The Business of Fashion

DESIGNING, MANUFACTURING, AND MARKETING

6TH EDITION

LESLIE DAVIS BURNS & KATHY K. MULLET

FAIRCHILD BOOKS

THE BUSINESS OF FASHION

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SIXTH EDITION

Leslie Davis Burns
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FAIRCHILD BOOKS
NEW YORK • LONDON • OXFORD • NEW DELHI • SYDNEY

FAIRCHILD BOOKS
Bloomsbury Publishing Inc
1385 Broadway, New York, NY 10018, USA
50 Bedford Square, London, WC1B 3DP, UK

Fourth edition published 2011
Fifth edition published 2016
This edition published 2020

Cover design by Sam Clark / ByTheSky Design | Cover images © Getty Images

Library of Congress Cataloging-in-Publication Data
Names: Burns, Leslie Davis, author. | Mullet, Kathy K., 1958- author.
Title: The business of fashion : designing, manufacturing, and
marketing / Leslie Davis Burns, Kathy K. Mullet.
Description: Sixth edition. | New York : Fairchild Books, 2020. | Includes index.
Identifiers: LCCN 2019026137 | ISBN 9781501361005 (paperback) | ISBN 9781501349133 (pdf)
Subjects: LCSH: Clothing trade—United States—Textbooks. |
Fashion merchandising—United States—Textbooks.
Classification: LCC TT496.U6 B87 2020 | DDC 338.4/76870973—dc23
LC record available at https://lccn.loc.gov/2019026137

ISBN: 978-1-5013-6100-5

Typeset by Lachina Creative, Inc.

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preface

Today's global fashion supply chain is a complex interconnected network of businesses that design, manufacture, market, and retail fashion products for consumers around the world. To succeed in today's global business environment, companies within the fashion supply chain must continually evolve and transform to meet the needs of consumers. As such, today's fashion companies are addressing a number of trends, including sustainable design and other strategies for a circular economy, 3-D printing and other technologies, fashion entrepreneurship, disruptions in fashion calendars, supply chain transparency, impact of social media, growth and evolution of online retailing, expanded omnichannel strategies, and changes in international trade. In addition, students' understanding of the full supply chain (textiles/materials to fashion brand design and manufacturing to retailing), supply chain management, competitive strategies, and processes and digital transformations across the supply chain are imperative for their success in today's fashion industry.

Therefore, after five editions of *The Business of Fashion: Designing, Manufacturing, and Marketing*, the time was right to step back and explore the dynamic nature of today's industry with an updated and comprehensive framework for understanding the organization and operations of fashion businesses in creating sustainable supply chains in today's global fashion industry. The result is the sixth edition of *The Business of Fashion: Designing, Manufacturing, and Marketing*, which is organized in five parts:

1. The Global Fashion Supply/Value Chain
2. Business Law and Fashion
3. Marketing, Color, and Fashion Research
4. Designing and Manufacturing Fashion Products
5. Marketing and Retailing Fashion Products

Part 1 focuses on the global fashion supply/value chain. The global fashion supply chain connects the producers of raw materials, textile mills, production factories, and the distribution network that deliver fashion products to consumers; each step along the way adds value for the consumer. Therefore, **Chapter 1** begins with an overview of the primary sectors of this global fashion supply/value chain: raw materials/textiles, ready-to-wear, and fashion retailing. Historical context and categories of companies in each sector are provided. Definitions of the processes across these sectors are discussed: design, manufacturing, merchandising, and marketing. **Chapter 2** provides a discussion of fashion business organization: missions, objectives, and competitive strategies of fashion businesses. In particular, the chapter reinforces the importance of fashion brands and includes a discussion of brand creation, brand identity, and brand positioning. **Chapter 3** addresses the increasingly important processes of developing and maintaining sustainable supply chains in fashion and the management strategies and tools for their successful implementation. Sourcing is the critical process that connects fashion businesses across the sectors in fashion supply chains. Therefore, **Chapter 4** covers sourcing processes and criteria fashion businesses use in making sourcing decisions, sourcing options, and sourcing strategies.

Fashion law is a subfield of business law that includes issues surrounding the operations of fashion businesses from the start of the business, design conception, intellectual property, licensing agreements, and growth and diversification of fashion businesses. **Part 2** of the book focuses an overview of fashion law. **Chapter 5** discusses on business entities, types of business ownership, and legal aspects associated with starting, expanding, and diversifying businesses. **Chapter 6** specifically focuses on fashion law as it relates to protecting fashion inventions and designs, licensing, business practices, and international trade.

The remaining three parts of the book build on the general framework of sustainable fashion supply chains by focusing on marketing and trend research conducted by fashion companies, designing and manufacturing fashion products, and marketing and retailing fashion products. **Part 3** provides and overview of marketing, color, and fashion trend research processes used by fashion companies throughout the supply chain to inform strategic decisions around design, manufacturing, and marketing fashion products. **Chapter 7** is an overview of marketing research in fashion including consumer research, product research, and market analysis processes. **Chapter 8** focuses on forecasting processes including color, materials, and fashion trend forecasting.

Part 4 provides an overview of designing and manufacturing fashion products. This section starts with **Chapter 9**, an overview of designing fashion products. The chapter begins with a discussion of creating and using a design brief. Components of the design brief include descriptions of the target customer, theme, color and style considerations, sales projections, costing considerations, and carryover design considerations. Next, the chapter discusses technical specifications for fashion products including the development of tech pack used for preproduction and manufacturing processes. **Chapter 10** further discusses preproduction processes including pattern development, creating a prototype, considerations for production materials and trims, pattern grading, and making the production marker. **Chapter 11** focuses on manufacturing, exploring global patterns of manufacturing fashion products and manufacturing processes, strategies, and sewing and construction systems.

Part 5 provides an overview of marketing and retailing of fashion brands. **Chapter 12** provides an overview of global centers for marketing fashion brands, the role of market weeks and trade shows, types of selling functions, and marketing strategies, including sales promotion strategies. **Chapter 13** outlines fashion distribution and retailing processes with updated information about categories of retailers and trends in fashion retailing.

With a focus on business practices in the fashion industry, students are introduced to a range of size and type fashion businesses through examples of fashion companies from around the world that exemplify best business practices. In addition, the book highlights international perspectives of fashion businesses with discussions of similarities and differences in strategies, laws, and businesses practices among countries. Readers are also engaged in the learning process through a number of pedagogical features incorporated throughout the book:

- Learning Objectives
- Chapter Summaries
- Bolded key terms throughout the text
- Key terms at the end of every chapter
- Discussion questions and activities at the end of every chapter
- Case studies at the end of every chapter
- References and resources at the end of every chapter
- Glossary of terms at the end of the book
- Career glossary at the end of the book—a listing of job titles and descriptions found throughout the fashion industry.

The authors approach this work with complementary research, teaching, and industry experiences and expertise that allow them to provide an up-to-date and comprehensive perspective of the global fashion industry. Leslie Davis Burns is the president of Responsible Global Fashion LLC and Professor Emerita at Oregon State University, Corvallis, Oregon. With over thirty-five years of experience, her teaching and research have focused on consumer behavior, retail merchandising, global sourcing, and corporate social responsibility in the fashion industry. Dr. Burns is the author of *Sustainability and Social Change in Fashion* (2019, NY: Fairchild Books) and was the inaugural editor-in-chief of the online resource *Bloomsbury Fashion Business Cases*. Among other elected positions and awards, Dr. Burns is a past-president and Fellow of the International Textile and Apparel Association. She received her BA from Washington State University and her PhD in consumer sciences and retailing from Purdue University.

