



February 17, 2010

Luxe Brands Keep the Faith in Vegas

By *ANNE RILEY-KATZ*

Luxury labels are staying the course in Las Vegas.

Fendi, Lanvin and Versace are in the latest wave of brands opening this month at the \$8.5 billion CityCenter resort's high-end shopping mall, the Crystals, and taking a long-term view about investing in a struggling market.

"That's what Las Vegas is all about," said Fendi chief executive officer Michael Burke. "It's a leap of faith, believing in the future and a dream. Otherwise, Vegas wouldn't even exist. It's one of the founding myths and values of the American culture. Against all odds, compared to where we were a year ago, we opened."

Fendi's 6,000-square-foot store, designed by Peter Marino, launched Sunday and is the label's second-largest unit in North America after the Fifth Avenue location. The interior features a one-fifth size replica of the Trevi Fountain and piazza in Rome. There are Lava stone floors and travertine marble walls in gold and silver throughout, as well as silver and natural leather walls in the ready-to-wear and fur salons.

Fendi's store, which has a windowless steel exterior, took more than nine months to design, and components such as the fountain were assembled in Italy and shipped to Las Vegas.

Like Fendi, which has five doors on the Strip, many of the brands in the 500,000-square-foot Crystals have multiple locations in Las Vegas.

"The customer that is attracted by these stores is an increasingly small segment of the market," said Alan Barocas, an Atlanta-based retail analyst. "That being said, the Crystals is just unbelievable. If the luxury tenants are going to have a presence in the market, there's the one place with the pedigree for those brands."

The brands are betting that Las Vegas, despite 13.1 percent unemployment, a home foreclosure rate five times the national average last year, rising retail vacancies and declining gaming revenues, will remain the gold standard for resort-based shopping and entertainment.

"When you are in the luxury business, you cannot base your business against the ups and downs," Burke said. "This is when you invest in the future and forge ahead....Luxury has to be modern and relevant today. We have to be much more than the sum of our great past."

Retail analysts said the Las Vegas luxury market and tourism are showing signs of recovery after visitor volume fell 3 percent last year compared with 2008. In December, Las Vegas had 2.78 million visitors, up 1.5 percent from December 2008.

“Consumers aren’t buying the same quantities, and prices are more competitive than in the past, but there have been visible signs of improvement,” said retail analyst Dana Telsey. “In Las Vegas, the value customer is still driving the market so any recovery going to be slower.”

Lanvin’s new boutique, opening Feb. 26, is the brand’s second retail door in the U.S., and the first U.S. store to carry men’s wear. At 3,000 square feet, the shop is Lanvin’s third-largest in the world after its Paris and Ginza locations, and uses the brand’s signature modern design.

Versace’s store, which opened Sunday, is the brand’s 10th in the U.S. The 2,500-square-foot boutique features a new all-white design concept, including white leather padded walls, white suede-lined niches and chaise lounges throughout.

Hermès and Marni launched at the Crystals last month after December openings that included Louis Vuitton, Cartier, de Grisogono, Tom Ford and Bally. Prada and Miu Miu are among the brands debuting this year.

CityCenter, an 18-million-square-foot complex of gaming, hotels, restaurants and nightlife venues spread over 67 acres, is a joint venture of MGM Mirage, the world’s second-largest gambling company by revenue, and financially troubled Dubai World, the state-owned holding company. It experienced delays and cutbacks and executives estimated daily operating costs alone total some \$3 million.

A key issue is whether visitors starting to come back are of the high-rolling variety that can support the luxury stores, or bargain hunters lured by low-cost hotel rooms and buffets.

“I don’t think there’s a complete demise of luxury — there is a lingering slowness, and a shift in buying and ordering in response to slow consumer spending,” Telsey said. “But there always will be an aspirational customer and there always will be some consumers who have high enough net worth to want the finest goods.”