

THE IMPORTANCE OF LOCAL FASHION DESIGN FOR THE WESTERN CAPE ECONOMY

A Summary Report of the Panel Discussion at the

CAPE TOWN FASHION COUNCIL'S 3RD ANNUAL INDUSTRY CONFERENCE

24 February 2010

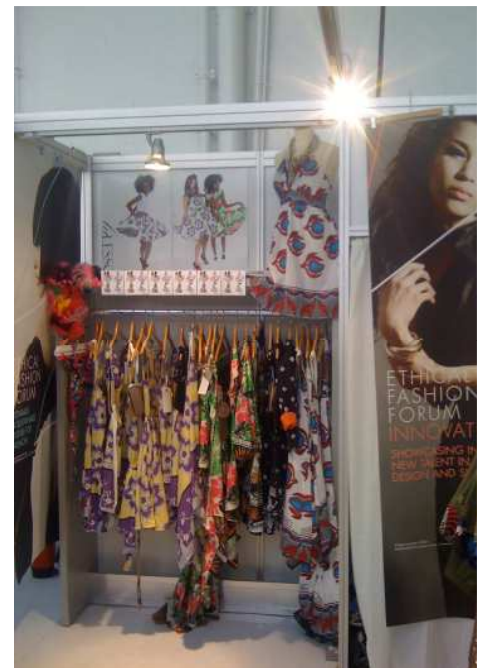


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1. Introduction

The Cape Town Fashion Council (CTFC) is South Africa's first fashion industry body and was formally established in November 2006. Despite the success of the many offerings provided by the Council – including a competitiveness programme for fashion designers, training workshops and linkage opportunities for entrepreneurs – there is still a need for harder economic indicators outlining the true size of the industry in the Western Cape, how many people are employed as a result of the fashion sector and what contribution this makes to the GDP and to national development goals. The CTFC is currently seeking funding to undertake such research. In the meantime, it facilitated a panel discussion on 24 February 2010 at the CTFC's 3rd Annual Industry Conference at the Design Indaba to share local success stories and gain feedback from industry stakeholders and fashion designers on the importance of local design brands for the clothing and textile industry and the broader economy.

The theme of the conference was “FROM BRAND IDEA TO MEGA BUSINESS” and the panel was composed of the following individuals:

- **Alex Harris:** Merchandise Director, The Foschini Group; Board Member of the CTFC
- **Nelia Schutte:** Founder, Keedo
- **Martine Vogelmann:** Director, Cape Union Mart
- **André Potgieter:** General Manager, Absa Corporate and Business Bank, Western Cape
- **Mark Gooding:** Head of Marketing, House of Monatic
- **Julie Hodgson:** Project Manager, Fifa Worldcup Licensing, Monviso Knitwear
- **Nkhensani Nkosi:** Designer/Owner, Stoned Cherrie
- **Jonathan Katz:** Founder/Managing Director, Earthchild and Earthaddict
- **Abubaker Frizlaar:** Merchandise Executive, House of Monatic; Board Member of the CTFC

The discussion was facilitated by Stefanie Vieira, Executive Director of the Cape Town Fashion Council, and Heidi Villa-Vicencio, the Managing Director of Mthente Research and Consulting Services. The following report first takes a brief look at the background context to the conference and this report. The report then summarises the minutes of the discussion based on three central themes:

- The value of local fashion design for the entire value chain of the clothing and textile industry;
- Support for the fashion sector and the clothing and textile industry;
- Ways to succeed in growing a business in fashion.

2. Background Context

Before moving into the findings from the panel discussion, the following section first provides background information from previous research that has been conducted regarding the impact of the fashion sector on the economy.

