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INTRODUCING A STRATEGIC APPROACH TO FASHION MANAGEMENT

Rosemary Varley and Ana Roncha

INTRODUCTION

An overview of the fashion industry is imperative as a starting point for strategic analysis in this context, and without it the nuances of a strategic approach to fashion management would not be understood. The fashion industry is vast and global, generating huge economic value through the conversion of natural resources into sophisticated end-use products. It is complex in its interwoven structures, from the supply chains that link to produce fashion goods, to the distribution and communication channels that move finished product towards the fashion consumer. The fashion industry follows particular patterns and cycles, which have shaped the way the industry has evolved, and it reflects sociological, cultural and economic situations directly because of the very personal relationship between the fashion consumer and the outputs of the fashion industry. It has also, like most other industries, been disrupted by technological innovations that are changing the way fashion goods are made and, above all, presented to fashion consumers, resulting in new relationships between those people and

organizations that conceive, design and produce fashion and those who buy and wear it.

The chapter begins by considering what the term ‘fashion’ means as a concept and provides some boundaries around it as a descriptive term. The second part of the chapter uses a number of dimensions to describe the fashion industry in terms of its structures and networks, and the relationships between the different types of organizations within it, to give a broad understanding of how the fashion world operates. Relevant industry terminology is introduced to provide a framework for further discussion and analysis of strategy within this context. In the third section of the chapter specific characteristics of the industry that influence strategy formation are highlighted, to start an appreciation of some of the important strategic constraints and opportunities inherent within fashion. The final section of the chapter considers how technological trends and evolving business models have shaped the contemporary fashion industry, and the experience of the fashion consumer.

LEARNING OBJECTIVES

After studying this chapter, you should be able to understand:

- The overview of the global fashion industry, appreciating its economic, social and cultural importance;
- The characteristics and dimensions of the fashion industry in terms of organizational players and market levels;
- The structural and technological changes which have shaped the contemporary fashion industry;
- The importance of trends and business models that will continue to influence the evolution of the fashion industry in the future.

1. 46968 London College of Fashion BA16 catwalk show, June 2016, Nicholls and Clarke building, Shoreditch. Photography by Roger Dean.

THE CONCEPT OF FASHION

Although it is not the intention of this text to provide an extended debate on the meaning of fashion, it is necessary to give an introduction to this elusive term as a concept as well as a descriptor of a product.

The sociologist Georg Simmel (1957: 544) referred to fashion as ‘... a product of social demands ...’ and the term generally means the process that identifies certain design, products or social behaviours as ‘in’ for a limited period and then replaces them regularly with new design, new products and new forms of behaviour. A **sociological** approach to fashion represents it as an expression of social interaction and of status seeking. This viewpoint sees brands as a way to provide consumers a feeling of shared well-being and common interest. Barthes’ *The Fashion System*, originally published in French in 1967, is one of the most notable studies of the fashion industry and it suggests that people constitute an identity through clothing, and that the meaning of clothes is socially constructed. In the English translation the author states, ‘the semiology of fashion is directed toward a set of collective representations’ (1983: 10).

The term ‘fashion’ can be related to any object or phenomenon that changes in style over time and is based upon individuals’ collective preferences (Barnard, 2002). In economic and **business analysis**, fashion can be defined as a cycle that allows mature industries, such as clothing, footwear or even food, to be dynamic and maintain profitability over time. For most purposes, the main product categories that constitute the fashion industry are: adult clothing (including outerwear), accessories (including handbags), footwear, jewelry, make-up (cosmetics). Categories that are increasingly fashion orientated include children’s wear, home furnishings, and stationery while perfume is related because of the dominance of fashion brands in this **category**. According to Corner (2014), fashion is, at its heart, about self-adornment and the visual presentation of ourselves to the external world, reflecting how we want the world to view us and how we view the world ourselves.

Category A group of products that broadly perform a similar function, satisfying similar consumer needs, from which further sub-categories might evolve.

THE DIMENSIONS OF THE FASHION INDUSTRY

Globally the fashion industry is estimated to be worth 3 trillion dollars in terms of apparel alone (Fashion United, 2017), accounting for 2 per cent

of the world’s gross domestic product (GDP). In its diversity the fashion industry provides a range of organizational entities, which vary according to a number of dimensions:

- Size, from large conglomerates to sole trading artisans;
- Function orientation, from production, through wholesaling to retailing;
- Market level and quality orientation, from luxury to discount;
- Product specialization, from single category specialist brands to generalist retailers.

A comprehensive economic analysis of this vast and dynamic industry is beyond the scope of this text and has been provided by other writers and sources (for example, Kunz et al., 2016; Fashion United, 2017); however, the dimensions above provide a framework for an overview of the fashion industry to help understand the strategic context in which fashion management takes place.

SIZE AND IMPACT OF FASHION ORGANIZATIONS

The size of fashion organizations can be measured in a number of ways. For example, fashion conglomerate Inditex is one of the very largest fashion companies with over 7000 outlets, a substantial production capacity and a sales turnover of over 23 billion Euros (Inditex, 2017). Quantitative statistics are easy to understand and frequently-used measures of

company size. Yet, industry influence and impact can also be considered sizeable and a small design-led company like Victoria Beckham with only two owned stores, no production facilities and a relatively modest turnover may be considered significant within the industry because of its media and social impact; the eponymous celebrity brand was awarded Designer of the Year at the British Fashion Awards in 2011

and was the most talked about designer collection on Twitter during New York Fashion Week in 2012 (Kamali, 2012). In the fashion industry, this type of public affirmation is an important evaluation of success.

