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The Global Fashion Industry – Growth in Emerging Markets

September 2009



Global Fashion Industry

Study Overview

This study provides insight into the evolution of the global fashion market and identifies the key drivers behind the recent emergence of new countries as fashion hubs

Using a comprehensive analysis of global fashion events, this study aims to understand the transformation of the global fashion industry over the last 5 years.

In particular,

- How are traditional markets continuing to evolve?
- Which new markets are emerging?
- What initiatives are government and industry organizations undertaking to fuel growth?



Global Fashion Industry

Methodology of Fashion Event Analysis

Research Methodology

- Identify countries that host 'fashion weeks' by scanning through publicly available secondary sources; 46 such countries were identified¹
- Gather information on the fashion industry in each of these 46 countries
 - Build a list of all fashion events² that took place in these countries in the last 5 years
 - Gather details for each of these events, such as sponsors, hosts, size, frequency, duration, launch year, number and nationality of the participating designers, whether the event is internationally renowned², etc.
 - Investigate possible drivers of growth for countries where the number of events has increased (i.e., government support, industry organization funding, etc.)
- Shortlist 6 countries that display unique growth patterns and drivers, then conduct an in-depth analysis of the growth of the fashion industry in each country
 - Does the industry receive strong support from the government or other organizations?
 - Is the growth characterized by a specific pattern, such as the evolution of domestic designers at international forums?
 - Are other factors driving growth?

Notes

- This study and the findings reported in this document are based on a list of fashion events across all 46 countries generated from various secondary sources, such as press releases, industry reports and articles, fashion events' websites, etc.
- The list should not be considered as an exhaustive list of all the fashion events in each country due to various constraints, including data availability
- Bi-annual fashion shows are counted as two separate events while calculating the number of events held in the country in a specific year

Note: ¹As of May 2009 ²Please refer to the appendix for 'definitions'; ²Criteria for defining a fashion event to be 'internationally renowned' include whether the events are listed in global top fashion event calendars, or whether they attracted considerable number of international participants

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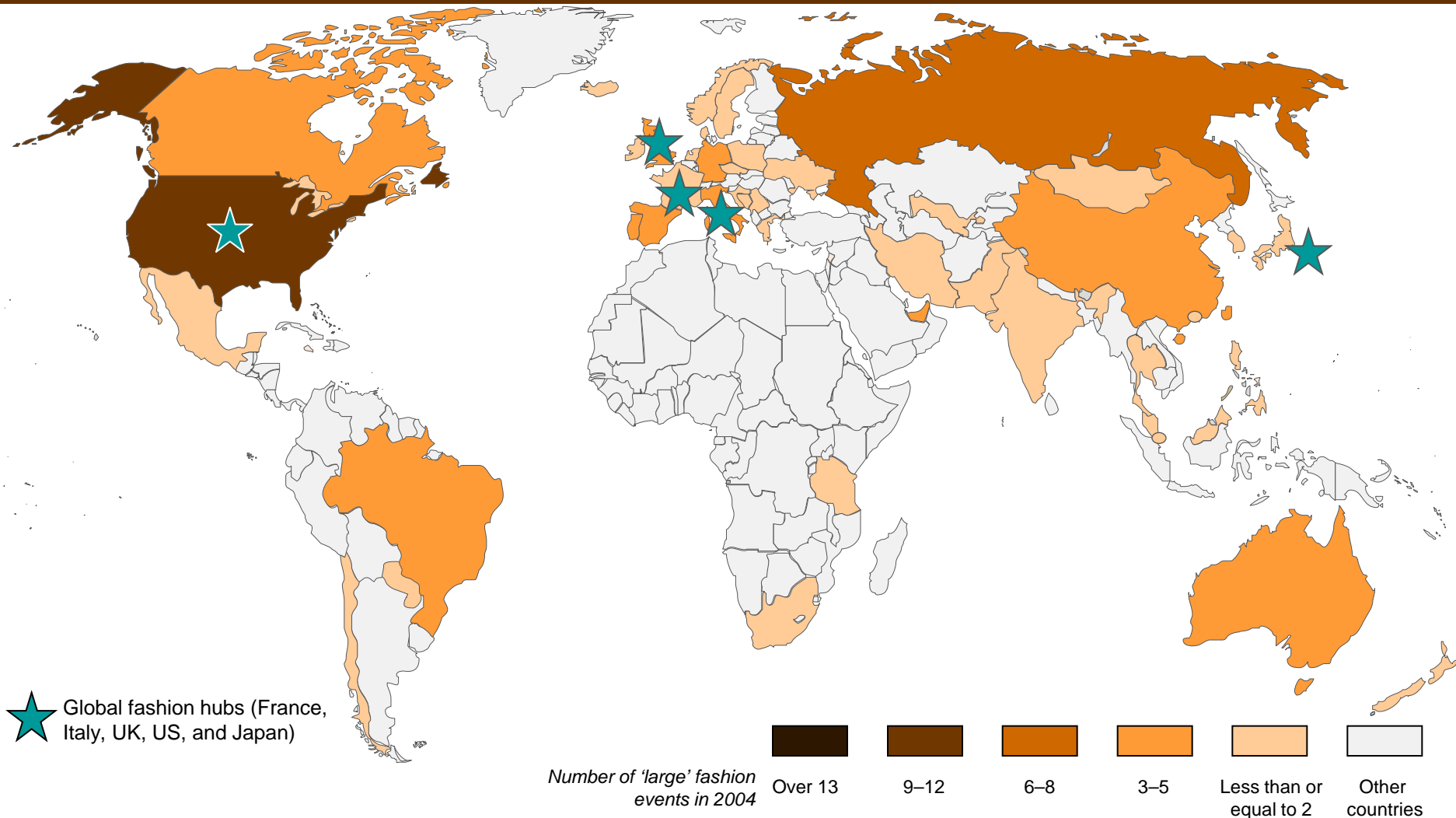
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Overview – ‘Global Fashion Event Map’ in 2004

