CALIFORNIA VOICE OF THE INDUSTRY FOR 74 YEARS

\$2.99 VOLUME 75, NUMBER 22 MAY 31-JUNE 6, 2019

Students at the Los Angeles Trade-Technical College student fashion show designed their creations around the 50th anniversary of Woodstock. For more looks, see page 6. Yubing Wu

Exclusion of Turkey and India from GSP Could Bring New Sourcing Problems

By Dorothy Crouch Associate Editor

A great deal of attention has been paid to the issues surrounding the Trump administration's move to impose up to an additional 25 percent higher tariff on certain goods entering the United States from China.

Finding new sourcing partners for textiles created within a particular region or relying on the craftsmanship for which a certain country is known could prove increasingly difficult.

On May 16, the United States declared Turkey, a source for silk, ineligible to continue as a Generalized System of Preferences trade partner. In March, U.S. Trade Representative Robert Lighthizer explained that Turkey had evolved into a nation that is "sufficiently economically developed and should no longer benefit from preferential market access to the United States market."

During 2017, U.S. trade with Turkey totaled an estimated Trade page 3

Pocket Square Clothing Acquires Clothing Manufacturer With Expansion in Mind

By Andrew Asch Retail Editor

Downtown Los Angeles' Pocket Square Clothing started out doing business in 2011 making bow ties and pocket squares, eventually branching out to bespoke clothing.

Then, in 2016, co-founders Rodolfo Ramirez and Andrew Cheung opened a 1,250-square-foot flagship at 205 W. 7th St. in downtown Los Angeles, where an array of bow ties, pocket squares and sunglasses are displayed.

With the two thinking about expanding into new categories, they decided to go more vertical by recently acquiring the small L.A. clothing manufacturer California Top Hand for an undisclosed sum.

California Top Hand had been working with Pocket Square Clothing for some time to make its suiting accessories. The manufacturer also made restaurant and hospitality uniforms as well as shirts for other companies.

⇒ Pocket Square page 9



Gap Sees Same-Store Sales for Key Brands Fall in First Quarter

The first quarter of 2019 did not go well for **Gap Inc.**, the San Francisco purveyor of blue jeans and other casualwear.

The San Francisco company reported on May 30 that net sales for the first quarter, ending May 4, were down 2 percent to \$3.7 billion compared to \$3.78 billion during the same period last year.

But net income was up 38 percent in the first quarter to \$227 million from \$164 million in the same period last year.

Same-store sales at all of the company's name-brand retail stores slipped, with **Old Navy** seeing a 1 percent decline in comp-store sales in the first quarter over the previous year.

The **Gap** retail chain saw same-store sales slump 10 percent, and **Banana Republic** had a 3 percent decline in same-store sales

over last vea

"This quarter was extremely challenging, and we are not at all satisfied with our results," said Art Peck, the company's president and chief executive.

Highlighting slowing sales was the fact that the company's inventory was up 10 percent in the first quarter, year over year, to \$2.24 billion. This was also affected by the \$35 million acquisition this year of high-end childrenswear retailer **Janie and Jack** plus net-store growth.

The company is actively monitoring the threat of increased tariffs on Chinese apparel imported into the United States. Currently, there is an additional 25 percent tariff on Chinese-made textiles and handbags, but that tariff could be expanded to include apparel and footwear if the Trump administration decides

to ramp up the trade war

"This translates into a tax on the American consumer," Peck said in an earnings call with analysts.

He explained that for several years Gap has been moving its sourcing out of China. Three years ago, 25 percent of Gap products were made in China. That is now down to 16 percent. "We are actively monitoring the [tariff] issue and managing our sourcing operations accordingly," Peck said.

Gap Inc. is in many ways a company that operates on many fronts. Its Old Navy chain of stores offers value-priced merchandise while Banana Republic caters to the workingman and -woman with higher-priced goods. Gap stores offer casualwear at midrange prices. The company's other brands

are Athleta, Intermix and Hill City.

Earlier this year, Gap Inc. announced it would spin Old Navy, the workhorse of all its retail brands, into a separate company next year, creating two independent publicly traded companies.

One company will be called Old Navy. The other company, consisting of all the other Gap Inc. brands, does not have a name yet but is being referred to as NewCo.

