



How Fashion Can Manage its Money Through the Pandemic

Excerpted from *Sourcing Journal*: Referencing Gary Wassner, CEO Hilldun Corp

To help fashion firms chart their course to the other side of the pandemic, Gary Wassner, CEO of Hilldun Corp. talks about what companies in the sector should keep in mind as they settle in for months of uncertainty.

With everyone panicking and companies scrambling to preserve cash, retailers are no different as they shut stores for social distancing. That also means their original inventory plans are out the window, prompting a wave of production order cancellations in recent weeks as the outbreak continues to unfold.

“Right now, we’re in panic mode. Little is selling on any platform aside from stay-at-home comfort product. Soon we’ll evolve into a stabilization phase when planning will begin again and sales will start to generate some revenues. At this point, you want to be positioned to fill the immediate needs of retail,” Wassner explained, adding that retailers will need product but will be very selective and very cautious in what they buy.

Wassner’s advice can help brands not only ride out the next few months, but also establish a workable operating roadmap when stores re-open and consumers open their wallets again. The issues he raises are universal in many cases, and can aid any firm within the fashion and retail supply chain that is thinking about operating differently during each phase of the crisis.

Wassner wrote “Do your cash flows utilizing three different [stages]: panic, stabilization and recovery. No one can accurately predict how long each will last, but for planning purposes I would assume each phase will endure for one quarter” He expects the recovery phase will be in “full swing for resort deliveries.”

Working on a cash-flow model for the three periods is key. Companies that survive going forward will be those that are positioned correctly for the time when retailers are ready to receive new merchandise.

“No piece of our sourcing chain will be unaffected. And this is the main reason why you, as a brand, must look both up and down the supply chain, and work with each segment, if we want the industry to survive and recover,” Wassner advised.

First and foremost, purchase orders are equivalent to contracts, and Wassner advises firms to ‘say no’ to outright cancellations. Offer options to your retail partners instead,” he said, adding that retailers must remember their responsibility to the industry and to their brand partners. “Don’t hesitate to draw comparisons to the larger companies whose balance sheets can carry them through a bad quarter or two or three, or who can borrow in the public market.”

Before beginning negotiations, Wassner said brands need to undertake a production review to understand whether production can be halted. “Even if you have already purchased the fabric, you will limit your losses if you can stop adding additional costs to something you will probably not get your costs out of in the end. Once you do that, you can then cancel these items with your stores.”

Brands should review their line sheets to find out which styles can be pushed to later deliveries, “You’ll find many that are less seasonal and can easily sell later in the season. Offer to cancel those items immediately and reduce the order amounts,” Wassner suggested.

For items that have already been committed and paid for, Wassner said brands should scrutinize collections closely. For example, e-commerce will get some sales that would have been made in temporarily closed fashion stores. It’s important not to come across as tone deaf and try to sell evening dresses online to customers who are sheltering at home, noting that comfort apparel will likely get better traction.

As most brands should know by now, cash flow is key. Because everyone's margins are different, Wassner suggests offering to "discount the product from the previously agreed upon wholesale pricing."

Discounts should be geared to a company's specific margin. Because many line goods have higher or lower margins than other items within a collection, focus on reviewing the best margin products first with a discount in mind. That's a move that Wassner said could ensure cash flow coming in for orders for April, May and June, and ensure that firms won't be sitting on a huge pile of inventory.

Another point to think about is offering to extend delivery dates, Wassner said. He expects the second quarter will be a loss for everyone and that selling could start to ramp up slowly by the end of May. When that happens, the typical selling season will likely shift. Along the same lines as extending delivery dates, Wassner raised the idea of offering staggered deliveries and breaking a collection into groups of product reflecting the consumer psyche.

"It's not necessary to sell Fall product in June and July. It never was. Now we need to be proactive with the consumer and re-educate them," he emphasized the "buy now, wear now" movement.

Now is the time for brands to do their homework and have the appropriate inventory to meet the retailers' needs. Companies need to be proactive and think about what the consumer might want to buy when things stabilize and they feel less panicked. "Make sure you think this through carefully, and have that product separated out and ready to ship," he said.

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