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Editorial

The question dealt with in this issue is essentially economic: what are the salient traits of fashion's specific economic model? Obviously, it is all the more difficult to speak of an economic "model" when fashion relies on factors such as design and consumption – changing desires and tastes – that cannot be predicted in terms of economic rationality. Inside this dossier, on the one hand, the different contributions are based on the identification and analysis of the typical characteristics of the fashion system in terms of design, conception, distribution,

commercialization and consumption. On the other, beyond the perimeter of fashion traditionally attached to clothes, it also covers the economic opportunities – in terms of innovation in its broadest terms – linked to the generalization of the fashion economic system in other sectors, whether it be design or food, cars or leisure.

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Fashion as an Economic Model**

The main issues of fashion's economic model concern the optimization of the performance of the economic actors and rationalizing the extension of fashion to other sectors of production and consumption.

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Olivier Assouly: What exactly is an economic model? Is it an imperative of economics as a science or merely the reflection of the reality we observe?

Pascal Morand: An economic model is a focussed representation of the real, that relies on the key concepts of economic science, the activities of production, consumption and exchange and the allocation of rare resources. Creating models comes from the scientific principle according to which a proposition must be refutable in order to be scientific. So it is essential to precisely define the conditions necessary for the proposition to be effective. The main issue is to try to avoid armchair arguments, boring generalities and to accurately outline the field of analysis. The risk being of course, that this voluntary limitation can lead to the neglect of important parameters. For example, the consumer theory most often referred to by economists comes from the work of the neo-traditional economists and is at the source of the conceptualisation of the balance between offer and demand and

the fixing of prices by the market, which is very important. But the theory implies that individuals have structured and stable tastes, which can be disputed.

O.A: Do typical economic models exist?

P.M: Economic science has a number of groups of models. Thus, the models that cover international trade rely on a micro-economic approach linked to the formalisation of the general balance of the markets; macroeconomic models, used to simulate the effects of economic policies, are often Keynesian in origin, etc. The development of new models, within a given paradigm, takes the form of extensions from a clearly identified base, from a hard core. Sometimes, real ruptures occur that go beyond the usual improvements and additions. This is not the sole preserve of economic science. For example, quantum theory caused a total upset in physics, Einstein declared at the time that he refused to believe that God played with dice.

O.A: To what extent does the current move towards an economy of the immaterial – that must be redefined – create a need to stand out from the traditional models?

P.M: First of all, it is clear now that long-term growth relies most notably on the production of knowledge. The theory of growth with the work of economists such as Phillippe Aghion for example, has made huge progress. It influences debate enormously and is notably one of the reasons behind the realisation of the need for the reform of third level education in France, having shown that countries that lead the way in terms of technological progress (the high-tech frontier) invest more in third level education than in secondary education. This is the opposite of what is happening in France today.

A second point is taking into account the impact of information and communication technologies in production, consumption and the organisation of markets. It is universally recognised that the textile industry is the first to have been affected by the intensification of this process, and by the dismantling of the value chain that has followed. This mechanism is becoming widespread today with the increase in outsourcing and off shoring, in all sectors. It is most probably from the Princeton economists led by Richard Baldwin who have provided the most complete analysis to date. Conceptualisation does not mean creating models though. This is far from finished as far as I can see and the efforts must continue, as they are necessary for a fuller understanding of the issues at stake and the consequences of the information technology and organisational revolution that we are currently experiencing.

Finally, the immaterial is also linked to understanding the new perception of consumption, and here we must refer to marketing and the human sciences. It is within this context that a part of marketing literature has concentrated on branding, and that consultants see this as the best way to stand out from the competition. The human sciences have also been examining the subject for a long time. Why has this now taken on a new importance? On the one hand, because consumers need more and more entertainment and reasons to dream as an incentive to buy, given the plethora of products and services available. On the other hand, the fact of positioning itself in entertainment, fashion, luxury, etc. is an effective means for western business to stand out in a globalised market. This means falling back on strategies of seduction, detecting hidden expectations, knowing how to surprise without upsetting. In short, it means understanding people, never an

easy task. Reducing man's relationship to games, pleasure, ostentation and dreams to mathematical equations is a vain and laughable ambition. The human sciences, most notably anthropology are needed in order to grasp a part of this reality. This does not mean that creating models should be avoided, but the issues are different. Bruno Remaury's work on the assimilation of the world of legends and narratives by the world of brands is a valuable illustration of this alternative approach. Mathematical formalisation is often precious, all the more so as it is not obsessive.

One more thing about creativity which is often linked to the immaterial. What must be understood is that creativity, as a process, is immaterial, as it is linked to the unpredictable pathways of the human mind, but also because its field of application can be perfectly material, as it can mean the creation of an object or a technology. What is true on the other hand, is that we have left behind the world's mechanical order as the products and services we look for now use all five senses and the time is long gone when capitalism dealt only in concrete objects. In this environment, creativity brings newness, surprise, humanity, and it is all the more important as our consumption universe is detaching itself from the material. The difficulty is that creativity, by definition, always includes mystery. It is of an implacable uncertainty and this is where creating models reaches its outer limits.

O.A: Can we consider that fashion constitutes a separate economic model? What makes it different from the general clothing model?

PM: It's all about definitions. The definition here is all the more precarious as the idea of fashion is emotional, it deals with creativity, appearance, seduction, because it evokes both futility and lightness. So, in order to

aim for any kind of objectivity, it is all the more essential to do things with a methodological asceticism, to avoid falling into the trap of the debate between for and against, which is totally inconsequential in any case. It is useful to distinguish fashion as a sector (with clothing at the heart, fashion accessories, perfumes and cosmetics, household decoration can also be added) and fashion as a system. Then we need to define the characteristic of what can be termed a “fashion product”.

O.A: What are the salient characteristics of this economic model of fashion?

P.M: In my opinion, a fashion product must have four characteristics: it involves a creative and aesthetic activity, it appears in short cycles (marketing, logistics...), it is associated with a brand or the identity of a creator/designer, it is in line with the “air du temps” and can, in certain circumstances be ahead of its time.

O.A: Doesn't this economic model involve the integration of elements that are usually neglected by traditional economic policies – culture, traditions, habits, taste, the versatility of opinions – as they are usually seen to be out of range and difficult to quantify?

P.M: We need to clearly integrate these different elements, as they did appear honourably in traditional economic politics. So we do find a number of references to traditions and habits in Adam Smith. In fact, these different factors were pushed aside later with the advent of the neo-traditional school in the second half of the 19th century as it defined the rationale of the consumer and “axiomised” it a little under a century later. I do think that the checks and balances movement went too far and this is why I insist on the importance of economic anthropology to understand the world of today. This does

not mean that we have to set the two paradigms up in opposition to one another, that would be a facile solution to be avoided. Contemporary micro-economy has, for example, largely progressed in the understanding of uncertain situations using probability theories. Two phrases illustrate the two sides of the analysis and the two facets of the consumer. On the one hand the market rules are imposed on all of us, if only from the point of view of our constant process of arbitrage; on the other hand, in order to change someone you have to start with their grandfather...

O.A: So is this model static, meaning does it cover only the fashion phenomena of the last century or does it need to be constantly re-evaluated? And if so, why?

P.M: The analytical table that isolates the four factors of a fashion product is in itself, timeless. And it is true, for example, that Paris at the end of the 19th century had its fashions and its own “air du temps”. But the big difference today is that the fashion system has spread to all dimensions of consumption: at the beginning it included a small number of products and services and concerned a very limited percentage of the population, and now, it has become generalised and democratic. It is the fruit of the continued growth that we have seen, from the passage from the economy of need to the economy of pleasure, the unavoidable extension of the field of capitalism. The desire for fashion can differ greatly from one individual to another, but it is omnipresent, even if it is often seen as acceptable to criticise it and to misjudge the fact that lightness and futility are the salt of democracy.

What matters today is the power of the fashion system that comes from contemporary, cognitive, immaterial capitalism and also in parallel, from urban culture. Let's examine this point for a moment: urban culture is the

ultimate stage in a process that began with the rural exodus. In the collective unconscious, the figure of the peasant was the opposite of fashion: he was badly dressed, and always in the same manner, didn't know how to behave and was difficult to understand. So fashion was a city issue, but also a money issue, as not many people could permit themselves to be actors in this emerging scene. Then the time of fashion for all arrived with the appearance of department stores and it really took off with the Second World War, with the arrival of Fordism. So fashion was resolutely urban while remaining hierarchical. For the most part, it came from designers, certain brands and the elite. Advertising had already begun to democratise fashion: projecting the consumer into the "air du temps", that was also fed by advertising. Television began to spread trends, propagating new collective waves. And what was all the rage in the fashionable Saint-Germain-des-Prés was far from limited to the amusement of spoilt rich kids. Finally, creativity and trends reached the final stage of their democratisation and urban culture moved into another phase, enriching itself and mixing with global brands, tribal culture, sport, hip-hop, design, multiple layers of reference. This upheaval in society came through in literature, cinema, music of course and also through comedy. One only needs to compare the sketches of Jamel Debbouze with those of Fernand Reynaud.

O.A: Can one apply this economic model of fashion to other sectors of consumption?

P.M: This happens naturally, through reference to a multi-layered, not sectorised system. Each person is free to apply it to video games, telephony, automobiles, restaurants or the trade of ideas. Let's take the example of cars and phones. In both sectors, aesthetics are of great importance and design is a key factor in their success. The cycles have

shortened considerably in the automobile business and are extremely short in the phone business, both in terms of research and development time and the life cycle on the market. Brands are of considerable importance; the same goes for the "air du temps" that can influence colour, design, etc. It is important to add that the fact that the fashion system has become generalised doesn't mean it sums up the entire economy, the perception of consumers and the performance conditions of businesses. Its absolute importance is undeniable and systematic, but its relative importance differs according to the sector. Thus, technological innovation is much more important in the automobile industry or telephony than in clothing. And criteria such as comfort and reliability, not forgetting client service and attention to detail are fundamental. They can be overtaken by criteria of fashion (ex: an uncomfortable shoe that is nonetheless a must-have), but this is exceptional, and the norm is the adjunction and complementary nature of the criteria. So we must give fashion the relative credit it deserves and say that it is now a necessary but not sufficient condition for economic success, in the same way as technological innovation and quality of service. It is important thus to warn those who only see the world through the prism of fashion and remind those who disdain it that they are heading down a dead end.

The Competitiveness of the Capital Cities Specialised in the Fashion Industries

David Zajtmann

Examining the specific nature of the fashion economy causes us automatically to question the two sides of a fashion product: the material element and the immaterial element. In order to envisage how these characteristics play out, it seems interesting to us to examine the role played by the cities that are specialised in the fashion industries. The globalisation of the manufacturing of fashion products, for all product ranges, is now unavoidable. In addition, all creative activity remains concentrated in a few capital cities. Manufacturers of luxury products are, for the most part, located in capitals. The Paris, London or Milan shows remain the ones with the most media coverage. Economists have taken a keen interest in the question of the concentration of industrial activities in a precise place or region; and their thoughts are, we will see, enlightening in terms of understanding this phenomenon of concentration of fashion activity in big capital cities.

This article will first of all cover the importance of the notion of localisation in the fashion economy. The idea is to take economic thought as a starting point (in particular the work of Alfred Marshall, the Italian economists who studied industrial districts and Paul Krugman) and the sociological studies of Allen J. Scott in order to attempt to show in what way their analysis can be applied to the fashion industries. We will then examine the pertinence of the notion of tacit knowledge. It would appear that because of the “artisanal” nature of fashion design, the articulation of codified and tacit knowledge and skills is particularly appropriate in order to describe the activity of the fashion industry.

