



BUCK ENNIS

TAILOR MADE: For Jill Stuart, shown with Ronald Curtis, a Japanese launch generated \$2 million in 10 days.

# Japan: a good fit

## *Asian investors back young designers*

BY YLONDA GAULT

For five years, Daryl K. was a quiet business. On the backs of the fashion press, downtown insiders and a few celebrities, two young partners cobbled together a modest \$500,000 business. Daryl Kerrigan designed clothes in back of an East Sixth Street store; Paul Leonard sold them in the front.

Then last year Daryl K. was discovered by Japanese investors. Armed with deep pockets and a reputation for licensing Louis Vuitton and other status brands, Tokyo-based Moonbat launched the line—once barely visible north of 14th Street—into the global marketplace. Mr. Leonard is expecting revenues of \$4 million this year. “Now that we have a global business, we’re taken far more seriously here in the States,” he says. “This deal validated us in a number of ways.”

Daryl K. has company. After a tumultuous Eighties-era romance with Seventh

See JAPAN on Page 41

## JAPAN from Page 3

Avenue, Japanese investors are taking a second look at American fashion. Recently such of-the-moment designers as Kate Spade, Jill Stuart, Tocca and Cynthia Rowley have inked Japanese-backed deals worth from \$1 million upward to \$15 million.

### Teens are the target

Despite the risks, Japan's leading backers are starving for growth opportunities. That the new breed of designers is relatively unproven, compared with established names like Calvin Klein and Donna Karan, is actually part of the appeal.

The Japanese backers say their country's newly emerging youth culture is turning its back on the big luxury brands favored by older generations. This cutting-edge teen set is rich in disposable income and media savvy. More important, they are hungry for eclectic and trendy—read New York—fashion looks.

"In the past year or so, Japanese teens have been really into New York," says Ai Hirakawa, a manager at Itochu Fashion System Co., the subsidiary for multibillion-dollar trading conglomerate Itochu Corp. "Luxury is still big for some, but in general people have become more price conscious and trendy."

For small, local fashion companies, acutely aware of the dearth of domestic backing in recent years, the Japanese partnerships may seem like pennies from heaven. But the stakes are high, and rewards are not guaranteed for either side.

Unlike their more established fashion counterparts, young designer brands are entering the Japanese market without a strong customer base. To break into the Asian market, they need comprehensive brand-building strategies. If the Japanese trading companies they partner with don't have sound image-building expertise, a line's brand identity can end up murky at best.

"Without the infrastructure Stateside that allows you to keep tabs on the business here and overseas, you can kill your global trademark for good," says Howard Bader, a partner in the law firm Ballou Stoll Bader and Nadler, which specializes in fashion firms.

It may be too soon to measure the long-term viability of partnerships between Japanese companies and new fashion brands, but early returns are encouraging. Just months after Cyn-

thia Rowley was launched in Japan by Gunze Sangyo Inc., Samsung of Korea came calling. Today, the designer has more than a dozen stores throughout Asia.

Jill Stuart, a trendy ready-to-wear line launched in 1994, reached an agreement with Itochu last April. The deal included two freestanding stores, one in Tokyo and one in Osaka, and 11 boutiques in leading department stores.

Itochu built consumer interest in Jill Stuart to a fever pitch with a months-long marketing blitz, including articles in fashion magazines. There was also an outdoor ad campaign, shot by Kelly Klein, splattered on billboards and 240

subway stations. Within 10 days of the line's Japanese launch, Jill Stuart generated nearly \$2 million in business.

"They invested about \$5 million in us," says Ronald Curtis, president of Jill Stuart. "It sounds like a lot to us. But in the land of \$70 cab rides, it's not so much."

### Investors exercise caution

This isn't the first time Seventh Avenue has captured the imagination and checkbooks of Japanese investors. In the 1980s, trading companies threw money at start-ups and unsophisticated companies with almost reckless abandon. Deals with several designers, such as Jeffrey Banks and Allen Flusser, bombed when the designers' looks fell out of favor or their business skills failed to keep pace with the market.

This time around, Japanese trading companies are structuring smaller, more cautious deals. And the designers are more pragmatic.

"We don't look at them (Moonbat) as a savior," says Daryl K.'s Mr.

Leonard. "They're just another business tool. Japan is too big and important a market for you to get giddy and lose control." ■