A look at the new Printemps flagship in Strasbourg.

Printemps Thinking Big

By PAULINA SZMYDKE

PARIS — It's the dawning of a new expansion era at Printemps.

On track to become a 100 percent property of a group of Qatari investors by this summer, the French department store operator intends to become an even bigger, and more international, player on the retail scene.

"Our new investors are very committed to making Printemps an icon in luxury retailing," said Printemps chairman and chief executive officer Paolo de Cesare, referring to the still unidentified group of Qataris who are poised to take over the company. Via the Luxembourg-based investment fund Disa, the group plans to acquire a 70 percent stake from Deutsche Bank's RREEF and the remaining 30 percent from Italy's Borletti Group.

De Cesare told WWD the Qataris' interest in Printemps stems from the department store's "long-term potential, good track record and growing leadership position in luxury retail, not only in France and Europe, but worldwide."

"They don't like things that are risky," he assured. "They are very focused on building long-term assets."

Since de Cesare joined the company in 2007, the focus has been on rebuilding and investing into brands. Now, he said, it's time to spread out.

That's big news for the Art Nouveau gem on Boulevard Haussmann, originally built in 1865, which has not opened a new store since 1982.

"We are targeting the top 10 cities in France," de Cesare said in an interview. In the frame are three openings: in the harbor of Marseille in 2014; at the Carrousel du Louvre in Paris, also in 2014, and in Cagnes-sur-Mer on the French Riviera in 2015.

De Cesare would not reveal which international locations he is eyeing, as "it is too early to call."

The chain's new flagship in the French city of Strasbourg, which opened Saturday, will set the template for Printemps' future face.

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"At some chains, you get the feeling of being in a box, but we don't want that. Every new store will be tailored," he said. "The vision I have is to be a department store haute couture, where everything is unique and hand-made."

For the Alsatian branch, which de Cesare dubbed the "Guggenheim of Strasbourg," the group employed local architect Christian Biecher, who already put his stamp on Hong Kong's Harvey Nichols. The retailer also tapped a group of local artists, including Julie Legrand and Christian Melaye, who will expose their works at the store for six months at a time.

Following "a radical refurbishment" that lasted two years, the original five buildings have become one, comprising seven floors of 10,760 square feet each.

The branch's new facade is striking. Made from glass and aluminum and evoking large pleats of fabric, it's an utterly modern foil to the city's more traditional architecture.

Inside, escalators have been moved from the middle to the front of the building to bring in more light, a fact that is much appreciated by local customers since "the weather there is not the best," said de Cesare, who expects sales to jump 20 to 30 percent compared to before the renovation.

"We have invested a lot into merchandising and product presentation. Forty percent of the brands present are new," he said.

Showcasing women's and men's fashions, accessories and home wares, the store's most outstanding feature is probably La Belle Parfumerie, with a so-called "scent room" built on gray marble in its center. It is home to a number of niche brands including The Different Company, Maison Francis Kurkdjian and Diptyque, underscoring the chain's effort to become more exclusive at a time when "people buy a bottle of perfume as if it were a pack of cigarettes," de Cesare lamented.

The unit also includes Paris' multibrand boutique Maria Luisa, whose founder, Maria Luisa Poumaillou will continue scouting new talent for the store, while personal shoppers, a concierge and an artisan watchmaker offer additional services to the customers.

Printemps' overall reorientation toward luxury "has absolutely paid off," de Cesare said. "Our sales have increased more than 30 percent in the last four years, and our profitability more than doubled."

He said whereas the company was worth 1 billion euros, or $1.3 billion at current exchange, six years ago, it now stands at between 1.6 billion to 1.7 billion euros, or $2.08 billion to $2.21 billion. "That's clearly an increase in value. When you consider that the past six years have been very difficult for retail, with many [companies] going out of business, we have been outperforming the market," de Cesare said.

He projects Printemps will grow another 30 percent within the next five years.

Asked whether the chain had the capacity to grow beyond that, he answered: "At the end of the decade, we need to see where we are, but we are looking into e-commerce and we'll play internationally," he said, adding that he doesn't know why "the unions came up with this fear that we were transforming Printemps into a mall, closing down the chain and cutting jobs. This is absurd. We are by definition creating new jobs with our investors committed to the new chain, continuing the current strategy and management. We are securing a brilliant future for Printemps."

The Qatari quest has caused heated debates in France over who and what would be the best solution for the historic department store, next-door neighbor of Galeries Lafayette, which also expressed a desire to own its rival.

The unions deplore the fact that the identity of the Qatari investors has not been revealed to them, posing "questions of responsibility," as Disa appears to be an investment fund "without proper funds in its bank account," said Georges Das Neves, secretary general of the Printemps union. "We don't know if it's just a letter box where money comes and goes. Who do you call should the company go through difficult times?"

The unions are also balking at what it characterizes as exorbitant six-figure fees to be paid to Borletti Group, which has confirmed it would remain at Printemps for a transitional period of seven years to oversee the execution of the retailer's strategy.

Das Neves said this comes at a time when the unions are in the middle of renegotiating the salaries of more than 3,000 employees, pushing for a "collective raise of 2 percent. If Mr. Cesare agrees, the Qataris will, because they find his management is good."

Macy's, Martha Return to Court

By ALEXANDRA STEIGRAD

NEW YORK — It was a lot like the first day back from summer vacation.

