

Executive Summary & Images Review 02/2018



INAUGURATION OF THE RFRF EXECUTIVE CONFERENCE SESSION ON FEBRUARY 20, 2018 AT EXPOCENTER

The 20th consecutive edition of Russian Fashion Retail Forum took place on February 20 and 21, 2018 as part of the event program of CPM, COLLECTION PREMIERE MOSCOW under the title of :

“The Russian Fashion Market approaching a new Phase of Growth: What should Russian Fashion Retailers do in Priority to benefit from the Change of the Economic Climate?”

The event was hosted by OOO Messe Düsseldorf Moscow in cooperation with IGEDO Company, Düsseldorf, under the auspices of OOO EXPOCENTER MOSCOW. RFRF was again planned and coordinated by ITMM GmbH, the International Consultancy of Fashion and Textile Marketing, based in Stuttgart, Germany, in cooperation with its domestic organizing partners, FASHION CONSULTING GROUP (FCG), Moscow, and PROfashion MEDIA HOLDING, Moscow.

The event was inaugurated by **Thomas Stenzel**, CEO of OOO MESSE DÜSSELDORF MOSCOW. In his opening address, Mr. Stenzel reminded the audience about the history of RFRF, which was founded in February 2008 as an important add-on to the fashion trade fair CPM. At CPM, industry and retail congregate to assess and better understand the competitive environment of the Russian fashion market in terms of current trends and themes which have an impact on the market conditions. Moreover, as Mr. Stenzel stated, RFRF has the objective of transferring knowledge on operating offline and online fashion stores for both multi-brand and mono-brand formats. He also confirmed that the positive sector-specific economic indicators which emerged over the four quarters of 2017, testify that the past four years of crisis are over.

A further welcome address was presented by the CEO of PROfashion Consulting, **Ekaterina Eliseeva**. PROfashion Consulting is one of the co-hosting organizations of RFRF and a media partner of CPM. “We have watched this fashion business conference grow from its very beginning in February 2008, and we are very satisfied with the decision we made 10 years ago to become an active partner in supporting this important event”, Mrs. Eliseeva said. She continued by giving an overview on the key themes and speakers which followed the invitation of PROfashion to participate in this 10th edition of the conference.



Thomas Stenzel, CEO of OOO Messe Düsseldorf Moscow, inaugurating the 20th Edition of RFRF on February 20, 2018



Speakers at the RFRF EXECUTIVE CONFERENCE SESSION on February 20, 2018 (from l. to r.) Thomas Stenzel, Dr. Anna Lebsak-Kleimans, Ekaterina Eliseeva, Elena Watson (Interpreter), and Reinhard E. Doeffer, General Manager of RFRF

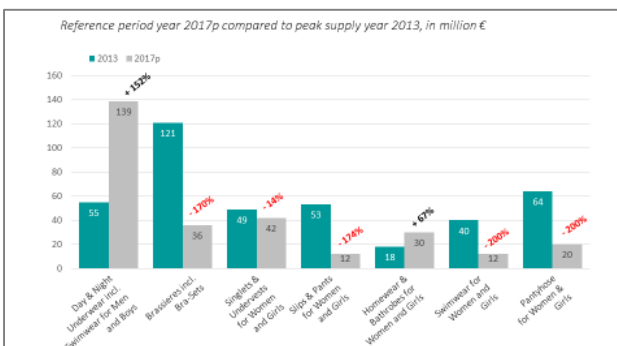


Ekaterina Eliseeva, CEO of PROfashion Consulting, addressing the audience at the opening of the EXECUTIVE CONFERENCE SESSION of RUSSIAN FASHION RETAIL FORUM

European Clothing Exports to Russia likely to increase by up to 11 percent until year-end 2017 year-on-year

As a tradition within the RFRF EXECUTIVE CONFERENCE, **Reinhard E. Doepfer**, in his capacity as Chairman of the European Fashion and Textile Export Council (EFTEC), and as Managing Partner of the International Textile and Fashion Marketing Consulting Agency, ITMM GmbH, presented, illustrated and explained the latest available official EUROSTAT data on the development of clothing exports from the 28 member states of the European Union to Russia. According to Mr. Doepfer's analysis, deliveries of pre-orders into the retail season of Spring/Summer 2017 already signaled a kicking-off trend at 11 percent, reaching a shipment value of € 1,1 billion over the first six months of last year compared to the same period of 2016. "This trend continued over the second half year at the same rate and was expected to hold on until the end of 2017", Mr. Doepfer stated. "When you look at the development of the four main product categories, you will see the best sales performance in the segment of Intimate Apparel", Mr. Doepfer said while pointing at the relative chart of his Power Point presentation.

