

Fashion Economics: FM 4339
Quiz #9 The US Textile Industry
Chapter (10)

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Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press.

Please answer to the best of your knowledge the following essay question. Use detail where appropriate. Remember grammar, punctuation & spelling count.

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? (2pts)

The removal of quotas, tariff reductions, and opening of new markets worldwide have expedited the globalization of apparel manufacturing and resulted in a new phase of vertical integration and concentration in apparel retailing (Rosen, 2002, p. 177, pp. 3). The textiles, apparel, and retailing industries have faced increased rivalry as all companies want to sell more textiles or clothing and expand their market share.

The collapse of mom-and-pop shops happened because they did not adapt to the times. Today, vertically integrated U.S. retail multinationals selling massive amounts of clothes, such as Wal-Mart, Federated Department Retailers, and the Gap, have driven out many more minor and even bigger department stores (Rosen, 2002, p. 177, pp. 1). Wal-Mart and the Gap offer a wider variety of products and make shopping more efficient and less hassle.

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. (2pts)

As retailers build additional outlets to sell their ever-increasing volumes of lower-cost goods, textile and apparel makers lobby the government for more and varied types of trade liberalization, seeking other lower-wage manufacturing sites

(Rosen, 2002, p. 177, pp. 3). Building the additional outlets is not cheap for retailers, so although their goods cost very little, they jack up the price to cover the expenses of running their outlets. Although outlets have resorted to using automated cash registers instead of real people to save on money, it costs money to keep the technology updated and running smoothly.

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.

Federated Department Stores, Allied Department Stores, May Department Stores Company, and Dayton Hudson Corporation owned the bulk of America's regionally based department store networks by 1977 (Rosen, 2002, p. 178, pp. 2). They together possessed hundreds of retail stores with combined revenues of over a billion dollars. On the other hand, Allied Department Stores merged with Federated Department Stores after a Chapter 11 bankruptcy, and both businesses were integrated under the Federated name (Barmash, 1987). In 2000 the Dayton-Hudson Corporation renamed itself Target Corporation to better reflect its core business because of how well it was doing (Davis, 2015). May Department Stores had the same fate as Allied Department Stores when Federated Department Stores announced the acquisition of the May company for \$11 billion (Byron & Berman, 2005). In 2007, Federated Department Stores changed its name to "Macy's" and rebranded all their stores (Howland, 2022). All those significant changes demonstrate how quickly things can change without realizing it.

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 took a big hit "when designers began to license their names to clothing producers, who hired their designers to turn out fashions bearing the labels of designers like Oleg Cassini and Gloria Vanderbilt" (Rosen, 2002, p. 182, pp. 2). Resorting to that took some prestige off the brand when low-quality items were getting pumped out under a famous name.

Private-label items became famous for increasing backward integration, whether the retailer owns the brand they sell but does not produce it, or the store controls both the brand and the production facilities for the goods they sell (Rosen, 2002, p. 183, pp. 1). The advantages of a private label demonstrate why it was so important to many retailers.

"The growth of private-label clothing blurred the lines between different segments of the apparel industry—between large corporate retailers, merchandisers, importers, and manufacturers" (Rosen, 2002, p. 183, pp. 3). Private labels were crucial for retailers since they were now competing with importers and manufacturers instead of just getting products from them.

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?

With the passing of the Consumer Goods Pricing Act in 1975, off-price retailers could buy and discount the same national brand-name or designer clothing that full-price stores bought abroad and sold at higher costs (Rosen, 2002, p. 186, pp. 2). Discount stores have always been a staple in the retailing industry, and it has progressed a lot from the days when the stores would only be allowed to sell lower-priced goods and not brand names. Back in the day, several regulations permitted stores to be required to sell a manufacturer's brand name or trade-marked items at a set price. (Rosen, 2002, p. 185, pp. 2). Fortunately, it is not the 1950s and said regulations have since been abolished, and anyone can get a good deal on some discounted merchandise.

The significance of discounting retailers such as those in *Tanger* and *Prime Outlet Shopping Centers* in San Marcos, Texas, is that not everyone can afford to shop at a department store. If a person likes the Nike brand but cannot afford to buy their products at retail value, that does not mean they should not be allowed to wear them. Not everyone lives in NYC, where there are stores around every corner, so one must settle for their local outlet center. That is why these places are so significant and keep on living even if one themselves does not shop there.

References

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