

PEER COMPETITOR ANALYSIS OF FASHION INDUSTRY

FASHION MARKET OVERVIEW

Fashion is one of the biggest industries with a high level of competition which requires companies to differentiate themselves. The differentiation refers to having a unique product but also in the way in which the product is presented on the market. It is not enough for the company to have a beautiful and trendy product; the company must reach out with their product to the customer and position themselves on the market. This may be one of its biggest challenges for the company due to the fact that the consumer often gets an overload of information about fashion news offered by different companies. One factor that has become increasingly important in the fashion industry is the brand of the product. The logotype of a product can have a deeper meaning than just to identify the product and the company who produced it. The brand can be associated with various characteristics such as exclusivity, luxury, good quality and high fashion.

FASHION MARKET INDUSTRY

Fashion is a \$1.2 trillion global industry, with more than \$250 billion spent annually on fashion in the United States, according to industry analysts. Fashion and apparel industries employ 1.9 million people in the United States and have a positive impact on regional economies across the country. New York City and Los Angeles are the two largest fashion hubs in the United States, with over two-thirds of all fashion designers employed in these cities. But they are not the whole story, and cities such as San Francisco, Nashville, and Columbus are beginning to reap economic benefits, including high-paying jobs in fashion design.

To have a successful business you must stand out and be memorable. The company profit is not only depending on the product, advertisement, branding or price. Today far too many companies are alike, which makes it difficult for the customer to make a distinction between the company and their competitors. Retailers are surrounded by competitors and the amount of competition is increasing since it is a profitable market. The fashion interest has increased the last ten years. Online retailing is constantly growing, maintaining a year-on-year average growth of 15% in 2009 (IMRG, 2010), and has evolved from its high 'factual search' product origins of primarily books, videos and computer software into a retail channel that readily and

effectively accommodates 'fashion search' products and their purchases; with the fashion online market expecting to surpass a worth of £6 billion by 2015.

Fashion makes up only just over 20% of online retail sales, due to the industry's initial reluctance to embrace online transactions. In the early parts of the 2000s, consumer's experience and expectations far exceeded the fashion retailer's ability to understand and satisfy consumer needs online.

One of the biggest drivers of online sales is the catalogue, as consumers are browsing the catalogues and then ordering the products online.

COMPETITOR ANALYSIS

Supreme's strategic plan is and has been to establish itself as a brand known for its quality, style, and authenticity. They have done so by working with some of this generation's most ground breaking designers, artists, photographers and musicians to produce the best quality product they could produce.

SWOT Analysis

Strengths: Some of the strengths of Supreme is that they have prime location in the downtown SoHo. With SoHo being the epicenter of shopping and fashion in New York City, it is perfectly placed within the downtown area. Another strength is that Supreme has celebrity endorsements from the frequent amount of collaborations they do with musicians, artists, photographers and designers, giving Supreme free advertising to those who haven't heard of or bought Supreme clothing before.

Weaknesses: One of the weaknesses Supreme has that I've come across is the high price point of some of the items. Another weakness would be that they release new clothing on Thursdays. On those days there is usually a huge amount of people trying to get into the store which leaves employees with no choice but to let only 5-6 people in at a time. This causes some to leave or not even go try to go into the store due to the long backed up lines.

Opportunities: Even though they already have nine store locations (one in New York, one in Los Angeles, one in London, and five locations in Japan) they could use a couple more

locations. Preferably mall locations to make their clothing more accessible to the regular people who cannot find a store. Another opportunity I see for Supreme is that they could use an advertising campaign to gain new followers alongside being able to sell itself.

Threats: One major threat that I have noticed is small amounts of inventory on certain products. Another threat as I mentioned before is that certain items they carry have high price points. This could turn first time buyers off of the product or even the brand as a whole. One final threat that I noticed was the production of unauthentic or fake clothing that is passed off as authentic Supreme clothing.

Business Collaboration/Partnership

Supreme has a line of collaborations with brands such as Cascorva productions, Nike, Air Jordan, Vans, Clarks, The North Face, Hanes, Playboy, Levi's, Timberland, Comme des Garçons, Stone Island, White Castle, and Hysteric Glamour. On January 18, 2017 luxury fashion company Louis Vuitton held a fashion show where a collaboration between the two brands was confirmed. Pop-up stores featuring the collaboration were opened on June 30, 2017 in Sydney, Seoul, Tokyo, Paris, London, Miami, and Los Angeles. Louis Vuitton's proposal for a pop-up store in New York City was denied by Manhattan's Community Board No. 2 after residents expressed their "outrage that such an event was being proposed for [Bond Street]". In 2017, *The Dapifer* reported that Lacoste partnered with Supreme for a limited men's capsule collection.