We turn naturally to the Italian districts to examine the work of economists on the fashion industry. The analysis of the success of the “third Italy” has been widely covered. But we would like to examine instead what might constitute the economic explanations of the success of fashion’s “great capitals”. The attractiveness of fashion cities is highlighted in a very visible manner during the shows in Paris, London, Milan and New York. Does this huge level of media exposure correspond to an economic reality on the scale of these cities? What can economists tell us notably about the issue of the concentration of industries in the same place?

Marshall's approach

First of all, Marshall’s vision remains absolutely up to date in terms of understanding the springs behind creativity and innovation in the fashion industry, notably the highlighting of the role of informal exchanges, a notion that appears to have great importance in this industry. The English economist Alfred Marshall was the first to highlight the informal exchanges that occur in one location. The following extract from *Principles of Economics* published in London in 1898, is particularly enlightening, especially as the ideas, even the expressions themselves have been, we shall see, taken up and used today by economists in order to explain and characterise the permanence of an economic activity in a given place or region and describe the mechanisms of the spread of knowledge around this place or region. “When an industry has thus chosen a locality for itself, it is likely to stay there long (...) The mysteries of the trade become no mysteries; but are as it were in the air, and children learn many of them unconsciously. (...) if one man starts a new idea, is taken up by others and combined with suggestions of their own; and thus it becomes the source of further new ideas”¹.

Can we transpose the analysis of industrial districts to the fashion capitals? To what extent do the “mysteries” of the fashion industries exist “in the air”? On the surface,

there are a number of different places from where information spreads: style bureaux, trade fairs, of course fashion shows. However, the information deals essentially with what happens upstream and above all it does not necessarily involve a precise localisation on the part of the company. This vision of districts is still in existence in Italy. A number of economists in the seventies and eighties tried to explain the economic success of the “third Italy” and in particular the medium sized cities that are generally specialised in one activity (mainly textiles) and that manage to export a major part of their production. These analyses rely notably on the roles played by Marshall’s externalities. Taking into account the extent of the writing on this subject, we have chosen to concentrate on the work that relates closest to our subject.

Becattini and Rullan² highlight the role played by the locality, as a source of input in terms of “material and immaterial infrastructure, social culture and institutional organisation”. The Italians point out the role played by cooperation and mutual aid to explain the success of these districts. According to them, we are dealing with a form of organisation that is more market-based than hierarchical. But, at the same time, the common interest of the firms pushes them to cooperate, a cooperation that is limited however to the firms in the district.

Becattini did wonder if the Marshall industrial districts could be considered a creative milieu. In a 1992 article in the magazine *Espace et Sociétés*³, he answers this question positively by breaking it down into five themes: the psychology of creativity, the question of teaching and creativity, an attempt to define the characteristics of a creative milieu and finally a study of the Marshall industrial district as a creative milieu. On the first point, that of the psychology of creativity, he highlights the “generic creativity” that enables the evaluation of the capacity of an individual or a group to associate existing ideas with a given time and place, and according to a formula

of his own “targeted creativity” that designates the capacity to associate ideas, ideas that, according to him must produce creations that correspond to the criteria of the communities to which they belong. Becattini’s analysis of the links between teaching and creativity paints quite a negative picture of teaching methods that reduce the individual’s capacity to react to the unexpected. As for the characteristics of the creative milieu, Becattini feels that the criteria necessary for a place to become what he terms a “centre for creative processes” are as follows:

1. The coexistence of multiple skills. According to Becattini these districts have a recognisable “typical approach” to practice, that is not logic-based but more the result of historical circumstances.
2. The presence of what he terms a “liaison agent” (a role played in Italy by the *impannatore*).

Finally the study of the Marshall industrial district as a creative milieu leads Becattini to reflect that, within a district, there is a coexistence between a “fierce competitiveness and (...) solidarity (...) custom and (...) informal institutions”. The technological resources are shared within the Marshall industrial district which favours development and innovation. In the end, the skills retained by the district become more important from an economic point of view, than those of the firm. So we have a mixture between targeted creativity, generic creativity and skills that are the preserve of the Marshall industrial district. The author concludes with a call to reform teaching methods so as to encourage creativity and the establishment of “cultural” cities. According to him, it is by seriously developing “spontaneous creativity” that these districts will last.

Another Italian economist, Bianchi (1997)⁴ has developed the notion of formal innovation, a type of innovation that is characteristic of design and fashion products. According to Bianchi, formal innovation involves five characteristics:

1. It doesn't involve the typical elements of the Schumpeterian model like new technologies or organisational changes, despite the fact that they are often associated;
2. This type of innovation can associate the use of new materials, without this being a necessary condition;
3. This type of innovation generates new types of already existing products;
4. In addition, through these new types, innovation highlights the aesthetic or symbolic content of the innovated product;
5. Finally, after adding on the "formal added value", the offer increases its level of competitiveness.

Finally, Garofoli (2002) summed up the characteristics of the Italian industrial districts in six main points:

1. Quite a high level of division of labour between the firms in the district which leads to very close client-supplier relationships, both within the sector and between sectors;
2. Specialisation in terms of production;
3. A large number of local agents, which leads to a practice of trial and error with a high level of problem solving with satisfactory solutions often found for the district's problems, at least on the part of certain operators, that are then immediately copied by the other operators;
4. The existence of an effective transmission system of information on a local level, which guarantees the rapid circulation of information on:
 - the wholesale market
 - alternative technologies
 - new raw materials
 - intermediary components and products that can be used in the production process
 - new commercial and financial techniques.
 This system of transmission enables the knowledge of each individual economic operator to be transformed into the "common heritage" of the zone;
5. Highly qualified workers;
6. An increase in bilateral relations between economic operators.

As we mentioned above, these descriptions corresponded to medium-sized Italian cities specialised in a particular activity. We feel that it could be interesting to apply this model to specialised fashion cities such as Paris, Milan or London. Why is one location at a disadvantage in comparison with another? This question is answered by the Krugman theory, in opposition to traditional theories.

The Krugman approach

The notion of "path dependence" is particularly interesting given the history of the fashion industry and can throw additional light on the preceding analyses. To be schematic about things, it gives importance to historical events and takes accidental events into account, thus, according to Liebowitz and Margolis: "The claim for path dependence is that a minor or fleeting advantage or seemingly inconsequential lead for some technology, product or standard can have important and irreversible influences on the ultimate market allocation of resources, even in a world characterized by voluntary decisions and individually maximizing behaviour"⁵. The approach of the American economist Krugman is in line with this theory, to a certain extent. While Krugman's analysis (that belongs to the "New economic geography" school) does not cover the informal character of exchanges, it is interesting in as much as it insists on the role played by history in economic geography. Krugman (1991 and 1992) does not rely on the standard theory of localisation and notably refutes the theories of constant yield and perfect competition. He places himself more in the perspective of industrial economy, the dynamic conception of space and based on the theory of growing yields. So there is a « processus endogène cumulatif de divergence régionale » (Lecoq) (endogenous, cumulative process of regional divergence) that results from the interaction of the demand, growing yields and transport costs. In this analysis, trajectories (Courlet)⁶ determine the shape of the economy. A region

can thus benefit strongly from an initial advantage, and benefit from growing yields. As a result, we can deduce that these regions benefit from an advantage that results from an unequal initial distribution. The most important point analysed by Krugman is the propensity for concentration in one place. We are no longer in an optimal schema from a competitive point of view. As a result, Krugman highlighted the point of the importance of economic geography in order to understand these processes of regional divergence. According to him, an industry has a high propensity to cluster in one place. The result is the importance of external economies. For Courlet: “an initial regional advantage can become cumulative”. According to this approach, regional development does not obey only rational rules. Courlet also highlights the interesting concept of “verrouillage” (lock-in). Can the idea of “verrouillage” be used in order to characterise the role of big urban areas in the luxury industry? The “concentration in one place” of the ready-to-wear luxury and couture industries is clear to all. But, can we speak of a “propensity to concentrate”? The fashion industry has a low level of product innovation and we can presume that this favours a high level of localisation. The role of external economies should also be highlighted. So we could apply this to Paris, taking into account the fashion schools, training centres, fashion shows and trade fairs that exist there.

Let's now examine an author who has worked extensively on the economy of the cultural industries and who has developed the reasons for the geographical concentration of these industries in quite a precise manner.

The Scott approach

Scott's analysis, which is not exactly that of an economist but more the approach of a sociologist, is particularly interesting in as much as it deals explicitly with the cultural industries. We are thus dealing with an analysis that doesn't necessarily cover a

technology-based sector. In addition, he has concentrated his work on bigger cities and not medium sized cities.

Scott⁷ studied the interaction between local regulation and cultural industries which includes fashion. In his opinion, the origin of the Marshall notion of district can be summed up in three points:

1. Regional cultures lead to informal effects of significant knowledge. He affirms that tacit skills are also present in most regions;
2. From the producer's point of view, clustering on a regional level is characterised by “an accumulation of cultural conventions, social rituals and routine personal exchanges”;
3. Finally, the products themselves benefit from their localisation, as they have, as such, a “semiotic content”.

Scott aims to show that there is a strong link between places and “the reputation and authenticity of cultural products”. This is linked to a form of modern, post-Fordian capitalism. Scott outlines that the connection between the image produced and the place create a sort of “exclusive revenue” associated with these places. It is indeed tempting to think that cities such as Paris or Milan benefit from an advantage that could be seen as a revenue, an advantage that results from their traditional haute couture activity for the former and textiles for the latter.

Scott's contribution involves notably highlighting “reputation and authenticity”. He introduces a marketing-based dimension rather than one based on the intrinsic quality of the products on offer from these places. These creative places can be used by firms to valorise their products. Scott speaks of a “multiform process of auto-transformation”. Little by little, an urban area acquires “identifiable, cultural attributes marked by distinct conventions and habits”.⁸ If we apply this description to Parisian fashion, it is clear that the progressive establishment of professional organisations (Chambre syndicale de la Couture parisienne) is in tandem

with this schema. Scott describes a process in which the local labour markets experience real growth. He uses the term of "industrial atmosphere" to do so. It remains however, that Scott's work is not backed up by concrete data, which is hard to collect and define.

Scott takes an interest in the role played by a "dominant location". He clearly follows Marshall's theory (in fact using the terms "industrial atmosphere") and feels that the phenomenon is characterised by a growth in the local labour market and the emergence of new qualifications. In the end, the location will possess "identifiable, cultural attributes marked by distinct conventions and habits". So that is how we explain the dominance of a few fashion capitals on the world scene: Paris, London, Milan.

These two approaches (Krugman and Scott) explain the domination of certain places or regions. Let's now go back to the way in which skills and knowledge are spread around the same place, and what the economists have said on the subject. What gives fashion industry skills and knowledge a particular character?

The issue of tacit know-how and knowledge

In a paper recently produced by two university lecturers, we see a clear stance in favour of the importance of tacit knowledge in the fashion industry. Barrère and Santaga state that "the difference between tacit knowledge and explicit knowledge, while subtle, is very visible in the fashion industry."⁹

The authors state that there is a difference between tacit knowledge and explicit knowledge. This approach, again, in tandem with Marshall (the term "in the air" is used), highlights the fact that the world of fashion has escaped complete codification. But we feel it goes much too far. How is the notion of tacit knowledge applicable to the fashion industry? Outlining this notion in terms of fashion is indeed difficult. The notion of tacit knowledge was first put forward by Michael Polanyi. He considered that a human being's

knowledge is superior to what they can tell ("I shall reconsider human knowledge by starting from the fact that we can know more than we can tell"¹⁰).

