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

Dr. Adomaitis

Guadalupe Soriano

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)

Vertical integration is a popular business strategy that involves expanding a company's operations within its supply chain. The primary goal of this approach is to increase control, reduce the company's dependence on external suppliers, and increase efficiency and profitability. There are two ways to achieve vertical integration: upstream (backward) or downstream (forward). Upstream integration involves acquiring suppliers, allowing the company to control the production of raw materials or components. Downstream integration involves acquiring distributors or retailers, giving the company control over the distribution and sale of its products, (Vertical, 2023). Vertical integration can be achieved by internally developing production capabilities or through acquisition. While internal development is often a slow and costly process, it allows the company to maintain complete control over its supply chain. Acquisition, on the other hand, can be a quicker and cost-effective approach, but it may result in reduced competition and increased regulatory scrutiny.

Vertical integration offers several advantages. The apparel industry, for instance, can benefit from this strategy as it facilitates trade, (Rosen, 2002, pg.177). Vertical integration is more likely to lead to success than other business strategies, as it allows companies to increase their profits. The approach enables companies to control the production process, from sourcing raw materials to delivering finished goods to customers. However, vertical integration has its disadvantages. One major drawback is that it can harm other companies and small businesses by driving them out of the market. For instance, some small businesses and department stores may not be able to compete with companies that have implemented vertical integration strategies. As a result, they may have to exit the industry altogether, (Rosen, 2002, pg.177). This can lead to market consolidation, negatively impacting consumer choice and prices.

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)

The elimination of quotas, the reduction of tariffs, and the opening of new markets around the world have had a significant impact on the globalization of apparel production. This has led to a new wave of vertical integration and concentration in apparel retailing, as all industry players are now striving to increase their market share by producing more textiles or clothing. some retailers opt for vertical integration in their retailing, which can worsen the competition in the garment industry, (Rosen, 2002, pg.177). Vertical integration refers to a business model in which a company owns and operates multiple stages of the production and distribution process. In this case, it means that some retailers own the factories that produce the garments. This can lead to a situation where these retailers can control the supply of the garments and thereby influence their prices in the market. As a result, reducing the tariffs and garment costs may not necessarily translate to lower retail prices for consumers as the retailers may choose to maintain their profit margins.

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, Inc. and its subsidiaries are dedicated to maintaining ethical business practices and ensuring fair labor standards throughout their supply chain. The company firmly believes that all their suppliers and manufacturers should share the same values when it comes to the treatment of workers and their rights, (federated, 2024).To achieve this goal, Federated Department Stores, Inc. requires all its business partners to comply with the laws and regulations of their respective countries, including those related to child or forced labor, unsafe working conditions, and fair wages. Moreover, the company has established a strict code of conduct that outlines its expectations for ethical conduct and responsible business practices.

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 fashion industry has undergone significant changes, particularly with the revolution of clothing retailing. This shift has greatly impacted the haute couture industry, leading to a decline in the number of people pursuing this luxury fashion style. To stay relevant and meet the needs of the fashion market, some haute couture designers have made changes to their strategies. One of these changes is the shift towards niche brands or products, which have gained significant popularity in recent years is that some haute couture designers have leveraged this trend by designing clothing for women's ready-to-wear collections. This move has allowed them to expand their reach and cater to a wider range of customers who may not necessarily be able to afford haute couture. Another strategy that some designers have adopted is authorizing manufacturers to produce clothing that incorporates the designer's own elements, (Rosen, 2002, pg.182). This approach aims to attract more consumers' attention and create a distinctive brand identity. It also allows designers to differentiate themselves from other brands and stand out in a crowded market.

With the rise of women working in various industries beyond the apparel industry, retailers started creating their own brands to offer their customers a unique selection of products and differentiate themselves from their competitors. These brands, known as private labels, are a result of backward integration, which means that the retailer owns the entire brand, (Rosen, 2002, pg.182). This enables retailers to have complete control over the brand, including the quality of the products, the packaging, and the marketing. By owning the entire brand, retailers can control the entire supply chain, from sourcing raw materials to manufacturing and distribution. This allows retailers to ensure that the products meet their quality standards and that they are priced competitively. In addition, retailers can tailor the products to their customers' preferences, which can result in higher customer satisfaction and loyalty.

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 drew as those that are in *Tanger* and *Prime* Outlet Shopping Centers in San Marcos, Texas?

Retailers have found discounts to be an effective marketing strategy for attracting customers' attention to their products or stores. When shoppers enter a store, they instinctively look for sales or discounts, making this approach essential to the retail industry. Discounts have also played a pivotal role in the growth of the textile industry. Using discounts has expanded trade in this sector and increased competition among retailers, resulting in better prices and more options for consumers.(Rosen, 2002, pg.185).

References

Federated Department Stores. (n.d.). http://hrlibrary.umn.edu/links/feddeptstores.html

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

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