GLOBAL FASHION DRIVERS

2018


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ANTICIPATING THE FUTURE IN TIMES OF CHANGE

David
Meire

In times of change for the fashion industry, companies are making the effort to be more flexible, agile and capable of anticipating the future. Uncertainty marks today the rhythm of a sector that keeps on changing and forces companies from the fashion industry to adapt to new times and new ways of consumption.
Ahead of a highly challenging context, companies are forced to reconsider their structures, logistics and even their trademark attributions in order to answer the market's demands efficiently. There are several current movements that characterise industry today and which are joined by disruptive technologies and the e-commerce wave. New geographic expansion strategies, new personalities leading the business, new materials and more innovative and agile ways to work are some of the things the sector is aiming for. Moreover, the relationship between company and consumer continues to be one of the top challenges to address. New consumers, more connected to each other and sensitised by the day, are the ones that establish the patrons to which companies must adapt. Consumers continue to win decision-making power in a time where the fashion cake is becoming smaller and less profitable, but in any case, they must continue to be surprised, attracted and connected to the sector.
Now more than ever, companies need to think about the things that will make them act with agility, immediacy and success in the future. •

NEXT STOP: THE UNKNOWN

In Southeast Asia, scaffolds are made of bamboo. It requires a complex technique, within the reach of a few professionals only, although the material, flexible but resistant, is the most appropriate one to withstand the typhoons that strike some of the continent's countries frequently. The titans of fashion distribution are now facing their own typhoon, and only those counting with strong structures that know how to adapt fast will manage to get through this period in which the only certain thing is that long-term plans are no longer of use.

The sector has to address a double transformation: on one hand, the first symptoms of consumption's deceleration and the threat of a new global recession waiting around the corner. On the other, its own revolution, marked by digitalisation, speed, sustainability and changes in consumption habits. It is all evolving into a new context in which fashion giants must also learn to compete in a cake that is shrinking and that, as everything suggests, will become less profitable.

In 2017, the sector's main operators started to adjust (often against the clock) their structures into this new background. Less stores and diverse trade formats; new materials to be less dependent on cotton and polyester; Industry 4.0 and new logistics structures to answer the demands of new consumers quickly; new directive profiles to manage omnichannel integration, and corporative operations to earn size and competitiveness. No one knows for certain how long it will take until the next crisis arrives, in the same way that no one ventures to guess how stores will be in the future.The important part, as the president of the International Monetary Fund (IMF) Christine Lagarde always says, is to repair the roof on time, and that when next uncertain period comes, it finds a sector with solid structures that will stand strong through constant changes. •

INTERNATIONAL

BACKGROUND

OF THE FASHION INDUSTRY

THE LAST YEAR OF OPTIMISM FOR GLOBAL ECONOMY

Trump and Brexit had less impact than the expected, GDP grew and trade scored records

"Pleasant as it may be to bask in the warmth of recovery... The time to repair the roof is when the sun is shining." With these words, president John F. Kennedy addressed the Congress of the United States in 1962, approximately a year after the country had left behind a recession. Kennedy called on to take advantage from the expansive cycles they were going through so that they could face economy's structural problems and they did not lay back when everything was going fine.

But that quote, one of the favourites of the International Monetary Fund's (IMF) president, Christine Lagarde, also entails another warning: the sun will not shine forever. In 2017, the macroeconomic indicators were still buoyant, and predictions improved in every revision. It was the last optimistic year for global economy, before deceleration knocked on the door again in 2018. The time to repair the roof is running out.

The world's Gross Domestic Product (GDP) grew a 3.7% in 2017, above the 3.2% from the previous year, and global trade recovered its boost with a rise of the 4.7%, contrasting with the 1.8% of the former year, according to data from the World Trade Organisation (WTO). Thus, exchange of goods grew at its best rate since 2011 and became again the motor of global economy.

If 2016 was marked by the uncertainty and fear that black swamps such as the election of Donald Trump and Brexit caused, 2017 was a year of tranquillity. Those threats were not met and markets scored records despite upheavals.

The situation was good, but both the IMF and WTO underlined in their reports that the world was facing risks which could put in danger these rising cycles. Both organisms highlighted that recession left wounds which were not completely healed, and the IMF alludes threats such as the risk of an escalating trade war, unprecedent levels of public and private debt, volatility of financial markets and geopolitical fragility.

In the long-term, continues the organism, the "global economic momentum is under pressure from a slow erosion/weakening of trust in institutions—and trust, of course, is the lifeblood of any economy."

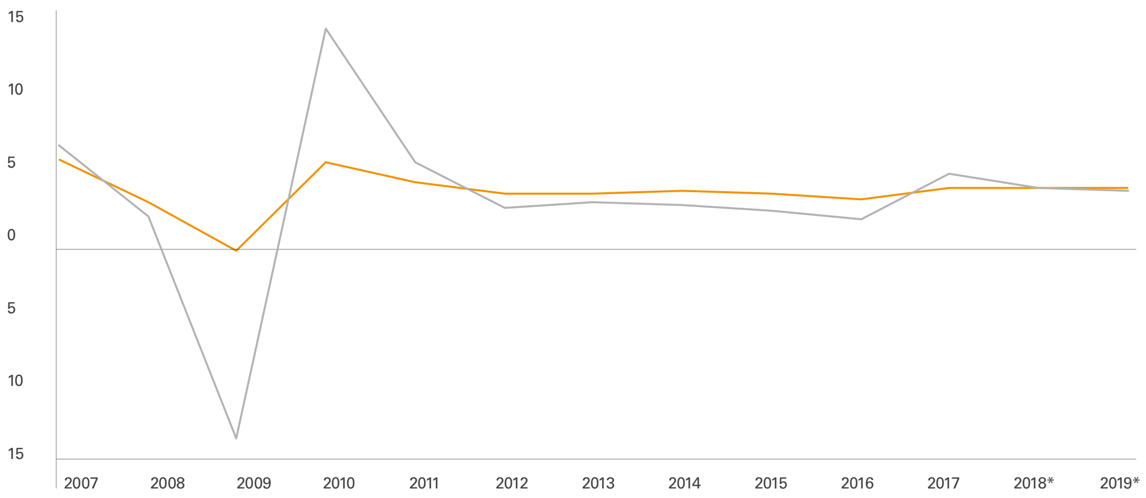
ESCALATING TRADE WAR

One of the consequences of this loss of trust in global economy is the perception that globalisation rewards are not equitably distributed. Parties and politicians have materialised this feeling, with populist speeches and protectionist measures.

At the top of this trend is Donald Trump, who made of protectionism one of his trademarks during the race for the White House. The New Yorker magnate was sworn the 20th of January 2017 leaving markets and part of the population fearful of the impact which the radical measures proposed during his campaign would have, like retiring the country from international organisms or building a wall between the United States and Mexico.

But in any case, perhaps the promise that Trump has put more effort into accomplishing is the change in trade relationships among its main international partners. The republican considers that China and Mexico are "taking advantage" of the United States, and that agreements such as

EVOLUTION OF GDP AND GLOBAL TRADE
Interannual variation, in percentage. *Prediction



Source: IMF

After the setback in 2016, trade has become again the motor of global economy after scoring records of growth in 2017. However, the predictions for future years foresee that both the world's GDP and trade will decelerate.

the North American Free Trade Agreement (NAFTA) are ruinous for the North American country. Trump found a good rival on the other side of the Pacific, in China, from where Xi Jinping systematically answered to this threat. The result has been an escalation of reproaches and an increase in tariff rates, peaking in 2018 with a trade battle de facto.

The conflict's starting signal dates from April 2017, when Trump urged the country's Trade Department to investigate whether the imports of steel coming from China and other countries represented a threat in national security, and was materialised in 2018, when there were implemented tariff rates to steel and aluminium, with the exemption of the European Union, Canada and Mexico.

At the same time, Trump started to renegotiate NAFTA, which the United States maintains with both its North American neighbours and which he even qualified as "the worst agreement in history." Finally, in 2018, a new pact under the name United States-Mexico-Canada Agreement was signed. Nevertheless, for economists, the principal measure taken by Trump was the fiscal reform, the biggest one in the United States for the last thirty years. The Government relaxed individual and companies' tax obligations with the purpose of stimulating investments and promoting economic growth, although in exchange of engrossing the debt.

RESTRAINTS TO THE STIMULUS OF ECONOMY

Once economy was pretty much recovered on a global scale, central banks started to revert the expansionist monetary policies of the last few years. The first one to take a step was the United States Federal Reserve, which started rising interest rates for the first time in ten years.

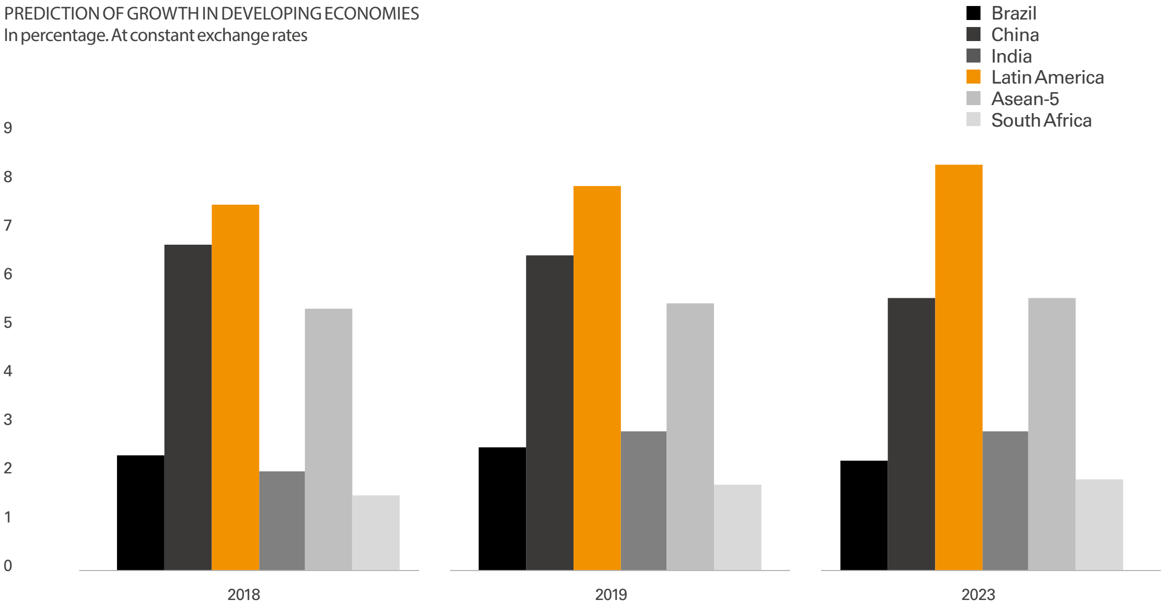
In 2016 and 2017, the US central bank continued to have a restrictive policy, supporting it in the strength of the labour market, with an unemployment rate of barely 4.1%, the smallest one in seventeen years, and the country's economic growth. In 2017, the Bank of England followed those steps too, putting up interest rates for the first time in ten years. Whilst regular currency was getting more expensive, a new currency came into stage with the strength of a hurricane: cryptocurrencies. Bitcoin boosted its value a 2,000% throughout 2017, which made governments like the Chinese implant measures to regulate new digital currencies.

CHINA BEGINS A NEW PERIOD AND RECOVERS STRENGTH

Good news in economic matters also reached China, the second global power. In 2017, the Asiatic leviathan's GDP grew a 6.9% thus reverting the deceleration tendency which it had been settled in since 2010. The rate, two tenths superior to the former year's, was even ranked above the official objective, of 6.5%, and was notably motivated by the renewed promotion of exports. China is immersed in a change of model, with the objective, among others, to be recognised as a market economy.

In the nineteenth congress of the Communist Party, Xi Jinping, the country's president, explained that the pillars in which the construction of this new

PREDICTION OF GROWTH IN DEVELOPING ECONOMIES
In percentage. At constant exchange rates



Source: IMF

period will be sustained are stopping industrial overcapacity, social inequality, pollution and corruption. Xi highlighted the start of a new period in order to build a "modern socialist country", governed with firmness but open to the world.

MARKETS REACH NEW PEAKS

Stock markets were again the leading actors of 2017. Fed by Donald Trump's fiscal reform, S&P 500, the main United States stock index, started a rally which peaked with a new historical high. The index finished each month in a rise, registering its best streak since 1988, and moreover, during the fiscal year it appreciated by 20%. Furthermore, volatility was under 10% during more than 200 days, a record in fifty years.

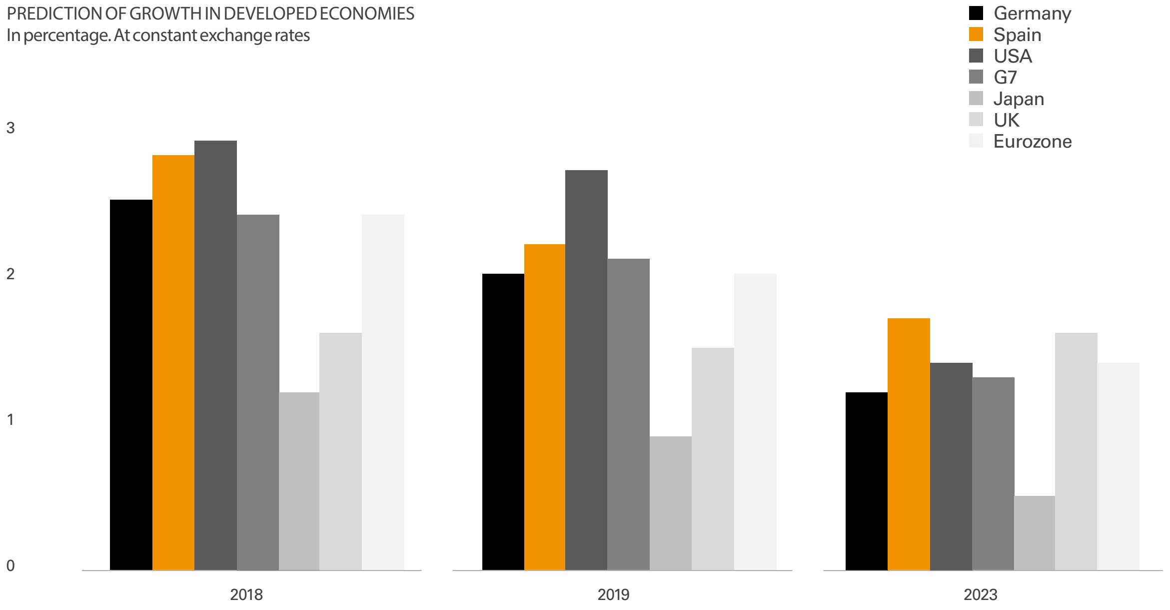
The heading "Wall Street scores a new record" was repeated sixty times during 2017, scoring new peaks an average of five times per month. Besides that, according to data by Deutsche Bank, the index certified the 13th of December its best continuous rising streak in history, understood as the period of consecutive sessions without a correction superior to 5%. Until now, the record had been achieved between December 1994 and May 1996.

The two companies that have also followed a similar path are the industrial Dow Jones, which during the year appreciated by 25.6% and which frequently achieved new peaks, and the technological Nasdaq, which increased a 29% since January and reached heights that it hadn't even achieved during the dotcom bubble.

LATIN AMERICA CHALLENGES THE CONTEXT AND UNDERTAKES RECOVERY

Latin America faced 2017 still hungover from a complicated year, with a 0.8% decrease of aggregated GDP, weighed down by Venezuela and Brazil, at the same time that the region was partly experiencing a negative context. On one hand, Latin American countries confronted the hostile international posture of Trump's Administration, especially towards Mexico, although nothing was ever concreted. On the other, the lesser growth of developing countries and China's change of model reduced the demands of raw materials, key for the economy of the region's main powers. Moreover, the normalisation of the United States currency policy pressured the dollar into a rise, devaluating Latin American currencies. Nevertheless, despite this environment, the region's economy managed to undertake the path of recovery in 2017, with a GDP growth of 1.3%. Excluding Venezuela, immersed in a deep crisis, Latin American economy expanded a 2,5% in 2017. The advance was motivated by the recovery of two key markets in the region, Argentina and Brazil, who left behind negative values to rank growths of 2.8% and 1.1% respectively. Mexico, on its part, kept a robust growth with a rise of 2.9%, although their predictions were damaged by uncertainty regarding the renegotiation of NAFTA. Besides all that, economy was also weighed down at the beginning of the year due to the increase in cost of consumption goods and the so-called 'gasolinazo': the increase of oil prices imposed by the Government of Enrique Peña Nieto. Contrastingly, the increase of petrol prices contributed to the recovery of Colombia

PREDICTION OF GROWTH IN DEVELOPED ECONOMIES
In percentage. At constant exchange rates



Source: IMF

Trade war is one of the biggest threats for global economy, as IMF and WTO underline in their annual reports.

and Ecuador, which obtained growths of the 3% and 2.2% respectively.

THE BALLOT BOX ES GIVE EUROPE A BREAK

The 2017 fiscal year was marked by electoral events. Germany, France, United Kingdom, Netherlands, Norway and Iceland chose in 2016 a new president in polls characterised more than ever by the threat of populist parties and, in some cases, extreme right. The greatest threat resided in France's electoral date, one of the founding countries of the European Union and the second biggest power in the Eurozone, which started the year experiencing how the anti-European Marine Le Pen escalated the polls without obstacles. The daughter of the National Front's founder took her party from a minority position and turned it into a firm candidate to the Elysée. Europe held its breath to the possibility of letting such policies get to the heart of Europe, policies that had programs based on vindicating national

Although the main economic indicators were positive, some of them like the yield curve of the United States' treasury bond made the alarm ring for the possibility of a deceleration

unity, limiting immigration and proposing a consult about whether France should continue to belong to the European Union or if they should even abandon the euro. Finally, the socio-liberal Emmanuel Macron was imposed in the second round with 66.1% of the votes, pushing away the fear of Frexit and standing next to Angela Merkel at the head of the Union's new phase. However, there were a few inconveniences left to overcome, as for instance the elections of the biggest power in the communitarian market. In September, Angela Merkel ensured her fourth mandate in Germany although with a more complicated situation for the country's governability. On their part, socio-democrats suffered a historical defeat, with their worst results since 1949.

Nevertheless, what defined the electoral appointment was the entrance of an extreme right party into the German parliament for the first time since the Second World War. Alternative for Germany, with a xenophobic speech and contrary to the euro, personified the popular discontent regarding Merkel's refugee policies and obtained 12.6% of the votes, placing themselves as the fourth most voted party.

Another power of the Union, the United Kingdom, had a date with the urns too in which Theresa May put the support of her agreed Brexit strategy at risk. Finally, the conservatives lost their absolute majority in the parliament, whereas the Labour Party earned almost ten points. Ultimately, the European Commission and the United Kingdom started to address during the end of the year the exit of the United Kingdom from the communitarian block, which will predictably be much softer than the initially proposed, and which will be concreted the 29th of March 2019.

QATAR ISOLATED BY ITS NEIGHBOURS

The 5th of June 2017, a never seen before decision impacted the Arabian Peninsula. Saudi Arabia, United Arab Emirates, Bahrein, Egypt and Yemen cut their ties with Qatar due to an alleged "support to several terrorist groups who have as objective destabilising the region." To the diplomatic rupture was added a tough terrestrial, maritime and aerial blockage which isolated in the Gulf the world's richest country in GDP per capita. The four Arab countries published a list of thirteen demands directed towards Doha, which included, for instance, the interruption of links with "terrorist organisations", the detachment from Iran and the closure of Al Jazeera's media network. A year later, Doha's Government has not shifted an inch from their position and it is now facing a new threat: the Saudi Government is said to be contemplating building a sort of cannel of Suez around the small emirate so that they can erase their common frontier and, technically, turn it into an island.

FIRST CHANGE OF CYCLE SYMPTOMS?

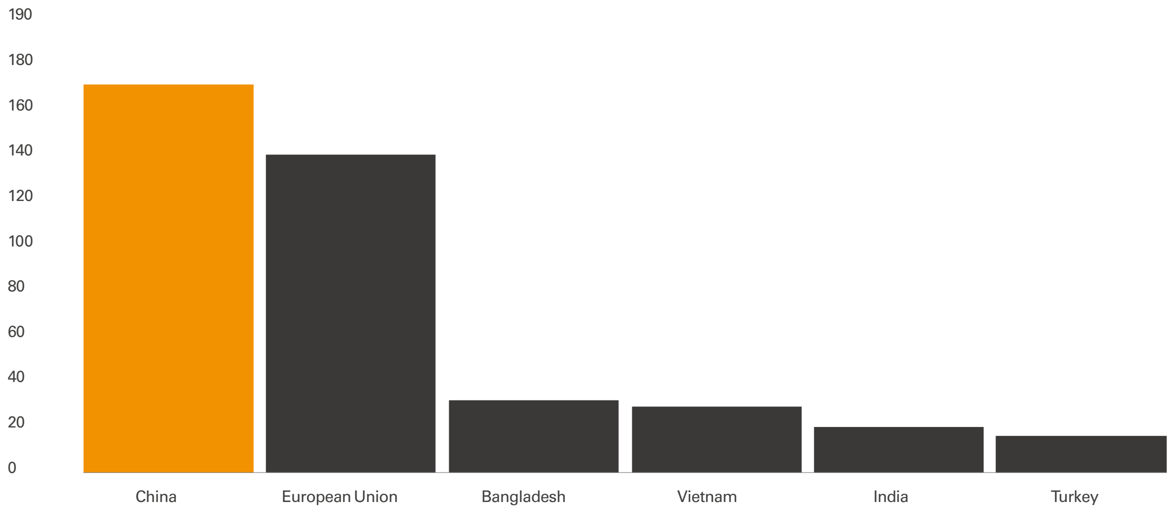
In spite of the fact that the main macroeconomic indicators were generally positive in 2017, some of them made alarms ring, although shyly, amid international markets. The most quoted one is the yield curve of the United States' treasury bond, used by economists as an analogue of global markets. In 2017, this curve started to be made plain, which means that the break between the two-year and the ten-year yield on the bond have been drawn closer. This process is usually associated to a change in the investors' expectations and has been produced before each of the last seven recessions. All in all, experts insist on the fact that it is not a strong enough symptom to expect an imminent crisis.

'RETAIL APOCALYPSE' SHAKES THE FOUNDATIONS OF FASHION

In a context of economic wealth, with unemployment decreasing and a solid economy in mature markets, retail is nevertheless living one of the worst crisis in its history. In 2016, the sector attributed it to global uncertainty and e-commerce advancement, but in 2017 it has ultimately been confirmed that it is an issue of structural problems. After years reig-

China continues undefeated as the biggest global export of clothing. In 2017, clothing sales abroad recovered their boost with a rise of 5% after going back a 4% in 2016 and a 2% in 2015.

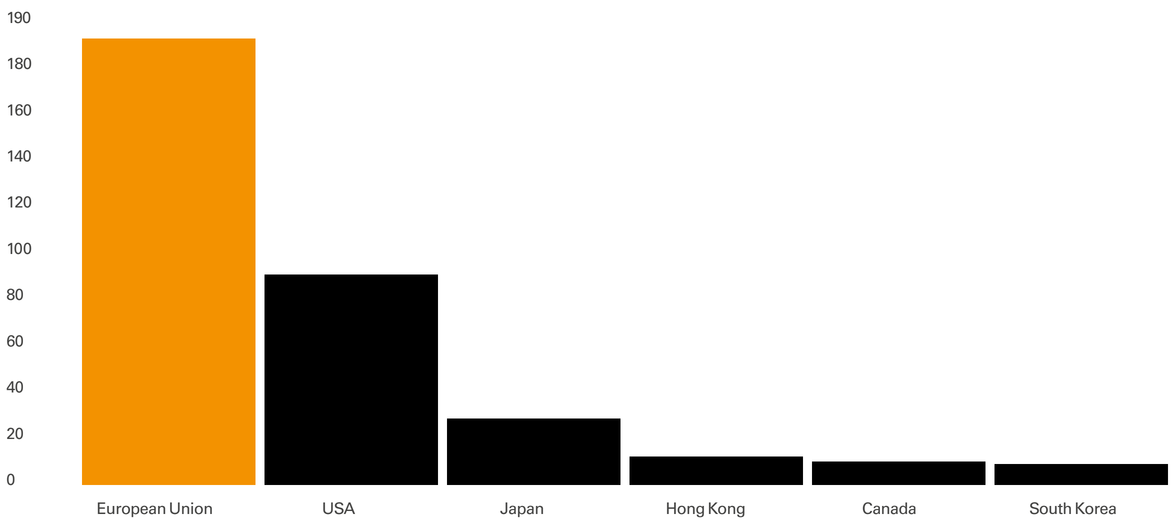
THE TEN BIGGEST CLOTHING EXPORTERS
Exports in billion euros. Data corresponding to 2017



Source: WTO

ning in distribution, traditional retail trade and particularly, department stores, faced last year a black fiscal year. In January, Macy's announced more than 10,000 dismissals, which meant their biggest cut since the Great Depression. The firm, the United States' biggest fashion retailer, closed 63 stores in 2017 and will shut down 32 more in the next three fiscal years. Considering all businesses in the United States, more than 6,700 shops closed down, the highest number in all registered data. Fashion got the worst part, with almost 3.000 closings in the whole country. The United States media named it Retail Apocalypse, alluding to the perfect storm that has motivated this never seen before wave of closures. The first of the causes is the change in consumption habits, which has caused consumers to transfer their budget to other categories like services or technology. To that is added both the saturation of the channel, particularly in the United States, which counts with the biggest rate of commercial surface per capita in the world, as well as the huge debt accumulated by retail players. In that context, the unstoppable advance of e-commerce has only been a drop in the ocean forcing stores to reconsider their business model. The challenge now lays on whether governments and big corporations remember Kennedy's advice or whether the next crisis, closer by the day, will take the world over again with old wounds still unhealed. •

THE TEN BIGGEST CLOTHING IMPORTERS
Imports in billion euros. Data corresponding to 2017



Source: WTO

The top two consumers of fashion in the world reduced their imports in 2017. Concretely, the European Union's purchases stepped back a 1%, whereas those of the United States fell down a 2%.

THE TEN

GLOBAL

FASHION

DRIVERS

TRENDS THAT TRANSFORM THE FASHION SECTOR

Fashion is facing a complicated environment with new tools and in full internal crisis

Fashion is at a turning point. Affected by decrease of sales, transformation of distribution channels and changes in the preferences of consumers, for whom technology and services have won over clothing, the sector has stopped being fashionable. In that context, companies have been forced to take a step back and rethink their business strategies, seeking new allies and transforming all value chains: from the raw materials used to the structure of logistics networks, going through the composition of executive teams, the way in which products are distributed and the way in which brands communicate with their clients too.
At the same time, fashion is no alien to great global trends like industry digitalisation or sustainability, terms which have become already usual in the sector's annual reports.
The strategies which were valid in the past are no longer so, and the sector must readapt in full swing. The clock is ticking, and revenue statements start to show the first symptoms of a deceleration that already affects all economy. Fashion is ultimately learning to adapt itself to a new sense of normal, in which long-term strategies are no longer useful and figures will not be as good as they used to. A 'new normal' marked by uncertainty, in which the only thing for sure is that future will be reached through a continuous change of environment.

