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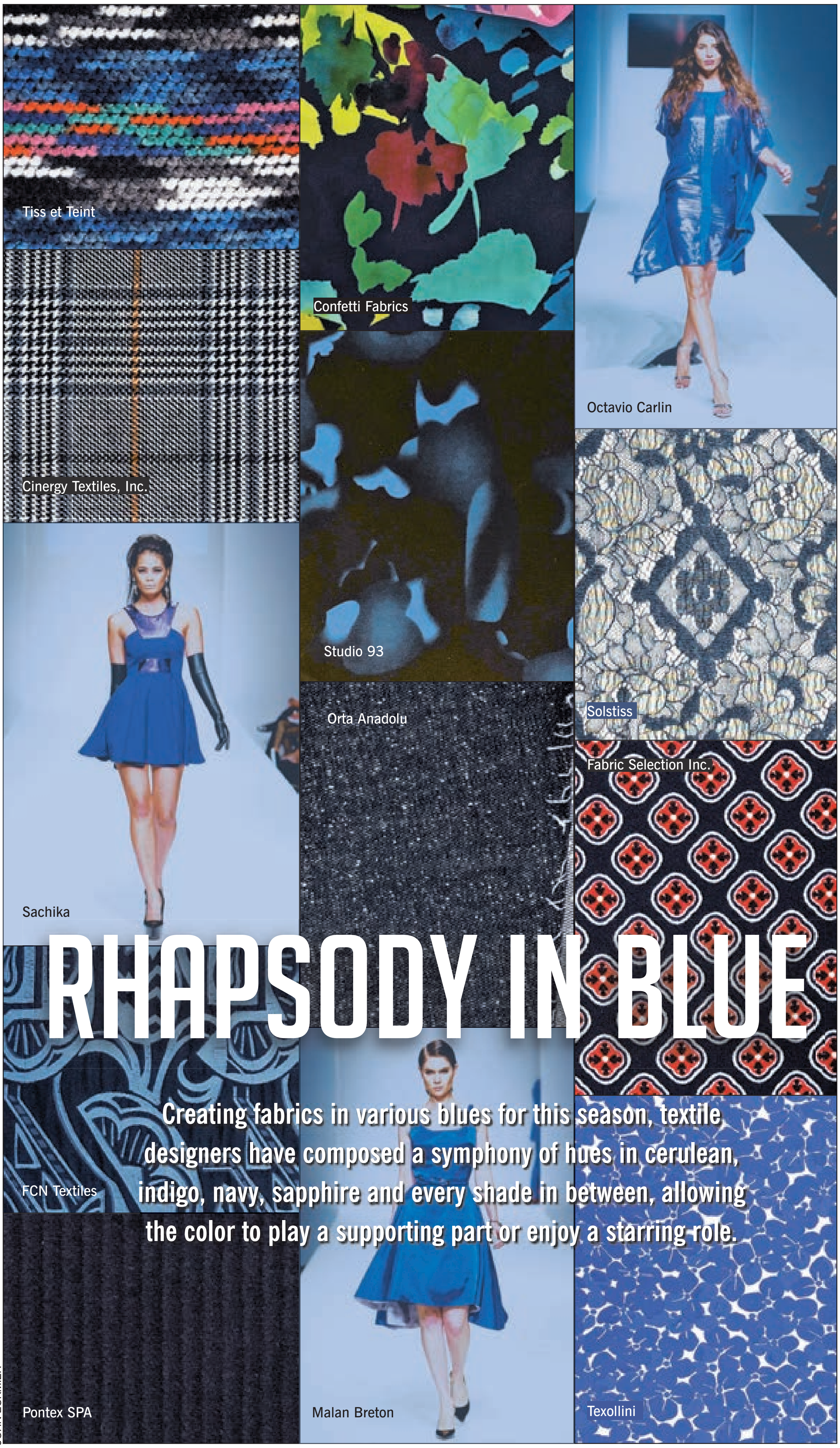


JOHN ECKMIER

# RHAPSODY IN BLUE

Creating fabrics in various blues for this season, textile designers have composed a symphony of hues in cerulean, indigo, navy, sapphire and every shade in between, allowing the color to play a supporting part or enjoy a starring role.

FINANCE

## California Economy Juggles Slowness and Strengths, According to Forecast

By Andrew Asch *Retail Editor*

The U.S. and California economies are slowing down, according to the UCLA Anderson Forecast titled "The Year of Living Dangerously," which was released Sept. 26, but the slowdown has bright points that other economies would envy.

Pillars of the California economy, such as technology and construction, remain strong, according to the report from the **University of California, Los Angeles**. Unemployment remains low at 4.1 percent in California.

"As long as consumption remains high, we'll avoid recession," David Shulman wrote. He serves as a senior economist on the forecast, which is released every quarter.

But there are a number of factors undercutting a strong

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INDUSTRY FOCUS: FINANCE

## How would you advise your apparel-industry clients to prepare for a potential recession?

By Dorothy Crouch *Managing Editor*

Around the globe, trusted economic forecasters are predicting a slowdown over the next year, yet there is disparity regarding whether they feel a recession will occur. As previous spans of negative economic growth have shown, the most effective method of navigating through recessionary periods is to prepare in advance, expecting the worst while hoping for the best.

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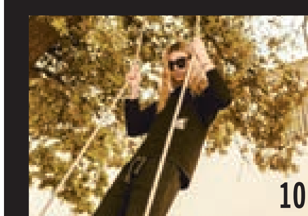
INSIDE

*Where fashion gets down to business*SM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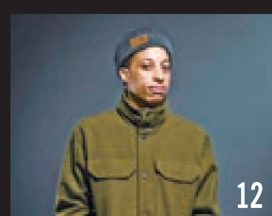
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# Laughton to Lead Athleta

It was announced Sept. 24 that Mary Beth Laughton was named president and chief executive officer of the **Athleta** division of **Gap Inc.** Until recently, Laughton oversaw omni-channel operations for the beauty retailer **Sephora**, said Art Peck, Gap Inc.'s president and chief executive officer.

"Mary Beth brings a strong background in digital operations, a keen understanding of customers and an ability to deliver innovative experiences," Peck said in a statement. "She is the right leader for Athleta, with a proven track record in driving consistent results in multiple growth markets, including performance apparel and beauty."


Mary Beth Laughton

Laughton also served in a number of executive roles at **Nike Inc.**, including a position as Nike's category merchandising director for the brand's bricks-and-mortar stores and e-commerce. She received a master's degree in business administration from **Harvard University** and started her career as a business analyst for **McKinsey & Co.**, where she focused on retail and digital commerce.

Laughton might be presiding over an expansion of Athleta. Earlier this month, Gap announced that it plans to expand its Athleta and **Janie and Jack** divisions overseas through franchising new stores. Gap acquired Janie and Jack, a children's clothing retailer, in March for $35 million from the **Gymboree Group Inc.**

Gap acquired Athleta in 2008 for $150 million in cash. Founded in the wine country town of Petaluma, Calif., Athleta started business in 1998 and grew into a women's lifestyle brand for yoga, running, skiing, snowboarding and surfing. Clothing categories sold at Athleta include underwear, swimwear, dresses, as well as athletic clothing made for specific activities such as hiking, running and yoga. The brand also makes clothing for girls.

In 2011, Athleta opened its first physical locations with stores in San Francisco and Manhattan. It currently runs 171 stores. In 2018, Athleta became a B Corporation, which is a class of corporation that seeks to be profitable but also meets the standards of environmental and labor certification groups such as the **Fair Trade USA**.

