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WHAT WORKS

Prada's High-Tech Misstep

The luxury retailer spent millions on IT for its futuristic "epicenter" store. But the flashy technology has turned into a high-priced hassle.

By Greg Lindsay, [March 2004 Issue](#)

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When Prada opened its \$40 million Manhattan flagship, hotshot architect Rem Koolhaas promised a radically new shopping experience. And he kept the promise -- though not quite according to plan. Customers were soon enduring hordes of tourists, neglected technology, and the occasional thrill of getting stuck in experimental dressing rooms.

That wasn't exactly the vision for the high-end boutique when it

A Flagging Flagship

Estimated sales per year	\$22M
Annual sales needed to turn a profit by 2007	\$75M

debuted in December 2001. Instead, the 22,000-square-foot SoHo shop was to be the first of four "epicenter" stores around the world that would

combine cutting-edge architecture and 21st-century customer service to revolutionize the luxury experience. Prada poured roughly a quarter of the store's budget into IT, including a wireless network to link every item to an [Oracle \(ORCL\)](#) inventory database in real time using radio frequency identification (RFID) tags on the clothes. The staff would roam the floor armed with [PDAs](#) to check whether items were in stock, and customers could do the same through touchscreens in the dressing rooms.

But most of the flashy technology today sits idle, abandoned by employees who never quite embraced computing chic and are now too overwhelmed by large crowds to coolly assist shoppers with handhelds. On top of that, many gadgets, such as automated dressing-room doors and touchscreens, are either malfunctioning or ignored. The multimillion-dollar technology spend is starting to look more like tech for tech's sake than an enhancement of the shopping experience, and already the store's failings have prompted Prada to reevaluate its epicenter strategy.

Lofty Expectations

Prada declined to comment on the store's profitability or technical failures, though a spokesperson did call the technology "evolving." According to Jason Jacobs, Prada's head of financial and corporate communications, the company is "very excited and considers the epicenter store project a huge success, both in terms of product sales and company image." But profits are another story: While the store is one of Prada's highest-grossing, its numbers fall far short of justifying the building's price tag and massive technology costs. Prada says sales at the

SoHo boutique average about \$60,000 a day. But even that figure extrapolated over a full year amounts to less than a third of the sales needed to turn a profit by 2007, according to the most recent conservative estimates from [Merrill Lynch \(MER\)](#) luxury analyst Antoine Colonna.

Prada hired Koolhaas and his firm, OMA/AMO, in 1999, when both the brand and the architect were at the peak of their respective fortunes. Prada had evolved into a luxury-goods conglomerate, hitting a record profit of \$163 million, while Koolhaas had cemented his reputation as one of the world's hottest architects, winning the prestigious Pritzker Prize in 2000. So when the SoHo store opened, shoppers, architecture buffs, and tourists arrived in droves to see what all the fuss was about.

Unfortunately, the floor plan wasn't conducive to the sheer volume of visitors. The zebrawood that formed the store's signature flourish -- a giant wave with steps to the high-traffic lower level -- had to be refinished. And salesclerks were often required to play traffic cops, especially on weekends when crowds squeezed through the basement's main artery, only a few feet wide.

"When I saw people backed up on top of each other, it just looked like hell," says Peter Dixon, a senior partner at Lippincott Mercer [branding](#) consultancy. "A good idea like that needs to be coupled with some retail blocking and tackling."

Hands-Off Handhelds

In part because of the crowds, the clerks appear to have lost interest in the custom-made PDAs from Ideo. During multiple visits this winter, only once was a PDA spied in public -- lying unused on a shelf -- and on weekends, one employee noted, "we put them away, so the tourists don't play with them."

When another clerk was asked why he was heading to the back of the store to search for a pair of pants instead of consulting the handheld, he replied, "We don't really use them anymore," explaining that a lag between the sales and inventory systems caused the PDAs to report items being in stock when they weren't. "It's just faster to go look," he concluded.

"[Retailers](#) implementing these systems have to think about how they train their employees and make sure they understand them," says Bruce Eckfeldt, who led the store's RFID and inventory integration with consultancy IconNicholson and who has since left to start his own firm.

Nicolas Firket, an OMA/AMO architect, admits that the PDA glitches weren't the IT system's only malfunction. "The staff device had problems, but the rest of the system, which extended around the device, was also compromised," he says. "We were too anticipatory with our custom elements."

Tech Wear and Tear

Also aging poorly are the user-unfriendly dressing rooms. Packed with experimental tech, the clear-glass chambers were designed to open and close automatically at the tap of a foot pedal, then turn opaque when a second pedal sent an electric current through the glass. Inside, an RFID-aware rack would recognize a customer's selections and display them on a touchscreen linked to the inventory system.

In practice, the process was hardly that smooth. Many shoppers never quite understood the

Where the Tech Dollars Went to Waste

1 Fickle fitting rooms

Doors that turn from clear to opaque confuse shoppers and frequently fail to open on cue.

2 Failed RFID

Touchscreens meant to spring to life when items are placed in the RFID "closets" are often just blank.

3 Pointless PDAs

Salesclerks let the handhelds gather dust and instead check the stockroom for inventory.

4 Neglected network

A lag between sales and inventory systems makes the wireless network nearly irrelevant.

pedals, and fashionistas whispered about customers who disrobed in full view, thinking the door had turned opaque. That's no longer a problem, since the staff usually leaves the glass opaque, but often the doors get stuck. In addition, some of the chambers are open only to VIP customers during peak traffic times.

"They shut them down on the weekends or when there's a lot of traffic in the store," says Darnell Vanderpool, a manager at the SoHo store, "because otherwise kids would toy with them."

On several recent occasions, the RFID "closet" failed to recognize the Texas Instruments-made tags, and the touchscreen was either blank or broadcasting random video loops. During another visit, the system recognized the clothes -- and promptly crashed. "[The dressing rooms] are too delicate for high traffic," says consultant Dixon. "Out of the four or five ideas for the dressing rooms, only one of them is tough enough." That feature is the "magic mirror," which video-captures a customer's rear view for an onscreen close-up, whether the shopper wants one or not.

With the smart closets and handhelds out of commission, the wireless network in the store is nearly irrelevant, despite its considerable expense. As Prada's debt reportedly climbed to around \$1 billion in late 2001, the company shelved plans for the fourth epicenter store, in San Francisco. A second store opened in Tokyo last year to great acclaim, albeit with different architects in a different market. Though that store incorporates similar cutting-edge concepts, architect Jacques Herzog emphasized that avant-garde retail plays well only in Japan. "This building is clearly a building for Tokyo," he told the New York Times in June. "It couldn't be somewhere else."

It Isn't the End of RFID

Prada was probably too early in using RFID on its sales floor, but the company was prescient about the potential. Composed of a memory chip and radio antenna, the RFID tag is poised to upstage bar codes, in part because it eliminates human error. Last year Wal-Mart ordered its top vendors to be RFID-compliant by 2005, likely leading the development of a standard as tech giants like Oracle announce plans to integrate RFID into their software. Already the Prada tags are falling out of favor due to their limited range, as faster UHF-based RFID tags gain momentum.

Koolhaas will return for the third epicenter store, in Beverly Hills. But Ideo, which designed the PDAs and much of the dressing-room technology for SoHo, will not make an encore. And OMA/AMO says the significant IT tweaks won't end there. "We're avoiding centralizing service in a staff device, and we're using only off-the-shelf devices," Firket says. "Basically, any element can evolve without compromising the entire store."

The opening this July will demonstrate whether Koolhaas has learned from his mistakes -- or if similarly neglected technology will leave Prada with just another piece of high-priced art. ♦