**Fashion Creatives and Investors: How to Maintain Artistic Integrity While Growing Your Brand**

**Yuxuan (Martin) Xie**

**Introduction**

From an investor's point of view, putting money into the fashion industry can seem unnecessarily risky. There is no guarantee that a business will be sustainable in the long run, or even gain traction in the short run. Fashion is fickle, heavily influenced by ever-changing trends and the turbulent social-political climate. Style changes fast, especially in the digital age. “Fashion experts” are more accessible than ever with video-sharing platforms like Instagram (Naeem & Ozuem, 2021). Anyone can post short videos about what to buy and not buy and influence where others purchase fashion. Fashion start-ups have to adapt with agility while retaining uniqueness in order to stand the test of time. Finding an investor in the fashion industry can seem like an impossible order. But the fashion industry is blooming as the pandemic slows down: e-commerce, for instance, has been introduced to a wider audience, causing sales to rocket. Fashion technology is in a constant cycle of innovation, and the application of augmented reality and artificial intelligence provides an avenue for fashion to thrive in this ever-changing world. In the UK, the creative industry has been growing twice as fast as the rest of the economy (The Economist, 2012). The fashion industry can be as lucrative as any other industry for investors, and there is promise for emerging creatives hoping to break into their dream careers.

As fashion is an expressive art form, it is only natural for a designer to want full creative control. But fashion is also expensive. From basic costs like fabric and labour to complex costs like education and platform rental, investors are essential to take ideas to execution. The relationship between financial well-being and artistic freedom appears to be a paradox: commercialized anything is often absent of originality and made to please the public. But, if that is true, how are artistic fashion houses, such as Vivienne Westwood, with its rebellious punk imagery, or Maison Margiela, with its anti-logo aesthetic, still thriving to this day? The answer is simple: those who are successful with their fashion start-ups found, or convinced, the right people. They had clients, romantic partners, or retail spaces that shared their vision. Partnership and support are the keys to a sustainable business. Considering both the investor’s and the designer’s perspectives, this paper will guide fashion start-ups in obtaining the right kind of funding: sources that will set business owners up for success instead of leading them to regret losing creative control working in an increasingly commercialized industry.

**Seed Funding: Who Should Invest in Art?**

For small private brand owners, reaching out to a venture capitalist (VC) is impractical. In some aspects, VCs are similar to banks: they want to see a substantial financial track record, which describes the opposite of a start-up’s situation. Most emerging designers have ideas that they want to execute and experience they want to put to good use, not an already-established storefront with an attractive yearly growth rate. In addition, VCs can be aggressive. These firms often see short-term declines as a warning and will try to control short-term losses by commercializing products to make them more generally consumable. VCs rarely put much of their trust into one creative or a small team and will instead try to interfere with the way the start-up conducts its business. This is problematic as fashion is unpredictable, and overly commercial works may bore customers in the long run. Therefore, receiving backing from angel investors, especially friends and family, is the best bet for a successful start-up.

Friends and family are a source of no-strings-attached funding for fashion entrepreneurs. In ideal circumstances, friends and family do not attempt to influence or take over business plans, allowing full creative freedom for the designer. They do not need a terms sheet and may even be willing to move forward on something short of a solid idea. Friends and family are often just happy to help out. If they lend out a relatively small amount, they simply need to be paid back within a reasonable time frame. Seed funding is an investment round in which founders raise enough money to get the business off the ground, and this source is likely sufficient for doing so. If a significant amount of funding is required, the designer can consider asking more people or taking advantage of the holiday season. Asking for money instead of gifts can be considered gauche, but it becomes more understandable if the money is for achieving one’s dream of owning a small business (DiSalvo, 2022a). Generous gift-givers may also enjoy having holiday gifting made simple.

Concerns remain that this type of funding inherently risks straining relationships, which is why the creation of, and adherence to, clear terms on the amount due and the time frame are absolutely necessary. Friends and family will feel less reluctant about lending their money in the event of a slow start, and there will be relatively less conflict to settle if there appears to be a misunderstanding. The worst case scenario for any loaner-loanee relationship is a circumstance that makes paying back impossible, but, in business terms, it is better to default on a friend than the bank. When the money comes from an organization, they have the power to take back that debt without taking cash. Practically speaking, it is better to lose a good friend (though one hopes it doesn’t come to that) than to lose a car or get evicted from home.

