Entrepreneurship in the Fashion Industry: The new Paradigm

Clara Fernandes
University of Beira Interior
claraf@ubi.pt

Madalena Pereira
University of Beira Interior
mrp@ubi.pt

José Lucas
University of Beira Interior
jluca@ubi.pt

Rui Miguel
University of Beira Interior
rmiguel@ubi.pt

Manuel Santos Silva
University of Beira Interior
mjssilva@ubi.pt

Abstract

Purpose
According to recent studies, the fashion industry is experiencing a new dynamic as many professionals have decided to take the risk to create fashion related businesses (ATP, 2014). As many universities and private schools provide a formation in fashion, many are the paths and configurations that can be taken by graduates in this vast and challenging industry. Becoming an entrepreneur in the fashion industry is a very challenging decision to make, even more if the entrepreneur has no further knowledge about business (SOUSA, 2015). This study seeks to understand who are these new fashion entrepreneurs and how they start their business in the fashion “jungle”. Where do these people come from and how do they take the decision to become fashion entrepreneurs? Which organizations and entities can come in hand to these new-born

businesspersons and how do they pretend to change the game in an innovative, always-changing and high-technological society?

**Methods**
For the methodology, a qualitative approach will be used as this study will explore this new paradigm with exploratory interviews to new fashion related entrepreneurs and people who are providing tools for others to become entrepreneurs in this area, but also focusing on success cases of fashion related businesses. The study will also contemplate a case study of recently created projects, seeking to join new technologies and fashion, in an attempt to create a new business and focus on the reasons that make a new fashion-related business successful or not.

**Findings**
The main focus of this paper resides in the comprehension of all aspects concerning the creation of businesses in the fashion industry, as well as observing the people who chose to create their business in this industry. The following study attempts to cover the existing solutions that promote entrepreneurial activities in the fashion industry, as well as it explores the question of fashion entrepreneurship as the current economic situation presents an overcrowded industry in which creating a commerce can seem very challenging for young entrepreneurs who have no experience in the business. This article perceives this ever-changing industry and suggests the rising of a new entrepreneurial paradigm, as well as the multi-disciplinary people that are changing it and moreover, being successful in it.

**Keywords**
Entrepreneurship, fashion industry, projects, innovation.

**Article Classification**
Research paper

1. **Introduction**
Lately, a new paradigm can be observed in the global apparel industry, as the diversity of professional outcomes in the business of fashion have evolved, as well as the society we live in. Speaking of the fashion industry and starting from students in Fashion Design, it can easily be observed that there is an increase of young people, wanting to increase their chances of a successful future, taking the decision to get a college degree. However, such numbers have decreased throughout the years, since the economic crisis and the need for young people to become financially independent right after their majority (DGEEC, 2014).
Narrowing this study on Fashion Design courses and also witnessing data released by the Portuguese General Direction of Superior Education (DGES), in the last academic year of 2014/2015, 131 openings were made for new students in fashion design Courses throughout the country, however, these numbers only consider degrees delivered by public universities and entitled “Fashion Design”. Facing a still stagnating economy, many complications can come in the way of recently graduated individuals (Kozar & Connell, 2014, p.1). Even if for some students it is not a choice to risk it all to enter the job market, the ones who end up taking a chance can mostly count on their former teachers, who can help them in the job seeking process and even influence it (Kozar & Connell, 2014, p.10). In the UE and more particularly in Portugal, the application of Bolonha in 2006 has been responsible for many more students entering college courses with an augmentation of 12,000 more students in 2007, comparing to 2006 (Vieira & Marques, 2014, p.90), but also implicating changes in the academic formation of the students. Masters’ degrees are strongly recommended by superior institutions, as Bolonha was implemented in a continuity logic (Sousa, 2015). After a license degree, students face the difficult situation to choose between entering the job market right away, mostly through an internship, or to improve their knowledge in the field they studied, or furthermore in another complementary field. Unfortunately, if Portugal has presented good results in terms of entrepreneurial and innovative-driven education at schools (GEM, 2015), the contrary is happening in terms of college education, as very few programs prepare future fashion professionals for entrepreneurship, even if it can be agreed that an innovation-driven curriculum is essential for such studies, as referred by Black, Freeman & Stumpo: “Most educators would agree that the development of creativity is a crucial part of an apparel design curriculum and an essential component in the success of students. In the face of ever-changing global apparel industry there is a demand for creative graduates” (2015, p.131).

