GLOBAL FASHION DRIVERS 2019 2020

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CONTENT

GLOBAL FASHION DRIVERS

FASHION RESISTS

David
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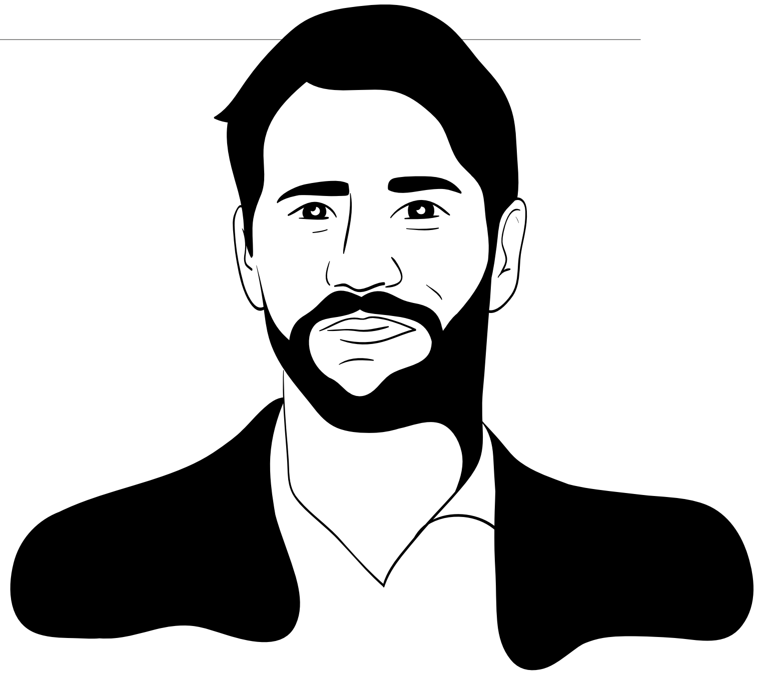

Responsible partner of
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Despite the hard battle for the family budget, having to fight, among others, against experiences, travel or technological gadgets, 2019 is not a bad year for the fashion business. And despite the fact that the sector not only continues to face the same challenges of recent years, such as consumer empowerment, excessive supply, or the management of the famous multichannel, it also faces new demands from the market, such as more flexible and sustainable operations.

And all this in an increasingly changing and unstable environment where every day we hear about trade war between China and the United States, the imminent Brexit and many other geopolitical tensions that, as the International Monetary Fund (IMF) has already announced, will contribute to the slow down of the global economy.

The fashion sector has been making a great effort in recent years from different fields. Some companies have made incremental improvements in different areas, but the most determined have dared with transformational changes both in the field of customer experience or processes and even considering new business models.This diversity of adoption of new measures at different levels has led retailers to uneven results: last year, only half of the companies in the sector managed to increase their revenue.

From everis we are convinced of the importance of the world of fashion in our society and therefore we are delighted to collaborate with Modaes in the preparation of this Global Fashion Drivers report to be able to delve deeper into the trends that will mark the agenda of retailers for the coming months, in order to accompany retailers when facing future challenges as well as to materialize the opportunities that will undoubtedly arise.

Let us not forget that in this changing environment, the strongest will not always survive (we have already seen giants fall in the past) but rather those that adapt quickly to the new context. •

WHEN PLANS WERE FIVE-YEAR

Pilar
Riaño

Editor in
chief of MDS

There was a time when the boards of directors of fashion companies talked about big development factories, long-term strategies and projects in five or ten years. A time when global trends in business developed over a decade, spread across all sectors and, many years later, disappeared replaced by the new rules of the game.

Today, as always, having vision and mission continues to be fundamental for companies, which cannot lose sight of the furthest horizon if they want to have continuity (some seem not even trying). However, in the long-term projections, another pipeline of transcendental decisions on the business model must be imposed and cannot be extended beyond a year. Not even six months.

Global Fashion Drivers reaches its fourth edition each year analyzing the development drivers of the most important global companies in the fashion business. This broader perspective on the transformation vectors of the sector allows a clear conclusion to be drawn: the dynamism of this business is such that these development patterns have an increasing obsolescence. In other words, the trends that dictate the direction of fashion in 2017 may be completely opposite in 2019 and these will probably have changed again in 2020, 2021 or 2022. More than a weakness, this is a sign of strength of a sector for which the rules of the game continually change, whether due to the influence of the global economic situation or the impact of the incessant technological developments. As an industry, fashion is able to face the necessary transformation over and over again, taking different paths with the same agility with which a new collection is launched. It is the time we have lived. Exhausting? The truth is that, unlike what it may seem, the human being is designed to live with emotion, passion and a constant movement. Experts say it in the study of human behaviors: getting bored is not in our nature. •

INTERNATIONAL SCENARIO

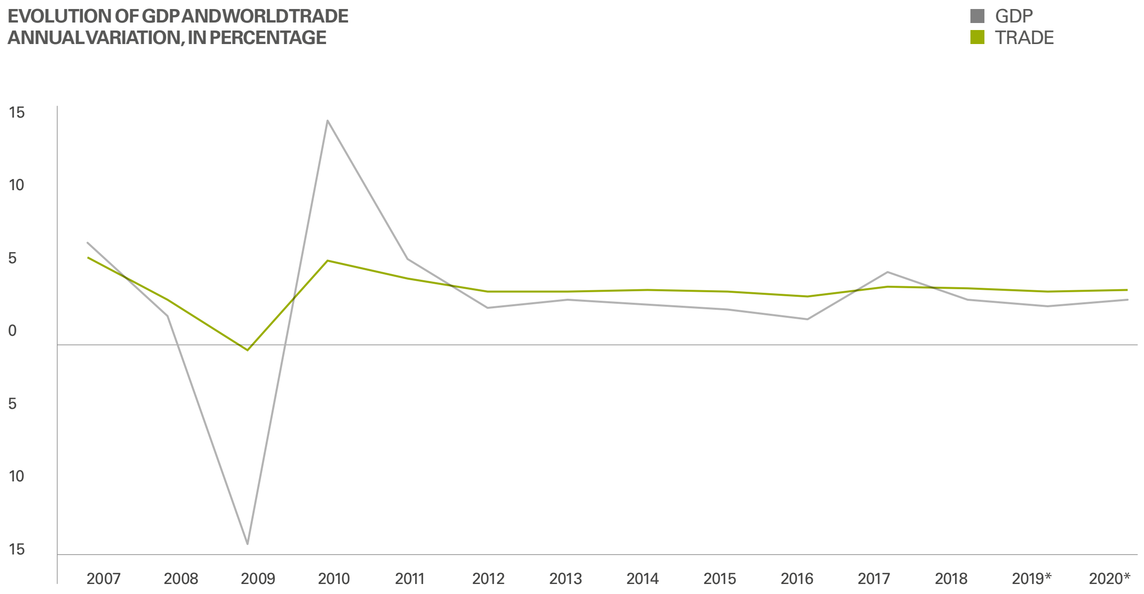
OF THE FASHION INDUSRTY

CRISIS NOISE BEFORE THE ADVANCE OF POPULISM AND PROTECTIONISM

The threat of a new recession looms over the major powers of the globe

If 2017 was the last year of optimism, 2018 was the drumming of a new global recession. Although the main macroeconomic figures in 2017 were positive, there was an element that began to raise some concern. The US bond, often used by economists as an analogue of global markets, was the first indicator to show the economic slowdown registering a flat evolution, narrowing the gap between the two-year bond and the ten-year bond.
The year began with Donald Trump settled in the White House; the populist 5 Star Movement alongside the ultra-right Northern League in front of Italy, and Jair Bolsonaro, under the motto Brazil above all, God above all, taking the reins of Brazil. Throughout 2018, populism was advancing, the extreme right took control of key economies and the commercial tensions that threatened the new leaders arose.
Despite everything that happened on the planet during the year, the actor who has most destabilized international relations and has contributed the most to extend the scenario of uncertainty has been the president of the United States, Donald Trump. In March 2018, after decades of globalization of the economy and expansion of trade, Trump changed the rules of the game with a direct confrontation with China, the second largest world economy. The US executive then processed the order to apply a first tariff increase for imports worth 50 billion dollars. This measure was the first sign for a trade war that continues to lengthen over time. China's response swift. After the White House penalized Chinese trade, the Beijing government applied the same medicine: another rise in import rates to 128 US items, from airplanes to cars, fruits and certain steel products. The escalation of threats continued throughout the year, with Washington and Beijing adding more categories and more items to the battle.
Trump, however, also raised tension in the European Union. After cooling a free trade pact between the two regions (which the previous Obama Administration tried to close in extremis before the US elections in late 2016), President Trump threatened Brussels with further tariff increases of 25% on steel and 10 % to European aluminum to protect American industry. The then president of the European Commission, Jean-Claude Juncker, returned the coup threatening three US made icons: Harley-Davidson, Bourboun and Levi's. Later, both administrations agreed to a truce and even agreed to sit down to renegotiate the free trade pact. However, the threats have not ceased and, so far, free trade agreement negotiations remain equally frozen.
In fact, one of Trump's first actions when he arrived at the oval office was to redefine the commercial policy executed until then. He decoupled from the Transpacific Free Trade Agreement (TPP) that united commercially countries of America and Asia, and forced a check of the North American Free Trade Agreement (Nafta). With Canada and Mexico, the United States finally reached an agreement at the end of 2018, the T-Mec, although it is still inactive, pending ratification.
In mid-2018, the first trade tensions between the United States and China began to take

EVOLUTION OF GDP AND WORLD TRADE
ANNUAL VARIATION, IN PERCENTAGE

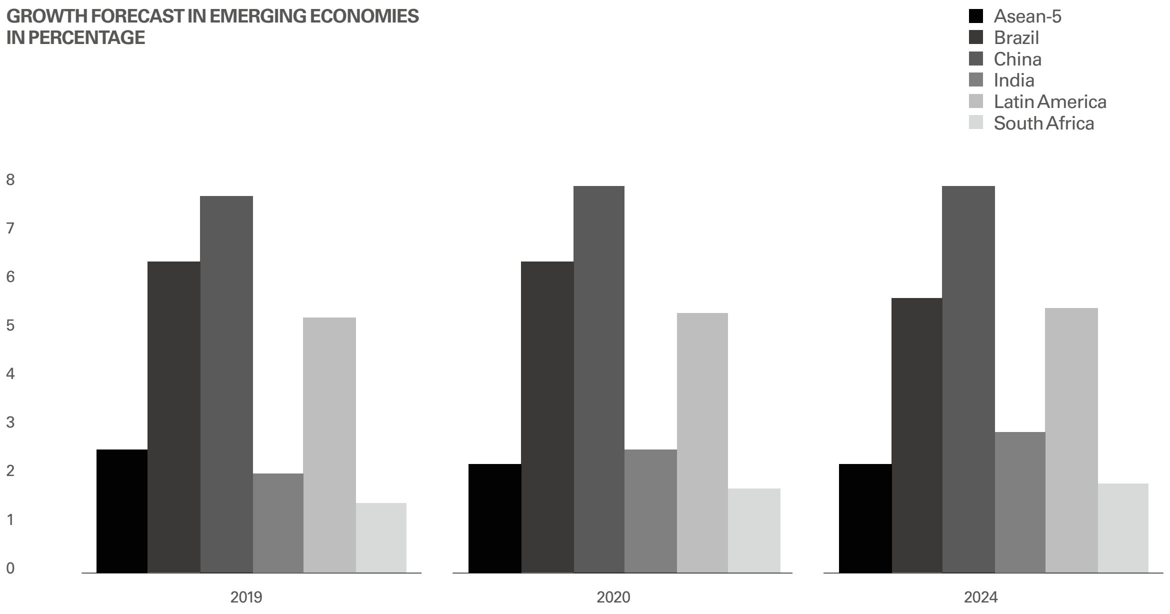


Source: IMF, Forecast

a toll on international exchanges. The World Trade Organization (WTO) radically changed its forecasts. While at the beginning of 2018 it predicted a growth of global trade of 4.4% for the following year; in September, it already forecast a 3.9% drop. The international organization justified the turn for more restrictive monetary policies and financial volatility but, above all, for the growing commercial tension and difficult market conditions.
The International Monetary Fund (IMF) also revised downward global growth forecasts in its annual Global Economic Outlook report, which it published in October 2018. Its then president, Christine Lagarde, had already referred to the international economic scenario as "challenging" and had described the world economy as rough waters. The IMF already advanced then that the growth of mature and emerging economies would slow down in the coming years and pointed to the main causes of demographic aging, the end of fiscal stimulus policies and the slowdown of investment.

EUROPEAN UNION: PROGRESS OF POPULISM AND A BREXIT THAT YET TO ARRIVE

The conversations between London and Brussels were marked by a countdown towards a deadline: on March 29, 2019. Finally, the ultimatum was not activated, but the second half of 2018 in the European Union was determined by this sword Damocles. The then British Prime Minister, Theresa May, presented to the European Commission the first proposal for Brexit in September. After the first setback, a second was presented in November. While the negotiating points did not become public, the main obstacles, such as the Northern Ireland border, were known. The third counteroffer, already in 2019, cost May her position.
In parallel to the negotiations, public and private institutions were drawing a multitude of scenarios that were fueling the flame of uncertainty. Among the most pessimistic was the Bank of England, which warned that a disorderly exit from the community market could have a worse impact than the last financial crisis, with a drop in Gross Domestic Product (GDP) of up to 8% in the Next fifteen years. The IMF, meanwhile, estimated a 1.5% drop in the GDP of the European Union. "There will be no winners in Brexit," said the organization. In this context, the British fashion industry also remained in suspense due to the drift of the process, both for the large number of international operators with presence in the territory and for the great dependence of its distribution groups and brands of purchases abroad. According to an analysis conducted by the British Retail Consortium (BRC), if the country does not finally reach a favorable agreement with the European Union, fashion imports could become more expensive by 7%.
In parallel to the negotiation of Brexit, the extreme right came to power in Italy, the fourth European economy. The European Union faced a new blow with the victory of a far-right, anti-European and xenophobic party. The Northern League, headed by Matteo Salvini, won the elections in March. The group sealed an alliance with the 5 Star Movement anti-system group, with



Source: IMF

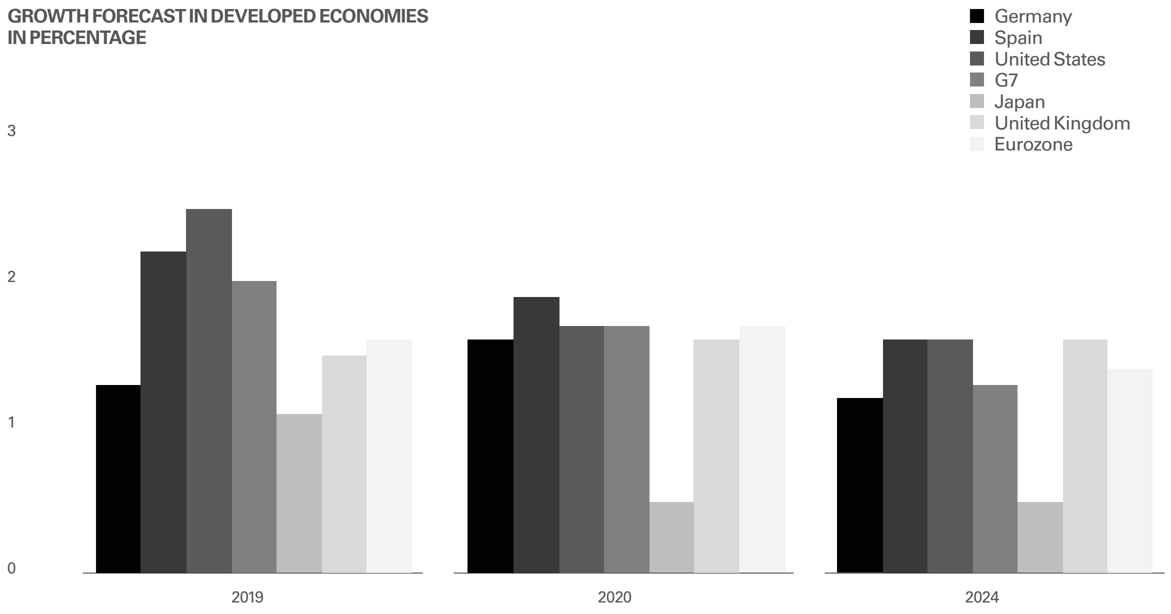
which it hardly has anything in common except for its anti-European position. Close to Trump, Salvini came to describe the euro as "a crime against humanity." At the end of 2018, the Italian Government tightened the rope with Brussels by refusing to modify its budgets and lower the deficit target. Finally, Rome reluctantly agreed.

END OF THE ECB STIMULUS PROGRAM

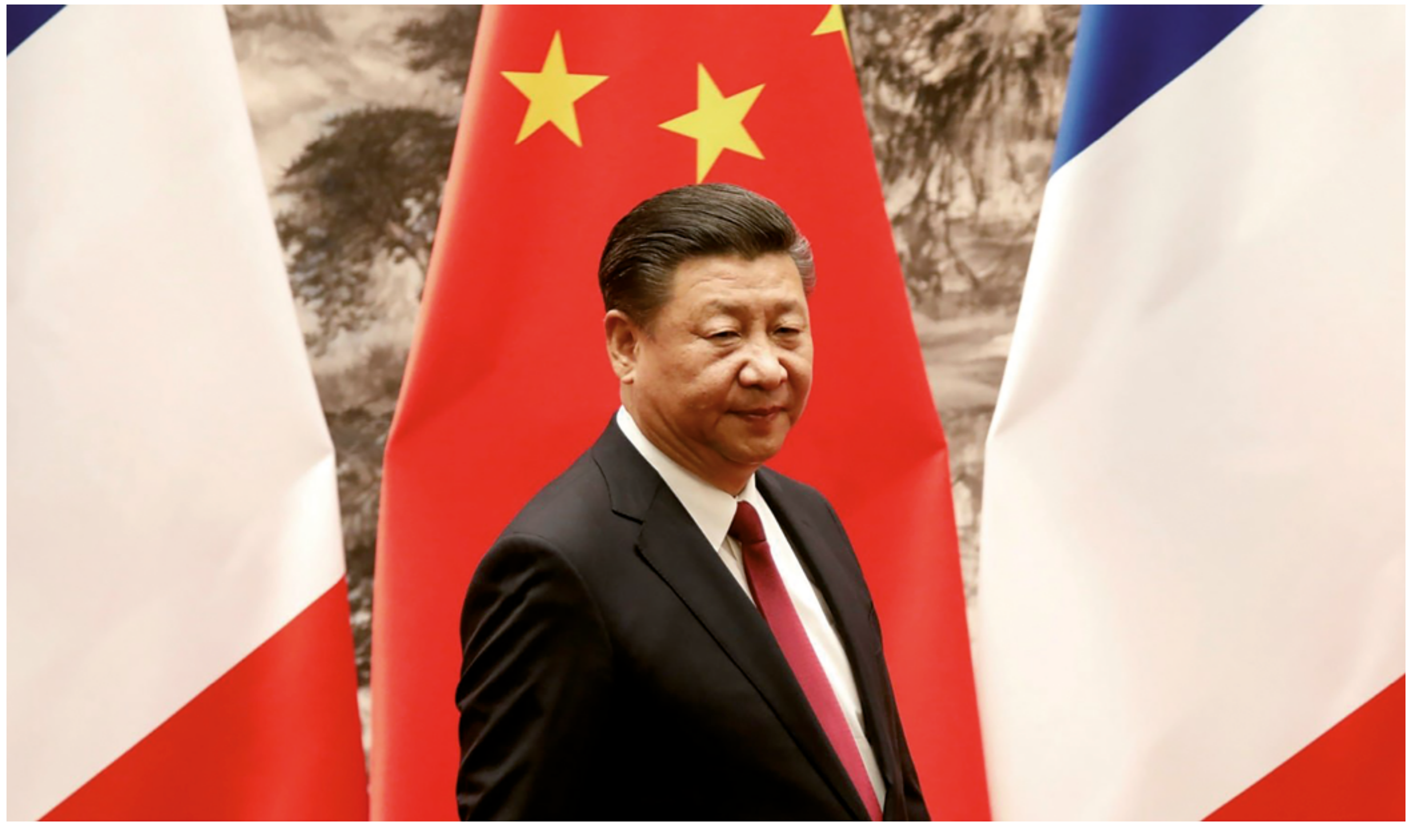
Unlike in 2007, the arrival of a new slowdown will take the world with a much bulkier debt, largely due to the ultra-expansive monetary policies that have been taken over the last decade to fight the crisis, with widespread declines of types and bonus programs. Between 2015 and 2018, the ECB has injected 2.6 billion euros into the European economy, reduced risk premiums of national economies, fought against deflation and contributed to the recovering growth in the eurozone.
At the end of 2018, the massive debt purchase program was suspended, thus returning to monetary normality, although it was decided to maintain the debt stock for a reasonable time because the forecasts already pointed to a slowdown. Euro zone GDP continued to advance in 2018, but at a slower pace than the previous year due to the weakening of world trade and the slowdown of some countries and sectors, and the projections for 2019 are on the same line. Despite the end of the stimulus program, the then president of the ECB, Mario Draghi, explained that the return to monetary normality would take place in "slow motion" because the exceptional situation generated by the previous crisis and the situation cannot be taken for granted. International economic is security.

CHINA, AT THE EDGE OF ECONOMIC DEACELERATION

The escalation of new restrictions to trade between the two largest economies on the planet (which at the end of the year penalized Chinese exports to the United States worth 200 billion dollars) had a direct impact on the growth forecasts of its two protagonists. For China, the IMF anticipated an advance of 6.6% in 2018 and 6.2% for 2019. These estimates were a stumbling block for the second largest world economy, especially after closing 2017 with a GDP growth of 6, 9%, the biggest increase in seven years.
After years of intense investment to work the economic miracle, the overheated Chinese economy began to show cooling symptoms in 2018. Industrial production also slowed, car sales fell in 2018 for the first time in almost three decades and retail as a whole left double-digit growth behind. And everything indicates that this scenario will continue despite the expansive measures of the Government of Xi Jinping. However, while the United States leads the protectionist race, China seems to have taken the helm of openness. In mid-2018, the Chinese government announced tariff reductions on 1,500 products. In the final stretch of the year, the executive lowered import rates for textile items, machinery and electronic equipment, which meant a saving of more than 7.4 billion euros for its companies.



Source: IMF



China closed 2018 with several open fronts: from doors to outside, the commercial war and, internally, the slowdown of the second world power.

LATIN AMERICA, WITHOUT CLEAR LIGHT

From the coming to power in Brazil of the extreme rightist Jair Bolsonaro, to the left of Andrés Manuel López Obrador in Mexico or the exodus of citizens of Venezuela due to the deep economic crisis in which the country is plunged were some of the events that marked the future of 2018 in the region. The weakening of the world economy and the increase in political uncertainty continue to slow its development, along with the tightening of global financial conditions, the fall in prices of raw materials and the restrictive monetary policies that were applied in some economies to contain the inflation. Latin American economies continued to be exposed to the trade war.
The growth forecasts for the region are also down. The IMF justified the cut in its forecasts due to the uncertainty experienced in the region. Indicating specific elements, the agency used

Most of the big economies adopted less expansive fiscal policies in the last year

as an example the interruption of the project of the new Mexico airport or the fragmentation of Congress in Brazil.

Most of the large economies adopted less expansive fiscal policies in the last year, with the purpose of reducing the deficit in relation to GDP, but the debt of the great powers continues to rise, limiting the room for maneuver of new governments. In the case of Mexico, the country continued to maintain healthy growth rates, although López Obrador's first budgets were more contained than expected. The application of the new Tlcan is still in the air, despite the fact that its northern neighbor, the United States, has been tightening migration policies and maintains the threat of building a wall. The "fourth transformation" of Mexico proposed by López Obrador is based on three axes: reducing inequality, making the Mexican economy more self-sufficient and curbing corruption.

In Colombia there was also a relief in the presidency of the country in 2018. With the latent peace agreement, the polls gave victory to Iván Duque, the dolphin of Álvaro Uribe. His rise to the front of the Colombian government ended the eight years of term of Juan Manuel Santos and began a new right turn. Duque took the reins of a country with good forecasts of short-term growth. However, shortly after coming to power, its popularity collapsed after approving an increase in VAT on essential products.

