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THE WALL STREET JOURNAL

WSJ.com

MEDIA & MARKETING | SEPTEMBER 22, 2010

Sears Seeks Trendier 'Vibe' With Forever 21

By KAREN TALLEY

Sears Holdings Corp., saddled with extra space in its cavernous Sears department stores, is joining with hot fashion chain Forever 21 to expand the store-within-a-store concept.

The move is among the most aggressive merchandising steps Sears has taken since hedge fund manager Edward Lampert took over the retailer five years ago.



A shopper at a Forever 21 store in New York City in June.

Reuters

Under the initiative, Forever 21 will take about 15% of the space in a Sears store in Costa Mesa, Calif., with the opening expected this spring. Sears declined to disclose the terms of the lease agreement.

The move will give Sears rental revenue and also supply some much-needed fashion pizzazz for the retailer, which has been trying for years to make its apparel business, especially for young women, more appealing.

"For some time, Sears has been managed to conserve cash, and has not seen a lot of investment in upgrading its stores or providing a good shopping experience, particularly for a younger, trendier consumer," said Michael Dart, senior partner

at Kurt Salmon Associates. Forever 21, he said, "brings a new vibe and is something of a crowd draw."

Sears's move expands upon a growing concept among department stores: setting aside space inside stores for other lines and retailers to set up shop. J.C. Penney Co., for instance, continues to expand Sephora cosmetics shops in its stores.

Sears sets aside some space for in-house brands like Lands' End and also has a store within a store with its Edwin Watts golf shops. However, while the golf shops run 2,000 square feet, Forever 21 will take up 43,000 square feet of the California store's overall 303,000 square feet, perhaps making it the industry's largest store within a store.

Shoppers will be able to enter Forever 21 directly from Sears or through a separate entrance. A prime goal is to generate foot traffic at the Sears. Success will be measured by how many people from Forever 21 go into Sears and shop, Sears officials indicated.

Forever 21 has created buzz with its fashions for teens and young women. The merchandise is designed to capture recent fashion trends and move quickly out of the stores.

"We want to optimize and leverage our real estate portfolio to third-party tenants," said Sears spokeswoman Kimberly Freely.

Sears and Forever 21 are talking about more such alliances, Ms. Freely said. "We've reviewed other stores but have not made any announcements," she said.

She also said Sears, which has 856 U.S. stores, is talking to other retailers about projects of similar size and looking at smaller store-within-store formats.

"It needs to make good business sense for us and good sense for the partner," Ms. Freely said.

Mr. Dart of Kurt Salmon Associates said Sears could use a lift, since competitors have been stepping up their presence in areas where the retailer operates. From 1998 to 2010, the number of competitors within a 15-minute drive from a Sears store has grown threefold, from 1,400 to 4,300, Kurt Salmon research shows.

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