

Notching it down

Karen Mazurkewich, **Financial Post** Published: Tuesday, April 14, 2009

Scott Irvine has buckled down for the recession. Whereas many fashion designers are closing their studios and retailers are shuttering windows, his small Toronto-based factory, Brave Beltworks is still moving product.

"Business is better than it should be," he says. "In tough times, people still accessorize," he said.

Mr. Irvine, a former fashion model, started selling belts as a street vendor 17 years ago. He got his first big break with an order from the Canadian Olympic Association for the Pan American Games in 1991 and a few years later for the 1992 Olympic Games in Barcelona. Back then, he was making belts by hand in his home loft.

When a representative from the Olympics wanted to come and check on the order, he called his friends to come over and pretend they they were his employees. It was a staged performance, but it worked. With the order fulfilled, he bought his first leather-cutting machine.

Mr. Irvine now has 18 employees, producing between 500 and 800 belts a day that each sell in the \$100 range.

He says staying small and manufacturing locally is an advantage in a recession. It allows him to fulfill small orders and push out new product quickly to suit the tough times while staying in step with the fashion trends.

In response to the current recession he produced a line of candy-coloured belts for the junior market that retail for \$49, and he also created a line of high-end dog collars to tap into a new customer based. He also launched an online site to sell directly to customers.

"It won't be the best year ever," Mr. Irvine says, admitting that sales of his top line belts are down 10% to 15%. But he says his strategic changes are keeping the company moving forward. Brave Beltworks had \$4.2-million in revenue for 2007.

The fashion retail business in Canada is suffering like its global peers. According to consulting firm Sageworks Inc., clothing sales by Canadian designers were down 2.2% in

2008, compared with the boom years 2004, 2005 and 2006 when annual sales growth was roughly up 7% year-on-year.

But these numbers only tell part of the story. It's been a horrible year for Canadian designers on many fronts. Many designers, including Mr. Irvine, are dealing with inventory surpluses as orders get cancelled, and even have found themselves out-of-pocket. Some were stiffed when rk stores, a seven-store chain owned by Wing Son Group, became insolvent. The store owners would not comment.

Adding to designers' blues is the fact hip young designers such as Boutique le Trou and Finishing Touches, which supported new labels, have folded, making access to outlets more difficult. Even the more established designers such as Arthur Mendonca and Izzy Camilleri, who does pret a porter designs in leather, fur and suede, have closed their studios as orders from high-end U.S. boutiques dried up.

"Luxury is down 30%-plus in the U.S. and margins have been affected very heavily," says Antony Karabus, who heads the retail advisory firm Karabus Management. "In the past 10 years, luxury went higher and higher up market because people stopped treating luxury as luxury but as a necessity."

Today, people expect to see a big mark-down or "you have to create a great reason to shop." The mantra, more than ever, is premium quality at a good price point, he says.

Jason Trotzuk, president and designer of Fidelity Denim, a four-year-old Vancouver-based company, which makes sexy, stretchy denim jeans that sells at stores ranging from E-Street Denim Company in the United States and Over the Rainbow in Toronto, expects to see revenue at this company reach \$10-million this year, up from \$1.5-million when the company was launched in 2005.

Mr. Trotzuk contends denim sales are less affected during a recession. First, denim isn't perceived as luxury so it's not associated with guilty pleasures. "I think blue jeans aren't really considered discretionary fashion; they are a staple, and people don't look at buying blue jeans like [they would] a Michael Kors' bag," he says.

"They are the best purchase in your closet; they get better with age and they don't go out of fashion in two years," he says.

"We offer a premium jean for \$50 less than our competitors' that are made in the same factory," he adds. A Fidelity Denim pair of jeans sells for \$188 to \$200; its competitors' jeans cost \$220 to \$260.

Another unexpected survival tactic is diversification. Ironically, Canadian designers who have a strong presence in this country are finding it easier to maintain inventory and sales.

Brave Beltworks, saw its order from a large Japanese retail chain drop 30%, however, orders from small boutiques in Western Canada and Ontario are up 10%, Mr. Irvine says.

Ditto for Fidelity Denim's sales. While Mr. Trozduk has lost roughly 5% of his accounts during the recession, he says he has been able to boost sales at other boutiques by giving them more of his personal attention: "You can make a \$3,000 account grow to \$6,000 by just getting the right styles and washes for their customers. Gone are the days when you could put something in the store and they will sell."

According to some designers, companies that bend over backwards to service smaller boutiques, rather than putting all their eggs into the mega retailers basket, may better weather the retail storm.

That said, young entrepreneurs trying to break into this business, may be at a disadvantage.

"Young people have no one to help them," says Marlene Schiff a former designer who closed her Queen Street store, Boutique le Trou, six months ago after years helping promote new brands. "It's an ailing industry and the economy further impacts them," she says.

According to Ms. Schiff, government assistance for designers in Ontario is minuscule compared with the support Quebec designers receive.

The economic downturn hasn't quelled hope in all new designers. Sunny Fong put his line VAWK "on hold" three years ago, but as the contestant favoured to win this season's Project Runway, he's hoping "to bring back the label," soon.

"It's tough any time to get into the market, but I think now it might be easier," Mr. Fong says.

However, he says the fashion fallout has helped to clear the field somewhat.

"In good times, there is more competition because [designers] have a lot more money to spend on promoting, but if you scream loud enough now, you might get more notice," Mr. Fong notes.

Veterans of the industry couldn't agree more. Survival depends on trying new things, says Mr. Irvine, who adds that designers can't shrink their way to profitability.

The strange thing about this recession, he says, is that "I'm more inspired and motivated now than when we were super busy."

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