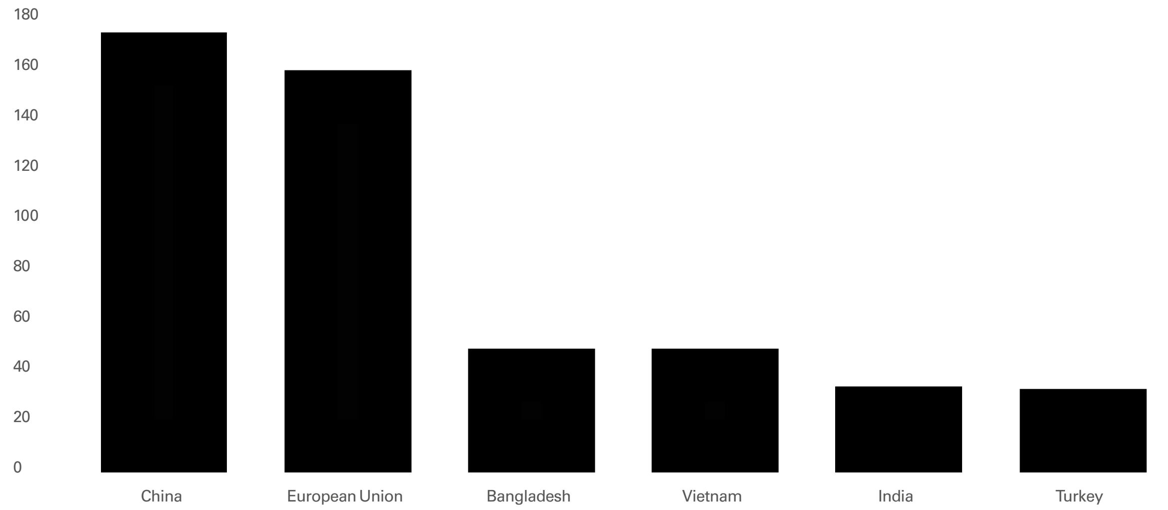
NEW rearrangement OF INTERNATIONAL TRADE

Shortly after Trump launched the first trade attack on China in March, the WTO marked the first forecasts of international trade growth for 2018 and 2019. As a good year, at least in macroeconomic terms, 2017 was also good for global exchanges. The growth was 4.7%, a level difficult to beat, but in the face of such wellness, difficult to predict a possible brake. At the beginning of the year, international trade growth estimates for 2018 were 4.4% and, for 2019, 4%. The organization showed with these forecasts' certain signs of deceleration, but still far from the post-crisis average of 3%. The WTO was already warning about the "growing commercial tensions" and their impact on business confidence and investment decisions. The managing director of the institution, Roberto Azevêdo, pointed out that if a process of measures and countermeasures were initiated that could lead to an uncontrollable escalation of restrictive trade policies, it could lead to a slowdown in the recovery of the economy and job creation. Finally, international trade ended 2018 with an increase of 3% and the forecasts for 2019 were adjusted to stand at 2.6%.

The cooling of international trade has led to the reactivation of the negotiations of bilateral treaties that had been suspended, such as transpacific, which covers a market of 500 million people and whose economies represent about 13% of the world's GDP, as well as of the European Union with Japan and the Mercosur region. The pact between Brussels and Tokyo created a commercial area of more than 600 million people and almost a third of the global GDP, while the union between the European and Latin American regions gives companies access to a market of 260 million consumers. The European Union began to position itself in 2018 as the bearer of globalization and as an engine of global growth, a radically opposite position to the one that the United States works.

The fashion business, global in its DNA, still did not suffer in 2018 the direct effects of the stoppage of international trade and the change of the rules of the game. The tariff increases with which China and the United States were bombed throughout the year barely touched key categories of textile, clothing, leather and footwear. However, nobody escaped that, as the tension escalated, consumer items would also enter into litigation. The sector in Spain, for example, moderated the pace of its exports for the first time since 2013, largely due to the stoppage of fashion consumption in countries such as France, Italy and Portugal, three of its main destination markets.

TEN LARGEST CLOTHE EXPORTERS
EXPORTS IN BILLION EUROS. DATA FROM 2018



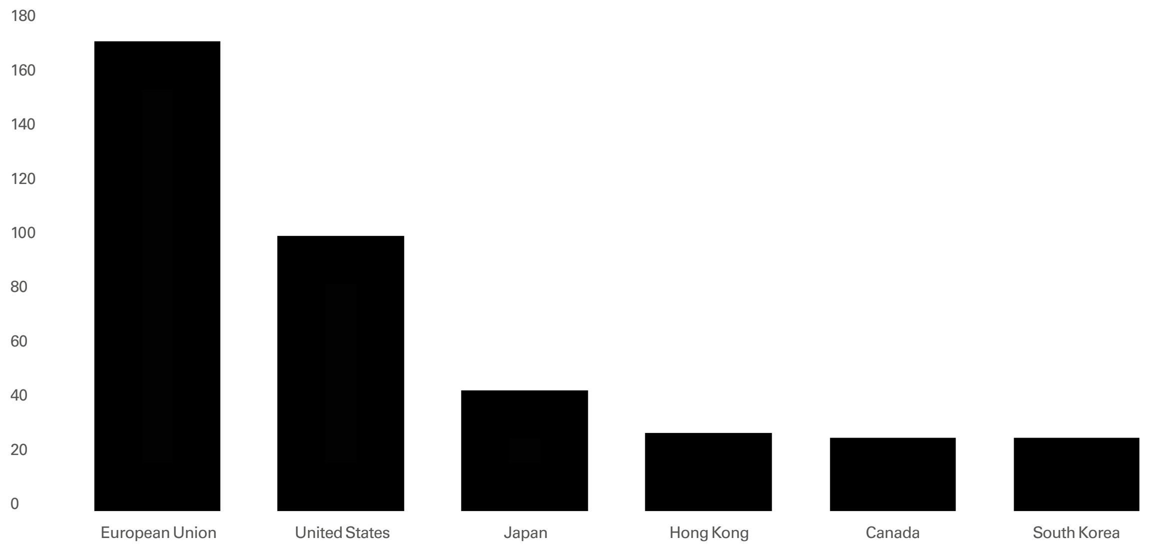
Source: WTO

DIGITALIZATION OF THE INDUSTRY

In the midst of an increasingly hostile environment for business, the fashion industry, like all other economic activities, is digitized by force. Industry 4.0 is no longer the future but the present. The consumer continues to be on the street, but with less frequency. It is also on the web, and this movement involves a radical transformation of traditional business models. The technology allows for the first time to scale the analysis of data to make decisions with a rational and logical basis in real time.

Digitization has led to the reordering of commercial networks, store closures, new social communication formulas, new departments and management positions in corporate structures, a new sustainable and profitable last mile logistics, new supply times or greater transparency in the value chain, among other elements. In 2018, omnichannel was the new normal. Technology also gives wings to disruptive start-ups that begin to question even the business model itself, capable of attracting venture capital and moving with sufficient agility to be seen as a threat. The rapidity of the change has forced the large groups of the sector to create their own incubators and accelerators so as not to be left behind, while they are testing new formulas in retail, ecommerce, loyalty, production and even materials in the face of fear of being left behind, lose sight of the consumer or go out of style. •

TEN LARGEST CLOTHE IMPORTERS
EXPORTS IN BILLION EUROS. DATA FROM 2018



Source: WTO

TEN FASHION GLOBAL DRIVERS

THE ELEMENTS OF CHANGE OF THE FASHION INDUSTRY

Fashion is immersed in digitalization and in the struggle for the families budget

Fashion is immersed in recovering positions in the battle for the family budget and leisure spending. Travel, telephony or television on demand have played a role in fashion purchases in the consumer market, while fashion brands are engaged in an unprecedented price war to win back an overflowing consumer.The fast fashion system in the new digital era begins to notice the friction.
The sector has accumulated a few years of transformation, but it has been in 2018 when the change has become completely evident and when the new strategies have been made visible for the first time. It has been the year in which Inditex said it was digital and in which H&M unveiled the guidelines of its transformation or when the retail Apocalypse gave its last blows. It has also been the year of partnerships to accelerate innovation, artificial intelligence to analyze the avalanche of new data, save the last mile, make value chains more sustainable and transparent, and even look for new allies to create new raw materials.
If 2017 marked a turning point in fashion, 2018 witnessed the launch of a new era in the sector. All this in an economic context that continues to be characterized by uncertainty and with a hyperconnected consumer who has completely changed the rules of the game.

USA AND CHINA SCARE THE WORLD

The new cold war is commercial.Tension between the United States and China has stained uncertainty in international trade throughout 2018, cooling investments and business decisions in fear of unforeseeable consequences.The fashion industry, one of the most globalized manufacturing and commercial sectors, has at the moment continued working on the same map, but attentive and sensitive to any geopolitical movement. Brexit continues to be one of the elements that contribute to the blur of the economic scenario.
large US groups, with long-standing supply policies in China, began to question the continuity of their purchases in the Asian giant in the face ofTrump's threats. In 2018, there was still no firm movement in this regard, although companies such as Abercrombie&Fitch, Adidas or H&M began to consider the possibility of reducing the prominence of China in its sourcing strategy.

The costs of digitalization and sustainability have begun to take their toll on the most fragile treasuries

FUELTO REMAIN INTHE GAME: FASHION IS REFINED

The transformation has its cost. About 32% of the one hundred largest fashion and luxury groups contracted their net profit in 2018, an exercise that was also characterized by sales declines and margin reduction.Throughout the year , financial institutions sealed debt refinancing agreements with companies.
Internationally, the British Mothercare, the French Orchestra or the Italian Kiko Milano or OVS faced restructuring in their liabilities with a view to avoiding bankruptcy proceedings.The German Esprit or the British marketplace Asos threw profit warnings in the face of the sharp deterioration in their profitability. In general, listed companies have suffered the fear of investors at the high cost of the transformation, the bulky backpacks in retail, China's dependence on supply or the effort to break into new markets.

BUY OR CLOSE:WINNING FEE AGAINST THE COMPETITOR

The growth has ceased to be accompanied by the expansion of the market itself to keep gaining positions to the rest of the actors in an environment of stagnant consumption.This scenario has led to the firing of corporate operations throughout 2018. Of the one hundred largest fashion and luxury groups in the world, 41% have made some movement in this regard, either buying a company or buying a stake. About 4% of these companies changed hands, while 5% undid some of their brands and 7% gave entry to new partners.
One of the largest sales transactions in 2018 was the acquisition of Versace by Michel Kors for 8 billion dollars. Throughout the year, Yoox Net-a-Porter passed to Richemont; Sports Direct came to the rescue of House of Fraser; in Germany the two largest groups of department stores, Karstdat and Kaukhof were merged, while in Latin America, Falabella was reinforced online with Linio. The American giant VF culminated the reordering of its brands with a spin off for its denim division, consisting of two of the historical brands in this segment, Wrangler and Lee.

FROM 'FAST FASHION 'TO 'FLEXIBLE FASHION'

Digitization has introduced a new variable to sourcing: flexibility, the ability to maximize market demand with industry.The new twist of the industry does not go through an ultra-fast fashion, that is, to accelerate the system but still working with large volumes, but by flexible fashion, sharpening the provisioning much more to gain speed in time to market and avoid stocks as much as possible, one of the biggest ballasts of the current system. The new strategies involve establishing greater control over production, establishing new logistics

nodes or betting on automation.
H&M launched new logistics platforms to accelerate time to market; Fast Retailing opened with its headquarters in Japan the first fully automated warehouse; Adidas allied with Chinese manufacturer Tianyuan Garments to open a factory in Arkansas with the ability to produce t-shirts in 22 seconds and Levi Strauss introduced technologies for finishing jeans in close proximity to accelerate customization.

SUSTAINABLE PARENTHESIS: SLOWDOWN AND SPEED

Sustainability ceased to be a reputational element to place itself at the epicenter of business strategy as a new engine that guarantees the growth of companies in the long term. In 2018, sustainability ceased to be seen as a competitive element only to become a meeting point, for alliances, between different groups to go hand in hand and accelerate change. It was a year of consolidation of large global business lobbies aimed at promoting research in new materials, promoting sustainable cotton cultivation, boosting the demand for preferred fibers or seeking the scalable formula of circularity in the industry.
Also, in 2018, the current fashion system was in the spotlight of some governments, such as the French or the British, which began to question their environmental viability and respect for human and labor rights in their supply chains. The percentage of companies that advance in this regard is still low, but the companies that lead each of the fashion and luxury subsectors are the ones leading this change.

BRICK AND MORTAR STILL TIGHTEN THE BELT

The advance of ecommerce, the arrival of a new generation of consumers and changes in shopping habits have forced the traditional retail system to take a radical turn. The tension is no longer between the store and the multibrand, the department stores ceased to have power in purchasing and influence, and the shopping centers ceased to be the hub of the culture of leisure.
In 2018, the waterfall of closures remained in the United States, although loosening its intensity. At the beginning of the year, Inditex gave one of the keys to this movement: a deep reorganization of the distribution network to stop being a retailer to use and become a digital company. Also, in 2018, H&M launched its new strategy with a plan of closures in developed markets along with another of expansion in emerging economies. Even so, the falls continued, like the British House of Fraser, rescued in extremis by Sports Direct.

ROADMAP FOR 'FASHTECH': AFTER RFID, WHAT NOW?

The radio frequency identification system (Rfid), which initially had to help the sector by tidying up warehouses to provide reliable stock data, has ended up being one of the cornerstones of omnichannel. Once integrated into the industry, large companies in the sector continue to track the technology market in search of new tools that give them a boost in digital transformation.
Throughout 2018, they were identifying what the technologies of the future of retail were going to be, some of them oriented to experience at the point of sale, and others aimed at analyzing data and making decisions about it. It was the year of entry into the sector of tools such as artificial intelligence, augmented reality, virtual reality or blockchain, as well as new raw materials or new more sustainable processes.

Large groups have begun to seek alliances with third parties to accelerate their progress in innovation, incorporation of new technologies and sustainable processes

In a market that tends to focus, corporate operations marked 2018, along with name changes and strategies to strengthen brands

SHIELD THE BRAND TO SURVIVE

In the era of hyperconnectivity and overinformation the strength of the brand is one of the few guarantees of survival of a company. On this occasion, the generational change has been deeper than in other times because it has been accompanied by a technological change that has shaken communication and culture. In 2018, half of the large companies in the sector were still reorienting their strategy to hunt down the new consumer. 5% had even modified their corporate identity and image so as not to be left out of the generational imaginary. Some of them were historical luxury like Balmain, Burberry or Céline.
On the other hand, the concentration market trend and the consequent corporate operations have also forced name changes in the parent company, such as Capri to uncheck Michael Kors, or Tapestry in Coach. In Spain, the same thing happened with Tendam.

MORE FASHION, LOWER PRICES

Fashion remains seated in the spiral of low prices. The current fashion system continues to work with significant mismatches in supply and demand, which generate a quantity of stocks that are difficult to absorb, and which force continued discount campaigns to save the seasons. The abuse of mid-season sales has decaffeinated the period of sales and has changed shopping habits, in addition to misrepresenting the mental prices of the garments. Although the price battle is still alive, only 14% of companies said they had lowered it in 2018. Luxury, for example, corrected prices in China to match them abroad.
The ecommerce, which owes part of its takeoff to promotions, started in 2018 a price war in logistics. The high cost of the last mile caused some companies, such as Amazon or Asos, to start moving tokens to put a price on the free bar of free deliveries despite fear of slowing the advance of online commerce.

FASHION SPEEDS UP PERSONALIZATION

Omnichannel and the commitment to restore the consumer at the center of the business strategy are aimed at accentuating personalization, whether in communication, in service or even in product. Loyalty clubs are increasingly common (55% of the largest in the sector has one) at the same time that artificial intelligence sneaks into communication to scale personal treatment, either through social networks or assistant bots of purchase. Loyalty and personalization are the new tools to achieve a fluid and personal communication between brand and consumer with which to build long-term relationships of trust.
In 2018, more than half of the big companies had redirected their customer strategy to seduce new audiences.
In 2018, the first forms of personalization of garments at the point of sale began to be tested, either with embroidery machines, textile finishes or even automatic weavers, while in the field of cosmetics augmented reality apps were winning ground. •

GFD — 2019

GFD

#1

WARNING CURVES: US AND CHINA SCARE THE WORLD

#1

Warning curves: US and China scare the world

World trade has been clouded again by a climate of uncertainty fueled by growing trade tension between the two major powers: the United States and China. Throughout 2018, US President Donald Trump and his Chinese counterpart, Xi Jinping, began a commercial fight in a continuous tug of war, with threats and truces, which has slowed down decades of globalization, cooling expansion plans , delaying international investments and postponing strategic decisions. In Europe, Brexit was the main destabilizer. The departure of the second largest economy in the region from the European Union has ended up containing commercial movements awaiting a resolution that does not end. Although the overall evolution of the business of the big fashion groups and luxury has been positive, the future prospects are not clear and, in many cases, are subject to the future of the international context. More than half of the companies referred precisely to the uncertainty to expose.

22%

The percentage of companies that referred to the commercial war when talking about their activity in 2018.

Companies like PVH, VF, Tapestry, Global Brands, Safilo, Gap or Levi Strauss have asked the president of the United States to end the tariff battle because it penalizes the sector

March 22, 2018 is marked on the calendar as the beginning of one of the great battles of international trade in history: trade war between China and the United States, for which an agreement is still being sought today.
The contest began when the US president, DonaldTrump, signed a memorandum for the application of tariffs for 50 billion dollars to Chinese products in response to "China's unfair trade practices in recent years" and intellectual property theft. The response of his Chinese counterpart, Xi Jinping, was the same. A month after Trump's attack, China imposed tariffs on 128 US products It was the beginning of a new commercial-based cold war that has the global economy in suspense.
The United States has continued to impose new packages of tariff increases to China, to which the Beijing Government has attacked back with the same currency. China ended up going to the World Trade Organization (WTO) to unravel the conflict, which opened a space for dialogue, which has been broken and patched several times.
The conflict between the two countries has also aroused fears of a brake on world growth, especially in foreign trade-dependent economies, such as emerging ones, but also European ones. In this regard, the European Union began to reactivate bilateral negotiations to close free trade agreements. Only in 2018, Brussels concluded those of Japan and Singapore and left that of Mercosur tied.
The tension, in fact, also reached the European Union, although the threats of its top leaders did not materialize. However, given the seriousness of the situation, the Government of Brussels came to design a list of US articles to which it would record with new rates.
In 2018, the fashion industry was still unscathed from this battle. The contest focused on its first year in penalizing the exchange of industrial and agricultural goods, leaving consumer goods for a second phase. However, seeing them coming, several companies in the sector began to launch initiatives to keep their backs facing the consequences of the commercial war. This is the case of the American PVH, owner of Calvin Klein and Tommy Hilfiger, who decided to transfer part of its supply to Ethiopia in search of "greater opportunities."
The uncertainty generated by trade war between Washington and Beijing added to other elements that contributed to destabilizing and adding uncertainty to the global economic context, such as Brexit or the sharp fall in the currencies of emerging economies.
Abercrombie&Fitch, for example, warned of the negative impact of the exchange rate, in the same way that other international companies did, from Hermès to Puig. The strong global implementation of the fashion business, whether in its supply chain or its distribution, causes it to be highly exposed to the swings of foreign markets and to be very sensitive to currency movements because they can make it more

#1

Warning curves: US and China scare the world

China and the United States have been at a crossing of tariff escalation threats for almost two years now.

Despite trade war, 40% of the companies in the sector opted for China in its international expansion strategy

expensive or cheaper foreign trade.
In addition, Abercrombie&Fitch also explained that it aims to reduce to 20%, compared to the current 25%, its products manufactured in China with the goal of reducing the impact of tariff policies. Tapestry, owner of Coach, Stuart Weitzman and Kate Spade, also advanced that trade restrictions between China and the United States could negatively affect the profitability of their products as it has a large part of its production in the Asian country. Adidas, meanwhile, has begun to bet on sourcing in Cambodia. In fact, the German company explained in its annual report that "the ongoing trade dispute between the United States and China could lead to the imposition of additional trade tariffs that would also affect footwear and sportswear and could have substantial effects on growth economic not only in two of the company's key markets, but also worldwide."
As for its commercial expansion, several companies in the fashion business have continued to boost their activity in the Asian country during the year 2019. H&M, for example, increased its revenue in the country by 10% in 2018 while it has put 24 new stores underway. In addition, the American Levi Strauss, meanwhile, has begun to restructure its business in the Asian giant with the aim of propping up its growth in the country over the next few years. Esprit, for its part, has placed the Asian country at the center of its strategy to return to the path of profitability. Esprit's goal in 2018 was to open 220 stores in China by 2023 and another 78 in the rest of Asia over the next five years.
Spanish operators have also opted for its expansion in China in the short term. This is the case of El Corte Inglés, which at the end of the year sealed an alliance with the giant Alibaba to deal with commercial agreements with other technology companies, including their entry into the country by the Tmall markeplace. The Swiss Richemont, meanwhile, made a similar move with the launch of a joint venture with the ecommerce company with the aim of gaining presence in the country. In fact, the luxury market continues to have the Asian country as its engine. Although the growth of the sector has not been very high because of the trade war, the sector has stabilized in the Asian country.
On the other hand, in the context of the uncertainty caused by trade war, many companies in the sector have changed their strategy to bet on developed markets such as the United States, Europe or Japan. Britain's Burberry, for example, raised its income by 6% in Japan during the period. In fact, Japan was erected as a refuge for the expansion of international luxury brands in Asia. Hermès or Louis Vuitton have one of their main international markets in the country. Inditex, for its part, also chose Japan to strengthen its digital strategy in Asia. The Spanish fashion retailer launched a Zara pop up store in the country in 2018 dedicated solely to online orders. The Inditex chain premiered this concept at the beginning of the year in London and, a few months later, replied in Milan.
Although trade war was already underway, the bulk of the largest fashion companies continued to execute the plans underway, and it remains to be seen whether it will be traced again for the coming years. In this sense it is significant that in six out of ten annual reports explicit reference is made to the climate of uncertainty in which the global economic scenario is plunged and the difficulty of making short- and medium-term growth forecasts. In 22% of cases, trade war is clearly cited as one of the main slowdowns of foreign trade and in 32% of companies, currency volatility is pointed out.
In 2018, 38% of the world's top 100 fashion companies opened new markets compared to only 8% of the companies that chose to retreat in one. Inditex, for example, registered a record of countries with Zara presence, totaling 202 territories. The last boost to achieve this conquest came from the online universe, which catapulted the brand into those countries of smaller dimensions in which it had no physical presence.
Global ecommerce giants, such as Amazon, JD.com and Alibaba, also registered strong foreign activity. The American was the one that accelerated the most in this regard, relying on other services beyond online sales. In markets where it already had a presence, such as Europeans, it was strengthening it with the introduction of new fashion brands and the activation of new services, such as the entry of other retailers in its marketplace.
Apart from the trade war, China continued to be an important pole of attraction for international companies in the sector. More than 40% of the large groups opted for the Chinese market to strengthen their growth abroad.
The German footwear group Deichmann was one of the companies that set out for the Chinese market to boost its expansion outside Europe. On the other hand, about half of the one hundred largest companies chose to gain presence in more mature economies, such as the United States, the European Union or Japan. Already in 2017, this trend of security search in traditional markets and a certain breakdown of the expansionary policies in search of new deposits for exports began to be perceived. In this sense, the commitment to break into new emerging markets in Africa, in the same way that fifteen years ago, new routes were propped up in Asia, has been paralyzed. In 2018 only 4% of the giants in the sector chose to disembark in African countries.
Although the companies continued with the plans drawn up, a slowdown on investment or larger actions began to be perceived, such as the creation of structure abroad. Thus, only 4% of the one hundred largest corporations in the sector set up a subsidiary abroad. •

Jeremy Ghez

Jeremy Ghez is co-director of the Geopolitics Center of HEC Paris.

"GLOBALIZATION HAS ALREADY BEEN REVERTED IN THE PAST: IT CAN HAPPEN AGAIN"

How will the tension between China and United States change world trade, as we know it today?
There are two possible scenarios. The first is the status quo, that is, that we continue as before, and that is the least likely of the two. The second scenario is that the free trade rule, which has prevailed since 1945, changes. That we decide that free trade, finally, does not compensate. There need not even be a trade war, but only an escalation of protectionism. In this new context, we will try to trade with more unique and differentiated things. Fashion could be one of these.

