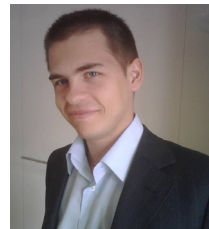




less risk, more cash

Today the fashion companies CEO's are facing more and more challenges. They need to think and sell internationally, to choose their distribution channels accordingly, to manage a product cycle which is shorter and more risky, to make more efforts in order to keep the retailer faithful, to be more creative... They are also concerned with a lot of other issues such as how to organize their supply chain, their financing, how to lower the inventory and the costs, how to shorten the supply lead time, how to select the customers, especially abroad and how to optimize their payments. Although, their resources are limited and their needs are foremost to concentrate on what will bring them advantages against their competition and market shares gains. In order to investigate what can be done to optimize the action of companies, FDI decided to interview M. Stéphane Bazoche who spent 7 years at The Boston Consulting Group, where he was a manager specializing in consumer goods. He is now an entrepreneur in the fashion industry.

Core and Context in Fashion Companies



Stéphane Bazoche

Today Fashion Companies managers know how important it is to concentrate on their core business, especially as their core business is regularly changing to adapt to the evolution of the market. Could you give us your opinion about that fact?

Fashion industry is changing fast: new players emerge and threaten historical market positions, boundary between luxury and affordable fashion blurs, new distribution models emerge, traditional collection cycles collapse... In such a context, market shares are never granted and fashion companies have to make sure that their value proposition remains attractive.

In order to win or even just maintain market share, a fashion company has to clearly identify what are its core attributes and activities, the ones differentiating from competitors.

These core activities are where the company and its management bring added value, and the ones they should focus on, in this fast changing market environment. In these activities you can typically find : design, brand management, marketing, sourcing, and sales. They should be the priority in a company's internal efforts and resource allocation.

In order to stay in control, can't a company handle everything?

Beside core activities, there are some activities where it is often not possible for a company to provide best-in-class service levels by itself. The company has just not the right scale or the right skills to do it. These activities are for instance: logistics, credit management and transport.

But being not able to do it well by yourself does not mean you can afford to do it bad. You can not grow, conquer new clients and new territories, if you don't have the right platform to do it.

Then what are the options available for the activities which are not core for the company?

The best solution is to outsource these activities to specialists, staying in control through adequate reporting and monitoring tools and processes.

By building a pool of specialized resources, these specialists reach a performance level that no single company can afford to maintain. They also achieve, thanks to their size, superior efficiency and therefore an optimized cost structure.

=>Continued on the following page



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What are the benefits of outsourcing these activities?

First of all, it allows the company to perform very well across the whole value chain. Being good at designing and selling collections, there is no reason a fashion company could not be good, with the right partner, at credit management or logistics too. At the end of the day it will make the difference versus competition.

Second, the company benefits from its partner's scale effect. Being big and specialized, the partner will provide the best service level at the best cost, allowing higher profits, and more cash to be invested in core activities and growth.

Finally, outsourcing brings a flexibility which has tremendous value in a changing market environment. It allows a company to grow fast, especially in areas where the company doesn't feel ready to build heavy fixed structures. It is all about gaining competitive advantage at a lower cost, ultimately generating more profits and increasing value for the shareholders.

What's core and context for Fashion Companies ?

	Core Business Engage resources	Context Disengage resources
Mission Critical Control	<ul style="list-style-type: none"> Invest Brand Development Design and Models Marketing & promotion Sales and Customer Services 	<ul style="list-style-type: none"> Outsource and stay in control Logistic Credit Management Financial resources
Supporting Entrust	<ul style="list-style-type: none"> Partner Licensing Sourcing 	<ul style="list-style-type: none"> Contract or Purchase Legal Transport

CONCLUSION, by *Dominique Chatelin*

In today's world, the best performing companies are concentrating their management time and attention, their talents, and their critical resources on their core business. If you have not yet experienced the true value of outsourcing your credit management or logistic management tasks, you should consider engaging with FDI for an evaluation on how we can help you.

At FDI, we have a long and rich experience of helping leading brands to develop their business in Europe and in the USA. Working with FDI will decrease your risks, and improve your cash flow, while saving you time, worry and operational overheads.