Fashion-related organizations can also have particular emphasis in terms of their historical and

geopolitical context, and may have a specific relevance to a part of the fashion **supply chain**. For example, many large international luxury brands have their roots in Italy and France, while much of the world's cotton fibre production is centred on India, China and the US; more recently, Scandinavia has built a reputation for ethical fashion and sustainable supply chains.

Supply chain

The processes and organizations involved in manufacturing and supplying a product to a consumer, from raw materials to end use, and increasingly considered to include disposal.

FUNCTION ORIENTATION AND ORGANIZATIONAL STRUCTURES

The **fashion system** is made up of a wide and complex network of closely interconnected sub-industries, all influential to a certain degree. While our attention tends to focus on finished products, we must understand that these are the result of a long chain of stages, activities and technologies whose

Vertical integration

A supply chain in which all entities involved are connected and co-dependent, usually through business ownership, although the term is sometimes used when separate supply chain business entities work so closely that they are dependent on one another.

interaction is largely responsible for a product's success in the market.

Fashion supply chains are long and complex, and fashion retailing structures are fragmented. Some fashion organizations are only concerned with a single function, such as garment production, but many cover a diverse range of business activities. Some companies operate principally as manufacturers of fibres, yarns, fabrics and garments, while others operate as intermediary selling organizations such as wholesalers and retailers. Some fashion organizations are **vertically integrated**, owning, for example, production operations at various stages of the supply chain and often retailing facilities in addition. The complexity of such chains can be seen in the process map shown in Figure 1.1. This identifies the key stages within the production of a fashion garment such as a dress. Production and supply process maps often use the concept of industry tiers, which represent key stages in the chain.

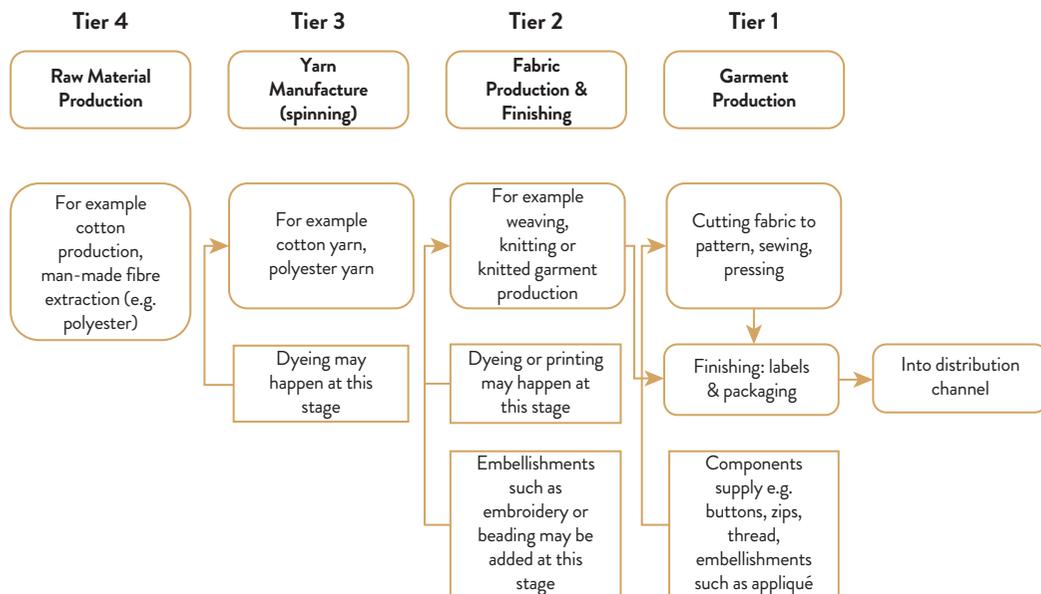


Figure 1.1 Process map for the production of a dress

What fundamentally and inextricably links all fashion organizations is design and style input. Whether this is shape, colour, texture, pattern or

seam detail it is the blending of these elements that helps to create a fashion product. The organizational structure and the strategic management of fashion

organizations reflect one another; for an organization that manufactures, supply chain management and production management are likely to predominate, whereas for a fashion retailer, merchandise management and customer relationship management may take precedence. In both types of organizations human resource management and financial management will underpin strategic decision-making. These supporting, underpinning and absolutely crucial aspects of strategic management will be explored in Chapters 5 (Financial Management in Fashion) and 14 (People Management) within this book.

FASHION MARKET LEVELS

Historically fashion has been seen as a concern of the 'elite'. The famous trickle-down theory (originally proposed by Simmel in the 1905 book *Philosophie der Mode*) refers to a fashion system where high-fashion designers, their affluent clients and fashion magazines dictated the way everyone dressed. The late 20th century, however, witnessed changes that would transform the fashion industry forever (Agin, 1999). The old model where the couture houses set the trends and the rest of the industry followed this lead was transformed by a shift in consumer expectations, demanding more frequent

fashion changes, which has resulted in an internal restructuring of the industry.