But can you really reverse globalization?
The short answer is no. The long one, is complicated. It depends on what you mean by globalization. If we talk about the free exchange of goods across borders then yes, it can be reversed. It has already happened in the past, so it can happen again. It may also happen that globalization is transformed, in the first place, into something more premium: I will buy French product because it is made in France and I cannot buy it anywhere else on the planet. On the other hand, we may stop selling product to sell design. Imagine that, instead of buying a dress, buy a print and then you can make the dress at home.

What will happen then with the countries that export fashion with no added value?
The most simplistic answer is that they will die. These companies will not survive globalization 3.0. The country will have to consider what makes the "made in Bangladesh" label something special. It is a process similar to the one that China went through. The country must have the ability to develop its own brand, although that also involves a lot of investment.

So, will much of the production return to Europe and the United States?
In logic, yes. But it is a very different mentality, and here the sustainability factor will also come into play. Companies and consumers may consider "I can't spend so little on that because the cost is actually higher." Somehow it is contradictory to the world we have been living in since 1945.

Isn't it a step back, but rather an evolution?
Definitely. It is not like the protectionism of the thirties.

"In the globalization 3.0, only very differentiated and local products will be marketed, those who do not adapt will die"

What role will the European Union play in this new scenario?
Do you know the saying "Americans innovate, Chinese copy and Europeans regulate"? Well, it is wrong. Americans innovate, yes, but there are not so many entrepreneurs in the United States. And the made in China no longer means what it meant ten years ago. And Europeans are not simply regulating, but they are setting new international standards, as they did with privacy.

What will happen to global retailers without a national identity like Inditex or H&M? It's a good time to invest in them?
If you follow the logic, the answer is no, taking into account a scenario in which the status quo changes.

Does the same apply to ecommerce giants, like Amazon?
In the future, three things can happen: on the one hand, that Amazon collapses because there will be no more cheap things in the world and they will have nothing to send. On the other, that it becomes a place to find things that cannot be found anywhere else, of truly differentiated articles. Or, thirdly, that Amazon stop selling items to become a seller of designs that can be printed at home. In any case, it will not survive 3.0 globalization unless it changes.

How will international organizations such as the World Trade Organization have to adapt?
They must rethink their raison d'être, and become the true point of reference for international trade. In recent years we have seen many new bilateral agreements signed, because countries are looking for a plan b. So the future of free trade may not be a global environment in which everyone trades with the whole world but rather a world of bilateral relations. I think the World Trade Organization is responsible for preserving at least that.

Is it a step back in progress?
I always try to be optimistic. It's like when there are waves in the sea. Staying still is the best way to drown. What you really have to do is try to ride the wave, go above, below, do something with it. Now we are seeing how a tsunami arrives that will be a great transformation. Companies that accept the terms of that transformation and accept the fact that they probably won't trade in the way they do today will survive. I think it's an optimistic message. •

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GFD

#2

FUEL TO REMAIN IN THE GAME: FASHION REFINANCES

#2

Fuel to remain in the game: fashion refinances

New beginnings. The 2018 fiscal year was a turning point for the giants of world-wide fashion distribution. The large groups in the sector faced a shift in the environment due to a slowdown in fashion consumption in the international scene, the industry's own internal crisis due to digitalization and the implementation of new business models to deal with this challenge. In a context of constant promotions, irregular weather and a transformation that requires a strong investment, the profitability of the largest operators has been damaged. In fact, 32% of the hundred companies analyzed have placed their profit down during the period, which has also been accompanied by the drop in sales and the reduction in margins. One of the consequences for some of the main operators of the fashion business has been the refinancing of the debt through an agreement with the financial institutions. In this scenario, the stock market and analysts have not lagged behind, responding with suspicion to the industry situation.

19%

Percentage of the companies analyzed that have refinanced their debt during the last year.

The British Debenhams, in the process of restructuring since 2017, faced closures and dismissals throughout the year, which ended in losses

Plunge in sales, margins drops and profitability deteriorated. In 2018, fashion giants have faced the transformation that the sector is undergoing, and their income statements have given a good account of this. The combination of changing consumer habits with the boost of ecommerce, climate change and intensive discount campaigns led small, medium and large companies to a strong thinning of the margins. In many cases, companies in the sector have chosen to use financial tools to leverage and obtain fuel against digital transformation without losing rope in the day-to-day business.

In this sense, two out of every ten companies analyzed refinanced their debt throughout 2018. At the international level, other operators such as Mothercare, Kiko Milano or OVS also opted to refinance their debt during the last year. The British children's fashion company obtained financing to undertake the necessary measures to return to profitability. Orchestra was another of the children's fashion companies that restructured its liabilities during the last year. The French company reached an agreement with the financial institutions to extend the term until July 2020 and July 2021 for most credit lines, which amount to 209.2 million euros.

The British Debenhams, in the process of restructuring since 2017, executed a large part of the closures and layoffs throughout 2018, an exercise that ended in losses. The company started the year by accelerating the business reorganization plan to simplify structure and contain costs. The group, then run by Sergio Bucher, also had an internal conflict for its control between minority shareholders and British businessman Mike Ashley, who also owned the Sports Direct chain and was growing in its capital by increasing his stake up to 30%. At the end of the year, Debenhams activated a new restructuring plan after closing around fifty stores in the United Kingdom, one third of the total.

At the same time, Kiko Milano also began its fiscal year by studying a capital injection of up to 150 million euros to refinance its liabilities with financial institutions, which then amounted to two hundred million euros. The injection allowed the company to delay the repayment of his loans with banks such as BNP Paribas, UniCredit and Banca Generali. The entity accounts for almost half of Kiko Milano's total indebtedness.

The Italian OVS also announced in 2018 that it was studying the refinancing of its debt after it canceled its sales process. BC Partners, the group's shareholder, initiated a round of contacts with the creditor banks to renegotiate the debt and obtain a higher return on divestment in OVS.

In Spain, El Corte Inglés, the third largest group of department stores in the world by revenue, was one of the companies that faced a major restructuring of its liabilities, which reached 3.6 billion euros. In early 2018, the Spanish company reached an agreement with the bank to refinance it. Another of the Spanish groups that got a breath of air was Mango. The fashion distribution company signed an agreement with the main Spanish banks to postpone the maturity of its debt to four years, until 2023.

FALL OF PROFITABILITY

H&M is another of the giants of the sector that underwent the transformation to which the industry is subject to its income statement. The Swedish group ended the year reducing its profitability for the third consecutive year. Although it has not yet seen results, the company was adjusting its model throughout 2018 with the reordering of its network of stores and the closure of concepts such as Cheap Monday or Nyden.

Fast Retailing, the second largest fashion retailer in the world, was not left behind during the last year, during which the changes that hit the sector also suffered in its results. In that sense, the Japanese giant presented its first profit warning in three years, estimating that it will close the year with a gross operating result (EBITDA) of 10 billion yen less than expected.

Asos was another of the companies that warned about the fall of its results in 2018. The British ecommerce group announced that November sales were not up to their expectations due to economic uncertainty in several of its main markets, as well as to the fall of consumer confidence. The decline of the British group had consequences for several international retailers, both pure players and traditional operators. Zalando, for example, fell in the stock market during the day in which Asos issued its profit warning, in the same way as Inditex, Primark and H&M, which saw their titles plummet in the stocket market in fear of investors.

Analysts also responded in 2018 about the situation facing companies in the sector.

The loss of profitability has hit both the offline and online giants. The former for its bulky commercial area at street level and the latter for the difficulty of maintaining an aggressive policy of discounts and free shipping over time. In 2018, more than a third of the companies analyzed shrunk their net result and 22% saw their gross margin penalized. Even luxury didn't break free from this trend. Prada, for example, reduced its earnings by 10%; likewise for the Italian Tod's which collapsed by 34%, while other giants of

More than a third of the hundred largest companies shrunk their net benfit in 2018 and 22% decreased their gross protif

Four out of ten companies activated a cost reduction plan in 2018.

the sector, such as Tapestry (owner of Coach) or Michael Kors (in the process of being Capri), also saw their revenue shrink, although this time on the occasion of the procurement policy and the creation of two holdings.

With the purpose of clearing accounts and ending the loss of profitability, four out of ten companies activated a cost reduction plan. From Nike to Tiffany, through the Zalando marketplace or the offline giants Macy's, Benetton, Fast Retailing or H&M, among others, in 2018 they defined new strategies to obtain new fuel and margins via spending cuts.

Benetton, for example, was one of the companies that returned to the front page in 2018 with the return of its founder, Luciano Benetton, to redirect the course of the group then in free fall. In 2016, the company, which still lives on revenue from having been the first global fashion distribution group, had doubled its losses at 81 million euros and, in 2017, sank them further, up to 180 million dollars. Throughout 2018, Benetton changed its chief financial officer, signed a creative director, reordered its network of stores and recovered the odd piece of the past, such as photographer and publicist Olivero Toscani. The financing came from the hand of the same family, which injected the company with one hundred million euros to reactivate it. In 2018, Benetton reduced its losses by 40%, although it still held them above one hundred million euros. The new roadmap of the group happens to recover profitability in 2020.

About 9% of companies implemented deeper restructuring plans to contain costs, such as staff cuts. The British children's fashion distributor Mothercare, for example, has tried to avoid a bankruptcy process, but it has already accumulated two years of negotiations with its creditors when it is unable to contain its losses, which in 2017 amounted to 76.1 million pounds and in 2018 increased to 93.4 million pounds. The company is immersed in a process of rearranging its business: throughout the last year it closed 55 stores, shuttered its toy business and announced 200 layoffs. Another giant of children's fashion, in this case the American The Children's Place also carried out an ambitious adjustment plan in 2018, which involved 300 closures with their corresponding layoffs. In the United Kingdom, Arcadia has also been dodging the creditors' contest at the moment, although it began negotiations with its creditors in 2018 to face a plan of strong adjustments to avoid closing the business.

The American Under Armor, meanwhile, sums two fiscal years in red, with losses of 48.2 million dollars in 2017 and 46.3 million dollars in 2018. In 2017, the sports fashion company launched a cost containment plan that at the end of 2018 ended. One of the measures of this program was to cut the group's global workforce by 3%, the equivalent of some 400 workers.

However, it has been the US retail giants that have made the most cuts in their workforce before the avalanche of closures of stores caused by the deep rearrangements of their distribution networks. Macy's, Kohl's or Sears, in the process of bankruptcy, were the ones that carried out major restructuring in their workforce.

This scenario has favored the sale and purchase operations, driving the sector towards greater concentration. The digital transformation in an environment of stagnation of sales and lower prices will mean a new natural screening among companies in the sector. •

Eloi Noya

Eloi Noya is professor of technology in finance at the Institute of Financial Studies (IEF).

"THE DANGER IS THAT EVERYTHING PASSES BY THE BANKS AND EVERY TIME THERE ARE LESS AND LESS"

Are companies too leveraged?
Yes. In general, there is a problem of debt growth. When the crisis began, the debt was reduced for three or four years. The companies were forced to do so due to a cessation of credit insurances. That lasted until 2014 or 2015. Thereafter, credit institutions returned to give liquidity and lower interest rates. That caused companies to ask for loans once again. They'd ask banks and other entities.

Are banks afraid of retail?
Both banks and other debt funds perceive retail reluctantly. Now you buy more online, there is some volatility, there are brands that are very fashionable, but after three or four years they go down ... Fashion has many ups and downs, and this also slows down the fact that retail companies want to go into debt, especially in the long term.

Is the fact that fashion is a sector closely linked to economic cycles an added risk?
There is always a lot of reluctance to lend on something that is intangible, which depends on fashion and even climatic factors, at times. This increases uncertainty and adds risk.

If growth requires investment and banks do not provide financing, how can a retail company grow today?
In the specific case of the Spanish market, one of the added problems is that we are heavily banked. A financial director of any company seeking financing goes directly to the bank. The market share that banks have in terms of debt is very high. There are still a few non-banking alternatives in Spain. In other countries, however, there are many. The tendency is to open more and more to other alternatives.

"It is everyone's duty to look for non-bank financing to reduce this dependence"

What are these other alternatives?
There are debt funds, financing platforms, specialized financing, which may be the solution for these companies. You have to look at what activity you have and what guarantees you can offer, understand the economic cycle well, see if you are selling on credit, if these customers can be a guarantee to finance this seasonal activity.

And for retail, what is the best option?
There are debt funds that are very interesting. They provide five-year financing, many times without having to repay anything until maturity. This is at the expense of a higher interest rate, between 7% and 8%, but if the project generates enough profitability, this model gives a lot of fuel to face the entire expansion, if it is a growing company. There is crowdlending in which investors are small savers and can sometimes be financed in the short term or up to five years.

Should financing in procurement also be sophisticated?
It is difficult, some companies lend money in guarantee of stocks, but in fashion a quantity will always be provided with a very small percentage with respect to the total of the stocks. If stocks are not depreciated and can be sold easily, a much higher percentage can be given, but in fashion it is lower than the theoretical sale price. In any case, it would be a partial problem, it would not solve the problem of having to collect many stocks in advance. The company must have a lot of capital to have access to financing and to be able to buy all stocks in advance. First you have to have a lot of capital to have financing.

So, does a startup have it harder to grow today?
A fashionable startup, yes. It would be necessary to find solutions so as not to have to assume the risk of buying the gender before. An alternative would be to become an intermediary, like many online platforms that sell clothes without having to buy it in advance.•

Eloi Noya is a graduate in Business Administration from Esade and completed his training in entities such as McGill University, IEF or IE Business School, among others. The executive has developed most of his career in the banking sector, working for groups such as Caixa Catalunya or Banco Pastor and is part of the teaching faculty of several universities.

G F D

#3

BUY OR CLOSE: EARNING SHARE AGAINST THE COMPETITOR

#3

Buy or close: earning share against the competitor

Focus. This is one of the trends that marked the fashion business in the year 2018, led by a scenario of weak growth, model transformation, process digitalization. This context impacts margins and penalizes the profitability of companies, but in return requires investment and innovation capacity. Corporate operations have been protagonists of numerous headlines in the last year. Of the hundred groups analyzed, 41% of the companies in the sector have either bought a stake or acquired other company in 2018. In addition, 4% of fashion groups have changed hands in the last year, while 5 % have sold some of their brands and 7% have given entry to new partners in their shareholders. In that sense, luxury, for example, has extended its commitment to digitalization acquiring a stake in specialized companies as well as digital startups to modernize the course of its business. In parallel, procurement has been another key to the acquisition of large luxury conglomerates through the purchase of their suppliers. Spanish companies, meanwhile, have also starred in various sales in the last fiscal year.

41%

Is the amount of companies of the sector that bought a stake in another company in 2018.

Luxury opted to be reinforced in digitalization with the acquisition of specialized companies, while disinvesting in non-strategic assets

The need for innovation within the industry and the commitment to gain size and competitiveness have led to the fashion business being marked by sales in 2018. The luxury sector has been one of the protagonists of these operations, with the aim of integrating its rivals or propping up its verticalization with the acquisition of suppliers.
In this sense, one of the operations that marked the last year has been the purchase of Versace by Michael Kors for 8 billion dollars (6.9 billion euros). After the operation, the holding formalized its name change to Capri. The goal of the group with the acquisition of the Italian company is to reach a size of 8 billion dollars in the medium term, of which 5 billion will be provided by Michael Kors, 2 billion Versace, and 1 billion Jimmy Choo.
Suppliers and digital have been the guidelines that Chanel used to acquire companies in the last year. The French company climbed a step in innovation in February 2018 with the acquisition of a minority stake in Farfetch ecommerce platform. The objective of the deal was for both companies to work together to innovate around physical retail and luxury online. In parallel, the French company continued with its strategy of acquiring suppliers to verticalize its production. To do this, in August 2018 the company bought the Spanish Colomer Leather, specialized in tannery, and in September it took a minority stake in the Swiss watchmaker Montres Journe. In addition, the French company has not wanted to be left behind in terms of sustainability, so in December it bought a stake in in the Finnish company Sulapac, specialized in manufacturing packaging from biodegradable materials. Chanel has also opted for the diversification of its offer after the purchase of the firm Orlebar Brown, specializing in men's swimwear. Burberry also maintained a strategy to ensure its supply by purchasing suppliers. In May 2018, the British group closed the purchase of the Italian leather goods business CF&P. Furla did the same at the beginning of the year with the takeover of the transalpine manufacturer Effeuno to strengthen its supply chain.
LVMH did not want to be left behind in digitalization. In that spirit, the French holding led in 2018 an investment round in the online aggregator of high-end products Lyst. In parallel, the group has continued to expand its portfolio with the acquisition of the historic French firm Jean Patou in September 2018. In addition, LVMH also opted in the last year for emerging talent by entering the Uruguayan fashion firm Gabriela Hearst, with the acquisition of a minority share. On the other hand, the holding has also divest some of its brands. In mid-2018, the group decided to end its relationship with Edun, launched by the U2 volcano player, Bono, and his wife, a firm in which LVMH aquired 49% of the business in 2009.
Kering has been another of the luxury holding of the fashion business that have opted divest in the last fiscal year. The French holding initiated a process of disinvestment of

Buy or close: earning share against the competitor

non-strategic assets to focus its activities in the luxury sector. In that sense, the group sold its stake in Stella McCartney to the namesake designer and shed 70% of the shares she had in Puma through a spin off. In addition, Kering also disposed of 51% of the shares it owned in designer Christopher Kane's brand, as well as designer Tomas Maier's firm.
The year 2018 was also marked in the luxury sector by Richemont's takeover of Yoox Net-a-Porter. The Swiss holding acquired the company in May 2018 with 95% share of the ecommerce group and subsequently removed it from the stock exchange. In parallel, the group continued to reorganize its portfolio with the sale of its Lancel leather goods brand to Piquadro, while consolidating in digitalization with the purchase of Watchfinder, an online platform dedicated to the sale of second-hand watches.
In 2018, the Chinese e-commerce JD.com also opted to strengthen itself in the luxury sector. The company allied with the L Catterton fund to make a joint venture of 175 million dollars in Secoo, one of the largest distributors of high-end items in the Asian country.
The department stores were also protagonists of the rise of aquisitions in the year 2018. The Chilean giant Falabella closed the purchase of the ecommerce Linio in August 2018 with the aim of strengthening its presence in the online channel in an operation that represented 138 million of dollars. In the United Kingdom, department stores also reordered their shareholders in 2018. This is the case of House of Fraser, which was acquired by Sports Direct for ninety million pounds (99 million euros). In Germany, on the other hand, a new player emerged in the sector after the signing of a joint venture between the Karstadt and Kaufhof chains. The agreement between both companies allowed the creation of a group of department stores that will operate through 243 stores located in Germany, Belgium and the Netherlands.
Large distribution was not far behind when it came to expanding its portfolio in 2018. The American fashion group Authentic Brands Group launched a few years ago an aggressive purchasing policy. In that sense, in the last year the company has acquired the Canadian footwear firm Camuto Group, as well as Nine West and Bandolino brands.
L Brands, for its part, has also carried out a divestment strategy in the last year with the sale of the intimate fashion brand La Senza, which was handed over to the venture capital fund Regent LP last December.
The year 2018 has been, for VF Corporation, a period of adjustments to its brand portfolio. In that sense, the group gained sahres in its portfolio with the purchase of Altra, specialized in running. In February, the company got rid of Lucy Activewear after ten years of buying it and, in April, the company sold Majestic and its licensing business to Fanatics. In October, in addition, the group sold the Reef chain. VF also started in 2018 the spinoff of its denim division, which includes Wrangler and Lee.
Another American giant, PVH took control of part of its business abroad: repurchased Tommy Hilfiger's licenses in Hong Kong, Macao, Singapore, Malaysia and Taiwan, which until now was his local partner, Dickson Concepts.
Another of the corporate operations that were carried out during the year was the Bestseller pact with French Connection for the purchase of the British women's fashion chain Toast for 23.3 million pounds.
Children's fashion business did not stay away from sales in 2018. In this regard, the Chinese group Semir, with 8,000 stores in its country and a revenue of around 1.6 billion euros annually, closed the acquisition of the French Kidiliz, creating a new giant of children's fashion. This deal will allow Kidiliz to speed up in Europe and land in the Chinese market to address the premium segment.
Meanwhile companies specialized in online distribution also joined the surge of purchases in the last year. Vente Privee, for example, acquired Daco start up with the aim of strengthening artificial intelligence, while Farfetch followed the athleisure boom with the purchase of the marketplace specialized in Stadium Goods sneakers for 250 million dollars.
On the other hand, the Nextil group, Dogi's parent company, has continued with its road map, which goes through expanding its portfolio of brands, with the purchase in the last year of Anna Llop Disseny, specialized in the development of fabrics for fashion of bathroom, and the acquisition of the Portuguese Sici, also specialized in the production of fabrics, in an operation valued at eight million euros. •

About 4% of big companies in the sector changed hands during the last fiscal year.

Maurizio Dallocchio

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"IN MASS MARKET, CONCENTRATION IS MANDATORY TO REMAIN IN THE MARKET"

Does the fashion sector tend to concentrate?
Indeed, luxury and high-end are surely in a concentration phase. Ten years ago, the total value of sales was a few billion dollars, and today it amounts to 30 billion dollars. There is a very strong growth. That there is an ongoing concentration is a fact. That said, if ten years ago the pace of birth of the companies in the luxury sector was intense, but not very intense, now many new companies are born every year in this segment and this also means that there is an intensity of purchases. This applies to both large-scale operations, such as LVMH buying Loro Piana or Bulgari, or Richemont buying Buccellati, as well as for smaller-scale concentration operations. Companies of more contained dimension are making efforts to gain size.

Does this concentration trend also occur in the mass market?
It also exists in the mass market and it is even more binding, because where you fight over the price it becomes essential to have large or very large dimensions so that there are economies of scale, greater capacity to grow internationally and greater possibilities to negotiate with suppliers, among others. If the price is a condition of success of a company, dimension is an indispensable condition. In the mass market, dimensional growth and concentration are mandatory conditions to remain in the market.

So, will the sector have fewer operators in the medium term?
Surely, we are already seeing it. The number of medium and large size operators in the mass market sector is in the process of being reduced. Not because there are fewer brands, but because the brands are in the hands of few operators.

Technology and globalization are also important for this need for dimension.
True. We must divide technology into two dimensions. The technology at the service of online sales, be it called Yoox Net-a-Porter or Amazon Prime, and technology as such at the service of the product. The sales technology, that is, the platforms for selling products, which are direct, owned by the brands themselves, or by third parties, will have a growth rate that is still significant over time. Today, in Europe, Spain and Italy in particular are still far behind the growth of online sales, while Germany or the Nordic countries are much more advanced, but I am sure that the technology at the service of the sale has a limit. In the world, or more than 20% of high-end products are sold online and I'm sure that will be a limit. The mass market product may have a higher weight and, if it is totally undifferentiated, it can reach 40%, but it will stop there. In Europe the technologies at the service of the sale have a lot of space, but they will reach a ceiling. Direct purchase in the store and direct contact with the product will never lose its power and the connection it generates between producer and consumer. Regarding the technology in the product, however, there is a lot to do. Here you can generate great cost savings and it can translate into a greater possibility of purchase by the customer.

"In the Mediterranean, because of the culture of family ownership, it is more likely to sell to a foreigner than to a local competitor"

In distribution, many operations have seen a retailer buying a digital native company. Will these types of deals go further?
It is surely a trend, but in both directions. The brick & mortar retailer that sees a new way of doing direct business with the consumer through digital platforms, but also vice versa. Let's not forget that Amazon has gone to buy the best food distribution chain in the United States. It occurs in both directions, because neither one alone is a winner. Multichannel integration is the absolute future of distribution.

In Spain, companies are mostly family run. Is it a handicap for a greater integration process?
It is, both in Spain and in Italy, because the Mediterranean entrepreneur, including in the Balkans, are relatives who want to firmly defend the ownership of the company and the credit of the name itself. This is one of the elements that greatly reduce the possibility of dimensional growth and corporate operations. However, instead of merger operations of two companies it is much easier to have a direct sale to a large international operator. Loro Piana has not been integrated with Zegna in Italy, but it has been sold to LVMH. There is still that typical provincialism that is very strong in southern Europe. Instead of going with a domestic competitor, they are sold to an international operator. Therefore, in southern Europe, corporate operations are in the hands of large German, French, Nordic, American or Chinese operators.

This will cause these countries to lose many companies...
It is a big risk. However, when you buy a large brand in Spain or Italy it is difficult to decide to close the company in those countries, because you would lose your DNA, identity and credit. We will lose property, but not so much workers.

