

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

Danielle Hueston

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

a.In the introductory paragraph, Rosen discusses vertical integration within retailing. What does vertical integration mean and how has it affected retailing since the inception when mom-and-pop- shops were king? (2pts)

Vertical integration is a strategy where a company gains ownership or control of its suppliers, distributors, or retail locations in order to expand, increase efficiency and reduce costs. Examples of companies who use this strategy include Walmart, Federated Department Stores, and the Gap, all who sell vast quantities of apparel and have put many of the smaller stores and even some of the larger department stores out of business (Rosen, 2002, p.177, para 1). Vertical integration has not only accelerated the globalization of apparel production but has also intensified the competition in textiles, apparel, and retailing (Rosen, 2002, p.177, para 2).

Before vertical integration came into effect department stores were really popular within the middle and upper middle classes. These stores provided one-stop shopping, stable prices and good quality merchandise (Rosen, 2002, p.178, line 2). This eventually led to department stores putting several smaller and local mom-and-pop specialty stores out of business (Rosen, 2002, p.178, para 1). In the 1970s department stores began to stop expanding due to the shrinking of the middle class (Rosen, 2002, p.179, line 1) discount stores and specialty stores started to outprice and outsell them (Rosen, 2002, p.179, line 6).

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)

Apparel clothing retail at expensive prices to consumers because although apparel costs have lowered and tariffs have been reduced, retailers still have to pay for advertising, marketing and collecting demographic information from consumers that enable them to plan marketing strategies (Rosen, 2002, p.181, para 3). Retailers heavily started moving to the internet and using new technologies so they must use money to keep up with modern day technologies and society. This helps retailers target and relate to their customers which therefore keeps their customers happy and returning.

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.

(1) Federated Department Stores

Federated Department Stores. (n.d.). Retrieved from

https://ohiohistorycentral.org/w/Federated_Department_Stores

(2) Allied

Allied Stores Agrees to Merge With Campeau : Retailer Pressured by Canadian Developer's Large Stock Purchases. (1986, November 3). Retrieved from

<https://www.latimes.com/archives/la-xpm-1986-11-03-fi-14801-story.html>

Barmash, I. (1987, January 10). The Breakup of Allied Stores. Retrieved from

<https://www.nytimes.com/1987/01/10/business/company-news-the-breakup-of-allied-stores.html>

(3) May

The May Department Stores Company. (n.d.). Retrieved from

<https://www.referenceforbusiness.com/history2/92/The-May-Department-Stores-Company.html>

(4) Dayton Hudson

Dayton Hudson Corporation. (n.d.). Retrieved from

<http://www.fundinguniverse.com/company-histories/dayton-hudson-corporation-history/>

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

The couture industry began to decline in the 1970s. Couture fashion designers began to lose their wealthy clients and began to discover the advantages of higher volume sales in ready-to-wear women's apparel. These designers also began to license their names to clothing producers (Rosen, 2002, p.182, para 2). This inspired production of both high and low end clothing markets (Rosen, 2002, p.182, para 3). Mass merchandisers and discount stores began to make storebrand clothing at even lower prices in Caribbean Basin countries such as Guatemala, Jamaica, and the Dominican Republic (Rosen, 2002, p.182, para 3).

By the mid-1980s, large corporate retailers began looking for other ways to decrease their operating expenses by lowering labor costs, introducing technological and organizational innovations, and increasing their private-label merchandise (Rosen, 2002, p.188, para 1). Private labels allowed stores to offer customers lower prices which essentially helped bring in more customers and improve sales and margins (Rosen, 2002, p.188, para 1).

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 such an important part of the retailing industry due to interstate fair trade regulations being repealed which left discounters no longer obligated by manufacturers' pricing policies. New types of discount formats were created once discounts were given faster

and more freely (Rosen, 2002, p.186, line 9). The success of discounting intensified the profit crisis (Rosen, 2002, p.186, para 3).

The significance of discounting retailers such as those that are in *Tanger* and *Prime* Outlet Shopping Centers in San Marcos, Texas are that they offer items at a way lower price than most retail stores. They are able to do this because of their distribution processes. This benefits both the retailers and customers.