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# **THE CHALLENGES FASHION ENTREPRENEURS FACE WHEN ENTERING THE FASHION INDUSTRY**

by

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## **ABSTRACT**

**Purpose.** The survival rate in the Fashion Industry (FI) is dramatically low and the reasons remain unclear. This research aims to identify the main challenges that the fashion entrepreneur faces when entering the FI and how relevant these are through the fashion start-up process.

**Methodology.** Qualitative and comparative multi-case study. The research structures the relevant peculiarities, that previous academic work has pointed out regarding the FI, the fashion entrepreneur and the fashion entrepreneurial process that might imply a challenge for the entrepreneur. The structured challenges are contrasted through a series of interviews with different Danish fashion entrepreneurs located in Copenhagen to conclude to what extent these affected them.

**Findings.** The findings imply that some of the identified challenges are common and relevant to all fashion entrepreneurs. A second group of challenges were only relevant to fashion entrepreneurs operating in a specific segment within the FI (commercial or designer segment). Finally, a third group of challenges were not regarded as relevant by the interviewees.

**Implications.** Fashion entrepreneurs need to acknowledge their vulnerability to the challenges they face, and the differences in relevance regarding how these challenges can affect their fashion entrepreneurial process. Secondly, fashion entrepreneurs must be aware that their orientation determines in which segment of the FI they operate, which will further conditionate which challenges they will find and to what extent these will affect them. Furthermore, future research should further focus on each specific challenge and each specific segment of the FI. Finally, future research should apply the suggested framework in different geographical locations and other creative industries to test its generalizability.

**Contribution.** This research provides a theoretical framework mapping the challenges that entrepreneurs face when entering the FI. It illustrates how these challenges affected a number of Danish fashion entrepreneurs. Finally, it serves as a guideline and foundation for future research in fashion entrepreneurship and other creative industries.

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## TABLE OF CONTENTS

<b>1. Introduction</b>	<b>4</b>
1.1 Purpose statement	7
1.2 Research limitations	7
1.3 Scope of the study	8
1.4 Outline of the Thesis	8
<b>2. Literature Review</b>	<b>8</b>
2.1 The challenges of the Fashion Industry	9
2.2 The challenges around the fashion entrepreneur persona	11
2.3 The challenges of the fashion entrepreneurial process	14
-Table 1 (Primary Findings)	20
<b>3. Methodology</b>	<b>20</b>
3.1 Introduction	21
3.2 Research Approach	21
3.3 Data Collection	23
3.4 Sampling the Interviewees	24
3.5 Data Analysis	25
3.6 Methodology Limitations	26
<b>4. Empirical Findings and Discussion</b>	<b>26</b>
4.1 The challenges of the Fashion Industry	27
4.2 The challenges around the fashion entrepreneur persona	33
4.3 The challenges of the fashion entrepreneurial process	39
-Table 2 (Primary and Secondary Findings)	47
<b>5. Conclusions and Implications</b>	<b>48</b>
<b>Reference List</b>	<b>52</b>
<b>Appendix I</b>	<b>55</b>
<b>Appendix II</b>	<b>57</b>

# **1. INTRODUCTION**

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## **The Fashion Industry**

The Fashion Industry (FI) can be considered as a subsector of the Textile Industry, which also englobes other subsectors such as the Apparel Industry. In this regard, the FI can be defined, opposed to other generic and mass production textile sectors, as an area of commercial activity that specializes in the design of fashion garments that are designed by fashion designers and manufactured in limited quantities (Negarandeh, 2008). This research focuses on this specific industry.

The economic importance of the FI is undeniable and is one of the fundamental growth and wealth pillars in the global economy. It represents a world trade value of 307 billion euro and it employs 26 million people globally. Only in Europe it represents a turnover of 165 billion euro and more than 4 billion euro are invested yearly in this industry. Furthermore, more than 173.000 european companies employ over 1.6 million workers in the continent (Euratex, 2015).

The number of fashion start-ups aiming to establish is high. During New York Fashion Week (2014), 2.808 fashion startups were registered, and during the Milan Fashion Week (2014), 2.823 new fashion ventures signed up (Kashia Gola, 2014). This high number of entrants indicates the level of competition, and the resulting low survival rate among start-ups in the FI. According to previous research between 50% to 60% close down within the first four years (Okonkwo, 2007; Easey, 2009; Hauge, 2012; Negarandeh, 2008).

Extensive research can be found concerning the FI's idiosyncrasy and peculiarities that differentiate it from other industrial areas. Some examples are, the seasonal intensity, the short product life-cycles, the difficulty of competitive differentiation, and the time companies require to reach financial stability (from 6 months to five years) (Malem, 2008; Mills, 2012; Negarandeh, 2008).

However, no previous research has addressed how these peculiarities imply challenges for the fashion entrepreneur's endeavours and can be the reason behind the low survival rates identified in the FI.

### **The Fashion Entrepreneur**

The fashion entrepreneur profile features a number of peculiarities (also characterizing other creative entrepreneurs) that put the entrepreneur in a situation where he or she might be vulnerable to challenges that are not necessarily relevant or common in other industries. The FI is widely acknowledged as an accessible market. Its low entry barriers, both in terms of needed capital and skills, allow for a very diverse range of motivations and backgrounds among fashion entrepreneurs, and is one of the causes behind the large number of start-ups entering fashion (Negarandeh, 2008; Malem, 2008; Mills 2011, 2012).

Previous research has highlighted the diversity of motivational factors behind fashion entrepreneurs. Mills (2011) has best illustrated this variety, by identifying three orientations among entrepreneurs entering the FI. The Creative Enterprise Orientation (CEO) characterises entrepreneurs that have a strong creative impulse, but no clear business aspirations. The Creative Business Orientation (CBO) relates to the entrepreneur that aims to be self employed and create a successful company. Finally, the Fashion Industry Orientation (FIO) is identified with the entrepreneur that wants to succeed in the fashion industry and be a relevant player. These differences between fashion entrepreneurs might influence the importance and nature of the challenges they encounter.

A general lack of business preparation has been pinpointed, when it comes to the background and skills of fashion entrepreneurs. The most common profile, according to previous research, are designers being skilled in design but unprepared to perform economically. The British Fashion Council (2012) stressed that "high failure rates and the lack of business skills and entrepreneurial training" among fashion entrepreneurs is a connection that needs to be addressed. However, some entrepreneurs entering the FI rely on their business skills, lacking design education (Mills, 2012; Malem, 2008; Eriksson, 2005; Shane and Venkataraman, 2000). How this diversity in backgrounds and education affects the challenges in the FI, and

how each background affects the vulnerability of the fashion entrepreneurs is yet to be analyzed.

Finally, a consequence of the low financial and skill requirements is the abundance of one-man companies. Fashion entrepreneurs tend to see themselves capable of dealing with all the needed business and design tasks. The Danish FI, where the empirical data for this research is collected, exemplifies this dominance of one-man companies. As Negarandeh (2008) mentions, in Denmark there are about 4.500 small and medium fashion enterprises. Of those, around the 92% are one-man companies. Only 2% have two or more employees, the average of employees per fashion company being 1.7 (Erhvervs- og Byggestyrelsen, 2007; Regeringen, 2007).

The mentioned peculiarities imply challenges for the fashion entrepreneur, and could lead to other related challenges within the FI or the fashion entrepreneurial process.

### **Diversity of Segments in the Industry**

A consequence of the, aforementioned, diversity in the motivation and backgrounds among fashion entrepreneurs, combined with the abundance of one-man companies, is the conflict between their creative and business efforts, defined by Mills (2011) as the “creativity-business tension”. This tension is not restricted to the FI and can be found among other creative commercial activities. The FI requires the entrepreneur to face a situation where, turning the creative individual activity into a business requires the entrepreneur to diversify his/her focus in order to exploit their creativity for commercial gain (Malem, 2008; Mills, 2011, 2012).

Dealing with this tension might not only imply a challenge for the fashion entrepreneur, but the tension also segments the company within the FI. In this regard, fashion entrepreneurs emphasising the quality of their creative endeavours will be located in the designer segment, where the designs are unique, quality is very strict and fewer pieces are produced. The entrepreneurs emphasising business efforts will operate in the commercial segment, where the value of money is prioritized over exclusivity, and quality and design standards are not as rigid (Easey, 2009; Schramme et al., 2013).

This segmentation implies challenges for the fashion entrepreneur, both in terms of how to manage the creativity-business tension according to the segment they operate in, and how this segment influences the importance of the other challenges they might face.

### **The Fashion Entrepreneurial Process**

The peculiarities regarding the FI and the fashion entrepreneur suggest that the available entrepreneurial frameworks for fashion entrepreneurs are not fully applicable and a more focused and detailed research is needed in this area (Jacobs et al, 2016). Mills (2012) also stresses the existence of a gap in the entrepreneurship literature in the creative industries, and more specifically in the FI.

It has further been mentioned that, even though, some entrepreneurial models have been developed for the fashion industry, traditional management studies have not focused on this sector properly (Eriksson, 2005; Malem, 2008). Areas such as marketing, branding, growth, project planning, financial and relationship management might represent challenges for the fashion entrepreneur that have not been properly addressed by previous research.

#### **1.1 Purpose statement**

This research aims to identify the main challenges that fashion entrepreneurs face when entering the FI. The objective is to identify the challenges that the specific characteristics of the FI, the fashion entrepreneur and the fashion entrepreneurial process, pointed out by previous academic research, imply for entrepreneurs entering this industry. The authors aim to contribute to the study of the causes behind the low survival rates in the FI.

#### **1.2 Research limitations**

The authors provide a structured framework of challenges, based on the unorganized data pointed out by previous research, and illustrate whether they were relevant or not for five fashion entrepreneurs. These challenges can be generalized to some extent, but further quantitative research should fully assess the framework.

The scope of the research evolved along the process and ended up being quite ambitious and broad. This compromised the depth of the insights regarding each challenge identified.

The empirical data collected for this study comes from entrepreneurs operating in the Danish FI. Even though the FI tends to be similar globally, the findings might differ from the ones that can be identified in other geographical markets.

### **1.3 Scope of the Study**

The authors expect that this research will make a contribution at different levels. First and foremost, it is intended that the findings of this study will help new fashion entrepreneurs to be aware of the challenges they will face when entering the FI. Secondly, due to the internationalization and increasing global standardization of the FI, this research is meant to be relevant for every new fashion entrepreneur to some extent, regardless of the geographical targeted market. Finally, the authors expect to make a contribution to the creative industry overall, as similar challenges might be identified among the artistic markets.

### **1.4 Outline of the Thesis**

The paper is divided in four sections. First, through an intensive literature review, a theoretical framework will structure the challenges that the characteristics of the FI, the fashion entrepreneurs and the fashion entrepreneurial process, pointed out by previous research, might imply for the fashion entrepreneur (Table 1). Secondly, an overview of the Research Methods is provided. Third, the findings from the conducted interviews with the fashion entrepreneurs are presented and discussed (Table 2). Fourth, the final conclusions and implications regarding the research question are provided.

