

# FLASHFASH

**Mergers & acquisition**  
**Retail**

**Medium difficulty**  
**Interviewer-led case**

FlashFash discusses an acquisition opportunity in the fashion retail industry.

The case covers all dimensions of the case interview scorecard equally.

**A video of this case is available in the Interview Prep Course.**

## Problem definition

Our client is FlashFash, a US multinational apparel company with \$25b revenue. The company owns some of the best-known mid-market brands. It sells 70% of its products through its network of corporate-owned stores, and 30% through multi-brand retail chains.

FlashFash operates a unique business model: instead of committing a large percentage of production for the next fashion season, it commits a small amount and uses customer feedback and an efficient production network to replenish stores with new products weekly. New styles take as little as 15 days to go from design to production.

As part of its growth strategy, FlashFash is considering the acquisition of LaMode, the leading independent online retailer of luxury brands, which accounts for 3% of all online apparel sales in North America. LaMode's business model involves curating products from the best brands to present a unique collection of over 30,000 items. LaMode has recently launched its own fashion brand, which already accounts for 5% of its revenue.

**The CEO of FlashFash has asked us: Should they acquire LaMode?**

### Question 1 (Structuring)

**How would you structure your approach to the problem?**

#### Additional information

If asked or if the candidate goes off-track, share that the client goal's is to accelerate the growth of FlashFash, in a way that creates values for its shareholders.

#### Possible answer

1. *Value and growth potential of LaMode?*
  - a. *Growth of online apparel market*
  - b. *Market share of LaMode*
  - c. *Costs*
2. *Can FlashFash use LaMode to boost sales and reduce costs?*
  - a. *Revenue synergies*
  - b. *Cost synergies*
3. *Does FlashFash have the capability to execute?*

## Question 2 (Numeracy)

The client believes that there is an opportunity for LaMode to realise a third of its global sales in Asia within five years, as the apparel market in Asia is expected to double and the share of purchases made online to triple over this period.

**What share of the Asia online apparel market would LaMode need to reach to capture this opportunity?**

### Additional information

Let the candidate ask for the following information, but share it even if the candidate does not ask:

- The global sales of LaMode are \$2b, and are expected to triple over the next 5 years
- The size of the online apparel market in Asia today in £8b

### Possible answer

*Market share of LaMode in Asia in 5 years =*

*Sales of LaMode in Asia in 5 years / Size of the online apparel market in Asia in 5 years*

*Sales of LaMode in Asia in 5 years =*

*Sales of LaMode globally in 5 years / 3 =*

*3 \* Sales of LaMode globally today / 3 =*

*Sales of LaMode globally today = \$2b*

*Size of the online apparel market in Asia in 5 years =*

*Size of the online apparel market in Asia today \* 2 \* 3 =*

*\$8b \* 2 \* 3 = \$48b*

*Market share of LaMode in Asia in 5 years = \$2b / \$48b = ~4.2%*

*The client's expectations imply that LaMode would capture 4.2% of the online apparel market in Asia in 5 years. This seems extremely ambitious, given that LaMode's current share of its core market, where they are well established, is just 3%.*

*At this stage, it does not look like FlashFash should acquire LaMode on the basis of its current growth plans in Asia.*

### Definition: Eigenwert und Eigenvektor

Sei  $A \in \mathbb{R}^{n \times n}$  eine reelle Matrix. Ein reelles  $\lambda$  heißt Eigenwert von  $A$ , falls ein  $v \in \mathbb{R}^n$  existiert, sodass  $Av = \lambda v$  gilt.

Die zugehörigen  $v$  heißen Eigenvektoren von  $A$  zum Eigenwert  $\lambda$ .

### Definition: Eigenraum

Sei  $\lambda$  ein Eigenwert von  $A \in \mathbb{R}^{n \times n}$ . Der Eigenraum  $E_\lambda$  von  $A$  zum Eigenwert  $\lambda$  ist die Menge aller Eigenvektoren  $v$  von  $A$  zum Eigenwert  $\lambda$ .

### Lemma 1

#### Behauptung

1.  $E_\lambda$  ist ein  $\mathbb{R}$ -Vektorraum der Dimension  $\dim E_\lambda$ .
2.  $\dim E_\lambda = n - \text{Rang}(A - \lambda I)$ .
3.  $E_\lambda$  ist orthogonal zu  $E_{\mu}$  für  $\lambda \neq \mu$ .
4.  $E_\lambda$  ist orthogonal zu  $E_{\mu}$  für  $\lambda \neq \mu$ .
5.  $E_\lambda$  ist orthogonal zu  $E_{\mu}$  für  $\lambda \neq \mu$ .

Die Eigenräume  $E_\lambda$  von  $A$  sind orthogonal zueinander. Die Dimensionen der Eigenräume  $E_\lambda$  von  $A$  sind die Vielfachheiten der Eigenwerte  $\lambda$  von  $A$ .

Die Eigenräume  $E_\lambda$  von  $A$  sind orthogonal zueinander.

2000

Account	Debit	Credit
Exp	1000	1000
Retained Earnings	1000	1000
Exp	1000	0
Ret	1000	0
Retained Earnings	1000	1000

Account	Debit	Credit
Retained Earnings	0	1000

Account	Debit	Credit
Retained Earnings	0	1000
Retained Earnings	0	1000
Retained Earnings	0	1000

Account	Debit	Credit
Retained Earnings	1000	0
Retained Earnings	1000	0
Retained Earnings	1000	1000

## Question 1

Which of the following is NOT a characteristic of a good leader?

### Options:

1.  Empathy
2.  Integrity
3.  Communication skills
4.  Self-interest
5.  Vision
6.  Empowerment
7.  Accountability
8.  Collaboration
9.  Flexibility
10.  Resilience
11.  Empathy
12.  Integrity
13.  Communication skills
14.  Self-interest
15.  Vision
16.  Empowerment
17.  Accountability
18.  Collaboration
19.  Flexibility
20.  Resilience

Which of the following is NOT a characteristic of a good leader?

## What is a contract?

What are the elements of a contract?

### Contract Law

The law that governs the relationship between two or more parties.

Contract Law is the law that governs the relationship between two or more parties.

- 1. The contract is an agreement between two or more parties.
- 2. The contract is enforceable by law.
- 3. The contract is a legal obligation.
- 4. The contract is a legal relationship between two or more parties.

The contract is a legal relationship between two or more parties. It is a legal obligation that is enforceable by law.

What is a contract?

What are the elements of a contract?  
Contract Law is the law that governs the relationship between two or more parties.

