



16th INTERNATIONAL TEXTILE AND FASHION CONFERENCES

FASHION TECH AND DIGITAL REVOLUTION

Saturday 23 April 2016 / 10.30am

Moderated by **Laurent Raoul**, Professor, IFM, Founder, XL Conseil

Speakers:

Maxime Coupez, Director of Strategy Division, Fabernovel ;

Céline Lippi, Co-founder and General Manager, Fashion Capital Partners ;

Eric Peters, Deputy Head of Unit, DG CONNECT European Commission ;

Pascal Morand, Executive President, Fédération française de la couture, du prêt-à-porter des couturiers et des créateurs de mode

Good morning. Jean-Pierre Blanc opened the Conferences yesterday. They are part of the International Fashion and Photography Festival and, as such, are very important to us. They have existed for over 15 years and are organised in partnership with the Institut Français de la Mode.

I'd like to remind you that this great idea came from Didier Grumbach, who is a pioneer because other Conferences now take place on the same lines, particularly in Austin, Texas as part of a festival dedicated to Digital Creativity.

This year we decided not to focus exclusively on Fashion tech and the digital revolution, but to emphasise the connections between digital culture and creativity, which relates directly to digital technology that is often associated with creative industries. There are in fact many interactions.

Yesterday morning a brainstorming session brought together a hard core of IFM and Ecole 42 students led by Lucas Delattre, a teacher at IFM, and Noémie Balmat, founder of the Clausette fashion magazine. The partnership between these two schools, which was initiated by Clarisse Reille, Director General of DEFI, has already proved a success.

Lastly, our counterparts from the fashion federations of the other great capital cities have joined us in Hyères for the first time, including Steven Kolb, Chief Executive Officer of CFDA, Carlo Capasa, President of Camera della Moda Italiana and Caroline Rush, Chief Executive of the British Fashion Council. Ralph Toledano, President of the Fédération française de la Couture will also be joining us shortly.

I'd now like to hand over to Laurent Raoul who will chair the meeting.

Laurent Raoul

Thank you Pascal.

In previous years at these Conferences the theme of fashion tech and digital has already been discussed from different angles, in terms of photography or trade fairs, at times when fashion tech and digital technology were only beginning. We will discuss digital technology at length, but also everything around technology and fashion.

Because at the IFM we like studying economics and because it is often interesting to put the subject we are discussing into perspective, I'm going to give you a few statistics.

Today, if we consider fashion from the starting point of "affordable luxury" as the Americans say, with Michael Kors, to reach the top of the price pyramid with Hermès or Gucci, this sector accounts for 225 billion euros of business worldwide, 6 to 7% of which is generated through digital channels. 14 or 15 billion euros are therefore subject to the issues of digital technology. Certain players exceed hundreds of millions of euros, Yoox and Net-a-Porter have even reached a billion euros. We've often said this was the future, and this is where we're at today.

For the summaries I used the economic analyses of McKinsey, Bain or Xerfi. Certain studies, such as McKinsey's, suggest that in the last seven years the annual digital increase in the sector has reached an average 27%, on a regular basis. From 2013 to 2014 there was an increase of between 45 and 50% from one year to the next. If we apply these statistics to the figures of 14 or 15 billion euros, they highlight the extreme importance of what is currently taking place in digitalised trading.

McKinsey tells us that in 2014 the market share of genuine brands, not those of Internet sites or distributors, exceeded those of the other players and accounted for 28% on the digital sector, ahead of the distributors and private sales. We've often said that brands would not follow the digital movement, but this figure clearly proves the contrary.

We tend to say that it is utter nonsense to talk of digital technology as such. Even though it is highly likely that omni-channel and digital belong to one and the same world, it has to be said that certain players are very focused on digital technology while others, who come from the old world, are on that of storytelling. We mustn't forget that this has resulted in remarkable products and still represents an important dimension today.

We've witnessed very different business models develop in the digital sector. The digital sector should not be seen as a whole, it would be a mistake to think that all fashion brands are the same. Putting Jean-Paul Lespagnard, Gucci, Acne Studio and Michael Kors together and saying that it's the same thing would be stupid. The same applies to distribution: you can't go from Colette to a Hermès or Barneys boutique.

The same differences are found in the digital sector. There are several models, to the extent that it is impossible to compare Farfetch with PréCouture, Mytheresa or ModaOperandi. They are positioned very differently.

Digital technology may be a sort of lever for traditional trade, like Net-a-Porter which, on the whole, is a digital transposition of department stores, whereas ModaOperandi or List, to name but a few, represent a different approach to trade.

Not all these forms will provide all the brands and all the distribution with the same opportunities. The question we want to ask this morning is "which combinations are likely to work in terms of distribution, brand and digitalisation structures?"

Digitalisation has gradually given rise to convergences that were improbable in the past. Historically, competition has always taken place between similar players: brands fought other brands, distributors other distributors. The first Internet sites also fought their direct rivals. It's an approach that is already in the past. In the end the messages Condé Nast sent out via

Vogue.com and Style.com say “We are going to invite ourselves to the distribution market”. Style.com, which has become absorbed in the universe of Vogue.com, could well become a rival and even take over an organisation such as Net-a-porter. Media that used to form highly specific clusters are now part of the debate. Players who used to operate in separate spheres are now meeting one another. The rules of the game have become complicated. There used to be 3 groups of players – the distributors, brands and media – digital technology now makes the fourth.

We should ask ourselves whether there are not major merger-acquisition movements. We know that digital technology and actual physical presence go well together: Amazon has shops in the United States, Farfetch has set up at Browns, Mytheresa has a shop in Berlin, and similarly Hermès has Hermes.com, Barneys has Barneys.com. The situation is far more complicated than it appears. We might wonder whether the positions that are to be adopted will benefit creativity or creation. All of this only makes any sense if creativity continues to survive these changes and that they do not result in a lowering of standards in a form of creative-marketing-brand that would discourage risk taking – always a vital factor in fashion.