... fashion moves up, down and along from a variety of starting positions and in several directions, rather than a single system in which fashion only moves in one direction, 'trickle-down' from the elite to the majority. (Braham, 1997: 360)

In addition, the rise of street wear as a major fashion influence and driver of trends has not only transformed the way collections are developed and presented but also inverted the power of brands and consumers and the dynamics between these constituents. This shift will be explored further in Chapter 6 (Fashion Brand Management). The marketing strategies used by many of the mass-market or 'high street' fashion companies have become increasingly similar to those of the more exclusive and premium fashion brands. Mass produced casual clothes have claimed the title of 'designer' items or even 'high fashion', paving the way for innovative strategies such as collaborations, capsule collections and celebrity brands. This has led to the concept of fashion democracy, whereby 'ordinary people' are able to consume and influence high fashion. Figure 1.2 visualizes the different levels that can be seen in today's global fashion market.



Figure 1.2 *The levels of the fashion market*

Haute Couture luxury brands

The highest level in the fashion market is Haute Couture. These brands are highly priced, luxurious and exclusive, targeting a small consumer group (the elite and celebrities) who lead a lifestyle of high profile events and social engagements, including the red carpet of film premiers and media awards, which are of particular interest to the creative community. Made-to-measure items with a high level of craftsmanship, these pieces are works of art and keep the dream of the fashion industry alive, building high levels of awareness for the limited number of brands that operate at this level.

Ready-to-wear designer brands

Haute Couture is followed by the level traditionally referred to as ‘Ready-to-wear’ (RTW). A mixture of creativity and industrialization characterizes this market sector, made possible by the technological advances in the textile and clothing pipeline. Most Haute Couture houses also own an RTW line (Chanel and Dior, for example), which produces higher profits due to greater availability on global markets and a higher volume of sales. Not all RTW designers operate at the Haute Couture level and in this case, they might be described as accessible luxury brands. RTW collections are usually presented twice a year during **Fashion Weeks** all over the world. These take place on a city-by-city basis; historically the most relevant ones have been Paris, Milan, New York and London. During recent years we have seen the decentralization of such events, with fashion shows being held in different and unexpected locations as well as the introduction of cruise and pre-fall collections to offer more consumer choice and more opportunities for brands to sell through the year.

Fashion Week A short period of time in a specific location where new fashion collections are presented, often via a catwalk show, traditionally to the media and business-to-business buyers, but in some instances to the consumer market.

Diffusion designer brands

Diffusion lines are usually targeted at a younger audience and constitute more accessible ranges from well-established luxury fashion brands. They are characterized by higher volume in terms of production and wider distribution. RED Valentino

and DKNY for Donna Karen exemplify this level. A successful diffusion line must adhere to the crucial principle of maintaining a strong and consistent brand identity. The benefits of diffusion lines extend beyond profitability as they increase brand awareness and synergies for the main line. A diffusion line can be seen as a cost-effective strategy to grow a company.

Although diffusion lines can be a successful strategy in terms of brand development, there is a danger that this might lead to the weakening of the parent brand; if not properly managed, these lines can cannibalize the parent brand as well as dilute its value because of lower quality products and wider market coverage. These aspects of strategic brand marketing will be explored further in Chapters 3 (Fashion Marketing) and 6 (Fashion Brand Management).

Bridge brands and premium brands

After diffusion brands and accessible luxury brands, we can identify bridge and premium brands as those connecting the high-end market with the mass market. These brands intend to give consumers augmented value for money by delivering a higher level of quality and design than in the mainstream mass market. Brands such as Max Mara, Coach, Tory Burch, Acne and The Kooples would be examples of this level.

Mass market and value brands

Mass market is the ‘lower’ level of the fashion market and includes brands that are often associated with the fast fashion movement. Big chains such as H&M and those within the Inditex Group (Zara’s parent company) offer high fashion products at very reasonable prices. Making use of economies of scale and effective consumer targeting, Zara is a well-known example of a highly successful mass market fashion brand. Fast product development, efficient and accurate product forecasting, combined with a flexible supply chain and logistics, are notable aspects of this leading international fashion retailer’s success. ‘Value brands’ is an expression used for those operating at a very low price or discount level; examples would be Primark, Target or TK Maxx, although H&M is sometimes referred to as a value brand.

In the fashion market the relationship between price and demand is often unclear from an economic viewpoint because other product attributes such as brand, or style, can add value and therefore raise the price. This leads to the concept of the **value chain**, which helps us to understand that value can be added to fashion products at many different stages between raw materials and finished goods at retail.

For example, colour and pattern can be added at the fibre and fabric production stage; while style and fit can be added at garment production stage. Quality value can be added at any point of production, along with brand value, which can be added at any stage but is particularly associated with marketing and retailing activities. The value chain is essentially the set of activities performed to design, produce, market, deliver and support products; geared towards the generation of value for the consumer as defined by the consumer. This concept will be explored in more depth in Chapter 2 (Strategic Planning for Fashion Organizations).

As mentioned before, the fashion marketplace is characterized by ever growing **complexity** and dynamic change. Fashion trends are more volatile than ever, the consumer is better informed and more confident and no longer pays attention to narrow levels of the market. Instead, consumers mix and match designer pieces with mass-market and premium ones. This move towards **eclectic consumption** was accelerated by the phenomenon of online retailing, enabling a virtually unlimited choice of products available anytime and anywhere; these converging changes are making it harder for brands to have a sufficient competitive advantage for guaranteed year-on-year growth.

