



Roundtable Series IV:  
Modest Fashion

STRATEGIC PARTNER:



CITTA DI TORINO

FONDAZIONE CRT



# ROUNDTABLE SERIES IV MODEST FASHION

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SALA ROSSA (RED HALL) / TURIN TOWN HALL,  
PIAZZA PALAZZA DI CITTA, 1 - TURIN

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# OPENING ADDRESSES

**P**iero Fassino, the Mayor of Turin, welcomed the participants of the modest fashion roundtable to the city. Turin, he said, holds a place in Italian manufacturing history and was also where the fashion industry started in Italy between the World Wars before it moved to Milan after World War Two.

The Mayor explained how Turin has become the innovation and technology capital of Italy due to its industrial base and large share of Italy's exports. In addition, the presence of two universities with 13 percent of their students coming from abroad has made Turin an international city. Despite the growth in Milan's fashion industry, he continued, Turin remains a large lifestyle and fashion hub.

Globalization has made exports an increasingly important source of growth and Italy has seized this as an opportunity to find new markets, including in fashion. It has become especially important, said the Mayor, to hold events such as the roundtable to discuss and establish relationships and share common views, interests and opportunities.

**Christina Tumiatti**, President of the Young Industrial Entrepreneurs Association, welcomed participants on behalf of her organization and the Turin Industrialists Association whose President conveyed his apologies for not being able to attend. **Ms. Tumiatti** reiterated the opportunity for Italian companies to target export markets including those with majority-Muslim populations.

The industrial businesses and workforce in Turin's Piedmont region, she said, have refocused their efforts towards new market opportunities such as those being presented at the roundtable. The changes in global value chains have shifted centers of production and are forcing businesses to adapt as well.



## SESSION ONE:

### Who's Doing What? Mapping the Modest Fashion Ecosystem

#### Session Summary:

#### MODERATOR:

**Abdulla Al Awar**  
CEO  
Dubai Islamic Economy  
Development Centre (DIEDC)

#### SPEAKERS:

**Afia Fitriati**  
Senior Associate  
DinarStandard

**Silvio Cattaneo**  
President  
Fashion Artisan Confederation  
CNA Federmoda

**Dr. Neslihan Cevik**  
Advisory board member  
Sefamerve.com

- Most modest fashion companies are small and medium sized enterprises (SMEs) whose level of business experience and scale are lacking. They hence lose out with regards to other stakeholders on the value chain, for example textile manufacturers.
- There is significant challenge from global fast fashion brands such as Zara, H&M and Uniqlo, which have extensive scale and are growing based on responding quickly to fast-changing trends, modest fashion included.
- With the recent growth spurt of the modest fashion industry, the issues affecting it are now becoming more similar to the fashion business as a whole and modest fashion companies must work doubly hard to find their competitive advantages and harness their value chains.
- In order to attract larger players, there has to be some form of certainty in terms of guidelines. The roundtable discussed around the many different interpretations of what constitutes modest fashion but agreed that guidelines, and not standards, could be drawn. A guideline document, from an Islamic Economy stakeholder such as the Dubai Islamic Economy Development Centre (DIEDC), may be an option to help new players produce for the modest fashion market.
- Modest fashion guidelines would also encompass ethical and environmental standards that would meet the Maqasid of *Shari'ah* and advance the industry's corporate social responsibilities.





Following the opening addresses, the roundtable started with **Abdulla Al Awar**, CEO of the Dubai Islamic Economy Development Center (DIEDC) highlighting the connection between “Made in Italy” and quality in design and craftsmanship. There is potential for synergies between Italy’s fashion industry and the modest fashion sector of the Islamic Economy, he underlined.

The statistics uncovered by the State of the Global Islamic Economy 2014/15 report from Thomson Reuters make it clear that modest fashion is not a small industry. Muslim expenditure on clothing in 2014 was worth \$266 billion and is estimated to reach \$485 billion by 2019. As part of this Muslim expenditure on clothing, modest fashion is a rapidly-growing sector.

For DIEDC, the roundtable serves as the platform to consult with experts in the modest fashion industry and learn about its issues in order to facilitate its growth. The findings from the roundtable, said **Al Awar**, will be taken as recommendations for the relevant authorities. Specifically, the roundtable will not only focus on designers but also distribution, raw materials and producers. Important questions the roundtable will address include the role for competition versus cooperation, the importance of guidelines or standards for the industry, and whether it is necessary to define what is Islamic or modest fashion.

**Mustafa Adil**, Acting Head of Islamic Finance, Thomson Reuters, added to **Mr. Al Awar’s** description of how the Dubai Islamic Economy initiative has progressed. Following its initiation by **HH Sheikh Mohammed bin Rashid Al Maktoum**, Dubai’s initiatives have spurred discussion about how the Islamic Economy is defined in order to address a global opportunity and gather participants from the different silos to drive synergies.

