

nextail

FASHION'S NEWEST CEOs AT THE TOP OF 2020

What the new leaders mean for the future
and direction of the industry



EXECUTIVE SUMMARY

The fashion industry is changing, and so are its leaders

A new decade generally brings feelings of optimism and of a fresh start, and 2020 has retailers hoping that the best is yet to come. 2019 saw a record number of CEO departures in all industries, including fashion, following a previously record-setting year for worldwide changes in 2018¹. Given the record-high rate of fashion CEO turnover, we embarked upon this study of 2019's new joiners and their predecessors to uncover signs of change in the industry.

The motives for changing leadership can vary significantly, driven by company performance, macro trends, personal reasons, and more. Yet at Nextail, we believe that there is an additional underlying cause, related to **the new skills and expertise required for success as the CEO of a fashion company undergoing digital transformation**. What types of leaders are fashion companies, that are more digital and data-driven than ever, searching for? And how do their professional backgrounds compare with those who came before?

Our research finds that new CEOs must bring the right mix of retail operations, product expertise, and especially analytical skills to the table, in order to successfully lead fashion companies into the future. Based on our research, **new CEOs are bringing 81% more analytical backgrounds than their predecessors**.

As technology partners and retailers, at Nextail we can see the immediate impact advanced technology is having on the fashion industry. Such transformation, however, is only possible when it is met by an openness to change and an attitude of data-forwardness by those in leadership positions.

Joaquín Villalba - CEO, Nextail Labs

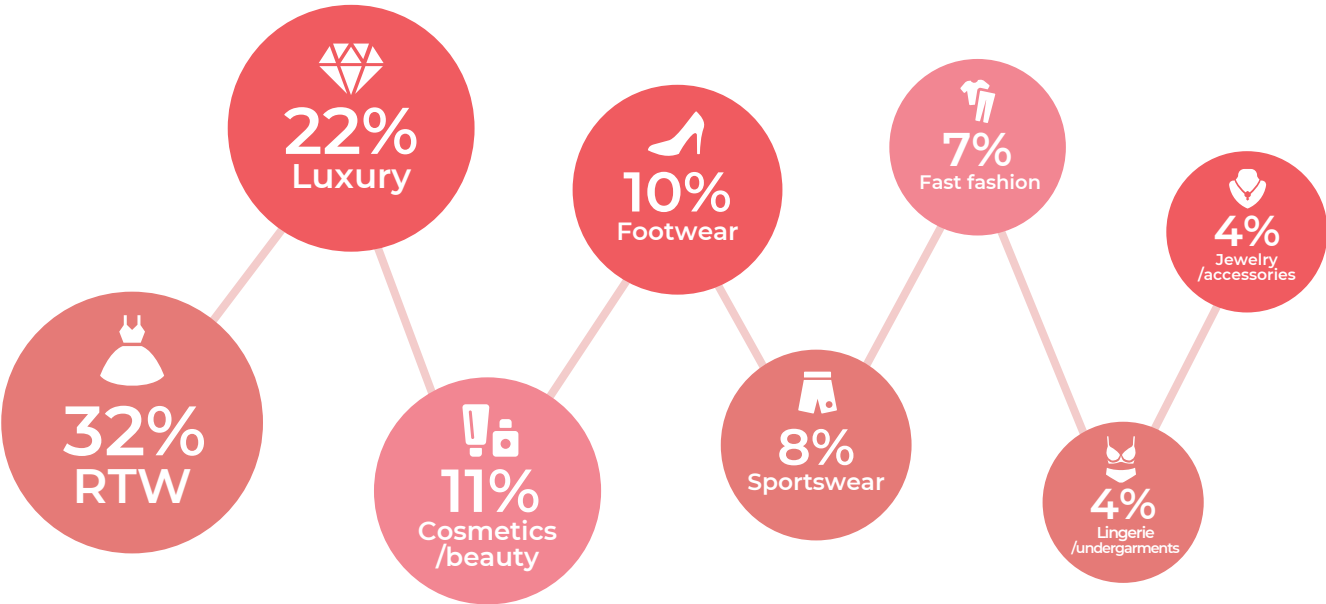
1 Strategy& (2019). CEO Success Study.