In early 2004 the United States held more ‘large’ fashion events than any other country. However, most US events were not considered as prestigious as events held in Paris and Milan



Global Fashion Industry

Overview – ‘Global Fashion Event Map’ in 2008

Over the last four years, the number of fashion events held in several emerging markets has more than doubled

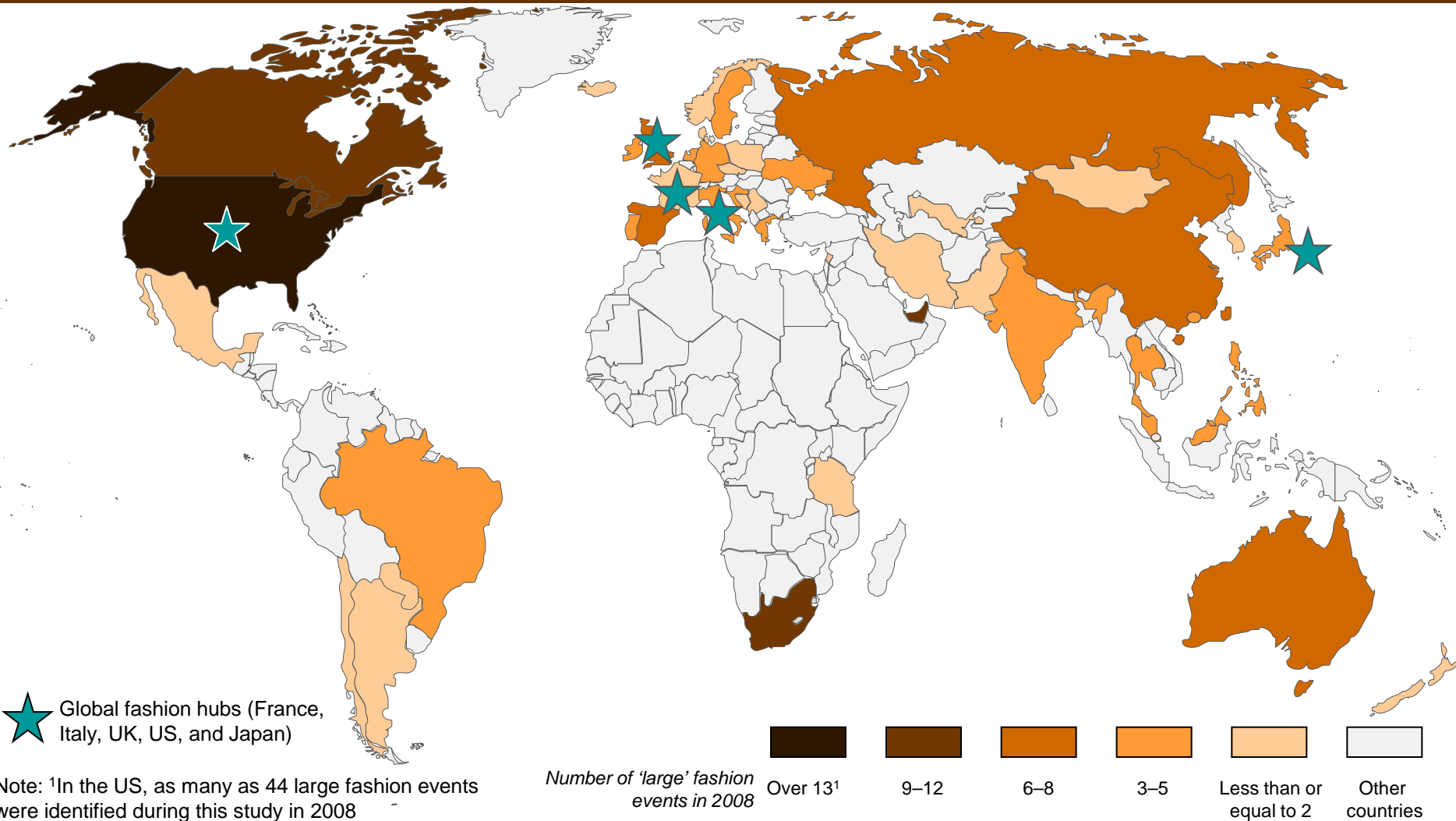


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Global Fashion Industry

Traditional Fashion Markets (1/2)

- Paris Fashion Week dates back to the early 1970s and is the primary reason France has historically been considered one of the largest and most important fashion centers in the world
- Milan Fashion Week is also considered one of the most highly regarded fashion events globally. Recently, the Italian government has planned to provide financial support to the country's fashion industry during the economic crisis
- In addition to London Fashion Week and other 'large' fashion events in the UK, the Graduate Fashion Week has gained international recognition for promoting the work of fashion students

Country

Overview of the Fashion Industry

France

- Unlike other global fashion hubs where most 'large' fashion events have been launched in the last 2 decades, fashion events in France date back to the 1970s
- Paris Fashion Week, launched in 1973, is among the largest fashion events held globally. It is organized by Mode à Paris, a fashion industry association, which hosts various fashion shows throughout the year
 - The Paris Fashion Week includes Haute Couture, Ready-to-Wear (collections & pre-collections) and Men's Fashion. In total, it includes 30 shows of Haute Couture (Jan. & Jul.), 30 shows of Men's Fashion (Jan. & Jul.) and over 100 shows of Women's Ready-to-Wear