As the fourth largest exporter to Organisation of Islamic Cooperation (OIC) countries, said **Mr. Adil**, Italy is already a key player in the fashion and clothing sector for the Islamic world. Specifically, Turin is positioning itself as a strategic hub to better address Muslim consumer needs. However, while the macro consumer segment is being targeted by the industry, challenges remain, including a scattered ecosystem and issues of defining the key ethics and principles that define Islamic and modest fashion and how to build a global brand. Starting the discussion, **Mr. Al Awar** returned to the rapid growth based on the statistics he presented earlier and the challenges around three areas:

1. The value chain (who are the contributors and what are the challenges?);
2. Competition versus cooperation to ensure growth (mainstream and established companies versus new startups); and,
3. The role of governments in supporting the growth of the Islamic and modest fashion sector.

## Overview of Modest Fashion Industry

The first presentation from **Afia Fitriati**, Senior Associate,

Dinar Standard, highlighted the growing modest fashion ecosystem, which shares similar challenges and opportunities as the other silos of the Islamic Economy. Muslim consumer spending on modest fashion was worth \$22 billion in 2012 and is expected to reach \$100 billion by 2018, according to DinarStandard estimates.

Muslim-owned brands are only one part of the value challenge. The industry has to contend with raw material challenges, technology, machinery, as well as companies involved in the distribution chain. Muslim market players have been concentrated primarily at the end of the value chain as designers, retailers and customers. In the future, there will be more competition which will give existing players the chance to differentiate themselves by being innovative across the entire value chain.

In the last 15 to 20 years, modest fashion has been driven largely by the demographic growth of the Muslim population, in addition to significant events that have directly affected and impacted the global Muslim community. In the post-9/11 world, more Muslim women have taken on the hijab as a symbol of their religious identity as a reaction to the Islamophobia that has emerged or intensified in many parts of the world.

Additionally, the evolution of the Internet drove Muslim women to connect through blogging about fashion styles. Through these blogs, Muslim women learnt and discussed the differences between regional trends and shared modest fashion identities from different regions.

Modest fashion is not about attracting attention to the Self (which has led many to think of the idea of ‘modest’ fashion as an oxymoron) but the bloggers pushed it to the point where demand grew high enough for it to become a viable business opportunity.

Since these early days, the sector has grown and benefited from the social media boom. This evolution has pushed modest fashion from its niche into the mainstream.

Terms such as ‘hijabista’ or ‘mipster’ started to become quotidian. The issues affecting modest fashion are now becoming more similar to the fashion business as a whole with a significant challenge from fast fashion brands such as Zara, H&M and Uniqlo. These brands are beating incumbents such as Gap, Abercrombie & Fitch and others by growing based on responding quickly to fast-changing trends, modest fashion included.

The economic downturn in the U.S. and Europe has forced brands to look at new markets but some, such as LVMH, are facing difficulty going to China to grow sales while others such as Mango and DKNY have offered collections for the Muslim fashion market. More major brands are likely to follow their lead. If Muslim fashion players want to succeed in this environment, they will have to be more innovative across the whole value chain.

There is also a greater level of concern now, in the modest fashion sector as in the overall global fashion industry, with ethical and environmental issues. A lot of these concerns

were brought to the fore by the Rana Plaza factory collapse in Bangladesh in 2014. The tragedy forced many brands to rethink their commitment to ethical practices in the fashion industry. In addition to ethical considerations, consumers are concerned about climate change and other environmental issues including whether materials used are organic and stamped/branded as fair trade.

**Silvio Cattaneo**, President of Fashion Artisan Confederation CNA Federmoda, started his presentation with the background of his own connection with the Muslim world, which began in 1985 when he went to Dubai in search of a new market for his tie business. His business has grown along with his affection for Dubai, he said, and he has expanded his tie business into a new market niche of using ties not just as fashion items but also as promotional items.

**Dr. Neslihan Cevik**, a sociologist focused on the sociology of religion who is also an advisory board member for Turkish online modest fashion company Sefamerve.com, spoke about the specific needs of female Muslim athletes. The first modern Olympics, she said, were held in 1896 and the first women athletes competed in 1900. However, it wasn’t until 100 years later the first hijabi Muslim woman participated in an Olympics Games. For these women, said **Dr. Neslihan**, the key problem isn’t necessarily the activity or sport they are involved in; it is clothing. For example, a Muslim girl who loves basketball will have to figure out what to wear once she reaches puberty.

This makes clothing a gatekeeper that blocks women who choose to dress more modestly from participating in many activities because their unique needs and problems are not addressed as athletes. There is increased visibility of Muslim women and globalization has made their needs more pressing; as a result they are seen as a more lucrative market.