A word on uberization. Uber is a company that has created a type of service in a field that no longer produced many: transport. Uber has ended up in a situation where, for the consumer, the service has become the main object of access to the product. In the fashion sector, are we forced or prepared to accept the fact that service may become more important than that, which made our history? In other words, an offer comparable with storytelling that works well. Recent events are full of examples of these turnarounds that have nothing to do with digital technology: Saint Laurent’s renewal with Hedi Slimane, the same thing at Balmain with Olivier Rousteing, Gucci that has come back with an extremely interesting creative proposal. In the case of Saint Laurent for example, which is nevertheless miles away from digital technology, the results are very convincing in business terms. Which just goes to show that the old drivers of our sector are still working: a remarkable offer, storytelling, a designer and a legacy, such as at Hermès, which creates in the mind a dimension which is sufficiently motivating to encourage us to seek, first and foremost, products and histories.

And yet it can’t be denied: service is here with proposals for accessing fashion that are very interesting. Farfetch, PrêCouture and ModaOperandi offer different ways of accessing fashion, via media channels and also pretail that enables a few lucky people to come to fashion shows very early to place pre-orders. Service can clearly offset storytelling and even add to it.

Will the rules of the game be the same for young designers? Because it’s a subject that concerns us here in Hyères, to continually encourage young talent to emerge – fashion can only exist provided it is renewed. Iconic brands are themselves renewed by the creative input of young designers – there are a certain number of artistic directors here who were selected at the Festival and who have since become authorities in the world of fashion.

Will digital technology help young talent to succeed or will new designers still have to rely on old formulas? We will discuss the various fund raising systems, will the “titans” manage to bring themselves within the reach of young designers to create the participatory sites they need to promote themselves?

We will attempt to determine which mechanisms could act as a lever in this, the wonderful world of fashion.

On the question of service, rather than “trendsetters” we have here today a few observers, each with a different viewpoint.

I’d like to begin with you, Maxime Coupez. You are a slightly unusual engineer because you have worked at Sotheby’s and taken part in the creation of a start-up in the art world. You are currently working in the Strategy Division at Fabernovel, work that consists in observing digital strategies. In your opinion is the service aspect likely to take over from fashion and, as Jeremy Rifkin predicts, mean that in the long term use will supersede possession?

Maxime Coupez

Fabernovel is a company that has existed for 13 years and that helps large companies in very different sectors take the digital leap. It is first and foremost a new culture. You need to integrate at a very deep level new ways of working and approaching your business and customer. For traditional, standard companies we also offer design, prototyping and the development of new lines of business, services, associating a great deal of digital technology. Part of our R & D consists in deciphering the strategies of the Web giants such as Google, Facebook, Apple and Amazon. We publish studies (Gafanomics) on the reasons behind their success and the possibilities of applying their formulas to other companies.

A new Uber in fashion? That seems difficult because the service outweighs the “product” -in this case the car- to such an extent, what matters being to get from A to B. Uber has managed to shed virtually the entire physical aspect of a process and made it fun, efficient and fully accessible on mobile devices.

As a comparison, in fashion it's the object itself that provides the value and enjoyment we get. In theory at least, it's impossible to transform fashion entirely into service. Let's take, however, the example of Rent The Runway, which is a site for renting clothing and accessories. In concrete terms, if I am looking forward to an evening party in 2 weeks' time I will go and buy a 500 euro dress for the occasion, which I will wear once or twice and which will then remain in my wardrobe. This is the traditional way. Today, with Rent The Runway, I can hire an extraordinary dress for 200 dollars – it's worth 10,000 – I'll only wear it once for a special occasion. Rather than owning fashion accessories or clothing you can hire them. In the end the value of use, that of wearing an extraordinary dress, is the same. The business model, on the other hand, is totally different.

Brands are clearly affected: the fact of one person buying a product is transformed into a single purchase for the fifty people who hire the dress. Which, incidentally, is not a bad idea in terms of sustainable development.

The “uber” model, which is very successful, reinvents the consumption of clothing and changes our relationship with clothing at a deep level without losing the value of fashion.

An interview with the founder reports that Rent The Runway has 5 million customers, 100 million dollars turnover last year and is now worth 800 million dollars! They have just launched a subscription offer that goes much further. For 130 dollars a month you have access to the entire wardrobe, which you can renew whenever you like. You no longer have to trail around the shops to buy new clothes, you have a service that enables you to change your wardrobe and feel great all year round.

Laurent Raoul

To compare with music, I'd say it's like Spotify.

Maxime Coupez

What we should learn from this system is the end value for the customer, how to make a purchase that is easier and cheaper. It's comparable to Uber even though the mechanism behind it is totally different.

Laurent Raoul

Other players are appearing every day with new formulas and volumes of business that are far from insignificant, such as Fashiola, which originated in the Netherlands and which has a monthly income of 3 million as a List type intermediary.

We are now going to change our view-point. What do you think of the idea that fashion tech and digital technology are good levers for developing young talent not only in fashion but also for creating new business models?

Céline Lippi, you represent Fashion Capital Partners, a seed fund created in 2013. You help companies that combine fashion tech and fashion. You have a background in technology, you have worked in Silicon Valley and now you are involved in the future of young designers.

Céline Lippi

I have a background of fifteen or so years in IT companies, particularly American, Dutch and Japanese. Even at the time we used to talk of the ancestors of big data. The subject was already being discussed by the big groups, including in the luxury sector.

I have therefore been at the crossroads between high tech and fashion for the last five years, wondering how innovations in the broadest sense could add value to the entire chain, wearable tech and textiles up to retail, how start-ups can disrupt business models by providing value themselves but also by helping emerging talent.

Laurent Raoul

I think you are shareholders in PreCouture ...

Céline Lippi

Absolutely, we became shareholders in 2014. ModaOperandi was founded in 2013. I thought it was interesting to support a new business model whose vocation was to shorten the operating cycle by enabling the end customer to buy items from fashion shows directly during fashion weeks, the down payment being used to ensure production.