Which is better, that the integrator is industrial or financial?
The best is surely a marriage where there is an integration of product, market and technique, that is, an industrialist. However, there are financial partners, such as Carlyle, who know the sector very well and can create synergies that are a bit different from what an industrialist can do. If private equity is very competent and has large brands in its portfolio, in practice it is like an industrialist. •

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#4

FROM 'FAST FASHION' TO 'FLEXIBLE FASHION': REINFORCING THE SUPPLY CHAIN

#4

From 'fast fashion' to 'flexible fashion': reinforcing the supply chain

Supply chains are once again in full redefinition. Not only the volumes, the price and the speed determine at present the design of the supply networks, but a new variable has come into play: flexibility, the ability to adjust the market demand with the industry to the maximum. The digitalization of consumption, and of the economy in general, forces to move several pieces in the structures of companies, and one of the areas where this transition begins to become evident is that of supply. The new twist of the industry does not go through an ultra fast fashion, that is, to accelerate the system but still working with large volumes, but for a flexible fashion, sharpening the supply much more to gain speed in the time to market, but avoiding the nightmare of stocks. The new strategies in this regard go through establishing greater control over production, either by creating structure around productive hubs, establishing new logistic nodes, setting up own factories or betting on automation. The digitalization of fashion communication and, in part, its distribution, has shaken the times again, depleting the fast fashion system.

31%

In this new paradigm, logistics activity acquires greater relevance, especially to serve online orders. In this sense, 31% of the largest groups in the sector have created new logistics centers or facilities. H&M, immersed since the beginning of 2018 in its digital transformation, launched three new platforms at the end of the year, adding an additional 230,000 square meters to its logistics area in order to speed deliveries and expand the offer. Fast Retailing, for its part, also launched its first fully automated warehouse dedicated exclusively to online orders at its headquarters in the Ariake region in autumn 2018.The USVF opened at the beginning of the year in the state of Pennsylvania, where it also maintains its headquarters, a new logistics center and announced the launch of another three more in the coming months. Guess, meanwhile, restored its logistics operations in Europe, moving them from Italy to Holland. In Spain, the English Court also strengthened its logistics structure with the launch of a warehouse in Catalonia.This platform was built as a complement to the facilities that the group already had in the region.

A third of the global fashion and luxury giants opted in 2018 to create new logistics platforms.

Despite the investment, Ethiopia has become a new textile production hub, only 5% of the global operators in the sector are supplied in this territory

Luxury also strengthened its logistics network in 2018. Kering launched at the end of the year a specific platform for the Kering Eyewear division, fully automated, to control the entire production process and distribution of its optical products. As for ecommerce, most of its operators continued to invest in logistics throughout the year. It was the case of Amazon, the Chinese Alibaba, the German Otto and Zalando, and the British Asos. Zalando, meanwhile, was reinforced in southern Europe with the launch of a hub in the Italian town of Nogarole Rocca, near Verona. In the case of Asos, the company also supported its international expansion with a new platform, in its case in the United States.

Beyond logistics, this new era in the fashion industry also reaches production. Despite being a slower transformation, the commitment to digitalization and process automation begins to become evident. In this sense, one third of the giants of the sector invested in 2018 to automate their factories, as well as to open new fully automated factories. Levi Strauss was one of the pioneers in betting on this system. At the end of the year, the American company began testing new systems for traditional processes, such as the incorporation of a laser that reduces the time taken for finishing from twenty minutes to ninety seconds. With this system, Levi's continues to produce the commodity in China, but finishes it in the consumer markets. Luxury also stepped on the accelerator in the automation of its processes, from the design of the product with the use of 3D technology for prototypes, to the introduction of robots for the manufacture of shoes, as well as some parts

#4

From 'fast fashion' to 'flexible fashion': reinforcing the supply chain

A third of the sector giants opted in 2018 to automate and digitize their factories

Nike and Adidas have speed up the race to arm their factories with automated systems, robotics and artificial intelligence.

of the leather accessories. In the field of sport, Nike and Adidas accelerated in 2018 a race to arm their factories with automated systems, robotics and artificial intelligence. Adidas then allied with Chinese manufacturer Tianyuan Garments to open a factory in Arkansas with the ability to produce a shirt in 22 seconds. Also in this line, Fast Retailing which strengthened its alliance with the machinery manufacturer, also Japanese, Shima Seiki, for the development of new production systems for the customized mass production of sweaters. 23% of the large groups in the sector set up at least one factory or a new productive hub. This was the case of Inditex, which in early 2018 created a structure in Pakistan to strengthen this new supply pole. The Spanish fashion company launched an office in Karachi, the capital of the Asian country, to boost its activity in it. At that time, the Inditex cluster in Pakistan had 42 suppliers, 68 garment factories and 39 other factories more linked to other processes.

Luxury, in particular, was one of the sectors that most reinforced its productive structure in 2018 and also did it in its country of origin. Louis Vuitton or Hermès were some of the most significant brands in the luxury business to have launched new automated factories in France in 2018 with a view to cutting time to market. The first one reinforced its manufacturing force in close proximity with two new factories in the Loire Valley that generated 500 jobs. With them, Louis Vuitton currently has sixteen production centers in France. In the case of Hermès, the company opened its third factory in the country. The new factory, located in the French town of Allan, near the border with Switzerland, specializes in leatherwork and leather accessories production, and employs 260 workers.
Prada, meanwhile, launched a new factory in the Italian town of Valvigna, where it also built the new facilities of its headquarters. The company invested seventy million in this new production center specializing in leather goods and with a workforce of about 800 workers. In the field of cosmetics and perfumery, the Japanese Shiseido, in full international offensive, opened a plant in Shanghai for personal care products. Also in Asia, the German giant Beiersdorf began construction of a Nivea factory in Thailand. Chanel is a separate case. Although the company did not raise new production facilities, it did take out the checkbook to enter the capital of some of its main suppliers. In 2018, the French luxury giant acquired the Spanish Colomer Leather, specialized in leather tanning, and took a minority stake in the Swiss watchmaker Montres Journe. Only 5% of global fashion and luxury actors executed an operation of this type over the past year.

Despite the fact that most of the operations have been carried out in proximity, only 13% of the large fashion and luxury groups have firmly committed to supplying nearby. Inditex, for example, closed 2018 with strong increases in its number of suppliers with purchasing and associated garment factories in China and Bangladesh, while nearby markets such as Spain and Portugal lost share in the supply of the group, also in the vicinity , the tables are changing and Urquia already advances Spain as the largest hub of the company in the vicinity. Fast Retailing, Levi Strauss and the greats of luxury are among the few giants in the sector that have completely reoriented their supply chains betting on nearby productions.
On the other hand, there are still few operations that begin to develop in the new productive poles of Africa, as is the case in Ethiopia and Nigeria. In 2018, only PVH, Primark and Calzedonia carried out some kind of action in these territories. The owner of Calvin Klein or Tommy Hilfiger continued to increase his activity in Ethiopia with the consolidation of a sustainable factory, equipped with state-of-the-art looms and wastewater treatment plants. Calzedonia, meanwhile, invested a total of fifteen million dollars in 2018 in a production plant in Ethiopia. The new factory of the Italian intimate group is located in the Mekelle industrial park and employs 1,100 people.
Ethiopia began to establish itself as a new pole for low cost fashion manufacturing, attracting a strong foreign investment for the construction of productive hubs in the country. But it was from 2018 that this acceleration began to decline. In spite of the firm political commitment to industrialize the country and the support of China to execute it, international investment has already taken a step back last year in the face of political tension and social insecurity, in addition to other elements that hinder the operation in the territory, such as lack of investment in infrastructure or lack of energy supply, among others. •

Chris
Gates

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"AN AGILE NETWORK AND THE USE OF TECHNOLOGY TO PREDICT DEMAND WILL BE KEY"

"The fashion value chain is under continuous pressure with the rise of internationalization and the expansion of ecommerce"

What's happening for fast fashion's supply chains?
Fashion supply chains are under continued pressure from both the rise in internationalisation (selling in more markets) and the ongoing expansion of ecommerce (with it's demands of rapid unit level fulfilment and the headache of returns). Add in new wholesale channels opening up, and the Supply Chain director's mission is getting increasingly complex – at a time when margins and working capital are under increased pressure. Building agility into the supply chains, and considering new nodes within the supply chain to deliver this agility are key, along with the technology to both forecast demand and constraints as well as technology to optimise the physical flow around the supply chain network.

Is relocation a new phenomenon?
Fashion retailers have always sought to get the best quality product at the lowest price on the shortest lead time. For those in fast fashion, where a season can be over in weeks, minimising the time between a range being signed off and the product appearing in store or online often makes the difference between achieving a full price sell through and a significant markdown budget. Countries rise and fall in popularity as locations for manufacture based largely on macro-economic factors, especially the wage levels and the skills availability – for example African economies such as Ethiopia and Nigeria are now starting to appear in sourcing strategies. What is new is technology allowing the main production to happen in the Far East, with the final finishing taking place in the retail market, accommodating any specific local variations – this allows the retailer to commit much later in the process, reducing the potential for markdown.

How else is technology affecting lead times?
The main area is in the sampling process, with digital samples (including 3D images) being used instead of flying multiple physical samples around the world. This has benefits for the environment, as well as lead time and cost, as decisions can be made much quicker, and online collaboration result in changes being made on the digital sample before committing the initial production runs.

What about customer order fulfilment?
Creating an omni-inventory which can be used for any order from any channel unlocks significant cost & service opportunities for a fast fashion retailer – for example, being able to offer same day click & collect or reducing supply chain moves through allowing pick up in store from store stock or despatching customer orders to home from store by courier. Many retailers are now overcoming the previous silo constraints of inventory being aligned to particular channels, making this a reality. Retailers are also opening local hubs, often in larger stores carrying a larger range, which can service several other nearby stores, meaning again improvement in fulfilment time and cost.
However, the breakthrough will come economically when this omni-inventory capability is coupled with a customer demand forecast, which in real time, directs the customer order to the unit of inventory which is most likely to go into markdown (in a store where it is not expected to sell through at full price). Recently, Nike acquired the software company Celect which provided this fulfilment intelligence, in recognition of the competitive advantage smart fulfilment will provide.

How are retailers handling returns?
This remains a major source of headaches, and profit erosion, for retailers. In the 90s, clothing catalogue businesses knew that return rates on clothing could be as high as 70 % or 80%. However, those moving online from a store base often failed to fully plan for this or budget for it. Now, dedicated returns facilities are being built with th eobjective to recycle clothes ready for sale again, and reverse logistics operations are being created to return clothes centrally that have been returned to non-ranged locations (this is particularly problematic for luxury retailers who see their global customers try to return products in a different country to that sold, with customs implications of then trying to move it cross border).

Is the free shipping over?
Retailers are starting to use analytics to measure the true cost of returns, and to personalise the shopping offer to customer – for example, not offering free returns to some customers, or not even selling to others! For example, Asos recently announced it would blacklist serial returners, those who frequently return large orders. •

Before making the leap to consulting, Chris Gates worked for years in British retail giants such as Sainsburys supermarkets or the New Look fashion chain.

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#5

SUSTAINABLE PARENTHESIS: SLOWDOWN AND SPEED

#5

Sustainable parenthesis: slowdown and speed

The run-up that had begun in fashion with sustainability stopped in 2018. The Greenpeace Detox campaign in 2011, the collapse of the Rana Plaza in 2013 and the Climate Summit in Paris in 2015 were three blunt elements that placed sustainability on the radar of the big fashion and luxury companies. During the beginning of this decade, interest and investment in this area advanced rapidly. Sustainability ceased to be a cornered issue in the area of marketing and communication to jump to the boards of directors as the spearhead of a new strategy. However, this acceleration towards green fashion took a break in 2018. The stagnation was temporary and, in part, due to the system's own ability to integrate and digest changes, both in industry and distribution. In parallel to this parenthesis, public pressure increased, with governments such as the British or the French that placed the fast fashion model in their sights. The British parliament, for example, came to suggest the payment of one cent per pledge to compensate for textile waste.

5%

Only this small percentage of large fashion and luxury operators is reaserching circularity.

> In the case of cosmetics and perfumery, the challenge lies not so much in the product itself, but in the packaging

The United Nations raised the pressure on the sector when it ranked it as the second most polluting industry on the planet. Since the beginning of the decade, the interest of fashion giants for sustainability has been increasing, from being an element to take care of the reputation to be at the forefront of business strategy. Not only did social criticism grow, boosted by NGOs and even some administrations, but also the fear of a shortage of raw materials that caused a strong price increase. Between 2011 and 2017, research into new materials, new processes and even new business models skyrocketed. However, in 2018, all that commotion stagnated. Circularity, for example, has been one of the elements that had aroused the greatest interest among industry giants in recent years because this system allows the dependence of the industry on traditional materials to be overcome. In the same way that paper and plastic are recycled and reused, fashion aspires to make today's garments the raw material of tomorrow. Circularity, however, also goes beyond the product itself and involves the different processes of all the phases of the value chain, either closing the water cycles or working with degradable dyes and chemicals. However, in 2018, only 5% of the sector's giants took steps forward in circularity. Companies such as Inditex, H&M, C&A, Esprit or L'Oréal are among the few that continued to focus part of their investment and research on the circularity formula. In the case of the Spanish giant, in 2018 the company signed its agreement with the Massachusetts Institute of Technology (MIT) to find a way to transform used garments into new materials that can be reintroduced back into the value chain.

Its Swedish competitor H&M, however, is perhaps the most committed to this cause. The company is one of the few in the sector affiliated with the Ellen MacArthur Foundation, the main international organization promoting the circular economy, with the aim of being fully circular and renewable by 2030. In the sustainability report presented in 2018, the company said that 35% of the materials he used came from sustainable sources or were recycled. Also, in 2018, H&M sealed an alliance with the Hong Kong Research Institute of Textiles and Apparel (Hkrita) to launch the first spinning mill to produce recycled fibers from discarded garments. C&A, meanwhile, destined a total of 1.29 million dollars in mid-2018 through its foundation to invest in projects and companies that work on the application of the principles of circularity in the textile value chain.

In the case of cosmetics and perfumery, the challenge lies not so much in the product itself, but in the packaging, made mostly of plastic. L'Oréal, the largest group in the sector, began working in 2018 with polymers from recycled and recyclable plastic, in addition to introducing new product lines with reusable packaging. On the other hand, in 2018, the company already had three dry factories, that are, capable of constantly reusing the water they work with.

Marketplaces have begun to bet onsustainability, either in their own collections or in the carbon footprint of its logistics

The percentage of companies that made a firm commitment to the use of materials from more sustainable sources, such as cotton, is also small. In 2018, only 7% increased their consumption of organic cotton or the Better Cotton Initiative (BCI) platform. Puma, Levi Strauss, Esprit, C&A, VF Corporation, H&M or Inditex were some of them. However, 19% of large fashion and luxury groups are researching new materials. Adidas, for example, made public in early 2018 that it had marketed more than one million pairs of sneakers made of plastic from marine debris. Nike also announced then that 75% of its shoes contained some material from recycled sources.
In the same line, 21% of the large groups in the sector have set as a goal the use of more sustainable materials. Fast Retailing, for example, dedicates a large part of its 2018 results report to emphasize the need to incorporate new raw materials of sustainable origin into its collections. VF Corporation or PVH also work on it, among others. In the use of materials from sustainable sources there are more companies, such as Under Armor or Puma, in the field of sport; Kering in luxury, or L'Oréal in perfume and cosmetics. Progressively increasing the demand for this type of preferred materials, ranging from BCI cotton to Tencel, recycled polyester or nylon, among others. In most cases, the difference between traditional materials and those from sustainable sources is imperceptible, both to the touch or to the eye, and to their resistance to different industrial processes.
The clearest evidence that shows the real interest of the fashion industry for sustainability is that a third of its giants are attached to one of the great lobbies that are accelerating the change. The main names of the sector meet under twenty groups, such as Canopy, aimed at the conservation of the forests from which cellulose is extracted; Textile Exchange, for the promotion and revitalization of the preferred fiber market; the Sustainable Apparel Coalition (SAC), for the design of a sustainability measurement tool, or the Zdhc, for the elimination of toxic chemicals; among many others. At the moment, fashion is the industrial sector that, in terms of sustainability, has more clearly parked the competition to work hand in hand in the same direction. Although it continues to accuse the great distribution and the big greenwashing brands, there are already studies and experts that determine that his union is the one that is leading the transformation.

More on the social aspect of sustainability, large groups in the sector joined forces again in Bangladesh.

In the social field, the biggest fashion holdings were aligned again in 2018 around the Accord on Fire and Building Safety in Bangladesh to continue guaranteeing security in the facilities of the garment factories in the country once the first agreement. Although the first alliance was signed by more than 200 companies, in this update no such bar was reached. However, the largest distribution groups remained involved. Also, in 2018, Eprit and Asos signed with the IndustriAll Global union, a federation framework agreement similar to the one that Inditex has had since 2007 and H&M since 2015. Through this pact, these two distribution groups opened their their suppliers door with a view to avoid bad practices of the factories on a daily basis.
On the other hand, 24% of the largest corporations developed sustainability reports in the last year. In the field of perfumery and cosmetics, for example, L'Oréal, Beiersdorf, Amorepacific, Avon and the Spanish Puig have a specific document that reflects their progress and challenges in this area. In sports, for example, they have Nike, Adidas, Decathlon or Puma and in luxury, Kering, Tapestry, Tiffany or Hugo Boss. These types of documents are common among the giants of the great distribution, although there are big names that do not publish them, such as L Brands, Esprit or Primark, among others.
Most of these sustainability reports reflect the transformation of the establishments objectives to address the change of business model. In fact, the sustainable fashion capsule collections have virtually disappeared from the sector. In 2018, only 3% of the large groups in the sector launched a specific line focused on sustainable fashion. The goals that the main fashion and luxury companies have begun to set are radically opposed to those of five years ago. In fact, even the giants of online commerce have begun to take steps in terms of sustainability. Germany's Zalando, for example, focuses its entire strategy in this area on reducing the carbon footprint in logistics operations and emphasizing the introduction of sustainable collections in its Zalando Wardrobe marketplace.
Asos, on the other hand, was one of the companies to which the Environmental Audit Committee of the British Parliament interviewed in mid-2018 to learn about its social and environmental policy. Ecommerce is one of those that has a battery of challenges more ambitious and totally oriented to circularity. Among the goals that have been set for 2020 is to introduce design techniques to evolve collections towards circularity, train product teams in this system or introduce collection methods used in the United Kingdom and Germany, its two main markets. For its execution, Asos has an alliance with the London College of Fashion.
Despite the parenthesis of 2018, sustainability strategies move forward, in part, because external pressure does not cease. In this sense, the debate has already made its way into the political agenda. •

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HOW TO MAKE A SUSTAINABLE TRANSFORMATION PLAN

The fashion sector has always been driven in its growth by the desire of the consumer to have new items and a huge variety of options. However, in the coming years, the ways in which fashion is created and consumed will undergo substantial changes. For example, it will transform from a model in which consumers buy more clothes and keep it less time to another where "less is more", buying less clothes and of higher quality or recycled.
Social changes that are happening on the demand side are going to have inevitable consequences in the way brands operate their business models. The fashion industry continues to operate with a linear, outdated and highly polluting system and many companies are realizing they have to transform to be sustainable or, if not, they will disappear in the decade in which we will enter.
From the point of view of companies, there is a growing recognition of this need to change and many have been taking steps in the transformation for some time. More and more global brands are committed to achieve concrete sustainability goals in the coming years. This will mean that each company in the sector will have to have its own sustainable transformation plan, with specific goals that will affect its business, operations and economic models. In the face of such a change, each company needs to have the help of experts to trace and implement its transformation roadmap and ensure, with certifications and recognition, that the goals set are being met.
By changing the way fashion brands and retailers create value, companies will have to evolve towards circular business models that respond to real values and generate a measurable positive social impact, reviewing their processes and systems so that the value chain, from the moment the product is conceived until it reaches the final consumer, responds to the commitments acquired in six main areas: circular economy, social impact and values, extended duration of garments, resource management, supply chain and sheet technological route and disruptive models.
This will mean that companies will have to ask themselves the following questions:

1. How are we going to work to close the loop in all the activities of the company? Initiatives that involve seeking the principles of the circular economy and recycling will take center stage, for example, reusing garments or fabrics that were to be destroyed and reducing unnecessary consumption of resources in all phases of the value chain.

2. What social impact and values do we want our company to represent? Companies will become aware that they have a double mission: in addition to growing and being profitable, they must commit to a social impact mission. This mission may be at the root of the company's business model or attached to another that is considered key to social and economic development.

3. How are we going to change our business model (brand-product-channel) so that our offer answers to the demand for greater extension of the life of the garments? Companies will have to support and encourage initiatives such as rent, resale or repair.

"Many companies are taking the time to realize that they have to transform to be sustainable or, if not, they will disappear"

4. How are we going to change our resource management to be truly sustainable? Companies will have to take initiatives aimed at responding to market demands while minimizing environmental impact and maximizing ethical practices.

5. How are we going to achieve a sustainable supply chain? There are many links in the value chain of the fashion sector, from design, production, distribution, sale, consumption or stock. In each of these phases, companies will have to make decisions to meet their sustainability goals.

6. How can we use technology to achieve sustainability goals we have set? Companies should explore beyond the present and use technologies that will help them in this path such as big data and data analytics, artificial intelligence or blockchain.

The first step to take is to set the sustainability goals of each company that is embodied in a sustainable transformation plan, and this involves start working as soon as possible, as this will affect all areas of the company and will have implications in the way the company acts.

Those companies that want to undertake this path must follow the following stages:

1. A process of strategic reflection of the company under the eyes of sustainability and how it affects the ambition of the company expressed by its shareholders. As a result of this first phase, the specific sustainability goals that the company assumes for society will be set.

2. This reflection should be accompanied by a review of the market situation, both from the point of view of demand (current and future situation of customer requirements) and supply (what companies are offering).

3. Review the business and operational models of the company to see the impact that the setting of sustainability goals and the feasibility of changes that will be necessary would have on them.

4. Definition of the sustainable transformation plan. At this point, the company will set the specific sustainability goals and will detail the initiatives that will be taken in each of the affected areas.

5. At the same time that the plan is defined, the changes in the different areas of the company will be detailed: business model (brand, product, channels, markets); operational model (key processes, people and business culture, systems and infrastructure), and economic model.

6. Action plan with have responsible people in each of the areas of the company and deadlines that allow monitoring.

7. Implementation and evaluation of the measures, with the corrective measures that must be taken to meet the goals set in the transformation plan and that will be communicated to the stakeholders periodically.

The fashion of the future will be sustainable, or it won't exist. This mandatory path requires a cultural change in each company, in addition to new ways of acting that are reflected in the sustainable transformation plan. We are positive in that sense and we think that we must lead the change, helping our clients in this way towards a new way of working. The challenges we face are not exclusively ours nor can we reach solutions alone, but there will have to be forms of collaboration between companies to get all together and move towards the goal of sustainability. •

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#6

APOCALYPSE RETAIL: BRICK AND MORTAR CONTINUES STRUGGLING

#6

Apocalypse retail: brick and mortar continues struggling

Reordering retail networks in the United States reached its peak in 2018, reaching its expansion wave in Europe. The speed of ecommerce, the role of a new generation of consumers and the change in shopping habits have forced the traditional distribution system based on the tension between retail and multibrand, the power of purchase and influence of historic department stores and the prominence of shopping centers in the culture of leisure to make a 180 degrees turn. The wave of closures that shook retail trade in the United States, which also hit the streets of the United Kingdom and, to a lesser extent, is also perceived in the rest of the main consumer markets, proves the transformation of the distribution channels and the increasingly need to link them together. Although almost half of the large groups in the sector closed stores in 2018, two-thirds ended the fiscal year with new openings, indicating that the retail apocalypse, which started primarily with a review of the stock exchange, relocation of the commercial premises and a restructuring of the commercial surface, adapted to the digitalization of the retail trade.

47%

Almost half of the largest fashion and luxury operators closed stores or reduced their distribution network in 2018

The president of Inditex, Pablo Isla, unveiled at the beginning of 2018 during the presentation of results of the group the strategy that the company had been executing for six years, which was to adapt its structure to digitalization.The group has moved from a policy based on retail and flooding the cities with points of sale to a radically different one, based on more prominent locations and large premises. This new strategy has caused the closure of all those stores that didn't follow the new guideline. Between 2012 and 2017, the Spanish fashion retailer shuttered 1,046 stores while it opened another 2,994 stores, in addition to strengthening a total of 1,241 and expanding another 907 stores. At the end of 2018, the group had 7,475 stores, after 355 closures. However, compared to six years ago, the group's stores had on average 39% more commercial space. "The smaller stores had their usefulness at the time but now we are going to spaces of the highest quality that allow us the customer experience and omnichannel integration," said Isla in the next presentation of results. In the last year, the company also carried out 370 openings and 226 reforms.