The fashion industry is a domain in which the circulation of information is an important source of competitiveness. The bi-annual (at the very least) rhythm of the ready-to-wear collections lends itself to this. The "air du temps" for example, is difficult to codify. Each company must, however, use a certain information to create and produce its collection. They use themes inspired by art, social movements... that circulate. These themes can be found at the trade fairs. We could thus consider the different capitals of fashion as industrial districts with the links between one another as their specific nature. The themes that circulate each season can be considered as tacit. The type of knowledge that is exchanged or "industrial secrets" to use Marshall's term remains to be defined. As we have seen, it can be tempting to consider first of all, that tacit knowledge is particularly used in the fashion sector. We feel this is not entirely correct. We do feel it is particularly useful at this stage to refer to the recent work on the articulation of tacit and codified knowledge. This approach overestimates, in our opinion, the informal character of the knowledge exchanged. In fact, it doesn't take into account the role played by the development of training (basic training and professional training) in fashion which is currently taking place in all of the big cities. In addition, the existence of a fashion calendar in Paris, like in London and Milan show a certain organisation. Localisation is a real point if we take the example of the design studios. The level of externalisation and/or relocation is very low. This may be linked to the necessity to locate close to sources of tacit knowledge (for example, the links between art and fashion).

In addition, we should note that the fashion industry is not an intellectual construct, or even an industrial process that is comparable to the manufacture of micro-processors

for example. It is, in fact, an industry that is based in craftsmanship (as is evident in France from the transformation of the anonymous dressmakers and tailors into designers who gave their products a signature). So, in a 1999 article in the magazine *Design Studies*, Louridas¹¹ compares design to DIY in the way Lévi-Strauss meant it in *La Pensée sauvage*. Claude Lévi-Strauss spoke of the meaning of the term “bricolage” (DIY) in order to draw a parallel with mythical thinking. When talking about the DIY expert, he explains that he is “capable of carrying out a number of diverse tasks; but unlike the engineer, he does not need to use raw materials and tools designed especially for his project for each task: his instrumental universe is limited, and the rules of the game are to use what “comes to hand”, that is to say a collection of varied or surplus materials and tools.”¹²

As such, Louridas considers that there is a largely historical division between design before it went professional and design after professionalization. But design products reflect status, personality, taste.

If we take a close interest in the notion of tacit knowledge, we see, for the writer who first identified the notion (Polanyi), that it is not transferable. Transferability is possible only through articulated knowledge. As Catin, Guilhon and Le Bas stated in an article on the subject: “the articulation (...) [between tacit and codified knowledge] has a certain “thickness” that it can only be reproduced (remain present) within the functioning of institutions.” Going back to Simon and Lorino, they remind us that knowledge is both formal and tacit. We have to admit that in each of the big urban areas that specialise in the fashion industry, such institutions exist.

So we understand the importance of the role played by institutions in the fashion industry (for example in Paris, the “Fédération de la couture, du prêt-à-porter des couturiers et des créateurs de mode” that organises the fashion show calendar). However, in the case of the fashion industry,

it seems to us that the type of knowledge exchanged is variable: supplier’s contact details, upcoming trends, perhaps human resources.

The writers highlight the fact that for Polanyi, the passing on of tacit knowledge on leads to “imitation and apprenticeship costs”. They add that “individual tacit knowledge can only be passed on by individual contact” and that as a result, the transmission of this knowledge is difficult and evidently more so at a distance.

We can see, analysis by economists of informal exchanges in one place is not new, in the same way as the valorising of the informal character of these exchanges. Urban areas can, thanks to their history, provide advantages for the firms present in material and immaterial terms. This double component, both material and immaterial, explains the perennial strength of the big cities that are specialised in fashion. Marshall’s ideas continue to inspire economic analysis and sociologists, with analysis that deals with the textile industry but also more immaterial activities like the film industry. This leads us, in our opinion, to look at the question of the singularity of the fashion economy in the wider context of the creative industries.

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What Makes Fashion Specific as an Original Economic Model?

Christel Carlotti
Gildas Minvielle

The average young French woman aged between 15 and 24 buys four bras and nine pairs of pants during the year¹. An average American woman has eight pairs of jeans in her wardrobe and wears six of them on a regular basis². However, it is really not necessary to own quite so many bras or jeans to ensure one's physiological needs such as protection against the cold (the first level of satisfying needs³), or even to fulfil a need for social belonging (level three of Maslow's pyramid).

By creating a product that exists in a context of time (an era) and culture (shared values), fashion adjusts to fit the consumer's expectations and in doing so, pushes the consumer to buy beyond their needs, in terms of volume and value.

This superb sales performance depends essentially on two elements. The first is the immaterial value attached to the product, all the imagined content of modernity, elegance, relaxation, social codes that play with self-esteem, even with self-actualisation. French consumers evoke fashion as a means to distinguish themselves, to express their originality, personality, as potential for playing/acting, getting away, compensating⁴. Brands rely on this feeling of self-actualisation and maintain it cleverly. So it is not just a question of wearing a nice garment with pride, but more a feeling generated by the product, that the boost comes from novelty,

the object one doesn't yet own and that one dreams of.

The second component is the short cycles that exist in fashion. The frenetic rhythm of renewal enables on the one hand – thanks to short design/manufacturing periods – to stick to consumer's aspirations, and on the other hand, – through the regular introduction of new products in the shops – to incite the curiosity of the passers-by and push them to impulse buy.

These two elements, an immaterial added value and rapid renewal cycles have, over the past twenty years, created an original and effective system. But can we really speak of fashion "economic model"? If there is an economic model, then to what extent does it constitute a marketing, logistical and commercial example for other sectors?

The dematerialisation of the fashion economy

The textile-garment sector is emblematic of globalisation. First of all, because it was at the heart of the industrial revolution due to the innovation that occurred in weaving and spinning at the end of the 18th century in England, but also because it is the only sector that is present in almost every country in the world, regardless of their level of development. Actual manufacturing has never become truly automated and, as such, remains a labour-intensive industry requiring a low level of initial investment. This specific trait has resulted in its development in lesser developed countries (clothing makes up 70% of exports from Bangladesh or Cambodia for example⁵). The fact that the textile sector is present on every continent has exacerbated international competition. Manufacturers in the industrialised countries have come under pressure due to the low costs of countries with low salaries. As a result, a movement towards the relocation of the manufacturing industry began in the

seventies in Germany and the eighties in France. Germany was one of the first European countries to relocate to Eastern Europe where the skills and know-how came from manufacturing outer garments for the Soviet army. The relocation movement in German industry happened first of all in response to a relative lack of labour. German workers, in general more highly skilled than their French counterparts, tended to go into the automobile industry. Relocation appeared thus as the only means for developing the clothing sector in Germany⁶.

Relocations in France developed later on in the eighties toward North African countries and corresponded to a wish among the bigger manufacturing companies in France (Devanlay, Bidermann, Playtex, etc.), to be more competitive due to much lower labour costs. While these relocations did lead to a certain de-industrialisation at home, the organisation of the branch continued to be based for the most part on an industrial logic, in as much as the consumer markets were still being supplied by products manufactured in France or North Africa and distributed by department stores and multi-brand independents. In 1985, independent multi-brand stores made up the main distribution circuit in France with 38% of the textile-garment market.

The concentration of distribution due to the growth in specialised chain stores from the end of the eighties onwards led to a steep decline in business for multi-brand independents. As a result, the garment industry manufacturers were faced with a serious downturn in their outlets. So we went from one paradigm to another in twenty years: after being run by industrial activity, the branch is now run by distributors. In France, the level of concentration of distribution is over 70% today (the sum of market share of all distribution circuits, not counting multi-brand independents and markets and fairs).

Concentrated distribution took over the markets without necessarily having any means of production. So, the fashion sector has tended towards a certain dematerialisation with the externalisation of its manufacturing. The link with consumption has become strategic: consumption information is held further down the line and serves to create new products. Distribution, due to the sheer volume of product it buys, represents the most powerful principal: it concentrates higher profit margins than upstream in the circuit and has the power to negotiate. The fashion sector is thus characterised by the domination of distribution concentrated on the market and the end of the line: it designs its offer in terms of consumer demand and manages manufacturing with sufficient knowledge of the early stages of the process. Brands have progressively come round to this dematerialised model, repositioning their added value on design and for a large number, getting rid of their manufacturing interests. The entire fashion market (clothes and accessories) is thus today characterised by the importance given to product design, style, codes, in short the aesthetic content that projects the dream. From an economic point of view, this immaterial added value relies on a cleverly orchestrated balance between design and management within fashion companies. Whether it is a designer that gives a collection his or her style, or an armada of stylists on the lookout for the latest trends as is the case in the better known chains such as H&M or Zara, their role is essential.

The economy of the limited edition

The orchestration of this new addition through marketing, logistics and management transforms these creative exercises into commercial steamrollers. Of course other sectors do use design in their offer, but fashion has the double characteristic of

the radical renewal of product ranges and the absolute necessity to seize the moment. Each season means a blank page... almost. The big clearout. Sales get rid of the old stock enabling a twice-yearly supply of "all new, all beautiful". When other sectors carefully add one or two new references to a range that is already in use, and has been for a few years, the clothing industry proposes an entirely new collection that makes the news. While the split with the past is clear – a new page is written every semester – the new product is more the result of evolution than revolution. The writing remains the same, the text evolves from one chapter to the next. This type of writing leads to certain particularities. The product is sacrificed prematurely, well before the end of its natural life-cycle, to leave space for one that promises better rotation. Of course, certain "basic" or "timeless" pieces whose colours, details, or nothing at all are varied are "cash-cow" products⁷. This could be straight leg black pants, a T-shirt or a modern, understated sweater. But the more fancy garment, with different cuts and ornaments will not get a second chance. Taking a product off the market before its commercial potential has been fully exploited calls for an over-investment in design and the development of new products.

Having said that, the new is unknown and therefore commercially risky. To ensure the turnover for the coming season involves a subtle balance between the new, that attracts (and without which there is no "over buying", thus explaining its high profile in the collections), and the known that must "guarantee" a minimum sales level... the risk factor lies in the fact that the known product is already part of the past, as are its performances. The balance between design (the new) and management (the quantifiable) is thus very fragile: fashion thus leads to unstable business models. Fashion houses rely in general on a form of "renewal experiment", by meting out the new in an empirical fashion. Constantly calling the offer into

question and the never-ending arbitrage between renewal imperatives and safety imperatives in terms of turnover as the collection is being built, are another trait of the fashion sector. The decision-making process in the new model is often collegial and the result of much procrastination. The deadline gong usually puts an end to the debates, generating intense last-minute activity, the night before the shows for example.

Another particularity of the fashion sector is its precarious economic balance. Success comes quickly as does failure. The right product, in line with the aspirations of the moment and the positioning of the brand or store, can experience instant success and immediate financial results. Consumers are constantly on the lookout. But the new season brings a new fashion context so success or failure have a six-month life-span. Management and logistical tools have not managed to invert this unstable balance into a stable balance. They can't prolong commercial success. They enable a precise reading of the past (thanks to sales figures), but provide no reading for the future or of fashion itself. The pre-eminence of these tools has even caused certain distributors to focus on an apparently safe vision of the past, causing the erosion of their sales in a few seasons in a fashion market that is absolutely focussed on the present.

The cycle, a fashion specific

The double necessity for creating immaterial added value and sell product has led to balances – precarious, but effective ones – between design and management, even between designers and managers. The product that comes from this duo is, in itself, ephemeral as it is part of a short cycle, the season. The management of this instability and these rapid cycles, is at the heart of the fashion system.

These short cycles confer certain commercial advantages and place the fashion product at centre of the stage in terms of marketing. This has two advantages: the first is sticking to the consumer's aspirations (pull), the second, provoking new needs (push). Indeed, the fact of artificially replacing a product before the end of its life cycle by another product, supposedly better adapted to the fashion context for the new season, pushes the offer to respond to the demands of a market segment as carefully as possible. The marketing demand here takes precedence over the financial constraints that would lead to covering design and product testing costs as far as is possible. The permanent improvements in the product can be seen as real-life experiments. In addition, these constantly adapting answers themselves modify the market and thus contribute to the changes in consumer's aspirations. Children's pushchairs have worked perfectly with four wheels for generations. The introduction of the three-wheeler created a demand for a product with a modern, valorising design conferring the status of modern parent on the owner. Joggers are far from being the only users of these pushchairs. The new model also pushed certain parents to replace their traditional pushchair. The main advantage of fashion through product renewal is thus to incite people to purchase when the basic need has already been fulfilled. Novelty creates rarity in a market that is saturated.