As part of the revamping, some 230 Gap stores will be closed over the next two years as the company expects about 40 percent of future Gap sales to come from online purchases.

For the rest of fiscal 2019, Gap executives said they expect company sales to be relatively flat and company comparable sales to be in the low single digits.—*Deborah Belgum*

Otis College of Art and Design Looking for a New President

With the departure of Bruce Ferguson, the president of **Otis College of Art and Design** for four years, the educational institution is looking for a new, permanent president.

After Ferguson left in mid-March, Randall Lavender, former provost of the college, was named the interim president and will serve in that position until the board of trustees selects a new president.

The trustees, in making their announcement, said the college was looking toward the future and felt it was an appropriate time to make a leadership change.

"Bruce's presidency contributed to Otis College in a number of important ways," according to a statement. "He oversaw the creation of the L.A. summer residency and summer offerings and put a new focus on developing new extension opportunities. He also led the successful transition to the expanded Elaine and Bram Goldsmith campus as well as the move of the scholarship benefit and fashion show to the campus."

Ferguson was appointed president of the college in 2015 after serving as vice chairman at the global multimedia company **Louise Blouin Media**. He was the founding director and first curator of **SITE Santa Fe**, a nonprofit contemporary-arts organization in New Mexico.

He was also dean of Columbia University's School of Arts, founding director of Arizona State University's Future Arts Research and Dean of Humanities and Social Sciences at the American University in Cairo.

Lavender takes over after holding many positions at the college as well as being a nation-

ally and internationally exhibited artist who works in oil on panel and sculptural tableaux.

He first joined Otis College as a part-time faculty member in 1983, later becoming an

adjunct assistant professor and associate chair in the foundation program. He held various positions until being appointed provost in 2014.—*D.B.*

Fur-Ban Bill Approved by California Assembly

California is closer to becoming the first U.S. state to ban the sale of fur.

On May 28, the California Assembly passed Assembly Bill 44, which bans the sale of fur in California. It was passed on a 52–16 vote with 12 abstentions.

The bill will have to be approved by the California Senate and signed by Gov. Gavin Newsom before it becomes a law. AB 44 has not been scheduled yet for a hearing or a vote by the Senate.

California cities including Berkeley, Los Angeles, San Francisco and West Hollywood made headlines in the past few years for passing their own citywide fur bans.

The assembly bill's author, Laura Friedman (D-Glendale), introduced the bill last year because there is a patchwork of different laws banning fur in the state.

"AB 44 ushers in a more sustainable and cruelty-free future for the fashion industry and California consumers alike," Friedman said. "It is really encouraging to see the strong bipartisan support that this bill is getting in the legislature."

The ban would apply to clothing, handbags, shoes, slippers, hats and key chains that contain fur. The proposed law offers exemptions for the sale of vintage fur as well as fur products used for religious ceremonies. A ban would not regulate skins converted into leather or products such as shearling from domesticated animals.

There would be no criminal penalties for violating the ban. Those breaking the law would be subject to civil penalties.

The bill has been criticized by the Washington D.C.-based advocacy group **Center for Consumer Freedom**. Will Coggin, the group's research director, said the bill would put the government in charge of what consumers can buy and wear.

"The radical animal activists behind this bill also want to ban leather, wool, meat and many other common products. California's legislators should respect personal choices and not support an extreme agenda that seeks to impose a vegan lifestyle on the public," he said.—Andrew Asch

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Social-Media Influencers Are the Drivers Behind Revolve's Sales and Growth

Revolve, the online retailer planning to go public soon with an IPO, said in recent filings with the Securities and Exchange Commission that its revenues in 2018 were \$498.7 million, up from nearly \$400 million the previous year.

For the three months ending March 31 of this year, the company reported net sales of \$137.3 million and net income of \$4.9 million.

It also noted that its company, based in Cerritos, Calif., has been able to grow with the help of more than 3,500 influencers.

Targeting an audience of mainly millennials and Gen Z consumers, the company relies on its proprietary e-commerce platform, partnerships and social events to connect with its audience.

