



2025

NFA

NASHVILLE FASHION ALLIANCE



GHERZI
Consultants to the industry
since 1929

January 2016

The NFA's mission is to amplify early-stage fashion companies of all kinds.

From designer-led startups to emerging brands demonstrating traction and readiness to scale, we are dedicated to creating the support network for fashion companies to grow, thrive, and become solid employers. We believe our region belongs on the fashion map, and we are here to help make it happen.

That's why we're thrilled and honored to deliver this report. It shows that the potential we've spotted is real, and it's big—\$9.5B in revenues and employment of 25,000 people projected by the year 2025. Since the beginning of the Nashville Fashion Alliance, a formal economic impact study of our area's fashion industry has been at the top of our priority list. Here it is. And it includes recommendations on how we will get there.

It takes an ecosystem. While the fashion brands themselves are the stars, they need a support network of education and mentorship, suppliers and production, skilled workers, finance, distribution and marketing. In turn, growth in fashion will bring growth in many other functions.

Why do we believe in Nashville?

We've known anecdotally that the pool of creative talent in our local fashion industry is phenomenal, attracted by our uniquely collaborative creative culture and our cost and quality of living. But we've lacked the numbers to prove that the fashion business is rapidly growing into a significant economic driver in the region.

We have them now. With relatively little nurturing, our region has the greatest per capita concentration of independent fashion companies outside of New York City and Los Angeles. As an industry, fashion is already generating an economic impact of \$5.9 billion and employing upwards of 16,200 people here. The growth over the last five years has been impressive.

With that kind of momentum, just imagine how it would look with the right resources, infrastructure, and public-private partnerships. That's what we propose: let's invest in this industry together and help it reach its full potential. We believe the fashion business will generate exponential growth and become a major economic driver for the region. The energy is already here.

The report shows that one of our greatest advantages is that we are organized and united as an industry: “With the establishment of the NFA, the industry has chosen to consolidate its efforts and to pool its resources to grow... one of the key success factors for fashion clusters around the world.” Your engagement in the NFA is a key indicator for our future success.

Another of the region’s key advantages is that we’re starting with a relatively clean sheet of paper. The global fashion industry is a constant innovator, so there’s no need to re-create the fashion business of the past. Consumers demand environmental and social responsibility, responsiveness, and a more direct relationship with brands. We intend to equip our NFA members to lead and create lasting value in this climate.

This vision takes funding—for a resource center that can offer affordable studio/office space; access to resources and information; shared equipment and small batch manufacturing; skilled workforce development; and a robust business accelerator program that includes knowledgeable mentors and access to capital for emerging fashion businesses.

We are incredibly grateful to our underwriters, Bayer e3 Sustainable Cotton, Tennessee Valley Authority, and the Nashville Convention & Visitors Corp. So many contributed to the sourcing and compilation of data for this report, including Clara Kim, the Nashville Mayor’s Office of Economic Development, and the State of Tennessee Department of Economic Development. And of course we are grateful for the hard work of the experts at globally-respected Gherzi International, the industry analysts who prepared this report.

We’re excited for the journey ahead. We look forward to engaging the community, gathering more people to take part in this movement, and together realizing the vision to benefit the region by putting Nashville on the map for the fashion business.

Respectfully,



Van Tucker
CEO



521 Gallatin Ave, Suite 10
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FOR IMMEDIATE RELEASE:

Nashville Fashion Alliance Releases Economic Impact Survey
Area Fashion Businesses Projected to Contribute \$9.5 Billion & 25,000 Jobs by 2025

NASHVILLE, TN, Jan. 25, 2017 -- The Nashville Fashion Alliance (NFA) released an economic impact study today, outlining the current scale and projected growth of the fashion industry in the Nashville area. According to the report, Nashville is poised to become a key player in the national fashion industry.

The analysis shows the projected economic impact of NFA constituents could reach \$9.5 billion and 25,000 jobs by 2025. Fashion businesses currently contribute \$5.9 billion and 16,200 jobs to the area economy (direct and induced impact).

Long known for its strong music and healthcare industries, Nashville now boasts the largest per capita concentration of fashion companies outside of Los Angeles and New York City (Bureau of Labor Statistics). High quality products and innovative business models have recently produced unprecedented growth in this category, with the number of fashion brands in Nashville doubling over the last five years.

NFA CEO Van Tucker says the report confirms the potential that exists in the Nashville area to support a growing fashion ecosystem. "From designer-led startups to emerging brands demonstrating traction and readiness to scale, the NFA is dedicated to creating the support network for fashion companies to grow, thrive, and become solid employers," she says. "We believe our region belongs on the fashion map, and we are here to help make it happen."

The new report was produced by the NFA in partnership with Gherzi Textil Organisation, a Zurich-based international leader for strategic development and expansion of companies in the textile, apparel and fashion industries. Underwriting for the report was generously provided by Bayer e3 Sustainable Cotton and Tennessee Valley Authority. Highlights of the study were shared at a press event attended by members of local government, civic and community leaders, and NFA members.

"Nashville enjoys a number of the key success factors needed to become a regional fashion player," says Karim Shafei, International Partner at Gherzi. "The sector has experienced phenomenal growth over the past five years and has the potential to double in the coming eight to ten years to reach over nine billion dollars in total economic impact."

Gherzi began by conducting a survey of the NFA's members in order to measure the current economic footprint of the industry represented by the NFA members in Nashville. This established a baseline that can be used in the future to gauge the impact of the NFA intervention on the industry. From there, Gherzi widened its analysis, examining first the economic ecosystem and impact of the fashion and retail industries in Nashville and Middle Tennessee; they then widened their scope to look at the state of Tennessee as a whole. Finally, Gherzi analyzed the national and global industry to examine trends shaping the fashion industry, as well as the lessons learned from initiatives similar to the NFA.

The NFA is comprised of over 368 members, including approximately 132 fashion brands. Established in 2013, the NFA's mission is to build the regional fashion industry by amplifying early-stage fashion businesses with an ecosystem of support and resources. The group is governed by a Board of Directors comprised of Nashville fashion industry players from the worlds of business and art, who collaborate on the best ways to move the region forward in the global fashion space.

With resources, infrastructure, and public-private partnerships, the NFA is helping to generate exponential growth in its region to build the fashion industry as a major economic driver. The organization is committed to supporting this growth with plans to develop a resource center in the Nashville area that delivers a seamless package of initiatives for young fashion businesses, including a comprehensive accelerator program.

ABOUT THE NFA

The Nashville Fashion Alliance is a trade organization with a mission to build the regional fashion industry by amplifying early stage fashion companies with an ecosystem of support and resources. More information is available at www.nashvillefashionalliance.com.

