Professional MBA
Entrepreneurship & Innovation

Launching and Operating a Fast Fashion Brand in Russia

A Master's Thesis submitted for the degree of
"Master of Business Administration"

supervised by
Robert D. Hisrich, PhD

Affidavit

I, **Olga Barinova**, hereby declare

1. that I am the sole author of the present Master's Thesis, "LAUNCHING AND OPERATING A FAST FASHION BRAND IN RUSSIA", 58 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and

2. that I have not prior to this date submitted this Master's Thesis as an examination paper in any form in Austria or abroad.

Vienna, 18.07.2017

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Signature

Abstract

Fast fashion has become one of the most important industry phenomena of the past decades. Developed in the 1990s and fueled by globalization, fast fashion has now entered in a new era and is facing new challenges. In this paper, I am focusing on Russian fast fashion market. Is it different from international market? What hurdles are there and what drives the industry forward?

How should Russian fast fashion companies shape their operations and adjust strategy in order to survive and to succeed? This thesis is aimed to analyze the specific conditions that Russian fast fashion companies are experiencing. In order to come up with relevant practical solutions, various types of research including top fast fashion managers interviews, available data analysis and own experience are analyzed. Being incredibly dynamic industry, fashion market is quickly adjusting to new economy conditions and companies are seeking for ways to survive in post-turbulence period. While international fast fashion retailers tend to use recession to grow their chains and gain presence, many Russian players are busy optimizing processes and are mostly downsizing. So how should fast fashion behave in the eye of the storm?

This study suggests that recession can be beneficial for some retailers. By focusing on identifying consumer needs and adjusting all business process to better serve them, fast fashion companies can gain long-term competitive advantage. Some of the big trends in Russian fast fashion retail include aggressive off-price marketing, online market winning shares from offline, shifting consumer preferences towards price-driven behavior. Companies who are willing to decrease their profit margins to keep their consumers and to reconsider their marketing mix and pricing strategies are proving themselves to be more efficient and winning market shares even in tough economic situation.

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1. Introduction

During the past two decades fashion apparel industry has gone through substantial transformations with fast fashion being one of the biggest fashion industry disruptors (Bhardwaj & Fairhurst, 2010). Fast fashion is most frequently characterized by quick production time, off-the-runway designs combined with frequent changes in product lines as well as affordable pricing strategy (Caro & Martinez-de-Albéniz, 2014). Thus, fast fashion embodies the combination of operational excellence with supreme value proposition challenging companies to stay more agile and innovative than in any other segment.

Fast fashion originated in mid-1980-s when companies willing to respond to growing customer needs for frequent collection updates as well as to reduce stock put their production efforts into increasing the number of seasons. Backed up by modified characteristics in the supply chain as well as progress in equipment for mass production, companies started to steadily increase the speed to market.

During the last several years fast fashion managed to become one of the most valuable niches in global brand index with H&M and Zara, pioneers of the global apparel industry, ranked 20th and 27th by Interbrand in 2016 with brand valuation of 22.6 and 16.7 billion dollars respectively[1]. Global fast fashion market has been constantly increasing at high CAGR during 2005-2006 and it is expected to continue growing in the next five years at very least fueled by young population and emerging economies growth as well as developing media. However, fast fashion will face some significant challenges of volatile demand, more sophisticated shoppers and increase in the pace of competition.

Despite the overall importance of fast fashion phenomenon to apparel business as well as global economy, it remains somewhat unstudied. In this thesis, I would like to focus on Russian market, one of the world's largest economies with promising apparel growth forecast. Being a fashion entrepreneur, I will try to focus on the most relevant problems that fashion companies face on day-to-day basis as well as during the launch period.

[1] Best Global Brands Rankings, 2016

http://interbrand.com/best-brands/best-global-brands/2016/ranking/, accessed on 15.04.2017

1.1 Aim and objectives

The following list of problems shall be tackled in this paper:

What are specific features of Russian fast fashion market?

Fast fashion retailers have entered in Russian market circa 2003 and are still building distribution in the regions. The market is not saturated yet – and the consumers who have been familiar with the concept of fast fashion only for a limited time and have not reached the level of sophistication of those in developed countries.

In this study, I would like to find out key differences of Russian fast fashion market from international ones.

What are the challenges of fast fashion companies in Russia?

Competitive landscape is becoming very intense in Russia - following the recession of 2015, the economy entered the post-turbulence stage and is slowly starting to recover. It is crucial to identify the specific challenges that fast fashion companies in Russia are facing and how they should adjust to the situation in economy.

Recent economic recession and currency depreciation have dampened consumer confidence and household spending has declined. Many international brands have weakened their positions on in Russia due to increased prices in rubles – as a result many top players like Mexx, Monsoon-Accessorize and C&A have decided to leave the market. On the other hand, some local brands and retailers – especially those selling online – report increase in sales. Does it mean it is time for fast fashion players who always invested in expanding regional offline distribution to shift their strategy into online business?

What are fast fashion consumer preferences in Russia?

According to Eurostat agency survey[2], Russians still invest a lot of their income in apparel and footwear – on average 9 per cent of their household expenditure second only to

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[2] The EU in the world: 2016 edition, http://ec.europa.eu/eurostat/documents/3217494/7589036/KS-EX-16-001-EN-N.pdf/bcacb30c-0be9-4c2e-a06d-4b1daead493e, accessed on 14.04.2017

China's 10.9 per cent. European customers tend to be more moderate with household expenditures spending of 5 per cent on this category.

Recession has substantially influenced consumer behavior of Russians directing more household into saving mode and increasing the share of locally made goods - particularly in apparel industry. Previously their preferences were mostly with foreign producers whose products associated with superior quality than comparable domestic products. It is crucial for fast fashion players to properly study consumer profile and the shifts in their behavior to better cater to the needs of their target audience and to act accordingly.

1.2 Methods

This research focuses strongly on real business strategies applied by fast fashion retailers in Russia, both local and foreign ones, and aims to deepen the understanding of the elements that help companies to succeed in Russian market. Since problems that the study aims to tackle have mostly strategical implications, qualitative analysis and interviews will help to provide deep insights and shed the light on some challenges the industry is facing. Since most of these businesses are not publicly traded hence not obliged to openly publish their sales and financial performance data, it seemed more suitable to gather data through qualitative research methods and combine it with available market intelligence researches. In this study, I was interested in collecting data from decision makers who shape the strategy of fast fashion brands as well as top industry professionals. Some of the survey respondents include former CEO of Incity, a previously leading fast fashion company; one of the top managers and founders of Lamoda (LLC Kupishoes) – top six website and second largest online retailer specializing on fast fashion; largest Russian department store TSUM Marketing Director as well as current CEOs of two local fast fashion retailers.

The approach of this exploratory research is mostly inductive and aims to gain insights and understanding of the topic based on existing research data as well as empirical findings gathered from the interviews. The data for the research will be gathered from both primary

and secondary sources and analyzed, while fast fashion companies will be the centerpiece of attention.

1.3 Course of investigation

This thesis study is divided into 5 chapters. In the introduction, I present the topic of my research and framing, my objectives and problems that this study tackles. In the second chapter, some relevant concepts and theories about fast fashion are discussed. Chapter three focuses on the methods, data collection and analyzing processes. The findings of the study are presented in the fourth, fifth and the sixth chapters. In the seventh chapter, draw conclusions and discuss the relevance of my findings and some prospects for future research.

2. Fast fashion industry

This chapter helps to understand the reasons behind the emergence of the fast fashion phenomenon in global apparel industry, the reasons why it appeared and current business strategies that dominate the industry. First the fashion-related concepts and key processes are reviewed, then the phenomenon is studied through the prism of literature. The strategy of fast fashion business is presented from the standpoint of operations and financial point of view and then value proposition from design perspective is considered.

The fashion industry is one of the world's largest industries worth 2.4 trillion US dollars in 2016 and employing over 80 million people worldwide[3] with apparel industry reaching $842.7 billion in value. If ranked alongside individual countries' GDP, fashion would be seventh-largest economy in the world with fast fashion companies like Zara and H&M being the largest fashion apparel retailers in the world (Caro and Martinez-de-Albeniz, 2014).

Fashion industry includes a range of sectors from design to manufacturing, distribution, retail, advertising and PR, consulting and publishing business (Stone, 2007). Fashion is known to be a sector of short product life cycles, low predictability, high volatility and a high role of

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[3] Imran Amed, Achim Berg, Leonie Brantberg, and Saskia Hedrich, The state of Fashion, December 2016. Available on the official website of McKinsey.com, http://www.mckinsey.com/industries/retail/our-insights/the-state-of-fashion, accessed on 19.04.2017

impulse purchasing. Being one of the most globalized industries in the world, the fashion industry has played a leading role in global retail expansion (Jackson and Show, 2016). The fashion markets operate at incredibly high speeds with consumers constantly demanding new products on the racks. It challenges both retail companies and suppliers to deliver the trends in store in shortest time (Bruce and Daly, 2006).

Figure 2-1 . Fashion industry pyramid. Source: adapted from Barrere, Delabruyere p.316-318

The chart above presents the fashion industry pyramid and helps to understand the place of fast fashion in it. Fashion is created mainly by couture and luxury brands and is then escalated downwards to commercial ready-to-wear brands, then to fast fashion and finally fashion is utilized for counterfeits. Each market segment uses different profit maximization strategy and use market strategies according to their target audience. For instance, luxury firms rely mainly on strong brand reputation and status associated with trademarks as indicator of wealth. Couture is mostly considered as marketing tool being the epitome of exclusivity and quality allowing brands to show a polished vision which is later expanded in ready-to-wear collections. Fast fashion, on the opposite, relies mostly on consumers rather than on traditional marketing and branding tools. High product turnover and affordable prices make fast fashion consumption a sustainable habit at many economic levels.

2.1 Fast fashion concept emergence

The fast fashion concept has emerged in early 1990s, when consumers increasing demand for increased assortment found its reflection in fashion companies' strategies. Italy-based Benetton was

one of the first companies who started the phenomenon of basic, brightly colored and frequently renewable clothing range.

The demise of mass production

Until the mid-1980s, fashion industry was built around standardization and low-cost mass production with few seasonal changes – some typical examples include classic white shirts and Levi's classic jeans. This trend reflected the overall consumers' preferences towards more basic styles, they were less sensitive to style and fashion and wanted apparel that would be more practical and last longer.