In Portugal, the Fashion Industry has encountered a series of particular challenges, in a way that its importance for the country is strategic, more specifically because of the development of clusters since the 1990’s (Porter, 2002). These clusters were related to wool manufacturing, textile development, knitting and the footwear industry (Amaral, 2015). However, with the economic crisis that stroke globally in 2008, the situation analyzed and planned by Porter in the 90’s was completely altered, as it was considered that “20 years after the Porter Project, the country is rather worse in terms of international competitively” (Bom, 2012). Nevertheless, it is central to refer that “the fashion industry is somehow always in crisis, since it is a very unstable and unpredictable sector, responding to many exterior factors related to politics, economy, society and culture, the global market for fabrics and raw materials, as well as the constant mutation of fashion, consumerism and lifestyles” (Vaz, 2014, p.15).

For the Portuguese association of Textiles and Clothing (ATP) it is essential to see entrepreneurship as a new way to improve the Portuguese Fashion dynamics but also “those who
take initiative in daring to take risks and living a project like an adventure” (ATP, 2014, p.56) as these people should be encouraged those who have the entrepreneurial experience necessary for them to become successful. Following this quote by the Portuguese Textile and Clothing association and also the idea that there is essential to encourage fashion related ventures, it is important to observe the reality of entrepreneurship and entrepreneurial prospects after a degree in the fashion design field. For that matter and after considering the multiplicity of potential ways to enter the market as a young fashion designer, it seemed important to observe who are these people who want to change the fashion industry and how they use entrepreneurship to do so.

2. Methods
As the principal purpose of the study is to observe the new solutions approached in the fashion industry and the people behind them, a study of these solutions will be held in first hand, as a way to understand what is currently being created on the Portuguese market. Starting with solutions created by already existing fashion related companies, or entities that aim to create more entrepreneurs in Portugal, this research will give an overview of what is happening in this domain. To give an even more internal insight of these new platforms and projects that are being created, exploratory interviews will be held to know more about these ventures and who created them, in an attempt to understand the motivations and the vision that comes with it and observe the whole picture (Creswell, 2003). Exploratory interviews will be the main tool used for this study, as they take part in the qualitative methodology, used in this research, and help in developing, on a limited scale, insights, directly from the interested parties (Kothari, 2004).

3. Entrepreneurship in the Fashion Industry
Youth unemployment has become a priority for the Portuguese government, following for that matter the political decisions of the European Commission. This particular European organism approved, in the last few years, a couple financings to reinforce the creation of employment incentives for young people (Martins, 2015b). On the business’ side, a few similar projects with the same ambition have appeared, some of which are directly targeting the Textile and Clothing Industry. An initiative called “Technology, Innovation and Initiative Program” (TII) is one of these ventures, as it was created by Microsoft Corp. and the Portuguese Centre for Textile and Clothing (CITEVE) and aims to give an impulse to the market of textile and clothing (PR Newswire, 2006).

Academic institutions such as Universities have also tried to found new ways to enlarge and motivate the entrepreneurial activities of their students, considering it one of the main objectives to reach for the next few years, as well as the always approximation of the Universities with enterprises (Cruchinho, 2009, p.246).
Only considering the case of Portugal, many contests and scholarships can be observed, in which students can apply to with their own projects (Souza, 2010, p.82). The creation of these ventures reinforces the idea of teaching young designers to use design tools and methodologies not only for them to be able to work in the field but also create new ways to research and investigate new resources that could potentially be used as new instruments (Evans, 2011).

Ventures like these are backed up by institutions that can also have their own initiatives for youth entrepreneurship initiatives, as it is the case of the National Association for Young Entrepreneurs (ANJE). The association supports different models for the creation and development of new ideas and is helped by the Employment and Professional Formation Institution (IEFP). Even if the focus of this study does not mention all the current initiatives promoted by this one as well as other associations, it is important to refer one particular venture, related to this study and sponsored by ANJE. The association promotes in collaboration with the ATP a project called Portugal Fashion that and whose strategy resides in “potentiating our image to the exterior, associating the country through fashion concepts, innovation, irreverence, design and entrepreneurship” as it can be read on the website of ANJE.

This particular venture created in 1995, has taken a very important place in the history of Portuguese Fashion and more recently, with “Bloom” a platform created in 2010 to introduce young fashion designers in a “more informal, urban and multi-artistic ambience”, as described by the organization.