For the major brands that are present on PreCouture it doesn't really change their lives, but it's true that the start-ups also welcome young designers. The principle is a good one. It also supports the idea that there are potential customers who, despite normal expectations, are prepared to place an order thereby helping to finance production. Even though ModaOperandi, which has greater market maturity, works well in the United States, this other model, which is very interesting, is very appropriate today. In any event, we are confident. It's comparable to the Rent The Runway model. In France, the idea of hiring clothes has not really taken. I'm beginning, however, to see projects take shape, it's mainly a question of time to market, where people are prepared to adopt certain new uses and try new consumption patterns.

Laurent Raoul

For those familiar with ModaOperandi and PreCouture, we're talking of "see now, buy now, but wear later". I should point out that we are in the world of preorders, stocks are not available. It's the idea of bringing consumers along at the time of the fashion show and ensuring that, like the distributors, they can take orders to finance production, which for young brands is often the biggest problem. The innovative idea is to rethink how money and value are divided up.

Céline Lippi

It's about crowdfunding in fashion and even though I believe in it, it has to be said that it has not yet proven effective in Europe. Dedicated platforms have been set up in France, Great Britain and Italy but they have trouble starting up or funding projects through to the end. Two or three thousand euros are often injected into a project but it's not really enough to change the lives of the entrepreneurs. More generalist platforms have been used to fund projects, not necessarily in fashion, in particular "L'Exception" comes to mind.

In the United States, on the other hand, Kickstarter has funded almost 5,000 fashion-based projects, the sums sometimes being in excess of 500,000 dollars. Once again it's a question of market maturity. In France this is not considered very respectable; but creating a campaign giving your creativity free rein, providing captivating storytelling, seeing the project through to the end because you are sure it is meaningful should be considered something honourable. It also enables you to face the reality of the terrain and customers very directly. This model is still in the early stages but it should develop in France.

Laurent Raoul

I bow to your greater knowledge, but I don't think we yet have in France, or even in Europe or on the American continent, perhaps even in Asia, a major example of development of a brand or designer linked to fashion tech or digital technology. You wouldn't advise a designer or brand, such as Jacquemus who is often mentioned, to only work digitally. Jacquemus must be able to include working with old formulas. Wholesale remains a suitable, economically proven way of helping young designers to develop. Other than marketing brands, which are by definition not very creative, there are no brands in the world that have been developed solely using the digital lever.

Céline Lippi

We've been talking about American and English brands that are pure players, i.e. that are on a premium segment – they take risks; the difference is that they are not creative.

In France there is still a lack of concrete examples.

Laurent Raoul

I was thinking of Sézane, but is Sézane a creative or a marketing brand? Not that I've got anything against marketing brands. At the IFM we have the greatest respect for certain marketing brands. They don't take the usual risks.

Céline Lippi

We can draw a comparison with Finery which grew by 150% this year and should generate around 100 million dollars turnover in the next two years. Sézane is riding the same trends. On the other hand, if Jacquemus drops wholesale I doubt whether it can adopt an equivalent model.

Laurent Raoul

Even though there may be players that have validated their business models in terms of turnover, not always profitability, which can take time in the digital sector, both as far as

creation and young talent is concerned, it has not yet been proved that there is a miraculous formula that is purely tech or digital.

Other sectors could open our eyes because creativity is not in fashion alone, it's also in the automobile, hotel and other industries.

Éric Peters, you represent the European Commission. Europe has the largest offer of fashion brands in the world. It represents the leading world market, slightly in front of the United States, and it is fiercely determined to remain credible.

The Commission is clearly interested in digital technology: a programme has therefore been set up to mobilise 315 billion euros of funds over 5 years. Could this godsend land in our sector?

Éric, you also cover digital activity at DG Connect. How do you see this public intervention in the digital sector over and above fashion, over and above economic protection against counterfeiting, the ownership of personal data? From our triumphalist position, where we nevertheless still have to create business for these industries, what is the European Community's experience of this industrial revolution?

And how does Europe see us, players in the fashion industry?

Éric Peters

Firstly I'd like to emphasise that the European Commission is here to make proposals, not to give lessons. In the end the European institutional system does not take that many decisions, it's usually the Member States and Parliament. The fact remains that for us the creative industries and luxury sector, which represent millions of jobs and a considerable power to be reckoned with, are essential; and digital technology even more so. The European share of the luxury sector accounts for 70% of the world market. Our collective creativity in the 28 Member States of the European Union is a key issue.

Digital technology is clearly a revolution at such a deep level that it turns upside-down not only tech, but also funding, our relations with things and the challenges facing society. The development of the collaborative economy shows all these changes.

For creative industries, particularly fashion and photography, the question is how to renew and how the present industries are going to position themselves in the future value chain? The good news is that photography and fashion have already changed in the past when they came into contact with new technologies – electricity, cinema, etc. They've had a hundred revolutions. Fashion still exists and I think that faced with new challenges, we can allow ourselves to be triumphalist and optimistic. We will emerge from this new technological revolution stronger.

Having said that, we mustn't be naïve but very aware of the speed of the current changes: 2 years ago 90% of the data currently on the Internet didn't exist. 5 or 6 years ago Facebook had 100 million users; there are now 1.5 billion. We need to keep up with the changes and keep a watchful eye on their disruptive consequences. In the hotel, automobile and transport sectors, which are affected by this genuine industrial revolution, it has become apparent that the threat no longer comes from within. One of the big bosses of a German luxury car manufacturer recently said that he was more concerned about an Internet platform than about China. The challenges from competition are changing place. It is essential to examine the value chain and the way in which the players are positioned around it.

On top of which is a third element, data, that some consider to be a new currency. The capacity to analyse and process data has become paramount in order to have a link with the consumer. In the hotel sector for example, Booking.com is better placed to tell you what your customers expect, what your marketing position should be and to advise you, as well as taking a margin from you if the booking is made through them. The link they have with the consumer is immeasurably more developed than that which the hotel itself has with its customer.