Bailey and Eicher (1992) state that an increase in the import of more fashion-savvy female apparel happened in the 1980s. Bailey (2001) noticed that consumers started to become more fashion-conscious as the demand for classic and simple demand began to decrease. However, this shift in consumer preferences also led to inevitable increase in mark-downs for fashion apparel since it became harder to manage stock inventories and forecast future sales due to higher styles variety. This argument was also supported by Malone (1998) who came to conclusions that gaining profits in the fashion business was not always linked with mass production but may come from more nimble approach to assortment planning.

Fashion seasonality and characteristics

Since the 1980s, typical fashion product life cycle for fashion was characterized by four stages: introduction by fashion early adopters; increasing public acceptance; maturation stage characterized by mass adoption (followers); the fashion becomes obsolete and declines. At the time, fashion collections were at the time only represented on bi-seasonal basis of Fall-Winter and Spring-Summer with no additions.

By the beginning of the 1990s, retailers were actively expanding their assortment with updated ranges and started to show faster reaction to current fashion trends (Hoffman 2007). The concept of introducing additional phases to basic seasons originally emerged from growing variety of fashion apparel available during a limited period. This approach resulted in increasing profits which companies started to invest in increasing capacities. Fashion industry started to focus on quick response through reduced lead times and maintaining low costs both in raw materials and production prices. Outsourcing manufacturing and production to

offshore places with lower labor costs became popular and brought substantial costs advantage.

Even though outsourcing was undoubtedly cost efficient, it brought out a problem of increased time to market due to complex import/export procedures, distant locations and variability of production process brought by increased assortment (Birtwistle, Siddhiqui, Fioirito 2003). Lower costs of labor and production were often fading due to necessity for mark-downs brought up by rapid obsoleting of collections and costs of inventory due to failure to rapidly deliver the goods in stores. Instead of focusing on rapidly bringing the trends into market, companies often failed to achieve substantial sell-out rate of the merchandise during appropriate season thus negatively impacting the profits.

To combat these problems, the industry started to move towards restructuration in order to develop higher standards of operating performance (Taplin 2006). In the beginning of 1990s, a number of companies came up with a new method called quick response (QR) which implied a number of techniques to speed up time to market and production efficiency resulting in shorter lead times.

Emerging of fast fashion concept

Some of most important defining characteristics of fashion is its acceptance by a number of people characterized by certain marketing traits such as high impulse factor, lower predictability, volatile demand and short life cycle (Fernie and Sparks, 1998). Consequently, speed to market is key for profitability for fashion retailers who want to stay ahead of competition. Many studies show that being agile and providing quick market response through integration of consumer preferences into new collections is crucial to increase profit margins for retailers (Christopher, Lowson and Peck, 2004).

In the history of fashion runway shows have always been a major inspiration for the industry and the place to spot newest trend. These shows were always restricted to a narrow circle of fashion professionals such as designers, buyers, and other fashion influencers. General public only had access to them by looking at the pictures in magazines and reading reviews from fashion critics of major newspapers. Globalization and development of digital media made fashion shows more accessible for everyone and provided a full picture of events in shortest time leading to customers exposure to latest styles from the runways.

Many retailers including H&M, Zara, Mango, Top Shop and others started to build their strategy around rapid adoption of catwalk designs with a lead time of only a few months (Barnes and Lea-Greenwood 2006). It is often argued, that fast fashion retailers and media accelerated the diffusion of new styles.

Ramped up by the grounds of agility and quick responsiveness, the fashion industry moved away from predicting future trends to applying real-time data to understand current consumer preferences (Jackson 2001). Companies unable to forecast future fashion trends and to quickly produce fashion apparel from the runways risk losing fashion-conscious consumers, hence adequate real-time data analysis help to minimize potential damage.

Figure 2-2. Fashion life cycle. Source: Adapted from Rogers (1983) and Yurchisin & Johnson (2010)

The process of introduction, growing popularity and decline is often referred to as "the fashion cycle" (Yurchisin and Johnson, 2010). The bell-shaped curve demonstrates acceptance of an innovation relatively to time. The horizontal axis shows timeframe and the vertical axis represents the number of adopters as they purchase the items (Rogers, 1983; Yurchisin & Johnson, 2010). In the curve, different adopter categories are linked to different attributes. Just like in technology, fashion innovators are always the first to adopt new style and clothing. In high fashion, various opinion leaders like fashion press, bloggers, and celebrities with early access to new collection often present this category. They are adventurous and keen to try out new ideas and by doing so bring attention to novelties due to higher exposure in print and digital media. Sometimes these contributors play a more

important role than a product itself – the sole fact of opinion leaders wearing a certain piece may rise its value to unbelievable heights.

Next group to try new styles are early adopters – they are keen to try new ideas but are more cautious when doing so and seek help from innovators (Yurchisin and Johnson, 2019). They are characterized by having closer connections to social systems than innovators, they also serve as opinion leaders. Early adopters have credibility within the masses and legitimize the innovation acceptance in wider audience groups by providing advice and confirmation (Rogers, 1983).

Finally, the cycle switches to a third group of early majorities dominated by mass-market customers as diffusion is accelerated. They typically wait for others to use it first until it becomes a real trend before they approach it. During the time when innovators and early adopters utilize the trend, it becomes widely accepted – hence safe – then early majority joins in just in time as becomes available in stores. Early majority group is at the core of mass market retailers target audience.

In the end, when fashion penetration reaches its peak and begins to ascend and late majority starts buying it. The reasons behind their hesitation is skepticism towards all thing new (Rogers, 1983). They are extremely cautious and wait until innovations becomes a norm, also as the innovation becomes wider spread it reduces in price attracting late majority (Yurchisin and Johnson, 2010).

Laggards or isolates are the last group to adopt the trend when it is no longer innovative. They are either skeptical towards innovation or have to wait until it is discounted to approach it in stores (Sproles and Burns, 1994).

The fashion cycle curve enables retailers to succeed in predicting sales and profitability of innovations (Kim and Fiore, 2011). It also shows that early majority are the most important target in terms of commercial potential since they come before peak demand and are serving as a bridge to full mass-market potential. Fashion cycle curve is also widely used to describe price structure, fashion marketing as well as consumer behavior. It is common that higher-end retailers and brands cater to the first two groups of innovators and early adopters at high prices. Early and late majority are the main targets of fast fashion retailers offering mass

production at accessible prices. Some of the late majority and laggards become more active during sale period and in the outlets when the price comes to its lowest (Stone, 2007).

More fashionable products are normally targeting innovative consumers whereas basic and classic styles attract skeptical ones. However, fashion cycle may have some variations. Fads are even more spontaneous innovation that reaches the peak of its popularity in shortest time only to fade just as quickly (Kim et al., 2011). Fads often rise from fashion opinion leaders as well as certain subcultures and might even contradict existing fashion trends. The life cycle of fads is short yet sometimes they manage to become a real trend and get early adopters acceptance – they rarely make it to the laggards.

2.2 Fast fashion business model

Fast fashion business model is a novelty to the fashion industry. One of fast fashion definitions brought by Bayun and Sternquist (2008) state that it represent a marketing approach to adapting the latest trends by rapidly increasing inventory turnover. This definition underlines the idea of quick response and importance of value proposition for this type of businesses. Fast fashion business model is shaped from several elements: ongoing assortment rotation, limited stock supply, nimble supply chain, affordable prices and short lead times (Joy et al., 2012).

The ongoing assortment rotation is fast fashion's main difference from traditional fashion business model with only two bi-seasonal collections available. Instead, key fast fashion players such as Zara, H&M, Forever 21 update their collections more often than every month. They go even further and change displays weekly or even daily to enhance the newness effect by agile merchandising policies (Martinez de Albeniz Margalef, 2009).

As for limited stock supply, it is often cut back on purpose to create a sense of exclusivity – or "massclusivity" (Joy et al., 2012)- driving demand and decreasing risks of overstocking. The goal here is to create a feeling of scarcity forcing consumers to make an impulse purchase (Byun and Sternquist, 2011). An example of this effect are high fashion designer collaborations (Balmain x H&M, Rihanna for Puma and others) with limited stock selling out within hours after launch.

Highly controlled and efficient supply chain is crucial for delivering a wide variety of products and quick respond to latest trends. It is also crucial that supply chain is agile enabling fast fashion retail to imitate most coveted styles in just a few weeks' time.

Affordable prices are ensured by mass quantities and low materials and finishing price. Fast fashion is meant to be more disposable – on average, its products are only intended to survive 10 washings (Joy et al., 2012). As a result, fast fashion consumers are more frequent shoppers and are more inclined to make spontaneous purchases.

Despite its high demand of rotation, fast fashion compensates higher design costs by low production sales due to its tremendous volumes. This means that fast fashion marginality is higher than for basic fashion (Sull and Turconi, 2008).

Figure 2-3. Fast fashion demand and supply model

The business model of fast fashion companies represents a good fit for rapidly changing consumer values. Demand is very elastic and quantity goes before quality, with brands like H&M, Topshop and Forever21 increasing their stock supply making the prices go down.

The fast fashion industry is running around homogeneous middle-priced items based on recent trends coming from runways. With increasing competition and growing numbers of players in the market the prices continued to descend whereas the demand is only increasing.

The fast fashion business model has also impacted consumer expectations from clothing by finding a way to conform for increasing demand for new styles. Fast fashion companies are

quite innovative in terms of their marketing mix – they rely mostly on right distribution locations, social media, and word of mouth. They rarely work with traditional media such as print magazines, radio, outdoor and television. One of the reasons behind this fact is rapid nature of trends whereas traditional media require planning and shooting campaigns in advance.

In many ways, fast fashion companies go against Heinrich von Stackelberg competition-based model for production quality due to their ability to utilize lowest production costs by simply taking inspiration from popular design.

Figure 2-4. Stackelberg's leadership model

Stackelberg's model published in his book "Market structure and equilibrium" back in 1934 suggests that the first mover produces the optimal stock to cover possible research and development expenditures. Later the followers observe the market and produce their quantities at lower price. Stackelberg's found leader firms to be more profitable – although in fast fashion industry with consumer tastes changing at a high speed, this is not so applicable. Product innovation becomes an ongoing and rapid process, limited quantities and affordable pricing helps firms to reduce stocks and losses that first movers bear due to higher unacceptance risk. As a result, many fast fashion companies enjoy higher profit margins by exploiting "get it before it's gone" concept – due to frequent change of collections, consumers are more inclined to make spontaneous purchases.