According to a company statement, 70 percent of the brand's goods are made with sustainable fibers. By 2020, it hopes to use sustainable fibers to manufacture 80 percent of its products.—*Andrew Asch*

# PacSun Pays $85,000 Settlement in Discrimination Suit

Anaheim, Calif.–headquartered **Pacific Sunwear of California, LLC,** will pay $85,000 to settle a discrimination lawsuit filed by the U.S. Equal Employment Opportunity Commission, it was announced on Sept. 20.

PacSun was accused of violating The Americans With Disabilities Act, which prohibits employers from discriminating against job applicants based on disability. The EEOC stated that PacSun violated the law when a paraplegic job seeker sought to apply for a job at a PacSun location in St. Augustine, Fla.

According to the lawsuit, a store manager told the job seeker that the store was not hiring. However, the job seeker found that the store manager told applicants without disabilities that the store was indeed hiring.

In addition to the $85,000 settlement, PacSun agreed to revise its antidiscrimination policy and provide training for managers and workers in North and Central Florida regarding interactions with people who have disabilities. The retailer is required to maintain a telephone hotline to report incidents of workplace discrimination. The settlement's consent decree required the retailer to post physical notices advising employees of their rights at stores in North and Central Florida.

While Robert Adler led the EEOC's litigation effort, the organization's Miami District director, Michael Farrell, commented on the significance of the ruling.

"Rejecting qualified applicants based on disability is a clear violation of the law," Farrell said. "This settlement brings the EEOC another step closer to achieving our mission of eradicating such conduct from the workplace."

In a statement on the case, PacSun said that the company works against discrimination. "PacSun has zero tolerance for discrimination of any kind. We are committed to treating all customers and employees with dignity and respect, and have a longstanding history of being an employer of choice for people with disabilities. We are pleased to have resolved this matter," the statement said.—*A.A.*



# eBay CEO Wenig Steps Down

There was a quick reshuffling of the executive pack at **eBay**, the sprawling San Jose, Calif.–headquartered e-marketplace.

On Sept. 25, Devin Wenig, eBay's chief executive officer, resigned.

"In the past few weeks, it became clear that I was not on the same page as my new board," Wenig wrote on his **Twitter** feed. "Whenever that happens, it's best for everyone to turn that page over. It has been an incredible privilege to lead one of the world's great businesses for the past eight years."

Earlier this year, eBay announced that it would be restructuring. Following Wenig's resignation, the company said that it would embark on a search to find the company's next leader. It will look at executives from inside and outside the organization, according to a company statement. Also on Sept. 25, eBay's board of directors appointed the company's chief financial officer, Scott Schenkel, as its interim CEO.

It was also announced that Andy Cring would serve as interim chief financial officer. Cring has most recently served as eBay's vice president of global financial planning and analysis.—*A.A.*

# Week in Review

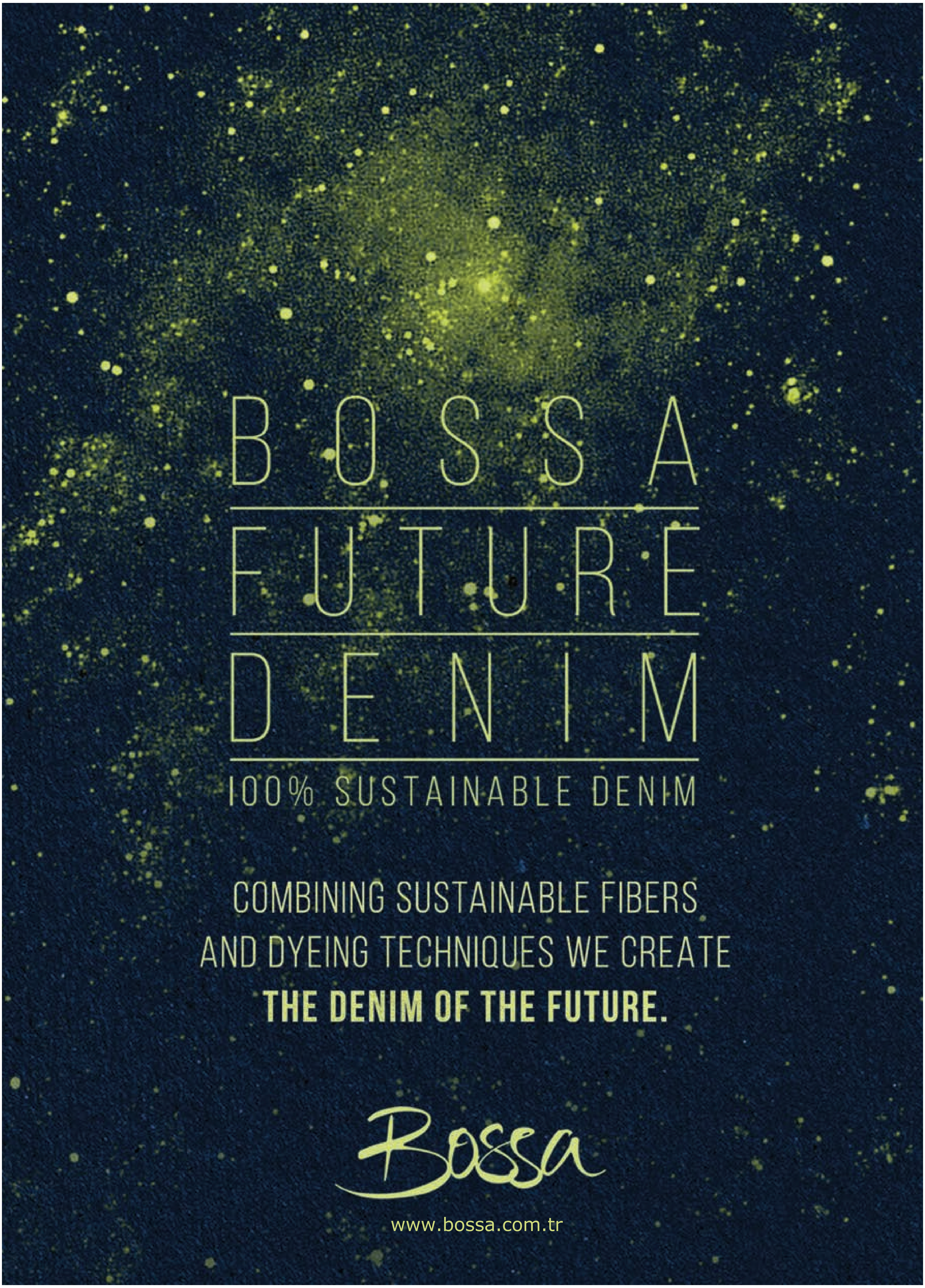
**Model Ayesha Tan-Jones** made a protest while walking the runway of a Gucci Spring/Summer 2020 fashion show Sept. 22 during Milan Fashion Week. Models were required to wear the collection's styles, which resembled straitjackets that are used to restrain patients who are being treated for mental-health issues. Tan-Jones, who identifies as nonbinary, wrote on their palms, "Mental health is not fashion." The model posted to Instagram, informing followers that their entire model fee would be donated to support mental-health charities.

**Marshalls** announced a new *marshalls.com* website on Sept. 24, which the off-price retailer said will offer unique features such as Swipe to Shop. The mobile shopping feature allows shoppers to quickly view and sort styles by swiping left or right on items they like. The new *marshalls.com* will also showcase curated online shop that will spotlight the latest trends. It will also feature a special section called Influencer + Shopper Finds.

**Maurices**, a women's specialty retailer headquartered in Duluth, Minn., donated 35,000 pairs of jeans Sept. 19 during the first denim drive in the retailer's Best Day Ever volunteer day. The jeans were donated to nonprofit organizations such as women's shelters and community clothing closets in 900 neighborhoods around the United States and Canada, said George Goldfarb, Maurices' president and chief executive officer. Maurices operates 940 stores and offers inclusive sizing ranging from sizes 0–24.