How will fashion, through business models that are considerably less linear, maintain the strongest possible connection with the customer? In a sector linked to image and changes in society, how will it continue to have the best evaluation, feedback on product positioning? Is it the brand itself or will it rely on platforms that can generate enormous quantities of user data? Google can provide very accurate data on what each person consults, watches and buys. Data is still only partially important at present. The first digital revolution was Internet access on your computer, thereby providing new services: doing your shopping online for example. The second stage was the mobile phone – Uber would not exist without mobiles. The third wave is that of everything being connected, not only you but your sweater, shoes, watch, etc.

We talk about an exponential factor in data collection. How will the creative industries benefit from this gigantic quantity of data in the new environment?

We pay great attention to all these questions and the actions conducted at European level are aimed, in particular, at encouraging contact between creators and technology corporations. We also have guarantee funds dedicated to financing new talent as well as a plan intended to facilitate the digital internal market, i.e. the possibility for everyone to buy and sell on the Internet as easily as on the physical market, whether in France or abroad.

Lastly, I'd like to commend what's happening here, getting two communities to meet, and I think we can go even further: organise a social debate between representatives of the fashion and digital sectors. The future of fashion will depend greatly on changes in society and relationships with products. The emergence of automatic cars, for example, will probably result in a much more utilitarian usage of this means of locomotion. In a context where more and more companies are targeting their production by proposing bespoke articles - mugs, T-shirts – how will fashion change?

Laurent Raoul

Fashion differs from other industries such as cosmetics or automobiles, by the fact that it has managed to keep a hold on distribution via exclusive distribution networks and retain contact with the consumer. What brands are still lacking in department stores is information on the customer. What concerns them about these technologies is that an operator, a middle-man like Uber, Booking, AirBnB, has more information and knowledge of the customer than them.

What creates a form of potential resilience is the fact that brands have become retail in the last 20 years. This is not 100% positive: it's reserved more or less for the major brands and young designers do not necessarily have their own network of shops.

This enables brands with consumer awareness to “access the sea” as is said in macro-economics lessons; if not there is a risk of rupture. That said, a middle-man that becomes the spokesperson for brands could perhaps become a useful economic player if, like Uber, it manages to change the offer and service of brands.

Éric Peters

I insist on the fact that the risk could come from outside. For example, two years ago Google forecast a flu epidemic one week before the American health authorities. An information system such as this is therefore able to make an extremely accurate analysis of data on a specific sector. As the English expression “think outside the box” says, we shouldn't position ourselves by looking at the existing players and their place in the system, but realise that we can be taken over by the outside very quickly, by players who, in theory, have nothing to do with us. Uber and AirBnB have no cars or apartments and yet they have greater capital than the biggest players in the transport, property and hotel sectors.

The second aspect to be considered is that of Internet platforms that enable two users to be connected. In the fashion sector, of the 7 billion inhabitants many are potential creators. In

music for example, many singers get known on YouTube. We should ask ourselves how the fashion sector will channel a productive and creative capacity, how to make the most of it. There will be populations who will be interested not only by the brand but also by creations designed in deepest India by individuals or communities that market them on the Internet. The solution could come from interfaces that put the creation in contact with someone who is interested in it. Business in the future will stem from these Internet platforms.

How will the institutionalisation of creation be affected by this creativity which is virtually generalised and ubiquitous, made possible due to Internet technologies?

Laurent Raoul

As we're talking about creativity, there is the experience we had yesterday with the student think tank. You are right, in theory it's young people who come up with innovations, including social innovations.

Together with Lucas Delattre, a teacher at the IFM, we wanted to stand back, i.e. take time to observe what's happening on a small scale. On the initiative of Clarisse Reille who is with us today, an unlikely mixture between IFM and Ecole 42 led to the creation of IFM-Start. As an engineer myself, I have immense respect for the innovation promoted by Ecole 42, which was founded by Xavier Niel. What happens there is totally destabilising for someone who comes from traditional schools and who is a respected teacher. If you give a lecture there, the pupils stare at you as if you were an elephant in a zoo and you're told that they may not stay and listen to you, which means you don't interest them. I think that's great.

IFM-Start was created along slightly different lines, which makes room for the self-taught, students with projects, to encourage relations between them. I come from the world of IT and I share the point of view of students according to whom, in codes and IT, we are possibly just as creative as in fashion or the arts.

Lucas Delattre, what happens when you bring pupils from École 42 together with those from IFM-Start?

Lucas Delattre

Before I hand over to the students, I'd like to emphasise the limits and paradoxes of this subject. Digital means connection and calculation. But can everything be calculated and planned? I don't think so. Take literature as an example. Who could have foreseen that "Charming Bowels" would become a world bestseller? It was turned down by five publishers! A bookshop wonder that got everyone fantasising. I think fashion is at the heart of those paradoxes. There is also the example of a Virgin Megastore in Bordeaux that closed, whereas the Mollat bookshop in the same street stayed open. The owner of Mollat explained that Virgin customers are recognisable by the fact that they say nothing, simply ask for a reference and are surprised when the vendor introduces a human, unexpected, improvised dimension. Google will never be able to offer that type of contact.

Now let's hand over to Pia Hazoume from IFM-Start who works with a developer on predicting what customers want.

Laurent Raoul

The principle of IFM-Start is based on self-taught entrepreneurship. Over and above diplomas, an enterprise is first and foremost a matter of internal energy, a disruptive capacity to respect nothing, to try different formulas.

For Start our idea was to take students' projects as our starting point and to make ourselves available to them, which is the opposite of what usually happens.