In the early days of fast fashion concept, there was a number of studies to find out whether this business model is viable in the long run. Gerard Cachon of Wharton and Robert Swinney of Stanford after conducting their research concluded that combining quick lead time and enhanced product design might be beneficial for fashion industry allowing companies to make profits. They were right in their conclusions about profit potential: Inditex group earnings amounted to sixteen billion dollars and net profits of three billion dollars; Forever 21 reached sixteen billion in revenue whereas Michael Kors, being largest affordable luxury brands has only reached 661 million.

2.3 Global fast fashion industry trends

2016 became a very difficult year for the global economy with impacts from Chinese stock market volatility, European terrorist attacks and the Brexit vote in the UK increasing the market uncertainty. On the other hand, there is a growing trend of consumers becoming more sophisticated and demanding with their purchasing behavior influenced by development of new technologies is now harder to predict than ever.

Fast fashion companies have also invested substantial efforts in implementing necessary changes to their operations including further shortening of fashion cycle as well as focusing on sustainable innovation in manufacturing and design.

Even though fast fashion shows positive dynamics of 1,5-2 per cent industry growth, it shows a substantial decline from 5.5 per cent in the previous decade. Even though majority of fashion executives report worsened conditions over the past year[4], they stay optimistic regarding 2017 outlook.

According to McKinsey and Business of Fashion industry report of 2016, the following trends will define the fashion agenda in 2017:

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[4] Imran Amed, Achim Berg, Leonie Brantberg, and Saskia Hedrich, The state of Fashion, December 2016. Available on the official website of McKinsey.com, http://www.mckinsey.com/industries/retail/our-insights/the-state-of-fashion, accessed on 19.04.2017

Increasing volatility

The world has become more volatile and uncertain due to global disruptions brought by financial crises, political conflicts, and terrorism. Being a rapidly moving, globally connected industry, these factors highly influence fashion.

Fast fashion industry is largely based on impulse shopping thus any fear of uncertainty has direct negative influence on consumer behavior. Volatility takes many forms ranging from currency depreciation to the rise of global debt, aging population etc.

Figure 2-5. Risk matrix influencing the fashion industry. Source: McKinsey's Global Economics Intelligence Quarterly Executive Survey, September 2015&2016.

The survey conducted by McKinsey in September 2016 shows that most relevant risks for fashion industry are Chinese economy slowdown as well as general global trade slowdown, countries exiting from the Eurozone, threat of terrorist attacks as well as volatile commodity prices.

Discount dominance

Affected by increasing economic and political instability, fashion expenditures have started to decrease. Consumers now expect fashion items to be sold at lower prices and the share of discount purchases has grown substantially. For example, in North American market off-price

purchasing constitutes 75per cent of all fashion expenditures resulting in many retailers having more outlet stores than regular ones[5].

The trend of promotion dominance is also developing in China with number of outlet malls is expected to double by 2020[6] European market shows a similar trend – six official mark down period constitute majority of sales of many retailers[7]. Normally, fast fashion companies do not keep outlet stores yet they frequently use discounts for inventory management. Discounts are an efficient and inevitable method for fast fashion companies to manage large stock inventories yet they lead to shrinking profit margins and decrease brand value by creating an impression that everything can be bought during the time of sale.

Sophisticated consumers

As consumers' lifestyles have continued to evolve, new fashion categories developed in 2016 in response. They include a new category – athleisure, genderless, plus size and special/religious clothing such as muslim lines.

Athleisure is one of today's the most important trends. Athleisure means a combination of athletic and leisure wear produced in special lines and starting to appear in fast fashion retailers' offerings. Consumers are seeking for higher customization and are no longer satisfied with basic sports lines – resulting in athleisure category growing on average by 10 percent annually as compared to 4 percent for overall clothing and footwear[8]. Another trend is genderless fashion catering to the taste of those who prefer unisex apparel and are not willing to conform to the traditional staples. Selfridges started to work on its departments

[5] "Can American retailers kick their discounts addiction?", Business of Fashion, April 28, 2016, https://www.businessoffashion.com/ articles/intelligence/can-american-retailers-department-stores-jcrew - gap-quit-the-discounting-promotions-drug.

[6] "Discount malls bring Gucci within reach of more Chinese", Business of Fashion, March 19, 2015, https://www.businessoffashion. com/articles/news-analysis/luxury-discount-malls-bring-gucci-within-reach-chinese; "Outlet malls booming in China as department stores feel the pinch", South China Morning Post, updated August 23, 2016, http://www.scmp.com/property/hong-kong-china/article/2007950/ outlet-malls-booming-china-department-stores-feel-pinch.

[7] "Does anyone expect to pay full price anymore?", Business of Fashion, November 24, 2105, https://www.businessoffashion.com/ articles/intelligence/does-anyone-expect-to-pay-full-price-anymore

[8] "Adidas' first speedfactory lands in Germany", Adidas, December 9, 2015, http://www.adidas-group.com/en/media/news-archive/ press-releases/2015/adidas-first-speedfactory-lands-germany/.

reconfigurations followed by Zara launches its first gender-diffused collection in March of 2016[9]. Plus size fashion is also gaining momentum with cultural shifts towards body positivity. Fast fashion retailers like H&M, Mango and Forever21 are expanding offering in their plus size fashion range rather than just expanding number of sizes for existing range. Another important category that fast fashion retailers are starting to look into is apparel for Islamic consumers following Dolce and Gabbana creating a capsule collection in the beginning of 2016[10] Uniqlo followed the trend by creating a hijab and abaya collections targeting the large market of so-called "modest wear" which is forecasted to be worth $327 billion by 2020[11]

All these market present new opportunities for fast fashion players by targeting the growing need of consumers for customization and personalization.

Conscious innovation

There are studies showing that consumers have started to aspire for superior quality that lasts longer and want to buy less and support more sustainable companies (WSJ study). On the other hand, there are numerous researches showing that consumers' inclination towards more expensive higher quality ethically produced apparel rarely transforms into purchase (Carrington, Neville, Whitwell, p.139).

Even though fast fashion companies currently find themselves in a complacent situation, sustainability becomes an important factor in consumer decision-making. For fast fashion retailers, who were working on creating a more disposable approach to apparel and rigorous cost-cutting policies it is not easy to keep up with responsible innovation trend. Waste production, labor standards and human rights violation, CO_2 emissions are all issues that fast fashion companies are closely associated with.

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[9] "Genderless fashion: a fad or the future?", Drapers, April 8, 2016, https://www.drapersonline.com/product-and-trade-shows/genderless-fashion-a-fad-or-the-future/7006302.article.

[10] "Dolce & Gabbana reveals first hijab and abaya collection", Time, January 5, 2016, http://time.com/4168571/dolce-gabbana-hijab/.

[11] "London show reflects global boom in Islamic fashion", The Guardian, May 29, 2016, https://www.theguardian.com/fashion/2016/ may/29/london-show-reflects-global-boom-in-islamic-fashion.

Out of all challenges, creating social responsibility standards is the toughest one for fast fashion brands since many of them go against the cost-cutting and rapid production goals. It is worth noting that leading fast fashion retailers have recently introduced various sustainability initiatives.

In their 2016 annual report, H&M announced impressive results of their sustainability initiatives. The company focuses its efforts on several areas including improvement of work conditions, sustainable fabrics, renewable energy, reduction of greenhouse gases emissions, energy use decrease and anti-corruption.

Being pioneers of the industry, H&M group was one of the first fast fashion companies to publish sustainability reports and setting ambitious targets for future.

One of the goals the company set for itself back in 2013 was reduction of greenhouse emissions from own operations in absolute terms which was incredibly hard taking into notice the size and growth rates of H&M. In 2016 the company announced emissions decrease by 47 percent to 80,541 tonnes, 151,753 tonnes down from the previous year[12]. Greenhouse gas emissions have been cut by 76 percent since 2014, mainly thanks to renewable electricity.

Figure 2-6. H&M group use of sustainable cotton in per cent from total cotton use. Source: H&M sustainability report, 2016

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[12] H&M 2016 annual report,
https://about.hm.com/content/dam/hmgroup/groupsite/documents/masterlanguage/Annual%20Report/Annual%20Report%202016.pdf, accesed on 20.04.2017

In 2016 H&M increased its use of sustainable cotton, main production material, to 43per cent compared to only 13per cent in 2012. The company also invested in a number of innovative fabrics initiatives including alternative sourcing of raw materials such as orange peel which became Global Change Award winner in 2016.

It is worth noting, that H&M sustainability efforts have set a good example for entire fast fashion industry. The company is encouraging other brands to increase transparency and was the first one to publish their list of suppliers on the website in 2013 which was never heard of in the industry before. H&M is a member of the Sustainable Apparel Coalition, the organization behind the Higg Index, an assessment tool that measures environmental and social sustainability making industry standard and use this information for labelling.

Uniqlo has also launched a highly successful initiative by putting recycling boxes in almost every stores so people can dispose of used clothes and even get a voucher or discount offer from the retailer.

All these challenges present great opportunities for fast fashion companies. Being used to rapidly changing consumer trends an environment and backed by agile business processes, fast fashion segment have all resources to enable future growth. In order to succeed, the fast fashion players need to further improve their skills of forecasting trends, satisfy the growing demand for customization as well as to be efficient in the areas of global supply chain management.

3. Fast fashion industry in Russia

Russia is one of the world's largest economies with fashion apparel and footwear market valuated at 2,8 trillion roubles (or 33,6 billion dollars) in 2016 and has been growing at a CAGR of 7.6 over the last five years[13]. Female apparel constitutes 37per cent of the total apparel market, or 12,4 billion dollars, according to Fashion Consulting Group[14]. After two

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[13] Euromonitor Apparel and Footwear market overview 2016, http://www.euromonitor.com/apparel-and-footwear-in-russia/report, accessed on 21.04.2017

[14] Abnett,K. Is the worst over in Russia, June 17 2017, https://www.businessoffashion.com/articles/global-currents/is-the-worst-over-in-russia, accessed on 19.06.2017

years of steep recession, Russia is now on a path to recovery starting to overcome recession caused by the low oil price shocks and economic sanctions imposed on Russian companies.

