

“Success is not final, failure is not fatal” – What can we learn from the fashion industry?

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Abstract: The fashion industry has become an unavoidable factor in people's everyday lives by the 21st century; even affecting the lives of consumers who do not consider themselves "fashionable". During the 2008 crisis, one of the largest fashion companies, Inditex Group, has not only lost revenue but has shown one of the biggest developments. Due to the short lifetime of products, companies need to quickly and efficiently deliver the latest trends to users, so besides successful marketing activity the supply chains in the fashion industry have to be prominently effective and highly organised comparing with other industries. In this empirical paper we analyse the latest trends and challenges of fashion industry. We found that fashion industry involves many current hot topics from other sectors, such as failure of earlier starts or the debate about the future functions and roles of on-line business or how to behave like a start-up or the rising demand for fashion both in the Near and Far East.

Keywords: fashion industry, supply chain management

1. Introduction

In today's economic environment, a fashion conglomerate can have the same weight as any other industry, whether it is a stock exchange or an investment. The Business of Fashion (BOF), one of the most well-known fashion professional websites, in association with McKinsey & Company, one of the world's leading consulting companies, has for the first time published an annual analysis and forecast of fashion as an industry (see: The State of Fashion 2017). Between 2015 and 2018, the turnover of online fashion products grew threefold (Debrecei, 2018). So we think that Winston Churchill's saying – “Success is not final, failure is not fatal: it is the courage to continue that counts.” – is applicable to the modern fashion industry as well.

At the turn of the century, thanks to globalization, the fashion industry started to develop explosively. In addition to mass production, the emergence of mass communication has also led to the emergence and strengthening of the fashion industry. With the help of newspapers and magazines, more and more people have access to the latest fashion trends, creating the potential for advertising and their

increasing influence. The fashion capitals such as London or Paris, and finally in the middle of the century in New York, began to develop in this period. In the 20th century, with the emergence of new media, fashion has evolved and evolved. In addition to magazines, the music and film industry has become more and more interested in fashion, creating new opportunities for product distribution. The press began to encourage people to copy their celebrity clothes. Fashion magazines have had a great deal of power and not only impacted on customers, but also on fashion houses, and thus on trends (Csipes 2006). The new millennium has completely changed due to the reorganization and increase of fashion, consumption and communication. As the world accelerated, fashion accelerated as well.

Nowadays, more and more fashion companies are losing out on traditional sales that require actual store presence, or if they still retain this form of sales, they are trying to open less and less expensive stores. Their real, in-house service introduces a customer experience that can significantly differentiate themselves from an online sales platform. Today's big fashion companies also have to learn to think of as a start-up company. Fashion itself is very volatile, it has to adapt to not only changing collections constantly, but the way it works also requires huge flexibility in today's world. They must be open to change both culturally and digitally.

In this paper, we present some of the emerging trends in the rapidly changing fashion industry, which can be useful for other industries too while the need for ever-accelerating adjustment will be strengthened in other sectors of the economy. According to expert forecasts, customization and speed in many industries will be the most important competitive factors. Businesses can respond to consumer needs faster and more accurately by building a direct relationship with users. The revolutionary innovations of the Spanish Zara are well-known, but the other players in the industry have met the challenges, the proven methods and solutions in the fashion industry that can provide a significant competitive advantage to other companies as well. Prior to the analysis of expert in-depth interviews, the relevant literature findings are collected below.

2. Short literature review

The fashion mechanism of fashion was formulated by Simmel in his essay entitled "Fashion" (Simmel 1973, p. 473-507). Simmel (1973) is based on the fact that human being is dualistic: he wants to be part of a community at the same time, to merge (to aspire to the general) and to stand out (grasping uniqueness). Fashion can do this duality. Fashion, although it has a historical aspect, is basically about the present: Baudrillard writes that fashion always creates the status of the present, that is, a synchronicity (Baudrillard 1987, pp. 161-183).

In addition, we can also see that fashion affects almost every aspect of our lives. For example, it has its own fashion for speaking, spending leisure time, using social media, computing and, of course, clothing. In this study, we deal with clothing fashion products and we look at its supply chain.

Kandikó (1982) put fashion into economic light: Fashion – not forgetting its aesthetic, psychological and sociological aspects – is basically an economic factor that induces new demand by accelerating the moral wear of the existing garment stock (cited by Kovács 2009). This definition illustrates that fashion is part of the economy, based on demand-supply relationships, but also refers to other features of fashion. So fashion is a complex phenomenon that affects several fields of science, and affects almost every area and product of everyday life.