**Hudson Bay** stores in the Netherlands will close before Dec. 31, according to a Sept. 20 announcement from HBC, which also runs Saks Fifth Avenue, Hudson's Bay, Lord + Taylor and Saks Off 5th. Closing are 15 Hudson's Bay bricks-and-mortar stores in the Netherlands, its Dutch e-commerce site and the retailer's headquarters in the Netherlands. The operation is a joint venture of HBC and SIGNA Retail Holdings. The announcement did not disclose a reason for the closure of the Dutch operation.

**Foot Locker Inc.** invested $3 million in NTWRK, a Los Angeles–headquartered youth-culture e-commerce and content platform that was started by Aaron Levant, founder of the Agenda trade show. Levant started NTWRK in 2018 using the domain *thentwrk.com*. The platform mixes content creation, product activations and exclusive launches with its digital commerce. Sneakers are a significant focus at NTWRK. Richard Johnson, Foot Locker's chairman and chief executive officer, said that NTWRK has been pioneering how brands tell their stories. "We look forward to working closely with Aaron and the NTWRK team to deliver exclusive products and experiences for our customers and extend our reach in youth culture," Johnson said in a statement. Foot Locker's entrance wrapped up a Series A round of investment, which reached a total of $10 million. This round of investment was led by Foot Locker and Live Nation. Initial investments were led by Warner Bros. Digital Networks and MSA Enterprises.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# INDUSTRY FOCUS: FINANCE


Darrin Beer, Western Regional Manager, Commercial Services, CIT


Mark Bienstock, Managing Director, Express Trade Capital


Sydnee Breuer, Executive Vice President, Rosenthal & Rosenthal of California


Gino Clark, Executive Vice President, Managing Director, Originations, White Oak Commercial Finance, LLC

## Finance *Continued from page 1*

In the apparel industry, there have been drastic shifts in the retail segment, consumer shopping habits and ongoing international-trade challenges. Adding an extended period of economic downturn could prove disastrous for companies in the apparel industry if they don't take the necessary steps to safeguard their businesses. While economic decline into a recessionary period isn't imminent at this point, as 2019 enters the fourth quarter and 2020 is on the horizon, we asked financial experts: *How would you advise your apparel-industry clients to prepare for a potential recession?*

### Darrin Beer, Western Regional Manager, Commercial Services, CIT

Apparel manufacturers have experienced several challenges the past couple years including a changing and volatile retail environment, a threat of increasing tariffs and, now, a potential slowdown in the U.S. economy. Despite these challenges, consumer spending has held up well and unemployment is close to historical lows.

Apparel manufacturers need to focus on keeping expenses down while remaining disciplined in managing inventory levels. It also remains prudent to diversify the supplier base in the event the trade wars escalate.

On the financial side, apparel companies should maintain adequate capital levels and the financial flexibility to withstand potential downturns in retail. Preserving cash flow and focusing on core competencies is good business practice and all the more important if economic conditions soften. In addition, working closely with an experienced financing source in good times and bad can be very helpful. That's especially true for younger companies that have never experienced an economic downturn. For all these reasons, apparel companies should develop plans now for how they can best respond to a softer retail climate.

### Mark Bienstock, Managing Director, Express Trade Capital

First off, those clients that have seen the light regarding tariff implications will be the ones that have a path to success. Having your production concentrated in any one country is a recipe for disaster for multiple reasons. Additionally, the online model is a key component of a blended revenue stream that

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## Calendar

**Sept. 29**
**The Trends Show**
Phoenix Convention Center
Phoenix
Through Oct. 2

**Oct. 2**
**LA Majors Market**
**LA Textile**
California Market Center
Los Angeles
Through Oct. 4

**Fashion World Tokyo**
Tokyo Big Sight
Tokyo
Through Oct. 4

**Oct. 3**
**Imprinted Sportswear Show**
Fort Worth Convention Center
Fort Worth, Texas
Through Oct. 5

**Oct. 8**
**L.A. Fashion Week**
Petersen Automotive Museum
Los Angeles
Through Oct. 12

**Oct. 10**
**Vegan Fashion Week Awards Night**
Ace Theater
Los Angeles

**Oct. 14**
**Vegan Fashion Week**
California Market Center
Los Angeles
Through Oct. 15

**Brand Assembly**
Cooper Design Space
Los Angeles
Through Oct. 16

**Designers and Agents**
The New Mart
Los Angeles
Through Oct. 16

**Label Array**
**L.A. Kids' Market**
California Market Center
Los Angeles
Through Oct. 16

**L.A. Market Week**
California Market Center
Cooper Design Space
Gerry Building
Lady Liberty Building
The New Mart
The Primrose Building
Los Angeles
Through Oct. 16

**Oct. 17**
**Los Angeles Fashion Week powered by Art Hearts Fashion**
Majestic Downtown
Los Angeles
Through Oct. 20

There's more on ApparelNews.net.

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

Submissions to the calendar should be emailed to the Calendar Editor at calendar@apparelnews.net. 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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## Finance

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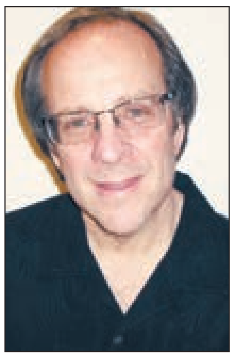
will be required in order to offset the continued contraction of stores at the bricks-and-mortar level. Finally, crossover product diversification will be critical. Many traditional retailers are slowly taking away apparel floor space for products in the growing home-furnishing and nonperishable-food and organic-product categories. This can be a challenging transition but far from impossible. Those clients that are looking at the real big picture will be the ones standing at the end of the day.

### Sydnee Breuer, Executive Vice President, Rosenthal & Rosenthal of California

Our apparel-industry clients have had a lot of noise in the marketplace to deal with such as the soft retail environment, the direct-to-consumer business and tariffs. Adding a potential recession to the mix would be another challenge to the industry. In order to survive (and hopefully thrive), they need to continue to watch their inventory levels and speculate less than they currently are. Too much inventory—and inventory that the consumer won't buy—has and will continue to wreak havoc on the cash flow of the business. More diversification in selling, whether expanding to include new customers, both foreign and domestic, and having an online presence will help to ensure that softness in one part of the business can be offset by increases in others. This would need to be done by maximizing existing resources and staff so as to not increase overhead—and maybe even tighten up on the expenses—to try to stay one step ahead of the economy and any potential recession.

Eric Fisch, Senior Vice President, National Sector Head, Retail & Apparel, HSBC Bank USA N.A.

Joshua Goodhart, Executive Vice President and National Sales Manager, Merchant Financial Group



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

### Gino Clark, Executive Vice President, Managing Director, Originations, White Oak Commercial Finance, LLC

We are certainly hearing a cautionary tone in the marketplace from our clients. While economic indicators remain largely positive, the trade tensions between the U.S. and China have created a sense of uncertainty in the market. A recent client conversation highlighted the importance of focusing upon the strengths of the organization. In other words, know what you are capable of and make sure you do it well. He emphasized that "now is not the time to take every order." This type of conservative approach combined with an attention to detail allows companies to prosper in good times as well as prepare for any potential uncertainties in the future.

### Eric Fisch, Senior Vice President, National Sector Head, Retail & Apparel, HSBC Bank USA N.A.

The best advice I could provide to a company to manage through any disruption, be it macroeconomic or industry specific, is to maintain flexibility. Growth and success should be supported with investment and ambitious objectives. However, regardless of whether it is a retailer, wholesaler or digital-native company, maintaining a healthy amount of skepticism supplements a strategy to manage a downside scenario. Too often we see businesses investing in long-term assets, leases or systems that can support exponential growth and then end up stuck with expensive overhead when that growth is slower than expected.

