

THE RETAIL FASHION INDUSTRY IN LEBANON: AILMENTS AND PROSPECTS

Dr. Ghalia Boustani, expert in fashion marketing, shares her views on the fashion market in Lebanon and its prospects in the context of the current recession.

1- Launching a fashion brand on the Lebanese market

Launching a fashion brand requires heavy investments related to brand strategy, brand identity development, marketing and communications strategy. The brand also requires special attention to its positioning on the market vis-à-vis the competition in order to present itself with a competitive advantage. The personification and physical manifestation will affect consumer's perceptions and understanding of the brand and will clearly differentiate it. These investments require capital, time, and human capital attuned to the brand's persona.

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Basic marketing concepts highlight the importance of the marketing mix elements, guided by a clear brand strategy, and that work in synergy to achieve desired goals. If one of the chain links is broken then the entire chain would be jeopardized. A brand is not a logo or a slogan; it is a complete entity that starts with the concept, is personified by the means of its identity and comes to life through all the processes, supply chains, distribution outlets, communications, conversations, and team members.

Lebanese talent is capable of developing novel concepts, but barriers to launching a fashion brand are sizeable, infrastructure being the barrier that weights the most. Comparable to any brand, a fashion brand's survival relies on many outlets and depends on many suppliers. This network of suppliers pumps

life into the brand and helps it grow. A list of some of the brand's survival suppliers includes manufacturing companies, textile suppliers, banks, transportation, power, water, industrial conglomerates, and telecommunications.

Launching a fashion brand in Lebanon also faces other challenges: the market and the competition. The lack of infrastructure for producing functional fashion brands negatively affects consumers' perceptions towards them. This yields low brand equity and can situate the brand's survival in a difficult position. If confidence were low, then launching and sustaining fashion brands would require greater efforts and investments.

2- Foreign brands

Franchised foreign brands inevitably affect local market dynamics. The brands are clear on identity-related aspects that are in sync with operations, personnel and the offering. These brands have set the bar high. Lacking the initial infrastructure requirements, Lebanese fashion brands are faced with the difficulty of keeping up. On the other hand, customers learned about all the new concepts that the franchises presented and became acquainted, conscious, informed and critical towards fashion retail.

How can a Lebanese fashion start-up brand develop, launch, operate and maintain its brand on the market facing other foreign fashion brands that have successfully presented their operational businesses and managed to propose timely, changing, trendy fairly affordable fashion collections?

Even though the Lebanese market has the capability to create fashion brands and has the talent and skills to do so, it has been validated that a fashion brand's development and success requires a bundle of elements, skills, efforts that synergistically operate within a terrain that provides the required facilities; an asset that does not exist.

3- Lebanon's position as a regional test market and launching pad for fashion

Compared with regional markets, Lebanon's fashion design scene is endangered by the lack of investments and support provided to budding brands. When a fashion brand is conceived and is on its way to taking off, it requires sustainable effort in terms of costs, communications, public relations, and production of continuous collections, with all the expenses that follow the seasonal collection in terms of photography, patternmaking, cutting, sourcing, quantity production, and transportation.

Lebanese fashion brands are finding difficulty in accessing these types of funds whereas other countries have more support and more willingness to invest in the fashion scene in order to create dynamic and demand for fashion brands and give them the chance to properly take-off.

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4- Fashion design and innovation

Fashion design in Lebanon grew and expanded academically into offering several specializations under the hub of fashion design, such as illustration, design, pattern making, and moving onto lateral services such as Photoshop technical design, lingerie design, shoe-design, accessory design. Most importantly, the Lebanese market understood the importance and the need of developing academic curricula relating to fashion marketing and fashion communications; fashion public relations, fashion journalism, and fashion blogging. Thus, the fashion industry became a comprehensive entity offering to the Lebanese market many areas of development.

Comparing Lebanon's fashion industry 20 to 30 years back with the current fashion market, the difference is notable between a manufacturing oriented industry and a design and services industry. An industry that valued luxury fashion and hand-finished fashion as opposed to fashion labels, ready-to-couture and simple ready-to-wear fashion that are accessible to the market and that reflect design creation and innovation more than technical skills.

There is no doubt that the Lebanese market has the capacity to produce designers and fashion creators who are able to come up with innovative styles and designs that reflect the identity of the market as well as that of surrounding countries.

Innovation alone does not automatically grant the brand an immediate take-off, nor does it automatically give the brand access to the market on a national level and later on a regional or international level.

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5. The state of competition in fashion retailing on the Lebanese market

The introduction of franchised fashion brands has helped change the Lebanese fashion market. After the war, Lebanese consumers had access to franchised brands that operated in a way that is very different from what local businesses proposed and how they functioned at the time.

These brands, used to sell selected “products”, imposed seasonal styles to consumers and provided strict relationships to customers without giving them a lot of flexibility. With the introduction of franchised brands, Lebanese customers had access to affordable fashion, an array of choice amongst “collections” in terms of styles, textures, fabrics, and cuts. The franchised brands also introduced new habits that consumers were not acquainted with; to name a few: seasonal sales, in-store promotions, customer services, exchanges and refunds, and loyalty programs.

There was also a wave of newly created positions in fashion retail such as store management, buying, merchandising, retail management, stock-keeping, and retail marketing. Retail software was also introduced to keep track and control stock and manage merchandise based on store sales activities.

If these criteria or if basic fashion brand conception criteria are not met by a start-up brand, it will be very difficult for it to survive because customers would

directly compare brand A to brand B regardless of its story or its stage of introduction on the market and would not tolerate mistakes.