2014		
Segment	bln rub	market share
Luxury	117	10%
Middle	456	39%
Budget	596	51%
Total	1169	100%

2015		
Segment	bln rub	market share
Luxury	102,6	10%
Middle	307,8	31%
Budget	615,6	59%
Total	1026	100%

2016		
Segment	bln rub	market share
Luxury	94	9%
Middle	281	27%
Budget	667	64%
Total	1042	100%

Table 1. Russian female apparel market by segments in 2014-2016. Source: Adapted from Fashion Consulting Group annual report

In Russia, the fast fashion market is represented by lower middle and upper budget segments price segments with approximate valuation of 287 billion roubles or 27 per cent of total female apparel market . In the last two years, budget segment has cannibalized middle segment resulting in 8per cent share increase in 2015 and 5per cent increase in 2016.

Russian fast fashion market sales are currently constituted by approximately 62 per cent of Russian brands and 38 per cent of International brands with currently increasing share of the latter, according to RBC experts.

Figure 3-1. Consumer channel preference poll, 2015-2016. Source: adapted from Gfk annual 2016 report

Most popular channels that Russians use for shopping are shopping malls, e-shops and open markets. Percentage of people that prefer shopping malls and e-shops has substantially

increased since 2015. Another trend fueled by recession is increasing popularity of various off-price channels: discount stores, second hands and outlets.

3.1 Fast fashion market and economic situation in Russia

Recession has affected mostly middle and luxury segments while budget price segment continuous to growth and cannibalizes a larger share of the market. Consumers have become more cautious and buy from 25 per cent to 40 per cent less clothes on average while sticking to the same brand choices[15]. For retail market, it means that more purchases are made in the sale period and off-price retail is gaining more popularity.

Another important indicator is retail import statistics showing negative dynamics for the last three years. In 2016, clothes import has decreased by 5per cent and shoes by 8per cent. Overall in the last three years there has been a decrease of 39per cent for clothing category, 41per cent for shoes and 43per cent for fabrics.

Turbulent market, 2015	Dynamics,per cent
Clothes production	-21,10per cent
Linen fabrics production	-16,60per cent
Shoes production	-16,50per cent

Post-turbulent market, 2016	Dynamics,per cent
Clothes production	3,20per cent
Cotton fabrics production	4,40per cent
Shoes production	5,80per cent
Synthetic fabrics production	5,50per cent

Table 2. Russian Ministry of Industry and Trade fashion market facts. Source: adapted from Ministry of Industry and Trade annual reports, 2015 and 2016

[15] Abnett,K. Is the worst over in Russia, June 17 2017, https://www.businessoffashion.com/articles/global-currents/is-the-worst-over-in-russia, accessed on 19.06.2017

Current situation on Russian fashion market can be described as post-turbulent: after recession brought by oil price shock and currency depreciation, fashion companies are slowly starting to recover.

As Russian Ministry of Industry and Trade states, fashion clothes, shoes as well as fabric manufacturers are starting to increase their production volumes by 3.2per cent (clothes) up to 5.8per cent (shoes).

Despite a period of high market volatility, fast fashion retailers like H&M and Inditex grop are increasing their presence in Russia by opening new stores. Russian players being more sensitive to market turbulence are taking pause in expansion. For example, Russian retailer O'stin now has 625 stores vs. 629 stores in 2015 and 648 in 2014. On the other hand, Zara operated 91 stores in 2016, 88 stores in 2015 and 85 stores in 2014. The growth is also very moderate – only three extra location per year, but it can also be explained by decreased speed of new malls opening in the million plus citizens cities of Russia.

Figure 3-2. Global vs. Russian players stores count. Source: adapted from Fashion Consulting Group industry report, 2016.

The chart of global and Russian players stores count shows that global retailers can maintain substantially more stores and even continue to expand their presence despite the recession. They have a safety pillow coming from sales in other markets and can implement price skimming strategy.

Russian players are more sensitive to market volatility and are forced to react immediately by optimizing their sales chain. Being more cautious, they decided to stop the expansion and wait until it becomes safe to expand again.

Leading russian fast fashion companies in 2014-2016, number of stores

Company	2014	2015	August 2016
LoVE REPUBLIC	171	171	146
ZARINA	217	198	184
BEFREE	247	236	221
OODJI	260	253	242
INCITY	383	319	292
SELA	313	324	334
GLORIA JEANS	570	504	517
O'STIN	648	629	625

Leading international fast fashion companies in 2014-2016, number of stores

Company	2014	2015	August 2016
Stradivarius	75	78	79
Pull&Bear	76	79	82
Bershka	84	87	90
Zara	85	88	91
H&M group	71	96	106

Figure 3-3. Russian vs. International fast fashion companies stores count 2014-2016. Sorce: Adapted from GfK fashion industry report, 2016

Looking at the number of stores dynamics of Russian players, the only growing retailer is SELA – and it has only increased the number of retail outlets by 7 per cent. Incity shows the worst dynamics losing a third of its stores in 2016 vs. 2014, although it should be noticed that the reasons for this lie in shareholders conflict within the company and is not solely dictated by the market situation.

All major foreign fast fashion companies have increased their presence on the Russian market during the last two years with H&M demonstrating the most aggressive growth adding 35 new stores to its chain since 2014.

Nevertheless, it should be considered that Inditex group is often expanding its presence with all its brands entering same location at a given time – the fact that the chain grows at the same rate proves that fact. The number of premium malls suitable for Inditex brand is limited hence it serves as a hurdle to Inditex growth.

Japanese retailer Uniqlo plans to add 5 more large stores in Moscow and to open several new stores in St.Petergburg in large malls with total space more than 2200 square meters.

Figure 3-4. Minimum price dynamics for different apparel categories (season 2016/2015 vs. previous one), per cent. Source: adapted from RBC fashion apparel research, 2016.

It is worth noting that noting, that recession and currency depreciation affected both Russian and international fast fashion companies' approach to pricing strategy, dresses chosen as the core item constituting 70 per cent of total retailer's sales in Russia and average and trousers shown as a smaller (hence less important) good example. Russian brands Befree, Concept Club, Zarina and Baon shown on the chart above have substantially raised prices both for both categories. Oasis and Motivi have also raised prices – they are smaller players in the market with low distribution and inability to decrease profit margins. Mango has strategically decreased prices for dresses yet raised prices for trousers. Massimo Dutti, H&M and Zara have managed to keep minimum prices even lower aiming to get competitive advantage in a turbulent market with consumers looking out for bargains.

Ruble depreciation has largely affected fast fashion retailers: international players were pressured to raise the prices because they had to import the goods at given prices and all local players purchasing fabrics abroad, some even outsourcing production to South-

Eastern Asia countries. However, H&M group and Inditex have chosen not to raise prices but rather to work with their assortment matrix by substituting more exclusive and expensive pieces by basic ones thus even lowering minimum price barrier.

3.2 Key trends and challenges in Russian fast fashion market

Russian fashion is going through an extremely tough period with its steepest decline in the entire market development history. In this chapter, some key trends and challenges that the industry is facing will be described.

Import replacement

In April 2014, Russian government has announced a new state program of "Manufacturing development and increasing competitiveness". This document was introduced several months before the recession and has voiced out numerous concerns that government had with the industries – most important one being high dependence on imported goods and raw materials.

The main goals of new governmental program, often called as import replacement strategy, were:

1. To create innovative structure for new industries development.
2. Reducing of regulatory barriers as well as increasing the share of non-governmental financing
3. Renewing of industries' technological base
4. Stimulating scientific research aimed at creating new technologies and materials
5. Providing Russian companies with equal competition possibilities on Russian and international markets

The government has set a specific plan to increase the fashion industry manufacturing in total production up to 1,5per cent of total GDP. Main emphasis should be made on creating artificial and synthetic fabrics widely used in fast fashion industry. This should also allow the export of Russian goods to be increased by 250per cent. Another goal set in the program was reaching 50per cent share of Russian goods on the market including not only fashion apparel, but also other textile-based goods such as carpets etc.

Ever since the demise of Soviet Union, previously state-owned apparel and fabrics manufacturing companies were abandoned, some of them became private property but majority were closed. In USSR, fabrics and apparel production constituted as much as 11.9per cent of GDP making it one of the world's export leaders. Thus, import replacement may be highly beneficial for local apparel industry: if fast fashion players will be able to both source fabrics and produce locally, it will bring local fast fashion companies to a new level by enabling to create an incredibly agile supply chain.

The government has also created several investment projects helping to subsidize projects. Some of them include more favorable loan terms for local producers, governmental orders on uniform production and imported equipment costs compensation.

Local production

Many Russian fast fashion retailers have started to relocate their production capacities from South-Eastern Asia back in the country. This move was largely affected by currency depreciation making production abroad not only less profitable, but also requiring higher transportation and import costs.

There are numerous macroeconomic factors favoring local production development. From consumer side, it is growing national identification trend and positive reaction towards "made in Russia" products that was not seen on the market since the demise of the USSR. From retailers' side, it enables to save costs by shifting production into the ruble zone. From distributors and importers side, it means decreasing foreign currency import that needs to be replaced in local ruble market.

It is worth noting that local production also enables fast fashion companies to be more agile in planning as well as to get access to "short money" by having an opportunity of rapid reaction and replenishing the best-selling items much quicker whereas normally fast fashion retailers tend to replace rather than to replenish even when facing higher demand due to longer logistics and customs lead time.

Another important opportunity brought by local production is possibility for ongoing quality control at lower costs. Many fast fashion retailers producing in Asian companies have to

invest in local offices in order to maintain proper production control, resulting in higher expenditures.

Ministry of Industry and Retail has recently announced that Zara and H&M were approached with offer to create a local production in Russia. Zara has confirmed receiving the offer, however up until now no further comments followed.

Some experts think that Russian production might become a great alternative for middle-priced brands. Yet local production is incredibly hard to manage in terms of quality – due to shortage of large contractor factories, companies have to set up their own manufacturing facilities which requires a lot of time, efforts and financial investments. However, there are some successful examples of fast fashion retailers who produce locally, including TVOE, Gloria Jeans and Glance.