Another key element of flexibility is more short term—a company's inventory. Inventory is key to success and growth but is difficult to monetize profitably if sales slow down. The companies we see as most successful in this area make strategic bets on inventory to drive revenue but then liquidate it quickly if it isn't needed. This is a healthy practice to have in place to allow a company to take advantage of higher than expected demand but quickly improve liquidity if needed.

### Joshua Goodhart, Executive Vice President & National Sales Manager, Merchant Financial Group

Recession concerns are very real in the apparel industry going into the fourth quarter of 2019 and 2020. The entire credit market continues to see retailer after retailer struggle financially in 2019, with more bankruptcies on the horizon. There have been several contributing factors to today's retail environment including the increase in e-commerce, the trade war with China, and customer demand for immediacy and newness. The drastic shift to a more-online shopping model has hurt the traditional bricks-and-mortar retail market. In addition, the trade wars with China and other foreign countries have also been at the forefront of apparel manufacturers' minds, adding to the recession concerns.

Merchant has advised clients and prospects to manage their overheads and to mitigate any unnecessary risks during these uncertain economic times. We urge importers to seek other alternative production paths outside of China in order to minimize the potential tariff risks. Merchant also recommends clients and prospects tighten up their customer list based on each customer's creditworthiness. Wholesalers should not ship goods to any customers that are not covered by a factor credit approval or credit insurance. These are not the times to be taking added credit risks. An alternative to ramping up growth to combat the tough economy, we encourage clients to develop or continue to expand their online presence.

Our belief is that during times when there is an economic decline, there are also plenty of opportunities that can strengthen businesses in the long run. Taking advantage of potential strategic mergers and acquisitions is one way for an apparel manufacturer to endure a recession. We encourage owners to think out of the box but also not lose sight of their core business and build on those existing successful retail partnerships.


Gary Herwitz, Managing Partner, CoMetrics Partners, LLC


Kee Hyung Kim, CEO, Finance One, Inc.


Sunnie S. Kim, President and CEO, Hana Financial, Inc.

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

While I don't have a crystal ball—nor do I know anybody who has one—it is always difficult to predict the future, especially in the apparel industry. For the past few years the economy, for the most part, has been good, but recent events have given rise to economic uncertainties.

It is during these times that apparel companies should be developing their Plan B in order to react quickly and efficiently to any economic changes.

Some immediate issues of concern for apparel companies either selling fabric or finished goods into the wholesale market or to the retail trade should be the creditworthiness of their customers. There are many companies where factor credit approvals or accounts-receivable insurance is not available due to their current financial position. If the economy goes in the wrong direction, the financially weaker companies are usually the first ones to go out of business. Apparel companies should stay on top of their customers' ability to pay. Be mindful of the problems of selling to companies with poor credit—you might not get paid. Also, understand what could happen to your top line sales revenues if one of your significant customers is no longer in business and how this impacts your ability to continue to stay in business.

Still of concern are the effects of increasing tariffs. Your Plan B should include alternative sources of production if possible. Make sure your flow of goods won't be disrupted. Conversations with your suppliers and customers about increasing costs should be had.

Your Plan B should include plans for new inventory purchases or a liquidation of excess or older inventory. During an economic downturn, you do not want to carry any old, obsolete or excess inventory. You should try to not speculate on inventory, or, if you have to buy before you have orders, you should consider bringing in lesser amounts to be safe. If you do have to speculate on inventory, your plan should include having a second home for any excess inventory, and it should be sold as quickly as possible. Cover your costs, if you can, and get out from under it.

As always, you should be looking at your current overhead costs to see what could now be eliminated and, then, what should be eliminated if the economic situation gets worse. Do not wait to make these decisions when you are under pressure. Have a plan that encompasses decisions such as cutting back on your product line, eliminating nonprofitable divisions, or finding or developing new lines of business to replace what might be lost.

During an economic downtown, cash is always king. Stay liquid, be nimble, and don't hold on to nonperforming assets. Your Plan B should focus on all of these and more, but the focus should be on liquidity and of course continued profitability.

### Gary Herwitz, Managing Partner, CoMetrics Partners, LLC

It's all about inventory management. Retail bankruptcies

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and credit risks coupled with retailers delaying or canceling purchase orders has resulted in an abundance of goods available for the off-price channels. It's become a buyers' market, whereby getting anything close to cost is extremely challenging. This will be exasperated if the economy cools off. Apparel companies must emphasize inventory management and the flow of product and not speculate on inventory purchases.

### Kee Hyung Kim, CEO, Finance One, Inc.

Despite a decadelong economic prosperity, the apparel sector remained an anomaly and did not enjoy the growth of other businesses in the last few years. An economic recession will add another crushing blow to the apparel industry, which already suffered from rising costs of goods, increased overhead and additional tariffs. The record-breaking number of retail-store closures has also reduced the number of bricks-and-mortar retailers.

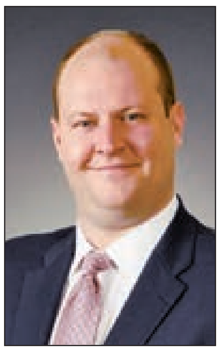
Since the industry is already in a slump, only the fittest and most resilient companies will survive through an economic downturn. One way to prepare for a recession is to diversify the customer and vendor bases to mitigate concentration risk. In addition, verifying the financial strength of suppliers will ensure uninterrupted production and the flow of new merchandise. Another way is to raise efficiency by outsourcing non-core parts of operations. It will be prudent to secure a bank line of credit or financing in advance and diligently monitor both personal and business credit ratings. Timely assessment of buyers' financial strength will be important to avoid credit risk. Factors will be an invaluable business partner to all apparel manufacturers during an economic recession.

### Sunnie S. Kim, President & CEO, Hana Financial, Inc.

A recession damages consumer confidence, affecting retailers and ultimately manufacturers. However, there may be hidden opportunities. Retailers and manufacturers that survive a recession may emerge with a more-engaged and loyal set of customers, fewer competitors, and additional assets and prospects. Companies need to prepare for a period of rapid change, and they must be ready to invest and innovate even in the midst of the economic upheaval. In the last two recessions, in 1999 and 2007, retailers suffered falling sales and shrinking margins coupled with rising store closures and bankruptcies.

Digital sales, instead of slowing, actually accelerated; a number of new competitors to legacy brands emerged; and discount outlets grew. These changes have continued to shape retail, while e-commerce continues to drive change in the industry; direct-to-consumer brands and private labels are chipping away at established names; and low-cost retailers are flourishing while mid-market brands are shrinking.

Companies should consider redefining the customer-value proposition and narrowing focus; also, in this information age, it makes sense to narrow your focus with data and computational statistics to help navigate through these times of uncertainty. Businesses might sell underperforming assets and build reserves. In addition to computational statistics, automation and partnerships with others, even temporarily, may help offset costs in their supply chains as only a handful of successful vertical manufacturers exists in this country today.



Robert Meyers President, Republic Business Credit, LLC

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

Ken Wengrod, Co-founder/President, FTC Commercial Corp.

### Robert Meyers, President, Republic Business Credit, LLC

We advise our clients to diversify, diversify and *diversify*. Diversification is the varying of its range of products or fields of operations. We strongly suggest that apparel companies reduce their reliance on any single customer or any single go-to market strategy. We would generally suggest less than 10 percent or 20 percent of sales with any one customer. At the same time, we advise apparel manufacturers to look at products or services that even out seasonality wherever possible. That might include the addition of a Winter/Summer/Spring line, accessories or a direct-to-consumer strategy. We strongly advise against a wholesale-only strategy at this stage as the additional stress on a long cash-to-cash cycle can be very difficult to navigate during a recession.