This notion of cycle, essential to fashion's economic model covers a range of systems and timeframes. We can point out cycles that are imposed, those linked to industrial processes and manufacturing constraints, cycles that are followed linked to fashion and seasons and cycles that are created on purpose such as updating a range mid-season. This enables us to highlight the marketing and economic levers that have developed in the fashion sector. The

imposed cycles first of all, rely on the time it takes to create the product. While it is true that the dyeing or manufacturing periods are difficult to compress to a certain degree of productivity, it remains that fashion garment manufacturing has managed to develop value chains that enable it to exploit these deadlines to the utmost. The "industrial" optimisation of deadlines relies on a capacity to anticipate, commit to long deadlines (fabric manufacturing) and to shorten the short deadlines as much as possible (manufacturing). The distributor or brand anticipates their needs according to sales forecasts and books fabric that they will send for manufacturing according to sales. Certain distributors even advance book orders so that they can designate a colour or print later on. If the product is not successful, the fabric can then be used for another model, or sold off.

Beyond this deadline optimisation, the system enables the reduction of risks linked to the anticipated characterisation of the model. Colour, for example is an essential element when choosing a product as a consumer. For the range designer it is often a factor for error⁸, more so than the style or the size. Choosing the colour further down the line enables the manufacturer to match the demand of the moment and, as such, increase sales. This mastering of industrial cycles leads to a kind of paradox. Distributors and brands that concentrate their added value on product creation and have a hands-off approach to production, are obliged to commit early on in the manufacturing process in terms of knowledge and managing the industrial process in order to better handle short deadlines. The dematerialisation of the fashion economy must thus be conjugated with a form of expertise in production. The Zara chain is a good example of how this paradox can be controlled effectively.

While controlling time in industrial terms is useful, this is not what underlies the system for the most part. To a much greater extent than the manufacturing process, fashion is characterised by the seasonal cycles. Fashion's biannual rituals are unique. They set the rhythm for all fashion houses from design to commercialisation. First of all, the fabric trade fairs and the shows are points of reference for the profession in calendar terms: they launch the season. Then, the new collections arrive in the shops and mark the rendezvous for customers keen for new things. 85% of Italian⁹ women declare that they always do their clothes shopping at the start of the seasons.

These cycles that are followed by the entire sector show the conjugation of the evolution of fashion trends and the passage to the summer or winter season (even if the criteria of the physiological adaptation to exterior temperatures tends to disappear a little). These rhythms cause an irregularity of activity for a number of specialised manufacturers (woollen goods, swimwear) that sell a year's worth of product in the space of a few months, and see their activity fluctuate in the extreme according to trends (print fashion, lace, linen).

The trends in question are characterised by cycles of varying amplitude, that can cover a few years or a few weeks. So, the issue is to build a delicate balance between a solid offer that depends on long trends (the return of the skirt) to medium-term trends (the unstructured skirt survived over a number of seasons) to the very short-term (a motif, a specific spirit, that will have a lifespan of only six to eight weeks). The same product can include both short-term and long-term trends: the skirt can be brought up to date with different cuts and fabrics.

Following fashion cycles is different for each brand or store. There must be a measure of arbitrage between the expression of the

brand's identity and the trends announced or predicted. It is also a question of the internal capacity of a brand to react to changing trends. A top of the range brand requires longer in terms of product creation and development than a range from a distributor that takes inspiration from existing designs and other brands, and for whom the speed at which the range hits the stores is more important than quality or precision. To a certain extent, these "followed" cycles depict the "life" of the fashion sector with its complete renewal of ranges (its "Spring"), its rites of passage (shows, the sacrifice of the sales), its temples (the stores), and the almost sacred universe of haute couture with its luxury craftsmen and artists. So when consumers talk about fashion they say « c'est la vie », "it makes us feel alive"¹⁰.

The third type of cycle, the intentional cycle goes much further. It involves a high level of control of the imposed and followed cycles that enable them to push this notion of rhythm to the utmost and to use this as a lever to encourage even more sales. This ultimate use of fashion as a commercial and marketing lever is unique to the clothing and accessories industry, for women most of all. The rhythm is just getting faster.

In 2006¹¹, the offer was built around two collections per season, or four collections per year. In 2010, the biggest European brands and distributors intend to move up to an average of three collections per season, or 6.8 collections per year. In addition, 86% of them add new items between the collections. The accelerated renewal of collections in stores constitutes an amazing sales lever and has been adopted by most brands and distributors, of course in the lower and mid-ranges, but is slowly being adopted at the top of the range also.

While the objective is the same, the methods diverge. We can thus distinguish anticipatory updates from reactive updates. The first are

planned in advance. The preparation time involved is relatively long. They are, on the one hand, collections that are designed at the traditional rhythm (on average eleven months in advance) like the “collections croisières” at the top end of the market. They can also be “mini-collections” designed, on average five months before the season starts. Deliveries to stores are staggered, on a monthly basis down to a weekly one in the lower end of the market. The client’s appetite is whetted; the product is semi-fresh.

This type of anticipated updating enables an acceptable compromise between the commercial risks linked to too much trend anticipation on the one hand, and the inherent difficulties for last minute production on the other. This influx of newness will reach a crescendo: in 2004 it represented approximately 13% of supplies of European brands and distributors; today it represents 25% of their buying.

Reactive updating relies on organisational prowess: the product is designed and delivered during the season with a three to eight week deadline. The distribution circuit is integrated which enables quick decision-making and store allocation. With short deadlines, buying involves relying on fabric or ecru stock that is already available, and more often than not in nearby production facilities (almost 60% of production during the season relies on fabrics bought in Europe and the garments made in Europe or the Mediterranean basin).

These launches rely on trends that become clearer as the season goes on or on new proposals from designers. The client’s appetite is satisfied; the product is ultra-fresh. The supply process is risky: there is no room for catching up if there is a production problem as the demand for the product and the season are ephemeral. So the share of this ultra-short-term, in terms of buying and

logistics has only gone from 12% to 15% of supplies over the past three years.

In other words, if the machine takes off and the rhythms speed up, the process needs to be well-oiled. These processes are completely consumer-based as the consumer must perceive a new interest, and then wish to buy, every time they visit the store.

The original geography of the fashion economy

The specific nature of the fashion sector is due, for the most part, to the increasing rate of renewal of collections during the year and its corollary: the pre-eminence of the last collection, having clear-out sales for end of line products before the end of their natural life-cycles. The geography of the textile sector is built entirely around this specific element. Where other sectors concentrate their supply base in Asia for economic reasons (for example, China produces 70% of the world’s toys), the fashion sector has a much more measured approach to buying (small series, production close by).

As we have already mentioned, the veritable engine behind consumption especially when dealing with women’s clothing (consumption of women’s clothing represents half of the consumption in France as opposed to 30% for men’s clothing and 20% for children’s clothing), lies in the rapid renewal of products, which stimulates the consumer’s appetite. The specialised chains built their success in part on this strategy by upsetting the ritual of two collections per year in favour of mini-collections.

The specific nature of the *sistema moda*, as the Italians put it, has led European buyers to adopt a strategy that combines supplies from Asia with nearby sourcing. In addition to the safer spread of monetary risk over the dollar and euro zones, this strategy is essential in order to increase the number of collections each year. In addition, sourcing

enables the know-how in different areas of the world to be recognised and valorised (North Africa for jeans, India for embroidered garments and Romania for outer garments).

Among all of the clothes bought in Europe, over half are produced in the Euro med zone (EU and Mediterranean basin). The countries of the Mediterranean basin, while they have seen their competitive edge blunted somewhat in recent times remain the main suppliers of the European market. All of the countries in the Med Basin today represent over 20% of European supplies (not counting inter-European imports). Fashion cycles thus contribute to the preservation of the activities of Med countries and enable the principals to diversify their supply bases in order to balance out the risks of too much dependence on one supplier.

The number of items ordered in Morocco and Tunisia are often in small series, but there can also be much bigger orders when they come from the specialised chains with a lot of retail outlets. Manufacturers in the Mediterranean regions are now specialised in what the Italians refer to as *pronto moda* or fast fashion as they have chosen reactivity and short manufacturing deadlines.

The dynamism of Moroccan exports in 2006 due to orders from Spain shows how certain specialised chains practice diversified sourcing and complete their panel of domestic suppliers with suppliers from the Med regions. The Inditex group (Zara, Massimo Dutti, Bershka, etc.) is in the process of becoming one of Morocco's biggest clients.

So, while the supplies from the Med basin propose an alternative for European principals that is more expensive (due to wage costs that are three times the Chinese rate), the upside is that they deliver quickly without needing huge orders (unlike Asian producers). The speed and flexibility (in small series production) thus constitutes a

real value in the fashion sector.

Fashion: an original and specific economic model

All of the consumer goods sectors are in the process of developing offers with updated design and conception that encourage the consumer to buy again. They all have the potential to do so in any case. Fashion is everywhere. The reasons it can be proposed as a marketing and commercial model are first of all, as it complies closely with consumer's aspirations and not just their functional demands but to their need for valorisation through the service or object chosen and secondly as it incites premature renewal and, as such, over-consumption of a product. However, no sector outside clothes, shoes and a few accessories has managed to set up a system that can incite a level of consumerism that goes beyond a person's basic needs. Where the fashion business builds original unstable models, other sectors look for long-term stability in their business models. Where fashion plays with cycles and sacrifices fresh product to biannual sales, other sectors concentrate on return on industrial investment and progressive transition between old and new ranges. In as much as no one can really risk taking on the fashion model, can it then be considered to be a model? Can it be a reference?

The economic model can be divided into three categories: companies' economic models or business models, the economic organisation of companies and mathematical economic models. Whatever the case, the economic model relies on logical arguments that are generally quantifiable and verified to schematise a system. Quantifying creativity, outlining specifics and verifying unstable, varied and ephemeral balances, calibrating the degree of newness in an offer seems at odds with what underlies the entire fashion system: intuition. So, fashion can not

be a model. It is even an anti-model as its out of kilter, unproven balance is constantly being recomposed.

Given this fashion system, we could even question if the very notion of a model damages economic performance... let's push the reasoning a little further. The stable model is tested, and as such, duplicable and duplicated. When competing companies are fighting on the same markets with the same arms, at a certain point the products and services are comparable in the eyes of the consumers. Competition happens in terms of cost. The big issue for companies means taking market share from the competition, in a market that is already supplied so renewal is needed, instead of centring on the consumer's new needs. A stable, and as such, inert offer also leads to consumer inertia. So, the model becomes poorer, unless one of the structures ventures outside of the model looking for a new lease of life. So, the model, as a strictly followed model leads to its own end.

Fashion, on the contrary needs a constant new lease of life. On the one hand, the offer is always being renewed. On the other, the sector is made up of a multitude of companies of different sizes whose permanent objective is dual: to fulfil the target's aspirations and develop original offers to stand out from the closest competition. The models of the companies the most examined today (H&M, Zara, Mango to mention but a few), reveal themselves to be fundamentally different from one another. Nevertheless these original and unstable balances (risky as they rely for the most part on products with unpredictable commercial performances) have managed to become world wide successes. The specific nature of fashion as an original economic model depends thus on its precarious, multiple and human characteristics. It is human as it depends on the intuitive projection of a positioning on a product vision. Human also as it relies on

the internal balance within companies (in the fashion "houses") between the creative and managerial staff.