Italy

- Milan Fashion Week includes a series of fashion shows categorized under two bi-annual fashion events and two annual events
- In the past, the fashion industry in Italy grew without strong government investment; however, the current economic crisis has provoked the government to provide financial support
 - The Italian government recently announced its plans to offer financial aid to the fashion industry, including a tax credit for the production of clothing materials and direct government funding for small and mid-sized fashion enterprises
 - *"(The aim is to) safeguard the crucial 'Made in Italy' sector and to generate the conditions to allow companies to be more competitive on international markets after the crisis"*
– Claudio Scajola, Economic Development Minister of Italy

UK

- The fashion industry in the UK experienced a slight increase in the number of 'large' fashion shows held in that country (from 5 in 2004 to 7 in 2008)
- The Graduate Fashion Week held every year since 1991 claims to be "the only large fashion event across the globe to promote fashion students"
 - Sponsored by River Island along with L'Oreal, Mulberry, Renault, etc., the event attracts participation from over 50 fashion and textile universities across the country
 - The best collection at the gala event is awarded the 'River Island Gold Award' along with £20,000

Source: Press releases; Websites of fashion events

Global Fashion Industry

Traditional Fashion Markets (2/2)

- The United States hosts more fashion events than any other country in the world. The industry is well supported by private financiers that promote emerging designers and host regional fashion shows
- In Japan, the demand generated by 'youth culture' acts as the main driver for the growth of its fashion industry

