

Key Industry Issues on the Agenda at AIMS360 Empowerment Conference

By [Alison A. Nieder](#) | Thursday, May 18, 2017

Don Nunnari first began working with **True Religion** when the premium-denim brand was in its infancy.

“When True Religion started, they were a small company hoping to do \$1 million to \$2 million per year. No bank would lend them money because they were too small,” recalled Nunnari, executive vice president and regional manager of **Merchant Factors** which factored the company.

By the time True Religion de-factored and took its financing in-house in 2009, the company had been factoring \$10 million in invoices every month—or \$120 million per year, Nunnari recalled.

“Without factoring, you wouldn’t have a garment industry as we know it,” he said.

Nunnari relayed that anecdote during a panel discussion on key industry issues hosted by the **California Fashion Association** and held on May 16 at **AIMS360**’s Empowerment Conference at the **Biltmore** hotel in downtown Los Angeles. The all-day event featured networking opportunities and workshops covering everything from EDI (electronic data interchange) to top reports to run in AIMS360 to tools for managing inventory and shipping. **Joor** sponsored a discussion of using the B2B software to manage purchase orders in the showroom and on the road.

CFA Executive Director Ilse Metchek moderated the industry issues panel, which featured Nunnari as well as attorney Deborah Greaves, the former in-house counsel for True Religion, who is now a partner with **Brutzkus Gubner LLP** in Woodland Hills, Calif.; Ron Friedman, partner with **Marcum LLP**, an international accounting and consulting firm; and Spencer Hong, a partner with **Fineman West & Co.**, a Los Angeles accounting and business advisory firm.

In her introduction, Metchek encouraged the large crowd to take advantage of the combined knowledge of the panelists.

“This has nothing to do with fashion. It has to do with how to make a living in this business,” she said.

Metchek started with an overview of the current state of the industry, one in which apparel manufacturers have a diverse range of distribution channels, including department stores, e-commerce, mobile commerce, TV, pop-up shops, catalogs, big-box stores and specialty retailers.

“We are the only country in the world that has this amount of distribution channels,” she said.

Specialty stores account for 25.9 percent of the apparel business, followed by mass merchants, which account for 18.4 percent, and national chains, which account for 12.4 percent.

Offprice retailers, which account for 9.1 percent of apparel sales, and factory outlets, which account for 2 percent, are among the fastest-growing sectors.

“There were 360 new outlets that opened in 2016,” Metchek said. “The only major building a new store is **Nordstrom** opening in New York. For the most part, outlets are what’s being built.”

Online sales, currently at 8.5 percent, are also on the rise. Online apparel sales are on track to grow to \$86 million this year. By 2025, 30 percent of total retail will be online, Metchek said, although she added that the “touchy-feely” nature of apparel will ensure that physical stores still have a role in the business.

“E-commerce, of course, is the big gorilla in the room,” Metchek said. “By year-end, it’s estimated that 60 percent of in-store sales will be influenced by the Internet. Someone who doesn’t do both is making a big mistake.”

Appropriate distribution remains at the core of a successful brand, Friedman said.

“You have to put the product in the right channels,” he said. “Maintain your price point. You have to not be willing to discount. You have to fight to keep the mystique of the name, and that costs a lot of money. The minute you start discounting and your product goes down-channel, you’re going to lose that mystique.”

Greaves agreed that brand integrity is critical, as is maintaining the quality of the raw materials used and ensuring consistent fit and quality construction.

“Protect the brand,” she said. “If you take it downstream, you make it less aspirational or prestigious. You’ve lost uniqueness. It’s important to protect the brand name from counterfeiters. You need to start thinking about that from day one. If you’re putting out fires once your building is in ashes, you’re a little late.”

Worldwide intellectual-property rights is “probably the No. 1 issue in our industry,” Metchek said, outlining some of the differences between trademark protection and copyright, which covers artwork only.

“In this day and age, you need to think about going global as you start your business,” said Fineman West’s Hong. “Many businesses can grow faster if they can find a way to sell globally.”

But there are challenges in planning for global growth. Hong relayed a story about an apparel company that thought it was restricting its sales to just the U.S. when it began selling to Nordstrom, which also sells in Canada. A Canadian firm challenged the trademark and it cost the U.S. company \$1 million in legal fees to defend itself and the company lost a season in the process.

“It was detrimental to the company,” Hong said. “I strongly recommend protecting the brand in the U.S. and in Canada.”

Companies should also consider protecting their brand in the countries where the line is produced, Greaves said. Many companies plan to distribute their line in Canada and Europe, but most manufacture in Mexico and China, she noted.

“If you are manufacturing in China, or Vietnam, register your trademark in China and Vietnam,” Metchek said. “Otherwise it will go out the backdoor.”

Companies should have a strategy to protect their trademark and understand the cost of protecting it, Greaves said.

“There are a lot of reasons to protect trademark,” Greaves said. “As you gain brand recognition, the more valuable your intellectual property is, the better deals you will strike for the company. Another reason is so somebody else doesn’t take it. The laws in the U.S. are vastly different than the laws in China. You need to understand the risk to your IP.”