CHIEF CLIENT OFFICER:
OMNICHANNEL'S BATON

Titans of the sector are facing a change of paradigm, in which the cake is smaller day by day and gaining market shares is the only way to grow

In every annual report, companies from all sectors insist in a common objective: putting the client in the centre. To address this goal, the sector has started to incorporate in its structures a new position, the chief client officer: a top-level executive, often part of the directive committee, who is in charge of balancing channels and communication to give clients what they want, when they want it and how they want it. In total, 14% of companies counted last year with this role in their organisation chart. The examples comprehend all sectors: from Kering to Mango, going through Marks&Spencer. But in the battle for a client who, according to experts, is smarter and more disloyal every day, one new position is not enough. A 16% of the sector's large groups have reoriented their strategies to address new audiences, and more than half owns a loyalty program.

LOGISTICS: NEW HUBS
TO GAIN SPEED

From sending many units to only one store, to sending one piece of clothing to a million clients scattered around town. The sector's logistics are adapting themselves to face a new environment in which hubs are not only at the stores' service but also, and more importantly, at e-commerce's. Overcoming the last mile, transforming the current installations and adapting sourcing to the new rates of the sector are some of the challenges undertaken by fashion companies.

Concretely, in 2017, an 18% of firms built new hubs or logistics facilities, and 15% opted for near-sourcing so as to gain speed and flexibility. This transformation is led by fast fashion giants, for which speed is key in their business model, with Inditex and H&M at the top of the list.

UNCERTAINTY:
FASHION'S NEW NORMAL

Uncertainty has come to be a part of the main fashion companies' usual vocabulary. Unpredictable events like Brexit or the election of Donald Trump shook the sector's titans, which are now getting used to not doing long-term plans. In 2017 annual reports, challenging became one of the most repeated words, especially for British companies such as Primark or Sports Direct, which have started to create experts' committees to address the new period once the United Kingdom's exit process is concluded. In general, half of the players referenced uncertainty in their reports. Another of the factors which concerns the sector's enterprises is the escalating trade war, which threatens to risk both sourcing poles and consumption markets. In that sense, American firms like Levi's and PVH have already manifested their position against the protectionist measures declared by the country's president, Donald Trump.

FASHION IS SHELTERED
IN MATURE MARKETS

Despite uncertainty in geopolitical and trading matters, fashion continues to be a global sector relentlessly seeking new consumption territories, even though now companies have more restraints at the time of jumping into a new country. If in 2016, 34% of the actors disembarked in a new territory, in 2017 the number descended to 26%.

Nevertheless, after the crisis in developing countries like in Brazil and the deceleration of markets like in China, fashion brands are now sheltered under mature economies, in which more than 80% of the companies expanded last year. 67% of the companies, on the other hand, kept their commitment to BRIC countries, whilst only an 8% adventured into Africa.

NEW MATERIALS
TO LEAD THE 'ECO' WAVE

The top fashion business actors continue to deal with the transformation of their field towards a more sustainable model. Particularly, companies are laying more and more their focus on the research of new materials, pressured by the scarcity of raw materials and the increase of oil prices. As of today, 12% of the sector's biggest companies are researching new materials, a field where stand out sporting brands like Adidas and Nike, as well as distribution giants like H&M.

Some companies are setting down in black and white their objectives regarding sustainable materials. That is the case, for example, of VF Corporation, which set as their target that 50% of the nylon and polyester used by the brand would have to be recycled by 2025, and which translates to a reduction of 35% of its materials' negative impact. Although large distribution led the race for new materials, some luxury operators also advanced within that matter. Throughout 2017, Burberry focused on improving the traceability of cotton, cashmere and leather supplies, its three most employed materials.

Globally, a fourth of the companies are part of an international organism which deals with the matter of sustainability, and other 25% have taken measures for the adoption of close the loop.

FASHION'S CAKE: SMALLER
AND LESS PROFITABLE

The change of paradigm goes beyond external factors, like new tools or channels. Fashion is confronting a new reality in which competing means losing rentability and in which enormous growths pre-crisis are definitely something from the past.

A 29% of the companies reduced their profit last year, 20% shrunk its gross margin and 19% saw their revenues decrease. The listed ones, pressured by investors and analysts who call the sector into question daily, rush into shock plans, with hundreds of stores shutting down and dismissals to recover rentability. In order to grow, the only way is to steal shares from rivals, in a cake that is getting smaller day by day.

At the same time, fashion reconsiders its way to attract the client, who seems to have fallen out of love, at least partly, with fashion.

COMMERCIAL MIX BETWEEN
EXPERIENCE AND 'CLICK'

The balance of distribution channels has been one of the most recurrent debates amidst directives from the fashion business. Although the future model of retail is not yet clear, experts are inclined towards stores being polarised among convenient spaces, at the service of online trade, and experiential flagship stores where selling is practically the least important thing. In this framework, the commitment to owned stores was maintained in 2017 by almost 60% of fashion players, whereas barely 24% grew through franchises, a decadent model in retail's new times.

The scarcity of raw materials and the increase of oil prices are encouraging many companies to invest in the research of new sustainable materials

Although size has become a key factor to compete in an environment more challenging by the day, the sector's titans also lean on smaller companies to promote innovation

Furthermore, almost half of the companies are implementing tools to offer the experience of omnichannel shopping.

BIGGER SIZE TO COMPETE

In a challenging environment, size is becoming more determining every time in order to continue being competitive. Corporative operations were one of the fashion business drivers once more in 2017: 30% of actors took a stake in another company. Most of them chose horizontal integration, that is, buying competitors to gain size and shares; others opted for purchases to embark into new markets and segments, and a minority recurred to the checkbook to buy suppliers and vertically integrate. Nevertheless, the background has also motivated the cancelation of some operations, waiting for a less uncertain environment. The most popular instance was that of Abercrombie&Fitch, which was immersed in a deep transformational process that affected from the operative sphere to the communication one, and which decided to postpone its sale after barely a few months receiving offers.

START-UPS WANTED, REASON: INNOVATION

To adapt to the new background, fashion business titans are searching new allies with which gain creativity and speed, as well as stimulating innovation. In that sense, 18% of the companies already own a hub dedicated to this issue, and 10% have launched an accelerator. These initiatives are especially frequent in the cosmetics sector (L'Óreal and Shiseido are two of its pioneers), where product innovation is essential to compete. Other groups choose to directly integrate this talent in-house by means of purchases: 7% of the companies have bought a start-up so as to reinforce their innovation.

To embrace this transformation, companies are also transforming their organisation charts and incorporating new profiles who can lead and motivate innovation within the organisation.

FROM INDUSTRY 4.0 TO BLOCKCHAIN: FUTURE COMES TO FASHION

Factories without operatives, transparent and delocalised management chains, production unities that know in a second what the client wants. Concepts that not long ago seemed typical of science fiction are starting to come to terms with the fashion business.

The leaders of this transformation are, mainly, the giants of digital commerce, which have digitalisation in their DNA. That is the case of Alibaba, for instance, which is, together with IBM, the group with more patents related to blockchain registered in the whole world. JD.com and Amazon have also advanced in that sense, leading a transformation of valuable chains whose objectives are speed and efficiency. On a larger scale, the commitment to Industry 4.0 and blockchain is still minoritarian: barely 6% of companies reference the latter system, and only 4% have publicly given steps forward to adapt their production structures into the new digital era.

Regarding this matter, the pioneers have been two sporting fashion titans, Nike and Adidas, which in the last year have launched the first speed factories, completely digitalised and located in the biggest consumption markets, with which custom-made products can be produced in only fifteen days without the intervention of any operative. •

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CHIEF CLIENT OFFICER: OMNICHANNEL'S BATON

#1

Chief client officer: omnichannel's baton

Seduce back the client. That is the goal that most of the fashion business titans seek. These players are adjusting their structures and strategies to charm a consumer who, as some experts state, is more disloyal and exigent than ever. Because of that, amidst the fashion player's organisation charts has appeared a new role: the chief client officer, whose mission is to coordinate all strategies directed towards the client, from omnichannel experiences to loyalty programs. Almost two in every ten fashion groups have already incorporated this role to their teams, especially department stores and large distribution companies. At the same time, some actors are also rethinking the clients they are directed to, how to parametrize them and how to get to them. In that sense, 16% of the best fashion corporations in the world reoriented last year their target, abandoning their traditional consumers or developing strategies to get to new audiences. Besides that, companies are using once more an old strategy, loyalty programs, very popular among the United States and which are now erected as a very useful tool to guarantee clients coming back to the store. By the end of 2017, more than half of the companies already counted with a program of this kind.

14%

Is the percentage of companies that have a chief client officer role in their organisation chart.

The transformation fashion business is immersed in, and the pretension to put the client in the centre of the strategy, reaches also the organisational structures of the sector's titans. In that sense, players have started to include in their management chains the role of a chief client officer, someone responsible of supervising and coordinating all client strategies, from omnichannel experiences to loyalty programs.
Amidst the pioneer companies adopting chief client officers stand out two great blocks. One is composed by the biggest groups of department stores in the United States, the most affected sector by the brick crisis. For companies like Macy's, Sears or Kohl's, the rise of pure players and brands' decisive commitment to expand with stores of their own management have forced them to rethink the current business model, in existence since the second half of the 20th century.
The second block of companies where chief client officers are already a reality are the world's e-commerce titans, with enterprises such as Amazon, JD.com, Alibaba or Ebay.
Kohl's was one of the pioneers in the creation of the chief client officer position back in 2013, when they

About 55% of the sector's companies are carrying out some loyalty programs for clients

named Michelle Gass as the person responsible for that title. The executive was incorporated to the department stores chain coming from Starbucks, where she had occupied several managing charges in the marketing area for seventeen years.
During her position as client chief, Gass has promoted several initiatives to improve omnichannel experiences.
For instance, Kohl's rewards some of the clients who use their application in physical stores with digital coupons which they can exchange in the same point of sale. Likewise, the group has online kiosks in some of their centres from where can be done orders through the web.
Supported by these measures, as well as by 'click and collect', 75% of Kohl's online consumers are at the same time physical store consumers, as their 2017 annual report gathers. The orders realised through the web can be attended both by logistics warehouses dedicated to e-commerce and by physical network stocks. At the end of 2017, Kohl's rewarded Gass' labour naming her as the firm's new managing director.
Sears, another one of retail's titans in the United States, also had a woman piloting in 2017 their client strategy: Leena Munjal. The executive, who assumed the role in 2012 after almost ten years in the label, has been at the top of Sear's omnichannel transformation, implanting measures such as the collection of online shopping in physical stores, free shipping of products available in stores to the home of clients and the transition of doing inventory management manually to do it through the technology of RFID systems. Since January 2018, Munjal works as Sear's chief digital officer.
On the other side of the Atlantic, Harrod's department stores in London also decided to reshape their directive team in order to open the doors for this profile. To do that, the enterprise put Amanda Hill at the head of the client department. The executive was incorporated to the leadership after working for A&E Network's marketing de-

partment, a subscription television channel based in New York. Her contract was produced shortly after a month once Harrods announced an investment of 200 million pounds sterling until 2021 to transform not only retail but also their e-commerce platform.
Another British company, Hunter, captured talent from the competence to profile their client strategy and generate more engagement. In May 2017, the enterprise welcomed Tracy Solomons, who had worked during the previous seven years at Uniqlo, where she was firstly the director of e-commerce and omnichannel experiences. During her last year and a half with the Japanese firm, she defined the master lines of client experience both on and offline.
In some cases, the firms incorporate a client chief officer to approach a change of strategy. That is the case, for instance, of Desigual, pioneer in the creation of this role in Spain, where they have had this position since 2016, in a period of full-on reorientation of their client targets. In 2017, 16% of international brands have taken similar measures, reorienting their target or approaching new audiences.
In January 2018, Mango decided to opt for this role too and put Guillermo Corominas in the position. The executive, until then director of communication and institutional relations, assumed the responsibility over CRM, loyalty teams and Mango's customer service, as well as over all departments that could be born in the future to continue developing this strategic line.
Furthermore, Gap also has a chief client officer since 2016. The world's fourth biggest fashion distributor in volume of business, immersed for years in a process of reconstruction due to their sales' decrease, signed up Sebastian DiGrande for the job. Among his functions figurate data analysis and interpretation, and clients' behaviour analysis, which he has to translate into concrete actions that will positively impact business.
Before signing up with Gap, DiGrande developed his career in the intersection of technology, client strategy and digital innovation in The Boston Consulting Group. He worked there

Department store corporations in USA and e-commerce's global titans are the fashion players that have committed the most to the role of the chief client officer

A 16% of international brands reoriented their consumer strategy in 2017.

for twenty years and got to occupy important managing charges in the consultancy's delegations of San Francisco, London and Sydney. Despite not having the chief client officer role as such, VF Corporation has different functions delegated to its digital area director who since December 2018 is Velia Carboni. The director, who before joining the owner of Vans occupied several leading charges in Fidelity Investments, helps the brand in their search of new digital trends and their business application, "creating scalable, customer-centric experiences and capabilities for new platforms", as VF Corporation states in the corporative web.
As per the luxury field, Kering, owner of firms such as Gucci and Saint Laurent, also decided to name, at the end of 2017, an executive as responsible for their client strategy. Concretely, the luxury conglomerate hired Grégory Boutté, who also assumed the leadership in the digital area.
The executive, who in the past had been managing director of Ebay in France, pilots both Kering's transformation in omnichannel environments and data management gathered by the company through e-commerce and their own establishments' network.

BALANCE BETWEEN E-COMMERCE AND STORES, THE KEY TO SEDUCE CLIENTS

The hardships of online environments when establishing long lasting links with clients and maintaining their loyalty has triggered the need to adopt this role. Alibaba, one of the biggest e-commerce brands in China, also counts with this position in its organisation chart.
Client management is in the hands of Sophie Wu since January 2017. The executive assumed the position after seventeen years working for the group, time during which she carried out several jobs from the sales department. Last year, one of Alibaba's line of action was to improve omnichannel experience.
In January 2017, the web leviathan acquired the department stores brand Intime for 2,6 billion dollars and, at the end of that same year, it also made of China's biggest supermarket chain Sun Art Retail Group their own. Both acquisitions allowed the enterprise to earn presence among physical channels, an important support to attend online orders faster day by day.
Ebay, on its part, has client experience functions delegated to Kris Miller, global manager of strategy. The executive started this position in September 2014, after working in the consultancy company Bain&Co. She works day to day closely to products' department, technology and Ebay's regional teams so as to ensure that the platform's strategy is translated into concrete actions throughout all consumer journey in order to keep the loyalty of online clients.

LOYALTY PROGRAMS, THE OTHER 'ACE UP THEIR SLEEVE'

As well as the role of chief client officer, another top tool of the sector's great firms to retain consumers in a highly competitive environment are loyalty programs.
The British e-commerce Asos has been offering for a long time student discounts and started, in 2016, an A-List program by means of which all consumers accumulate points with the purchases made through their platform. The brand states in their 2017 annual report that A-List continued to rise the ratio of conversion and the frequency of purchases in the site.
But not only pure players are taking a chance on this sort of actions. Macy's reconsidered its loyalty program last year, introducing new incentives for their most loyal consumers. Specifically, the department stores company adopted in September 2017 a new system of gratification in their Star Rewards program, with which they give back 5% of the purchasing import in the form of a gift voucher for new acquisitions and free shipping to those consumers who spend 1,200 dollars or more per year.
Another historical American company, Levis Strauss, owns a similar program, the Loop Member Program, which offers discounts and exclusive products. •

Frédéric Godart

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"THE CHIEF CLIENT OFFICER MUST UNDERSTAND THE INTANGIBLES OF FASHION SALES"

Why is there a need to establish a chief client officer in some companies?

For a long time, this role has been developed by other officers in the organisation charts, frequently by marketing managers. Until digital disruption and multichannel systems came, companies did not believe it to be necessary to incorporate a directive who would only manage client strategy. The arrival of a chief client officer is also linked to a growing professionalisation of the sector's companies, even those that are family-based.

Is fashion a pioneer in the adoption of this role?

No. Fashion has never been a pioneer in the adoption of organisation models. It has always been a conservative sector in that sense, which seems paradoxical, because regarding their product companies are always forced to have constant creativity. The sector even took its time to embrace e-commerce as a channel for sales.

What type of companies should include this role in their organisation charts?

Big companies, because due to the exorbitant increase of collection numbers which they present to the market, they need to count with a person to connect the brand's creative direction to the managing director and the rest of the executive team. They must guarantee the harmony between innovative aspects in the design process and the most commercial side of the business.

Is the adoption of this profile strictly linked to sales or size?

If it is a small or medium fashion firm, with two collections per year, they will probably not need a chief client officer, and this function will be done by another directive within the organisation chart.

Which is the most suitable profile for a fashion company's chief client officer?

Normally, many people in the industry come from retail, and from there they start to earn better positions. There is no better previous experience than working with clients face to face. International experience is also a plus for client officers. Other positive factors are CRM experience, strategic thinking and involvement in the project of the brand.

Many client officers come from sectors such as technology or the food industry. Are they valid profiles for fashion?

Fashion brands are increasingly recruiting talent from other sectors, whether they are

“The chief client officer has to extract conclusions from big data analytics gathered by companies in physical stores, e-commerce and apps so they can be translated into concrete actions”

from the consumer goods market or the technological one. Firms like LVMH or Kering are proof of that. That being said, there is one thing for certain: these profiles must understand the intangibles of fashion sales, and that it is not the same as selling yoghurts. In any case, these additions are positive because they provide new skills, but you have to make sure they understand the industry's specifications.

Which tasks or functions are more likely to be employed by a chief client officer?

The client officer should extract conclusions from big data analytics gathered by the company in physical stores, e-commerce and apps, in order to try and transform that data into concrete actions to improve the relationship with the client. Afterwards, they should transfer these strategies to the whole organisation chart, from the executive committee to the store's personnel. One of the big challenges of the job, especially in luxury, is that consumers often do not know what they want: they look for fantasy and want to be surprised by the brand's proposal.

Which department must the client officer have a fluid relation with?

Mainly, the marketing and the CRM department.

How can the degree of efficiency be measured in a chief client officer's work?

In these positions, efficiency is something hard to measure a priori: if you are leading something, many times you can not only observe KPIs. You are also forced to take brave decisions and assume risks. The objectives which the chief client officer must reach have to be fixed clearly: whether they are seeking a better client interaction in the online sphere, a greater degree of purchase satisfaction or increasing the brand's engagement degree.

Are loyalty programs a good way to retain clients?

These programs allow you to execute actions which generate strong feelings of community, like exclusive discounts for its members, purchasing preference in the launch of new products or invitations to events. What they try to do is personalise the relationship with the client. Large distribution companies' loyalty programs are more and more inspired by luxury ones, supporting themselves in the advancements of artificial intelligence.

Can these offers be combined with a business model based on volume?

To a certain extent yes, and in fact, it is something that is already being implemented. Although those offers are not as refined as the luxury ones, companies are taking advantage of big data.

Is it true that consumers are more disloyal and exigent than ever?

There are opposing trends, depending on what is understood as disloyal. Now, frontiers are diluted: people in the street combines luxury t-shirts with low-cost retailers' trousers. Clients have so many information and options where to choose from. Chief client officers must reduce the risk of consumers scaping to a competitor of their spectrum. Luxury brands interact with teenagers through social networks although they know that they do not have the purchasing power to buy their products. They are simply trying to settle the grounds for tomorrow.

Will older generations also be hard to keep as clients in the future?

That is one of the fears of the digital phenomenon impact. The exposition to a lot of information reduces engagement and rises the risk of losing clients. For that, companies need more creativity so that they can stand out from the crowd. •

Godart's research work is focused on human resources' dynamics, with a specific focus on fashion and luxury. The scholar has studied aspects such as the role of brands in the formation of clients' identity.

GFD

#2

LOGISTICS: NEW HUBS TO GAIN SPEED

#2

Logistics: new hubs to gain speed

The race to charm clients in a new environment of omnichannel experiences has forced a transformation of many fashion brands' current logistics networks. Factors such as the shipping speed of online purchases and offering greater comforts for its collection or delivery have become key aspects for the improvement of client experiences as well as making them remain loyal for future shoppings. This transformation is reflected in the fact that 18% of the sector's players created new logistics centres or facilities in 2017. Most of them have as objective being closer to the final customer or underpinning the structure in international expanding markets. A situation characterised by speed pressure and the need to be more flexible by the day is also motivating the proximity of sourcing to consumer markets. This phenomenon, which has been shaped in the last years due to fast fashion's demand of constant speed, is evidenced by the fact that 15% of big companies have taken a chance on near-sourcing, although mantaining their biggest amount of supplies in Asia.

18%

Fashion players are transforming their logistics networks at an accelerated pace in order to adapt to the new omnichannel environment

Inditex, the biggest fashion distribution brand in the world, was one of the international giants which made more moves in logistics matters last year. In May 2017, the Spanish company started the construction work of a new platform in the Lelystad Airport Businesspark, located in Holland. The complex, situated in a plot of 35 hectares and which counted with an investment of one hundred million euros, was called the logistics connection point, and it is the first one of these characteristics built by Inditex in the world. It is predicted to be in full performance by 2020 and to employ 400 people.

The opening of this platform in Holland answers to the goal of supporting the logistics centres network of the group in Spain, which will continue to have the stock policy centralised in its domestic market. After going through Spain, part of the products will stop by Holland to then travel around the world.

In autumn 2017, the company presided by Pablo Isla had Xunta de Galicia's green light for the creation of a new logistics warehouse in the entrepreneurial park of A Laracha, in A Coruña. The construction implies a unification of twenty-six plots which amount to 218,000 square metres. The facilities in Holland and Galicia are added to other three which Inditex started in 2016, oriented towards reinforcing their online business, and located in Turkey, Hong Kong and Poland; the latter being the only country which has two warehouses for its online sales. Back then, the company owned sixteen logistics sites for e-commerce around the world.

Almost two out of ten companies from the sector created new logistics centres or facilities in 2017.

Fast Retailing, which holds the bronze medal of fashion distribution on a global scale, also has in the logistics network's transformation one of its main lines of action for the future. The owner of Uniqlo is immersed in an integral revision of all its supply chain with the purpose of becoming a "retail company for digital consumers." For that, the Japanese firm will do "solid investments in new fields including distribution transformation and IT systems", according to their 2017 annual report. PVH, another titan of large distribution, has also dedicated more resources to strengthen their logistics network in 2017.

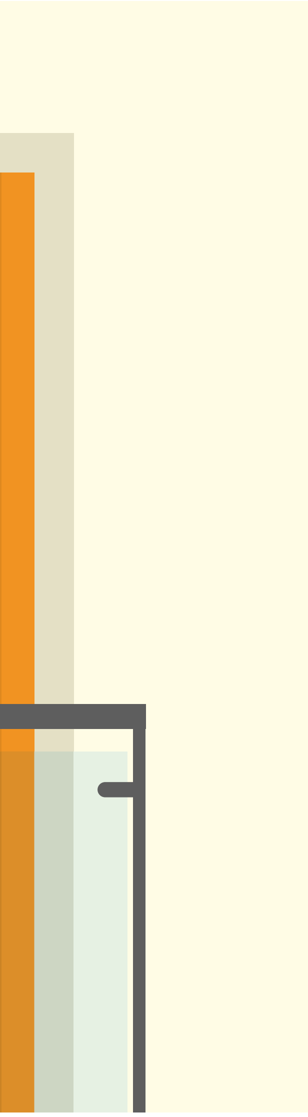
The owner of Calvin Klein and Tommy Hilfiger invested 358 million dollars during the whole fiscal year, contrasting with the investment of 247 million dollars in 2016. "The increase in capital expenditures was primarily driven by expenditures related to upgrading and enhancing our operating, supply chain and logistics systems and our digital commerce platforms and the relocation of our Tommy Hilfiger office in New York", stated PVH in its annual report. The brand foresees that the total investment for 2018 will reach 540 million dollars.

Another North American firm, VF Corporation, also settled the grounds to reinforce its structure and started the construction of a new distribution centre at the end of 2017 in the United States' locality of Jonestown, Pennsylvania. The platform, which will be functioning in 2019, will be of use to accelerate shipping all around the North-East of the United States. The facilities will have 175

employees and will suppose an investment of 52 million dollars.

SPORT 'PUSHES'
LOGISTICS DEMANDS

Besides large distribution, other sectors like fashion and sports gear also promoted their distribution networks with new facilities. That was the case of Decathlon, which announced last autumn the opening of a new logistics warehouse in Cartagena, Colombia. The French group, property of the Mulliez family, operates in the Latin American country since 2015. Another sports titan on a global scale, Puma, also experimented with new concepts to provide their logistics with more efficiency. The German company allied with the logistics operator ITG, the developer of Magazino robots and Gigaton's software provider, in order to do the pilot project of their first logistics warehouse completely operated by a robot named Toru. The test was implemented in the facilities of the German locality of Schwaig. Activated through artificial intelligence and equipped with multiple sensors, Toru can make decisions for itself and transfer and move packages from the shelves to the shipping stations or vice versa. Puma highlighted among its advantages that the robot could be used in night shifts without the need to enlighten the warehouse thanks to the integration of a lantern in the artefact.
Nike, the top sports fashion brand in volume of business, also made some changes in their logistics. In order to have a better control on management, a subsidiary of the United States company started an agreement to acquire a distribution centre in Japan. For the purchase, Nike Logistics Yugen Kaisha asked for a loan of 13 billion yens.
In total, Nike finished the 2017 fiscal year with six large distribution centres in the United States and sixty similar facilities in the rest of the world, like in Canada, Asia, Europe and some countries in Latin America.
Adidas, Nike's eternal rival, sees logistics as one of its key area of business. Concretely, after retail and marketing, it is the third biggest



Last year, Adidas started to build new logistics centres in Germany, the United States and China, some of its biggest markets on a global scale

Besides increasing its logistics demands, 15% of international companies are taking a chance on proximity sourcing to improve their operations.

department in the firm regarding number of employees, with 5,890 workers by the end of 2017, a 10% of the total.

The company reinforced its distribution network last year by means of the planification of two new logistics warehouses in Rieste (Germany) and Suzhou (China), whose opening was predicted for 2018. Likewise, Adidas started to build other facilities in the state of Pennsylvania and started the expansion of its centre in the West Coast of the United States after seeing the company's potential growth in North America, especially through e-commerce and through the development of their own retail.