Country

Overview of the Fashion Industry



- The number of fashion events held in the US is significantly higher than in any other country. However, unlike other developed countries, most of the 'large' fashion events in the US were only launched in the last few years
 - In 2008, the US hosted at least 44 'large' fashion events versus only 11 large events in 2004
 - In comparison, France and Italy had many fewer events (2 and 4 respectively in both 2004 and 2008)
- This increase in large fashion shows has been driven by various cities/regions that have launched their own fashion weeks within the last few years
 - E.g., Chicago Fashion Week (2007), Virginia Fashion Week (2007), Fashion Week San Diego (2008)
- The sponsors/financers in the fashion industry act as key drivers by promoting designers and regional fashion events
 - E.g., FTC Commercial Corp, a global commercial finance company, provides funds for start-up designers in the premium apparel industry



- The fashion industry in Japan is mainly driven by the demand of its affluent population and youth culture (e.g., street fashion)
- Japan is one of the largest markets for foreign luxury fashion goods. The country is trying to push domestic brands and fashion houses, e.g., in 2005, they launched 'Tokyo Girls Collection', a large fashion event, to promote domestic brands, targeting the young female population
 - Since 2005, the Japan Fashion Week and the Tokyo Girls Collection are held twice-a-year as part of the fashion festival in Tokyo
 - The Tokyo Girls Collection festival targets women in their late teens and twenties, and promotes "real clothes" (fashionable street-wear) that young women can actually add to their wardrobe

Source: Press releases; Websites of fashion events

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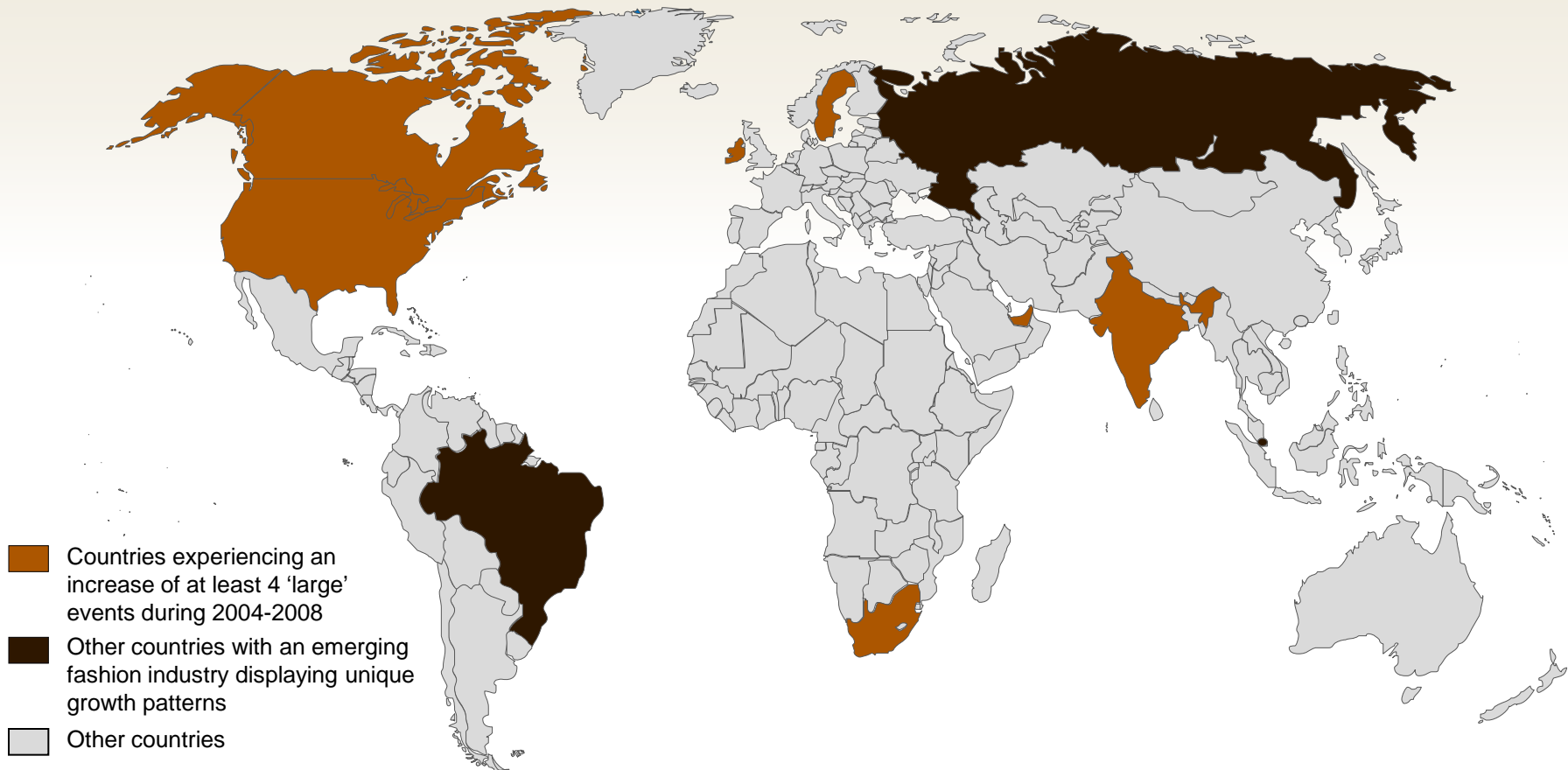
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Emerging Fashion Markets – Overview

