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FALL TRENDS

Directives West took a look at what will be in style for Fall/Winter 2018 in a runway show attended by buyers in town for LA Majors Market. For more from the show, see page 11.

NORMAN ZELLER

BOG Collective dress

TRADE SHOW REPORT

New Adventures in Selling at LA Majors Market

By Dorothy Crouch *Associate Editor*

This edition of **LA Majors Market**, held April 3-5 at the **California Market Center** during Passover and only days after Easter, offered an elevated mood at many showrooms.

Vendors were excited about appointments with trusted retail partners as well as establishing new relationships. Buyers from **Macy's, Belk, Charlotte Russe, Fashion Nova, Windsor, Forever 21, Bluenotes, Century 21, Burlington Coat Factory, Ross, Von Maur, TJ Maxx** and **Dillard's** searched for vendors who could best prepare them for Fall and help them navigate through changes in consumer demand.

Retailers found a fresh, new approach to the LA Majors Market the first day and hoped this momentum would continue throughout the week.

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INDUSTRY FOCUS: FINANCE

The Tariff Scare Keeps Apparel and Textile Companies Hopping

By Deborah Belgum *Executive Editor*

President Trump launched a trade war in March by imposing a 10 percent tariff on aluminum and a 25 percent tariff on steel coming from countries around the world.

Soon after, China retaliated by imposing import taxes on a number of U.S. products, including wine, almonds and pork.

The president's next battle plan was to slap on more tariffs by drawing up a list of Chinese-made goods that he believes should be subjected to import taxes.

Fortunately, President Trump decided to keep clothing and footwear off the list of Chinese goods that would be taxed. But it was still a warning sign that tariffs could still be a possibility in the ever-changing trade world. Tariffs were placed on machinery used in apparel and textile manufacturing.

With this in mind, the *California Apparel News* talked

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Hudson's Parent Company Sees a Net Loss for 2017

Revenues keep growing for **Differential Brands Group**—the parent company of **Hudson** jeans, **Robert Graham** and **SWIMS**—but that hasn't translated into a profit yet.

The Los Angeles company reported it had a net loss of \$2.5 million in the year ended Dec. 31, 2017, compared with a net loss of \$17.8 million the previous year. Net sales for the year totaled \$164 million compared with \$149.3 million in 2016.

Direct-to-consumer sales were up 9 percent in 2017, fueled by a 13 percent rise in e-commerce comparable sales growth and a 4 percent uptick in same-store sales.

For the fourth quarter, sales were up 7 percent to \$45.1 million from \$42 million and net income came in at \$4.1 million compared with a net loss of \$4.9 million in the previous fourth quarter.

"I am pleased to report that all of our brands produced positive total comparable sales, im-

proved margin dollars" and expanded margin rates during the fourth quarter of 2017, said Michael Buckley, Differential Brands' chief executive. He said that during the fourth quarter, the Robert Graham stores experienced a 7 percent rise in same-store sales, which is continuing into the first part of 2018.

SWIMS—a Scandinavian-style footwear, apparel and accessories company acquired by Differential Brands in 2016—saw its revenues grow 40 percent during the fourth quarter and had one store opening. "For the upcoming 2018 fiscal year, we have planned several key initiatives within each of the respective brands," Buckley said. "At the Hudson brand, we plan to test limited retail stores in the United States, and we are in development of a new line of sportswear to complement our denim products for the Fall 2018 season. We are also investing in additional sales staff at Hudson to help grow

our diversified and important specialty-store business across the country."

For Robert Graham, the company is adding additional catalog drops and circulation as well as expanding the brand through licensing to include home furnishings and additional accessories. Differential announced that Robert Graham's new license partners will be **Prodigy Brands** for men's footwear starting for Spring 2018; **Nouveau Eyewear** for eyeglass frames and sunglasses for Spring 2018; and **Komar** for sleepwear, loungewear, intimate apparel and daywear for Spring 2019.

The company also has plans to expand its assortment of SWIMS footwear, starting this spring, to go along with SWIMS' outerwear line in Europe. The brand's first full-price store is expected to open in Oslo this fall.

SWIMS was founded in Norway in 2006 to build a better rubber boot that was taste-

ful and had a bold look. Its products include boots, water-resistant loafers, ponchos and sportswear.

Before becoming Differential Brands Group, the apparel venture operated as **Joe's Jeans**, which hit a financial hurdle in 2013 when it borrowed \$90 million to buy Hudson for \$97.6 million and then defaulted on its loans.

The company was close to declaring bankruptcy in 2015 but ended up selling its flagship brand, Joe's Jeans, to **Sequential Brands Group** and **Global Brands Group Holding** for \$80 million. Funds from the sale were used to retire Joe's Jeans' debt.

The Hudson label remained behind and the company was merged with the high-end label Robert Graham and then combined under the Differential Brands Group corporate name, which is publicly traded on the **NASDAQ**.—*Deborah Belgrave*

Luxury e-Consignment App Tradesy Acquires Styling Service Fitz

Nearly six years after its official launch, the luxury secondhand-clothing marketplace app **Tradesy** has acquired **Fitz**, an in-home service that books professional stylists for clients who require closet organization and wardrobe styling.

Fitz, which was launched by **Gilt Groupe** and **Glamsquad** cofounder Alexandra Wilkis Wilson, will now be known as **Tradesy Closet Concierge**. The service allows Tradesy's 6 million members to be joined with personal stylists who will help shed unwanted pieces and resell the clothing through the

online marketplace.

