

Men's

Mossimo Bets on New License Model

By David Lipke

MOSSIMO GIANNELLI KNOWS HOW TO MAKE A buck or two off licensing and he's out to do just that in his latest venture with Pacific Sunwear for his Modern Amusement brand. Unveiled last month, the deal revives Modern Amusement — which shuttered in January following a legal tussle with its former chief executive officer — in an innovative new licensing arrangement.

Giannulli is focused on building Modern Amusement into an expansive lifestyle brand after selling his stake in Paul Frank Industries last month. As a side project, the serial entrepreneur is preparing the launch of a golf accessories brand, G-Fore, for next year.

Unlike most direct-to-retail licensing arrangements — which Giannulli helped make popular with his blockbuster deal for Mossimo with Target in 2000, now a reportedly \$2 billion business — Giannulli and PacSun are closely tied together in building the brand. The parties will jointly find additional licensees in various categories and international markets. Both will share the additional royalties and each has mutual approval rights for any new deal.

"I reached out to PacSun, as I thought it would be an interesting idea. I've gone down this path before in licensing, but what's interesting in this deal is that we're both incentivized to grow this business globally and to find other retailers and licensees to build the brand," Giannulli told WWD. "We are going to hand select other retailers to work with that we feel are additive and not competitive with PacSun."

The PacSun license covers men's and women's apparel, footwear and accessories. It extends through the end of 2013 and PacSun has the option to renew it for another seven years. The first men's product will ship to PacSun doors in February. A women's offering is expected down the road, said Giannulli.

He plans to reveal new licensed partners in the coming weeks. Asked which retailers he and PacSun would target that weren't competitive with the teen retailer, Giannulli mentioned Apple stores. "We could do iPod covers, iPhone cases and laptop cases. There are all sorts of ways to skin a cat."

Michael Stone, ceo of Beanstalk, a leading licensing agency owned by Omnicom Group Inc., said the structure of the Modern Amusement-PacSun deal made sense in that the retailer is investing significant resources to build the brand and would want to benefit from any additional upside.

"PacSun is basically breathing new life into the brand and so it makes sense for them to want to share in any new licensing arrangements that follow," he explained. "It's not a totally new model, but what is unusual is for PacSun to have veto rights to any other deals. It could set up tensions in the future between the two parties."

That said, Stone added the agreement provided a lot of potential for both Giannulli and PacSun. "It's an upstairs brand that was very aspirational and now PacSun can offer it to consumers who might not have been able to afford it before. I speak to a lot of retailers



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— Mossimo Giannulli



G-Fore golf gloves will launch next year.

and they are all looking for new ways to reach seven- to 23-year-old males, which is a very fickle demographic and there's not a lot out there for them."

PacSun operates 880 stores and young men's has been the lone bright spot in a difficult retail environment. The mall retailer suffered a 12 percent decline in same-store sales in the first half of the year, but young men's increased 1 percent in the period, continuing a yearlong positive trend.

"We believe that the addition of the Modern Amusement brand will enable us to bring an added dimension to our stores through the vision of one of the leaders of Southern California surf and street fashion," said Gary Schoenfeld, president and ceo of Pacific Sunwear.

Giannulli will work with PacSun design and merchandising teams to create the collections for the retailer and is opening a new office in Culver City, Calif., to house Modern Amusement's holding company, Dirty Bird Productions.

"We've partnered with a retail partner who can execute in a big way," said Giannulli. "I wouldn't be doing this if I didn't think it was going to become a very large business. I'm not thinking small."

Giannulli originally acquired Modern Amusement in March 2004 for \$375,000 from its founder, Jeff Yokoyama. He sold the brand to Iconix Brand Group as part of that company's acquisition of Mossimo Inc. in 2006, but bought back Modern Amusement for \$4.8 million.

Giannulli sold his 30 percent stake in Paul Frank Industries, which was acquired by Saban Capital Group, an investment fund controlled by billionaire media mogul Haim Saban. Paul Frank markets a contemporary fashion line and owns a design portfolio of more than 150 characters, including mascot Julius the Monkey.

Ryan Heuser, co-founder and president, is staying with Paul Frank to head its creative direction, reporting to Elie Dekel, president of Saban Brands. John Oswald, ceo, is exiting the company. Giannulli will continue to advise the company as a consultant.

"They were struggling and I saw a lot of potential in the brand," said Giannulli of his original investment in Paul Frank, which he made three years ago. "We completely turned it around, returned it to profitability and signed over 100 licenses. We changed it from a production model to a licensing model and the volume increased significantly."

While Giannulli is clearly a fan of the licensing model, the G-Fore launch is an in-house project. The first products in the line will be leather golf gloves in a range of 12 vivid colors, such as pink, green, burgundy, yellow and blue.

"I'm a golfer and I think gloves are one of the best accessories you have in the game — but all that's available is white or black," said Giannulli. "I think with the kids on tour today, there's a lot of energy and excitement and color. We're really coming from more of a fashion stance."

The gloves, made from supple Cabretta leather, will retail for \$30 and will be aimed at high-end pro shops, as well as specialty fashion retailers.

Varvatos, PVH Near Deal For Dress Shirts and Ties

PHILLIPS-VAN HEUSEN AND JOHN VARVATOS, A DIVISION OF VF Corp., are close to signing a long-term license for dress shirts and neckwear for the designer's signature and Star USA contemporary labels. The parties already partnered on the offerings for spring, which men's buyers have already seen.

"We haven't finalized the contract, but we've been working under a handshake agreement," said John Varvatos. The designer is chief executive officer of a partnership with VF called John Varvatos Enterprises.

"The response has been great in the marketplace. It is truly a core competency of PVH. They understand how to run those basic businesses and the stock positions with the stores — they're the kings of it. And even though we have the design competency, we may not have the same level of manufacturing competency. We developed and sourced it ourselves for 10 years. Now we have a lot of other things to focus on with the brand," he said.

Varvatos expects the current distribution to remain in place, while he also foresees a fivefold or sixfold increase in volume.

"Both parties realized it could be a significantly bigger business if we put our two heads together. We've run a nice dress furnishings business for 10 years, both at wholesale and our retail stores, and now we're going to get real serious about it."

— Jean Scheidnes

RGA to Offer Vespa Accessories

VESPA, THE ITALIAN SCOOTER COMPANY, HAS INKED A licensing deal with RGA Leatherworks for a new line of men's accessories.

The collection of small leather goods, bags, backpacks and travel accessories will make its debut at retail for holiday. Retail prices range from \$39 to \$149.

For fall 2011, the line will be expanded to include women's accessories and men's luggage. Distribution for the line will be better department and specialty stores across the U.S. and Canada.

"Vespa scooters have seen a resurgence in popularity due to their compatibility with city life and eco-friendly design," said a spokeswoman for RGA, who cited "the cult appeal of the Vespa brand."

RGA Leatherworks, which has offices in Toronto and New York City, also holds the accessories license for Ben Sherman and South Pole. It also offers a label called Ossington.

— Jean E. Palmieri



A bag from the collection.