

Fashion Economics: FM 4339
Quiz #9 The US Textile Industry
Chapter (10)
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1. 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 the strategy in which a company includes a number of functions during production or sale with one enterprise. Which then, acquires the raw material and transfers it into a usable product directly for the market. As a result, the companies can control their supply chain operations throughout the entire process, improving efficiency with cost reduction. Vertical integration has brought a significant change into the retail industry for several decades (Rosen, 2002, p.177, par.1). From the time, independent stores had the advantage, there was the control of major retail companies such as Wal-Mart, Federated Store Department, and Gap that employed this approach to rationalize operations and boost profitability. As mentioned by Rosen, this strategy has successfully exploited the advantage of their vertically integrated structures to use the market wisely, usually to the of smaller retail outlets.

there was the control of major retail brands like Wal-Mart, Federated Store Department, and Gap that employed this approach to rationalize operations and boost profitability. The fashion industry has witnessed this transition as rapid globalization has eroded the existence of mid-tier and small shops while, in parallel, developing the world marketplace by transforming the way apparels are advertised and sold. Consequently, vertical integration can be deemed to be both a sword with two edges, which, on the one hand, adds efficiency and, on the other hand, could lead to the disappearance of traditional retail models.

2. 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 abolitionment of the quota regime and the lowering of tariff rates, in addition to both the increase in volume and cost reduction of production, has neither changed the clothing's volume nor the average cost. The producers of textile and garment goods are restricted on the supply of products to keep prices at a lower cost. However, the manufacturer's efforts are being invested by those who are targeting and expanding their market share and bringing their products to the mid-and-high end consumer (Rosen, 2002, p.177, par.2). This approach employs mass media advertisement, which leads to high branding expenses in addition to manufacturing costs, which affect the consumer. The fashion industry has a perceived value pricing strategy, in which the price is based on the customer's perception of the value of the product and not on the real costs.

3. 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.

In 1977, the United States retail landscape was largely characterized by four major holding agencies, which combined owned 807 stores. They became Federated Department Stores, Allied Department Stores, May Department Stores Company, and Dayton Hudson Corporation. All four companies had a significant impact on retail, which was no less than a network of regional departmental store chains, and in the end, united possessions shaped American consumer demand.

Federated Department Stores:

Now operating as Macy's Inc., continues to be significantly important during the department store era. Despite facing financial challenges, Macy's Inc. has remained active in evolving the business model to adapt to the changing retail landscape, including the expansion of e-commerce operations. The company's financial performance in 2023 showed a revenue of \$23.87 billion, marking a slight decrease from the previous year.

For more details, you can read about their current business operations and financial strategies here: <https://www.retaildive.com/news/how-macys-set-out-to-conquer-the-department-store-business-and-lost/608277/>

Allied Department Stores:

Recognized for offering an array of goods catered to regional tastes., Allied went through significant restructuring in the late 1980s, including a bankruptcy reorganization. An in-depth analysis of Allied's breakup and the strategic redirection that followed can be explored in a New York Times article detailing the company's organizational changes.

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

May Department Stores Company:

May Department Stores Company: May was acquired by Federated Department Stores in 2005. This merger was part of a large consolidation effort in the department store industry, effectively dissolving the May Company name as its stores were converted to Macy's locations, expanding Macy's national footprint.

<https://news.yahoo.com/rise-fall-macys-beloved-american-174115446.html?guccounter=1>

Dayton Hudson Corporation:

Renamed Target Corporation in 2000, the company has shifted its focus entirely to the Target store brand, moving away from traditional department store models. Target has thrived by emphasizing affordable style, convenience, and a wide range of products, making it one of the leading retailers in the United States today.

<https://www.nytimes.com/1979/06/17/archives/the-daytons-of-dayton-hudson-the-family-merchants-of-dayton-hudson.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 high-end fashion industry, based on original creations and made-to-order clothing, has experienced a decrease in customer numbers in recent decades. Chanel brands, which once served only the wealthy minority, encountered a decrease in demand as the familial expense of manufacturing excessively expensive clothes became sufficiently low (Rosen, 2002, p.182, par.3). In fact, as the sales plunged, designers could not help but cut down their prices to meet the market, which naturally affected their margins and viability. This switch made a change to the fashion industry, because the distinction between the concepts of the fashion brand and the craftsmanship as well as the materiality were lost.

The rise of private labels in fashion is due to factors of the economy that restructured the entire industry. The wisdom of couture designers flourished during the sales decrease. However, the companies were on the hunt to find ways and means of adaptation and survival. In the same way, it developed the word price relation with their vendors, forcing them to agree, for example,

more inventory that gives them more control over product design and pricing (Rosen, 2002, p.183, par 2). This caused a search for a niche to get better brand loyalty and increased the number of the retailer's own label lines. Branding their garments could help retailers ensure that the quality of the finished product matches their vision of fashion and would also allow them to benefit from high-margin sales, a strategy necessary to defend themselves from the challenges of the couture market.

Today, private labels are considered the main providers of new structures in the retail market. The idea behind this approach is that the manufacturer has two important jobs, designing the clothing and directly controlling the manufacturing process of the clothing sold, such as GAP (Rosen, 2002, p.183, par.4). Companies are able to go across different departments of fashion industries as private labels control the boundaries of one industry to another so they can respond quickly to market trends and consumer demands, and hence, this is going to resist their competitors strongly. Product control, shelf private labels show a major value in serving as an essential tool for retailers to implement a strategic repositioning within the competitive market environment.

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 creation of discounted retail became important, by different types of stores marked strategy that ensured the expansion of customer base through pricing below the typical retail price. In the beginning, discounting was used by manufacturers offering cheap fashion utilizing the consumer market successfully, which was considered a good support, but surely it is good for the lower end of fashion marketing (Rosen 2002 p.185, par.1). Extending the opportunities for people to have cheaper clothing, through retail connection, altering the way products flowed and touched consumers. Discounting, one of the most important factors, has become among consumers. This changed consumer expectations and disadvantages retailers, who reconsider their price policies. The transformation has been recorded as turning pointing to the revolutionary change in retail.

The concept of discounting started evolving and undergoing expansions in the 1950s, the process having undergone an increase by the end of the 20th century. Shopping used to be exciting, making small selections of overpriced deals (Rosen, 2002, p.185, par.1). Fast forward to the 21st century, when discounting became the norm in American retailers. This became a major success for Sears during the late 1970s when stores started selling high-end luxury brands being offered at factory cost. The final part of the 20th century brought an increase in discount superstores, which were viewed as affordable for department stores, which then considered The

enlargement of discounters considerably changes their role in the market competition, leaving all brands and manufacturers no option but to modify their approach in order to adapt and under the new conditions.

The existence of bargain stores, like Tanger and Prime Outlet Shopping Center located in San Antonio, Texas, is an important factor for the modern retail market. These leverage the strategy of providing branded and stylish products at affordable prices, which draws in both shoppers and wealthy consumers (Rosen, 2004, p.185, par.3). The growth of retailers is evidence that discount shopping still has great attractiveness, which influences customer behavior. The shoppers travel to centers not just for the discount given but also for getting premium clothes at such a low price. Such a style has been successful in attracting customers and shopping, showing that cheaper products of high quality are acceptable in the market.

References

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