"We've combined this top-tier experience with a new Tradesy consignment service that makes selling even easier. It's everything busy, stylish women need to fully manage their modern wardrobe," said Tradesy founder and Chief Executive Officer Tracy DiNunzio in a statement.

Since its acquisition by Tradesy, Fitz is now headquartered in Santa Monica, Calif., but was founded in New York City. While stylists from the Tradesy Closet Concierge currently serve New York City's boroughs of

Manhattan, Brooklyn and Queens, certain clients in Fairfield and Westchester counties, Long Island, and New Jersey can book services for an additional fee. By the end of 2018, the company plans to expand the service to all of Connecticut and Los Angeles. Service to other major cities throughout the United States is planned for 2019.

"Tradesy is the ideal partner for Fitz," explained Wilkis Wilson in a statement. "With Tradesy's robust technology, infrastructure and large fashion-savvy user base, the service



Tracy DiNunzio and Alexandra Wilkis Wilson

we built will now be positioned to scale dynamically across the country with Tradesy's millions of customers."

Tradesy Closet Concierge's most popular—and comprehensive—package, Closet Curation, is available to clients who require the services of two stylists for three hours, with wardrobe reorganization

and item resale. Clients who need only one stylist for a two-hour session to organize their closets can book an appointment for Styling, which doesn't include clothing resale on the Tradesy site.—*Dorothy Crouch*

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Discounts for U.S. Retail in 2018

For retailers, 2018 is going to be another year for big discounts as consumers see their wallets shrink from rising healthcare costs that are eating into their discretionary income.

"2018 will be on par with 2017 for promotions," said Marshal Cohen, chief industry analyst for the Port Washington, N.Y.-based **The NPD Group**. "It's the go-to method to stimulate business."

Cohen, as well as Matt Powell, senior industry adviser for sports at The NPD Group, was updating the market-research company's earlier retail forecast for the year.

Declining purchasing power, Cohen said, was being caused by healthcare premiums and deductibles that have increased at a faster pace than earnings for most working people. "After the first of the month, you spend one-third of your discretionary spending power," Cohen said. Consumers are spending less of their discretionary income on fashion, more money on trips, wellness and food. It's up to retailers to figure out how to encourage consumers to put a higher priority on clothing.

"Consumers are building memories rather than wardrobes," Cohen said. He recommended building on those experiences. "Will I have the right products to make that memory that much greater? Think of every time you take

pictures wearing the same wardrobe. You're going to think, 'I can't take selfies wearing the same outfit all the time.'"

Retailers are finding pressure from automatic-replenishment models by companies such as **Amazon.com**. Cohen said that the company is seeking to be the retailer that replaces basic clothes including underwear, T-shirts and basic jackets on a consistent basis. It's up to fashion brands to keep finding novel things, which will intrigue shoppers, and also look to give them the goods that they want.

Direct-to-consumer business and private-label business will continue to grow, Powell said. He noted that private labels accounted for 19 percent of the fashion business in 2017. Vertical retailers such as **Lululemon Athletica** were counted as basically doing private label.

Private-label business offers an opportunity for retailers to fill in merchandise gaps not occupied by their branded partners. It also gives consumers a chance to shop for something that may not be offered by brands.

Powell said that underperforming brands will be pushed aside by the growth of private labels. However, "I don't see a day when retailers carry only private label," he said.

—*Andrew Asch*

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Haggar Acquires Louis Raphael Menswear

Men's clothier **Haggar Clothing Co.** announced it purchased certain assets of San Francisco Bay Area menswear company **Kizan International Inc.**, whose label is **Louis Raphael**.

The Dallas-headquartered Haggar did not disclose terms of the deal when it was announced April 5. But it is acquiring Kizan's intellectual property, inventory and work in progress.

Ed Srsic, Louis Raphael's president and chief operating officer, will continue to lead the brand, which was founded in 1972 by Bill Kim. At the time of the sale, Kim served as the brand's chief executive officer.

"I could not wish for a better company to carry on my life's work than market-leader Haggar, which will be an outstanding steward of the brand and the company," Kim said.

Louis Raphael will operate out of its Brisbane, Calif., offices and distribution

center through June 30. Then it will move its operations to Haggar's Dallas headquarters and Fort Worth, Texas, distribution center.

Michael Stitt, Haggar's chief executive officer, called Louis Raphael an innovator in the men's pants category. "We are honored to add the brand and its private-label portfolio to our Haggar platform," Stitt said. "The acquisition is both synergistic and strategic and aligns with our core competencies and strategic priorities of exceptional quality, innovation and value."

Louis Raphael produces dress pants, blazers, casual dress shirts and tuxedos. It is known for mixing American fashion and fit with European styling.

Haggar, founded in 1926 in a one-room office in Dallas, has been sold at **Kohl's**, **JCPenney**, **Macy's**, **Target** and **Belk** as well as at **Haggar Direct** stores and at www.haggar.com.—Andrew Asch

RETAIL NEWS

Major Partner Exits The Bloc Shopping Center

After five years of working to rehab **The Bloc** retail center in downtown Los Angeles, **The Ratkovich Co.** has sold its interest in the venture to its partner, **National Real Estate Advisors**, for an unspecified amount. **Blue Vista Capital** remains on board.

Ratkovich's exit closes a chapter in the \$180-million remodel of a property that was considered to be at the center of revitalizing downtown Los Angeles. The remodel mostly wrapped up more than a year ago. Management for **The Bloc** said it has leased 84 percent of the retail space for the 1.8 million-square-foot development, which includes a **Sheraton** hotel, **Macy's** and an underground bridge to a **Metro** light-rail station. The **Alamo Draft-house Cinema** is expected to open after construction wraps up this year.