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

I suspect that all of our apparel-industry clients follow the news with special attention paid to the reports on the economy, trade, tariffs, retail spending, etc. With some economists citing indicators that are similar to those that were present in 2007 and 2008, there is speculation that the economy is headed for a recession. If we are headed toward a downturn, then I believe that the apparel industry as a whole is better positioned to sustain itself than it was a dozen years ago.

Let's face it, apparel manufacturers and importers have been dealing with a challenging macrobusiness environment for years. The hits just keep on coming: retail bankruptcies, liquidations, massive reductions in doors, shifts in consumer buying channels, eroding prices and tariffs, to name a few of the obstacles facing companies on a daily basis. That's in addition to the day-to-day grind of late production, meeting cancellation dates, dealing with never-ending retail markdowns and more challenges. So, while the possibility of a recession cannot be ignored, our apparel clients are already battling a litany of challenges, so many operators are reasonably well prepared to navigate a soft economy. Of course, if we have a recession, further belt tightening will be required.

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economy. The Trump Administration's tariff policies have created an unstable environment for exports and for business investment, Shulman wrote.

Another report author, Jerry Nickelsberg, the director of the UCLA Anderson Forecast, said that the Tax Cuts and Jobs Act of 2017 and the stimulus passed in the Budget Act of 2018 gave a jolt to the economy.

"As we move into 2020, we see effects of the federal stimulus wearing off. It takes a toll on business," Nickelsberg said. "The uncertainty with respect to economic policy, including trade policy, leads to less business investment, which ultimately means lower growth in 2020."

While Nickelsberg forecasted a slowdown, he also foresees a rally. "We expect a return of 2 percent growth in 2021," he said, but there are pitfalls in the current economic environment.


Jerry Nickelsberg

"If you start growing more slowly, it means that you don't have far to go before you flip over to the negative side. It might happen in terms of trade wars, not just with China but with threatened tariffs with the EU," Nicklesberg said. "We have seen some turmoil in financial markets and money coming in from abroad looking for a safe haven. That has the potential of creating more fragility."

Consumers have been anxious, according to a survey that noted confidence slid by 9 points in September. The decline was identified in the Consumer Confidence Index, which noted that this movement could erode expansion, said Lynne Franco, director of the nonprofit **Conference Board** research group, which organizes the index.

"Consumers were less positive in their assessment of current conditions, and their expectations regarding the short-term outlook also weakened. The escalation in trade and tariff tensions in late August appears to have rattled consumers," she said. "However, this pattern of uncertainty and volatility has persisted for much of the year, and it appears confidence is plateauing. While confidence could continue hovering around current levels for months to come, at some point this continued uncertainty will begin to diminish consumers' confidence in the expansion."

A slowing economy comes as no surprise. In June, the UCLA Anderson forecast charted slower growth for the U.S. economy. Then, the forecast predicted that gross domestic product would rise only 2.1 percent this year compared to 3.1 percent in 2018. There is little change for the national outlook in the September forecast.

In that report, a modest national growth rate runs into 2020 with the slower growth projected to influence California. This projected sluggish environment will result in slower employment growth. The forecast predicted that total employment growth rates will be 0.8 percent in 2019, 1.7 percent in 2020 and 1.2 percent in 2021. This slower environment might be balanced by growth in personal income.

In California, real-personal-income growth is forecasted to grow 1.3 percent in 2019, 1.7 percent in 2020 and 1.9 percent in 2021.The growth is reflected in the tight labor market in high-wage occupations such as technology, Nicklesberg wrote in the California forecast that he co-authored with William Yu, an economist who works with the UCLA Anderson Forecast.

While job growth is strong in construction, technology and healthcare, it has been weak in the wholesale trade and retail segment. Job growth in those sectors has declined to under 1 percent.

"Bricks-and-mortar retail has been declining," Nicklesberg said. "We've seen negative job growth in California in terms of retail."

As e-commerce and digital retail continue to grow, Nickelsberg said that services will remain strong.

"There are aspects of bricks-and-mortar retail that won't go online, such as the purchase of gasoline. It's difficult to get a haircut online," he said. "We're expecting an increase of online sales, particularly with commodity goods."

Another segment of the forecast that might prove a sore point to Californians is the housing forecast. Homebuilding will see a decline of 11,000 units by the end of 2021, leading Californians to continue grappling with the state's housing crisis.

The recent UCLA forecast also devoted space to the growth of the tech sector and how it has affected regional economies. Yu, the author of this section, noted that the tech industry is a driver of local economies and its high wages will push forward job growth ranging from low-skill positions to executive jobs. Yu said that in order to keep and attract tech jobs, municipalities should invest in education and a high quality of living for their areas.

Technology is a California strong suit, with two of the state's areas—San Jose and San Francisco—placing among the top 10 cities for the highest wages in tech. The report quoted a study from Occupational Employment Statistics, a venture of the Bureau of Labor Statistics, which noted that 17.2 percent of jobs in San Jose are tech jobs and in San Francisco 8.3 percent of jobs are related to the industry. A median wage for a tech job in San Jose is $120,000, while a median wage in San Francisco is $112,000.

Los Angeles also boasts a large cluster of tech jobs, the report notes, but it doesn't have the highest wages. However, the forecast noted that an outlook for growth was good for Los Angeles tech jobs. Technology giants **Amazon**, **Google** and **Netflix** have been expanding operations in Los Angeles, according to media reports. ●



# Mulch Plans on Growing and Expanding Sustainable Fashion Business

**By Andrew Asch** *Retail Editor*

The Zarif brothers grew up surfing in San Clemente, Calif., one of the hubs of the California surf scene, but when they developed a ready-to-wear line for their sustainable brand, **Mulch**, they wanted to keep surf styles at a distance.

"We didn't want it to be a surf brand. We were more interested in the desert culture," Mulch co-founder Philippe Zarif said. "We wanted to pay homage to classic California and the rugged feeling of clothes, back then, as opposed to fashion."

The duo hoped the sturdy look of the line would present an alternative to clothes that are thrown away after a few uses.

Zarif and his brother, Mehr Alejandro, started the brand to be a sustainable label that would cover a lot of bases. It would use sustainable materials and be manufactured in Southern California. The brand would also produce made-to-measure clothing.

"Every collection will be unique," Philippe Zarif said. "We don't want to put it in one subgenre."

Mulch's first ready-to-wear collection was released in 2018. The line has been sold at the direct-to-consumer site *www.mulchcalifornia.com* in addition to boutiques including **Icons of Surf** in San Clemente and **North Menswear** in Laguna Beach, Calif. The Zarifs said the line is intended to be unisex.

The brothers grew up in a family interested in sustainability and fashion. Their father, Reza Zarif, who was born in Iran, developed a solar-energy division for the construction and infrastructure business **Primoris Services Corporation**. Their mother, Rufina, who was born in Spain, owned **Lulu's Boutique** in San Clemente from 2012 to 2014.

The Zarif brothers divided their free time between surfing and playing basketball. Mehr Alejandro, who serves as Mulch's design chief, detailed Philippe's sneakers and clothing. When other basketball players who played with Philippe asked where they could get the clothes he was wearing, the Zarifs started a made-to-measure business. The focus for the business was sustainable fabrics and big-and-tall styles for **NBA**- and **WNBA**-sized people.