## **2. LITERATURE AND/OR THEORETICAL REVIEW**

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This chapter aims to identify the challenges that the specific characteristics of the FI, fashion entrepreneur and the fashion entrepreneurial process, previously pointed out by academic research, might imply for the fashion entrepreneur. Furthermore, these challenges are structured in a coherent framework (Table 1), to be applied and contrasted through



interviews. This section is divided in three subchapters according to the challenges related to the main peculiarities of the FI (2.1), the fashion entrepreneur (2.2) and the fashion entrepreneurial process (2.3).

## **2.1 THE CHALLENGES OF THE FASHION INDUSTRY**

Prior to introducing the different challenges that the FI may represent for the fashion entrepreneur, the authors consider it essential to briefly refer to the segmentation within the FI. As previously presented in the Introduction (chapter 1), the FI can be segmented in the designer segment and the commercial segment. This segmentation is not a particular trait of the FI, but can be found in creative industries (Easey 2009; Negarandeh, 2008). The segment, in which the fashion entrepreneur operates, depends on the characteristics of the fashion entrepreneur (i.e. orientation, motivation, creative-commercial balance, etc.), and do not directly imply a challenge for the entrepreneur. However, the segmentation in which the entrepreneur operates might conditionate the relevance and importance of the identified challenges in this research.

Previous research has identified a number of specific idiosyncratic characteristics of the FI that may represent challenges for the fashion entrepreneur. Firstly, the low entry barriers of this industry (which are also found among other creative industries) allow for a highly competitive and risky environment, as highlighted by recent studies covering different geographical areas: Mills (2011) studying the New Zealand FI, Malem (2008), who researched survival strategies in the London FI, Jacobs et al. (2016) who researched fashion management in Belgium, or Shi et al., (2012), who studied the Chinese fashion start-up context. Malem (2008) points out the difficulty of relying on a competitive advantage: product innovation and differentiation are quickly imitated creating the need for quick innovation and adaptability. This hectic competition is exacerbated by the “winner-take-all environment” (Heslin, 2005) that characterizes the FI, where rapid growth and sudden exits happen continuously. Finally, Shi et al. (2012) argues that the globalization of the Industry (British Fashion Council), leads to growing competition between local and foreign fashion companies.

Secondly, the fact that the FI is very accessible allows unprepared entrepreneurs with diverse backgrounds, skills, and motivations to enter. As Negarandeh (2008) mentions, there is no need for big start-up capital to start producing clothing. Researchers agree that there is neither a specific need in education, as the common entrepreneurial profile is a designer lacking business skills, but there are also business educated entrepreneurs lacking design notions (Malem, 2008; Mills, 2012). Mills (2012) argues that this allows for different motivations among fashion entrepreneurs such as being creatively relevant or achieving economic success. These essential differences in the entrepreneurs, triggered by the low entry barriers of the market, lead to a situation described by Shane and Venkataraman (2000) and Negarandeh (2008) where fashion entrepreneurs only realize the harsh market environment and their possible lack of designing or managing skills once entered the market, challenging the entrepreneurs to work around these lacks or gaining the necessary knowledge.

Shi et al. (2012), Mills (2012), Jacobs et al (2013), Malem (2008), Hauge (2012), and Marcella and Rowley (2015) emphasized the excess of aesthetic talent and the lack of business skills among entrepreneurs in the FI. The industry has traditionally attracted entrepreneurs with an artistic background leading to “a documented skills gap in areas such as manufacturing and business management” (British Fashion Council, 2010, p.83). However, there has been a reluctance to utilise the techniques of business management provoking a lack of professionalism in the industry (Jacobs et al, 2013; Marcella and Rowley, 2015). Creativity is not enough in itself, it needs an infrastructure to flourish and the general lack of business background among fashion entrepreneurs might be another challenge to overcome (Hauge, 2012).

Since fashion contains symbolic value, the FI is a subjective market, not only depending on economic goals, but also on intangible values (Hauge, 2012; Negarandeh 2008). The focus that the fashion entrepreneur directs towards the creative or the commercial activities along the start-up process is defined by Mills (2012) as the creativity-business tension. This aspect is related to the segment the entrepreneur will operate in, some might be more concerned about remaining creatively relevant than achieving commercial goals. As Malem (2008) states, fashion entrepreneurs may lose focus on the fact that fashion consists of both commerce, and creation. However, strong business focus without a solid creative engagement

may imply that the practical needs eclipse the creative needs of the business. Therefore the balance of this creativity-business tension (Mills, 2012) might challenge and affect the fashion entrepreneur.

The FI is a seasonally intensive. Clothing is the expression of current customs, social context, culture, and lifestyle. Therefore, it is an industry subjected to constant evolution and change, translating in short garment life cycles, which challenges the fashion entrepreneur to acquire skills and resources needed to rapidly respond (Malem, 2008; Marcella and Rowley, 2015; Eriksson et al. 2005).

Malem (2008), Marcella and Rowley (2015), Riegels (2010), Jacobs et al. (2016), and Negarandeh (2008) mention the dominance of one-man companies and SME's. For example, in the United Kingdom micro companies with less than ten employees dominate the FI: twenty percent of the companies employ no staff at all (Malem, 2008). This can imply a extensive challenges for the fashion entrepreneur (multitasking, gaining knowledge in business management, understanding the value chain, obtaining funding options, etc.).

Previous research has emphasized the challenges that entrepreneurs face when building and using a relevant network in the FI, mainly due to limited networking opportunities in the FI. First, on a public level, the fashion entrepreneurs often lack a network organisation that makes it possible to communicate among each other through institutional channels. Secondly, the FI is regarded as an hermetic and individualized industry, where communication and collaboration among actors are not common. This difficult networking access represents a challenge for fashion entrepreneurs operating micro companies, as they have bigger needs for knowledge and advice, making them more vulnerable to other challenges (Riegels, 2011; Negarandeh, 2008).

## **2.2 THE CHALLENGES AROUND THE FASHION ENTREPRENEUR PERSONA**

The characteristics that the fashion entrepreneur possessed before embarking on the start-up have a strong relation with the challenges that he or she might face during the entrepreneurial process. In the FI it is common that the company is established by a single creative person, this person has to diversify his/her focus in order to exploit their creativity for commercial

gain. It is the ideas and thoughts of the entrepreneur, that are the basis for decisions and actions within the company. These ideas and thoughts are founded in the experience, intuition, creativity, and insight that the entrepreneur has and will determine whether the company stays as it is, changes its path, or continues to develop and grow in the same way (Negarandeh, 2008; Mills, 2012).

Following, the authors will present the challenges related to the characteristics or resources that the fashion entrepreneur contributes to the fashion start-up. We have found four main challenges that relate to the fashion entrepreneur persona: the orientation, human, financial and social capital of the entrepreneur.

### **Orientation of the Fashion Entrepreneur**

To assess the challenges that affect the fashion entrepreneur it is important to be aware of his/her ambitions. Not all entrepreneurs will start with the same expected and admired values (Negarandeh, 2008), possibly indicating that the fashion entrepreneurs have to be segmented. Where one group has the urge to be more creatively relevant (creative orientation) and the other to be more financially successful (commercial orientation), leading to a creative and commercial segment.

Mills (2011) has categorized these orientations of fashion entrepreneurs in three groups. The first one is labeled as the Creative enterprise orientation (CEO), which englobes entrepreneurs that prioritize creative endeavours and aim to become a recognized designer. The second group is named Creative business orientation (CBO), which is found among entrepreneurs that enter the FI aiming to be self employed, create a successful fashion company and achieve business goals. Finally, the third category is the Fashion industry orientation (FIO), which is related to entrepreneurs that aim to be a relevant company in the FI through their creativity. Within the FI these different orientations represent the level of tension that the fashion entrepreneur experiences between creativity and commerciality (creativity-business tension), and how he or she reacts to this tension (Mills, 2011). Consequently these different ways of dealing with the tension might lead to different challenges as the entrepreneurs would be operating in different segments within the FI. The

first orientation described by Mills (2011), CEO, naturally operates in the designer segment, while the CBO and the FIO would logically operate in the commercial one (Easey, 2009).

Furthermore, in interviews conducted by Marcella and Rowley (2015), participants (fashion entrepreneurs) favoured the creative mindset, having a certain reluctance towards “business” aspects of the companies. Therefore, it can be expected that an orientation that opposes the business aspect of fashion companies, will have a negative impact on the challenges that will be encountered within business aspects.

### **Human capital of the Fashion Entrepreneur**

The strong presence of one-man companies in the FI means that there is high pressure on what can be achieved with the skill-set of the entrepreneur. This skill-set is referred to as the human capital of the entrepreneur, and represents all the knowledge and skills that the fashion entrepreneur brings into the company (Dimov, 2010). Acknowledging and counting with the right skill-set and using it efficiently might be a challenge for the fashion entrepreneur.

In micro-companies with limited resources the fashion entrepreneur has to use skills that outwith their natural skill-set. Even though some entrepreneurs might have understood this need for a broad skill-set, a substantial part of them believed they only needed the creative skills in order to establish a fashion company (Negarandeh, 2008; Marcella & Rowley, 2015). According to Negarandeh (2008), only a few of the entrepreneurs had made thoughts about the business aspects of starting a fashion company. The ones that had thought about these aspects, were the ones that either had worked in the FI or had prior business education.

### **Financial capital of the Fashion Entrepreneur**

The second aspect that we have to consider is the financial capital of the fashion entrepreneur. The size of the financial capital, that the entrepreneur can attract when starting the fashion company, has a great effect on the encountered challenges and the likelihood of success. Even though the FI has low entry barriers, most of the designers fail because they start the company without sufficient funds or miscalculate the needed capital to start-up (Gehlhar, 2008; Negarandeh, 2008).

### **Social capital of the Fashion Entrepreneur**

The tension of being a micro-company is also applicable for the social capital of the fashion entrepreneur, and this capital could be the key to a decreasing tension on the personal skill-set. In research conducted by Negarandeh (2008), fashion designers confirmed their lack in social capital. The designers did not know where to go for general support, and assistance in specific areas where they lack knowledge, which can be related to the previously mentioned lack of networking access that characterizes the FI.

In research conducted by Mills (2011), importance of social network was further emphasised, and suggested that social networks played vital roles in business development. These findings indicate that the size and quality of the social network may have substantial impact on the challenges of the fashion entrepreneur. Furthermore, the background and experience of the relations of the entrepreneur could cause a shift in the challenges during the entrepreneurial process.

### **2.3 THE CHALLENGES OF THE FASHION ENTREPRENEURIAL PROCESS**

This section presents the challenges that occur during the entrepreneurial process. There is still the need for an overarching comprehension of the challenges that might compromise the start-up process in the FI (Mills, 2011). The outputs and insights of previous research are fragmented and difficult to make sense of. Furthermore, although researchers have tried to model the entrepreneurial process, a model covering all aspects of the fashion start-up process is non-existent and there is no specific study of the challenges that the fashion entrepreneurial process implies for the fashion entrepreneur (Eriksson, 2005; Marcella and Rowley, 2015). This study will gather and structure the challenges indicated in previous research.