Jeff Kanne, president and chief executive officer of National Real Estate Advisors, said **The Bloc** is on track to play a central role in downtown Los Angeles' revitalization. "We look forward to a big year for the project as we complete the lease-up over the coming months," he said in a prepared statement.

Wayne Ratkovich, president and chief executive officer of TRC, said the company's job at **The Bloc** had been completed. He is now focusing on other developments at the **San Pedro Public Market** in Los Angeles' San Pedro neighborhood and **The Alhambra**, a mixed-use development in Alhambra, Calif.

Philip Dane, a tenant at **The Bloc**, is optimistic about the center. "It's a smooth transition. Things are going to keep moving forward. Now I'm waiting for more stores to open," Dane said. He opened the **Hand-**

crafted LA store at **The Bloc** in September and has been in talks to extend his store's lease to 2020.

"When there's more to do, more people are going to show up. People enjoy **The Bloc**. But there's limited activities for them at this point," he said.

In 2013, TRC and National Real Estate Advisors announced they had acquired what was then called **Macy's Plaza** for \$241 million. The developers embarked on ambitious

plans to tear off the roof of the enclosed mall and update it into an open-air center. Tenants such as **Macy's** and **LA Fitness** also remodeled their sections in the mall. A large **Starbucks** opened at **The Bloc** last year around the same time it was announced that the luxury, dine-in cinema **Alamo Draft-house** would open a 12-screen movie house there.

In the past few years, other retail centers and boutique districts have opened

in downtown Los Angeles to varying degrees of success. A short walk from **The Bloc**, **Figat7th** took a bow in 2014 and has been busy. Its tenants include **Victoria's Secret**, **Zara**, **H&M**, **Target** and **Nordstrom Rack**.

Brigham Yen, a commercial real estate agent who follows downtown Los Angeles' retail scene for his blog, "DTLA Rising," has faith that **The Bloc** will eventually meet its potential. But there have been pitfalls in rolling out **The Bloc**.

"It is in such a great location. They have great spaces. But it doesn't make sense that **Figat7th** can succeed and that **The Bloc** cannot. It doesn't say anything about downtown. It says a lot about who owns the building," he said.—A.A.



Metro station entrance at The Bloc

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Socialite Introduces New Denim Line

By Andrew Asch Retail Editor

With little fanfare, veteran denim designer Eero Gathers recently joined the Los Angeles label **Socialite** and was given the job to create a denim line for the 8-year-old womenswear collection.

Socialite founder Stephanie Kleinjan said it was a natural extension of the brand. “It completes the look of the tops,” Kleinjan said of Socialite’s business of making tops and casual dresses—some in the United States and some overseas. It also extends Socialite’s brand after building a business in manufacturing private label and selling its tops and dresses to retailers such as **Nordstrom**. “We hope this will help us to get to know our customer even better—how she lives and how she dresses,” the Socialite founder said.

Gathers, who joined Socialite in November, has a long history with denim brands, including **Ksubi**, **Genetic Denim** and **7 for All Mankind**.

He believes this is the right time to launch denim, which is returning to popularity with different styles, washes and looks. Denim’s rise has been evident at trade shows such as the influential **Liberty Fashion and Lifestyle Fairs**, which produced a larger denim section at its Las Vegas show in February.

Industry leader **Levi Strauss & Co.** announced its net revenues grew 13 percent for its fourth quarter ended in November. In the past few years, the category has rallied after steep competition from athleisure clothes, according to market researcher **The NPD Group**, which said U.S. jeans sales increased 3 percent to \$15.3 billion in 2016.

Kleinjan hopes that the new denim line will see steady growth. “It is on trend. It is wearable. It will be the right quality and the right fit,” she said. “We’re not inexpensive. We’re not expensive.”

Wholesale price points will range from \$39 to \$59 for bottoms and \$59 to \$75 for jackets. Denim washes include a light indigo, a “vintage” indigo as well as gray and black. An

upcoming season will offer white denim.

Socialite’s first season will feature about five different silhouettes. The “Milla” silhouette offers a high waist with a slim leg in a rigid denim fabric and a fabric called comfort stretch. The “Thea” fit also features a high-waisted, straight-legged, ankle-crop look.



TREVOR KING

The “Beau” look offers a relaxed “barrel” fit with side gussets, or pieces of fabric sewn into seams to add breadth.

The “Dani” is the bottom with the fullest fit, described as a retro ’90s baggy look. The line also will offer utility-style pants with cargo pockets. Bottoms will feature the Socialite-brand logo embroidered on the front-coin pocket. The back label will feature the brand’s name embroidered in denim thread instead of a patch.

For denim jackets, looks include an oversized “boy-friend,” a denim jacket with cut-off sleeves and a long denim skirt.

Kleinjan said the new line will put Socialite on the road to being a lifestyle brand with plans to make accessories. Past



looks from the line of knits and wovens include a sweatshirt with a twisted hem, a collared shirt with a raw hem, a tie-back peplum top and a sweater with a low V-neck. Other looks include a wide-leg jumpsuit and a gingham A-line skirt. Kleinjan said that her company would continue to produce private label.

This summer, Socialite is scheduled to introduce a direct-sales site at www.socialiteclothing.com. ●



Women's Golf Wear Takes Shape in Los Angeles

By Dorothy Crouch Associate Editor

In the world of active apparel, women are often met with options that don't fit properly, lack support and don't transition well from the playing field to everyday life.