The continued growth and competitiveness of the clothing manufacturing sector are key to ensuring sustainable growth in the Western Cape economy.¹ The sector's strategic importance to the Western Cape is underpinned by the fact that the region is home to the head offices of major national retail chains, and provides employment for more than 170 000 people.² The Western Cape's Regional Development Strategy has identified the fashion sector as a priority niche area and future growth driver that is vitally important to positioning the Western Cape as the 'creative hotspot' in South Africa.³

In addition, Cape Town has been identified as the Fashion Hub of South Africa based on the fact that:

- Over 250 fashion and accessory brands are based in the region, retailing and manufacturing locally and exporting worldwide. These designers create collections ranging from street wear to contemporary and evening wear. The design and production of lingerie, accessories and footwear all form a huge part of the creative talent in the region.
- Cape Town is the clothing manufacturing hub of South Africa with over 500 clothing and textile manufacturers based in the region, divided into 80% clothing and 20% textile and footwear manufacturers. The Western Cape has a long tradition of high skilled and specialised clothing and textile manufacturing in the production of high value added fashion wear and knitwear.
- Cape Town is the base of many of the main retailers in South Africa, such as Woolworths, Foschini Group, Truworths and The Young Designers Emporium, as well as countless smaller boutiques and boutique chains.
- Many of the major fashion magazines, such as Elle, Marie Claire, Glamour, Cosmopolitan and Fairlady, are based in Cape Town.

¹ Dr Justin Barnes, A Strategic Assessment of the South African Clothing Sector, Nedlac Presentation-29th July 2005

² Overview of the Western Cape, http://www.capegateway.gov.za/Text/2004/1/overview_western_cape.pdf

³ 'Towards a Strategy for the Cape Town Region', IDP Workshop, 26th September 2007, <http://www.capetown.gov.za/en/IDP/Documents/Statutory%20compliance%20plans/C10.Regional%20Strategy%20Proposals.pdf>

- In 2006, Cape Town hosted more than 11 000 modelling shoots and over 11 000 production days, contributing more than half a billion Rand to the local economy. Thirteen professional model agencies are based in Cape Town, representing over 600 models.

Moreover, the emergence of new local fashion labels, especially those who were previously excluded on the basis of race, has brought about a quiet revolution within the industry, pointing out the role this industry can play in helping the country build and develop an inclusive and sustainable economy. Furthermore, the Western Cape has established platforms to support these local fashion brands, such as the Cape Town Fashion Week. This event has been the premier showcase of established and emerging fashion brands for the last five years, generating in excess of R35 million worth of media coverage – a figure that potentially excludes the multiplier effects on the regional economy.⁴

However, despite these successes, the fashion entrepreneurs in the Western Cape face numerous challenges that impact negatively on their competitiveness. These include:

- *A lack of business skills amongst fashion designers.*
- *Limited access to key technologies.*
- *Design imitations.*
- *The lack of industry understanding.*
- *Fashion industry fragmentation.*
- *The perceptions that fashion shows are entertainment events.*
- *Limited access to fabric.*

Against this backdrop, the CTFC has worked hard to implement interventions that are designed to increase the competitiveness of design entrepreneurs, thereby facilitating the creation of sustainable SMMEs that are competitive in both local and global value chains. Through its emphasis on the inclusion of previously disadvantaged designers and SMMEs, the CTFC is aligned with the provincial Growth and Development Strategy (GDS) on two levels:

- It contributes to the creation of an economic environment within the Western Cape fashion industry that facilitates successful business operations for design entrepreneurs, including designers from previously disadvantaged backgrounds;
- It facilitates an increase in job creation within the fashion value chain through the creation of competitive and sustainable design SMMEs.

⁴ 'City Congratulate the Cape Town Fashion Week', <http://www.capetown.gov.za/en/MediaReleases/Pages/CitycongratulatesCapeTownFashionWeekforajobwelldone.aspx>

Despite the extensive anecdotal evidence that this is working, additional research is needed to articulate the importance of fashion design for economic impact and job creation. The comments and stories shared by the panel are an important step in this journey.