Supreme has released skateboard decks featuring the artworks of Harmony Korine, Rammellzee, Ryan McGinness, KAWS, Larry Clark, Jeff Koons, Richard Prince, Christopher Wool, Nate Lowman, Damien Hirst, and John Baldessari. In addition, they have collaborated with other photographers, artists, and designers such as David Lynch, Robert Crumb, Marilyn Minter, Takashi Murakami, Daniel Johnston, Peter Saville, Futura 2000, Bad Brains, H. R. Giger, Mark Gonzales, M.C. Esher, and Dash Snow.

Supreme Sales Technique

Supreme doesn't sell its wares anywhere outside of its own stores or website, with the sole exception of Dover Street Market's New York, London, and Tokyo outposts. The brand has six stores in Japan, compared to just two in the U.S. It felt like the scene as a whole became something the Japanese culture was very attracted to. The Japanese enthusiasts really dig the New York style and, at that time, it was such a heavy subculture."

In a rare Supreme interview, the brand's founder (and notoriously press-shy messiah) James Jebbia told the late, great Glenn O'Brien in an *Interview Magazine* story about Supreme's strategy in Japan. He explains that Supreme never actually targeted the Japanese market. "We never pandered to the Japanese customer. We still don't. It's more like we're just trying to make stuff for that real pain-in-the-ass, picky New York kid. And I think that the kids in Japan could see that and say, 'Okay, yeah, that's legit. There's nothing else quite like that going on.'"

SUPREME MARKETING TECHNIQUE

Reselling Supreme has become a peculiar global fashion ecosystem of its own. Given that sneaker culture more broadly has fueled a \$1 billion secondary market, it's no surprise that flipping streetwear's most prized brand is a truly lucrative business venture.

Reselling Supreme simply involves buying clothing from the skate-inspired men's fashion brand at retail prices, and then waiting until the items have sold out at Supreme's physical stores and online shop, and then putting those items up for sale on anything from dedicated Facebook groups, forums, eBay, Instagram or websites such as Grailed, all at significant mark-ups. Supreme commands a devotion from its loyal fan base like no other brand. The weekly drops at any of its 10 stores are seen as a ritual-like pilgrimage for many; school kids blow off school and even grown adults will skip work just to get something as useless as vintage Supreme-branded incense sticks.

Supreme produces seasonal collections but drops them gradually instead of releasing them all at once. It does not declare publicly what will be in its shops each week — aficionados must check blogs and closed Facebook groups such as The Basement to find out. All this is finely

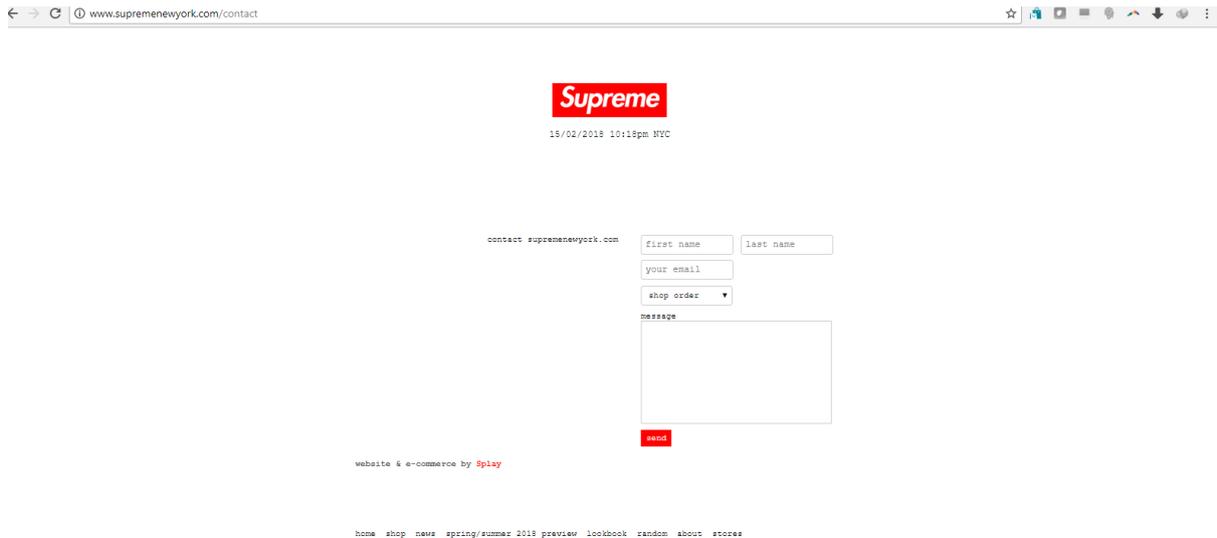
calculated to create a sense of scarcity — one hoodie sold for \$150 in Supreme shops can be fetched \$1,000 at resale. Such tactics are starting to make the clothing industry work like the financial one: instead of prices being fixed by sellers, they are influenced by supply and demand on exchanges. Brands attempt to stimulate excitement by keeping a tight rein on supply, as fast fashion retailers such as H&M and Zara do with limited edition collections by well-known fashion designers.