However, to date, companies have addressed these needs with Ramadhan collections that try to make hijabs fashionable in order to address a desire for vanity or fashion. The role of the hijab or modest clothing, however, should be one that preserves Islamic commitments while taking part in modern life, explained **Dr. Neslihan**.

Sefamerve focuses on innovative styles around these requirements, she continued. For example, the company’s special bonnets provide safe coverage for active women and is seamless, tight, won’t cause headaches, and prevents balding.

Another example of the company’s different approach, **Dr. Neslihan** continued, is that although most Turkish companies use a 95 cm hemline to save costs, Sefamerve uses a longer 120 cm even though it costs more. Finally, **Dr. Neslihan** provided an example for female athletes of Sefamerve’s tracksuits that allow for dynamic maneuvers without revealing body parts.

These innovations have allowed Sefamerve to be a giant by the standards of the modest fashion industry; the company’s annual turnover has reached \$100 million per year, according to **Dr. Neslihan**. With 500,000 active users on Facebook it

is transcending just being a clothing brand or textile company to becoming a lifestyle company. Sefamerve created a community that shows it is possible for pious life in a secularizing world and they are moving into other areas as well, including food and travel.

Turkey is somewhat unique because it has a large Muslim population within a secular country and there has evolved a rich ecosystem for Muslim consumer companies, particularly e-commerce brands. The country’s Muslim consumer brands have expanded globally with Sefamerve in 52 countries. One of the challenges with growing an international presence is infrastructure issues, including payment technology and the cost of shipping to other markets.

## Do We Need a Definition and Standards?

From this point, the discussion moved towards what is needed to expand the market, with **Mr. Al Awar** asking whether there is a common denominator that touches on the cultural barriers for modest fashion – a well defined definition – that could overcome the perception gap. How much of the problem, he asked, is not with the hijab itself but a lack of vision about what modest fashion is?

In response, **Dr. Neslihan** said the lack of definition was a problem because fashion means something different to Muslim women than other women. It’s not about being trendy but about expressing each individual’s personality through hijab. There is a multitude of types of clothes to meet the needs in contemporary life for different clothes for different public spheres which are different than what is worn at home.

**Rabia Zargarpur** of modest fashion brand Rabia Z challenged the idea that a definition could be reached. There are guidelines, she said, which would help but Muslims have very diverse backgrounds. Embroidery and color is part of the culture for some while others go for black as the dominant choice; neither is right nor wrong.

There is no generic dress code for Muslims but there are some guidelines for modest dressing which would be helpful for brands and companies. Modest fashion is different in Judaism and Christianity, she pointed out, and each is different from Muslim modest fashion. For example, a tank top with a higher neckline would be modest by some standards but may not be what is considered modest fashion for most Muslims.

**Alia Khan** of the Islamic Fashion & Design Council (IFDC) added to what **Ms. Zargarpur** said but cautioned that the definitional issues are a very hot topic. Islam is a broad religion so equally broad definitions of what should be covered would be appropriate, she suggested.

Long length and loose clothing is agreed upon but other areas are still open to debate. The question to address is how stakeholders meet their responsibilities and whether they have a right to define what is modest or should provide clothing that can meet all covering options. Leave the interpretations to religious entities, asserted **Ms. Khan**, and let clothing companies make



good clothes with good quality that is worthy of consumers. Following **Ms. Khan's** comments, **Dr. Sayd Farook**, an advisor to DIEDC, highlighted that most modest fashion companies today are small and medium sized enterprises (SMEs). DIEDC has realized, he explained, that if you want to attract larger players, there has to be some form of certainty in terms of guidelines or standards. A guideline document, he said, may be the best option to help new players produce for the modest fashion market; he asked if Dubai could play a role on religious or commercial leadership.

The discussion opened up around standards, beginning with **Afia Fitriati** who agreed that there can be no universal definition because everyone has a different interpretation but guidelines could be an option. Certain items, she explained, are agreed to be part of modest fashion like the abaya but styling and length standards differ.

Besides these areas, there are requirements for quality like the thread counts as well as ethical standards of how the goods are produced. These ethical standards include considerations of the appropriate level of wages to pay workers, and that no slave or child labor is used in the entire value chain.

Other participants highlighted the need in many countries to create clothing that doesn't look 'foreign' because that can isolate Muslim women. Clothing created to fit within the society and the climate can help society and Muslim women relax more and open up opportunities for women in situations or places where how they dress matters. The key, though, is to show Islamic values through style and beauty.

In addition to differences between countries that have to be accounted for, there are also differences between individual women in terms of, for example, their age, body figure or whether they are more conservative or consider themselves 'mipsters'. There should be clothing to reflect these different layers within individual countries as well as globally and the definition should not remain static.