Kathy K. Mullet is Associate Professor Emerita at Oregon State University, Corvallis, Oregon. Her major areas of research include design processes, product life cycle management, and specialized product design. Dr. Mullet is the author of *Concepts of Pattern Grading* (2015, NY: Fairchild Books) and has been an industry consultant on topics related to product development, fit, and sizing. Dr. Mullet has taught apparel design for over thirty years. In addition, she has taught courses in global sourcing, fashion forecasting, and fashion history. Among other elected positions and awards, Dr. Mullet is a past-president and Fellow of the Costume Society of America. She received her BS, MS, and PhD from Virginia Tech (Virginia Polytechnic Institute and State University).

STUDENT RESOURCES

The Business of Fashion STUDIO™ :

- Self-quizzes featuring scored results and personalized study tips.
- Review concepts with flashcards of terms and definitions.

INSTRUCTOR RESOURCES

- Instructor's Guide includes projects, additional case studies, and test questions connected to the knowledge and skill guidelines in the Association to Advance Collegiate Schools of Business (AACSB) and Textile and Apparel Program Accreditation Commission (TAPAC) standards.
- PowerPoint presentations include images from the book and provide a framework for lecture and discussion.

acknowledgments

Many people have assisted with the development of this book, and we are grateful for their time, effort, and support. Leslie Davis Burns thanks her former students and wonderful colleagues at numerous companies and universities, who shared their ideas and resources in the development of the book. Leslie particularly thanks her coauthor, Kathy Mullet, whose valuable expertise in technical design, production, and industry trends is highlighted in this sixth edition. Kathy Mullet expresses her appreciation to Leslie Burns for the opportunity to work with her on the sixth edition of this book. Kathy also thanks her former students for their continual sharing of information about the apparel industry. Many other professional contacts in the apparel industry also most willingly shared their expertise.

We also thank the many readers and reviewers of the current and previous editions of this book. Their excellent input is reflected throughout. We owe our deepest appreciation to Joseph Miranda and Edie Weinberg at Fairchild Books for their patience, professional attention to details, and invaluable assistance with this book. Thank you!

Leslie Davis Burns
Responsible Global Fashion LLC, *Professor Emerita*, Oregon State University

Kathy K. Mullet
Associate Professor Emerita, Oregon State University

The publisher wishes to gratefully acknowledge and thank the editorial team involved in the publication of this book:

Acquisitions Editor: Emily Samulski
Development Manager: Joseph Miranda
Editorial Assistant: Jenna Lefkowitz
Art Development Editor: Edie Weinberg
In-House Designer: Lachina Creative
Production Manager: Ken Bruce
Project Manager: Rebecca Marshall, Lachina Creative

PART 1
The Global Fashion Supply/Value Chain

The Global Fashion Industry

CHAPTER 1

IN THIS CHAPTER, YOU WILL LEARN THE FOLLOWING:

- definitions and applications of processes that occur throughout the fashion supply chain (design, merchandising, manufacturing, and marketing)
- an overview of the history and organization of the global textiles industry
- the growth and development of the ready-to-wear fashion industry and its current characteristics
- the role of fashion retailing in the history of the fashion industry
- support industries including consumer publications and media, trade publications and media, and trade associations

The fashion industry is global in nature and represents a diverse network of large and small businesses that design, manufacture, and market textiles, apparel, and related fashions for consumers around the world. Levi's, H&M, Nike, Macy's, Li & Fung, Kering, PVH Corp., Gucci, Harrods, UNIQLO, and Lenzing are all successful companies in the global fashion industry. How are they organized? How do they design, manufacture, and market their products? Why have they continued to be successful? This book answers these questions by providing an overview of the business of fashion and the strategies successful companies use in designing, marketing, manufacturing, and retailing fashion products.

Before examining the global fashion industry, an understanding of the concept of *fashion* is necessary. There are many definitions of *fashion*. A common definition is "the prevailing style during a particular time" (Merriam-Webster 2019). Indeed, fashions, or prevailing styles, can be seen in products from cars to furniture to footwear. In the context of this book, **fashion** is defined as "style of consumer product or way of behaving that is temporarily adopted by a discernible proportion of members of a social group because that chosen style or behavior is perceived to be socially appropriate for time and situation" (Sproles and Burns 1994, p. 4). This definition focuses not only on fashion products but also how consumers adopt the products and the reasons behind this adoption. For products to be considered "fashionable" they must be adopted by consumers who believe the products they select and wear represent their personal values and identities, their identified social groups, and their cultures for a particular time and situation. As such, fashions are a reflection of economic, cultural, social, and psychological influences (Sproles and Burns 1994).

These definitions appear simple, but for companies to analyze, design, produce, market, and retail products that consumers perceive as *in fashion* and that they want to acquire and wear is complex. This book provides a framework for understanding and applying concepts and strategies around the business of fashion. In addition, this book focuses on **soft goods**, that is, apparel, footwear, accessories, and home fashions. It also focuses on the overall business operations involved in the global **supply chain** for fashion soft goods. Supply chain networks include all of the interconnected individuals, businesses, and processes that are necessary to get a product to the ultimate consumer. Throughout these supply chain networks are processes that add value to the product for each of the customers along the way. Therefore, the term **value chain** is used to describe the value-added aspects of supply chains.

The global fashion supply chain is the interconnected network of individuals and businesses associated with the design, manufacturing, merchandising, and marketing of textiles, materials, and garments and accessories, as well as retailers who sell the merchandise to the ultimate consumer. This chapter starts with an overview of the processes that businesses use across the supply chain sectors (design, manufacturing, merchandising, marketing). General descriptions of and historical contexts for the businesses associated with sectors of the fashion supply chain (textiles, ready-to-wear fashions, retailing) are then provided. Later chapters will discuss specific strategies fashion companies use in designing, manufacturing, merchandising, marketing, and retailing fashion products. The chapter ends with a description of selected auxiliary industries that are aligned with and support the fashion industry.

PROCESSES ACROSS THE FASHION SUPPLY CHAIN: DESIGN, MANUFACTURING, MERCHANDISING, AND MARKETING

Companies across the global fashion supply chain are engaged in design, manufacturing, merchandising, and marketing products. Because these terms have multiple definitions and applications, a shared understanding of these terms in the context of this book is important.

What Is Design?

One of the most widely used concepts in the fashion industry is **design**—indeed, the fashion industry encompasses a variety of designed products—everything from textiles to apparel, footwear, and accessories and from e-commerce websites to visual displays. Throughout this book the term *design* is used as both a noun and a verb; that is, both a product and a practice or process.

Fashion items can be referred to as designs just as the design process is used in creating these items. Designers throughout the fashion supply chain are trained professionals who apply principles from art, business, and science to create fashion products.

Key aspects and characteristics of *design* include:

- The purpose of design is to plan, interpret, and create change.
- Design involves intellectual creativity.
- Design is user-centered with a focus on addressing needs, wants, or problems of the intended user.
- Design reflects the values of the designer(s) in relation to those exhibited by culture, society, and time.
- The design process is systematic.