Figure 1: Local design

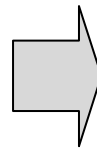


Figure 2: South African fashion on the runway

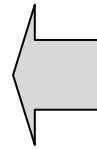


Figure 3: Providing jobs in manufacturing

3. The Value of the Local Fashion Design

3.1 Global Competitiveness

Alex Harris, Merchandise Director for the Foschini Group, launched the conference with a presentation on the importance of “own design” from a retail perspective. He noted that traditionally South African retailers have traveled further and further abroad to buy samples and styles, rather than trusting local designers. The result is an over proliferation of the same styles in retail outlets and a lack of credibility amongst consumers who are increasingly looking for something new and different.

“We should be looking in our own backyards for design inspiration.”

– Li Edelkoort, world famous trend researcher and industry consultant



Alex stressed the fact that South Africa has what it takes to be globally competitive when it comes to design. He gave numerous examples of influential international designers who have “come to South Africa and taken designs from our own backyard.” For example, Diane Von Furstenberg’s wire bracelets (see image), Christian Louboutin’s Ndebele-inspired shoe designs and Dries Van Noten’s African kanga-inspired dresses.

Alex suggested that retailers in South Africa are beginning to employ more local designers and graphic designers in order to differentiate themselves. He stressed that building local design is also about “embracing our own culture through design,” which will be discussed in more detail shortly. Mark Gooding, Head of Marketing for House of Monatic, added that brands are critical for the value chain because they generate buyer loyalty for local brands, as well as brand differentiation. The greater the brand loyalty and customer base, the more local companies can expand and employ more people. Cape Union Mart is a good example. Director of Strategy Martine Vogelmann noted that the company is about to add 30 percent capacity to their factory in Ottery due to the success of their local brands.

3.2 Employment

Through sharing their personal success stories and current employment levels, the panel members demonstrated the huge potential that exists through local design in terms of its contribution to the economy:

- **Keedo** is a high-end children's clothing business that was started by South African design entrepreneur Nelia Schutte 16 years ago. It is a 100 percent proudly South African company with stockists and stores in 16 countries, including South Africa, the Americas, Europe and Asia. According to Nelia, the company is "still a baby." Yet it provides direct employment for 200 people and indirectly supports thousands of individuals throughout the value chain. Nelia is particularly passionate about the fact that most of its employees are women, many of whom are single mothers. Thus, through supporting local brands "you are providing bread on the table and education for families," says Nelia.
- **Cape Union Mart**, one of South Africa's oldest and favourite outdoor and adventure stores, employs 2 000 people directly and is increasing its manufacturing component by another 70 jobs this year. Indirectly, the company supports about 10 000 people through its procurement, transporters, CMTs and other partners in the value chain. The brand started as a family owned and operated company in 1933 and has increased its presence to 100 outlets across the country. According to Martine Vogelmann, fourth generation employee and Director of Strategy, the launch of the Old Khaki brand and the Poetry brand have increasingly allowed the company to harness local design and talent.
- **House of Monatic**, Cape Town's 'ancestral suit house', currently employs 800 people directly and supplies 450 independent stores, which represents thousands of additional jobs. According to Mark Gooding, while the company has historically supplied high end international brands, it has shifted its focus in the last ten years to growing own brands, including Carducci and C-Squared. Both of these brands have experienced tremendous success and have contributed to the employment levels mentioned above.
- **Monviso Knitwear**, the largest knitwear manufacturer in South Africa, currently employs 1 400 directly, another 300 indirectly and has been awarded a license to sell FIFA 2010 clothing to retail outlets. The company is preparing to launch two in-house brands – "Love SA" and

“46664” – which, according to Project Manager Julie Hodgeson, have generated huge excitement and passion amongst designers. Through its engagement with the Technology Station (a joint initiative of the Department of Science and Technology and the German Agency for Technical Cooperation), Monviso has been able to produce certain garments at a cost of 8 percent less than the same quality item sourced from China.⁵ The company’s commitment to continuous productivity improvement and learning has allowed it to grow steadily and double its employment even though much of the clothing sector has struggled to combat cheap imports.