From these perspectives of developing modest fashion, it will be difficult to translate different efforts towards the end market because supply chains and textile companies are still not fully open to modest fashion, although this is not due to a lack of awareness.

Modest fashion brands, labels and designers have not provided an appealing enough business case to draw in textile manufacturers. To cater to the diversity of consumers needs, modest fashion brands need to professionalize and be more business savvy. Small home-based modest fashion labels and designers have neither met manufactures' minimum requirements of scale nor provided technical packs to these manufacturers.

The bigger brands are looking at the modest fashion market but according to one roundtable participant, while this may be "endearing" to Muslim consumers it may not be "authentic" because the collections tend to be released only for a specific period, often around Ramadhan, and may not be entirely modest.

The clothes or lines from these major brands may not have been prepared in a thorough way and raises the issue of how modest fashion products are picked up by buyers with experience in modest fashion and through trade shows to promote modest fashion brands. Most of the brands are SMEs and newcomers that need to scale to become regional brands and attract wider attention.

Closing the session, participants continued to discuss the authenticity angle, shifting the burden towards modest fashion brands to not just offer a more modest product than the larger brands but to produce high quality clothes.

The session ended with a brief glance at the glass wall between Islamic finance and the rest of the Islamic Economy. To break down this glass wall, Islamic finance has to be presented with an avenue to channel assets, currently predominantly parked in real estate and infrastructure, into fashion and other sectors of the Islamic Economy.



# SESSION TWO:

## Beyond Reproach: Establishing Ethical Standards and Centres of Excellence for Modest Fashion

### Session Summary:

#### MODERATOR:

**Saeed Kharbash**  
Head of Strategy and Planning  
Dubai Islamic Economy  
Development Centre (DIEDC)

#### SPEAKERS:

**Alia Khan**  
Chairwoman  
Islamic Fashion Design Council  
(IFDC)

**Jaafar Malik**  
Founder  
Shukr

**Massimo Lapucci**  
Secretary General  
Fondazione CRT

- The discussion about guidelines for modest fashion continued into Session 2, with a deeper dive into the need to incorporate ethical manufacturing, modesty in design, use of Islamic finance, and business ethics.
- Incorporating throughout the value chain the Islamic values and standards that are meant to benefit humanity would push up the universal appeal of modest fashion and ensure the industry's growth into the mainstream.
- As long as the modest fashion industry remains relatively niche, there is still the need to align with mainstream fashion, including with seasonal collections, and pricing products in dollars.
- In the meantime, the modest fashion industry should focus on building an end-to-end ethical industry that meets the Maqasid of *Shari'ah* and that would also be a competitive advantage for businesses that are up against global brands such as H&M and Zara.



The second session began with a short introduction from **Saeed Kharbash**, Head of Strategy & Planning at DIEDC, highlighting the size of Muslim spending on fashion at 11.9 percent of global expenditure on clothing. Echoing concerns raised in Session 1, **Mr. Kharbash** asked whether standards for modest fashion should be set and if yes, by whom. Does the modest fashion space need governments, standardization bodies or the industry itself to set standards, he asked, and how would these standards embed fairness and justice within the fashion industry and the Islamic Economy overall?

Following **Mr. Kharbash's** introductory remarks, **Alia Khan**, founder of the Islamic Fashion & Design Council (IFDC) provided a presentation urging the modest fashion industry to stay cohesive, as more of the sector's potential could be realized through unity.

## Young Consumers

Consumers of modest fashion, she said, are young and they drive the spending power that places demands on designers. To address them, brands have to cater to their needs and reach them socially, in collaboration and with a global focus. This demographic, she continued, loves recognition; they are the 'selfish generation,' not just the selfie generation.

These young consumers of modest fashion love control in the sense of being empowered to influence. They are clear about being connected to the world and are concerned about their identity, which includes expressing their religious beliefs. They feel they are misrepresented by the media and want a better image for Islam, which is what they want to represent. Just like other consumers of their generation, they have short attention spans, high expectations for brands, and are putting pressure on the industry to get their attention today. In the connected environment, a bad product review can be the 'kiss of death' because they can go viral but equally, good products can win the same way.

IFDC, said **Alia Khan**, offers workshops including a module for industry stakeholders and active training programs. These include looking at consumers in different ways, such as creating profiles of industry stakeholders. For example, an industry profile of the fashion business may compare consumers by dividing them between a System A where they identify with found ideology and where divine guidance is required, and contrast that with people within System B which is secular and capitalistic.

The comparison helps people develop their strategic intent—what they want to become. For example, AT&T wants to be the universal telephone service; Coca-Cola wants to always be within arm's reach. Modest fashion needs to apply a similar vision for what it will contribute and once defined it makes other things much clearer. For example, IFDC's strategic intent is sticking to values regardless of what is on trend.