There has been a change in the chain of distribution with the acceleration of the processes: the number of intermediate steps decreases. With the emergence and intense spread of the Internet, the fashion industry is increasingly oriented towards the digital environment. The main reason for this is that the needs of the fast and continuous change of fashion are mostly served by the most frequently visited sites of the Internet and by the users, the community. On the corporate side, communication and transaction costs are reduced. The fact that production moves to the pull system instead of the push system, where customer needs are becoming more prominent and determining roles (Szegegi et al., 2017).

The theoretical examination of supply chains often raises the question of the starting point, ie how long we should go back in the supply chain. In the case of the fashion industry, it may be worthwhile to start with the textile industry. The textile industry is one of the oldest craft activities, and today it is one of the most industrialized. In fact, we distinguish between the textile industry – we are talking about yarn production – and the clothing industry, which includes the fashion industry. The characteristics of the textile and yarn industry are very different from those of the clothing industry, but this does not belong to our focus now. However fashion supply chains are not only special for this. There are several types of products in the fashion industry that require different supply chains: from the fast fashion products to the everyday FMCG, as well as the ready-to-wear products, to the range of luxury products. In addition to this, we can add the bullwhip effect, which, in the supply chain, shows upward trends in demand, which means that the previous uncertainties in the supply chain at the end of the chain – in our case in the textile industry – accumulate.

So far, most of the traffic has been carried out by North America and Europe, but by now the Far East market already has a share of over 50% worldwide (BOF-McKinsey, 2018). As a result, some major brands, for example, are already designing collections for the Far East, tailoring their clothes to that body. In addition, ethnic differences can be a driving force for a trend, a collection. A good example of this is Christian Louboutin's 2013 nude (body color) shoe collection: so far, the body color has adapted to the European skin color, but the company has

now created another four-body high heels so that any ethnic lady can find her own skin color.

The strength of the fashion industry is shown by the fact that during the recent crisis, the strongest brands and groups at that time hardly felt, or barely, the negative effects. Large fast fashion companies come up with eco-conscious products and campaigns and many of the luxury brands work with recycled materials (e.g. Modern Meadow's cow-less leather created in an eco-friendly process). As long as this macro factor has been negligible for companies a few years ago, it may have become one of the most important elements today. Environmental awareness is no longer just a trend for buyers (including buyers of more affluent markets with higher purchasing potential), but a basic requirement that can lead to big brands failing. This affects both the source, preparation, normalization of production processes, but also the collection of waste generated in the store.

Entry barriers to the market are fundamentally high, because on the one hand capital is efficient to create an efficient, fast-functioning supply chain, and on the other hand an innovative idea is needed. Due to market saturation, product differentiation is a must for a new entrant. Fashion is virtually the market for substitutable products.

Despite the fact that a fashion item usually disappears from the market within a year, its production and the creation of that collection take still more than two years for most major brands. One of the most powerful hit cards of fast fashion brands is that this time has been radically shortened, for example, Zara has been getting one and a half months from the start of the idea to getting the product to the store because they are also the source of raw materials and all other supply chains in their hands to do so, shortening the time (Horváth, 2012). The idea behind this is that today's big fashion companies have to learn to think a bit of a start-up company.

3. Results of empirical research

During our empirical research, we have conducted in-depth interviews with fashion industry managers. Method of sampling: based on the original design, we wanted to interview four professionals in various categories of fashion industry who have been in management for many years (fast fashion, ready-to-wear, luxury, Hungarian fashion). Finally, three people were able to talk in the spring of 2018, because the employees of the well-known luxury supermarkets have to make a privacy statement, ie they cannot give any information on any professional matters. Since the other three professionals were able to comment not only on their own category, but could cover the entire industry and have a high level of

professionalism in any fashion industry, they are considered an authentic expert interview. The most important topics involved together with their findings Figure 1 summarizes.

Main characteristics of the interviewees:

A. Man, working in the fashion industry for 15 years, is currently the director of a Slovenian-owned franchise of the Spanish ready-to-wear brand operating internationally.

B. Woman, active fashion designer for nearly 25 years. She knows all the layers, actors and peculiarities of the Hungarian fashion industry.

C. Woman, has been working in the fashion industry for 10 years. She is currently leading several branches of a Scottish luxury fashion store, and has been in a ready-to-wear sports brand for many years.

They see that in terms of the development of the production chain, the different countries are moving at a very different pace: while 25 years ago Italy represented still a great power in fashion branch, they have now lost their position, which is also due to their inability to speed up and rationalize production processes. A good example of this is Spain, especially the Inditex group, who have exploded over the past 20 years by finding a very effective supply route from product design to the store.

In connection with the significant loss of Italian brands, we might recall the case of Nokia, which has been a global leader in mobile manufacturing for years, but its market-leading role in the two thousand years has been heavily influenced by the appearance of smart phones and some defective strategic decisions. The legendary phone manufacturer started to focus on its new activities, but the Finnish company reached only about half of the € 51.6 billion produced in the golden age of the year 2007 (Hlács 2018).