During the 12-month period ending March 31, 2018, Revolve had a monthly average of 7.8 million unique visitors, and that increased to 9.8 million unique visitors a year later.

According to documents filed May 28 with the Securities and Exchange Commission, the company is applying to sell \$200 million of Class A common stock during an initial public offering.

The company is offering 2.9 million shares of Class A common stock with an additional

8.8 million shares to be offered from stockholders. During its IPO, the company anticipates a per-share price between \$16 and \$18 under an approved New York Stock Exchange symbol of RVLV.

The filing comes at a time when Revolve has a portfolio of 21 owned brands and 250 collections under its **Forward** luxury segment, in addition to 850 emerging and established labels.

According to the SEC filing, the company's owned brands represent eight out of 10 of its top labels in addition to 32.6 percent of the Revolve segment's net sales.

Founded in 2003 by co-chief executives Michael Mente and Mike Karanikolas, Revolve offers more than 45,000 products with an average of over 1,000 new styles launched each week.

While the company mentioned in its SEC filing that it faces competition from other e-commerce platforms and more-traditional retailers, Revolve's growth has been significant over the 16 years it's been in business.

In 2015, it acquired downtown Los Angeles–headquartered **Alliance Apparel**, maker of **Grlfrnd Denim**, **Lovers + Friends**, **Tularosa** and **NBD**.—*Dorothy Crouch*

Evolv Looks to Make Sense Out of Social Media With Software

By Andrew Asch Retail Editor

Billions of dollars are spent on hiring social-media influencers to boost products on various Internet platforms such as **Instagram** and **YouTube**. And just like other forms of marketing, brands wonder if their money is being spent wisely.

Evolv is trying to help figure that out. Launched in 2018, the company, based in Irvine, Calif., has developed software that it says will most accurately measure the performance of social-media influencers accused of inflating their metrics.

Evolv said it can give highly detailed metrics showing how many products were purchased after following an influencer and how that influencer brought awareness to a brand's image.

"It is performance-based marketing," said Jody Green, executive vice president of strategy and growth for Evolv. "Influencers only get paid if they perform."

Right now, she said, the marketing program works on an honor system. "It is hard to figure out who has real followers and who is a bot," she explained.

Evolv's software checks out how many sales can be traced back to influencers through coupons passed out to audiences and from IP addresses of the people who visit the influencers, said Chad Law, the company's executive vice president of marketing.

The software picks up information on an individual consumer's brand likes and dislikes, connecting the consumer information to the brand, which will benefit from it. Privacy concerns are respected because the software cannot pick up information flagged as private by the user, Law said.

Syama Meagher, founder of the retail-strategy and brandmarketing agency **Scaling Retail**, thought that Evolv made an ambitious promise that brands won't have to pay the influencer until the influencer makes money for them. "I think it is impressive that brands won't have to pay until they make money. I think it is a promise that I haven't seen other agencies make. The fact that they are guaranteeing a profitable return is a high benchmark," Meagher said.

Evolv also is putting together an agency of influencers. The software invites influencers to apply to be part of brand campaigns managed by Evolv. Only one in 10 applicants is accepted. Those accepted are matched with a brand that suits them.

Evolv expects these "affluencers" will be long-term advocates for their brands and do more than create a couple of posts before going onto the next thing.

"Brands can redirect their big, digital advertising campaigns," Law said. "They'll pay people who do the work of digital advertisements but in a more effective way. They are talking to a tightly knit audience. It is performance-based affiliate marketing."

Influencers often get paid in product or with fees. Law said that affluencers will get paid with a percentage of sales, which can go as high as 25 percent of sales.

Influencer marketing has been a part of fashion for as long as there

have been celebrities. People have always wanted to buy clothes similar to what the most-popular stars were wearing. However, the influencer market went into overdrive when social media, and especially Instagram, became a big deal. Consumers with fat wallets wanted to buy clothes their favorite social-media stars were wearing.

About two-thirds of American retailers will use social-media influencers, according to **Hootsuite**, a Canadian social media–management platform.

The market for social-media influencers is forecast to increase to more than \$6 billion in 2020, according to **Statista**, a German portal for statistics and market data.

