

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

Dr. Adomaitis

_____ Sandra Nicolas _____ (name)

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

Rosen discusses vertical integration with retailing in the context of mom-and-pop-shops. “Vertical integration is when a company broadens its operations by taking on tasks that it used to outsource. This can happen in two ways: upstream or downstream. Upstream means getting involved in production or finding raw materials, while downstream means controlling distribution or selling directly to customers (CFI, 2023).” Companies can pull off vertical integration by either expanding their production abilities or buying up other businesses in the supply chain. “New corporate retailing strategies have been pivotal in driving the globalization of the textile-apparel industry (Rosen, 2002, p. 177, par 1).” These mega-companies now compete fiercely for market share, not just within the United States, but also on the global stage. Their massive reach and resources give them significant power in shaping trends, controlling prices, and influencing consumer behavior both domestically and internationally.

With the rise of large retailers, vertical integration became more common. Retailers began to control various aspects of production and distribution. “The retail sector has been a major force behind pushing for U.S. trade liberalization in textiles and apparel (Rosen, 2002, p. 177, par 2).” This means that trade policies have been changed to allow clothing stores to bring in more products from developing countries where labor costs are lower. With these changes, retailers have gained more control over the manufacturers who make their clothes, and they've been able to reorganize how the whole textile, apparel, and retail system works.

- 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)

Despite favorable changes in production apparel clothing often still retails at expensive prices to consumers due to several factors. “Factors like getting rid of quotas, cutting tariffs, and opening up new markets worldwide have sped up how clothing is made globally (Rosen, 2002, p. 177 par 3).” These shifts have increased production and cut costs, but they've also heightened the competition among retailers. Companies might put more effort into making their products stand out through branding, marketing, and perceived value, which could end up hiking up prices. Plus, things like higher labor costs, changes in currency exchange rates, and the push for ethically sourced and sustainable products can all play a part in driving retail prices higher. Retailers might set higher prices to keep their profits up and appeal to specific groups of customers who are willing to pay more for quality or exclusive items. “Rising trade tensions are prompting international brands to reconsider their sourcing strategies (Amed et al., 2019).” More trade is happening between developing countries in the Asia-Pacific area. Fast fashion brands will have to start looking at different ways to keep up with speedy deliveries and good quality.

- 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 committed to ensuring fair labor practices among their manufacturers and suppliers, both domestically and internationally. “Every year, Federated mandates that its primary vendors provide written acknowledgment of their comprehension of the company's policies, which demand complete adherence to all relevant laws during the manufacturing process of products intended for Federated stores (Human Rights Library, 2024).” They require all manufacturers to comply with applicable laws, particularly those against child or forced labor and unsafe working conditions. Manufacturers must sign agreements acknowledging this commitment annually, and those who do not comply face termination of their relationship with Federated. Federated also conducts routine inspections of factories to ensure compliance. Upon discovering violations, federated takes immediate action, including suspension of shipments and termination of business with the supplier. These policies aim to leverage economic influence to encourage compliance with labor laws and to cooperate with government agencies responsible for enforcement.

[Federated Department Stores \(umn.edu\)](https://www.federated.com/)

According to academic.com Allied Stores was a major department store chain in the U.S., tracing its origins back to the 1930s when it emerged from a retail sector consolidation. Initially known as Hahn's Department Stores, it was later reorganized into Allied Stores in 1935. In 1981, Allied Stores expanded its portfolio by acquiring Garfinckel, Brooks Brothers, Miller & Rhoads, Inc., adding 178 department stores and 48 specialty shops across 28 states. Subsequently, in 1986, Canadian entrepreneur Robert Campeau acquired the chain. Eventually, in 1988, Allied Stores merged with Federated Department Stores, which later became Macy's, Inc., and the combined chains operated under the Federated name after emerging from bankruptcy in 1990.