To give a simple example, any fashion brand that is willing to open a boutique next to a foreign brand on the same high-street or in the same shopping mall, it has to have the same basic tools for operating the store, such as a clear identity, a clear store theme, a clear store design, a full collection, a collection that rotates, seasonal sales and promotions, reasonable retail prices, a cash register, a fitting room, a mailing system, a social media platform(s), and a website (informational or transactional). All of these, complementary to the conception of a fashion brand, become necessary to the survival of a brand, however, the costs of having all of these requirements are at times unbearable to start-up brands.

6- Start-up and expansion costs

Studying and conceiving the brand is a cost by itself, along with all other expenditures related to designing, sourcing, producing, packaging and delivering the collection in store (or making it available for online store), in addition to communications charges, personnel and stock management and operations. The choice of the distribution channel greatly affects operational costs and is reflected in the final retail price.

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Alongside operational costs and distribution channel yearly charges, communications weigh in terms of costs as much as other brand departments. The cyclicity of fashion and its seasonality have added up new seasons onto the calendar; from summer and winter to capsule collections, resorts collections, and festive collections. The cost of conceiving the collection and making it available, on time, in the retail outlets is a considerable cost, stock management and rotation is another burden, and finally, the preparation of communications (online and offline), production of these communications and running them is a continuous cost that brands cannot neglect.

Communications involve careful planning that is in sync with the brand collection and retail activities, and calls for the preparation of the shooting (technical and/or lifestyle), requiring hiring models, make-up, photography, the daily site expenses, hiring or purchasing props and material or renting adequate spaces, the time to retouch the pictures, the time to adapt the pictures onto online and/or offline channels, preparing the message, copywriting, uploading, and printing. Going through this process once is not to be taken lightly; so, how about going through this task for a minimum of eight times per season?

Start-up fashion brands are faced with heavy inevitable costs; an initial brand strategy and positioning can help start-up fashion brands carefully build their operations system in order to meet reasonable cost/returns equations and eventually build up on a positive growth slope.

7- Retail margins

Retail margins are important financial metrics that retailers rely on to measure the relationship between costs that are paid and returns, out of sales, that have been earned.

Before an effective operation of a fashion retail business, considerable and heavy disbursements are operationalized to conceive and prepare the brand's launch. On the day of the launch, the brand is in deficit, which is normal.

For the fashion cycle to evolve, on the day of the launch, the brand would have to be already planning the upcoming collection, thus piling up costs and increasing the losses. Nevertheless, under a fairly stable market environment, the brand is expected to yield returns during its first season and thus recuperate gross margins and assure some cash flow. The effort has to be maintained along with the fashion cycle for a substantial amount of time, which is normally around three to four fashion seasons, before stabilizing. Even if the costs pile up along the process, the brand cannot stop investing in some areas (generally related to marketing and communications or store displays) to recoup lost margins; the

brand would be prevented from getting a chance to succeed and could eventually fail.

Given the current retail “situation” in Lebanon, fashion brands, start-up fashion brands specifically, calculate their retail margins based on their costs and charge retail prices for their products with an instantaneous “cashing-in” approach.

From a customer perspective, an item proposed by two competing brands, having comparable criteria, can be suggested at extremely divergent retail prices, sometimes double the difference.

Due to price sensitivity, customers are tempted to go to the brand offering a more convenient price. The other fashion brand, proposing higher prices and cutting on all other brand representations, will not only lose sales but eventually lose its equity; this unrepeatably damage could cost the brand its chance of survival on the market.

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Fast fashion giants, strongly present on the Lebanese market, have been operating based on continuous promotional calendars; seasonal reductions, monthly promotions, price reductions, and destocking. Having heavily and repeatedly applied this for the past five to six years, customers have become acquainted with the operation that fast-fashion brands proposed, and have adjusted their buying behaviors accordingly.

Correspondingly, customers’ relationship with brands, whether high-end, designer, couture or discounted brands have become price oriented and less appreciative of the offering’s quality. Moreover, start-up fashion businesses would not be able to cope up with such retail operation strategies. The state of the market thus becomes critical.

8- Business strategy for expansion

It all comes down to understanding the market situation and taking the time to having a clear reading of the retail scene in Lebanon. It is true that there are brand guiding lines that need to be met as it is true that there are fashion operating systems that work very well and yield positive returns; working well is a case of its own; working well in a particular market, such as the Lebanese market, is yet another issue.

The term strategy is not to be taken lightly. Many fashion brands are conceived and take their times to grow organically, and adopt winning ways from different competing brands to make their next move. The question lies not in momentary success but in long-term brand survival. It is always a question of managerial perspective.

Guided by a clear brand strategy, the brand unmistakably plans its marketing and communications strategies, it can put forward its objectives on the short and long terms and can anticipate possible threats and potential opportunities. Working with contingencies, under the light of the initial brand strategy, the brand's manager can smoothly take the right decisions without jeopardizing the brand. Taking more time to take-off and having to withstand to achieve profitability, this method ensures a solid means to the start-up fashion brand's survival and success.

9- Benchmarking Lebanon's fashion market

A fashion market's reputation increases when it houses a variety of brands at different industry levels, when it imports fashion concepts and when it exports fashion concepts. A country's fashion equity is in tight connection with the market's balance between the concepts it acquires and the concepts it produces.

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There is an amplified dynamic in the fashion industry's output of designer talents, however, the consideration of start-up fashion businesses that have gained their place on the retail map and have survived long enough to meet a maturing stage of the retail life cycle are unfortunately low; for the reasons stated above. Lebanon's talent lies in complementary fashion talents such as fashion blogging, fashion styling, and fashion journalism.

The Lebanese fashion savviness, taste and know-how are still recognized regionally. However, fashion retail start-up businesses have a long way to go to reach overseas markets. With the stabilization of the market situation and the facilities that can be provided to retailers from the market's products and service suppliers, fashion start-up brands could increase their chances of turning their concepts into healthy retail operations.

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