E-COMMERCE TITANS, ALL OUT FOR LOGISTICS IN PROXIMITY

Web giants, given their inexistent or limited presence in physical stores, are one of the most active sectors in the creation of new logistics platforms, essential for their international expansion. Amazon, the number one in the word in volume of business, was one of the most active players in that sense during last year. The group led by Jeff Bezos started in 2017 its third centre in Mexico. This one has 92,900 square metres of surface and is located in the municipality of Tepotzotlán. The facilities have the capacity to host fifteen million products and, from there, a million deliveries can be shipped daily.

In Spain, Amazon opened in Toledo's locality Illescas their biggest logistics warehouse in the country, which provides for all European market. The enterprise also opened similar centres in the cities of El Prat de Llobregat and Martorelles, both in Barcelona.

The German Zalando reinforced its structure in several European markets too in order to face its growth in the region and be able to manage sales worth 10 billion euros. In 2017, the enterprise launched two logistics sites: one in Poland and another in Lahr (Germany), at the same time that it started a new hub in the proximities of Verona (Italy), managed by an independent partner and with a surface of 130,000 square metres.

One of the benchmarks of e-commerce for luxury segments, Yoox Net-a-Porter, advanced in matters of structure too. The firm, owned by Richemont and which was delisted in June 2018, announced at the end of 2017 an investment of eight million euros for the building of a logistics hub in the Italian locality of Pavia. The facilities, with a surface of 46,000 square metres, will count during its starting phase with 300 employees.

This initiative is inside the predicted framework of Yoox Net-a-Porter's project in Italy, where the company contemplated investing 210 million euros until 2020 to reinforce its installations in the cities of Bentivoglio and Zola Predosa.

PROXIMITY SOURCING AND ACQUISITION OF SUPPLIERS

In parallel to the creation of new logistics hubs, 15% of the biggest fashion brands have decided to reinforce proximity sourcing, motivated by the rise of labour costs in some Asiatic countries and the high speed of product renovation that specific chains require. Furthermore, four in one hundred companies have bought some of their suppliers in order to have a better control of their distribution chain.

Amidst them stands out Burberry, which reached an agreement to acquire leather products from the Italian company CF&P after a decade working for the British luxury firm. Inditex, on the other hand, completed in 2017 the purchase of Indipunt, one of the twelve factories which the group has in Galicia. Luxury has been the most active segment embracing production in proximity. LVMH announced at the beginning of 2018 the opening of two new factories in the localities of Sainte-Florence and Beaulieu dedicated to Luis Vuitton collections and whose goal is to reduce the shipping time to a week only. Hermès also launched its third factory in the French market, dedicated to saddlery and the production of leather accessories. •

Jaume Hugas

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“E-COMMERCE HAS CAUGHT ALL GREAT BRANDS OFF GUARD”

How have logistics changed due to the impact of e-commerce and omnichannel strategies?

In the matter of logistics, we have gone from the Iron Age, with warehouses, shelves and so on, to the age of software programming, artificial intelligence and blockchain, which allows to trace any product throughout all distribution chain. Many retailers have not given logistics the importance they deserve. In Spain, e-commerce in all sectors started to take off later than in other countries from the North of Europe. We lack the vision to look at advanced countries.

What factors make a fashion company’s logistics more complex than before?

Fundamentally, e-commerce and globalisation. Inditex, Mango or Desigual know how to send trucks to their stores, but for the last mile they have to hire fulfilment centres from the countries in which they operate. This last journey is usually covered by enterprises such as Paack or Deliveroo, because the necessary technology for it is in their hands and not in those of the retailers’. E-commerce has caught all great brands off guard. Not long ago, Inditex did not communicate their sales in the web, but as soon as its shares fell, they told everything. Ergo their only learning method is through the fall of their shares.

What structure do modern logistics need?

Sorter centres, which are warehouses equipped with classification machines and delivery centres, located in the middle of the cities. Imagine that if you order three articles stored in a warehouse in Seville, the process would be as follows: they are put in a box and sent to the airport, where they are classified with the rest of boxes. Your box travels with many others by plane to Barcelona. In El Prat there is another classification according to the destinies, and then the boxes are sent to the delivery centre closer to your home, from where the actual shipping would then take place.

So, will there be more warehouses located closer?

Both models will coexist. Now warehouses are located in the centre of gravity of the stores. In e-commerce, warehouses must be placed closer to the urban centres, where there are more people. Amazon, for example, has in Spain a fulfilment centre next to the airport of El Prat in Barcelona, whereas delivery stations are located in neuralgic points around the city because without those the deliveries in only two hours provided by the corporation could not be offered.

In times of great demand such as Black Friday, many companies fail to deliver orders on

"Regarding e-commerce, warehouses should be located closer to urban centres, where there are more people, because without them no shipping could be offered in two hours"

schedule. Why?

They fail and will continue to do so, because they do not have enough infrastructures. In the period between Black Friday and Cybermonday, the peak of orders is at 7.5 million. And if during the whole year they dispose of one or two trucks to attend orders, in this time the demand of logistics is multiplied by seven. For that, retailers such as Amazon buy thousands of boxes and reinforce their vans' fleet and their Boeing planes. It is a company oriented towards the client and it does not want Christmas gifts arriving the 28th of December. Amazon has had to directly intervene in logistics because huge transport companies did not cover their needs. What does that really mean? That with time, the brand will end up stealing their market.

Regarding logistics, are small companies still in disadvantage to big ones?

Small or medium companies do not have any excuses not to have e-commerce, because they can resort to brands such as Zalando and Amazon, and sell their products supported by other logistics platforms. Besides, opening their own online store would cost them 10,000 euros.

How can blockchain be incorporated to logistics?

By means of track and trace. Blockchain allows to track down all pieces of clothing from their production to their arrival to stores. Therefore, there cannot be copies, nor say that it is sustainable if it is not. There can be checked from the origins of raw materials to the process of how products have been produced. All fashion transport, which is global, will have to be done in containers equipped with blockchain so they can go faster through intermediaries and controls.

To what extreme can delivery schedules be forced?

Think about Alibaba with their stores in Hema, JD with 7 Fresh and soon, Amazon with its thousands of Amazon Go. Within ten kilometres away from these establishments, there can be sent orders in two hours. Today, any speed wanted is attainable thanks to the sophistication of software.

Will there be a concentration of logistics players in the future?

Big brands are already buying last mile logistics players, especially in North America. If I were El Corte Inglés, I would have bought Paack already. If the sector's companies do not do that, last mile players will lay on the hands of Fedex, Seur or GDS. E-commerce's logistics is verticalized, but the first one to do a horizontal integration will make a killing out of it.

For who is this transformation more difficult to adapt to: a pure player or a retailer?

Pure players are buying retailers who have stores and vice versa. It is much harder for a retailer to enter e-commerce than the other way around, because the latter are much more advanced in the software they use.

Inditex has announced that they will launch their e-commerce around the world in 2020: will this be the future model for all fashion distribution?

No, because other players will not be able to do so. Only Inditex can do it because they did something very well done: Zara and Uterqüe already have RFID in all their stores, and therefore they can integrate all their stores and warehouses inventories, being sure that the mentioned inventories are 100% correct, whereas with bar codes there is always a margin of error of the 5%. That being said, Inditex has nineteen fulfilment centres rented around the world with different logistics operators, so imagine to what extent has e-commerce caught them off guard. In Spain, however, all of them are of their property. •

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#3

UNCERTAINTY: FASHION'S 'NEW NORMAL'

The trade war between the United States and China, and the fear of an upturn of protectionist measures regarding trade matters. The prevailing doubts around Brexit and how the relationship between the United Kingdom and the European Union will be once the divorce materialises. The volatility of the world's economy and the fear of a new growth deceleration ten years after the Lehman Brothers bankruptcy. These factors, added to others such as a digital environment in which costumer preferences change fast and the number of competitors grows, are affecting big fashion companies' strategies and their fate. A 50% of the sector's corporations referenced uncertainty in the assessment of their 2017 annual report. Most of them refer to the environment as "challenging", particularly those settled in the United Kingdom and the United States. In the first case, firms have started to create specific committees to address the post-Brexit transition, whereas regarding the first global power, fear resides in the unpredictability of a president, Donald Trump, who seems to govern according to impulses. This situation is also characterised by the sector's own transformation, in a time when no one knows for certain which will be the future model.

50%

Is the percentage of companies which referenced uncertainty talking about their activity in 2017.

Brexit and possible changes in trade relationships between the UK and the European Union generated uncertainty and discomfort amongst several British fashion brands and the country's main organisations of employers

The second largest fashion distribution brand, H&M, is one of the players which has incised in uncertainty in its last trimestral results' reports. "The new fashion landscape requires […] the ability to take a long-view and to navigate through some inevitable turbulence", highlighted Karl-Johan Persson, managing director, after the presentation of the annual results. The executive tried thus to justify to analysts the "disappointing" results of the company, which decreased 13% of their net profit and reduced 4% of its sales in 2017. "Our performance does need to be seen in the wider context of the transformation that the industry is going through", stated the executive.

Another fashion distribution behemoth worried about instability is Primark, property of the British brand Associated British Food. The firm has already created a committee to examine how to adapt their business after Brexit, a process which has started to impact its accounts due to the devaluation of the British pound. Another English one, Next, stated in their 2017 annual report that despite not predicting Brexit to create any risks for the company, it does have the potential to increase dangers already existent for the firm, like exchange rates or the modification of tariff policies.

Besides the possible consequences of the divorce between the United Kingdom and the European Union stated by Primark and Next, Superdry has also contemplated drawbacks in the global traffic of their goods due to a greater complication at the time of crossing frontiers and a retraction of consumption in their domestic market. The young British fashion brand, headed by Euan Sutherland, created an internal teamwork around Brexit, presided by a member of their executive committee and with representation from every one of the corporation's departments.

One of the most optimistic opinions about the separation of the UK and EU was given by Christopher Bailey in September 2017. The back then managing director of Burberry affirmed that British trade after Brexit had ahead of it an "enormous" trade potential, given that "Britishness resonates globally." The main employers' organisations of the sector in the UK also raised their voices ahead of the growing concerns about the future environment. The British Footwear Association (BFA), which represents an industry of 7,85 billion pounds sterling, published in January of 2017 a document that synthesises its demands.

"As our biggest trading partner and a market of 500 million, on the whole, wealthy consumers, it is vital the UK is not disadvantaged when reaching a new deal with the EU", affirmed John Saunders, managing director of BFA. "That said, no one should underestimate the size of the challenge ahead in reaching a completely new arrangement with all 27 EU members with their widely differing economic and political objectives", he added.

Caroline Rush, head of the British Fashion Council, took advantage of London's Fashion Week in September of 2017 to advocate in favour of a beneficial agreement between her country and the European Union. "London is the most diverse, multi-cultural and open city in the world and we fiercely protect that reputation," said Rush. "Our

Brexit agenda remains the same: our education system needs to support creative people and we need to ensure that talent can travel from here to anywhere in the world", she assured.

THE USA SECTOR IN ITS GRIP BECAUSE OF TRUMP

On the other side of the Atlantic, fashion companies with head offices in the United States were no aliens to the dialectical bombs of its country's president, Donald Trump, and his clear will to put barriers to international trade. For Gap, the world's third biggest fashion corporation in volume of business, the governor's threats which are set on the horizon could be a restriction for the business after years of a strong restructuration, and that would mean losing the world's pole position in favour of Inditex. "We cannot predict whether any of the countries in which our merchandise currently is manufactured or may be manufactured in the future will be subject to additional trade restrictions imposed by the United States or other foreign governments" states Gap in their 2017 annual report, at the same time that it highlights how the current political background has entered a dynamic of "greater uncertainty with respect to future tax and trade regulations, such as the imposition of new tariffs on imported products, [which] could have a material adverse effect on our business and results of operations."

The growing tension between Washington and Beijing due to trade war also made PVH hold its breath. The American titan, owner of Calvin Klein and Tommy Hilfiger, announced in June 2017 that they were postponing possible acquisitions in the face of Trump's foreign policies and the challenging global environment. One of the most worrying elements for the brand was the border adjustment tax, a tax to the import of goods which Trump was studying to implant in the country. "Mainly, border adjustment tax is a tax applied on the consumer and I don't think it is appropriate", said the managing director of PVH, Emanuel Chirico, after the last shareholders meeting.

Other American firms were also expressing their doubts regarding uncertain environments

The tension created by the trade war between the United States and China started by Donald Trump was criticised and seen with certain fear by companies such as PVH or Gap

Uncertainty during 2017 also weighed down operations like sales processes and initial public offerings, cancelled by 2% of the sector's corporations.

in similar lines. VF Corporation, owner of labels such as Vans, The North Face, Napapijri, Lee or Timberland, not only highlighted the possible changes in trade and tax matters but also put into the spotlight other challenges like cybersecurity.

"As a result of recent security breaches at a number of prominent retailers, the media and public scrutiny of information security and privacy has become more intense and the regulatory environment has become more uncertain", noted VF. "As a result, we may incur significant costs to comply with laws regarding the protection and unauthorized disclosure of personal information, being possible that we cannot comply with the new rules of procedure like the European Union's regulation reform of data protection."

VF also left the door open to modify its business' practices were there to be changes materialised in the renegotiation of certain trade agreements or the imposition of new tariff rates to the United States by part of other countries. "While enactment of any such proposal is not certain, if such changes were adopted, our costs could increase, which would reduce our earnings."

Abercrombie&Fitch did not see either in Brexit or the presidential elections of the White House in November 2016 a warning sign. Trade tension between the United States and China and the biggest fluctuation in the rates of currency exchange were stressed as the greatest dangers, especially for a company that generates 63.2% of their earnings in local markets, whereas a 23.2% comes from Europe.

FROM CONSIDERING INITIAL PUBLIC OFFERINGS TO GIVING A STEP BACK

The political and trade context of uncertainty, joined by the volatility of currencies like the British pound, undid the plans of going public for many companies in the sector. Concretely, 2% of the biggest fashion brands cancelled sales processes or initial public offerings in 2017.

In March 2017, Brait, a corporation founded by the South African magnate Christo Wiese, and owner of the British New Look since 2015, decided to cancel its initial public offering. The corporation attributed the decision to the uncertainty involving the process of disconnection of the UK from the European Union and the potential impact which it could have in the markets it operates.

The Italian Versace, which had losses in their 2016 fiscal year, also postponed at the beginning of 2017 going public, in the hopes of waiting for a better market timing and an improvement of their financial results to realise said operation. Finally, in September of 2018, the brand was acquired by Michael Kors, thus opening a new stage of development under the holding of several luxury and premium firms.

The Chinese sourcing behemoth Li&Fung also decided to abandon in March 2017 the Hang Seng, Hong Kong's benchmark selective group. The exit was due to the corporation's continuous decrease of sales and benefits, which were considerably weighing down its value.

In the United States, the transformation that department stores are facing (source of factors like the disruption of pure players or an overly-dimensioned network of physical stores that were weighing down its rentability) led to a strong stock volatility of the listed companies which operate in this sector.

One of the affected ones was Nordstrom, whose founding family hired the financial advice of Centerview Partners during the middle of 2017 to exclude the company from going public through the purchase of 70% of the circulating shares. Finally, in March 2018, the management board of the company rejected the family's offer, who were offering 50 dollars per title.

Ahead of the downward tendency of sales in the last fiscal years, Macy's also fought against the scepticism of investors around its future rentability. For that, retailers have started to implant changes in the core of their stores to attract young audiences, like the introduction of bigger technological and gastronomical offers. •

Rafael
Myro

Rafael Myro is a professor of Applied Economics at Madrid's Complutense University.

"PROTECTIONISM LEADS TO MORE PROTECTIONISM AND MORE FEAR AMONG INVESTORS"

The word uncertainty hovers around politics, economy and trade. Is the world today more uncertain than two decades ago?

The world today is more uncertain because of short and long-range reasons: we are immersed in a major technological revolution which we did not have two decades ago. Back then existed the TIC revolution, but not digitalisation. It is a threat due to the uncertainties that generate going from a world where employment is not as automated to one that is completely so. Another factor is inequality, which during the crisis has hugely gone up in countries like the United States and other developed economies. At short-range, there are all the dynamics generated by Donald Trump breaking the established order. We do not know what is going to happen with global warming, trade rules, investment norms or multilateral organisations. On the other hand, the European Union's economic crisis has highlighted the difficulty of starting joint actions in order to appease the issues of specific countries.

Which two factors generate more uncertainty?

The main one is the inequality produced in the framework of the crisis and which goes on to the stagnation of wages. Inequality involves a bigger gap between rich and poor people. The second one is Trump, who introduces an enormous disorder in the world and paralyses decision-making processes.

In the future, will there ever be a period which is not uncertain?

The perception that the crisis is never completely resolved and that in a year or two we can go through another economic recession is all behind the extended feeling of uncertainty. Many countries continue being indebted and this makes people save their money and spend it only in indispensable things. We have not come out financially sound from the last crisis: wages do not increase, and in Spain even though we are about to recover the employment levels of eleven years ago, it is not the same employment we had before the crisis. The work which has been created in the last years is less paid and more precarious. This context is what has motivated low-cost trends, not only in fashion but also in sectors such as the food industry or automobiles.

The vision of continuous growth at the beginning of 2000 was shattered by the crisis. Has recession changed the way in which companies act?

“The perception that the crisis is never completely resolved and that in a year or two we can go through another economic recession is all behind the extended feeling of uncertainty”

The crisis has completely changed the paradigm. The euphoria which it unleashed did not have justification and I do not think it will ever happen again. Although we know that people tend to forget bad times and repeat the mistakes of the past, economists and financial supervisors will ensure that such a collapse does not ever repeat.

Is the financial system in Europe and the United States tougher than in 2008?

Without doubt. Banks have toughened up and the clean-up of the banking sector is an element of stability. Also, there have been adopted measures to preserve the solvency level of banks and mechanisms to prevent new crisis. But together with those two advancements, there is Trump asking for the end of the Dodd-Frank Act, a law signed by Obama in 2010 to promote stability and transparency of the financial system in the US. If it is finally repealed, it will weaken the financial system and will give more opportunities to the increase of risks, which could drag the whole economy.

How can consumption be promoted if there are dark clouds over the economic horizon?

The basic recipe is to restructure the labour market, with more stable contracts and better wages. In that sense, Spain has a relevant degree of precariousness.

How will this growing protectionism affect the development of international fashion firms?

Protectionism is always negative because it generates an increase of prices and destroys consumption. Although the trade conflict between the United States and China has had relatively low effects, it does have an impact in the slowdown of economy and thus employment and consumption. Protectionism leads to more protectionism and more fear among investors.

Does the same thing happen with the exit of the United Kingdom from the European Union?

Would you invest in the United Kingdom if you did not know where this divorce process was going? Protectionism is not just tariff barriers. It is a phenomenon which paralyses the growth of Gross Domestic Product and investments.

What impact will Donald Trump’s protectionist policies have on the US market?

Producing in the United States entails more elevated costs and that will affect the ultimate price of products, which means that the US market will lose competitiveness abroad. The protectionist model can only work if the demand of domestic market is huge, grows, and the government’s activity is not paralysed by a high public deficit.

Both WTO and IMF have already warned that trade disputes threaten global growth. What do you think is the scope of this battle?

For now, its effects are only perceived in the fact that it will be harder for the United States to deal with this conflict than for China. The predictions of global economic growth are not so negative, promoted in great measure by the push of developing markets. The problem is that the latent threats could weaken all those prognostics in the medium-term, precisely due to uncertainty.

Can this scalation of trade tension spread around and involve other countries or regions of the world?

Not many countries seem to be disposed to enter this dynamic. Donald Trump seems bent to reduce the high trade deficit in his country and the Chinese market. In parallel, the European Union is opting for the opposite way, closing bilateral trade agreements with strategic markets such as Japan and Mexico to continue promoting free trade. •

Member of the academic board of the Royal Complutense College in Harvard’s University, Myro has also collaborated with the Government in the orientation of industrial politics.

GFD

#4

FASHION IS SHELTERED IN MATURE MARKETS

In uncertain environments, the natural reaction is to shelter in the familiar. The same thing has happened with fashion business in 2017. Whilst the trumpets of a trade dispute were blowing, Brexit negotiations starting, and some developing countries destabilising, the sector's giants opted to retract in comfort zones and take a chance in mature markets. Concretely, eight in ten companies resorted to known territories such as the United States, Europe and Japan, where the biggest brands from the sector still concentrate the highest number of their sales. On the contrary, the ratio of players adventuring into new territories has continued to fall: if in 2015 three out of ten companies from the sector landed in a new market, in 2016 the dimension descended to 27% and, in 2017, to 26%. Furthermore, seven in one hundred big brands drew back and retreated to some of the international markets in which they already operated. Moreover, during the fiscal year 2017 some companies opted to reorient their foreign development strategy, focusing their efforts in the expansion of key cities around the world instead of countries or continents.

26%

Mature markets such as the United States, Japan or the European Union were disposed as outstanding pupils: an 83% of the sector's corporations expanded in advanced economies and consolidated retail environments

The ratio of companies which disembarked in new markets with some of their brands during 2017.

After years of a strong boost in developing countries, fashion opted to expand inside mature markets during 2017. Concretely, eight out of ten enterprises of the sector focused their international expansion in territories with consolidated retail backgrounds and economies.
The United States, for example, was one of the most active spots for Primark in 2017.The Irish low-cost titan opened three new stores in the country and extended 8,550 square metres of surface in their Boston store, which was their first point of sale in the US market, opened in 2015.
Inditex also continued to resort to mature markets in 2017. Among the countries where the fashion distribution giant opened more stores were two very consolidated territories like Italy and the Netherlands, as well as the United States, where the group still has less penetration than its rivals.
Gap, immersed on a global restructuration process of their stores' network, also focused their expansion in North America, where they opened 16 Athleta and 23 Old Navy stores (subtracting the closures). All in all, their principal chain concentrated the closures precisely in that region, where it closed the year with 34 stores less. Globally, the group continues concentrating 80% of their sales in the local market.
The children's fashion titans' cases are likewise similar, although less globalised than large distribution ones. Firms such as Carter's orThe Children's Place, immersed in their own crisis due to the decrease of birth rates, continue to focus the majority of their efforts in local markets and, in a lesser measure, in the near Mexico.
Luxury titans, which supported each other greatly inside developing countries during the years of the crisis, have taken a chance on their original territories once more. LVMH, for instance, launched 111 new stores in Europe, 51 more in the United States and 25 more in Japan. In fact, last year Europe surpassed Asia once more in volume of business: if the Asiatic continent (except Japan), scores 28% of the group's total sales, Europe represents a 29%. For Kering, the second biggest luxury conglomerate, mature markets were its motor of growth in 2017.The group boosted 34% of its sales in western Europe, contrasting with the 31% registered in the Asia-Pacific.

THE BRIC ARE STILL HOLDING ON TO THE FASHION MAP

On their part, developing markets continue being an ace up the fashion giants' sleeve, even though markets like Brazil and Russia have moved aside to let India come through. H&M, for example, started a plan of global scope to reorder their stores' network which contemplates concentrating their openings in developing countries and closures in the mature ones.
Concretely, 67% of the sector's companies opted for expansion processes in BRIC (acronym of Brazil, Russia, India and China). The Italian

Calzedonia earned a bigger size in Asia and landed in the Chinese market in April 2017 with the opening of its first stores of the same name as well as Intimissimi's. On the other hand, Levi Strauss announced during the middle of that same year that they would open their first stores in India, and that they would launch an e-commerce platform in the Asiatic country. Mango chose to do an alliance with a local brand to accelerate its growth in the Indian market. The Spanish company reached in February 2017 an agreement with the e-commerce site Myntra, property of Flipkart, to manage both its online store in the country and its eight physical stores operating in the territory. The agreement between both companies also contemplated rising the number of Mango's stores in India to about thirty more by 2022.

AFRICA AND AUSTRALIA,
THE REMAINING DESTINIES

In an uncertain environment, the approach of new complex and distant countries has also stopped during the last fiscal year, except the punctual cases of titans from the sports and cosmetics sectors. Both of them are activities less dependent on season change, for once, which makes them travel to the other hemisphere easily.

In 2017, 15% of the analysed firms decided to expand in Australia, a little explored mature market because of the distance complexities and seasonal change. Puig was one of the players who jumped into the Australian market. The Spanish brand reached an agreement with Groupe Clarins to promote their presence in Oceania, and in the framework of the alliance, they opened a new office in Australia.

Decathlon, on the other hand, entered the Australian market in October 2017 with the opening of their first store in Sydney, which would be followed by a second opening in Melbourne in 2018. The plans of the French fashion and sports gear company considered opening around one hundred shops in the country during the five years posterior to its disembark. The firm, property of the Mulliez family, also expan-

Seven in ten big brands of the sector packed their bags in 2017, but only to go back home after retreating from other markets.

Only 13% of the sector's bigger firms opened subsidiaries in a new country during 2017, whereas 19% chose to ally with local partners

ded around Africa, the remaining continent to conquer by most part of the sector's players. Concretely, Decathlon opened in November 2017 its first physical store in Tunisia, where it already had sourcing offices and operated through e-commerce since 2016.

Altogether, the low level of maturity of retail distribution and poor infrastructures, make the commitment to African markets still minoritarian: only 8% of the sector's big firms grew in this continent during 2017. Another of the enterprises which made some moves in the region was Michael Kors. The North American brand, which is part of the Capri conglomerate since the acquisition of Versace in September 2018, launched the V&A Waterfront shopping centre in Cape Town, its first point of sale in South Africa. For the opening, the company began an association with Surtee Group, the country's retail partner of brands such as Hugo Boss, Paul Smith and Burberry.

LESS EXPANSION, LESS SUBSIDIARIES

The contention of international expansion has also been proven by the decrease of new subsidiaries' openings: if in 2016, 16% of the players opened an affiliate to approach a new country, in 2017 the number lowered to 13%.

One of those was Asics, which settled the grounds for their structure in Latin America by means of opening in February of 2017 subsidiaries in Santiago and Lima, the respective capitals of Chile and Peru. Only a few months later, in November of the same year, the Japanese enterprise of shoes and sports fashion also created a subsidiary in Colombia, through an investment of 4.4 million dollars.

Latin America was also a region of great activity for Bestseller in that sense. The company announced at the end of 2016 the building of a subsidiary in Chile at the beginning of the following year, the second one in the region of the Danish company.

Alibaba also opted to create a structure in Spain during 2017. The Chinese e-commerce titan built its first subsidiary in the country in September 2017, shortly after initiating a selection process for AliExpress in the Spanish market. The new Spanish affiliate of Alibaba was located in the number 9 of Zurbarán Street, in Madrid.