ABOUT GHERZI

Established in 1929 in Zurich, Gherzi Textil Organisation is a Swiss based international consulting firm specializing in the textile, garment and fashion industries from fibers to the retail market. Gherzi provides advice to private companies, governments and organizations on various aspects of the sector including management & strategy consulting, engineering and investment banking services. Gherzi is present in over 30 countries through its own offices and representatives and has successfully implemented over 8,000 projects worldwide. More information is available at www.gherzi.com

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THE MARKET

High Quality Products
+ Modern Business Models
= Phenomenal CAGR*

BRANDS >5 YEARS 32%
BRANDS <5 YEARS 26%

*combined average growth rate

NFA 2025

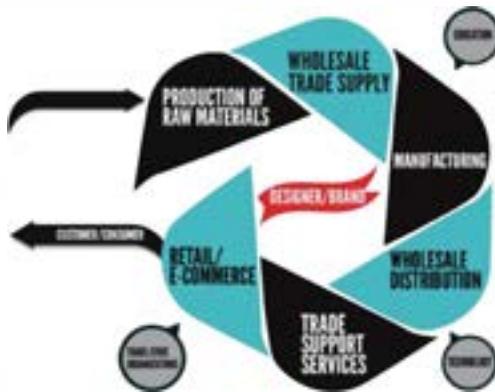
\$9.5 BILLION
25,000 JOBS

NFA 2015
\$5.9 BILLION
16,200 JOBS

Tennessee
\$27 Billion

THE PLAN

THE VISION



Ecosystem of Support

THE MISSION

The NFA is building the regional fashion industry by amplifying early stage fashion businesses with an ecosystem of support and resources.

WHY HERE... WHY NOW



LARGEST PER CAPITA CONCENTRATION OF INDEPENDENT FASHION COMPANIES

outside of New York and Los Angeles.

LOCATION, LOCATION, LOCATION

- 3 major interstates with modern distribution
- 50% of US population live within a day's drive
- Uniquely collaborative creative cluster that's business friendly and cost effective.

ORGANIZED MOMENTUM

360+
MEMBERS

15,000
UNIQUE
WEBSITE VISITORS

132
BRANDS

12,000
UNIQUE SOCIAL
MEDIA AUDIENCE

NASHVILLEFASHIONALLIANCE.COM



GHERZI
Consultants to the industry
since 1979



A stylized illustration of the Nashville skyline in shades of grey and black, set against a teal background with a pattern of overlapping circles and rays. The skyline includes the AT&T Building and other skyscrapers.

GHERZI REPORT

NFA

NASHVILLE FASHION ALLIANCE

NFA Fashion Cluster Impact Study

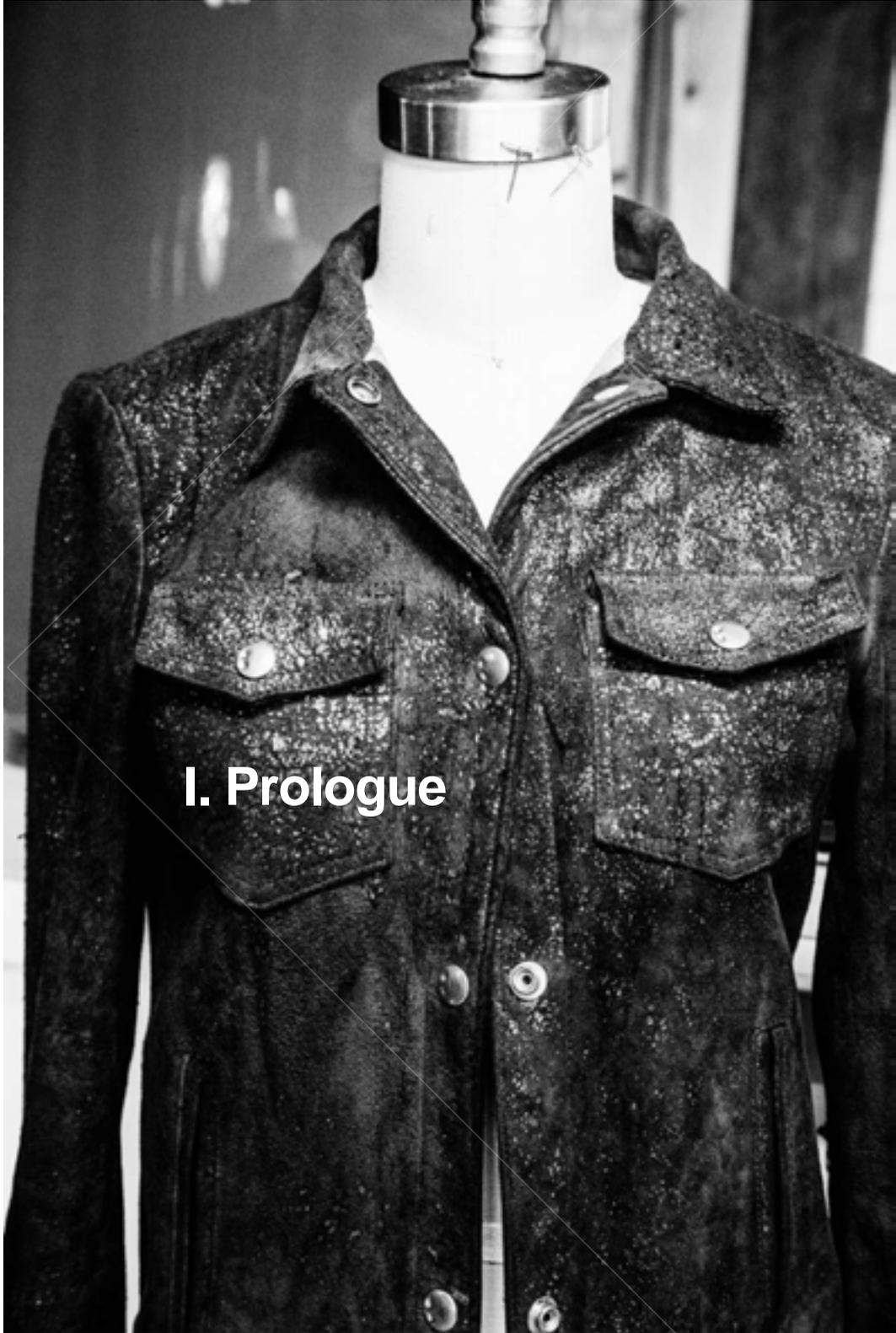
by Gherzi Textil Organisation AG
www.gherzi.com

Commissioned by



NFA Fashion Cluster Impact Study

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I. Prologue

A dynamic cluster with a significant economic impact



Introduction

In the past ten years, the Nashville region has been recognized as one of the fastest growing economies in the US. The city has experienced an average population growth of 1.8%, almost double the national average and is ranked fourth nationwide in terms of job growth. More importantly, Nashville has positioned itself as a national hub for the creative sector, led by the music industry. This position has led to the emergence of other segments that flourish in such a dynamic environment. The fashion industry, driven by one of the highest per capita concentration of fashion brands, retailers, designers and manufacturers nationally, has grown in leaps in the past five years. The industry is now positioned to become one of the key drivers of future growth with the potential not only to attract significant private capital investments and to generate growing revenues but also to create jobs and to draw talent from across the nation, placing this region on one of the most promising economic maps in the United States.