While it is true that "creative madness" constantly refuels the machine, while managerial rigour paired with intuition filters and selects; and it is true that the calendars and the level of reactivity of certain distributors push the machine to advance at a faster and faster rate, it remains that the system has some quite serious limits. Over-consumption, waste, the need to recycle, pollution (cotton fields soaking up water and pesticides, dyes, the energy needed to transport goods internationally), underpaid workers in foreign countries, are all reasons to question the system... but here again, fashion has the potential to be a pioneer in terms of solutions, in as much as its propositions are in tandem with consumer's sensibilities.

Fashion as an aesthetic touchstone touches our environment (products and services) and shapes our perception of how products and services are marketed. We are dealing with renewal through design, renewal that stimulates sales. But fashion as an economic system models only a part of our environment. Clothing, shoes, some accessories, are the only sectors to have developed this marketing prowess that pushes us to consume way beyond our needs. Only this system dares complete renewal of the offer every six months. It creates new standards that make the others obsolete and simultaneously proposes an offer that fulfils those new standards at an accelerated rhythm. These design-time performances dictate a world wide scattered geography in terms of manufacturing in cost-time-know-how zones. They also dictate varied and precarious business models (as they are constantly being recomposed with the difficult balance between design and creativity and management) but that are strong in terms of added

value and commercially effective. Fashion might end up remaining a unique economic model. A one-off, pioneering, different model.

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Introduction

In *The Empire of Fashion* Gilles Lipovetsky (1994) showed how in the realm of fashion a culture of continuous innovation was created, which later spread to other industries. So, successful continuous innovation is at the core of any economic model of fashion. In this paper it is argued that it is useful to use the Darwinian framework of variation, selection and retention/speciation to understand and assess success in the field of fashion innovation. It allows us to think more systematically about possible success ('fitness') criteria in different selection environments. Moreover, evolution is always co-evolution: the interactive development of units and species with their relevant environments. This contribution is part of a larger project on the cultural aspects of all kinds of innovation (including technical innovation) which lead to my book *Adding Values. The Cultural Side of Innovation* (Jacobs, 2007). Working on the case of fashion innovation has allowed me to better understand the multitude and complexity of relevant interactions in economic selection environments. Mapping relevant selection environments ('selection systems') helps us to think more systematically about the more decisive elements within these environments and concentrate on these in order to increase success of innovations.

In the following section, I introduce the basic Darwinian framework and its relevance for innovation in general and fashion innova-

tion in particular. Then I address the question what possible fitness criteria of (fashion) innovations may be. Basically I come to a distinction between two kinds of fitness criteria: technical elements (objectively measurable functionalities) and cultural ones (more subjective valuations). It is, however, important to understand that also the technical realm is part of the cultural environment: the chances for success of new technologies which are far from the existing cultural frame of people, are much lower. This brings us to the issue of incremental and radical innovation, also in the realm of fashion. Radical innovations are radical because they are relatively far from existing cultural frameworks. For this reason, sometimes experts play a decisive role in 'framing' more radical innovations, conferring them value by relating them to existing frameworks and possibly also to other innovations and social developments. As a consequence, 'selection systems', to which I come in another section, are not just markets, but quite complex, co-evolutionary systems in which subcultures, peer groups, experts and other opinion leaders play important roles. Mapping these systems helps us to see where the more decisive elements are in these selection systems and to address these in order to increase the chances for success of the different kinds of innovation. Then, selection systems are further differentiated on the basis of subcultures, 'neo-tribes' and networks. In the following section I look more specifically at the rewarding the people who contribute to value creation. In the last section I conclude.

A Darwinian framework of innovation

In the framework of Darwinian evolutionary theory each innovation is a kind of genetic recombination or mutation ('variation') which is accepted ('selected') or not by its environment (the 'selection system') and possibly survives for a longer term ('retention'). In biology, most variation stems from

mere recombination of the genes of the parents (a kind of incremental or marginal innovation). Only from time to time mutations (random mistakes in copying) happen. Beside this, as a consequence of mainly external shocks (the impact of meteorites, volcanic eruptions...) more rapid evolution may take place from time to time ('punctuated equilibrium').

If we apply this scheme to innovation we see that more radical innovations (originating from new concepts or new technological insights) are most comparable with genetic mutations. Such radical innovations may lead to new categories (comparable with 'speciation' or 'phylogenetic development', the coming into being of new species, in natural selection). As can be seen from the concepts between brackets in the first sentence of this Section, evolutionary approaches as a rule look for three mechanisms: variation, selection, and retention¹ (Aldrich, 1999: 21). However, in many cases the term 'sorting' is more correct than 'selection', following the distinction neo-darwinian authors like Gould, Vrba and Eldredge make. Sorting relates to relatively random survival as a consequence of sheer chance, whereas selection implies causality: survival as a consequence of greater fitness in a given environment (Hodgson, 1993: 46; Eldredge, 1997: 393).

If we transfer these mechanisms to the level of innovations in the realm of the economy in general and fashion in particular, they get meanings like these:

– Variation: the generation of variety. From an evolutionary perspective any departure from routine or tradition, intentional or not, is a variation. Also in the realm of fashion, innovations are not always intended. Some people dress in a certain way and this may influence others.

– Selection (or sorting): the survival of an innovation as fitting in a certain environment, a selection system. In the field of fashion, innovations must first be accepted by an organisation (of course this may be a one person firm) and then by a market.

Moreover, selection is possibly influenced by what certain experts or opinion leaders in the informal environment think about it. I will come back to this hereafter.

– Retention (and possibly speciation): an innovation may be just one item which survives for a certain time, but it may also be the starting point for a new 'species', a new category which survives for a longer term and within which new innovations occur: for example pyjamas, bikinis, mini-skirts, catsuits. New categories are important, because they provide the cultural frame with the help of which more radical innovations can be understood. This will be dealt with in later.

Before going on with the discussion on the selection of innovations, it has to be emphasised that selection in socio-economic systems differs from that in biology, especially in the way that learning is possible (Nooteboom, 2000: 75, 83-87). Cultural information can 'jump' from one lineage to another in a way that genetic information cannot (Eldredge, 1997: 395). In this sense, in socio-economic evolution Lamarckism, involving both purposeful behaviour and the cultural inheritance of acquired characters, is important – in contrast to simple biological variation and selection which are random and without possibilities for hereditary transfer of learned skills. But group processes and the coming into being of cultures historically have emerged from these more 'simple', blind evolutionary processes. So, they are just a new development of natural selection itself². As a consequence, in socio-economic systems more rapid developments are possible through the combination of imitation, improvement, learning and the purposeful transfer of these to newer generations (Hodgson, 1993: 47).

All of this does not deny the fact that also in human cultural systems a lot of trial and error – random variation and sorting – takes place. Moreover, seemingly inefficient or useless innovations may be examples of successful selection, as they possibly fit in a

certain (selection) environment. The survival of the QWERTY keyboard, not an example of optimality, has its reasons. When it was adopted, this keyboard design had its use, as it helped to prevent the cluttering of typewriter keys. And now it is an example of 'lock-in'. As so many people use this standard across the world, it is difficult to be changed (David, 1986). This example illustrates that fitness, adaptation and learning are always related to a specific environment. When we study the selection of innovations, it is, therefore, necessary to relate these to their relevant selection systems, each with its specific rules, culture, selectors and 'fitness criteria'.

What constitutes 'fitness' in a fashion environment?

In the Darwinian framework only the fittest survive, i.e. the units which fit best into a certain environment. But in all ecological systems, including the human ones, we also see a co-evolutionary development in the direction of ever more differentiation (Jacobs, 2000: 16-17). All kinds of species find niches in which they fit best. Moreover, many species not only adapt to their environment but also change it, they really construct niches (Laland & Odling-Smee, 2000: 123). As a consequence, increasingly there is room for ever more species which only to some degree compete for the same resources. So, evolution is always co-evolution, in which the selection environment itself may be changed. This is certainly true for human societies where many kinds of purposeful, 'strategic' behaviour can be observed. Innovators partly build on opportunities provided by social and cultural change on the one hand, but also try to stimulate certain developments in their selection environment which 'fit' their purpose on the other hand.

'Fitness', therefore, is not a 'one size fits all' criterion – contrary to what many economists assume. Of course also in biology, beside specific fitness criteria for different species, a more general success criterion can be defined: the relative increase in the

descendants of a lineage. So it is no surprise that certain economists identify fitness of economic units in general with their propensity to accumulate, which, in turn has been associated with economic efficiency (Hodgson, 1993: 49-50). This reminds us of Oliver Williamson's statement that 'economy is the best strategy': economic units have to adapt rapidly to lower prices and to eliminate rigorously all waste (Williamson, 1991: 76, 87). This reasoning presupposes, however, that the economic environment is uniform and has only one selection criterion. Just as in biology the existence of a general success criterion does not preclude the reality of specific fitness criteria in each particular ecosystem. In most markets price (and therefore also cost) may be an important element of fitness, it certainly is not the only one. Not every customer is just looking for the lowest price. Moreover, following Williamson's advice there would be an undifferentiated race to the bottom.

Michael Porter anticipated this traditional economist's view long time ago, by stating that beside cost leadership, a "second generic strategy is one of differentiating the product or service offering of the firm, creating something that is perceived industrywide as being unique. Approaches to differentiating can take many forms: design or brand image (...), technology (...), features (...), customer service (...) dealer network (...), or other dimensions. (...) It should be stressed that the differentiation strategy does not allow the firm to ignore costs, but rather they are not the primary strategic target" (Porter, 1980: 37). So, cost is certainly an important criterion for valuing process innovations, but not necessarily for product innovations.

Porter's differentiation strategy leaves more room for strategies aimed at different niches within an environment. In each market or niche customers value products differently. In this respect economics literature talks about customer or consumer preferences, which for a long time have been seen as given and fixed or at least exogenous to the

economy. Consumer preferences are, however, not exogenous to the economy or society, but continuously endogenously reconfigured on the basis of all kinds of social developments and innovative economic activities (Bowles, 1998). Such preferences are, however, demand categories. What connects preferences and characteristics of innovations are therefore values: values at the basis of certain preferences which are apparently recognisable in characteristics of specific innovations. So 'value', a clear cultural concept, is probably the best economic equivalent of fitness from an evolutionary point of view. Behind every economic value there is a cultural value or a set of values, which connects the customer's valuation with tangible and intangible features of products.

Valuation to a large extent is subjective, different with different actors or actor groups, 'selectors'. "[T]his means that the value of an innovation can only be determined within the context of a set of preferences of selectors" (Wijnberg, 2004: 1472). Since the marginalist revolution at the end of the 19th century most economists see value as individual subjective preferences. Sociologists and institutionalist economists tend to disagree with this. Preferences may be subjective, but they are never completely individual. Already in the beginning of the 20th century institutionalists like Veblen and Commons argued that value is socially constructed (Mirowski, 1990; Throsby, 2001: 21-23).

Let us consider this proposition more closely. Is all value socially constructed? Of course, also biologic predispositions and technical performance aspects play a role in our valuations. We need air, water, sleep, warmth, nutrition, affection..., but most of these needs are 'secondarily reinforced' through all kinds of cultural 'socialisation' processes. Think for example of different food tastes (Witt, 1991: 564-569; Bowles, 1998: 79-84). So, we acquire preferences through genetic inheritance and through social learning.