H&M, the world's third largest fashion distribution group by revenue, faced this deep turn in 2018, announcing a new strategy in the company's expansion. Its chief executive officer, Karl-Johann Persson, explained in the presentation of 2017 results (which he described as "disappointing") that the policy of openings would remain, but concentrated in emerging economies, while in the mature ones would shrink. Over the past year, H&M opened 390 stores, most of them in emerging economies, and closed 170, all of them in Europe and the United States.

H&M launched in 2018 a deep transformation plan towards digitalization after closing the previous year with "disappointing" results

The examples of Inditex and H&M show the impact of digitalization in fashion retail, a phenomenon that in the United States was named as a retail apocalypse because of the volume of closures that it entailed and the dripping of bankruptcy processes that caused amongst retail companies .The fall of Sears was one of the most significant ones of this stage. The transformation towards digitalization among the retail giants of the sector translates into figures: 47% of the large international groups closed stores in 2018, although 66% ended the year with openings. Fast Retailing, Gap, L Brands, VF, PVH, C&A or Primark also shrunk their commercial networks while continuing to open stores.

This phenomenon also happened in luxury, with Ralph Lauren, who shuttered its store on Fifth Avenue in New York, or Michael Kors, who came to the end of its fiscal 2018 with more than a hundred closures. The restructuring of the retail networks also took a turn on footwear, with the British Clarks leading, as well as children's fashion.

Sports, on the other hand, dodged the coup better because, in general, it has supported its strategy in buying groups and not in single-brand expansion. Along the same lines towards digital transformation, 46% of the big fashion and luxury groups launched tools in 2018 to improve omnichannel. In this sense, Nike activated a new strategy of concentration of retailers with a view to simplifying operations in its advance precisely towards omnichannel. In 2018, the American fashion and sports equipment

#6

Apocalypse retail: brick and mortar continues struggling

company also partnered with Amazon and opened its largest store in New York, focused primarily in experience.
Inditex, meanwhile, has been testing new store models that seek to merge the universes online and offline. One of the pioneers was the opening in the first half of 2018 of its Stratford pop up store, keeping the presence of the Zara brand in place while its store was being renovated. It was the first store of the group to have a specific section for the online and also incorporated automated order collection points. The store staff was equipped with tablets to advise and process payments. The store also allowed customers to pay via mobile phone.
H&M, Gap and Fast Retailing also work under the test-error formula to test new commercial formats while announcing massive closures. Among the giants of fashion distribution, Gap is one of the laggards in the online business, while the owner of Uniqlo is one of the fastest advancing in this channel, especially outside its local market. The American company began testing in 2018 the implementation of new technological tools with a view to boosting its business online, while the Japanese pioneered the implementation of kiosks in stores for the realization and collection of online orders. However, the biggest transformation was H&M, with the launch of Nyden, its first online-only brand with which it intended to reach a younger audience. The challenge, however, did not have the expected results and the Swedish group closed it six months after its launch.
Large distribution companies are also among 12% of the leading companies in the sector that, in the context of their omnichannel strategy, tested new commercial formats during the past year.
The American Abercrombi& Fitch created in mid-2018 a division to pilot the digital transformation and introduce into the corporate structure the new strategy of the company, whose first challenge focuses on digitalization and omnichannel, orienting the business towards the consumer and scaling investments in data marketing to personalize experiences. At the same time, the group continued to progress in restructuring its retail network, moving from large-format flagship stores to betting on smaller ones located in shopping centers.
In the field of luxury, Burberry is once again one of

In Inditex and H&M, the percentage of ecommerce is 14%, while in other companies, such as Levi Strauss or Deichmann, remains small

Shopping malls are looking for new models based on the experience after the closures of large retailers.

the most technologically advanced companies. The company, which leads several rankings that measure the advance of the omnichannel strategy, explains in its 2018 annual report its investment in technologies to eliminate frictions between online and offline. Kering, meanwhile, explains that in 2018 it speeded up in this area to reinforce especially Bottega Veneta and Balenciaga. However, it was the Swiss Richemont who starred in the largest corporate operation in this area taking control of Yoox Net-a-Porter (Ynap) in the first half of the year for 2.7 billion euros. The luxury giant, the third largest group in this sector in the world, continued to strengthen the online channel with the acquisition of Watchfinder, watchmaking ecommerce and the creation of a joint venture with Alibabna to speed its Chinese market.
On the other hand, pure players also intensified their relation with the physical universe in search of omnichannel. Amazon surprised the world in January 2018 with the launch of Amazon Go, despite having launched it a year later than expected. In the field of fashion, the German marketplace Zalando opened a specialized beauty pop up in Berlin with the goal of measuring how to transfer traffic to offline from online.
The profound change caused by the shift towards digitalization by companies has generated a slowdown in the more traditional expansion, based on increasing the presence in department stores or relying on the franchise formula. In this way, only 23% of the main fashion and luxury groups reinforced their presence in department stores in 2018 and only 23% of them opened new franchises throughout the year. However, 38% increased its online sales and 21% increased its presence in marketplaces. And although the income from online sales still has a modest percentage of the total revenue of companies, its growth rate continues to be double digits. Inditex, for example, was one of the companies that increased its online business in 2018, with a 27% growth to represent 14% of the group's total sales. H&M, on the other hand, increased them by 22% and also accounted for 14% of the company's business. At the opposite end are groups such as Levi Strauss, in which the online still has a residual shares of only 4%, or the German giant of footwear Deichmann, whose operation continues to be completely concentrated in the offline channel.
Cosmetics and perfumery, on the other hand, have seen on the Internet a new side to explode. Online sales of L'Oréal shot up 40.6% in 2018 compared to the previous year and now represent 11% of the group's total, standing above the travel retail business. The French giant has signed agreements with the American technology giants Google, Apple, Facebook and Amazon, and with those leading ecommerce in China: Baido, Alibaba and Tencent. With Facebook, for example, the company has developed virtual reality tools to test its products. Finally, the licensing business remained stable in 2018. Throughout the year, only 11% of companies retook any of their licenses, while only 5% changed partners. In this regard, LVMH created a joint venture with Italian glasses manufacturer Marcolin to control the production of optics by Celine, Loewe and Fred. Valentino, on the other hand, changed its partner for its perfume license, ending its agreement with Puig and signing a new one with L'Oréal. •

Ángel David
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SURVIVING RETAIL APOCALYPSE

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"Challenges of the last five years have been greater than those of the last five decades"

When a topic has not been crossed out of the agenda for too long, it may be the beginning of a problem with a tendency to become chronic or, in the best-case scenario, a topic to forget.
The agenda of the main retail players and, especially, those most related to fashion, has been filled with new issues to attend, and challenges of the last five years have been greater than those of the last five decades.
Trying to meet the needs of transformation that marks an increasingly digital and connected society, fashion companies have had to learn quickly to combine a business model based on image, product and location to a new promise of a more intangible experience.
This new agenda of the retail fashion sector has had two main focuses: the construction and improvement of customer experience, and the deployment and coexistence of new sales channels. Only these two dimensions have already been major challenges that have impacted all the elements of the value chain, as well as all the growth strategies and models.
In recent years, all the major fashion retail groups have overcome these two challenges and have become clear benchmarks of how to act and adapt in a faster, hyperconnected and agile scenario than we have ever seen.
However, these needs and even ambitions for transformation have stumbled upon a centennial business model in which the promise and leadership were much more leveraged on other factors. This conflict has led many of these companies to invest without a clear agenda and to launch groping initiatives, in an almost desperate attempt to be in the best conditions (or, at least, in normal conditions) that mark the new digital goals and consumer expectations.
Sometimes we have seen a similar behavior when it comes to addressing and resolving these new dimensions, treating them as elements added to the value proposition and not as an axis of transformation of the promise that impacts the decisions that support a (new) model of deal.
It can be paradoxical that, in an outstanding sector in the capture of trends, high speed, agility and, above all, the obsession with satisfaction, has overlooked the real draft of this new normal and how it should be addressed in a way proportional to the risk it represents.
And it is that in the fashion sector we have tried to imitate, in a very superficial way, the new norms and standards that dictated the consumer societies and the new digital references. This has led many of these companies to engage in the execution and development of their business model and some experts to call this situation a great apocalypse of the traditional model.
However, in the fashion sector there are great possibilities to build a model that combines the best of both. Those who have clearly opted for the transformation of their spaces, their channels, have adapted their promises and experiences and have reinvented the points of contact with consumers, have found a new almost infinite territory of opportunities for growth and leadership.
Taking note of the mistakes and assuming these challenges not as a complement but as an axis of transformation, new phygital platforms are being set up in which to be able to relaunch, strengthen and scale a promising, more connected and personalized business model.
It is important, therefore, to turn the agenda around and play again with those attributes that have made companies leaders and rethink and adapt them to this new scenario. In short, update the essence of the leadership of these companies to the new conditions.
Only by leaving behind the old parameters and the old norms can we consistently and coherently find our place in this future and invent long-haul scenarios that maximize value.
Fashion is and will continue to be desire, aspiration, novelty and above all passion, so perhaps the time has come to change agendas for canvases. •

GFD

#7

ROADMAP FOR FASHTECH: AFTER RFID, WHAT NOW?

Rfid (radio frequency identification system) is an invention that dates back to World War II. At the end of the 1990s, the potential that a more refined management of increasingly complex logistics networks could have for retail business began to be seen. However, despite years wanting to enter the fashion business, it was not until Inditex took a step forward with this tool when its full potential was finally revealed. In some ways, Rfid was an advanced technology in its time because its real value didn't emerged until the Internet exploded in consumption and retailers had the need of integrating channels and, consequently, their different stocks. Once the fashion industry has accepted and integrated the sophistication of the Rfid, it continues to track the market of technological innovations in search of new tools that help in the transformation of companies towards digitalization and in its consolidation, that is, in extracting data and take advantage of them in an intelligent and scalable way. Innovation in fashion has ceased to be in the product, to focus on systems and processes, even creating house in house incubators to test trial-error with less risk.

9%

About a tenth of the big companies in the sector has acquired a startup to focus on innovation.

Amazon opened Amazon Go in early 2018 showing everything that technology could contribute to offline retail

In its strategy of being a digital company, Inditex relies heavily on Rfid, a tool initially designed to tidy up warehouses and know precisely how many units each product had. While the retail business was only offline, the main contribution of the Rfid was to sophisticate the functions of the traditional bar code, but at the moment in which the trade drifts towards online, this tool goes on to gain a new dimension. In September 2018, the president of Inditex, Pablo Isla, explained that part of the omnichannel integration strategy was that all its chains have the stock integrated in their stores in 2020, allowing online orders to be served from any point of sale of each brand. Then, Inditex had already deployed the Rfid in the network of stores in Uterqüe and Zara, and its mission was to incorporate it into all its establishments in 2020.
At the moment, 43% of the big fashion and luxury groups have integrated the Rfid system. H&M, for example, is also in full deployment of this technology and, until 2018, had implemented it in twelve markets. Fast Retailing, meanwhile, has been working with this tool since the beginning of last year that allows you to visualize in real time your entire value chain. Levi Strauss, on the other hand, carried out a pilot test in some of its stores last year, relating the information of the Rfid with other technologies of the point of sale, such as sensors and data analysis programs to better understand what happens in stores and empower its staff to boost sales. The purpose of Levi Strauss was that the inventory management process was more effective and available to any seller. In this way, the denim giant wanted store staff to waste as little time as possible searching through the stock to gain experience in creating. In the luxury business, giants like Kering and Richemont also rely on this system, while in sports, Nike, Adidas, Lululemon or Decathlon, among others, incorporate it. In the case of Nike, the company began to implement the Rfid as a new means for detecting fakes.

TECHNOLOGY BASED EXPERIENCE

At the moment, Rfid is the tool with the longest track record and implementation in the fashion industry. The rest of the technology is reaching the points of sale more slowly.
Almost a third of the main fashion groups already have devices connected in their stores with the goal of improving the experience at the point of sale.
After a year circling the store of the future, the store that Burberry opened in 2012 on Regent Street as a technological milestone has become totally obsolete, to the point that the company's new creative director, Riccardo Tisci, was forced to introduce new elements to emphasize innovation.
PVH, for example, has begun testing new store prototypes to experiment with new technologies. Calvin Klein, partnered with Amazon to open two pop up stores, one in New York and

#7

Roadmap for fashtech: after Rfid, what now?

Some of the giants of fashion, luxury and cosmetics created their own startup incubators to speed on innovation while reducing risks

one in Los Angeles, in the image and likeness of Amazon Go, but with the option of using the delivery services of the ecommerce giant. Tommy Hilfiger, meanwhile, opened in Amsterdam at the end of the year the first store with interactive mirrors and a cafeteria with digital screens integrated into the tables.
Inditex also began to introduce these elements in 2017 with the opening of the Massimo Dutti store in Paseo de Gracia in Barcelona. Mango, on the other hand, allied with Vodafone to speed the deployment of digital testers in some of its most representative establishments. Even Amazon, this time alone, moved forward in this field and, taking advantage of its more techie side, the company of Jeff Bezos took another step in the fashion business with the launch of a smart mirror that combined virtual and augmented reality, allowing the client to try on clothes virtually without moving from site and execute the purchase of the garments at the same time.
Beyond virtual mirrors, smart testers or digital showcases, in which the consumer itself interacts directly with stocks, virtual reality tools also begin to be used in stores. Inditex is once again one of the companies to lead innovation. The company launched a Zara mobile app in early 2018 that allowed to see virtual models in motion in store windows and inside.
France's L'Oréal acquired the Canadian ModiFace tool in March 2018, which allows you to test makeup virtually.
However, the percentage of companies that test new technologies beyond the more conventional ones is still small. Only 10% implemented virtual reality and only 5% incorporated new payment methods.
While payment with the mobile phone extended rapidly in 2018, the arrival of auto collection boxes offline continues to be sporadic. In Asia, Alibaba introduced payment with facial recognition to compete with the popular Chinese messaging app Wechat, which was then one of the most used to make contactless payments. H&M, meanwhile, bought a stake in in Swedish payment solutions provider Klarna to improve its online payment methods, simplify orders

Despite the growing interest in new technologies, only 10% of the sector's giants incorporated virtual reality and only 5% new payment methods.

and returns, and introduce the "try before you buy" system, so that the consumer can try on the garments of an online order before paying. The ecommerce platforms, however, are the ones that advance the most in new payment methods formulas to prevent the consumer from backing down at the last moment. Zalando, for example, had more than twenty different payment options at the end of 2018, many of them adapted to the preferences of each market.
L'Oréal or H&M's strategy to acquire a stake of a technology company to boost its innovation began to become popular in the fashion business also in 2018. About 9% of the large groups in the sector already carried out at least one operation of this type to accelerate in digitalization. Another similar phenomenon that began to take off last year was the creation of incubators to test innovations in the sector with minimum risks.
L'Oréal, in fact, has been one of the most active companies in this area: it created the venture capital firm Bold (acronym for Business Opportunities for L'Oréal Development) to buy minority stakes in newly created companies that evolve the sector. In previous years, the company had bought the Founders Factory incubator and created its own accelerator at the offices of Station F. Its American and Japanese competitors, Coty and Shiseido, also opened their own incubators in 2018. Coty did it through the Digital Accelerator program, while Shiseido chose to open it in China, one of its strategic markets.
In the luxury sector, LVMH launched in 2018 La Maison des startups, an accelerator for companies that work on new solutions and services for the luxury market, whether artificial intelligence, augmented and virtual reality, blockchain, raw materials or sustainability. The Swiss Richemont sealed an agreement with the incubator of the French group of department stores Lafayette in search of innovation.
In sports, Japan's Asics chose Barcelona to launch its Tenkan-Ten innovation hub in search of disruptive projects focused on new ways of interacting with the consumer, wearables or new technologies.
At the moment, the investment in technology by the leaders of fashion and luxury is completely focused on the consumer, looking for new formulas to restore it back to the center of the strategy. However, there are companies that in 2018 began to invest in industry 4.0 and, specifically, in blockchain to improve traceability. Nike was one of the pioneers in digitizing its value chain, as well as accelerating the incorporation of robotization in its workplaces to bring certain factories closer to consumer markets with a view to gain speed in deliveries. In 2018, one of the advances of the sports giant in this regard was the incorporation of an electro-adhesion technology to manufacture the instep of the shoes twenty times faster than a person. Nike also bought a stake in of the startup Gravit, responsible for this technology.
L'Oréal is one of the few companies that directly exposes its strategy in industry 4.0 in its annual report of 2018 and details the transformation it is carrying out in its field of operations, ranging from design to distribution, product development and its manufacture. Last year, the group created more than 9,000 models in hours using 3D printing and used virtual simulation to test the operation of a factory. The company also tested the use of autonomous drones to make inventories in its logistics platforms.
Blockchain is another tool that begins to gain a foothold in the sector, adopted mainly to guarantee the truthfulness of the data in the value chain of each of the pieces that a brand sells. In 2018, H&M (with its brand Arket), LVMH and Chinese jewelry giant Chow Tai Fook had started working with it. •

David
Alayón

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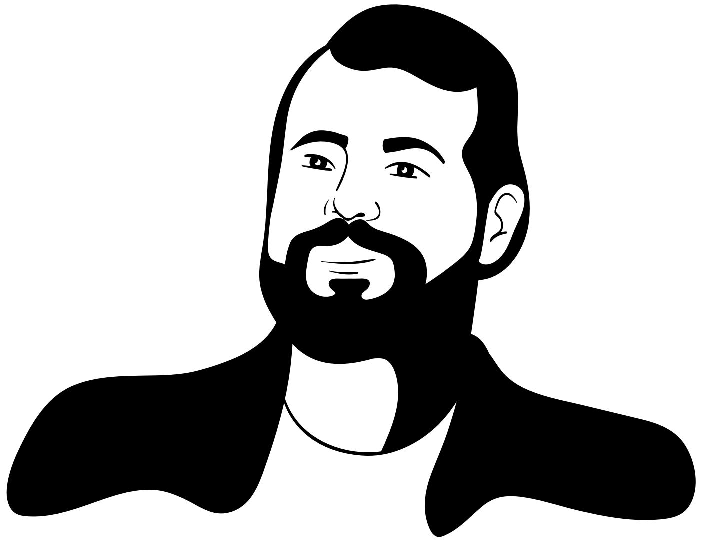
FROM 'BACKSTAGE' TO PROTAGONIST: INNOVATION AS A VALUE PROPOSAL

"The paradigm shift in recent years has been given by the client and the strategic refocusing that all companies have done"



For many years, technology and innovation have played a fundamental role in the retail sector, but they have always been in the background, from backstage: warehouse automation, obtaining real-time stock data, logistics organization and of the personnel… Offering, in short, great advantages to the infrastructure of the stores, allowing to order and structure everything. In fact, the main goals of technology have been to reduce costs (optimize) and increase revenues (sell).

In this context, there have been fundamental and foundational technologies to generate that base and Rfid is one of them, allowing communications in real time, at a great distance, in a massive and scalable way.

The paradigm shift in recent years has been done by the client and the strategic refocusing that all companies have done: the famous customer in the center. From this moment, it was not enough to have a clean house and receive customers with what we had and we thought it might interest them, but we had to start really knowing them and trying to personalize their experience. Something as simple at the conceptual level and relatively easy to implement in purely digital environments, because of the volume and type of data they handle and the possibility of offering tools as recommendations in a natural way, became the great challenge of physical environments. What can I do to get data from my clients in a physical store? How can I know what they want? And more important questions like: and why would someone come to my physical store? What differential experience could you give?

Technologies that had been used for years in the retail sector in the backstage did not serve to put them in front of the consumer. Mobile phone we have do not have Rfid, so they cannot communicate directly through that channel with the store, nor are the warehouse robots designed to live in a chaotic environment and with customers. It was time to bring backstage innovation to the center stage and make it the protagonist of the show.

The first act is to provide stores with the capabilities of the most advanced stores. The three basic elements are high-speed connectivity, sensors that allow us to receive information about what is happening (artificial vision, motion detectors and sounds ...) and process that information in real time to offer solutions. Amazon and Alibaba have been the pioneers in these areas with Amazon Go and New Retail, respectively. Both use technologies of automation in stores 100% from the point of view of the customer, and have applied them to a number of stores but with a clear goal to become a tool to incorporate it in all the stores that want it.

The second act is focused on creating apps that, playing with data, offer a differential customer experience. Interactive mirrors with detection of garments that recommend accessories, showcases with augmented reality in which you can choose what you want to see, collection points of automated online packages in store, testers with Rfid to detect what customers are testing and offer them services that improve experiences, amongts other. Here Inditex, H&M or Nike have played a leading role.

And the third and final act is the unification of channels, the already worn word omnichannel. Clients do not differentiate between one channel or another, they choose depending on the situation of the moment and the expectation is that everything is connected, that is intelligent and above all that is simple and convenient. Here comes the customer's smartphone game, the centerpiece of this great puzzle.

Mobile apps are the connector between the digital world (ecommerce) and the physical store. It is what allows to identify a client in a space and to be able to interact with him and vice versa, to allow him to interact with the space. We can know if a customer is in a store and customize the functionalities of the mobile application depending on the context and intention. We can take many of the ecommerce tools, such as the recommendations, to the mobile in an intelligent way, thinking about the use that will be given, such as voice assistants or chatbots, and connect them with the services of the store for, for example , see if there is stock, locate a garment in it, ask for assistance, reserve testers or product testing, avoid queues when paying or just pick up packages.

We can talk about a three-act function or simply an operating system with three levels: the first, the retail OS, with a backstage or backend where Rfid and robotics (among others) have incorporated new technologies such as blockchain or artificial intelligence. The second, apps that customers install and employees use and are fully connected to each other. And finally, the devices with which we all interact, from smartphones, tablets or laptops; to screens and totems in the store.

But we live in a VUCA environment (volatile, uncertain, complex and ambiguous) where everything goes at great speed and is accelerating. This retail OS is not only necessary for the present, but to be able to continue building in the future.

We could say that it is the digital transformation that will allow us to face future transformations, where we can already see the beginnings of the following: social transformation, where sustainability and positive impact become the center of business, where it begins to be essential traceability and circularity of products and processes and where we will see a new wave of technologies, products and services, but always keeping the beloved innovation as the protagonist. •

GFFD

#8

SHIELD THE BRAND: KEY TO SURVIVE

#8

Shield the brand: key to survive

In an environment where uncertainty hits over business strategies like a sword of Damocles, the brand once again stands as the safest asset for companies in the sector. Firms thus become the most powerful weapons to combat the ups and downs of demand, to survive the price war, conquer new markets and address new consumers. Shield has become one of the new strategic of the giants of the sector. With a goal to reinforcing them and approaching new consumers, five of the one hundred largest fashion and luxury companies modified their logo or graphic identity in 2018. On the other hand, the market trend towards concentration has also generated movements in corporate identities with the creation of new holding structures and name changes in the parent company. In 2018, two major operations were carried out in this regard: the transformation of Coach in Tapestry and that of Michael Kors in Capri.

51%

Percentage of companies that have reoriented their strategy to address new audiences.