Based on our analysis, South Africa, the UAE, Singapore, India, Russia, and Brazil are new and unique emerging global fashion markets































- South Africa, the UAE, and India are the top emerging fashion markets on the basis of the increase in the number of large fashion events between 2004–2008 (across 46 countries)
- The fashion industry in Singapore, Russia, and Brazil has displayed unique growth patterns in the last few years






Global Fashion Industry

Emerging Fashion Markets – Key Growth Drivers

Government support, an increased awareness of international brands, and a higher demand for fashion are the most prominent industry growth drivers in the emerging fashion markets

	South Africa	UAE	Singapore	India	Russia	Brazil
Government Support						
Recognition of Local Designers						
Awareness of International Fashion Brands						
Support from Corporations and Associations						
Demand for Fashion Apparel						

Legend

 Low  Medium  High

Global Fashion Industry

Growth of the Fashion Industry – South Africa

Government initiatives (through the Johannesburg Economic Development Unit) are fueling the growth of the fashion industry in South Africa



- Fashion is a USD 4.3 Bn industry in South Africa, yet the industry is fragmented across a number of different competing fashion weeks each year
- Growth of the fashion industry is highlighted by the increase in the number of large fashion events held in the country (from 2 in 2004 to 9 in 2008). This is attributed to government support and an increase in awareness of domestic brands among consumers
- Johannesburg is fast emerging as the fashion capital of Africa

Key Growth Drivers

Government Support

- The South African fashion industry is supported by the government as part of the economic development program. In 2006, the Johannesburg Economic Development Unit announced its goal to develop the city into an “an internationally recognized creative city”. Some initiatives undertaken so far, include:
 - Established a ‘Fashion District’ in the city that houses over 100 fashion enterprises and institutes and provides training to designers
 - Organized fashion competitions in the city – *“We are trying to stimulate new designs in the market. It gives young designers a platform to be exposed”* – Linda Vilakazi-Tselane, acting director of the Economic Development Unit

Awareness of Fashion Brands

- Before becoming a democracy in 1994, the design sector in South Africa was dominated by the ‘American youth culture’. However, the last few years have seen the emergence of several domestic brands
 - These brands include key players in the domestic market, such as Stoned Cherrie, Sun Goddess, and Loxion Kulca, which have also gained international recognition

Other Factors

- Fashion enterprises in the country have a diversified range of designers, including established, emerging, as well as designers of different races and cultures
- Major design houses as well as individual designers contribute to Johannesburg’s recognition as an emerging fashion market

Source: Reuters; “Fashion and the Growth of ‘African’ Brands in South Africa” , “Developing Fashion Industry in Africa: The Case of Johannesburg – Introduction”, Christian M. Rogerson, the School of Geography, University of the Witwatersrand, Johannesburg, 2006; “South Africa | Searching for Structures, Systems and Policies”, Business of Fashion; Press Releases; Grail Analysis

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Growth of the Fashion Industry – UAE

Dubai is quickly emerging as a fashion hub in the region due to support from domestic and international fashion enterprises as well as the government



- The UAE experienced a significant increase in the number of large fashion events held in the country (from 4 in 2004 to 9 in 2008)
- The key contributing factors include efforts/initiatives by companies operating in the UAE fashion industry, support from the government, evolution of domestic fashion designers, as well as brand awareness among consumers
- The Dubai Chamber of Commerce and Industry also supports the fashion industry and has brought many leading international fashion houses to Dubai