Retailers leaving the market

Economic volatility in Russia became a tough challenge for many fashion retailers. In recent years following the recession, companies such as American Eagle Outfitters, Lindex, La Senza, New Yorker, Monsoon, Accessorize, Dorothy Perkins, Seppala, River Island, New Look, Camaieu, C&A and just this month Mexx announced their decisions to leave Russian market since 2015. Debenhams was also planning to leave the market but its stores were bought by Reviva holdings for $5 million. Official reasons named in press reports are mostly related to tough economic situation and inability to maintain profit margins substantial for survival without scaring off consumers.

Many department stores such as Stockmann and local fast fashion retail chain Podium Market have recently announced bankruptcy. Ironically, Stockmann was bought by Bakhetle group, a Russian grocery retailer looking for premium space for its stores whereas Podium Market was bought by the Finnish group Reviva holdings who owned Stockmann stores in Russia[16]. Company representatives explained their interest in the venture by desire to obtain good retail locations as well as to possess an established fast fashion retailer brand. The plans of Reviva for Podium Market are not yet clear – the retailer owns a large pool of assets

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[16] https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapid=317961230

including large retail locations in key shopping malls of Moscow and several large Russian cities, a private label called Bellucci amounting to 40per cent of total company sales as well as Monsoon-Accessorize business in Russia that was bought in 2015 when the group was about to leave the market. It is stated that Reviva Holdings are only aiming to purchase[17] several retail locations and not the whole group.

Podium Market case yet cannot be called purely associated with recession per se. The group has initiated bankruptcy procedures in June 2017 followed by many filed lawsuits by various creditors with total sum of 1 billion rubles (17 million dollars) – majority of the money is owned to lessors and the rest is owned to brands selling in Podium Market chains. Podium acknowledges that failed to adjust to recession and continued aggressive recession instead of focusing on performance optimization and polishing the business model before adding more retail outlets which lead to multiplying problems.

It seems that recession served as sanitation factor and many retailers who were unable to identify and fix their problems earlier were forced to leave the market. On the positive side, decrease in number of competitors poses opportunities for local fast fashion players.

E-commerce growth

Online fashion retail in Russia has been showing steady double-digit growth for the last five years, it is one of the few channels that remained unaffected by recession.

Figure 3-5. Russian E-commerce market, bln rub. Source: Gfk Annual E-commerce report, 2016

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[17] Didkovskaya A., Podium Stores changing owner, 23.06.2017, https://www.vedomosti.ru/business/articles/2017/06/23/695805-podium, accessed on 25.06.2017

Current valuation of Russian e-retail market is around 920 billion roubles (or 15,6 billion dollars) showing 15per cent percent from 2015 year despite recession. Clothing and footwear is one of the largest segments accounting of 24per cent of total Russian online retail market.

Russia is the largest European e-retail with over 82 million user penetration. According to recent studies, over 88per cent of them have made online purchases in 2016, with 53per cent of them saying that they went online to buy clothes and accessories.

Figure 3-6. Goods purchased from Russian and foreign online stores (share in all online buyers in percentage, September 2016). Source: GfK & Yandex e-retail study, 2016

Currently apparel and footwear online sales in Russia are represented by three sectors: Russian e-stores, Chinese e-stores and other international retatailers. Russian and Chinese retailers (primarily Alibaba and Taobao) show highest share in online sales – 38per cent and 27per cent respectively.

The cross-border segment became is the fastest growing, increasing by 26 per cent in value and 80 per cent by volume, thus exceeding $4 billion only for physical goods, according to Russian Post and industry association NAMO.

The growth of this segment has been significantly driven by Chinese companies such Alibaba's marketplace Aliexpress.ru – other key western players include Amazon, Asos, Next and Yoox. Asos and Yoox have recently named Russia one of their top priority markets and actively invest in development of Russian website version with native-speaking support team.

AliExpress, which became the leading e-commerce platform in Russia in 2014, secured it leadership by selling not only Chinese products but also the Russian ones. In the spring on 2017 the platform introduced same-day delivery option for Russian products as well as purchase on credit option. Alibaba's traffic in Russia has exceeded 23 million unique users in March 2017, by far outperforming other international competitors.

JD.com, another Chinese retailer has launched its Russian version in 2015 and claimed to have obtained 2 million registered users just 6 months later, generating 300 000 orders daily. The company sets an ambitious goal of conquering 20per cent if the Russian e-commerce market.

Rank	Change from previous year	Site	Specialization	Sales volume		Nb of orders	AOV	
				Rubles (mln)	USD equivalent* (mln)		Rubles	USD equivalent*
1	+1	WILDBERRIES.RU	Clothing, footwear and accessories	45 600	681	29 000	1 570	23
2	- 1	ULMART.RU	Non specialized site	38 800	579	7 820	4 970	74
3	=	CITILINK.RU	Non specialized site	31 600	472	3 230	9 790	146
4	=	MVIDEO.RU	Electronic appliances	25 900	387	1 900	13 620	203
5	+1	ELDORADO.RU	Electronic appliances	23 200	346	3 900	5 960	89
6	+5	LAMODA.RU	Clothing, footwear and accessories	22 300	333	5 870	3 800	57
7	+2	OZON.RU	Non specialized site	18 000	269	5 700	3 160	47
8	- 3	EXIST.RU	Car parts	17 800	266	6 100	2 920	44
9	- 2	SVYAZNOY.RU	Electronic appliances	15 400	230	1 460	10 550	157
10	- 2	KUPIVIP.RU	Clothing, footwear and accessories	15 100	225	1 400	10 760	161
11	+3	UTKONOS.RU	Groceries	15 100	225	2 980	5 050	75
12	+1	BONPRIX.RU	Clothing, footwear and accessories	13 700	204	3 240	4 240	63
13	- 1	DNS-SHOP.RU	Electronic appliances	13 600	203	1 070	12 660	189
14	- 4	KOMUS.RU	Office items	11 700	175	997	11 740	175
15	+2	ONLINETRADE.RU	Non specialized site	11 200	167	1 670	6 710	100
16	+2	PETROVICH.RU	Items for the home, DIY	9 540	142	731	13 050	195
17	- 2	HOLODILNIK.RU	Electronic appliances	8 940	133	351	25 470	380
18	+8	VSEINSTRUMENTI.RU	Items for the home, DIY	8 700	130	1 090	7 970	119
19	=	TEHNOSILA.RU	Electronic appliances	7 910	118	905	8 740	130
20	- 4	MEDIAMARKT.RU	Electronic appliances	7 460	111	556	13 410	200
21	- 1	SHOPPINGLIVE.RU	Non specialized site	6 580	98	1 050	6 280	94
22	+3	SPORTMASTER.RU	Sporting goods	5 560	83	926	6 010	90
23	+10	APTEKA.RU	Beaty and health	5 550	83	3 610	1 540	23
24	- 1	SHOP.MTS.RU	Electronic appliances	5 160	77	618	8 350	125
25	- 3	220-VOLT.RU	Items for the home, DIY	5 070	76	574	8 830	132

* The dollar calculations by EWDN are based on the average exchange rate in 2016

Table 3. Top Russian websites ranking in 2016. Source: EWDN research, 2016

Russian fashion apparel retailers have also shown significant growth in 2016. Fashion site Wildberries.ru becomes the number one website from second place in last year with sales revenues increasing by 43 per cent. The business model of Wildberries represents a

combination of own purchasing and marketplace business. The company preaches lean management principles and is known for keeping all expenses as low as possible.

In 2016, Wildberries have invested a lot of efforts in updating their marketplace interface and all operations processes for retailers. They now offer live time monitoring options, allowing suppliers to track all orders and payments with highest degree of detalization. The payments are made weekly and the retailers' commission is only 38per cent on average providing Wildberries with competitive advantage over other marketplaces with average commission of 42per cent and higher.

Another large online fashion retailer Lamoda.ru, launched by Rocket Internet in 2011 which is now part of the Global Fashion Group (GFG) with German and British investors behind them, went to the sixth place in the ranking from eleventh in 2015. In 2016, the site's sales increased by 39 per cent with net revenues amounting to €125.6 million in the first half of 2016 — 41.1 per cent higher in rubles (or 15.4per cent in euros) as compared to the same period 2015. Lamoda is also known for owning their own successful fast fashion brand Lost Ink with headquarters based in London and selling their goods also at ASOS, Lipsy and Zalando – some of the leading European fast fashion multibrand online retailers. Contrary to Wildberries cost-cutting approach, Lamoda prefers to invest a lot in customer experience and has recently launched its own delivery and fulfillment program targeting both marketplace partners and most importantly the consumers.

KupiVip.ru, Russia's leading flash off-price sales retailer, is now on 10th place (down from 8th place in 2015) after a 9 per cent decrease in sales last year.

It is widely argued that for many fast fashion companies who are struggling with offline sales, internet poses numerous opportunities. For instance, British company Dorothy Perkins which has left Russian offline market in 2015 has now become one of top 10 selling brands at Lamoda website. Similarly, Russian brand Incity has only entered online market in 2013 and is now generating more than 30per cent online aiming to build it up to 50per cent by 2020.

Discount culture

As recession hit Russian consumer market in 2014, the proportion of discounted products sold has increased by 150per cent and is now making up 83 percent of total sales. Recent

surveys show that 58 per cent of consumers have bought more than half of their clothes at discounted prices. For fast fashion retailers, higher proportion of discounted goods mean a total change of their business strategy: if previously the goal was to sell 70per cent of clothes at full price, not the maximum they can expect is 50per cent[18].

Figure 3-7. Consumers' sensitivity to promotions. Source: consumer poll by GfK, 2016

Consumer polls by GfK show that only 13per cent of consumers claim not being sensitive to any discounts and promotions while over 33per cent deliberately try to only purchase off-price goods. 21per cent of consumers say that they try to wait to promotions leading to delayed purchasing and 27per cent of people claim that promotions are somehow important for them but they are not enough to make a purchase decision.

Driven by foreign exchange rates, average price for clothing has risen by 9per cent in 2016. As a result, over 60per cent of Russians have decided to avoid shopping for clothes according to Nielsen studies. Planned purchases are now taking much longer and customers prefer to think for longer expecting possible promotions for desired goods. Retailers are now noticing a significant efficiency increase for promotions, discounts, bonuses and are holding back purchases until those are available.