Businesses continue to hold social-media influencers in high regard. Reality-TV and social-media star Kylie Jenner reportedly makes \$1 million per sponsored post, according to a 2018 report by **Hopper HQ**.

But it's tough for retailers to find the right influencer, said Darvill Rodriguez, who has worked as a social-media influencer

and served as a consultant to influencers looking to improve their content.

"The market is oversaturated with influencers who have a similar voice and aesthetic," the Los Angeles-based Rodriguez said. "A lot of them have an underwhelming engagement."

The influencers have to supply something that is hard to measure, which is authenticity and content novelty. Consumers won't listen to someone who comes off as a corporate itchman, Rodriguez said.

pitchman, Rodriguez said. Influencers can offer authenticity and novelty by giving followers a look into their personal lives. "Personal stories, which include general mentions of brands or products, are key. Nothing is forced. For me, I don't typically work with brands that don't fit the overall outlook of my personal brand," he said. "I've also noticed that the 'not-so-edited' content tends to do better than the overtly manipulated content. As much as brands like

to see this manipulated, it takes away from the authenticity and



Chad Law

Jody Green

NEWS

Trade Continued from page 1

\$24 billion, with exports totaling \$12.7 billion and imports \$11.2 billion. In 2018, the U.S. saw its imports of Turkish apparel and textiles increase to \$1.7 billion compared to \$1.5 billion the previous year.

The United States is also considering removing India—a provider of handloomed cotton goods and supplies—from the list of eligible GSP countries. The U.S. trade agency on March 4 said, "India's termination from GSP follows its failure to provide the United States with assurances that it will provide equitable and reasonable access to its markets in numerous sectors."

In 2018, according to the U.S. trade office, trade with India totaled an estimated \$142.1 billion, with \$58.9 billion in exports—including \$329 million in U.S. cotton—and \$83.2 billion in imports.

India is a major supplier of apparel and textiles to the United States. In 2018, companies imported \$7.7 billion in apparel textiles from that country, up from \$7.4 billion the previous year.

"For a lot of the brands and retailers, they are sourcing GSP products of all kinds," said Julie Hughes, president of the Washington, D.C.—based U.S. Fashion Industry Association. "We have to be concerned on all fronts regarding our direction on trade policy. I am always concerned when there is unpredictability and disruption to the supply chains of what that impact will be."



The Turkey country lounge and pavilion attracts visitors during the October 2018 edition of L.A. Textile.

Since 1976, GSP has offered duty-free preferences on thousands of items imported into the United States from developing countries. While many finished apparel products are not included on the GSP list, fibers used to make clothing such as certain silks and handloomed cotton have been considered eligible.

Tariffs along the supply chain

While the tariffs on silk from China have increased, Turkey is also known as a source for the fiber. Following the elimination of Turkey's GSP status, tariffs have now been placed on certain garments and fabrics produced from silk.

For Pinar Tasdelen Engin, Turkey's president of the **Uludag Textile Exporters Association**, the country's removal from the GSP list will not largely influence the trade relationship between the two nations.

"Only 3 percent of the total textile exports of Turkey to the United States are part of the Generalized System of Preferences. Additionally, a very small portion of our ready-to-wear exports to the U.S. are also included in the GSP product lists," she said.

"On the other hand, the decision to remove Turkey from the Generalized System of Preferences is inconsistent with the trade-volume target of \$75 billion announced by both countries," she said.

The United States' decision regarding tariffs on Chinese textiles and possibly apparel has left many in the apparel industry searching for alternate sourcing partners. Countries such as Turkey and India, which could potentially provide alternatives to U.S. importers, are now facing their own restrictions.

"We've been lulled into a false sense of security that we try

not to worry about," said Tom Gould, senior director, customs and international trade at the international law firm **Sandler, Travis & Rosenberg**. "There are specific things that we get out of Turkey. There are specific things that we get out of India."

These two countries are now at risk of having goods incur additional costs once imported into the United States. Apparel and textile importers should start examining alternatives to all of their partners due to the potential of additional trade problems with

other countries. Gould recommends stateside businesses diversify their sourcing options.

"Companies that have been buying those items from those places for years have never considered alternate sourcing," he said. "That is what people should be doing right now. They should be looking at their products and ask themselves what they are going to do if they can't source it."