- **Earthchild** and **Earthaddict**, founded by Jonathan Katz and Karen Liebmann in 1992, currently employs 50 people directly. Indirectly, through its outsourcing model, the fashion design house supports the employment of 700 to 1000 people outside South Africa – these are jobs that could be brought back to the Western Cape. As Managing Director, Jonathan has been recognised as a forerunner in the South African retail market for his innovative store designs and use of organic raw materials.
- **Stoned Cherrie**, established in 2000 by Nkhensani Nkosi, is an afro-urban lifestyle brand that is expressive of the African urban culture in South Africa. It currently employs about 100 people, included those who are employed indirectly. With the launch of the Love Movement label, which will begin retailing through Foschini this year, this number will increase to approximately 1 000 people indirectly employed as a result of Nkhensani’s commitment and talent as a local design entrepreneur.
- **Foschini**, a brand with over 200 stores across southern Africa, is based in Cape Town and currently employs 15,000 people. According to Alex Harris, this success is supported by the company’s strong local design team, which is made up of about 50 people and 100 buyers. He notes that the company is looking to bolster these numbers even more, using local design as a key differentiator in the market.

These case studies demonstrate that manufacturing is not the only point in the clothing and textile value chain that generates employment. Supporting local designers is critical in re-establishing the sector as a sustainable and competitive contributor to South Africa’s economy in the context of a globally competitive industry.

⁵ Lawson, John. 2005. “Case Study: Competing with China.” <http://www.liquidthought.co.za/techstation/download/Competing%20with%20China%20vera.pdf> (accessed 09 March 2010).

3.3 Community Development and Skills Capacity Building

During the question and answer time, one of the conference attendees asked the panel members what contribution they were making to development in South Africa. Through their responses it became evident that, in addition to providing direct and indirect employment to thousands of people in the Western Cape, fashion businesses are also making significant contributions to community development and skills capacity building in South Africa. The following examples are just a snap shot of the type of work they are doing:

- **Earthchild** is also a co-founder of the Earthchild Project, a registered NGO in the education sector that allows the business and its customers to make a real contribution to the children of South Africa.
- **Keedo** has an upliftment project in Johannesburg, called the Ragdoll Project, which teaches sewing skills to women. The company also supports Sakhumzi, a home which cares for children orphaned by HIV/AIDS. In addition, Keedo frequently hosts students of all ages (learners through to university students) to come to the factory and learn about manufacturing.
- **Stoned Cherrie** is passionate about social development and has employed women from the African Feeding Scheme as bead makers and seamstresses.
- **House of Monatic** provides internships and attachments for young designers and also outsources accessories to a women's foundation in one of Cape Town's townships.
- **Foschini** provides attachments to young designers and is currently a partner for the Cape Town Fashion Council's Fashion for Business competitiveness programme.

3.4 National Identity and Nation Building

In addition to the fashion sector's contribution to global competitiveness, employment and community development, the panel also discussed the contribution fashion can make to national identity and nation building. According to Nkhensani Nkosi of Stoned Cherrie, "I want to help develop a new identity for us as South Africans. Tapping into the urban energy on the continent and the African aesthetic... in contrast to the stereotypical images of Africa that you see a lot of retailers using." Her vision is for Stoned Cherrie to become a global African lifestyle brand that pioneers a cultural revolution in Africa.

Julie Hodgeson of Monviso Knitwear also expressed the potential she sees for local brands to generate huge excitement among South Africans. She noted that Monviso’s new in-house “Love SA” and “46664” brands have already created a lot of passion among designers and consumers.