The following study, commissioned by the Nashville Fashion Alliance (NFA), looks at where the Nashville fashion industry stands today and projects its potential growth to 2025 with the objective of defining the working model for the NFA to achieve this growth.

Destination of choice for new designers and brands

The Nashville Fashion Alliance

Established in 2013, the objective of the Nashville Fashion Alliance (NFA) is to take the regional fashion industry to a world-class level on par with the city's reputation for music and health care. A sector driven association, the NFA vision is to become the destination of choice for emerging designers and fashion start-ups providing them with the tools and infrastructure that will enable them to create successful and growing businesses.

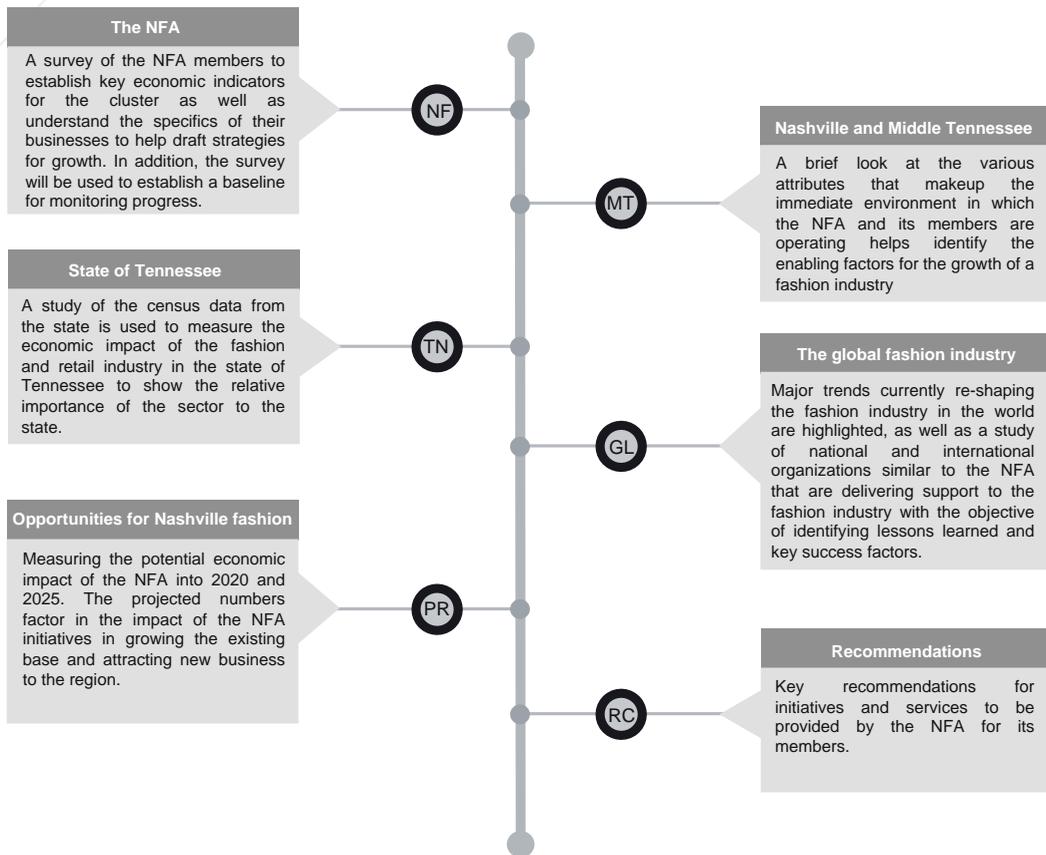
Benefiting from Nashville's growing market with its fast expanding fashion industry, the NFA will harness this dynamic environment to provide a springboard for emerging fashion businesses, building in the process one of the most modern fashion destinations in the nation, leveraging contemporary and future technologies to be ahead of the market.

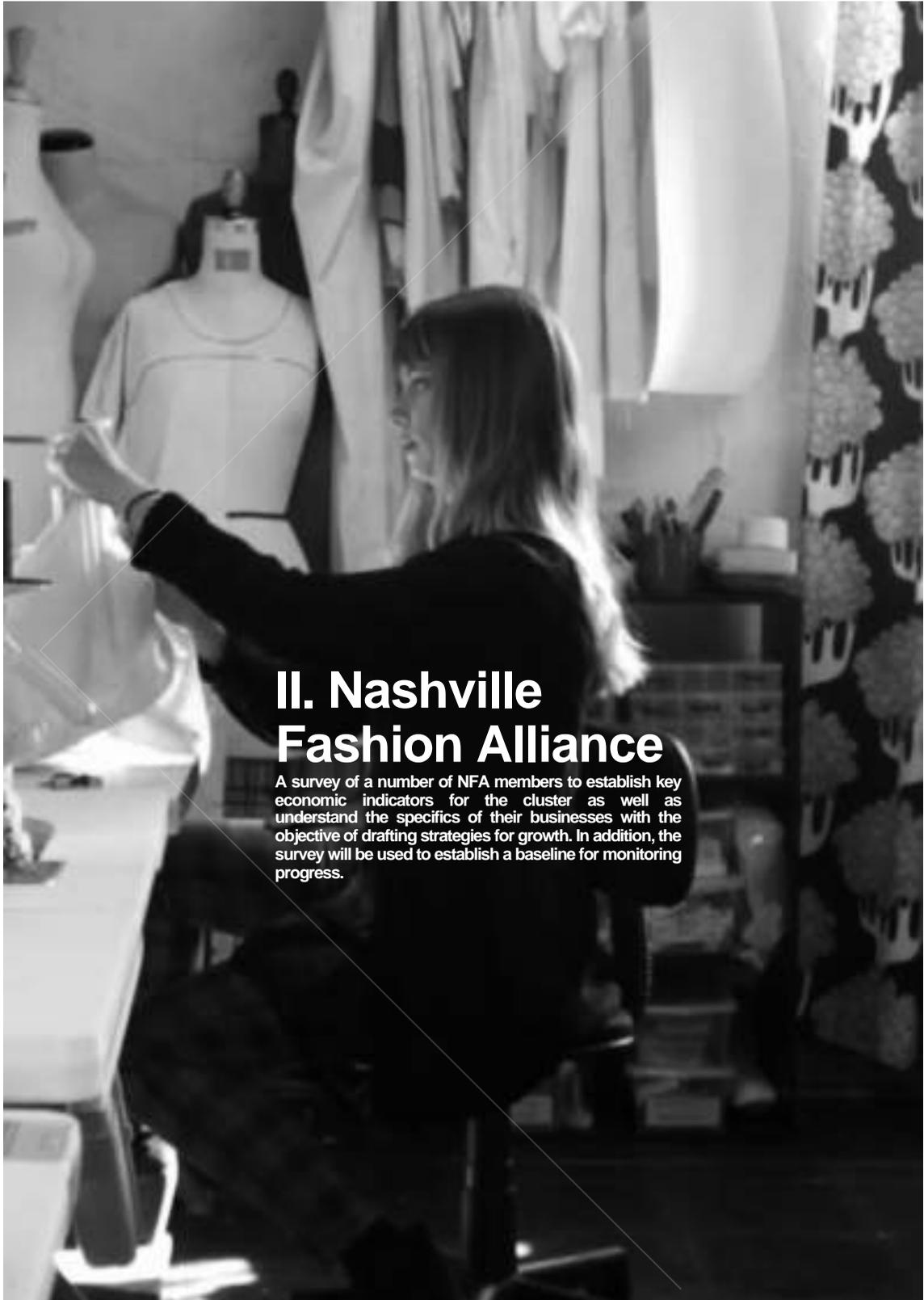
In this short period since its inception, the NFA has massed over 360 members from the various disciplines of the industry and has managed to repeatedly position Nashville in various media as a key trendsetting fashion destination.