In addition to building a more varied pool of sourcing partners, companies in the United States should take a more active role in engagement during the process by which the government is making important trade decisions, according to Hughes.

"This is the time for engagement from companies. They may not have the time nor want to be involved in Washington—it can be difficult and intimidating," she said. "We are asking them to sign letters, come to Washington, file statements, write and call members of Congress, and stay in touch with the administration on the impact. It's essential on all of these issues."

Feeling the effects stateside

sometimes it becomes too much."

Because there is still a tariff exemption on handloomed cotton goods from India, Smita Paul, founder of the Oakland, Calif.—based **Indigo Handloom**, has been able to offset a bit of the costs associated with making her wholesale and private-label handloomed apparel, scarves and fabrics in India.

While she understands that trade should be mutually beneficial, she believes the sudden threat of imposing greater tariffs on goods made in a certain region is detrimental to U.S. businesses.

"There is no one handlooming in the U.S. on a commercial basis that I know of who could do the type of volume that India can do," Paul explained. "I understand the need to protect your own industry, but there is no handloom industry in the United States. This is hurting people for no reason."

With her 15-year-old handloom business comprising 80 percent finished goods and 20 percent fabrics, Paul has seen the demand for higher-quality products grow, but more tariffs will mean greater costs along the supply chain.

That means clients buying her goods on a wholesale basis will be forced to pass on the higher prices to their retail customers.

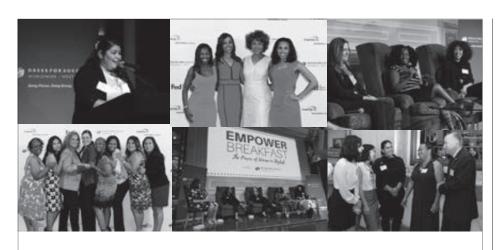
"Their products are now being taxed at a significant rate that they haven't been in the past," said Gould. "They are going to have to incorporate that into their budget and design calculations."

Over the last few years, Paul has seen an increase in the demand for natural fibers, and she believes that growth with partners who rely on direct-to-consumer business models will thrive despite tariffs.

"We have new customers who came on in the last year and it's because handloom is out there enough that people recognize there is something different about that fabric. There is a movement to wear natural fibers and a craving for something authentic," she said. "Older people have the memory of cotton and are asking for it while younger people are attracted to the mission."

The relationship between Turkey and the United States will remain strong, according to Tasdelen Engin, but she would like to see a commitment to achieve goals previously agreed upon by the two nations.

"The removal of Turkey from the GSP does not comply with our endeavors to achieve 75 billion U.S. dollar bilateral trade volume. The decision will also negatively affect manufacturers," she said. "We still would like to pursue our target of increasing our bilateral trade with the U.S. that we see as our strategic partner without losing any momentum."



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Miami Swim Week to Get a New Trade Show for Resort Collections

Informa Markets, the people behind some of the biggest trade shows in the world, including MAGIC, is organizing a new event for Miami Swim Week this July.

Coterie, a women's merchandise trade show that is a part of Informa Markets, is introducing **DestinationMiami**. It is an immersive, multilevel, showroom-style experience for contemporary and designer brands to showcase their resort and travel collections at the **Faena Bazaar**, the new design destination recently opened in the former **Atlantic Hotel** in Miami Beach, Fla.

DestinationMiami, running July 13–16, will feature 70 hand-selected brands defining the global-travel lifestyle. Labels that will be showing at the inaugural show include Adriana Degreas, Anemone Swim, Sara Cristina, Stellar, Suki Cohen, March 11 and Mercedes Salazar.

"We want to bring a new experience to Miami and really create a home for retailers to discover the newest designers in resortwear, swimwear and accessories who cater to the warm-weather, travel-lifestyle category while allowing our showroom concept to give the brand an open space to tell their stories," said Hillary Joseph, the show's senior event director, who several years ago helped launch the swimwear trade event called **Cabana**. She was the show's brand manager until hired by Informa Markets in March.

Retailers attending the DestinationMiami show will be personally guided through each collection and talk to designers and label representatives.

