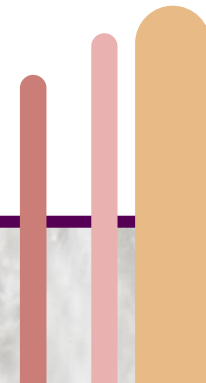


Session 1

# Columbus' Future of Fashion

September 2023



# Agenda

- 1 Current state of fashion industry
- 2 How Columbus could become a fashion innovation hub
- 3 Post-discussion polling and Q&A

(20 minutes each)

## Objectives for today

### Review

emerging trends in global fashion industry

### Assess

current state of Columbus' fashion assets

### Discuss

initiatives that Columbus could undertake to become a fashion innovation hub

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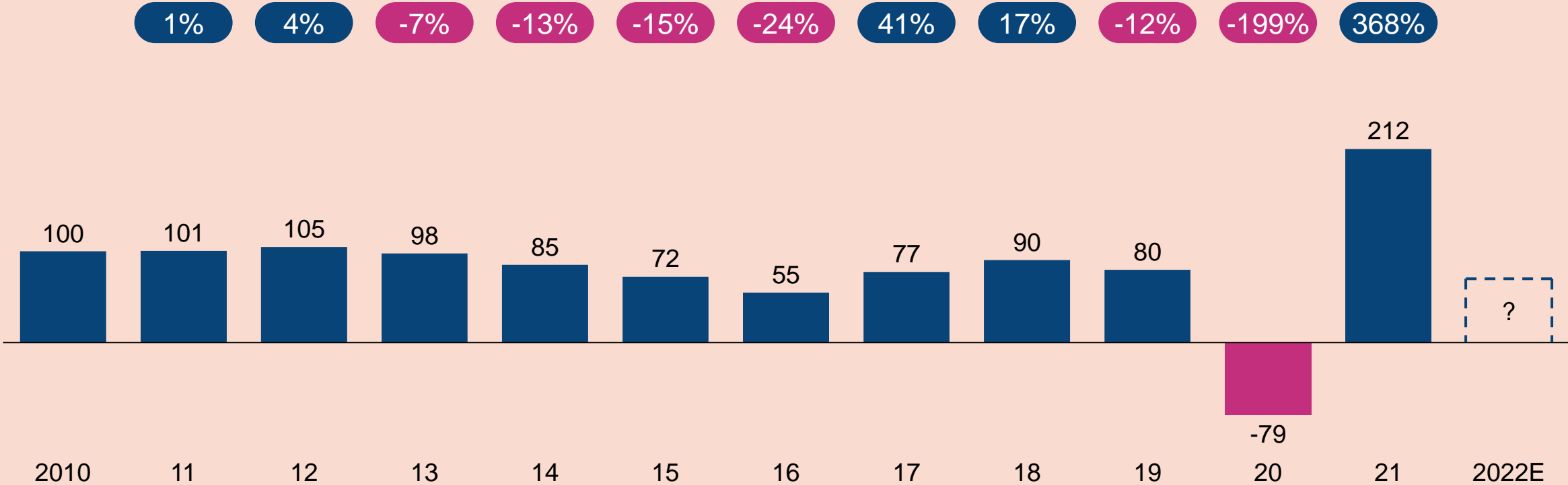
initiatives that Columbus could undertake to become a fashion innovation hub

# The fashion industry strongly rebounded in 2021, following years of slowing growth and sharp decline

YoY change, % X

## Total economic profit

Index (2010=100)



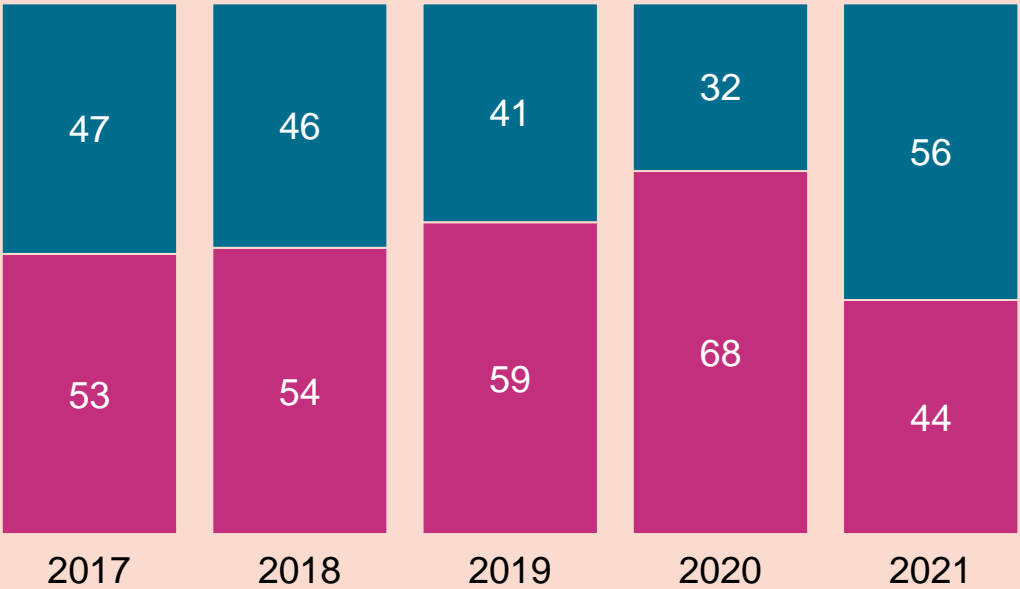
Source: McKinsey Global Fashion Index (MGFI)

