



CALIFORNIA FASHION ASSOCIATION

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AS SEEN IN

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Fashion Gets a High-Tech Makeover

The quintessential technology-startup vibe is on display at the Irvine headquarters of Combatant Gentlemen, a direct-to-consumer premium menswear e-tailer.

A rubber horse head sits atop a mannequin, dressed in one of the company's finely tailored suits. One of the prized office possessions is a fitting-room mirror -- the result of a recent hackathon -- that displays prices and has an embedded Microsoft Kinect camera to allow your mom to give you a second opinion (and maybe buy it for you).

"We want to be the bad-ass version of Men's Wearhouse, and disrupt fashion in the suitmaking world by providing modern cuts at affordable prices. We call it retail 3.0," said Combatant Gentlemen co-founder and CEO Vishaal Melwani, a third generation tailor whose family ran Versace boutiques in Vegas for nearly two decades.

Although the classic image of the Los Angeles area's \$46 billion fashion industry is underpaid workers hunched over sewing machines in sweatshop-like environments, Combatant Gentlemen, which Melwani describes as a fashion-tech company, represents a new guard of businesses that are modernizing the way fashion is sold. These companies are leveraging the region's strengths as a hub for fast fashion, international sourcing, and tech-savvy retailers.

Here's a look at three examples.

Combatant Gentlemen

The company exercises unusually tight control over its supply chain, including owning 62 sheep that provide wool for its wool suits, and planting its cotton crops in India for textiles.

The company's chief technology officer, Scott Raio, has built "Tower," a bespoke cloud-based enterprise resource planning (ERP) system that seamlessly communicates fluctuations in demand immediately to suppliers in Italy, Ecuador, China, India and Los Angeles. That cuts down on back orders and missed sales.

"Our site is hooked up straight to our factories, and the second an order hits it connects to suppliers. When we hit, say, 80 units left in navy suits, it automatically triggers an order for 200 more," Melwani said, noting that the plan is to eventually license the technology to other e-commerce companies.

By tying production at its factories to real-time data, the company can whittle down prices on premium dress shirts to \$25, suits to \$160, premium selvedge denim to \$70.

More important, the company can be even more responsive to customer demands.

"The most important role of technology in fashion is to speed up the delivery process and increase transparency in the supply chain," said **Ilse Metchek**, founder and president of the **California Fashion Association**.



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"It used to be you would buy things in advance. You would hold hundreds of grosses of buttons, you would hold every conceivable color of thread. No one wants to hold inventory any more. You'll go out of business."

Some big investors have been encouraged by the results. The company has raised a total of \$2.2 million from groups that include the VegasTechFund (led by Zappos' Tony Hsieh); William Morris Endeavor; David Marcus, current president of Paypal; and Tom Ryan, former CEO of Threadless.

The two-year-old company already has amassed a customer base of more than 300,000. Melwani said the return rate on the 44,000 suits it has sold is a mere 4 percent, due to a proprietary online sizing algorithm that predicts suit sizes with 98 percent accuracy.

Revenue in 2013 hit \$4.5 million, and is expected to grow by 200 percent this year.

"This is a technology-enabled brand, and we've invested more money in technology than anything else," Melwani said. The 22-person staff includes four full-time developers, one specifically hired to help release Haberdash, an app to facilitate on-demand tailoring services. It launches this summer in San Francisco.

Of course, today's best fashion brands engage customers. The team produces an educational web series and mines Facebook data, endlessly polling customers about new product lines.

"Our data has shown that if you put more up, they will buy," Melwani said.

Next up: a line of premium chinos.

Roar Clothing

Deepak Vasandani, CEO and founder of Roar Clothing, a Western-inspired men's and women's fashion company, is giving away a Lamborghini Aventador or a Ferrari F12 Berlinetta, depending on which car gets one million likes on Facebook first.

Vasandani, who started off hawking t-shirts in swap meets at the age of 19, is using this as a kickoff strategy to turn his \$20 million clothing company into a \$100 million-plus household brand in the next few years.