"It's important for us that this event adds to the larger Miami Swim Week, bringing in a fresh product assortment the buyers are asking for," said Danielle Licata, president of Coterie and **East Coast Womenswear**. "DestinationMiami is the first of a series of focused showroom atmospheres that will be an extension of the current Coterie portfolio."

DestinationMiami will be held at the same time as Miami Swim Week, which takes place July 11–16. Events during the week include swimwear fashion shows and other swim-industry trade shows.

—Deborah Belgum

Calendar

June 1

Norton's Apparel, Jewelry & Gift Market

Gatlinburg Convention Center Gatlinburg, Tenn. Through June 3

June 2

Trend Seattle Caravan

Embassy Suites by Hilton Seattle

Through June 4

Michigan Women's Wear Market Embassy Suites Detroit-Livonia

Livonia, Mich. Through June 5

June 3

Coast Moore Building Miami

Miami Through June 4

China International Nonwovens Expo & Forum

Shanghai Convention & Exhibition Center of International Sourcing Shanghai Through June 5

Francal

Expo Center Norte São Paulo Through June 5

PPAI Expo East

Atlantic City Convention Center Atlantic City, N.J. Through June 6

New York Shoe Expo, FFANY Market Week

Warwick New York Hotel New York Through June 7

June 4

Seattle Mart Super Market Days

Seattle Mart

Seattle

Through June 5

Licensing Expo Mandalay Bay Convention Center Las Vegas

Through June 6

WWSRA Summer Preview Gallatin County Fairgrounds

Bozeman, Mont. Through June 6

June 5

Connections NYC 477 Broadway Lofts New York Through June 6

Fashion Industry Gallery
Fashion Industry Gallery

Dallas Through June 7

Dallas Apparel & Accessories Market

Dallas Market Center Dallas Through June 8

June 6

Fukuoka International Gift Show Marine Messe Fukuoka Fukuoka City, Japan Through June 8

Imprinted Sportswear Show George R. Brown Convention

Center Houston Through June 8

June 8

New York Denim Days Pier 36 Basketball City New York

Through June 9 **London Fashion Week Men's**

Store Studios London

Through June 10

June 9

Accessorie Circuit Accessories The Show Fame

Moda

NY Women's [Pre] Coterie

Javits Center New York Through June 11

The Trends Show

Mesa Convention Center Mesa, Ariz. Through June 11

June 10

OffPrice Penn Plaza Pavilion New York Through June 11

June 11

CALA

Fort Mason Center San Francisco Through June 12

Digicom Digital Print and Visual Communication Show

Feria de Madrid Madrid Through June 13

WWSRA Intermountain Summer

Preview Utah State Fairpark Salt Lake City Through June 13



For calendar details and contact information, visit ApparelNews.

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.

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Los Angeles Trade-Tech Students Celebrate Woodstock's 50th Anniversary

Love and peace were in the air at the annual Gold Thimble Fashion Show held May 24 in the south tent on the Los **Angeles Trade-Technical College** campus.

Twenty-six students from the fashion-design department participated in the show, whose theme was celebrating the 50th anniversary of Woodstock, a music festival held in 1969 in upstate New York where 400,000 fans attended what was billed as three days of peace and music.

Some of the fashions on the runway, seen by 700 attendees, had a certain psychedelic vibe with bright colors and swirling prints. There were touches of denim and pops of plaid. Everyone was feeling groovy.

The seven categories seen in the show were swimwear, athleisure, childrenswear, redesign, menswear, after-five and eveningwear.

First-place winners in each category were Jessica Urrego for swimwear, Thuan Nguyen for childrenswear, Miriam Luatti for redesign, Jonas Hernandez for menswear and athleisure, Yubing Wu for after-five and Myriam Louati for eveningwear. Marisela Knott won the theme category celebrating Woodstock.—Deborah Belgum