# 2021 saw a rise of new value creators ...

Value creators vs. value destroyers per year

%

Value creators Value destroyers

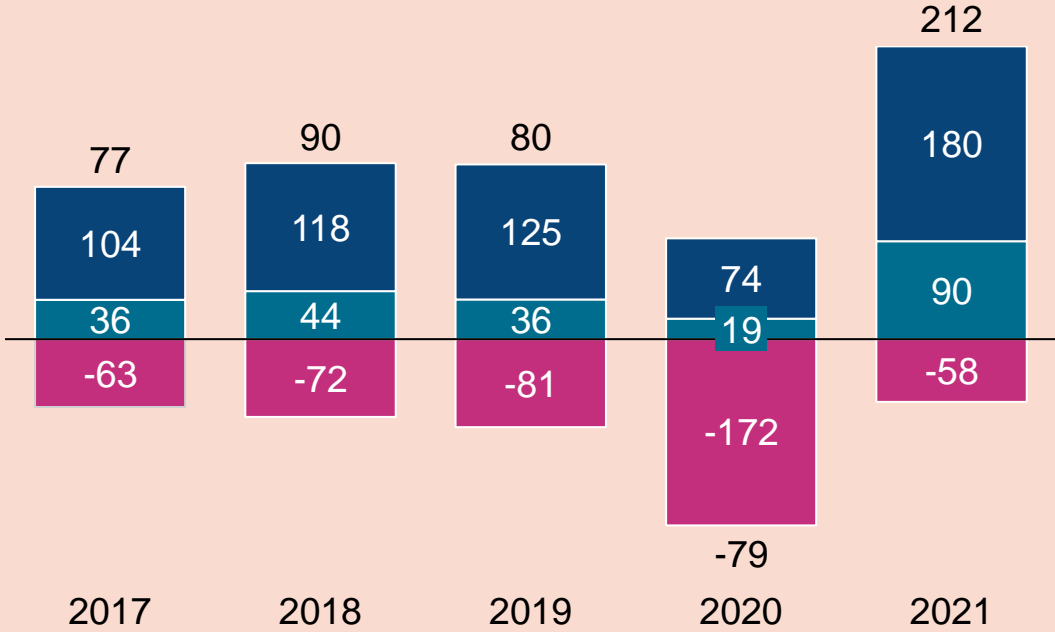


# ... resulting in a less polarized industry

Breakdown of total economic profit per year

Index (2010=100)

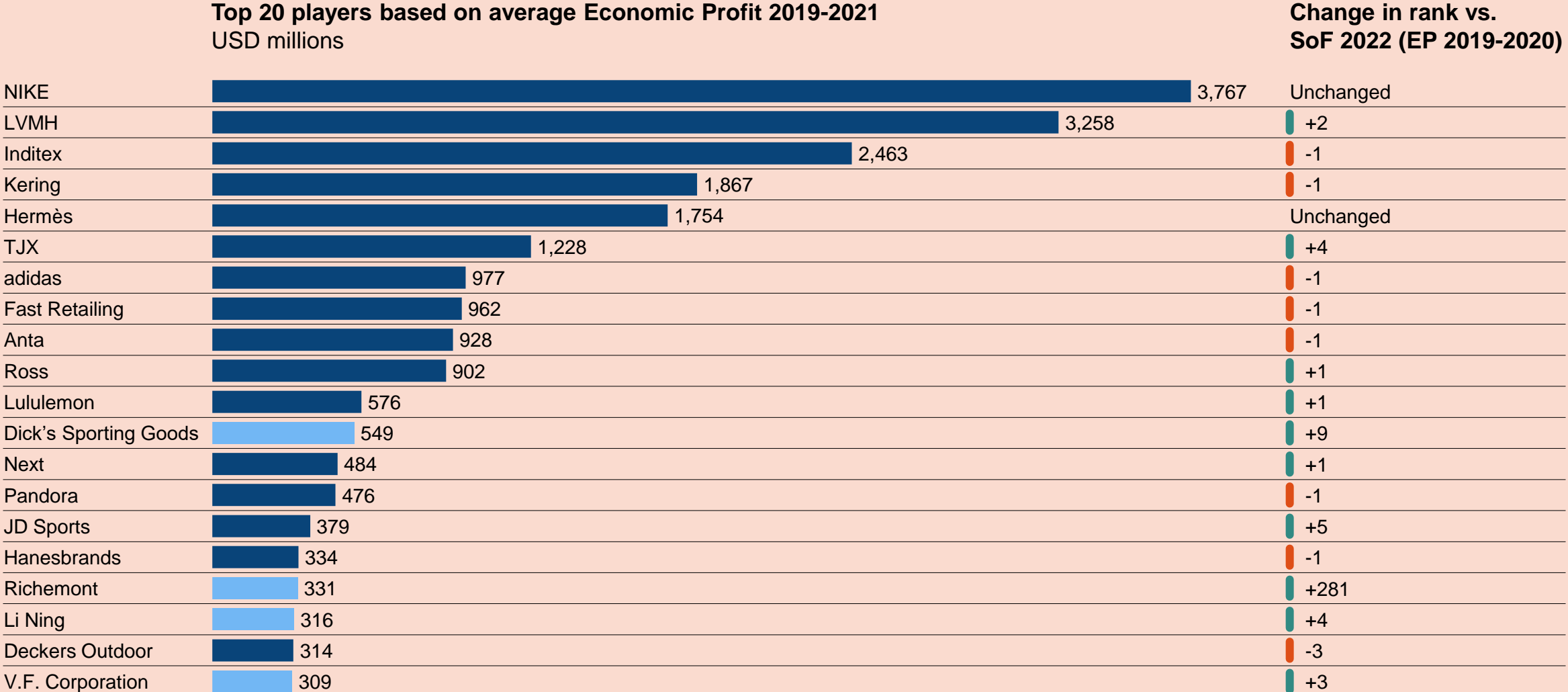
Top 20 based on EP Value creation excl. Top 20 Value destruction



Source: McKinsey Global Fashion Index (MGFI)