SPECIALIZATION, GENERALIZATION AND DIVERSIFICATION

This refers to the extent to which a fashion organization operates as a specialist or a more diverse company. Some fashion companies have a very precise mission, concentrating on a particular type of product, and focusing their efforts in one section of the supply chain. An independent men's wear shop, for example, may operate in one location, and purely operate as a

Value chain The idea that value (from a buyer's perspective) can be added at any point in the transformation of raw materials to end product delivery and use, which that buyer is willing to pay a premium price for.

retailer. In contrast, H&M is a company that designs, sources and retails women's wear, men's wear, children's wear, accessories and homewear globally. Many large fashion companies operate as conglomerates. The Kering Group, for example, encompasses 19 luxury fashion and lifestyle brands, some of which own manufacturing operations (see Case Study 2 in Chapter 2). Given the wide scope of the term 'fashion', the industry

covers every possible degree of specialization, and this is what gives the industry endless scope in terms of business model.

CHARACTERISTICS OF THE FASHION INDUSTRY

The fashion industry and the organizations within it can be described up to a certain point of understanding using familiar economic and business descriptors; however, in order to fully grasp how the industry works, an appreciation of those characteristics that make it unique is also needed.

Concentration of the market

Although there are some very strong players in the fashion market, both internationally and nationally, the industry overall can be seen as **fragmented** with many companies each having a small market share. In the UK fashion retail market, for example, the largest six companies have a combined market share of only 29% (Intel, 2016a), contrasting this to the UK grocery market where the top six retailers dominate two-thirds of the sector value (Intel, 2016b). In fashion supply markets, the situation is broadly similar, with some large manufacturing firms spanning the globe, but also a plethora of smaller companies at various points in the supply chain. Where particular firms have specific manufacturing capability, pockets of concentration can arise in supply chains, which can influence the competitive dynamic of a part of the industry. The fragmentation of the supply market in mass fashion manufacturing, however, is one of the most problematic features of the industry in terms of sustainable supply chain transparency. This will be explored further in Chapters 9 (Fashion Supply Chain Management) and 12 (Managing Fashion Responsibly). The structure of the fashion industry

makes it highly competitive, sometimes referred to as **hyper-competitive**, with large and global players that lead and dominate and compete with each other yet are surrounded by a vast and ever-changing set of alternative brands that vie for the attention of the notoriously promiscuous fashion consumer.

Labour intensity

It is very difficult to establish accurately how many people work in the fashion industry globally, as any total employment figure would include people working in designing, manufacturing and retailing, all of which are labour intensive. In 2014, Fashion United estimated that almost 58 million people worked in the global textile and clothing manufacturing sector alone, and the dependence on human capital has had a significant influence on the global development of the industry. Volume production has moved from one country to another as large fashion intermediaries have searched out the lowest labour cost. Garment production is generally the most labour intensive part of the fashion supply chain; fibre, yarn and fabric manufacturing requires sophisticated and expensive machinery to produce in volume, but it is difficult to standardize the production of fashion garments and so the industry still relies on individual sewing machines for individual garments operated by individual workers. Craft textiles also can be labour intensive, produced by a web of small makers and suppliers that are often geographically clustered and based on indigenous materials and skills.

The retail industry also generally relies on people rather than high capital intensity, although the operation of stores in high footfall locations in international city centres requires considerable capital investment. Around half a million people work in the UK fashion retail sector (Fashion United, 2017). As online retailing grows in popularity more people are employed in distribution centres, but these can be highly automated, resulting in a lower labour cost structure overall.

Creativity and enterprise

Many elements of the fashion industry are part of what is frequently referred to as the '**creative industries**'. In the UK, for example, the creative industries, which include not only fashion design but related aspects such as advertising, marketing

and craft, were reported to be worth £76.9 billion per annum (Gov.uk, 2015). Design is important to all fashion brands and many fashion companies are '**design-led**'. This means design and creativity is at the heart of what the company does and leads the company in its operations. One of the principal differences between fashion companies and other organizations is the rate of change in the offer. Product ranges are constantly evolving to offer something new to consumers. Newness and change and their importance to the fashion consumer mean that creativity, innovation and enterprise have a large part to play in the industry. The fragmented structure of the industry allows room for small enterprises to establish and flourish, although not without challenge. Larger enterprises provide the resources for creativity to flow and the '**intrapreneur**' (the idea of an entrepreneur working inside a large organization) to work flexibly and experimentally.

Social and cultural influence

Many aspects of the fashion industry are highly visible. **Celebrity culture** has always had an influence on fashion, with the styles of the rich and famous being interpreted and adopted by the masses. Digital communication has enabled this influence to happen more frequently and faster than ever before. The use of **social media** is also making changes to the way fashion companies communicate with their customers, bringing the relationship closer, and making it more personal, three-way (company, customer and community), and dynamic. Fashion ideas are exchanged in volume and more quickly, regarding not just celebrity style, but all aspects of style and trend, making the industry fluid and responsive.

The fashion industry, with its emphasis on personal adornment, is influenced by **social sub-cultures**, which can have a strong influence on the emergence of fashion trends. This is one of the aspects of the fashion industry that makes it so fascinating; it is also an area that is well documented and beyond the scope of this text (for further reading, see Welters and Lillethun, 2011, and Kaiser, 2011). The term '**fashion zeitgeist**' is sometimes used to summarize the understanding that an idea, or the combination of ideas, can emerge, become adopted and influential and thus create 'fashions' (Vinken, 2005). As such, this is a useful expression for explaining influences that are more difficult

to rationalize but may nevertheless be eventually monetarized (Mini Case Study 1.1). In the age of digital marketing communications, style influence is becoming increasingly diverse, complex and

fast moving, as we shall see in Chapter 7 (Fashion Marketing Communications).



