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Birthing New Ventures in Fashion

Part 2

Unsplash | Sushobhan Badhai

This Article is the concluding Part of a 2-part series on 'Birthing New Ventures in Fashion' from our last Newsletter issue.

Trends can breed herd behaviour. While consumers will often celebrate those who jump on the bandwagon of innovation, they are more often attracted to original brands than to copy-cats. Navigating the challenge of achieving originality in a crowded marketplace is critical for avoiding brand burnout from trend chasing. For instance, Cult Gaia, a California-based fashion label, has carved out a distinct identity. To achieve originality, Cult Gaia embraces unconventional materials and architectural silhouettes, resulting in visually striking pieces that stand out in the market. In re-imagining traditional materials like bamboo and acrylic, as well as incorporating intricate patterns and geometric shapes into design, Cult Gaia has created a signature aesthetic that is instantly recognizable and also profitable.

The dividends of this kind of niche-defining originality can also be extended through strategic partnerships. The Gucci and North Face collaboration in 2020 serves as a powerful example. This unexpected collaboration merged Gucci's luxury heritage with The North Face's outdoor expertise, creating a unique collection that captivated consumers. By combining high-end fashion with practical functionality, the collaboration appealed to fashion aficionados and outdoor enthusiasts alike. Amidst the significant buzz generated, the partnership allowed Gucci to tap into the outdoor fashion market and North Face to gain access to Gucci's fashion-forward audience. Expectedly,such collaborations can expand a brand's reach and create innovative, boundary-pushing collections that resonate with a wide customer base.

Emerging brands can also benefit immensely from the plethora of AI and augmented technologies that pervade business today. Online eyewear retailer, Warby Parker, has leveraged technology and a direct-to-consumer model to disrupt the traditional eyewear industry. By utilizing virtual try-on tools and offering a seamless online shopping experience, Warby Parker has revolutionized the way people shop for glasses. The brand's strategic use of data analytics and customer feedback has allowed it to constantly refine its product offerings and provide personalized recommendations, ensuring high customer satisfaction and loyalty. With its innovative approach to eyewear and commitment to social impact through their *Buy a Pair, Give a Pair* program, Warby Parker has positioned itself as a leader in the industry.

Technology is an essential piece in the founder's wardrobe, however, to achieve a head-turning look in the market, it must be mixed and matched with a smart strategy. Stitch Fix, an AI-enabled online personal styling service, has faced significant challenges in recent years, as evidenced by declining revenues and shifts in customer perception. Despite its early success in utilizing technology to disrupt the fashion industry, Stitch Fix has struggled to maintain its position amidst increasing competition, brand cannibalization and changing consumer preferences.

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In the last fiscal year, Stitch Fix's reported Year-on-Year revenues dipped by a fifth, in continuation of a downward trend over the past two years. The reasons are not far-fetched. Competitors have caught up, implementing similar algorithms and personalized recommendation features, making it difficult for Stitch Fix to differentiate itself solely based on technology. Worse still, the company's new freestyle service, which allows customers to shop for individual items without subscribing to the traditional box model, unintentionally cannibalized its business. This brand extension, while aimed at providing customers with more flexibility, led to a shift in consumer behaviour. Customers started opting for standalone purchases through freestyle, reducing traffic for the subscription-based box service.

But ill-advised technology adoption is not the only challenge. Poor management can also trip fashion ventures. American Apparel is a case study here. The brand, once known for its edgy and made-in-America clothing, faced challenges in adapting to changing consumer preferences and e-commerce trends. The brand grappled with financial mismanagement, controversial advertising campaigns, and internal turmoil. It also failed to embrace the shift towards online retail and sustainability, ultimately leading to missed opportunities and a decline in sales. The company, once worth nearly $1 Billion was eventually auctioned for around a tenth of its value to its current owners.

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The shift has impacted Stitch Fix's revenues, precipitating a decline in the frequency and value of box orders. The brand is now seeking a turnaround amidst waning relevance, customer apathy and increased competition.

These challenges faced by Stitch Fix underscore the need for continuous adaptation and innovation in the ever-evolving fashion industry. While technology initially propelled Stitch Fix to success, stiffer competition arising from the rapid adoption of its differentiating technology by other segment players as well as the unintended consequences of the brand extension highlight the importance of carefully considering the potential impact of new technologies and offerings on existing business models.

The mismanagement of American Apparel highlights the critical importance of competent leadership in steering a brand towards long-term success. Effective management is essential for aligning the brand with evolving trends, fostering innovation, and maintaining a strong connection with the target audience - all of which are germane for market success today.

Birthing new ventures in the fashion industry is uniquely challenging but navigable. Aspiring entrepreneurs can learn from the past and present and navigate the competitive fashion landscape with determination, innovation, and a deep understanding of their target audience.

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