# But many super winners maintained their status across the years – with sports and luxury leading growth

■ SoF 2022 super winners   ■ New entrants since SoF 2022 super winners list

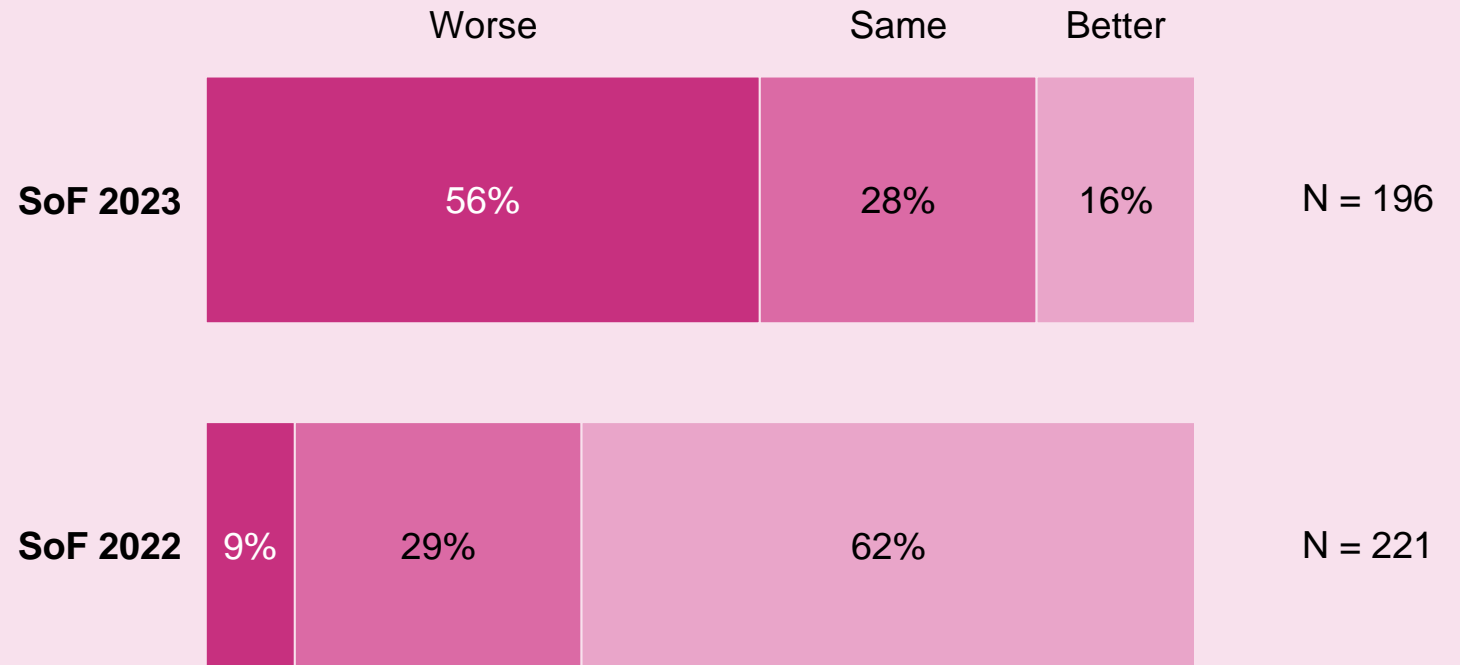


Source: McKinsey Global Fashion Index (MGFI)

# However, the majority of fashion executives expect worse conditions for the industry in 2023

% of respondents that rated industry conditions next year as worse, the same or better<sup>1</sup>

**Executives take a much more pessimistic view of the industry for 2023 than they did a year ago, N=148**



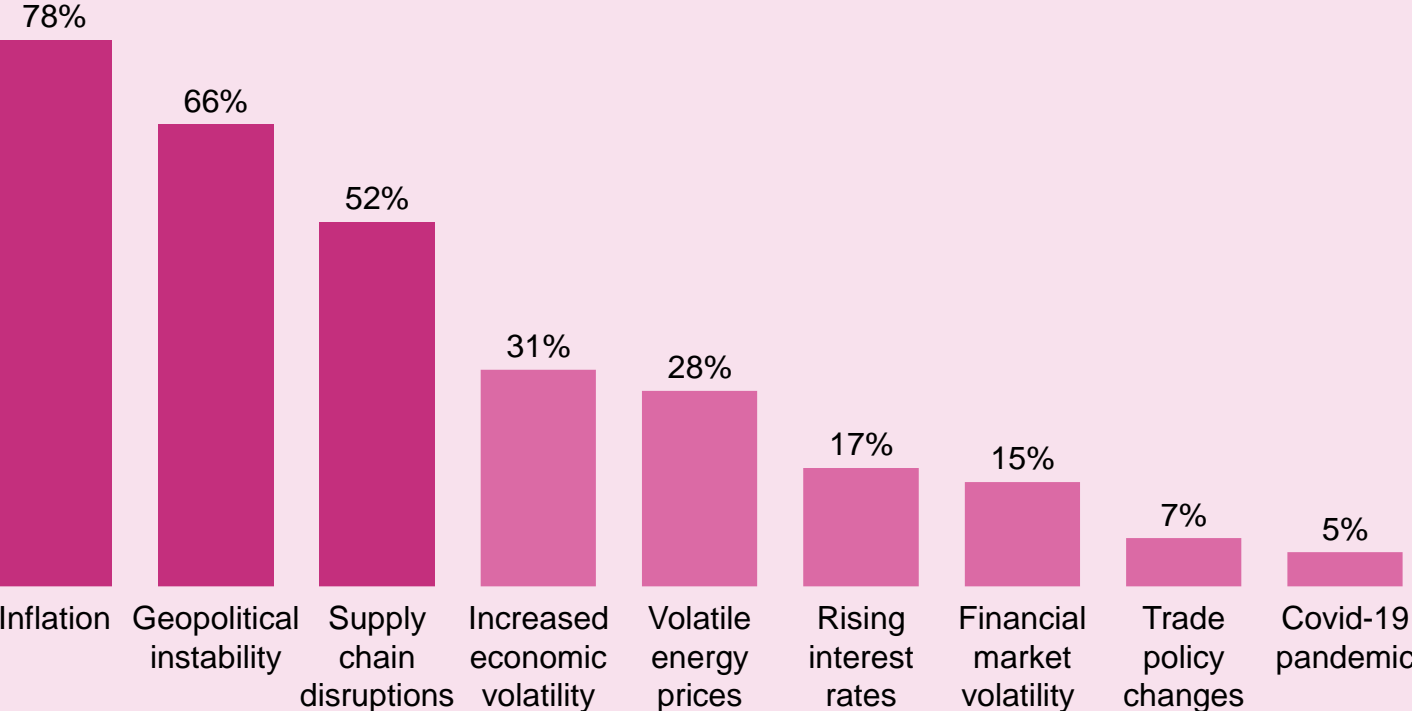
1. Survey question: "Question: How will conditions evolve for the fashion industry in the next year, in your view? "

# Fashion executives are most concerned about inflation, geopolitical uncertainty and supply chain disruptions

% of respondents that rated each topic as one of the top three risks to their businesses in 2023<sup>1</sup>



Inflation, geopolitical instability and continued supply chain disruptions are expected to play a key role shaping the fashion industry going forward, replacing Covid-19 as the top risks to executives' business



1. Survey question: "What do you expect will be the greatest risks to growth in the global economy in 2023? (Select three)?"



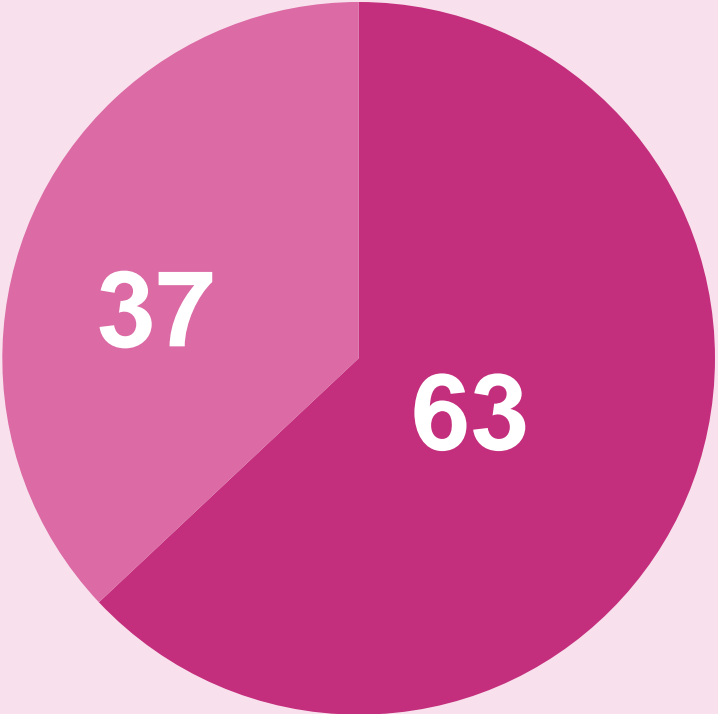
# A record high number of executives are focused on cost improvements – more than during Covid-19