Key Growth Drivers

Corporate Efforts

- All of the nine large events held in the country in 2008 were hosted by event management or fashion focused companies, including:
 - Event management companies – e.g.: IIR Middle East hosts two of the Middle East's largest bridal fashion shows in Dubai and Abu Dhabi
 - Fashion consultancies – e.g., Maven Corporate Ltd hosts the bi-annual Abu Dhabi Fashion Week
- International firms have also supported the industry in the UAE – e.g., CRYSTALLIZED Abaya Design Awards, launched in 2007, is sponsored by Swarovski to feature talented UAE designers

Government Support

- The government also supports the fashion industry by organizing fashion events to promote tourism. Large events, such as DSS Dubai Fashion Fiesta, DSS Kids Fashion Week, etc., were part of the government supported large tourist programs in 2008

Recognition of Local Designers

- Various designers from the UAE are gaining recognition at the international level – e.g., brands of 10 designers from Sheikh Zayed Private Academy were featured in the Abu Dhabi Fashion Week in 2008
 - “...inclusion of these students in the event is to provide avenues for our talented designers to evolve into international creators...” – Mr. Al Badi, director and major stakeholder of Fashion Resource Park

Awareness of Fashion Brands

- According to a survey conducted in 42 countries by ACNielsen
 - One-third of the UAE respondents claimed to be buying luxury goods
 - UAE customers are one of the most energetic consumers of designer apparel and accessories

Source: Press Releases; Grail Analysis; Fibre2Fashion; NewsWire

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Growth of the Fashion Industry – Singapore

The government plays a key role in the development of the fashion industry in Singapore. The industry has also benefited from Singapore's fashion designers' focus on building international recognition



- Singapore's fashion industry has experienced rapid growth in the recent years, and the trend is expected to continue
- The government supports the two largest annual fashion events in the country, i.e., the Singapore Fashion Week and the Singapore Fashion Festival
- The number of small fashion events in the country has also increased significantly in the last few years¹

Key Growth Drivers

Government Support

- The government has hosted/supported several fashion events in the last few years, e.g.,
 - The Singapore Tourism Board started the Singapore Fashion Festival with the objective of promoting Singapore as the tourist and shopping hub of the Southeast Asian region
 - International Enterprise (IE) Singapore, an agency under the Ministry of Trade and Industry, co-hosts Singapore Fashion Week
- The government also offers funding to fashion initiatives to promote the fashion industry, e.g.,
 - SPRING Singapore, a government agency, provides funds to support Singapore Fashion Week

Awareness of Fashion Brands

- Fashion and apparel manufacturers are making focused efforts to generate/strengthen brand awareness internationally
 - Singapore's apparel industry has been evolving from OEM-oriented to self-branded production, and is shifting focus to market its local brands to international buyers
 - In 2008, with government support, several Singapore-based apparel manufacturers launched a collective brand called "Apparel Singapore", aimed at enhancing domestic and international recognition

Other Factors

- The Textile and Fashion Federation (TAFf) of Singapore provides a platform for budding designers to display and sell their designs
 - TAFf's training arm, the Textile and Fashion Design Centre (TaF.dc) provides training courses to improve productivity and efficiency, and enhance the skills of Singapore's designers

Note: ¹During secondary research, nine small fashion events were identified for 2008, compared to only one in 2004
Source: Press Releases; Textile & Fashion Federation of Singapore; Grail Analysis

Global Fashion Industry

Growth of the Fashion Industry – India

The Indian fashion industry has experienced significant expansion in the last decade mainly driven by the growth of domestic designers, some of whom have gained international recognition in recent years



- Between 2008 and 2012, the Indian fashion industry is expected to grow 178%, and reach USD 189 MM by 2012
- The growth of the Indian fashion industry is highlighted by the increase in the number of large fashion events (from 1 in 2004 to 5 in 2008)
- Industry growth in India is mainly driven by the growing exposure of domestic designers at international forums, but growth is also supported by other factors such as the launch of focused business education courses for emerging designers and the establishment of an industry association

Key Growth Drivers

International Recognition of Domestic Designers

- The Indian fashion industry has gained international acclaim and recognition at several global forums. This has also helped attract a large number of international clients to the country
 - Ritu Beri, an internationally renowned Indian designer, has presented her work in various international fashion weeks, including the those held in the US, London, Paris, Mumbai, and Bangalore

Consumer Brand Awareness

- Rising affluence has increased brand awareness among Indian consumers. According to the "Nielsen Global Luxury Brands Study", India is among the most brand conscious countries in the world, with 35% of Indian survey respondents reporting to buy designer brands