Beside biological predispositions also technical criteria play a role in selection. This is quite obvious for more technical products, such as steel, where functional criteria like strength and durability in relation to price will prevail. In general, a technical innovation, like for example EDI or a system for processing POS (Point Of Sales) data, has to 'work', to fulfil its promise. But again, beside technical criteria, non-technical preferences in the form of conventions, tastes and fashions will play a role. Why is a certain material selected for a certain application? Why choosing steel for a building and not aluminium, marble or wood? Aren't many software systems more often selected on the basis of their supplier's tactics, rather than on the basis of their reliability? As Wijnberg states: "The aspects that are technically necessary are those aspects of a product which selectors can specify in advance and which could, in principle be checked by other actors, or even robots. If such other actors exist, they have a purely technical role and not an economic one; they have no personal sets of preferences. The role of the other actors still leaves selectors with the task of determining or attributing value in an economic sense. The other actors could check the speed of microprocessors, but the selectors would have to specify beforehand (a) that speed makes a microprocessor valuable and (b) which type of measurement of speed are acceptable to them" (Wijnberg, 2004: 1477).

In a similar way, from diffusion literature it emerges that the two most important features which determine the speed of adoption of an innovation are its 'relative advantage' and its 'compatibility' (Rogers, 2003: 229-257). 'Relative advantage', "the degree to which an innovation is perceived as being better than the idea it supersedes" (Rogers, 2003: 229), most resembles the technical aspects of innovation. However, as can be seen from Rogers' definition, to a large extent this advantage is a perception. Even for technical innovations perceptions may be more important than precise measurements. Moreover, 'relative advantage'

also relates to status aspects. Especially the adoption of highly visible innovations (cars, clothing, hairstyles, but also advanced technical gizmos) may be status-conferring (Rogers, 2003: 231).

'Compatibility', the second feature important in diffusion, is mostly seen as compatibility with existing cultural ideas and values and recognised needs, but of course it may have a technical component as well: compatibility with existing technical standards (Rogers, 2003: 240-350).

Each selection system functions within a certain culture, with certain norms and values: general and more specific ones. As a consequence, different selection systems function according to different fitness criteria. Some of these norms and values may look very particular or even inefficient from most people's value perspectives, but still be the decisive in their own environment: "If for example, selection criteria favor administrative rationality and formalized control structures within an industry, then adaptive organizations will switch to the new practices" (Aldrich, 1999: 26). Similarly, a small change in the criteria in a selection system may lead to a totally different outcome. In most industries there is a kind of socially constructed 'industry recipe', a mental model or 'paradigm' of what is valuable, of what 'critical success factors' are (Porac et al., 1989; Debackere et al., 1994). At the same time a lot of variety will remain within these accepted recipes. At this level preferences of individuals, of peers, peer groups and subcultures also play a role. Different actors (suppliers and customers) make different choices between competing 'value propositions', leaving room for a multitude of strategies. Think for instance of the different subcultures in the realm of fashion: some people always wear the same, whilst other continuously monitor the latest styles. Different professions and other cultural scenes have different clothing habits and requirements and of course religions play a role too. Increasingly we also see the increasing influence of fashion in realms like

those of sports and outdoor... So, there is continuous co-evolution, interaction between the cultural valuations in different subcultures. This leaves a lot of room for co-evolutionary strategic profiling and niche finding or niche construction. I will come back to this later.

So we see that the economic environment consists of a multitude of niches, each with its own fitness criteria. Behind the general concept of economic value, there is a variety of cultural values in continuous development. Technical elements play a role, but in the core of economic fitness we observe the importance of the non-technical aspect of culture, norms and values in their different manifestations: different 'ideologies', cultures of professions and other peer groups, paradigms, fashions, stylistic movements, all leading to more general basic criteria like price, functionality and status on the one hand, and particular and sophisticated ones in the realm of quality, defined in a multitude of subcultures on the other.

Incremental and radical innovation and the role of experts

A distinction regularly made in the realm of innovation is that between incremental and radical innovation. Some observers only see radical innovation as 'real' innovation. But then the question is where to draw the line. Moreover, just like in biological variation, the overwhelming majority of innovations is incremental or even marginal. Without them our economic system would come to a standstill quite rapidly. According to Gilles Lipovetsky (1994: 131) the continuous flow of style, design and content innovations and small improvements can be seen as an extension of the fashion logic to all kinds of industries, "the overall process that forces companies to innovate, to keep on introducing new articles that are sometimes truly new in conception, but that sometimes (most often) simply incorporate minor refinements in detail (...). [A] firm that does not regularly create new models loses its market penetration and weakens its image

of quality in a society where consumers spontaneously hold that the new is by nature superior to the old. (...) [O]ur economic system has been propelled into a spiral in which innovation is sovereign whether on a large scale or a small one, and in which obsolescence is accelerating” (Lipovetsky, 1994: 135). “We have reached the era of consummate fashion, the extension of the fashion process to broader and broader spheres of collective life. (...) Everyone is more or less immersed in fashion, more or less everywhere and the triple operation that specifically defines fashion is increasingly implemented: the operation of ephemerality, seduction and marginal differentiation” (Lipovetsky, 1994: 131).

Personally I like Lipovetsky’s approach for its clarity. His ‘marginal differentiation’ concept is, of course, quite near to that of incremental innovation, but without the latter’s connotation with improvement. A new product is not necessarily better; it does not necessarily lead to a higher degree of welfare, beside possibly the added value found in the newness itself or in a larger degree of choice. ‘Ephemerality’ emphasises the temporal character of many of these innovations, leading to increased economic obsolescence. As a consequence, many people argue that this even leads to a lower level of welfare, related to increased waste problems. But without anyone conferring added value to an innovation, it would of course fail. ‘Seduction’ finally draws the attention to the fact that there is an increased need for marketing investments to make innovations succeed. In many cases these marketing endeavours cost more than the expenditures necessary to develop an innovation itself.

Radical or ‘paradigmatic’ innovation, by contrast, is more difficult and risky, because of its relative incompatibility with existing norms and values. Many radical innovations fail for lack of compatibility with existing demand, values, or a lack of fit with existing technical and non-technical systems of testing, implementation, production, commerce or distribution. Such lack of fit is

sometimes called the ‘Leonardo effect’, referring to Leonardo da Vinci who conceived many ideas that could not be realised or even tested with existing technologies (Nooteboom, 2000: 11, 182, 194). But when radical innovations succeed, their social impact is much larger: think of historical examples like electrification or the introduction of the car system.

Wijnberg makes an interesting contribution to the understanding of the radicalness of innovation, where he proposes to link it to its impact on processes of selection of innovation: “The importance [i.e. the degree of radicalness] of an innovation is the extent to which the innovation is connected with changes in the relative valuations of products satisfying the same set of preferences, of the set of preferences, of the composition of the set of selectors or of the characteristics of the selection system itself” (Wijnberg, 2004: 1474). So Wijnberg distinguishes between four possibilities:

- Incremental innovations lead existing selectors to reconsider the relative value of products satisfying the same set of preferences. When I see a new type of car, do I want to replace the one I have?

- A more radical innovation causes the selectors to reassess their preferences. Think about the introduction of mobile phones. At a certain moment many young people started to spend more money on these than on clothes.

- Even more radical is the case where the set of selectors is changed. Also this happened with mobile phones. Their main customer base moved relatively rapidly from business people to younger people.

- Most radical or important in Wijnberg’s view are innovations, which lead to a change in the selection system itself. Previously telecommunications were seen as a public utility, but as a consequence of new technological opportunities and social developments, this industry has become a highly competitive deregulated industry.

As said above, in most cases innovations are marginal developments from earlier arte-

facts. In the realm of fashion George Darwin, one of Charles Darwin's sons, in 1872 published an interesting article in which he described a series of fashion innovations as incremental developments from earlier forms. Some items, such as epaulets or bands and gowns, are quite peculiar and can only be understood as elements surviving from earlier functionalities with no further relevance (Darwin, 1872). In these cases selection apparently can only be understood as a consequence of cultural preferences which have remained equal or at least recognisable, even when the environment for them has changed! Maybe for this reason Darwin did not analyse the selection environment itself. In contrast to his father, he took selection for granted.

In a previous section we have seen that also in the biological realm radical innovations rarely happen, unless radical events occur in the (selection) environment. When mutations take place, as a rule new species come into existence. In economic life new species can be identified as new categories or new 'families' of products, 'new concepts'. This has to be taken literally: a new concept is a new (cultural) category. As a rule, however, new concepts have a link with (they 'descend' from) existing categories. Otherwise we would not be able to understand them. E-commerce is the combination of electronic and commerce and also descends from the mail order concept. The monokini descended from the bikini and the catsuit from the ladies' suit which in its turn was a development of the men's suit. Without these lineage these radical innovations cannot be understood or even perceived!

In many cases experts play an important role in explaining the meaning and relevance of more radical innovations to larger audiences. Sometimes these experts even 'coin' the new categories. In such cases we can observe with our own eyes the actual construction of new meanings. We also see how such experts literally add value to the innovations: they present a (possibly changing)

value framework and then assess the place of the innovation in that framework.

Mapping selection systems and identifying key selectors

Because economic valuation to a very large extent is a cultural process, 'market selection' is at least co-determined by valuation in all kinds of groups or subcultures, possibly supported by expert valuations. In this sense a market is never simply a market. As a rule economic selection takes place in a complex combination of different selection systems. Mirroring Williamson's (1975) traditional distinction between markets and hierarchies, we can distinguish between two basic idealtypical forms of economic selection – which are often combined in one or another hybrid form: hierarchical and market selection.

– Hierarchical selection is selection by selectors who have received the authority for this. Policy makers and managers at higher levels in organisations are the typical examples of this. Other examples are juries and editorial boards. In hierarchical selection the selectors usually have some room for personal preferences, but mostly act within a set of rules and criteria, formal and informal. The editorial board of a scientific journal probably works in the framework of the rules of its publishing house combined with the rules of the scientific community in general and a certain discipline and maybe even one paradigm in particular. In organisations producing for markets, we can expect that the assessment of possible success in the market is an important selection criterion. But this is never precisely the case. All organisations are also governed by political rules and games, with which people with innovative proposals have to deal.

– Market selection is selection by customers in a market place. Here it is important to understand that customers never select in a vacuum. Of course, customers also have personal preferences (which usually are not explicitly defined), but mostly they are influenced by their broader culture and their direct environment: family, colleagues and

other members of peer groups (or 'neo-tribes'), or by experts they value (reviewers, critics). From communication theory we know that opinion leaders have an influence, but also that people select the opinion leaders they like. Opinion leaders, in turn, take into account the opinions of their 'followers'. So, there is mutual selection. Moreover, all these people are part of a culture and possibly one or more subcultures or peer groups (ethnic, professional, age or other groups) with specific values and role models.

– There are many forms of hybrid combinations of these two basic forms. Sometimes there is even 'expert selection' in which someone with a special authority selects what the customer buys: firms or school may decide on uniforms, teachers on school books, physicians on medications (Wijnberg, 2004: 1471-1472). In such cases marketing departments of supplying firms (publishers, pharmaceutical companies) as a rule will direct their endeavours in the direction of these deciders.

In figure 1 this complex system of hybrid selection of new products is visualised from the perspective of the enterprises. On the left side we see the firms, in which there is always a battle between different ideas and projects. When hierarchical selection is the preliminary stage before market selection, we may expect that the ultimate market perspective directs this hierarchical selection. But this is not necessarily the case. The success factors related to internal selection (e.g. secret or more open agendas, favouritism between departments, managers' hobby horses, short and longer-term political games within organisations) may be completely different from those on the market. People initiating innovative proposals better take this into account.

On the right side of Figure 1 we have consumers, possibly clustered in peer groups, subcultures or 'neo-tribes', all of them with their different valuation criteria. These are influenced by experts, peers and opinion leaders. Some of these latter may also influ-

ence external hierarchical selection to which I come in a moment. Between supply and demand we sometimes also have preselectors: for example buyers from larger or smaller retail chains, or music stations or theaters.