MINI CASE STUDY 1.1 - Rihanna and fashion



Rihanna (often called RiRi) is a globally revered music artist, making her album debut in 2005. Her sense of style and interest in fashion is almost as well known as her chart success. Rihanna has collaborated with fashion brands operating at different market levels. She also is a powerful endorser of fashion brands, both formally in advertising campaigns, and informally as a confident woman who enjoys pushing her own style boundaries.

In 2008, when she was only 20, Rihanna became the face of Gucci's UNICEF limited edition collection and, like many other trend-aware people, has recently demonstrated her continued interest in wearing the brand. Another early foray into fashion was a collaboration with Armani Jeans after she appeared in a promotional campaign for Armani Jeans and Emporio Armani underwear in 2011. She followed this with a collaborative collection with UK mass-market young fashion retailer River Island in 2013, which not only improved the brand's sales performance, but also helped to raise its profile internationally.

In 2014 Rihanna wore a two-piece Stella McCartney outfit at one of the most prestigious fashion events of the calendar, the Met Gala in New York, and she continues to support the designer by wearing her brand on the red carpet. She has also

supported other young designers including Craig Green. In 2014 she became creative director of Puma, which has resulted in several sell-out shoe collections and the development of a ready-to-wear collection for the brand.

A sunglasses range for Dior, a beauty range for luxury conglomerate LVMH under the name Fenty Beauty by Rihanna (whose full name is Robyn Rihanna Fenty), a denim footwear range for Manolo Blahnik, a collection for Stance socks, and six perfumes of her own, paved the way to her Fenty x Puma collection being shown at Paris Fashion Week.

Now a philanthropist, as well as an A-list superstar and fashion guru, Rihanna hosted her 3rd Annual Diamond Ball in New York City in September 2017 in aid of the Clara Lionel Foundation, named after her grandparents and founded to benefit impoverished communities across the globe with healthcare and education programmes. The event was attended by Cardi B, Lil Kim, JAY-Z, Beyoncé, and other hip-hop stars. As a celebrity who is always in touch with the fashion zeitgeist, Rihanna seamlessly moves across a variety of fashion industry networks.

Sources: Various, including Ruddick (2013), Clara Lionel Foundation (2017), and Pike (2017).

FASHION INDUSTRY TRENDS

The preceding sections have given an insight into some of the characteristics of the fashion industry to highlight how it differs from other industries. Understanding these characteristics informs the application of strategic management theory to this specific context. The shaping of the fashion industry has also been affected by technological and other more general business trends, and these are explored in the following sections.

Evolving business models

At one time the route from fashion manufacturer to consumer was a relatively straightforward one. Manufacturers would sell in large quantities to wholesalers, or directly to large retailers. Wholesalers would sell to retailers, and retailers would sell to consumers through their shops or catalogues. However, digital communications and **e-commerce** have changed and continue to shape the business structural landscape. For example, ASOS has grown

into one of the most successful fashion retailers, globally, but operates entirely from an online platform. Manufacturing brands can now easily reach consumers directly, which makes them less reliant on their network of retail customers. Wholesalers and retailers use e-commerce sites such as Amazon to sell directly to consumers, and with the facility of a transactional website, the independent retailer can become a direct global operator. Consumers themselves are also becoming proficient retailers; the success of eBay has spawned alternative **consumer to consumer platforms** such as Depop, and now vast online entities such as We-Chat enable an almost boundary less and fluid consumption network where everyone can talk, share, buy and sell.

Omni-channel The idea that a consumer's interaction with a brand can start from a number of alternative brand touch-points and involve multiple interactions via different retail channels and media platforms during the journey to purchase.

technological innovation affords. Brands are conscious that in order to survive it is crucial to actively and strategically adapt to the changing environment and turn this to their advantage.

Changes in the consumer journey

Digital media allow users to have more control, to access more information more often and more accurately than with conventional media (Jackson and Shaw, 2009). The 'omni-channel age' is a new business environment enabling fashion brands to provide seamless experiences simultaneously across multiple **touch-points** (physical stores, online, mobile, social media), resulting in holistic and consistent consumer-brand interactions (see Figure 1.3).

Channel structural change

As a consequence of more complex and flexible consumer purchasing behaviour, the traditional channel structures are becoming obsolete, giving rise to a hybrid structure whereby consumers can connect with producers directly as well as indirectly through third party intermediaries.

- **Direct:**
Producer to consumer
- **Indirect:**
Producer to intermediaries to consumer
- **Hybrid:**
Producer to consumer + producer to intermediaries to consumer

The roles in both direct and indirect channels were assumed to be static, mutually exclusive and corresponding to a specific set of functions. In a hybrid structure, channels become more flexible and consumers choose how, when and whom to interact with.