## Focus of performance in 2023

% of survey responses

Cost improvements



Sales growth



## Comparisons with previous editions of SoF

<u>SoF Year</u>	<u>Cost Improvements</u>	<u>Sales Growth</u>
2022	13%	87%
<b>1st year in which Covid-19 was included in State of Fashion</b>		
2021	33%	67%
2020	23%	77%
2019	18%	82%
2018	19%	81%
2017	16%	84%

Source: BOF- McKinsey State of Fashion Survey 2023

# In an increasingly uncertain and ever-changing world, we see four emerging trends that fashion players could capitalize on

## Global economy

1

### Global fragility

Highest inflation in a generation  
Rising geopolitical tensions, climate crises and sinking consumer confidence  
Volatility of global economy

2

### Regional realities

Uneven post-pandemic economic recoveries  
Uncertainty in regional growth priorities and how to hone strategies tailored to a market

A. Build resilience in face of uncertainty

## Consumer shifts

3

### Two-track spending

Some consumers will postpone or curtail discretionary purchases; others will seek out bargains, increasing demand for resale, rental and off-price  
Protect customer loyalty and avoid brand dilution

4

### Fluid fashion

Changing consumer attitudes towards gender identity and expression  
Blurring of the lines between menswear & womenswear  
Requires rethinking their product design, marketing, and experiences

5

### Formalwear reinvented

Shoppers rethinking how they dress for work, weddings and other special occasions  
Offices and events will likely become more casual  
Special occasions may be dominated by statement-making outfits that consumers rent or buy

B. Adapt to evolving demand

## Fashion system

6

### DTC reckoning

Mounting digital marketing costs puts viability of the DTC model into question  
Brands will likely need to diversify their channel mix (incl. wholesale, marketplaces) to sustain growth

7

### Digital marketing reloaded

Recent data rules making customer targeting becomes less effective and more costly  
Need to embrace creative campaigns and channels to maximize ROI on marketing spend and gather first-party data

8

### Tackling greenwashing

Increasing scrutiny on how brands communicate about their sustainability credentials  
To avoid "greenwashing", brands must demonstrate meaningful and credible change, while abiding by regulatory requirements.

9

### Future-proofing manufacturing

Continued supply chain disruptions driving need for reconfiguration of global production  
New models based around vertical integration, nearshoring and small-batch production, enabled by enhanced digitisation

10

### Organisation overhaul

Execution of strategies will hinge on a company's alignment around key functions  
Need a new vision for what the organisation of the future will require

C. Stress-test your channels for future growth

D. Align operations with key strategic topics

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Columbus has strong fashion assets and can consider enhancing access to talent and funding to become a leader in this field

## Development focus

1 Columbus has a **strong base of fashion giants**, incl. Abercrombie & Fitch, Victoria's Secret, Bath & Body Works, DSW and Express, and has a **comparative advantage in distribution and e-commerce**. However, to capture the next wave of growth in fashion, Columbus can consider **providing support / incentives to new entrepreneurs and business** across other high-growth fashion clusters

## Capital & funding

2 **Columbus lags peers in VC funding inflows** for fashion, having only ~\$30k per 1M of residents (vs. ~\$20M across emerging peers) – it could **attract more funders through programming** (e.g., start-up showcases)

## Talent development

3 **Employment in the fashion sector of Columbus has grown 7.3% in the last 5 years**, outperforming US peers. However, Columbus has **gaps in several occupations that may be critical** for the further development of the fashion industry. To close talent gap, Columbus could **enhance its local pipeline of fashion degree graduates** – today, it has 31 fashion-related course completions per 1M of residents (vs. ~50-100 across top peers)

## Physical and social infrastructure

4 Columbus could attract out-of-state talent by **further improving its social and physical infrastructure**, particularly air routes (50 vs. ~70-230 in peers), which are critical for major fashion businesses

## Economic mobility

5 Lastly, Columbus could roll out economic mobility programs to ensure **gains from development are equitably distributed** – e.g., by working with education institutions to promote diversity in fashion worker degree programs



# 1 Columbus has a strong base of fashion industry giants

Company	Total employees Thousands	Total revenue \$B (2022)	Online sales share of total (2022)
Abercrombie & Fitch	18.4	3.7	47.9%
Bath & Body Works	33.0	7.9	22.9%
Express, Inc.	7.2	1.9	41.8%
Retail Ventures (aka Designer Brands, includes DSW)	14.0	3.2	6.9%
Victoria's Secret	22.5	6.8	26.0%

Source: Capital IQ; press search

Columbus also has a number of additional enabling assets in place to help the industry grow