[Allied Stores \(en-academic.com\)](#)

According to the reference for business, The May Department Stores Company has a history dating back to 1877 when David May opened his first store in Leadville, Colorado. From the beginning in men's clothing, the company rapidly expanded its offerings and presence across various cities, driven by May's sharp business acumen and bold marketing tactics. Throughout the early 1900s, May's growth trajectory continued through strategic acquisitions, including prominent department stores like Kaufmann's and G. Fox & Company. By the mid-20th century, May had firmly established itself as a major player in the retail sector, achieving record sales and earnings. In response to shifting consumer preferences in the 1960s and 70s, May adapted by embracing automation and enhancing its product offerings. The company also ventured into discount retailing with the introduction of Venture stores.

[The May Department Stores Company - Company Profile, Information, Business Description, History, Background Information on The May Department Stores Company \(referenceforbusiness.com\)](#)

According to Wikiwand, Dayton's, a renowned American department store chain founded in Minneapolis in 1902 by George Draper Dayton, thrived as a premier shopping destination across Minnesota and the Upper Midwest for nearly a century. Its enduring legacy lies in launching the iconic discount shopping chain Target and pioneering indoor shopping malls with the introduction of Southdale Center in 1956. In 1969, Dayton's merged with Michigan's Hudson's to form the Dayton-Hudson Corporation, which eventually transformed into the Target Corporation in 2000 due to the remarkable growth of its Target division. Marshall Field's acquisition in 1990 led to the rebranding of Dayton's stores, while subsequent purchases by May Department Stores and a merger with Macy's in 2005 altered the retail landscape. Despite ownership changes, Dayton's impact endures through landmarks like Southdale and flagship locations, leaving an indelible mark on Minnesota's retail history.

[Dayton's - Wikiwand](#)

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 Haute Couture fashion industry has undergone significant changes in recent years. Haute Couture was for small niche consumers, typically upper-class/wealthy individuals who can afford custom-made garments. "At first, couture designers were all about making custom-made clothes for wealthy clients. However as fewer people wanted their clothes, designers switched gears to focus more on selling ready-to-wear clothes to a larger audience (Rosen, 2002, p. 182 par 1)." To make the most of this change, designers let clothing companies use their names on their clothes. These companies then hired their designers to create fashion lines with the famous designer label. This shift to ready-to-wear lines transformed the Haute Couture fashion scene, showing how designers are adapting to what people want and how the market is changing.

Private label emerged in the industry as retailers sought to reduce operating costs and improve sales and margins. "Retailers introduced a quick-response program to trim down their large and expensive stockpiles, while also broadening their range of private-label products (Rosen, 2002, p. 180 par 4)." retailers started selling more of their own private-label stuff. This whole shift was made easier by new tech that made workers more productive in making and selling clothes. Retailers also changed how they hired people, cutting back on full-time sales staff and hiring more part-timers instead. With the retail scene changing, there were fewer managers needed and less focus on customer service.

Private labels have become important for retailers because it helps them integrate their operations better in the apparel industry. According to Sergio Pais "Having control over the supply sources is the highest level of bargaining power in the industry, achieved through backward integration. Backward integration comes in two forms: partial integration, where the retailer owns the brands, it sells but doesn't make the products, or full backward integration, where the retailer not only owns the brands but also the facilities where the goods are manufactured (Rosen, 2002, p. 183 par 2)." Instead of relying on traditional manufacturers, retailers like J. C. Penney and Saks are now getting directly involved in making their own clothes. These clothes have the retailer's label on them and are designed by their own people, who work with producers directly instead of buying from big-name brands. This shift to private-label clothing has blurred the lines between different parts of the industry, making retailers compete more with importers and manufacturers. Now, retailers are doing their own manufacturing, but they're still buying from brand-name manufacturers too. This kind of integration is all about copying the success of big companies like The Gap, which not only designs and sells its own clothes but also gets them made abroad. Plus, by cutting out middlemen, retailers can sell stuff at lower prices, which could mean more sales and bigger profits. Even though brand names are still important, shoppers are

drawn to private-label items, especially if it's from a high-end retailer or feel exclusive.

