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An unfortunate
case of misplaced
optimism

—Greg David
on the
economy at
midyear
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BUCK ENNIS

THREADBARE: Mark Ecco's empire declines

Ecko puts his HQ on market

Urbanwear hotshot's
appeal wears thin as
youths trade down

BY ADRIANNE PASQUARELLI

THE LARGE BRONZE RHINOCEROS statues grazing inside hip-hop clothing designer Marc Ecco's massive 275,000-square-foot headquarters on West 23rd Street may soon be out of a home. The entire space, which costs more than \$9 million a year and includes a half-size basketball court, is now on the market, according to the site's leasing agent, FirstService Williams.

The clock is ticking for Mr. Ecco, who is desperately trying to raise enough capital to pay off Marc

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Ecko offices for rent

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Ecko Enterprises' debts. In June, Ecco sold its watch trademarks to Timex Group, the former licensee, and subsequently unloaded its Avirex young men's brand to Kids Headquarters. Additionally, Ecco bailed out of a pricey Times Square lease and closed its Cut & Sew boutique in Chelsea.

Mr. Ecco is the latest casualty of the once-booming \$4 billion urban wear business. The sector is morphing away from its baggy, logo-threaded beginnings into a cleaner, more mainstream look available at mass-market retailers ranging from Forever 21 to Levi's Stores. In addition to facing increased competition, the market is suffering as its base of fickle young consumers shies away from expensive labels and seeks bargains.

"The urban kid is not loyal to any brand or any store," says Tim Bess, a men's fashion analyst at retail consultancy The Doneger Group. With less money to spend, the streetwear consumer is more likely to buy an inexpensive \$19.99 hoodie at Aéropostale than a \$68 graphic hooded sweatshirt from Marc Ecco.

Indeed, Aéropostale is one of the few retailers that is thriving; it posted a 12% rise in June same-store sales. In contrast, many urban retailers are getting hit by the trade-down. Earlier this year, Indianapolis-based sporting goods retailer Finish Line paid \$7 million to local retailer Jimmy Jazz to take the poorly perform-

ing Man Alive urban clothing chain off its hands. Moonachie, N.J.-based Against All Odds, a decade-old seller of street duds, filed for bankruptcy protection in January, citing nearly \$40 million in liabilities.

Buyer's changing tastes

JOE NADAV, owner of Philadelphia-based hip-hop apparel chain City Blue, has had to close three locations in the past year due to slow sales. After more than two decades in the urban wear business, he's now noticing a shift in what shoppers are buying.

"In New York, they don't want as much urban and that big, fancy label," Mr. Nadav says. "It's a much cleaner look."

Unlike Mr. Nadav, Mr. Ecco has problems that go beyond the altered shopping habits of the streetwear consumer. The company is drowning in a reported \$170 million in debt, owed to creditor CIT Group and manufacturer Li & Fung USA.

After the New Jersey native founded his brand in 1993, he quickly expanded it into a Marc Ecco Enterprises empire, eventually moving beyond apparel and accessories into magazine publishing and video gaming. He continued to scoop up brand after brand and open store after store. Five years ago, the company signed on for a three-level, 30,000-square-foot Times Square flagship, a "supermarket" for all of its brands. In 2006, the apogee of Ecco's high times, management reported annual retail sales of about \$1.5 billion.

But the empire began unraveling last year. The Times Square site was never built, and though Ecco had more than 20 years remaining on the lease, the company abandoned the venture over the winter, shocking landlord New 42nd Street.

"We had no indication up until [December] that they were not going to go forward," says Cora Cahhan, president of New 42nd Street, noting that legal issues are now resolved.

In the past few months, Ecco has made other moves to raise capital to cover its debts. It has put its lavish, multifloor West 23rd Street headquarters up for lease, sold brand extensions and closed stores.

Even so, Raphie Aronowitz, Ecco's executive vice president of marketing, insists the firm is performing well.

Unraveling empire

"YEAR TO DATE, our company has achieved 12% comp sales growth with a 3% improvement in gross margin profit in the 94 Ecco Unlimited and Marc Ecco stores we operate," he said via e-mail. Neither Mr. Ecco nor CEO Seth Gerszberg were available for comment.

Critics rate Mr. Ecco's situation as dire and expect the designer to continue selling off divisions during his restructuring. "He was overexposed in thinking that the brand has an unlimited shelf life," says Michael Londrigan, chair of fashion merchandising at the Laboratory Institute of Merchandising. "But like most of these brands, they need to stretch and look at changing their product mix." ■