What Is Merchandising?

In the context of this book, **merchandising** refers to the management processes related to buying and selling fashion products; that is, product assortment planning, acquisition, pricing, presentation, and sales to fulfill a company's financial goals (Kunz 2010). These processes are sometimes referred to as "getting the right product in the right place at the right time in the right quantity and at the right price" to meet financial goals.

- *Product assortment planning*—planning what and how many products to acquire to achieve the optimal assortment of product categories and quantities for a budgetary time period.
- *Product acquisition*—the processes of selecting, purchasing, and/or sourcing products in alignment with the product assortment planning.
- *Product pricing*—determining and implementing a pricing strategy that aligns with the company's mission, target customer, product assortment planning, and product acquisition.
- *Product presentation*—strategies for offering and presenting products to target customers.
- *Product sales*—strategies for selling merchandise to target customers.

Although merchandising is most often associated with the buying and selling operations of fashion retailers, merchandising processes happen throughout the fashion supply chain. For example, textile mills apply merchandising concepts and strategies to acquire raw materials and convert them to fabrics, which they price, market, and present to companies that purchase the fabrics for creating end-use products. Similarly, fashion brands, such as Levi's and Nike, apply merchandising concepts and strategies to the creation, marketing, and retailing of finished products.

What Is Manufacturing?

In the context of the fashion industry, manufacturing refers to the physical making of fashion products throughout the fashion supply chain, including the manufacturing of textiles, garments, and accessories. Manufacturing of fashion products (textiles, garments, accessories, home fashions) is one of the largest manufacturing industries worldwide. It entails a global network of factories that work with fashion brands and retailers in producing materials and fashion merchandise. A general description of manufacturing textiles is provided in this chapter. Chapters 10 and 11 provide an overview of strategies used by RTW manufacturers for effective and efficient manufacturing of finished fashion products.

What Is Marketing?

Numerous definitions of marketing exist; however, we use the term **marketing** to describe the management process that connects product offerings with the values, wants, needs, and behaviors of customers. Marketing research is used to analyze the values, wants, needs, and behaviors of customers and interpret them for decision makers within the company. Chapter 7 provides specific strategies associated with marketing research in fashion. Although the marketing functions of a fashion brand company are most often associated with product promotions and sales, the marketing of fashion merchandise also connects marketing research with management decisions around merchandising strategies for getting the product to the right consumers at the right price and in the right place. Chapter 12 provides information about marketing strategies for fashion brands along with creation of an optimal promotional mix (advertising, publicity, social media, sales promotions, direct marketing, visual merchandising, and personal selling) for fashions.

THE GLOBAL TEXTILES INDUSTRY

Because textiles and other materials are the foundation of the fashion industries, an understanding of the historical context and organization of the global textile industry is important. The term **textile** is used to describe any fabric (e.g., woven or knitted materials) made from natural (e.g., cotton, wool, silk) or manufactured (e.g., nylon, polyester, rayon) fibers. The textile industry is organized around four basic components of textile production: fiber processing, yarn spinning, fabric production, and fabric finishing.

Fiber Processing

Fibers comprise the basic unit used in making textile yarns and fabrics. Fibers are classified into **generic families** according to their chemical composition and can be divided into two primary divisions—natural fibers and manufactured fibers. Natural fibers include those made from natural protein fibers of animal origin (e.g., wool, cashmere, camel, mohair, angora, and silk) and natural cellulose fibers of plant origin (e.g., cotton, flax, jute, bamboo, and sisal).

Although natural fibers have been used in making textiles for thousands of years, manufactured fibers have been around for only about 130 years. In the mid-1800s, scientists became interested in duplicating natural fibers. In 1891, “artificial silk,” made from a solution of cellulose, was commercially produced in France. In 1924, the name of this fiber was changed to rayon. In 1939, nylon, the first fiber to be synthesized entirely from chemicals (synthetic), was introduced by E. I. du Pont de Nemours and Company. Since then, many more manufactured fibers have been developed, including cellulose-based fibers (e.g., lyocell, rayon acetate), synthetic fibers (e.g., acrylic, aramid, modacrylic, olefin, polyester, and spandex), and mineral-based fibers (e.g., glass, gold). New manufactured fibers are developed through research efforts that take up to five years before the fiber is available on the market. When a fiber belonging to a new generic family is invented, the US Federal Trade Commission (FTC) assigns it a new generic name. Currently, more than forty generic fiber names are recognized by the FTC (U.S. Customs and Border Protection 2006); see Table 1.1 for a listing of these generic fiber names.

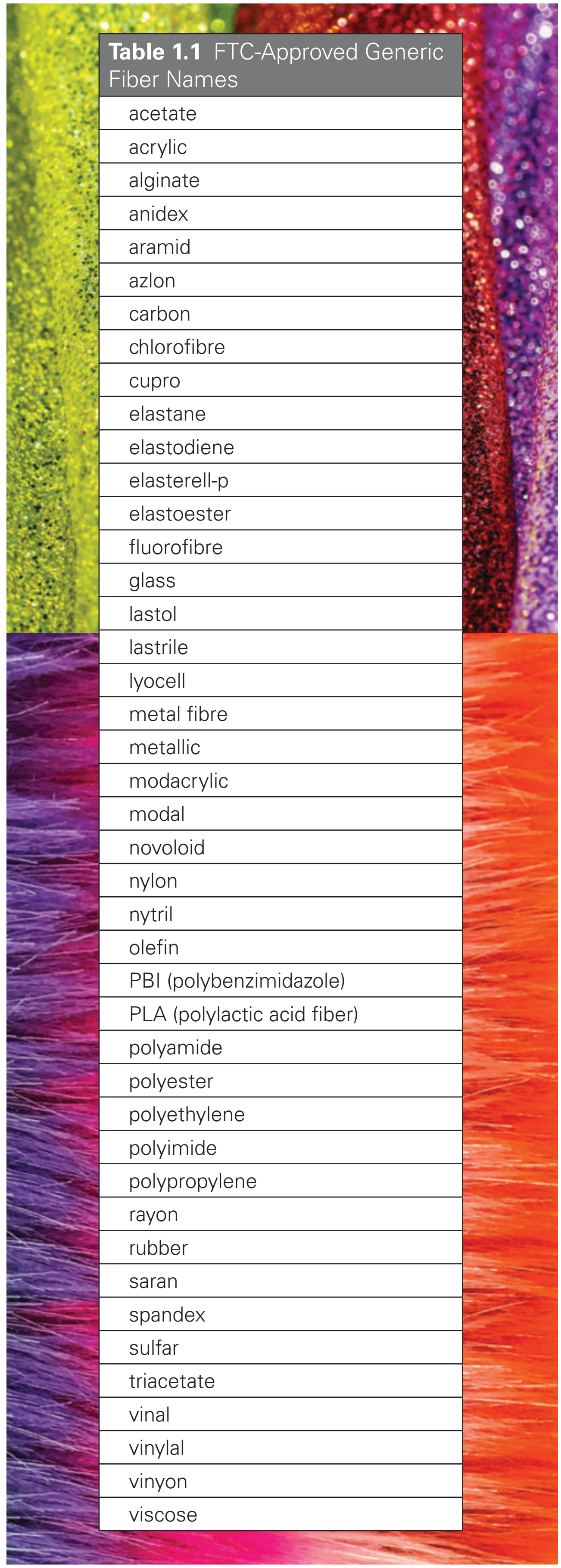

Table 1.1 FTC-Approved Generic Fiber Names
acetate
acrylic
alginate
anidex
aramid
azlon
carbon
chlorofibre
cupro
elastane
elastodiene
elasterell-p
elastoester
fluorofibre
glass
lastol
lastrile
lyocell
metal fibre
metallic
modacrylic
modal
novoloid
nylon
nytril
olefin
PBI (polybenzimidazole)
PLA (polylactic acid fiber)
polyamide
polyester
polyethylene
polyimide
polypropylene
rayon
rubber
saran
spandex
sulfar
triacetate
vinal
vinylal
vinyon
viscose

