



REPORT FOR ACTION

Supporting the Growth of Toronto's Fashion Sector

Date: May 18, 2017

To: Economic Development Committee

From: General Manager, Economic Development and Culture

Wards: All

SUMMARY

In July 2016, IMG announced it was cancelling Toronto Fashion Week. Many were concerned, and Council requested that the General Manager, Economic Development and Culture undertake a consultation with the fashion sector to determine what impact this cancellation would have on the sector, and to identify industry best practices and next steps. In December 2016, a fashion industry roundtable was held with key sector stakeholders and a Working Group was created to assist staff with the consultation process. The results of the roundtable helped to inform a broader online survey undertaken in April 2017. Completed surveys were received from 350 members of Toronto's fashion industry. This report provides a summary of the industry's views on key issues, and recommendations for actions to help support the growth of Toronto's fashion sector.

RECOMMENDATIONS

The General Manager, Economic Development and Culture, recommends that:

1. City Council direct the General Manager, Economic Development and Culture to:
 - a. in consultation with the fashion industry establish a Fashion Industry Advisory Panel, to advise the Economic Development and Culture Division, and report back to the Economic Development Committee annually on the panel's activities and accomplishments;
 - b. forward a copy of the survey recommendations regarding a new model for Toronto fashion week to the various fashion week event organizers for their information and consideration;
 - c. forward a copy of the best practices identified by the respondents to the Toronto fashion industry survey to the Fashion Industry Advisory Panel, once established, to determine those that could benefit Toronto's fashion sector; and
 - d. continue to work with the fashion industry to address key short-term issues identified in the survey that impact the industry's growth, including: increased

support for entrepreneurship, export development assistance, and support for hiring skilled labour, among others.

FINANCIAL IMPACT

There are no financial impacts associated with the adoption of the recommendations in this report. Support to the Fashion Industry Advisory Panel, if established, would be accommodated within the Economic Development and Culture Division's current and subsequent budgets. All other supports to the fashion industry in recommendation D are funded as part of existing responsibilities of staff of the Sector Development Unit of EDC.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In July 2016, City Council requested that the General Manager, Economic Development and Culture, consult with the fashion sector about the impact that the cancellation of the Toronto Fashion Week has on the industry's growth and call a meeting to discuss next steps to support the growth of the industry. City Council also requested that the General Manager, Economic Development and Culture report back in the first quarter of 2017, through the Economic Development Committee, on Toronto's Fashion Sector, and include findings from the consultation with the sector and the best practices used by other governments for supporting their local fashion sectors.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.MM20.57>

COMMENTS

Overview

Fashion is one of the world's most important industries. It is supported by governments around the world as an engine of economic growth. Companies including Canada Goose, Joe Fresh and Roots are proving it is possible for a Toronto-based company to succeed globally. At the request of Council a consultation was held with the Toronto fashion industry and a tremendous response was received from stakeholders who expressed an overwhelming interest in working together with the City to grow the sector.

Key findings from the research reveal the industry is growing, but companies are requesting assistance from the City to deal with challenges including hiring skilled workers and increasing exports. Businesses are typically small, and support is not being provided by senior orders of government. If we do not help there is a real risk that production could move to other provinces who more actively support this sector. The City has the opportunity to act as a champion for the sector with senior orders of government to help grow companies, jobs, innovation and increase economic return to the local economy.

Background

The City of Toronto has been working collaboratively and productively with the fashion industry since 1984. Together with industry partners representing all parts of the fashion cluster, the City of Toronto established the Fashion Industry Liaison Committee (FILC) in that year to facilitate the growth of this important sector of Toronto's economy. Reporting directly to City Council, FILC was instrumental in the creation of the Toronto Fashion Incubator (TFI), Toronto Fashion Week, the Fashion District Daycare, various industry awards, and international trade missions promoting the sector.

Following amalgamation of the new City of Toronto in 1998, the standing committee ceased meeting formally. However, the City's Sector Development Officer for Fashion/Apparel and Design continued to work with members of the fashion/apparel sector to support and promote the sector, an informal collaboration which continues to this day. Current initiatives include, in part: providing information and advice to companies; providing support for industry stakeholders including the Toronto Fashion Incubator's Press and Buyers Trade Show; supporting the Shop Toronto Design initiative (www.toronto.ca/shoptoronto); working with Toronto's design sector through the Design Industry Advisory Committee (DIAC); and, together with colleagues in Culture, working to support the City's creative industries.

Toronto Fashion Week

On July 7, 2016, IMG, a global sports, events, media, fashion and talent management company, announced it was cancelling Toronto Fashion Week, citing a lack of local support for the event. Many were concerned about the impact on the fashion industry, and Council requested staff to conduct an industry consultation to determine what impact this cancellation has had on the sector.