Figure 4: Nkhensani Nkosi, founder of Stoned Cherrie



Figure 5: Panel discussion, Annual Industry Conference



Figure 6: Networking, Annual Industry Conference

4. Supporting the Fashion Sector and the Clothing and Textile Industry

After agreeing that the fashion sector is worth supporting, the following questions were posed to the panel – Where should the support come from? What is the role of government? What is the role of retail and other key stakeholders?

4.1 Government and Policy Makers

The panel members suggested several ways that government and policy makers could create an enabling environment for growth in the fashion sector and the broader clothing and textile industry. The panel suggested that the role of government should be:

- To provide affordable basic infrastructure (electricity, water, etc.);
- To provide industry incentives, such as a 10-year company tax moratorium;
- To reduce import duties on raw materials (such as fabrics);
- To facilitate state backed funding for entrepreneurs;
- To control illegal imports.

The panel also noted that government may also need to change the way it views the clothing and textile industry. When interpreting the current challenges and opportunities facing the industry, government should take into consideration the industry's historical context and origins in a closed economy. "Government finds it hard to accept that you may need to see an industry decline before it will grow – like pruning," said Mark Gooding of House of Monatic. "There are a whole lot of things causing jobs to be lost. We can't promise that we'll create millions of jobs, but we can set up a sustainable industry."

4.2 Retailers

Speaking from his experience at Foschini, Alex Harris stressed that the responsibility lies with retailers and suppliers to support local design in the following ways:

- To ensure compliance within procurement – i.e. to remain committed to not importing illegally;
- To seek out local fashion more actively;
- To sell fashionable merchandise that is well made.

Several of the designers (both on the panel and in the audience) argued that while retail needs to be involved, designers should not have to lose their own identity in the process. According to one designer in the audience, there isn't room for design within local brands in South Africa. "We're just giving them

what they want,” she said. Abubaker Frizlaar of House of Monatic responded to this by suggesting that the industry needs to find a way for designers to engage more with retailers, gaining input in terms of quality, but without the retailers interfering with their creativity and designs.

4.3 Educational Institutions

In addition to government and retail, design institutions were also mentioned as a key role player. According to Nkhensani Nkosi, of Stoned Cherrie, “Sometimes the discussion can be too high level. If we say we want to bridge the gap, then we need to start engaging young designers... Otherwise we’ll continue with the illusion of successful design entrepreneurs. They look good on the runway but they have no orders... We need to create entrepreneurial skills and internships.”

Previous research conducted by Mthente Research and Consulting Services found that more training is needed for young designers in the areas of business management, finance, project management, pricing and distribution, market research, product development and quality control. While young designers often leave university or tech with excellent creativity and design skills, the business skills required for building sustainable enterprises are often lacking.⁶ Post-university industry training (such as the competitiveness programme developed by the CTFC) help address this lack, but ideally educational institutions should also relook at their curricula.

4.4 Financial Institutions and Landlords

The panel noted that financial institutions and landlords also have a significant role to play for the fashion sector in terms of financing start up businesses and providing affordable retail space for emerging designers.

4.4.1 Providing finance

According to Nelia Schutte of Keedo, there is incredible talent within the industry but unfortunately many designers fade away despite their potential because they don’t have the money to produce what they design. André Potgieter of ABSA agreed that this is a challenge since many banks are averse to the textile industry. However, he noted that ABSA has been looking for “stars within the industry.” He encouraged designers to develop business plans, document their successes and keep detailed records to make it more attractive for banks to fund fashion design.

⁶ Mthente Research and Consulting Services.2009. Designer Needs Assessment Survey for the CTFC.

4.4.2 Providing space

In addition to financing, space was another key challenge identified by the panel. “We need to persuade landlords to give local designers a chance,” said Jonathan Katz of Earthchild. Finding a site in a shopping mall (and a site that is in the *right place* in the shopping mall) can be a real challenge. Mark Gooding added his concern that institutions like Sanlam and Old Mutual want five year leases, which isn’t realistic for young designers. In addition, ideal locations like airports currently have too much red tape, even though showcasing local fashion at such locations would increase South Africa’s branding locally and internationally.