As Gehlhar (2005) mentions, being a successful fashion designer is about more than just making great garments. A combination of diverse skills is needed, among which, creativity, business acumen, social skills, management skills, and dedication. The challenge that arises is amplified by the characteristic size of fashion companies. As mentioned, many of these companies are micro-companies, meaning that the entrepreneurs will have to manage diverse skills on their own. Research (Marcella & Rowley, 2015) has shown, that in leading fashion

companies, participants were conscious of the need to draw on skills that outwith their natural skill-set.

Some previous research summarized the key strategies or challenges within the FI. Malem (2008) mentions the following key strategies: understand your business, manage a slow and sustained growth, consultancy from other fashion companies, consolidate contractual agreements, retail and wholesale balance, control every aspect of your business, the importance of building relationships, communicate effectively with chosen market, the international dimension, and role models. Negarandeh (2008) mentions other aspects that need to be understood by the fashion entrepreneur, such as, marketing and branding, accounting (including cash-flow management), budgeting, VAT, Invoicing, Sales, etc. Besides these challenges, that are deemed important by the researchers, there are three critical elements identified by their interviewees (fashion entrepreneurs): the understanding of the customer, level of resource, and the level of control (Marcella & Rowley, 2015). The mentioned challenges and factors of success are very diverse and uncategorized, creating a vague and confusing gathering. Negarandeh (2008) has qualified the typical challenges that are faced by fashion companies into four main categories: business management, production challenges, networking opportunities, and funding. The modifications that the authors of this research applied, to this existing structure, are grounded on the additional literature of this study. The following important set of challenges of the fashion entrepreneurial process were found: Growth Management, Brand and Marketing Management, Relationship Management and Finance Management.

### **The specific challenges of Growth Management**

Literature around the entrepreneurial process mentions many challenges for the fashion entrepreneur concerning growth management. A fashion company will develop through different phases, from being a start-up to becoming a mature organization. A study aimed at the Danish market has divided the aging and development of a company, within the FI, into three distinct phases: the start-up, relative stability, and growth and development (Negarandeh, 2008). Each phase within this development of the company has distinct challenges for the fashion entrepreneur that need to be overcome in order to progress to the next phase. The main challenge for the fashion entrepreneur within the start-up phase is to

break-even and survive. The start-up phase can last between six months to three years (for some even up to five years). In general, the fashion entrepreneurs do not have employees to delegate work to and, therefore, use a great deal of their time unproductively, thereby, neglecting the overall management of the business (Negarandeh, 2008). According to Jacobs et al. (2016), this poses the challenge for the fashion entrepreneur to be “ambidextrous”. Fashion entrepreneurs need to be efficient in the management of current business demands while remaining sufficiently adaptive to changes in the environment to ensure long-term success. This management of growth, often neglected by fashion entrepreneurs, creates an even bigger challenge for companies within the FI, which is characterised as an uncertain environment, subject to continuous evolution and change, where planning and control are particularly important (Marcella and Rowley, 2015). Research by Negarandeh (2008), has confirmed that the designers in question did not make a strategic plan before starting their company. Furthermore, the designers had no specific vision for their company. This lack in strategic management challenges the effectiveness of positioning the fashion company towards the consumers. The neglect of growth management might be due to the lack in the designer’s knowledge on business management (Negarandeh, 2008). The challenge for the fashion entrepreneur is to gain this business management knowledge early on within the start-up phase, or otherwise to seek assistance.

Research also mentions the balance between creativity and commerciality (also previously mentioned in the FI challenges subchapter 2.1), which is related to another challenge within fashion companies, namely a balance between exploitation and exploration. Jacobs et al. (2016, p.2) has described the relation between exploration and creativity as the following: “exploration involves being creative and experimenting with novel designs, techniques, and materials”. Whereas the connection between commerciality and exploitation is described as the following: exploitation is continuing to offer best-selling fashion items, as well as having a business mindset (Jacobs et al., 2016, pg 3). This balance between artistic and economic considerations is needed to ensure long-term survival. It is further stressed that this balance between exploitation and exploration, is even more essential when the fashion company is at an early stage of development (Jacobs et al., 2016).



Finally there is the challenge of maintaining a healthy pace of growth. According to Gehlhar (2008), the designers who lose money tend to be the ones who had employees from day one, created big collections, had large inventory, rented studio or showroom space, and spent a significant amount of money on product development and design. On the opposite, there is the emergence of “Born-Globals”, companies that operate internationally from the start. These entrepreneurs do not experience borders as a restricting factor and use their network to immediately obtain sales in multiple countries (Jacobs et al., 2016). Entrepreneurs within the FI should consider the pace in which they aim to grow, where fast growth is not always the most beneficial.

### **The specific challenges of Brand and Marketing Management**

In the FI, and within fashion companies, the branding and marketing is all about creating the intangible values around the physical products, which are one of the most important values of the product and one of the main challenges for the fashion entrepreneur (Negarandeh, 2008). Furthermore, the branding, marketing, and production of symbolic value has strong impact on the competitiveness of a fashion company (Hauge, 2012). There are many challenges that arise with brand and marketing management. First of all, the fashion entrepreneur has to be aware of and understand the targeted segment (Negarandeh, 2008; Gehlhar, 2008). Secondly, there has to be decided how to market the fashion company and its brand. This includes the evaluation of, and decisions around, product design and quality, distribution and communication, pricing and brand-image, to best fit the envisioned fashion company (Negarandeh, 2008). One of the biggest challenges, is the clarity and consistency within branding and marketing (Negarandeh, 2008). According to Gehlhar (2008), buyers cited consistency as one of the biggest problems with new fashion companies.

### **The specific challenges of Relationship Management**

According to Marcella and Rowley (2015), excellent communication between fashion entrepreneurs and the stakeholders of the fashion companies has always been acknowledged as a significant challenge. Thus, there is high importance of relationship management in order to ensure that current and potential stakeholders get managed in an effective manner. Management of relationships is deemed critical for commercial success (Marcella & Rowley, 2015), however, the management of the formal relationships poses an immense challenge for

the novice fashion entrepreneurs. Negarandeh (2008) has stated that the networking opportunities among the fashion entrepreneurs are limited. According to the research, the fashion entrepreneurs do not have a formal network organisation, and since most of the fashion companies are micro-companies, this formulates into the challenge of using each other's knowledge and experience, and the use of professionals with different backgrounds (used to cover the fashion entrepreneurs' missing skills) (Negarandeh, 2008).

The challenge of relationship management extends to all parts of the supply chain. An example is the relationship with the suppliers and manufacturers, where there is still a degree of secrecy. Production has a big impact on the final product and its quality, and therefore has a strong connection with the success achieved. The initial challenge for the fashion entrepreneur is to find the right manufacturer for the needs of the company. The second challenge is to build a relationship with the suppliers in order to build trust and a better understanding of each other's requirements (Negarandeh, 2008; Hauge, 2012).

A second example of a crucial relationship to manage is with the retailers. Retailers are a vital partner through which trends are anticipated and brand-value is generated. Since there is a strong connection between the chosen retailers and the brand-value, fashion entrepreneurs are (often) very conscious about the retail partners they seek (Hauge, 2012). For the fashion entrepreneur this means that the complementary value, that can be achieved between the company's brand and the retailers, is depending on the retailers they have within their network.

### **The specific challenges of Finance Management**

In research by Malm (2008), some of the participants admitted that there is a naivety about money, not understanding the concept of revenues or profits and losses. The fashion entrepreneurs should understand these economic concepts and examine their budgets constantly. The two most recurring subjects are budget and cash-flow management, being especially challenging for inexperienced fashion entrepreneurs. First of all, the FI is seasonal, meaning that companies ship heavily during certain months, creating peaks in the need for cash at certain points throughout the season (Gehlhar, 2008). Second of all, the fashion

entrepreneurs count with limited funding which increases the stress on well managed financing.

Fashion companies need financial capital before the actual season starts and, in many cases, do not receive revenue back until well after the season has ended. During the development phase, fashion entrepreneurs must spend large amounts of money on materials and sampling. This phase is far in advance of the actual payment by the retailer, creating a long period to survive on own means. This cash-flow challenge, is one of the major reasons why new fashion entrepreneurs fail to establish their start-ups (Gehlhar, 2008). According to Negarandeh (2008), cash-management is essential to maintain a level of working capital needed to keep the fashion company running daily. Furthermore, in research by Marcella and Rowley (2015), the participants (fashion entrepreneurs) confirmed that resource management and budgeting was deemed important and challenging, especially at a time of economic pressure and tightening margins.

The challenges around implementing finance management can be related to a number of issues. One of the issues is intrinsic to the fashion entrepreneur , who often do not take budgeting and the use of it seriously. By them, it is believed that the situation changes so rapidly that the prepared budget and forecast are not relevant for the daily course of the business. This believe is a sign of what is confirmed by Jacobs et al. (2016), mentioning the fast pace of the industry. Another issue is the administrative burden that finance management entails, which small starting fashion entrepreneurs are not able to carry. Lastly, a big reason for the lack in implementation of finance management is the unavailability of the needed knowledge and skills (Negarandeh, 2008).

*Table 1: Primary Findings (Based on previous research)*

<b>CHALLENGES OF THE FASHION INDUSTRY</b>
High Competition
Micro companies' liabilities
Industry's fast pace
Creative-Commercial Balance
Networking opportunities
<b>THE CHALLENGES AROUND THE FASHION ENTREPRENEUR PERSONA</b>
Orientation
Human Capital
Financial Capital
Social Capital
<b>THE CHALLENGES OF THE FASHION ENTREPRENEURIAL PROCESS</b>
Growth Management
Brand & Marketing Management
Relationship Management
Finance Management

### **3. METHODOLOGY**

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This chapter illustrates the methodological approach used and the reasoning behind its selection. This research is designed to, first, identify the main relevant challenges that fashion entrepreneurs face when entering the FI by analyzing the peculiarities of the FI, the fashion entrepreneur and the fashion entrepreneurial process that previous academic studies have pointed out. Second, these identified and structured challenges were analyzed through five interviews with Danish fashion entrepreneurs to conclude how relevant they were to the interviewees.

### **3.1 Introduction**

The method selected is informed by the work of B.M. Lowder (2009). His academic work suggests methodological approaches for research concerning success factors in entrepreneurial processes, being applicable to this study. The overall method approach is, furthermore, inspired in Bryman and Bell's (2011) as the base for most of the theoretical inputs of this chapter, and by Eisenhardt (1989), informing the multicase and comparative design.

