

A guide to running a business in the Fashion Design sector.

The Creative Industries Innovation Centre (CIIC) supports the business of creative enterprise. The CIIC is part of the Australian Government's Entrepreneurs' Infrastructure Programme, and is supported by the

University of Technology, Sydney. This Forensic Report summarises the insights drawn from our interactions with this sector. Overall, the CIIC has worked with more than 1,500 creative enterprises (2009-2014).

Talking point

In a price-fuelled retail environment, designing brand experiences is becoming just as important as creating quality garments.

A fashion design company in Australia is often a fusion of four businesses with elements of design, production, wholesale and retail, making them particularly difficult operations to manage. The roles of fashion designers, retailers, wholesalers and manufacturers are no longer clearly delineated. Fashion designers are opening pop up shops, retailers are creating their own fashion labels, and manufacturers are becoming online retailers.

For fashion design graduates with little business management training, the complexity of business operations is all the more difficult.

Principals of fashion businesses typically oversee everything from managing relationships with manufacturers to back-end operations, leaving little time for design, branding and communications.

Unfortunately, succeeding in fashion today is as much about crafting experiences as it is about designing garments. This means freeing up time and resources for experiential marketing, devising a social media strategy and creating engaging user

experiences.

As this CIIC Forensic Report reveals, business principals must spend less time "doing the business" and more time devising strategies to stand out in a tough retail environment.



0.9% p/a

The Clothing Retailing industry has faced several tough years, with cautious consumer spending, intense competition, higher rent costs and the aftermath of the global financial crisis driving down revenue and profit margins. Over the five years through 2013-14, industry revenue is expected to contract at a compound annual rate of 0.9%.

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Pressure points

Challenges specifically impacting the fashion design sector:



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Battle for marketshare

Small to mid-sized fashion design firms are being squeezed from below by young, lean operators, and from above by international labels such as Zara, Topshop and Uniqlo.

Online shopping

Attracting online shoppers means creating an online destination – not just a website. What are you doing to drive people online to your website or shopping platform?

Gloomy consumer sentiment

A notable decline in retail spend is dampening profits.

Disintermediation in the supply chain

Many retailers are bypassing fashion design firms to deal direct with suppliers or freelance fashion designers.

Lack of strategic thinking

Too much time spent 'doing the business'

doesn't leave enough time for strategic management, business development, B2B Sales, human resources and IP management.

Financial mismanagement

Many fashion design companies are also grappling with high operating costs; poor cash cycle management; high debts; liquidity issues; and poor financial systems and procedures.

Rising production costs

The high Australian dollar, high wages and Fair Work laws often necessitate offshoring production.

Staying fresh

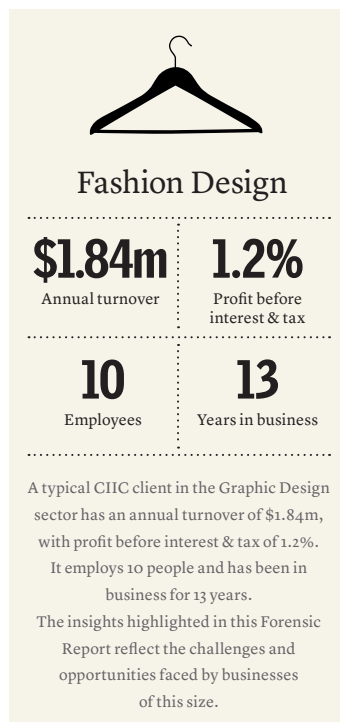
If you are not abreast of the latest fashion trends overseas, you're probably not going to survive.

High-stress workplaces

Many fashion principals are juggling seasonal deadlines and multiple responsibilities. This creates highly stressful working environments. Staff retention is a key challenge.

7 steps towards sustainable growth

The CIIC has identified the following steps to help fashion design companies exploit market opportunities and achieve sustainable growth:



Summary

This Forensic Report reflects the CIIC's work with over 1,500 creative enterprises in Australia. To register for a free Biztro session or an Entrepreneurs' Infrastructure Programme Business Evaluation, visit www.creativeinnovation.net.au

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Step 1 Make experiential marketing part of your business model

A number of successful fashion businesses are using social media to drive reach. Consider making experiential marketing and social media channels core elements of your business model. The CIIC uses the Business Model Canvas, developed by Alexander Osterwalder and Professor Yves Pigneur, to help businesses of any size to understand and develop transformational business strategies. (These tools are free and covered by Creative Commons).

Step 2 Build user experience into your digital strategy

A digital strategy is not just about executing sales online. It should also focus on user experience as a means of increasing brand loyalty. What are you doing to make your digital platform a popular online destination? What drives people online to shop? Offering greater customisation by and for the customer is also important.

Step 3 Diversify

Explore potential service/product diversification such as a short-term range for a department store, lifestyle products or home interiors. Businesses with a narrow offering are overly susceptible to adverse events such as a late or early change to a critical season, a major contract cancellation or changes in consumer tastes.

Step 4 Export

In a diminishing domestic market, exporting is essential to achieving healthy margins. This means attending international fashion and trade shows

to keep abreast of trends and build exposure overseas. Consider different climates and buying seasons; managing production offshore; managing foreign exchange and import duties; international Trademark and IP management. The CIIC can provide advice on relevant government export-assistance programs.

Step 5 Improve business efficiencies, quality assurance & IT systems

Profits can be improved through leaner operations, better business intelligence and customer relations, and improved systems for Customer Relationship Management (CRM), inventory and warehouse management.

Step 6 Staff development & mentoring

Fashion is driven by fast-changing trends and seasons, which makes it an exciting – yet stressful – sector in which to work. Poor morale, high staff turnover, lackluster career paths and OH&S incidents can be improved through mentoring schemes, and by developing a general manager role to allow the principal(s) more time to strategically drive the business.

Step 7 Bricks & mortar still matter

It is important to create a destination in which to experience your garments. This doesn't mean you must invest in 'bricks and mortar' retailing, but you might consider a pop-up shop, or work more closely with retailers to create events and incentives to entice people in-store. More refinement and innovation may also be required when it comes to merchandising (as opposed to posting your wares in a box and entrusting retailers with your product displays).

Creating meaningful experiences, then leveraging these experiences using digital channels and social media, is helping many fashion businesses step outside the price-fuelled retail environment.

In a tight market undergoing significant structural changes, careful strategic and financial planning is needed. Unfortunately, this has been somewhat lacking amongst fashion design companies in Australia, which need to

develop sound internal systems and a formalised approach to business development.

Most importantly, principals need to delegate work and free themselves to navigate their businesses through a rapidly changing business environment.

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