Other Factors

- The Indian School of Business (ISB) launched a program on 'Business of Fashion: Strategic Brand Management' in 2005
- In 2008, a group of domestically established designers founded the Fashion Foundation of India (FFI). The aim of the association is to assist designers and fashion manufactures in growing the Indian fashion industry at international level
 - *"The foundation will focus on developmental activities, incorporate best practices across areas, facilitate business collaborations and undertake other initiative in the interest of the industry other than just fashion events ..."*
– Meera Ali, an Indian fashion designer

Source: Research and Markets, Fibre2Fashion; The Associated Chamber of Commerce & Industry of India; The India School of Business; "Designers lay the foundation for future growth of the industry", Fashion Foundation of India; "Fashion designers aim to create industry lobby", IndiaPRwire; Luxemag; The Indian Express

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Growth of the Fashion Industry – Russia

Increasing demand for luxury apparel is driving the growth of the fashion industry in Russia



- Russia is among the countries with the highest number of large fashion events¹. All these events are hosted by industry associations and fashion enterprises in the country
- The market segments of the fashion industry have displayed robust growth in the recent years
- Russia's apparel market is considered as one of the fastest growing markets in the world, with an annual growth (by sales) of 25%, in 2008²
- The y-o-y growth rate for the accessories market in Russia was reported to be 35%, in 2007
- Moscow is recognized as a fashion capital for Middle and Eastern Europe

Key Growth Drivers

- Many leading global luxury brands have established their presence in Russia, and have announced expansion plans
 - *"The Moscow market is now extremely attractive to all producers of luxury goods. It already has a class of consumers for such goods, and Russians are just as demanding and solvent as affluent buyers in Europe...the demand for luxury goods is growing every year."*
 - Hans Peter Wellendorf (The Head of Wellendorff and Gellner) and Mateo Favero (The Head of Marco Bicego) commented in an interview with the Ministry of Foreign Affairs of Denmark, 2008
 - *"...Burberry sees Russia as an exciting growth market as all emerging markets have a large appetite for luxury brands...We chose Russia because we have had a good response from Russian consumers who have travelled to markets abroad, like in the US..."*
 - Burberry spokesperson, 2004
- Russia has the third largest concentration of billionaires in the world (after the US and Germany)

Increasing Demand for Luxury Apparel

Note: ¹From the secondary research conducted during this study, Russia stood second (only next to the US) in terms of the number of 'large' fashion events in 2004, and was amongst the top-5 in 2008; ²According to the 2008 statistics provided by the Trade Council of Denmark, Russia

Source: PRLog; "Clothing and Footwear Market in Russia 2008 - Luxury Market Insights and Development Forecasts 2008-2010", PMR Ltd, Jan 2008; Drapers; "The 2008 Global Retail Development Index", A.T.Kearney, 2008; "European Fashion and Textile Companies Focus on the Russian Market", Textination, 2008; "Clothing, Fashion Textile and Design", Trade Council of Denmark, Russia, 2008; "The Luxury Goods Market in Russia", Russia Blog

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Growth of the Fashion Industry – Brazil

Brazil's demand for fashion and luxury have made it the most interesting of the emerging markets. As the fifth most densely populated country in the world, Brazil offers immense opportunities for fashion brands



- Two large fashion events, the Fashion Rio Show/Rio De Janeiro Fashion Week and the Sao Paulo Fashion Week, are organized bi-annually
- The fashion industry in Brazil is driven by the demand for apparel; Brazil is the fifth largest apparel market in the world. Currently, ~60% of the market is controlled by domestic brands
- According to a survey¹ conducted in 2006, 81% of Brazilian consumers prefer domestic brands over any international brand
- The fashion trends in Brazil are reportedly dominated by domestic celebrities, especially television stars

Key Growth Drivers

Demand in the Domestic Apparels Market

- Brazil's apparel market was estimated at USD 37.2 Bn, and growing at 7% in 2008
- Consumers in Brazil spend more on clothes than consumers in many other countries
 - According to a survey¹ conducted by McKinsey in 2006, Brazilian consumers are termed as “fond of shopping for clothes”
 - » 79% of respondents from Brazil “look forward to shopping for clothes”, compared to 27% and 26% of the respondents from Russia and China, respectively
 - “Brazil is the most attractive apparel market for reasons of demographics and demand.. great potential for international retailers.. its consumers spend USD 402 annually on apparel – six times more than average Chinese consumers ”
 - Ms Hana Ben-Shabat, a partner with A.T. Kearney, 2008
 - The young population is another driver for the fashion industry, and ~60% of the total population of Brazil is under 29 years of age