**Common Thread:** An incubator for local fashion startups and destination shopping experience in Downtown Columbus

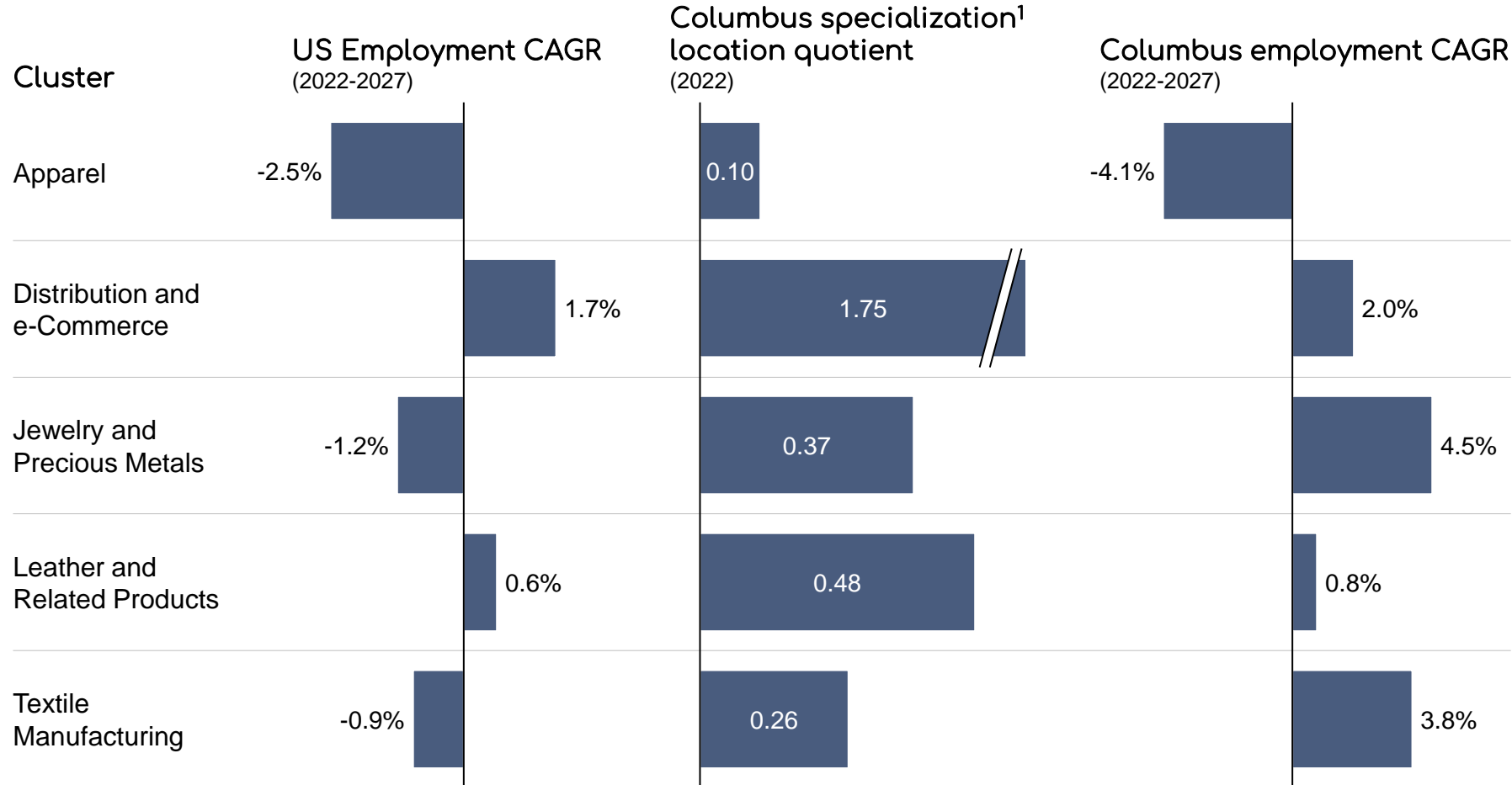


**Fashion Week Columbus:** The flagship program of the Columbus Fashion Council, with a full week of fashion shows



**Idea Foundry:** A coworking and maker space -- home to many of the creative startups in Columbus

# 1 Columbus has strengths in distribution and e-commerce, but could invest in other fashion sectors to further diversify its fashion economy



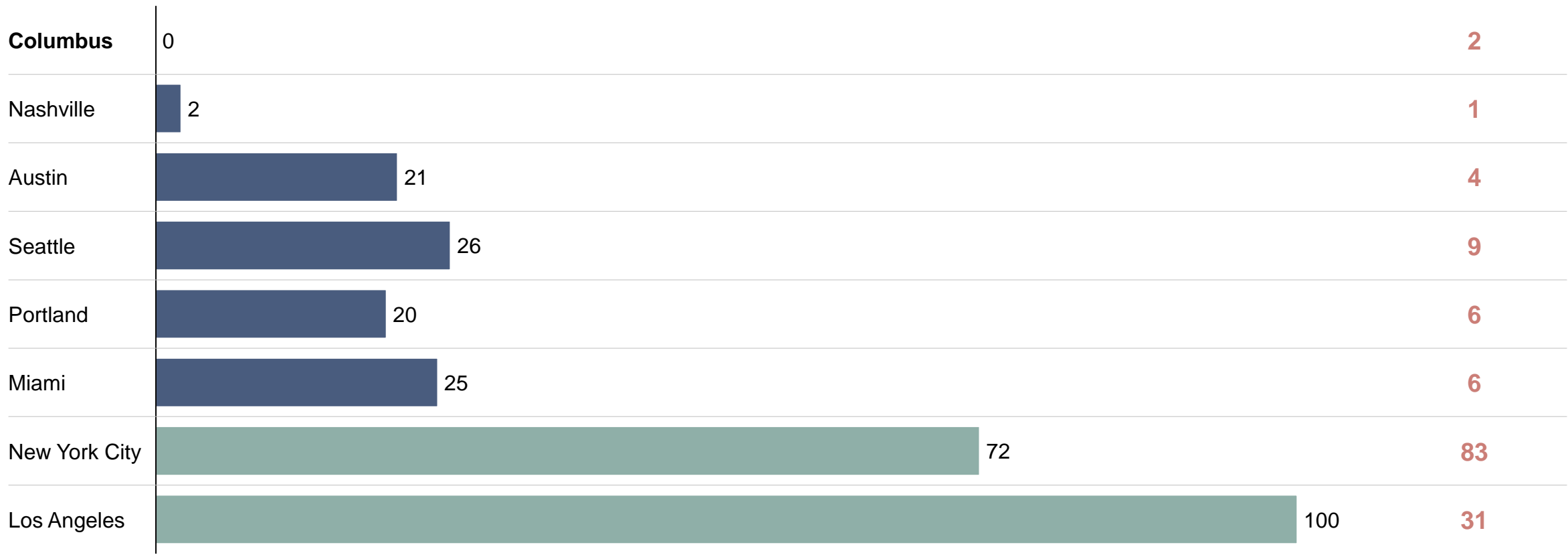
Further investment in apparel, jewelry, leather, and textiles would be beneficial to maintain a diversified fashion economy

1.LQ is measured as the ratio of a sector's share of employment in a region to that sector's share of employment in the US

