

HKSGV 2017 Case Competition - Case Question

Nan Fung Group - The Mills

Nan Fung celebrated its 60 years of operation after starting off as a small textile manufacturer in 1954. Nan Fung paid tribute to its manufacturing origin and announced a project named The Mills to revitalise its former textile factory into an innovation hub for the fashion and textile world. The hub is supported by three pillars: Fabrica to host and incubate tech-style start-ups, Shopfloor to provide experiential retail experience, and finally MILL6 Foundation to hold relevant exhibitions for the public to explore new meanings and experience of textile arts.

1 Case Question: Connecting Threads in Hong Kong's Tech-style Community

Imagine yourself as a director of The Mills. You foresee Fabrica to be the most challenging business among the three pillars to breakeven as the business model is rather innovative and untested in Hong Kong. You would like to formulate a concrete operation model to tackle the issue with the concept of CSV and to maximise The Mills' social and economic impact. In addition, quality start-ups often face recruitment from all over the world. Thus, you would need to decide what are the most pertinent and unique attractions – in terms of tenant mix - that The Mills can and should offer.

2 Creating Shared Values: Cultivate Tech-style Innovation

Nan Fung Group sees a great potential for Hong Kong to tap into higher-value-added aspects of the fashion industry, including the interaction between textile and technology. Hong Kong has quite a number of talented and capable young start-ups at the intersection of fashion, textile and technology. However, some of them might lack the business experience or knowledge in managing other aspects of the business such as the supply chain and the sale process. The Group hopes to nurture young talent and help them become more all-rounded entrepreneurs who can help rejuvenate the industry. In addition, The Mills has also been looking into how to optimise the use of its historical heritage. This is the reason why Nan Fung Group positioned The Mills as a multi-purpose complex which aims to conserve relevant history through rejuvenation.

3 Three Pillars: Fabrica, Shopfloor, MILL6 Foundation

Although The Mills is comprised of three pillars, each pillar runs independently and serves different purposes. Ideally, their profit and loss accounts should be kept separately.

4 Tech-style Incubator and Work Space

Fabrica is an incubator and springboard for tech-style start-ups, covering brand and technology companies at the intersection of fashion and textiles with hopes to create an ecosystem of applied innovation in the industry. Up to one of the three floors at Fabrica will be reserved for the incubator, while the other two floors will be rented out as studios and work spaces. To fit tech-style demands, Fabrica's work spaces will house equipment and

facilities that are related to tech-style making. For instance, the Fabrication Lab and Media Studio would be available and open to the community use. Workshops, seminars, trainings and meet-ups with different relevant themes will also be held from time to time to bring the community together and to spark off new ideas and collaborations.

Fabrica will select five to ten start-ups as incubatees to give the founders more in-depth trainings, business guidance, mentorship and business connections. So far, it has been organising and using a Pitch Day as the main channel to recruit incubatees. Winners of the pitching challenge have been offered a prize of HKD 100,000 in cash, and also a chance to join its 12-month incubation program.

Incubatees and the community will have access to all of its facilities and workshops in the co-working space. On an occasional basis, Fabrica may also lease some of its facilities in a one-off manner. Fabrica will not charge membership fees and its exact business operation model is yet to be formalised. It is hoped that Fabrica would be able to breakeven on its own, without consuming revenue of other pillars to cover its expenses.