Methodology

This study was built from the bottom up, starting with a survey of the NFA members, then analyzing the qualitative factors of the wider environment of Nashville and The Middle Tennessee region, followed by the economic impact of the fashion industry in Tennessee. The study then provides a brief look at the world trends that impact the fashion industry including a review of initiatives similar to the NFA (both nationally and internationally) for lessons learned. Finally, the study puts forward projections of the growth potential and outlines recommendations for achieving such potential.





II. Nashville Fashion Alliance

A survey of a number of NFA members to establish key economic indicators for the cluster as well as understand the specifics of their businesses with the objective of drafting strategies for growth. In addition, the survey will be used to establish a baseline for monitoring progress.

A center of innovation for emerging fashion

NFA Survey

The NFA has completed a survey of its members. The purpose of this survey was to 1) measure the current economic footprint of the industry in Nashville represented by the NFA members and 2) to establish a baseline that can be used in the future to gauge the impact of the NFA role. It is important to note that not all NFA members answered the survey. However, a review of the respondents shows that the data is both representative of the cluster qualitatively as well as near comprehensive in terms of aggregate figures.

The results of the survey, show that the NFA has the opportunity to accelerate the phenomenal growth that the start-up fashion scene in the city has experienced organically in the past five years. The NFA can also position Nashville area as a center of innovation and a springboard for a contemporary, American-designed made market, which will seed an array of other creative industries that strive on a strong fashion sector. In this section, findings of this survey will be detailed. Where possible, these findings will be interpreted in the context of the future potential for Nashville and the NFA.





Number of fashion companies doubled in five years

Size of the cluster and growth

In 2015, the recorded total direct revenues of the respondents was \$697 Million (Exhibit 2-1) and employment was over 1,500 workers. The majority of the sales were made by large companies (as defined by number of workers).

A closer look at the relationship between the size, age and growth of the respondents gives a more accurate assessment of the potential growth of the industry. The study shows that 54% (Exhibit 2-2) of the surveyed members were established in the past five years and in 2015 have generated \$56 million in revenues. More interestingly is that those companies have grown at a Compounded Average Growth Rate (CAGR) of 32% over the last three years. Another quarter of the members were established between six and ten years ago. In other words: close to 80% of the members are relatively young companies showing impressive growth.

Looking at size distribution, Micro, Small and Medium companies have generated revenues of \$67.3 million in 2015 and have experienced an average CAGR of 26% in the past three years (Exhibit 2-3).

The conclusions we can draw from this analysis are that: 1) the industry in Nashville is witnessing an unprecedented growth in terms of number of new companies / brands / designers being established and 2) the growth in terms of sales revenues is exceptional. Later in this report we will see that the potential growth of the NFA cluster alone can generate up to \$9.5 billion in economic impact and employ 25,000 number of workers by 2025.

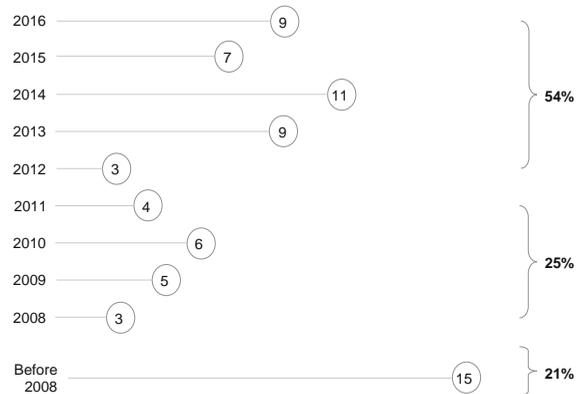
It is expected that the NFA initiatives and activities will fuel the next level of growth and compound the projected figures even further.

NFA - Company size breakdown [Exhibit 2-1]

	Number of companies	Sales (2015) (million)	% of total	Criteria for segmentation
Total	79	\$697.3	-	No. Of workers
Large	4	\$630.0	90.3%	+100
Medium	10	\$ 61.5	8.8%	10 - 99
Small	28	\$ 5.0	0.7%	2 - 9
Micro	37	\$ 0.8	0.1%	1

Source: Gherzi survey

Respondents year of establishment (No. of companies and % of total) – [Exhibit 2-2]



Source: Gherzi survey

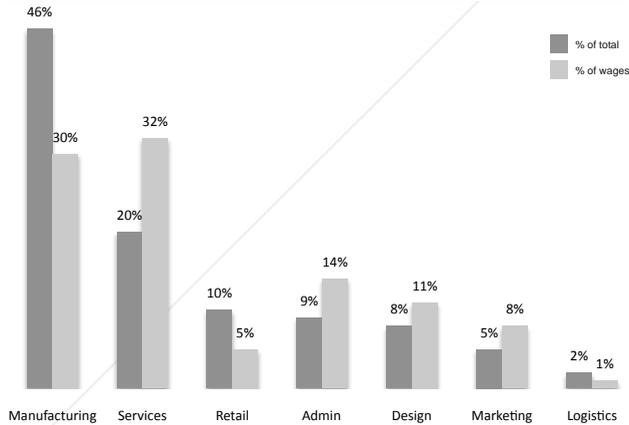
Respondents growth based on year of establishment and by size – [Exhibit 2-3]

Criteria	Revenue (mn)			CAGR %
	2015	2014	2013	
Established: 2010 - Present	56.4	44.3	32.6	32%
Established: 1920 - 2010	640.7	636.9	634.3	1%
Combinbed sales of Micro / Small / Medium	67.3	53.9	42.7	26%

Source: Gherzi survey

High concentration of designers

Distribution of workers by function and by wages – [Exhibit 2-4]



Source: Gherzi survey

Labor Force

In 2015, the respondents employed around 1,606 workers. The average yearly wage stood at \$47,300 and workers generated on average: \$434,000 / worker in yearly revenues. It was noted that the average revenue per worker was significantly higher in larger companies which means that the growth in smaller companies results in higher employment ratio. In terms of distribution, 46% of workers were employed in manufacturing. However, the ratio of production workers to designers stood at 6:1 compared to a national average of 8:1 suggesting that Nashville is more design-centric.