For decades, the brand has been the spotlight in the consumer goods market, especially in mature and developed economies. But now, unlike five years ago, the rules of the game are much more confusing. The role of social networks, the progress of ecommerce and the appearance of new generations of consumers, along with prices war that never ceases and an unstable macroeconomic climate, are some of the factors that trigger the importance of the brand as value safer not only to keep pace with growth, but sometimes even, to ensure survival.
One of the gestures that has evidenced the renewed relevance that brands have acquired has been the name changes in business holdings. Already at the end of 2017, Coach announced the change of name to Tapestry, a change that took place in 2018. The transformation took place to unlink the star brand of the holding group, after buying the Stuart Weitzman luxury footwear and the premium chain Kate Spade. Along the same lines, a year later, Michael Kors became Capri after adding Jimmy Choo and Versace to its portfolio.
In the field of cosmetics, the German distribution group Douglas also transformed its visual identity in the last fiscal year. The company presented a new logo in 2018, with a simpler line and straight black letters on white in capital letters. The goal of the company was the renewal of the brand after a period of strong inorganic growth based on purchases. In just one year, Douglas signed three acquisitions: in Italy it acquired Leading Group, owner of Limoni and La Gardenia, plus two beauty chains; and in Spain it acquired Bodybell and Perfumerías, until then owned by Eroski. After the change of image, the company has continued with its procurement policy.
Among Spanish retailers, Grupo Cortefiel was renamed to Tendam, a change that ended a couple of years of internal restructuring. With this, the company also unlinked the name of the holding of its Cortefiel chain.
Among the one hundred companies analyzed for this report, five modified their logo or image last year. In 2018, the British Burberry changed skin with the modication of its iconic logo. The company took a turn to its image matching the appointing of Riccardo Tisci as creative director. The group designed a new emblem by getting rid of its traditional horse. And, in the same way that other luxury groups did, such as Dior, Gucci or Fendi, Burberry opted for the trend of the monogram. The company's new logo combines the letters T and B in white, orange and beige, the most representative colors of the company. Celine, on the other hand, was another of the luxury groups that changed their corporate identity in 2018 thanks to a new creative director. The French firm, owned by the giant LVMH, made its identity change after the incorporation of Hedi Slimane as a new designer. The new image of the company, which has changed typography and suppressed the accent on the E, is inspired by the original version and history of the signature logo in the sixties, when the

The need for innovation or modernization have been some of the factors why companies such as Burberry or Celine have changed their logo in 2018

#8

Shield the brand: key to survive

accent was not used much.
Berluti and Balmain are also two of the brands that decided to renew their graphic image in 2018. In the hand of Kris Van Assche, new creative director, Berluti turned the brand around by redesigning its logo, with the aim of adapting to the new times with a more minimalist version. The company explained that it changed the capital letters and the erased corners in order to indicate new beginnings. Balmain, on the other hand, also modified its logo in 2018 for the first time in seventy years. The company, led by designer Oliver Rousteing, followed the line of Celine or Burberry to transform his image after the arrival of a new creative director. In that sense, the group designed a more minimalist and clean logo, adjusting to the current needs of the brand and reinforcing its strategy of commitment to the line of accessories and complements of the company.

FOR THE NEW CUSTOMER

The Swedish giant H&M undertook a transformation of its business in 2018 with a view to resituating the consumer again at the center of its strategy. In its 2018 annual report, the company explained that "new consumer behaviors and rapid technological development are the main factors that are transforming how and when people buy." Among the different measures that the company implemented throughout the past year to take the path of growth again, one of them was to capture new market segments with new commercial concepts. H&M then launched its eighth firm, Nyden, focused on the online channel and aimed at the new millennial consumer. The new brand, which finally closed at the end of the year, sold garments at a higher price and had a studio in Los Angeles. The group was testing this format with collaborations with influencers and pop up stores.
H&M is one of the 51 companies that in the past year reoriented its customer strategy to address new audiences. In many cases, like the Swedish group, it has opted to introduce new firms in the market to experiment and test-error, without the flagship brand being worn out.
Inditex has also been committed to its strategy

H&M, Amazon or LVMH are some of the companies that have put in place specific plans to address millennials

New consumer buying behaviors have transformed brand strategies.

of addressing new market segments. In that sense, the Spanish company turned its Oysho intimate fashion chain upside down in order to fully enter the sports fashion sector with the creation of the Oysho Sport brand. With this repositioning, the chain entered the arena of Nike and Adidas. Another of the giants of the sector that also opted in the last year to position itself as a relevant operator in the sports fashion business was Gap. The American fashion retailer launched Hill City brand in 2018, specialized in premium athleisure. It was the first brand that the group launched since 2009.
Under the name of Open Up, the American cosmetics giant Avon also kicked off a new strategy aimed at renewing its image and attracting a new type of consumer. The company's challenge is to become an agile, more efficient, dynamic and fully digital company to attract a new audience. The expansion of the product range, digitalization, commitment to the online channel and the repositioning of its corporate image are the key points of the new plan of the company selling cosmetics by catalog for the conquest of the millennial public.
Amazon has also been another of the groups in the sector that has launched a new strategy to undertake the conquest of new customers. In this sense, the ecommerce giant has reinforced its plans to position itself as a relevant operator in the fashion sector with the launch of several brands. In the last year, Amazon, which in 2017 launched Find brand from its headquarters in Europe, has been climbing fashion steps with the introduction of other brands such as Iris&Lilly, specialized in lingerie and swimwear, Truth&Fable, party fashion and Meraki, basic wear. In addition, the group is considering the creation of a new brand to address the athleisure market.
Alibaba has been another of the giants of ecommerce that in the last year has drawn up a strategy to conquer new customers. Specifically, to conquer the millennial group, the Chinese company has boosted the business of its Taobao platform to encourage more vendors to distribute through its platform and foster a creative environment.
Another operator in the fashion sector that has also focused its strategy on the conquest of millennials during the last year has been the US group of department stores Kohl's. The company allied with the media platform Popsugar, specialized in celebrities, beauty and fashion and that has four hundred million monthly visits, to support the design of its collections in the data it receives from the searches that consumers perform in the different portals from Popsugar.
With the goal of conquering new consumer segments, one of the movements that large companies in the sector have made has been the creation of business accelerators in search of disruption to enrich their businesses with new technologies and digital tools. This is the case of the luxury holding LVMH, which in 2018 turned to emerging talent with the launch of a startup accelerator on the Station F campus in Paris. The project, called La Maison des Startups, serves as a center for fifty newly created companies each year, focusing its operations in the areas of artificial intelligence, augmented and virtual reality, retail, ecommerce, blockchain, counterfeiting, raw materials and sustainability. Asics, meanwhile, also launched in 2018 the Tenkan-Ten accelerator for disruptive projects in sports focused on new ways of interacting with the consumer. •

Jordi Espinosa

"BRANDS HAVE NOT UNDERSTOOD THAT THE CUSTOMER IS KING NOW"

Jordi Espinosa is a professor at the Monterrey Institute ofTechnology.

Have fashion brands lost contact with the customer?
It is not that they have lost contact, the problem is that for many years the product has been king. Brands like Abercrombie had a flagship product and trusted that to lead sells. In the last ten years it has changed, and now the customer is the king, because with the arrival of omnichannel he decides what he buys, where he buys it and how he buys it. So, the marks are not that they have lost track, but that they have not moved enough to understand that the customer is now the center. The pyramid has now been reversed: either you are cheap like Primark or the product adds a lot of value or customers don't buy.The middle segment of fashion is being lost.

Is it a generational issue?
It is a brutal generational change. Generation X consumed a lot of clothes to show off, millennials, instead, buy to belong. For them, clothing is becoming a commodity and they focus more on travel, technology and experiences.

In changing the brand strategy, what role does data play?
They are increasingly important.The problem is the company that only receives data, since it does not take advantage.The important thing is that they become small data and what is achieved with that information.There are many companies that get email from a customer and then they bombard him all day.The client, as he sees that this information is not personalized, sends it to the bin.That does not add value.The company that understands you and sends you the information you need creates a connection. 75% of purchase attempts start in the digital environment, if companies manage to send the correct data, then they can generate an impact or engagement. Everyone says the data is very important, but nobody is doing well yet.

Can you say that now the sector is in an initial phase?
Exactly. And the first one who knows how to do it well is going to take a good part of the cake. There is a business, both in the data, and in the new ways of selling to the customer, that the one that is doing well, is working.

How important is personalization today in the fashion sector?
Before, to buy you needed to go to a physical store and the transaction was made there. Now, communication channels have become sales channels. I can see a photo on a social network and I can buy there. Part of the customization is this, that the customer can buy anywhere.The consumer wants the company to contact him again more personally, based on his previous purchases.

In this digital environment, branding strategies tend to be simplified or are they increasingly complex?

"Now, customers are not interested in having a product to show off, but to belong to a community"

Companies are losing a lot of control from the end customer.The problem with brands is that information is taken by department stores, distributors or multibrand stores.Therefore, companies are separating and prefer to manage their own stores. Companies that do good branding and add value will receive more customers. If companies want to open stores just to have a good market positioning they will not get new customers.

Are there disruptive brands that are evolving the way they communicate?
There are brands that are doing very well. Supreme, for example, is a very disruptive concept. It sells when it wants to sell and defines the number of pieces that the customer can buy.This is very disruptive from the point of view of adding value. From the point of view of fashion as a commodity, Primark is demonstrating that combining low prices and fashion works.There are always brands that do well, the problem is that the market is getting louder due to social networks, and if you are not disruptive you enter the media.Yes there are disruptive models, but they have to have a strategy behind. But not everything is strategy. Uniqlo, for example, is already stalling in basic models.They need to reinvent the models and change them little by little to adapt them to customers. Nike, for example, does so by introducing political, racial or equality issues into its strategy.

Until now, perhaps it was the luxury brands that marked the pace, has this changed?
The pyramid has always been the same. Start in luxury and then become a basic, trends continue to be born in high-end brands. But fashion is changing because the customer buys less fashion and is not interested in showing off. Now, as what interests a group, consumers buy in those brands that fit their principles.You enter a tribe, the same as in football.The economic part becomes relative.

Does this scenario tend to the concentration of brands?
Of course, that's why they are closing so many companies in the sector, because brands now have no differential point. In Gap there is still the blue striped shirt from twenty years ago. Why would you want to belong to that if it is the same? People want to belong to concepts. Whoever doesn't differentiate is condemned to die.

With social networks, brands seem to copy each other. Is there a risk of homogenization?
If you don't create a community, you are doomed. Asics, for example, has an application that connects people who like to run, and stay in different cities. Customers come together and talk about Asics shoes: that is selling an experience and belonging to a collective.This makes it very easy to continue selling to the customer.That is the reason why stores no longer have to sell only, but also advise consumers.

Many brands have launched loyalty clubs in recent years, is it a good formula to create that community?
Both loyalty and payment memberships work better every time. Amazon has realized that its Prime customers buy three to four times more per month than a non-Prime customer. So, you get much more loyalty, because they make it easier. We are increasingly moving towards that concept. Brands are increasingly looking for the concept of not having customers, but of having fans, because a fan forgives brands for their mistakes. If they are only customers, they stop being with the brand.

Are there too many fashion brands?
The problem is that too many brands grew, we don't need twenty sports brands.That is why many are going to close now, because there is no point in having so many. •

Jordi Espinosa has worked in giants like Gap, Adidas, Pronovias, C&A or American Eagle Outfitters.

GFD

#9

DOUBLE OR NOTHING: MORE FASHION, LOWER PRICES

#9

Double or nothing: more fashion, lower prices

Fashion continues to be in its current downfall. The current fashion system continues with significant mismatches between supply and demand, generating an avalanche of hard-to-absorb stocks that forces continued discount campaigns to save the seasons. Mid season sales have been consolidating throughout the seasons to start the different phases of the campaign. Its abuse has not only ended up distrusting the traditional period of sales, but has modified buying habits (with consumers who are always looking for a discount) and has misrepresented the mental prices of the garments. After decades of lowering prices, raising them is posed as a matter of titanic effort for distribution. Even luxury has succumbed and has also lowered its iron slats with a growing number of lines and collections aimed at the mass market. Despite the progress of social movements contrary to the current system, as well as emerging new models based on rental or subscription sales, the bulk of the industry continues to move under the parameters of fast fashion to seduce a stagnant demand in mature economies and with a more moderate advance than expected in emerging markets.

10%

Only ten of the top hundred fashion companies in the world raised their prices in 2018.

Keep selling at any price. This is a mantra that continues comfortably settled in many companies that have taken over the market based on very aggressive pricing policies and increasingly expensive to remain. Price policy does not seem to be among the priorities of fashion and luxury giants for now. In fact, very few companies have referred to them throughout 2018 and, in most cases, there have been adjustment measures rather than a strategic turning point.
In this regard, only 14% of companies said they had lowered their prices last year.
There were companies, such as H&M that chose to review and adjust their prices better, without determining whether this rethinking would be to push them up or down. The Swedish giant is investing in its value chain, in technology, analytics and artificial intelligence, among other elements, to improve its pricing strategy. Other companies, such as the Spanish El Corte Inglés, were more explicit. In the specific case of Sfera, the group of department stores pointed to a new strategy that reinforced design in fashion collections while seeking more competitive prices for commodities.

Ecommerce and globalization force companies to match prices, although always downwards

In 2018, low cost formula gave signs of exhaustion after Primark marked its lowest growth since 2006, the first year for which data is available. The king of volume and low prices, which brought the formula for fashion to fashion and conquered Europe in the midst of crisis, could not keep up. However, it is not among their plans to modify their business model. Rather the complete opposite. The group's forecasts go through continuing to open more stores, especially in the United States, and entering new markets, such as Slovenia or Poland. In recent years, the group has stressed, statement after statement, that its priority was to keep prices low, so it moved the impact of exchange rates to its margins.
On the other hand, the rapid advance of the Internet has also forced brands of global magnitude to review their pricing policies. Always, down. At the end of last year, the investment bank Merril Lynch put Inditex on the spotlight for a price issue. The American broker advised to sell shares of the Spanish giant and one of the reasons on which it supported its proposal was precisely the reordering of his global pricing strategy that is forced by his global presence through its online market. According to Merril Lynch, the decision of Inditex to start selling online in all countries of the world in 2020 was a risk because it would be more difficult to charge higher prices for the same garments. In this sense, the financial group used Zara as an example, a chain that sells 55% more expensive in the United States; 52% more in Russia, 37% more in Hong Kong, and 27% more in China.
This phenomenon, for example, has already begun to happen in luxury. Luxury companies of global magnitude, such as Gucci or Louis Vuitton, ended up matching their prices progressively in Europe and Asia after taking the leap online. In mid-2018, Louis Vuitton's French luxury company once again announced a new price drop in China after the Beijing government activated a tariff reduction for luxury goods, reducing costs by an average of 20.7% of entry into the country. As a result of this measure, the

company owned by LVMH holding applied an average price reduction of between 300 yuan and 1,500 yuan, the equivalent of 3% and 5%. Gucci, owned by Kering, also cut its prices in the Asian giant by 5% for the same tariff reduction. Between 2015 and 2016, several luxury companies were also forced to lower their prices in China due to the gap between other European countries.
The European common market has a specific legislation in view of the need to homogenize prices. Last year, this regulation took its toll on two Americans: Nike and Guess. In the case of the fashion and sportswear giant, the European Commission opened up to three investigations for incorrect licensing and distribution practices. Specifically, the organization investigates whether Nike prevents the sale of branded products to licensed manufacturers across borders. Guess, on the other hand, was fined almost forty million euros for restricting online advertising and cross-border sales to its distributors. One of the reasons why these business practices are maintained is because depending on the country, the sale of items can be 10% more expensive than in others. European regulations allow companies to set their own distribution systems, but penalizes the imposition of barriers to consumers when choosing the seller, in the country they are in.
In the opposite sense, with opposite policies of price increase, only one of ten companies have applied them. Louis Vuitton, for example, despite lowering them in China, ended up raising them worldwide between 1.7% and 1.8%, which was its first rise in four years. The company's executives did not confirm whether they would repeat this operation in the short term. In the mass market, companies have tried to enter higher positions through the launch of new brands. The Danish Bestseller, for example, reinforced its Selected firm with a spin off in eco key and higher prices. On average, the prices of the new brand doubled those of Selected, with shirts that cost between one hundred euros and 120 euros, and pants between 130 euros and 170 euros.
The battle for prices continues, although its intensity decreases. In 2018, only 13% of fashion giants increased their promotional intensity. After normalizing mid-season sales and campaigns such as Black Friday, companies have also used the discount card for specific strategic movements.
The American Forever21 or Urban Outfitters, for example, went on the hunt for the new generation of consumers with digital marketing strategies focused on social networks with an aggressive cross-discount campaign.
On the contrary, there are also groups, such as Abercrombie&Fitch, that have been looking for alternatives to constant discounts using data analysis tools to segment their consumers and maximize communication.
As the American urban fashion chain, 11% represents the giants of fashion and luxury that in 2018 diminished the intensity of their activity of discounts and promotions.
However, despite the fact that the percentages related to the price movement are low, it is also significant that none of the one hundred largest fashion and luxury groups has reduced its presence in off price stores throughout 2018. It is a consolidated channel and, in the field of physical retail, the one that has best endured the closing rate. In fact, great distribution also decided to go into it. H&M, in its search for new consumers, launched Afound online platform in 2018, in which it sells items from its own fashion brands, but also from third-party brands. Parallel to its online launch, the Swedish giant also made its way with its chain of discounts offline with a first store in Stockholm, to which many more were added. Among the third brands that Afound sells are Nike, Reebok, Converse or Adidas.
However, the most arduous price battle continues to be fought online. In 2018, the Chinese technology giant Alibaba began to expand Chinese Singles' Day beyond its country's borders. The ecommerce platform outsourced in 2018 its great day of discounts, in which it gets to achieve more than 25.3 billion dollars in a single day. Singapore, Malaysia, Thailand, Indonesia, the Philippines and Vietnam were the first markets to which the formula took through its LazMall and Lazada Marketplace platforms. In parallel, Alibaba also integrated 200,000 independent merchants from all over the world who were able to join Singles' Day. But it was also in 2018 when ecommerce began to see the results of a business model based on discounts and built on a zero-cost policy on shipments. This was the case last year when the first drums in the logistics price war began to sound on the last mile. The battle was forged in all its intensity a little later, already started 2019. However, the previous year 3% of the large groups of the sector already initiated strategic turns in their online delivery or return policy, showing an advance of what would come: the impossibility of continuing to work with free deliveries in online commerce.
Amazon was the first to step forward. In May 2018, the giant led by Jeff Bezos began to close the accounts of those consumers who requested too many returns and refunds. That gesture unleashed in the following months the publication of several studies in which it was revealed that the vast majority of online businesses also wanted to execute drastic measures such as Amazon's due to the high cost of returns. It was estimated that the cost of returns amounted to 20 billion pounds annually in the United Kingdom, while in the United States, it had an impact of 369 billion dollars on lost sales.
That was the starting signal for a redesign in the online shopping delivery policies that were later executed by the different players in the sector. It was the beginning of new strategies to stop the free delivery policy that was drowning the margins of the companies and prevented the development of the last mile and deliveries on the same day. •

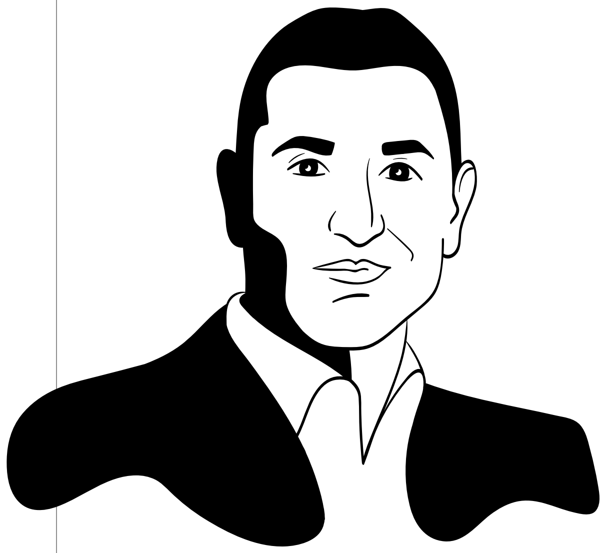
Pure players began to cut the new culture of serial returns that penalized their profitability in 2018

Price war moderates its intensity and only 13% of companies increased their promotional activity in 2018.

Marco Bertini

Marco Bertini is a senior professor and director of the marketing management department at Esade.

"IF THE DISCOUNT IS MADE WELL AND CUSTOMIZED, IT'S OK TO DO IT FREQUENTLY"



What are the trends in terms of pricing in retail?
Many things are happening and most have to do with technology. New technologies are providing much more transparency in the market, which is a double-edged sword. Companies can now use big data to understand customer behaviors and apply dynamic pricing. You can customize prices much more and improve all discounts, which used to be a bit random and can now be done continuously, in a more personalized way and in a more hidden way.

How has it changed from the customer point of view?
Now customers are also much more active than before. And this implies that the company must be more socially responsible, more transparent with its policies. The most important transformation is the transparency that technology has brought to both sides of the market.

Is fashion particularly active with discounts?
Very much. Because it is a perfect sector for discounts. You usually have to anticipate fashions well in advance: a company may be thinking right now about what it will sell in stores a year from now, or even more. In addition, they have to anticipate the stock, considering that there are many products with many sizes and many colors. In this sense, fashion is almost as sophisticated as a car, which has many parts and possible configurations. We must anticipate something very subjective and with many long-term variables. This naturally causes errors and therefore is a sector in which there is much waste. So, any tool that helps optimize markdown is perfect for fashion. Clothes resemble an airline, a hotel or a cruise ship, in the sense that the stock becomes obsolete very quickly.

Technology can also help in forecasting the demand.
Technologies help you to know the behavior of the customer and to anticipate how much stock can be left in any store. In fashion, the rules that were used to make decisions were very basic. It was said, for example: after three months we make a 50% discount, after four we make 60% ... All the rules were like this, not based on any science. In pricing, where a small change can have a very large effect on the profits, one must ask why not 49% instead of 50%, and why not 48%? If you can optimize it, it has a lot of impact.

"An option to reverse discounts escalation is to send signals to the market such as price matching, which ends up causing an increase in prices"

In fashion discounts are being made practically all year. Is this positive?
I would like to think that more strategic discounts are made, with more science behind. That is, more precise in terms of discount size, who is given and when. If the discount is better, it doesn't matter if you do it more frequently.

Some companies are worried that this may affect its margins.
This is common in all sectors, not only in retail. Before, when there were periods of marked sales, everyone followed them. It was a few months when everyone competed in price and that's it, as an unwritten agreement. Now, with technology, it's practically like game theory: now I can make more personalized discounts and when I feel like it, but I will have to look at what my competitor's response will be. If you increase the frequency of discounts you should make them more personalized to make them less obvious to the consumer, for example only to loyal partners, not to do it on television every other day, If not, you fall into a cycle like that of retail in the United States: years ago they had one or two discounts a year, but since there was a lot of pressure they started making discounts all the time. There are retailers that make discounts 600 times a year.

As some American companies did ...
Exactly. So, you lower the price to attract the consumer because you think the volume is important, but you don't think any longer in the long term and you don't think the competitor does the same. In the end you keep the same quota, but with less margin.

How can a trend of this kind be reversed?
No rules are written. One option is to continue making discounts, but in a slightly more hidden way compared to competitors. Another option, if you want to reduce discounts, is to send signals in the market. A very strong signal is price matching, as Walmart did. It is the strategy of: "if you lower the price, I equal it". If a trade does what it says, and does not use it only as a way of advertising, then it is a very strong signal to the competitor, because it is telling him that there is no advantage in lowering prices. In that case, Walmart's strategy was good.

And when it doesn't work?
Ten years ago they said they did price matching, but they didn't do it with online stores and lost a lot of market share. It had to change a few years ago and start doing it not only with any store, including Amazon, but also a system was implemented that allows matching at the same time of check out in store or online. Since then, its market share grew by 10%. There are studies that say that when there is one of these price matching guarantees, the prices in the market are between 10% and 15% higher than if there were normal competition.

It seems contradictory ...
It is so that the client stays calm, because he knows that this price will not be higher than the others, but nobody has said that it is low. And there is the trap. This is seen as a signal among competitors that this price war is not necessary because it only hurts them. •

Marco Bertini is a doctor of business administration from Harvard Business School and an MBA from lese Business School. His research, focused on the psychology of pricing decisions, has been published in major magazines for marketing experts.

GFD

#10

I WANT YOU: FASHION SPEEDS IN PERSONALIZATION

#10

I want you: fashion speeds in personalization

In a context of stagnant growth, one of the formulas to increase sales and market share goes through maximizing the purchase of each of the consumers through proximity. Technology, data and new communication channels allow it. Placing the customer at the center of the strategy has always been the main goal of retail, but technological tools available now allow it to be done automatically and in s scalable manner. Loyalty and personalization have ceased to consist of accumulating points for a discount to become a fluid and personal communication between brand and consumer to create long-term relationships of trust. Loyalty clubs are perhaps as historical as the trade itself, but digital transformation of the business and its companies are restoring them at the center of the game. The analysis of data allows segmenting audiences almost to the millimeter by opening the doors to personalized content and offers that turn that question "do you have our client card?" Into a real weapon.

55%

More than half of the large fashion and luxury groups have a loyalty club.