Of course, this particular venture is not the only one to promote young talents in the fashion industry, subsequently other Portuguese institutions related to fashion have also launched their own platform for young fashion designers, as it is the case for Moda Lisboa (Lisbon Fashion Week) with “Sangue Novo” a venture that was created in 1992, or Modtissimo and its contest called “Jovens criadores PFN”, created in partnership with the Portuguese Fashion News project, in an attempt to reunite Portugal’s main textile cities, and assist partnerships between textile and clothing businesses and reinforce Portugal’s Fashion Industry.

Following a logic of research and results through exploratory interviews, these three organizations (Bloom, Sangue Novo and Jovens Criadores PFN) were contacted in order to obtain insights of their ventures in an attempt to understand their motivations. However, and at this stage of the research, only one responded to the interview. Manuel Serrão is head of the organization of the contest “Jovens Criadores PFN” and defines this project as “a will to to involve stakeholders, young designers, institutions and the public in general”. The contest aims to “create proximity between Fashion Schools, promote their creativity and show what Portugal has to offer in terms of textile and clothing”. The idea that “participating to these kind of projects can not only promote creativity but also create a network between young designers and national fashion businesses” was also reinforced by the entrepreneur. Nevertheless, Serrão also considered that “the creation of a new fashion business requires many other tools for the creative process to work”, as he also
considered that “many designers have started their own business and careers with these kinds of contests”.

As for entrepreneurship, Serrão stated that “In Portugal, things have changed thanks to the dynamism of young designers, who have contributed to a new identity in the Portuguese fashion scene”. In the exploratory interview, Serrão also confirmed that “Many young designers have the baggage necessary to become good creatives, however many of them do not have the requirements in terms of management, failing their entrance as entrepreneurs”, and justifies “the need to increment their formation in the business and entrepreneurial areas”.

3.1 Fashion Incubators: an innovative way to start a business

During the investigation stage, another type of venture has come to one’s attention. Creative hubs linked to fashion design have been created in major cities in Portugal, but also in locations that have a tradition of textile production and are considered references in the textile industry.

Margarida Carronda, responsible for one of these hubs has responded to an exploratory interview, in order to give insight of the project “Incubadora de Moda e Design” (Fashion and Design Hub), created by the “Fábrica Santo Thyrso”, in Santo Tirso, Portugal. The project has not only created a new interaction between the industry and designers, but has also given a new impulse to the geographical area, giving space for start-ups to grow, and for creative projects to develop.

Both ATP and ANJE have considered incubators as a model to follow, since the Fashion cluster of Portugal has yet to evolve and projects like Santo Thyrso’s have made promising steps to give the country a new impulse. When asked if an entrepreneurial formation is essential for fashion designers when they want to create a project, Carronda responded that “the designer’s formation should already have an entrepreneurship component”, she also added that “learning is a lifetime project and is essential throughout people’s lives”. Carronda also admitted many were the projects aiming for a spot in the incubator, as the hub received many applicants. To be exact, Carronda stated that a total of 52 projects were presented, with only 7 of them making it to the final selection. These 7 ventures had the opportunity to gain a new workspace in the incubator, and after 6 months, would have to be evaluated again to see their improvements. Carronda admits that after this time-period, most of the incubated projects had not reached their goals. Carronda also concluded that the incubator was still in a starting process and needed to re-orientate its goals and strategies in the future in order to “be prepared for new challenges to also respond to those who trust us in the first place”. As 60% of Portuguese people under 35 years of age think that anybody can learn to be an entrepreneur (GEM, 2014), the idea that entrepreneurship can “save” the Portuguese fashion industry from stagnation has also been made very clear. The country was counting a total of 46% of the population who think that people are born with entrepreneurial skills and projects involving entrepreneurship and fashion are more and more presented.
3.2 Online platforms: a new way to become entrepreneur in the fashion industry

As a way to transition to other types of institutions promoting young designers, and leaving behind the ones that have just been witnessed, it is essential to observe a new kind of businesses, that aim essentially to promote young fashion designer with a main objective: the creation of their own brand. These fresh and innovative ventures have taken the industry by storm as they understood the necessity to promote young designers and create a more participative and fresh way to give a name to young designers, frustrated with the paradigm of the “family enterprises where priority and management always come in between, prejudicing the efficiency that can be fatal for their own continuity as business ventures” (ATP, 2014, pp.46-56). While these new ventures were created to contradict the Portuguese traditional industry, it seemed important to understand the origins of such platforms, who are the people behind them, where are the standing in the fashion industry as well as understanding what they can actually do for young fashion designers.

