

HAUTE COUTURE, COLD RECEPTION

Outperforming in the Canadian Fashion Industry

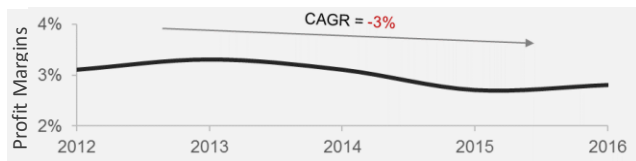


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STRUCTURAL CHANGES TAKING THE INDUSTRY BY STORM

2016 has been a turbulent year in the world of fashion. Structural changes that had been the subject of mere whispers behind the catwalks have finally come to fruition and have turned the industry on its ear. Here in Canada, the general public may have seen the face of these changes with the demise of Toronto Fashion Week. The announcement, in July, 2016, that Canada's premier fashion event was folding due to lack of funding led to much discussion and debate as to the future of Canada's emerging leadership in the world of fashion. At the heart of the demise of Toronto Fashion Week lies the rise of social media technologies. These technologies have exacerbated the structural incongruities that have hampered the profitability of fashion houses over the last few years (Fig. 1).

Figure 1: Global Apparel & Luxury Goods Industry



Source: S&P, KOMAND Analysis

THE IMPATIENT MILLENNIALS

Today's always-connected and ever-knowledgeable consumer is no longer willing to wait the six months between the launch of a new collection at a fashion show and its arrival in retail stores. A recent study by the *Council of Fashion Designers of America* (CFDA) highlighted that the major preoccupation of the industry today is how to reduce the gap between runway shows and retail drops. The CFDA study stated the major challenge today is to "deliver fashion immediacy in a bid to reduce customer fatigue with collections lacking in perceived newness." Noreen Flanagan, editor in chief of Elle Canada probably summed it up best: "Women and men still love fashion and they want to support designers.... But the thing is now they see the clothes and they want to buy it now. So I think the challenge will be — especially for smaller designers — to be able to produce that instant gratification that I think consumers are looking for." This combined with the power of major retailers poses a potential challenge for fashion brands. As retailers shrink their inventories and order closer to the time that merchandise is needed, manufacturers are forced to assume more inventory risk. This can often lead to significant markdown exposure.

THE CALL TO ACTION

In order to survive in this new world of instant gratification, Canadian fashion houses and designers will need to consider radically altering their sales cycles, and with that, the concept of the bi-yearly collection. Change is already underway with some of the leading names in the industry altering their collection releases drastically. For example, Burberry's announced recently it would move to a "see now/buy now" collection model. Tom Ford and Tommy Hilfiger followed suit soon after with similar initiatives. Fashion icon Rebecca Minkoff shifted her approach this season, showing "in-season" Spring 2016 clothes during New York Fashion Week in February while holding private appointments for long-lead press and buyers for her Autumn/Winter 2016 collection. The result: highest grossing sales ever at her New York flagship store.

This direct to consumer model has many implications for industry players, especially for smaller designers and new entrants. Specifically, how will their search for multi-brand retail channels survive without fashion shows and accompanying sales campaigns?

OUR 3 STEPS FOR SUCCESS

1. The New Sales Process

To meet these new challenges, players in the Canadian fashion industry will need to re-engineer their sales process to reduce the gap between the *introduction* of new collections and their *availability* to consumers.

2. Impacted Primary Processes

To meet the demands of the *new* sales process, the entire value chain will need to respond effectively. How will this impact the development and manufacturing processes? What will these new processes look like?

3. Structure & Systems Fit for Purpose

It will be critical that the organization be structured in a way that can allow for these new processes to flow smoothly and meet new and increasingly tight lead times. Fully integrated product lifecycle management (PLM) and ERP systems will play a defining role in managing these new challenges.

KOMAND Consulting helps organizations make high-impact strategic decisions

KOMAND Consulting helps companies become more data-driven in their strategic decision making. We work with companies and leaders to develop effective business strategies supported by data, statistical models and artificial intelligence technologies to improve overall performance – both top line and bottom line. KOMAND brings together seasoned strategy consultants with leading data scientists and statisticians to develop and implement data initiatives that maximize business impact.

Since 2006, we have been helping organizations from many different sectors outperform their industry peers.



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Michel holds a Bachelor's degree in Industrial Relations (with distinction) from McGill University and a Master of Science degree in Economics from the London School of Economics and Political Science. He currently lectures at the John Molson School of Business, at undergraduate, MBA and Executive MBA level.

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