## Guidelines

Without guidelines the mainstream fashion sector will dictate what Muslims wear, said **Ms. Khan**. However, there are very different views. For example, in Turkey, many brands are adding to their profits by selling clothing with three-quarter sleeves to capture as wide a segment of the market as possible.

In response, another roundtable participant agreed that it was important to serve all individuals and if some Muslims wanted to avoid layering under three-quarter length sleeves, someone else will produce an all-in-one layer and leave it up to consumers to decide what they want to buy. The key is to provide comfort for consumers to make them feel and look better; it is dangerous to dictate what that should be.

**Alia Khan** agreed that it is tricky to decide who sets the guidelines and pointed out that Islamic history was full of tension about whose Islam was the 'right' Islam. Muslims have to segment their own trends to retain independence. This can allow democratized choice, however, this still raises questions about how to translate these choices into practice.

DIEDC's **Dr. Sayd Farook** agreed with **Ms. Khan's** views, and he further distinguished between prescriptive standards versus principles, with the latter allowing for wider diversity. Industry voices can give principles the authority and be supported by the consumers they want to represent, he added.

The keyword to focus on is 'decent'. Another roundtable participant agreed and pointed to the different elegant unique hijab styles in the Ningxia region in China, suggesting this should be covered by principles, and consumers should be allowed to decide whether they want the products being offered. The principles should be derived from the Qur'an and different applications should be allowed.

One roundtable participant described his business' approach to integrating the ethical side of their business in consultation with scholars. They focus on an ethical imperatives in four key areas: ethical manufacturing, modesty in design, use of Islamic finance, and business ethics.

In the manufacturing area, they ensure fair trade products and no sweatshop labor is used, each of which are standards that Islamic fashion can borrow. It should also focus on addressing inequalities in the conventional system by scrupulously maintaining fair conditions and pay.

They use environmentally sustainable materials throughout the value chain as they develop products that meet Islamic standards of modesty in design, production and presentation.

In the area of financing, there needs to be a better developed Islamic finance system that offers a wider range of financing options to connect Islamic companies with high net worth individuals who have a passion for ethical and Islamic businesses. Finally, the company, said the participant, ensures ethics are maintained throughout their business, and highlighted the need to maintain ethics in all processes and transactions.

## Ethics, Universal Appeal

In response to a question about standards relating to these ethical areas, **Ms. Fitriati** said it is imperative for modest fashion to focus on ethical practices to compete with the likes of H&M and Zara.

The risk is that modest fashion ends up like halal food where the dominant player is Nestlé, which is not a Muslim company but which has factories around the globe to make halal food. To avoid this, Islamic Economy stakeholders need to build a leadership position within ethical fashion to move away from quibbling about how long sleeves should be to tackling broader ethical standards that incorporate Islamic standards throughout the value chain.

Another roundtable participant picked up on the idea of finding a wider appeal of making something that people like even if they are not Muslim. The idea is to respond to customers' needs and offer them what they want that is also compliant with Islamic values. It's important to make clothing according to different customers and beliefs but there also needs to be a reference for the ethical standards of production and how to be compliant with Islamic values.

A different participant suggested that the whole modest fashion ecosystem had to be addressed and that there needs to be a stamp showing that the products are in accordance with the ethical values of Islam. That includes both modest fashion ideas but also taking ethics around production and sourcing a lot more seriously than the mass production culture. That requires apprenticeships to develop skills, microfinance and business conduct, working conditions and Islamic finance. All this would create a fair trade label for modest fashion targeted at consumers who are willing to pay more to do it the right way.

The challenge is that it is not always possible for each company to do everything right and follow every item on a check list. One way to achieve these high standards, suggested **Ms. Zargarpur**, is to look at the mainstream ethical and sustainable practices which are in line with Islamic standards. For example, when working with factories, she said, only work with the ones that follow codes of ethics. Ethical fashion is not something distinct from but is in alignment with Islamic and modest fashion. One exception is the need for Islamic financing.

## Aligning with Mainstream Fashion

The way Rabia Z works to build the industry is to focus on showing in mainstream fashion shows on the runway. However, she said, people don't shop on the fashion runways; they shop in malls which are filled with Western brands because they are stocked by Western buyers. That is why there is so much importance pushing through mainstream fashion shows and trade events, and making 'press pieces' so they can appeal to buyers who are non-Muslims just to get where the Muslim consumers shop. For her, this has meant using the hijab as an accessory in the shows to gain exposure and

then to also have a commercial line that has more variations, more fit and cost options, including looser and dark clothing for those who want it.

The discussion continued with the need to align the modest fashion industry with mainstream fashion including with seasonal collections, and pricing products in dollars.

Another participant reiterated that with a target market of millennials, the modest fashion sector has to understand how they follow trends, especially through social media platforms Instagram and Tumblr.