For industry veterans Dianne Jefferies Celuch and Tami Fujii, who first met when they both worked at **Eddie Bauer** during the late 1980s, creating a women's golf-apparel line meant using their many years of experience to launch **Kinona**, a Southern California-made collection that debuted in January.



Make Waves golf top and Always Working golf tunic top



Always Working golf tunic top

In addition to their shared experience at Eddie Bauer, Fujii's career path led her to work in marketing at companies including **Microsoft**, **T-Mobile** and **Pacific Market International**, while Jefferies Celuch pursued merchandising through positions with **Speedo**, **Ann Taylor** and **Juicy Couture**.

Today, Jefferies Celuch manages Kinona's business, ranging from product design to delivery, and Fujii is free to oversee marketing and e-commerce through www.kinonasport.com. Both women share sales responsibilities.

"It works out well," Jefferies Celuch said. "We divide the responsibilities and it works really well according to our differ-

ent strengths."

The two friends and business partners wanted to create a line that performed on the green yet looked stylish the rest of the day—well after tee time. In addition to shaping features in their pieces, there is more to the brand than simply looking good on the outside.

"We use Italian fabrics with higher Lycra counts that help shape and smooth but are also easy care," Jefferies Celuch said. "Inherently, our products have built in UPF [ultraviolet protection factor], shielding out 90 percent of harmful UV [ultraviolet] rays."

After building a 30-year career in the apparel industry, Jefferies Celuch was familiar with fabrics that were available through the Italian mill **Jersey Lomellina**, whose parent company is the Bergamo-based **Carvico**. While the collection's fabric comes from Italy, Kinona's manufacturing is performed at two Los Angeles-area factories—one located in El Monte and another downtown.

Wholesaling at \$50 to \$75, the brand has been shown at the **ANA Inspiration** tournament at the **Mission Hills Country Club** in Rancho Mirage, Calif., and will be present during the **HUGEL-JTBC Open** at the **Wilshire Country Club** in Los Angeles this month. In addition to hosting

trunk shows at locations such as **The Reserve** in Indian Wells, Calif., Kinona secured a retail presence at pro shops located at some of the sport's most popular courses, including **Overlake Golf & Country Club** in Bellevue, Wash.; **Bighorn Golf Club** in Palm Desert, Calif.; and **Mission Hills** in Rancho Mirage.

In addition to a presence at trunk shows, selling through retail partners and golf tournaments, Kinona is also sold through its sales associates known as "champions," who are encouraged to host parties while selling the line. Combined with a traditional retail presence and trunk-show opportunities, Jefferies Celuch feels that the intimate shopping atmosphere provided



Make Waves golf skort

by "champions" affords different experiences to try the brand.

"Our placement in a more traditional bricks-and-mortar location allows the consumer to see the brand within a larger context while our 'champions' and trunk-show model provide the ultimate in a one-on-one personal shopping experience," she said.

This strategy is paying off, as Kinona has been sold in 22 locations since its launch. At the core of its business growth, Kinona's team is listening to consumers and adding pieces that reflect feedback, such as introducing long- and three-quarter-sleeve shirt options, in addition to a longer pant design for the Fall collection.

Kinona is also targeting the needs of the female golfer over 40 years old, who hasn't been easily accommodated in this sport. As their bodies change, these golfers look for more than cute golf shorts in bright, neon plaids. They want stylish designs that flatter their shapes yet will provide comfort through 18 holes on the green all the way up to dinner.

"Our line means 'shape' in Hawaiian. We use special fusing in the waist to give shaping and build the styling details, so the back comes up a bit higher to hide muffin tops," Jefferies Celuch explained. "It's much more attractive. Much more feminine. They hang a little bit away from the body, so they don't cling."

As the line grows with more partnerships and additional pieces in the collection, Jefferies Celuch projects Kinona's revenues to climb to \$400,000 to \$500,000 during the first year. The company is also focused on having a presence at important trade shows and will exhibit at the **PGA 2018 Fashion & Demo Experience** Aug. 13–15 at **The Venetian** in Las Vegas.

Despite the positive reception that Kinona has received, it has not been easy to sell all the time. While California, Florida and Arizona have warm climates, which help with sales, the Northeast is challenging until April or May.

"We're figuring out how to best do the calendar," Jefferies Celuch said. "What we're looking at are smaller drops and delivery and adding business to e-commerce." ●

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Finance *Continued from page 1*

to several financial experts about how possible U.S. tariffs down the road could affect the clothing industry. We asked them this question: *What kind of contingency plans should clothing companies be putting in place in case tariffs are imposed in the future on Chinese-made apparel, and how would tariffs affect importing apparel companies' financial health?*

Darrin Beer, Western Regional Manager, CIT Commercial Services

Apparel and footwear imported from China were not among the categories recently announced for U.S. tariffs. Even so, the potential for future tariffs remains. China is unquestionably a force to be reckoned with in the apparel industry. Clothing companies that import apparel from China should be taking steps to create contingency plans in case tariffs are imposed in the future.

The nature of fashion makes it virtually impossible for clothing importers to stockpile significant merchandise ahead of any potential tariffs. Some companies have already

taken steps to diversify their supply base by utilizing production in Vietnam, Indonesia, Latin America and domestically in the U.S. Apparel companies with a geographically diversified vendor base have the flexibility to mitigate the risk of future price increases resulting from tariffs, currency fluctuations or inflation.

