



## RETAIL

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# Fast fashion is taking out traditional retailers, now one CEO is bringing the model upscale



- Xcel Brands is trying to replicate fast fashion's model on higher-quality products
- The company owns labels including C. Wonder, Isaac Mizrahi and Judith Ripka
- It has entered into partnerships with Lord & Taylor, Hudson's Bay and Dillard's  
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22 Hours Ago



Source: Xcel Brands

A look from Xcel's C. Wonder brand.

By promising low prices and constantly changing styles, fast-fashion retailers like [Zara](#) and [H&M](#) have unseated traditional apparel chains as the go-to destination for many shoppers.



Now, one company is trying to bring their concept to more upscale products.

**Xcel Brands**, a Manhattan-based company that owns labels like Isaac Mizrahi, C. Wonder and Judith Ripka, has developed a manufacturing model that slashes the amount of time it takes an item to go from the sketch pad to the selling floor.

Whereas outgoing **Ralph Lauren** CEO Stefan Larsson **aimed to cut the company's lead times from 15 months to nine months**, Xcel CEO Bob D'Loren has whittled his team's process down to six weeks. He's done so by using what he calls a "quick-time response" model, which positions Xcel's in-house teams under the same roof as members of its wholesale and factory partners.

This setup minimizes the time that would otherwise be wasted coordinating with external U.S. or overseas offices, enabling Xcel to respond more quickly to trends that bubble up on search engines or social media. The process also allows its brands to bring fresh products into its partners' stores every week, and place smaller bets on styles that might not resonate with customers. Then, if it finds a hit, it can quickly order more.

By using this model, Xcel's goals are to bring shoppers into its partner stores more frequently and minimize widespread markdowns that have sucked out the industry's profits.

Having first launched this strategy in partnership with **Hudson's Bay** and Lord & Taylor last year, Xcel recently signed a similar deal with **Dillard's**. But while expanding Xcel's distribution is one of D'Loren's key priorities — both by entering new retailers and acquiring new brands — the CEO's No. 1 goal for 2017 is improving his existing labels' quality.

"Like anything in life when you go fast what typically gets sacrificed is quality," D'Loren told CNBC in an interview. "At the end of the day if the product's not right you can be the fastest guy in the world and you won't succeed," he said.

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## How it works

When D'Loren founded Xcel Brands in 2011, he wanted to combine shopping with entertainment and social media. A key part of that strategy was selling directly to consumers on television. But the CEO realized his company wasn't being as strategic in the department store space as it was on [QVC](#).

That revelation led to a partnership with China Ting, a vertical factory group that does everything from printing to sewing fabrics. Producing between 18 million and 20 million garments for the U.S. each year, the family-run group manufactures Xcel's products from a 200-acre complex in Hangzhou, China.

Twelve of the factory's employees sit in Xcel's midtown Manhattan headquarters. That eliminates the half-day time difference that would otherwise slow down decision-making and production. By having a dozen China Ting employees in New York, the factory can figure out in real time things like how much fabric would be necessary to bring a design into production.

"The big difference is, compared to the traditional manufacturing role, we are more involved in the product development stage," Tony Shen, president of China Ting's U.S. office, told CNBC.





The manufacturer's vertical setup is what truly makes the partnership work. Historically, overseas factories have been reluctant to invest the money and labor required to produce smaller batches of high-fashion product. But a company using a vertical model has the opportunity to balance out its profit and costs across multiple line items, Vincent Quan, an associate professor at the Fashion Institute of Technology, told CNBC.

That Xcel also orders large quantities of less-risky, basic items should further pad China Ting's bottom line, Quan said. In any case, as Chinese factories face growing competition from lower-cost countries like Cambodia and Pakistan, they're under more pressure to agree to smaller production runs, D'Loren said.

"If this were five years ago, the answer would've been 'no,'" D'Loren said about working with Chinese factories on smaller orders.

Xcel's operations also require a commitment from its retail partners. Members of their teams have desks in Xcel's office where they spend three days a week, D'Loren said. After launching four of its brands at Lord & Taylor and Hudson's Bay last spring, Xcel's H Halston label debuted at Dillard's in March.

Xcel will expand its partnership with Hudson's Bay in spring 2018 via its C. Wonder brand. The company will also look for opportunities to enter additional retail stores and acquire new brands, D'Loren said.

### A lesson in consumerism

Bringing a fast-fashion model up the pricing spectrum is "Consumerism 101," FIT's Quan said. Whereas some shoppers flock to Forever 21 and Zara in search of rock-bottom prices, others are attracted to their constantly changing, on-trend styles, Quan said.

In those cases where price isn't as much of an issue, "What we're seeing potentially is the natural affinity for consumers to trade up," Quan said. That could especially be the case for environmentally conscious customers who want their clothes to last multiple seasons, he said.



Meanwhile, Xcel has an opportunity to capture market share as specialty apparel stores like [BCBG file for bankruptcy](#), and others like [Banana Republic](#) continue to lose sales.

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## "I want to prove it and I want to make it work."

-Bob D'Loren, CEO, Xcel Brands

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There are already signs that fast-fashion shoppers are willing to spend up on the right product, Quan added, pointing to collaborations between these stores and high-end designers. For those types of limited-edition collections, price tags can run into the triple digits, Quan said.

"Since the fast-fashion retailers have the customer buying at 'X' price, why not give them the opportunity to trade up?" he said.

He cautioned, however, that if a company plans to charge more for fast-fashion goods, they'd "better be sure that the quality holds up." Indeed, while a knee-length lace dress from IMNYC Isaac Mizrahi started at \$129, a similar style was selling at H&M for \$39.99.

The stakes are even higher when you consider where Xcel's products are sold. Whereas all the clothing in a fast-fashion shop is created under the same model, Xcel's quick-turn products have to compete with pieces that were crafted over a series of months. Those items typically go through three or four rounds of samples before they're produced en masse.

Xcel, on the other hand, works off just one sample. To ensure the quality of its items, it has someone examine them through each step of the process, from the trim to the hardware, D'Loren said.

Though D'Loren cautions that Xcel is early in its transformation, he sees an opportunity to grow the company's retail sales from roughly \$45 million in fiscal 2016 to \$600 million in three years. Xcel sells

sees an opportunity to grow the company's retail sales from roughly \$45 million in fiscal 2016 to \$600 million in three years. Xcel sells merchandise to its partners at wholesale price and generates its revenue off a percentage of its partners' topline sales.

"Intellectually it's fascinating," D'Loren said. "I want to prove it and I want to make it work."

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