According to his analysis, sales to Russian clients from Western EU-members increased at 30 percent over the first nine months, year-on-year, with Italy in the lead, having recorded a growth of 58 percent, followed by France at an increase of 37 percent. Mr. Doepfer also mentioned the export results of other dominant clothing categories: while outerwear for men and boys registered an export growth of 11 percent during the first nine months of last year, deliveries of outerwear for women and girls from the EU-15 member states to Russia developed under average at a rate of plus 8 percent, representing a shipment value of just €664 million, with Italian brands in the lead, followed by Spain at an increase of 24 percent to €153 million. "As a matter of fact, the share of Spanish clothing against the total EU-15 apparel exports to Russia increased from 14,7 percent in 2016 to 16,4 percent in 2017," the expert commented.



Reinhard E. Doepfer, Chairman of EFTEC, drawing a positive picture on the development of clothing exports from the EU-28 member states to Russia over 2017



The audience at the EXECUTIVE CONFERENCE of RFRF encompassed fashion retailers, distributors, agents and commercial directors from the Russian Federation and from CIS-countries



The audience paid particular attention to assessments on the EU-28 export development of the main three clothing categories in terms of men's wear, women's wear and intimate apparel. Left: Comparison of EU-28 exports of intimate apparel to Russia between the peak supply year 2013 and year 2017p

“More than one third of the Russian population does not plan to buy clothing without the benefit of discounts”

This was a key statement expressed by **Dr. Anna Lebsak-Kleimans**, CEO of Fashion Consulting Group (FCG), Moscow, during her economic sector analysis, which she traditionally presents at the RFRF EXECUTIVE CONFERENCE. Her findings are based on FCG’s own research on consumer behavior and on other sources such as the Institute of Sociology of the Russian Academy of Sciences. According to the Institute’s analysis, in 2017, 46 percent of Russians spent their entire income on basic needs, which led to a strong inability to make any kind of savings and prevented people from purchasing clothing, footwear and the like.

As Dr. Lebsak-Kleimans further explained, the average Russian consumer is supposed to keep cutting their expenditures on fashion items and they will also refrain from spontaneous and emotional purchases of clothing. Instead, as Dr. Lebsak-Kleimans concluded, Russians will continue to plan their purchases in advance, assess and compare prices at stores with the prices and conditions offered on the internet for both domestic and international online platforms. Due to this changing consumer behavior, Dr. Lebsak-Kleimans expects the Russian fashion market to grow at a one-digit maximum rate of 4-5% in 2017 and most likely beyond 2017 as well. She also called on commercial directors and buyers among the audience of this conference to plan their fashion purchases rationally and carefully, during the pre-order placement negotiations with their suppliers for the next coming two seasons.



Dr. Anna Lebsak-Kleimans, CEO of FCG, presenting her analysis on the current state of the Russian fashion market together with a projection on the final results of fashion retail in 2017 and beyond.



A full-house at the conference listening attentively to the speech of Dr. Anna Lebsak-Kleimans

RFRF-SEMINAR SESSION PART I ON FEBRUARY 20, 2018

POWERED BY FASHION CONSULTING GROUP (FCG) AND PROFASHION MEDIA GROUP

“Rationalizing Fashion Supply Chain Management under the aspect of the new Eurasian Customs Codex – Impact on the Fashion Retail Market”



This was the headline of the panel discussion hosted by OOO Messe Duesseldorf Moscow and co-hosted by PROfashion Media Group, Moscow. The session was moderated by **Reinhard E. Doepfer** in his capacity as Managing Partner of ITMM Consulting. The issue “new

Eurasian Customs Codex” was introduced by **Alexandra Kiseleva**, Manager at the Law-, Tax-, Customs and International Trade Department of Ernst & Young (EY) B.V., Moscow Office.



The speech by Alexandra Kiseleva was presented both in Russian and in an English version

An additional four speakers, all executives from customs clearing departments working at the Russian subsidiaries of international freight forwarders, contributed their opinions on the new Eurasian Customs Codex. Questions under debate were as follow: Will the new Codex support the Russian Government's attempt to wipe out illegal shipping and import transactions? Will it speed up customs clearing? Will it increase or decrease the cost of shipping to Russia? How will smaller and medium-sized fashion importers comply with the necessity of digitalizing documents in the relationship between suppliers, shipping companies, customs brokers and the final retail order donors? It was difficult to answer these questions after just seven weeks of experience on monitoring the practice of operations from the side of the Russian competent authorities, Customs and Ministry of Finance. It was therefore suggested that the panel discussion is repeated at the RFRF in February 2019, a proposal which was unanimously agreed upon by the panel participants and by several audience members.

