

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 affected retailing since the inception when mom-and-pop- shops were king? (2pts)**

According to Ellen Rosen, tariff reductions and active engagement in opening paths for new markets lead to vertical integration and with all that, there was a huge competition between apparel, textile, and retailing industries. Vertical Integration affected business and increased market share as well as selling apparel and textiles. As the author mentions, people who were participants in textile and apparel production forced the government to open the doors for trade liberalization which would significantly help expand volumes of lower-cost clothing (Rosen, 2002, p.177, par.2).

At the beginning of chapter ten, Ellen Rosen talks about how mom-and-pop clothing stores prosper with large department stores (Rosen, 2002, p.177, par.1). Some of the most famous vertically integrated stores today, such as Gap, Wal-Mart, and Federated Department stores are having strong inventory control and sell an extensive amount of products to the customer which easily leaves small businesses out of the businesses because they do not have enough quantities of apparel.

- 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)**

As already mentioned, vertical integration affected business and increased market share as well as selling the apparel and textiles, and also affected people producing them. As discussed by Rosen, most of the players were actively engaged in selling more and more apparel in order to increase the market share. Clothing producers wanted low-wage production sites and fewer expenses to pay (Rosen, 2002, p.177, par.3). Retailers were constantly trying to use their

products in order to maximize the profit from the industry. They opened more stores and started to sell clothes at lower costs. The strategy of eliminating quotas, reducing tariffs, and opening new markets have brought profit to their plans. Retailers were concerned about finding cheaper ways because the industry was connected to a costly expenses.

- 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.**

As stated by the author, by 1977, the four biggest holding companies were in charge of controlling America's biggest department store chains. Federated Department Stores, Allied, May, and Dayton Hudson were those four major retail holding companies. Ellen Rosen said, "they owned 807 successful outlets with total sales over \$11.4 billion" (Rosen, 2002, p.178, par.2). Four major holding companies developed and grew with time and learned the industry's structure more deeply.

Many famous retail stores in the industry represent different major holding companies. According to the New York Times article, Federated Department stores, including Bloomingdale's, a luxury department store chain, and Abraham & Straus, showed a 4.5 percent decline (Clare, 1977). Ralph Lazarus, chairman of Federated Department Stores that this was affected by the high store opening expenses. If the company doesn't have a strong condition, there is a high chance of failure in performing the rest of the year. According to Allied store, the article also mentions other major retail holding companies that reported their first-quarter earnings results with a 25.1 percent profit gain and Dayton Hudson Corporation with a 23 percent advance (Clare, 1977). This emphasizes how important it is to have control over inventory and expense control.

According to the article published in 2005 in the Wall Street Journal, Federated decided to purchase May with \$35.50 a share in cash and stock, including famous retail chains such as Strawbridge's, Marshall Fields, and Meier & Frank (Byron & Berman, 2005). This seems to be a good way to combine one of the two best significant retail holdings. As Terry J. Lundgren, Federated's chairman, said, "this combination can lead to creating a new retail business with a truly national presence."

- 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)**

As Ellen Rosen stated in chapter ten, there was a massive transformation in the fashion and apparel industries in the past two decades, which started with the declining couture industry. As a well-known fact, couture houses and designers were only working for people representing high-class societies. However, as time passed, the number of customers decreased, and couture designers started to find advantages in ready-to-wear clothing and increase the borders of clientele to promote their products (Rosen, 2002, p.182, par.3). One of the interesting facts from the book that Rosen mentions is about licensing designer names to clothing producers "to turn out fashions bearing the labels of designers."

Rosen mentioned that private label merchandise emerged when there was a need for greater levels of backward integration. Retailers from successful companies discovered the actual value of private labels and how different they can be from brand-name merchandise. The significance of private labels to retailers was immense. The private label made borders between different apparel segments almost invisible (Rosen, 2002, p.183, par.3). Competition, as an essential factor in the business world, has increased. Retailers look at other retailers' examples in success and try to do their best, and these efforts seem to work perfectly in the textile and apparel industry.

- e. How did discounting become such an important part of the retailing industry? How has discounting grown since the 1950s? 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?**

According to Rosen's book, discounting made significant reorganizations in the apparent retail industry during the early 1980s. Discounts had played a massive role in trade liberalization by putting effort. Discounters had product lower prices accessible for people from different social classes and had nothing similar to an advertised, designer named stores. Discounter stores also offered designer brands at relatively lower prices (Rosen, 2002, p.185, par.1). During the 1950s, discount stores were not competing with big department stores. However, Fairtrade laws appeared and required retailers to maintain prices that were determined by manufacturers, which was an excellent way to help them.

The primary significance of discounted stores such as Tanger and Prime Outlet Shopping Centers is that they offer customers an opportunity to get a product at well-discounted prices. In addition, both Tanger and Prime have connections with one of the nation's successful shopping center companies and constantly offer promotional opportunities.

References

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