PROJECT ACTIVITY OF ENTERPRISES IN THE FIELD OF FASHION BUSINESS

ABSTRACT

The article develops and substantiates the directions, factors of development, identifies cost groups and socio-economic efficiency of project activities of enterprises in the fashion business. The project in the fashion business is considered to be a set of interrelated, time-limited actions and activities aimed at developing and promoting a fashion product, taking into account fashion trends with available resources (material, labor, financial, technological). The following directions of project activity of enterprises in fashion business are substantiated: partnership programs (including co-branding); changing traditions in the creation and presentation of fashionable goods in order to attract new generations of consumers through benefits that differ from previous generations; introduction of new technologies that become an important addition to fashion items and accessories – Fashion Tech (or FashTech); greening the activities of fashion businesses. The key factors in the development of project activities of fashion businesses are the following: place in the global production chain of value creation; the degree of concentration of enterprises in industrial clusters; availability of highly qualified specialists in the fashion business; the presence of international brands that influence global fashion trends; rich and unique fashion culture; public policy and legal system that support the development of the fashion industry. Such blocks of project activity costs in fashion business as unique know-how, financial capital, talent (human capital) and management are systematized and characterized. The peculiarities of development and advantages of design projects of fashion products are determined, which include the cult individuality of the brand, the sequence of design, the greatest influence of designers on the final products. It is proved that the development of fashion products as a result of project activities of fashion companies affects the utility curve, and the utility curve of consumers who prefer to consume a lot of fashion products deviates to the right.

Keywords: project, project activity, fashion, fashion business, fashion industry, fashion product

JEL Classification: H43, L23, M29

INTRODUCTION

The fashion industry in the twentieth century is one of the most creative industries. At the same time, the fashion business as a branch of the economy is characterized by two important components. The first component of the fashion business is related to intellectual, creative and creative processes. The second component is traditional for all subjects of entrepreneurial activity and, above all, is related to making a profit. It is the realization of these two components that are connected with the design activity of fashion business enterprises, the study of which is relevant from the point of view of studying its features and effectiveness of implementation.

LITERATURE REVIEW

Study of the development of activities and implementation of projects by enterprises of the fashion business engaged in a number of foreign and domestic scientists, including A. Brun [10], K. Choi [4], Q. Li [2], C. Dong [2], P. Gazzola [1], D. Grechi [1], C. Fernandez [3], H. Karaosman [10], G. Morales-Alonso [10], P. Perry [2], E. Pavione [1],
R. Pezzett [1], B. Shen [2], J. Strähle [6], D. Williams [11], L. Dykhnyc [5], O. Kostiuchenko [5; 7] and others.

In particular, scientists P. Gazzola, E. Pavione, R. Pezzett, D. Grechi note that significant changes that have occurred in the competitive scenario in which fashion companies operate, combined with a profound transformation of the lifestyle of end consumers lead to the need to rethink the business model. The authors pay considerable attention to the influence of the circular economy and the activity of fashion companies [1, p. 664].

At the same time, according to B. Shen, Q. Li, C. Dong, and P. Perry, to meet the growing expectations of stakeholders and reduce the risk of negative social and environmental externalities, clothing firms in all markets, such as H&M, Patagonia fashion brand, and Louis Vuitton brand, have introduced different projects to increase sustainability in supply chain management [2].

According to C. Fernandes, the development and implementation of projects by small and medium-sized fashion enterprises can change the very controversial fashion industry, adding new solutions and value to this billion-dollar market [3].

Researcher K. Choi focuses on the latest projects of eco-technological fashion, i.e., creative and unconventional fashion using modernized clothing and its promotion with three-dimensional moving images to potential consumers as a digital category [4, p. 106].

At the same time researchers, O. Kostiuchenko and L. Dykhnyc operate with such concept as system «fashion project» and allocate such its components –the process of realization of industrial activity, the result of this industrial activity (fashion industry products); sale of finished goods; formation of a fashionable image of a product at the consumer [5, p. 64].

It should also be taken into account that according to J. Strähle, fashion consumers often buy fashion products, which is reasonable to consider as the result of design activity due to the emotional need [6, p. 5].

Thus, given the results of the above-mentioned scientific research, the definition of features of design activity in the fashion business as a constantly changing sector of the economy remains relevant.