“Building a Loyalty System for the benefit of your customers: get the most out of it to better know and understand your clients’ desires”

Natalia Chinyonova, the FCG consultant on business technologies in fashion retail, is a very popular expert who has participated as a speaker on numerous occasions at the RFRF.

She spoke about practices on how to build effective loyalty systems – as these must be designed to get the maximum benefit from the habits of the new, rationally acting, smart Russian consumers while at the same time paying tribute to their skills in purchasing fashion through online portals.

“The traditional loyalty systems which are common for offline stores do not work if the customer places orders online”, Mrs. Chinyonova explained and showed examples of loyalty systems applied by online shops.

“Fashion Retailers and Shopping Malls: How to get the best lease conditions and operate profitably”

A seminar under this title was held by **Mikhail Petrov**, who was delegated to RFRF as an expert speaker by Fashion Consulting Group (FCG). Mr. Petrov, in his capacity as CEO of the consulting Firm “Smart Estate Moscow”, informed the audience about the current trends in the Russian commercial real estate market. He gave tips on how to communicate with the management of shopping centers in an attempt to get the best lease terms and how to increase the profitability of a store by means of an attractive visual merchandising and interior design concept.



Mikhail Petrov, CEO of „SMART ESTATE MOSCOW“ presenting his seminar on the relationship of shop tenants and the management of Shopping Centers and Malls



Natalya Chinyonova, FCG Consultant on business technologies in fashion retail, explaining to the RFRF audience why traditional loyalty systems do not work in e-commerce

RFRF SEMINAR SESSION PART II ON FEBRUARY 21, 2018

POWERED BY FASHION CONSULTING GROUP (FCG) AND PROFASHION MEDIA GROUP

The second event day of RUSSIAN FASHION RETAIL FORUM kicked off at 10:30 a.m. on Wednesday, February 21, 2018, with a seminar under the title of

“Building competence in Omni-Channel fashion retail: How to organize online plus offline communication with customers?”

The seminar was held by **Alexey Salychev** in his function as curator of the lecture course “fashion e-commerce” at the Moscow-based HIGHER SCHOOL OF ECONOMICS. Mr. Salychev, invited as an expert speaker by FCG, had already participated several times as a lecturer on e-commerce topics at earlier editions of RFRF. He explained how to develop online channels and how to combine these with offline fashion-retail activities. As Mr. Salychev advised, retailers who operate traditional offline-stores, whether multi-brand, mono-brand or a mix of both categories, should move very slowly into retailing through the internet. “Start with a single online store, based on the portfolio of collections which you offer at your offline store, and monitor the sell-off results of your online store”, Mr. Salychev said. “Before you go multi-channel. check your competitive environment and make decisions regarding your portfolio – for example about changing brands or about specializing your offer”, Mr. Salychev suggested.

At this point, Mr. Salychev addressed the issue of how to start and to continue the implementation of omni-channel retail strategies in the fashion sector.



Alexey Salychev, Curator of the lecture course on fashion e-commerce at MOSCOW HIGHER SCHOOL OF ECONOMICS, spoke about the pros and cons of online fashion retail, from single channel, via multi-channel to omni-channel retail strategies



Galina Kravchenko, Head of Assortment Department of FCG and official representative of FASHION SNOOPS USA, Trend Forecasting Agency, New York City, reported on Fashion trends for the purchasing season Autumn/Winter 2018/19 in reference to specific Russian consumer demands and wearing habits.

Purchasing Guidelines for Russian Fashion Retailers' Assortment Planning according to Trend-Forecasting for the buying season Autumn/Winter 2018/19

As a tradition for Russian Fashion Retail Forum (RFRF), FCG had delegated **Galina Kravchenko**, Head of the Assortment Department of FCG and official Representative of FASHION SNOOPS USA, one of the leading trend forecasting agencies, to hold a seminar on the most frequented fabrics, colors, patterns and styles for retail into the season A/W 2018/19. As a special capacity of Mrs. Kravchenko she keeps translating internationally valid trend forecast into Russian consumers' preferences and wearability, in terms of textile components, colors and styling. “Not every material, colors and styling trends, which get recommended internationally, would fit the taste or wearing habits of female or male Russian consumers”, Mrs. Kravchenko explained. “This is the reason why we at FCG are very selective about recommending trends to our customers”, said Mrs. Kravchenko, when she presented her rich portfolio of images and sketches.