Contrary to the movements done by Asics, Bestseller or Alibaba, 7% of the sector's international companies stepped back from some countries and stopped their operation in those markets. In September 2017, the United States' Gap cut ties with Oroton Group, distributor of the brand in Australia, and announced the closure of all its stores in the country within the following months.

Nike also reduced its global structure last year, after absorbing its subsidiary for Chile; Sears closed its affiliate in Canada and BCBG Max Azria closed down its European one.

IN PURSUIT OF A TRAVEL COMPANION

The number of agreements with local partners has also reduced notably, going from 33% in 2016 to only 19% last year. These sorts of pacts have concentrated amidst huge players with great trajectories in their corresponding markets, and with whom brands often had already had an agreement for other territories.

One of them is Abercrombie&Fitch, which tightened its links with the Arab distributor Al Futtaim and landed in 2017 in Saudi Arabia. Marks&Spencer, on its part, gave the management of the business in Hong Kong and Macao to the same partner who already controlled its network of stores in the Middle East.

El Corte Inglés also trusted the know-how of local actors to take Sfera to faraway markets. The department stores company signed a deal in May 2017 with the Parkson corporation to implant its chain in Malaysia, concretely in the shopping centre MyTown, located in Kuala Lumpur. •

Raquel
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"COMPANIES SEEK CERTAINTY, THEY DO NOT WANT COUNTRIES WITH ISSUES"

Is it a good moment to start internationalisation strategies?

Yes, it always is. Exporting makes companies more competitive. Those that sell only in local markets are Chinese or US enterprises, because they have huge ones. Otherwise, staying at home makes no sense.

Should companies operate in more or in less markets?

They do not have to commit to only one option. In the same way that products are diversified, markets should be diversified too. They should never put all their eggs into one basket.

Would you invest in a company with presence in hundreds of markets?

Inditex, for example, is the internationalisation winner. But besides this giant, one should take a look at the countries in which the company is located, and their volume of business in each of them. All countries are risky. In order to make it, you must dive into the pool once you how much water there is. If it turns out well, you can be like Zara, but if you stay in your local market, you will always be the like the typical, lifelong small commerce.

Does Donald Trump restrain international trade?

For certain goods yes, he does. For example, when he introduces protectionist measures in some sectors of the economy, like the tariffs on European steel and aluminium.

Can companies act completely normal in the global political environment?

The big ones are alert. But, in the end, companies want to sell. They know that the United States raises tariffs to European imports of steel and aluminium, but they cannot stop operating because perhaps their sector is never affected by these sorts of measures. Leaving a country just in case…? Is very complicated. Export precisely makes companies more competitive.

Is it time to retreat? To exit markets?

Globalisation does not stop, even if Donald Trump wants it to. Because ultimately, this background is four years old. The entrepreneurial world does not like uncertainty and, in a time where it must deal with several countries, it prefers to deal with the less uncertain ones. Evidently, there is no sureness about any place, and all things considered, it is true that many countries have given a protectionist turn to populism in order to gain votes.

Is this situation temporary?

“It is not about going into a market with a valuable proposal anymore, it‘s about seeking opportunities and adapting”

Donald Trump took advantage of a situation caused during the crisis. In times of wealth, protectionism does not make much sense as people activate consumption and they enter a wheel of growth. So, if we get out of the crisis, the protectionist trend will be put on hold. However, I think an exporting European country is more affected by Brexit and restrictive currency policies of some countries than by trade war between the United States and China. Nevertheless, neither Brexit nor currencies kill international trade, they just affect it.

Do all enterprises suffer because of this background equally or does size help?

Small and medium companies are the most affected ones. In internationalisation, these types of companies should take a chance on innovation, not just technological but also of model, organisation and management. The previous patterns are no longer of use. An enterprise is not only good because it has specialised in something, but because it knows how to adapt to the demand of each of the markets it operates in.

When is it the time to leave a country?

When there is a lot of uncertainty. Like in the case, for example, of Venezuela. If a company working there does not have a certain degree of support provided by the Venezuelan government, it should leave. A similar situation was that of Argentina’s with corralito. It is not a matter of instability of the Executive, but the fact that they make decisions which destabilise the market, like a drastic devaluation of currency which can even destroy imports.

Are mature markets a safe bet?

Same old story: companies seek certainty. They do not want countries with issues. Nowadays, for example, I understand the fact that there are many corporations thinking twice whether to enter the UK or not. Until it is not known how its link to the European Union will be, investments in the country will be paralysed.

Are BRICs still attractive?

Crisis has affected them too. They all continue developing but the deceleration can be partly seen through the contraction of their local consumption.

Should opportunities be sought in countries from different latitudes like Australia?

If there is demand there, yes. In Australia, like in any other market, companies should always analyse the demand before entering. Until now, a competitive advantage could be specialisation or even low prices. But this does not work anymore. It is not about going into a market with a valuable proposal, but about seeking opportunities and adapting. You must know how to change the model fast. Successful companies adapt. Inditex, for instance, adapts its collection to each country.

Would you still take a chance on Latin America or Africa?

In some of their countries, yes. In any case, the highest possible stability should always be sought.

Whilst Spanish economy has undergone recession, companies have taken the chance to export in every corner. Has this strategy come to an end?

Companies also like to be the first to enter a market because it gives them advantage, at least for a while. Because of that, in some occasions, unusual countries are sought to sell in places where no one else does.

What would you advise against for an internationalisation strategy?

Creating structures like opening headquarters or other heavy structures such as factories is starting not to make any sense. One of the factors which affects and changes trade are transport prices, together with demography and technological advances.•

Insa is the author of several articles and publications linked to international trade, economy of the public sector and privatisation.

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#5

NEW MATERIALS TO LEAD THE 'ECO' WAVE

New materials to lead the 'eco' wave

Sustainability earns importance in the agenda of international fashion titans. After years of being focused on eco collections and CSR campaigns, players are now one step ahead, taking the bet on sustainability to the beginning of the value chain. The scarcity of natural raw materials, which will predictably grow in the future, and the increase in oil costs, source of some of the sector's most used materials, is making giants search new raw materials to reduce their dependence on polyester and cotton and therefore ensure their survival. In fact, big brands and particularly, large distribution companies such as Inditex and H&M as well as the sports fashion titans like Nike and Adidas, are the ones promoting initiatives and closing agreements to support innovative ideas and making them scalable. About 12% of the biggest firms are already taking action on this matter. In parallel, companies have continued to invest on their commitment to close the loop, one of the Global Fashion Drivers of 2016, and a fourth of the companies have started to use tools to adopt a circular strategy throughout the fiscal year of 2017.

12%

Companies are signing agreements with universities and weaver groups for the development of new materials in order to reduce their dependence on cotton and polyester

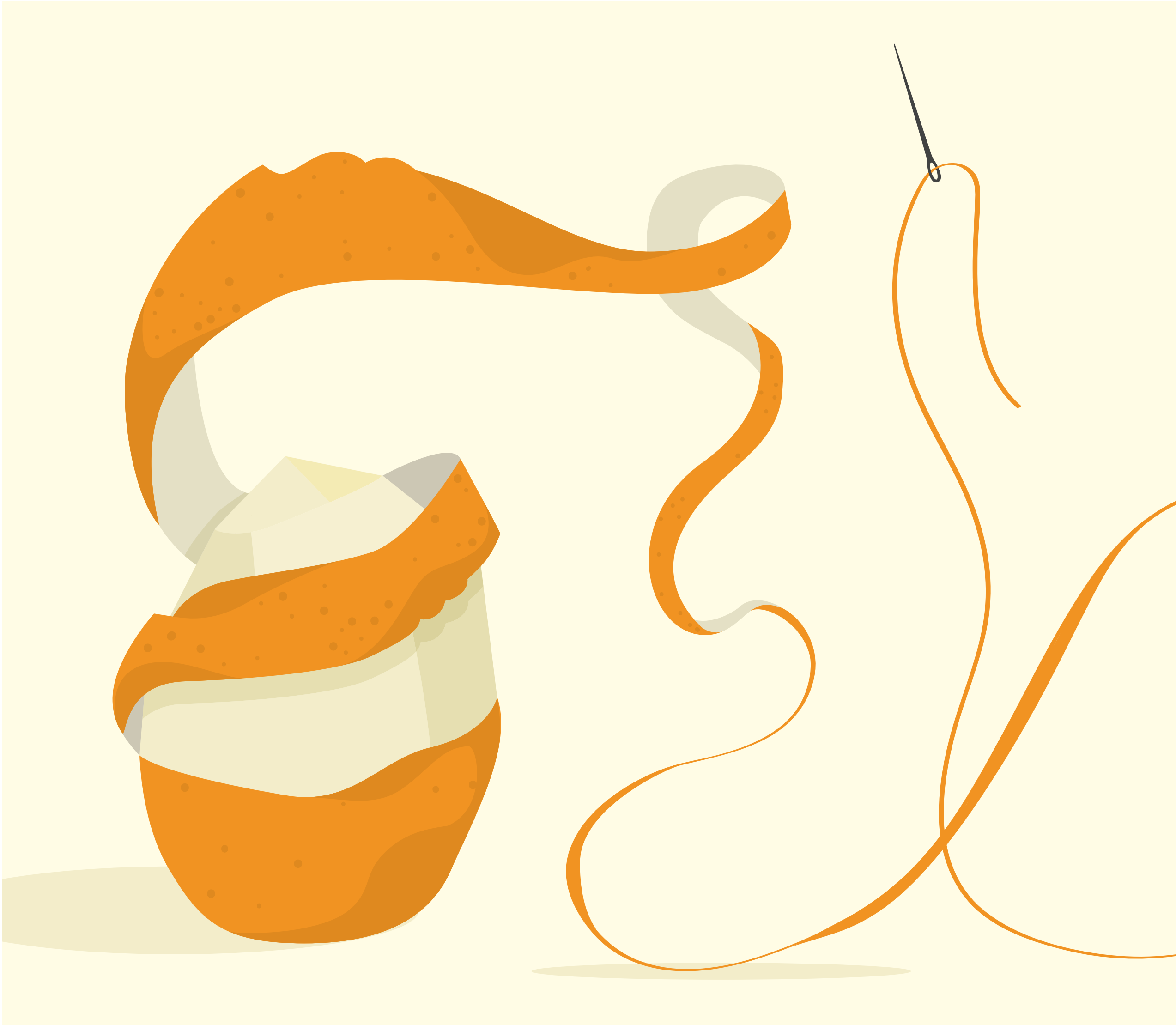
The percentage of the sector's companies which are researching and developing new sustainable materials.

Using more sustainable fibres is one of the priorities of Inditex's Strategic Environmental Plan 2016-2020. The brand is combining the use of sustainable materials like organic cotton, the slimy Lenzing EcoVero or Tencel Lyocell, with the employment of recycled materials. In 2017, the company commercialised 3.6 million clothing items elaborated with recycled fibres, more than three times last year's number.
Furthermore, the group signed a deal with Massachusetts Institute of Technology (MIT) and three Spanish universities for the development of new textile recycling technologies. Besides that, the company has allied with Lenzing to develop their new Refibre fibre, made of recycled cotton.
Another of the titans taking a chance on the development of new materials is H&M. The corporation channels its efforts for sustainability through its foundation, which rewards every year five innovative ideas. During the three editions that the prize has been going around, the firm has rewarded initiatives to create new materials from residues of citric juices, fungus, food crops, seaweeds or grape skin.

The number three in the world, Fast Retailing, renewed last year its trust in the producer of synthetic fibres Toray Industries. They continue working together in Heattech, the material with which Uniqlo produces items of clothing and winter jackets with a high degree of heat retention.
Together with large distribution, sports are now being pioneers in the use of new materials. Nike, for example, has developed several materials in the last years. One of the most popular is Flyknit, a light but strong material, woven in one piece only and without seams. Last year, the company wanted to replicate the success of Flyknit with the launch of Nike Flyleather, a new fabric elaborated with at least 50% of recycled leather.
Adidas, on the other side, allied with the German biotech Amsilk for the development of Biosteel, a completely biodegradable fibre created with natural components. Asics is another of the sports titans investing in new raw materials' research and development. The company has a laboratory in the Japanese locality of Kobe, in which 200 employees are solely dedicated to this function.

COSMETICS GIANTS JOIN THE COMMITMENT TO SUSTAINABILITY

Although distribution is leading fashion's commitment to sustainability, cosmetics giants are taking more actions day by day concerning the issue, and especially regarding the use of organic materials. One of the most advanced in that sense is L'Óreal, which has launched a plan for 2020 based on four axes: innovation, production, development and consumer. In that plan, the company assured that 59% of their ingredients were already renewable. Estée Lauder, on its part, gathers in its sustainability report that 100% of their palm materials are



derived from palm kernel oil. Also, the company underlines that it recycles and derivates 87.8% of their disregarded materials. Shiseido is another of the groups with a wide program in the matter of sustainability. The company is focusing its efforts in the recycling of plastic materials and packages. "We need to shift from the conventional style of economic activities based on one-way flow of things being procured, manufactured, used and thrown out, to recycling-based activities promoting the recycle or reuse of resources", states the brand in its web.
Soon, another of the global cosmetics titans will follow L'Óreal and Estée Lauder's steps. The North American Coty, on the other hand, announced in January 2017 that by the end of 2018 it would publish its first sustainability report in order to showcase their goals in that ambit, the advance of environment protection and the use of resources.

FIRST STEP, SETTING THE GOALS

Beyond concrete measures, most of the sector's companies already have a sustainability report in which they set their medium-term goals. In that sense, 22% of corporations publish periodically a document of this kind and 24% have specifically set targets focused on the use of sustainable materials. That is the case, for instance, of VF Corporation, which had the objective to recycle 50% of its brand's polyester and nylon by 2025, and which translates to a reduction of 35% of their materials' negative impact.
Moreover, the e-commerce giant Otto Group has among its goals that 100% of its cotton comes from a sustainable cultivation by 2020. By the end of 2017, the level raised to 78% contrasting with the previous year's 49%. Cotton is the epicentre of Levi Strauss' sustainable strategy, which nourishes from this raw material for its star product: jeans. The denim leviathan wants 100% of its cotton to be "more sustainable" by 2020.
Marks&Spencer is another pioneer in the use of organic cotton amongst fashion retail titans.

One fourth of the biggest fashion brands have already given a step forward to adopt a strategy for circular economy

Two out of ten companies from the sector set for themselves new challenges regarding sustainability in 2017.

The firm started to buy more sustainable cotton in 2007 and the objective is that all it uses must also be sustainable by April 2019. In the medium term, the group's target is that 25% of the cotton should come from fair trade, be organic or else, recycled.

In the luxury sector, Kering is one of the companies which has committed the most to introduce sustainability in its agenda.The company founded in 2013 the Materials Innovation Lab (MIL) to identify sustainable fabrics that comply with the brands' quality standards.

The company set the goal to trace down 95% of its raw materials in 2018 and, in the framework of their plan for 2025, it wants to introduce "Kering's social, environmental and animal well-being [standards] in all its value chain to ensure the supply of raw materials in the medium-term."

Traceability is also one of the axes for Burberry's sustainability of materials.Throughout 2017, the British group focused on improving the transparency on cotton, cashmere and leather supplies, its three most employed materials.

The goals of Asos are also similar: it has reoriented the subcontracting strategy in order to guarantee a bigger control of its supply chain. At the end of 2017, the company traced down 44% of its cotton until reaching its country of origin, 60% of its viscose until the fibre product, and 90% of the leather until getting to the tannery workshop.

THE GREAT CHALLENGE, CLOSE THE LOOP

TThe great challenge in the medium-term agenda of international fashion is managing to close the loop and therefore reduce wastes and dependence on raw materials to the maximum. One fourth of the biggest groups from the sector have already given the first steps forward in this matter, although technical complications, especially the extraction of fibres, make scalability difficult for the time being.

H&M is one of the top companies going in this direction. In 2017, the Swedish group acquired a minoritarian participation in Re:newcell's capital, a start-up which developed a technology capable of recycling cotton, viscose and other cellulous fabrics to turn them into a new fibre that can be introduced again in the textile production's cycle. Inditex, on the other hand, collaborates with MIT and three more Spanish universities in textile recycling research programs and maintains an agreement with Hilaturas Ferré for cotton yarn recycled from clothing items which clients take back to stores.The company has set as its objective that between 5% and 10% of its Zara clothing items should belong to the Join Life program, which englobes pieces of clothing elaborated from sustainable raw materials.

Another great operator which has joined the close the loop wave is C&A. Until now, it had focused its efforts for sustainability in the employment of sustainable materials such as organic cotton, the firm being one of its main consumers on a global scale. Last year, the Dutch group started to sell a collection of t-shirts under the name of Cradle to Cradle, certified by the Cradle to Cradle Products Innovation Institute and that, according to the company, are articles which can go back to the production cycle once they have already been used.

Among pure players, Zalando is the one that takes the lead in this matter. The brand has allied with the start-up accelerator Fashion for Good with the purpose of seeking talent to collaborate in the development of initiatives linked to circular economy in the fashion business, as well as making them scalable.

As for footwear, one of the benchmark companies is Timberland, property of the VF behemoth. The firm, specialised in outdoor footwear, launched in 2017 its first collection hand in hand with Thread, which elaborates thread from PET plastic bottles, and will start this year a line of boots with soles made from old rubber tires.•

Enric Carrera

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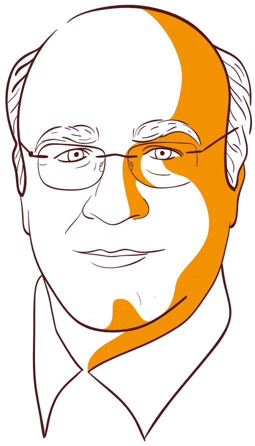
"FAST FASHION IS A FRIVOLITY FROM THE POINT OF VIEW OF RESOURCES"



There are constantly more huge fashion companies researching and developing new materials.
Why now?

The pressure of consumers regarding this matter started to be concreted not long ago, and fashion companies move in relation to social demands. The research of new materials is a phenomenon consolidated in the worlds of health and alimentation, but in fashion it has just started to appear. It is even a necessity for companies that want to be more competitive.

Is this huge commitment to sustainability related to the rise of oil prices and their impact on polyester?

I don't think so.The phenomenon is a consequence of excessive consumption of resources based in the fast fashion model, which has entered a crisis because the environmental impact is unbearable. During the last fifteen years, the production of textiles has approximately multiplied by two on a global scale and when users get rid of clothing items, they have used them 36% times less.This generates an enormous quantity of waste and requires a new culture of fashion based on more rational principles. The emission of greenhouse gases from the fashion industry is greater than that of the maritime and aviation transports put together. Fast fashion is a frivolity from the point of view of resources.

Has the world of cheap raw materials come to an end?

Yes. Prices will go up.The moment cotton consumption grows, the tension in the agricultural world will grow too because they will have to choose whether to cultivate cotton or food.This will generate chaos and an increase of prices.

Which global reserves of raw materials run the risk of depletion?

Mainly cotton. Perhaps not of depletion but of not being produced at the rate required by the demands. The majority of fibre consumption on a global level is constituted by cotton and polyester. It is funny how when talking about sustainability, natural fibres are recommended instead of artificial ones. But careful, if we elaborate an item that has to be ironed, the energy consumption during its lifetime grows exponentially. We have to rethink about fashion designs in eco logics that include all lifetime.

The scarcity of raw materials can exhaust the fast fashion model?

It is a matter of doing numbers: it is calculated that by 2050 the world's population will be twice as it is now. If we want people to continue consuming at

“We have to rethink about fashion designs in eco logics that include all lifetime.”

the same level as of today, we must have twice as sheep and extract twice as oil for the production of chemical fibres. But that is impossible, because the planet cannot stand it. The textile industry will have to go from a lineal model of economy to a circular one. Raw materials will have to be the same textile articles which will have to be recycled. Hyper-consumption will have to go downwards and 40% of the sector's CO2 emissions will have to reduce, prolonging the lifetime of clothing items.

Can fast fashion be sustainable?

The direction is circular economy. Without it, it will be unsustainable. Africa has already stated that it will not accept second-hand clothing from Europe, and so the countries will have to assume their own textile wastes. A huge quantity of tonnes that were previously sent abroad, will now have to stay at home.

If a company decides to invest in being more sustainable, where should it begin?

Redesign the product. All this change of model leads to redesign the product keeping in mind its whole life cycle. To the message of 'new is good', answer 'old is good'. We must think about what is done with an item once its lifetime is over. Its reinsertion in the production system could be facilitated if only one fibre is worked with. However, if fibres are mixed, there will be required more surface and workforce, although technologies such as near infrared could help speed up the process.

Which are the most common difficulties for brands in terms of new materials?

Regarding organic cotton, for example, the production is sadly very small. It grows more day by day, but it is still low anyway. The cultivation of organic cotton has less yield per hectare, thus there cannot be proposed a total substitution of conventional cotton for organic. In some regions, due to apparition of plagues, it is not even possible to think about its cultivation. Another common problem is finding fibres with environmental quality guarantees.

What professional profiles are required to start researching new materials?

Textile engineers and fashion designers who have sustainability principles incorporated. Right now, a design that does not incorporate a sustainable dimension is disregarded.

How many years will it take to find innovative materials that can be introduced in the distribution chain?

This does not work as with medicine, because it does not follow the same logic. It does not need to be a long process. One of the research lines now is the cottonisation of hemp. Agricultural fibres or materials made from a cellulous base, like banana plant and corn, are also being used for two things: one is taking advantage of their cellulous to build a chemic fibre like Lyocell. The other is to use these fibres with the help of a chemical treatment so that they look like cotton and can be mixed with it. This is already being done and, in a couple of years, we will clearly see the direction it is taking. In any case, there is still not enough pressure regarding the lack of fibres so that this becomes generalised.

Companies like H&M have taken a stake in sustainable and recycling start-ups. Why?

They act like this, investing in small companies, to minimise risks if research goes wrong and also to avoid problems. It is a similar strategy to the one that can be followed by any industrial sector, with a small-scale test.

Will circular economy be possible in fashion?

There is no other way. It is an urgency that arises from future scarcity and the increase of resource prices.

Is sustainability favouring a change of mentality among entrepreneurs?

They are aware that there is something they need to do, although for the time being they still have a wait-and-see attitude. •

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GFD

#6

FASHION'S CAKE: SMALLER AND LESS PROFITABLE

#6

Fashion's cake: smaller and less profitable

Fashion is confronting a new paradigm. Once the economic crisis has been overcome, fashion business' titans are now facing red numbers in their accounts, with sales, margins and benefits going downwards. The cause is a perfect storm that affects both retailers and pure players who sacrifice rentability in order to stay competitive. A threat of global economy deceleration, added to a change of consumer preferences who prioritise expenses in other categories of products such as technology or travelling, are altogether making fashion business' cake smaller in developed countries, where the sector's giants concentrate in many cases most of their sales. This global context is also joined by the sector's own transformation, which is adjusting at an accelerated pace to a new background characterised by speed and by a new balance of distribution channels. "The period of strong growth has ended", sentenced Euromonitor in a report on fashion's global market in 2017. The company estimates an annual growth of 2% for the whole sector, although with drops in key sectors like women's fashion.

29%

The pressure to maintain low prices has made companies like Primark or Inditex have their margins affected by the negative impact of exchange rates

In 2017, three out of ten of the biggest companies in the business have reduced their benefit, two out of ten have reduced their gross margin and 19% have reduced their volume of business. That is fashion's new normal: smaller and less profitable. The loss of rentability is a structural change that has affected even the sector's king, which until not long ago seemed immune to the crisis its rivals were going through. Since 2011, Inditex has reduced year after year its gross margin: if during 2011 it was reduced a 59.3%, in 2014 it descended to 58.3% and in 2015 it was settled at 57.8%. The company has also moderated growth in the last fiscal years, going from rises of the 12% in sales and 10% in benefit in 2016 to rises of the 9% and 7% respectively in 2017.

One of the perpetrators of this worsening of rentability and growth ratios is the evolution of currencies, and mainly the strength of the dollar. Experts point other factors out too, like climatology (which is weighing down all sector's accounts), or the commitment to online channels, due to the fact that the profitability of online sales is lesser than that through physical channels. The number one fashion distributor has been preparing its logistics structure for five years, integrating both channels to fight this effect. "Online sales do not dilute benefit and do not have inferior margins than the group's global activity," said Pablo Isla when presenting their annual report of 2017. The peak of this transformation was announced already in 2018, when the firm revealed that by 2020 it will sell online in all the world's the countries, whether they have physical presence there or not, with which it will become de facto a pure player with physical stores at online service.

Three in ten companies from the fashion business are currently less profitable than a year ago.

The second biggest group of fashion distribution, H&M, has arrived late to this transformation. The Swedish titan started an action plan last year, after closing a fiscal year which the very own Karl-Johan Persson, managing director, titled of "disappointing". The company's profit has been going downwards since 2010, when the enterprise lowered its prices to face the increase of competitors. The group decreased its net profit a 13% and raised its sales only a 4%. Its gross margin has gone from 60.1% in 2011 to 54% in 2017. Persson justified the decrease due to "the sector's transformation". According to the executive, digitalisation "is presenting many challenges, but we believe we are well positioned to adjust to the new dynamics and take advantage of the opportunities in front of us." In that sense, he pointed out that part of those opportunities were focused on the continuation of earning market share: taking more pieces from a smaller cake.

The number four of fashion distribution, Gap, has not been able to avoid the fall of its global sales either, although it has managed to bounce back its margin after years immersed in a deep restructuring plan. The company's profits have gone from 36.2% in 2011 to 38.26% in 2017. Benefit, on its part, raised in 2017 for the first time in three years, although sales only grew a 2.2%.

LUXURY, THE FIRST VICTIM

As it already happened with the arrival of the crisis

Fashion's cake: smaller and less profitable

in 2018, luxury has become once more one of the first victims of this trend. In 2017, titans like Chow Tai Fook, Ralph Lauren, Burberry, Armani and Prada, some of them immersed in a restructuring plan, shrank their volume of business.

Hong Kong's jewellery titan, for instance, shrank 9.5% of its sales weighed down by Macao and Hong Kong's deceleration, whereas Prada, with a downward tendency since 2014, had to postpone its objective joining the path of growth in 2017.

Department stores are another one of the sectors impacted by sales deceleration. Companies like Macy's, Sears or JC Penny reduced one more time their income last year, although their benefits started to recover.

Among the fashion distribution giants, Esprit led the fall in 2017, with a decrease of its income of 10%. Mango closed its fiscal year with a downward tendency too, with a fall of 2.9%.

The rest of titans have managed to keep their sales upwards thanks to new openings, although either comparable sales have been affected, like in the case of Primark, or they have slowed down their rate of growth, as it has happened to Nike, Inditex or L Brands, all of them with rises of only one digit.