The purpose of the study is to determine the directions, factors of development, costs, and socio-economic efficiency of the implementation of project activities of enterprises in the fashion business.

METHODS

The study procedure contains the following steps:

1. Collection of materials from scientific, periodic, and statistical sources of information by the specific topic of the study.
2. Formulation of the essence of design activity of fashion business enterprises by scientific interpretation of the position of scientists and regulatory sources.
3. Finding out the directions of project activities of the fashion business enterprises.
4. Systematization of factors of design activity of fashion business enterprises.
5. Comparative analysis of the main characteristics of fashion product projects.
6. Systematization of groups of expenses on project activity of the enterprises of the fashion business.
7. Determination of the socio-economic effect of project activities of fashion business enterprises for consumers.

Methods of analysis and synthesis were used in determining the characteristics of the design activities of fashion business enterprises. The method of comparison was used to determine the characteristics of the implementation of fashion product development projects. For a detailed study of the factors of the design activities of fashion business enterprises, the monographic method was used.

RESULTS

The specifics of project activities in the enterprises of the fashion business are manifested primarily in the fact that the result of such activities should be considered the creation of a fashionable, fashion product, or fashion brand [7]. In particular, the project in the fashion business should be considered a set of interrelated, time-limited actions and activities aimed at the development and promotion of the fashion product. At the same time, such fashion products are developed taking into account fashion trends and available resources (material, labor, financial, technological).
The combination of commercial and creative elements of the fashion business is manifested in the union of design, which creates not only new collections, but also the brand itself, and marketing, which generates ideas for updating the product for the changing and rapidly growing markets of fashion products. The results of the creative integration of these components can become a variety of projects of fashion business enterprises. (Fig. 1).

**DIRECTIONS OF IMPLEMENTATION OF PROJECT ACTIVITIES OF FASHION BUSINESS ENTERPRISES**

1. **affiliate programs (e.g., co-branding)**
2. **changing traditions in the creation and presentation of fashion products, in order to attract new generations of consumers with advantages different from previous generations**
3. **introduction of new technologies, becoming an important addition to fashion items and accessories – Fashion Tech (a/o FashTech)**
4. **ecologization of fashion business enterprises**

![Figure 1. Directions for the implementation of project activities of fashion business enterprises. (Developed by the author on the basis of [1; 4–6; 8])](image)

The creativity of co-branding means a mutually beneficial partnership of fashion houses, attracting new customers, for whom democratic brands are closer. With such brands and create a common collection of major companies in the fashion industry. Examples of co-branding are the partnership between luxury brand Louis Vuitton and mass street wear brand Supreme or the collection of luxury Marni and mass brand H&M.

Changing traditions in the creation and presentation of fashion products are associated primarily with experimentation on materials, images, and ways of presenting new collections to the consumer. So, Gucci changed the logo and brought into its collection’s animal prints and the sufficiency of shiny elements, and Hermès broke its principles and opened online sales of smartwatches developed in collaboration with the Apple Watch – Hermès Series. Brands like Dolce & Gabbana, Adidas, Puma, Burberry, etc. are rejuvenating their target audiences by involving celebrities in their advertising campaigns and exploring non-standard SMM platforms like WeChat.

According to P. Gazzola, E. Pavione, and M. Dall’Ava, the implementation of FashTech is currently the leading trend for the development of project activities in the fashion business [1, p. 664]. In the framework of FashTech fashion merges with innovations and therefore for the entrepreneurs of the fashion industry the solution to problems of analysis, development, and application of knowledge-intensive technological innovations, as well as a detailed forecast of the demanded innovations, is of particular importance.

At the same time, another key direction of project activity of the fashion business, related to the semantic component of branding, is to address environmental issues and projects that allow brands to solve socially significant problems (migration, terrorism, totalitarian regimes, and their victims). However, environmental projects prevail most often. Yes, many famous brands have abandoned the use of natural leather and fur. In addition, unique technologies are being developed to produce raw materials for fashion items and accessories in an environmentally friendly way. Another striking example is the refusal of many luxuries cosmetic brands to conduct tests on animals [8, p. 346].

Bright colors, prints, and fabric finishes are attractive features of fashionable clothing, but many are achieved with toxic chemicals. Textile dyeing is the second largest pollutant of clean water on a global scale, after agriculture. The recent Detox campaign has encouraged fashion brands to develop projects to eliminate toxic chemicals from their chains, after testing several of the brands’ products and confirming the presence of hazardous chemicals. Many are banned or clearly regulated in various countries because they are toxic, bioaccumulative (meaning the substance accumulates in the body faster than the body can excrete or metabolize it), destroying hormones, and carcinogenic.

