

# WWD

December 21, 2007

## Dana Telsey: Retail Investigator

*By Jeanine Poggi*

Retail analyst Dana Telsey's daily regimen is, in a word, daunting.

Even during the frenetic holiday season, she usually sleeps three hours a night and skips breakfast and lunch, believing these "luxuries" are a waste of time. Instead, she sips cans of Diet Pepsi in between client meetings, store visits and media appearances.

Telsey works through the weekends, slowing only to take her 94-year-old grandmother to lunch at Barneys New York on Sunday afternoons.

Why the crazy schedule? "I wouldn't be able to do it if I didn't love what I do," she said.

Telsey has been ranked the number-one specialty retail analyst by Institutional Investor magazine seven times. She is a 13-year member of the All-American Research Team and a frequent retail expert on CNBC.

Her goal: to accurately sniff out the season's winners and losers.

Telsey relies on a Rolodex of the biggest names in apparel, retail real estate and finance — and a memory bank of facts and figures, frequent store visits and one-on-one relationships with c-level executives. She spends 120 days of the year on the road, double-booking both a plane and train ticket to make sure she is always where she needs to be. Telsey believes shopping the stores is a true gauge of a company's performance. This is especially true during the holiday season.

This time of year, Telsey, along with six to 10 of her clients, scours stores across the country, making note of promotions, foot traffic and inventory positioning. The group goes into stores unannounced and observes the percentage of merchandise on sale, level of customer service and overall upkeep of the store.

Telsey assigns each member of her group a category, such as denim jeans, T-shirts, dresses or hoodies, to monitor during the visits. Their assignment is to rank the product by quality, value and assortment, and grade the store overall from one to 10, with 10 being the highest score. Over lunch, group members compare notes. From there, an average grade for each store is decided.

Telsey knows what she is looking for. In her signature black suit, she zips in and out of the stores in 10 minutes. Her routine is down to a science. But she always keeps her eyes out for merchandise surprises. On one trip she was impressed with a cashmere sweater from J. Crew that she believes will sell quickly this holiday.

When Telsey relays her findings, she quickly gets to the point, naming key items by store, price and color.

"Seeing the stores all together across the country makes it easier to make comparisons," she said. "And by sticking to one category, you can zero in and get specific."

Born into a family of retailers, Telsey developed her taste and eye for detail at a young age. Her grandmother worked at Bergdorf Goodman and her mother at Fred the Furrier, which helped hone her intuition for apparel. She learned about the business of retail as "cash register girl number three" at her father's bookstore on Madison Avenue.

Telsey conducted holiday store visits from Dec. 3 to Dec. 20 in 11 cities, including Los Angeles, San Francisco, Atlanta, Boston and Philadelphia. She holds similar tours during the back-to-school season. Telsey is anticipating a 3 to 4 percent gain in sales this year. With 32 shopping days compared with 31 days last year, the extra day could help boost sales. She said as long as the weather stays cold, it should be a decent holiday.

After spending 20 years on Wall Street, this hands-on approach led Telsey to open her own independent equity research and consulting firm, focusing on the consumer space. She began her career at Baron Capital before moving to C.J. Lawrence and later, Bear Stearns.

**The Telsey Advisory Group which was recently named the 2007 Women-Owned Business of the Year by the Manhattan Chamber of Commerce, covers U.S.-based and international companies, including Abercrombie & Fitch, Gap, J. Crew, Macy's, Tiffany & Co., Coach, Hermès and Burberry, as well as Wal-Mart, Best Buy, Starbucks and McDonald's. TAG offers no buy, hold or sell ratings, instead giving long-term assessments.**

Although there doesn't seem to be an "It" item in apparel, Telsey said popular gifts will be dresses, metallic accessories, the Nintendo Wii and flat-screen TVs. Gift cards are also gaining momentum, as they become more personalized and bundled with other merchandise.

She started her store tours about six years ago as a way to determine whether a company can meet its predicted sales. "Being in only one location you cannot accurately and fairly assess traffic, styles and weather patterns," she said.

Telsey's analysis can be sobering at times. During a luxury panel discussion at WWD in November, panelists discussed the high-end segment's long-term challenges. Without pausing, Telsey said, "Luxury risks not being luxury when it becomes ubiquitous. Exclusivity is the key to luxury, because when distribution becomes too available you lose the quality and the experience."