Pia Hazoume, Student, IFM-Start

As Lucas said, it's complicated to plan for everything. And yet in a world where the possibilities have grown in number, it is fascinating to see that due to digital technology and the rise of the Internet, virtually anyone can set up their own e-shop. This development has resulted in a complete change in the landscape and behaviour of consumers which commercial tools have not necessarily facilitated. I'm interested in how this multitude is managed, bearing in mind that in order for it to be effective a greater human factor needs to be injected. I'm working on an algorithm for predicting the clothing preferences of online shopping users, the idea being to manage the multitude of clothes, the offer, and to use the data for shopping. Online proposals must be both appropriate and surprising because they are too predictable today. If I've looked at an article with flowers, the proposals I'll receive will also be printed with flowers. The idea is to retain the human dimension that you can have in physical shopping and to include surprise in the online proposals. I mix disciplines, working with a data scientist who provides a mathematical analysis of data management in addition to my own work that is more focused on human sciences. I analyse data through the prism of anthropological principles. I am basically very attached to the fact that fashion is and must remain a human experience, which has been forgotten in the proposals made until now.

Lucas Delattre

There is room for the "small" players, Amazon can't do everything.

Pia Hazoume

I think we need to use the collaborative efficiency that digital technology enables, and everything that has been developed in terms of marketing and retail by the players already in place, like Zalando and Asos that have grown very quickly. These are the models that work. Today 35% of the purchases on Amazon are made because they were suggested. It is interesting to assist them and provide them with a different view that will shed light on fashion and understanding people's choices.

Data goes with trends. The sociologist Dominique Cardon says that predictive algorithms will not tell you what people do, they'll tell you what people do without wanting to tell you. Trends are the picking up of weak signals that accompany movement tacitly.

Laurent Raoul

To go back to Amazon, we should remember that the turnover of the textile, fashion and accessories department has exceeded electronics which until recently was the company's core sector. Luxe and Digital also claim that 73% of the top American earners buy on Amazon. They are people who purchase creative fashion and luxury goods, not mass-market as might be supposed. This should get us thinking because Amazon is the owner of a huge quantity of data that can be exploited, as Pia said, in a disruptive predictive way.

We've just been talking about prediction, which is mainly used to plan production and procurement, but one of the questions we hardly ever answer is: who is going to pay for the products at the end of the day?

In the digital landscape I see a segmentation in these sites: there are those who take over to manage the flow and consumer knowledge without investing – AirBnB or fashion Uber – and

those like Net-a-Porter, Monnier Frères, Mytheresa, etc. who continue to buy goods and take risks. Fortunately, there are still these types of players who do more than just move information about but also finance the risk because the risk must be shared. We mustn't forget that creative brands produce leftovers, unsold items.

Alongside the great thinkers that we are, because we do not manage stocks of goods, we have Yann Rivoallan from The Other Store who handles goods both directly or indirectly.

Yann, are the distributors as we know them likely to disappear, be replaced by digital sites that have access to pure consumer knowledge? Will the new players go directly to the brands ... or will the notion of middlemen survive, with department stores or sites like Yoox or Net-a-Porter that continue to buy goods and act as economic buffers between the brands and consumers?

Yann Rivoallan, Co-Founder, The Other Store

I think Pia used the right word, "multitude". We used to be in a mass economy: you had to make super products that were bought in shops exposed to maximum traffic. Using developed algorithms, we now work with the multitude drawing on data generated by the mass. Everyone can film, write on Twitter, post on Instagram what we are saying. That's where the multitude gives information and it is the use of this enormous quantity of information that's essential at present. The change from mass to multitude gives data priceless value, and brands which, up until now, knew how to make beautiful products and fine shops, must learn to recover customer data. AirBnB, Uber, Farfetch, etc. know very well how to collect data to give them a better idea of how to sell us the products.

I suggest you read "l'Age de la multitude" by Verdier and Colin, which clearly shows the change from one to another.

We are now facing an opposition: that of buying the product or the customer. My company, The Other Store, works with some 25 brands and does not buy products, we develop their e-commerce. I have never bought products and if I do, the outcome is simple, it will kill me because at the end of the season I will find myself with stock I don't know what to do with. On the other hand, even though buying customers is becoming increasingly expensive each year, I know how to do it and how much I'll make. Each year means an additional margin point in order to buy a customer. Each time, you have to make further investment in order to succeed.

I believe the future lies in complementarity between those that will stay very strong and creative to manufacture products – the digital players don't know how to do it, AirBnB will never know how to build hotels – and those that will be increasingly adept at acquiring customers. We now need to find the synergies that exist to enable it to work.

Laurent Raoul

I'd now like to have the English, particularly American, view of the situations we have been discussing. One extremely important player, Steven Kolb, Chief Executive of the CFDA is here with us today. Because I worked as an engineering consultant for Coach in New York when they were transforming their first line, I am very familiar with the system in place in New York, which is really interesting. I would remind you that New York City, as a consumer of fashion, generates sales equivalent to those for Japan which is the second highest fashion consuming country in the world. New York is a genuine fashion State.

I found, in that world which is dominated by digital technology, because the US economy has produced the giants of the Internet, that the CFDA was working in the good old world of bricks and mortar via an initiative, the Fashion Manufacturing Initiative, which is a fund that is helping reconstitute, in New York and New Jersey, a network of designers, embroiderers,

simple manufacturers and other people who are very useful to the traditional fashion ecosystem.

Steven, what is the CFDA's vision in relation to young US design? And how do you see the merging of the two worlds, the old and the new?

Steven Kolb, Chief Executive Officer, Council of Fashion Designers of America

In my opinion the chief challenge facing most young designers is that of the wholesale model. This model no longer works as it did over the past few decades. The very immediacy of the shopping experience is tending to fade away or adopt other forms. Obviously for the biggest brands this is not really a problem because they can develop highly efficient internet platforms. Young designers can resort to sites like Shopify which enable them to establish direct interactions with distributors and customers. In the past, designers who were starting out, dreamed of having their own boutique. Nowadays they put all their energy into e-commerce. They do this for practical and economic reasons, but also and primarily because they want to develop a close connection with their consumers. From this viewpoint, as contributors to this discussion have emphasised, the information derived from data is absolutely essential. This is not just about inciting people to buy but for young designers to get feedback that can have a very positive influence on their creativity.

In the past, where fashion is concerned, reacting to people's needs and demands has always meant creating forms and trends. The new digital market can thus be a creative lever as much as it is a new economic and commercial environment. In this sense, storytelling is central for promoting and representing brands.