Experts claim that "economy shopping" is now accounting for 12per cent of total fashion retail market as compared to 9 per cent in 2014[19]. Outlet format, relatively new to Russian

[18] The research on development of online retail in Russia, https://yandex.ru/company/researches/2016/ya_market_gfk, accessed on 05.07.2017

[19] Russians are becoming more price sensitive, Dulin A., 11.07.2017, https://www.kommersant.ru/doc/3351744, accessed on 12.07.2017

market, is gaining popularity since it hits the right spot of extremely price sensitive consumers. Outlet Village "Belaya Dacha" reports sales increase of 34 per cent in 2015 and 52per cent increase in 2016 with number of visitors rising by 20 per cent. This means that customers are getting more familiar with outlet format and start to trust it by increasing their purchases. Another popular Outlet Village "Chernaya gryaz" reports doubling the number of visitors in 2016 and increasing their profits by 22 per cent. Inspired by this success, the group is now building 9 more outlet villages in key Russian cities with a population of more than one million.

Should fast fashion retailers adjust to customers pressure regarding sales and promotions? This is impossible for foreign players like Inditex Group and H&M due to their international business policy, but is a viable strategy for local players. For example, fast fashion retailer Incity reports selling over 60per cent of their assortment with various discounts, coupon vouchers, customer loyalty discounts etc. Discounts and promotions are even easier to implement for fast fashion brands who are present online: they can use promotional codes and provide customers with discounts without diluting brand equity.

3.3 Consumer behavior

Russian consumers were largely affected by recession making them decrease their spending on apparel market by 33per cent[20]. Middle price segment was hit the most and now has to reconsider their business strategy completely. There is no universal approach to maximizing business efficiency during recession. Most Russian fast fashion retailers are seeking optimization by decreasing the number of stores, increasing prices thus decreasing unit sales. On the contrary, many foreign retailers try to use the situation to their advantage and even manage to decrease their prices using their volume and leverage.

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[20] The Russians are trying on growth, Dulenkova A., 21.02.2017, https://www.kommersant.ru/doc/3225010
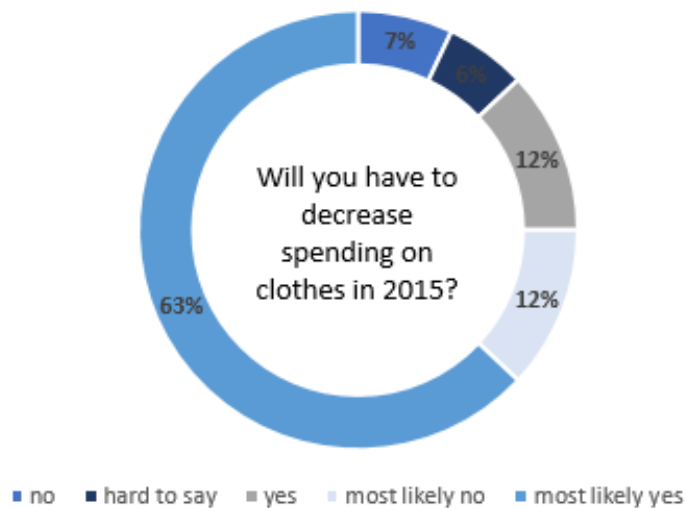
Figure 3-8. Consumers' first reaction to ruble depreciation poll, 2014. Source: Levada Center survey, October 2014

Consumer behavior has changed substantially and most probably will never return to the way it was before recession. In October 2014 when ruble took a plunge towards foreign currencies and the prices started to soar, 87 per cent of consumers expected that they would have to start to decrease their spending on clothes in the future. However the end of 2014 showed that consumers decided to use their last opportunity to stock up on goods which were expected to have price increase in 2015. In November and December many Russian fast fashion retailers ran out of stock for festive clothing because women were using their last chance to shop at pre-depreciation prices. This trend even affected many luxury retailers leading to out of stock for ultra-expensive jewelry like Graff, Cartier, Damiani and even in cars market with Mercedes, BMW and even Porsche.

But since the very beginning of 2015, consumers have changed their behavior completely. Surveys show that 90 per cent consider price increases brought by ruble depreciation as high for their budget and 67 per cent claim to have decrease their spending for apparel and shoes[21]. In their consumer survey about saving preferences Fashion Consulting Group and premium e-retailer Kupivip.ru found out that Russian consumers are mostly staying loyal to their preferred brands, but are either purchasing them less often or are looking for alternative retail locations such as outlet malls.

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[21] Russians are becoming more price sensitive, Dulin A., 11.07.2017, https://www.kommersant.ru/doc/3351744, accessed on 12.07.2017
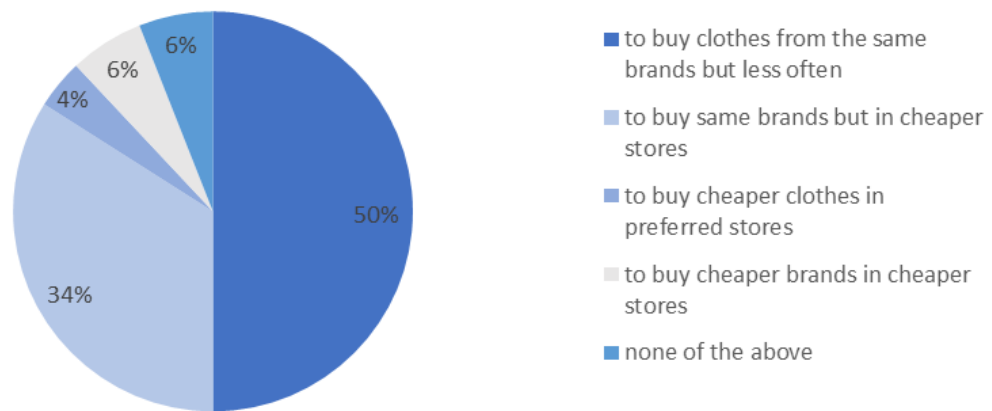
Figure 3-9. Survey "How do you prefer saving on clothes". Source: adapted from FCG & Kupivip consumer poll, December 2016.

At the same time, it has been proved by recent studies that Russian consumers do not see many differences in brands and often confuse them in blind tests if the label is cut off. It is obvious that perception of brand and quality is still prevalent in consumers' minds. For instance, if Russians are offered a similar 100 per cent cotton shirt with only difference being the country of origin they most likely will chose Italy and Germany, next top choices will be Russia and Turkey, China being their last option.

According to Higher School of Economics research, Russian consumers also can often confuse Russian brands. Respondents were offered to name several clothing brands that they wear most often. It was surprising that in many cases respondents refused to answer this question saying they do not know Russian brands. Most popular foreign fast fashion brands mentioned were Zara and H&M, among Russian brands they were TVOE, Kira Plastinina and Incity. The latter retailer sees that there is an issue of prestige involved. When they conducted a similar on-demand survey in early 2014, they first asked respondents a simple question: which brands they most oftenly purchase. It turned out that the respondents who claimed to only buy 5 to 10per cent at Incity and the rest at Zara and H&M demonstrated a reverse situation in their wardrobes with majority of it coming from Incity. This behavior can be described as desire of consumers to associate themselves with trendier foreign brands – an image Russian fast fashion companies still must create for themselves.

According to Fashion Consulting Group, foreign brands tend to survive recession much better in general. While foreign fast fashion players were mostly opening new stores in 2015 and 2016, all Russian players had negative dynamics. It can partly be described by price

increases up to 150per cent in order to hoard the prices. In fast fashion segment, the increase was higher for more sophisticated designs with creative silhouettes, detailed etc. Basic models and knitwear show a much more modest increase. Retailers were determined to put their efforts into hoarding price increase for goods that make up the majority of their turnover. They are seeking out opportunities to offer consumers their cheapest models to keep them in store and to make up the difference in profit margin by increased turnover.

Figure 3-10. Clothes puchasing criteria by importance level, per cent. Source: RBC consumer preference research, December 2016

Today on the Russian market price has become by far the most important criteria with 74per cent of consumers surveyed by RBC. Comfort, fit and silhouette are also important yet the importance of good quality, fabric and longevity are losing their importance. Fashion parameters are some of the least relevant with only 9 per cent of respondents naming it one of their purchasing criteria. This poses a tough challenge for fast fashion companies whose entire assortment is built around recent trends. A possible way to overcome this gap is to invest more efforts in trying to predict stronger trends that will be around for more than one season and to try to increase this offering on the Russian market.

There are also substantial differences in the way Russian consumers shop online. Cash delivery still constitutes 65 per cent[22] of all payments yet this number is increasing steadily over the last several years as consumers become more confident with online channel. Try-on service before payment is also very popular: 60 per cent of consumers prefer it whereas in Europe this service is only available for VIP customers. Russian consumers are willing to receive experience that will be similar to offline and online retailers are willing to yield in order to make them feel more confident. This business model leads to very high cancelation of orders – 60per cent - yet the return rate is only 5per cent as compared to 30-35per cent as told by ASOS.

The recession was instrumental at reshaping Russian consumers approach to shopping. They started to save up more money, plan their purchases in advance, using internet for primary data collection and looking out for promotions to find the best price option. Middle and lower middle segment consumers are willing to consider less famous brands that offer analogous goods at lower prices (similar fabrics and design). From the style standpoint, there is a growing trend to universalism – consumers want their clothes to be appropriate for mixing and matching them with other items, the clothes are becoming more practical and wearable. All of this is making behavior of Russian consumers to be closer to that of European ones.

According to FCG, during the last 10 years life standards of middle class has substantially evolved in Russia but is risking going lower European standards again. As the proportion of more poor population group is increasing, there is a great decrease of middle and high-income people. Many up-middle brands are starting to look "expensive" to Russian consumers. Working professionals are not willing to refuse from shopping in malls they normally prefer but they will have to switch to cheaper brands. The goal of fast fashion retailers is to find a way to look appealing both to their existing customer base and wealthier consumers who consider downgrading to fast fashion retailers from more premium retailers. Assortment policy is integral to stay competitive: providing offer in lower price segment for more basic pieces will help to remain accessible to current clients with lower purchasing

[22] Russian e-commerce market increased to 921 bln rubles, Alekseev V., 14.03.2017, https://dp.ru, accessed on 5.07.2017

power and keeping more trendy and higher-quality people may be a good way to lure those who were previously sticking to more expensive brands.