# 2 Columbus has low inflow of VC funding for fashion, indicating potential to improve innovation infrastructure

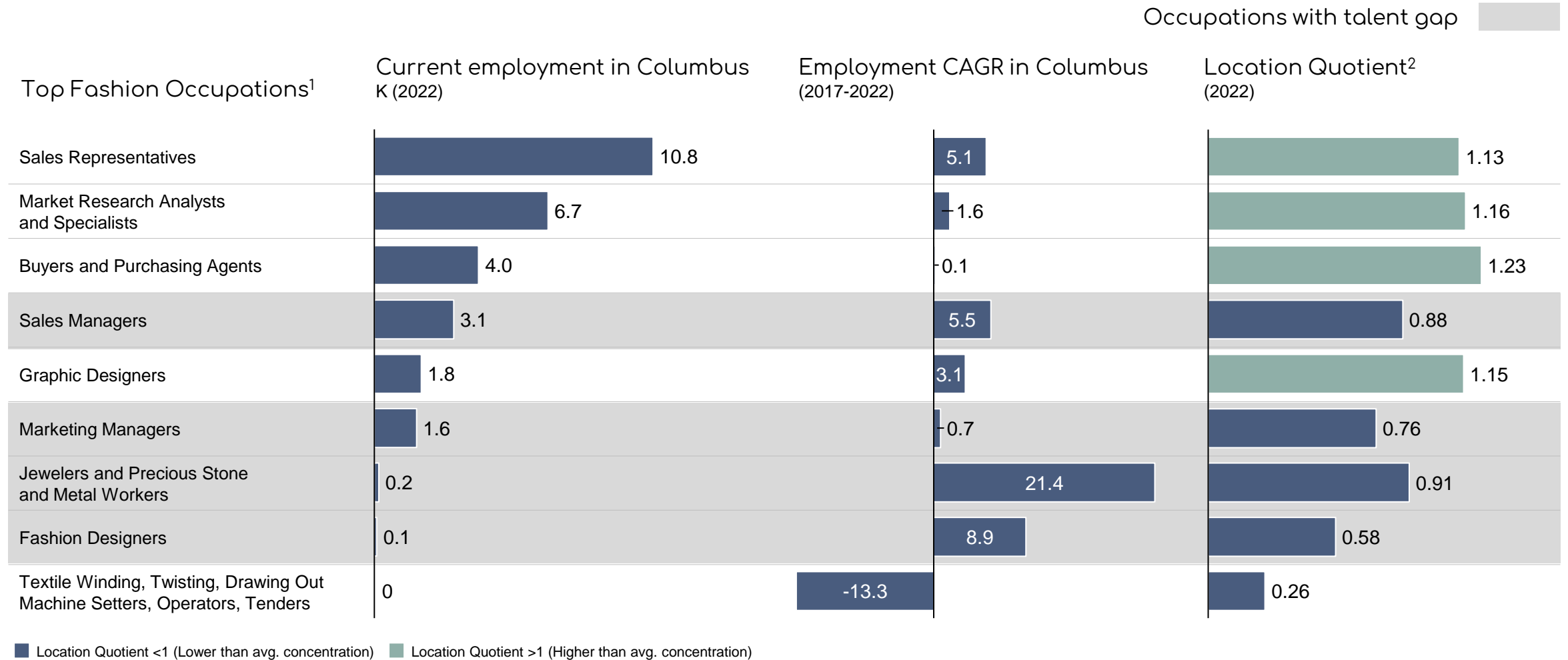
Fashion-related Venture capital funding (\$M) per 1M people (2021)

Fashion-related deal count (2021)



1. Fashion-related jobs are those that fall within the clusters of apparel, distribution and e-commerce, jewelry and precious metals, leather and related products, and textile manufacturing

# 3 Columbus has gaps in several occupations that may be key to the further development of the fashion industry

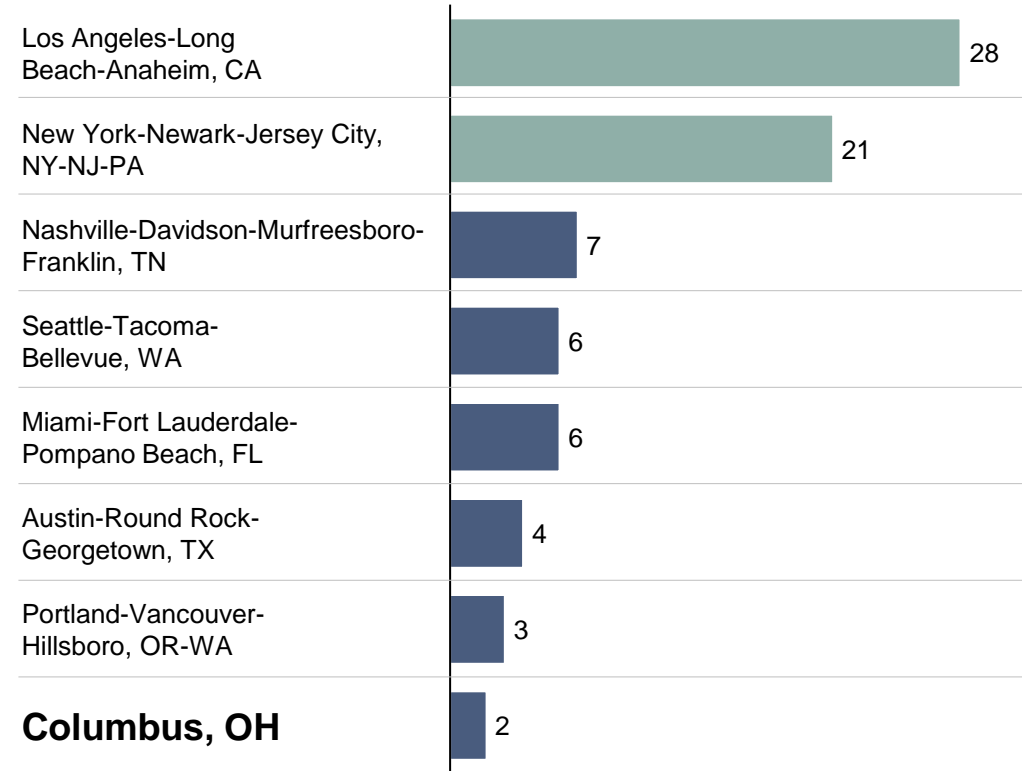


1. Fashion occupations are those that are directly fashion-related and which fall within the clusters of apparel, distribution and e-commerce, jewelry and precious metals, leather and related products, and textile manufacturing; 2. LQ is measured as the ratio of a sector's share of employment in a region to that sector's share of employment in the US

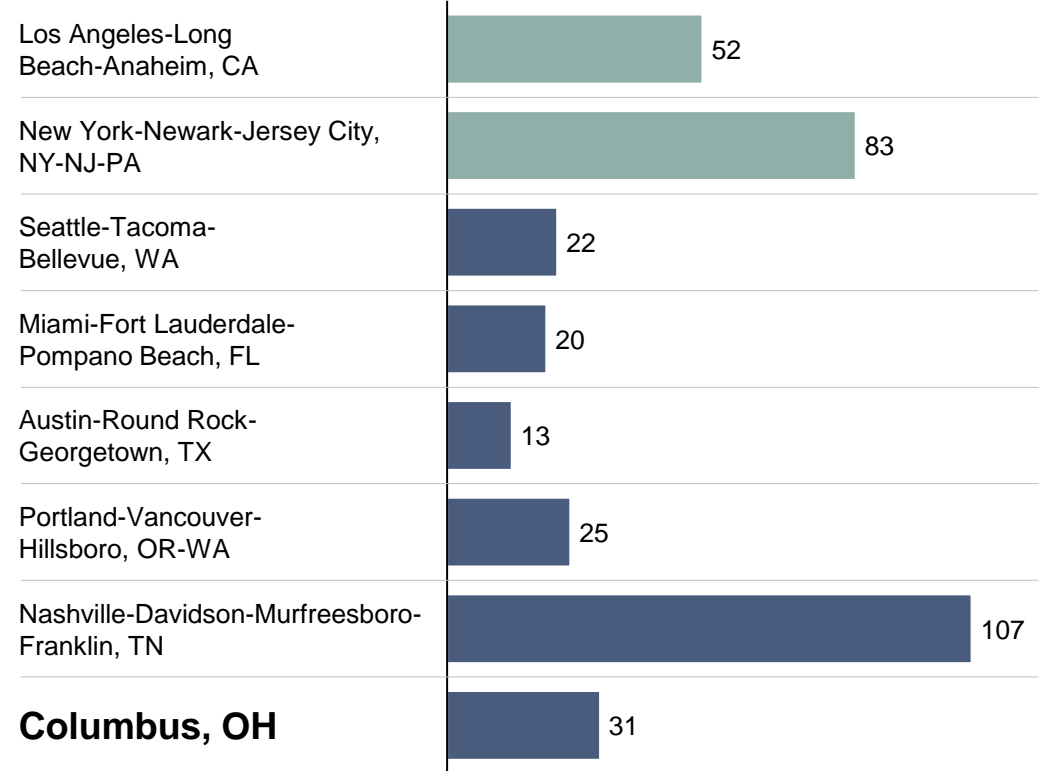


# 3 To close talent gap across target occupations, Columbus could enhance its local pipeline of fashion degree graduates

Number of schools providing fashion education programs<sup>1</sup>  
(2021)