Competitive designer wages



Labor Force (cont'd)

This is further validated by the fact that in terms of wages (Exhibit 2-6), Nashville design wages are 15% lower than the national average (retail is also 25% lower), while manufacturing wages are at par with the national norm. This shows that Nashville is more competitive on design and retail compared to other fashion destinations in the US.

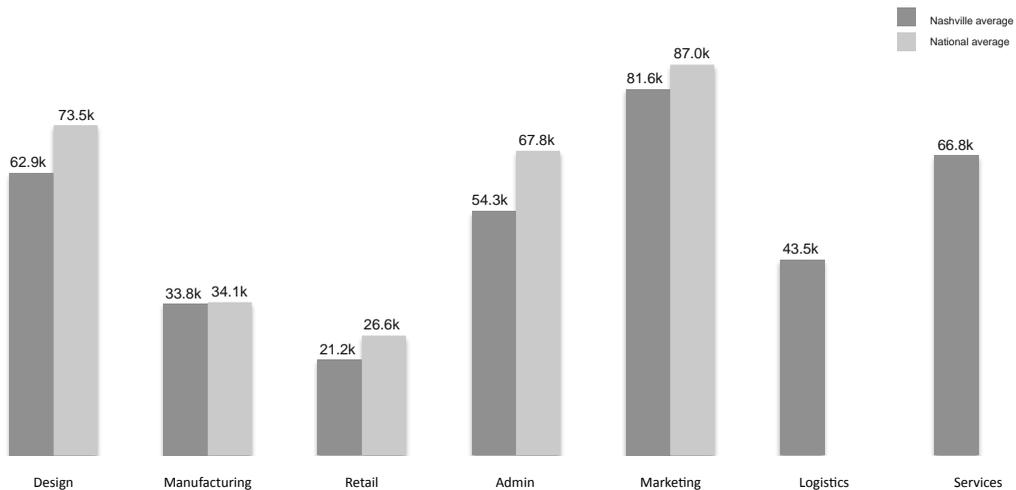
A look at the levels of education and training within the respondents workforce (Exhibit 2-5) will be important – as will be demonstrated later in this report - for projecting the talent that will be needed to build up the industry in the coming 10 years.

Workforce profile – [Exhibit 2-5]

Education	% of workforce
Unskilled	9%
Skilled	25%
High school	25%
College	36%
Post grad	3%
Prof diploma	2%

Source: Gherzi survey

Nashville fashion and retail industry wages compared to National average – [Exhibit 2-6]

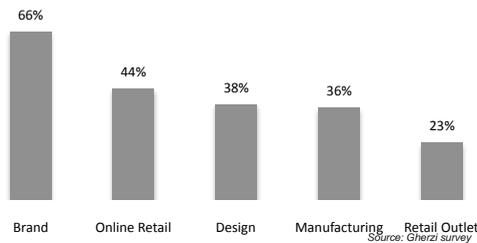


Source: Gherzi Survey - Bureau of Labor statistics

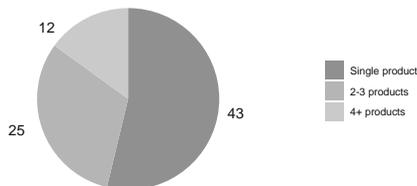
Significant local manufacturing indicating higher quality products



Company activities – [Exhibit 2-7]



Number of products – [Exhibit 2-8]



Activities and product segments

In terms of activities (Exhibit 2-7), 66% of respondents have identified themselves as owning a brand, 44% have online retail and 38% design their own products. What is also interesting is that 36% of the respondents have their own manufacturing, showing a tendency within the cluster for higher quality products: a conclusion that will be further confirmed later in this report when analyzing the sourcing practices of the cluster members.

In terms of product ranges, 43% of the members are focusing on only one product, while 25% have two to three products (Exhibit 2-8). This shows a high degree of specialization within the cluster.

Garments and jewelry lead sectors

Single product companies (No. of companies) – [Exhibit 2-9]



Source: Gherzi survey

Activities and product segments (cont'd)

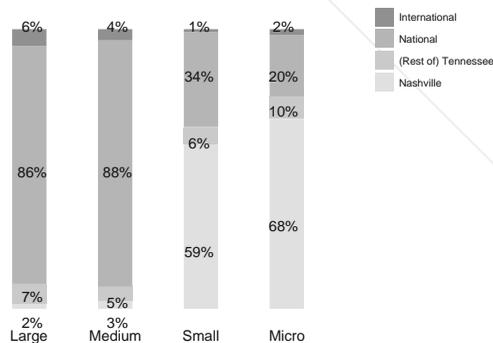
A breakdown of the offering of single-product companies (Exhibit 2-9) shows that garments and jewelry are the two dominant products with 49% and 28% respectively in terms of number of companies.





Smaller companies focus on local markets

Geographic focus by company category – [Exhibit 2-10]



Geographic Focus

Looking at the markets served by the cluster (Exhibit 2-10), 85% of sales are happening nationally and outside of Tennessee. However, zooming in on sales by company size reveals that the majority of Large and Medium companies' sales are happening outside Tennessee while for Small and Micro companies the majority of revenues are coming from Nashville with another small percentage from Tennessee. This information will be useful when designing sales promotion activities for the cluster. Whereas, emerging brands benefit from a strong local market in their start-up phase, growth will inevitably happen by expanding beyond state borders.

Source: Gherzi survey

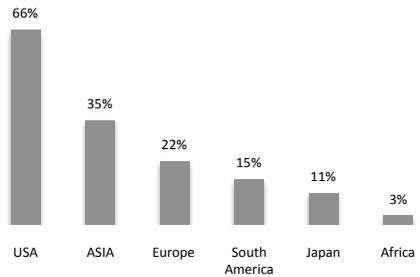
Strong inclination towards high-end products

Sourcing practices

Sourcing practices are a key indicator of the price and quality levels of respondents' products. The survey showed that 66% of respondents sourced their raw materials in the US, 22% from Europe and 11% from Japan (Exhibit 2-11), which shows a strong tendency to use higher end raw materials and therefore to focus on higher quality products. This conclusion is further confirmed when looking at countries of manufacturing where 74% of respondents are sourcing their finished products in the US and another 4% in Europe (Exhibit 2-12).