This chapter is, lastly, influenced by the methods used in previous relevant research within the FI such as Mills (2011), who using an interpretative approach analyzed the motivations behind the start-up experience of 38 fashion designers in New Zealand; Marcella and Rowley (2015) used a qualitative, inductive and exploratory method in order to study the application of project management in the North Eastern Scottish Fashion Industry through semi-structured interviews; Jacobs et al. (2016) analyzed the achievement of high perceived success among belgian fashion designers using a comparative case study based on in-depth, semi structured interviews; Negarandeh (2008), studies the potential of small ventures in the Danish DFI relying on a Qualitative, interpretative, inductive approach conducted through semi structured interviews; Malem (2008) researches the survival of designers in London through literature research and interviews with entrepreneurs; Finally, Eriksson et al. (2005) implemented a qualitative case study to document the start-up process of a swedish fashion venture

### **3.2 Research Approach**

The design of this research is a Multicase, Comparative Study (Eisenhardt, 1989) based on two main concepts: The Qualitative Method and the Actors paradigmatic approach as Lowder (2009) suggests. It is further influenced by the Inductive methodological approach.

This is a Comparative Multi-case based study (Bryman and Bell, 2011; Eisenhardt, 1989) as in Marcella and Rowley (2014), Jacobs et al (2015), and Mills (2011). The authors selected this approach in order to better understand how the same set of challenges (Table 1) affected different profiles of fashion entrepreneurs in order to contrast and analyze the insights

obtained from each participant and create a coherent framework of findings that would determine which challenges affected them (Table 2).

This research relies on a Qualitative Method, described by Bryman and Bell (2011) and Lowder (2009), and chosen due to a number of reasons. First, the authors consider that in order to identify the aforementioned challenges, and based on the resources available to conduct the study (time, previous research, interviewees' disponibility etc.), the research question was best answered through a Qualitative Approach. Secondly, no previous research has approached the topic of this research and, therefore, the authors can take advantage of the flexible and adaptative nature of Qualitative Research and the discovery capacity it provides for new findings in this unexplored field. Finally, the challenges experienced by the entrepreneur are closely linked to the entrepreneur's human experiences. As the main source of empirical data for this research is the interviewees' narrative of the interviewee's entrepreneurial experiences, the Qualitative Approach provides better tools to analyze the fashion entrepreneur's personal experience and reality (Lowder, 2009 ; Marcella and Rowley, 2015; Negarandeh, 2008).

The Qualitative Method is best implemented when combined with an Actors Paradigmatic Approach (Lowder, 2009). The empirical data generated for this research comes from fashion entrepreneurs' narratives. This means that this empirical data would be very dependent on the interviewee's individual perceptions and interpretations of how these challenges affected them. Details regarding their personal situation and context during their start-up process were investigated and directly asked to the fashion entrepreneurs in order to analyze their insights concerning the challenges they faced taking into account their own perspectives and interpretations (Lowder, 2009).

An Inductive Approach, where the theory (challenges presented in Table 2) is generated from the empirical collection of data (interviews) is implemented as in Marcella and Rowley (2015) or Negarandeh (2008). The research does not aim to test previous theories concerning the challenges fashion entrepreneurs face, because no previous academic work has provided theory concerning this topic (Bryman and Bell, 2011).

### **3.3 Data Collection**

The research is based on two main stages (Bryman and Bell, 2011): First, an extensive literature review is conducted in order to structure, in a theoretical framework (table 1), the unorganized academic data that relates to the challenges that fashion entrepreneurs face when entering the FI. Second, interviews are performed applying this framework in order to analyze whether the identified challenges affected the five interviewed fashion entrepreneurs. The result of this two procedural steps is a coherent analytical framework (table 2) that describes what challenges were relevant and to what extent affected the fashion entrepreneurs activities.

#### **The Literature**

As previously mentioned, academic research has not addressed specifically and directly the issue of the challenges that creative entrepreneurs face. Therefore the literature reviewed for this research is indirectly related to the topic, discussing the FI characteristics, entrepreneurial profiles and models that may relate to the fashion entrepreneurial process. Among these academic articles, the most relevant aspects that might create challenges specific to the fashion entrepreneur were identified and structured in table 1.

#### **The Interviews**

The Multi-Case, Comparative studies are performed through a number of collection methods taking the form of qualitative interviews (Bryman and Bell, 2011). The authors performed 2:00-2:30 hour interviews with four successful and upcoming fashion entrepreneurs and two in depth, 3 hours long interviews with a fashion entrepreneur that has started and ceased two fashion companies.

These interviews took place during March and April 2016 and were designed as semi-structured, open-ended interviews, inspired by previous research such as Mills (2012) Jacobs et al (2015), Shi et al (2014) or Marcella and Rowley (2015). The interviews were kept as organic and narrative as possible. However, structure was provided to some extent by a checklist and a guideline (Appendices 1 and 2), touching upon all the main topics in order to clarify whether the interviewees faced the identified challenges and to what extent these

affected them. All the interviews were performed face to face, as in Mills (2011) and Gerber and Saiki (2010), except for one, that needed to be conducted via email.

### **3.4 Sampling the Interviewees**

This study acquires the most insightful data from fashion entrepreneurs (Malem, 2008; Mills, 2012; Eriksson et al., 2005; Jacobs et al, 2016; Marcella and Rowley, 2015) targeted among founders or members of the start-up team involved in the first stages of a Danish fashion company.

All the interviewee's companies and fashion start-up processes took place in Copenhagen. The authors considered it important to limit the location of the marketplace to one specific fashion hub in order to align to the multi-case comparative study that informs the method. Furthermore, Copenhagen is a representative and relatable fashion market, in terms of size, potential and development, and this makes the results obtained from this study relevant regardless of geographical locations.

Thirty companies that fulfilled the criteria were identified online and contacted at the beginning of March, first through email and secondly by phone. Among these, fourteen companies replied, and eight of them agreed to set up a meeting. Finally, five of the arranged meetings materialized in a successful interview.

Four fashion entrepreneurs that are still active in the FI and one that has ceased operations were selected. Before the interviews, a thorough research (in accordance to the Actor's paradigmatic approach) of each individual's company and interviewee's background, characteristics, and traits was conducted. Due to privacy issues, we will refer to them in the upcoming chapters with the acronyms specified in the following table, in which we also provide a brief summary of the interviewees and their companies situation.



### *Overview interviewees and acronyms*

	<b>Position</b>	<b>Active</b>	<b>Founded</b>	<b>Segment</b>	<b>Employees</b>
<b>Alpha</b>	Co-founder	No	2003	Mid/High Street (commercial) Female	2
<b>Beta</b>	Marketing Director	Yes	2009	Middle Street (commercial) Male	8
<b>Gamma</b>	Founder	Yes	2011	Designer Male	1
<b>Delta</b>	Founder	Yes	2015	Middle Street (commercial) Male	3
<b>Epsilon</b>	Founder	Yes	2012	Designer Male	1

### **3.5 Data Analysis**

Applying a Coding Approach (Bryman and Bell, 2011) to structure all the grasped information from the literature and interviews, data is clustered and analyzed in different categories or concepts (Table 1 and 2). The Coding Approach allowed to start organizing the data obtained from literature and prepare it in order to conduct the interviews.

As mentioned, the interviews were recorded on tape. Afterwards, the authors listened to the recordings independently, transcribing only the segments that related to this research. This transcribing process is selected, because the interviews were organic and relatively spontaneous, some of the content was not necessarily related to the topic and not worth of being transcribed. Both authors compared and analyzed their independent transcriptions leading to the combined body of work that is presented in the following “Empirical Findings” chapter.

The study relies on an inductive research and new unexpected insights, not identified by previous literature, appeared along the interviews. Dealing with more data to analyze may turn the research into a vague body of work. Therefore, this research aimed for a balance between discarding and including unexpected data to analyze (Bryman and Bell, 2011).

### **3.6 Methodology Limitations**

The current situation of the interviewee's venture might influence the perception they have of the challenges that affected their fashion entrepreneurial process. The fact that the authors only managed to interview one fashion entrepreneur that ceased operations twice might have compromised the quality of the research, as more testimonies from these category of interviewees could have provided valuable insights regarding the relevance of the challenges studied.

It is important to pinpoint the interrelation and codependence of the identified challenges, and the three categories, in which the research is structured: Challenges of the FI (2.1), around the entrepreneur persona (2.2) and of the entrepreneurial process (2.3). This aspect is noticeable when analyzing the challenges that the FI peculiarity of low entry barriers imply for the fashion entrepreneur (2.1). One of its consequences is the diversity in backgrounds, motivations, education or skills found among entrepreneurs, which represents a challenge concerning unclarity around the skill-set needed to perform in FI. This challenge, that is a consequence of the low entry barriers of the FI, is naturally connected to the challenges around the human capital of the fashion entrepreneur (2.2). Moreover, this increases diversity in orientations among entrepreneurs (2.2) and will influence how they respond to the challenge of balancing the creative-business tension (2.1), which in turn is the base for the FI segmentation (2.1). This interrelation can be noticed among some of the identified challenges, making the structured categorization mentioned somewhat interdependent and complex.

Finally, due to the qualitative nature of the study, personal inputs have influenced the results, both from the interviewees' and the author's perspective (Lowder, 2009).

## **4. EMPIRICAL FINDINGS AND DISCUSSION**

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This section aims to illustrate the specific findings the authors obtained through the interviews conducted. These findings concern the previously identified challenges presented

in the Literature Review Chapter (2) and insights concerning unexpectedly identified challenges. These insights are presented in table 2, following the structure of table 1.

#### **4.1 THE CHALLENGES OF THE FASHION INDUSTRY**

##### **High Competition**

There is agreement among all interviewees that the fierce competition in the FI poses a challenge for entrepreneurs. This challenge is mainly present due to the low entry barriers of the FI and confirms previous research (Negarandeh, 2008; Mills, 2011; Malem, 2008; Jacobs et al., 2016 and Shit et al., 2012). The opinion, around increasing globalisation and the related increase in competition, differs among the interviewees. This is only viewed as challenging for fashion entrepreneurs entering the commercial segment (Easey, 2009) and trying to expand abroad.

The interviewees point out that intense competition represents a challenge. However, different perceptions regarding how it challenges their company's survival are found, depending on the market segment they operate in. For instance Alpha, who operated in the commercial segment, identifies competition as one of the reasons behind ceasing operations. She explains how the middle customer segment is now being targeted by both luxury houses and high-street fashion, therefore, creating a harsh environment for fashion entrepreneurs. However, Gamma clarifies how, as an independent designer, high-street fashion companies are not competitors, as the customer segments are different and his main competitors are other small designers.

An unexpected finding is that competitors must be studied, monitored and analyzed in order to overcome the challenge of high competition, or even, to transform competition into a source of knowledge. However, this monitoring and analysis of competitors is a challenging task to perform, and to which extent and how relevant this challenge is depends on the segment. Beta, Alpha, and Delta, who operate in the commercial segment, state that to overcome competition they analyze and examine what competitors are doing and try to improve it. The competition, even though still high, affects the designer segment in a different matter. Whereas commercial fashion companies have to compete with other

(similar) companies to convince the consumers, the independent designer (designer segment) is competing for larger projects and collaborations. Gamma (independent designer) monitors competitors to be inspired, not to mitigate the challenge of competition, meaning that monitoring is not a relevant challenge for him.