Arley D. Washington





Erik Herrera



Charles Chenault



Diana Caldarescu



Maria Rodriguez

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FASHION













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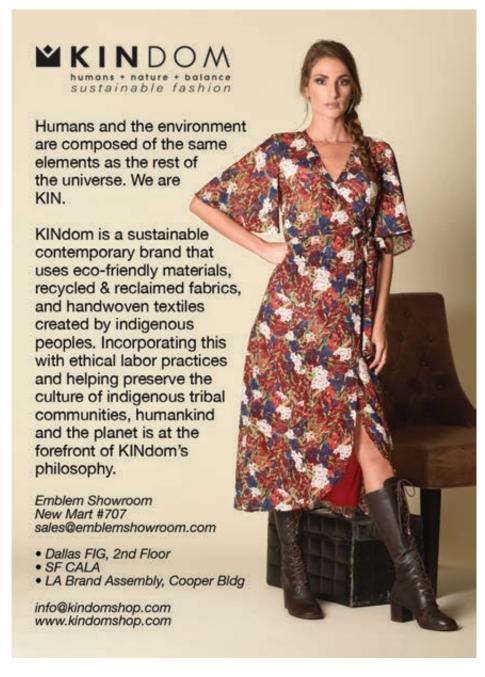


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The Disappearance of Dressbarn **Emphasizes the Need for Manufacturers to Develop New Business Models**

By Andrew Asch Retail Editor

The recent announcement that Dressbarn was closing its chain of 650 stores drove home the growing dilemma for U.S. apparel manufacturers. There are just fewer retailers to sell to these days.

That has been the case for Connected Apparel, a family-owned brand that sold to Dressbarn. It is headquartered in Commerce, Calif., and has been making and selling dresses since 2000 with the help of 140

Jay Balaban, Connected Apparel's founder and chief executive officer, has spent the last decade watching the retail world change

by leaps and bounds. The department-store business merged and consolidated, ecommerce began challenging conventional retail stores, and websites continue to take a bigger chunk out of traditional retailing.

This has all proved to be challenging to people like Balaban. "We have to pull up our bootstraps and do everything we can do to make great product for the retail customer and online," he said.

Wholesaling will continue to make up an important part of Connected Apparel's business. "The goal is to tap into the customer by expanding brand awareness and selling to her directly," Balaban said. "As the industry changes, she may have less avenues to shop

Connected Apparel. With e-commerce, she can come directly to us."

To face a changing market, the apparel

executive plans to develop a strong brand identity with the help of his daughter, Leanna Balaban, who was hired in November 2017 as the company's director of marketing and communications.

Part of her job has been to develop the company's direct-toconsumer sales, which launched in October. The company's ecommerce site, connectedapparel.com, currently makes up 5 percent of the company's revenues.

Connected Apparel has also been expanding its overseas business. It currently sells to retailers in 10 foreign countries including Germany, Poland, Chile, Great Britain, Australia, Canada and Mexico.

Connected Apparel's situation is not unique, said Rob Greenspan, founder and president of Greenspan Consult, which advises apparel and fashion-manufacturing companies. "It's a huge problem in the industry today. There





are fewer retailers to sell to," Greenspan

Every fashion business must become more entrepreneurial, he added. "Because

of the fast-changing pace of the industry, you have to make decisions quicker," he noted.

Greenspan suggested that manufacturers examine their services and products when their wholesale customers go out of business. "If a customer is going out of business, what does it say about their product line? Or are customers buying from a different channel such as e-commerce," he said.

Going digital is a good idea, said Ron Friedman, a partner at Marcum LLP, a retail consulting and accounting firm, but it has pitfalls. Successful direct-to-consumer ventures can make a lot of money because they keep their wholesale gross profits and their retail gross profits.

But the direct-to-consumer retailers that realize the most success are typically the ones with well-known brand names or who create brand equity through

> heavy marketing campaigns. For those who don't have wide brand-name recognition, it might be hard to carve out a niche.

Friedman also suggested strengthening and expanding a company's wholesale business. It will increase opportunities to earn revenue. Wholesale can also help develop more brand exposure because more products are displayed in the marketplace. Develop a brand to sell to high-end retailers and a different brand to sell to value retailers. Both luxe and value retailers continue to perform well.











Connected Apparel fashions

Pocket Square Continued from page 1

With the acquisition, California Top Hand is being renamed Top Hand Manufacturing, and former California Top Hand owner Brenda De La O will remain with the clothing factory, which employs eight people, to supervise production.