The main driver facilitating this change is technology and its patterns of use by both fashion organizations and consumers. The influence of technology in fashion consumer behaviour and the way fashion brands interact with those they sell to cannot be overstated. The challenge for fashion companies is to maintain a strategic approach to management while adapting to and embracing the opportunities that

Single Channel	Multi-Channel	Cross-Channel	Omni-Channel
Customers experience a single type of touch-point	Customers see multiple touch-points acting independently	Customers see multiple touch-points as part of the same brand	Customers experience a brand, not a channel within a brand
Retailers have a single type of touch-point	Retailers' channel knowledge and operations exist in technical and functional silos	Retailers have a single view of the customer but operate in functional silos	Retailers leverage their single view of the customer in coordinated and strategic ways

Figure 1.3 Evolution from single, multi-, cross- to omni-channel

According to Rigby (2011: 67), who is credited with introducing the term, omni-channel retailing is 'an integrated sales experience that melds the advantages of physical stores with the information-rich experience of online shopping'. The author acknowledges that the integration of the advantages of the physical experience with digital convenience was the way to better meet the expectations of consumers as well as create higher profit margins. The integration of the physical with the digital is therefore the core focus of this approach, but the aim is to provide the consumer with a seamless experience where multiple touch-points are used

interchangeably and simultaneously. Rather than taking a linear journey from website to store to home, consumers are free to make cross-media journeys involving social media (where posts are seen, liked and shared), mobile apps (for detailed perusal), physical stores (for real-life sensory appreciation and advice), online owned website space (for purchase and delivery tracking), and then back to social media or apps (for posting and reviewing). This reinforces the concept of the consumer–brand experience, which will be explored in detail in Chapter 6 (Fashion Brand Management).

Fashion consumer power

The blurring of the physical and digital world has been made possible by the rapid spread of mobile devices and internet connectivity, eliminating the boundaries between time and space for consumers to experience a holistic overview of fashion brands. This challenges the fashion company to integrate every aspect of its business and information provided about it. **Price transparency** as well as a consistent and active interaction between consumers and brands has been the main effect so far, driven by consumer behaviour based on the ability to easily and quickly compare prices, product features, reviews and order facilities. In-depth analysis of the consumer journey, which considers how they start, where they look for information, where they finish and complete transactions and where they go in between, are all new areas of research that can help to build an understanding of the omni-channel shopper. This subject will be developed further in Chapter 10 (Fashion Retail Management).

Fashion consumers and their relationships with brands

Developing a strong connection with the consumer may be the only solution to address the more and more crowded landscape of global fashion markets. Most fashion consumers are well-informed about brands and products and have sophisticated and complex needs and wants. The consumer's relationship with brands has also changed: strongly connected to brands of choice, engaging in conversations and acting as spokespeople for them. Consumers are now interested in more than a product

and its utility or quality; it is also about the story behind it (Olenski, 2012). Whether this story is about integrity of design, innovation, exclusivity, brand heritage, sustainability or trend setting, consumer interest is triggered by the story. This **engagement** is defined by a combination of rational and emotional bonds and so the need for strong and effective brand management is crucial in fashion marketing. The discipline of creating and sustaining a brand requires the whole company to be engaged with this purpose, following integrated marketing programmes geared towards that aim.

Personalization of the consumer experience

Over time, consumers are becoming more demanding and wanting greater levels of personalization in their consumption experience (Prahalad and Ramaswamy, 2000), providing the opportunity for brands to provide customers with more effective responsiveness. This can be translated into the growing importance of the consumption experience, with consumers increasingly seeking not only to purchase products and meanings, but also to participate in unique, memorable consumption experiences (Gouillart and Ramaswamy, 2010). This idea was introduced by Pine and Gilmore (1999), who predicted the growth of an '**experience-based economy**', where consumers would seek full immersion in unique contexts and experiences which confirm the meanings, cultures, symbols and identities behind their chosen brands. The basis of the experience is brands promising not only the product and value set announced by marketing communications, but also places, spaces, and contexts within which the 'potential world' of the brand can be experienced. In this environment, the consumer can act out a part in creating stories and experiences, exploring the brand's deepest values and meanings. As we will see, this is especially relevant in the context of fashion consumption. A company can differentiate itself by creating a unique, customized and personalized customer experience and by doing so improve its ability to retain customers, target specific customer segments and enhance profitability. The concept of **differentiation** in the fashion industry is explored in the next chapter and is one of the most important aspects of strategy formation for fashion companies.

Differentiation The ability of a company or brand to be perceived as distinctive by its customer, by offering a combination of functional and/or emotional attributes that are considered different, better or additional to those of competitors.

Consumer-centricity and the co-creation of value

The traditional perspective on customer engagement views value creation and innovation as a firm-centric activity, where information flows from the customer to the firm (Prahalad and Ramaswamy, 2004). This has changed to a **customer-centric** perspective, where the consumer actively participates in the value creation process. Customer-centricity is intrinsically connected to **Customer Relationship Management (CRM)**, which is a comprehensive strategy that includes acquiring, retaining, and partnering with selected customers to create superior value for the company and the customer. It involves the integration of areas of a company such as marketing, sales, customer service and the supply chain to achieve greater efficiencies and effectiveness in delivering customer value. The strategic importance of CRM is analyzed in depth in Chapter 11 (Managing Fashion Customers).

Co-creation is a concept that is central to the consumer-centric perspective and can be described as a 'collaborative activity in which customers actively contribute to the creation of brand identity and image as well as ideas, information, product, service and experience offered under a particular brand' (Bogoviyeva, 2011: 371). The personal nature of fashion preferences means that this is a highly relevant concept, and some examples of its application can be seen in Chapters 6 (Fashion Brand Management) and 8 (Fashion Merchandise Management).

