

COMMERCE

What key lessons can be gleaned from Tamara Mellon's bankruptcy?

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Tamara Mellon LA Woman campaign

By SARAH JONES

Now that luxury apparel and accessories label Tamara Mellon has filed for bankruptcy, the future of the company is uncertain.

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Tamara Mellon was conceived in November 2013 and aimed to disrupt fashion's traditional timeline, breaking the seasonal mold in favor of "buy now, wear now" merchandise available in the appropriate month. For luxury labels just starting out, as well as established fashion brands, what can be learned from Tamara Mellon's decisions?

"Fashion is hard business, even for veterans," said Rania Sedhom, managing partner at [Sedhom Law Group, PLLC.](#), New York. "What I've noticed in the marketplace, is that seasoned veterans tend to think it is easier to leverage their names and previous relationships than it actually is, thereby leading them to borrow money faster and in greater amounts than warranted. I always advise my clients that the more you borrow, whether from investors or creditors with swoon-worthy payment terms, the more you have to lose and the easier it is to forage ahead without looking back.

"Tamara Mellon's bankruptcy likely resulted from a heavy dose of ambition and optimism mixed with aggressive growth, all while attempting to disrupt the fashion supply chain," she said. "While a 'buy now, wear now' approach may be the next great idea, it is, without a doubt, a more expensive endeavor.

"The majority of buy now wear now clothes are available in mass-produced quantities. At Mellon's price point, she isn't designing for the masses and is using quality textiles and manufacturing. Her moving the supply chain to immediate rather than next season assuredly comes at a price."

Ms. Sedhom is not affiliated with Tamara Mellon, but agreed to comment as an industry expert.

[Tamara Mellon](#) has issued a statement, included below.

Fashion disruptor

The label's namesake designer came from Jimmy Choo, where she was a co-founder and the creative director before leaving abruptly in 2011 ([see story](#)). Prior to leaving the company, the designer became something of a brand ambassador, even appearing in an ad campaign for its fragrance.

As the brains behind a monstrous shoe label, Ms. Mellon's entry into entrepreneurship under her own name was

watched closely.

Rather than sticking to the traditional six seasons favored by fashion labels, Tamara Mellon is focused on delivering merchandise at the moment when consumers will actually need it. Seasonless items share the stage with monthly capsules, which are designed to be appropriate for the time of year.



Tamara Mellon at the brand's Southampton pop-up

With many luxury consumers prone to shopping in advance for their attire rather than buying with immediacy in mind, this may have been disruptive to the typical shopping schedule.

The brand is carried in a number of luxury department stores, including Nordstrom and Neiman Marcus.

After testing ecommerce exclusively with Net-A-Porter for a number of months, Tamara Mellon redesigned its Web site to enable online purchases ([see story](#)). The site features an editorial format, with new fashion photography shot every month with new capsule arrivals.

Here is where Ms. Mellon's experience from Vogue came in, translating to the brand's magazine-style imagery.

For instance, its first video campaign titled "High Heels & Sharp Knives" was directed by Danish director Rie Rasmussen and starred model Karlie Kloss as a knife-wielding vixen ([see story](#)).



Still from High Heels & Sharp Knives

Ms. Mellon has made her own label even more of a personal project, speaking directly to consumers from the brand's social media accounts and Web site.

Earlier this year, Tamara Mellon sent a legal warning to Jimmy Choo, claiming that her former brainchild was hurting her opportunities at expanding her own label. At the time, she said that her former employer was cutting off her access to Italian leather factories.

A number of letters were passed back and forth between the lawyers for Ms. Mellon and Jimmy Choo CEO Pierre

Dennis. Jimmy Choo's reply fought back against the allegations, according to [WWD](#).



Tamara Mellon resort 2016

Now, just two years after its conception, Tamara Mellon has filed for Chapter 11 bankruptcy protection from its creditors.

Ms. Mellon is one of the largest shareholders of the company, along with a number of investors. The filing, made on Dec. 2 in Delaware, includes plans for Ms. Mellon to exit Chapter 11 in 60 days or less, reorganize and form a new company ([see story](#)).

Under the bankruptcy filing, which needs to be approved by the court, Ms. Mellon stated her intention is to exit Chapter 11 in at most 60 days and establish a second company, New TMB, which will inherit a number of trademarks and domain names from the previous company.

In a statement, Ms. Mellon said, "We will use this brief period of reorganization so we can position ourselves to take advantage of our new growth strategy and ensure the long term vibrancy of our brand. We expect that we will emerge from this stronger than ever in 60 days or less, and all of us at Tamara Mellon look forward to pursuing our passion long into the future."

Regroup and refocus

Particularly for young luxury brands, Ms. Sedhom suggests a few best practices to avoid bankruptcy. For one, business owners can borrow what they need for the near future, or about six months ahead, and also for the long-term, but only about three years ahead.

Other tips are staying on top of bills, spending sensibly, being upfront with vendors and creating reasonable rather than lofty goals. Also, it is a smart idea to only hire additional employees when there is a budget to support them, and only hiring them to do jobs that are time consuming or that are outside the skill set of the entrepreneur.

Lastly, brands should first focus on mastering the products they have on market before expanding their selection.

"The road to success is usually slow and very costly as luxury brands need to exude wealth and appear bigger than they in fact are to capture the attention of luxury trendsetters and buyers," said Marie Driscoll, CEO and chief consultant of Driscoll Advisors, New York. "Even with the speed of social media in terms of building awareness, fulfilling the luxury promise requires substantial investment of time and capital."

Other luxury brands have bounced back from bankruptcy with great success.

Luxury brands' core values must match their long-term goals if they wish to be successful and grow their market

share in the current unstable economy, according to the Bottega Veneta CEO at the WWD Apparel and Retail CEO Summit 2011.

In the 1990s, Bottega Veneta began to display its name across its handbags, suits and accessories. Within a few years, the brand was going bankrupt and was bought by the then-Gucci Group. Later, Gucci Group was bought by luxury goods conglomerate PPR.

Under the ownership of Kering, then PPR, Bottega Veneta returned to its core values of discrete and intimate luxury and vowed to maintain this promise of quiet decadence to its customers ([see story](#)).

Today, Bottega Veneta is one of Kering's best performing fashion brands. In Kering's third quarter earnings reported Oct. 22, Bottega Veneta's sales rose 13.2 percent.

Taking Bottega Veneta's lessons to heart, Tamara Mellon could refocus on what the designer is known for.

"Sometimes you brands need to take a step or two backwards in order to move ahead," Ms. Sedhom said. "This type of bankruptcy allows Mellon to do this; whether or not she is successful in round two will depend on the lessons learned over the last two years.

"Slow and steady growth is better than aggressive growth where you may not be able to keep up with demand, not have enough money to fund your purchase orders, pay a premium for services, be unable to make payroll, etc."

Final Take

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