Even with all these measures, China's dominance as an apparel maker means it would be virtually impossible to avoid importing Chinese-made goods entirely. If a 25 percent or greater tariff were to be imposed in the future, the higher costs would likely be shared by the supplier, importer and direct consumer, as retailers would likely try to pass along most or all of the price increase.

While apparel and footwear have been spared in this latest round of tariffs, trade talks between the U.S. and China are ongoing. Those in the apparel and footwear industries are well-advised to watch developments closely, make their voices heard and be ready with contingency plans for potential future tariffs.

Mark Bienstock, Managing Director, Express Trade Capital

In light of both the potential tariffs and trade war with Chi-

na, we are suggesting to our clients that they revisit opportunities in Bangladesh and India for sourcing new products.

Bangladesh has a major advantage in the area of labor pricing. India, which during the 1980s and 1990s was a major apparel exporter, has the infrastructure and capacity to take advantage of this potential opportunity.

At the end of the day, the consumer would be the big loser if any trade war with China develops. This is a case where cooler heads need to prevail for the entire world's best interest.

Sydnee Breuer, Executive Vice President, Rosenthal & Rosenthal

It's a good idea for all businesses to have contingency plans for any disruption that could affect their business. There are contingency plans for weather-related issues, system-related issues, and tariffs or increases in any production cost are no exception. Apparel companies should routinely investigate alternative production sources, even if within the current country, to be sure they are receiving good pricing for the quality they receive.

With the potential increase in tariffs, those who import from China should consider manufacturing in other parts of

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the world—whether that means shifting to India, Pakistan and the Middle East—or to the Western Hemisphere—Mexico, Central America, etc.—or even bringing some production back domestically. It's imperative that the country's infrastructure be in place to manufacture the specific type of apparel needed so as to not incur costly production delays, quality or port/shipping issues.

The current proposed tariffs would most likely affect private label more than brands. The brands are in a better position to pass along the increase, or some portion of the increase, to the consumer, who would be more willing to pay increased amounts for the brands they want.

Gino Clark, Managing Director, Originations, White Oak Capital Finance

Trump's proposed tariffs on Chinese-made goods are dominating conversations across the political and financial spectrum. As such, it's no surprise that apparel importers are watching this situation closely.

The apparel industry's ever-changing landscape is nothing new. In my experience, apparel companies are generally well prepared to deal with sudden changes, whether it be weather conditions, consumer demands and/or, in this case, potential government regulations. Adept apparel companies with strong management teams can overcome most challenges.

For apparel companies, flexibility starts by ensuring profits are retained in the business and access to liquidity is maintained. This allows them to not only develop contingency plans for dynamic situations but also to implement those plans.

The potential situation with China is an important reminder of the need for the apparel companies to expand their supply sources. It is common for apparel companies to source goods from many countries—including China, Cambodia, Vietnam, Guatemala and Mexico—as well as domestically. This type of diversification helps companies compete on price as well as on quality and delivery times.

Ultimately, increased tariffs can lead to increased consumer prices. However, if apparel companies remain flexible

and maintain diversified supply sources, they can minimize the impact of the proposed tariffs on Chinese-made goods.

Ron Friedman, Partner, Marcum LLP

I think everyone needs to be thinking long term as to the changes that a company may need to make. Most companies cannot change quickly as to where they will be sourcing product from.

Our clients have been in China for many years, and they have developed relationships over this period of time. To move production to other countries will not be easy.

At Marcum, we are suggesting our clients think about slowly diversifying their sourcing to other countries that can meet their needs. It takes time to plan and get the quality production from new sources.

Manufacturers will also be considering bringing back some production to the United States. Local production has the advantage of quick turnarounds from the time the order is received to shipping the merchandise.

It will be difficult to predict how the apparel industry might be impacted by new tariffs as this may just be a big poker game being played by world leaders.

Rob Greenspan, President and Chief Executive, Greenspan Consult Inc.

While new tariffs on Chinese imported apparel have not yet been decided, it is anybody's guess if they will be. But waiting for something to possibly happen without having a plan is a mistake that should not be made.

What apparel importers should be doing is thinking about finding other sources and locations of production that will not be affected by these tariffs. This could mean looking for some domestic production, production from Mexico or other NAFTA (North American Free Trade Agreement) countries or moving production to factories in other Asian countries not impacted by any new tariffs.

While this sounds simple, moving production from country to country, factory to factory is not so easy. Apparel importers should start with small steps in diversifying their production and building up from there.

This is a process that could take a number of months to work through. The important issue is not just keeping the price of your garments competitive but, more importantly, making sure the quality of your goods doesn't suffer if there is a transition in production.

I have been told some Chinese factories are seeking to open new factories in countries that will not be affected by potential tariffs. So you might be able to stay with your current supplier, but their factory might now be in other countries besides China.


Lastly, if tariffs are imposed and you are not able to move production, will you be able to pass these costs on to your customers? If your competitors have been successful in moving production to non-tariff countries, you will be stuck with having to absorb these costs. The impact on your gross profit margin and your net income could be significant. So planning ahead and having a contingency plan is critical.

Sunnie Kim, President and Chief Executive, Hana Financial

China generally imports raw materials and unfinished products, assembles the inputs, and exports the finished goods. Should such tariffs be enforced, U.S. apparel manufacturers will be impacted. However, the extent of this impact is premature to measure at this time, as we would need to determine the current cost of an imported material compared to the cost of the same domestic good and then factor in the amount of tariff. What we do know is that the retail environment has been challenging due to changing consumer behavior with respect to the growing e-commerce competition and decreasing foot traffic in the past few years.