Globalization

The fashion industry is truly global. Historically, luxury fashion and youth brands have been adept at skimming markets in new geographical locations, and 'western' fashion has recently experienced opportunities for profitable sales growth in regions of vast population explosion and high economic growth as they industrialize and urbanize. Simultaneously, improvements in logistics have enabled fashion companies to view the world as their sourcing base, rather than use suppliers closer to home as they once did. The Fashion Weeks of Paris, Milan, New York and London continue to dominate the publicity machine for fashion; yet, in a digital age, fashion promotion is moving closer to the consumer, with the **see-now-buy-now approach** (where new collections appear in retail outlets simultaneously with being shown on the catwalk) beginning to change the established industry

cycles. The Internet provides the means by which consumers can peruse fashion from all corners of the earth, and there is a growing global interest in 'non-western' fashion as populations and fashion markets become more diverse. Globalization within the fashion industry alters the forces of competition, and fashion companies are faced with increased complexity when strategically managing this opportunity. In Chapter 4 we concentrate on international development as an important growth strategy for fashion companies.

Sustainability

The fashion industry has been condemned many times for what is sometimes referred to as its dark side. Human atrocities concerning unsafe and unfair factories, environmental damage and waste, and consumer psychological damage are all issues that are real and unfortunate features of fashion production and consumption. In order for retailers to compete on price in the selling of high-volume low-cost fashion, production has to take place in countries where labour costs are at their lowest. Poor **regulation** and lack of **law enforcement** mean the survival of bad practice, in terms of treatment of workforces, and in terms of water, earth, and air pollution. The fashion manufacturing industry is the second most polluting industry on earth, second only to oil, and the contributions of discarded fashion to landfills across the world are truly shocking. In addition, aspects of communicating fashion can be psychologically damaging to consumers, such as the emphasis on unhealthy thin models and the early sexualization and gender stereotyping of children.

The conscious consumer

Increased awareness of sustainability issues has led to what is known as 'conscious consumption', a movement of people who seek out ways to make positive decisions about what they buy and are engaged in finding solutions to the negative impact of consumerism. There is evidence that the will to slow down fashion consumption is being translated into brand strategy. The premium UK-based fashion brand Jigsaw, for example, used the strapline 'for life not landfill' in their 2015 advertising campaign.

We also see governments getting more involved in regulating environmental hazards that originate from clothing production. Sustainability is now an integral part of the industry and can form a key component in

the strategy or a pillar of the business model, and it has been developed by different sections of the fashion industry (see, for example, the Case Studies on Marks and Spencer in Chapter 12, Etiko in Chapter 5, H&M in Chapter 9, TOMS in Chapter 14, and Kering in Chapter 2). An interesting consequence of this trend has been the development of business models that question and rethink the concept of ownership. For example, companies such as Rent the Runway (Mini Case Study 6.4), and Vigga (see Case Study 15, in Chapter 15), give consumers the option to rent pieces instead of buying them. Chapter 12 (Managing Fashion Responsibly) will explore sustainability in the fashion industry in more detail.

STRATEGIC THINKING AND PLANNING

The fashion industry provides a unique context for strategic thinking and planning, and so this text makes an attempt to find a path through this complexity to foster an understanding of why it may be necessary to have a strategic plan at all, and how the leaders of a fashion organization, whatever its size or shape, might go about the task of forming one and then implementing it. The fashion landscape demands constant updating, improvement and innovation to

remain relevant to the personal **digital ecosystems** of fashion consumers. By embracing complexity, fashion brands can turn the dynamics of the market into **competitive advantage**, a concept we will return to in Chapter 2 (Strategic Planning for Fashion Organizations). This may require a substantial change to their business models and a readiness to adapt to change, and to ensure the development of key capabilities in terms of structures, processes and technologies to maintain competitiveness and to support market growth.

We have adapted the idea of a digital eco-system (Kurt Salmon, 2014) to demonstrate how fashion management can adopt a strategic approach in the digital age (see Figure 1.4). Although it is hard to model visually in two dimensions, an ecosystem is based on the connectivity between elements. It is increasingly apparent that for better or worse, the fashion industry is driven by marketing activity, using data analysis to inform and evaluate all processes and initiatives, such as range planning and social media communication. Operational decisions such as the blending of routes to customers, and which supply sources to use, are informed by the detailed understanding of consumer preferences and behaviours, which are in turn informed by quantitative and qualitative **data analysis**. Supporting operations concerning resource management, whether human, finance, buildings,

