

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 effected retailing since the inception when mom-and-pop- shops were king?

Vertical integration means it is a strategy that a company uses for its operational purposes. If a company uses a vertical integration strategy, that company has the most power to speak. That is the ability to decide things, both big and small. Some aspects (such as decisions) do not require the approval of other companies (manufacturer or supplier companies) or departments to make final decisions. This is because companies that use vertical integration have their own independent suppliers, distributors, and retail outlets (Hayes, 2022).

Vertical integration brings a huge impact on retail. For the advantage aspects, the apparel industry was easier or freer to trade (Rosen, 2002, pg.177, par.1). And compared to other strategies, vertical integration is more likely to help a company succeed. It is because this strategy can help them increase their profits. For the disadvantage aspect, it brings a lot of harm to other companies and small businesses. It lets some of the small businesses and department stores not exist in the industry anymore (Rosen, 2002, pg.177, par.0).

- 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.

The tariffs have been decreased and the garment costs have been lower does not mean (not a reason) that retailers or owners will lower the price when they have a transaction with consumers. First, due to some of the retailers choosing vertical

integration in their retailing, the consequence is to exacerbate the competition in the garment industry (Rosen, 2002, pg.177, par.2, line 3-4). Some other expenses, such as rent, can also affect the high retail price of clothing for consumers. In the book, Rosen said, “open more stores to sell” their products (Rosen, 2002, pg.177, par.2, line 9-10). This means that retailers need to spend some extra expenditure on opening new stores, and these additional costs are “paid” by consumers, which is to raise the price of clothing.

- 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: Nowadays, when researchers, scholars, or even students search “Federated Department Stores” on Google or other search engines, there were only a few articles or keywords pop up. Articles about Macy's will pop up more when people search this. It is because, in 2006, many Federated Department Stores changed their name to Macy's (Story, 2005).

Allied Department Stores: In all allied department stores, the ones with the worst performance in terms of turnover, sales volume, or other aspects will be transferred to other companies or entrepreneurs. This is because Allied needs money to pay his debts. The money was paid to Campeau Corporation because Allied was acquired by it (Barmash, 1987).

May Department Stores Company: Federated made a decision to acquire the May, after the acquisition, Federated will expand its size. Later, May will change its name to Macy's. If this acquisition succeeds, the company (Macy's) will have more than 1,600 stores, which includes 950 department stores, 700 bridal, and other clothing stores (TheAssociatedPress, 2005).

Dayton Hudson Corporation: Known as Target because it changed its name to Target later. It is a mass market company, which means sells more than one type of product, like food, daily needs, and so on. It is a type of corporation that usually do discount promotions (Nolen, 2023).

- 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?

The couture fashion industry has changed with the revolution of clothing retailing, and the number of people pursuing haute couture was decreasing. This move forced some haute couture designers to make some changes to meet the needs of the fashion market. Niche brands or products seemed to be very popular at the time, so some haute couture designers seized this business opportunity and began to design some clothing for women's ready-to-wear collections. At the same time, it authorizes its own name to the manufacturer to produce some clothing that

involves the designer's own elements to attract more consumers' attention (Rosen, 2002, pg.182, par.2). This is a transition from luxury to ordinary (Rosen, 2002, pg.182, par.3).

Private labels emerged as women held different kinds of jobs besides working in the apparel industry (Rosen, 2002, pg.182, pg.3). Private label is also partly a “brand” born for people in countries that have not reached poverty alleviation levels. Private label is related to backward integration, which means that the retailer owns the entire brand (Rosen, 2002, pg.183, par.1). The advantage is that the retailer will earn more because it is completely controlled by the retailer under reasonable conditions, such as the price of the product.

- 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?

Different from other products or stores without discounts, products or stores with discounts seem to be more able to attract consumers' attention. When one enters a store, one's eyes always follow the products that are labeled “sales” or “xx% off,” which is a person's instinctive reaction. This is one reason that discounting is important to the retail industry. Discounts also contributed to subsequent trade development in the textile industry (Rosen, 2002, pg.185, par.0).

Some other retailers are willing to try this strategy after they see that discounting has really helped the retailer in a positive way. But the use of this strategy has not always been smooth sailing. After the 1950s, before 1975, the strategy was somewhat hindered. The time came in 1975, with the repeal of the act about restricted discounts, discounts got an unprecedented development (Rosen, 2002, pg.186, par.1).

One believes that the significance of discount retailers like Outlet San Marcos is that consumers can buy more than one brand's products in one place. The outlet in San Marcos has “more than 220 name brands and luxury stores” (San Marcos Convention & Visitor Bureau, 2023). The reason one does not like going to physical stores is that most stores only sell two or three different types of products. This is a little bit out of line with one's personal needs, where one wants to be able to find more than a few different types of things in one big shopping trip. So, for consumers like one, the shopping center is like a “god” because people can buy food, clothing in different categories, and even toiletries in it at the same time.

Reference

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