PRICE WAR AND INVESTMENT DROWN RENTABILITY

The decrease of rentability is extended towards all subsectors of the fashion business, large distribution, cosmetics or pure players. Investment in digital transformation, the impact of exchange rates and price wars have weighed down the net result of the sector's main companies. At least four of them, as the unlisted ones do not always communicate their benefit, have had losses last year: Ebay, Coty, Mothercare and Clarks.

An e-commerce firm like Zalando, for instance, justified their fall of 23.6% in its net result because they believe that "investing in growing our market share now is the value-maximizing strategy for the company." The firm also reduced their margin as "the result of a strong focus on revenue growth and continued investments in our consumer experience, brand position and expanding infrastructure."

The loss of rentability has also reached children's

Almost two out of ten players have started restructuration plans to recover the path of rentability

In 2017, a 17% of players started a plan of cost containment.

fashion, affected too by its own internal crisis due to the apparition of new competitors and the fall of birth rates in mature markets. Many of this segment's companies have an over-dimensioned retail network which has ultimately weighed down their benefit. That is the case, for example, of The Children's Place, the second biggest company of the sector, which foresees closing 300 stores by 2020 after shrinking its net result a 17.2% last year. In 2017, five out of the ten biggest players of that sector reduced their margins.

Estée Lauder is also immersed since 2016 in a process to reduce costs, a process which implied around 132 million dollars in restructuration expenses last year. In the framework of this plan, the brand reduced 12% of its net result in 2017. Other cosmetics titans decreased in rentability too, like Shiseido and Beiersdorf, with falls of the 29.2% and 5.2% respectively. The digital transformation process, with the consequent investment on logistics network and infrastructures' transformation, as well as the costs derived from store closures, have also weighed down the rentability of other companies like Wolverine, which lowered its benefit a 29% last year. Other footwear titans like Skechers and Steve Madden also closed the last fiscal year with a downward tendency.

In parallel, many companies, particularly the British ones, were impacted by exchange market. That is the case, for example, of Sports Direct, which lowered 58.7% of its earnings after the devaluation of the British pound. To this context is also added the pressure, in almost all fashion's subsectors, to keep low and competitive prices. This factor, therefore, stops players from shifting the impact of exchange rates towards the consumers.

That is the case of the low-cost king Primark, property of the British group AB Foods. The gross margin of the chain peaked in 2014, when it was placed at 13.4% of sales. Since then, that ratio has been shrinking progressively, until becoming a 10.4% in 2017. The firm has blamed this decrease on the dollar's strength, to which in 2017 was added the devaluation of the pound sterling after the Brexit referendum. However, Primark insists that it will not transfer this impact to its prices. "Our determination to be the best value on the high street drove the decision not to pass on to our consumers the higher input costs arising from sterling weakness against the US dollar", explained the corporation in their annual report presentation.

The pressure of price competitivity is also transferred to e-commerce giants such as Asos, which kept in line its gross margin but explained that "price investments in the US, Europe and some RoW territories were offset by a higher full price mix." Besides, the online player explains that its objective of EBIT margin at 4%, below the sector's average, allows them "to innovate and invest much harder and faster than our competitors."

REDUCTION OF COSTS TO RECOVER RENTABILITY

With this aim in mind, many brands have started plans to contain expenses and offset sales decreases so as to go back to rentability. In 2017, 17% of players started a plan of cost reduc-tion, and another 17% reduced significantly its global workforce.

That is the case, for example, of department stores, which in 2016 were the leading sector in sales and benefit decrease and which, after implementing huge transformation plans, have started to change their course. One of the hugest ones was that of Macy's, who at the begin-ning of 2017 announced the biggest cut since the crack of 1929. The firm's plan contemplated closing almost a hundred stores in the following three years and firing 10,000 people, 7% of its personnel. At the end of the fiscal year, the company started to harvest the fruits of this reorganisation and, although sales continued going downwards, with decreases of the 3.6%, their benefit multiplied by two.

Other groups like Kohl's, Nordstrom, Sears or JC Penney started to shift their course and recover their benefits, although maintaining huge decreases of sales. The one which has not been able to revert this negative tendency is the British Marks&Spencer. It has lowered the net profit a 75% despite having an action plan going on with which the brand predicts to save thirty million British pounds each year. •

Stefania
Saviolo

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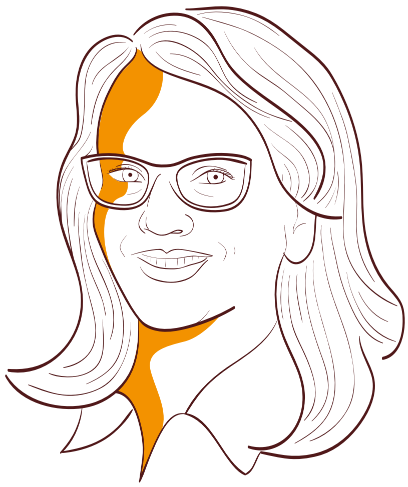
"FASHION'S FUTURE DEPENDS ON THE CREATION OF OLIGOPOLIES"



Is the world's fashion market becoming smaller by the day?

No. Although it is true that some categories of product and companies are not going through a good time, it is also true that sales channels like e-commerce exist and that they are making the sector more dynamic. Some huge growth drivers are China and the digital environment, where pure players like Amazon are entering fashion, whereas numerous Chinese firms that were previously only producers are now developing in-house brands or acquiring European and US companies. I think these two factors will make the global market more dynamic.

Does the sector's future depend on the concentration of players?

Yes, the creation of oligopolies, with a few conglomerates monopolising the bulk of the market, is the future at least for the luxury sector. Creating hype and innovation is becoming something more difficult every day and the industry is not the same as it was twenty years ago, when great creators and ways to understand design were coming up constantly. There is a lot of competition for the same consumer profile.

Inditex is not increasing its sales as much as in previous year and H&M is in the middle of a great transformation. Why have they stopped growing at the same rate as before?

In fashion, novelty is everything. If you consider that people buy articles they do not need, then all must be linked to hype and being inspiring. Large distribution is being pressured by pure players in some markets, like in the US, where some young brands are selling much more attractive concepts for the millennial generation than traditional fashion players. In terms of digital experience, large distribution companies are already falling behind and trying to update themselves at an accelerated pace.

What else have retailers failed on?

H&M and Inditex's model was fantastic and innovative twenty years ago, but now it's becoming obsolete. Fashion is a benchmark business, an intangible good: with thirty degrees in full September, consumers do not go into stores, and the season to sell full price is becoming shorter by the day. That is where the logic 'see now buy now' comes from, and the moral that one must not have thick jumpers on one's shelf in September if it's not that cold yet.

“The companies that are becoming obsolete are those with no vision for the future: what seems to be successful nowadays is a mixture of channels, committing to experience and reactive business models”

Big retailers are also seeing their margins pressured downwards. Is that a reversible tendency?
In order to raise their margins, business models with huge structural costs are the ones that have it the hardest, especially in a time like this where demand is really hard to predict. In every industry, there is always a time when models become mature, the sector saturates, and new disruptive business appear revolutionising the market. But now these processes happen in a much shorter period of time. What cosmetics companies like L’Óreal and Shiseido are doing is acquiring the indie brands with great potential that show up in the market.

Does the solution depend on closing more physical stores?
In general, there are way too many stores in the market, taking into account that the decrease of traffic is already a reality for many retailers. If between 10% and 20% of their demand comes from e-commerce now, their stores’ network should be reduced according to the same magnitude. Besides, the mission of stores must change, leaving aside selling and becoming an experiential place that is interconnected without frictions with the digital world.

Is e-commerce the only lever in which large distribution can hold on to in order to grow?
More than simply e-commerce, companies must truly become digital. Only selling clothes does not attract people to stores anymore. Although physical shops are not going to disappear, retailers must connect much better the experience they offer on the web with the one granted in the brick. Consumer journey already indifferently integrates online and offline experiences, and the points of sale must do the same.

Will fashion stop to be cheap in the future?
Primark is a history of success thanks to the reduction of prices. There will always be someone selling cheaper than you. That being said, in order to raise your prices, you must improve the product, and justify to consumers that the quality you are selling now is better. Nevertheless, with customers used to a context of permanent discounts, they will always have the expectation that lower prices are coming. Perhaps instead of increasing prices, what I would say is essential is to stop selling so much off-price.

Are we going towards an ultra-fast fashion or a slow fashion?
Both of them. Younger generations will always be more attracted to fast fashion, the newest products. Probably, another possible and viable business model for fashion players is the production of artisan products, directed towards a smaller and more specific audience. Consumers today are very heterogeneous. We must not forget seniors: they have the highest purchasing power and a twenty years of life expectancy after retiring. For them, slow fashion could be an option.

What business models have become obsolete today or require a transformation?
Here I like to quote Darwin: “it is not the strongest of the species that survives, it is the one that is most adaptable to change.” And that applies to companies too. Gucci and Moncler, for example, have gone through top moments and low ones, but they continued transforming. Companies which are becoming obsolete are those with no vision for the future or reaction to change. What is successful nowadays is a mixture of channels and a reactive business model. •

Stefania Saviolo’s areas of research are internationalisation and competitiveness strategies in the fashion sector and label management. The scholar, an Economics graduate at Bocconi University, has published a long list of analytical works on luxury.

GFD

#7

COMMERCIAL MIX BETWEEN EXPERIENCE AND 'CLICK'

Less but different stores. That has become the new slogan for fashion distribution giants who toss their distribution networks around and try out new formulas to adapt to a new stage in which retail, at least by itself, is no longer the king. A change in the habits of consumers, the advance of e-commerce and the generalised drop of sales, added to the oversize of retail networks in countries like the United States, have motivated many companies to start readjusting their sales strategies. In 2017, 36% of the sector's biggest players reduced their trade net or closed their points of sale. Altogether, stores continue being one of the expansion motors for companies and, whilst they close non-profitable ones, they continue opening others and experimenting with different models. In 2017, six out of ten companies opened their own stores, in line with the previous year's data. Although no one seems to know for sure which will be the format of the 'future store', the sector's titans are polarised in two models: experience ones, with services and activities and in which labels weigh more than sales per se, and convenient establishments, with barely no customer service or online store service. Nevertheless, they both have something in common: their bet is on omnichannel strategies.

36%

Is the percentage of companies which closed stores down or reduced their distribution network in 2017.

Practically one in two big retailers implanted in 2017 tools to improve omnichannel strategies such as 'click and collect' or virtual fitting rooms

Two of the biggest fashion distribution companies which for years have resorted to store openings in order to promote their expansion, have already started this transformation. Inditex has been doing it since 2012, although it did not communicate it until last year. During the last five years, the firm has shut down 1,045 stores, launched 2,994 new points of sale, reformed 1,241 and expanded 907. In total, the firm has transformed 80% of its commercial surface in five years.

The last trimester of 2017 was the first in its history which registered a negative number of openings, and the tendency was maintained during the first trimester of 2018 too, which ended with 27 stores less.

Altogether, the brand continues increasing its total commercial surface due to the opening of larger establishments. For the fiscal year of 2018, the company predicts to increase a 7% of its commercial surface.

In September 2018, Pablo Isla, president of the firm, announced his intention to take all the chains' e-commerce all around the world by 2020 whether or not they have physical stores opened there. Although it does not compute for the analysis of this Global Fashion Driver because it was communicated in 2018, the announcement is key for Inditex's retail reorganisation, in which stores are thought to be at online service.

Nevertheless, even under this premise, the company's points of sale pivot between experience, with flagship stores in the main streets of the world, and convenience, with ephemeral stores dedicated only to online orders like in London, Tokyo or Milan. The company has already started to try out integrated samples of both concepts: in London, the firm opened a flagship model with an area dedicated only to e-commerce.

H&M, on the other hand, started a plan of optimisation for its stores' network in 2017 in order to adapt to the impact of digitalisation. In 2017, the company opened 479 stores and closed 91. In the face of 2018, the group predicts to open approximately 390 new stores and close 170, with which net openings would ascend to 220, contrasting with the 388 of last year. In parallel, the brand continues promoting its expansion through online channels. In 2017, it entered eight new markets with specific platforms, and so its commercial online network entails 43 countries as of today.

Furthermore, the company announced at the end of the fiscal year, an alliance with Tmall, property of Alibaba, to take its labels H&M and H&M Home to the platform where, until know, it only operated with Monki.

DEPARTMENT STORES, THE SPEARHEADS OF RETAIL APOCALYPSE

The first sector in which the so-called Retail Apocalypse impacted were department stores, especially in the United States. The advancement of giants like Amazon highlighted the weaknesses of those players, who had financed their widespread retail networks with a bulging

debt. The United States has, in fact, the best commercial surface rate per capita in the world, with 7.3 square feet (0.68 square metres) per person, contrasting with the 1.7 square feet (0.16 square metres) per person in France and Japan. Macy's, the biggest fashion retailer in the United States, was one of those that had to do bigger adjustments. Concretely, the company closed 68 stores down in 2017. In parallel, the brand is trying out new ways to profit and actualise its commercial park.
Amid the battery framework presented during 2017 to gain rentability again, are the introduction of spaces dedicated to gastronomy in some of its flagships.
Furthermore, the leviathan has introduced new technologic tools like virtual mirrors and it is also taking a chance on articles distributed exclusively offline to promote traffic.
Sears, today on the brink of administration, is another of the most hurt companies by Retail Apocalypse. Throughout 2017, the North American department stores enterprise closed 428 centres down, 303 of which belonged to Kmart, and the rest of them to the chain named Sears as well. These closures are added to the 280 realised in 2016, and again in 2018 the brand anticipated one hundred more closings during the first semester of the fiscal year.
In parallel, the company started to try out new store formats, smaller and closer to urban centres, and to introduce new interactive technologies in their points of sale. But the trend also expanded to other countries and international players such as the British Marks&Spencer or the Japanese Isetan, who have also adjusted their retail networks and have started to try out new models for their stores.
In general, about 47% of the sector's large enterprises launched in 2017 new tools to improve omnichannel strategies, and 21% tested new commercial formats.
H&M, for example, started to test the function 'scan and buy' in its stores, with which clients can buy in shops directly through their smartphones, at the same time that the Spanish Mango introduced in its flagships a battery of technologic tools like virtual fitting rooms.

About 14% of the sector's big companies, among them Prada, Puma and Victoria's Secret, opened new outlets throughout 2017

In cosmetics, L'Óreal put omnichannel strategies in the spotlight by means of settling an alliance with the marketing consultancy Emarsys.Through this agreement, signed in September 2017, the French group aspires to promote personalisation in its communication with millennial consumers and the youngest audiences in China.

AND HOW DO PURE PLAYERS APPROACH RETAIL?

And how do pure players approach retail? In the transformation of distribution networks, pure players have traditionally been considered as the neutral winners: they are digital natives not weighed down by retail. But what if even Amazon needs stores? The American giant gave a step forward in its offline commitment during 2017 through the purchase of the supermarket chain Whole Foods for 13,4 billion dollars. Besides that, the company continued promoting its own network of supermarkets AmazonGo, where there are no shopping assistants and the purchasing process is automatized. The brand considers opening 3,000 new points of sales of this kind in the United States alone by 2021.

In China, the two digital commerce titans have taken a chance on brick. Alibaba bought in 2017 the shopping centre group Intime for 2,6 billion dollars. A few months later, the company took a step further with the opening of its first own physical store, in which the brand included the offer of some of its platforms, like marketplace Taobao. As well as Amazon, Alibaba is also being supported by food distribution to test its so-called new retail strategy. Concretely, the brand is being supported by its supermarket chain Hema to try out new omnichannel tools, like scannable codes that give all the information about supermarkets or offline purchases by means of using the phone. Its main rival, JD.com, is also being supported by physical channels, mainly to offer services like better deliveries or post-sales attention in China's rural areas. Nowadays, the firm has opened almost 2,000 establishments of this kind. JD.com has its own supermarket chain too, which amount to 500 points of sale all around the country. In Europe, Zalando has been the only pure player who has tackled offline sales. The company took its first street steps in 2015 and currently counts with five points of sale, all of them in Germany. Zalando has explained that they contemplate offline trade as a useful complement of their online platform.

Furthermore, the brand has signed deals to promote omnichannel experiences, and back in 2016 it signed an alliance with Adidas to take the stock in their physical stores to the web, which notably fastens delivery timings. In total, two out of ten retailers committed last year to grow hand in hand with marketplaces.

Two out of ten companies took a chance on growing in 2017 through the entrance to pure players such as Zalando, Asos or Yoox Net-a-Porter.

FRANCHISES DECLINING

Whilst retailers close stores down and experiment with new formats in their own shops, what happens to the rest of formats? The interest in franchises, for example, has collapsed in 2017, seducing barely 24% of players, and contrasting with the fact that almost half of them developed stores with other partners last year. The number of fashion actors that have grown hand in hand with department stores has also descended: only 22% of the companies took a chance on this format, and back in 2016, 39% of them did. Instead, the commitment to online multi-brand platforms like Amazon, Tmall, Asos or Zalando grows: 26% of the analysed enterprises grew with one of these players, contrasting with the 13% gathered in the last edition of the study. Inditex and H&M, for example, expanded their chains in Asos, Zalando and Tmall, whereas luxury continued to bet on ModaOperandi or Yoox Net-a-Porter. The latter is usually the chosen partner of high-brand titans not only to sell online but also for the development of their own web platforms, as it happened last year with Valentino.

Lastly, outlets, which are incorporated for the first time in the analysis of Global Fashion Drivers, seduced 14% of the sector's companies, especially North American ones. •

Lluís Martínez-Ribes

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"ZARA'S RIVALS ARE NOT C&M OR H&M, IT IS SPENDING FREE TIME WITH FRIENDS"

Store experience is talked about as if it was something that never existed. What sort of experience should be offered?

Experience exists since the Jurassic period. When someone says that the client must be given experience, it means that they do not really understand how it works. In stores, you can experience from weariness to joy or slowness. The establishment should actively think about what kind of experience it wants its clients to live, and the key is in making the brand's DNA be sensed all around. It cannot be the same one for Massimo Dutti than for H&M or Desigual. If the brand does not have a clear DNA, the chief client officer will go nuts. Consumer experience must be the brand's reflection, but if it does not know which role to play in the client's life, it will only be able to follow trends. A fashion company must have its very own philosophy.

Has Amazon exerted pressure for international retailers to transform their stores?

What is clear is that omnichannel strategies exert pressure. The store regarded as a space where to hang tagged clothing items is no more than a storage without dust. Points of sale must promote imagination: Zara is more capable of inspiring imagination in its e-commerce than in its physical stores due to the images of models by which the purchasing process is surrounded. On the other hand, I do not believe in omnichannel strategies, and I think of them as a song appropriate for eleven years ago.

Tell me about three technological innovations that are a priority for physical stores.

If you want to put a virtual fitting room in Zara, you may as well keep it to yourself, because there is such a queue to try something on at rush hour that most clients go directly to check-out and try it on at home. What clients are interested in is to be ridden of annoyances. Zara's rivals are not C&A or H&M, it is spending free time with friends. More than technological innovations, the priority of stores is accepting once and for all that reality is already on-off, we do not distinguish being online or not. There must be an umbilical cord between physical stores and e-commerce through formulas like QR codes, which set bridges between the physical and digital worlds. Buying is disregarding. The most comfortable thing is to order online, receive the package at home, try it there and then decide whether to keep it or give it back.

Sometimes stores which are the same as fifteen years ago still work, and techie points of sale do

> **"I do not believe in omnichannel strategies, and I think of them as a song appropriate for eleven years ago [...] the priority of stores is accepting once and for all that reality is already 'on-off', we do not distinguish being online or not"**

not sell. Why is that?

Beyond technology, if clients are told a story about a shoe or a clothing item and it thrills them, clients will automatically like it and therefore buy it. If my size is not there but it is available in the web, I will go and get it. Sometimes area managers of fashion brands ask me why, in places with identical pedestrian traffic, there are stores that work and stores that don't. Then I ask them if they have stopped and measured the walking speed: if it is a pedestrian street for walking around or it is a transit area to go to work. Not only quantitative factors determine whether the business works out or not.

Is the retail on-off formula applicable to franchises?

Franchises are a model of growth where instead of investing yourself, it is franchisees who invest. If it is a powerful 'know how' franchise model, it can be a very good formula to do business. It is a win-win situation, although franchisees always have to be convinced that your strategy is the right one. In any case, franchise does not mean creating a mould and making all stores the same.

Are franchises managed by local partners still the better way to approach faraway markets like the Asiatic one?

Normally yes, but with one proviso. The brand must have a stable DNA and be interculturally valid and appealing. When you land in a new country, you must adapt its 'look and feel' so that when a store is opened in a place where people do not know about it, they do not see it as an invasion.

After the irruption of e-commerce and pure players, does it make sense to enter a new market directly
with physical stores?

When you do not know about other cultures, you should enter them discreetly and learn. If you sell through a third party and they do not know about the behaviour of local consumers, it will be harder to advance in the territory. Mr. Amancio Ortega is a wise man and he says that the best way to reinforce a label is through stores. The more activated senses the consumer has, the bigger will the persuasion of a brand be. Once you have learned the essentials about the culture, then you can use the web or the franchise accelerator and propose it as an on-off retail.

What aspects have gained importance in fashion retail?

What is becoming more important is what cannot be seen, inverse logistics. The client returns an order to Zara and the brand will do with it what it can. One of the challenges related to this for retailers is doing this process with few expenses entailed. The purchasing process needs information: the look is an input, but so are smell, tact and price. If the way in which clients can scan a tag through their phone and obtain all the information they could ever want already exists, then it must be used. The thinking method for retailers today is that the client buys with arguments and he or she wants as less annoyances as possible.

Nike and Diesel simplified their global distribution reducing the number of clients in multi-brands. How does this measure benefit them?

There is an important matter here: complexity generates expenses and simplification helps reduce them. If you take a look at Apple, you will see how it has a short range of products. A company with a huge range, unless it is very systematised, generates many expenses. Easyjet has only one model of planes. Its personnel are only trained for these planes. Specialisation improves rentability. •

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GFD

#8

BIGGER SIZE TO COMPETE

#8

Bigger size to compete

A piece of cake smaller by the day, more players to share it with due to the increase of competition, the volatility of consumer preferences, a business which requires larger volumes every time and, in definitive, larger sizes to generate economies of scale. These factors, among others, caused 2017 to score records regarding the number of corporative operations. Concretely, almost a third of the sector's enterprises took a stake in another company, contrasting with the 13% of the companies which led the main role in corporative operations from 2016. Among the hundred analysed brands, 3% got a new owner in 2017, whereas 2% hung the 'for sale' sign. Fashion, footwear, cosmetics, luxury and industry: the main corporative operations of 2017 practically tapped on all fashion business' segments. Altogether, an uncertain and changing context caused some companies to draw back from their sales processes or initial public offerings waiting for the situation of markets to be more optimistic in order to take a step forward: concretely, 2% of players cancelled or postponed processes of that kind.

30%

Is the proportion of the corporations which have taken a stake in another company during 2017.

Latin America concentrated big part of the corporative operations that took place during 2017, with protagonists such as Liverpool, Alpargatas and Natura

Latin America was one of the protagonists of corporative operations in 2017, both for the purchase of international competitors as for the integration of local rivals. The acquisitions of Suburbia, The Body Shop and Alpargatas were three of the biggest operations regarding cost. Liverpool, the Mexican department store company which sums up more than a hundred stores in its country, completed in March 2017 the acquisition of the fashion chain Suburbia, until then property of Walmart. The corporation, directed by Graciano Guichard Michel, disbursed 15,7 billion Mexican pesos (833 million dollars) to the retailer, which operated in 120 stores at the time the transaction was settled.

Walmart had controlled Suburbia's path during the last 46 years. The United States enterprise's sale of the chain was framed in an investment program that also made the firm get rid of Vips and Walmart Bank. After the purchase, Liverpool controls the chain that has its same name, Fábricas de Francia (France Factories in English) and Suburbia, as well as twenty-five shopping centres and a dozen duty free stores.

Last year, Liverpool was close to sealing the deal in another great corporative operation from the Latin American market. The brand was having negotiations with Ripley since the middle of 2016 in order to launch a takeover bid directed to the Chilean company. After the extension of the takeover in two different times, both companies ultimately decided to step back from the operation due to changes "in the geopolitical and economic environment of the countries and the markets in which both operate."

Without leaving Mexico, there is another player in the country who had its capital affected. That was Grupo Axo, distributor in the Aztec market of international fashion brands such as Abercrombie&Fitch, Victoria's Secret, Tommy Hilfiger or Brunello Cucinelli, to name a few. The company gave way to the General Atlantic fund into its shareholdings in May 2017, which concluded in their participation of 38% of the total capital. After the operation, the investor group's plans were to promote the portfolio of twenty labels from Grupo Axo and empowering the development of its e-commerce and outlets business. General Atlantic also took a chance on autumn fashion in 2017, when it obtained a minoritarian participation from the US Authentic Brands, owner of firms such as Aéropostale and Juicy Couture. Since then, the corporation has enlarged its business acquisition by acquisition, taking control of Nautica, and Nine West's footwear and purses business.

Within the cosmetics sector, the main role was led by a Latin American brand too. Natura, which since 2016 already controlled the Australian Aesop, enlarged their portfolio by means of acquiring 100% of The Body Shop's shareholdings through a payment of one billion euros. The natural cosmetics chain, which operated with 3,000 stores in 66

#8

Bigger size to compete

countries around the world, was in the hands of L'Óreal since 2006.

In February 2018, to reflect its new nature as holding of several chains, the Brazilian group changed its name to Natura&Co. Nevertheless, Aesop, Natura and The Body Shop continued to sell independently, with their own managing directors and autonomy in their operations as it has always been.

The last huge corporative operation in Latin America also took place in the Brazilian market. The J&F brand, owner of the footwear leviathan Alpargatas since 2015, sealed the deal for business with the fund managers Cambuhy, Itaúsa and Brasil Warrant through an import of 3,5 billion realis. The operation was closed in July 2017 and it meant the change of owner of brands such as Osklen, Topper and Havaianas, the most international one from Alpargatas.

INTERNATIONAL LUXURY CONCENTRATES

One of the most dynamic segments for trade in 2017 was the luxury in the United States. Although the global ranking of high-end brands continues being occupied by European conglomerates, the North American country's enterprises took their first steps to create their own relevant groups acquisition by acquisition, with a positioning half way through premium and affordable luxury and a strong focus on complements.

In May 2017, Coach enlarged once more its portfolio two years after taking control of Stuart Weitzman. The American company signed the purchase of Kate Spade, specialised in purses and complements and with an eminently millennial audience, for 2,4 billion dollars.

