

# WWD

Fashion. Beauty. Business.



### Not Enough Elves

With record low unemployment, U.S. retailers may struggle to find holiday workers this season.

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### Josie's Jewels

Josie Natori unveils a 300-piece fine jewelry collection under license with Angara of India.

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### Grecian Turn

Mary Katrantzou marked 10 years with a fashion show in Athens – complete with an archaeologist.

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## Craft Works

Work of the human hand has long been integral to Sarah Burton's Alexander McQueen. For spring, she eschewed her typical romantic narrative to focus acutely on craft. A key element: enlisting Irish artisans to create exquisite linens and lace. *For more on spring's Craft Works, see pages 10 to 15.*

PHOTOGRAPH BY GIOVANNI GIANNONI



EXCLUSIVE

## Go Global To Buy ModCloth From Walmart

- Founded by Jeff Streader and backed by Asian suppliers, Go Global is bringing a new approach to the fashion M&A scene.

BY EVAN CLARK

**ModCloth is changing hands** – again. But it's still at the center of a plan to revolutionize how fashion and retail work. Just two years after Walmart Inc. bought ModCloth to help expand and remake its digital presence, the mass giant has agreed to sell the brand to Go Global, which is bringing suppliers into the dealmaking game with a novel approach. ModCloth's staff was told about the change on Friday. The terms of the deal, which is expected to close this year, were not disclosed. ModCloth has estimated annual revenue of \$150 million.

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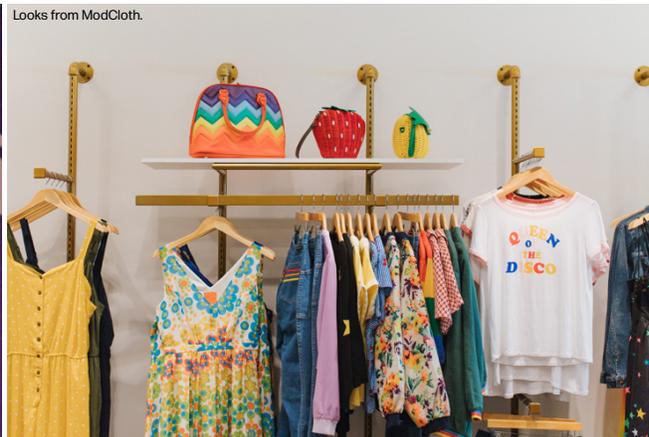
### CEO TALKS

## Kering Eyewear's Roberto Vedovotto On Daring To Change

The executive touted the company's innovative business model as a new three-year agreement inked with Safilo Group for the production of Gucci eyewear. BY LUISA ZARGANI

**PADOVA, Italy** – "From zero to hero." That encapsulates Kering Eyewear's growth over only four years and the team's ambition to build a luxury eyewear company from a start-up in a consolidated industry, according to president and chief executive officer Roberto Vedovotto. During a visit to Kering Eyewear's headquarters at the 17th-century Villa Zaguri here, about an hour away

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Looks from ModCloth.

## Go Global to Buy ModCloth From Walmart

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For Jeff Streader, Go Global's founder and managing director, ModCloth is both a brand with untapped opportunities and the beginning of a long journey to link factories directly with consumers.

Streader, who has held a variety of senior roles at VF Corp., Kellwood Co., Guess Inc., Billabong and Marlin Equity, has wrangled 40 active strategic players – suppliers from Asia, especially China – as limited partners.

The idea is that they help provide backing to the investment firm and for the deal and then, where appropriate, will start to take over production while Go Global manages the brand and business.

Streader described it as “a reverse integration to the supply chain to reduce costs.”

While Streader declined to detail just how much money Go Global has to spend

or what kind of production it can bring to bear, he said the firm has access to “significant capacity” and is looking to buy companies with revenues of \$50 million to \$500 million across the soft goods, hard goods and beauty spaces. Go Global describes itself as a “strategic investment platform” and is backed by suppliers looking to produce goods for the brands it buys. This is the group's first investment.

“I think there will be another one or two deals this year,” he said. “After that, you would see three a year. We're focused on lifestyle brands that we think are underperforming, but still provide us opportunity based upon the brand.”

Streader founded Go Global three years ago and has been staffing up and networking, giving the company the operating bench strength to follow that growth curve higher.

Go Global managing director Christian Feuer brings more than 30 years of experience, having worked in private equity and led turnarounds at more than 10 retail brands with combined sales of over \$1.5 billion. “Our team of experienced retail and brand practitioners will supplement existing management in areas of digital strategy, supply chain and operations,” he added.

The company is pursuing a potentially potent strategy since there are plenty of struggling brands ready for a new set of eyes and a new approach and plenty of underutilized factories in China, especially given the pressures of the trade war with the U.S.

