

# LOS ANGELES BUSINESS JOURNAL

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## **Jean Guru's Design Secrets Won't Come Out in Wash** **By EMILY BRYSON YORK - 11/13/2006** **Los Angeles Business Journal Staff**

In the high-end denim business, exclusivity is everything.

After all, shoppers would like some guarantee that they can get their \$200 jeans home before they're duplicated by a knock-off artist and sold for \$30.

Now, one Los Angeles designer is protecting his top-drawer drawers from copycats, but he's done so by taking an unusual step: He's built his own laundry.

Adriano Goldschmied, the 63-year-old founder of Sign LLC who developed several top brands of jeans including Diesel, has spent \$1.2 million to build Laundry Atelier.

His reasoning is that specialty laundries – where designers typically send their jeans to be custom washed and specially treated to get that just-so look – are prime places for competitors and knockoff artists to do their spying.

Goldschmied figures his private laundry keeps prying eyes off his experiments in denim nearly a full year.

"It's like a new computer, or a new car, or whatever," he said. "You need to keep the creative process private."

Goldschmied, who has worked in denim for 35 years and trained big names like Renzo Rosso of Diesel SPA, is seen as a trendsetter, and his laundry strategy is being closely watched within the industry.

"I think it's very wise," said Roseanne Morrison, fashion director at the Doneger Group, citing an increasingly secretive industry.

"Everyone wants to be doing what he's doing," said Jeff Rudes, owner of J Brand Jeans Inc., a year-old denim company known for its clean lines, skinny legs and army of celebrity fans.

But at the same time, Rudes questions whether it's really necessary to have your own laundry and pointed out that it's surprisingly expensive.

Indeed, not only does it cost more than \$1 million to buy the specialty laundry equipment, but there's considerable expense to run a laundry, what with all the hot water, labor and usual real estate costs. And if such a specialty laundry does not take in work from the outside as a commercial laundry would do, there would be no extra revenue.

“Very few manufacturers would entertain doing their own washes unless they were a giant,” said Rudes, who estimated that a manufacturer would have to gross at least \$15 million for a laundry to make financial sense.

What’s more, he pointed out that many designers send their jeans out for laundering without being knocked off.

“We’re working on fall 2007 right now,” Rudes said. He noted that laundries are prohibited from disclosing trade secrets, and most have procedures in place to prevent co-opting. Those include privately packing and even locking up new jeans before the end of the day.

Furthermore, the specialty laundries know how to do specialty work. The laundries don’t just clean the jeans, but – depending on the instructions from the designer – laundry workers stone wash, chemically treat, and generally distress the fabric, often making it softer. For example, Diesel’s dirty-washed jeans, which were popular a few years ago, were washed literally with dirt.

“What the laundries provide is a lot of research and development,” Rudes said. “They’re like a think tank. They have people working with the chemical process to develop what designers are looking for.”

Rudes admits that if anyone should have their own laundry, it’s Goldschmied. But he added this may be an instance where copycats won’t chase Goldschmied – by opening their own laundry.

### **Specialty work**

Goldschmied, however, said the laundry makes sense for him.

For one thing, his operation is big enough to support the laundry. He said he will gross \$20 million this year.

About 75 percent of that will come from sales of his GoldSign line, which also includes some leather apparel. The other 25 percent will come from consulting work for friends and companies that also may use the laundry. Such customers include white-hot designer Marc Jacobs; RRL, a vintage-inspired line by Polo Ralph Lauren Corp.; and high-end newcomer Proportion of Blue.

Goldschmied, an immigrant from Italy, said there are plenty of designers who can write a \$1 million check to start a laundry, but they wouldn’t know what to do with it.

“To write checks and buy machines is kind of easy if you have the money,” he said. “What is not easy is to create the culture, to create the school. The laundry business is more about experience, the knowledge that in some way is not technical because it’s how you learn at school, by making mistakes.”

Goldschmied said the company, launched in mid-2005, turned profitable within a few months and that he expects to pay off the laundry by the end of 2007. It is located in Vernon. Goldschmied has 67 employees.

### **Faded?**

The denim industry, which has grown 25 percent in the last 5 years, is now worth about \$10 billion of the nation's \$135 billion apparel industry, according to NPD Group Inc., which provides consumer and retail information.

Growth in the high-end sector is slowing, however, and the Donegar Group's Morrison said that prices are dropping, too.

"Last year prices went sky-high, between \$300 and \$500 a pair," she said. "But this year we've seen 7 For All Mankind and Paper Denim & Cloth for \$120 to \$150."

However, given Oprah Winfrey's endorsement, Goldschmied's GoldSign jeans are a hot retail item. They retail for between \$175 and \$200 at Neiman Marcus, Barney's and Fred Segal, targeting a customer that Goldschmied describes as a sophisticated woman who wants good products, but isn't a fashion victim. GoldSign is sold in 900 retail stores.

The jeans cost between \$40 and \$50 a pair to produce, with the expense divided equally between the high-quality denim, labor and washing. Wholesale prices are between \$80 and \$90.

Even though the price of premium jeans may be drooping, Goldschmied plans to pull them up with his next project: Custom-made jeans, available at L.A.'s American Rag Cie's World Denim Bar. It opened early this month.

Customers will get fitted in raw GoldSign denim, chose their washes, any custom tearing, patches or embroidery and Goldschmied will make them in his laundry.

Pricing has not been finalized, but the custom jeans will be pricey. The likely range for a pair: \$500 to \$1,000.