After buying Kate Spade, Coach changed its name to Tapestry to reflect its new nature as a conglomerate. In March 2018, the brand named Anna Bakst as new managing director and president of Kate Spade, after the predecessor Craig Leavitt left. The Kate Spade operation was not the only one in US luxury. In July 2017, Michael Kors came out on top and won the bet for the British footwear firm Jimmy

A total of 3% of the fashion companies changed of owner in 2017, whereas 2% started looking for a purchaser, like for example Abercrombie&Fitch, who ultimately cancelled the process.

Brick titans took control over online players to reinforce their omnichannel strategy

Choo. The brand disbursed 1,35 billion dollars to obtain the company, controlled since then by the Jab Luxury fund, which bought 67.77% of Jimmy Choo in 2011 for little more than 500 million pounds sterling.
Jimmy Choo's was one of the most competed operations of the last years, provided that many players showed interest for the firm. In the bid participated, among others, the Chinese fund Fosun, Interparfums (licensee of the perfumery line) and Coach, which ultimately took control over Kate Spade instead.
Another company that also continued its purchase journey through the Old Continent was Shandong Ruyi. The Chinese textile corporation, owner since 2016 of the French SMCP, took control over the British Aquascutum, specialised in gabardines. The enterprise paid 117 million dollars for the ensign of the until then owner, the Asiatic distributor, YGM Trading.
At the end of 2017, Shandong Ruyi sealed other acquisitions of larger volume. Concretely, the Chinese company paid 2 billion dollars for Invista's division Apparel&Advanced Textiles, which englobes brands such as Lycra, Coolmax or Thermolite, to name a few. The operation, whose closure was predicted by 2018, contemplated transferring a workforce of more than 3,000 workers, the brands portfolio and all its industrial assets.
Shortly after Invista, Shandong Ruyi obtained a participation of 51.38% off Trinity, one of Fung Holding's societies which englobes brands like Cerruti 1881 and Kent&Curwen.
Shandong Ruyi's appetite was still not satiated. At the end of November 2017, the textile group signed up its last acquisition of the year: the Israeli Bagir Group, specialised in the production of suits. The Chinese corporation payed seventeen million dollars for a participation of the 51% in the company.

BRICK GIANTS TAKE A CHANCE ON 'CLICK'

In 2017, two huge retailers strongly related to physical channels gained positions in e-commerce by means of using their cheque book. One of them was Walmart, which signed in June 2017 the purchase of Bonobos, a benchmark in the new generation of fashion companies which was born as a pure player specialised in trousers, for 310 million dollars.
After the operation, Andy Dunn, founder of Bonobos, became part of Walmart's digital team.
Previously, the American retail titan had already gained positions in e-commerce by means of other acquisitions, like the pure player ShoeBuy for 70 million dollars; Moosejaw, for 51 million dollars and ModCloth, a transaction whose import did not transcend.
The movement was diametrically opposed to the one realised by Amazon, one of the biggest threats faced by Walmart, and the one which has decreased its market share in the United States during the last years.
The e-commerce leviathan led by Jeff Bezos acquired in June 2017 the supermarket chain Whole Foods for 13,7 billion dollars, thus materialising their incursion in traditional trade.
In Europe, Galeries Lafayette also sealed an important purchase: the French standard of department stores acquired a participation of 51% in La Redoute, specialised platform in distant sales both through catalogue and web. The company's objective was to increase 100% of their stake contribution in a short-term.
After the announcement of the operation in August 2017, Nathalie Balla and Eric Courteille, co-presidents of La Redoute and previous majoritarian shareholders, continue at the head of the company.
Galeries Lafayette marked as their target reaching an income of 5,5 billion for the conjunct of the company by 2020, in comparison to the 4,5 billion it registered then. La Redoute acquisition, the biggest one by Galeries Lafayette since the decade of the nineties, summed up to the pure players' portfolio of department stores, composed also by Instant Luxe, specialised in second-hand luxury articles, and Bazar Chic, also dedicated to online distribution of high-end products. •

Marcus Alexander

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"CREATING SOMETHING FROM SCRATCH ENTAILS MORE RISKS THAN BUYING SOMETHING THAT ALREADY WORKS"

Is fashion today a more attractive sector for capital than a decade ago? Why?

Capital is actively looking for more operations, because money flows in the market and digital disruption favours the apparition of business with high reward potential. In parallel, there exist opportunities in the market to acquire companies, improve their operative methods and sell at better prices. In the past, generating scale economies and creating cost synergies were the greater empowerments for corporative operations, although these last years the disruption in the digital ambit has been one of the most attractive characteristics to awaken the investors' interest.

How do the swings of fashion's strong dependency of consumption influence the attraction of venture capital?

In general, venture capital does not specifically like volatile business nor those in which the financial model implies a lot of debt. For funds, it is much more comfortable to invest in boring business with stable cash flows. Although every time a bargain with a huge reward potential is detected out there, everything mentioned before is set aside.

What type of companies from the sector are more attractive for venture capital: Inditex, Gucci or Marks&Spencer?

For venture capital, sometimes an apparently good brand but in which no changes can be implanted, does not seem attractive. However, they could acquire a Marks&Spencer type, where there is the opportunity to improve business and operative efficiency, promote rentability and shoot up action value, considering that these elements act as fashion drivers. But in the context of a cyclic business like fashion is, even if you try to improve a company, there is always the risk that context and market conditions could change and become bad for selling once the plan is executed. Contrarily, industrial groups are a much more stable value.

What should companies have in mind before being sold or allowing the entrance of a majoritarian partner in their shareholdings?

The determining factor is who pays more. Some Asiatic conglomerates with a lot of cash and which are willing to buy, have chased acquisitions of European fashion companies only for the power of their brand, launching better offers than those provided by private equity. From the perspective of the executive team, there is always the doubt of whether their job will be maintained or if they will preserve some decisive power after the change of owner. Some fashion directives are emotionally involved with their projects in a great extent, and thus they

“In order to sell it, the optimal time is when the company has a solid record of growth on its back and good future perspectives”

decide to set minoritarian participations as one of its sales requirements.

Is there an optimal time to open the capital?

It depends on the type of partners that are being looked for to get involved and the reasons to open the capital. In order to sell it, the optimal time is when the company has a solid record of growth on its back and good future perspectives. In the case of start-ups which seek to enter venture capital, the question is whether the business model can grow fast and be disruptive. Going back to operations sealed by huge Chinese brands, they often acquire corporations about to financially decease, but whose legacy allows to undertake a relaunch of the business with certain guarantees. Some entrepreneurs open their capital once they realise they cannot manage their resources well enough to win size by themselves, without the help of any investor group.

If a fund enters a fashion company and right then sales start to drop, what must be done: withdraw from the capital, inject more resources to try to revert the situation or change the executive team?

First of all, the fund must detect the problem that unchains the decrease of sales. If the whole of the market in which the company runs is equally bad, a change of executive team or more investment does not make any sense. What the fund will do is continuing its operations with the less possible costs and waiting for a new expansive phase to start. However, if the issue has been caused by the executive team’s expenses and their bad decisions, then clearly, they must to pay for the damage caused. Nevertheless, before encountering such a bad state, the representatives of the fund in the management board would have warned about the decline and would have taken measures to fight it.

What fashion sectors guarantee nowadays better rentability?

In any sector, whether it is large distribution or luxury, there can be great opportunities to generate money. It depends on what people are looking for: if they want disruptive business, they will not acquire a boring and established brand. If what they want is a bargain, they will track down the market to find big companies in need. When investing in fashion, it is convenient to understand how the sector works, the importance of the brand’s value and the danger it can imply for business to prescind from a creative director.

What entails more risks for a huge firm: developing a new in-house label or acquiring an existing one?

If I think about companies which have introduced in the market new developed brands in-house, most of them have either failed or have not been able to establish completely. Creating something from scratch always entails more risks than buying something that already exists in the market and that is working well.

How can the trade dispute between the US and China or Brexit affect the market of fashion’s corporative operations?

These phenomena have a great impact on the market. If tariff rates change and agreements on imports are modified, the price of goods coming from other countries will greatly increase. Particularly, large distribution and luxury are sectors with a global and distant supply chain, and so they would be the most affected. Nevertheless, an increase of prices will always affect fast fashion’s consumers more, because it plays within a much narrower margin than luxury.

If you had 100,000 pounds, would you invest them in a fashion company?

No, mainly because unless you are greatly linked to the sector and its game rules, it is a very dangerous area in which to invest. There are people who enter it because they are emotionally involved or because of familiar heritage, but not so much for objective criteria. •

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#9

START-UPS WANTED REASONN: INNOVATION

#9

Start-ups wanted, reason: innovation

The speed of the sector's changes since the apparition of the internet and the outburst of digitalisation and e-commerce has made big brands drift away from conformism. The model business that works today may not work tomorrow. Under this new axiom, international actors are focusing all their efforts into promoting innovation in the core of their teams, as well as to add an external know-how by means of acquiring disruptive start-ups which offer innovative solutions. Concretely, 18% of the companies have created innovation hubs in 2017, whereas 12% have introduced new charges in their organisation charts related to innovation. Likewise, after years of indifference towards the new entrepreneurial generation which comes from digital revolution, international firms have decided to attract those new talents, whether it is by means of launching accelerators and incubators (10%) or directly buying the start-ups in question, something which 7% of the companies did in 2017. Cosmetics and pure players were two of the most active sectors in the hunt for start-ups and the implementation of measures linked to innovation, followed by department stores.

18%

Is the percentage of big companies from the fashion business which have created innovation hubs.

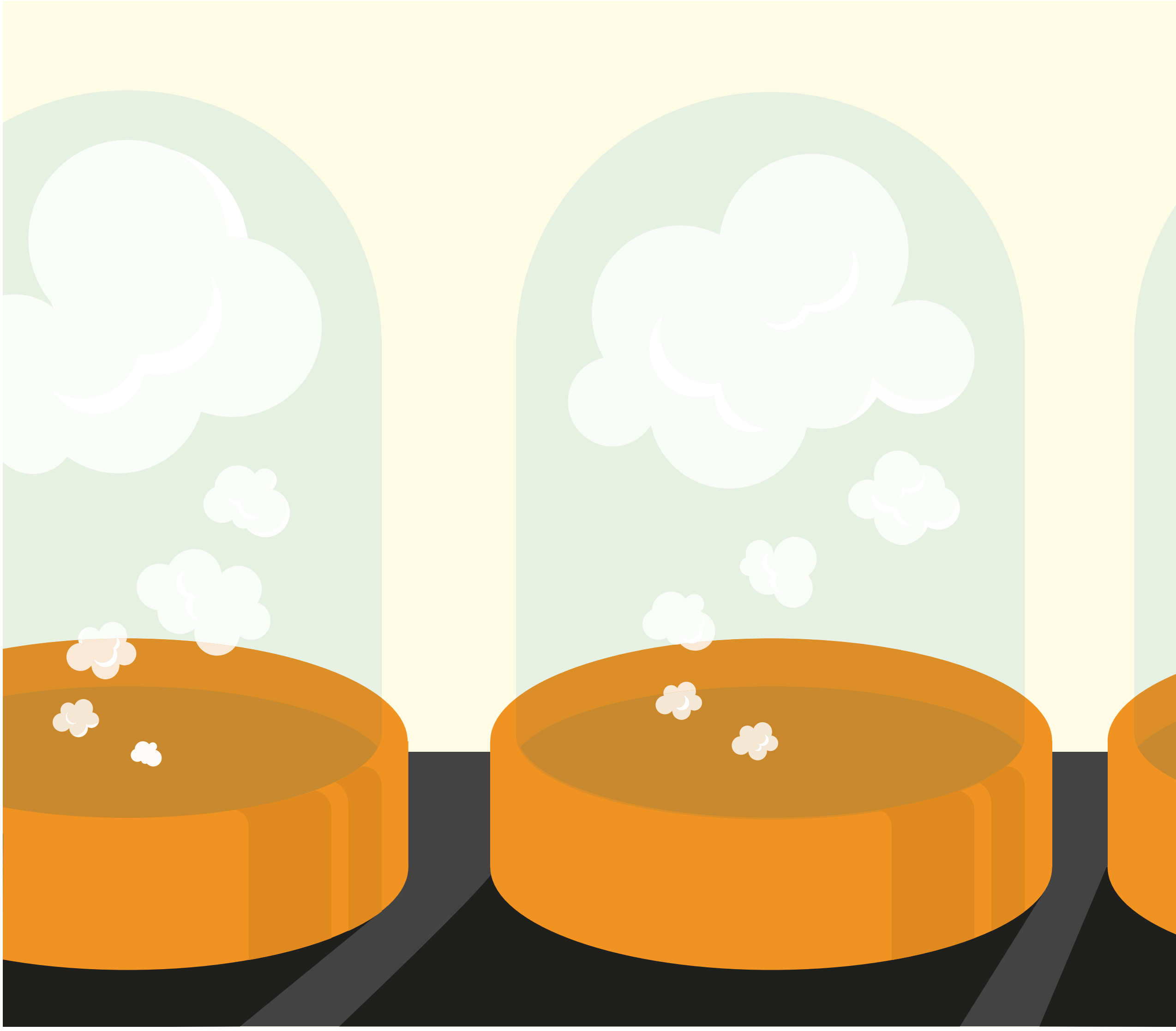
Cosmetics giants have taken a stake in developing companies to capture innovative talent and reach new audiences

After an intense 2016 regarding corporative operations such as the purchase of rivals and emergent brands, cosmetics led the main role in 2017 with several of these operations although, in this occasion, they were generally focused on the acquisition of innovative talent.
One of the top companies following this strategy is L'Óreal. At the beginning of 2017, the French cosmetics titan created an accelerator of start-ups with Founders Factory, a London incubator in which the group invested during the spring of 2016 to become their exclusive partner. The new project promoted by both actors predicts to accelerate five companies every six months, with L'Óreal using its employees' experience in the beauty and marketing segment, as well as opening the doors for the use of their laboratories. The alliance with Founders Factory was produced shortly after L'Óreal invested in one of the vehicles of the venture capital fund Partech International, chasing the goal of identifying companies of recent creation that developed predictive and personalisation tools, and programs of artificial intelligence, amongst other technological solutions. On the other hand, the Japanese Shiseido also saw in disruptive start-ups a way to favour growth and compete in better conditions with the rest of cosmetics players. The brand signed in January 2017 the acquisition of MatchCo, a young company whose business is based on an app that lets clients find out which are their appropriate skin tones. Shiseido's move came preceded by the creation of a fund called Shiseido Venture Partners and equipped with twenty-five million dollars to support the development of incipient entrepreneurial projects.
The German Beiersdorf, on its part, did not choose to buy third companies as source of new impulses. Instead, the owner of Nivea and Eucerin started the works of its new central head office in Hamburg, where about 3,000 employees will work at and an innovation hub will be installed. It is predicted that by 2021 the new offices will be ready and that, a year before, Beiersdorf will proceed to expand its investigation and development hub, which will go from 37,252 square metres to 152,400 square metres of surface.
Avon also started similar facilities to those of Beiersdorf's in Hamburg. Concretely, the North American company chose Sao Paulo (Brazil) for the launch of an international product innovation and development hub. The facilities were added to the complexes with similar characteristics in which Avon already operated in the United States and China. Brazil's choice was not casual: the country is its first market on a global scale, as it concentrates 22% of the firm's total sales.
The family that owns the Puig group, matrix of firms such as Carolina Herrera, Jean Paul Gaultier or Paco Rabanne, among others, also saw in start-ups a strategic value for business. The Puig invested in September 2017 in Vaultier7, a fund specialised in young cosmetics companies, led by Montse Suárez and Anna Sweeting.

E-COMMERCE: DUEL FORT HE BEST SHOPPING EXPERIENCE

#9

Start-ups wanted, reason: innovation



Pure players, most of them being relatively young enterprises, were mostly in favour of taking a chance on companies going through initial stages of development. Zalando was one of the most active e-commerce groups last year. In May 2017, the firm joined forces with Parcify, the Belgic start-up of order delivery by means of geolocation, to do a pilot test for three months with the purpose of fastening last mile deliveries in cities like Brussels, Ghent and Antwerp.
A few months later, in September 2017, Zalando launched the platform Build with the objective of accelerating companies oriented towards the offer of solutions and functions to personalise consumers' shopping experiences.
The first start-up to join the project was the Israeli Bllush, which connects images from social networks to Zalando's online store and was firstly tested on the sports fashion segment. Size, style and aspirational content were the most relevant areas for Zalando and in which Build focused its market trace.
Amazon also had an active fiscal year in terms of innovation. The United States' web behemoth launched in the summer of 2017 its SellerSupport Hub in the south of Europe, in Barcelona. It is a multilingual hub that gives support to small and medium French, Italian and Spanish companies which sell their products through the Amazon Marketplace program. Likewise, the group led by Jeff Bezos patented at the end of that same year a smart mirror which combines both virtual realities and augmented ones. The tool lets clients try on clothes virtually without the need to move from the spot.
JD.com, one of China's e-commerce kings together with Alibaba, opted to launch a start-up accelerator to promote the development of new technologies linked to artificial intelligence and blockchain. JD.com's commitment to innovation was also materialised through an alliance with the retail division Fung Group, one of the biggest corporations of textile production and distribution in Asia.
The alliance between JD.com and Fung contemplates the development of an end-to-end system for retailers in China and the rest of the Asiatic continent which allows the management

E-commerce giants are pioneers in the launch of innovation programs

One out of ten big companies opened an accelerator or incubator of start-ups in 2017, whereas 7% opted to take a stake in developing companies.

of products, prices, storage, orders and payment. Yoox Net-a-Porter also went forward in technological matters. Specifically, the luxury e-commerce owned by Richemont, opened last year a new technological hub in London, near its central offices. The facilities had an investment of 500 million euros. The hub has as target the development of mobile technology innovations, artificial intelligence, big data and image recognition solutions.

LUXURY, THIRSTY FOR NEW IMPULSES

The luxury segment, one which traditionally rejects the introduction of changes, has also had to step up to face the upcoming consumer. The French brand Kering recognises that digital innovation is one of Gucci's pillars and that thanks to Alessandro Michele's creative impulse and Marco Bizarri's management, it has become the firm with a bigger growth in the segment.
In the framework of this commitment, Gucci relaunched its website and developed a new approach to social networks. To adapt these new concerns into the brand's internal structure, the luxury firm simplified its departments, operating in new four areas: merchandising and global markets, indirect channels, outlet and travel retail, label and consumer management and, lastly, digital business and innovation.
Tiffany, one of the most long-lived luxury corporations, is also accelerating its transformation regarding digitalisation, a matter which is prevailing in this segment too. The company, led by the ex-Diesel Alessandro Bogliolo, started in the facilities of their New York headquarters the Jewellery Design and Innovation Workshop, a hub dedicated to the research of new products and new production techniques for watchmaking. Inside the workshop are designers, jewellers, engineers and professionals dedicated to quality control, amid other profiles, and it is equipped with laser welders and 3D prints. The workshop's main goal is to gain speed accelerating the production of articles and their premiere afterwards.
LVMH also stepped forward in the commitment to talent development. The French conglomerate piloted by Bernard Arnault gave out for the first time the LVMH Innovation Award prise, to which applied 32 fashion and beauty companies.
In April 2018, LVMH continued to go forward in the matter of innovation by means of launching Le Maison des Startups, its first start-up accelerator, located in the technologic campus Station F in Paris. The facilities will be used as centre of operations for fifty companies of recent creation every year, which implies a rate of about twenty-five per semester. The project was promoted by Ian Rogers, LVMH's technology director since 2015. Half of the companies participating in the firm's accelerator were identified through the LVMH Innovation Award.
These start-ups must offer solutions and services for luxury markets, with business focused on areas such as artificial intelligence, augmented and virtual reality, retail, e-commerce, blockchain, falsifications, raw materials and sustainability.

NEW PROFILES TO FACE THE DIGITAL ERA

In parallel to the research of disruptive business to embrace new solutions or technologies linked to retail, the biggest companies in the sector on a global scale decided to reinforce their executive teams integrating new profiles to pilot strategic areas in the future.
In March 2017, Under Amour recruited Clay Dean, an executive veteran of General Motors, as their new director of innovation. From his position, of brand-new creation, the executive has the mission to coordinate design, marketing and product departments under the same vision. At the same time, the United States sports fashion company named Mike Lee, founder of My Fitness Pal app, as new director of the digital area after the exit from the company of Robin Thurston, his predecessor in the job.
At the end of last year, Macy's also decided to blow new winds into their web business.
The American department stores titan named Jill Ramsey products director and digital benefits manager. Previously, the executive had developed great part of her career in eBay, where she occupied the position of vice-president and vertical business chief executive. •

Michaël Bikard

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“COMPANIES MUST ACCEPT THAT MOST BRILLIANT IDEAS WILL NOT TAKE PLACE IN THEIR ORGANISATION”

Many companies have launched start-up accelerators or have allied with incubators to capture disruptive business. Why?

Until a few years ago, many companies thought that innovation was only about launching new products into the market. When you are a big firm and you realise you have done huge investments to launch innovation hubs that do not produce the expected results, you start searching for this talent outside. Start-ups are today’s best innovators, because their small structure provides them with great flexibility. Contrarily, big seized companies have commitments to comply with suppliers, shareholders and clients who sometimes go against the brand at the time of breaking the established norms and innovating. Inertia is bad for it.

In what ways do big players interact with start-up communities?

Some companies organise start-up competitions, others do hackathons or have their own incubators, open to receive proposals and give entrance to young companies with different degrees of maturity. The problem of many huge retailers is that innovation does not entail a fast comeback of investment. A great number of them need to know for sure how their money is being used, but when injecting resources into start-ups, one must be patient and trust that the founding team has the necessary energy to develop an appropriate business strategy. However, many teams frequently lose their focus once money is in their pockets.

The start-up ecosystem is currently very saturated. How can the right one be found?

What titans such as LVMH or L’Óreal are looking for are new technologies, ideas and products that will work and that will generate previously inexistent needs. It is a reason that seems obvious, but sometimes companies get carried away by promises that never come and fail in their selections. The second factor that needs to be considered to identify a good investment is that the start-up’s business model fits well your structure, processes, working culture… Even if you identify a young company with a brilliant idea, it can be killed off if the corporative culture does not fit.

If a company acquires a start-up, should it make sure that the founding team is kept in charge of the business?

Generally, founders are the ones that had this idea, so it is ultimately convenient that they stay

“A great number of companies need to know for sure how their money is being used, but when investing in start-ups one must be patient and trust in the founding team”

in charge to clarify the project’s direction. However, many founders do not know how to handle properly their start-ups’ shared management with the purchasing company’s executive team. As the disruptive company grows and therefore changes, the way to manage the team should change too: it is not the same to manage a workforce of five people than one with a hundred.

What is more effective for a big company: buying a start-up with potential or investing in an innovation hub?

Innovation requires high doses of flexibility and time for researching, but time costs money in large firms. Given that most of them cannot keep up with the innovation and disruption rates of the market, they decide to renounce promoting it themselves, and chose to buy it and quit doing the hard work.

Why is it so hard for big corporations to promote innovation from the inside?

Because of processes. Sometimes, companies get used to work in a specific way and it is very hard to get them out of there. Especially if business works just fine and there is no apparent reason to introduce something new that thwarts employees or investors. A Kodak employee invented in 1975 the first digital camera prototype, but the project was not implemented because his bosses were convinced that no one would want to see photographs in a screen…

If despite complications a company decides to implant an innovation hub, what professional profiles does it require?

The most innovative enterprises’ teams have always something in common: they are constituted by people with very different backgrounds amongst them, from a palaeontologist to a surgeon. Then they are put together and asked to brainstorm ideas on a matter of the future and, sometimes, they succeed and find a possible solution. In fashion, for example, if they want to rethink their store model based on a better client experience, they can lock different employers inside a store for some hours, ask them to detect consumer needs and then find their possible answers.

Is the acquisition of start-ups the best way for big brands to become more modern and adapt to the current retail background?

As a big company, the best way to adapt to the current context is accepting its limitations and the fact that most brilliant ideas will not take place within their organisation. That being said, if you identify a good purchasing opportunity, you must seal it. Generally, many firms have teams in their central offices dedicated to spot new ideas from other competitors, but that is not the attitude: they need people to generate those ideas for themselves and to implement internal systems that promote critical thinking. Innovation implies making many mistakes, something that start-ups know well but big brands find hard to understand.

What can huge companies learn from the structure of a start-up?

They can learn to create a structure that favours experimentation. Many times, the greatest innovations have started as an experiment. A test-error culture is required, but that is something impossible to replicate in some big companies.

Several enterprises have incorporated innovation directors What role do they play?

Innovation is not something you can ask to one person only. These positions are created because managing directors realise that if they are not innovative, they are in danger of disappearing. Thus, with this role they try to keep shareholders calm. However, these charges are not very practical because you cannot promote innovation in a company through only one individual. •

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GFD

#10

FROM INDUSTRY 4.0 TO BLOCKCHAIN: FUTURE COMES TO FASHION

Completely robotised factories, transactions traced down to the origins and supply chains based on digital networks. This background, more typical of a science fiction movie, is starting to be a reality for the fashion industry. After adapting to an industrial delocalisation and surviving the last financial and consumption crisis, the textile industry personifies now a change of production paradigm that threatens its continuity once more. If the third revolution dealt with automatized processes for mass and serial production, the fourth deals with digitalising them and managing data to gain efficiency, speed, and improve rentability with short and personalised series. In this upcoming era, new tools like blockchain come to play, a tool that aspires to transform the supply chain, from production to logistics, due to its decentralised and transparent system. For now, the advancement of the fashion industry in this direction is still short, although some companies are timidly starting to adopt, or at least recognise, this new transformation.

3%

The digitalisation of the production stage allows to bring factories nearer to consumption markets and therefore gain efficiency and speed

About 6% of the companies talk about blockchain in their 2017 annual reports or took some measures in that direction, whilst only 3% mention Industry 4.0. Although it is true that the analysed companies are specialised in distribution, their involvement is key for letting value chains and industries adapt to this new background.

Industry 4.0 consists in the digitalisation of factories with the purpose of earning efficiency and speed. The automatization of processes has long been implanted and the revolution now is settled on how to manage the avalanche of data provided by machines. This transformation implies rethinking the production model of the textile industry once more, and redefine sourcing networks, bringing them nearer to consumption markets and erasing intermediaries to connect almost directly factories with the client's demands.

Some players are already following this direction. Sports fashion brands, specialised in technical products, have been pioneers once more in embracing this new form of production. Adidas started in 2016 its first speedfactory in the German city of Ansbach and opened in 2017 the second one in Atlanta (USA) which started to operate in 2018. The goal is that both factories will produce a million pairs in 2020 and that, in the medium-term, 50% of the firm's footwear is produced with faster methods.