Lawyers from Macy's Inc., Martha Stewart Living Omnimedia Inc. and J.C. Penney Co. Inc. practically skipped into the courtroom Monday to resume the well-publicized contract dispute, but little did they know that by the end of the day, Penney's chief executive officer Ron Johnson would be out. It's unclear what impact his departure may have on the case since he was the architect of Penney's deal with MSLO. Penney's did not return calls seeking comment, and MSLO's legal team declined to comment.

The case, which just came off a monthlong recess in which New York state court Judge Jeffrey Oing ordered the parties to enter into mediation, is scheduled to continue as planned Tuesday.

"Welcome back, folks," Oing mumbled Monday as he resumed what has already amounted to a grueling and contentious three-week trial over whether Martha Stewart can sell her branded goods in both Macy's and Penney's stores.

Stewart inked a deal in 2007 to sell certain branded goods to Macy's exclusively. That agreement was allegedly breached when she signed a competing contract with Penney's at the end of 2011 to sell her branded wares in shops-in-shop this spring, according to Macy's. As part of that contract, MSLO also sold a 16.6 percent stake to Penney's. The bold moves were central to Johnson's vision to reinvent the struggling Penney's, and those aggressive advances attracted Stewart to jump aboard.

Before the recess, the judge had been mulling over broadening the preliminary injunction he issued last summer. The injunction barred Penney's from selling Stewart-branded goods in stores beginning this month. Most recently, the judge contemplated whether the ruling should include product designed by Stewart but rebranded with the "JCP Everyday" and "double-house" logo.

The judge said Monday he would hear arguments on this topic Thursday, a day after Macy's is expected to rest its case.

"Rest means rest," urged an exasperated Mark Epstein, lawyer for Penney's, after Macy's counsel indicated it may have rebuttals after Wednesday. Epstein said "his blood boils" every time Macy's brings up last minute issues.

"Even after three weeks?" said the judge.

Eric Seiler, MSLO's lawyer, said once Macy's rests its case Wednesday morning, he will argue to dismiss "large portions" of the plaintiff's case that afternoon.

One issue the judge was keen to wrap up sooner concerns Stewart-branded stemware being sold on Penney's Web site.

According to Macy's, the sale of the plastic glasses violated the court's injunction, but lawyers for the defendants said they were under the impression that the glasses didn't fall under the exclusive categories deemed by Macy's. According to the defense, plastic glasses could fall under the "celebrations" category, a non-exclusive category. But counsel for MSLO and Penney's said they would consult with their clients and get back to the judge Tuesday, which is when this minor issue is expected to be resolved by Oing.

Meanwhile, the trial moved forward when Macy's called John Tighe to the stand. Tighe, Penney's men's division general merchandising manager and ex-senior vice president of its home business, gave a thorough three-and-a-half hour testimony about his involvement in the MSLO/JCP deal.

After establishing that Penney's had identified Martha Stewart as one of the "most powerful" home brands, Macy's lawyer Theodore Grossman asked Tighe about his dealings with Stewart.

One of Tighe's more illuminating insights came when he described a conversation with Stewart during which the domestic goods guru expressed unhappiness with her Macy's contract.

"She believed she should be doing more business," Tighe said, adding that Stewart also "believed" the private label brands at Macy's "competed with" her brand, and ultimately detracted from its sales.

Tighe said Stewart thought that she should "almost be getting a percentage of the [Macy's private label] business," as her wares, stocked in adjacent shelves, drove private label sales.

She believed they were "feeding off" her brand, the Penney's executive said of the private label business.

He added that Stewart was excited at the prospect of having a store within Penney's that would sell her kitchenwares, and that he was told that Stewart's "ability" to sell her goods within shops-in-shop "dovetailed perfectly" with Johnson's "vision."

When he came aboard as ceo in 2011, Johnson began mapping out a strategy to reinvent the midtier department store. He settled on developing shops-in-shop, which offered "everyday" competitive pricing. He began aggressively courting Stewart, who claimed to be somewhat frustrated with the slowing growth of her brand at Macy's. Stewart had wanted to branch out and not only sell other categories such as luxury bath, but also she wanted her own stand-alone store. The latter was an option, according to her deal with Macy's. Penney's seized on that "loophole," according to Macy's, and found a way to offer Stewart-branded goods in shops-in-shop in Penney's.

For the lawsuit, the definition of a store has become vital, but so, too, has the question of confidentiality and suppliers.

Grossman spent a fair amount of time rehashing the issue of suppliers, intimating that perhaps confidential information could be shared if the same supplier was used by MSLO to make goods for both Macy's and Penney's.

Tighe said many retailers share "the best suppliers," and that it's not a secret that many competitors use the same suppliers. It's the designs that are proprietary, he argued, noting that MSLO put two separate design teams in place for Penney's and Macy's accounts. He added that when it came to store design, MSLO and Penney's formed a "joint-oversight committee" to monitor MSLO/JCP store designs.

"It was not a typical licensing agreement," Tighe said, referring to the MSLO/JCP deal. "It was more detailed. It was more collaborative."

Nicole Post, a senior brand director at Penney's, took the stand after Tighe. Post, who will resume her testimony Tuesday morning, spoke briefly about the design process and her work as a liaison between Penney's and the Martha Stewart team.