U.S. clothing manufacturers should prepare for the worst, and we expect the possibility of many to reduce the volume of Chinese imports should such changes come into practice. Nevertheless, we foresee the possibility of U.S. manufacturers continuing to purchase raw materials from China but shifting away from the traditional practice of allowing these partners to assemble finished goods that result in importing directly from China. Raw or unfinished materials may be channeled to other neighboring countries, such as Cambo-

➔ Finance page 10



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Barbara Fields' Juniors Trends for Spring 2019

On the fashion radar for juniors next year will be brightly colored T-shirts, pops of Glen-plaid designs printed on key items and more distressed denim.

That was the prediction of Barbara Fields, whose **Barbara Fields Buying Office** presented its Spring 2019 forecast in a series of seminars at the **California Market Center** in downtown Los Angeles, coordinated with the **LA Majors Market**, held April 3-5.

Retailers attending the seminars included **Zumiez, Windsor, Burlington, TJX, A'gaci** and **Fashion Nova**, Fields said.

New looks in T-shirts include a knot twist in front and lattice-trim details on the back of shirts as well as grommets. Humorous T-shirt slogans will be popular, along with slogans such as "Feminist," which make a statement about the wearer's politics. Cold-shoulder tops will make a return but won't be as prominent as they were more than a year ago.

Color blocking was predicted to be popular on T-shirts as well as on sweatshirts and sweaters. Also, look out for chenille sweaters in solids and stripes, jackets with Sherpa-fur trim, and sweatshirts with fur sleeves.

Metallic-silver jackets will be a hit. Puffer jackets will continue to be big with some experimentation in things including jackets with French-terry sleeves and hoods.

Trends that will continue from past seasons include motorcycle jackets. However, the jackets won't be your dad's



From left: Barbara Fields at the trend forecast, a look at motorcycle jackets and ugly Christmas sweaters

proverbial moto jacket. They're going to come in a number of fabrics and treatments, including faux fur. Denim jackets are also forecast to be popular for Spring 2019, and denim bottoms will continue to have distressed looks.

Athletic wear is another past trend that will carry forward. Fields said track pants with side piping, activewear with graphic writing and dresses made of athletic/jersey material will be popular.

Athletic tops for juniors will include looks such as mesh-inset tank tops, color-blocked bras and tank tops with graphics. Leggings will continue their prominence with printed

leggings, leggings with destruction, leggings that provide a lift to the rear end and leggings with side taping.

The ugly Christmas sweater shows no sign of going away, Fields said. The ironic trend has been going strong for more than three years. She recommended that retailers increase sections for special novelty shops for Christmas and Halloween gear.

She also advised putting Mickey Mouse on retail radar screens. Mickey will turn 90 on Nov. 18. Expect a lot of interest on the cartoon character's birthday, Fields said.

—Andrew Asch

INDUSTRY FOCUS: FINANCE

Finance *Continued from page 9*

dia or Vietnam, to avoid higher costs, which could potentially impact end consumers in the U.S. in an already challenged retail environment.

Dave Reza, Senior Vice President, Western Region, Milberg Factors

Tariffs not only impact the revenue/income stream of a company but compel a shift in resources, sourcing patterns and inventory management. These changes could dramatically affect profitability, balance sheets and cash flows.

Importers need to anticipate these changes and establish contingency plans as part of the process of working in a higher-tariff environment. Shifting production to countries not subject to a tariff is one solution. Considering local U.S. production is also an option. However, whichever road is taken, the impact will not simply be a higher cost of goods/lower gross profit.

A change in production locale brings with it possible new regulatory restrictions, terms/credit requirements, logistics issues and the normal new-vendor quality snafus. Historical inventory levels may no longer be relevant or prudent if there is significant consumer uncertainty. All of these dynamics combined can significantly alter an importer's historical working capital requirements and cash-flow patterns and financial outlook.

Any importer would be well served to prepare for the unexpected by taking time to understand how changes in sourcing and/or higher product costs/lower sales will change their profitability and, more importantly, their short-term liquidity. By doing this, they can work with their factor/lender

to project out timelines for production and cash-flow support requirements and have approved over-advance or letter-of-credit facilities, if needed, in place ahead of time.

As with other changes in the world of apparel manufacturing and importing, those companies that can stay ahead of the curve with resources, anticipating customers' needs and embracing the changes will live to fight another day.

Ken Wengrod, President, FTC Commercial Corp.

Buckle your seat belts and hold on for a bumpy ride. Let the trade negotiations begin between the U.S. and China. President Trump never proposed tariffs on Chinese-made apparel goods. The tariff list, "totaling more than \$50 billion," will include largely high-technology

goods, and/or manufacturing counterfeit goods. The CBP has a special task force reviewing shipments from China specifically to investigate potential AD/CVD violations.

U.S. importers should already be scrubbing their bad suppliers. They need to keep reevaluating their entire supply chain.

U.S. importers need to focus on how to be more efficient in manufacturing, inventory turn, reducing sampling and preproduction costs. They need to have strong strategic partnerships with their foreign makers, freight forwarders and U.S. custom brokers. Instead of waiting for something to happen, U.S. importers should be more proactive and develop a long-term goal. Their supply chain needs to be more responsive when any adverse market conditions occur.

Some companies are being proactive and have started sourcing goods in other coun-

tries such as Bangladesh, India and Egypt. That process will take time, however. No other country in the world has the infrastructure that China has, which makes it the best at producing apparel. The Chinese have invested enormously in technology and have a banking system that supports manufacturing. China has the most advanced manufacturing capabilities to produce quality product at competitive pricing.