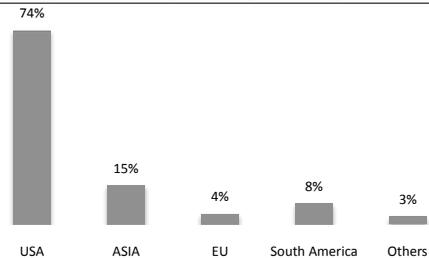
A more detailed look at raw materials, shows that metals, fabrics, pearls & stones and leather are the four materials most used by respondents (Exhibit 2-13) and they are also largely sourced from higher-end destinations (Exhibit 2-14).

Sourcing destination of raw material – [Exhibit 2-11]



Source: Gherzi survey

Sourcing destinations of products – [Exhibit 2-12]



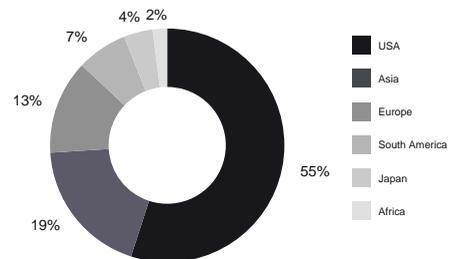
Source: Gherzi survey

Key materials used by NFA members – [Exhibit 2-13]

Raw material	Entries	%
Metals	25	18%
Fabrics	65	49%
Pearls and stones	15	11%
Leather	29	22%

Source: Gherzi survey

Key raw materials sourcing origin – [Exhibit 2-14]



Source: Gherzi survey



III. Nashville and Middle Tennessee

A brief look at the various attributes that makeup the immediate environment in which the NFA and its members are operating helps identify the enabling factors for the growth of a fashion industry

The NFA operates in a dynamic environment

To understand the full potential of the Fashion industry in Nashville, a look at the wider environment and other enabling factors provide a more comprehensive view.

Heavyweight players

Middle Tennessee enjoys the presence of some of the fashion industry's biggest players. Such companies represent a key enabling factor that attracts talent, provides experience locally, and helps bring depth to the supply chain. Even though some of these players have not been brought into the NFA survey, they are accounted for in the Tennessee statistics (showing later in this report). The list of large players includes:

Genesco headquarters: a publicly owned specialty retailer of branded footwear, licensed and branded headwear, and licensed sports apparel and accessories. Genesco is also a wholesaler of branded and licensed footwear.

Singer headquarters: a world leader in the manufacturing of sewing machines with millions of units sold yearly in the US and worldwide.

VF Imagewear, Inc headquarters: a subsidiary of VF Corporation, VF Imagewear is focused on workwear with brands such as Red Kap, Bulwark, Horace Small and VF solutions.

Distribution and service centers of major retailers: several retailers have established regional distribution centers in Middle Tennessee including: **The GAP** with a 2.8 Million square-foot facility in Gallatin; **Under Armour** just launched an impressive facility in Mt. Juliet with plans to hire over 1,500 employees within the next five years; while one of **Macy's** four national distribution centers is based in Portland, Tennessee. **Warby Parker** has its customer service center located in Nashville.

The list is not exhaustive and the presence of such strong names usually motivates other big players to follow suit, creating a snowball effect.



Enabling environment for a fashion industry

In addition to the presence of strong fashion players, other industries play a major role in supporting the growth of a fashion industry in Nashville:

Tourism

One of the key enabling factors for the fashion industry in the region will be its own captive market of tourists. In 2015, Nashville greeted 13.5 million visitors with a total spending of over \$5.4 billion. The presence of such a dynamic local market is again a key success factor to any emerging fashion industry.

Music industry

With an estimated \$10 billion in economic impact, the Nashville music industry ranks in the top three cities nationwide. The presence of such a dynamic industry provides a fertile environment for other creative sectors, including fashion. There are several links between those two industries offering growth opportunities for both.

The interaction among tourism, music and fashion will play in favor of all three industries and will pull with them a number of other creative sectors such as culinary and contemporary arts.

Moreover, the strong presence of the healthcare and tech industries can potentially offer additional opportunities in wearable technologies and medical textiles.





A number of success factors

Nashville Micro Environment

In addition to the macro environment, the Nashville fashion industry enjoys several local advantages. In the past five years, the region has emerged as a new and promising destination for fashion designers and brands. Having one of the highest per capita concentrations of designers, it ranked fourth nationally after New York, Los Angeles and Columbus. This positioning of Nashville on the fashion map is due to several factors:

Competitive wages

Nashville design and retail wages are significantly lower than the national average. A detailed look at wages will follow in this study.

Central location

Nashville sits on the intersection of three major interstate highways making it within a day's drive from key major markets with more than 70% of the national purchasing power.

Organized industry

With the establishment of the NFA, the industry has chosen to consolidate its efforts and to pool its resources to grow. The involvement of civil society is one of the key success factors for fashion clusters.

Growth

Most fashion industries grow initially on the back of an existing local demand. The growth that Nashville has witnessed (mentioned above) both in terms of population as well as in average wages is showing a growing demand from an upper middle class that can drive the local sales.

Universities

There are more than 117,000 students attending higher education institutions in the Nashville region. Of the 17,000 yearly graduates, 10,000 choose to remain in Nashville. A number of these institutes have dedicated fashion design courses as well as other majors necessary to support the growth of the industry.



IV. State of Tennessee

A study of the census data from the state is used to measure the economic impact of the fashion and retail industries in the state of Tennessee to show the importance of the sector to the state.

\$27 billion total revenues for Tennessee



Fashion and retail in Tennessee

It is equally important to understand the wider environment by which the Nashville fashion industry will grow by studying the sector in Tennessee (Exhibit 4-1).

Fashion, including manufacturing, wholesale, and retail represent a key sector in the state economy, with over \$13.85 billion in gross business revenues and over 50,000 people employed. The retail sector alone generated \$3.2 billion in taxable sales in 2014 and employed around 35,000 workers; while manufacturing and wholesale generated over \$9.7 billion in revenues and employed more than 14,750 people.

However, the wider definition of the fashion industry includes over 24,600 indirect jobs with additional indirect revenues of \$13.5 billion. This brings the total economic impact of the Tennessee fashion industry in 2014 to \$27.35 billion in revenues and total employment of 74,304 workers (Exhibit 4-2).

