

**Fashion Economics: FM 4339**  
**Quiz #9 The US Textile Industry**  
**Chapter (10)**  
**Dr. Adomaitis**  
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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 affected retailing since the inception when mom-and-pop- shops were king? (2pts)

Vertical integration in retail is discussed in Rosen by explaining the strategic steps that it takes to develop a successful business as you measure the upstream and downstream. The organization manages the retail locations, distributors, suppliers, and inventory. The supply chain is sensitive enough to interrupt the entire cycle by miscommunication and not paying attention to details. It has become a development strategy to reduce costs and manage their production process.

Vertical integration has affected the textile industry as mom-and-pop stores were large retail multinationals that were driven by trade liberalization policies that facilitated access to low-wage imports from developing countries. With new agreements, the removal and quotas of tariffs, and the opening of global markets, retailers have been able to source their products from a wider range of suppliers. Lower labor cost is most known in third-world countries as it intensified the competition in textiles, apparel, and retailing (Rosen, 2002, p. 177, par. 1-3). As each company makes an effort to sell more textiles or clothing that would increase their market share. As the government continued to support the textiles and apparel producers for different kinds of trade liberation it would seek lower-wage production sites, as retailers opened more stores to sell and would increase their volume.

- b. Rosen's 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)

The new agreements, the removal and quotas of tariffs, and the opening of global markets, and retailers affected the company's organizations as they tried to manufacture cheap clothing to sell more clothes or textiles as it would help earn a higher market share (Rosen, 2002, p. 177, par. 2). The demand of retailers opening more stores caused producers to seek the lower cost of manufacture between different competitors. By restructuring the textile, apparel, and retail the company has control of its market power to dictate terms to manufacturers and shape the supply chain according to their preferences (Rosen, 2002, p. 177, par. 2). The retail landscape was

reformed by the large transnational corporations and a shift away from smaller and independent retailers.

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.

Emarketer. (2022, March 23). *These are the biggest retail companies in the US*. EMARKETER. <https://www.emarketer.com/insights/biggest-retail-companies-united-states/>

Encyclopædia Britannica, inc. (n.d.). Encyclopædia Britannica. <https://www.britannica.com/money/Target-Corporation>

FTC issues statement on closure of Federated/May Investigation | Federal Trade Commission. (n.d.-a). <https://www.ftc.gov/news-events/news/press-releases/2005/08/ftc-issues-statement-closure-federatedmay-investigation>

How America's once Great Department Stores became a dying breed | CNN business. (n.d.). <https://www.cnn.com/2024/02/27/business/macys-store-closings-department-stores-outlook/index.html>

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 designers began designing for their own individual clothing. The couture designers' clientele began to decrease as the evolution of technology and machinery began creating new jobs. Designers had to lower their prices in order to align the margins and revenue together. Economic strains between clothing vendors began to develop in order to raise the costly inventories. It became a strategic approach as private label product lines were emerging with new partnerships cutting down the labor cost.

Private labels became significant to retailers, as clothing that carries a retailer's label has been designed by personnel employed by the retailer, who usually purchased the the products directly from the producer instead of purchasing it from a burn manufacture. The goal is to increase their

bargaining power and have control over the supply chain. Many private labels have great influence over the product process and reduce dependency on the external suppliers.

The significance of a private label to retailers is established by a global network as a result of private-label clothing, employing personnel designers in various countries, as they are manufactured and distributed (Rosen, 2002, p. 183, par. 1). Furthermore, the globalization of production has led to retailers competing differently with importers and manufacturers by blurring the lines between different segments (Rosen, 2002, p. 183, par. 3). The development of private label clothing brands reshaped the industry as it allowed retailers to have more control over the production process and challenged traditional roles of manufacturers and importers.

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 of the retail industry as it has become a transformed clothing retail network by engaging more consumers by offering their promo of ways to save more, purchase the product and still being able to possibly consider buying something else. When a retail brand is calculating the sale price of an item, try to consider the discount price as a way to try to further liberalize the fashion industry. A retail goal is to encourage consumers and new potential customers to their brand for a potential first time purchase; as the consumer has the option to return to the business in the future.

Discounting growth in the 1950s gave retail shops lower prices in the United States. Through discounts, it allowed retailers to market their brand nationally as it became one of the most strategic approaches to the market and kept consumers interested in the brand.

Retail stores that are in *Tanger* and *Prime* outlet shopping centers are selling items at a higher price with a more reliable quality. Target and Prime outlets that provide a variety of departments and various brands. They offer products in discount rates as the demand for low-cost stores has increased as the behavior to adopting the new retail approach in ecommerce. The increase in technology has affected both the retail industry and the consumers' behaviors to selective brands because of their reliability.

## References

Emarketer. (2022, March 23). *These are the biggest retail companies in the US*. EMARKETER. <https://www.emarketer.com/insights/biggest-retail-companies-united-states/>

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