Concerning the globalization of the FI, and the relating challenge of increased competition, it is found that the effect is not substantial. The interviewees operating in the commercial segment did not experience strong global competition within the country of establishment, contradicting the statement of Shi et al. (2012). However, once the the fashion entrepreneur expands internationally, the challenge of dealing with global competition increases immensely. Within the designer segment, the effect of global competition is small. Delta mentions that commercial fashion companies rely on quantity of sales, meaning that these fashion entrepreneurs have a higher need to expand internationally. Independent designers, belonging to the designer segment, depend on low quantity, high value sales. According to Gamma (independent designer), global competition is not a challenge, because independent designers depend on local networking: “I don’t compete with designers from Japan, and they don’t compete with me. People want to work with someone they know, people in Japan don’t know my work”.

Concerning the challenge of competition and globalization a difference in importance has been identified, depending on the segment and the level of internationalization. Competition has been confirmed as a serious challenge for fashion companies in the commercial segment, and when these companies expand abroad, this challenge is increased by globalization. However, for independent designers, competition does not represent such a substantial challenge, and less effort can be directed towards competitor analysis.

### **Micro companies liabilities**

The interviewees confirmed multiple challenges for the fashion entrepreneur due to the size of the company during the start-up phase. Many of the mentioned challenges were implied by previous research (Malem, 2008; Marcella and Rowley, 2015; Riegels, 2010; Negarandeh, 2008; Jacobs et al., 2016) and their importance is confirmed. The following are the most relevant.

Production minimums are mentioned by the majority of the interviewees as a relevant challenge to overcome. They mentioned that the first collections are low in quantity, due to limited resources, which increases the challenge of finding a manufacturer, as Delta explains: “If we ordered bigger quantities, everything from buying fabrics to negotiating prices with factories would be easier.” Finding manufacturers that accept small orders poses an even more difficult challenge, taking into account the relative opacity of the market. As Alpha remarks, due to production limitations and leverage capacity, small fashion companies, are not able to create high margins.

Small company size creates an challenging imbalance in leverage between the fashion company and the stakeholders. Alpha explains how one of the main reasons behind the closure of her company was the challenge to receive payments from retailers, caused partly due to the size of her company. Beta mentions how suppliers, for instance, attempt to force acceptance of faulty produced garments. Not knowing how to respond to this challenge can create an unhealthy relationship with long-term negative consequences. One of the interviewees mentioned: “a balance between a good business response and one that favours a good relationship is required”.

The interviewees emphasized the challenge of noticeability, needed for stakeholders and consumers to be aware of your existence. Since start-ups have low resources, it is found challenging to gather financing for advertising campaigns, challenging the fashion entrepreneur to use other methods for an effective exposure, such as using creativity and/or social network.

Finally, the limited resources of fashion start-ups, both in terms of capital and in workforce, imply an overload of work that challenges the company, and can be translated in an incapability to cover all activities. Gamma states: “sometimes I just say no to projects, only because I don’t have the time”.

Therefore, it can be concluded that the size of start-ups represent a challenge for fashion entrepreneurs, mainly due to production minimums, a disbalance of leverage with

stakeholders, noticeability and an overload of work, regardless of the segment (commercial or designer).

### **Industry's fast pace**

The interviewees confirmed the existence of intense seasonal activity and rapid change of trends in the FI, however, their perception of how these dynamics challenged them, and how they responded, differs.

All interviewees expressed the challenges of intense seasonal activity in the FI, also recognizing the challenge to partially abide to it. However the challenge to adapt varies along the different segments in the FI and the phase of the company. Beta's company (commercial segment), who has been operating for 7 years, currently releases many seasonal and complementary collections. However, they released only two seasons per year during the start-up phase. This is confirmed by Alpha, who mentions that companies should not aim for more than two seasons during the start-up phase. Gamma (independent designer) further illustrates that, in the designer segment, there is no need to release as many collections as fashion companies in the commercial segment. Two collections per year is considered enough, regardless of the age of the company, thus, not fully embracing the seasonal intensity. Determining the convenient number of collections is a challenge, for the fashion entrepreneur, that must be carefully assessed depending on the segment and production capacity of the company.

The interviewees agree that the hectic change of market trends and preferences implies a challenge. Alpha explains that once a garment is placed in a retail-store, it has a life expectancy of two months. Furthermore, she mentions how online social activity have increased the fast pace and change of trends. This agreement of the interviewees around the hectic character of the FI, and the related challenges, confirm statements made by previous research (Malem, 2008; Marcella and Rowley, 2015; Eriksson et al. 2005).

It can be concluded that the pace of the FI represents a challenge, depending on the segment and the age of the company. Fashion start-ups in the commercial segment do not necessarily obey these dynamics when entering the FI, as interviewees mentioned that two seasons are

sufficient. However, in order to maintain growth, the seasonal intensity must be embraced and the amount of collections increased. When it comes to the designer segment, it cannot be concluded that an increasing pace is posing challenges. Regardless of the segment (commercial or designer), attempts can be made to increase the pace within the fashion company, thereby, increasing the commercial prospect.

### **Creative-Commercial Balance**

The interviewees confirm the importance of reaching a commercial and creative equilibrium in the early stages of their companies. Two of the interviewees define this equilibrium, specifying the challenge of designing a new garment, attempting to create something unique that stands for their own identity, and fitting the market requirements and expectations.

However, the balance of commerciality and creativity has shown to be determined by the industry segment (Easey, 2009), exemplifying that a gap exists between fashion entrepreneurs in the commercial segment and designer segment. Interviewee Gamma has stated that creativity is the main value for him as a fashion entrepreneur. Commerciality does not play a big role in his daily activities, even though he acknowledges that commerciality is essential. On the other hand, Alpha clarifies that a mainly creative approach might be harmful for a mid/high fashion company, noting that commercially driven companies are ones that survive and grow. Delta represents how mid/high fashion companies should manage this balance: “You need to find your level. How creative you can allow yourself to be depends on what kind of stores you intend to work with and how much money you have to spend before earning back”.

In line with Mills (2012), it can be concluded that reaching the needed balance between creative and commercial efforts is a challenge. However, this equilibrium differs depending on the segment. Being aware of the right equilibrium needed for each specific company implies a commonly identified challenge. The interviewees proved that there is not a perfect balance, it is more of a choice of direction, acknowledging your segment’s need, and using the right approach for that direction and segment. Commercially focused entrepreneurs need to be creatively relevant and design focused entrepreneurs have to acknowledge the need to commercialize their products.

### **Networking opportunities**

In the literature it is mentioned that a lot of secrecy exists within the FI, and this creates the challenge of acquiring social capital, support and knowledge within the industry. Through interviews, it became clear that an obvious difference exists between the designer segment, and fashion companies operating in the commercial segment.

The interviewee Gamma (designer segment), has experienced an abundant amount of willingness to share knowledge among peers. Stating that there is a lot of communication and support, and as a micro-company you need this support. Gamma said: “once, another designer needed a button that he couldn’t get, so I contacted my supplier to obtain that button for him”. This clearly illustrates the support and cooperation within this segment, where networking does not impose a challenge for fashion entrepreneurs.

However, interviewee Alpha (commercial segment) explains how communication within this segment is not fluent, and learning from others about manufacturers or suppliers is hard. An explanation is that, this knowledge is necessary for the success of a start-up. Being restrictive in sharing this knowledge maintains a certain advantage over other companies in the industry, thus, creating a higher barrier for entrants.

Fashion entrepreneurs entering the designer segment, as independent designers, experience a fair amount of support from their peers. However, in the commercial segment entrepreneurs encounter a hermetic environment, thus, there will be the challenge of successfully networking with similar companies to acquire knowledge and support. This conclusion agrees with the findings of Riegels (2011) and Negarandeh (2008), although, the commercial and designer segment in the FI are not comparable, where the designer segment is not challenged in this matter.



## 4.2 THE CHALLENGES AROUND THE FASHION ENTREPRENEUR PERSONA

### Orientation

The interviewees have reflected on their motives behind entering the FI, the goal they had when launching their companies, and how this challenged their start-up. Three main relevant areas of interest that pose a challenge for the start-up have been identified: creative motivations, commercial motivations and goals or aspiration.

When it comes to the main motive behind entering the FI, all the interviewees have expressed an initial creative impulse. Beta states that the founders had a creative need to generate something unique and then commercialize it. Alpha desired to be creatively relevant and original. Epsilon desired to innovate and alter the scandinavian fashion status quo.

Different levels of commercial motivations are found among them. An illustrative case of strong commercial drive can be found in the company Beta. They were not specifically interested in the FI, but mostly on creating a product to commercialize: clothing was their way to canalize this entrepreneurial urgency. Alpha, mentions that she had besides a strong creative impulse, a determined commercial urge to make her company economically successful, but she did not pay attention to all the business requirements. She acknowledges that if she would have had a more commercial attitude, her company would have been stronger. When it comes to Delta, Gamma and Epsilon, no commercial motivation is identified. However, even the interviewees without commercial motivation were aware of the importance of the commercial aspects of the FI. This awareness and acceptance of the commercial aspects weakens the findings of previous research by Marcella and Rowley (2015).

Finally, clear goals or aspirations are found among all interviewees, and is identified as a needed success factor, lacking this clarity poses a challenge for the entrepreneur. Beta, Delta and Gamma show a determined vision, where Beta states: “we always had strong ambitions, we want to become scandinavia’s biggest lifestyle brand”. Even though all faced different obstacles, they remained committed to their initial vision.

The findings support the statement of Negarandeh (2008), all interviewees have expected and admired values, but they differ substantially. The challenge for new entrants is to remain focused on their creative and commercial motivation, and having a clear vision for the company. Aspiration and creative motivation is needed for a company to survive in the FI, as it is a common pattern in all the successful companies interviewed. However, regarding the level of commercial orientation, nothing can be concluded, as the interviewees had very diverse commercial orientations when launching their company, and it did not seem to affect the success.

### **Human**

The human capital of the fashion entrepreneur is an essential asset for the start-up, and determines many of the challenges faced during the entrepreneurial process. Covering all the requirements, in terms of human capital, that the FI demands is identified by the interviewees as very challenging, especially concerning the next three areas: education and skills; industry experience; filling lacking skills.

When it comes to the different spectrums of education and skills, and how this challenges the start-ups, diverse skills, educational backgrounds, and levels of industry experience are found among the fashion entrepreneurs. Confirming the notion of Malm (2008) and Mills (2012), mentioning that no specific educational background is needed. Beta points out that the founders had no industry experience, little business education and lacked design or fashion education. Epsilon and Delta, on the other hand, had vast industry and design experience, lacking a business foundation. Gamma had remarkable industry experience, had fashion education and skills, but lacked business education. Surprisingly enough Alpha, the entrepreneur that seemed best prepared, is the one who ceased the fashion company. She had a business degree, education in fashion, and business development and design experience. Regarding human capital it can be concluded that, as Gamma and Delta mention, business skills can be learned through the entrepreneurial process, therefore, missing these skills might not lead to substantial challenges during the start-up. This weakens the notion of Hauge (2012), who concluded that a lack in business background might be a reason for the low survival in the FI. However, design and fashion skills are needed at the start of the fashion company and, if missing, are challenging the company to fill these skills in a different

manner. Industry experience has been mentioned by all interviewees as a key factor to decrease the impact of challenges during the start-up phase, mainly due to the network gained by this experience. Marcella and Rowley (2015), and Negarandeh (2008) stated that many fashion entrepreneurs believed they only needed creative skills in order to establish a fashion company, and this might pose a challenge for the fashion entrepreneur. However, the findings in this research suggest that entering the FI with exclusively creative skills is possible, as the other skills can be either learned through the entrepreneurial process, or obtained through other methods.

