Fewer fashion companies defaulted in France in 2018, but more large businesses affected

By Marion Deslandes  -  October 8, 2019

In 2018, the textile, apparel and leather goods sector in France recorded 1,758 bankruptcies (companies that filed for receivership or were liquidated), equivalent to an 8.5% decrease on a yearly basis. These bankruptcies and their related legal proceedings threatened 6,272 jobs, while half of the companies affected had been operating for between three and 10 years, according to a survey by French financial and commercial information specialist Ellisphere. The decrease in the number of defaults must not hide the fact that many businesses experienced genuine difficulties, and that an increasing number of established, renowned fashion groups have been hit. Among them, Happychic, owner of the Jules, Brice and Bizzbee chains, whose employee protection plan affects 466 jobs out of nearly 3,200; the Eram group, with 274 dismissals on the horizon; Pimkie, with 208 jobs on the line out of a total of 1,900; and suburban chain Défi Mode, which ceased trading in H1 2019, closing down its 60 stores and laying off 220 employees.

It is worth noting that, in the last 12 months, though 92% of the defaults related to very small business (with less than 10 employees), medium-sized companies (from 250 to 4,999 employees) accounted for 0.2% of those facing difficulties, a number that was 50% higher than the previous year.

Altogether, 113,262 companies were recorded in France as operating in the textile, apparel and leather goods sector in 2018, with a total of 335,136 employees. Registered companies were 116,762 in 2017. Of the companies currently active, 30% have been in business for over 20 years, and they account for 64.8% of the sector’s jobs. Among them are the leading, long-established ready-to-wear retailers.

Specifically, Ellisphere found that in 10 years, the textile sector and its supply chain alone, which accounts today for 13.2% of textile/apparel/leather goods companies, “was the most heavily hit by competition. Half of its output and two thirds of its jobs have vanished. The sector remains troubled, and its operators are hoping to stem the decline by riding the made-in-France trend and developing innovative tech fabrics.”

As for apparel (81.8% of the sector’s active companies), “the restructuring of many fashion chains, the closing down of stores and new consumer habits mark a decline that is expected to continue in 2019 (aggregate revenue was down 0.9% at the end of August).”

Brands positioned in the market’s middle segment were seemingly the worst hit, while discount and luxury labels - except for Sonia Rykiel - seem to have been spared. In the 12 months ending with August 2019, among the bankruptcies of note were New Look France, Olly Gan and Bruno Saint-
The picture of the French textile and apparel sector in 2019 is not complete, but it may well be a worse one than in 2018. In addition to the industry’s weak trend, the sector is expected to be hit by the impact of the ‘yellow vest’ protests which, according to a document published by the French Senate this summer, will be worse for companies in the second half of 2019.

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