FASHION CEO CHANGES AT A GLANCE

More than 70 new CEOs joined fashion companies in 2019

In 2019, more than 70 new CEOs joined leading fashion companies worldwide (+€2bn average revenues). These leadership changes occurred across the entire fashion industry, with a strong presence in Ready-to-Wear (“RTW”) and Luxury.

2019 CEO CHANGES BY CATEGORY (%)



Former CEOs held their roles longer than the general average

Outgoing CEOs had held their roles for an average of 7.2 years, while the average cross-industry CEO tenure is 5 years and shrinking², with some former leaders spanning multiple decades (e.g. Mango, Pinko, etc.), while others held their roles for less than a year.

TENURE OF FORMER CEOs

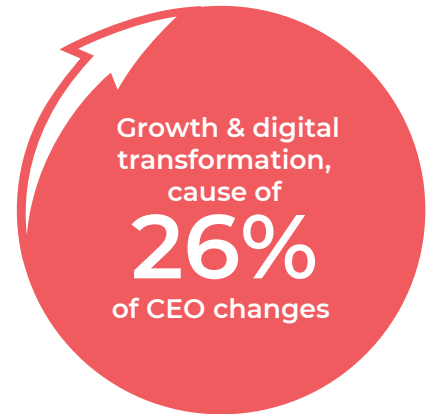


² Strategy+business (2019). Succeeding the long-serving legend in the corner office.

A top reason for new hires: Transformation & growth

The reasons that a company decides, or needs, to bring in a new CEO are multitudinous. However, we found the number one public reason in 2019 for hiring new talent was to **bolster growth in the form of digital transformation** (e.g. Feelunique³, Bally⁴, etc.); followed by CEOs who left poached by another company (e.g. Stella McCartney⁵, Sandro⁶, etc.).

This motive may be a company's reaction to dropping margins or new customer requirements. But more importantly, **data-forward⁷ companies are simply taking decisive action and are proactively bringing in new leadership as part of ongoing digital and innovation strategies to increase their lead over competitors.** Nike's hiring of former eBay and ServiceNow CEO, John Donahoe, to focus on digital transformation and D2C strategies, is a great example of this⁸.



“Digital strategies are at the top of every brand's agenda to improve customer experiences. If support for innovation isn't a priority in leadership discussions, it's going to be a tough road. Digital transformation must be embraced by companies and count on the CEOs as key advocates. The more experience and knowledge fashion leaders can bring into their organizations with digital and data, the more they will help them to adapt to a constantly changing and disrupted environment.”

- Jan Heere, CEO Studio Moderna

3 Essential Retail (2019). Feelunique raids Amazon for new CEO.

4 Drapers (2019). Bally appoints new CEO.

5 WWD (2019). Stella McCartney taps Gabriele Maggio as Chief Executive Officer.

6 Drapers (2019). Sandro appoints new CEO.

7 We define “data-forward” as those brands or fashion companies that prioritizing their digital strategies and retail technology investments in order to make full use of data to transform their companies.

8 Nike (2019). NIKE, Inc. announces Board Member John Donahoe will succeed Mark Parker as President & CEO in 2020, Parker to become Executive Chairman.

PROFILING THE FASHION CEO OF THE FUTURE

The entrance of new CEOs is not simply a matter of revolving doors. The background of the newcomers reveals the new priorities of major fashion companies when choosing new leadership, especially as it relates to the mix of professional experience between retail operations, product expertise and analytical skills.