Designers used traditional media to put across information, but I believe there can be no better communication vector than designers themselves to promote their brands by talking about them through their own experience. Nowadays you can use the internet and social media to convert these stories into sales.

We are seeing the traditional media changing very fast. Journalists who used to deal with the industry in general are now recruited directly by the brands' editorial departments. It all depends on the ability of brands to connect directly with consumers. The wholesale is changing, almost disappearing.

It is interesting to see what trust consumers can have in e-commerce players. The US site Popsugar is an example of this. Based on subscriptions, customers pay 130 dollars a month for which they receive regular editorials on brands. Here confidence in storytelling is virtually 100%.

Laurent Raoul

We have talked about France and the United States. But we should not forget Italy which is an essential player in the luxury goods sector. We have the good fortune to have Carlo Capasa who chairs the Camera Nazionale della Moda Italiana with us today.

In Europe we have an important digital player, Yoox, which merged with Net-a-Porter, the historic site created by Nathalie Massenet. I think there is a real line of force of performance and vision running from the UK through France to Italy.

Carlo, how does Italy, which is often thought of as very traditional, see these questions of digital and fashion tech?

Carlo Capasa, President, Camera Nazionale della Moda Italiana

We have to admit that Italy is not yet in a very good position when it comes to consumers. On the other hand – and we see it with Yoox – we are effective in media terms. Put another way, in

Italy only 5% of luxury goods are bought on the internet while in Germany the figure is 25% and in England 21%. We are seriously behind the times even though we could talk about taste and the habits of Italians, who prefer to buy from shops – the smallest Italian town is full of little shops. Italians still often use websites to choose what to buy but then go and make their purchases in shops.

But what really bothers me is distribution which has always been vital in our sector. You have talked about the positive aspects of the web. Let's now talk about the bad side. Nowadays we don't really control the distribution of products. A large number of platforms operate independently and it is they who decide when your product will be offered for sale, what promotion it should receive, etc. In Italy the brands are afraid of losing the little control they still have over how their products are distributed and sold. There is a risk of brands losing themselves. We have immense problems with certain sites. A platform like Alibaba is not subject to any rules. 60% of what they sell is fake but they are nevertheless quoted on the stock exchange. How can you protect your brand image which is also the brand itself? To answer that question we also have to examine the bad side of the digital revolution in the context of fashion. In my opinion, if we do not regain control over distribution the consequences could even affect the new brands.

I was recently in China where I met young stylists whose only commercial outlet now is the Web. They can no longer afford bricks and mortar. And once on the internet they have to offer better discounts than one another in order to exist! The fact that the internet is seen as a source of bargains where you can buy at knock-down prices is a major problem. There is a serious risk for creativity, which is unique, which costs money and for which there is a fair price, being sold off dirt cheap.

Laurent Raoul

During the rise of digital business, the question of value and who gets to own it has been central. Have traditional distributors more to lose than the brands themselves? If we look at the ecosystem of fashion, European or American department stores have always established reasonable relations with brands in which the interests of both parties have been preserved, particularly through aid with funding stocks, ensuring resistance of brands in the way they are presented or discounted. Yoox and Net-a-Porter would perhaps have more to fear from models such as Farfetch and List which stand for a 'googleisation' of the system than brand players directly.

I'm now going to hand you over to Noémie Balmat of the webzine Clausette, a publication which we, at the IFM, particularly appreciate for the way it offers a fairly broad view of fashion tech, with articles that are very relevant. Noémie, how do you view the discussions we have been having about all these changes given that you have worked in communications in traditional agencies?

Noémie Balmat, Clausette

I belong to a think tank collective that brings together the main creative technologists in Paris. Our idea is to consider technology as a source of inspiration rather than as a solution to our problems. Even though fashion tech can be improved in terms of how it appears, what seems more interesting to me is that while technology can solve certain fashion problems, it can also be a source of creative inspiration for designers. It can also be used very intelligently to fight cheap imitations: more and more brands like Moncler or Ferragamo are including RFID chips in their products.

Technology can be a minor threat if you do not understand it, just as it can be a super opportunity for fashion. I would ask you to look at what is being done outside your specialist sectors and to adopt a broader approach. The meeting between Ecole 42 and the IFM was

exemplary from this point of view as it considers projects from students taking account of their proposals and considers that creativity is found everywhere and in everyone. I work with a start-up, SoonSoonSoon, and we give talks in companies to explain to their employees that everybody can be creative – even accountants can be creative if they take an interest in technological advances in their profession and the use of new technologies to improve efficiency.

Lucas Delattre

Yesterday you were telling us about three developments we should keep our eye on as a priority. On the road that leads to the airport there is an estate agent's office that offers to give you a tour of your future home using a virtual reality mask. How does that apply to fashion?

Noémie Balmat, Clausette

Those three areas were the ones pinpointed by Business of Fashion.

First there is virtual reality: how can you enable customers to enjoy an experience that is different, immersive? While some people have already tested it and been disappointed, they should rather look to video games which perform very well in terms of quality. We can look for great changes in terms of content production, and even beyond in terms of design. A designer in his or her virtual bubble could achieve things they could not imagine physically, particularly if you throw holograms into the mix...

Then there's artificial intelligence which some people find very scary. Personally I don't think it's the technology itself that is dangerous but the person behind it. In this field you have to make sure you've thought things out and have included the human factor in all your innovation and technology projects. That's the added value the fashion industry can have. The applications that already exist on Facebook ask you to fill in multiple choice questionnaires, but in the future it will be possible to dialogue directly with a robot that is there to serve you and will help the brand understand you better and better meet your expectations.

The third and last area is 3D printing. In industrial terms, this technology can yield significant savings on production because there is no wastage. Nike recently announced that they wanted to start using it soon. The investors were rubbing their hands together imagining the millions of dollars' worth of profit integrating this technology would bring them. In design terms, 3D frees us from having to use moulds. We are taking our first hesitant steps in terms of materials, but they are already getting more and more flexible.