By the early 1950s, acrylic and polyester (both developed in the 1940s) were available for consumer use. Triacetate was introduced in 1954, providing a less heat-sensitive alternative to acetate, a previously developed synthetic fiber. These new fibers provided lower-cost and lighter-weight alternatives to natural fibers. Apparel made with synthetic fibers offered consumers easy-care, wrinkle-free, and drip-dry clothing that freed them from the high demands of caring for cotton and woolen clothing. Over the next decades, fashion trends and technological developments in textiles became intertwined. Fiber producers developed new texturizing processes that made possible such innovations as stretch yarn. Nylon stretch socks became available in 1952, and by the 1960s, fabrics made with synthetic fibers began to overtake those made with natural fibers in popularity. Today, manufactured fibers are produced by large companies and sold either as commodity fibers (without a brand name) or under brand names such as Lycra® spandex, Tencel® lyocell, Dacron® polyester, or Antron® nylon.

Starting in the 1980s, scholars and companies began investigating the environmental impact of fiber manufacturing. Fibers were analyzed around the degree to which they were (Chen & Burns 2006)

- nonpolluting to obtain, process, and fabricate
- made from renewable resources
- reusable/recyclable
- fully biodegradable

In response, the cotton industry has implemented processes that are more environmentally responsible, including organic cotton (grown without the use of synthetic fertilizers and pesticides), cleaner dyeing methods, and reduced water use. Manufactured fiber companies have also developed more environmentally responsible production processes, including the lyocell method of rayon (made from harvested wood pulp and processed with recycled nontoxic solvents) and polyester staple fibers made from recycled plastic soda bottles that are made of polyethylene terephthalate, or PET (Figure 1.1). Companies are also recycling scrap yarns and fabric as a means of reducing the amount of scrap materials ending up in landfill.

Figure 1.1
Polyester staple fibers recycled from soda bottles are used for creating more environmentally responsible textiles.

Yarn Spinning and Fabric Construction

Yarns are the collection of fibers or filaments laid or twisted together to form a continuous strand strong enough for use in fabrics. Yarns are classified as **spun yarns**, made from shorter staple fibers, or **filament yarns**, made from long continuous fibers. The type of yarn selected affects the fabric performance, tactile qualities, and appearance.

Fabric construction or **fabrication** processes include making fabrics from solutions (e.g., films, foam), directly from fibers (e.g., felt, nonwoven fabrics), or from yarns (e.g., braid, knitted fabrics, woven fabrics, and lace). The two most common fabric construction methods are weaving and knitting.

Similar to acquiring fibers from plants and animals, early processes for spinning fibers into yarns and creating fabrics were labor-intensive hand processes performed in a variety of ways around the world. Not until the First Industrial Revolution in England, in the mid-1700s, did the spinning of yarns and creation of fabrics begin to be mechanized (Figure 1.2). At that time, England's cotton and wool textile industries were the most technologically developed and productive in the Western world, as well as being one of the most dehumanizing and unhealthy for its workers (Yafa 2005).

At this same time in the United States, a fledgling cotton industry was taking root, but America lacked England's advanced technology for spinning and weaving cotton fibers. Then, in 1789, Samuel Slater, a skilled mechanic, brought English textile technology to the United States, sparking the emergence of the textile industry in the United States. Soon after, **textile mills**, which focus on the fabric construction or fabrication stage of textiles were being built. Cotton growers in the southern United States met the demands of the growing textile industry through mechanization of cleaning cotton (Eli Whitney's cotton "gin," patented in 1794) and the expansion of slavery, which provided workers for the growing cotton industry. Consumer demand for cotton increased, and, by the late 1890s, three-quarters of the clothing in Europe and the United States was made from cotton (Yafa 2005). Coinciding with the growth of manufactured synthetic fibers in the nineteenth century, textile mills increasingly focused on creating fabrics made from these new fibers. Both spinning and weaving operations in large factories became highly automated (Figure 1.3).

Today, textile mills are found throughout the world. Some are large multinational corporations, and some are small businesses. Eastern Asian countries (China, Taiwan, Japan) and India account for most of the world's textile production. Textile mills can be divided into two general categories: (1) those that manufacture staple fabrics and (2) those that manufacture specialty (novelty) fabrics. Staple fabrics, such as denim or tricot, are produced continually each year with little change in construction or finish. Novelty fabrics have special design features (e.g., surface texture, specialty weave) that are fashion based and, therefore, change with fashion cycles. Because of this, fashion fabrics require shorter production runs and greater flexibility. The knitting industry also has two main divisions: (1) those that manufacture knitted end-use products, such as T-shirts, hosiery, and sweaters (Figure 1.4), and (2) those that manufacture knitted yard goods sold to apparel and home fashions manufacturers and retailers.

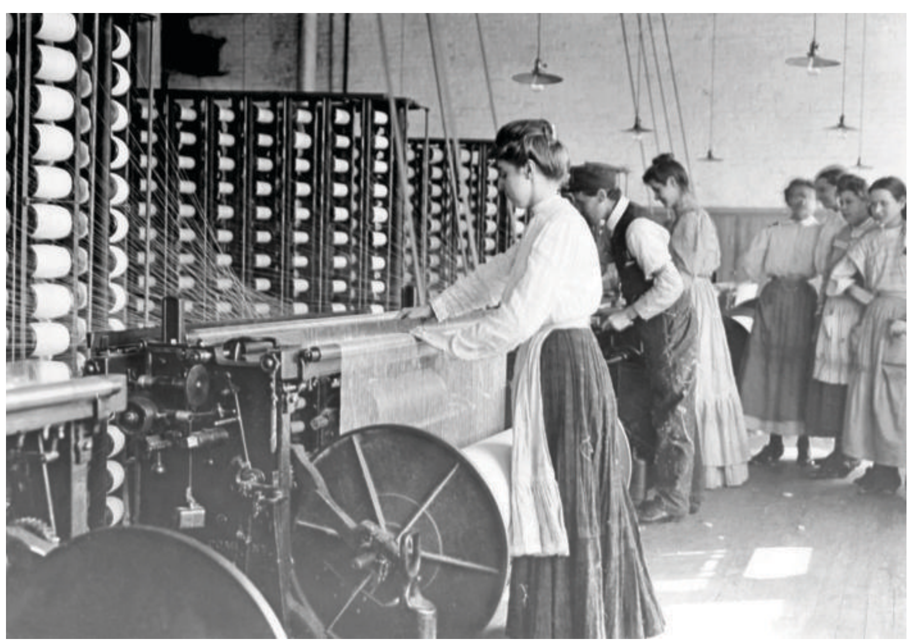

Figure 1.2
During the First Industrial Revolution, spinning mills became mechanized but were still labor-intensive.