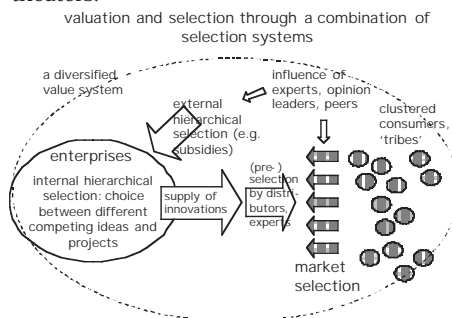


Figure 1: Complex hybrid selection from the perspective of enterprises

In some cases there is also external hierarchical selection, for instance when producers need subsidies. Selection criteria here may be, again, quite different from those on the market or those within organisations - for obvious reasons. Many public regulations have been specifically devised to remedy 'market failure', so we may indeed expect a different logic. In order to be subsidised, theatre or music productions for example may have to be 'experimental' (i.e. not commercial). In the realm of enterprise innovation, research and development has to be 'pre-competitive' in order to be subsidised. In concrete terms this may mean that high art has to be difficult to digest in the first case and R&D may not lead to practical solutions in the latter. In other situations external tax or subsidy schemes have only an additional role. Sometimes, thrifty policymakers resort to subsidy and tax schemes, through which they stimulate private actors to invest in, donate to or sponsor valued cultural objects and initiatives (investing in monuments, film projects or scientific institutes, sponsoring museums and exhibitions, or donating to socio-cultural, scientific, ideological or environmental organisations). Here, the selection is not hierarchical – the authority only supports in

principle the product category – but neither does it take place purely in the market. Apparently, an important selection criterion for policymakers in such cases is that private actors also take part in the cultural and economic valuation.

As a consequence of all these considerations, innovative ‘entrepreneurs’ better know in which selection systems they are acting at a certain moment, each with its specific rules. Within their organisation they have to look to their bosses and colleagues.

At a later stage they may have to shift to other selection systems with totally different rules. All of this requires quite some strategic and tactical flexibility.

As an illustration of the many ramifications of hybrid co-selection, in figure 2 a model is presented in which the selection of fashion (including fashion magazines) is presented on the basis of two related value systems: that of fashion firms and that of fashion magazines. When we look at the fashion buying of end consumers, we see that these consumers are influenced by certain of their peers and also by critics and magazines, which they select themselves!

The fact that there is also market selection of experts by the consumers (and to some extent by fashion firms who are an important source of income for fashion reviews) illustrates that consumers, fashion firms and magazines to an important degree mutually select each other. They are part of at least related subcultures and subsystems. In the language of complexity theory, this is a clear example of co-evolution within a complex adaptive system (Holland, 1995).

In figure 2 also the cultural realm is being visualised, from peer subcultures to the cultural realm of one industry (fashion, with its paradigms, worldviews or recipes), to the broader cultural at different possible levels: local and global, temporary (the ‘Zeitgeist’) or longer lasting.

From this comprehensive, but still partial understanding of selection, we could move to other cultural fields which are connected to that of fashion. To Figure 2, for example

also the fields of sport, movies or music could be added, as these provide role models who may endorse (often on a contract basis) certain fashion products. Think for example of the increasing importance of product placement in movies and television series. Ever new business models are developed on the basis of these interactions, sometimes related to new forms of e-business. Some commercial television stations for example do not only want to earn money on the basis of product placement, but are trying to exploit related e-business sites, together with manufacturers. When a certain actress wears an attractive dress, a related website could then be activated on which this dress could be bought.

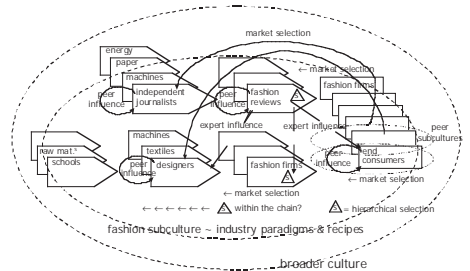


Figure 2: Value systems and selection in fashion

In some cases the relationship with customer groups may be more interactive and relational. Some firms have for example found a subcultural niche (e.g. punkrockers, kite surfers, Moroccan immigrants) with which they develop a special relationship, possibly with the help of special websites. Markets and industries are indeed increasingly being fragmented and (re-)connected at the same time. The role of the internet for these kinds of connections cannot be underestimated. On some websites customer groups discuss the offerings of the various competitors in an industry. Smart firms can take part in these discussions as well as using them to ask the advice of these customers: ‘crowdsourcing’ as this is now called.

Other set up own websites to advertise attractive bargains or to organise sales. Some of them also set up their own internet forums. Maybe some customers are pre-

pared to reflect on a firm's innovative ideas and contribute to these? Consider the new opportunities in the realm of co-development of innovation, together with the experimenting with 'lead customers' by manufacturing firms which provide these customers with specialised design tools (Von Hippel, 2005). Initiatives such as these illustrate that increasingly firms are trying to move away from the traditional innovation push model and have at least an awareness of the need for a better understanding of customer needs and of the complexities of the networks in which they operate.

Probably no such initiatives will be decisive in making an innovation succeed, as many frustrated marketers experience every day. What is attractive to one customer group may be appalling to another one. Moreover, curious and intelligent marketers may have an increasing amount of information about their consumers, but this is counterbalanced by many consumers' increasing sophistication and knowledge of marketing methods (Brown, 2003: 36–37, 51–53). However, this does not exclude the possibility that firms may find innovative solutions for which certain customer groups are really craving, or establish a value connection to which certain groups genuinely want to adhere – as examples such as Diesel, The Lonely Planet, Apple, Ben & Jerry's, or Harley-Davidson demonstrate. In order to understand this, it is useful to look again at niches, and also at 'neo-tribes' and networks.

Understanding our clustered world: niches, networks and neo-tribes

Previously we saw that the value of an innovation can only be determined within the context of a set of preferences of selectors. In this respect, the concept of 'niches' has already been mentioned a few times. Moreover, in all ecological systems, including human ones, we observe a co-evolutionary development in the direction of ever more fragmentation and differentiation (Jacobs, 2000: 16–17). Many species find or construct niches into which they fit

best. As a consequence of this, 'fitness' is not a 'one size fits all' criterion. Also, mass markets are becoming more differentiated. Hence the emergence of a concept such as 'mass customisation': increasingly manufacturers and service providers try to reconcile economies of scale 'at the back' of their organisations with customisation 'at the front'.

Recent developments in network theory are quite helpful for understanding the development of our clustered network world. In network theory, it is recognised that the worlds of most people are quite small – from two completely different perspectives. On the one hand, most people only know a limited number (say about 150) of people, and these other people to a large extent share the same 'cluster' of acquaintances within the larger network. On the other hand, a few people called 'connectors' know many people in a variety of 'clusters' and form connections between them. As a consequence, the world becomes quite small. In fact we can connect most of the people in the world in only six steps! This view of clustered networks is shown in Figure 3 (Gladwell, 2000: 34–56; Janssen & Jager, 2001: 750–751; 2003: 77).

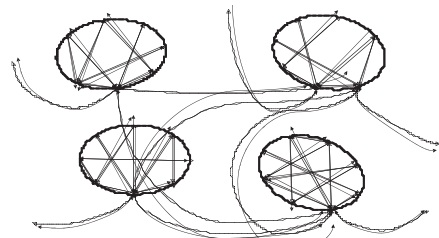


Figure 3: Clustered networks

It is at the level of their clusters – sometimes called 'tribes' or 'neo-tribes' – that people are most influenced by others (the peer influence discussed in the previous Section). However, the more people we know personally, the less influence each of them will have on us – apart from a few whose valuation we especially value such as close friends and opinion leaders within peer groups. As a consequence, in small villages or small

organisations there is a higher degree of 'monoculture' than in larger ones.

People increasingly belong to a greater number of groups, partly because these expand the basis for possible identities. A person may be a woman, an adolescent, a Muslim, a psychology student, a lesbian, a punk rock fan and a scuba diver at the same time, but not all possible identities will have the same meaning to her. Zygmunt Bauman has illustrated to what extent 'liquid modernity' under the ethos of hedonism leads to an anxious quest of proving an acceptable 'authentic' and original identity which never become more than a 'necessary optical illusion'. "The search for identity is the ongoing struggle to arrest or slow down the flow, to solidify the fluid, to give form to the formless". Fashion and shopping around provide material tools for this as well as nearly ideal metaphors: "Given the intrinsic volatility and unfixity of all or most identities, it is the ability to 'shop around' in the supermarket of identities, the degree of genuine or putative consumer freedom to select one's identity and to hold to it as long as desired, that becomes the royal road to the fulfilment of identity fantasies" (Bauman, 2000: 82-83). So, understanding possible customers to a large extent implies understanding which identity definitions or aspects of them are most important to each of them. Often observing them, how they dress (and the codes this expresses) and how they behave, will provide important clues for this understanding. Many 'neo-tribes' have their own dress codes, no matter whether they are accountants or punks (Bennett, 1999; Stahl, 2003; Weinzierl & Muggleton, 2003).

In their quest for identity, people sometimes find inspiration in virtual communities. With this latter word, now especially communities on the internet may come to mind. But the first virtual communities probably were those inspired by a similar style. In this respect Michel Maffesoli (1996) coined the concept of 'neo-tribes'. With this he reacted to previous conceptualisations in terms of subcultures, which sometimes had too

much a more realistic connotation. In the 1970s, especially the CCCS (the Centre for Contemporary Culture Studies in Birmingham) approach looked for working class youth cultures as really existing tight, coherent social groups. Later on, it appeared that quite a few of these subcultures were relatively coherent constructions of the CCCS researchers and/or the media, rather than really existing groupings with such a degree of coherence. There was much more diversity in behaviour than was recognised. Some kinds of behaviour had been filtered out, while others had been highlighted (Bennett, 1999: 603-605).

In my opinion, the term 'subculture' does not necessarily have this overstretched or idealised meaning. It can be used to classify similar value preferences of people who do not necessarily form a group. But of course, sometimes they do. They may adorn themselves with identification tags like socialist, punk, or (a certain form of) Christian or Muslim. With his concept of *tribus* or neo-tribes Maffesoli aims to address higher levels of fluidity. "This bond is without the rigidity of forms of organization with which we are familiar; it refers more to a certain ambiance, a state of mind, and is preferably to be expressed through lifestyles that favour appearance and 'form'" (Maffesoli, 1996: 98). So we come back to Bauman's metaphor of the supermarket of identities in which individuals shop for the combination which fits their needs best. 'Tribus' are thus not 'tribes' in the traditional anthropological sense, for they do not have the fixity and longevity of tribes' (Shields, 1996: x). Moreover, the media play an important role in the constitution of these groupings, both in their origin as in prolonging their lifecycle (Stahl, 2003: 31-32). This brings us back to more interactive kinds of marketing. As we have seen in the previous Section, especially fashion marketing sometimes plays an important role in the co-development of neo-tribes and subcultures.