DANIEL DE JORGE

Made-to-measure remains an important part of Mulch's business. The brand's start on basketball courts gave it a streetwear influence, leading the brothers to create pieces such as a hoodie and baggy shorts offered in the first collection. Named Willie Boy, the collection was inspired by the true story of a Native American named Willie Boy who eluded well-known sheriffs with his lover, Lola, during a manhunt around the high-desert town of Banning, Calif., in 1909.

The collection does not use the bright colors of surfwear but rather the muted earth tones that are seen in the desert. Some of the line's pieces are naturally dyed to give a camouflage look.

The line also offers T-shirts, crew-neck sweatshirts, chore jackets, jeans, chino pants and accessories. The styles are constructed from dead-stock fabrics, Supima cotton and sustainably made denim from **Candiani S.p.A.** T-shirts feature logos of the company name. Retail price points range from $120 for a T-shirt to $450 for a naturally dyed Willie Boy jean and $650 for a jacket.

The price points are much more expensive than most surfwear brands, Philippe Zarif concedes. "People ask, 'Why is it so expensive?'" he said, to which we reply, "We don't want you to buy a lot. We want people to be more conscious of purchasing clothing. Is it essential? Is it timeless? We want you to keep the garments for a long time. If there is something wrong with it, we'll fix it. That is our guarantee to our customers."

In the works for Mulch's future is a plan to develop a sustainable T-shirt-blanks program, which could be used by brands looking to expand their sustainable offerings. The brand hopes the line will be defined by diverse looks, which might eventually include a surf line. By the end of the year, the brand plans to unveil its blanks program. The first run of the T-shirts-blanks program will be made from rib fabric taken from dead-stock T-shirts. It is forecasted to be wholesaled from $15 to $40, but prices have not yet been confirmed.

"The [rib fabric] is the fabric used for neckbands. It will be extra stretchy," Philippe Zarif explained. "We plan on offering these shirts to other brands who want to make a sustainable message but don't have the capability to make tees locally."

In upcoming seasons, Mulch hopes to offer tees and other knits made out of a special fabric made with Supima cotton. ●


Klay Thompson, guard for the Golden State Warriors, wearing Mulch

# INDUSTRY FOCUS: FINANCE

**Finance** *Continued from page 8*

If a recession occurs, unemployment will rise and consumer spending will contract. But as we saw in the last recession, some sectors of the apparel industry are counter-cyclical and can actually perform well, for example discounters, while other areas, for example fashion brands, lose ground. That underscores the need for companies to better understand how a downturn will impact both their retail customers and the consumers who have typically bought their products. The good news here is that social media has made gathering intelligence on consumer purchasing so much easier. Further, we would urge clients to assess which if any of their suppliers might feel the pinch due to a sharp drop in production orders.

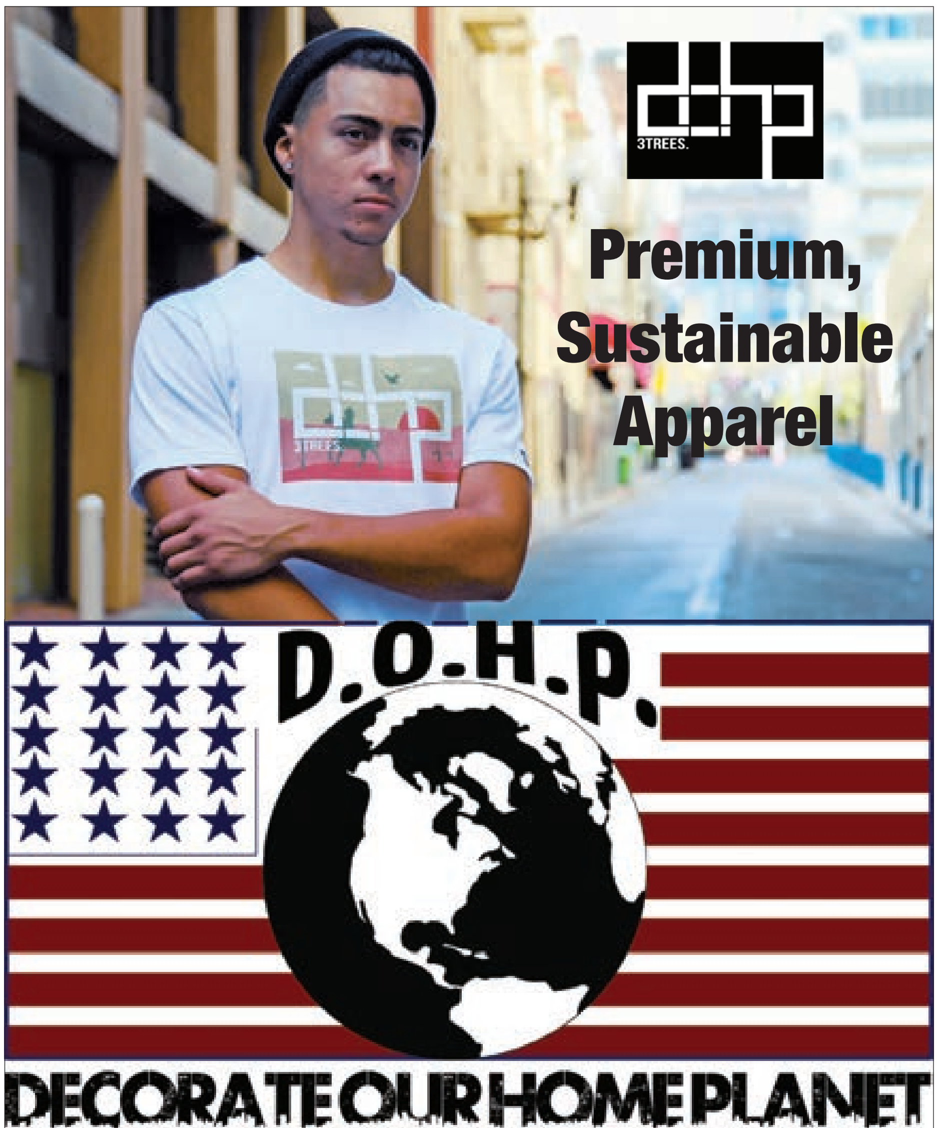
We would certainly remind our clients that a recession will present both opportunities and threats. It may be time for some to play more offense, that is, creating moderate or downstairs lines for existing customers and/or discounters. Of course, the defense can't be ignored. We will certainly reinforce to our clients that lower inventories should be maintained, they should increase their buy against orders and proactively manage expenses.

**Ken Wengrod, Co-founder/President, FTC Commercial Corp.**

There is always turmoil and change in our industry: a potential recession, rising interest rates, retail closures and world events, to name a few. However, manufacturers, importers and exporters should not react to events they cannot change. Companies need to focus their attention on the following principles to avoid losing their existing customer base. In order to stay connected to the customer, remaining razor focused while understanding what their socio-demographic analytics indicate their uber-consumers are looking for, is key. Consumers are looking for authenticity, value and the ease of purchasing and returning merchandise. Discriminating consumers have both more time, based on internet access, as well as money. It's critical that companies understand how consumers think and what they want. Inspiring consumers will pull dollars from their wallets. Companies should be mindful that they need to explore avenues of exporting their merchandise since 95 percent of potential customers are outside of our United States borders. On the global front, Asia, Europe and parts of Africa continue to have a strong demand for U.S.-designed apparel. Africa's consumer spending is growing significantly.