Fashion start-ups can also incorporate crowdfunding: reward-based, equity, and debt (Abrams, 2021). Reward-based funding operates like a promotion. Investors who donate $300, for example, may get a free accessory or a month’s worth of clothing items from your business. This is suitable for those who do not want investors to have any creative control, as there is no equity involved. This is also a good way to promote products and get investors more interested. Equity-based crowdfunding is only recommended when a significant amount of funding is needed, which is also when reward-based funding is less helpful. If a fashion venture seems to be sustainable, however, there may not be a need for equity-based crowdfunding, since investors have increased say with increased equity funding of your business. Lastly, there is debt funding, which does not involve equity, but better help to expand your audience. Platforms such as Lending Club and Prosper are available for displaying designers’ public profiles, and investors will choose to give out loans with interest if they find the vision and goals of a particular fashion start-up to be a perfect fit. This type of funding helps to build a sustainable business model, as investors share similar values as your company and are comfortable with potentially adjusting to needs. Importantly, in the early stages, founders seek to place the right product in the right market, and they may need help with market research from someone who can support their vision while making the products profitable.

**Early Stage: Who Keeps the Business Afloat?**

It is convenient to have friends and family or crowdfunding support the initial operation, but as a fashion venture demands growth, it also demands more resources. During the growth stage, where demand for ideas meets distribution, fashion companies will need a number of things, including advertising, support, technology, sales, and employees. In this stage, venture capitalists and grants can provide professional help and a larger sum of money. However, this is also the stage where artistic integrity is most threatened.

VCs are firms that invest in start-ups in exchange for equity or ownership stakes. This is considered a risky investment, and only a handful of fashion companies can blossom into money trees. In return, VCs ask for control, and sometimes, infiltrate too much into creative aspects of the business. Designers and fashion software developers should choose investment firms carefully. The VCs should share a mutual vision or value with the company. For example, an avant-garde designer should pair up with an unconventional VC that can wait a long time for the company to build a loyal fan base (as opposed to trying to appeal to the mass market). On the other hand, an AI clothing try-on software developer should find a universal firm that has the resources to distribute and market the product to fashion brands around the globe. Apparel giant LDS Limited is a perfect fit for such a case. They invest in start-ups that can provide a variety of solutions across the fashion supply chain and have operations in 22 countries. (Tagra, 2022; “Home page,” 2023).

Grants are another way to achieve high amounts of funding. Unlike VCs, they do not take equity in the fashion enterprise. Note, grants still limit the artist’s creativity because there are guidelines for how grant money should be used. Generally, government grants target fashion companies that benefit local communities, while non-government grants support promising talents. For instance, most of the City of Toronto’s visual arts grants are for nonprofits to inspire the city’s artists (“Visual and media arts,” 2023). But most fashion start-ups are not charities, and instead of the five-figure grants for nonprofits, for-profits designers with two to seven years of practice only get $5000 (“Visual Artists Program,” 2023). This is why non-governmental grants may be a better choice if obtained. For example, the Council of Fashion Designers of America (CFDA) and Vogue grant up to $100,000 to small fashion businesses with their fund "A Common Thread" (DiSalvo, 2022b). Famously, Moet Hennessy Louis Vuitton (LVMH) gives out a similar incentive for new fashion brands but on a larger scale: the winner is awarded €300,000 on top of a one-year tailored mentorship by the company (LVMH, 2023). These established fashion groups are looking for businesses that show creative and commercial promise. The grants provide more than enough money to keep a brand afloat before it is able to sustain itself. However, they can only mentor a few — thousands of businesses apply annually but less than one percent of that receives the prestigious funds. Non-government grants are exclusive. Finalists or winners of these renowned accolades may find themselves on a path to success. For the majority of fashion projects, multiple government grants can support the brand vision. Do not forget that, at this stage, daily sales should be able to bankroll the business. Remain confident in your work even if no international recognition has yet come of it. The awards are mostly important for covering unprecedented costs or providing a head start in the later stage.

**Later Stage: Who Doubles Audience Appreciation for Fashion?**

After adequate funding is acquired and the business becomes sustainable, expansion is necessary for creatives looking to make an impact on the world. As mentioned, angel investors have the financial knowledge and power to help globalize or popularize a fashion business. Similarly, venture capitalists are fitting for managing specialized operations while the artist can perfect their craft. They can give access to exclusive business networks and are supported by large pools of capital. With the fashion world being so turbulent, a company with VCs to back them up may have a better chance of surviving long-time as compared to a completely independent one.

Although working with VCs can still be challenging in the expansion stage, the seed stage concerns should be resolved. With an established financial record and a clear vision, the VCs can trust that they will earn money by investing in your fashion business. Then, it is the creative’s responsibility to ensure that VCs do not overstep their boundaries. After all, it is common practice for investors to hold shares after taking a risk by inputting large amounts of money.