Fashion-related program completions per 1M people  
(2021)



■ Aspirational peers ■ Similar peers

Note: Fashion education programs include the following: Crafts/Craft Design, Folk Art and Artisanry; Commercial and Advertising Art; Fashion/Apparel Design; Design and Applied Arts, Other; Costume Design; Fiber, Textile and Weaving Arts; Jewelry Arts; Arts, Entertainment, and Media Management, General; Arts, Entertainment, and Media Management, Other

Source: Lightcast

# 4

## Columbus could also attract out-of-state talent by improving its social and physical infrastructure

### Social Infrastructure

### Physical Infrastructure



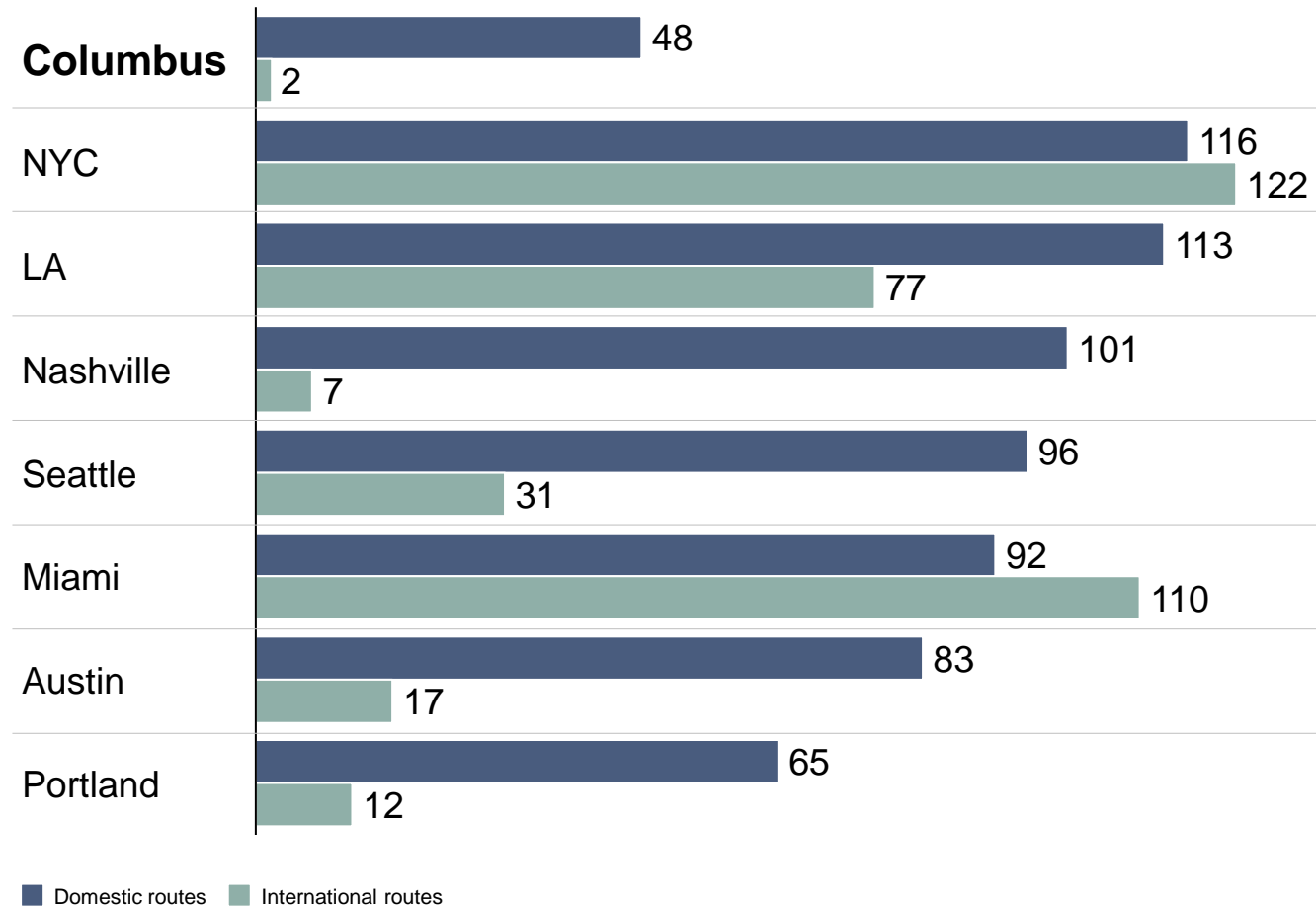
■ Aspirational peers 
 ■ Similar peers 
 — Opportunity area for Columbus (bottom half among peers)

While Columbus has a low share of housing-burdened households, recent trends<sup>3</sup> show the Columbus real estate market is one of the fastest-moving in the nation, which could lead to hikes in home prices

1. Big 6 leagues: NBA, NFL, MLS, MLB, NHL, and WNBA; 2. Housing burdened defined as the share of owner- and renter-occupied households that are spending >30% of income on housing costs; 3. Columbus was ranked as the 4<sup>th</sup>-hottest housing market in the country by Realtor.com in April 2023

