

Online

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jeans out there. If you're shopping for True Religion, why not buy from the company? On top of that, they might give you a sale. How can you compete with that? It's going to affect all retailers."

But Daszkowski said he doesn't consider the competition to be a major problem yet. Indeed, his company is flourishing enough that a little over a year ago he opened a 1,200-square-foot bricks-and-mortar store in one of South Florida's top retail districts.

However, Daszkowski thinks there's a major fight looming for his main business—his Web site.

Since late 2005, he has been devising marketing techniques to give his New York-based Web site an added competitive edge in defense against what many online retailers say is a growing trend. Increasingly, manufacturers are selling their products directly to consumers on their company Web sites.

True Religion, **Lucky Brand Jeans** and **Hot Kiss** are but a few of the top labels that sell directly online.

While many fashion e-tailers contend that the competition posed by these direct sales is a danger, manufacturers argue that their online direct sales pose no competition.

True Religion President Jeffrey Lubell said his e-commerce site operates as an outlet store in cyberspace. It's a place for consumers to purchase goods that retailers have already passed over.

"Some of my best retailers are online," Lubell said. "I opened an online business not to compete against them. I wanted to sell slower-moving product at full retail prices."

Selling direct has proved successful for Lubell. He estimated that his online store earned \$200,000 last December. He said the online store also provides the opportunity to sell True Religion to consumers who would not have the chance to find his company's product locally.

However, some online retailers don't agree with that line of reasoning. Mary Helen Shashy, co-owner of Los Angeles-based e-commerce Web site **Hotter Than Hollywood**,

founder of Los Angeles-based label **Ed Hardy** sells his tattoo-inspired T-shirts, hats, pants and other accessories on his company's Web site, Donedhardy.com.

But the Web site also gives him a competitive edge beyond an added profit center. The online store gives him the opportunity to test product. For example, last year Audigier predicted that his roaring tiger graphic would be a winner with his consumers. After an overwhelming sales response online, he expanded the design, now on T-shirts, hats and jackets, throughout the collection.



OUTLET: True Religion's e-commerce Web site is similar to an outlet store, according to Jeffrey Lubell, president of True Religion, noting that the site specializes in slower-moving product already passed over by retailers.

"It's a new way of doing business," he said. "My flagship store is more the online store than it is my bricks-and-mortar store," he said.

Wait and see

Other manufacturers have reservations about directly selling their product on the Internet. For Don Juncal, president of **Obey Clothing** in Santa Ana, Calif., adding e-commerce to his Web site, ObeyClothing.com, would mean adding a new e-commerce infrastructure to the site. It's not in his business plan right now.

"Financially, e-commerce is great. We cut out the middle man," he said. "But our work is with our retailers. There's also the potential that you'd be stepping on other people's toes."

The online market for apparel is still dwarfed by bricks-and-mortar business—and may still be too small to mark territory. It's merely 4 percent, or \$9.1 billion, of apparel sales in America, said Patti Freeman Evans, an analyst for Boston-based **Jupiter Research**.

"There's only an upside to e-commerce because the penetration of online is so low," she said. "You're only building the entire pie at this point. It's up to dealers and manufacturers to grow the business and support each other."

She stated that her research found few instances where the profits of online retailers suffer due to manufacturers' direct sales. Some bricks-and-mortar retailers, including Lawrence Tanenbaum, aren't sure if competition from their vendors affects their bottom line. Tanenbaum, president of **Metropark**, based in City of Industry, Calif., said his chain of more than 10 contemporary stores is monitoring the effect of online competition from vendors. But he said a crowded marketplace could force retailers to finess skills that should be second nature to them—such as designing a beautiful store that consumers would want to visit.

"It's a challenge that retailers need to accept," he said. "In a marketplace that offers all of these other channels, it's up to the retailer to establish customer loyalty."

Bricks-and-mortar stores also have the advantage of offering a social experience that is unavailable to consumers shopping at home, Tanenbaum said.

But e-tailers like Daszkowski are working to develop customer loyalty among their online visitors. On Feb. 3, Daszkowski introduced a reward-point system. Last December, his Web site introduced a personal shopping service.