Regardless of the initial skill-set that the entrepreneur brings into the start-up, the interviewees mentioned that it is essential and challenging to acknowledge the requirements that cannot be covered by the entrepreneur. This awareness, that the fashion entrepreneurs have around their skill-set, weakens the notion of Shane and Venkataraman (2000), and Negarandeh (2008). The fashion entrepreneurs expressed that they realized their lacking designing or managing skills, before or in the initial phase of the start-up. Filling these requirements, challenged the fashion entrepreneur to either use his/her social network effectively, or by incorporating complementary founders. Interviewee Delta is an example, he formed a team with two other fashion entrepreneurs in order to acquire all the needed skills, being aware that he would not be able to face the challenges alone.

It can be concluded that acknowledging and responding to the missing skills of the entrepreneur represents an essential challenge. Furthermore, missing business skills and education will not necessarily lead to urgent challenges for the fashion entrepreneur. These business skills can be learnt along the entrepreneurial process and were not present in the initial skillset of most interviewees. While design skills and education pose challenges for the fashion entrepreneur and his/her start-up, it has been confirmed that these skills can be filled in a different manner. Finally, industry experience is not determinant, but decreases the impact of the faced challenges substantially.

### **Financial**

The financial position of the entrepreneurs, when starting the fashion company, was very diverse. Anticipating on the exact needed capital to start a fashion company successfully is

highlighted as a difficult challenge. This strengthens the statement of Negarandeh (2008) and Gehlhar (2008), mentioning that most fashion entrepreneurs fail by starting with insufficient finances. A possible explanation is the difficulty of anticipating the need in financial capital. In this research, it is strongly shown that the available financing made the entrepreneurs proceed in multiple directions, from borrowing money from relatives, to keeping simultaneous jobs.

Beta mentions that, when their fashion company was founded, they were aware that entering the FI and commercializing a garment was something easily attainable with limited financial capital. However Gamma (independent designer), mentions that it should be anticipated to have enough capital to operate for a few seasons, without expecting substantial revenue. These seasons should be seen as an introduction to the FI, and are part of the start-up costs. This need for higher starting capital is confirmed by Alpha: “to start a fashion brand properly you need at least 500.000 Danish Kroner”. In order to cover up for basic expenses, she recommends fashion entrepreneurs to keep their regular job until the company sells to around ten to fifteen retailers.

This needed financial capital depends on the entrepreneur’s thoughts around starting up and the growth perspective he/she has for the upcoming years. All the different thoughts and growth perspectives entail their own challenges, but realism is key in decreasing the scope of the challenge. Beta further emphasizes that it is important to be realistic about the financing that can be gathered, and what approach is effective with that amount. In the case of their fashion start-up, it was more realistic to opt for a small launching collection, than trying to finance a large collection. However, Beta was aware that to have serious potential in the FI they would require, and be challenged to acquire, bigger investments.

Where Beta was realistic and aware of the needed capital, Epsilon had a more difficulties with the anticipation of this need. He mentions that he was shocked by the costs, that come with starting a fashion company. He further clarifies: “people can’t afford to survive more than three seasons, unless they have an investor or some kind of financial support, otherwise most of the designer don’t stand a chance”.

Beta started with very scarce resources and relied on bootstrapping methods in order to start up. The interviewee mentions that, the first collection consisted of a limited number of white t-shirts with a patterned patch, as these were the only garments they could afford. They described the launch, and following seasons' financing, as a gradual process: "you design a garment for the first collection, you sell it, with the profits you design more clothes for next season, and you keep doing this".

Gamma (independent designer) is very aware of the financial needs that both, his company and his envisioned fashion label needs. He has a precise business plan and works hard to attain enough financial capital to launch his first collection as a fashion company, which he will finance with the profits of his current independent designing efforts.

A clear relation between the origin of the financial capital and the challenges within the start-up cannot be found. Success can be achieved with different amounts of financial capital, and different paths can be taken, according to the gathered capital. However, the encountered difficulties and the possible challenges are strongly related to the amount of financing available. Therefore, the challenge is to anticipate the needed financial capital for a specific approach to the FI, for instance through a detailed business plan (approach taken by Gamma).

## **Social**

As pointed out in the literature review, and as confirmed by the interviews, most of the companies in the FI start with either one or two people. This forces the founders to reach beyond their own skill-set to cover the required skills and activities. One general way to overcome this issue, according to the interviewees, is to recur to the social surroundings of the founders. However, using this social capital effectively is mentioned by previous research as a challenge for the fashion entrepreneur (Mills, 2011; Negarandeh, 2008).

Interviewee Beta is an example of how acquiring a relevant social network is a challenge that is both necessary, and hard to overcome, in order to bootstrap social resources to deal with deficiencies in the company. He mentions that the fashion entrepreneurs, initially, had very limited contacts. However, they focused on expanding their industry network through activities such as attending fashion related events or contacting relevant individuals. This

approach, made them meet a known fashion advisor who partnered with them, and provided all the specific industry related needs (contacts, experience, etc.). Later on, they met the nowadays Creative Director, that brought design skills into the company, as well as their current sales-agent in Denmark, who created high prospects for sales growth. Another event, essential for this company's success, has been the public exposure they acquired through a celebrity. This social achievement implied an enormous amount of sales that positioned the company on the growth path. The gained connections represented a positive shift in the future challenges of the company, confirming the statement made in the literature review around the social capital of the fashion entrepreneur.

Alpha started with an extensive network when starting her fashion company. She used it effectively, and quickly got to interact with very relevant figures in the Danish society, and through this network, she managed to be a part of the New York fashion scene. She mentions that experienced mentors are essential to grow in the FI.

Delta remarks the challenge of bootstrapping the needed skills that the fashion entrepreneurs could not cover: "You rely on the help from friends. Photography, photoshop, illustrator, web design are all things I didn't know or wasn't good enough at doing myself. You can never have too many friends". He mentions how industry experience proved to be vital for building a solid network, and all three founders have used their connections as much as they could. Stating that the fashion company would not exist without the network: "the better your network is, the higher is the possibility of success".

Gamma explains that he was always aware of the importance of social networking and contacts in this industry. That is the reason why he always worked towards expanding his network ever since he entered the FI, which was a determinant factor for the establishment of the fashion company. For instance, one of the main contributions of his previous job, as a stylist for celebrities, was to allow him to promote his work and eventual fashion company through very relevant and influential personalities in Denmark. Furthermore, through his work in the FI he build a solid network with providers and manufacturers which is beneficial when it comes to overcoming certain challenges.

Gaining the right social network is a challenge that requires assertiveness and luck. What is confirmed by all the interviewees is that, the strength and diversity of your social network as entrepreneur reduces the amount of encountered challenges and decreases the scale and difficulty of the challenges, thereby, confirming the notion of Mills (2011) that social networks play vital roles in business development.

### **4.3 THE CHALLENGES OF THE FASHION ENTREPRENEURIAL PROCESS**

#### **Growth Management**

In general, the interviewed companies did not have a structured plan that resolved how to grow, and maintain growth, over the long-term. This finding is in line with Negarandeh (2008), where the interviewees did not have a plan at the start of the company. However, the interviewees showed great awareness of the need and challenge of growth, and the growth-rate was mentioned as one of the most important indicators of progress. There is a strong sense among the interviewees that there is a difference between the challenge of sales growth and brand-value growth. Finally, there is the sense among some of the interviewees that the right quality and pace of growth is something to consider, in order to avoid challenges that affect other parts of the entrepreneurial process.

One of the interviewees mentioned that it's not that hard to start a fashion company, but it is an immense challenge to continue growing and obtain a strong foothold in the FI. It is an iterative process, where the fashion entrepreneur performs activities that are expected to be beneficial for growth. Afterwards, the company determines whether the results confirm the expectations. It is further mentioned that such growth-oriented projects not always focus on economical growth, but also on growth in terms of brand-value. This increase in brand-value is expected to have a strong impact on the quality and consistency of the fashion company's brand, which is believed to decrease the challenges around competition on the long-term.

Interviewee Alpha, Beta, and Gamma stated that a key resource in decreasing the challenge of growth has been social interactions. The right networking activities can imply rapid growth, meaning that a focus on public relations is of importance. This is further stressed by Alpha, who acknowledges public relations as a main source for growth. An example is the

strong connection between having the right network, and to finding and having effective sales-agents and suppliers. All the interviewees agreed on the importance of agents in order to do sales, and how relevant they are when overcoming the challenge of growth, both domestically and internationally.

Another factor that influences the challenge of growth, is the management of production, time, and administration. As an experienced entrepreneur, Alpha states that structure is absolutely essential for a company to grow. This entails activities such as bookkeeping, seasonal planning, and creating timelines. This statement, made by the interviewee, is in line with Marcella and Rowley (2015), who stated that planning and control are particularly important.

Interviewee Gamma, independent designer, explains how he does not focus too much on retail selling, and he mentions that, since he produces very few pieces of clothing, he prefers to sell them himself, because dealing with retailers entails effort and the margins shrink. He focuses instead on the end clients, the customers, as they are the ones that he believes are generating and supporting his success and grow. As with many other entrepreneurial challenges, growth is a different factor for independent designers. Independent designers have a restricted workforce, and obtain the needed revenue through qualitative project (high revenue per project), thus, leading to less focus on growth.

Besides growth, there is the challenge of the right pace of growth, which has been described in literature (Gehlhar, 2008) as being as important as growth itself. Because of the limited funding fashion companies generally have, and the need to pre-finance sales, it is important to not grow beyond the means. Interviewee Beta is a good example, they gradually grew with the money they gathered and slowly increased the points of sales and size of the collections. The interviewee confirmed that the pace of growth is challenging the company. Expanding, for instance, the collections and geographic sales-area create a big strain on the cash-flow. Even though it might seem that those actions will lead to higher revenues, it could first lead to a negative cash-flow, challenging the company to avoid drying out and never actually reaching to the envisioned growth in revenue.



Another point interviewee Beta mentions, is that, even though in the beginning the challenge is to grow sales, in a later phase the challenge is more focused on growing qualitatively. An example is being more strict when selecting retailers to partner with. This challenges the sales growth-rate, but might lead to higher growth in terms of brand-value and future prospects.