Manufacturers, importers and exporters who seem to be in tune with the flux of the current market conditions are able to maximize their opportunities in such conditions. These business owners do not need to chase sales to support their overhead and will do exceptionally well under any market condition. Their operations are lean and mean so when the market opportunity arises, they maximize their position. Today, a smart business owner must properly level all aspects of the business side and create merchandise that customers have to have once seeing the designs. Creating the proper financial foundation at the right point will afford them a better cash flow later. Searching inside themselves for a solution while focusing on areas they can change will help clients prepare for a potential recession. ●





# From Farm to Factory, Fibershed Pushes the Industry Toward Responsible Fiber Sourcing

**By Dorothy Crouch** *Managing Editor*

After nine years of promoting a local apparel supply chain, through which all sourcing is no farther than 150 miles from a project's headquarters, **Fibershed** founder Rebecca Burgess has become devoted to showing clothing makers how to create a more-responsible product. By connecting ranchers, mills, designers, sewers and brands, Fibershed serves as the agent that brings together like-minded apparel workers. With its fifth **Fibershed Gala** taking place Sept. 28 in Petaluma, Calif., Burgess has begun to reflect on the evolution of her organization.

"We have historically focused the event on a celebration of regional textile culture as expressed through a new textile that we have grown ourselves and created within our region," she said. "In 2013, we paired farmers with different artisans. Through their one-on-one collaborations, they created a garment, and it was styled into an outfit that was featured during a runway show."

While Fibershed has moved away from the runway show, it will still showcase designs in ecologically sound clothing on a more social level. With representatives from large industry players such as **Stella McCartney** in attendance, the local-fashion pioneer that promotes shortening the supply chain has a big voice. "We want to change the mainstream existing supply chain, wherever they may be," Burgess explained. "One tool in the toolkit is amending the existing institution and its existing supply chains. Another is to build something totally new. Both can coexist at the moment. The brittleness of the existing system's monolithic nature can be too heavily disrupted by climate change alone."

The North Face Backyard Project hoodie

The North Face Fall 2019 Cali Wool jacket

Zero-waste loungesuit by Italia Hannaway

## Finding local fiber sources

The disruption to which Burgess refers is part of the organization's mission to change the beginning of the supply chain, where ranchers cultivate resources to manufacture the fibers that will be processed, spun, sewn and, eventually, turned into clothing. Through practices that reduce the carbon in the atmosphere such as growing crops cultivated with compost comprising biodegradable materials—those used to create the most-sustainable clothing—the apparel industry can become cleaner. One of the by-products of carbon farming is climate-beneficial wool, which yields a fiber from sheep who graze on land that relies on soil that is nourished by composted materials. According to Fibershed, the negative carbon impact reduces $CO_2$ by 150 pounds per garment. Burgess helps local ranchers such as Lani Estill, owner of **Lanis Lana** and co-owner of **Bare Ranch**, located on the border of Nevada and California, south of Eagleville, Calif., to implement carbon-farming practices and connects them to brands that are exploring a more-responsible supply chain. "They [Fibershed] came up and looked at our ranch and our sheep and our wool, and we decided to do a carbon farm plan with them," said Estill. "They connected me with **The North Face**, who is currently one of my largest buyers of the wool product and also **Coyuchi**, which is a Bay Area company I work closely with."

Through establishing a partnership with then-Alameda, Calif.–based The North Face, Estill was able to produce at a larger level. As her business grows through partnerships with major brands that are exploring more-sustainable sourcing, Estill is able to work with smaller operations, which contributes to the growth of these independent businesses.

"My clip is about 28,000 pounds," she said. "By working with those bigger companies, it allows me to get into the East Coast supply chain and go to the larger mills. Without those big partners, I am faced with the higher cost of production, which means I couldn't wholesale it, and one of my goals is working with commercial artisans."

For The North Face's sustainability manager, Carol Shu, finding new, responsible methods of sourcing is an exciting mission. The company originally partnered with Burgess in 2013, when it was planning its Backyard Project Collection. The proposal aligned with the Fibershed goal of sourcing supply-chain partners within a 150-mile radius of the company's former California headquarters.

The undyed, natural-brown cotton hoodie, which was released in 2014, was the beginning of a collection that would grow into a larger company initiative.

"It was the hoodie to start with, and it was actually a zero-waste-designed hoodie. It had really unique construction elements to utilize all the fabrics from the patterns," Shu said. "We expanded the collection to include some sweatshirts and T-shirts. Those were all made in the United States, not completely local, but we did production in Southern California."

Consumer response to the collection was positive, eventually leading The North Face to continue its initiative through a Bare Ranch partnership that continues to grow. For its Fall Cali Wool Collection, which will launch in a few weeks and subsequent lines that will follow in 2020, the company looks forward to reducing its environmental impact.

"[Bare Ranch] is one of the few places that practices carbon farming in the United States. The sheep are raised using land-management techniques that trap carbon dioxide and enrich soil health," Shu explained. "With carbon farming you can potentially source raw materials with a net-negative carbon footprint. That was very exciting for us. There is so much potential to scale beyond just wool to source regenerative hemp, regenerative cotton and regenerative leather."

### Designing for zero waste

Through an initiative with the **Fashion Institute of Design & Merchandising** in San Francisco, Fibershed has brought a sustainable mindset to the core of clothing design. While creating the winning design for a 2018 sustainable challenge held during her final year before graduating, designer Italia Hannaway became increasingly interested in sustainable clothing.

"They implemented the sustainability portion of the curriculum for fashion design, and Fibershed pushed the envelope toward thinking through a different approach to fashion," she said. "They wanted a zero-waste design. I decided to take on the challenge and create a zero-waste design marker and garment for their fabric. The award was for climate-beneficial wool."

Following her experience designing for the challenge, Hannaway became committed to creating eco-friendlier designs. While she feels that awareness toward sourcing more-responsibly cultivated fibers is important, Hannaway also saw a refinement in her design skills by designing for sustainable apparel through her **Italia A Collection** brand.

"It's really wonderful because the design approach was so innovative. It made you stop and think. It elevated my design techniques and skills," she explained. "It's opened the door for me to think sustainably and implement that into my designs. I've created an entire collection based off of zero-waste markers and different sustainable textiles." ●

# Resource Guide

## Sustainable

### BOSSA

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**Products and Services:** Bossa Denim's leading fully integrated fabric manufacturing mill has been actively involved in the protection and preservation of the environment since its startup. We adopted the following procedures aimed at reducing our environmental impact: Sustainable Materials, Energy Efficiency, Water Saving, Process Engineering, Certification, Social Responsibility, Re-Usage, Collaboration, and Co-Creation. Taking a step further; Bossa launched the entirely ecological RESET collection in 2006, which not only uses organic cotton, but utilizes ecological dyes, chemicals, and finishes throughout the entire production. Widening the range, recycled denim fabrics were also added to RESET in 2010. Although the process to convert denim scraps to reusable yarn has a higher cost than using cotton, the cost of sending all these scraps to landfill has a much bigger and irreversible impact on our lives and the ecosystem. Today, Bossa focuses on the different steps in the lifecycle of the product that have a particularly high impact and identifies key changes that need to be made. This whole approach, Bossa Cares, includes every step in the lifecycle both inside and outside the company, from design, to the disposal of the product, and to the design again. Bossa continues to launch valuable projects for different stages of the lifecycle.

### D.O.H.P.

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**Products and Services:** Decorate Our Home Planet is a men's green streetwear company that seeks to redefine the term "sustainable apparel." We use Earth-friendly materials in the construction of all of our garments, such as recycled plastic bottles, recycled cotton, and organic hemp, all while maintaining a high standard of design, comfort, and durability. D.O.H.P. strives to keep our entire supply chain local because we believe that American workers' well-being is just as important as the environment. In addition, D.O.H.P. plants three trees for every garment manufactured as a means of giving back to the planet. We've partnered with tree-planting, non-profit organizations that have the knowledge, ability, and resources to plant more efficiently and effectively than we would on our own. At our website, www.dohp.com, one can find where we've planted, how many we've planted, and a link to our non-profit partners. We believe that one day when we're all gone, it will be our children who will take over and care for the soil—thus our name, Decorate Our Home Planet.