Pascal Morand, Executive President, Fédération française de la Couture

I'd like to chip in and give a few examples of what Noémie has been talking about.

Virtual reality is clearly an important challenge but as far as fashion is concerned, we still have a long way to go. 3D visualisation on a static or dynamic image is developing fairly quickly even though it is tricky to manage on the internet. The perception of movement, the restitution of its fluidity in 3D also presents problems. In France, Lectra and Dassault are investigating these two issues. In South Korea there is "CLO" which comes from animated images.

A lot is happening in the field of artificial intelligence such as simulations of creative processes, particularly in the field of music. There are reproductions of creativity patterns: artificial intelligence can be used to write "new" works by Bach. The jazz musician Bernard Lubat had the surprise of seeing his entire creative process reproduced by a robot and this stimulated him into improvising on themes created by his "clone". There has also been progress in the field of painting.

3D printing is a very significant technological revolution. It already works very well with plastics and progress is being made with metals: Michelin have created a very high-performance printer which is hailed as being as innovatory as the iPhone. Other players are also working in the fields, particularly Stratasys and 3D Systems in the United States. An extraordinary Italian entrepreneur, Enrico Dini, who used to be a consultant in the shoe industry, has developed a 3D printer for making houses of various sizes. NASA has also devised 3D printing programmes for creating housings on Mars.

In our sectors we can say that, for example in leather goods it works well and that in jewellery interesting things are happening, particularly at Gemmyo. With flexible materials things are a bit more complicated given that 3D printing is an additive technology that either uses melted wires, electron beams, laser sources or other technologies that can be combined. In some ways weaving is a type of additive manufacturing.

3D printing is much easier on rigid materials. It is a real technical revolution that we should follow with great interest.

Laurent Raoul

We should remember that eyewear is a sector that has been very affected, mainly through prototyping and sampling. As far as leather and skins are concerned, it will soon be possible, in chemical and genomics terms, to manufacture reproductions.

Pascal Morand

Together with 3D System, Google launched a programme for printing smartphone shells and antennae. This programme has been put on hold but it will almost certainly be resumed. We are seeing exponential acceleration.

Lucas Delattre

You talked about additive manufacturing. We could also talk about addictive manufacturing, it's really a bit of both...

From the floor, Pascal Morand, Executive Chairman, Fédération française de la Couture
I'll stick with "addictive".

Laurent Raoul

Are there any questions from the floor?

Yoland Moutama, Student, IFM-Start

I have a start-up project that relates to cultural property, rare books and magazines.

I want to ask about the loss of control Carlo Capasa was talking about earlier. Are there any initiatives, particularly European, to counter the US web giants like Amazon and AWS, who store all our data whether we like it or not? This is true to the point where if you can create a start-up nowadays, your data is stored in the United States and you cannot get it back. Is there any chance that in the future it might be stored in France or Europe?

Eric Peters

We could spend the entire afternoon discussing this question. We are indeed concerned about it but not on the basis of a struggle between Europe and the United States: they have a single economy. Every day more than 2 billion euros go back and forth across the Atlantic. The Transatlantic Trade and Investment Partnership (TTIP) that we are currently negotiating provides for even greater economic integration and job creation. 5 or 6 million jobs in Europe depend on the United States, and vice versa.

But you've touched on a fundamental point: the new players and processes at work are disrupting the status quo; it is important that these new players abide by the rules. Some of the rules are very effective. The rules on competition are particularly dedicated to this specific point, to ensuring that when you are dominant – which is not a problem in itself because it can be very advantageous in terms of cost reduction and efficiency – you can't just do what you like. You shouldn't be able to take advantage of the size of your business to force-feed consumers with products that are not as good as your competitors' or adopt other predatory tactics like blocking access to data.

In the context of the single digital market we have very clear preoccupations concerning the protection of privacy. We will soon be presenting a campaign – the Free Flow of Data – which will set the standards governing how a genuine single data market will operate.

At the moment we are working on a campaign that will present the point of view of the European Commission on these internet platforms which overall offer many new services. The idea is not so much to resist the American platforms but to ensure that our values are respected when they are operating in Europe. We also need to be thinking about the next stage: what can we do in a context in which innovation is king to ensure that Europe has the best possible position in this second wave? At the moment only 4% of the platforms are European. We missed our first chance and must be sure we make the best of the next. We are putting in a lot of money; we talked about 315 billion, some of which will be used to fund innovation. We absolutely have to remove the obstacles that exist within the European Union itself. We need to be able to invest quickly and easily throughout the European continent. We have lots of start-ups in Europe and we need to enlarge them if they are not to become a source of income for non-European players. Europe is also preparing for the big data economy which relates both to access to public data, e-government, but also the protection of intellectual property, establishing fair relationships with the platforms and the development of new types of consumption and service. Just one example: we will soon have access to driverless cars. How are we going to manage responsibility for the accidents they cause? These are legal questions that we need to tackle alongside the problems of the internal market.

For me it is essential that we should be the best for the next wave in terms of innovation.

From the floor, Jean-Paul Leroy, Editor in Chief, FashionMag.com

You have talked about forward planning. What amazes me is the speed at which things change, making it virtually impossible to stop and ask whether you should make this choice or that. The heads of companies don't know where they are because you don't commit your company in three seconds. This helps change company structures and therefore invest at a time when companies are short of money. Do you think companies have the resources they need in terms of skills and organisation to meet all these challenges?

Céline Lippi

I think it's a real opportunity. The established brands that have committed to the digital transformation we're all talking about did not decide to do so lightly. They are aware of the implications this type of transformation implies in terms of organisation... it's more of a

cultural transformation. There may be economic pressure involved, but even so, digital technology is perceived as an opportunity to go faster. Customer-centred reorganisation will cause innovations in companies. But even so, it is far from certain that digital technology is the panacea that will save us from a complicated situation.

Maxime Coupez

It is very important that the fact that this transformation is difficult to achieve should not prevent people from taking action. There is a danger of people becoming inward-looking and being taken over by inertia. At the end of the day immobility is the riskiest position. We know we have to act.