4.5 Consumers

According to Martine Vogelmann of Cape Union Mart, local design needs to be largely supported by consumers. She acknowledged that the price might be higher than imported brands but at least one will be supporting local manufacturers, rather than “sweat shops” abroad. A member of the audience added that customers need to be encouraged by retailers to venture out from what they are used to and try something new, try something locally made.

4.6 Local Designers

Finally, many members of the panel identified local designers themselves as key role players in developing and supporting the industry. While there was some debate over whether engaging with retailers kills design, the argument was made that no designer can survive on their own. Partnerships are essential. The panel called on designers to actively seek out partners, to “force” retailers to engage with them and to take advantage of programmes that exist such as the CTFC’s competitiveness programme.

5. Succeeding with a Business in Fashion

After discussing the importance of local fashion and the key role players needed to support the industry, the panel discussion concluded with the question – Should emerging designers be encouraged to enter the industry as entrepreneurs? What tips would you give them?

Drawing on the wisdom and experience that currently resides in the industry, the following responses were offered:

- **Nelia Schutte, Keedo:** Be really, really passionate about what you do. Never over promise and under deliver. Be goal oriented. Be ethical and believe in human rights... I needed to know my weaknesses. I needed a business partner.
- **Martine Vogelman, Cape Union Mart:** There are several things I would suggest: 1) Have an appetite for risk. Entrepreneurs have big dreams. 2) Do proper planning and business plans. Do scenario planning. 3) Be honest. Don't try to trick the bank. They're your partners. 4) Know your strengths. Employ people who are smarter than you. Don't be intimidated from them. Learn from them. 5) Manage your cash flow. There's a saying that goes "he who has the cash flow wins.
- **Alex Harris, Foschini:** A lot of designers want to go out on their own. But don't get too caught up in the ego of having your own brand. But keep your enthusiasm, drive and creativity.
- **Nkhensani Nkosi, Stoned Cherrie:** Honesty and self-assessment – you need to understand where your strengths are. Some designers are entrepreneurs. Others just want to create all day long. Others have a mix of the two. Be realistic about what is achievable.
- **Mark Gooding, House of Monatic:** Have vision way beyond what you can achieve. Have a dream of a brand in the world and then maybe you'll have a strong brand in South Africa. Use networking – the contacts you develop are very important – bounce ideas off these people. You learn more from other people than you learn from yourself.

Recognising the need for mentorship based on this type of advice, initiatives like the CTFC's competitiveness programme aim to link up emerging fashion designers with experts in the industry.

6. Conclusion

Last year, the CTFC's industry conference attracted more than 170 stakeholders from across the country. Once again, the 2010 conference included fashion design entrepreneurs, provincial and national government representatives, retailers and clothing and textile manufacturers. The interest and participation of these stakeholders is a clear indication of the potential of the sector, the need for partnerships and the benefits of fashion design for the South African economy.

In summary, the panel identified the following benefits of the fashion sector:

- Local fashion differentiates South Africa's clothing and textile industry and makes it globally competitive by drawing inspiration from "our own backyard."
- Local fashion provides thousands of jobs indirectly and directly across the value chain. Many of the employees in this sector are women and single mothers who are the primary breadwinners in their families.
- Fashion entrepreneurs are actively contributing to community development and skills capacity building.
- Local fashion contributes to the development of a new national identity for South Africa and counteracts stereotypical images of Africa locally and abroad.

In order to fully realise these benefits, support is needed from government, retailers, educational institutions, financial institutions, landlords, consumers and designers. Support for local fashion design will not only help build a culture of sustainable entrepreneurship in the clothing and textile industry, but will contribute to broader national and provincial goals of economic development.



Figure 7: Local designer Percy Ndaba of Undacova

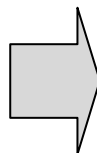


Figure 8: A local manufacturing house