

Barneys Seen Inching Closer to Bankruptcy

Industry sources are buzzing about a potential filing this week.

By [Evan Clark](#) and [David Moin](#) on July 23, 2019



📷 The Madison Avenue flagship of Barneys New York. COPYRIGHT OWNED BY TOM SIBLEY PH

Time might be running out for [Barneys](#) New York, with industry sources fearing a bankruptcy could come as early as this week.

The [luxury department store acknowledged last week](#) that it was “actively evaluating opportunities to strengthen our balance sheet and ensure the sustainable, long-term growth and success of our business.”

That statement spooked an already nervous vendor base and sources said factors, a vital source of trade financing in fashion, have stopped approving orders to the retailer. While another investor could come in or other financial arrangements made, these solutions increasingly look like long shots.

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Two sources said a bankruptcy filing could come this week, with one indicating that it could come by Wednesday.

“Because they went public with it, they kind of scared everybody off,” one industry source said, citing the company’s reaction to news reports. “My sense is that something’s got to happen quickly; I’m sure most people aren’t shipping to them. This is a pretty crucial time of year not to be getting receipts.”

[Barneys](#) is continuing to explore the possibility of bringing in an investor or strategic partners to help improve its balance sheet, and is talking with landlords to renegotiate leases.

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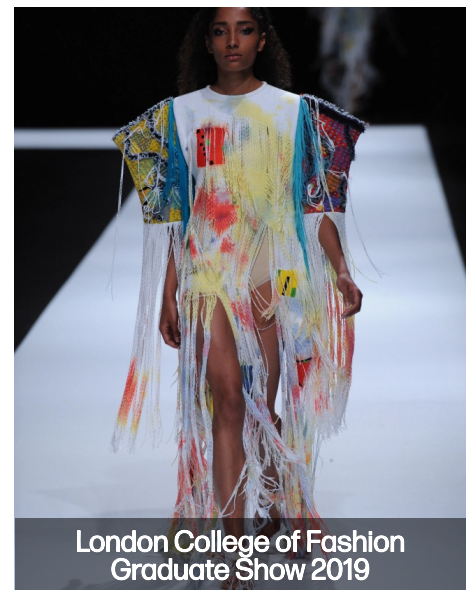
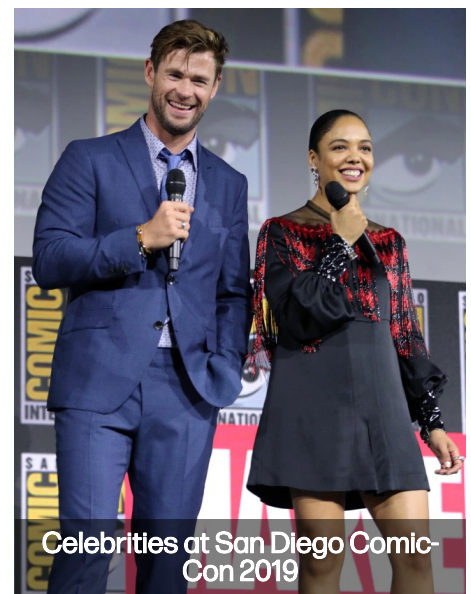
It also doesn’t seem to have lost the confidence of some suppliers.

On Monday, two sources indicated that many vendors have continued to ship to Barneys and that fall one for July selling was shipped to the store. “Many vendors continue to ship daily and there is plenty of new merchandise on the shelves,” said one source.

Barneys, after being contacted Monday on rumors of a bankruptcy filing this week and that some vendors are holding back orders, had no comment, other than reiterating its statement of over a week ago, which indicated: “At Barneys New York, our customers remain our top priority and we are committed to providing them the excellent services, products and experiences they have come to expect. We continue to work closely with all of our business partners to achieve the goals we’ve set together and maximize value.”

While some vendors have held out hopes that the situation would work itself out, it is a tenuous one for the retailer. The company needs to drive sales to cover its costs and a flow of fresh merchandise to get those sales, but that becomes difficult to maintain the more worried vendors get.

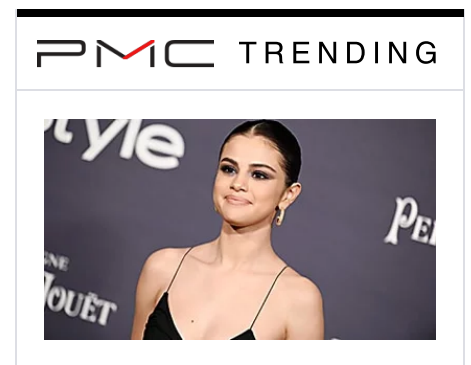
Fall two shipments for August delivery and fall three shipments for September delivery seem more uncertain. It’s unclear to what extent vendors will continue to support the luxury store in



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the coming days or how many have already decided to discontinue shipping to the retailer.

“Barneys is keeping market appointments and moving ahead in terms of what they are supposed to do,” said one fashion supplier who requested anonymity, and said the retailer was not behind in its payments as of last week.

Another source indicated that Barneys chief executive officer Daniella Vitale has communicated with the retailer’s team to the extent that she can, considering the fate of Barneys is yet to be determined and the decision rests with its principal owner, Richard Perry, and where he sees the best financial recovery for himself and for the future of the company. One source said Vitale is encouraging the Barneys workers to focus on the business and its customers.

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Barneys, which is controlled by Perry, has long been a source of financial intrigue, with rumors that it was struggling steadily circulating.

But last year an arbitration with the landlord for the company’s Madison Avenue flagship allowed an annual rent increase to more than \$30 million a year from \$16 million, pressuring the flow of money through the business.

That increase might have been the final straw.

Antony Karabus, ceo of HRC Retail Advisory, said: “A company of that size cannot just withstand such an enormous, sudden increase in fixed costs...it’s just impossible, especially at a time when competition is growing dramatically with all the direct players growing their e-commerce. It’s just extremely difficult.”

Some smaller vendors that relied excessively on Barneys would get hit hard if the luxe chain does slip into insolvency. However, most have been girding for trouble.

“The vendor community should have been somewhat prepared,” said Matt Kaden, managing director at MMG Advisors Inc. “Any vendor in their matrix should have been

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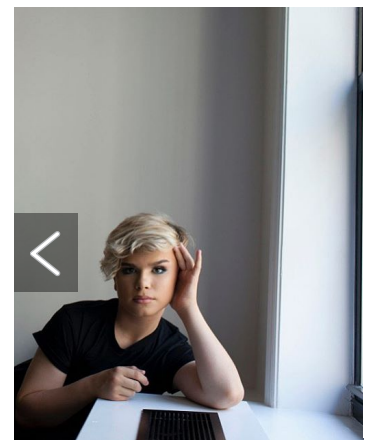


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looking to move any sort of concentration into other channels. For smaller vendors who are largely dependent on Barneys, that might mean the end of them.”

If Barneys were to file — again — it would amount to another blow to the fashion establishment, which has been shaken by the rise of e-commerce, influencers, designers’ own stores and so on. Barneys also has a special place in the fashion world as the champion of many small designers and a launch pad for the up-and-coming.

“What does a bankruptcy mean for fashion?” Kaden said. “It doesn’t feel great, but for the vendor community, most will survive it. There’s not going to be a domino effect, but certainly I think the retail community is on watch that you better be performing with excellence or maybe you’re next in line.”



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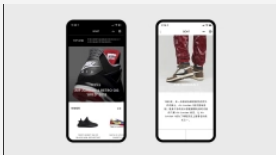
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