In addition, the great wave of revelations of «fast fashion» being pathogenic to both the environment and the people who serve it has led to globalization being replaced by local benefits. People are going more to small stores and store pages.
on social media, where there is a sense of individualized communication and uniqueness. There is an assumption that fast fashion will give up its positions and the pace of changing seasons will decrease [4, p. 106]. Quality and meanings will be replaced by quantity and pathos of consumption.

The balance between creative and commercial components of fashion business is shown in full measure in the development of design activity of fashion business enterprises in world fashion capitals, which include London, Paris, Milan, New York, and Tokyo. A comparative analysis of the factors of development of fashion industry enterprises in these five regions allows us to identify the need for a fashion industry development strategy, including the support of talents in fashion, as well as the functioning of numerous international fashion brands, reflecting the rich and original fashion culture, as well as the level of industrial system development, trade platforms, etc. as a condition for the development of project activity in the mentioned sphere [9, p. 213].

By way of comparison, we see that despite numerous differences in the individual development of design activity of enterprises in the fashion industry, there are certain regularities. The study has shown that it is possible to identify some common conditions and factors contributing to the development of project activity in the fashion business, which takes place, including the «world fashion capitals». Such conditions include:

- geographic environment;
- cultural environment;
- legal protection of the results of intellectual activity.

Factors in the development of project activities of enterprises in the fashion business in modern conditions should be considered the following (Fig. 2).

In addition, it is also advisable to consider the key types of costs in the process of project activities of fashion business enterprises.

The system of project activities of fashion business enterprises is formed mainly by the costs of the following 4 factors: unique know-how, financial capital, talent (human capital), and management (Fig. 3).

![Figure 2. Factors of development of design activity of fashion business enterprises. (Developed by the author on the basis of [9–11])]()

![Figure 3. Expenses for project activities of fashion business enterprises. (Systematized on the basis of [3; 7; 8; 13])]()}
Regarding performance indicators of the fashion business enterprises, it is proposed to divide them into three key groups (Table 1).

### Table 1. Indicators for assessing the effectiveness of project activities of fashion business enterprises. (Systematized on the basis of [5; 7; 8; 13])

<table>
<thead>
<tr>
<th>№</th>
<th>Group of performance indicators</th>
<th>List of indicators</th>
<th>The desirable direction of indicator changes as a result of project activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General KPIs for a fashion business enterprise</td>
<td>Share of regular customers</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of stores in the company structure</td>
<td>Growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The volume of offline sales of fashion products</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The volume of online sales of fashion products</td>
<td>Increase</td>
</tr>
<tr>
<td>2</td>
<td>Assessment of customer loyalty</td>
<td>Number of repeat purchases</td>
<td>Growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Average check value</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of purchases of company’s additional products</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The duration of the client’s cooperation with the company</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sensitivity to price changes</td>
<td>Decrease</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The share of fashion purchases in the overall shopping mix</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Frequency of fashion purchases</td>
<td>Increase</td>
</tr>
<tr>
<td>3</td>
<td>Assessment of the profitability of the fashion business enterprise</td>
<td>Profitability of sales</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profitability of fashion products</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profitability of operations</td>
<td>Increase</td>
</tr>
<tr>
<td>4</td>
<td>Assessment of the economic efficiency of individual projects</td>
<td>Net present value of the project</td>
<td>&gt; 0, increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Project Profitability Index</td>
<td>&gt; 1, increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payback period of the project</td>
<td>Decrease</td>
</tr>
</tbody>
</table>

Let’s consider in detail the indicators of efficiency evaluation of individual projects. Taking into consideration that the project activity of the company is a part of its business activity, for the evaluation of the economic efficiency of each individual fashion project we should use generally accepted indicators of project analysis such as the net present value of the fashion project (NPV), profitability index of the fashion project (IP), internal rate of return (IRR), payback period (RR).