4. Results

This chapter presents the results of empirical study of Russian fast fashion market. The data obtained from interviews will be discussed with regards to the key problems posed in the study, followed by the results of my personal observations as co-founder of a fast fashion startup. These segments represent both secondary and primary data contributing to the validity of the research.

4.1 Interviews

As mentioned in methodology of research, the semi-structured interviews with five respondents were conducted. The informants represent top fast fashion players and industry decision makers.

In order to collect the data, a short list of question was developed for the interviews. All of the respondents are knowledgeable about fashion retail industry and fast fashion business in particular. Some of them also have international experience of working with fast fashion brand.

№	Sphere	Company	Position
1	Fast fashion	Incity, one of top russian female apparel retailers	former CEO
2	Online retail	Second largest fashion online retailer with own fast fashion label	Top Manager, Co-founder
3	Offline retail	TSUM, the largest Russian department stores	Marketing Director
4	Fast fashion	Local mid-size fast fashion brand	Co-founder
5	Fast fashion	Local fast fashion start-up	CEO

Table 4. Description of informants

The respondents were asked specific as well as more theoretical questions about fast fashion retail business in general as well as their own companies.

First block of interview included general questions about market situation, consumer confidence and current economy trend for fashion retail. Despite results of surveys published

in various economic and market researches, the respondents were not sharing the optimistic mood. Their companies are still feeling consequences of recession, primarily in consumer behavior who became a lot harder to lure into purchasing.

Respondent 1: "Russia is still experiencing a negative trend in consumer's buying power. We feel that economic situation in Russia is getting worse, consumers also extremely cautious."

Respondent 4: "Since Ali Express came into Russian market, the competition in lower middle segment has gotten extremely intense. We believe that in Russian regions Ali Express affects our business even more than in Central Russia cities".

Many respondents claimed that they are forced into making continuous off-price promotions to seduce consumers to make a purchase. Online retailers often see an increase in the number of website visitors however their conversion rate is lower as compared to pre-recession period. Consumers frequently surf the website until they see promotions or discounts available. As a result, the respondents see an increase in internet marketing budgets, both push and pull one.

The second block of questions was related to value proposition of fast fashion brands, the role of design and agile supply chain. Majority of respondents have large R&D budgets with and big teams working in these departments. They start collections by surfing through European and American stores, both online and offline. R&D teams have their own trend spotters who identify future trends and their potential, buy samples from luxury, premium and mass market segments. The samples and findings from the trips are then reviewed within the teams and ideas for the season are formulated. The production lead time for new collection ranged from only two weeks (small players and low volumes) to eight months (large fast fashion retailer, base range produced in high volumes).

Respondent 1: "We did not consider ourselves to be best in class in terms of design. But Russian market has a several months lag in terms of adopting new fashion trends which was just what we needed. We wanted to exploit hottest fashion trends but also those which will last longer – not a month's fad".

Respondent 5: "Our design team is fairly small. We start making collections by monitoring fashion trends at trend websites like WGSN, see fashion shows, reviews, see what luxury

brands show in online stores and which trends have been adopted by street style influencers. There is a lot of gut feeling involved. No recipe: sometimes pieces we truly believe in do not show strong results and potentially weaker test ideas are booming. After some time, we decided to first launch a small-volume capsule collection, monitor sales for one week and then quickly replenish".

The respondents are sure that many of the largest Russian fast fashion retailers have a week fashion competence. "Oodji, Love Republic et cetera have never been fast fashion companies, they are only placed in this segment because the market is not developed enough. Redesign, rebranding, their own label never played a significant role in their sales. Their strong suit is low pricing and large chain of stores", - claims one of the respondents. This is supported by data shown in previous chapter that Russian consumer are not able to tell the difference between fashion and non-fashion products – being popular clothing retailers, they do not see the need to develop value proposition and provide stylish design.

There is unique situation in the Russian market regarding attitude to brands. One of the respondents had surprising results when measuring the efficiency of their advertising campaign. A simple question was formulated in the poll: did they like the brand's or Zara's advertising campaign better? The results showed that most interviewees said they preferred Zara, although Zara has never advertised themselves.

Other respondents believe that many Russians see Zara as more premium segment, especially in the regions. It looks more like luxury; many consumers even hesitate to enter the stores because they look less accessible. This helps local fast fashion players: even though they also invest in consumer experience, the shoppers feel more confident and comfortable in them leading to competitive advantage.

Next group of question the respondents were asked referred to specific challenges that Russian fast fashion companies are facing. Among the challenges, mane interviewees named a high extent of fashion risk which is a huge part of fast fashion business. By fashion risk they imply possibility that new designs and consumer expectations will not match. Since taste is a very individual territory, it makes predicting trends an extremely hard challenge.

"I would name fashion risk as the primary challenge… The only way to minimize them is to structure your collection in a way of pyramid with base models on the bottom being largest

assortment part. These models are unique and can be easily replenished, hence no fashion risk is involved. Then goes repeated part from previous bestsellers – you may add different fabrics, slightly different finishing. On top of the matrix we put fast fashion assortment, it is always produced in smaller quantities because it will not be replenished, there is also price premium on top. We typically use fast fashion assortment to draw attention to the rest – for window installations, advertising catalogs et cetera".

Another important challenge all respondents named is increasing competition from Chinese online retailers, most importantly Alibaba. Offering prices significantly lower than all fast fashion players. It is incredibly hard to compete with in especially in remote areas of Russia when purchasing power is extremely low. The interviewees are forced to discount more than they normally would have. The second respondent even said that they go 30 per cent down to their normal discount curve of 40per cent typical for July, so they have to sell their goods with 70 per cent average discount which is extremely low for them and is ruining their profit margins.

Some of respondents also claim that attracting necessary investment is becoming a tough challenge in post-recession economy. "Potential investors simply do not know what to expect", -says respondent 5. "They may like the concept, team and the business plan overall but high market risk and low degree of predictability makes them want to hold back the deal until the situation becomes more certain".

To sum up, the data gathered from the interviews is quite homogeneous. The views of respondents on key issues such as economic situation, consumers preference and challenges that the industry is facing mostly coincides which makes the results more credible. There are of course discrepancies in replies concerning company-specific data as well as assortment approach.

Overall, the semi-structured interview method proved itself to be efficient for the research and gave some interesting insights on the problems raised in this paper.

4.2 Observations

The personal observation for the research was conducted throughout my experience of working with fast fashion category from late 2014 to current moment. I will also try to

combine market intelligence data and our own performance result into implications for the problems posed in this study. Since interviews showed that the key fast fashion decision makers overall have a similar experience on the market, my observations will continue the questions posed in the interview. Having obtained experience in all fields of fast fashion brand management, I will try to focus on implications that may be drawn for local producers.

Russian market is relatively new with only 26 years since the period when market economy emerged. It took over a decade for the country to finally switch from plan state-controlled economy and to work towards market standards. Naturally after over 80 years under communist regime, the consumers' demand for goods – especially for clothes – was not saturated. Late 1990-s and 00-s were considered in some ways a golden age of Russian retail with high purchasing power and consumer confidence. Suffering variety problems in the soviet era, the women were impressed by assortment offered by foreign brands and apparel expenditures were amounting to 15-17per cent of family income.

Followed by economy stabilization, fast fashion retailers started to enter the market in 2003 starting with Zara. Since then, the market has undergone many changes, it became more competitive and structured, several large local players like Incity, O'Stin, Gloria Jeans, Oodji have emerged. Online retailers Wildberries and Lamoda are also strong players in fast fashion segment offering the consumes many benefits and compensating the gap between online and offline shopping experience. They invest in adding pick up points to reduce uncertainty, provide free delivery and allowing customers to choose from unlimited number of goods, just like they can do in offline store - this leads to online market eating up share of offline.

"Online retailers are growing because online retail is perceived as a market where the customer can save money," says Lamoda CEO Niels Tonsen[23]. "More and more Russians will switch to e-commerce in 2017."

After the country had been hit by recession, many local players are struggling to adjust to changing realities of post-turbulent period. The market, however, remains unsaturated in Russian regions – smaller cities with population under one million citizens posing

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[23] Russian business is a long-term game for Lamoda, Karpova A., 21.03.2016, http://www.forbes.ru/kompanii/potrebitelskii-rynok/315491-dlya-lamoda-biznes-v-rossii-eto-igra-v-dolguyu, accessed on 10.04.2017

opportunities for fast fashion retailers. Yet with a steep decline in purchasing power local retailers are not rushing to expand whereas foreign fast fashion companies like Inditex Group and H&M generally have higher points of sales standards and they must consider more premium locations which usually take longer.

In my opinion, Russian apparel market can be characterized by the fact that there is space for all kinds of fast fashion brands even during recession. With Russian women spending almost twice as high on apparel than Europeans, shopping for clothes is an important part of their life and consumers are not willing to refuse from that experience.

Being a fast fashion start up founder, I find one of the most difficult challenges in providing the right product offering during post-recession and turbulence period. Fast fashion should try to step in their consumers' shoes and increase their research and development efforts to cater to their needs more efficiently and try to predict longer term trends than fast fashion companies normally do. The term of fast fashion itself is now diluting from its original meaning worldwide with consumers no longer interested in disposable fashion that falls apart and goes out of fashion in less than one season. Fast fashion retailers see an increasing share of timeless pieces – trendy yet classic, the percentage of on-the-edge, ultra-fashionable pieces is decreasing. What consumers need is a good price-quality ratio and pieces that look more expensive but are affordable – as well as reflecting the trends.

Another challenge that fast fashion is facing is decreased profit margins resulting from retailers selling more items with discounts that they originally would. Russian economy is very different from American in that sense – it never relied on consumer promotions so heavily before and now fast fashion must rethink their marketing and sales strategy in order to meet consumers' expectation. It comes as no surprise that leading Russian website in all categories – fashion retailer Wildberries – is very active in providing off-price offers. Their entire sales and marketing strategy is structured around promotions – with markup for Russian brands of only 38per cent, they never sell an item without a certain discount applied. These discounts are offered to every customer, regardless if they are first time or frequent buyers. Wildberries audience are mostly middle-income consumers who are extremely price sensitive and appreciate the illusion of instant reward provided by these various flash sales and discount code. This model however comes with certain disadvantages: in many cases after adding all of the coupons, discount and the promotions the end price only leaves

Wildberries with 5-10per cent of the margin. It looks like during recession time they are willing to go quite far to not allow their customers to switch to other platforms, even if it does not bring them profit.