Toronto Fashion Week (TFW) was founded by the City in partnership with the industry in 1992. The Fashion Design Council of Canada (FDCC) began managing the event in 1995. FDCC sold the event to IMG in 2012. During that time the event had grown to become the second largest fashion week in North America, second only to New York. A semi-annual event held in March (fall/winter) and October (spring/summer), TFW launched the ready-to-wear collections of Canada's top designers to media, buyers and industry VIPs. It included more than 30 runway shows per season, attracting 60,000 guests per year, including 1,000 members of the international media. The City was a founding co-sponsor of the event, providing a small amount of financial and in-kind support. As the event grew, the City's ability to provide financial support could not compete with private sector sponsors. However, the City continued to provide substantial in-kind support. IMG secured a number of key title sponsors for the event through 2015, but those expired and IMG ran the event without a title sponsor in March 2016.

Following the IMG cancellation, industry members were forced to find new ways to create a "fashion week" to show the designers' new lines to media, buyers and industry. As in previous years, when fashion week lost a title sponsor, a number of smaller events were created to take the place of the larger, primary venue.

In October 2016, Yorkdale Shopping Centre partnered with the Canadian Arts and Fashion Awards (CAFA) and The Collections, to present FashionCAN, a two-day runway event showcasing some of Canada's most-notable designers. The shows were livestreamed, accessible on Yorkdale's website, and a pop-up store sold the designers' ready-to-buy collections until year end. The Toronto Fashion Incubator held its semi-annual Press and Buyers trade show, and Eco Sessions held their kickoff event in Toronto.

In December 2016, it was announced that an ownership group, spearheaded by Peter Freed, had purchased Toronto Fashion Week® with the goal to "create a global forum for fashion, retail, arts, entertainment and culture to be anchored in Yorkville...." In the media release, Freed said: "With the purchase of Toronto Fashion Week® from IMG, we have the opportunity to create a multi-faceted program that embraces the Canadian fashion and design community, addresses today's retail trends and consumer interests together with the creation and integration of a strong digital platform. It's extremely exciting."¹ The reimagined Toronto Fashion Week® will launch in September 2017.

In March 2017, the organizers of Toronto Men's Fashion Week (TOM) staged a week of runway shows, including Toronto Women's Fashion Week. TFI presented the TFI New Labels® runway show and 30th anniversary celebration. The Collections presented REMix, two days of runway shows, static presentations, and a see-now-buy-now showcase at The Great Hall. Yorkdale Shopping Centre and CAFA once again presented a two-day FashionCAN, including a pop-up store for two months.

Toronto is home to a number of other important fashion promotion and sales events that take place outside of the fashion week calendar, including Fashion Art Toronto (April), Inland (May and September), Mode Accessories (January and August), The Profile Show (March and September), and The Toronto Shoe Show (February and August), among others.

The State of Fashion

A report by Business of Fashion and McKinsey and Co., *The Business of Fashion 2017*, states: "Fashion is one of the world's most important industries, driving a significant part of the global economy. In 2016 the industry is projected to reach a staggering \$2.4 trillion in total value. If it were ranked alongside individual countries' GDP, the global fashion industry would represent the world's seventh largest economy."² Yet the report notes, for some, fashion is still regarded as "frivolous", and "many of the sources of information about the industry are fragmented, incomplete, or unreliable."³ This is certainly true in the Canadian context. Fashion is not supported as a priority sector by either the provincial or federal governments. Data on the industry are woefully incomplete because the way statistics are gathered to define the sector is too limited to provide a clear picture of how the industry is changing.

¹ "Peter Freed, prolific real estate developer and Canadian visionary, leads dynamic ownership group acquiring Toronto Fashion Week from IMG Canada Limited," CNW, December 19, 2016.

² Business of Fashion and McKinsey and Co., "The State of Fashion 2017," <https://www.businessoffashion.com/articles/news-analysis/the-state-of-fashion-2017> Dec.2, 2016, p. 6.

³ Ibid.

The latest available summary data for the Canadian fashion industry is dated 2011. The Apparel Human Resources Council labour market information study found that there was a need for a redefinition of the industry with respect to industrial statistical classification codes. With calculations to apply that new definition, the study concluded that: "The redefined Canadian apparel industry is 75,000 strong.... It is growing, creating new jobs and opportunities...."⁴

Given the data limitations, preliminary estimates suggest that 2015 fashion/apparel sector employment in the City of Toronto was approximately 30,000. When Statistics Canada's 2016 Census employment figures are released in November 2017, it will be possible to calculate more accurate, updated industry employment.