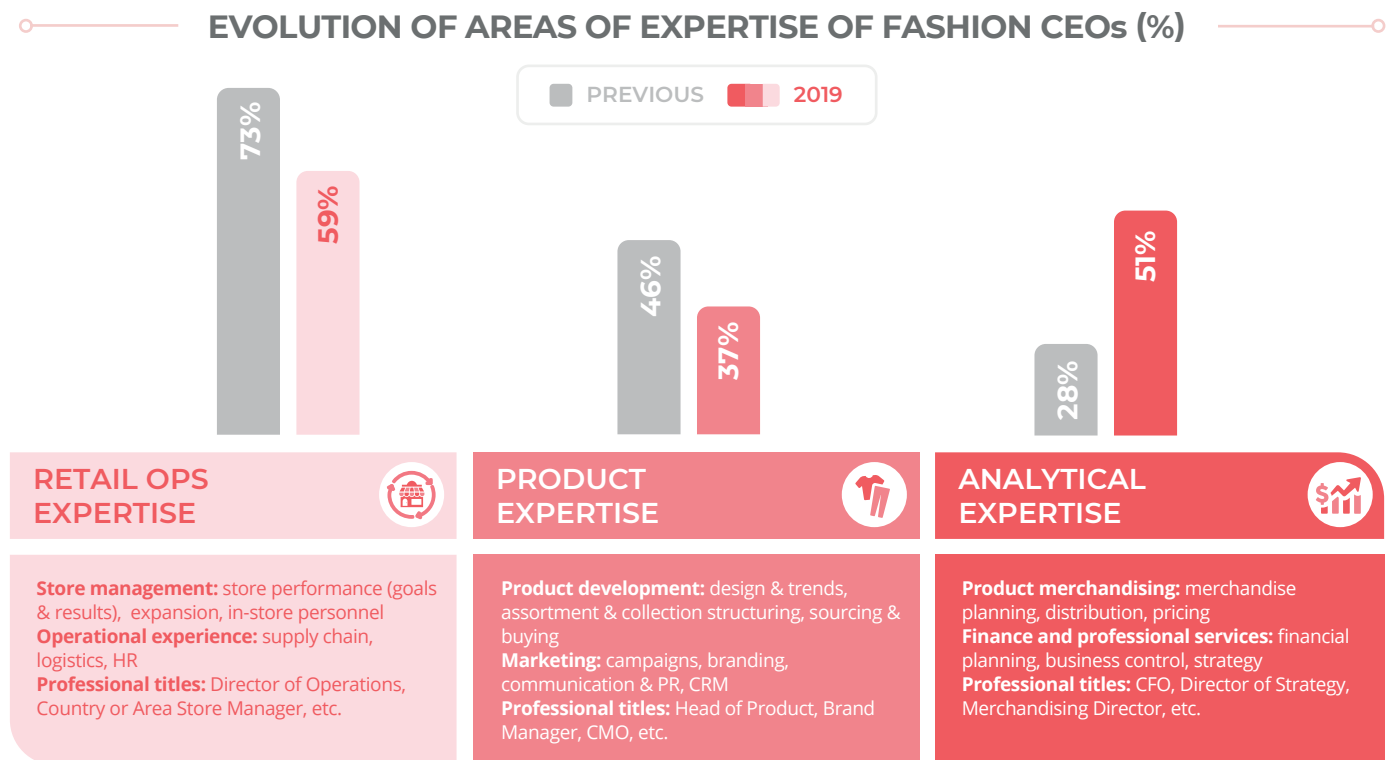
Significant growth of CEOs bringing analytical expertise

Our research shows an immense growth of analytical backgrounds that new CEOs are bringing to fashion companies: **51.4% in 2019 vs. 28.4% previously, a +81% growth**. New CEOs formerly held more traditionally analytical positions (e.g. CFO, Director of Strategy, etc.) before joining their current companies.

High-level roles within a fashion company prime professionals with both the cultural fit and the skills necessary to oversee the type of industry transformation we're seeing.

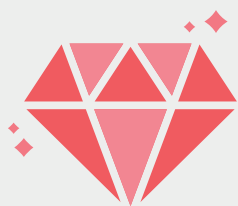
For example, highly analytical roles such as CFOs are reporting an increasing number of responsibilities in addition to finance, such as digital transformation initiatives⁹. In 2019, **9.7% of new CEOs held previously a CFO position versus 6.9%** of predecessors.

This reflects the increasing importance of how fashion companies are prioritizing profiles with the types of skills necessary to bolster the growth of their digital channels and an overall digitalization of the business.



⁹ McKinsey (2019). The evolution of the CFO.