Understanding our clustered world is also important for another reason. Because 'con-

nectors' make the connections between clusters, they possibly play an important role in spreading information (or diseases!) and diffusing innovations.³

When many 'connectors' reinforce the same message, an 'information cascade' or 'bandwagon effect' (such as a hype or fad) may arise, where – as in an epidemic – in a short time many people are 'seized' by that same idea: which movie to go to, which fashion item or internet share to buy. Because this kind of cascade has similar features to epidemics, one sometimes speaks about 'social contagion'.⁴ There are, however, important differences between social contagion and the spread of diseases. Epidemics are stimulated when many people are connected to each other. Social contagion, however, works differently. As just mentioned, the more people we know, the less we are influenced by each of them. As a consequence, social 'contagion' works best in a social environment – such as the one which is most common – in which networks are highly clustered, but without too many people making the connections between the clusters.⁵

A somewhat surprising consequence of network theory is that "the structure of the network can have as great an influence on the success or failure of an innovation as the inherent appeal of the innovation itself" (Watts, 2003: 244). Of course, the quality of the innovation plays a role too, but at the same time we know that many – even attractive – innovations fail. Or if they do not fail totally, they are unable to break out of restricted niches (Gladwell, 2000: 35–46; Watts, 2003: 217–244). Other messages, however, spread relatively rapidly. In communication literature, this is related to the 'stickiness' of a message. For this reason publicity specialists continuously search for 'sticky' phrases; just as politicians and their advisers look for catchy one-liners. Stickiness is, however, not easily obtained. A tune for a commercial may be sticky, but its message or brand connection easily forgotten. Subtle advertising, sometimes implying

games or guesswork, is as a rule more effective than aggressive publicity (Gladwell, 2000: 24–25). Similarly, movies launched with great fanfare regularly fail. Quite a few celebrity books cannot recoup the big advances paid for them. After the launch of a new product, word-of-mouth in the clustered network is more important than anything else in determining its success. In literature this is known as the 'nobody knows' property of innovation, especially in the cultural realm (Caves, 2000: 138–142, 166–167). An important exception to this is, of course, reputation, whereby an established author or actor receives relatively more attention, and for this reason can secure a higher fee.⁶ It is for the same reason that sequels are so popular with producers.⁷

In the realm of movies or books, hypes are very interesting for their authors and companies. Also in other industries, as a consequence of sometimes unexpected 'positive feedback loops', hypes and rages occur, with opportunities for rapid growth. In the realm of fashion, such rapid growth opportunities may be interesting, but also quite risky. One year a firm is world leader and expanding rapidly, and the following year it is out of fashion and having problems making ends meet. So, it is quite understandable that firms react differently to these growth opportunities. Some prepare themselves to be able to make a profit from hypes, for example by establishing flexible networks with manufacturers around the world. Some even try to stimulate short-term hypes themselves. Others, however, opt for maintaining a consistent brand, even at the cost of missing temporary growth opportunities.

An interesting case illustrating this is the opposite reactions of the Tommy Hilfiger and Timberland fashion brands to opportunities provided by unexpected success in the American rap and hip-hop environment. Tommy Hilfiger, which previously had a more preppy image, jumped at the chance, immersed itself in this scene and adopted a more hybrid mix of preppy and urban street

styles. When rap singers such as L.L. Cool J and Snoop Dog appeared on television wearing Tommy shirts, the rage was unstoppable. Tommy Hilfiger experienced a growth spurt which allowed it, around 1995, to finally catch up with its model and rival Ralph Lauren.

At about the same time Timberland was equally surprised to learn that its hiking boots and rugged outdoor gear were being bought by inner-city kids at a rate of three or four items at a time. Of course, it did not object, but in contrast with Hilfiger, opted to keep to its traditional brand image and customer group. Timberland did not experience the same kind of rapid growth as Hilfiger, but later on it did not crash in the way Hilfiger did. At the end of the 1990s a number of hip-hop groups launched their own fashion label, and Hilfiger fell into a deep hole. Sales dropped and, even worse, the brand suffered from a kind of identity crisis. As a consequence, Europe, where Tommy Hilfiger never lost its preppy image, is now its main market (Agins, 1999: 110-125; BusinessWeek, 27-10-2003; Financial Times 17-09-2004).

The clustered structure of networks also helps us to understand the tension between global developments and remaining local tastes. People are influenced by global fashions, but this influence is filtered by their local culture and environment (Brand & Teunissen, 2005). As a consequence, global fashions sometimes only reach the clusters (various kinds of in-groups or peer groups) in a diluted way. In a similar vein, a few music styles and performers have become global, while many have remained local.

In this and the preceding sections I have discussed the way selection works in the field of fashion innovation. In the next Section I delve somewhat deeper into this more active, strategic side of selection. The – hopefully sticky – message of this will be that co-evolution is not only useful for description, but also for prescription.

Paying attention

From interacting with customer groups or ‘connectors’, it is only a small step to recognising that these ‘these’ possibly play an important role in adding value, and that they should be paid as a consequence. The smartest customers helping firms to innovate at least require as a necessary precondition for this that these firms do not appropriate the intellectual property rights of these innovations but instead leave them to the creative commons (Von Hippel, 2005).

Sometimes from a marketing perspective the relationship is nurtured with especially the connectors, the opinion leaders. As we also live in an ‘attention economy’ in which, as a consequence of oversupply, human attention is one of the most scarce resources. So literally firms and innovators are prepared to ‘pay attention’ (Davenport & Beck, 2001: 2-10). The classic form of this is, of course, publicity. But ‘maps’ like the figures 1 and 2 presented above may help to concentrate such endeavours by understanding the increasingly complex and fragmented way in which selection is happening. Experts, critics, reviewers and all kinds of peers take a role in valuing innovations and in this way in adding value to these (or taking value away from them).

Increasingly such influencers are being rewarded or even bribed for playing this role. Think for example of the practice of ‘payola’ in the music and other cultural industries. Payola is a kind of bribe, paid to influence the choice of experts and gatekeepers to bring a product under the attention of the public. The term payola comes from the music industry where DJs or broadcasting stations are being paid for giving certain music airplay. Some DJs or programme directors may be bribed personally, but the practice can also be part of the business model of the radio or television station. They are then paid for airplay instead of having to pay themselves for the rights to this music. In a similar way bookstores may be paid by publishers to push certain new books by displaying large quantities of them

in the shop or shop-window. The market for product-placement has even led to the development of its own brokerage industry (Caves, 2000: 286-294). Quite a few movie or music stars get expensive couture dresses for free, as designers hope they will wear them to the Academy Awards or similar occasions which attract a lot of attention.

There are nowadays, however, so many 'experts' on the market that the value contribution of each of them is decreasing. The internet with its many millions of blogs and chatrooms makes this situation ever more nontransparent. The exception here are the 'superstars', the few programmes, magazines or experts which get most of the attention. It is said that even a bad review in *The New York Times Book Review* already generates the sale of 6,000 additional copies of a book. Even better is Oprah Winfrey's endorsement which easily leads to a few hundred thousands extra books sold. So it is understandable that she established her own book club to capture some of the value she creates (Green, 2005). An important asset of experts is, however, their supposed objective valuation. So by accepting payola-like payments they put their reputation at risk.

Also peers may create value, by bringing certain items under the attention of their friends and colleagues and praising these. Only incidentally these peers are rewarded for this by the innovators. They may for example receive a certain present if they provide a firm with the address of a possibly interested customer (for example for a magazine subscription or a mail order catalogue). The more marketing endeavours are personalised, however, the more these peers probably will be rewarded by firms for their share in creating value. Also modern 'viral marketing' approaches more or less successfully try to imply in a commercial way these 'connectors' (Rogers, 2003: 313-314). So, some of the 'peers' at a certain moment are promoted into recognised and compensated experts. They may be paid to promote products (especially the ones they like

themselves), to 'hunt' cool trends, to write reviews, or to become paid advisers or brokers.

Since 2005, Procter & Gamble, through its Vocalpoint programme, has enlisted literally hundreds of thousands of 'connectors' within peer groups to recommend its products by word-of-mouth. For this, P&G especially looks for women with larger social networks. Contrary to the policy advice of the recently formed Word of Mouth Marketing Association (www.womma.org), P&G does not require these connectors to disclose their P&G affiliation. This does not appear to be very smart, as people will start to distrust the peer recommendation of P&G products, or at the very least feel betrayed when they find out about this practice (BusinessWeek, 29-05-06).

In general, such rewarding of peers by the innovators is still the exception. Some may receive a gift if they provide a firm with the address of a possibly interested customer. However, the more marketing endeavours are personalised, the more these peers will probably be compensated for their share in the creation of value. For the moment, most peers only get some informal compensation from their peers themselves: I help you, because you helped me. If you helped me a lot with certain suggestion, I maybe pay you a meal or give you another present. Here we remain in the realm of anthropological exchange approaches, which draw the attention to forms of informal 'bookkeeping' of mutual favours between actors.

All of this illustrates the fact that there is no economic value creation without at least a reconfiguration of cultural values with the help of various actors outside enterprises. These actors are increasingly integrated into innovation and marketing endeavours, and as a consequence to some extent compensated. In the final analysis, doing this in an open way, playing fairly, seems to be the smartest approach.

Concluding

I summarise my conclusion in ten points. In this contribution I have argued that:

1. A crucial element of any economic model of fashion is successful continuous innovation. It is useful to make use the Darwinian framework of variation, selection and retention/speciation to assess relative success of fashion innovation.
2. Fitness of innovation in economic environments can best be defined as the match – or even fit – between the values ‘added’ to products and the values, adhered to by (different kinds of) selectors in a certain selection system.
3. Selection of innovations takes place in hierarchical and market selection systems, and in hybrid combinations of these – all of them with different criteria of success or fitness (value).
4. Selection is based on quantitative and qualitative evaluation, related to a culturally determined set of preferences. Some of these preferences are translated into explicitly ratified selection criteria; most however remain more tacit.
5. Technical aspects of the fitness of innovations mostly relate to their ‘relative advantage’, non-technical aspects to their (non-) compatibility with existing cultural norms and values. Moreover, also relative advantage is based on perceptions and non-technical norms and values.
6. Creating economic value through innovation always entails the reconfiguration of cultural norms and values leading to a reconfiguration of customer preferences.
7. The more radical the innovations, the more radical the necessary reconfiguration of cultural values and the more important the role of new concepts and categories – and experts explaining these to larger audiences.
8. Fashion entails mostly marginal innovation which is easier to understand. Fashion-like ‘marginal differentiation’ has spread to most other industries, where it has increased the rate of innovation.

9. Experts, opinion leaders and peers play an important role in the cultural creation of economic value. Increasingly they are taken seriously by marketers and rewarded for this.

10. To some extent e-business tools allow for new business models (for example combining product placement in television shows with actual sales), to some extent they reinforce the fragmentation of markets; they also have stimulated an explosion of self-appointed blogging ‘experts’ and in this way even further fragmentation of meaning and attention. To some extent this is balanced by the emergence of ‘superstars’, the few blogs, magazines or experts which get most of the attention.

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1. Aldrich (1999: 21) mentions diffusion as a fourth mechanism, but diffusion is never static: it nearly always implies at least marginal innovation and adaptation, i.e. new variety oriented at specific customer groups (Gold, 1983: 107; Jacobs, 1990: 11-12).
2. Other animals also show forms of cultural transfer of skills within the group, which illustrates the fact that human learning is only a further biological development at a higher level of emergent ‘learning’, which is already present in other species (De Waal, 1996: 210-212). For this reason I disagree with Nooteboom who tends to view the use of an evolutionary framework as mainly metaphorical (2000: 77, 89). For the same reason I see no necessary contradiction with the use of learning or complexity approaches which Nooteboom proposes (Nooteboom, 2000: 87-90).
3. In this way they play the role of ‘opinion leaders’ as we know them from traditional two-step-flow communication theory (Rogers, 2003: 204-312).
4. Such ‘bandwagon effects’ are forms of ‘increasing returns to adoption’ which operate purely on the information side of demand, contrary to other forms which operate more on the supply side (scale economies, learning by using) or via the combination of both (network externalities, technological interrelatedness) (Arthur, 1998: 590-591; Van den Ende et al., 2003: 274-276).
5. From complexity theory we learn that the dynamics of a network, consisting of a number (N) of entities, is determined by the number (K) and strength (P) of the connections between these entities (Stacey et al., 2000: 113-116).
6. This constitutes the so-called A-list of different kinds of professionals (actors, writers, visual artists, musicians, consultants) which implicitly exists in many of the creative industries (Caves, 2000: 7-8, 28, 33-34).
7. For similar reasons many producers try to extend a suc-

cessful brand to other products. Such 'line extensions', however, endanger the clear 'brain position' of such a brand (Ries & Trout, 1986: 101-125).

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