



## TPE 2023

### Modni – Case Study Part 2

Comprehensive Case Study  
Case Study Description and Question

You have **3 hours** to complete this paper

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## CASE STUDY

It is now the afternoon of 2nd November and Jess has asked that you clear your diary as she has some urgent work for you to complete this afternoon.

“Hi, I’ve been meaning to thank you for the work you did recently on Modni. I was impressed with the standard, so thank you for that. In fact, I almost forgot, as a thank you Teddy gave me a load of store vouchers, some for both of us. I’ll put them in the post for you if you let me know your home address, don’t want to draw attention to them in the office, you know what I mean. I’m sure you’ll be able to put them to good use, Teddy was always good like that.” Jess paused.

“Thanks, I didn’t think.....” you didn’t get to finish as Jess continued,

“So where to start, it’s been all go this morning. I’m not sure if you knew but the board had been under pressure from the shareholders; Orlando Kane, the original founder, was particularly vocal about Modni’s recent poor performance. You know yourself from the work that you did earlier, the company was loss making, there had been changes to product lines and then there was the delay in introducing online shopping.

“Anyway, Orlando phoned this morning, he’s been successful in passing a vote of no confidence in the board, having convinced enough institutional shareholders to back him and insist on his reinstatement to the board.”

“Right, okay” you say.

“So, he is now acting CEO” continued Jess.

“Sorry have I missed something? What about Teddy?” you asked.

“Oh, sorry yes, he resigned a few days ago, I’m surprised you didn’t know as it was all over the business press. You can read about that later, he’s gone now. You’ll see that I have added some more useful news articles to the file. (Appendix 1)

“Teddy isn’t really the issue, it’s the board. There has been a significant reaction to Orlando’s reinstatement; most of the board have resigned, the chief finance officer has walked out with immediate effect and most of the others are working their three month notice periods. I’m expecting a press release later today so please keep this confidential for now.

“The position now is that there are just three permanent members of the board: Orlando Kane; Sarah Richards, the operations director; and the chairman, Nick Purcell. Orlando and Sarah know the business well, but Nick has only recently joined Modni having previously been the CEO at Albast, the online retailer.” Jess continued.

“Wow,” you had not expected that and couldn’t really think of anything meaningful to add.

“So, as you can imagine, there is a lot of distraction with the board right now and Orlando needs us to step in and help support him and the business over the next few months while he puts changes in place. There are some things I’d like you to help with.” Jess looked at you for some acknowledgement.

“Okay, no problem.” you say.

“The timing is not ideal as a couple of days ago Modni finalised a deal with the administrators to buy Angelo Dimitri, you know the exclusive designer brand.” (Appendix 1)

“Yes, I know of them, way out of my price range though!” you add.

“Well Orlando would like our thoughts on how both businesses can return to profit. He would like us to focus on possible strategies for product lines and distribution channels for Modni and Angelo Dimitri. If you can think of any new channels, that would be great too. We will present our findings in a report addressed to the new board.

“Secondly, the report should cover an appraisal of two investment opportunities that the old board was considering. I had spoken with Teddy about these, so I’ll give you the notes I made. (Appendix 2)

“Orlando’s already got the payback and NPV analysis and he is happy that both are financially viable, so he just wants us to comment on the rewards, risks and other relevant factors for each opportunity. The board can then refer to this to help them decide whether to take on these additional new projects or not. Please make a recommendation.

“Have you got all of that?” Jess asked.

“Yes, report for the board, strategies to return to profit, product lines and distribution channels and appraisal of two opportunities. Got it.”

“Great there is just one more thing, sorry. The rather gorgeous Nick Purcell also called me this morning, like I said it’s been busy!

“The Post News contacted him regarding an exposé that they plan to publish later this week. The paper has been good enough to give Modni an opportunity to respond to the allegations. I’ve already emailed you a copy of the article, it will be in your inbox. (Appendix 3)

“Nick didn’t want to bother Orlando as, clearly, he has enough to think about right now, and so asked if we could give some advice on the response to The Post News and any actions he should take.

Jess continued, “Nick was quite anxious about the inventory valuation reflected in the acquisition of Angelo Dimitri too. He’s read about Joe Dexter’s inventory problems and doesn’t want any more adverse publicity surrounding Modni, so I can understand his concern. We did the due diligence, so I’m confident that there won’t be any problems. He just wants an evaluation of the different options for disposing of any obsolete inventory, just in case.

“I could tell that Nick was a little unsure of the situation as he is new to the fashion industry and so I offered to email him some background information on the environmental and social concerns that surround fast fashion. Please could you draft a brief email for me that addresses all of these points?”

“Yes of course,” you say, “so to double check, a response to The Post News, including actions, an evaluation of the different options for disposing of obsolete Angelo Dimitri inventory and background information on the environmental and social concerns of fast fashion.”