Roar, which is still distributed by national retailers like Buckle and Dillards, did brisk business in wholesale exclusively until 2012. That's when Vasandani began selling merchandise directly to consumers online. He sold an additional \$1 million that first year.

Now Vasandani is investing in software that will streamline wholesale orders online, and another system to keep track of production stages on all merchandise, from concept to embroidery to delivery.

Last year, he moved the headquarters from Downtown Los Angeles and settled into new 35,000-square-foot digs in Hawthorne, on the same street as SpaceX and Tesla. He's also bringing some of the manufacturing back to L.A. from China.

"As China gets more expensive, people are finding out they can manufacture it in California quicker and at the same price," said John Blake, chief equity strategist at Zacks Investment Research, and author of a recent CIT Group report on the L.A. fashion industry.

Vasandani noted that production on items like t-shirts takes eight weeks from China, compared to just six days locally.

To further raise Roar's profile, he has opened a 2,500-square-foot satellite showroom near Times Square in New York City, and is currently scouting for a retail "lounge" location in Venice, Calif., that he hopes to open by the end of the year.



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“Zappos, NastyGal -- major online success stories are looking at brick-and-mortar stores,” said **Metchek** at the **California Fashion Association**. “It’s an inventory issue. If customers come into a store, they buy more on impulse, and you can also avoid returns.”

Indeed, a full 35 percent of what’s shipped in apparel comes back -- and 55 percent of footwear. With free shipping becoming the new norm, e-commerce companies are seeking a better model.

“The next phase of retail,” **Metchek** declared, “is clicks and bricks” -- that is, a shopping experience that blends physical and online stores.

Modnique

Modnique, a luxury flash sale site for women’s and men’s apparel and accessories, is headquartered in Redondo Beach. But its reach is international.

Only 60 of Modnique’s 100-plus employees are based on the West Coast. The rest work via Skype, from far-flung Lithuania. Two new distribution centers -- in Tennessee and Europe -- are opening in July, and the company sells merchandise from 3,000-plus vendors to customers in more than 150 countries.

“We are inspired by fashion, driven by technology and focused on global reach,” said co-founder and CEO Einaras von Gravrock, a programmer by training who saw an opportunity in flash sales back in 2010.

He formed Modnique in 2011, building out a platform that would help regional brands efficiently liquidate outside their limited geographic area and tap into a new customer base. Some of the company’s best-selling brands, such as Almatrichi, Angels Never Die, and Replay, aren’t big in the U.S.

“Modnique is playing on one of L.A.’s strengths,” said John Blake, chief equity strategist at Zacks Investment Research and author of a recent CIT Group report on the L.A. fashion industry. “The region procures \$18 billion worth of stuff here in apparel across literally thousands of businesses, but it’s fragmented and mosaical. It’s a great idea to use technology to seamlessly generate sales and distribute and scale brands out in the world.”

To make this sprawling operation work (besides living on Skype), von Gravrock built out a proprietary e-commerce platform that aggregates consumer trends and purchase data. It tracks global consumer buying and browsing habits as well as geo-specific preferences, which the company’s buying teams use to make optimal decisions about what to buy and sell in different regions.

Modnique upped its game last November by rolling out localized e-commerce websites, beginning with Russia and followed quickly by Australia, Ukraine, Canada and Belarus. This allows the company to simultaneously sell furs in Moscow during the winter and swimwear during the Australian summer.

“You put fashion on a mobile device because it is typically a form of entertainment, browsing through shoes and dresses and handbags,” said Ivka Adam, Modnique’s vice president of marketing and mobile. She was hired away from eBay’s marketing team to help the company become one of the first e-commerce retailers with a fully responsive mobile site.

Visits from smartphones and tablets have since increased by 150 percent, and an iPad app is forthcoming.

“If you think about it, what’s driven the merging of technology with fashion is that people are turning to their phones for inspiration,” Adam said.