When looking at the different verticals, Luxury saw the highest increase of analytical profiles (73.3% in 2019 vs. 40.0% previously). Luxury has been slower to adopt digital strategies and innovation, though we've begun to see many step up their games as of late. Luxury groups such as LVMH¹⁰ and Chalhoub Group¹¹, for example, have been making great strides in terms of fostering innovation.



Luxury gained the most analytical expertise thanks to new CEOs in 2019

Fewer new CEOs have retail ops expertise

It's noteworthy to mention that while retail ops continues to be the area of expertise in which new CEOs bring the most experience, it has decreased by 19.2%: 59.0% in 2019 vs. 73.0% previously. The largest drops occurred in Fast fashion (50.0%) followed by Luxury (35.9%).

As fewer retailers rely solely on disconnected brick & mortar stores and rather on a fully digital and omnichannel network; retail operations, while still core to businesses, will make way for analytical expertise.

More than half of new CEOs had previous professional experience in the company

When it comes to choosing its leaders, the fashion industry still prefers its "own". A clear vision of the brand and its heritage are important, and in some value segments like luxury, it is essential¹².

Of the CEO new joiners in 2019, 54.2% had previous experience in the company, up 18.3% from their predecessors (45.8% previously). Across industries, the opposite is happening, as external replacements have outpaced internal replacements for the first time since 2013¹³. This increase emphasizes the importance of continuity and a conservative approach for reducing the risks associated with bringing in new leadership, especially as 2019 was a challenging year for many retailers.

"Often the biggest risk is no change at all. Despite this old truism, half of CEO changes in 2019 resulted in the appointment of "returning hands". As retail continues to transform into a sustainable industry, developing nimble ways of working, knowing which lever to pull on day 1 seems to matter more than banking on a fresh pair of eyes. What the trend really highlights is that CEOs do not have any honeymoon or settling in periods...it is imperative they are operational from day 1 in the business."

- Beatrice Lafon, Interim CEO Pimkie until September, 2019

10 LVMH (2019). The LVMH Innovation Award.

11 Chalhoub Greenhouse (2019). Chalhoub Group's space for corporate entrepreneurship.

12 Vogue Business (2019). What luxury fashion looks for in a CEO.

13 Challenger, Gray & Christmas, Inc. (2019). 2019 Year-end CEO report: 160 CEOs out in December, highest annual, quarterly totals on record.

A few fashion newcomers

While the large majority of fashion CEOs, past and present, are fashion industry veterans, the number of fashion “first timers” rose from 9.7% previously to 12.5% of new CEOs in 2019.

This lift exemplifies the idea that a new skill set is required from leadership that is not necessarily fashion-specific. Some of these new skills include data fluency as fashion companies incorporate digital strategies, advanced retail technology, and discover an increasing need to manage data and analytics.

Thus, fashion companies may sometimes bring in professionals with technical backgrounds from other industries such as Moda Operandi’s hiring of former Tesla America VP, Ganesh Srivats, as CEO in 2018¹⁴.

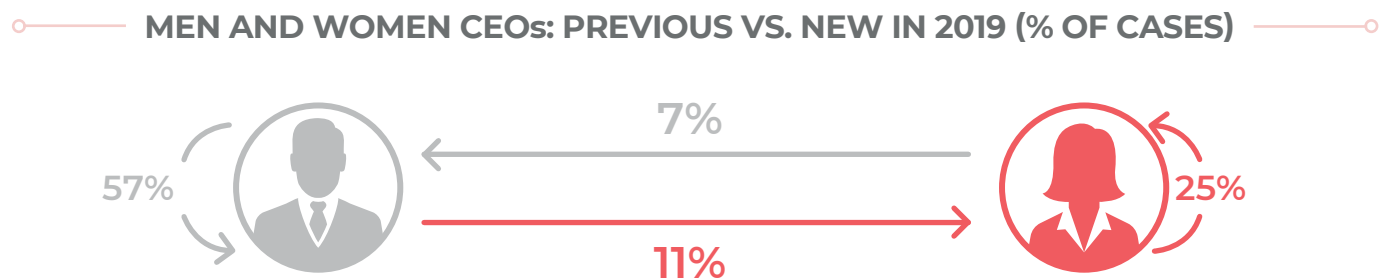
A jump in the number of women CEOs

Representation of women in the CEO role in 2019 jumped by more than 75.0% in 2019. Not only do women make up half of the world’s population, they also consume more, and influence 70-80%¹⁵ of overall purchasing decisions.

