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Quiz #9

- a. In the introductory paragraph, Rosen discusses vertical integration within retailing. What does vertical integration mean and how has it effected retailing since the inception when mom-and-pop- shops were king?***

Vertical integration is when a company expands and acquires control of different stages of production process during vertical integration, the company acquires the entire supply chain. Instead of paying the supplier or outsourcing a supplier, the company now owns every aspect from production to distribution. Vertical effected the retail industry by eliminating small to mid level retailers out of business. Through vertical integration, companies are able to have access to a broader pool of supplies as well as faster access as they have acquired all stages of production. This direct access allows companies to produce and distribute goods at a faster rate of mom and pop stores (Rosen, 2002 pg. 177 paragraph 2).

- b. Rosen discussion continues about the elimination of quotas, reduction of tariffs, and the opening of new markets that increase volume and lower apparel costs. Why then, does apparel clothing retail at expensive prices to the consumer. Defend your answer.***

Elimination of quotas, reduction of tariffs helps eliminate costs for retailers in order to cut costs and increase apparel production. Although retailers are able to save money of tariffs and quotas, apparel clothing is more expensive to the consumer in order for retailers to increase profit. According to Rosen, “ All the players are now engaged in efforts to sell more textiles or clothing to increase their market share”. Retailers were fighting to sell as many textiles as they could to compete in the growing apparel market. Not only was retailers competing to become a leader in apparel, but they were expanding at rapid rates. Expensive prices for the consumer helped to cover costs of expansion needed to gain a profit (Rosen, 2002 pg. 177 paragraph 3).

- c. Rosen states that in 1977, there were four (4) major holding companies in retailing – (1) Federated Department Stores (2) Allied (3) May and (4) Dayton Hudson. Please find one (1) article that discusses each of the holding companies today. Bring your four (4) articles to class.***

In the late 1970's, the majority department stores in America was owned by four major holding companies. These major companies were, Federated Department stores, Allied, May department store company and Dayton and Hudson. Department stores ordered a wide variety of clothing and accessories at a larger scale than small mom and pop stores and boutiques. Department stores rapidly expanded at vast rates accumulating over 800 stores by 1977 (Rosen, 2002 pg.178 paragraph 2).

Federated Department Stores stores such as Bloomingdales and Macy's have struggled within the past couple of years to compete in today's fashion industry. In the article titled, "U.S Retail Store Closures Hit Record in First Half", describes the tremendous financial strain Federated Department stores have experienced in 2020. Department stores such as Lord and Taylor have filed for bankruptcy and are closing stores as they have struggled with declining sales.

<https://www.google.com/amp/s/www.wsj.com/amp/articles/u-s-retail-bankruptcies-store-closures-hit-record-in-first-half-11601371800>

Allied stores are discounted outlets that sell a variety of clothing and fashion goods. Allied stores merged with federated Department Stores in order to consolidate the store chain low performing stores. Examples of allied stores are Brooks a brothers and Ann Taylor. Today Ann Taylor is struggling to stay financially afloat and it's parent company, Ascena Retail group, has filed bankruptcy as it struggles to navigate with plummeting finances and no way to recoup losses after pandemic. The article " Ann Taylor parent company files for bankruptcy, explains the state of the company's finances and the reason behind filing for bankruptcy.

<https://www.google.com/amp/s/www.washingtonpost.com/business/2020/07/23/ann-taylor-bankruptcy-ascena-coronavirus/%3foutputType=amp>

May Department store company was once a leader Department store chains such a Lord and Taylor. Today most of May Department stores have closed or will be experiencing store closures. The article "May co. And Belk Plan a division Consolidation describes the reason for May store company merging with Belk Plan Division to cut costs and gain profits.

<https://www.wd.com/fashion-news/fashion-features/may-co-belk-plan-division-consolidation-1213613/>

Dayton and Hudson company is one of the more profitable Department stores that have survived today. Dayton and Hudson was founded in early 1900s by George Dayton and has since then changed its name to Target. Target has continued to expand and dominate the retail Box Box industry.the article titled "See what Target looked like when it first opened" explains how Dayton and Hudson company has changed and rebranded to what is known as today.

<https://www.google.com/amp/s/www.businessinsider.com/target-first-early-stores-dayton-photos-2020-2%3famp>

d. What has happened to the couture fashion industry? How did private label emerge in the industry? What is the significance of private label to retailers? (2pts)

The Couture industry was a thriving industry that was made to order and was an exclusive service mostly for upper class in society. As Department stores began to emerge and rapidly expand couture fashion started to phase out and designers had to find innovative ways to reach customers by creating ready to wear apparel to compete with the changing market. Today the couture industry still struggles to keep up with the fashion industry especially during a pandemic. Couture fashion industry expanded more ready to wear designs to appeal a newer generation (Friedman V, Paton E, Testa J, Trebay G, 2020).

Private labels began to emerge in the fashion industry as a way for retailers to gain more control of their supply chain. As stated in the book “The ultimate in bargaining power is the ownership of the supply sources through backward integration”. Retailers noticed that they can cut costs by selling their own private labels instead of paying merchants to sell their clothing. Creating private labels was more profitable and retailers to save as much costs as well as create higher profits (Rosen, 2002 pg. 183 paragraph 2).

Private labels were significant to retailers because it was less costly to the retailers. Retailers were able directly have the clothing manufactured and labeled from their suppliers. Brand named clothes were more too much of an out of pocket expensive for retailers. Having a private label also bought more attention to retailers to establish their brand. When consumers shopped and saw the retailers names on the labels, it gave brand name more visibility to consumers to shop their label increasing not only front end profits by decreasing backend costs (Rosen, 2002 pg. 183 paragraph 4).

e. How did discounting become such an important part of the retailing industry? How has discounting grown since the 1950's? What do you think is the significance of discounting retailers such as those that are in Tanger and Prime Outlet Shopping Centers in San Marcos, Texas?

Discounting became an important part is the retailing industry in order for the textile suppliers to compete with expensive high end retailers. Brand name retailers were able to market and advertise their apparel to a broader market. Discount retailers were able to compete by offer lower price points to drive traffic and entice consumers to

shop. The reconstruction of fair trade laws also allowed retailers to sell at lower price points as opposed to set minimum prices as they previously were before. This allowed discount retailers to sell their goods and the prices of their discretion to compete with brand name retailers (Rosen, 2002 pg. 185 paragraph 3).

Over the past couple of decades, discounting has continued to grow since the 1950s. Retail stores such as Marshall's, TJ Maxx continued to expand their stores throughout the world. Specialty stores and Department stores have also incorporated creating everyday discounts in there stores to appeal to discount consumers and discount chains. In my opinion, although discounting is great to drive sales traffic and a way to liquidate overstock, discounting takes away from the exclusivity of the brand and makes it more accessible. It also makes it harder for retailers to keep their full-price consumers as they will be expecting discounts.

Tanger and Prime Outlet shopping Centers are massive outlets that contain different variety of discounted retailers. Most of the apparel and goods that are sold at retailers are overstock of inventory that retailers were not able to sell and/or mass produced. I believe the significance of having Tanger and Prime Outlets in Dan Marcos Texas because the outlets were closer to exporting zones granting faster access for goods to be distributed to retailers.

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