Karl-Johan Persson, chief executive officer of H&M, presented in early 2018 the new strategic guidelines of the world's third largest fashion distribution group by revenue. Persson then confessed that the consumer had gone out of focus and had to be resituated again in the center of all his strategies if they wanted to stay in the market. A market that, in turn, has also completely transformed, with the advance of Amazon and Alibaba, the appearance of new disruptive business models, with a more interconnected consumer than ever and that changes its buying behavior at high speed.
The efforts to retain customers are increasing because the consumer has gone from being right to having information, being able to compare prices, classify products by styles, consult opinions, influencers ... and analyze everything before taking any purchase decision
H&M is not alone on this mission. 51% of the world's leading fashion and luxury companies have reoriented their customer strategy to seduce new audiences, specifically, new generations, millennials and Z, whose emergence in the consumer market has completely modified the established rules. The first, for being digital natives; the second, for being born with mobile. Although stores continue to concentrate the bulk of fashion retail sales, the unstoppable advance of ecommere and the emergence of social networks have radically changed the way brands relate to consumers, to establish dialogue with them and to communicate. The segmentation of audiences, their exhaustive knowledge, the interaction with them is the first step to move towards personalization, be it messages, offers or even products. Until now, personalization consisted of choosing the color of a dress or adding an item to a garment. But in the era of digitalization, the consumer takes the center of an ecosystem that goes beyond communication and that involves all the processes of the company, from the choice of raw materials to the shipping method and payment method. In luxury, for example, part of the formula for its success was to offer superior customer service, recognize it and remember their preferences. Today, technology allows this customization in the service to be the new normal, forcing to be imaginative and look for new formulas for personal interaction. In this sense, 43% of the sector's giants have customization tools in place.
Nike, for example, was experimenting at the end of 2018 with new store customization concepts where consumers can create their own products. As explained by his design manager, John R. Hoke III, in an interview in The New York Times, this strategy aims to attract consumers to stores "before and more frequently" and show the brand "as a platform for dialogue instead of simply a place for transactions and receipt of goods. "
"I am fascinated with the idea that the brand becomes a platform, not only for self-expression, but to create unique products tailored in a relationship that helps them feel empowered, strong and able to express themselves" Hoke said. According to the executive, what matters to consumers today and tomorrow is "the magic of how to stay close to them."

The Nordstrom loyalty club stipulates different categories according to annual consumption and, through gamification, encourages them to diversify them

#10

I want you: fashion speeds in personalization

Reality, however, does not yet reach the goals set by Nike. H&M, for example, opened in the second half of 2018 several stores that included sewing machines, threads and other items to repair damaged garments, but also redesign them. However, the Swedish giant began to reveal its research in artificial intelligence to apply it to personalization. Mango also took his first steps with the embroidery of elements in his men's fashion collection.

The American Levi Strauss is one of those who has also placed special emphasis on this area. In 2018, the group launched a customization tool for its most iconic pieces. The service, which was only activated through its ecommerce in the US market, allowed consumers to design their own shirts and embroider their jeans. The company also tested the customization in the offline through a pop-up store that was open during summer in Los Angeles where it allowed to customize jeans through an iPad. Along these same lines, Adidas also opened a popup store in Berlin, Adidas Knit ForYou, in which it produced custom sweaters.

Customizing garments also arrived at the companies' online business. Ralph Lauren, meanwhile, launched Create your own custom crewneck sweater, which allowed consumers to play with styles, fonts, patches, illustrations, and other accessories to customize garments. In online, however, several brands added throughout 2018 to the fever of assistant bots fueled by artificial intelligence. From Asos to El Corte Inglés, virtual assistants have taken over ecommerce. However, they have begun to evolve and become sophisticated. Asos, for example, used artificial intelligence to empower its personal assistant in size recommendations based on previous purchases and returns. The Japanese Uniqlo, with the help of the American technology company Google, was one of the companies that integrated one of them for searches through the app. Its main contribution is that it did not focus on the collection of the brand, but instead opened to the search for styles to be inspired based on personal preferences and making proposals.

Cosmetics and perfumery have also advanced in this area. L'Oréal, for example, launched last year Custom D.O.S.E., a technological service

Nike design manager John R. Hoke III sees the future of brands as a platform for dialogue rather than a place for the transaction of goods

Personalization begins to get sophisticated and go beyond an embroidery machine in a store or a bot in ecommerce.

that allows scanning and evaluating the skin of each consumer to create a customized serum. Its Japanese competitor Shiseido also developed at the beginning of 2018 the Optune tool for mobiles that, based on artificial intelligence, determines in real time which cosmetic product for the face is the most suitable.

As the technology advances, the industry will adopt new tools to give real voice to the consumer and to be able to create increasingly emotional relationships, of commitment, with the brands and loyalty for as long as possible with a faithful armies of consumers.

Loyalty clubs have become the tool of companies to move quickly in this new environment. 55% of large fashion and luxury groups have one of them and are mostly equipped with points, invitations, social networks, discounts or even financing.

In September 2018, the American Nordstrom department store relaunched its The Nordy Club loyalty program, which is divided into four levels according to the level of spending of a consumption in one year. In each of these categories a series of benefits are offered, from being able to be picked up, to having priority access to workshops and events. Being a member has no cost, but through gamification its participants are motivated to become more involved, to increase their consumption, and to scale up categories.

The Swedish H&M brought its loyalty club to the United States last year. In addition to personalized offers, points program and access to events and services for members only, alliances with other companies for discounts are also included.

In the omnichannel era, the complexity to reach the consumer has made the role of the chief client officer common in fashion and luxury companies. The job of this executive is to ensure that the shopping experience is homogeneous regardless of the channel or support through which you contact the brand. It is also responsible for defining the actions of the company to create experience and that this ends up resulting in sales and customer loyalty. Chief client officers are supported by all departments that are in direct contact with the consumer or that collect information from it. This is CRM (client relationship management), customer service, call centers, loyalty, retail and even ecommerce. The role of chief client officer was born in the 2000s, when only four of the 500 largest companies in the United States had such a role. A decade later, the share of companies with client directors jumped to 10%.

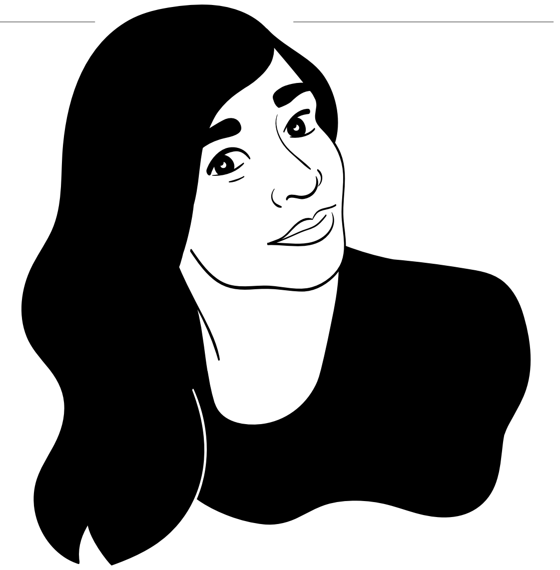
In 2018, in the field of fashion and luxury, 14% of the large groups had them. The US department store Kohl's was a pioneer in the sector to introduce this role in 2013. Gap did it in 2016. Marks&Spencer, Kering or Mango were three of those who added it in 2018. The first of them signed Jeremy Pee, then vice president of the Canadian pharmaceutical company Loblaw Companies, whose job was to accompany the company in its digital transformation by placing the consumer at the center of the strategy. Kering opted for this position by Gregory Boutte, a former eBay executive, to pilot the development of ecommerce, CRM and data management. Mango, meanwhile, appointed Guillermo Corominas, an executive of the house, who combines this position with the functions of institutional relations and spokesperson for the group. •

Sandra Bravo

Sandra Bravo is a fashion and trends sociologist at Everis

FACING LIQUID FASHION, HYPERCONTEXTUALIZATION

"New generations are more demanding every time in creative terms and they tirelessly challenge us to innovate as soon as possible"



Nowadays, consumers ride the waves of liquid fashion, without shape or form, increasingly uncertain and unstable, where everything flows so fast, that it makes it almost impossible for companies to keep up with them on time.
In this ultra-connected society, the efforts to retain loyalty are increasing, but the mentality of the consumer is changing so quickly that it forces us to constantly rethink what will be next and what this engagement will consist of in the future.
There are more and more companies that are adapting their strategies towards hyper personalization through big data, or applying artificial intelligence techniques such as machine learning, where different systems can learn from data, identify patterns and make predictions with minimal human intervention. But to be able to personalize it is not only essential to collect data, but also to collect the correct data, and also to know how to interpret it. Customization will always be as good as the quality of the data, and for this, it is essential that the design of the capture and collection is very customer-oriented, so that it allows us to trust it.
Today, consumers are constantly changing, they never have the same mood, nor the same consumption patterns, varying greatly depending on the time, day or place. They are increasingly active and multifaceted, have multiple personality and their behavioral habits are no longer as predictable. Everything is ephemeral, temporary and a succession of new beginnings. Therefore, the old segmentation models are no longer useful, and there is an increasing demand for services and solutions tailored to your needs. Now there are no defined categories, but an unlimited market of offers and options where customers dive in different directions, driven by the trend of the mix & match, and hoping that experiences always adapt to their emotional, physical and digital state.
What currently moves consumers is the set of values, beliefs and experiences they have collected throughout their lives, or what is the same: their mindstyle, which until recently we barely took into account. For this reason, we must build a narrative that appeals to this mentality and responds to their cognitive needs, providing value over goods and therefore, improving their experience. For this, to the client's knowledge through the sociodemographic and lifestyle data with which we were segmenting so far we must add new psychographic or behavioral data, which we can obtain individually through the new technologies mentioned above.
51% of the world's leading fashion and luxury companies have reoriented their strategy to seduce new audiences, specifically new generations, millennials and Z, whose role in the consumer market has completely modified the established rules. They are increasingly demanding generations in creative terms, living immersed in a process of passion for the new, and that tirelessly challenge us to innovate as soon as possible and also expect it to be customized.
This creative mentality regenerated in consumers is encouraging the market to carry out new strategies based on design, creativity, alliances and collaborations surprise, transparency, expression, inclusion and participation, which radically change the way of relating to brands and establish a new dialogue with them, so that we should start seeing them as our new partners.
This is what some of the main fashion players of the industry have understood and practice. Virgil Abloh, for example, doesn't see himself as a designer, but says he "only speaks the language in the street", or the case of Alessandro Michele with Gucci, who not only studies young consumers, but also invites them to be part of the team to act in line with them. Thus, the company of the Kering group has a group of twenty-year-olds who advise the creative team from the shadow, and its same chief executive director, Marco Bizarri, declares that "the tasks of this committee are to discuss the same thing that we discussed in a normal meeting with executives in order to give me ideas about different processes."
Until now, customization consisted of choosing the color of the shoes or adding the initials to a garment, but the market is beginning to be perceived as a space for design and not just a space for consumption. Customers want to be partakers of the experience, feel special and play their part in the whole process, from the choice of raw materials, to the way of shipping or the method of payment. The best recent case is Nike NYC House of Innovation, which combines physical services and digital functions to accompany consumers throughout the entire customer journey, and which is positioned as one of the best shopping experiences to date.
Years ago, personalization of the service was only for a few happy luxury buyers, but today technology has democratized it and allowed it to be a new standard for all. Currently, 43% of the sector's giants have personalization tools underway, such as Mango, allowing customers to include drawings and initials on polo shirts and shirts; Uniqlo, with its virtual assistant UniqloIQ that personalizes according to the mood of its buyers, or the men's clothing brand EisonTriple Threads, which makes personalized recommendations based on their musical choices in Spotify.
However, personalization today will never make sense without a context and understanding of that mindstyle discussed above. As Coco Chanel said, "fashion does not exist only in dresses, fashion is in the sky, in the street, it has to do with ideas, the way we live and what is happening." Consequently, we not only need a total vision of that ecosystem, but also understand how our clients move and relate to it. This will allow us to determine what product they want, at what price we can sell it, through which channel, at what time or how your ideal shopping experience should be.
And before all this list of motivations, social changes, desires and preferences, which brand will succeed in the future? The one that knows how to put itself on the side of the consumer and assume that the hyperpersonalization we have talked about so much in recent years, transformed by data and technology, has evolved into a new trend that we have to add: hypercontextualization. •

THE 10 — GFD 2019

GFD #01

Warning curves: US and China scare the world

47%
It is the percentage of fashion companies that bet its growing in developed markets.

6 of 10
It is the proportion of companies that alludes to uncertainty to refer to international trade.

GFD #02

Fuel to remain in the game: fashion refinances

5%
It is the ratio of groups that have left the stock exchange or have planned to do so.

2 of 10
It is the number of companies They have refinanced their debt

GFD #03

Buy or close: earning share against the competitor

41%
It is the proportion of companies that bought a stake in other companies.

5%
It is the percentage of companies that sold some of its brands.

GFD #04

From fast fashion to flexible fashion: reinforcing the supply chain

1/3
Are the operators that put new centers or logistics facilities underway.

3 of 10
It is the number of companies that have automated its factories.

GFD #05

Sustainable parenthesis: slowdown and speed

30%
It is the percentage of companies that form part of some international group or lobbie.

2 of 10
It is the number of companies that are researching new materials.

GFD #06

Apocalypse retail: brick and mortar continues struggling

66%
It is the percentage of companies that ended its fiscal year with new openings.

1/2
It is the percentage of operators that introduced tools to improve its omnichannel.

GFD #07

Roadmap for fashtech: after Rfid, what now?

4 of 10
It is the number of companies that has implemented Rfid technology.

1/3
Are the groups that have connectivity devices in their stores.

GFD #08

Shield the brand: key to survive

5%
The companies that changed their logo or graphic identity.

20%
It is the percentage of operators that have collaborated with other brands.

GFD #09

Double or nothing: more fashion, lower prices

1 of 10
It is the proportion of companies that raised its prices.

13%
It is the ratio of companies that increased their promotional intensity.

GFD #10

I want you: fashion speeds in personalization

1/2
The companies that have a loyalty club.

14%
It is the percentage of companies that have appointed a chief client officer.

METODOLOGÍA

The report starts from the analysis of public information of one hundred of the most representative global companies in the fashion business. The goal of the study is to determine which ten drivers have defined the sector in the last year. Since it is already the fourth edition, the system allows comparing the results with those of previous additions, in cases where the driver already appears among the Global Fashion Drivers 2016, the Global Fashion Drivers 2017 or the Global Fashion Drivers 2018.
The first step in the elaboration of the analysis model is to establish the study universe and the selection of a representative sample of a number of companies that facilitates the analytical study of the actions carried out by each of them during the past year.
With the aim that the conclusions can be extrapolated to the complex and varied global textile business of the fashion industry, one hundred companies of different sizes and activities are selected for study, but all of them representative of their respective subsectors.
When preparing the selection of companies, the sectors that have the greatest weight in the fashion business are chosen, both by revenue and by the relevance of the brands that operate in it and their relevance in the current fashion business. In this sense, the main sectors of the fashion business are retailers, luxury, sports, footwear, perfumery, childrenswear, department stores and ecommerce. In these last two cases, some of the most relevant operators are not exclusively dedicated to the distribution of fashion items, so only those in which fashion is understood in its broadest concept (clothing, accessories, footwear and jewelry) has an important weight in its revenue.
Based on its notoriety and revenue, the greatest weight is for retailers, with twenty-five representatives in the sample, followed by department stores and luxury, with fourteen and fifteen companies, respectively. Slightly behind is sport (thirteen), footwear (ten), ecommerce (nine), perfumery (seven) and childrenswear (seven).
Within each sector, companies are selected based mainly on quantitative public data, especially their revenue. In some cases, however, access to this information is limited because they are businesses that do not disclose their sales publicly. In this case, the prevailing criteria have been qualitative elements such as relevance and prestige within the industry, as well as quantitative elements, such as having a network of stores with a size similar to that of the industry leaders. Consequently, the goal is not to establish a list of the one hundred largest companies in the fashion business in the world, but a representative sample, with the most important segments of the sector. On this occasion, the list has been slightly modified, eliminating operators that have significantly reduced their size and prioritizing the listed groups. In all cases they have been replaced by groups from the same sector of activity, to maintain representativeness. Specifically, with respect to the previous editions, Kidiliz has been replaced by Semir, after the latter bought in French, and Payless (which closed its business in the United States) by Ecco.
The fiscal year taken into account the actions carried out throughout 2018. From here, the information is obtained solely and exclusively based on the data of each company that have been made public, understood as not performed for the analysis an action that has not been communicated.
Obtaining all the data is done individually point by point, having as sources the annual reports, reports and results accounts of the companies, the information made public by the media, as long as the information appears in more than one medium and verified, and the statements of the company's chief executive officer or the head of the area in which the indicator is framed reproduced by the company itself or by third parties.
In the case of ecommerce, the analysis of some of these vectors has been adapted, taking into account the particularities of the sector.These qualifications, detailed throughout the report, include, for example, the landing in a new market, for which in the case of electronic commerce the creation of a specific platform for a new country is taken into account (and not the mere translation of the parent platform).
Based on the knowledge of Modaes.es editorial group, the main topics are selected for analysis: internationalization, merges and acquisitions, suppling, sustainability, innovation, distribution channels, board of directors, client, prices and financing. Several questions on specific actions are established for each topic, which are then analyzed one by one, taking into account the public information detailed above. From the indicators that have the most positive responses, the ten Global Fashion Drivers are established, which are presented throughout the report, combining quantitative information with qualitative details that allow us to know in depth which vectors move the fashion business. •

Data

		Inditex	H&M	Fast Retailing	Gap	L Brands	VF	PVH	C&A	Primark	Bestseller	Next	Forever 21	Arcadia	Abercrombie&Fitch	Esprit	Levi Strauss	Urban Outfitters	Guess
Topic 1	**Internationalization**																		
	Has it entered any new markets with any of its brands in 2018?	1	1	1	1	1		1										1	1
	Has its presence in China increased?	1	1	1		1	1	1							1	1	1	1	
	Has the company bet on Africa?	1	1													1			
	Has it opted for developed markets (EU, US, Japan)	1	1	1				1	1	1	1						1		
	Has it opened a branch in any new country?		1	1															
	In its international leap, has it done it with local partners?		1			1		1											
	Has it closed its business in any markets?				1	1							1	1					
	Does it refer to uncertainty?	1	1		1	1	1	1				1	1		1	1	1	1	1
	Does it refer to the impact of currency developments?		1	1	1	1	1	1								1	1	1	1
	Does it refer to trade war?		1					1							1	1	1	1	
Topic 2	**Merges and acquisitions**																		
	Has it planed to enter the stock exchange?				1		1										1		
	Has it been acquired by partners?				1														
	Has it switched hands in 2018?																		
	Has is bought a stake in other company?		1	1			1				1							1	1
	Has is refinanced its debt?				1		1	1								1	1	1	
	Is it for sale?					1								1					
	Has is cancel a deal or its listing in the stock exchange?																		
	Has it sell any of its brands?					1	1												
Topic 3	**Supplying / Logistics**																		
	Has is diversified its supply chain?					1		1							1				
	Has it opened a new hub or factory?	1		1		1						1							
	Has is opened new warehouses or logistics centers?		1	1	1	1	1			1	1	1							1
	Has is bet for supply in proximity?	1		1													1		
	Does it supply in Ethiopia or Nigeria?	1						1		1									
	Has it acquired any supplier?																		
	Has it invested in the automation of its factories / opened automated factories?	1	1	1		1	1					1					1		1
Topic 4	**Sustainability**																		
	Is it part of any international lobby in terms of sustainability?	1	1	1		1	1	1	1	1	1	1				1	1		
	Does it have a sustainable collection?	1	1																
	Does it have a sustainability report?		1	1	1		1	1	1		1	1							1
	Close the loop - has it taken any steps in this measure? / circular economy	1	1						1							1			
	Has it set new sustainable goals?	1	1		1	1	1	1	1						1	1	1		1
	Is it investing in new susteinable materials?	1	1	1		1	1	1	1			1					1		
	Has it increased its use of organic cotton?	1	1				1		1							1	1		
Topic 5	**Technology - Fashtech**																		
	Does it use Rfdi technology?	1	1	1	1			1					1				1		
	Does it have conected devices in its stores? (smart fitting rooms...)	1			1			1	1			1			1			1	
	Has it tried new payment methods?	1																	
	Has it tried virtual reality?	1	1	1															
	Has it acquired any startup to boost in innovation?		1																
	Has it acquired an accelerator?																		
	Does it mention industry 4.0?																		
	Does it mention blockchain?		1																
Topic 6	**Distribution channels**																		
	Has it reinforced its presence in department stores?				1		1	1								1	1	1	1
	Has it opened directly-operated stores?	1	1	1	1	1	1	1	1	1	1	1			1	1	1	1	1
	Has it opened franchises?	1	1	1	1	1			1							1	1		
	Has it expanded its offer in online platforms (Zalando...)	1	1				1	1		1		1			1			1	
	Has it increased its online sales?	1	1	1		1	1	1				1			1	1	1		
	Has it used omnichannel improvement tools? (click&collect…)	1	1		1										1		1	1	1
	Has it opened any outlet stores?				1		1									1			
	Has it tested new store formats?	1						1	1						1	1			
	Has it changed parter for any of its licenses?																		
	Has it take back any of its licenses?					1		1											1
	Has it reduced or modified its supply chain?	1	1	1	1	1	1	1	1	1	1		1	1	1	1		1	
Topic 7	**Board of directors**																		
	If its a family run business, has a generational change happen?																		
	Has its chief executive officer been replaced?	1				1		1								1			1
	Has it rearange its board in the last year?	1	1	1	1	1	1	1	1	1		1		1	1	1	1	1	1
	Has it hired new exectutives from the competition in the last year?	1		1	1	1	1	1	1	1		1						1	
	Has it renovated its boad of directors?							1											
	Has it created new executive positions?			1			1	1							1				
	Has it turned to other sectors ti hire new talent?	1	1	1	1	1	1	1	1			1			1		1	1	1
Topic 8	**Client**																		
	Does it have any loyalty club?	1	1		1		1	1					1		1				1
	Does it have a Chief Client Officer?																		
	Does it have an innovation department?	1	1	1		1	1	1	1						1		1		
	Has it created new positions related to innovation?						1								1				
	Has it created new innovation hubs?																		
	Is it using personalization tools?	1	1	1				1				1				1	1		1
	Has it changed its logo or graphic identity?	1																	
	Has it made collaborations with other comapnies?	1	1	1		1	1	1	1		1					1			
	Has it changed its strategy to conquer new publics?	1	1		1	1	1	1			1	1			1	1			
Topic 9	**Prices**																		
	Has it increased its prices?																	1	
	Has it dropped its prices?																1		1
	Has it reduced its outlet store presence?																		
	Has it increased its promotion startegy?												1	1	1			1	
	Has it reduced it?	1	1													1	1		1
	Has it changed its delivery and returns policy?																		
Topic 10	**Restructuration**																		
	Has it filed for chapter 11 bankrupcy?													1					
	Has it cut its global staff?							1					1	1					
	Has is started a cost reduction plan?		1	1		1	1						1	1	1	1		1	1
	Has it closed any of its factories?							1					1	1					
	Has it stopped any acquisition process?																		
	Has it changed its salary policy? (bonus, cut salaries…)																		
	Has sales dropped?					1							1	1		1			
	Has its revenue dropped?		1			1							1	1		1			
	Has its margin dropped?		1			1							1	1		1			