According to experts, environmental protection is becoming more and more important in the fashion industry, so it appears in several brands, both in the luxury and fast fashion sectors, but for the time it is only the buyers of the former category and especially the western societies who treat it as value. Based on the experience of the in-depth interviews, companies have to pay attention to the environmental protection, e.g. using organic cotton and more natural materials (A thinks), even if this makes the product a bit more expensive, as consumers will turn to this direction over time. B is less optimistic because, as she said, the practical application of environmental principles is not sustainable at all due to the constant change in fashion. She thinks companies should focus on packaging (especially luxury companies use a lot of unnecessary packaging materials), and while customers are getting more demanding on environmentally friendly materials and fair trade jobs, prices are still dictated. Environmental awareness includes products that are not sold or the fate of defective products, because they should not be burned but they should be outleted or donated. Unfortunately, in

many cases, this is a rule and violation, so companies are often forced to destroy wearable clothes. When buying fashion products, the image and the promise are even more important, as people who receive environmental awareness are gaining prestige.

The use of modern technology is also becoming increasingly important for the fashion industry. The latest systems are usually very expensive, but in order to remain competitive, they have to mix them with existing technologies (A). The leader in this field is the Inditex Group: the RFID (Radio Frequency) system is used for all products, which means that they put a small chip in every product filled with all the features of the product, which reads instant information not only about the item, but its current stock.

Distribution	Off-line channels are still important; Personal selling in on-line too
Environmental awareness	In case of products, processes, packaging, fair trade, waste, marketing message; Various views of its relevance
Fashion products (clothes)	Promise, prestige purchase
Role of internet	Collecting information, purchase, influencers
Communication	Traditional communication still important e.g. dress-show; Roles of influencers and bloggers
Technology	Active use of high tech tools, AI

Figure 1
Summary of survey

According to experts, the fashion industry has turned to the on-line distribution chains and solutions. In addition, B and C highlighted the role of influencers and bloggers, while A says the industry has moved towards linking mobile applications with webshops. Looking to the future, A believes that, while Internet usage is all about simplifying, making it easier, the results of Internet marketing activities are still more difficult to evaluate than the efficiency of traditional routes, and the recent data management scandals make it questionable whether it is really the ideal channel for the future. According to B, there will be a justification for traditional communication, because it is still possible to present the brand's

values and the latest concept with traditional channels: fashion shows or newspaper advertisements. Marketing is driven by the ever-accelerating trend of fashion change and the need for personalization of customers.

While on-line interfaces can take a few minutes of custom-made gym shoes, and the customer can filter products as he / she feels, browsing the offline channels is either impossible or very time-consuming and demanding money. The most effective marketing tool is according to A – in case of offline distribution – the proper selection of store location and design. As an example of this, Inditex Group does not use any classical marketing tools (does not advertise, organize actions outside of seasonal discounts, etc.), but pursues a very powerful location strategy alongside its modern distribution channel. In the luxury category C has the view that catalogs still have a great deal of strength, as people who buy products of this category are still demanding on printed materials because they feel they give them exclusivity, and only a limited number of people can access it. In addition, the catalog can help both on-line and offline sales.

4. Conclusions

All in all, based on the research, it can be stated that both marketing communication and sales are slowly shifting towards the on-line sphere. However, for all categories, offline channels remain key as personal sales are still a very strong factor. That's why every big company needs to integrate online interfaces to some extent, which can be a particular problem for an old, traditional brand. They should strive to give customers – especially in more expensive categories – the same care and service as they would go into the store personally. They need to provide the right size information on the web pages, but after a few minutes of watching a few luxury sites, for example, a chat window will pop up, on the other side of a person who will offer his or her help as if in person to meet the buyer in the shop.

In the fashion industry, customer feedback and interactive communication are essential, although in the increasingly digitalized and automated world, they are beginning to decline. Nowadays, most of the feedback (almost at fast fashion, and more and more at ready-to-wear) is based on the analysis of sales data, relying on digital platforms, not on the customer's personal opinion. However, according to experts, these feedbacks are very valuable.

Customers should be given name messages, not allowed to be lost. The strongest tools of online sales companies are the algorithms (which can help customers to buy products that match the customer's taste), the most effective offline tools of luxury and ready-to-wear categories are the sellers (who need to be supported and asked), fast fashion- and optimized product distribution channels.

Studying the fashion industry has many advantages, because the solutions to the challenges of accelerated activity can be used by other industry due to the basic need for rapid adaptation. Further research could point to the successful implementation of customer-orientation today in different categories, as well as current issues of global connectivity and dependence on the textile, clothing supply chain.

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