**Continuation of RFRF SEMINAR SESSION PART II ON FEBRUARY 21, 2018
POWERED BY FASHION CONSULTING GROUP (FCG) AND PROFASHION MEDIA GROUP**



Geoffrey Willis, British expert for production of knitwear and woven, cut-and-sewn clothing, explaining the identification and selection methodology of producers eligible for "Private Label" apparel subcontracting in traditional sourcing markets and in non-traditional markets like in the Republic of Moldova.

"Best Practice Methodology of Private Label Clothing Development: matching manufacturers' capabilities to retail order-donors' needs"

This was the title of a special **Experts-in-Dialogue Seminar Session hosted by PROfashion MEDIA GROUP**. The presentation was held by two speakers, **Geoffrey Willis**, from London/UK, and **Dr. Claudio Martelli**, from Zurich/Switzerland. Both speakers, who were supported by **Olga Kamenskaya**, Garment Manufacturing Expert of PROfashion Consulting, introduced their refined methodology of identifying, evaluating and selecting clothing manufacturers on a global scale which fulfil the performance criteria in the production of private label garments. These types of manufacturers are the most likely to satisfy order-donors that operate as retailers.

The methodology, invented by TRIGON SELECT LTD., has been officially endorsed by GERMANFASHION, Cologne and by the INTERNATIONAL APPAREL FEDERATION (IAF), Amsterdam. The presentation held at RFRF was the first time the TRIGON SELECT methodology was introduced and explained in Russia.

Mr. Willis reported on a knitwear company located in the Republic of Moldova which received the best ratings ever credited by TRIGON SELECT LTD. As Mr. Willis and Dr. Martelli announced, TRIGON SELECT LTD. follows the aim of creating a pool of Russian SME's to create a label

for typical sourcing garments and to act as order donors for retailing these private-label items on an associated basis. According to TRIGON SELECT, this type of "Collective Purchasing Organization", which would be responsible for defining and developing samples for subcontracting by selected garment and knitwear producers, preferably in Russia or other neighboring countries, was invented in Germany to offer the retailer an additional mark-up of 30 % on average. As TRIGON SELECT further announced, the realization of this private label development project is being planned with the active support of PROfashion Consulting.



Eight Principal Categories of evaluation for selecting sub-contractors for "Private Label" Garment processing



Dr. Claudio Martelli, Swiss expert of "Private Label"-Sourcing, is Managing Partner of TRIGON SELECT LTD. and Senior Advisor to Clothing Industry Associations in Western Europe in the field of scouting, identifying and selecting subcontracting partners qualified in four categories of overall manufacturing performance.

**Continuation of RFRF SEMINAR SESSION PART II ON FEBRUARY 21, 2018
POWERED BY FASHION CONSULTING GROUP (FCG) AND PROFASHION MEDIA GROUP**



Olga Kamenskaya is the garment processing expert at PROFashion Consulting, supporting TRIGON SELECT LTD. in its endeavor to establish a pool of Russian SMEs operating in clothing manufacture, distribution and retail in order to expand their businesses by acting as order-donors for "Private Label" clothing products in cooperation with subcontractors in Russia and former states of the Soviet Union.



The audience at the TRIGON SELECT LTD. seminar encompassed owners, general managers and business development executives from the clothing industry and retail

"Store Design and Interior Equipment - Mistakes to avoid from the very beginning: Involvement of a designer? When should furniture production start?"

This seminar was led by **Anna Balandina**, a renowned Russian expert on matters and techniques of implementing interior design and decoration for fashion stores and an advisor to retailers for Visual Merchandising. Mrs. Balandina, who has already appeared several times as a speaker on VM-topics at RFRF, is the owner of a specialized consulting firm named "VM GURU"-AGENCY and she acts as a partner for PROFashion.

"Appearance of Store Personnel: Impact of Dress-Codes on Customer Loyalty"

Speaker: Astanda Chegia

This seminar addressed the issue of how sales attendants should dress during their working hours at a fashion store and was presented by **Astanda Chegia**, Coach and Stylist at Profashion Consulting.

"The time is over when sales attendants were dressed in a kind of uniform", Mrs. Chegia said. "However, the management should state clear rules on what kind of dress or coordinate female sales assistants should wear in terms of color and styling, because the image of a fashion store depends very much on what employees wear, or do not wear", the expert explained. According to her, the type of outfit in which sales attendants appear should reflect the DNA of the brand or the store. The owner should clarify the DNA of the store and teach the personal to understand this DNA.