Data

		OTB	Superdry	Mango	Benetton	Calzedonia	Authentic Brands	American Eagle	Macy's	Sears	Kohl's	El Corte Inglés	Nordstrom	Marks &Spencer	Falabella	JC Penney	Isetan	Hudson's Bay	J Front
Topic 1	**Internationalization**					1													
	Has it entered any new markets with any of its brands in 2018?		1	1		1		1				1	1		1				
	Has its presence in China increased?		1	1								1							
	Has the company bet on Africa?																		
	Has it opted for developed markets (EU, US, Japan)	1		1	1			1										1	
	Has it opened a branch in any new country?																		
	In its international leap, has it done it with local partners?																	1	
	Has it closed its business in any markets?													1					
	Does it refer to uncertainty?		1					1	1		1		1	1		1	1	1	1
	Does it refer to the impact of currency developments?		1					1					1					1	1
	Does it refer to trade war?							1	1										
Topic 2	**Merges and acquisitions**																		
	Has it planed to enter the stock exchange?																		
	Has it been acquired by partners?									1		1							
	Has it switched hands in 2018?									1									
	Has is bought a stake in other company?	1					1			1			1	1	1			1	
	Has is refinanced its debt?			1	1						1	1	1	1					
	Is it for sale?																		
	Has is cancel a deal or its listing in the stock exchange?																		
	Has it sell any of its brands?											1							
Topic 3	**Supplying / Logistics**																		
	Has is diversified its supply chain?		1																
	Has it opened a new hub or factory?												1						
	Has is opened new warehouses or logistics centers?		1									1			1				
	Has is bet for supply in proximity?																		
	Does it supply in Ethiopia or Nigeria?					1													
	Has it acquired any supplier?							1											
	Has it invested in the automation of its factories / opened automated factories?														1				
Topic 4	**Sustainability**																		
	Is it part of any international lobby in terms of sustainability?			1										1					
	Does it have a sustainable collection?			1															
	Does it have a sustainability report?								1										
	Close the loop - has it taken any steps in this measure? / circular economy																		
	Has it set new sustainable goals?		1									1							
	Is it investing in new susteinable materials?		1																
	Has it increased its use of organic cotton?																		
Topic 5	**Technology - Fashtech**																		
	Does it use Rfdi technology?	1	1	1	1				1		1	1							
	Does it have conected devices in its stores? (smart fitting rooms...)		1	1				1	1								1		
	Has it tried new payment methods?																		
	Has it tried virtual reality?																1		
	Has it acquired any startup to boost in innovation?													1					
	Has it acquired an accelerator?																		
	Does it mention industry 4.0?																		
	Does it mention blockchain?																		
Topic 6	**Distribution channels**																		
	Has it reinforced its presence in department stores?			1															
	Has it opened directly-operated stores?	1	1	1	1	1	1	1			1	1	1	1	1	1	1	1	1
	Has it opened franchises?		1	1		1								1					
	Has it expanded its offer in online platforms (Zalando...)		1	1								1							
	Has it increased its online sales?		1	1								1			1		1		
	Has it used omnichannel improvement tools? (click&collect...)			1	1			1	1		1	1	1	1	1	1	1	1	
	Has it opened any outlet stores?																		
	Has it tested new store formats?				1														
	Has it changed parter for any of its licenses?														1				
	Has it take back any of its licenses?														1				
	Has it reduced or modified its supply chain?	1	1	1	1			1	1	1		1	1	1	1	1		1	
Topic 7	**Board of directors**																		
	If its a family run business, has a generational change happen?																		
	Has its chief executive officer been replaced?	1	1	1	1					1		1	1		1	1			
	Has it rearange its board in the last year?	1	1	1	1		1	1		1	1	1		1	1	1		1	
	Has it hired new exectutives from the competition in the last year?	1												1		1		1	
	Has it renovated its boad of directors?	1	1																
	Has it created new executive positions?		1	1															
	Has it turned to other sectors ti hire new talent?		1	1				1								1			
Topic 8	**Client**																		
	Does it have any loyalty club?			1				1					1	1	1	1	1	1	1
	Does it have a Chief Client Officer?			1					1	1	1	1		1					
	Does it have an innovation department?		1	1	1						1			1	1			1	
	Has it created new positions related to innovation?			1										1					
	Has it created new innovation hubs?			1															
	Is it using personalization tools?			1							1		1						
	Has it changed its logo or graphic identity?				1										1				
	Has it made collaborations with other comapnies?			1	1				1		1					1		1	
	Has it changed its strategy to conquer new publics?			1	1				1						1	1			1
Topic 9	**Prices**																		
	Has it increased its prices?										1		1						
	Has it dropped its prices?							1						1	1				
	Has it reduced its outlet store presence?																		
	Has it increased its promotion startegy?							1								1			
	Has it reduced it?												1	1					
	Has it changed its delivery and returns policy?																		
Topic 10	**Restructuration**																		
	Has it filed for chapter 11 bankrupcy?																		
	Has it cut its global staff?		1						1	1									
	Has is started a cost reduction plan?	1			1				1	1		1				1			1
	Has it closed any of its factories?									1									
	Has it stopped any acquisition process?																		
	Has it changed its salary policy? (bonus, cut salaries...)																		
	Has sales dropped?	1	1			1			1							1		1	1
	Has its revenue dropped?	1	1						1					1	1	1	1	1	1
	Has its margin dropped?		1					1	1		1						1	1	1

Data

Topic	Question	Takashimaya	Dillard's	El Puerto de Liverpool	LVMH	Kering	Richemont	ChowTai Fook	Ralph Lauren	Chanel	Hermès	Michael Kors	Tapestry	Tiffany	Burberry	Prada	Hugo Boss	Armani	Puig
Topic 1	**Internationalization**																		
	Has it entered any new markets with any of its brands in 2018?				1	1	1	1	1		1	1	1		1				
	Has its presence in China increased?				1	1	1	1		1	1	1			1	1	1	1	
	Has the company bet on Africa?																		
	Has it opted for developed markets (EU, US, Japan)	1			1	1	1	1		1	1	1	1		1		1	1	
	Has it opened a branch in any new country?																		
	In its international leap, has it done it with local partners?					1													
	Has it closed its business in any markets?			1															
	Does it refer to uncertainty?		1	1		1	1	1	1		1	1			1	1	1	1	
	Does it refer to the impact of currency developments?			1				1	1						1	1			
	Does it refer to trade war?					1		1				1			1		1	1	
Topic 2	**Merges and acquisitions**																		
	Has it planed to enter the stock exchange?											1							
	Has it been acquired by partners?																		
	Has it switched hands in 2018?																		
	Has is bought a stake in other company?	1			1	1	1			1		1	1		1				
	Has is refinanced its debt?	1	1	1												1			
	Is it for sale?																		
	Has is cancel a deal or its listing in the stock exchange?																		
	Has it sell any of its brands?					1													
Topic 3	**Supplying / Logistics**																		
	Has is diversified its supply chain?		1																
	Has it opened a new hub or factory?			1		1		1	1	1	1					1			
	Has is opened new warehouses or logistics centers?			1		1	1	1								1			
	Has is bet for supply in proximity?					1					1			1	1				
	Does it supply in Ethiopia or Nigeria?																		
	Has it acquired any supplier?	1				1				1					1				
	Has it invested in the automation of its factories / opened automated factories?			1			1	1			1			1		1	1	1	
Topic 4	**Sustainability**																		
	Is it part of any international lobby in terms of sustainability?					1								1	1				1
	Does it have a sustainable collection?																		
	Does it have a sustainability report?					1		1					1	1			1	1	1
	Close the loop- has it taken any steps in this measure? / circular economy																		
	Has it set new sustainable goals?						1				1					1	1	1	
	Is it investing in new susteinable materials?														1				
	Has it increased its use of organic cotton?																		
Topic 5	**Technology - Fashtech**																		
	Does it use Rfdi technology?			1		1	1								1	1			
	Does it have conected devices in its stores? (smart fitting rooms...)				1	1	1						1	1					
	Has it tried new payment methods?																		
	Has it tried virtual reality?					1					1					1	1	1	
	Has it acquired any startup to boost in innovation?				1		1									1			
	Has it acquired an accelerator?				1		1									1			
	Does it mention industry 4.0?																		
	Does it mention blockchain?				1			1											
Topic 6	**Distribution channels**																		
	Has it reinforced its presence in department stores?					1	1		1			1		1					
	Has it opened directly-operated stores?		1	1	1	1	1	1	1	1	1				1	1	1	1	
	Has it opened franchises?				1	1	1		1								1	1	
	Has it expanded its offer in online platforms (Zalando...)					1	1			1					1	1	1	1	
	Has it increased its online sales?		1		1	1	1	1			1				1	1	1	1	
	Has it used omnichannel improvement tools? (click&collect…)				1	1					1						1	1	
	Has it opened any outlet stores?								1			1					1	1	
	Has it tested new store formats?			1											1				
	Has it changed parter for any of its licenses?												1						1
	Has it take back any of its licenses?					1													
	Has it reduced or modified its supply chain?		1	1		1			1			1		1	1				
Topic 7	**Board of directors**																		
	If its a family run business, has a generational change happen?				1											1			
	Has its chief executive officer been replaced?						1					1							
	Has it rearange its board in the last year?				1	1	1		1		1	1		1	1	1			
	Has it hired new exectutives from the competition in the last year?					1			1					1	1	1			
	Has it renovated its boad of directors?									1					1				
	Has it created new executive positions?											1							
	Has it turned to other sectors ti hire new talent?						1		1		1	1		1					
Topic 8	**Client**																		
	Does it have any loyalty club?	1	1	1										1	1		1	1	
	Does it have a Chief Client Officer?					1													
	Does it have an innovation department?							1											
	Has it created new positions related to innovation?																		
	Has it created new innovation hubs?					1									11				
	Is it using personalization tools?				1	1	1	1	1	1	1	1	1	1	1	1	1	1	
	Has it changed its logo or graphic identity?														1				
	Has it made collaborations with other comapnies?			1															
	Has it changed its strategy to conquer new publics?		1	1	1	1		1	1			1		1	1				
Topic 9	**Prices**																		
	Has it increased its prices?																1	1	
	Has it dropped its prices?		1		1				1	1		1							
	Has it reduced its outlet store presence?																		
	Has it increased its promotion startegy?		1																
	Has it reduced it?															1			
	Has it changed its delivery and returns policy?																		
Topic 10	**Restructuration**																		
	Has it filed for chapter 11 bankrupcy?																		
	Has it cut its global staff?																		
	Has is started a cost reduction plan?							1						1	1	1	1	1	
	Has it closed any of its factories?																		
	Has it stopped any acquisition process?																		
	Has it changed its salary policy? (bonus, cut salaries…)																		
	Has sales dropped?	1													1				
	Has its revenue dropped?	1	1											1			1	1	
	Has its margin dropped?	1	1											1					

Data

		Nike	Adidas	Intersport	Decathlon	Dick's	Lululemon	Under Armour	Puma	Li Ning	Sports Direct	New Balance	Asics	Anta	Deichmann	Belle	Skechers	Caleres	Wolverine
Topic 1	**Internationalization**																		
	Has it entered any new markets with any of its brands in 2018?				1		1								1		1		1
	Has its presence in China increased?		1				1		1	1		1	1					1	1
	Has the company bet on Africa?																		
	Has it opted for developed markets (EU, US, Japan)	1	1				1		1	1			1	1	1		1		
	Has it opened a branch in any new country?																1		
	In its international leap, has it done it with local partners?				1										1				1
	Has it closed its business in any markets?																		
	Does it refer to uncertainty?	1		1		1	1		1		1			1	1	1	1	1	1
	Does it refer to the impact of currency developments?	1									1								1
	Does it refer to trade war?	1	1			1											1		
Topic 2	**Merges and acquisitions**																		
	Has it planed to enter the stock exchange?															1			
	Has it been acquired by partners?																		
	Has it switched hands in 2018?								1										
	Has is bought a stake in other company?	1			1	1	1			1	1		1	1				1	
	Has is refinanced its debt?																		1
	Is it for sale?																		
	Has is cancel a deal or its listing in the stock exchange?																		
	Has it sell any of its brands?																		
Topic 3	**Supplying / Logistics**																		
	Has is diversified its supply chain?	1	1															1	
	Has it opened a new hub or factory?	1	1		1				1			1				1		1	
	Has is opened new warehouses or logistics centers?							1	1	1	1			1			1	1	
	Has is bet for supply in proximity?		1																1
	Does it supply in Ethiopia or Nigeria?																	1	
	Has it acquired any supplier?																		
	Has it invested in the automation of its factories / opened automated factories?	1	1									1				1		1	1
Topic 4	**Sustainability**																		
	Is it part of any international lobby in terms of sustainability?	1	1					1	1				1						
	Does it have a sustainable collection?																		
	Does it have a sustainability report?	1	1		1				1										
	Close the loop- has it taken any steps in this measure? / circular economy																		
	Has it set new sustainable goals?												1						
	Is it investing in new susteinable materials?	1	1					1	1				1						
	Has it increased its use of organic cotton?								1										
Topic 5	**Technology - Fashtech**																		
	Does it use Rfdi technology?	1	1	1	1	1	1	1	1			1	1		1	1			
	Does it have conected devices in its stores? (smart fitting rooms...)	1	1						1					1					
	Has it tried new payment methods?																		
	Has it tried virtual reality?																		
	Has it acquired any startup to boost in innovation?		1																
	Has it acquired an accelerator?		1																
	Does it mention industry 4.0?	1																	
	Does it mention blockchain?																		
Topic 6	**Distribution channels**																		
	Has it reinforced its presence in department stores?					1			1					1	1		1		
	Has it opened directly-operated stores?	1	1		1		1		1	1	1	1	1	1	1	1	1	1	1
	Has it opened franchises?		1							1					1		1		
	Has it expanded its offer in online platforms (Zalando...)						1			1				1					
	Has it increased its online sales?					1				1	1			1	1			1	
	Has it used omnichannel improvement tools? (click&collect...)					1			1				1	1	1	1	1	1	
	Has it opened any outlet stores?								1	1				1					
	Has it tested new store formats?				1								1						
	Has it changed parter for any of its licenses?																		
	Has it take back any of its licenses?		1																
	Has it reduced or modified its supply chain?					1								1				1	1
Topic 7	**Board of directors**																		
	If its a family run business, has a generational change happen?																		
	Has its chief executive officer been replaced?			1	1							1							
	Has it rearange its board in the last year?	1		1	1	1		1	1		1	1	1	1				1	
	Has it hired new exectutives from the competition in the last year?	1		1															
	Has it renovated its boad of directors?							1											
	Has it created new executive positions?	1																	
	Has it turned to other sectors ti hire new talent?										1			1					
Topic 8	**Client**																		
	Does it have any loyalty club?	1	1		1	1	1	1	1	1	1	1			1		1	1	
	Does it have a Chief Client Officer?					1													
	Does it have an innovation department?	1	1										1						
	Has it created new positions related to innovation?	1																	
	Has it created new innovation hubs?												1	1					
	Is it using personalization tools?	1	1					1	1	1		1		1			1	1	
	Has it changed its logo or graphic identity?																		
	Has it made collaborations with other comapnies?		1						1										
	Has it changed its strategy to conquer new publics?	1	1	1	1		1		1			1		1	1	1			1
Topic 9	**Prices**																		
	Has it increased its prices?	1																1	1
	Has it dropped its prices?					1	1												
	Has it reduced its outlet store presence?																		
	Has it increased its promotion startegy?					1													
	Has it reduced it?																		
	Has it changed its delivery and returns policy?																		
Topic 10	**Restructuration**																		
	Has it filed for chapter 11 bankrupcy?																		
	Has it cut its global staff?							1											
	Has is started a cost reduction plan?	1						1	1		1								
	Has it closed any of its factories?																1		
	Has it stopped any acquisition process?																		
	Has it changed its salary policy? (bonus, cut salaries...)																		
	Has sales dropped?																		
	Has its revenue dropped?	1			1						1		1						
	Has its margin dropped?	1																1	
																		1	

Data

		Deckers	Clarks	Aldo	Steve Madden	L'Oréal	Estée Lauder	Shiseido	Beiersdorf	Amorepacific	Avon	Coty	Carter's	The Children's Place	Mothercare	Id Kids	Orchestra	Semir	Amazon
Topic 1	**Internationalization**																		
	Has it entered any new markets with any of its brands in 2018?	1							1	1			1	1				1	1
	Has its presence in China increased?	1			1	1	1	1	1			1	1	1					
	Has the company bet on Africa?					1													
	Has it opted for developed markets (EU, US, Japan)	1				1	1	1	1	1		1					1	1	1
	Has it opened a branch in any new country?																		1
	In its international leap, has it done it with local partners?																		
	Has it closed its business in any markets?																		
	Does it refer to uncertainty?	1			1		1	1	1		1		1	1	1		1		1
	Does it refer to the impact of currency developments?				1		1	1					1	1					1
	Does it refer to trade war?								1					1					
Topic 2	**Merges and acquisitions**																		
	Has it planed to enter the stock exchange?																		
	Has it been acquired by partners?										1	1							
	Has it switched hands in 2018?										1								
	Has is bought a stake in other company?				1	1			1				1					1	1
	Has is refinanced its debt?														1		1		
	Is it for sale?																		
	Has is cancel a deal or its listing in the stock exchange?																		
	Has it sell any of its brands?																		
Topic 3	**Supplying / Logistics**																		
	Has is diversified its supply chain?	1																	1
	Has it opened a new hub or factory?								1			1	1						
	Has is opened new warehouses or logistics centers?												1						1
	Has is bet for supply in proximity?					1						1	1						1
	Does it supply in Ethiopia or Nigeria?																		
	Has it acquired any supplier?																		
	Has it invested in the automation of its factories / opened automated factories?					1	1	1					1						1
Topic 4	**Sustainability**																		
	Is it part of any international lobby in terms of sustainability?	1				1			1										
	Does it have a sustainable collection?																		
	Does it have a sustainability report?					1			1	1	1								
	Close the loop- has it taken any steps in this measure? / circular economy					1													
	Has it set new sustainable goals?	1				1													
	Is it investing in new susteinable materials?	1								1									
	Has it increased its use of organic cotton?																		
Topic 5	**Technology - Fashtech**																		
	Does it use Rfdi technology?	1	1			1	1	1	1	1		1							1
	Does it have conected devices in its stores? (smart fitting rooms...)			1	1	1				1		1							1
	Has it tried new payment methods?																		1
	Has it tried virtual reality?					1						1							
	Has it acquired any startup to boost in innovation?					1			1										1
	Has it acquired an accelerator?																		
	Does it mention industry 4.0?					1													
	Does it mention blockchain?																		
Topic 6	**Distribution channels**																		
	Has it reinforced its presence in department stores?	1					1	1		1				1					
	Has it opened directly-operated stores?			1	1									1		1	1		1
	Has it opened franchises?				1		1	1											
	Has it expanded its offer in online platforms (Zalando...)												1						
	Has it increased its online sales?			1	1	1			1				1						1
	Has it used omnichannel improvement tools? (click&collect…)		1			1	1	1		1		1	1	1		1			1
	Has it opened any outlet stores?																		
	Has it tested new store formats?															1			1
	Has it changed parter for any of its licenses?									1				1					
	Has it take back any of its licenses?									1									
	Has it reduced or modified its supply chain?	1	1		1				1				1		1		1		
Topic 7	**Board of directors**																		
	If its a family run business, has a generational change happen?																		
	Has its chief executive officer been replaced?								1			1			1		1		
	Has it rearange its board in the last year?		1		1	1	1	1	1		1	1			1	1	1		
	Has it hired new exectutives from the competition in the last year?					1	1	1			1	1				1			
	Has it renovated its boad of directors?																		
	Has it created new executive positions?																		
	Has it turned to other sectors ti hire new talent?		1			1						1							
Topic 8	**Client**																		
	Does it have any loyalty club?	1		1	1	1	1	1	1		1		1	1	1	1	1		1
	Does it have a Chief Client Officer?					1													1
	Does it have an innovation department?			1		1			1			1		1					1
	Has it created new positions related to innovation?																		
	Has it created new innovation hubs?					1													
	Is it using personalization tools?					1	1	1		1									1
	Has it changed its logo or graphic identity?																		
	Has it made collaborations with other comapnies?													1					
	Has it changed its strategy to conquer new publics?	1		1		1	1	1	1		1		1	1		1	1		1
Topic 9	**Prices**																		
	Has it increased its prices?										1			1			1		
	Has it dropped its prices?														1				
	Has it reduced its outlet store presence?																		
	Has it increased its promotion startegy?						1	1					1	1	1				
	Has it reduced it?	1	1		1														
	Has it changed its delivery and returns policy?																		1
Topic 10	**Restructuration**																		
	Has it filed for chapter 11 bankrupcy?														1				
	Has it cut its global staff?										1				1				
	Has is started a cost reduction plan?	1	1	1			1	1	1		1	1	1						
	Has it closed any of its factories?																		
	Has it stopped any acquisition process?																		
	Has it changed its salary policy? (bonus, cut salaries…)																		
	Has sales dropped?		1																
	Has its revenue dropped?		1		1		1	1		1	1	1			1				
	Has its margin dropped?										1	1	1		1				

Data

		JD.com	Alibaba	Otto	Ebay	Zalando	Vente Privee	Ynap	Asos
Topic 1	**Internationalization**								
	Has it entered any new markets with any of its brands in 2018?	1	1						
	Has its presence in China increased?				1	1			1
	Has the company bet on Africa?								
	Has it opted for developed markets (EU, US, Japan)	1	1		1				1
	Has it opened a branch in any new country?								
	In its international leap, has it done it with local partners?								
	Has it closed its business in any markets?								
	Does it refer to uncertainty?	1			1	1			1
	Does it refer to the impact of currency developments?	1			1	1			
	Does it refer to trade war?	1		1					
Topic 2	**Merges and acquisitions**								
	Has it planed to enter the stock exchange?								
	Has it been acquired by partners?					1		1	
	Has it switched hands in 2018?							1	
	Has is bought a stake in other company?	1	1		1		1		
	Has is refinanced its debt?								
	Is it for sale?								
	Has is cancel a deal or its listing in the stock exchange?								
	Has it sell any of its brands?								
Topic 3	**Supplying / Logistics**								
	Has is diversified its supply chain?	1							
	Has it opened a new hub or factory?								
	Has is opened new warehouses or logistics centers?		1	1		1			1
	Has is bet for supply in proximity?								
	Does it supply in Ethiopia or Nigeria?								
	Has it acquired any supplier?								
	Has it invested in the automation of its factories / opened automated factories?	1	1	1					
Topic 4	**Sustainability**								
	Is it part of any international lobby in terms of sustainability?			1		1			1
	Does it have a sustainable collection?								
	Does it have a sustainability report?								
	Close the loop- has it taken any steps in this measure? / circular economy								
	Has it set new sustainable goals?								1
	Is it investing in new susteinable materials?			1					
	Has it increased its use of organic cotton?								
Topic 5	**Technology - Fashtech**								
	Does it use Rfdi technology?	1	1			1			
	Does it have conected devices in its stores? (smart fitting rooms...)		1						
	Has it tried new payment methods?	1	1			1			
	Has it tried virtual reality?								
	Has it acquired any startup to boost in innovation?								
	Has it acquired an accelerator?								
	Does it mention industry 4.0?								
	Does it mention blockchain?								
Topic 6	**Distribution channels**								
	Has it reinforced its presence in department stores?								
	Has it opened directly-operated stores?								
	Has it opened franchises?								
	Has it expanded its offer in online platforms (Zalando...)								
	Has it increased its online sales?	1							
	Has it used omnichannel improvement tools? (click&collect…)	1			1	1	1		1
	Has it opened any outlet stores?								
	Has it tested new store formats?								
	Has it changed parter for any of its licenses?								
	Has it take back any of its licenses?				1	1	1		
	Has it reduced or modified its supply chain?						1		
Topic 7	**Board of directors**								
	If its a family run business, has a generational change happen?								
	Has its chief executive officer been replaced?			1					
	Has it rearange its board in the last year?	1	1	1		1	1		1
	Has it hired new exectutives from the competition in the last year?						1		1
	Has it renovated its boad of directors?								
	Has it created new executive positions?								
	Has it turned to other sectors ti hire new talent?				1				1
Topic 8	**Client**								
	Does it have any loyalty club?	1	1	1	1	1			
	Does it have a Chief Client Officer?	1	1		1				1
	Does it have an innovation department?	1				1			
	Has it created new positions related to innovation?								
	Has it created new innovation hubs?								
	Is it using personalization tools?	1	1	1		1			1
	Has it changed its logo or graphic identity?						1		
	Has it made collaborations with other comapnies?		1						
	Has it changed its strategy to conquer new publics?		1		1	1			1
Topic 9	**Prices**								
	Has it increased its prices?								
	Has it dropped its prices?					1			
	Has it reduced its outlet store presence?								
	Has it increased its promotion startegy?				1				
	Has it reduced it?								
	Has it changed its delivery and returns policy?					1			1
Topic 10	**Restructuration**								
	Has it filed for chapter 11 bankrupcy?								
	Has it cut its global staff?								
	Has is started a cost reduction plan?					1			
	Has it closed any of its factories?								
	Has it stopped any acquisition process?								
	Has it changed its salary policy? (bonus, cut salaries…)								
	Has sales dropped?			1					
	Has its revenue dropped?			1		1			
	Has its margin dropped?					1			
		x							

Beyond technology

Consulting, Transformation, Technology and Operations.