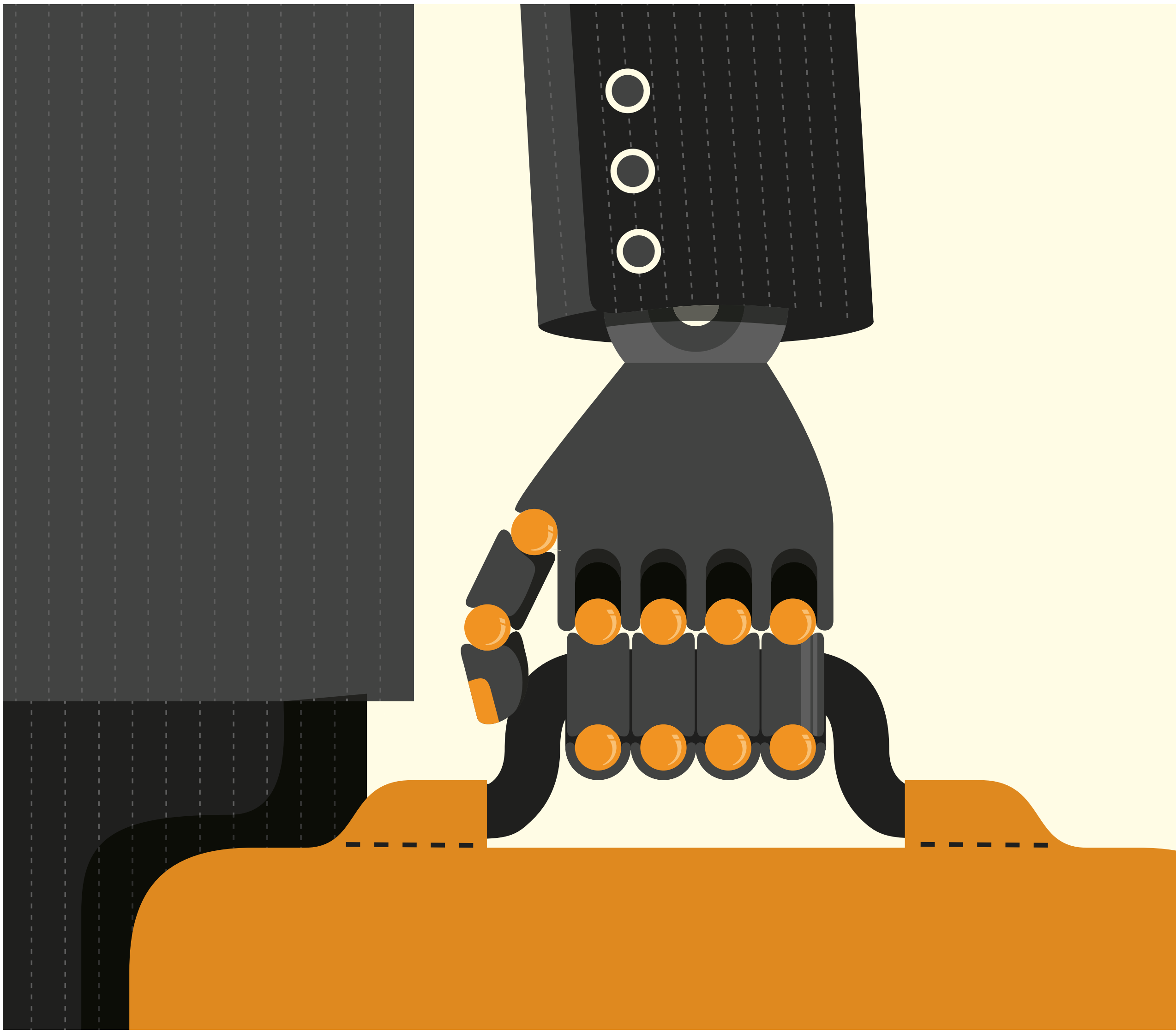
The number of retail companies that mention Industry 4.0 are still a minority: barely three in a hundred talk about this transformation.

Nike, on the other hand, started an alliance back in 2016 with the Apollo Global Management fund to create a productive structure in the United States market. The movement is framed in the triple double strategy: double the innovation, double the speed and double the direct connections with consumers.

At the end of 2017, in the presentation of the strategy to analysts, Mark Parker, managing director, assured that the company predicts to reduce more than half of the time of their production process. "Double the speed consists in offering the correct product at the right time, 100% of the times", stated the executive. This process also allows to offer much more personalised articles, maintaining a volume of business model and scale economies thanks to digitalisation. Nike, for example, can produce personalised Flyknit trainers within two and ten days.

Denim, another sector tightly linked to the industrial stage, has also taken its first steps towards digitalising the value chain. Levi Strauss, number one in this sector, has signed an alliance with the Spanish Jeanologia to digitalise all design and production process of jeans, speeding up and making flexible their value chain. With this new production system, Levi's will answer to market and trends faster, and will even be able to develop exclusive and personalised products. With it, the firm replaces manual techniques for automatized ones which fasten the process. It will go from finishing a pair of jeans in two or three hours, to do it in ninety seconds.

From Industry 4.0 to blockchain: future comes to fashion



Together with the sports brands, the ones leading this jump to Industry 4.0 are the e-commerce titans who have digitalisation in their DNA. That is the case of Amazon, which in 2017 patented the model of a smart and completely automatized factory in where no human presence is required to produce on demand. In the patent of this system, the United States behemoth said that efficiency in the product system ultimately decreases the sourcing costs of distributors.

Another of the digital commerce giants piloting this transformation of industry is Alibaba. The company has a well-developed cloud infrastructure that technically allows to connect the brands it sells in the platform with the company's fulfilment centres as well as with the factories where the articles are produced. Once the fiscal year ended, the brand took a step further signing a deal with Siemens to "leverage each other's technology and industry resources to build a unique Internet of Things solution to support Industrie 4.0", according to the company's statement. The new digital operative system, which is more connected to the value chain and allows to share information throughout all stages, will be called MindSphere and is predicted to be available in 2019.

BLOCKCHAIN, THE NEXT BARRIER

The next barrier, still shortly advanced in the fashion business, is blockchain technology, over which cryptocurrencies such as bitcoins are articulated. Blockchain consists in a digital accounting ledger in which all effectuated transactions are registered. Its two top strengths are the difficulty to hack it and that it does not require intermediaries like financial entities. Even though it is more complex than Industry 4.0, the total amount of companies from the sector that have adopted it or regarded it in their reports is bigger. Partly, this fact is due to technological giants like Amazon or Alibaba being pioneers in the tool's adaptation.

However, the adoption of blockchain is still very residual in the fashion business, one that counts with an extremely atomized production

The complex chains of the fashion industry make the shift towards Industry 4.0 more complicated

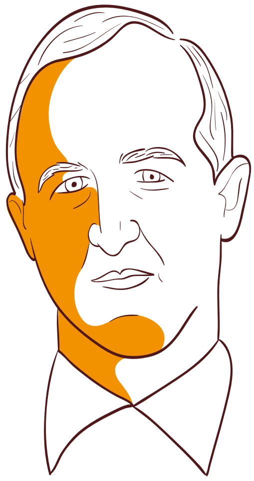
E-commerce titans like the Chinese JD.com and Alibaba are leading the adoption of blockchain technology.

net (each company works with hundreds of suppliers). The implantation of this system requires a change of entrepreneurial culture and the digitalisation of all the value chain, from the producer of raw materials to distribution.
The beginnings of blockchain date back to the decade of the nineties, but it was not until 2009 when Satoshi Nakamoto published his popular 'white paper, Bitcoin: a peer-to-peer electronic cash system', in which he revealed his finding: an interconnected network just like the links of a chain.
Even though fashionable start-ups like Provenance have already done pilot projects, blockchain has not reached fashion titans yet, which are granted with complex supply chains and numerous actors. Among the players who have started to try out this tool are, at the same time, technologic services' suppliers. Alibaba is, together with IBM, the entity that presents more patents related to blockchain as of today, according to iPR Daily. Although it has resorted to the sole use of cryptocurrencies (which are based on this technology), blockchain is part of the strategy to adopt new technologies that the Chinese giant made public in October.
This plan, called Basic, is the acronym of Blockchain, artificial intelligence, Internet of Things and cloud computing. The firm has been one of the pioneers to jump into blockchain, especially in matters of security. The company has an agreement with PwC to trace down the food products it sells from the producer to the consumer and, together with the Chinese government, they used this technology to create a safe environment in order to share medical reports.
Furthermore, through their Lynx International subsidiary, Alibaba has integrated blockchain technology to trace down information in their logistics services, including production, transport, taxes, inspection and the verification of third parties.
One of the last projects of this regard was closed through the Tmall platform, which occupies great part of its fashion sales.
The filial signed an agreement with Cainiao to register through blockchain all its international trade exchanges. Although for now the efforts have been focused in other sectors, blockchain has a huge potential in online fashion sales, especially for the control of sold products and to avoid falsifications.
Alibaba's American colleague Amazon has also resorted to the signing of strategic agreements to introduce blockchain technology. The cloud computing subsidiary of the company has allied with the Kaleido start-up to promote a blockchain service for its clients. The purpose is that companies may adapt the technology in a quick and simple way, as Amazon would oversee the technical and management part.
Another e-commerce giant advanced in the matter of blockchain is JD.com, which announced the launch of a platform that provides this service to its clients. The company has developed an app which traces down digitally the bills of one of the biggest insurance companies listed on the China Stock Exchange, Pacific Insurance. The app transfers Pacific Insurance's income data to a distributed network through every step of the emission cycle, automatizing the process and making it visible to all participants.
Although it has not integrated this technology yet, Adidas does mention blockchain in their 2017 annual report, highlighting that "technological advancement is happening at an unprecedent pace and has profound implications for our company's operations." The company enlists technologies such as 3D printing, augmented reality, blockchain or artificial intelligence which, assures, "are changing the way products and services are made, offered, experienced and exchanged."
To mitigate this risk, the company points out that they have established a digital leading team dedicated to identify technologic trends and coordinate their adoption.
Moreover, Adidas is signing strategic agreements with partners like Carbon, specialised in 3D production, to accelerate its digital transformation. •

Javier San Martín

Javier San Martín is a lecturer on the Master's of Chain at EAE Business School.

"FAST FASHION IS THE DRIVING FORCE OF INDUSTRY 4.0 IN THE FASHION BUSINESS"



Robots that sew clothes is already a reality. Is that where the future of fashion is going?

In general, robotics is one of the technologies that will have the biggest impact on production, because the robots of the future will be able to work perfectly among people and collaborate with them. For fashion, the advantage of robots is that they are more versatile than sewing machines which stitch thousands of times per minute and work all day long, because they work with set layouts. Robotics will also continue to go further because prices will consequently reduce. If it is not extended yet is because in order to do so, it requires high volumes of clothing items to make it profitable and compensate the automatizing processes.

Will we see textile factories with no workers in the medium-term?

It is possible, although there will always be maintenance workers and technical programming cadres. In any case, those will exist in a small percentage, working only in factories that have environments with special characteristics: dangerousness, repetitive and continuous processes... Moreover, hugely robotised environments generally demand long amortisation periods and there is a high investment risk. It is hard for people to take these investment decisions because the area still has big improvements to make.

How is the implantation of Industry 4.0 in the fashion sector going?

Besides exceptions linked to suppliers of large distribution companies, it is not a sector in which Industry 4.0 is especially implemented. Regarding this kind of industry, the advantaged pupils are those from the automobile sector, clear leaders in the matter, together with the electronics components industry.

When could Industry 4.0 be completely implanted in fashion?

In less time than the expected. There is always a matter which, interestingly, people confuse: digitalisation's disruptive technologies and Industry 4.0 technology. Many times, they are the same, but others they aren't. Big data is necessary to take advantage from Industry 4.0, even though it is not a technology typical of this revolution. It is especially relevant in fashion, a sector extremely linked to the consumption of fast trends and speed.

What technologies associated to Industry 4.0 or digitalisation will be more relevant for fashion?

> **“There won’t be anything in Industry 4.0 that does not require artificial intelligence, the most disruptive technology due to being global and to the deep and quick learning algorithms it allows”**

Data analysis, concretely the one that has both a human and an artificial layer of analysis, would be the most important and effective. The layer of interpretation of trends realised by a critical person will always make the quality of the facts increase. Augmented reality will also be an important element, not so much in factories as in stores, with innovations such as virtual fitting rooms or apps which let you see how clothes look on you without actually trying them on. On the other hand, there won’t be anything in Industry 4.0 that does not use artificial intelligence, the technology that has a bigger disruptive capacity due to being global. Any product would be improved after implementing the deep and quick learning algorithms that artificial intelligence allows. The third most relevant technology is 3D printing, which favours personalisation and production in short series. Besides, it will also reduce textile prices and will allow factories to be located near consumption markets.

What stages of the supply chain will be more benefited by Industry 4.0?

Technologies typical of Industry 4.0 only benefit production. Even though if thanks to the automatization of industrial processes, most of factories are located in proximity, that will automatically cheapen distribution and at the same time, impact sales prices for consumers.

Will the implementation of Industry 4.0 be restricted to big groups only?

Right now, there are 30 euros toy drones for kids that have superior technology than military drones from twenty years ago. As the collaborative work between public and private sectors grows, technology advances faster than when research was restricted to big groups which did not put their R&D at the disposition of the whole community. Functionality and cost are where this change of paradigm in collaborative economy is best reflected. Any workshop will afford to implant Industry 4.0 technologies ten years from now.

Will fast fashion, and the high product rotation it implies, promote the adoption of Industry 4.0?

Fast fashion is the promoter and the driving force of the use of Industry 4.0 technologies in fashion business. The textile industry has worked for many decades under the model of two collections per year, and the irruption of fast fashion was a disruptor that provided companies of designs and logistics more focused on a strong competitive advantage. This is being done thanks to the support of some technologies associated to Industry 4.0.

Will Industry 4.0 destroy some employments?

Workers with automatized tasks will reduce importantly. But this new industry is also generating many professions. It is predicted that 65% of the jobs that people will have in 2050 do not exist as of today. This is about being either an optimist or a pessimist, and about being informed or uninformed: every time there has been an industrial revolution, economy and employment have grown and quality of life improved. That being said, if workers do not acquire digital skills in the future, their jobs could certainly be in danger.

How can blockchain improve fashion?

It is not a mature technology, but even from the distance, one can see how it can be relevant for fashion. It is an important mechanism to maintain the trust in collaborative works between companies, which entails an improvement of the corporative government of associations in which there are no hierarchical relations. Furthermore, blockchain improves traceability of every clothing item, letting people know about the design’s patent, the employees involved in its production, its carbon footprint or the origin of the raw materials employed, among other things. •

San Martín accumulates thirty years of experience in the management of supply chains, ten of them in executive positions. His research line is the application of artificial intelligence and blockchain to the value chain.

THE 10 — GFD 2018

GFD #02

Logistics: new hubs to gain speed

18%

Is the proportion of companies from the sector that have reinforced their logistics with new platforms in 2017.

15%

Is the percentage of fashion giants that have opted for proximity sourcing.

GFD #03

Uncertainty: fashion's new normal

1/2

Half of the big brands reference uncertainty in their 2017 annual reports.

GFD #01

Chief client officer: omnichannel's baton

14%

Is the percentage of fashion companies that have already incorporated the role of the chief client officer.

1/2

Are the business fashion players that have some sort of loyalty program.

GFD #04

Fashion is sheltered in mature markets

8 out of 10

Are the companies that have expanded in mature markets like Europe, Japan and the United States in 2017.

7%

Is the percentage of companies that stepped out from a market throughout the last completed fiscal year.

GFD #05

New materials to lead the 'eco' wave

1 out of 4

Is the proportion of players who have given the first steps to adapt circular economy.

12%

Are the companies that have started to research new materials, with their focus laid on sustainability.

GFD #08

Bigger size to compete

30%

Is the rate of corporations that have taken a stake in another company during 2017.

3 out of 10

Are the groups that got a new owner in the last fiscal year.

GFD #06

Fashion's cake: smaller and less profitable

3 out of 10

Is the relation of companies from the fashion business which shrank their profits in 2017.

19%

Is the percentage of companies that reduced their sales in the last ended fiscal year.

GFD #09

Start-ups wanted, reason: innovation

1 out of 10

Are the companies that have launched their own start-up incubators.

7%

Is the percentage of brands that have acquired a young company to reinforce their innovation.

GFD #07

Commercial mix between experience and 'click'

6 out of 10

Are the players who have opened their own stores in 2017.

36%

Is the pecentage of enterprises that have reduced their distribution network through store closures.

GFD #10

From Industry 4.0 to blockchain: future comes to fashion

6%

Is the amount of fashion business players who have taken their first steps into blockchain or showed the intention to do so in 2017.

3%

Is the percentage of companies that reference Industry 4.0 in their reports or that have taken some measures in that direction.

THE 10 — GFD 2017

GFD #01

The earthquake of retail

3 out of 10

Is the proportion of fashion companies which rationalised their stores network in 2016.

59%

Is the percentage of international players who opened stores of their own.

GFD #02

Omnichannel's 'tick tock'

1/2

Are the sector's companies which took some measures to improve omnichannel strategies.

1 out of 10

Is the proportion of players who incorporated new payment methods.

GFD #03

Big data: the secret is in the data

9 out of 10

Are the fashion companies that recognised making a usual use of big data and analytics.

8%

Is the proportion of enterprises that implanted new technologies in their physical points of sales.

GFD #04

Discount as a party

73%

Is the ratio of fashion brands who joined initiatives such as Black Friday.

14%

Is the percentage of companies in the sector which increased their promotional activity.

GFD #05

Change of skin, chasing new horizons

27%

Are the sector's actors who diversified throughout 2016.

15%

Is the proportion of companies that reorganised their trademark portfolio.

GFD #08

A changing of the guard at turning point

1 out of 4

Are the companies that hired talent from rival corporations in 2016.

1/3

Are the fashion groups which reorganised their executive team in 2016.

GFD #06

Athleisure: fashion comes to play

47%

Is the percentage of fashion firms which took a chance on 'athleisure'.

16%

Are the sector's companies that reinforced their bet on men in 2016.

GFD #09

Corporative operations: when size does matter

23%

Are the firms that took a stake in another company during 2016.

3%

Is the percentage of companies that let external partners take a stake off them during 2016.

GFD #07

¡Viva México!

1/3

Are the players who expanded in the Mexican marked during 2016.

3 out of 10

Are the fashion companies that landed in a new market throughout 2016.

GFD #10

Close the loop: towards a new model of business

30%

Are the sector's enterprises which took measures in favour of circular economy during 2016.

36%

Is the percentage of companies which started initiatives in favour of textile recycling.

THE 10 — GFD 2016

GFD #01

The conquest of new territories

3 out of 10

Is the proportion of companies which landed in a new market in 2015.

10%

Are the players who allied with a partner to go into a new country.

GFD #02

Latin America, strategic market

34%

Is the percentage of the sector's companies that expaned in Latin America during 2015.

Mexico, Chile & Peru

Were some of the favourite destinies for fashion players.

GFD #03

Buying and selling to keep on growing

13%

Is the proportion of companies in the sector which led a main role in a corporative operation.

2%

Is the rate of fashion firms which considered an initial public offering.

GFD #04

'Transparent' fashion

22%

Is the percentage of fashion brands which entered some international organism due to the matter of sustainability.

10 out of 100

Are the enterprises that count with a recycling initiative.

GFD #05

'Fashtech'

3 out of 10

Are the fashion business players who have incorpored RFID technology.

23%

Are the companies that have mobile devices in their stores.

GFD #06

Expansion store by store

57%

Is the percentage of companies which opened stores during 2015.

9%

Is the proportion of brands from the sector that entered an online marketplace.

GFD #07

Omnichannel strategy

18%

Are the players that in 2015 promoted omnichannel initiatives.

2

Are the hours that home delivery takes, offered by groups like El Corte Inglés or Amazon.

GFD #08

The hunt for new talents

12%

Is the percentage of firms which reorganised their executive teams in 2015.

13%

Is the proportion of companies that hired talent from rival enterprises.

GFD #09

Social fashion

68%

Are the brands which promoted campaigns through social networks in 2015.

8

Are the million of followers whichBurberry has on Instagram.

GFD #10

Price war

59%

Are the companies that adopted Black Friday in 2015.

6%

Are the firms that have unified their prices outside their local market.

METODO

As in every edition, the report has taken as starting point the analysis of public information taken from the world's one hundred most representative companies in the fashion business with the purpose of determining which ten drivers have defined the sector during the last year.
Because this is the third edition, the system allows to compare results with those in former reports, at least in the cases in which the driver was already amidst the Global Fashion Drivers 2016 or the Global Fashion Drivers 2017.
The first step for the elaboration of the analysis model is the establishment of a study universe and the selection of a representative sample of a number of companies which facilitate an analytic study of the actions that each of them have taken during the former year.
With the objective of making the conclusions able to be extrapolated to the complex and variated entrepreneurial network of the fashion industry worldwide, there are selected for their study one hundred corporations of different sizes and activities, although all representative of their respective subsector.
At the time of elaborating the selection of enterprises, the sectors with a heavier weight in the world's fashion business are chosen, regarding both their revenues and the importance of the brands which operate in them, as well as their current benchmark quality in the fashion business. In that sense, the large fashion distribution businesses considered the main ones are luxury, sports, footwear, perfumes, children's fashion, department stores and e-commerce. In the last two instances, some of the most important players are not exclusively dedicated to the distribution of fashion items, and thus only those regarding fashion as their most widespread concept (clothing items, accessories, footwear, and costume jewellery) have a considerable importance in their volume of business. Considering their notoriety and volume of business, the higher importance is granted to huge distribution firms, with twenty-five representatives in the sample, followed by department

LOGY

stores and luxury, with fourteen and fifteen companies respectively. Slightly behind there is sport (thirteen), footwear (ten), e-commerce (nine), perfumes (seven) and children's fashion (seven).
Within each sector, the companies are selected attending mainly to quantitative public data, especially their volume of business. In some cases, however, the access to that information is limited due to being family-based companies which do not reveal their sales publicly. In that case, the imperial criteria have been qualitative elements such as importance and prestige within the industry, as well as quantitative, like having a network of stores with a similar size than those of the sector's leaders.

Consequently, the objective is not establishing a list of the ten biggest companies of the fashion business but a representative sample, with the inclusion of the sector's most important segments. In this occasion, the list has been slightly modified, erasing players who have reduced their size sensibly and prioritising listed corporations. In all cases, the replacements have been firms of the same activity sector in order to maintain representativity. Concretely, regarding the two previous editions, Vivarte has been substituted by Esprit and Ecco by Aldo.
The period taken into account is 2017, considering only the actions taken during this fiscal year. From here, the obtention of information is expressly and solely extracted from data made public by each of the companies, understanding an action which has not been communicated as a not realised one for the analysis.
The obtention of all data is done individually, point by point, having as sources the annual reports and income statements of enterprises, the information published by the media as long as that information appears in more than one site and is contrasted, and the declarations of the company's managing director or the chief officer of the area in which the indicator is framed, reproduced by the own company or third parties. In the case of digital commerce, the analysis of some of these drivers have been adapted, taking into account the sector's particularities. These reservations, detailed throughout the report, include for example the disembark into a new market, for which in the case of e-commerce, is considered the creation of a specific platform for a new country (and not a mere translation of the original platform).
On the basis of Mediaes.es publishing group's knowledge, the selected topics to analyse are: internationalisation, corporative operations, sourcing, sustainability, 'fashtech', distribution channels, executive team, client, prices and restructuration. From each topic, there are established several questions on specific actions, which afterwards are analysed one by one keeping in mind the public information previously detailed.The ten Global Fashion Drivers are established according to the indicators that have more positive answers, which are represented throughout the report combining quantitative information with qualitative details that allow to know deeply the drivers that move the fashion business. In some cases, as for blockchain, the driver has been selected due to its growing importance in the analysed companies' agenda, despite not having yet a considerable importance in comparation to other drivers. •

Data

		Inditex	H&M	Fast Retailing	Gap	L Brands	VF
Topic 1	Internationalisation						
	Has it entered new markets with any of its brands in 2017?	X	X	X		X	
	Has it expanded in any of the BRIC countries?	X	X	X		X	X
	Has it expanded in Australia?	X	X				
	Has it expanded in Africa?	X	X				
	Has it expanded in mature markets (EU, USA, Japan)?	X	X	X	X		X
	Has it opened a subsidiary in a new country?	X	X				
	Has it joined a local partner in its international jump?		X		X	X	X
	Has it closed any markets?						
	Does it reference uncertainty?		X		X		X
	Does it reference the impact of currency evolution?		X	X	X		X
Topic 2	Corporative operations						
	Has it become a listed company or has it planned to be one?						
	Has it allowed other partners to take a stake in its company?						
	Has it got a new owner in 2017?						
	Has it taken a stake in another company?		X				X
	Has it refinanced its debt?				X		
	Is it for sale?						
	Has it cancelled sales processes or initial public offerings?						
Topic 3	Sourcing/Logistics						
	Has it diversified its sourcing?	X					
	Has it opened a new hub or factory?	X					
	Has it created new logistics centres or facilities?	X		X			X
	Has it opted for proximity sourcing?	X		X			
	Are its supplies located in Ethiopia or Nigeria?						
	Has it acquired a supplier?	X					
Topic 4	Sustainability						
	Is it part of an international organism focused on the matter of sustainability?	X	X	X		X	
	Does it have a sustainable fashion collection?	X	X				
	Has it elaborated a sustainability report?		X	X	X		X
	Close the loop - has it taken any actions in that direction? /circular economy	X	X	X	X	X	X
	Has it set new goals regarding sustainable materials?	X	X	X	X		X
	Is it researching new materials?	X	X	X			X
Topic 5	Technology-Fashtech						
	Has it introduced mobile devices in its stores?	X	X	X	X		X
	Does it have RFID technology implanted?	X	X	X	X		
	Does it have devices connected in its stores (intelligent fitting rooms…)?	X			X		
	Has it implanted new payment methods?		X	X			
	Has it implanted virtual or augmented reality?		X				
	Has it acquired a start-up to reinforce its innovation?						
	Has it launched an accelerator?						
	Does it mention Industry 4.0?	X					
	Does it mention blockchain?						
Topic 6	Distribution channels						
	Has it reinforced its presence in department stores?				X		X
	Has it promoted its own network of stores?	X	X	X	X		X
	Has it promoted its development with franchises?			X			X
	Has it entered online multi-brands (Zalando, etc.)?	X	X				
	Has it started using tools to improve omnichannel experiences (click&collect…?)?	X	X		X		X
	Has it opened outlets?				X		X
	Has it tested new commercial formats?	X	X				
	Has it changed of partner for some of its licenses?						X
	Has it retaken control of some of its licenses?						
	Has it closed stores down or reduced their distribution network?	X	X		X	X	
Topic 7	Executive team						
	If the company is family-based, has it undergone a process of generational take over?						
	Has it decommissioned its managing director (chief executive)?						
	Has it reorganised its executive team in the last year?	X		X			X
	Has it hired executives from the competence in the last year?	X		X	X		
	Has it renewed its creative team?						
	Has it incorporated new executive charges?	X					
	Has it resorted to other sectors to capture talent (including advice)?	X		X			
Topic 8	Client						
	Does it have a loyalty program?	X	X		X		X
	Does it have the role of the Chief Client Officer?						
	Has it introduced new positions in its organisation chart related to innovation?						
	Has it created innovation hubs?						
	Is it implementing customisation tools?	X					
	Has it reoriented its client strategy to approach new audiences?				X		
Topic 9	Prices						
	Have its prices increased?						
	Have its prices decreased?						
	Has it reduced its presence in outlets?						
	Has it increased its promotional intensity?	X	X				
	Has it decreased it?			X			
Topic 10	Restructuration						
	Has it entered into an insolvency procedure?						
	Has it significantly reduced its global workforce?						
	Has it started a plan of reduction of costs?		X				
	Has it closed any of its subsidiaries?						
	Has it stepped back in its sales process?						
	Has it made changes in its wage policies? (bonus, cutting salaries…)				X		
	Have its sales dropped?						
	Has its benefit dropped?		X			X	X
	Has it reduced its gross margin?	X	X				