While no overall Canadian economic impact study has been undertaken on the fashion sector, some independent research has been done to calculate the economic impact of one sub-sector of the industry. Faced with this lack of data, in 2015 Robin Kay, head of the Fashion Design Council of Canada (FDCC) undertook a study "to showcase fashion design's contribution to Canada and to demonstrate the business case for investing in, and supporting the development of the industry." According to the FDCC's research, "the Fashion Design Industry employs more than 12,800 Canadians and contributes some \$790 million in GDP to the Canadian economy. Of those totals, Ontario accounts for approximately 37% of jobs and of GDP."⁵

Fashion Industry Roundtable

In response to City Council's direction to consult with fashion sector stakeholders, a half-day roundtable consultation was held on December 12, 2016 with 30 key Toronto fashion industry stakeholders, including key industry organizations/associations, organizers of major industry events such as fashion weeks, respected industry veterans and emerging talents, and representatives of the cluster components -- manufacturing, design, wholesale, retail, education, and accessories. In addition, a working group was created to provide additional feedback to city staff during the consultation process.

An independent facilitator worked with the attendees who discussed: fashion week; key challenges and what is disrupting the sector; how it is adapting and innovating; what lessons can be drawn for future strategies; short term projects and tactics for stimulating the sector; what is unique about Toronto and how to leverage the international interest and appeal of our city; and perspectives on the city's role.

- **Key findings** from the roundtable included optimism surrounding the fact that the IMG announcement provided Toronto a unique opportunity to reinvent a made-in-Toronto fashion week based on a completely new, innovative model, thereby being less constrained than other global cities that are attempting to adopt new fashion week models within an existing framework.

⁴ Apparel Human Resources Council, "Pressing Ahead: Canada's Transforming Apparel Industry, 2011 Labour Market Information Study," Prepared by Milstein and Co., Consulting, Inc., p. 6.

⁵ Fashion Design Council of Canada, "Made in Canada: The Direct Economic Impact of Canada's Fashion Design Industry, Final Report," Submitted by Nordicity, December 7, 2015, p. 2.

- **Key challenges** identified included: changing consumer habits and demands; rapidly changing technology; labour supply challenges; a lack of statistical data; and lack of understanding by others of the business of fashion.
- **Key opportunities** cited included: the potential to grow through global linkages; help with marketing and promotion; the need to grow exports; interest in a design tax credit and government grants; establishment of a new advisory committee; and interest in the city acting as a champion for the sector with senior levels of government.

Toronto Fashion Industry Survey Highlights

In addition to the roundtable consultation, an online survey of members of Toronto's fashion industry was undertaken in April 2017 based on the insights provided by the roundtable. Over 350 industry members from across the city completed the survey, representing all organization sizes and all sub-sectors -- manufacturing, design, education, wholesale, retail, media, industry associations/organizations, fashion professions and other service providers. Surveys were completed primarily by owners, managers or executives. The following discussion provides high-level results of this survey.

- Almost half of the respondents reported growth in 2016, with a median sales growth of 15%. "Did not experience growth" was reported by 16%.
- The median rate of growth expected in 2017 is 15%. Over the next three years 84% of respondents reported plans to grow their business, primarily by: introducing new/improved products and/or services; diversifying into new local markets/seeking out new opportunities or new customers; increasing online reach; and developing a new marketing strategy.
- Asked whether they were having challenges hiring skilled labour, 40% of respondents said yes, primarily in the following areas: sewers; sample makers; pattern makers; cutters; and graders.
- Key opportunities identified to help grow the fashion sector included: increased entrepreneurship support; secure culture funding for fashion designers; more incoming buyer/distributor/trade representative missions; and product innovation.
- The top barriers to growth cited were: lack of government incentives; lack of cash flow and access to bank financing; cost of business space; fewer domestic retailers buying Canadian; lack of international buyer awareness; and inability to afford to hire staff.
- Asked "Do you currently export?", 32% of respondents said yes, 51% said no, and 17% said n.a. Asked what percentage of their sales can be attributed to exports, 30% of current exporters said less than 10%, 39% said between 11% and 50%, and 31% said more than 50%. Of those who don't currently export, 39% said they were interested in exporting.