Adam Winters, President and Chief Executive, Merchant Factors Corp.

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tries such as Bangladesh, India and Egypt. That process will take time, however.

No other country in the world has the infrastructure that China has, which makes it the best at producing apparel. The Chinese have invested enormously in technology and have a banking system that supports manufacturing. China has the most advanced manufacturing capabilities to produce quality product at competitive pricing.

I think it is smart for apparel companies to explore how they can diversify their sourcing, but the reality is that for the time being most of your product will need to be produced in China.

The administration does have legitimate issues to review with China regarding intellectual property and investment practices, but I am cautiously optimistic that the current discussion of tariffs are a negotiating tactic and that the rhetoric will soften over time. Our economies are intertwined, and there would be repercussions to both sides if we were to have a trade war. ●



Ken Wengrod, President, FTC Commercial Corp.



Adam Winters, President and Chief Executive Officer, Merchant Factors Corp.

Calendar

April 7

Stylemax
Merchandise Mart
Chicago
Through April 10

April 9

CALA
Denver Mart
Denver
Through April 10

April 10

Atlanta Apparel
AmericasMart
Atlanta

Through April 14

April 15

Fashion Market Northern California
San Mateo Event Center
San Mateo, Calif.
Through April 17

April 19

Marcum Retail Symposium
JW Marriott
Los Angeles

April 22

Arizona Apparel, Accessories, Shoes & Gift Show

Phoenix Convention Center
Phoenix
Through April 24

April 25

DG Expo Fabric & Trim Show
Dallas Market Center
Dallas
Through April 26

There's more
on ApparelNews.net

For calendar details and contact information, visit ApparelNews.net/calendar.

Submissions to the calendar should be faxed to the Calendar Editor at (213) 623-5707. Please include the event's name, date, time, location, admission price and contact information. The deadline for calendar submissions is the Tuesday prior to Friday publication. Inclusion in the calendar is subject to available space and the judgment of the editorial staff.

Directives West Shines Spotlight on Major Trends for Fall/Winter 2018

Denim has been on a roll for the past few seasons, but it will continue to push forward with more distressed looks, high-waisted tops, Mom jeans and cropped silhouettes.

People are still mad for plaid, which will be more evident this Fall with pants, leggings, ponchos, blouses, dresses and suits bearing its imprint.

New to the scene is a "Little House on the Prairie" inspiration that is infusing Fall with Western-wear looks heavy on prairie floral prints, rodeo fringe and patchwork looks. Hold on to your cowboy hat for this one.

For novelty details, the Fall fashion scene will be populated with sequined dresses and jackets, faux-fur jackets and shiny pants.

Those were some of the Fall/Winter trends presented by the **Directives West** buying office, which organized a runway show for buyers at the **California Market Center** during **LA Majors**

Market, running April 3-5.

"We are seeing newness in sweaters, denim, jackets and athleisure," said Shelda Hartwell, vice president of Directives West. "The consumer is confident and more knowledgeable than ever before. We need to keep connected to her with storytelling and understanding her changing lifestyle, and social consciousness is part of that."

The boyfriend look is taking on a new angle with oversized blazers with big shoulders hitting the stores this fall. Menswear fabric that incorporates that plaid look will be popular as will slouchy pants.

Because this is California, the athleisure trend is alive and well, morphing into something a little bit more formal in fabrications that include twill and plush fabrics. Piping on the side of pants and varsity sweaters make an appearance. You can pair these looks with puffer jackets, moto jackets or track jackets, depending on your mood.—*Deborah Belgium*



Bronx and Banco sequined dress

Korir jacket, London Rose top and skirt

One World cardigan and Crimson in Grace prairie dress



NORMAN ZELLER

Celebrity Pink jacket, Vanilla Star shirt, Ashley Mason snap jean

PPLA sweater, Marna Ro twill jogger

Ten Sixty Sherman sweater and Vanilla Star plaid pant

Boom Boom blazer, No Frills mock-neck top, Be Bop jumpsuit

Ontwelfth cropped denim jacket and jean

Hudson Valley sweater, Kut girlfriend jean

Lumiere sweater, Fab Luxe pant

BB Dakota coat, Bella Dahl blouse, The Joy Edition pant

Rabbit Rabbit Rabbit block dress

Jolt fur jacket, Inspired Hearts T-shirt, Boom Boom bottoms

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TRADE SHOW REPORT

Majors Market *Continued from page 1*

“The Doneger Group and Directives West show was strong. They changed the way they’re doing their show, so it was great because it highlighted some of the big items as opposed to big ideas,” said Natalie Alba, who is a juniors and young men’s division merchandise manager for Dillard’s.

Discussing the difficulty with purchasing for the third quarter, she explained that her goal was to find unique designs in Fall sweaters, lightweight knits, separates, juniors and denim.

“I’m trying to find a little bit of lightness in a season that is regularly known to get a little darker,” she explained.

Busy taking orders for its Fall 2018 collection, denim company YMI had a promising start. Its new looks included outerwear, ’90s-inspired plaid pants and athletic-stripe jeans in addition to its new line of “Dream” denim.

“Today has been a great day, a great way to start a show,” said Vice President Michael Godigian. “We’ve had a very busy market so far for the first day, and it continues to be a good flow of buyers walking through, so we’re excited about Fall.”