## Business VS. Social Entrepreneurship

The two threads came together with a perspective from the CRT Foundation, which is based in Italy and emerged from the privatization of Italy's public savings banks. The Foundation manages the philanthropic areas that had been a part of the government banks until their privatization in the early 1990s. It has expanded from being regionally focused in philanthropy to add an international dimension focused on arts & culture, education and welfare.

One of the Foundation's international projects is in Cairo, Egypt, where they support a program to revive Egyptian handicrafts inspired by the cultural heritage but also including contemporary design and fashion. It ties in both the youth angle and the need to embrace unique cultures and religions. In doing so, the program provides the youth involved with both skills and a sense of confidence. To move it forward on a wider platform, there is a need to support social entrepreneurs to bring resources to create jobs and create the foundations for a more just society.

The question raised about the role for social entrepreneurship in modest fashion spurred on discussion from a participant about the role of a commercial focus. He said there was no contradiction as long as the commercial proposition is in line with ethical standards.

Another participant, who was from Africa and with a social entrepreneurship background, described the push towards more commercial activities. Her mission, she said, emerged from an activism angle to use business and sports to help Muslim women participate on a global stage. The commercial issue is how to sustain the social entrepreneur's efforts and stimulate the early stage of an industry.

The DIEDC's **Sayd Farook** took this opportunity to ask the modest fashion players where on the spectrum between charitable activities and purely commercial enterprises modest fashion lies. A participant highlighted that the reason for getting into the business was seeing the business opportunity in the market from a shortfall in supply compared to demand and a paucity of options in terms of colors and styles. At that point, the manufacturers didn't think it would sell so they asked for money up front instead of normal payment turns.

However, apart from the commercial side, they are providing



a choice for women that enables them to get more from their active lives, social lives, as well as working lives.

Another participant from the United States highlighted the social aspect of modest fashion in serving the whole market to turn mainstream fashion towards modesty. This is much bigger than just the Muslim market and also encompasses the social aspect to break barriers and defeat stereotypes.

A final comment from a participant summarized the wealth of resources that Islam provides about the need to be moral and to help the world, which it connects back to charity as well as offering ideas for women's rights, social entrepreneurship and ethical rules for business.



## SESSION THREE:

### Building Modest Fashion Brands

#### Session Summary:

#### MODERATOR:

**Dr. Sayd Farook**  
Projects Advisor  
Dubai Islamic Economy  
Development Centre (DIEDC)

#### SPEAKERS:

**Rabia Zargapur**  
President and Creative Designer  
Rabia Z

**Alberto Brugnoli**  
Founder and Chairman  
ASSAIF

- Modest fashion needs to work on training, education and internships to help aspiring young designers understand the professional side of the business. This includes market knowledge, products, service, sales & marketing, production, human resources, and finance. Incubators or accelerators could help modest fashion SMEs in this regard.
- Similar to the challenge facing SMEs in other sectors, modest fashion SMEs find it hard to attract investors and/or secure financing to achieve scale, including from risk-averse *Shari'ah*-sensitive investors or Islamic financial institutions.
- It is hard to get investors to pay just to achieve scale to reach the market because investors need to understand the market size. While there are top-line numbers for the Islamic Economy, they need to be better defined within each market. At the moment the information is just starting to be collected and it is not defined well enough to attract Series A or Series B funding yet. The market has a lot of room to grow to define the market opportunity and then it can build larger companies through consolidation.
- Until then, there are some opportunities through crowdfunding.
- The time has passed for billion dollar fashion companies and modest fashion labels should look to examples such as Black Milk Clothing, a company that only makes leggings with crazy patterns and which has attracted a huge audience through social media, and also drawn in investor attention.



The final session in the roundtable began with the DIEDC's **Dr. Sayd Farook** taking the conversation from previous sessions as a starting point to provide context about what the modest fashion industry needs to develop.

Most of the existing players are struggling SMEs and while it is necessary to be cognizant of that, there has to be a bigger vision to create global brands. Can acceleration programs help develop these players and narrow the gap between the big fashion brands and the Islamic brands, he asked. Technology—the great leveler—and e-commerce can help modest fashion brands reach new markets and become global. However, what more can governments and the financial sectors do to support this growth?

## The Business of Fashion

To start the discussion, the roundtable heard from **Rabia Zargarpur**, of the eponymous modest fashion label Rabia Z, who emphasized that what modest fashion lacks is the important progression to go back to the basics of business and fashion. There are many home-based businesses, online retailers and Instagrammers selling ready-made modest fashion but it is inconsistent in quality and size which lags behind the standards of the professional fashion industry.

The fashion business is the fifth largest money earning business in the world and the modest fashion sector has too many people working on their businesses as a hobby or to try to gain overnight fame. The existing offering does not generate substantial sales leading to a conclusion that to become a real industry, modest fashion has to understand the difference between a hobby and a business and take the time needed to learn the skills to run a business.