Figure 1.3
Yarn spinning processes are highly automated in today's large factories.

Figure 1.4
Socks and hosiery are manufactured in highly automated knitting mills.

Dyeing and Finishing Fabrics

Dyeing and finishing the fabric are the final steps in the textile production process. Dyeing refers to coloring the material, and **finishing** refers to "any process that is done to fiber, yarn, or fabric either before or after fabrication to change the appearance (what is seen), the hand (what is felt), or the performance (what the fabric does)" (Kadolph and Langford 2002, p. 270). Fibers, yarns, fabrics, and garments themselves can be dyed and/or finished.

Greige goods (also referred to as grey, gray, or loom state goods) are fabrics that have not received dyeing or finishing treatments. **Textile converters** buy greige goods from mills and treat them with aesthetic finishes (e.g., glazing, crinkling), performance finishes (e.g., colorfast, stain resistant, water resistant, durable pressed), or coloring finishes (e.g., dyeing or printing fabrics) and then sell the finished fabrics. As with the other stages of textile production, dyeing and finishing fabrics were originally hand processes using natural dyes and finishes from plants and animals (e.g., indigo, alizarin, logwood). Metal mordants (e.g., copper, iron) were used for the color to effectively adhere to the textiles. In the mid-1800s, to meet the growing demand for textiles, synthetic dyes were developed, expanding the range of colors and commercial applications. Synthetic dyes continue to be the most common form of dyeing textiles today.

Textile converters are experts in color forecasting and understand consumer preferences in fiber content, fabric construction, and various aesthetic and performance fabric finishes. Color forecasting processes are discussed in Chapter 8. Most converters that print fabrics use rotary printing presses, although digital printing with ink-jet printers is becoming more widespread. Because the fabric is finished close to the time when consumers will be purchasing the end-use product, converters play an important role in analyzing and responding to changing consumer preferences. Once finished, the fabrics are then referred to as **converted textiles**, or **finished textiles** (Figure 1.5).

Today's Textile Industry

Today's global textile industry is characterized by highly automated factories often handling all four stages of textile production—from processing the fiber to finishing the fabrics. In addition, technological developments continue to advance and expand the applications of textiles. For example, optical fibers with integrated electronics have been developed, allowing fibers that can sense, process, and store data to be woven into fabric. Applications for these materials include military uniforms, medical devices, protective garments for extreme environments, and performance athletic wear (Sinclair 2014, p. 374). In addition, proprietary fibers and materials such as Brooks Brother's BrooksCool® (a 100% cotton fabric treated to enhance breathability) and Nike's Dri-FIT (a high-performance microfiber polyester fabric that wicks sweat away from the body) are created for specific end uses for a company's target customer. Textile companies spend billions of dollars to ensure that their processes are environmentally responsible through efforts in conserving water, energy, and electricity and in recycling products (e.g., paper and plastic) and natural resources (e.g., water and energy). Environmental sustainability within the textile industry is further discussed in Chapter 3.

READY-TO-WEAR FASHION INDUSTRY

Most of the apparel and accessories produced, marketed, and sold worldwide are called **ready-to-wear (RTW)**. As the term implies, the merchandise is completely made and ready to be worn (except for finishing details, such as pants hemming in tailored clothing) at the time it is purchased. In the United Kingdom, this merchandise is called off-the-peg; in France, it is called ***prêt-à-porter***; and in Italy, it is called *moda pronto*. The RTW fashion industry is comprised of businesses that

Figure 1.5
Finished or converted textiles include those that are dyed and printed.

design, produce, and market fashion merchandise, most of which is branded. This merchandise is typically made using standardized sizing and mass-manufacturing processes that require little or no hand sewing. RTW is distinguished from **haute couture** (or **couture**), which refers to fashion products presented in twice-a-year shows in Paris and other cities. Couture garments/products are produced in small quantities, sized to fit individual clients' bodies, made of high-quality fabrics, and use considerable hand-sewing techniques.

RTW fashion brands are designed and marketed as seasonal lines or collections of merchandise. **Lines** or **collections** are groups of styles designed for a particular fashion season (e.g., Fall, Resort, Holiday, Spring, Summer). The primary difference between a line and a collection is the cost of the merchandise—the term collection typically refers to more expensive merchandise. Often name designers will create and offer collections; other companies will create and offer lines.

As with other aspects of the fashion supply chain, clothing, footwear, and other accessories were made by hand until the Second Industrial Revolution, when electric power was used for production and sewing became mechanized. Sewing machine inventions by Walter Hunt (1832), Elias Howe (1845), and Isaac Singer (1846) made it possible for apparel to be produced by machine, thereby speeding up the manufacturing process (Figure 1.6). The sewing machine allowed relatively unskilled immigrant workers to sew garments in their homes as well as in the emerging factories opened for this purpose.

Men's RTW came first because the styling of men's apparel was less complicated than that of women's, and by 1860, a variety of ready-made men's clothing was available. The women's RTW industry, on the other hand, did not expand until the late nineteenth century. The first types of RTW apparel produced for women were outerwear capes, cloaks, and coats. Because these garments fit more loosely than fashionable dresses, sizing was not a critical problem. Women also accepted manufactured corsets, petticoats, and other underwear items, perhaps because this type of clothing was hidden from public view. By the beginning of the twentieth century, RTW skirts and shirtwaists (blouses) were offered for sale. The emerging women's RTW industry was based on the shirtwaist and the popularity of separates—coats, blouses (shirtwaists), and skirts worn by young working women in the cities.

Figure 1.6
Sewing machine inventions provided increased speed in the manufacturing of RTW apparel.

Production of RTW apparel was labor-intensive. A ready supply of immigrant workers spurred the growth of the mass production of apparel in cities such as New York City, and by 1900, approximately 500 shops in New York City were producing shirtwaists. It also became common for manufacturers to use other companies, known as **contractors** and **subcontractors**, for some of their sewing operations. The term **sweatshop** originally referred to the system of contractors and subcontractors whereby work was "sweated off." Later, the term became associated with the long hours, unclean and unsafe working conditions, and low pay of contract sewing factories, as well as with the dismal conditions of home factories, where contract workers sewed clothing. Currently the term is used to refer to a company that violates labor, safety and health, and/or worker compensation laws, or that has work environments that are unsafe, inhumane, or abusive without providing opportunities for workers to organize or negotiate better terms of work. RTW production was divided into two segments:

1. small contract sewing operations, often located in the homes of immigrants, producing lower-priced garments
2. large, company-owned modern sewing factories engaged in the production of better-quality garments

In an effort to improve working conditions, rights, and wages for industry employees, most of whom were young immigrant women, **trade unions** arose in the United States and Europe. In the United States, the International Ladies' Garment Workers' Union (ILGWU), Amalgamated Clothing Worker Union of America (ACWA), and the Textile Workers Union of American (TWUA) were formed. The tragic fire at the Triangle Shirtwaist Co. factory on March 25, 1911, in New York City, in which 146 young women died, brought public attention to the horrid working conditions, while increasing support for the ILGWU.