Growth in China's industrial production slid below 5 percent recently – the slowest rate since 2002 – and a sign of just how hard factories are being impacted, especially since the overall official numbers can miss some of the industry-by-industry nuance. Anecdotally, multiple industry executives have pointed to fashion factories that are working at just half their capacity.

Many producers are expanding into other markets, for instance setting up factories in Vietnam to avoid rising tariffs on Chinese apparel imports to the U.S.

But that is only a partial fix.

Suppliers are also looking to expand production for the Chinese market. And Go Global's backers are trying to get closer to Western consumers – a step that Chinese producers have only recently started to take.

There are, of course, risks in buying a brand and switching out the production, but Streader said Go Global is ready to navigate the market.

With ModCloth, he said the brand can expand in a number of ways with the Go Global operations picking up more of the back end and the ModCloth team zeroing in on design and marketing.

“We're going to focus in on innovation in their digital strategy, investing in social engagement and listening to our core consumer and responding with product that she wants,” Streader said.

Go Global plans to invest in artificial intelligence and predictive analytics to rev up the ModCloth business, which will be expanded to Europe and into China.

This marks at least the third chapter for ModCloth, which was founded in 2002 and specializes in vintage-inspired fashions, shoes, handbags and accessories for 18- to 35-year-old women.

Ashley Hubka, senior vice president of corporate strategy, development and partnerships at Walmart, said: “ModCloth's strong brand equity positions it for growth in the future. We feel good about the progress at ModCloth and believe that Go Global's team and scale-out strategy presents an attractive opportunity for the employees and customers of this beloved brand.”

And if that strategy works well enough, it could spark more dealmaking for the beleaguered fashion world.

### BUSINESS

# Walmart's Digital Education Continues

- The quick exit of ModCloth shows that some tech DNA has indeed been spliced into the retail giant's makeup.

BY EVAN CLARK

**Walmart Inc.'s** planned sale of ModCloth marks both a retreat and an advance – proof of the massive retailer is learning some new tricks as it charges toward a more digital future.

Once upon a time, Walmart could have bought Amazon with pocket change. But like most of retail, it missed the first wave of the web revolution and found itself not just losing market share online, but missing the next retail wave, too.

After a few false starts, Walmart made a concerted effort to change that with the \$3.3 billion acquisition of Jet.com in 2016, which brought both a new digital business and the expertise of Marc Lore, who now leads the retailer's e-commerce effort. The

Jet deal was followed by a series of others, including Shoebuy, outdoor site Moosejaw and, in March 2017, ModCloth. Bonobos came later that year and intimates firm Bare Necessities was added in 2018.

But while Walmart started off with the notion that it would scale by building a multibrand direct-to-consumer business, it now is focusing on names that can work across its various properties – including walmart.com and potentially its stores – and stand on their own.

“For brands that we've acquired or incubated, our focus will be deploying them to maximize the omnimedia opportunity,” said Walmart spokesman Ravi Jariwala. “We've got a lot of different ways that we can maximize the opportunities for these brands.”

ModCloth somehow never made the transition as its products were sold largely through the brand's own web site.

So, after just two years, Walmart moved to unwind the investment.

That shows that the retailer has picked up a little of the Silicon Valley pivot and is more ready than ever to fail fast, learning from its mistakes and following the market.

It's a new skill for Walmart and one the fashion industry at large is still trying to pick up.

It's worked so far for the discount giant. Even though Jet.com has not grown into a powerhouse on its own right and has largely been absorbed into walmart.com, the company overall has some of its spring back. Walmart's stock, which rose 1.6 percent to \$118.16 on Friday, has handily outperformed the Dow Jones Industrial Average since the Jet deal and picked up more than \$100 billion in market capitalization.

That's a big enough gain to see past the quick, disappointing turn at ModCloth, which has sales in the neighborhood of \$150 million. There are questions still around some of the other brands Walmart acquired in its direct-to-consumer push,

such as Bonobos, but no other divestitures appear imminent.

And instead of giving off a once bitten, twice shy vibe, Walmart seems to be leaning in.

“We're going to evolve both our omniretail strategy and certainly our M&A approach,” Walmart's Jariwala said.

The company has something of a portfolio of brands and businesses now. And Jariwala said, “Acquisitions will continue to play an important role in how we build that portfolio.”

Walmart's web business is only becoming more important, having grown 40 percent last year followed by more gains in the first half.

Now the company just has to be nimble enough – and, yes, maybe fail fast enough – to figure out how to make money at it.

Morgan Stanley analyst Simeon Gutman estimated that Walmart will lose \$1.7 billion on its e-commerce business this year on top of \$1.4 billion last year.