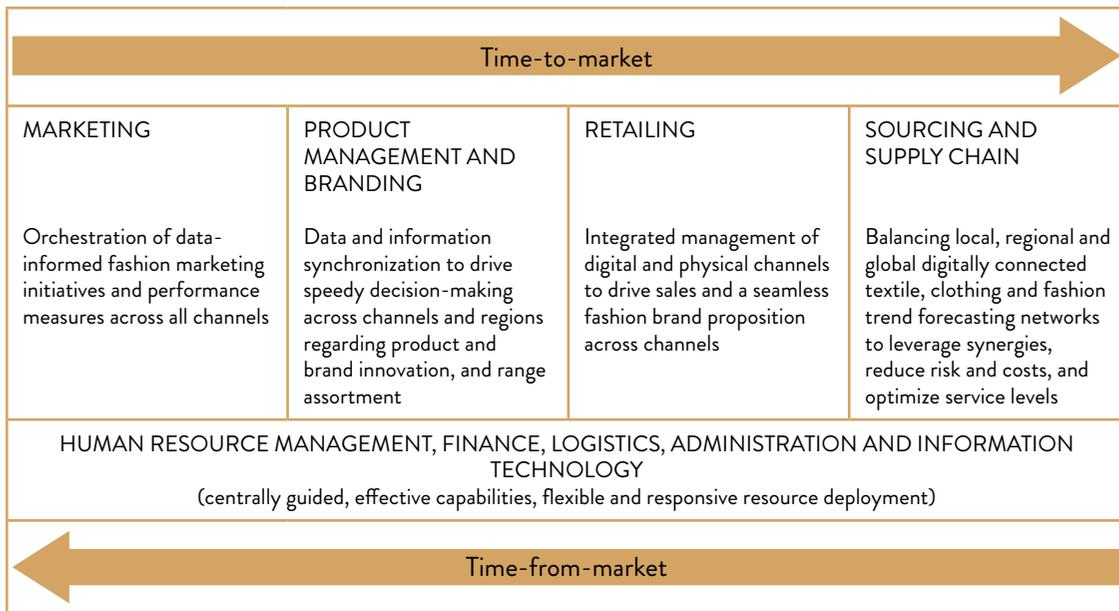


Figure 1.4 Strategic fashion management within the digital eco-system

transport, or information technology resources, contribute to the ecosystem and become responsive to its needs. The ecosystem embraces a network of entities that can be internal or external to the fashion organization, but connectivity, communication and

fast data flow are the operational basis of it. Rather than planning schedules and rigid organizational structures dominating management approaches, the digital ecosystem is informed, fluid and flexible, which, for an industry like fashion, is ideal.



CASE STUDY 1 - Di\$count Universe: A new type of luxury defined by brand culture



Di\$count Universe (www.discountuniverse.com) is a small luxury fashion label founded in Melbourne, Australia, by Cami James and Nadia Napreychikov. It is an interesting case of a growing brand that differentiates on the basis of a strong brand culture and a rejection of the norms of the luxury fashion industry.

The choice of the brand name ‘Di\$count Universe’ is the first striking example of the founders’ beliefs about authenticity, given that the name is hardly consistent with traditional luxury category codes. Rejecting the idea that clothes are only made for one season, the brand is staunchly anti-seasonal: ‘Clothes aren’t just made seasonally to go out of fashion the next season. If something has resonance with people over and over again we will keep releasing it’ (Nadia Napreychikov). Describing their look, Cami James states, ‘It’s obviously excessive in style ... it’s anti-industry, that’s part of the DNA of the brand. There’s a lot of messages and certain innuendo and humour in the brand.’

Rather than striving to produce a catwalk show or opening a static retail outlet, Cami and Nadia were early adopters of the blog as a legitimate place to display their garments. This quickly generated an online community and a large and engaged fan base. The brand’s big break came when Miley Cyrus was photographed in one of their tops. At the time, Cyrus was transitioning from her Hannah Montana character to a more mature performer,

and Nadia and Cami were initially reluctant to use the endorsement as Cyrus didn’t fit their perceived identity. Cyrus’s photograph featuring Di\$count Universe was printed on her tour T-shirts and brought the awareness of the nascent brand to the global stage. Other high-profile brand adopters such as Katy Perry, Lady Gaga and most recently Kylie Jenner have driven sales and built awareness of the brand.

The brand culture approach is a direct assault on the perceived elitism of the luxury fashion industry, in which just a few privileged insiders get to attend shows and launches. In contrast, Di\$count Universe shows give priority to the brand’s online fan base and are set up like rock shows or giant parties where cheering and hedonistic expressions are encouraged, and content is available to any fan who wishes to blog, post, or tweet about the collection. ‘It’s about having that relationship with the people who got us to where we are, more so than someone who might have come up through [a magazine] nurturing them’ (Cami James, Founder).

Source: Parts of this case are based on Beverland, M., *Brand Management*, SAGE, London, UK, Copyright © 2018.

Case Challenge

How would you classify Di\$count Universe in terms of the levels of the industry (see Figure 1.2)? How does this brand illustrate change and trends within the fashion industry?



ONLINE RESOURCES

A longer version of this case study, with additional challenges, can be found on our companion website: https://www.macmillanihe.com/companion/Varley_Fashion_Management.



SUMMARY AND CONCLUDING THOUGHTS

This chapter has provided an overview of the fashion industry in an attempt to contextualize the sphere in which strategic decisions are made. Building an appreciation of what characterizes fashion businesses and the environment in which they operate helps us to understand what is relevant to fashion consumers and the organizations that connect with them. The influence of technology has caused a great impact on consumers' behaviour with greater demands for experiences, interaction and personalization. It could be argued that the current situation presents a tipping point for many companies in the fashion industry, with a significant share of retailers and brands in need of significant realignment of their business models as

a prerequisite to sustain growth. Understanding the full capabilities of new technologies as well as their applications is essential to attract, engage and satisfy consumers.

The rapidly changing business landscape makes long-term strategic planning difficult; over time nevertheless, a set of theoretical concepts, frameworks and tools have become established, which help fashion managers in their strategic thinking and decision-making. The next three chapters provide a tailored discussion of a selection of these models, before we move on to subsequent chapters that explore in more detail the implementation of strategy in specific organizational contexts.



CHALLENGES AND CONVERSATIONS

1. What is your own interpretation of the word 'fashion'? How do you see the fashion world changing and what do you think will be the most challenging aspects of managing a fashion brand in the future?
2. Consider the fashion brands that you like. How would you describe them in terms of their market level? Consider the challenges and opportunities of maintaining a brand over different market levels.
3. A strategic approach to fashion management requires the acknowledgement of, understanding of, and response to change. What characteristics of the fashion industry make the management of change complex?
4. Debate the idea of the consumer omni-channel journey. Is it as complex as Figure 1.4 shows? What is your own experience? Has your journey changed in the last 5 years; if so how and why?



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