By the 1920s, mass-produced clothing was available to many people. Most consumers valued new styles and variety more than costly one-of-a-kind apparel. From the 1930s until the 1970s RTW clothing was produced in factories primarily for domestic sales; that is, little was either imported or exported. The growing middle class, particularly in the United States and Western Europe, with varied lifestyles spurred the evolution of casual wear and specialized apparel for sports, leisure activities, and travel. As RTW companies grew, business ownership options expanded, resulting in the emergence of large fashion brand corporations.

The 1980s brought tremendous change to the fashion industry. As labor costs rose and the demand for low-cost trendy clothing resulted in fashion companies searching for a less expensive workforce, a process often referred to as the *search for the cheap needle*. Contract factories, which required little investment to start and employed large numbers of people, emerged in less developed countries with lower labor costs. Fashion companies moved production to meet the demand and reduce labor costs. As a reflection of the Third Industrial Revolution, information technology and streamlined production processes were utilized. For example, by the early 1980s, Nike, Inc., founded in 1972, was using contract factories worldwide. Currently, over 200 countries and territories are involved with importing and exporting textiles and apparel (WITS 2019).

Starting in the mid-1990s, news reports of sweatshop conditions in apparel and footwear factories around the world began to appear. In 1996, clothing with Walmart's *Kathie Lee* brand, named for the television celebrity Kathie Lee Gifford, was found to be made in sweatshops. In 1997 the *NY Times* published an article about environmentally unsafe conditions in Nike's footwear factories in Vietnam. These and other stories created a heightened awareness of the horrific conditions in the factories producing apparel and footwear. Creating more socially responsible supply chains became a priority for many fashion companies. Strategies around corporate social responsibility in fashion supply chains are discussed in greater detail in Chapter 3 as well as throughout the other chapters in the book.

As with other areas of the fashion supply chain, the Fourth Industrial Revolution (Industry 4.0) has brought digital technology to RTW manufacturing, resulting in strategies to streamline production, improve productivity, and reduce the time needed for fashions to move from concept to the retail floor. By the beginning of the twenty-first century, RTW production was characterized by technologies including integrated design and development software, 3-D printing, automation, and robotics (Figure 1.7). Strategies and processes associated with RTW manufacturing are further discussed in Chapters 10 and 11.

FASHION RETAILING AND CONSUMER BEHAVIOR

Retailers are the businesses that make a profit by selling goods and services to the ultimate consumer. Retailers also serve as gatekeepers by narrowing the choices for consumers and providing them with access (through retail outlets) to the merchandise, thus performing an important service to consumers. Successful fashion retailers have a keen understanding of **consumer behavior**, knowing how and why individuals select, purchase, use, maintain, and dispose of fashion products. Marketing research strategies are employed that focus on a fashion retailer's specific target customer. These strategies are discussed in Chapter 7.

The history of fashion retailing parallels the growth of the RTW industry. Until the advent of RTW clothing, fashion retailing focused on selling fabrics and materials to individuals who handmade clothing and

Figure 1.7
Today's RTW apparel factories are increasingly characterized by technologies that enhance automation and integrated systems, as seen in this knitted shirt factory.

accessories. With the availability of RTW clothing and accessories in the mid-1800s, cities saw the development of dry goods stores that later became department stores. These retail stores were owned and operated by the families for which they were named—Marshall Fields, Lord & Taylor, JC Penney, Harrods, Marks & Spencer. In addition, specialty stores emerged that focused on specific types of clothing. For example, Brooks Brothers opened in 1818 in New York City, selling men's clothing as both "makers and merchants in one" (Brooks Brothers Group, Inc. 2019). In most towns and cities, fashion retailers could be found on traditional Main Street (US) or High Street (UK) shopping areas. For consumers in more rural areas, illustrated catalogs were offering a wide variety of goods that could be ordered and delivered. In the United States, companies including Montgomery Ward (established in 1872) and Sears, Roebuck & Co. (established in 1886) created a growing mail-order business for RTW clothing.

Starting in the 1920s, specialty and department retailers came together in the development of the shopping center; with the Country Club Plaza, built in 1922 in Kansas City, Missouri, being the first shopping center catering to automobile drivers. In 1956, Southdale Center, the first enclosed shopping mall in the United States, was built in a suburb of Minneapolis, Minnesota. In Europe and other parts of the world, bazaars and market halls have been around for hundreds of years, but it was not until the 1960s that shopping centers became popular. Enclosed shopping centers provided customers with climate-controlled, secure, accessible, and attractive environments that provided a compilation of retailers (regional or national department stores served as anchors), services, entertainment, and restaurants. To keep costs down, retailers explored the idea of low overhead, self-service, and high-volume stores for apparel and other products. In 1962, S.S. Kresge opened the first Kmart discount store and Sam Walton opened the first Walmart store.

The 1970s saw the beginnings of a new business model of fashion retailing—**fast fashion**, whereby inexpensive trendy clothing was made available to customers quickly and branded with the retailer's name. In 1974, Swedish retailer Hennes & Maritz rebranded itself as H&M (Figure 1.8) and in 1975 the first Zara store opened in A Coruña, Spain. Other fashion retailers soon followed: in 1984 UNIQLO opened its first store in Hiroshima, Japan, and Forever 21 opened its first store in Los Angeles, California. Other retailers adopted the strategy of offering private label branded merchandise either as their only brand, as is the case with SPA, specialty retailer of private label apparel or as part of their brand offerings.

Fashion retailing's next major development was associated with the Fourth Industrial Revolution (Industry 4.0), the onset of digitalization, online shopping, and the blurring of physical and digital retail spaces. In

Figure 1.8
Fast fashion brand H&M includes over 4,400 stores in seventy-one markets around the world as well as forty-seven online markets.

the mid-1990s, technological innovations created the first commercial uses of the World Wide Web with a few products being sold online. For example, Amazon started as an online bookstore in 1994. Retailers continued to add products being offered online and create trust with customers about the online environment for retail transactions. For fashion merchandise, adding visuals, accurate sizing and product information, secure means of payment, and return policies were imperative for success. By the beginning of the twenty-first century, online retailing had become an essential aspect of fashion retailing. New technological developments in website design and seamless integration of brick-and-mortar, online, and mobile technologies has resulted in additional opportunities and challenges for fashion retailers. Applications of artificial intelligence, data analytics, robotics, and autonomous vehicles for product delivery continue to push the fashion industry's transformation. With these changes have come disruptive industries, including the closed-loop systems (e.g., recycling and upcycling materials and textile waste), sharing economy (e.g., growth of fashion resale), and the on-demand economy (e.g., see now, buy now fashion calendar), all of which have impacted the fashion industry (Schwab 2016). These will be discussed in great detail in later chapters.

SUPPORT INDUSTRIES—MEDIA AND TRADE ASSOCIATIONS

A number of industries are integrally connected with the fashion supply chain and have evolved in parallel with the sectors of the fashion supply chain. Think about all of the products and services necessary for textiles, RTW, and fashion retailing to exist—business operations including human resources, information technology, finance and accounting, and legal services as well as industries, including transportation, packaging, fixtures and mannequins, and fashion show production, just to name a few. It is beyond the scope of this book to discuss all of the auxiliary industries of the fashion supply chain, although they will be noted as appropriate throughout. This section, however, focuses on three key industries that are directly related to the evolution of the fashion supply chain: consumer publications and media, trade publications and media, and trade associations.