Visitors to Daszign.com can create a profile of what styles of clothes they like. Then the personal shopping service's staff of two buyers recommend new styles. "We're giving back to our customers," Daszkowski said. "That's one reason why they'll come back to us." ■

Tech Notes

Tech Execs Court West Coast Apparel Companies

At the millennium, corporate America was scampering to get its computer systems in shape for fear of the notorious Y2K bug. Those millennium problems never seemed to materialize. But six years later, there's a renewed urgency from global-intensive industries, such as apparel and textile companies, to get their IT houses in order again.

With the abolition of quotas for **World Trade Organization** member countries and more intensive sourcing in general, a lot has changed. Technology has taken on a more important meaning for companies vying to enhance their cycle times.

Enterprise computer-system installations have slowed in recent years, but technology companies are stressing their importance to a lagging apparel industry.

"The apparel industry has been notoriously known as standing behind other industries when it comes to adopting technology," said Paul Magel, senior vice president of New York-based **Computer Generated Solutions**, which provides supply-chain management systems for the soft-goods industry.

Many apparel companies are still on homemade systems or are using older ones they installed pre-Y2K. And some smaller firms are still on spreadsheets.

Magel and others are trying to show the industry what can be done through high-performance computer



Paul Magel of Computer Generated Solutions

ERP (enterprise resource planning) systems that help manage business, from pre-production (sourcing, specs, materials, etc.) to order management, EDI (electronic data interchange) through to the shipping process.

While some of these systems can cost tens of thousands of dollars, many companies are realizing returns-on-investment. ERP systems alone can save thousands of dollars just in the area of chargebacks.

CGS' **Blue Cherry** is developing a chargeback module to add to the company's suite of warehouse management, financial, PLM (product lifecycle management) and inventory-management tools. Its EDI tools already address chargebacks, but a more refined module is expected to tackle the issue in more depth.

Another area being enhanced is PLM, which manages product development, particularly specifications management, costing, event tracking and image management via the Internet. Blue Cherry developed a new PLM package last year and refined it with an image-enriched platform to carry the application a step further so users can develop online B2B showrooms for retailers. In addition, the company last year acquired **Connectrix Systems Inc.**, which added merchandise line management, merchandise planning and forecasting tools to CGS' product mix.

PLM is hot because it can shave weeks off the development cycle. Using the Internet as its window, PLM allows designers, agents and product managers to see how materials and fabrics are secured, where they are in the color-dipping process, and so on. Companies are investing in it as a stand-alone, or, in Blue Cherry's case, as part of a suite.

Magel said he thinks investing in end-to-end systems is a preferred way to go for many because of the headaches it can save from using various systems. End-to-end systems require little or no rekeying of data and work in synchrony with warehousing and inventory management systems.

In developing these products, CGS uses information gathered from its own R&D team as well as its users. It hosts an annual **User's Conference** in Las Vegas to gather feedback as well as to provide clients with updates and new tools. The company has also enlisted a roundtable of industry executives to discuss such industry issues as RFID (radio frequency identification), among other topics.

CGS last year also became a **Microsoft** Certified Gold partner, which allows CGS to test and help develop new tools from Microsoft Corp., which in turn helps CGS improve its own products.

"We're delivering to the customer 99 percent of the things they ask for," said Magel. The company is targeting the West Coast with its base of upstart companies that can go from small to giant in a few years.

New West Coast clients include Commerce, Calif.-based **Blue Holdings**, which markets **Antik Denim** among several other brands, and **Girl Skateboard Company**, based in Torrance, Calif. As more West Coast companies adopt these technologies, others are more likely to take a look at their investments as well, Magel said.—*Robert McAllister*



NEW RIVAL: Daszign.com sells many fashion labels that are also directly sold by manufacturers on company Web sites. Daszign.com owner Don Daszkowski believes manufacturers' e-commerce poses a serious threat to fashion e-retailers.

said that the competition only serves to confuse the consumer.

If a product is widely available, exclusivity is crushed, she said. "Consumers cannot tell the difference from the tons of styles that come out from season to season. If they haven't seen it before, it's new to them."

She declined to say if competition from manufacturers' direct sales has hurt her bottom line. But she has stopped selling four brands that also offered the products on their own Web sites. She declined to name the labels.

Christian Audigier jumped at the chance to reach customers who cannot visit his Los Angeles stores. The