The interviewee Alpha points out the conclusion: “as a fashion brand you need to grow, it is necessary to stay profitable”. Taking this notion into consideration, it becomes apparent why there is a lot of tension between having to grow and growing too fast. Not growing enough will diminish your revenue and hurt your competitive position, growing too fast will lead to cash problems. The challenge that arises is, that fashion companies have to grow in a responsible pace. A final decision has to be made about the choice between quantitative and qualitative growth, where one leads to faster increase in revenue and the other to a stronger long-term position in terms of the fashion company’s brand and relationships.

### **Brand and Marketing Management**

Branding and marketing imply a great amount of challenges for the fashion entrepreneur. The most relevant and common challenges, pointed out by the interviewees, will be discussed in the following paragraphs.

Effective branding and marketing with limited resources is highly challenging. New fashion companies are competing against companies that are known and bigger, capable of implementing very ambitious campaigns. The interviewees clarify that creative marketing strategies are essential to reach customers and be noticed, forcing the companies to challenge themselves by creating campaigns that are cost efficient. Beta experiments with inexpensive but effective methods such as conducting selling contests or sending garments to celebrities to gain exposure: “when we launched our first collection we could not afford sampling and producing many different garments, so we focused in expressing the desired brand identity in the few produced clothes”. Alpha recommends to be cost efficient and effective by focusing marketing efforts on a very specific customer segment with an specific product: “When you are small you can not seize the whole market”. Beta mentions collaborations with other companies, that fit the values of the company, as a good approach to overcome the challenge of limited resources.

The second challenge pointed by the interviewees is being clear and coherent when communicating the fashion company's brand. If not done properly, customers will not fully understand if the brand is meant for them. Beta mentions how it was challenging to expand their company's range of products and improve their image (by acquiring a home design business, brewing beer or made shoes) while keeping consistency in their message. Alpha clarifies that "progression must be attained, but the brand must keep its DNA noticeable in their collections". Beta specifies that "finding retails in syntony with the brand's image was challenging". Also, as Alpha and Beta mention, when branding the company with the persona of the founder, his/her public image has to be consistent with the company's brand. Beta explains how one of the founders seeks actively for public exposure and popularity, and by attaching himself closely to the brand, he manages to promote it. However, Alpha explains that it implies challenges that might damage the company. In her case, the brand of her company was closely linked to the persona of the other co-founder and this created a situation where she felt excluded from public recognition.

Conducting an accurate and effective market research with limited resources has been identified as a hard task. Beta states that his company is aware of the importance of always targeting interesting customer segments by conducting a thorough market research of their needs. Gamma says that "you need to know whether the market is ready for your designs. I have a collection waiting for the market to be ready for it". These findings around accurate and effective market research are strongly in line with Negarandeh (2008), who mentioned that it is an important challenge to understand the targeted segment and to know how to market the fashion company.

The most relevant marketing and branding survival challenges that affected new fashion companies are implementing effective marketing and branding strategies with very limited resources, whilst competing with larger companies. A second challenge is communicating the image of the company's brand clearly and consistently and conducting efficient market researches to target the right market and customer segments.

## **Project and Production Management**

The challenges around the management of projects and production were not part of the literature review. The findings around this topic were not expected and are, therefore, given in this subchapter. All of the interviewees confirmed the challenge of project and production management, where they mention that many benefits can be achieved through conscious management.

The first challenge that arises, which has strong relations with other sections in this research, is the management of production. Interviewee Alpha advises to be very selective about your production, providers and manufacturers. It should be analyzed how they have performed in previous seasons, and whether there might be a superior supplier available. This statement is further confirmed by Delta, which mentions multiple highly successful fashion companies, and explains that they are more successful because of the factory and fabric knowledge and connections they have. This factory and fabric knowledge is challenging for fashion start-ups to obtain.

The second challenge is to know what the consumer wants, and creating the appropriate seasonal garments for this need. The interviewees had different tools that were used to overcome this challenge. Interviewee Alpha clarifies, that a collection should be consisting out identifiable garments and basic garments. These basic garments should be around forty percent of the entire collection and creates higher margins, easy production, and the garments are less time sensitive. The main benefit of this approach is the mitigation of financial risk, less money will be lost on garments that would have never been bestsellers.

Thirdly, challenges arise with the actual sales of the collections during the seasons. The main issues concern the challenge of allocating the garments over the retailers and interesting the consumers for the collection. Interviewee Beta has a perspective on both, where he mentions that their company monitors how well each garment sells in each retail shop. Through good relations with the retailers, they can transfer garments from one shop to another to increase sales potential. Continuously interesting the consumers is done by monitoring the peaks of interest consumers have in the company (which can be done with online tools). This insight helps the company determine when to create new peaks through different forms of media.

The last challenge concerning the project and production management is the post-season reflection. Beta and Delta mention the importance of analyzing the outcome of the previous season, and using these insights to decrease the challenges in the upcoming season.

Through the interviews it can be concluded that, the management of projects and production poses a challenge for fashion start-ups, and that, appropriate project and production management can lead to strong benefits.

### **Relationship Management**

The importance of healthy relations with stakeholders, and the challenge to achieve them, have been confirmed by the interviewees. In order to overcome this challenge, managing such relationships should have high urgency on the entrepreneur schedule. The findings can be divided into management of internal, retailer, supplier, and consumer relations.

Internal relationship management is highly challenging and often overlooked. Alpha mentions how this dimension was one of the reasons behind the closure of her company, and how it is often overlooked by start-ups. Alpha suggests that having a binding contracts for the founders and employees from the beginning, helps to establish healthy communication and relationship dynamics, by setting clear boundaries, expectations and responsibilities for the founders and employees are key to survival. This notion by the interviewee is directly in line with Malem (2008), mentioning that consolidating contractual agreements is one of the key strategies to avoid unnecessary challenges.

Retailer relationships are one of the most urgent challenges of a fashion entrepreneur. Alpha explains that the main reason behind the closure of her company was the lack of trust in retailers and erosion in their relation, due to delays in payments and poor communication. If retailers are selected qualitatively, it is a two way beneficial relationship. The company needs to try to please, listen, surprise and interest retailers by, for instance, implementing a garment change that the retailer suggests.

Interviewees remark the challenge to create healthy communication and relations with suppliers and manufacturers, due to the role these stakeholders play in the company's success. It is, however, challenging to accomplish, mainly due to the geographical distance, barriers in language and the opacity of the industry. The interviewees, further confirm the importance of relationship management with suppliers, as stated by previous research (Negarandeh, 2008; Hauge, 2012). Gamma, for instance, travels to places where he can find the right manufacturers or suppliers to meet them in person and monitor the process.

Gamma emphasizes that customer loyalty and satisfaction is a key to success but how challenging it is, being a small start-up, to keep up with the high standards in customer service that are established in the market. Beta points that they rely on new approaches to earn more customer loyalty: The company uses brand awareness and the customer loyalty to create advertising programs, which in turn will lead to more awareness and loyalty.

Therefore it can be concluded that relationship management within the company, with retailers, with manufacturers and other suppliers, and with customers are urgent challenges. The interviewees have expressed how essential they are for the survival of fashion companies, and how challenging it is to establish and maintain the relationships. These findings are strongly in line with statements made by Marcella & Rowley (2015), Negarandeh (2008), and Hauge (2012).

### **Finance Management**

The interviewees have confirmed that the FI is indeed very inconsistent in terms of cash-flow, creating challenges within the anticipation and planning of cash needs. These challenges create a difficult environment in which to reach a stable and positive cash-flow.

In general, the interviewees confirm that managing finance (especially cash-flow) is challenging, due to the peaks and lows in incoming and outgoing cash, and therefore contradict the naivety Malem (2008) mentioned. Gamma explains that cash-flow management is a general problem in the FI. Even though costs of a season's collection are carefully planned and anticipated, money needs to be saved in order to finance it. Gamma states that there are very hectic months in the FI, with some that have a positive cash-flow,

and in these, sufficient cash has to be accumulated. Other months during the year have a negative cash-flow, and the accumulated money has to be used. Industry experience is needed to predict and prepare for the strong fluctuations. These peaks and lows in cash-flow were mentioned by Gehlhar (2008), and the solution, industry experience, is further confirmed by Beta. He mentions that, as the company matured and stabilized, they became well aware of cash-flow and liquidity needs and requirements.

Timeline and book keeping are also mentioned, by the interviewees, as challenging. As Alpha remarks, these administrative aspects are essential for a company to survive. However, other interviewees such as Epsilon or Gamma confirm that they lacked awareness of finance management when entering the FI, and gained them during the entrepreneurial process. Considering the success of the companies started by Epsilon and Gamma, it can be concluded that such financial knowledge is not determinant when it comes to the survival of the company, but the challenge is to obtain the needed knowledge during the entrepreneurial process. Therefore, it can be suggested that it is beneficial to have such knowledge before starting the fashion company. This is further confirmed by interviewee Epsilon, which showed that he was unpleasantly surprised by the needed financing over the first seasons.

Therefore, we can conclude that financial management is a challenge, but pre-existing knowledge is not necessary in order to launch a fashion company successfully, as many of the successful interviewees confirm that they launched their companies lacking financial education and acquired them during the process. However, lacking financial skills might imply entrepreneurs to face unexpected challenges that could substantially influence the performance of the fashion company.

Table 2: Primary and Secondary Findings (based on previous research and interviewees' inputs)

<b>CHALLENGES OF THE FASHION INDUSTRY</b>		
<b><u>The Challenges</u></b>	<b><u>The Specificity of the Challenges</u></b>	<b><u>The Relevance</u></b>
High Competition	-Monitoring competitors -Differentiating from competitors -International companies and markets influence.	-Relevant challenge in Commercial Segments.
Micro companies' liabilities	-Production minimums -Leverage disbalance -Noticeability -Work overload	-Relevant challenge
Industry's fast pace	-Seasonal Intensity -Trends rapid change	-Relevant challenge in Commercial Segments -Depends on the company's stage of development (not relevant during start-up phase)
Creative-Commercial Balance	-Equilibrium -Creative relevance -Commercial Performance	-Relevant challenge -Equilibrium is segment dependent
Networking Opportunities	-Shared knowledge access -Social connections	-Only relevant challenge in the Commercial Segment
<b>CHALLENGES AROUND THE FASHION ENTREPRENEUR PERSONA</b>		
Orientation	-Commercial/creative motivations -Having a clear vision	-Relevant challenge
Human Capital	-Education, skills and experience -Missing skills -Personal traits	- Personal traits and missing skills represent relevant challenges.
Financial Capital	-Acknowledging and acquiring launch capital	-Not a relevant challenge
Social Capital	-Building and using Social network	- Relevant challenge

<b>CHALLENGES OF THE FASHION ENTREPRENEURIAL PROCESS</b>		
<b><u>The Challenges</u></b>	<b><u>The Specificity of the Challenges</u></b>	<b><u>The Relevance</u></b>
Growth Management	-Long term growth -Brand-value, social and PR growth -Product and time management	-Relevant challenge
Brand & Marketing Management	-Scarce resources -Clear branding -Effective market research	-Relevant challenge
Project & Production Management	-Correct management of production -Creating appropriate seasonal collections -Allocating the garments -Post season reflection	-Relevant challenge
Relationship Management	-Internal -Retailers -Providers/Manufacturers -Customers	-Relevant challenge
Finance Management	-Cash-flow management -Timeline and book keeping	-Relevant challenges

## **5. CONCLUSION AND IMPLICATIONS FOR FUTURE RESEARCH**

The goal of this research was to contribute to the study of the causes behind the low survival rates of fashion start-ups in the FI, by identifying the main challenges that fashion entrepreneurs face when entering the FI and their relevance. An extensive literature review was conducted, identifying the main challenges that the specific characteristics of the FI, the fashion entrepreneur and the fashion entrepreneurial process imply for the fashion entrepreneur. A coherent theoretical framework is the result of this first stage (Table 1). Secondly, this framework was applied in interviews with five fashion entrepreneurs. The relevance and to what extent the identified challenges affected their entrepreneurial endeavours was analyzed and presented (Table 2).



