
STEVE & BARRY'S RETAIL REVOLUTION: The price is right

BY GRETA GUEST
FREE PRESS BUSINESS WRITER

July 26, 2005

Steve & Barry's University Sportswear owners hope to change the apparel world as much as **Starbucks** has affected coffee or **Home Depot** has reworked hardware.

With 75 stores -- its latest in Saginaw -- Steve & Barry's is on a growth binge because mall owners love the huge volume of foot traffic that comes with off-price clothing retailers. The company plans to open 60 stores this year. It now operates 14 stores in Michigan.

The International Council of Shopping Centers members put Steve & Barry's in the top five for 2005 of all retailers they want in their centers. Others included Coach and Apple stores.

The apparel retailer opened its first mall store at Great Lakes Crossing in Auburn Hills in 1998. The mall is owned and operated by Bloomfield Hills-based **Taubman Centers Inc.**

The chain has come a long way from its roots in the 1980s at flea markets on Long Island, N.Y. During summer breaks while in high school and college, founders Barry Prevor and Steve Shore sold T-shirts nearly as cheap as a cup of roadside lemonade.

And now, Prevor says the Port Washington, N.Y.-based company is changing the way people shop for apparel. It sells everything in the store for \$7.98 or less, prices he calls "ridiculously low."

Prevor said he and Shore spend a lot of time thinking up ways to cut costs and keep prices down for customers. When they first started opening the university stores, they slept in them to avoid the cost of a hotel room. And when it comes to leasing space in a shopping center, they can get deals by being flexible on the space. Their stores range from 25,000 to 150,000 square feet.

Recent industry consolidations and bankruptcies also have helped as landlords pitched around for retailers to replace tenants such as Montgomery Ward. Steve & Barry's moved in to the former Montgomery Ward site at Eastland Center in Harper Woods last November after it sat vacant for several years.

"We still run the company as a small business. We don't have a giant corporate hierarchy. We don't have lots of extra fluff and expenses," Prevor said. Both men do their own secretarial work.

Prevor also has become an expert on international tariffs and sources merchandise to minimize them. The company buys its goods from America, Canada, Central America, India, Mexico, Pakistan and other countries, he said.

And he recently furnished a conference room at headquarters with furniture from his parents' basement.

The company also takes merchandise off-season for a better price and lets manufacturers ship in full truckloads.

"We feel really good about running a business like this ... to make only a few cents and change lives," Prevor said. "People are able to save \$3,000 a year that they were going to spend on clothing and go on vacation and have a better life."

Steve & Barry's, a private company, does not disclose revenue or earnings, but Forbes magazine recently estimated revenue would rise to \$700 million for 2005.

David Weinert, senior vice president of leasing at Taubman Centers, estimates Steve & Barry's sells an average of \$6 million to \$10 million of clothing per store a year. That's at least 751,000 items selling at \$7.98 each.

Steve & Barry's once was a chain of nine college campus stores -- including ones at the University of Michigan and Michigan State University -- when the Ann Arbor store was spotted by a Taubman Centers employee who thought the concept might play well at a mall.

When it opened at Great Lakes Crossing, Steve & Barry's also transitioned from just selling licensed collegiate apparel to also selling everyday wear like chinos, polo shirts, jeans and jackets for men, women and children.

"There have been a lot of positive influences on our growth," Prevor said. "Taubman was one of them."

The mall stores have a specialty apparel store feel with wooden floors and fixtures, clothing on wooden hangers and TV monitors tuned to ESPN.

"It is a fun store, it is an exciting store. I would call it throwaway fashion like H&M and Forever 21," said Weinert. "Steve & Barry's is really patterned after them with a little Old Navy thrown in. Their opportunity is huge in this country."

Robert Passikoff, president of **Brand Keys Inc.** in New York, said the Steve & Barry's brand is resonating with consumers because it has value.

"They sell on price, but that doesn't make them bad people," Passikoff said. "Ultimately they are selling the same kind of T-shirts that other people are selling. But if you can resonate with the values of shoppers, it makes it look like this brand knows who I am."

Timothy Smela, 14, who was shopping at the Eastland Center store with his mother Kathy Bour, 44, of St. Clair Shores, said he likes the clothes a lot. "They are comfortable. A lot of my friends wear Steve & Barry's shirts and pants."

Bour, however, likes Steve & Barry's even more than her son. She has three other teenage sons who are growing so fast "sometimes they outgrow something by the time it goes through the wash."

"I was like this is just a godsend. This is everything they wear, the college stuff ... all of my boys are into sports," she said. "If money is tight, I know I can come here and get a deal."

Prevor said the company gets more than 100 pieces of fan mail a day from happy customers.

"We're really successful not because of the brand name, but because we are offering people the real deal," he said. "We feel there is nowhere to go but up."

Contact **GRETA GUEST** at 313-223-4192 or gguest@freepress.com.

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