# 4 Increasing air connectivity could increase attractiveness of Columbus for fashion businesses

Number of flight routes by city

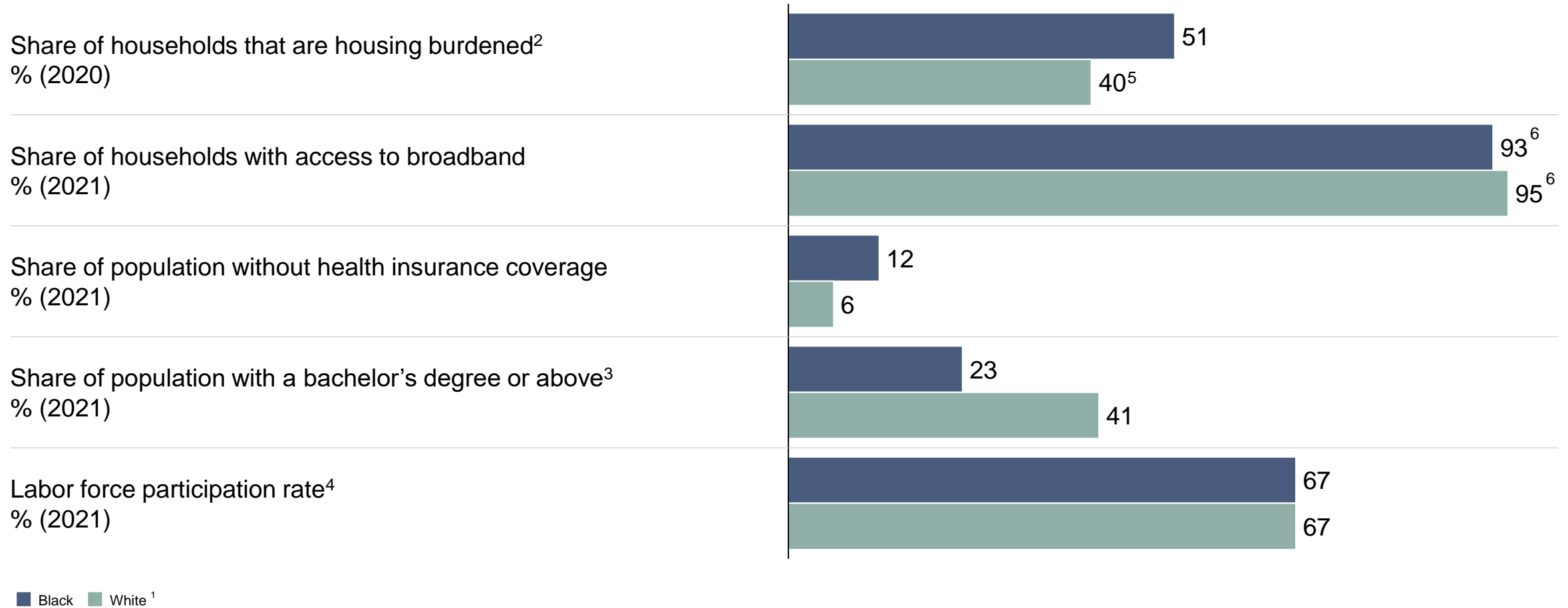


Industry experts have cited access to other major fashion hubs as a key factor in the success of a fashion hub locally

Columbus has 2 international and 48 domestic routes, with destinations like NYC and LA being of particular interest for the fashion industry

However, the region lags peers with respect to the total number of domestic and international routes, with no direct international flights to other key hubs like Paris and Milan

# 5 Lastly, Columbus could roll out economic mobility programs to ensure gains from development are equitably distributed



1. Defined as white alone, not Hispanic or Latino; 2. Housing burdened defined as the share of owner- and renter-occupied households that are spending >30% of income on housing costs; 3. For the population 25 years and over; 4. For the population 16 years and over; 5. Not specific to households with white householders who are non-Hispanic/Latino; 6. Based on race/ethnicity of householder

# For inspiration: Through a series of comprehensive interventions, Portland has become a leader in athletic and outdoor wear

## Actions

- 1 Development focus**

**Oregon Business Plan** highlights the Footwear, Outdoor Gear and Apparel Industry as one of the 5 target industries for economic development  
**Portland attracted the headquarters** of Nike, adidas America, Under Armor, and Columbia, which serve as anchors of the broader ecosystem
- 2 Capital & funding**

**Portland provided export assistance**, training and development, industry events, and industry specific incentives to Footwear, Outdoor Gear and Apparel businesses
- 3 Talent development**

**FashionNXT** offers provides local talent exposure to client specific demands in the areas of digital marketing, product licensing, and other fashion industry related functions
- 4 Social and physical infrastructure**

**Neighborhood Economic Development Strategy** supported the development of new infrastructure within Portland neighborhoods, contributing to the attraction of fashion talent from out-of-state
- 5 Economic mobility**

**Centering Marginalized Voices:** Prosper Portland developed the 2015-2020 Strategic Plan to challenge the state to apply a formal equity lens across all industries  
**Portland Means Progress** supported young students and professionals and businesses of color by connecting them to private sector social impact programs

## Impact

~31,000 employed in **Sportswear, Outdoor Gear & Apparel** industry

**Fastest growing industry** in Oregon with **95% 10-Year CAGR**

**800+ athletic and outdoor industry** firms, including **Under Armor and Adidas**

# We have identified some interventions that Columbus could consider rolling out as it seeks become a top fashion innovation hub

## Description

1	Development focus	<p><b>Anchor business attraction:</b> Launch coordinated public and private sector outreach to attract anchor start-ups across fashion cluster</p> <p><b>Business climate enhancement:</b> Set up special attraction incentives (e.g., tax rebates, grants) for businesses across fashion sector</p>
2	Capital & funding	<p><b>VC coalition:</b> Build a local venture capital and mentorship coalition, which will connect aspiring fashion entrepreneurs with banks, VCs and industry leaders</p>
3	Talent development	<p><b>Workforce development programming:</b> Connect fashion employers with workforce development programmers and education providers to design relevant programming for their talent needs</p> <p><b>Fashion campus:</b> Invite top fashion institutes to set up a satellite campus in Columbus</p> <p><b>Talent bootcamps:</b> Run bootcamps for key fashion occupations (e.g., marketing managers)</p> <p><b>Talent relocation incentives:</b> Provide incentives for the relocation of talent in key occupations</p>
4	Social and physical infrastructure	<p><b>Arts &amp; fashion programming:</b> Create year-round arts &amp; fashion programming that will complement Columbus Fashion Week</p> <p><b>Fashion district:</b> Set up an arts &amp; fashion district, which will include spaces for emerging designers</p> <p><b>International airline hub:</b> Work with airlines to make Columbus an air traffic hub, increasing number of domestic and international routes</p>
5	Economic mobility	<p><b>Affordable housing:</b> Provide bespoke housing solutions / mortgage financing options for workers in the fashion industry, increasing housing affordability</p> <p><b>Diverse talent development:</b> Embed economic mobility goals in all talent development programs</p>

Any additional interventions that could spur the development of the local fashion industry?

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# Let's now hear your reflections

Scan the QR code below or go to  
[pollev.com/cbusfashion](https://pollev.com/cbusfashion)

The presenter will activate the poll once  
the group is ready.



**On your mobile phone, scan the QR code and  
give us your reflections on the questions below:**

What one word best describes Columbus' fashion  
industry?

What are the top two challenges Columbus' fashion  
industry faces as it seeks to grow over the next ~5  
years?

What are the top three interventions Columbus could  
prioritize as it seeks to grow its fashion ecosystem?



# Columbus Fashion Summit attendees most commonly used 'potential' to describe Columbus' fashion industry