Fashion and apparel industry in Tennessee – [Exhibit 4-1]

Total jobs	49,627
Design and manufacturing	5,662
Wholesale	4,796
Headquarters	3,250
Retail	31,618
Total non employers	4,301
Taxable retail sales (billion)	\$3.20
Gross business revenues (billion)	\$13.71
Manufacturing & wholesale	\$9.73
Retail	\$3.99
Impacts of manufacturing, wholesale and HQ	
Total jobs	14,150
Total revenues (billion)	\$19.4
Total statewide economic impacts	\$13.71
Total jobs	70,241
Total revenues (billion)	\$27.33

Source: US census, US labour statistics, Tennessee State Department of Revenue

Impact - Fashion and apparel industry in Tennessee – [Exhibit 4-2]

	Revenue (bn)	Jobs	Labor income (bn)
Direct impacts	\$13.83	46,377	\$0.99
Design, manufacturing, wholesale & self employed	\$9.74	5,662	5,662
Retail sales	\$4.09	4,796	4,796
Indirect and induced impacts	\$13.50	23,864	\$0.46
Design, manufacturing, wholesale & self employed	\$9.70	2,830	0.20
Retail sales	\$3.80	21,034	0.26
Total impacts - Fashion and apparel industry	\$27.33	70,241	\$1.45
Design, manufacturing, wholesale & self employed	\$19.44	14,150	0.67
Retail sales	\$7.89	56,091	0.78

Source: US census, Tennessee State Department of Revenue



V. Global Fashion Industry

Major trends currently re-shaping the fashion industry in the world are highlighted, as well as a study of national and international organizations similar to the NFA that are delivering support to the fashion industry with the objective of identifying lessons learned and key success factors.



The fashion industry is witnessing a structural change

To be able to define future strategies for the NFA, this study has looked at the particularities of its members; then to its immediate ecosystem of Nashville and Middle Tennessee, and finally at the wider environment of the state of Tennessee. Two other important dimensions need to be factored in when defining the way forward. These factors are the “Trends Shaping the Industry” as well as the “Lessons Learned from Similar Initiatives”. Both those factors have been detailed in a separate report; however, the key and most relevant findings are summarized below.

Trends Shaping The Industry

The fashion industry – like everything else – is witnessing a structural change that is being brought on by the changing realities of the existing socio-economic order. The sharing economy, a more conscious consumer, new manufacturing technologies and shifting priorities are some of the factors shaping the new fashion sector. This reshuffling of the industry is offering opportunities for new fashion designers and brands that are able to build business models that can answer to the sector in its modern shape. There are tons of trends that are currently reshaping the industry, many of those trends fall under two main themes which can shape the NFA's future strategy:

A more conscientious consumer

Retail customers are increasingly demanding products that are sourced ethically as well as ones that will put the least pressure on the environment during and after their use. This is putting pressure on the fashion industry to start the process by designing responsibly. Concepts such as **design to last**, **design to rebirth** and **design to up-cycle** (re-use) will become the new norm. Fashion companies now need to include in their design where the product will end up after it has been used, leading to innovation in **biodegradable** materials and retail concepts that address **recycling of products** at the end of their life. Moreover, the business model will shift from fast-fashion with its frivolous style change to a more quality-oriented market with products that can last longer. Finally, the market will demand full **transparency** across the chain as well as **corporate social responsibility** with regards to workers and preservation of the environment.

A new shopping experience

Several technologies are making it possible today to change the way consumers are buying products. On the manufacturing level, **3D production** (such as 3D printing and 3D knitting) as well as **automated sewing** are allowing brands to manufacture competitively one piece at a time, making it possible to offer **mass customization** and to manufacture closer to the market, which in turn is creating **shorter manufacturing chains**, smaller stock levels and significantly more complex designs. Moreover, relying on complex IT solutions is allowing for new retail models such as **3D body scanning** and **redefinition of ownership**. These trends are already manifesting themselves in new business models such as fully customized running shoes, online made-to-order suits, garment swapping platforms, and rentals of expensive designer branded products. While **Ecommerce** is allowing brands to switch to a **direct-to-consumer** model, disrupting the existing structure by eliminating the need for wholesalers.

Focus is key to success



Lessons From Similar Initiatives

There are several national and international organizations that, similar to the NFA, were established by the industry, civil society or governments to support and grow the fashion sectors in their respective locations. Even though no two organizations are identical, there are several broad themes that almost all such initiatives have in common. Based on scanning over 50 national and international organizations and selecting 10 of them for a more in-depth analysis, three key conclusions are especially relevant to the NFA:

1. Scope of support

The study of similar organizations showed that their scopes are composed of five key themes. Every one of the scrutinized initiatives addresses a minimum of four of those areas and typically all five. The main themes are:

Producing: While set-ups may vary significantly, most initiatives give their beneficiaries access to small batch and shared manufacturing for sampling, product development or production of small orders.

Learning: Training courses, short and long-term diplomas, mentoring programs and peer to peer coaching are examples of learning opportunities provided by organizations.

Connecting: Whether it's an introduction to a supplier or a subcontractor, a key theme in assisting the fashion industry is providing networking opportunities.

Supporting: The support organizations give their members can come in many forms such as providing shared office space, financial grants, group bargaining, access to market information or legal services.

Promoting: Most organizations engage in one of two key types of promotion: introduction to selling opportunities (such as buyers and franchise opportunities) and matchmaking with investors.

2. Specialization

The study of other organizations, especially ones that were established more recently, also shows that specialization is key. Fashion is one of the most dynamic sectors and is characterized by high levels of mobility, with new players sprouting all the time and grabbing market share from established brands. Within this fast-changing sector some cities have managed to remain at the heart of the fashion world. New York and Los Angeles are the national fashion capitals competing with cities like Paris, Milan and London. These established cities enjoy the critical mass and the infrastructure to attract successful brands and talent. Cities such as Nashville that are starting to penetrate this sector have to carve for themselves niches with a clear focus and the ability to differentiate themselves. Examples of destinations that have successfully created space for themselves in the fashion market include Amsterdam's Denim City with its specialization in jeans, and Copenhagen with its focus on sustainability and a very narrow focus on targeting the Scandinavian market.

3. Government support

In all reviewed organizations, the government played a central role in securing the success of those initiatives. The scope of support from the government varied from providing financial support, to making available physical space and to providing special incentives for the fashion sector. Governments in the studied cities have realized the economic benefits of a vibrant fashion industry both in terms of revenues and employment as well as qualitative benefits such as positioning of their respective cities as modern and dynamic destinations. Projecting such an image has indirect benefits such as attracting residents, investments, businesses and tourism. Government support is one of the key success factors for fashion clusters.



VI. Opportunities for Nashville Fashion

Measuring the potential economic impact of the NFA into 2020 and 2025. The projected numbers factor in the impact of the NFA initiatives in growing the existing base and attracting new business to the region.

Potential to reach \$9.5 billion in revenues and employment of 25,000 people by 2025

Opportunity for NFA

For Nashville, many of the success factors are coming together for a growing fashion industry. The growth that emerging fashion brands have experienced in the past years has been a phenomenal 32%. Support to those companies and the creation of the infrastructure necessary to foster emerging designers and brands can create a significant economic impact for Nashville.