For this particular segment of the study, only three projects were considered, since each is very different, even if their goals can be considered as following the same path. These three different ventures were also chosen because of their particularities and since they cover a wide range of platforms and projects that can be found for this particular matter.

“Minty” is a platform that has come to one’s attention during the research phase, since it was referred as “The New National Fashion Platform” by the magazine “Lifestyle Sapo”. Created by Ana Cravo and João Figueiredo, “Minty” is described as a project that “seeks to promote globally young national designers” (Costa, 2015). Both from Aveiro, these two entrepreneurs and founders of the platform wanted to reunite emerging talents of the national fashion industry and promote their collections, selling also directly to the public through the website.

For the exploratory interview conducted to the co-founders of “Minty”, it appeared as relevant to comprehend how are the decisions made, since the designers promoted by the platform are selected, in an attempt to understand what particular profile the founders would accept to promote. The business partners began to explain that their idea appeared after they started to feel the lack of support by institutions and the difficulties that young fashion designers had, after their degree, but most of all, the total absence of physical spaces for their exposure. From that point, the main goal of this platform is clear and stands for the creation of a stage that would promote these young talents and make them visible to the public’s eye”.

Nevertheless, this particular operation must respect some criteria, since the founders have made it very clear that “the integration of new talents must obey a very meticulous selection of candidates.” The criteria for the acceptance of new designers are directly related to the quality and relevance of their work, since the designers have to “present their work at least in one of the main runways of the country”, subsequently they also have to develop a very constant and qualitative work as designers. The pair of entrepreneurs also highlighted the idea that the “platform has different offers for a diversity of market niches”. On their website, names like
“Susana Bettencourt” who has already worked for Lady Gaga or “Meam by Ricardo Preto”, “Ceslo” who is a hat designer or “Rasto” with a line dedicated to the urban cyclist are a few of those presented.

Throughout this exploratory interview, but also through the analysis of the project itself, it can be learned that “Minty” introduces itself in a promotion logic and in the projection facilitated by the online divulgation, following a B2C range, since the website also allows online purchases, where the items are directly sent from the designer’s workshop.

The other highlight of the venture resides in the fact that the platforms want to promote young emerging designers, nevertheless, their level of qualifications is a must, as well as their level of recognition by the public, making it very difficult for young designers to gain access to the platform. For that matter, the study of this particular venture seems to underline the fact that “Minty” does not promote only young designers, but on the contrary, “aggregates emerging talents and consecrated fashion designers” as referred by the co-founders. In this perspective, the sense that the website promotes mainly designers who already have made a name for themselves could be related to the fact that the platform also needs visibility, since those designers already have a public and could create their own brand without the help of platforms like this and without having to share the gains from their sales. Yet, the responses given by the founders made clear that it is a strategic move, since the idea was “to create a platform of reference for the customer and promote the first fashion cluster of Portugal, inexistent until now”.

Minty is not the only platform that aims to promote young fashion designers. During the research and investigation for this study, another project from Portugal has come to one’s attention, since the main goal is similar as Minty’s, but the approach made on the matter is different from the one made by the duo from Aveiro. In the March 2015 edition of ModaLibsoa, a new project called “AwayToMars” was presented. In an article published by the newspaper “Público”, the project, created by designers Alfredo Oróbio and Carlo Valentini was presented as a purpose to “review the creation process, contest the actual model of fashion that puts the creative director on a pedestal, almost in a dictatorial position” (Cardoso, 2015). Oróbio and Valentini had the idea to promote a new working method, more participative and collaborative, that can benefit both creators and consumers, since the project wants to “give people total control over the value chain, building a fair and strong relationship”.

In the information tab of the website, it can also be learned that AwayToMars is “made by the community for the community” and pretends to “offer a new customer’s experience, focused on creating a collaborative community”. In a more concrete terms, this venture follows the logic of the crowdfunding, more precisely, everyone can propose a design to the community, and after its publication on the platform, the public can decide to back up the design or the idea with money, until it reaches a complete funding. Passed that phase, the product will be developed and people
who backed the project will have access to it with a discount through the online store available on the website.

This particular project not only promotes a co-creational environment but also provides a new fashion service, making it possible for anyone to share ideas and, maybe, see these same ideas becoming real or in other words “anybody in the world who has good ideas but can’t create them because they do not have the tools” (Cardoso, 2015, p.34). Following the proceedings used for the interview made with Minty’s creators, an exploratory interview was also send online to the founders of AwayToMars, unfortunately, until this date, the founders have not replied.