The industry needs to work on training, education and internships to help aspiring young designers understand the professional side of the business. This includes market knowledge, products, service, sales & marketing, production, human resources and finance.

It has taken a long time for modest fashion to get where it is today, she said, and the Thomson Reuters State of the Global Islamic Economy report released in 2013 was the first report on the business that has people paying attention. Muslim brands and labels have to step up now or Western brands will take over, she stressed.

One participant compared the 'hobby' mentality to the early leaders of the technology industry and suggested the need for incubators and internships to help people learn and work together collaboratively.

**Ms. Zargarpur** agreed that this would be an improvement to help develop a brand identity by training, educating and learning as well as through an incubator. For example, the presence of Rabia Z in the first State of the Global Islamic Economy report released in 2013 helped the company get

funding because where it had been difficult to get interest in the sector, the report quantified the size of the opportunity.

To get to the global level in the industry, one of the assets modest fashion needs is a strong management team, particularly one with experience from a brand in the conventional space. It is probably unreachable to become the next Zara but it is possible to be the next Donna Karen or Michael Kors.

## Scale and Funding

A participant raised the issue of achieving scale as a challenging one. Their brand ended up opening an online store because of a lack of suitable shops to carry their lines. In addition to the retail sales point, there is also a need to invest in professional photography and packaging. In their experience, opening their own concept store was necessary and they plan three to five more stores during the next 24 months to address the challenge of visibility. It requires a credible brand, resources, public relations and access to markets. For all of these needs as well as the retail presence, there is a huge need for financing. Even a business that makes money in the bricks and mortar world needs to have working capital to take advantage of opportunities and without access to interest-based loans, an incubator or accelerator would be very helpful.

In response to some of the criticism of the social media-oriented strategies to get noticed, one participant highlighted that social media, including Instagram, can help for businesses that can't get a Series A funding. The old traditional ways won't work effectively because the business is changing and even forcing the older generation to change its ways. The new forms of communication, such as social media, have been used by many successful companies. However, while it can be a way to support business growth it is not a sole way to market a business.

For the businesses that can get financing, as Modanisa's CEO **Karim Ture** explained, the support is incredibly helpful. Modanisa was a first mover in the Turkish market, which provided a way to demonstrate the market opportunity. However, they needed money to scale and were faced with the choice to use either profits or outside investors. Modanisa raised \$5.5 million from Saudi Telecom's venture capital fund.

The funding allowed them to develop a multibrand strategy and make Modanisa a one-stop shop with 25,000 different items at various price points. As a result, they have been winning 45-50 percent of their sales from outside of Turkey. The success has changed perception about their market, from jokes about Islamic fashion being just black burqas, to recognizing the potential for modest fashion and interest from investors in finding the best companies in which to invest.

Prior to getting the funding, Modanisa started with Facebook advertising and later moved to Google advertising but the key thing to build the company was to get returning customers. In addition, said Ture, businesses must have excellent customer service to ensure returning customers. This, he stressed, is

costly. To build the company, money is needed for customer service and other areas, such as fast delivery, which Modanisa accomplished by sending through DHL as the standard service. It is costly and requires higher volumes to get better pricing (Modanisa has 300,000 daily visitors).

Other participants relayed similar stories of the pre-funding stage where to get growth they needed to use social media and online advertising to build a customer base.

If there is a product that customers like, said the roundtable, the company can't just sit and wait because it doesn't have funding. However, it is hard to get investors to pay just to achieve scale to reach the market because investors need to understand the market size. The top-line numbers are there but they also need to be better defined within each market. At the moment the information is just starting to be collected and it is not defined well enough to attract Series A or Series B funding yet. The market has a lot of room to grow to define the market opportunity and then it can build larger companies through consolidation.

Until then, there are some opportunities through crowdfunding. One participant said he had used crowdfunding and while it can meet some needs, most businesses need more funding than crowdfunding can provide.

To get larger investors, **Ms. Zargarpur** suggested the IFDC could step in to help incubate emerging companies develop their business plan and build their financial model so they have what investors will expect.

## Islamic Finance and Modest Fashion

At this point **Alberto Brugnoli** from ASSAIF gave a presentation on his company's efforts to connect Islamic finance with the modest fashion sector in Italy. 18 months ago, Turin had nothing related to Islamic finance, but in that short span of time, they have organized two world events on Islamic economics, and hosted in October a local economic development forum where Islamic and halal financing was debated. These have kickstarted the education process with Islamic finance courses at a university.