PVH	C&A	Primark	Bestseller	Next	Forever 21	Arcadia	Abercrombie &Fitch	Esprit	Levi Strauss	Urban Outfiters	Guess
X			X					X			
X	X		X		X	X		X	X		X
X		X	X		X				X	X	X
X			X								
X	X				X				X	X	
	X			X		X					
X		X		X			X	X	X		
X		X		X			X	X	X	X	
X			X								
							X				
							X				
									X		
X			X	X				X			
		X	X								
X											
X	X	X	X	X				X			
X	X	X	X								
X	X			X							X
X	X	X	X	X			X	X			
X	X		X	X				X	X		
X							X		X		
X					X				X		
X				X							
	X			X							
						X					
X											
X					X						
X	X	X	X	X	X	X	X	X	X		
					X						
								X			
							X	X			X
X					X				X		
X							X				
X					X						
	X		X	X		X	X	X			X
	X						X				
	X		X	X		X	X				
	X	X	X			X					X
X											
X				X							
X					X		X				X
X				X				X	X		
								X			
X											
				X						X	
X		X						X			
	X			X				X			
							X	X			X
							X				
X		X		X				X			
				X		X		X			
				X					X		

Data

		OTB	Superdry	Mango	Benetton	Calzedonia	Authentic Brands
Topic 1	Internationalisation						
	Has it entered new markets with any of its brands in 2017?			X		X	
	Has it expanded in any of the BRIC countries?		X	X	X	X	X
	Has it expanded in Australia?						
	Has it expanded in Africa?			X			
	Has it expanded in mature markets (EU, USA, Japan)?	X	X	X	X	X	X
	Has it opened a subsidiary in a new country?						X
	Has it joined a local partner in its international jump?						
	Has it closed any markets?						
	Does it reference uncertainty?		X				
	Does it reference the impact of currency evolution?						
Topic 2	Corporative operations						
	Has it become a listed company or has it planned to be one?						
	Has it allowed other partners to take a stake in its company?						
	Has it got a new owner in 2017?						
	Has it taken a stake in another company?				X		X
	Has it refinanced its debt?						
	Is it for sale?						
	Has it cancelled sales processes or initial public offerings?						
Topic 3	Sourcing/Logistics						
	Has it diversified its sourcing?			X			
	Has it opened a new hub or factory?						
	Has it created new logistics centres or facilities?						
	Has it opted for proximity sourcing?			X	X		
	Are its supplies located in Ethiopia or Nigeria?						
	Has it acquired a supplier?						
Topic 4	Sustainability						
	Is it part of an international organism focused on the matter of sustainability?			X			
	Does it have a sustainable fashion collection?			X			
	Has it elaborated a sustainability report?						
	Close the loop - has it taken any actions in that direction? /circular economy						
	Has it set new goals regarding sustainable materials?			X			
	Is it researching new materials?						
Topic 5	Technology-Fashtech						
	Has it introduced mobile devices in its stores?			X			
	Does it have RFID technology implanted?	X	X	X	X		
	Does it have devices connected in its stores (intelligent fitting rooms…)?			X			
	Has it implanted new payment methods?			X			
	Has it implanted virtual or augmented reality?						
	Has it acquired a start-up to reinforce its innovation?						
	Has it launched an accelerator?						
	Does it mention Industry 4.0?						
	Does it mention blockchain?						
Topic 6	Distribution channels						
	Has it reinforced its presence in department stores?						X
	Has it promoted its own network of stores?		X	X	X	X	X
	Has it promoted its development with franchises?		X	X	X	X	X
	Has it entered online multi-brands (Zalando, etc.)?						
	Has it started using tools to improve omnichannel experiences (click&collect…?)?		X	X	X		
	Has it opened outlets?						
	Has it tested new commercial formats?						
	Has it changed of partner for some of its licenses?				X		X
	Has it retaken control of some of its licenses?						
	Has it closed stores down or reduced their distribution network?						
Topic 7	Executive team						
	If the company is family-based, has it undergone a process of generational take over?	X					
	Has it decommissioned its managing director (chief executive)?	X			X		
	Has it reorganised its executive team in the last year?	X			X		
	Has it hired executives from the competence in the last year?	X			X		
	Has it renewed its creative team?	X					
	Has it incorporated new executive charges?						
	Has it resorted to other sectors to capture talent (including advice)?						
Topic 8	Client						
	Does it have a loyalty program?			X			
	Does it have the role of the Chief Client Officer?			X			
	Has it introduced new positions in its organisation chart related to innovation?	X					
	Has it created innovation hubs?						
	Is it implementing customisation tools?						
	Has it reoriented its client strategy to approach new audiences?						
Topic 9	Prices						
	Have its prices increased?						
	Have its prices decreased?						
	Has it reduced its presence in outlets?						
	Has it increased its promotional intensity?						
	Has it decreased it?						
Topic 10	Restructuration						
	Has it entered into an insolvency procedure?						
	Has it significantly reduced its global workforce?	X					
	Has it started a plan of reduction of costs?						
	Has it closed any of its subsidiaries?						
	Has it stepped back in its sales process?						
	Has it made changes in its wage policies? (bonus, cutting salaries…)						
	Have its sales dropped?			X	X		
	Has its benefit dropped?		X	X	X		
	Has it reduced its gross margin?		X				

American Eagle	Macy's	Sears	Kohl's	El Corte Inglés	Nordstrom	Marks &Spencer	Falabella	JC Penney	Isetan	Hudson's Bay	J Front
X										X	
X	X								X		X
X	X	X	X	X	X	X	X	X	X	X	
X											
		X				X					
	X	X	X		X	X	X	X	X	X	X
	X										
		X		X			X				
						X					
	X										
				X		X					
	X					X					
	X		X	X							
			X	X							
			X		X		X				
			X								
	X			X	X		X				
	X		X	X	X				X		
X	X	X				X		X	X		
	X		X	X					X	X	
				X		X					
X						X	X	X	X	X	X
	X	X	X	X		X					
	X										
				X							
	X	X			X	X		X	X		
	X	X			X	X		X			
		X									
	X	X						X	X		
X						X	X		X		
X		X				X					

Data

		Takashimaya	Dillard's	El Puerto de Liverpool	LVMH	Kering	Richemont
Topic 1	Internationalisation						
	Has it entered new markets with any of its brands in 2017?						
	Has it expanded in any of the BRIC countries?	X			X	X	X
	Has it expanded in Australia?						
	Has it expanded in Africa?						
	Has it expanded in mature markets (EU, USA, Japan)?	X			X	X	X
	Has it opened a subsidiary in a new country?						
	Has it joined a local partner in its international jump?						
	Has it closed any markets?						
	Does it reference uncertainty?		X		X	X	X
	Does it reference the impact of currency evolution?						
Topic 2	Corporative operations						
	Has it become a listed company or has it planned to be one?						
	Has it allowed other partners to take a stake in its company?						
	Has it got a new owner in 2017?						
	Has it taken a stake in another company?			X			X
	Has it refinanced its debt?						
	Is it for sale?						
	Has it cancelled sales processes or initial public offerings?						
Topic 3	Sourcing/Logistics						
	Has it diversified its sourcing?						
	Has it opened a new hub or factory?				X		
	Has it created new logistics centres or facilities?						
	Has it opted for proximity sourcing?				X	X	
	Are its supplies located in Ethiopia or Nigeria?						
	Has it acquired a supplier?				X		
Topic 4	Sustainability						
	Is it part of an international organism focused on the matter of sustainability?						
	Does it have a sustainable fashion collection?						
	Has it elaborated a sustainability report?					X	
	Close the loop - has it taken any actions in that direction? /circular economy					X	
	Has it set new goals regarding sustainable materials?					X	
	Is it researching new materials?						
Topic 5	Technology-Fashtech						
	Has it introduced mobile devices in its stores?	X			X	X	X
	Does it have RFID technology implanted?			X		X	X
	Does it have devices connected in its stores (intelligent fitting rooms…)?					X	X
	Has it implanted new payment methods?						
	Has it implanted virtual or augmented reality?						X
	Has it acquired a start-up to reinforce its innovation?						
	Has it launched an accelerator?						
	Does it mention Industry 4.0?						
	Does it mention blockchain?						
Topic 6	Distribution channels						
	Has it reinforced its presence in department stores?				X	X	X
	Has it promoted its own network of stores?			X	X	X	X
	Has it promoted its development with franchises?						
	Has it entered online multi-brands (Zalando, etc.)?						X
	Has it started using tools to improve omnichannel experiences (click&collect…?)?	X		X			X
	Has it opened outlets?						
	Has it tested new commercial formats?			X			
	Has it changed of partner for some of its licenses?						
	Has it retaken control of some of its licenses?						
	Has it closed stores down or reduced their distribution network?						X
Topic 7	Executive team						
	If the company is family-based, has it undergone a process of generational take over?						
	Has it decommissioned its managing director (chief executive)?						
	Has it reorganised its executive team in the last year?						X
	Has it hired executives from the competence in the last year?				X	X	X
	Has it renewed its creative team?				X		
	Has it incorporated new executive charges?						X
	Has it resorted to other sectors to capture talent (including advice)?						
Topic 8	Client						
	Does it have a loyalty program?	X	X	X			
	Does it have the role of the Chief Client Officer?					X	
	Has it introduced new positions in its organisation chart related to innovation?						X
	Has it created innovation hubs?					X	
	Is it implementing customisation tools?				X	X	X
	Has it reoriented its client strategy to approach new audiences?						
Topic 9	Prices						
	Have its prices increased?						
	Have its prices decreased?						
	Has it reduced its presence in outlets?						
	Has it increased its promotional intensity?						
	Has it decreased it?						
Topic 10	Restructuration						
	Has it entered into an insolvency procedure?						
	Has it significantly reduced its global workforce?						
	Has it started a plan of reduction of costs?						
	Has it closed any of its subsidiaries?						
	Has it stepped back in its sales process?						
	Has it made changes in its wage policies? (bonus, cutting salaries…)						
	Have its sales dropped?						
	Has its benefit dropped?		X	X			
	Has it reduced its gross margin?		X	X			

Chow Tai Fook	Ralph Lauren	Chanel	Hermès	Michael Kors	Tapestry	Tiffany	Burberry	Prada	Hugo Boss	Armani	Puig
										X	
X	X	X	X	X	X	X	X	X	X	X	X
X						X				X	X
						X					
X	X	X	X	X	X	X	X	X	X	X	X
										X	
										X	
							X				
X	X		X	X	X	X	X	X		X	X
		X		X	X		X			X	X
											X
			X								
			X								
							X				
									X		
						X	X			X	X
					X	X			X	X	X
									X		X
									X	X	X
					X		X				X
							X	X			X
					X						X
					X						
										X	X
							X			X	
									X		
									X		
X			X					X		X	X
		X	X	X				X		X	X
											X
		X					X				X
			X						X	X	X
									X		X
										X	X
						X	X				
	X					X	X	X	X		X
					X	X	X				
	X				X		X				X
	X						X				
						X	X		X		
	X							X		X	
						X	X		X		X
	X							X		X	
						X					X
X	X	X	X	X	X	X	X	X			X
							X		X		
								X			
						X	X	X			
		X									
		X									
										X	X
X	X						X	X			
						X		X			
								X			

Data

		Nike	Adidas	Intersport	Decathlon	Dick's	Lululemon
Topic 1	Internationalisation						
	Has it entered new markets with any of its brands in 2017?		X	X			
	Has it expanded in any of the BRIC countries?	X		X		X	X
	Has it expanded in Australia?			X			
	Has it expanded in Africa?			X			
	Has it expanded in mature markets (EU, USA, Japan)?	X	X	X	X	X	X
	Has it opened a subsidiary in a new country?		X	X			
	Has it joined a local partner in its international jump?		X				
	Has it closed any markets?						
	Does it reference uncertainty?	X			X		
	Does it reference the impact of currency evolution?						
Topic 2	Corporative operations						
	Has it become a listed company or has it planned to be one?						
	Has it allowed other partners to take a stake in its company?						
	Has it got a new owner in 2017?						
	Has it taken a stake in another company?					X	X
	Has it refinanced its debt?						
	Is it for sale?						
	Has it cancelled sales processes or initial public offerings?						
Topic 3	Sourcing/Logistics						
	Has it diversified its sourcing?						
	Has it opened a new hub or factory?	X					
	Has it created new logistics centres or facilities?			X	X		
	Has it opted for proximity sourcing?	X		X			
	Are its supplies located in Ethiopia or Nigeria?			X			
	Has it acquired a supplier?						
Topic 4	Sustainability						
	Is it part of an international organism focused on the matter of sustainability?	X					
	Does it have a sustainable fashion collection?						
	Has it elaborated a sustainability report?	X		X			
	Close the loop - has it taken any actions in that direction? /circular economy	X					
	Has it set new goals regarding sustainable materials?	X					
	Is it researching new materials?						
Topic 5	Technology-Fashtech						
	Has it introduced mobile devices in its stores?	X	X	X			
	Does it have RFID technology implanted?	X	X	X	X	X	X
	Does it have devices connected in its stores (intelligent fitting rooms…)?	X					
	Has it implanted new payment methods?						
	Has it implanted virtual or augmented reality?			X			
	Has it acquired a start-up to reinforce its innovation?						
	Has it launched an accelerator?						
	Does it mention Industry 4.0?						
	Does it mention blockchain?	X	X				
Topic 6	Distribution channels						
	Has it reinforced its presence in department stores?	X					
	Has it promoted its own network of stores?	X	X	X	X	X	X
	Has it promoted its development with franchises?	X	X	X	X	X	X
	Has it entered online multi-brands (Zalando, etc.)?	X	X			X	X
	Has it started using tools to improve omnichannel experiences (click&collect…?)?	X	X	X	X	X	X
	Has it opened outlets?	X	X				
	Has it tested new commercial formats?	X	X	X			
	Has it changed of partner for some of its licenses?						
	Has it retaken control of some of its licenses?						
	Has it closed stores down or reduced their distribution network?	X			X	X	X
Topic 7	Executive team						
	If the company is family-based, has it undergone a process of generational take over?						
	Has it decommissioned its managing director (chief executive)?						
	Has it reorganised its executive team in the last year?				X		
	Has it hired executives from the competence in the last year?					X	X
	Has it renewed its creative team?						
	Has it incorporated new executive charges?				X		
	Has it resorted to other sectors to capture talent (including advice)?						
Topic 8	Client						
	Does it have a loyalty program?	X		X	X	X	X
	Does it have the role of the Chief Client Officer?				X		
	Has it introduced new positions in its organisation chart related to innovation?				X		
	Has it created innovation hubs?	X		X			
	Is it implementing customisation tools?	X					
	Has it reoriented its client strategy to approach new audiences?						
Topic 9	Prices						
	Have its prices increased?						
	Have its prices decreased?						
	Has it reduced its presence in outlets?						
	Has it increased its promotional intensity?				X		
	Has it decreased it?						
Topic 10	Restructuration						
	Has it entered into an insolvency procedure?						
	Has it significantly reduced its global workforce?						
	Has it started a plan of reduction of costs?						
	Has it closed any of its subsidiaries?						
	Has it stepped back in its sales process?						
	Has it made changes in its wage policies? (bonus, cutting salaries…)						
	Have its sales dropped?						
	Has its benefit dropped?						
	Has it reduced its gross margin?				X		

	Under Armour	Puma	Li Ning	Sports Direct	New Balance	Asics	Anta	Deichmann	Belle	Skechers	Payless	Caleres
	X			X				X				
	X		X		X	X	X			X	X	
		X										
	X	X	X	X	X	X	X	X		X	X	X
	X				X	X						
	X											
				X								
	X		X	X								
		X							X			
				X			X	X				X
				X					X			
									X			
									X			
		X										
					X				X			
		X										
	X	X										
		X										
	X	X										
	X	X				X						
	X	X				X						
				X								
	X	X	X			X	X					
	X	X			X	X		X	X			
		X										
	X											
						X						
					X				X			
		X										
		X	X	X	X	X	X	X				
		X	X	X	X		X	X				
	X	X	X		X		X	X				X
		X	X			X	X	X	X			X
					X	X	X					
								X			X	
	X											
	X			X								
	X											
	X					X						X
	X	X	X	X	X			X		X		X
	X					X						
	X	X			X	X						
	X	X	X		X		X					
			X								X	X
	X											
											X	
	X										X	
											X	
				X								
											X	
	X			X								
	X			X								

Data

		Wolverine	Deckers	Clarks	Aldo	Steve Madden	L’Oréal
Topic 1	Internationalisation						
	Has it entered new markets with any of its brands in 2017?						X
	Has it expanded in any of the BRIC countries?	X			X	X	X
	Has it expanded in Australia?						
	Has it expanded in Africa?						
	Has it expanded in mature markets (EU, USA, Japan)?				X	X	X
	Has it opened a subsidiary in a new country?						
	Has it joined a local partner in its international jump?				X		
	Has it closed any markets?						
	Does it reference uncertainty?						
	Does it reference the impact of currency evolution?						
Topic 2	Corporative operations						
	Has it become a listed company or has it planned to be one?						
	Has it allowed other partners to take a stake in its company?						
	Has it got a new owner in 2017?						
	Has it taken a stake in another company?				X	X	X
	Has it refinanced its debt?						
	Is it for sale?						
	Has it cancelled sales processes or initial public offerings?		X				
Topic 3	Sourcing/Logistics						
	Has it diversified its sourcing?						
	Has it opened a new hub or factory?			X			
	Has it created new logistics centres or facilities?						X
	Has it opted for proximity sourcing?						
	Are its supplies located in Ethiopia or Nigeria?						
	Has it acquired a supplier?						
Topic 4	Sustainability						
	Is it part of an international organism focused on the matter of sustainability?						X
	Does it have a sustainable fashion collection?						
	Has it elaborated a sustainability report?						X
	Close the loop - has it taken any actions in that direction? /circular economy						
	Has it set new goals regarding sustainable materials?						X
	Is it researching new materials?						
Topic 5	Technology-Fashtech						
	Has it introduced mobile devices in its stores?					X	X
	Does it have RFID technology implanted?		X	X			X
	Does it have devices connected in its stores (intelligent fitting rooms…)?					X	X
	Has it implanted new payment methods?						
	Has it implanted virtual or augmented reality?						X
	Has it acquired a start-up to reinforce its innovation?						X
	Has it launched an accelerator?						X
	Does it mention Industry 4.0?						
	Does it mention blockchain?						
Topic 6	Distribution channels						
	Has it reinforced its presence in department stores?						X
	Has it promoted its own network of stores?				X	X	X
	Has it promoted its development with franchises?				X	X	
	Has it entered online multi-brands (Zalando, etc.)?						X
	Has it started using tools to improve omnichannel experiences (click&collect…?)?	X					X
	Has it opened outlets?						
	Has it tested new commercial formats?						
	Has it changed of partner for some of its licenses?	X					
	Has it retaken control of some of its licenses?						
	Has it closed stores down or reduced their distribution network?		X				
Topic 7	Executive team						
	If the company is family-based, has it undergone a process of generational take over?						
	Has it decommissioned its managing director (chief executive)?			X			
	Has it reorganised its executive team in the last year?						
	Has it hired executives from the competence in the last year?						
	Has it renewed its creative team?						
	Has it incorporated new executive charges?						
	Has it resorted to other sectors to capture talent (including advice)?						
Topic 8	Client						
	Does it have a loyalty program?		X		X	X	X
	Does it have the role of the Chief Client Officer?						X
	Has it introduced new positions in its organisation chart related to innovation?						X
	Has it created innovation hubs?						
	Is it implementing customisation tools?						X
	Has it reoriented its client strategy to approach new audiences?						
Topic 9	Prices						
	Have its prices increased?						
	Have its prices decreased?						
	Has it reduced its presence in outlets?						
	Has it increased its promotional intensity?						
	Has it decreased it?						
Topic 10	Restructuration						
	Has it entered into an insolvency procedure?						
	Has it significantly reduced its global workforce?						
	Has it started a plan of reduction of costs?	X					
	Has it closed any of its subsidiaries?						
	Has it stepped back in its sales process?						
	Has it made changes in its wage policies? (bonus, cutting salaries…)						
	Have its sales dropped?	X		X			
	Has its benefit dropped?	X		X			
	Has it reduced its gross margin?	X		X			

Estée Lauder	Shiseido	Beiersdorf	Amorepacific	Avon	Coty	Carter's	The Children's Place	Mothercare	Gymboree	Id Kids	Orchestra
X		X	X			X	X				X
X	X	X	X	X	X	X					
X		X	X								
X		X									
X	X	X	X	X	X	X	X		X	X	X
			X								
			X			X	X				
				X							
X		X	X			X	X				
X	X				X	X					
								X	X		X
		X					X				
		X									
							X				
		X									
	X	X									
		X	X	X							
			X								
	X	X	X								
	X		X		X						
X	X	X	X		X						
	X		X		X						
X	X		X		X						
	X	X									
			X		X						
X	X	X	X	X	X						
X	X		X	X	X					X	X
X										X	
X		X	X			X	X				X
X	X		X		X	X			X		X
						X		X			X
X				X			X	X	X		
				X			X				
X				X	X						
X	X			X	X						
X	X	X		X		X	X	X	X	X	X
X											
	X	X	X	X							
X	X		X								
X											
						X					
X											
						X					
									X		
				X				X	X		
X				X				X	X		
X								X			
								X			
			X					X			
	X	X	X		X		X	X			
X	X		X								

Data

		Kidiliz	Amazon	JD.com	Alibaba	Otto	Ebay
Topic 1	Internationalisation						
	Has it entered new markets with any of its brands in 2017?		X				X
	Has it expanded in any of the BRIC countries?	X	X	X	X	X	X
	Has it expanded in Australia?		X	X	X		X
	Has it expanded in Africa?						
	Has it expanded in mature markets (EU, USA, Japan)?		X	X	X	X	
	Has it opened a subsidiary in a new country?		X				
	Has it joined a local partner in its international jump?	X					X
	Has it closed any markets?						
	Does it reference uncertainty?		X	X	X	X	X
	Does it reference the impact of currency evolution?						
Topic 2	Corporative operations						
	Has it become a listed company or has it planned to be one?						
	Has it allowed other partners to take a stake in its company?						
	Has it got a new owner in 2017?						
	Has it taken a stake in another company?		X	X	X		X
	Has it refinanced its debt?						
	Is it for sale?	X					
	Has it cancelled sales processes or initial public offerings?						
Topic 3	Sourcing/Logistics						
	Has it diversified its sourcing?						
	Has it opened a new hub or factory?					X	
	Has it created new logistics centres or facilities?		X	X	X	X	
	Has it opted for proximity sourcing?						
	Are its supplies located in Ethiopia or Nigeria?						
	Has it acquired a supplier?			X			
Topic 4	Sustainability						
	Is it part of an international organism focused on the matter of sustainability?					X	
	Does it have a sustainable fashion collection?						
	Has it elaborated a sustainability report?						
	Close the loop - has it taken any actions in that direction? /circular economy		X			X	
	Has it set new goals regarding sustainable materials?						
	Is it researching new materials?						
Topic 5	Technology-Fashtech						
	Has it introduced mobile devices in its stores?		X	X	X		
	Does it have RFID technology implanted?		X	X	X		
	Does it have devices connected in its stores (intelligent fitting rooms…)?				X		
	Has it implanted new payment methods?						
	Has it implanted virtual or augmented reality?			X	X	X	X
	Has it acquired a start-up to reinforce its innovation?		X				
	Has it launched an accelerator?		X			X	
	Does it mention Industry 4.0?						
	Does it mention blockchain?			X		X	X
Topic 6	Distribution channels						
	Has it reinforced its presence in department stores?						
	Has it promoted its own network of stores?			X	X		
	Has it promoted its development with franchises?						
	Has it entered online multi-brands (Zalando, etc.)?						
	Has it started using tools to improve omnichannel experiences (click&collect…?)?			X	X	X	
	Has it opened outlets?						
	Has it tested new commercial formats?		X	X	X		
	Has it changed of partner for some of its licenses?						
	Has it retaken control of some of its licenses?						
	Has it closed stores down or reduced their distribution network?						
Topic 7	Executive team						
	If the company is family-based, has it undergone a process of generational take over?						
	Has it decommissioned its managing director (chief executive)?						
	Has it reorganised its executive team in the last year?						
	Has it hired executives from the competence in the last year?				X		
	Has it renewed its creative team?						
	Has it incorporated new executive charges?						
	Has it resorted to other sectors to capture talent (including advice)?						
Topic 8	Client						
	Does it have a loyalty program?		X	X	X	X	X
	Does it have the role of the Chief Client Officer?		X	X	X		X
	Has it introduced new positions in its organisation chart related to innovation?						
	Has it created innovation hubs?		X	X	X		
	Is it implementing customisation tools?		X	X	X	X	
	Has it reoriented its client strategy to approach new audiences?						
Topic 9	Prices						
	Have its prices increased?						
	Have its prices decreased?						
	Has it reduced its presence in outlets?						
	Has it increased its promotional intensity?		X				
	Has it decreased it?						
Topic 10	Restructuration						
	Has it entered into an insolvency procedure?						
	Has it significantly reduced its global workforce?						
	Has it started a plan of reduction of costs?						
	Has it closed any of its subsidiaries?	X				X	
	Has it stepped back in its sales process?						
	Has it made changes in its wage policies? (bonus, cutting salaries…)						
	Have its sales dropped?						
	Has its benefit dropped?						X
	Has it reduced its gross margin?					X	X

Zalando	Vente Privee	Ynap	Asos								
		X	X								
			X								
X	X	X	X								
X		X	X								
		X									
			X								
			X								
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