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, or the practice of offering goods at reduced prices. "Discounting became a pivotal aspect of the retailing industry due to its significant role in the restructuring of the textile, apparel, and retail complex, particularly in the early 1980s (Rosen, 2002, p. 185, par 1)." Back in the 1950s, discount stores started popping up in the US, offering cheaper items compared to higher brand-name products you'd find in department stores. However, their competitive impact did not begin until the mid-1970s when they got rid of fair-trade laws. These laws made stores sell national brand-name items at set prices decided by the manufacturers, which made it hard for discounters to compete. But once they scrapped those laws, discounters could sell brand-name clothes at lower prices, which shook up the whole retail scene. Suddenly, there were all these different discount store formats popping up, like big warehouse stores and stores with limited inventory but cheaper prices. They were getting their hands on brand-name and designer clothes, selling them for less by buying up extra stock and clothes that didn't sell well. By the early 1980s, discount stores were taking business away from department stores, causing problems for them such as market share and financial viability. Discounting had a huge impact on how people shopped and how stores did business.

Discounting has seen significant growth since the 1950s, especially after fair-trade laws were removed in the mid-1970s. "The fair trade laws got revoked because more discount retail merchants were pushing for it. This change let them compete with regular retail stores by selling brand-name products at lower prices (Rosen, 2002, p. 185, par 3)." This change in legislation made it easier for discounters to compete by selling brand-name products at lower prices. Consequently, different types of off-price retail stores emerged to meet the demand for cheaper goods. By the early 1980s, these off-price retailers became a big part of the retail clothing business, and their growth was expected to continue into the 1990s. The rise of discounting was fueled by factors like manufacturers having too much capacity and goods being produced offshore, which allowed retailers to get products at better prices and pass on the savings to customers. This growth showed how the retail industry was changing and how important discounting was becoming as a way to stay competitive.

Discounting retailers, such as those found in *Tanger* and *Prime Outlet Shopping Centers* in San Marcos, Texas, are highly significant in the retail scene. "Almost every clothing retailer reduces prices on their apparel to compete with off-price and

discount stores prices (Rosen, 2002, p. 196, par 1).” These stores offer a wide selection of brand-name and designer products at discounted rates, which appeals to shoppers on a budget and those hunting for bargains. Having these discounting retailers in popular shopping centers like Tanger and Prime Outlet enhances the allure of these destinations for shoppers seeking value-driven shopping experiences. Furthermore, these retailers play a crucial role in driving foot traffic and consumer spending within the shopping centers, benefiting both the stores and the center operators. Their presence reflects the changing preferences of consumers and the increasing demand for affordable yet high-quality goods, influencing the retail landscape not only in San Marcos but also beyond.

References

- Allied Stores*. Academic Dictionaries and Encyclopedias. (n.d.). <https://en-academic.com/dic.nsf/enwiki/2041483>
- Amed, I., Balchandani, A., Beltrami, M., Berg, A., Hedrich, S., & Rölken, F. (2019, February 7). *The Fashion Market and "Trade 2.0."* McKinsey & Company. <https://www.mckinsey.com/industries/retail/our-insights/the-fashion-market-and-trade-2-0>
- CFI Team. (2023, November 6). *Vertical integration*. Corporate Finance Institute. <https://corporatefinanceinstitute.com/resources/management/vertical-integration/>
- Dayton's*. Wikiwand. (1902, June 24). <https://www.wikiwand.com/en/Dayton's#introduction>
- Federated Department Stores Statement of Corporate Policy*. Federated Department Stores. (n.d.). <http://hrlibrary.umn.edu/links/feddeptstores.html>
- Rosen, E. (2002). *Making Sweatshops*. LaVergne: University of California Press.
- The May Department Stores Company - Company Profile, Information, Business Description, History, Background Information on The May Department Stores Company*. Reference for business. (n.d.). <https://www.referenceforbusiness.com/history2/92/The-May-Department-Stores-Company.html>