The authors consider that the research has successfully constructed a coherent theoretical framework (Table 2), presenting the challenges that can be concluded from previous research and their relevance according to the interviewees. The constructed framework has two purposes for the fashion entrepreneur, and other creative entrepreneurs. First, it can be used when seeking guidance in the potential challenges that might be faced and their importance. Second, the framework can be the foundation or starting point for further research in fashion entrepreneurship or in other creative entrepreneurship studies.

The findings of this research can be divided in two principal conclusions. First, it exposes an obvious difference between the challenges present in each of the FI segments (commercial and designer). Second, there exist obvious differences of relevance and importance among the identified factors.

The research identified differences among the challenges faced by fashion entrepreneurs depending on the segment, within the FI, they operate in. This segmentation depends on the orientation of the fashion entrepreneur, which therefore plays an essential role on the challenges he/she will be facing. In this regard, being aware of the creative-commercial balance that each segment requires, and abiding to it is an essential challenge that all the fashion entrepreneurs face. Furthermore, it has been identified that the high competition in the FI implies a serious challenge for the commercially oriented interviewees, but not for the interviewees operating in the designer segment. As for the global competition, it proved to be only relevant when the company expanded internationally, not affecting the participant's when exclusively targeting the country of establishment. The same can be applied to the seasonal intensity of the FI, representing a challenge only for the start-ups operating in the commercial segment. Finally, the networking willingness within the FI, which differs strongly according to the segment. These differences are evidence for the need of a more segment-specific approach in fashion entrepreneurship research, as previous academic work has not acknowledged these segment peculiarities.

This research has illustrated how the importance and relevance of the identified challenges varied greatly among the interviewees. Some of the challenges were regarded as highly relevant. The interviewee Alpha mentions the three main challenges that determined the

closure of her company. First, the lack of payment from retailers (caused by the lack of leverage due the small size of the company, and due to the erosion of their relations). Second, a decrease in communication and satisfaction among the two founders. Finally, the increasing competition in the commercial segment of the FI (intrusion of luxury houses). This highlights the importance of the challenges that the small size of the company (lack of leverage, production minimums, noticeability and overload of work), relationship management (internal and external communication) and the high competition in the commercial segment imply for fashion entrepreneurs.

Regarding the challenges identified around the fashion entrepreneur persona, the most relevant challenge is to have all the required personal traits. Furthermore, using the available social capital of the entrepreneur to substitute the missing skills needed, has also been identified as a relevant challenge. The challenges of formulating and committing to a clear vision, when launching the company, and relying on their creative motivation are pointed out as relevant challenges by the interviewees.

When it comes to the specific challenges of the fashion entrepreneurial process (Growth Management, Branding and Marketing, Project Management and Financial Management) the interviewees agree that fulfilling the basic requirements for each is both, challenging during the start-up phase, and essential in order to survive. This stresses a need for more in depth knowledge around the entrepreneurial processes in fashion and, therefore, further academic research on the topic.

On the other hand, some of the identified challenges were not regarded by the interviewees as relevant during the start-up process. Obtaining the financial capital needed to launch the venture was not mentioned by the interviewees as a challenge.

### **Implications**

The main practical implications for fashion entrepreneurs that stem from the conducted research are twofold. First, entrepreneurs entering the FI need to be aware of their own orientation (creative or commercial), in the segment of the industry this orientation will place them (designer or commercial), the balance between creativity-commerciality needed in the

given segment and how the segment will determine the challenges faced and their intensity. Second, they must bear in mind that the several challenges they will find are of different nature and importance. It is essential to focus on the ones with higher potential of affecting the outcome of their start-up negatively.

As for future research, there are a number of implications that the authors would like to pinpoint. As previously mentioned, due to the lack of previous research addressing this specific research, the authors aimed to structure a general framework illustrating the main challenges that fashion entrepreneurs face when entering the FI. The natural consequence of this ambitious objective is a rather generalistic map of challenges that the fashion entrepreneur faces during the start-up phase. The authors would desire to see a more focused study of each of the specific challenges identified, and a quantitative study would test and validate our assumptions. Furthermore, future research should address the challenges faced in each segment of the FI (designer, commercial).

The collection of empirical data for this research has been limited to the city of Copenhagen, which does not make the findings fully generalizable globally. The created framework should be applied in different geographical locations, as the comparison of results can shed light over the similarities and differences of the challenges faced by entrepreneurs among geographical FI.

Finally, the authors believe that the examined factors and the theoretical framework that resulted from this study can also be valid as a base for future research in other creative areas. Therefore, interesting insights can be gained when this framework is applied in other different creative industries, and how the factors determined the survival of the analyzed cases.

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## **APPENDIX 1**

### **THESIS INTERVIEW GUIDELINE**

#### **The fashion industry.**

1. It is said that the fashion industry has low entry barriers in terms of starting your own brand, how did you experience this?
2. The stereotype is that founders of fashion brands lack substantial business skills, how would you judge this reflecting on your own business skills at the start of the brand?
3. Did you understand the importance of business skills from the start or did this awareness arise during the development of the brand?
4. How did you perceive the competition of other brands when entered the industry and how did you deal with it (differentiation, ignoring, imitating)?
5. It is said that many fashion entrepreneurs enter the Industry without any specific business strategy, due to low economic entry requirements of the market. Did you elaborate an accurate business plan? How do you perceive that having/not having a well thought business strategy affected the performance of the company?
6. In general, most fashion brands launch with only one or a few founders, meaning that a lot of the activities have to be done by one or a few persons. With how many persons did you start and how did this limit you? Also, how did you manage to overcome this lack in manpower?
7. The fast pace of this Industry is well known. How did you try to adapt to all the different seasons and ever changing trends? Do you feel the pace is getting faster and faster, even for the smaller brands on the market?
8. Some countries are valued for their strong support of upcoming fashion brands or designers. How do you think about the support that Denmark or other public entities offers for starting fashion ventures?
9. Do you think that, if you had more support and advice from external professionals, that you would be more successful or at least achieved success faster?

#### **The orientation of the fashion entrepreneur.**

10. Did you have a certain goal, vision or aspirations when you started this brand?
11. Did you approach the fashion venture more focused on the creative/design part or more on the commercial part of the brand?
12. Was it hard for you to find a balance between the creative value of the brand and the commercial value (or function)? Was this (balance between creativity and commerciality) something that you intentionally decided before launching?

#### **The education of the fashion entrepreneur.**

13. Could you tell us something about you education and other previous experience (in work or other learning activities)?
14. Do you think you had a more broad or a more narrow skill-set when starting the fashion venture?
15. Did you realise or experience lack in certain needed skills for the development of the fashion brand? How did you solve this gap in needed skills?

**The financial capital of the fashion entrepreneur.**

16. Could you tell us a little bit about how you financed the initial start of your fashion brand?
17. Did you have all the needed financing in place before starting the brand, or did you have to find additional cash during the development of the brand?
18. Were there other sources of capital that you knew you could get access to if needed?

**Social capital of the entrepreneur.**

19. How did you feel about your social network before starting the fashion venture, did you have the feeling it was quite rich? Or did you have the feeling you would still need to meet a lot of people that could be important for the outcome of the venture?
20. Did your social network contain a lot of people with different skills and background, or was the network very narrow (for instance most of them from the creative industry)?
21. Did you use your social network a lot during the start of the venture?

**Other challenges of starting up a fashion brand**

22. How long did it take for the fashion venture to break-even and reach a healthy cashflow?
23. Was it harder to have a healthy cash-flow in the first season of the company, or did it get harder after a few seasons?
24. Do you feel that you strategically approached the development of the brand, and did you analyse the market that you were about to enter?
25. Do you feel that you spend a considerate amount of energy on the planning and control of the company?
26. Do you intentionally seek a balance between the commerciality and creativity of the brand and the garments?
27. How did you experience the initial growth of your brand/company, was it expanding fast? What were the main challenges in making the brand grow?
28. Is it hard for you to spend time on planning activities and project management, because of constrained resources, time, and knowledge?
29. Do you spend time on after-season evaluations, on how it went and what the problems were?
30. How was your knowledge around finance management before starting the company, did you have to learn much during the process?
31. Do you think a lot of starting fashion brands underestimate the difficulty and importance of finance management and general administration activities?



## APPENDIX 2

### **INTERVIEW GUIDE**

#### **Intro**

Current situation of the company (age, amount of employees, countries sold)  
Situation when started (human, social and financial capital)  
Education or Background  
Main struggles faced to launch the brand.

#### **Fashion Entrepreneur Personal Characteristics**

Aspirations/motives when/for entering the Industry (economic performance/design relevance)  
Skills and lack of skills when started  
Financing the launch  
Clear Vision when entering the Market?

#### **Design Fashion Industry**

Low Entry Barriers: Strategy before entering the Market  
Competition approach (trying to be different?)  
Prioritizing/balancing Aesthetic (creativity) or Economic (commerciality) performance  
Fashion Seasons and the increasing pace of the fashion industry  
Size of Fashion Brands and limitations  
Globalized Market (competition from other countries/areas)

#### **Danish Design Fashion Industry**

General Comments (about the industry and support from government)  
Networking Infrastructure (institutions or channels to reach out for help/connections)  
Danish Design Trademark effect (value of "designed in Denmark"), within Denmark and outside.  
Importance of location (based in Copenhagen?)

#### **Entrepreneurial Process Challenges**

Slow organic growth/Rapid (was this a choice or was fast growth not possible?)  
Growth plan (was there a specific plan?)  
Branding and Marketing Strategies (before starting the brand or after?)  
Seasonal merchandise Planning (did they immediately start with following the typical seasonal character of the industry?).  
Importance of Network (how was it used to grow, essential for survival?)  
Relation strategy with Stakeholders (importance of keeping good relations with customers but also other stakeholders, suppliers etc.)  
Financing and cash-flow Planning (was the awareness about what was needed to break-even and have enough cash?).

-Are there other things the interviewee would like to add about the challenges in the danish fashion industry?