In 2019, 31.8% of new CEOs were women, versus 18.1% of predecessors. Women CEOs primarily joined beauty, footwear, and RTW categories.



While men replacing men in the CEO role was still the highest percentage of cases, it was followed by a switch from a woman to another woman as CEO (25.0%) and then from a man to a woman as CEO (11.1%).



14 Fast Company (2019). What this fashion hackathon tells us about the future of luxury fashion.

15 Bloomberg (2018). Top 10 things everyone should know about women consumers.

CONCLUSIONS

The record-high fashion CEO turnover rate in 2019 has been no coincidence. Nor have the changes in the types of professionals that companies are choosing to lead them into the future.

Fashion CEOs have traditionally experienced longer-than-average tenures. In several cases, control of the company has even left the hands of founders for the first time.

Since one of the key reasons for bringing in a new CEO is to lead transformation and growth, we are seeing a natural **shifting away from how things have “always been done”, to spark much needed change.**

During 2019 we have observed a change in the professional backgrounds that fashion top executives bring: **an expertise mix to successfully drive brands into a digital, data-driven future; namely reflected by a substantial increase in analytical backgrounds (+81% vs their predecessors).**

In some cases, this has been achieved promoting professionals from within, who not only understand the company from the inside out, but also bring the data-driven capabilities to lead digital transformations. In others, it has required fashion companies to tap “outsiders” who bring in expertise in areas where they had been lacking.

The focus of this report has been on the differences from one year to the next, but as more fashion companies become increasingly data-forward by relying on advanced data analytics, AI, and automation, we expect to continue seeing more of this evolution.

REPORT METHODOLOGY & DATA SOURCES

To carry out this study, we collected publicly available information on CEOs that began their tenures in global fashion companies in 2019 (or were appointed in late 2019 to begin early 2020), as well as information on their predecessors.

While more than 70 fashion companies saw CEO rotation in 2019, the focus of our study was on those companies that replaced outgoing CEOs in 2019 or the first month of 2020. That being the case, we did not study the profiles of interim CEOs temporarily holding the position, but rather focused on successors permanently taking over the role.

To calculate annual revenue of these companies, we took the most recent publicly available figures and standardized all prices to millions of euros.

General CEO background information

To report on the general demographic and professional experience of CEOs, we collected the following information from LinkedIn and other publicly available information: Name, gender, career length, and previous professional experience.

Areas of professional expertise

Using the above information on previous professional experience, we grouped related positions into three categories: **retail operations, product, and/or analytical** positions. We created a matrix group, and then later compared and contrasted the areas of expertise of former and current fashion CEOs as described in “Profiling the fashion CEO of the future”.

Reasons for hiring

To find the motivations behind bringing in new CEOs, we looked into publicly available information, namely from press releases from the fashion companies themselves or through leading fashion-related publications. We then categorized fashion companies into one of the following categories: **transformation/growth of company, former CEO poached by different company, undisclosed, personal reasons/retirement, scandal/PR management, mergers & acquisitions.**

ABOUT NEXTAIL

Nextail is a smart platform for fashion merchandising. Developed by retail experts, it predicts localized demand to automate data-driven decisions. With AI and advanced analytics, global retailers like Versace, River Island, and Pepe Jeans are transforming their core merchandising processes. Within weeks, retailers boost their operational agility and increase their margins.

Nextail currently has more than 25 customers in Spain, France, Italy, the Netherlands, Brazil, Russia, and the United Kingdom. We focused on the fashion sector and retail verticals that develop collections and introduce continuously new products (ie.: apparel, cosmetics, jewelry, accessories, etc.).

If you're interested in finding out more about Nextail, you can get in touch with us at info@nextail.co.