Consumer Publications and Media in the Fashion Industries

Beginning with *Vogue*, first published in 1892, consumer publications, specifically fashion magazines, have provided consumers with up-to-date fashion information and helped spur their desire for new fashions. As RTW industry grew, so did the desire by consumers for fashion information. Several fashion magazines debuted in the 1930s, each catering to a particular segment of consumers. *Mademoiselle*, established in 1935, and *Glamour*, first published in 1939 as *Glamour of Hollywood*, catered to fashionable college coeds and young working women. *Esquire*, first published in 1933, was designed to enlighten men about the world of fashion and elegance. For decades, paper magazines filled with the latest fashion trends from around the world were delivered to consumers each month. With the advent of digital formats of traditional fashion magazines (e.g., Vogue.com) as well as digital fashion magazines through platforms such as Pinterest and Issuu, consumers now access fashion news as it happens and share it on social media. Chapter 12 discusses in greater detail the role digital communications, social media, and social media influencers (opinion leaders and change agents) in marketing fashions.

Trade Publications and Media in the Fashion Industries

Whereas the target market for consumer publications and media are the ultimate consumers of fashion, the target market for **trade publications** and other media are professionals in the various industry sectors that make up the fashion supply chain. Trade publications in the fashion industries are as old as the industry itself; with two daily newspapers leading the way: *Daily Trade Record* (menswear), established in 1892, and *Women's Wear Daily*, established in 1910.

Today, trade publications in the fashion industries, most typically print and/or digital magazines, newspapers, and newsletters, provide professionals with industry news, new strategies being implemented, industry leader profiles, and other newsworthy items. (Table 1.2 lists trade publications in the fashion industry.) Daily digital feeds, weekly newsletters or news summaries, and monthly magazines allow industry professionals to keep up with current trends, technologies, and business strategies.

Table 1.2 Selected Trade Publications for the Global Fashion Industry

Publication	Description	Web Address
Apparel Magazine	Targeted to apparel and soft goods businesses. Focus on business and technology.	apparel.edgl.com/home
The Business of Fashion	Targeted to fashion creatives, executives, and entrepreneurs, BOF covers all areas of the global fashion industries.	www.businessoffashion.com/
California Apparel News	Covers fashion industry news with an emphasis on regional companies and markets on the West Coast.	www.apparelnews.net/
Earnshaw's Magazine	Targeted to retailers of fashion and accessories for newborns and young children.	www.earnshaws.com/
FN	Footwear news, fashion trends, and business strategies for footwear manufacturers and retailers.	footwearnews.com/
Home Textiles Today	Focuses on marketing, merchandising, and retailing of home and textile products.	www.hometextilestoday.com/
Sourcing Journal	Resource for news, commentary, and analyses on the global fashion industries.	sourcingjournal.com/
Stores	Provides information of general interest, as well as reports on electronic commerce, loss prevention, and computer software and hardware.	nrf.com/connect-us/stores-magazine
WWD	Covers international news in the men's, women's, and children's fashion industry for retailers and manufacturers. Also covers textiles, accessories, and fragrances, in addition to apparel.	wwd.com

Trade Associations in the Fashion Industries

Trade associations in the fashion industries are organizations founded and funded by companies and/or organizations in specific industry sectors and are established to promote their industry sectors, advocate for legislation that benefits the industry, conduct market research, sponsor trade shows, and develop and distribute educational materials related to their industry sector (Figure 1.9). Trade associations can be found through the sectors of the fashion industries and around the world. Some focus on industry sectors within a specific country; whereas others have members from multiple countries.

Trade associations in the textile industry, including Cotton Incorporated, the American Wool Council, the Mohair Council of America, and the Cashmere and Camel Hair Manufacturers Institute (CCMI), are supported by natural-fiber producers and promote the use of the natural fibers through activities such as research, educational programs, and advertising on television, and in trade and consumer publications (Figure 1.10).

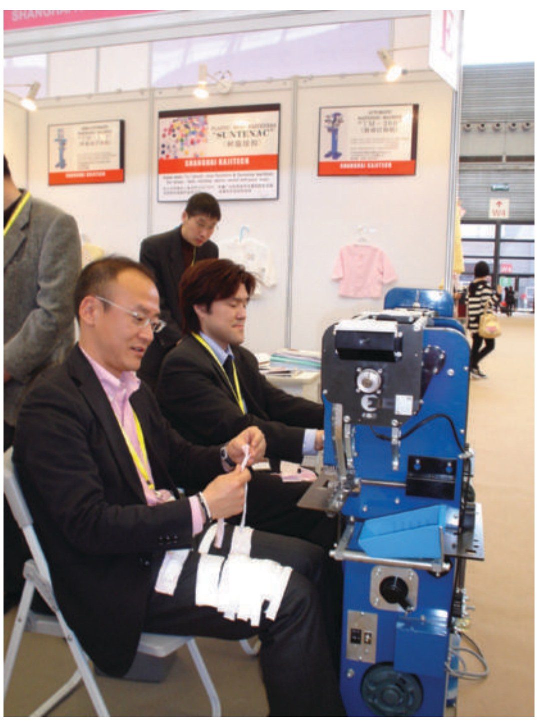

Figure 1.9
Trade associations sponsor trade shows where newest technologies are presented and demonstrated.

Through these activities, natural-fiber trade associations have become an important support arm for the fashion industries, and strong relationships have developed between the trade associations and the companies that use natural fibers. The National Council of Textile Organizations (NCTO) has a broader mission: It represents the entire spectrum of the textile sector, including fiber producers, textile mills, and other textile suppliers. The NCTO is highly involved with lobbying efforts in Washington, DC, on the behalf of the US textile industry.

For the RTW industry, one of the largest of trade associations in the United States is the American Apparel & Footwear Association (AAFA). Representatives of member companies and other professionals in the industry are active in AAFA committees and policy advocacy around three current priorities: brand protection, supply chain compliance, and international trade. The UK Fashion and Textile Association (UKFT) is composed of over 2,500 companies representing all aspects of the British fashion and textiles industries, including designers, manufacturers, agents, and retailer. The European Apparel and Textile Confederation (EUROTEX) is a consortium of federations within the European Union focused on promoting the textile and clothing industries, conducting research, and providing support for companies engaged in sustainable production and free and fair trade. The Asian Fashion Federation (AFF) is a consortium of six countries (China, Japan, Korea, Singapore, Thailand, and Vietnam) whose mission is to promote Asian fashion industry and enhance trade. Other trade associations focus their efforts on specific sectors of the fashion industry, such as textiles, design, accessories, and retailing, to name just a few (Table 1.3).

Figure 1.10
Cotton Incorporated is a trade association that supports the cotton industry including the use of the cotton trademark.