Supreme Consumer

The most popular Apparel and Fashion by Reach for Supreme consumers are 'Clothing' and 'Athletic'. Their Customer insights show that the two most Relevant interests for Supreme fans are Footwear and Athletic. Using their Customer insights, we can find the interests of their Supreme demographic is most likely to enjoy by ranking interests by popularity. THE HUNDREDS and Stussy are the most popular Apparel and Fashion category.

Website Review

Although Supremes' website is appealing and features an easy-to-use interface, it has some flaws. Supreme only has some of its products available for online purchase and the inventory of these products is very low. Typically, most of the merchandise sells out quickly and is unavailable for the rest of the season. For a business with only nine locations scattered worldwide, a majority of consumers are left out. This system may make their products more exclusive but it leaves a majority of its customers unhappy, which can lead to bad publicity. Additionally, it is difficult for users to seek help with any questions online. When you select "Contact" on the site's menu, rather than having a phone number referring the troubled guest to customer service, it provides an option to send Supreme an email.



From past visitors' experience, the response time is very long which frustrates customers. These frustrated customers may in turn use social media to complain or urge others to not purchase merchandise from Supreme. These issues are unprofessional and easily preventable.

Building an Advertising Campaign

Despite the attention Supreme gets from celebrities, there has yet to be any advertising featuring these entertainment moguls. If Supreme incorporated these icons into a televised ad, brand recognition would go through the roof. The headphones "Beats" by hip-hop artist and producer Dr. Dre recently released a televised ad featuring celebrities such as Lil Wayne, LeBron James, Cam Newton and numerous others. All these celebrities are seen sporting the new colorful headphones while the #1 single on iTunes, *Scream & Shout* by Will.i.am and Britney Spears, sending the star-studded cast into a dancing frenzy.

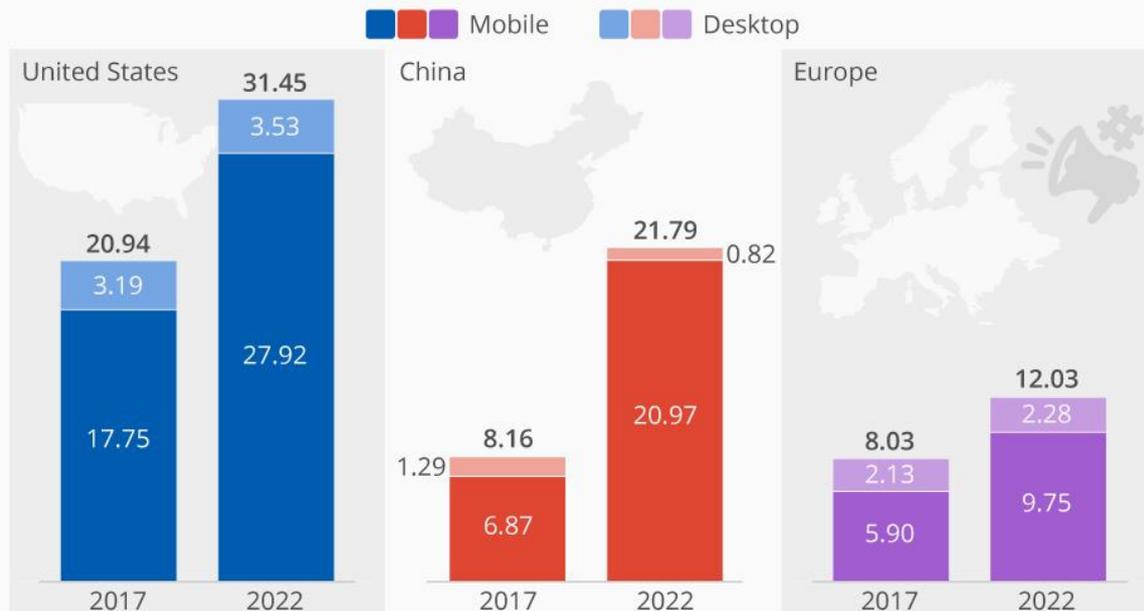
Social Media Potential

The worldwide social media advertising market was worth some 43.78 billion dollars in 2017, and accounted for 18 percent of the total digital advertising market. As our infographic shows, the U.S. market is by far the biggest in the world, having generated some 21 billion dollars. That's a 22 percent share of the total U.S. digital advertising market.