At Monteau, Ronnie Tobet, head of sales for the girls’ and tweens division, felt confident about her meetings, where she discussed trends including shirt-dresses, walk-throughs, jumpsuits, rompers, hachi knits, sweater knits, tie fronts and bell sleeves as well as patterns in polka dots, stripes and plaid. Citing the shift in weather patterns throughout the United States as a new consideration for the industry, she believes in a buy-now, wear-now approach, as consumers are more financially prepared to spend but not willing to let go of their dollars so quickly.

“You’ve got to give them [consumers] a reason to part with that money, and the only reason to do that is if they have a need. So, a need would be ‘Oh, today it’s 60 degrees,’ they’re in the mall all day, then the next day it’s 40 degrees and they’re not shopping again,” she said. “We need to be much more in tune with that.”

Pleased to report traffic from long-term partners and buyers who didn’t schedule appointments, Dollhouse’s Ira Spiegel, who serves as the company’s vice president of sales, felt these new accounts might have been inspired to meet with him after seeing Tuesday morning’s fashion show.

“I think they reacted nicely to some of the stuff we had in the Directives West show this morning,” he said.

Citing rising travel costs that have caused him to bypass other shows, Spiegel noted that Dollhouse’s presence as a denim brand made this week extremely important.

“LA [Majors] Market is always important because LA is a real hotbed for denim,” he explained. “It’s what draws customers from all over the country. Customers that we may not be able to see in New York are always going to come for LA Market.”

Other showrooms felt that the April market usually has less traffic, but despite this overall trend they were seeing more retailers than expected. At juniors brand Indigo Rein, there was a lot of optimism as spring holidays came to a close.

“There’s a light at the end of the tunnel,”

said Vesna Horton, a sales representative. “Seasonals are starting to check, so obviously with spring break and Easter, over the past two weeks, it’s kind of picked up, for sure.”

The company is promoting a sustainability initiative, which many retailers are responding to as they continue to offer products that align with the demands of millennials and Generation Z.

There was interest in Immediates at Ikedi—which offers women’s, juniors and tween designs by Ultra Flirt, No Comment, Miss Understood and Kristen Nicole—but there was also a large demand for the company’s Fall pieces.

“We’ve been booked all day,” said Susan Doneson, an account executive. “There is a lot of novelty in sweaters, so we’re definitely booking a lot of sweaters. A lot of athleisure for Fall, new fabrics, new washes, definitely a lot of newness in the fabrics.”

The continued denim-jacket trend has yielded greater interest in Highway Jeans’ offerings. Sharon Perri, who is a senior sales manager, was satisfied with the first day and explained how retailers responded to new products. “Anything with a Lyocell hand feel, a softer hand feel, in tops has been amazing for us,” she said. “Denim skirts are still

trending for me both in minis and more midis, but going into Fall, the strength and length will be 19 inches.”

The brand has enjoyed a great response to its softer fabrics and an exciting new launch of an “All Love, No Handles” line, a high-waisted, tummy-control jean that includes a front pocket, designed to shape the waist and hips.

With her company shifting priorities to develop more of its own goods, Goldie Mahon, associate buyer for retail chain Francesca’s, had a lot of appointments to view



YMI’s “Dream” denim



Meeting at Dollhouse



The Indigo Rein showroom

Fall/Winter collections. She hoped to find impressive pieces but was still mulling over her options.

“The past few months, the market isn’t necessarily moving as quickly as we would like it to, so we’re kind of changing our focus on more product development,” she said.

Waiting until next week to place orders, Mahon was thinking about how she could learn from this trip by using the experience to help her company evolve. ●

GOTS Gets Two New Leaders

After leading the **Global Organic Textile Standard (GOTS)** nonprofit since it was founded in 2002, Herbert Ladwig has stepped down as managing director, turning leadership over to two people.

Claudia Kersten and Rahul Bhajekar are now in charge as dual managers of the group, which is an operating unit of **Global Standard gemeinnützige GmbH**. Ladwig will continue to serve as a policy and legal adviser. Kersten and Bha-

jekar have been working as directors for GOTS for some time.

"I am extremely pleased that we can secure my succession with these two top executives leading the Global Standard gGmbH," Ladwig said.

GOTS is the voluntary global standard for the entire post-harvest processing of apparel and home textiles made with certified organic fiber, including organic cotton and organic wool. It also takes into account both environmental and

social criteria. Key provisions include a ban on the use of genetically modified organisms, or GMOs, highly hazardous chemicals and child labor, while requiring strong social-compliance management systems and strict wastewater treatment practices.

There are 5,000 operations with more than 1.7 million workers in more than 60 countries around the world that were GOTS certified in 2017.—*Deborah Belgum*

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Products and Services: Kris Goddard's designs deliver what she promises—fresh shapes with a vibrant, youthful appeal yet offering comfortable coverage on the top and bottom. Paradise Ranch goes bold with prints, an array of exuberant tropicals mainly sourced from Italy and France, with solids produced in the United States. The line's success has enabled Goddard to start buying print designs exclusive to Paradise Ranch. Beyond the bright look, Paradise Ranch is also developing a loyal customer base for its smart silhouette choices and Goddard's meticulous attention to fit details. "My collection is meant to be multifaceted," Goddard notes. "It's more than just swimwear—it's wearable to many places, it's interchangeable, it makes for easy packing. That's the mainstay of what we're doing that makes us different. It's coverage but still sexy." Paradise Ranch Designs has been recently photographed on some of the brightest young Hollywood talent like Miley Cyrus in VOGUE, actress Amanda Cerny, singer Ashanti and entertainer Chloe Lukasiak.

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