Government and Corporate Support

- The Brazilian government, in association with private players, has recently launched the Brazil Fashion System (SMB), a new initiative to develop projects that benefit the country's fashion industry
- The government has also developed an incentive program called Texbrasil, to promote the domestic textile and fashion industry to international buyers

Note: ¹Survey of apparel-shopping attitude and behavior of 300 consumers, conducted by McKinsey in 2006

Source: “Youth quake: Latin America's millions of young consumers are drawing multinationals in to build brands--and to create new products for export to the emerging world”, Freedom Magazines; “How half the world shops: Apparel in Brazil, China, and India”, the McKinsey Quarterly, 2008; Press Releases

Global Fashion Industry

Trends in Emerging Markets

Major fashion houses are expanding their presence in the emerging markets of Asia, the Middle East, and Latin America

South Africa

- Many high profile brands such as Armani, Prada, and Versace have short-listed South Africa for expansion beyond the traditional fashion capitals
- Young South African fashion designers have been invited to the Paris Fashion Week to showcase their creations

UAE

- Despite the global economic recession, the Middle East luxury market is expected to grow 2% in 2009. The regional markets of Saudi Arabia and Turkey have been ranked among the top-10 most attractive emerging markets for apparel retailers, in 2009
- UAE consumers are increasingly purchasing brands such as Christian Dior, Giorgio Armani, Yves Saint Lauren, Armani, Channel, and Dior

Singapore

- Singapore has long been the home of many international fashion brands such as, Giorgio Armani, Gucci, Dolce & Gabbana, Gianni Versace
- Prada eyes Singapore as the next regional hub for the retail and luxury market. The company plans to have at least 10 stores in Singapore by the end of 2010

Russia

- Russia has witnessed a 14.8% CAGR in consumer expenditure on fashion products from 2002 through 2007
- Italian luxury fashion brands are eyeing emerging economies such as Russia; several international brands are also expanding their presence beyond Moscow and St Petersburg, to smaller Russian cities, for growth opportunities
- Russian brands such as Chapurin, Alena Akhmadullina, and Denis Simachev have displayed their work at the Paris Fashion Week

India

- India is considered an attractive market for luxury brands; about 50 premium and luxury brands, including Jimmy Choo, Gucci, Christian Dior, and Chanel, have opened stores in India in recent years. Apparel manufacturers are now shifting production to low cost Asian countries such as India
- Consumer spending on fashion products has grown at 7.1% annually from 2002 through 2007
- Indian domestic designers, such as Rina Dhaka, Anamika Khanna, and Manish Arora are gaining international recognition

Brazil

- The Brazilian luxury market is expected to grow 35% over the next 5 years, the highest rate for any country in the world
- For the second year in a row, AT Kearney has ranked Brazil the most attractive emerging market for apparel retailers
- The country's fashion exports have been growing at an annual average of 5% since 2002

Source: "Giorgio Armani and Gucci – the "world's most coveted" fashion brands: ACNielsen", ACNielsen, Mar 2006; Singapore Fashion, Focus Singapore; Hong Kong Trade Development Council, The Economic Times, Livemint, Time, Models and Trends, India Fashion Week, Just Style, PIB, Tonight, Thailand Fashion, Reuters, Bain & Company, A.T. Kearney, Luxury Asia Home, JC Report

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Global Fashion Industry

Definitions Used in this Study

Types of Markets

Traditional Fashion Markets

- Global fashion hubs, such as the US, France, the UK, Italy, and Japan

Emerging Fashion Markets

- Markets that experienced significant increase in the number of fashion events during 2004–2008, such as South Africa, the UAE, India, etc.
- Fashion markets that have displayed unique growth patterns in recent years, such as Singapore, Russia, Brazil, etc.

Category of Fashion Events

Large Events

- Events that are internationally renowned¹ or large events at a national level²

Small Events

- Other fashion events

Note: ¹Criteria for defining a fashion event to be 'internationally renowned' include whether the events are listed in global top fashion event calendars, or whether they attracted international designers to participate; ²The criteria includes whether the event attracted designers to participate from across the nation, number of shows in the event, number of designers, duration (number of days), and the coverage /data availability of the event, i.e., whether the event is referred to in various news articles



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