### KINdom

*info@kindomshop.com*
*eveline@emblemshowroom.com*
*kim@mediaplaygroundpr.com*
**Products and Services:** KINdom is all about the respect for, and harmony between, the environment and human nature. A sustainable lifestyle brand established in 2017, KINdom is committed to bringing eco-friendly fashion that focuses on a balance between materials, resources, design, and labor. We offer products using sustainable, natural, reclaimed, recycled, and indigenous materials, such as organic cotton, bamboo, recycled polyester, and handwoven textiles by indigenous artisans. Staying true to the concept of slow fashion, each collection is limited and exclusive. Our mission is to create products with meaning and purpose to protect and benefit the environment and humanity for generations to come, while educating and sharing our resources with others who are like-minded.

### The LYCRA Company

*LYCRA.com*
Products and Services: Since its invention more than sixty years ago, LYCRA® fiber set the standard as the world's best-known elastane fiber brand. Lightweight and nearly invisible, LYCRA® fiber became the active ingredient in our clothes and revolutionized the way we wore them. Whenever it's used in fabrics, LYCRA® fiber transforms garments into better fitting, durable clothes that move with our bodies, delivering fit, shape and comfort that lasts. Day after day. Wash after wash. The LYCRA® brand team is continually developing our portfolio of products to provide lasting performance and support wherever you need it. That's why today you'll find there's a versatile range of LYCRA® fibers inside everything from cycling apparel to swimwear, denim to hosiery, sneakers to suits, haute couture to socks. In 2008, The LYCRA Company created Planet Agenda, a sustainable operating framework that touches every aspect of our business. It's based on the belief that we can contribute to a more sustainable apparel industry by delivering insights, technology, processes, and products that add value while conserving resources. The LYCRA Company Planet Agenda represents a commitment to developing products and technologies that will minimize our environmental footprint, and enhance the performance of our customers' offerings, while safeguarding the health and safety of employees and communities. We execute this commitment by focusing on three interdependent pillars: Corporate Responsibility, Manufacturing Excellence and Product Sustainability. For more information about The LYCRA Company Planet Agenda, please contact your account representative or visit *lycra.com/sustainability*.

### R.C. International Fabrics Inc.

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Los Angeles, CA 90007
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*info@rcfab.net*
*www.rcfab.net*
www.garmentdyefabrics.com
**Products and Services:** R.C. International Fabrics, Inc. has been inspiring the fashion industry since 1990. We are an importer and converter of domestic knit and woven fabrics carrying novelties and basic items such as gauze, voile, lawn, poplin, twill, corduroy, denims, tencel, chambray, rayon, embroidery, linen, and much more. We have solids, yarn dyes, and textures in Stretch and non-stretch. ALL IN STOCK in Los Angeles with low minimums. We also specialize in PFD (Prepared For Garment dye) fabrics and stocking woven fabrics is our niche. Visit us at the L.A. Textile show Oct. 2-4, California Market Center, Booth #907.

## Supplier

### Cinergy Textiles, Inc.

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*cinergytextiles@aol.com*
*www.cinergytextiles.com*
**Products and Services:** For over 25 years, Cinergy Textiles has been specializing in stock and order-based programs consisting of hundreds of solid and novelty knits, wovens, and linings. Our product line provides piece goods for all apparel markets, including children's, juniors, contemporary, activewear, uniforms, and special occasions. Our fabrics are imported from Asia and stocked in Los Angeles. We have a one-roll stock minimum. Orders are generally processed on the same day and ship out within one or two business days, depending on the size of the order and availability of the particular style ordered.

### Fabric Selection Inc.

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*info@fabricselection.com*
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### Fil and Needle

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Los Angeles, CA, 90015
(213) 926 8979
*www.filandneedle.com*
*info@filandneedle.com*
**Products and Services:** Fil and Needle is a Los Angeles-based, apparel manufacturing company and design atelier, specifically created to service the evolving needs of the clothing industry. The company strives to honor job creation within the U.S.A. Founded and owned by industry veteran, Cyrus Nazari, they cater to various demands within the clothing industry, supplying full-scale production to retailers who produce their own brands; manufacturers who require their own unique styles; individual start-up designers. They have a diverse and highly skilled team of professionals, and provide services to small and large companies alike from consultation and concept development, to full completion with a strong focus on quality for all production quantities.

### NK Textiles

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**Products and Services:** Progressive Label is dedicated to helping companies develop and showcase their brand identity. From logo labels and hangtags to care/content labels and price tickets, we will develop, produce, and distribute your trim items worldwide. We specialize in producing custom products that will meet your design and merchandising needs. We successfully launched production of RFID price tickets last year. This demand is being greatly driven by the big retailers such as Macy's and Target. Our growth and market dynamics have resulted in opening up a production center in Tijuana, Mexico. We have also added advanced die cutter technology in our Los Angeles production center to streamline our production efforts and to strengthen our packaging capabilities. A very important part of our business is FLASHTRAK, our online ordering system for price tickets, custom products and care labels. Our mission is to deliver high-quality products at competitive prices, wherever they are needed for production. We understand the rush nature of this industry and strive to meet the tight deadlines facing our customers.

## Finance

### Hana Financial, Inc.

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*www.milbergfactors.com*
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## Jobs Available

CALIFORNIA ApparelNews

**NEWSPAPER PRODUCTION ARTIST**

The Part-Time Newspaper Production Artist supports the Art and Production department. Work products include the design and production of the weekly newspaper, various flyers, print pieces and publication websites.

**Experience and Qualifications**
- Excellent written, verbal and interpersonal and team work skills.
- Self-starter with ability to maintain productivity amid competing priorities and tight deadlines.
- Proven graphic design and communication production experience.
- Excellent skills in the Adobe Creative Suite, especially InDesign. Photoshop and Dreamweaver preferred.
- 2+ years relevant work experience - preferred
- Knowledge and experience in newspaper layout - preferred

Submit a current resume with cover letter and portfolio/samples of past work.
Email to: kendall@apparelnews.net

## Jobs Available

**PATTERNMAKER**

Must have 2 years' experience. Knowledge working with Lectra is a plus. Will be responsible for creating new patterns, measurement and sewing specifications. Must be knowledgeable with sewing construction and have a basic understanding of grading. Experience working with lingerie, lounge wear or swimwear is preferred. Full time position. Salary depends on experience.
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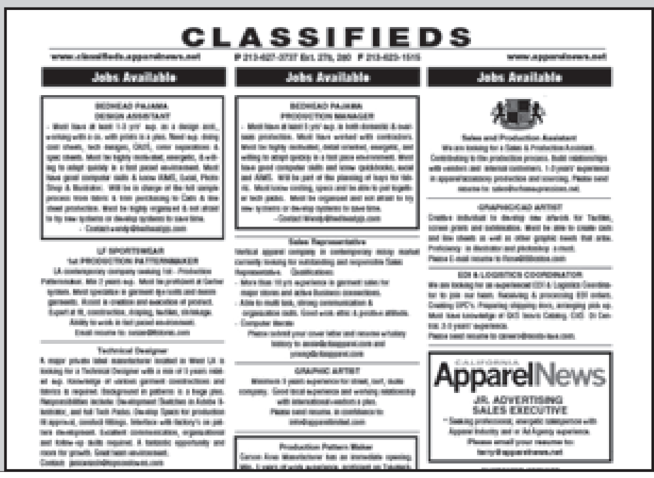


For classified information,
contact Jeffery Younger
at 213-627-3737 ext. 280
or jeffery@apparelnews.net

CALIFORNIA ApparelNews

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