Concluding the presentation of these two very different examples, it seems important to observe one last model, similar in its objectives and motivations, but on an international level, since both Minty and AwayToMars are Portuguese based projects. For those reasons, this study had to approach a crowdfunding-based model applied to fashion. After many research, Luevo, a crowdfunding platform for fashion goods seemed to fill the requirements.

Created in March of 2013, Luevo is composed by a team of Marketeers, Management and Social Networking specialists, with particular focus on Ana Caracaleanu, CEO and co-founder of the company. The principal aim of Luevo is to promote fashion design projects through crowdfunding, though, at this moment, the platform does not accept any more projects and justifies that matter by the need to take special care of the projects that already are endorsed by the business. An article resulting from an interview made to Caracaleanu, published by the Huffington Post explained that the website can also be considered as a platform for suggestions and ideas, in a way that the platform also presents suggestions of e-books, article, reports and other solutions, some of which being free. These solutions have the main purpose to help and guide fashion designers who want to create their own business (Dunn, 2014). Among other services, the platform also avails business and marketing plans, following the idea that “A business model can be viewed as a template of how a firm conducts business, how it delivers value to stakeholders (e.g., the focal firms, customers, partners, etc.), and how it links factor and product markets” (Zott & Amit, 2010, p.222).

To summarize and conclude this study of the many solutions existing on the market, it is important to understand how important it is for designers to have access to tools such as business plans or marketing plans and entrepreneurship in general, and contextualizing them for fashion related businesses, as referred by Carlo Raffo, Andy Lovatt, Mark Banks & Justin O’Connor, as concluding their study made for entrepreneurs and fashion designers: “Formalized training and support that was de-contextualized did not appear to assist business learning and understanding among cultural entrepreneurs” (2000, p. 362). If Luevo appears at first glance, as a good initiative to help fashion designers to create their own businesses, the fact that the platform is in a “stand-by” status has made it difficult to learn more about the project.
Nonetheless, these three projects seem crucial to follow in the future, as their evolution on the market and the addition of other similar projects could highly benefit the fashion industry. Such platforms were created in order to change the actual paradigm of professional outlets related to fashion design, since it is highly essential to create methods to insert young people in the job market and develop their capacity in order to innovate through design (Pinheiro, 2009). Therefore, there is a necessity to create solutions that help promoting innovation, but it is also fundamental to elaborate new business models that will help its creators to provide from these innovations (Teece, 2010, p.172).

4 Final thoughts
Throughout this study, the main goal was to focus on the existing solutions that can provide help for young fashion designers, in order for them to create their own business. As for this new paradigm of the Fashion Industry, it is indubitably linked with the necessity to create more ventures, innovative projects and ideas projecting fashion design in a new way of thinking and creating innovation through technology and business models. These projects can be identified as fashion contests, incubators, creative hubs, online websites, crowdfunding platforms etc. It was also made clear that Portuguese people consider entrepreneurship as a powerful solution to improve the fashion industry, as well as the idea a good portion of the population associate entrepreneurship as a skill that can be learned with the right formation. Throughout this study it was also possible to understand where these fashion entrepreneurs are coming form, since their motivations are based on the idea that the country has the possibility to invest even more in the fashion industry, making the “Made in Portugal” tag fashionable internationally. As for the other projects contemplated through the study, like AwayToMars or Minty, they are based on the idea that the current fashion industry does not deliver the tools for young designers to create in a good environment, as well as the lack of fashion-related platforms for them to succeed after their degree. This idea also comes with the fact that Portuguese textile manufactures are mainly family enterprises and respect a very old-fashioned and traditional strategy, impeding their own growth, and further than that, leading these family businesses to failure. As young Portuguese continue to enter fashion courses massively, many of them envision a successful career in the fashion design industry. Nevertheless, with the current economic situation and as the Fashion industry can be considered as congested for some, the question of fashion entrepreneurship still remains crucial.

References


SOUSA, G. (2015). Empreendedorismo e(m) Design de Moda: uma visão estratégica para o Ensino Superior. [Online]. Thesis Project, Architecture Faculty of the University of Lisbon, Portugal. Available at: https://www.academia.edu/12337545/Empreendedorismo_e_m_Design_de_Moda_uma_vis%C3%A3o%20estrat%C3%A9gica_para_o_Ensino_Superior


