of public relations for the company, said the collection's former connection to BCBG — in name and on the retail level — made it difficult for consumers to justify spending on a higher-price line so closely bound to a well-known contemporary brand.

Said Azria, "The name change was to make a clear distinction between the two. The contemporary collection has certain restrictions [dictated by] the market and the consumer. This designer collection is my freedom project."

Despite wanting to steer the higher-price collection away from the contemporary line, the company also plans to launch Max Azria shops-in-shops in 10 existing BCBG shops, including the Beverly Hills store on Rodeo Drive.

The decor of the Melrose Avenue store is a departure from the minimalist, whitewalled BCBG units. Natural elements such as tree trunks and stones are juxtaposed with old-world accents, such as vintage wooden stools and a collage of retro stamped-metal tiles.

The privately owned BCBG Max Azria — launched in 1989 and led by Azria and his wife, creative director Lubov Azria — operates 320 mostly mall-based stores and is based here. The company plans to open 50 more BCBG Max Azria stores by the end of this year.

Max Azria



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PHOTO BY DONATO SARRELLA

The first Max Azria store, on Melrose Avenue in Los Angeles.

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Help Wanted

Assistant Designer autumn cashmere
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 NYC Apparel Co. seeks exp'd, hands-on, Full-Charge Bookkeeper. Responsible for accounting, general ledger, and bank and factoring reconciliations for several companies, banking relationships, and inventory. Knowledge of Excel, Lotus, and Peachtree helpful.
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 Email: michaelr@renerof.com

GRAPHIC DESIGNER
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Help Wanted

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 Email resume to: hr@ideanova.com or Fax: 212-643-0684

SENIOR DESIGNER
 Novelty and lifestyle Co. seeks creative individual with strong illustrator skills and color sense. Must be detail oriented with a minimum of 2 years experience.
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Help Wanted

SALES HELP WANTED

Sales Help Wanted

A·B·S
 by Allen Schwartz

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