“Perfect, thanks. We need to respond quite quickly with all of this, so can I leave it with you? It would be great if you could prioritise this and let me have it by close of play today. I’m sorry to land it all on you but I have another client crisis to deal with now, so I have to go. I almost forgot; the usual process applies if you come across anything that you think the ethics partner should be aware of. Send her an email, not that I can see any issues. Message me if you need any help, thanks” and with that she left.

“Okay.” you say as she headed down the corridor.

**Required:**

- Produce the report for the board
- Draft the email to Nick Purcell
- Prepare an email for the ethics partner, if required.

## APPENDIX 1

### Recent media extracts

#### ***Angelo Dimitri rescued from administration***

Recently it seems that there have been many casualties of the difficult retail environment and many familiar brands have fallen by the wayside. So, the fashionistas out there will be relieved that the iconic brand Angelo Dimitri has been rescued at the eleventh hour. Administrators announced this morning that the inventory and trading name have been acquired by fashion retailer Modni for £20 million. Sadly, this will not bring solace to all as the remaining retail outlets will close resulting in a loss of 1,200 jobs.

#### ***Burbell burns millions***

The upmarket fashion brand has disclosed that it burned goods worth £25 million last year, bringing the total over the past 5 years to £100 million. Burbell, in an attempt to justify their action, have claimed that the process was environmentally friendly as the energy from burning the inventory is captured. Burbell have claimed that this practice is common among high end brands as discounting surplus stocks would lead to a devaluation of the brand.

#### ***Kaity Brandon to end partnership with Modni***

A source revealed today that Kaity Brandon was considering parting ways with Modni. Kaity has been under pressure from her fans to disassociate herself from Modni and Teddy Lotz in light of a series of sexual misconduct allegations made against the company's leader. So far, the celebrity icon has declined to comment.

#### ***Lotz resigns and more trouble ahead for Modni***

Teddy Lotz the CEO of troubled retailer Modni has resigned following a series of allegations of sexual misconduct dating back to 2018 when he took over from founder Orlando Kane. The allegations, which Lotz denies, are currently being investigated by the company. The retailer has struggled to bounce back from 2020 with original founder, Orlando Kane, claiming that the board has lost focus and needs new direction.

#### ***The environmental impact of fast fashion***

Fast fashion means clothes are much more affordable, but this makes clothes more disposable too. Clothing production has roughly doubled in the last 20 years. In the year 2000, fashion companies would produce, on average, two collections a year. Today this is at least double if not higher with new ranges for each of the seasons and some brands even offer new collections every month.

Put simply, this means we are buying more clothes, wearing them less and disposing of more. Many of us justify our actions as we donate these little or even unworn clothes to charity shops, but much of what is donated can't be resold as the quality is poor.

Here are some surprising facts. The fashion industry produces 20% of global wastewater, 10% of global carbon emissions and a staggering 85% of all textiles go to landfill each year. It is time for the industry to take some responsibility and to take the initiative to reverse the trend that they have created.

## APPENDIX 2

### Notes of meeting with Teddy Lotz – Investment Opportunities

#### Concept store in Birmingham

Cost £40 million for 100,000 square foot store

Concept stores are all about the retail experience; typically, these are located in out-of-town centres in retail parks with shoppers benefiting from free parking. The design would be contemporary, prodigious and impressive. Think leisure as well as retail opportunities. Ideally, they'd want shoppers to spend the whole day there, places to eat and drink, things to do too, not just retail but pop-up events too, like entertainers for the children, local artists, artisan craft stalls, maybe even some music events, the opportunities are endless really. They could partner with other businesses or do it all themselves. The investment comprises new build property costs on a freehold basis and fit out costs.

#### Launch own stores in Japan

Cost £5 million per 10,000 square foot store

The Modni brand is popular in Japan, and feedback from a few of their key retail partners is that a lot of their online sales are destined for this market. Teddy sees this as an opportunity to grow the Modni brand increasing revenue and profit. The expansion would start with ten stores in key locations and if all goes well Modni will increase the number. The investment comprises short term leases and fit out costs.

## APPENDIX 3

### The Post News: Advance copy

#### Modni exposed

An undercover investigation at Raj Clothing has revealed that the ethical Modni might not be quite so ethical. Raj Clothing, based in Mumbai, India, is one of the factories used by Modni to manufacture clothing.

The Post News can reveal that children as young as eight are being employed to work on garments destined for Modni shops. It seems that adult workers routinely take hand stitched work back home and the entire family, including children, will work long hours completing garments and all for just a few rupees. The official line is that the work is completed by the adult worker and so the records show that there is no child labour. The work is completed at home and so the official hours suggest a living wage whereas the reality is that workers are paid a pittance and far from a living wage.

As long as fashion brands support such factories then these injustices will continue. It is time to stop turning a blind eye to what really happens in these factories.

**END OF PAPER**