- Provided with a list of possible barriers to developing or expanding export markets, respondents indicated the following were the most significant: cost of exporting, shipping; export duties, etc.; concern over payment issues; lack of international business leads and contacts; lack of management time to pursue export opportunities; and lack of organized trade missions.
- Regarding the IMG announcement they were cancelling Toronto Fashion Week, 66% said it did not impact their business. Asked what the impact was, and its significance for their business, the following were the most reported: negative impact on Toronto's reputation as a fashion centre; missed networking opportunities/meeting potential clients; loss of marketing opportunities; and no runway images/editorial content. Loss of business/sales and loss of buying opportunities were among the least significant impacts reported.
- As a new model is created for Toronto Fashion Week, respondents recommended the following changes to event organizers: promote fashion and Toronto Fashion Week in the city; include access to retail buyers, sales reps, and international distributors; include international press; more accessible to consumers; create global linkages; and more inclusive calendar. A significant number of "Other" comments were also provided.
- One of the key purposes of the survey was to ask industry members their opinion about which cities Toronto should look to for ideas to help grow the fashion sector. New York, London, Paris and Milan were the most popular responses. But a number of unexpected cities were also suggested. Asked which initiatives from these cities, if implemented here, could help Toronto, there were many ideas provided including: New York's support for fashion businesses; 'everything the British Fashion Council is doing'; Montreal's incoming buyer programs; Antwerp's promotional initiatives; etc. It is recommended these best practices be forwarded to the Fashion Industry Liaison Committee to determine which programs could be of benefit to our fashion industry.
- The survey respondents provided many insightful responses about what makes Toronto's fashion sector unique, most notably diversity, followed by talent, innovation, community, and local. Further work is required to assess whether a branding opportunity should be pursued for Toronto or for the Canadian fashion industry.
- Asked whether changes to government policies and programs would be helpful for their business/organization, respondents recommended the following: more support for entrepreneurship; access to arts funding for designers; introduction of a design tax credit; greater access to wage subsidies; access to economic development funding; and more support for innovation.
- Among the industry's information and strategy needs, respondents considered the following most important: fashion sector marketing strategy and support; research on economic impact of the fashion industry; knowledge of global best practices for fashion; develop a formal cluster strategy for fashion/apparel in Toronto and Ontario; and research on the current size of fashion industry.

- The survey respondents were overwhelmingly in favour of creating a Toronto fashion industry committee to report to Council for all of the following reasons: to advocate for the Toronto fashion industry at the provincial and federal levels; to promote Toronto fashion in the city; to facilitate the creation of new joint projects to support and grow the sector; to share information; to inform City Council about issues important to the industry; to connect the various players in the industry; and to help the industry gain insights by connecting stakeholders within and outside the sector.
- Asked do you have any other comments or suggestions, respondents expressed their thanks to the City for undertaking this research, and their hope that the City can help to make real change happen quickly for this industry, which has such potential for success.

A report on the survey findings is being prepared and will be circulated to interested respondents.

Next Steps

Governments around the world support the fashion industry as an engine of economic growth and expression of cultural identity. At the request of Council a consultation was held with the Toronto fashion industry. Over 85% of respondents expressed an interest in establishing a formal mechanism to work together with the City to help grow the sector.

Research revealed the industry is growing, but companies require assistance from the city to deal with challenges. Support is not being provided by the senior orders of government and without support from the City, we risk companies moving production to other provinces who do support this sector. The City has an opportunity to act as a champion for the sector with the senior orders of government to help grow companies, jobs, innovation and increase the industry's return to the local economy.

Inspired by the profile and effectiveness of the Toronto Music Industry Advisory Council and the Toronto Film, Television and Digital Media Board, Toronto's fashion industry is requesting the City establish an industry advisory committee that reports to City Council, to assist the industry to strengthen this key sector. Like music and film, fashion is global in scope, high profile, and a driver of economic growth and cultural identity. The industry is asking City Council to help advocate, on behalf of the industry, with the provincial and federal orders of government. There is no other committee that currently exists that has the mandate or the ability to take on this role.

In response to the industry consultation and survey results that overwhelmingly call for a formal mechanism for the industry to work together with the City in order to grow Toronto's fashion sector and to report to Council to: provide recommendations to enhance the competitiveness and growth of Toronto's fashion industry; provide a forum for the exchange of ideas; and promote and advise on a marketing strategy to strengthen Toronto's fashion sector. However, at this time, it is not prudent to form a new Committee of Council as it would dissolve in 2018 at the end of this term of Council. Instead, staff have put forward the establishment of an advisory panel that will

provide advice to the Economic Development and Culture Division and staff will provide an annual update based on industry's advice, activities and accomplishments. This report recommends that a summary of the suggestions provided by survey respondents regarding the creation of a new model for Toronto Fashion Week be forwarded to the organizers of the various Toronto fashion week events. It is also recommended that a copy of key initiatives from the cities identified by survey respondents as being examples of best practices be forwarded to the Fashion Industry Liaison Committee to determine those that could help grow Toronto's fashion sector.

The consultation and survey results make it clear that the industry believes it is critically important that Economic Development and Culture staff continue to work, in partnership with industry members and external organizations in the short-term, to help address key challenges facing Toronto's fashion/apparel sector and senior orders of government, including:

- Challenges hiring and retaining skilled labour;
- The need for increased entrepreneurship support;
- Assistance to develop or expand export markets;
- Additional research requirements;
- The promotion of locally-made and/or -designed; and
- Supporting industry efforts to secure arts funding for fashion designers.

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