Its European counterpart was worth about 8 billion dollars, not even half the size of the U.S. market. In China, 11 percent of the digital advertising revenue comes from social media. Around the world, mobile is more important than desktop targeted social media advertising.

The Potential of Social Media Advertising

Revenue of social media ads in 2017 and 2022 (in billion U.S. dollars)



@StatistaCharts Source: Statista Digital Advertising Report 2017

statista

Fashion from a Global Perspective

- About 75% of the people who are garment workers in the fashion industry worldwide are women.
- Up to 75 million people are employed by the fashion industry globally right now. In 2000, only 20 million people were believed to be employed by the industry.
- In the US, cotton pickers make an average of \$40,000 per year. In India, the average employee makes \$730 per year. In Uzbekistan, workers may not earn anything at all.
- In 2004, it was estimated that the informal economy within the fashion industry generated 35% of global GDP; the figure is likely higher now.
- 6.9 million women in the US alone shop for apparel online on a regular basis.
- 58% of women who do shop for apparel online around the world are in the 25-45 age demographic.

What Fashion Looks Like in the United States

- 36% of fashion imports to the United States originate from China. Another 11% comes from Vietnam and both Bangladesh and Indonesia contribute 6% each.
- Despite rhetoric which states otherwise, just 5% of fashion imports to the US originate from Mexico.
- 30% of the manufacturing jobs which are available in New York City are due to the fashion industry.
- In Los Angeles, just under 20% of the manufacturing firms conducting daily business are in the fashion industry.
- The number of people working as fashion designers in the United States has grown by over 50 percent in the past 10 years to over 17,000.
- Across all industries, fashion designers earn an average of \$73,600 annually in the US.
- Apparel manufacturing on its own employs more than 144,000 workers who earn a median HHI of \$59,750.
- Fabric and apparel patternmakers earn an average HHI of \$53,800.
- The majority of fashion and apparel jobs are in the retail sector, with nearly 1.5 million individuals employed throughout the country in retail establishments.
- In Nashville, TN more than 275 fashion designers earn an average of \$30 an hour, close to the prevailing wages for designers in New York and Los Angeles.
- More than 200 schools across the country offer fashion-related programs and prepare students for high-wage jobs in the fashion industry.
- 5% of fashion designers worked in the motion picture and video industries in the last year.
- US teens spend 40% of their available money on items made available from the fashion industry.
- Men, women and children's apparel increased by 4%, 3% and 6% respectively. Stores owned by fashion manufacturers saw the highest growth rates, however, at 15%.

Total Amount Spent on Fashion Every Year around the World

- In the US, the average household spends about \$1,700 per year on fashion items, including apparel, footwear, and related accessories.
- The average number of garments purchased in a given year per person: 64.
- In the UK, there is an estimated \$46 billion worth of fashion items that remain unworn in household closets across the country.
- Even in Tucson, AZ where the least amount is spent on apparel per household in the US, more than \$130 is spent every month.
- China's textile industry processes more than 41 million tons of fiber for the fashion industry every year, which accounts for more than half of the world's total production each year.
- The average fashion week in one of the global hubs for this industry typically generates a minimum of \$20 million for the local economy.
- Louis Vuitton is the top revenue generating brand in the fashion industry, with more than \$37 billion in total annual revenues. That's 2x higher than H&M, which is its nearest competitor.

Fashion from an Islamic Perspective

- Muslims generate more than \$224 billion in clothing and footwear sales on an annual basis, which accounts for more than 10% of global expenditures.
- By 2018, countries like Iran, Egypt, Qatar, and Iraq are all expected to see more than 55% growth in the fashion industry by 2018.
- OIC exports total \$59 billion, which is 9.5% of the global clothing exports which occur annually.
- At \$24.9 billion, Turkey is the top consumption market for Muslim clothing, followed by Iran, Indonesia, Egypt, and Saudi Arabia, which are all above \$15 billion annually.
- By 2018, this specific demographic is expected to contribute \$322 billion in revenues to the fashion industry.

The Value of Targeting a Specific Fashion Demographic

- Children's fashion is expected to exceed \$200 billion in total sales annually, which marks a 15% increase in the past 5 years.
- Bridal wear is a fashion market which generates more than \$55 billion annually.
- Menswear is an industry which generates more than \$400 billion each year around the world.
- Womenswear contributes more than \$620 billion in sales to the fashion industry annually.
- 40% of the apparel which is sold in the United States has been imported from China.
- The UK fashion industry has seen a 22% increase in direct value increases since 2009, contributing nearly 800,000 jobs to the economy.
- Fashion represents about 2% of the global GDP, yet 75% of the market is concentrated in the US, Europe, China, Japan, and the United States.

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