In Western countries, most of the Islamic finance activity has begun through a 'window' which is a *Shari'ah-compliant* offering from a conventional institution where funds are segregated to remain compliant. What is stopping a fashion business from using the same concept to leverage the know-how, connections, marketing, bookkeeping, designing and procurement of raw materials? It would be more appealing to businesses than incubators or accelerators because investors don't like to give money to teach people how to do things. But they like the idea of risk-sharing offering a way to bypass incubators and tap the large amount of Islamic money that is constantly looking for returns.

Europe is a good place to expand modest fashion because it is home to the largest markets in terms of Islamic purchas-

ing power and the largest Muslim middle class in the world. However, to do so, stakeholders need to break down the glass wall between Islamic finance and the other sectors of the Islamic Economy. Based on this premise, ASSAIF put together an Islamic UCITS V fund which would be widely marketable with a 6-year target life and an 18 month grace period. They are raising between \$100 and \$150 million with a public guarantee from the Italian government of 50 percent of outstanding investments up to \$1.5 million.

The fund also screened the target market of companies out of the 1 million in Italy and excluded un-*Shari'ah-compliant* companies and looked for those companies generating turnover between EUR 6 million and EUR 300 million. The list of companies was long at 37,000, where 50 percent were manufacturers and 20 percent were in the fashion sector. From this list, they identified 800 companies that could have an Islamic fashion window based on the proposition that "God is beautiful and loves beauty".

The opportunity here is not from retail banking where there is a lot of regulation but from capital markets and private equity where regulatory reforms in Italy have allowed funding to be done much easier, and in a fully *Shari'ah-compliant* way. The modest fashion windows would be easy to manage because there is not a requirement for separate bookkeeping and in many ways it is easier for modest fashion windows than bank windows (which have become commonplace despite these challenges).

Following **Mr. Brugnoli's** presentation, there was more discussion of the specific business-related challenges facing modest fashion companies and the need for case studies to help fashion labels get more credibility based on the path taken by the larger modest fashion brands.

The key, one participant highlighted, was establishing a unique selling point to help attract bank and investor financing. For example, using high quality photographers to build a professional brand, expanding media outreach and then building scale from there.

The example of the modest fashion sector in Indonesia was brought up. The role of an incubator in this process in Indonesia was to help give advice on the business side, change the look book and logo to help facilitate the process of building a brand. These services, including receiving advice from a brand consultant who had experience working with big fashion brands, also helped get exposure for NurZahra internationally at Tokyo Fashion Week. From there, the brand grew from the novelty of a hijab company being seen in Japan at a fashion event and changing the perception of their business from selling hijabs to Muslims to selling scarves that any woman could wear. That led to more exposure in mainstream fashion magazines. It also led to the challenge of how to find capital to expand from Indonesia into Singapore, Dubai and Europe.

This example, like other discussions in the session, focused on the challenges of financing/funding and marketing/PR. While social media channels, such as Instagram can help get



some awareness, the mainstream media remains important to gain visibility.

In the current fashion market, there is a demand from consumers for fast fashion, which companies such as Zara meets with 1,000 designs every year and 10 fashion seasons instead of the two or four that most designers use. Like marketing and PR, this requires an investment for research, distribution channels and human resourcing to be able to compete with Zara.

One way to self-finance the business is to look for partnerships with other businesses. A modest fashion label can start within its own market and look to the more established players to help with areas it doesn't understand and then leverage that as a source of financing to grow the brand eventually into new markets.

No Need for a ‘Muslim Zara’?

Not all participants were in agreement on the need to develop a global brand to compete with companies like Zara.

One highlighted the huge Muslim market of 1.6 billion world-wide and the need for any modest fashion brand to focus on that market. Modest fashion is growing, she argued, because no one else focused on Muslim women. If modest fashion labels try to compete with Zara and the big fashion brands, they won't be serving the unique Muslim market.

Afia Fitriati agreed that the trend is not towards Zara and H&M although they are large players. The time has passed for the billion dollar fashion companies. For example, Black Milk Clothing is a company that makes leggings with crazy patterns. That is all they do and they have attracted a huge audience through social media and also drawn in investor attention. They leverage their well-connected market to move beyond just the clothing to help people build a community around the brand. That's the type of model to follow -- a specialized niche brand, not trying to build a Muslim Zara.

Another participant pointed out that the entire universe is not made up of Zara and H&M and there are smaller brands that are able to set trends that the larger brands eventually follow. An example that Italian brands have seen are some trends coming from China where the cultural differences are inspiring new designs in Italy by integrating different aspects into products, and in the process reinventing themselves. Financing is important, yes, but it is not the sole determinant of whether a unique brand succeeds.

Another participant agreed and pointed to technology startups as an example. The time has passed to find the next Amazon or Zalora and investors have to find a niche sector with a USP that solves a problem. Other participants focused on the size of opportunity and highlighted the benefit of aiming high to create a big global brand like an Apple or Starbucks of Muslim fashion.



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