

## Fashion Economics: FM 4339 Quiz #9 The US Textile Industry

### Chapter (10) Dr. Adomaitis

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**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)**

According to Rosen's definition of vertical integration in retail, retailers "sell huge volumes of clothes." (Rosen, 2002, p.177, par.1) Rosen cites vertical integration several times throughout the book, because it stores that own or take over the distribution of processing a product in producing huge volumes of production, which decreases costs. Vertically integrated stores earn by producing and selling large volumes of their items.

Vertical integration is when a company owns or has authority over suppliers, distributors, or retailers in order to have authority over the value or the supply chain. It has affected retailing since the inception when mom and pop shops were kings because the vertically integrated transnationals such as Wal-Mart who sell in larger quantities put these mom and pop shops out of business. (Rosen, 2002, p.177, par. 1). Because small businesses can only offer a small amount of products, vertically integrated stores offer a variety of products, so they attract more customers and generate revenue. It is also more efficient to buy products from vertically integrated stores because they have all kinds of products, not just family stores, where you will have to shop from different places to find the products you are looking for.

**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)**

With the elimination of tariffs, the abolition of quotas, and the emergence of new markets to increase volumes and reduce costs, retailers still tend to increase all their products to make more

profit ). These prices are marked up not because the wage was expensive either because many of these companies source low wage labor, but because they want to make a high profit off of their consumers(Rosen, 2002, p. 177, par.3). Sometimes because these products are in high demand retailers would take advantage of this and mark up prices by a big increase. Therefore, retailers tend to sell their products at high prices to cover rent, shipping, equipment purchases, and even employee salaries. Retailers typically try to avoid paying expensive costs to make more profit in the long run. However, merchants continue to spend on high-quality assets, such as employing workers who are best suited to their company's needs and investing in cutting-edge technology manufacturing. Wal-Mart and Target are two examples of companies that have invested in self-checkout equipment to minimize cashier workforce and replace cashiers.

**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. Ohio History Central. (2021). *Federated Department Stores - Ohio History Central*. [https://ohiohistorycentral.org/w/Federated\\_Department\\_Stores](https://ohiohistorycentral.org/w/Federated_Department_Stores)

2. Key, J. (1986, September 4). *ALLIED STORES IS TARGETED*. *Chicagotribune.Com*. <https://www.chicagotribune.com/news/ct-xpm-1986-09-05-8603060278-story.html>

3. Byron, E., & Berman, D. K. (2005, February 28). *Federated Agrees To Acquire May In \$11 Billion Deal*. *WSJ*. <https://www.wsj.com/articles/SB110954537749165299>

4. Goldman, A. (2000, March 4). *Dayton Hudson to Become Target Corp*. *Los Angeles Times*. <https://www.latimes.com/archives/la-xpm-2000-jan-14-fi-53901-story.html>

**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 been declining over the years. Couture Fashion is deemed high-end clothing that is particularly made for upper-class people. These Couture designers would hand-craft gowns and other clothing for their clients. However, as time passed, demand began to fall. However, over time, this demand has declined. Although most of the couture industries have seen a decline in this market, they have begun to look for new ways to encourage more sales and promote more products (Rosen, 2002, p.182, par.3). Over time, the fashion industry changed

from producing custom-style outfits to today producing high-end ready-to-wear garments for consumers who began working in professional vocations.

As retailers sought more effective ways to reduce costs in the fashion industry, private labels emerged in this industry. As custom labels became popular in the fashion industry, many retailers saw this as an opportunity to sell products with private labels to own or buy from their manufacturers (Rosen, 2002, p.183, par.2). Private labels became very popular and beneficial because they manufacture similar products for lower prices and offer them to customers at a lower price. Over time the quality and cost of private label products captivated many customers and greatly increased profits

The significance of private labels to retailers is that retailers can manufacture vast quantities of products similar to branded products more cost-effectively while manufacturing immense quantities. Many retailers try new innovative ways to sell their products while spending less as the competition in the industry grows.

**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?**

The discount has grown since the 1950s due to sales of lower-priced but unnamed branded goods. Throughout history, discount stores have become a major part of the retail industry by contributing to designer clothing at affordable prices (Rosen, 2002, p.186, par.1). As most discount stores began to offer the same clothing at lower prices, the value of the stores gradually declined.

In the 1950s, discount stores were not considered popular or competed with department stores because they mainly sold cheaper products of lower quality. In addition, the Fair Trade Act has helped many stores remain competitive with higher prices (Rosen, 2002, p.185, par.2). The 1975 Consumer Goods Price Act also contributed to the increase in discounts.

The significance of discount stores such as *Tanger* and *Prime* outlets is that they provide a variety of cheap things to entice consumers' demands and requirements. Both of these stores carry a selection of various brands at discounted costs. As demand for low-cost stores grows, many brand manufacturers are forced to create new ideas to sell directly to their customers instead of retailers.

### Work Cited

1. Ohio History Central. (2021). *Federated Department Stores - Ohio History Central*. [https://ohiohistorycentral.org/w/Federated\\_Department\\_Stores](https://ohiohistorycentral.org/w/Federated_Department_Stores)
2. Key, J. (1986, September 4). *ALLIED STORES IS TARGETED*. *Chicagotribune.Com*. <https://www.chicagotribune.com/news/ct-xpm-1986-09-05-8603060278-story.html>
3. Byron, E., & Berman, D. K. (2005, February 28). *Federated Agrees To Acquire May In \$11 Billion Deal*. *WSJ*. <https://www.wsj.com/articles/SB110954537749165299>
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