Creatives should, primarily, have their vision matched by their chosen investor. The end goal may be the same, but there are different methods of earning money and expanding. For example, an environmentally focused fashion business would not be well-supported by a traditional, capitalist firm. Especially with consumers being increasingly aware of greenwashing (McKinsey, 2022), stakeholders and boards of the company must be compliant in committing to environmental actions that do not directly contribute to profits. In fact, all businesses and firms investing in them should be adaptable to the modern socio-political landscape since fashion is, at its root, a reflection of ever-changing societal attitudes (Delgado, 2018). A resourceful firm that has only had experience in stable industries such as healthcare or food may provide a fashion business with the wrong resources. In addition, if the creative and the investor does not synchronize values and approaches to success then internal conflicts, loss of time and a competitive edge are bound to happen. By choosing a VC that fits your approach, there is more trust involved and that leads to more freedom when you are creating.

As an LVMH Prize Finalist and celebrity-favourite, French designer Simon Porte Jacquemus is presumably desired by the fashion giant (Petrarca, 2019). Whether or not this is true, he is in a lucrative position with many potential benefits. Yet, he remains independent to focus on making clothes sincerely with his small team. Rather than simply being uninterested, he has most likely not yet found a venture capital firm that matches the brand vision, as their current resources are currently overstretched by retail demand (Petrarca, 2019). For Jacquemus and many other fashion creatives, ensuring working with a reliable investor is more important than expanding rapidly then failing.

**Conclusion**

For fashion entrepreneurs, deciding which source of financial backing to take may be an art in itself. The many different forms of investing allow a creative to take a flexible approach, and the multiple finding stages make it possible to change tack as they go. The process of funding a successful creative venture is, luckily, more science than art.

**Further Readings**

[The Complete Guide to Visual Merchandising for E-Commerce](https://www.syte.ai/blog/online-merchandising/complete-guide-visual-merchandising/)

[Investors are tightening their belts. How can fashion companies still get funding?](https://www.fashiondive.com/news/investors-fashion-companies-funded-silicon-valley-bank/647559/)

[Where Fashion-Tech Investors Are Putting Their Money](https://www.businessoffashion.com/articles/technology/state-of-fashion-technology-report-investment-capital-funding/)

**References**

Abrams, A. (2021, June 21). *Want to find investors for your fashion startup? here’s what you must know*. Want to Find Investors for Your Fashion Startup? Here’s What You Must Know – 440 Industries. https://440industries.com/want-to-find-investors-for-your-fashion-startup-heres-what-you-must-know/

Delgado, H. N. (2018, January 31). *Fashion’s potential to influence politics and culture*. CNN. https://www.cnn.com/style/article/fashion-influence-politics-and-culture/index.html

DiSalvo, M. (2022a, August 30). *Funding your brand, find a fashion investor*. virtue + vice. https://shopvirtueandvice.com/blogs/news/fashion-funding-finding-fashion-investor

DiSalvo, M. (2022b, October 30). *The ultimate fashion grant list: Free money*. virtue + vice. https://shopvirtueandvice.com/blogs/news/fashion-grant-list-apply-now

*Discover the prize*. LVMH PRIZE. (2023, April 5). https://www.lvmhprize.com/discover-the-prize/

*Home page.* PDS Limited. (2023). https://pdsltd.com/

Marcketti, S., & Gordon, J. (n.d.). *What happened to Halston? the rise and fall of a fashion icon*. Fast Company. https://www.fastcompany.com/90637111/what-happened-to-halston-the-rise-and-fall-of-an-american-fashion-icon

McKinsey & Company. (2022, November 29). *The state of fashion 2023: Holding onto growth as global clouds gather*. McKinsey & Company. https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion

*Money for fun*. The Economist. (n.d.). https://www.economist.com/britain/2012/03/17/money-for-fun

Naeem, M., & Ozuem, W. (2021). Understanding the social consumer fashion brand engagement journey: Insights about reputed fashion brands. *Journal of Brand Management*, *28*(5), 510–525. https://doi.org/10.1057/s41262-021-00239-5

Petrarca, E. (2019, August 22). *Life in the Sunshine*. The Cut. https://www.thecut.com/2019/08/simon-porte-jacquemus-designer-profile.html

Tagra, D. (2022, September 17). *Apparel industry experts investing within the industry*. Apparel Resources. https://apparelresources.com/business-news/manufacturing/apparel-industry-experts-investing-within-industry/

*Visual and media arts multi-year operating*. Grant Programs - Toronto Arts Council. (2023). https://torontoartscouncil.org/grant-programs/tac-grants/visual-and-media-arts/multi-year-operating

*Visual artists program: Creation*. Toronto Arts Council. (2023). https://torontoartscouncil.org/grant-programs/tac-grants/visual-and-media-arts/visual-artists