Under the new name, Ramirez and Cheung plan to expand the categories the sewing factory makes by branching out into men's swimwear and bags as well as staff uniforms for hospitality businesses. Formal men's suiting might be added down the line.

Ramirez and Cheung also intend to make Top Hand more contemporary by updating its business with new machines, new administrative operations and creating a web presence, which has been nonexistent up until now. Top Hand will a continue to serve clients outside of Pocket Square Clothing, Ramirez said.

Already, Pocket Square has customers for its hotel-uniform category. It is developing the waitstaff uniforms and concierge accessories for the soon-to-open **The Hoxton**, as well as exclusive accessories for boutiques in the hotel. The British hospitality chain is scheduled to open its luxe 174-room hotel at 1060 S. Broadway in the Los **Angeles Fashion District** this summer.

Ramirez and Cheung hope their new role as a vertical manufacturer and retailer will carry them on to a bigger playing field. "We hope to work up to the 2028 Olympics and make uniforms for the U.S. team. They will be clothes designed and made in L.A. for the L.A. Olympics," Ramirez said.

Outfitting the 2028 U.S. Olympic Team would be the ultimate American dream for Ramirez and $\frac{Z}{2}$ Cheung, whose families immigrated from Mexico and China, respectively. Their mothers were garment workers in Los Angeles clothing factories.

The company co-founders met at the Univer-

sity of Southern California, where Ramirez studied architecture and Cheung studied film and business. In 2011, Cheung thought about starting a clothing line and talked about it to Ramirez, who had been working with bespoke tailors to make bow ties for his personal use. They decided to roll the dice by making just bow ties on a larger scale and then seeing where it went from there.

With no background in fashion design or manufacturing, the duo went to their mothers, Simona Ramirez and Lucy Cheung, for help in making leather and denim bow ties. Later, the entrepreneurs learned how to make their own neckwear.

Their first attempt at selling their products was relatively easy. They sold their bow ties to friends and students at USC by word of mouth and via Facebook.

Later that year, the duo decided to market outside of their immediate circle and paid for a booth at a Father's Day fair in Inglewood, Calif. They barely broke even. The weak performance gave Ramirez doubts about the feasibility of selling bow ties in Los Angeles, a city known for its casual style.



Influencers wearing Pocket Square Clothing are from left: Rome Castille, Johan Khalilian, Quentin Thrash and Donovan Briggs.



Pocket Square Clothing founders Rodolfo Ramirez and Andrew Cheung.



Pocket Square Clothing's pocket squares.

But Cheung begged Ramirez to give their bow-tie marketing campaign another chance. Their next marketing chapter would be selling bow ties at Unique Markets, a traveling popup market that was going to take place in Santa Monica, Calif.

This time they did much better, selling \$2,000 worth of goods. They were able to pay for their booth, cover their production costs and make a small profit. They believed that they had found a way to sell their gear and tell the world about their label.

Pop-up markets continue to be a strong part of their business plan. Every year they produce 32 pop-up shops at markets and boutiques around the United States.

Customized, bespoke styles and weddings are also an important part of the business. Around 40 percent of Pocket Square's revenues come from making clothes for grooms and groomsmen at weddings. They also occasionally do collabo-

Retail price points for the brand's main collection range from \$26 for a pocket square to \$56 for a tie. PSC also offers

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bespoke clothing. Average price points range from \$150 for a shirt to \$900 for a suit. Some suits can go for more than \$2,000.

For LA Originals, an initiative from Los Angeles Mayor Eric Garcetti's office to showcase the city's manufacturers, they made a capsule collection of ties and pocket squares, producing a pocket square with a map of downtown L.A. and ties with palm-tree graphics. Retail price points for the **LA Originals** collection range from \$35 for a pocket square to \$65 for a tie.

The brand does no conventional marketing nor advertising. Instead, a crew of social-media influencers such as Quentin Thrash, Norris Danta Ford and Donovan Briggs post pictures of themselves wearing Pocket Square Clothing on their social-media profiles.

Despite a low-key marketing campaign, the company has managed to place its products in 350 independent boutiques around the world and at big department stores including Lane Crawford and Le Bon Marché.

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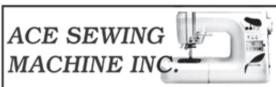


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