However, to account for all the benefits of the fashion project it is also proposed to use the index of efficiency of the fashion project investment (Investment Efficiency Index) [5, p. 112]:

$$IE_{fashion} = \frac{\sum_{j=1}^{q} (T_j - R_j) d_j + MV_p d_p}{\sum_{j=1}^{q} I_j d_j}$$ \quad (1)

where $T_j$ (Taking) — financial effect (return) from the object of investment (fashion product) in the $j$-th period, gr. unit; $R_j$ (Return) — release, return of the invested money in the $j$-th time period, gr. unit; $MV_p$ (Market Value) — market (estimated) value of the fashion product at the end of the calculation period, gr. unit; $I_j$ (Investment) — the amount of investment in the fashion product in the $j - q$ time period, gr. unit; $d_j$ — discount factor in the $j - q$ time period.

And applying the method of assessment of resources can take into account the human factor in the design of fashion projects and the value of intangible assets in the form of fashion brands:

$$Y_{fashion} = A - K_L^p - I_4^p - I_4^y$$ \quad (2)

where $A$ — free model member; $Y_{fashion}$ — net income from the sale of the fashion project; $K$ — capital investments; $L$ — number of employees; $I$ — value of intangible assets (fashion brand); $p$, $β$, $γ$ — model parameters that characterize the efficiency of the use of capital, labor, and costs of process investments; $t$ — time factor.

### CONCLUSIONS

Consequently, the peculiarity of design activity of fashion goods of fashion business is the key role of design creativity and marketing activity in their promotion, paying considerable attention to the formation of demand forward. Expenses for project activity of fashion goods are formed taking into account the expenses for developed and created know-how, i.e.,

DOI: 10.55643/ficaptp.3.44.2022.3701
innovations, satisfying the need for novelty; work on tracking or forming world fashion trends; goods promotion to the market, including the creation of demand for these goods. Indicators of efficiency of project activities it is advisable to determine by the four key groups: general KPI of fashion business enterprise activities; assessment of customer loyalty; assessment of the profitability of fashion business enterprise activities; assessment of economic efficiency of individual fashion projects. The prospect for further research is to find out the prerequisites and characteristics of the implementation of the latest digitalization projects in the activities of fashion business enterprises.

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**ПРОЕКТНА ДІЯЛЬНІСТЬ ПІДПРИЄМСТВ У СФЕРІ ФЕШНБІЗНЕСУ**

Розроблено та обґрунтовано напрями, чинники розвитку, визначено групи витрат та соціально-економічну ефективність здійснення проектної діяльності підприємств у фешнбізнесі. Під проектом у фешнбізнесі встановлено вважати сукупність взаєморозв’язаних, обмежених у часі дій і заходів, спрямованих на розроблення та просування фешнпродукту, враховуючи модні тенденції за наявних ресурсів (матеріальних, трудових, фінансових, технологічних). Обґрунтовано такі напрями проектної діяльності підприємств у фешнбізнесі: партнерські програми (наприклад, кобрендинг); зміна традицій у створенні та представленні модних товарів з метою залучення нових поколінь споживачів за допомогою перевод, що відрізняються від попередніх поколінь; упровадження нових технологій, які стають важливими доповненнями модних речей та аксесуарів, – FashionTech (або FashTech); екологізація діяльності підприємств фешнбізнесу. Ключовими чинниками розвитку проектної діяльності підприємств фешнбізнесу визначено такі: місце
у глобальному виробничому ланцюжку створення вартості; ступінь концентрації підприємств у промислових клас-
терах; наявність висококваліфікованих фахівців у фешнбізнесі; наявність міжнародних брендів, що впливають на
світові тенденції моди; багата і унікальна культура моди; державна політика і правова система, що підтримують
розвиток індустрії моди. Систематизовано та охарактеризовано такі блоки витрат проєктної діяльності у фешнбінесі,
як унікальні ноу-хау, фінансовий капітал, талант (людський капітал) та управління. Визначено особливості розроб-
лення та переваги дизайнерських проєктів фешнпродуктів, до яких віднесено культова індивідуальність бренду,
послідовність дизайну, найбільший вплив дизайнерів на кінцеві продукти. Доведено, що розроблення фешнпродуктів
у результаті проєктної діяльності фешнпідприємств впливає на криву корисності споживачів, і крива корисності
споживачів, які віддають перевагу споживати досить багато фешнтоварів, відхиляється вправо вниз.

Ключові слова: проект, проєктна діяльність, мода, фешнбізнес, індустрія моди, фешнпродукт

JEL Класифікація: H43, L23, M29