In the following table (Exhibit 6-1), the survey results have been projected based on the current growth and the multipliers recorded in Tennessee to measure the size of the opportunity for Nashville in growing its fashion industry. Considerations have been made based on company sizes and their ability to grow revenues and employment. The multipliers used are based on the recorded ratios in the Tennessee fashion and retail statistics.

With the proper support the NFA cluster has the opportunity to reach a total economic impact of \$9.5 billion by 2025 while creating direct and indirect employment of up to 25,000 jobs in the same period.

To realize this potential, the NFA will need to provide significant support for its members, detailed in the following section of this study.



Potential future economic impact of NFA – [Exhibit 6-1]

	2015	2020	2025
Total jobs	1,606	2,300	3,800
Taxable retail sales (million)	\$697	\$850	\$1,100
Gross business revenues (million)	\$3,018	\$3,600	\$4,800
Manufacturing & wholesale	\$2,128	\$2,600	\$3,400
Retail	\$890	\$1,000	\$1,400
Impacts of manufacturing, wholesale and HQ			
Total jobs	589	900	1,400
Total revenues (million)	\$4,242	\$5,100	\$6,500
Total NFA economic impacts			
Total jobs	16,200	20,000	25,000
Total revenues (million)	\$5,960	\$7,000	\$9,500

Source: Gherzi survey and analysis



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VII. Recommendations

Key recommendations for initiatives and services to be provided by the NFA for its members.



Comprehensive programs for emerging and seed-stage brands and designers



Recommendations

The Nashville Fashion Alliance's mission is to become the destination of choice for early-stage and emerging brands and designers by providing the necessary infrastructure to amplify their potential for success and growth. This is a focused mission, one that addresses a significant need in the market. While New York and Los Angeles are able to provide growth opportunities for successful and growing brands, there is a significant need for a fashion destination that has the necessary ingredients for emerging designers, a need that Nashville is very well-placed to fill.

Becoming the springboard for new fashion brands and designers requires building an infrastructure that addresses their specific needs.

To follow are recommendations for each of the five key themes for building fashion organizations/clusters:

1. Producing

Start-up companies and designers are always faced with a number of challenges in production, such as prohibitive minimums when outsourcing, expensive specialized machinery (example: 3D printing and digital pattern making) and seasonality that makes retaining permanent staffs a significant liability. As previously discussed, providing small batch production space for members is one of the key services to support start-up brands in product development, small orders or producing specialty product requiring expensive machinery.

We recommend that the NFA establishes a small batch production space that can cater to start-ups in textiles and garments, jewelry and leather goods. Such a space should be equipped with basic equipment as well as some specialized machinery (to be identified with members). Moreover, the space should be staffed with technical experts that can also support members in conceiving their products.

2. Learning

One of the biggest challenges faced by start-up brands and designers is the ability to convert their talent into a viable business. Start-ups often lack the know-how to build a vertical structure that can manage the process from product development to sales and customer service, including sourcing, packaging, merchandising, pricing and retail, while maintaining an eye on business practices and controls such as accounting, finance, warehousing and logistics. Two key ways in which we recommend the NFA to support its members are mentoring and short-term education (training):

Mentoring

Based on need, mentoring can be as simple as peer-to-peer exchange of experiences in regular meetings between NFA members or it can happen through more structured and longer term coaching from industry leaders and business gurus.

Short-term education

Similar to coaching, training courses and short-term diplomas are useful tools in helping start-ups build viable companies. We recommend the NFA to make available to its members a range of specialized business courses such as accounting, marketing or online / retail as well as technical courses such as pattern making and sewing techniques.





Recommendations

3. Connecting

Surveying NFA members revealed a repeated need for support in finding two types of suppliers:

Raw materials

Finding suppliers of raw materials (fabrics, metals, etc.) that are able to work with small designers, especially with regard to minimum order quantities which are often prohibitive for start-ups.

Specialized subcontractors

Outsourcing contractors with specialized machinery or manufacturing techniques.

We recommend that NFA assist in collective bargaining and as a facilitator to put members and suppliers in contact starting with fabric. Eventually, the NFA should be able to have an in-house library of materials for the various industries in its membership base.

4. Supporting

Whereas the headline of support can include several services, there are some key areas that we recommend the NFA start with:

Shared office space

In addition to shared manufacturing, studios with shared facilities (such as common meeting rooms, administrative support and printing centers) are one of the biggest needs for start-ups. Shared office spaces enable smaller businesses to share expenses and benefit from a much bigger and more complex set-up than they can afford on their own. Moreover, a physical location helps the NFA provide services for its members and organize events as well as attract suppliers, buyers and media because of the concentration of companies in one location.

Legal and accounting services

Most small companies struggle with finding good legal and accounting services as their budgets are usually too small to afford the best advice. Legal services can include establishment, contract drafting with employees, suppliers and buyers, franchising, while accounting services include bookkeeping, reporting and tax services. The NFA can play a critical role in providing such services by consolidating the needs of its members and negotiating global contracts with service providers.

5. Promoting

We recommend the NFA to promote its members on two key levels:

Selling opportunities

Providing selling opportunities for members can include some or all of the following:

- Introduction to buyers
- Participation in trade fairs and selling missions
- Providing online selling platforms
- Organizing shared retail outlets

Access to funds

Upon the completion of the start-up phase, most companies will require funding to fuel the next level of growth. The NFA can play a critical role in making available those funds for its members either through creating its own accelerator program or through targeting investors with investment opportunities in some of its members.

A fully equipped resource center with an accelerator program

Recommendations

As mentioned earlier, we believe that the NFA has positioned itself to answer a key need in the fashion sector today. There are currently no fashion destinations that provide the necessary infrastructure for new brands and designers to start their businesses and grow. Providing this infrastructure would attract talent nationwide and position Nashville as the destination for seed stage and emerging fashion businesses.

We believe that one of the key success factors for the NFA is the ability to consolidate the above mentioned recommendations in a **seamless package** of initiatives that work together to deliver a comprehensive **accelerator program** for its members, converting ideas into viable businesses. Taking companies from the seed-stage through mentoring, support in manufacturing, assistance in sales, consolidating services and finally to investment and growth.

Therefore, we strongly believe that a well-equipped location is key to the success of the NFA initiative. The physical space (offices / production space / support facilities) in this stage of the development of start-ups is a critical factor for their success and growth. Being able to offer the above mentioned packages of support in one central location will guarantee much higher success for the NFA members as well as cut cost and maximize the benefit from synergies.





Established in 1929 in Zurich, Gherzi Textill Organisation is as Swiss based international consulting firm specializing in the textile, garment and fashion industries from fibers to the retail market. Gherzi provides advice to private companies, governments and organizations on various aspects of the sector including management & strategy consulting, engineering and investment banking services. Gherzi is present in over 30 countries through its own offices and representatives and has successfully implemented over 8'000 projects worldwide; Gherzi is proud that its work is often used as a reference in the industry.

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