Then it gets difficult to predict what is good for you and where you should invest. That implies a completely different way of thinking about your business. What I think is great about the digital revolution is that it encourages you to go back to basics: Who are my customers? What do they want? What is my position in the market? What does my brand stand for? What am I for? etc. We should be prepared to answer all these questions and digital technology should help us do so.

The founder of Facebook Mark Zuckerberg says that company strategy operates on two time-scales: 30 years and 6 months. In 30 years you should know where you are going and what your long-term values are without thinking about how you're going to get there. And 6 months is a reasonable time in which to take one step forward.

Céline Lippi

Digital technology is only a tool and we should treat it as such. The startups we are now supporting clearly have digital or other technology in their DNA: that's in their favour, but if at the end of the day they haven't got the right product, the right value proposition; if at the end of the day the job is done badly, they will not take any market-share. We come back to basic business values.

Eric Peters

It's always tricky for a civil servant to tell companies what they should do, but I will nevertheless suggest an analogy. This technological revolution in which different technologies converge, is like a great gust of wind that has just struck the seashore. Boats get smashed by the force of the blast, others travel faster and still others have to check that they are still water-tight. But the most important thing is the heading: boats may be very well equipped but if their direction is not clear they will be in danger. Stabilising the shareholders, buying time from the financiers lets you place your bets in a relatively secure environment. Google invested massively for 10 years to produce research. It was by adding a second aspect to their market, that of advertising, that they started making money. There is always a time-lapse between an innovation and when it becomes useful... or disappears. When the cinema was born it had no future – 30 years later though... The same goes for digital photography in which Kodak did not invest. Nowadays you take photos with your telephone. The same is true for the Smartphone invented by Nokia. People said there was no future for it.

This is where the sustainability of your financial support is indispensable so that companies that are heading in a certain direction can take that course.

Laurent Raoul

We can see clearly that in companies with 100 million euros, the way they see investment in technologies and innovation is coloured by return on investment.

But when you are a start-up you don't think about return on investment but cash burn.

In my opinion these two types of company should deal with their problems differently: concentrate their return on investment in terms of 6 months while raising funds to build their company in the long term. The 100 million that will be used will possibly be lost, but these are the risks that Facebook and Google take. After all, people working in other industrial sectors accept to lose their stake. We need to learn, particularly in France, to operate like that. The success of the digital transformation depends on it – afterwards there will always be time to modify our social models. As long as we don't know how to raise money in traditional companies like startups do, we can't play with them.

From the floor, Nicolas Bertrand, Communications Director, Comptoir des Cotonniers

What relationships do the new company CEOs build with designers? Generally the designers go to art for their inspiration and exhibitions, etc., but are kept remote from information in their companies. Are there any lines of communication between managers and designers?

Pascal Morand

The information fashion designers use they find in museums, in everyday life, all around them. We do, in fact, need to strengthen the lines of communication so that this information, which is more and more abundant, reaches the designers without us knowing whether or not they will be able to use it.

Laurent Raoul

It just so happens that, for my business, I've set up a lot of IT systems. I'm in close contact with the studios and I can tell you that they really think designers are idiots! They are given no information on the market because they are thought to need protecting... It was perhaps relevant at the time of Mr Dior or Madeleine Vionnet. But designers are of their time, their epoch, and they should be the first to benefit from big data and predictive technology. I know that at IFM we are wired to bring reason and feeling together, but that's not why, in my opinion, we have full awareness of this split.

The idea of taking stylists and designers for idiots is evil and in the end we will pay the cost.

From the floor, Sylvie Ebel, Executive Director, IFM

The marriage between management and creation is at the heart of what we do at IFM. With Start and the collaboration with 42, we've also learnt that the coders and developers are not only there to come up with solutions: they must also be fundamental sources of inspiration. The designers must work closely with the developers from the start. When the design programme was set up at IFM it took time for the workshops to get up and running. All the parties concerned need to be treated on an equal footing in order for projects to progress.

Laurent Raoul

A quick reminder about the creativity of coders: Apple, Google and Facebook are all companies created by technicians, not by managers or students graduating from business schools. They are technicians who have managed to put into practice, both economically and commercially, something that started out as a vision of society. We need to accept the double discipline between technological designers and fashion designers.

From the floor, Dominique Jacomet, Dean, IFM

The IFM was set up to break down barriers, and it's what we try to do each day. We do not have this technological dimension directly. Each year we try to recruit engineers at IFM, we probably have around 14 this year, we'd like to have more.

Together with Pascal Morand and the Fédération Française de la Couture we will discuss how we can develop the tech aspect.

Lucas Delattre

I would like to introduce two IFM/42 pairs– Eliane Heurschi and Sarah Cerisel on the one hand, Corentin Prune and Yoland Moutama on the other.

How do you work together?

Eliane Heurtschi, Student, IFM-Start

In order to explain what I do, I'm going to use the metaphor of travel. I can opt for an all-inclusive formula when I go to a foreign country. Or, on the contrary, I might decide to live with the locals in which case I'll have to learn the language in order to interact with them. I always try to learn different skills, whether it be stitching or lace making, and even coding through contact with my partner, Sarah Cerisel, from Ecole 42. I had to learn to express myself differently, Sarah to be creative in her work. It takes time and means we have to be open with each other, break down the barriers so that the project can progress.

Sarah Cerisel, Student, École 42

I would simply say that collaboration must be as direct as possible.

Yoland Moutama

When I arrived at IFM I had the disadvantage of being seen as a geek. I had worked with developers but my relationship with Corentin Prune is above all one I really cherish. We will continue working together.

Laurent Raoul

To conclude, I would say that at IFM, of which I am one of the founder members together with Didier Grumbach, from the outset we defended the relevance of the designer-manager duo along the lines of the Yves Saint Laurent-Pierre Bergé, Tom Ford-Domenico de Sole duos. Perhaps duos of designers and technologists will go down in history in the decades to come!