At this point, Mrs. Chegia explained the kind of "dress-codes" which applying to a specific DNA. "The main point is that sales attendants should beware of dressing in an "overdone" manner, perhaps in a way which goes beyond the average dressing code of the customers." Mrs. Chegia said. "And of course this rule also applies to the hair-styling and the make-up of a sales attendant," she added. Mrs. Chegia suggested that a dress code for employees should define the color of the outfit (black is popular for sales attendants) and its basic composition in terms of clothing types. The color of the outfit is important for customers because it helps them identify salespeople and the dress code is also seen as a sign of professionalism of the store management. The main focus should be done on the details which should reflect the DNA of the brand.

She illustrated examples, such as the Marina style shop, where sales attendants use hairpins with white-blue stripes matching the dress code. The color of the lipstick matches the signboard of the shop and its interior design, all made up in bright red color, which, again, reflects the shade of the lipstick.

**Continuation of RFRF SEMINAR SESSION PART II ON FEBRUARY 21, 2018
POWERED BY FASHION CONSULTING GROUP (FCG) AND PROFASHION MEDIA GROUP**

“Motivation of Sales Personnel in a Fashion Store: Motivation that motivates”

Speaker: Ekaterina Eliseeva

Ekaterina Eliseeva, CEO of PROFashion Consulting, presented a seminar dealing with the materialistic and qualitative motivation of sales personnel in their contribution to fulfil the Key Performance Indicators (KPI). KPIs must be defined by the management of a fashion store and explained to the sales attendants in terms of their relevance for the commercial performance of the store.

Mrs. Eliseeva listed some of the most important KPIs: effectiveness of sales, saving the calculated gross margin, average amount of customer expenditures, sales per square meter, stock turnover rate, and the sell-through rate per brand and product category. As Mrs. Eliseeva concluded, it is important for retailers to build up the whole motivation system in accordance to the goals of the shop. First of all, figure out and formulate in written form 3 main goals of the shop for the next 6 months. Then, based on this, identify and track the top KPIs and motivate employees to take responsibility in fulfilling the targets. Ekaterina Eliseeva underlines that “commercial motivation is a strong instrument in store management. It's not just figures you put in an Excel sheet (if you put them), it's also the way you lead the team and how you reach your common goals. Make sure that your staff understands the goals as well as you do.”

“Any kind of personnel motivation should lead to some sort of self motivation”, Mrs. Eliseeva said. “And it should be based on emotion, like joy, pleasure and satisfaction, which a rise of wages does not guarantee”, she explained.

Mrs. Eliseeva also noted which non-material incentives store management could use to support and motivate the retail team. “Non-materialistic motivation should bring the salesperson elements of joy / playfulness, satisfaction, most likely enriching the usual day-to-day life experience of sales staff,” she said. Mrs. Eliseeva also paid attention to the structure of monetary motivation. According to her, monetary remuneration should encompass a fixed salary as a long-term share, a general bonus for the fulfilment of goals set for one season, together with a short term “flash”- bonus - the

“cream on top”, which salespersons would gain for having rendered extraordinary sales results, far above average. As Mrs. Eliseeva emphasized, “if there is something not performing in the store, this is often a case for blaming the sales personnel for not supporting the commercial goals of the store or its business in general. But it is not a reason for changing the team and people”, she warned. “Bad commercial performance often has deeper reasons: a wrong brand-portfolio, poor Visual Merchandising, bad pricing policy or the wrong bonus programs for customers, among other reasons,” Mrs. Eliseeva explained. And, to summarize, “You can change people endlessly, but you will face the same problems with new people unless you change your management style”.



The Seminar on “Motivation” of sales attendants in a fashion store, presented by Ekaterina Eliseeva, was a full house event within the framework of RFRF 02/2018.

The Russian Fashion Retail Forum (RFRF) is the business conference-event of Collection Premiere Moscow (CPM), the bi-annual fashion trade fair organized by OOO MESSE DUESSELDORF MOSCOW (MDM), in cooperation with IGEDO COMPANY.

RFRF addresses Owners, CEOs, Managing Partners, Commercial Directors, Business Development Executives, Store Managers, Fashion Merchandising and Purchasing Executives, Import-Distributors, Wholesalers, Heads of Fashion Agencies / Showrooms, Apparel Manufacturers and Converters actively engaged in fashion manufacture and retail of all commercial categories: Independent multi-brand Boutiques, Shops & Stores; mono-brand franchisees and chains, B2C online stores and fashion outlet stores.

SAVE THE DATE!

RUSSIAN FASHION RETAIL FORUM (RFRF)

is scheduled to take place on

Wednesday, September 5, 2018 and on

Thursday, September 6, 2018

under the title of

"FASHIONTECH: New Environment, New Challenges for Design, Retail Formats and Customer Services"