In my company, we implement both approaches described in this research: assortment optimization and off-price marketing. Fast fashion is hard to imagine without frequent assortment change, customers are always seeking out something new – the new pieces also help to support the core assortment. In the brands I manage, we have switched to replenishing model with first producing a test run in small quantities and after short monitoring period, another larger run is being produced. At the same time, we try to constantly give promotions – both on our own and in collaboration with retailers.
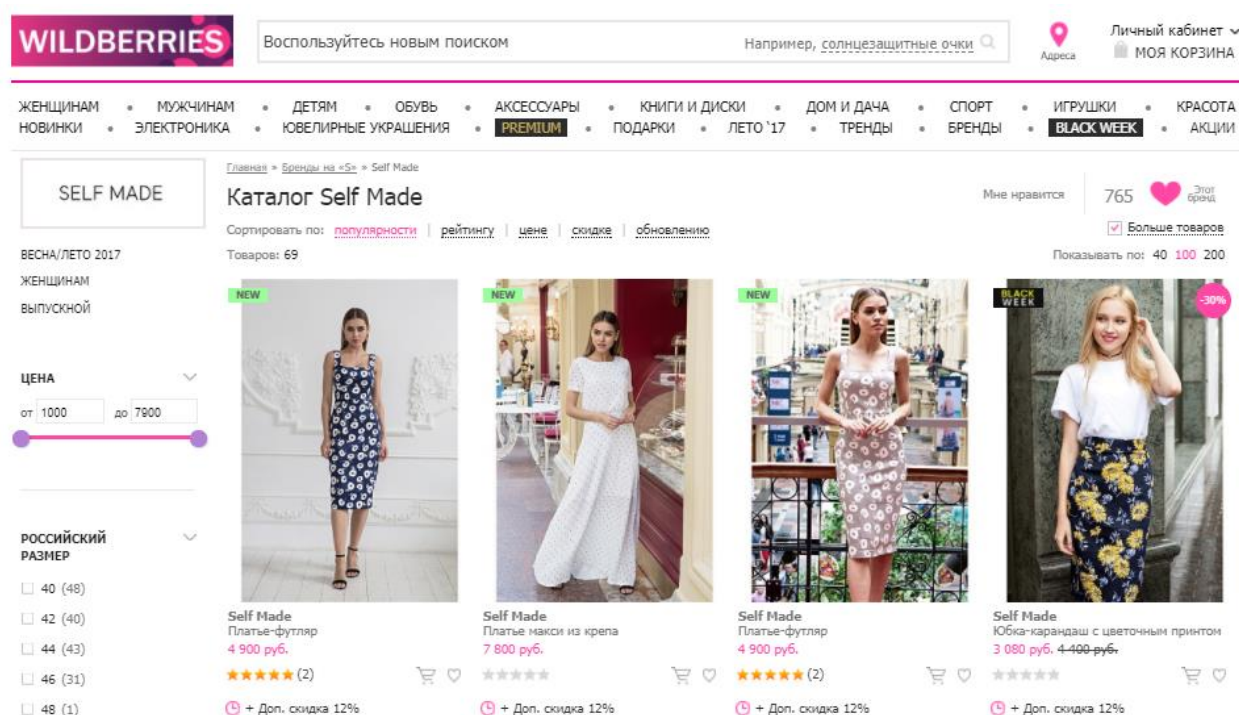

Figure 4-1. Self Made assortment at Wildberries, #1 Russian e-retailer.

In this picture a typical Wildberries flash sale promotion can be seen: both the brand (SELF MADE) and the platform are teaming up to provide discounts: SELF MADE offers 30 per cent low for goods with slower turnover rate and Wildberries gives additional 12 per cent off all purchases. This activation launched in June helped to double the sales within a week's period and to clear up stock for slow movers.

In our experience with fast fashion consumer, it is extremely important to gain their loyalty and to establish connection. Thus in the tough economic period when consumers expect

deeper discounts affecting profit margins, it is worth considering to decrease current profitability to succeed in the long run.

5. Interpretation and prospects

The following chapter will summarize the findings of empirical research and address the problems posed when formulating the objectives. Since the objective of this thesis was to gain insights and increase understanding on the specifics of launching and operating a fast fashion brand in Russia, the supportive sub-questions are discussed at first, followed by the concluding remarks on the main research questions. After the conclusion, the discussion of managerial implication for fast fashion companies follows.

What are specific features of Russian fast fashion market?
Russia is one of the world's most dynamic markets for fast fashion with total apparel segment valuation of 33.6 billion dollars. Contrary to Europe, the market is unsaturated and fast fashion companies are interested in exploring it due to the growth potential it provides.

Russian market has unique channel split and price segment situation, showing major growth in online retail as well as off-price purchasing channels (discount stores, outlets). Russian fast fashion market is very competitive with a number of strong local players as well as increasing presence of foreign giants like Inditex group and H&M. Chinese players Alibaba and XD are the main competition threat for both Russian and international fast fashion companies.

What are the challenges of fast fashion companies in Russia?
After two years of steep recession, Russia is now on a path to recovery starting to overcome recession caused by the low oil price shocks and economic sanctions imposed on Russian companies. Fast fashion retailers are actively looking out for ways to survive and even grow in this post-turbulent market and have developed many successful techniques of combating recession shortcomings, including agile assortment management and consumer-oriented approach to discount marketing.
One of the main challenges that was identified within the study is a shift in fast fashion business model and customers' expectation. As opposed to the standard approach, Russian

fast fashion consumers are looking for trends that will last longer than one season, they want to see wearable design and longer durability. This poses new challenges for brands who have to rethink their approach to research and development and make them step in customer shoes instead of just identifying the most prominent trends and then rapidly copying them as fast fashion business model originally supposed.

Recession should become a mobilization factor for Russian fast fashion retailers, who were previously enjoying double digit growth over the preceding five years. Those who manage to stay on their toes and nimble as well as willing to adjust to customers' changing preferences will gain a long-term competitive advantage.

What are fast fashion consumer preferences in Russia?
Recession has largely affected consumer behavior of Russians, decreasing their apparel expenditures and changing factors influencing decision-making process. Previously generous and style-oriented Russian consumers are now mostly motivated by price.

At the same time, consumers are loyal to their preferred brands and favorite locations but are looking out for more affordable options and are especially driven by off-price promotions. To succeed, fast fashion retailers need to reconsider their off-price strategies and yield their profit margins to survive in longer perspective.

Another key implication from the research is that fast fashion should reconsider their entire approach to assortment management. Instead of focusing on offering trendiest pieces from runways, their R&D teams need to use a deeper consumer-oriented analysis to identify the longevity potential. Being extremely price sensitive, Russian consumers are not willing to invest in a fad, they also expect the pieces to last longer than fast fashion business model normally supposed.

In conclusion, it can be stated that as Dillys Williams, Centre of Sustainable Fashion CEO and Professor said, "There is no such thing as fast fashion. Just increasingly accelerated consumption". What all companies need to remember is that fast fashion has emerged from consumers' desire to have a stylish, trendy offering with frequent assortment changes instead of being dictated what, how and when they should wear and purchase. Hence, all characteristics of fast fashion are dynamic and swirl around the needs and wants of their

target audience. During the last decade fast fashion has experienced numerous challenges but thanks to agility which lies in their nature, it managed to adapt and shift the strategy. Russian market which suffers recession is yet another example of how important it is for fast fashion companies to stay nimble and listen to the voice of their consumers.

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Appendices

Appendix 1. Questions to respondents

1.   Какие главные челленджи для fast fashion компаний вы видите в последнее время?/What are the main recent challenges for fast fashion companies?

 - С экономической точки зрения/ From economical point of view

 - С точки зрения эффективности/ From efficiency point of view

 - с точки зрения конкуренции/ From the standpoint of competition

2.   Какие основные тенденции Вы замечаете в последнее время на российском рынке?/ Which tendencies do you observe on the Russian market lately?

3.   Какие прогнозы для развития рынка фаст фешн Вы видите? What is your opinion on fast fashion market development in Russia?

4. Что бы Вы могли порекомендовать фаст фешн стартапам? What would you recommend to fast fashion start ups on the Russian market?

5. Какие антикризисные меры ввела Ваша компания и насколько эффективно они реализуются?/ What are your main anti-recession strategies?

Appendix 2. Sample of interview transcript

Appendix 1.

Вопросы к респондентам

vs. Announcel trends.

К сожалению в России с 2014 года, происходит снижение покупательской способности в сторону, ухудшение экономической ситуации. Так же затраты компаний работающих с иностранными компаниями возросли за счет колебаний курса валют

Приходит Ali Express — они находят отклик в регионах, где консамршн находится в низком ценовом диапазоне.

Масс маркет компании стараются снизить fashion risk. База, предыд модели, копируются бестселлеры.

Assortment pyramid.

Пирамида по объему заказов и продаж, сверху фешн снизу база. Кор — повторяющиеся модели. Эти модели для сезона не уникальны, а восполняемы. Фешн рисков нет, поскольку остатки уходят. Базовая коллекция сезонная, но есть элементы повторения — меняются ткани и т.д. Сверху пирамиды находится модное ядро, для ценности бренда, дороже базового рейнджа — для привлечения внимания к остальному.

В России высокие марки — очень узкий сегмент, для россиянок мода - это зара, выглядит люксово для регионов и у них возникает ощущение недоступности. Incity - менее дерзкий

Local vs. foreign FF player.

Относительно прогнозов в сфере fast fashion, Молодые и Стильные Россиянки, не всегда одно и тоже, но в целом они все отправляются за товарами фастфешн, последние 4-5 лет мы видим подъем молодых и дерзких дизайнеров, которые начинают производить вещи очень красиво выглядящие, удобные и относительно по низким ценам. На мой взгляд, данный сегмент рынка в ближайшие пять лет будет только рости

Fast fashion стартапам я бы рекомендовал продумать стратегию с учетом пост-кризисного состояния рынка, не бояться сразу заходить в онлайн каналы, работать с продуктом в первую очередь.

mat. purchasing as risk reduction

В 2016 году мы начали закупать материалы у поставщиков из России, чтобы снизить наши валютные риски и непредвиденные расходы связанные с валютными рисками, так же с некоторыми поставщиками были заключены договренрости о фиксированной стоимости рубля

Resp. 1