Table 1.3 Selected Trade Associations in the Global Fashion Industry	
Trade Association	**Web Address**
Accessories Council	www.accessoriescouncil.org
American Apparel and Footwear Association (AAFA)	www.aafaglobal.org/
Americas Apparel Producers' Network (AAPN)	www.aapnetwork.net/
American Association of Textile Chemists and Colorists (AATCC)	www.aatcc.org/
Asian Fashion Federation	www.asiafashionfederation.org/
Brazilian Textile and Apparel Industry Association (ABIT)	www.abit.org.br/
Canadian Apparel Federation (CAF)	www.apparel.ca
Cotton Incorporated	www.cottoninc.com/
Council of Fashion Designers of America	www.cfda.com
Fashion Design Council of India	www.fdci.org/
Fashion Footwear Association of New York	www.ffany.org/
Fashion Revolution	www.fashionrevolution.org/
International Apparel Federation	www.iafnet.eu
International Association of Clothing Designers and Executives	www.iacde.net
International Formalwear Association	www.formalwear.org/
International Glove Association	www.iga-online.com
International Textile Manufacturers Federation	https://www.itmf.org/
Japan Fashion Association	www.japanfashion.or.jp/english/
Korea Fashion Association	www.koreafashion.org/english/intro/intro_greet.asp
National Council of Textile Organizations	www.ncto.org/
National Retail Federation	www.nrf.com
Sports and Fitness Industry Association	www.sfia.org
Sustainable Apparel Coalition	www.apparelcoalition.org
Textile Council of Hong Kong	www.textilecouncil.com/
Vietnam Textile and Apparel Association (VITAS)	http://www.vietnamtextile.org.vn/

SUMMARY

The global fashion supply chain is a network of large and small businesses that design, manufacture, merchandise, and market textiles, apparel, and related fashions for consumers around the world. The term *design* is used as both a noun and a verb; that is, both a product and a practice. Design is a systematic and user-centered process that results in products that reflect the values of the designer(s) in relation to those exhibited by culture, society, and time. *Merchandising* refers to the management processes related to buying and selling fashion products; that is, product assortment planning, acquisition, pricing, presentation, and sales to fulfill a company's financial goals. *Manufacturing* refers to the physical making of fashion products throughout the fashion supply chain, including the manufacturing of textiles, garments, and accessories. *Marketing* describes the management process that connects product offerings with the values, wants, needs, and behaviors of customers.

The fashion supply chain is composed of the textiles industry, the ready-to-wear fashion industry, and the retailing industry. The textile industry is organized around four basic components of textile production: fiber processing, yarn spinning, fabric production, and fabric finishing. Fibers comprise the basic unit used in making textile yarns and fabrics and can be divided into two primary divisions: natural fibers and manufactured fibers. Yarns are the collection of fibers or filaments laid or twisted together to form a continuous strand strong enough for use in fabrics. Fabric construction or fabrication processes include making fabrics from solutions (e.g., films, foam), directly from fibers (e.g., felt, nonwoven fabrics), or from yarns (e.g., braid, knitted fabrics, woven fabrics, and lace). Dyeing and finishing the fabric are the final steps in the textile production process. Fibers, yarns, fabrics, and garments themselves can be dyed and finished.

Most of the apparel and accessories produced, marketed, and sold worldwide are called ready-to-wear (RTW). As the term implies, the merchandise is completely made and ready to be worn (except for finishing details, such as pants hemming in tailored clothing) at the time it is purchased. The RTW industry has traditionally been labor-intensive with large and small factories manufacturing fashion items. Throughout the history of RTW, consumer demand for low-cost trendy fashions has resulted in the use of contract factories, which required little investment to start and employ large numbers of people. Today's RTW industry is characterized by increased use of technology to streamline production, improve productivity, and reduce the time needed for fashions to move from concept to the retail floor.

Fashion retailers are the businesses that make a profit by selling fashion goods and services to the ultimate consumer. Successful fashion retailers have a keen understanding of consumer behavior, knowing how and why individuals select, purchase, use, maintain, and dispose of fashion products. The growth and evolution of fashion retailing have paralleled the RTW industry.

A number of industries are integrally connected with the fashion supply chain and have evolved in parallel with the sectors of the fashion supply chain.

Consumer publications include fashion magazines and other media tailored to the ultimate consumer. Trade publications focus the global fashion industry and are used by professionals throughout these industries. Examples include *WWD*, *just-style.com*, and *Apparel*. Trade associations in the fashion industry promote, advocate for, conduct market research, sponsor trade shows, and develop and distribute educational materials related to various segments of the industries. Examples include Cotton Inc., American Apparel & Footwear Association, and the Asian Fashion Federation.

KEY TERMS

collection
consumer behavior
contractor
converted textile
couture
design
fabric construction
fabrication
fashion
fast fashion
fiber
filament yarn

finished textile
finishing
generic family
greige goods
haute couture
line
marketing
merchandising
prêt-à-porter
ready-to-wear (RTW)
retailer
soft goods
spun yarn
subcontractor
supply chain
sweatshop
textile
textile converter
textile mill
trade association
trade publication
trade union
value chain
yarn

DISCUSSION QUESTIONS AND ACTIVITIES

- In your own words, define *design*. How is design reflected throughout the fashion supply chain?
- Look in a historic costume book, and select a fashion from at least 15 years ago. What social and technological developments were necessary for the design, manufacturing, marketing, and retailing of the fashion?
- In what ways did the development and growth of the textile, RTW, and fashion retailing industries parallel each other? What were the major advancements needed for the global fashion supply chain to evolve?
- Go to the websites of three trade publications in the global fashion industries. Who are the target customers for each of the trade publications? What types of information are included in the trade publications? How might this information be useful to professionals in the industry?

CASE STUDY

Historical Context of Fashion Brands

To be successful over time, fashion brands must continually adapt to changes in interrelated aspects of society: technologies, consumer demands, government regulations, and social parameters. Thus, an in-depth analysis of how a particular fashion brand changed over time can reveal the importance of understanding the historical context of fashion brands. Historical analysis includes the use of *primary sources* of information. A primary or original source is one that was created at the time being studied. In fashion history, primary or original sources include artifacts (actual articles of clothing or accessories); documented photographs of individuals at the time; newspaper or magazine articles and/or advertisements; video recordings; and interviews, journals, or diaries of people who lived at the time. Typically, when conducting historical analysis, several primary sources are used to validate the accuracy of the analysis. In this case study, you will use at least three primary sources to conduct a historical analysis of a fashion brand that has been in operation at least forty years.

Historical Analysis

1. Select a fashion brand that has been in operation for at least forty years. Examples include Levi Strauss & Company, Brooks Brothers, Woolrich, Timberland, Pringle of Scotland, adidas, Calvin Klein, Canada Goose, Nike, Gucci, Tiffany, Pendleton Woolen Mills, Fendi, Louis Vuitton, and Burberry.
2. Using at least three primary or original sources, conduct a historical analysis of the brand, including a historical overview of the brand; the major changes in technologies, consumer demands, government regulations, and social parameters that affected the fashion brand; and how the fashion brand adapted to these changes. Note: You may also use valid and reliable secondary sources (e.g., books written about the

time period, published research about the time period), but at least three of your references must be primary sources.

- Provide an overview of the history of the brand, including when and where it started and by whom, major changes or milestones in the fashion brand over time, and its current organization and operation. Include and cite at least five images of the fashion brand over time that effectively represent the changes that occurred with the brand.
- Describe major changes in technologies, consumer demands, government regulations, and social parameters that affected the fashion brand over time, and explain how the fashion brand adapted to these changes.

3. Given this historical analysis, why do you believe the brand has remained popular for such a long time? Provide at least three reasons and a justification/rationale for these reasons.

4. Cite primary and secondary resources used in your analysis.

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CHAPTER 2

Missions, Objectives, and Competitive Strategies of Fashion Businesses

IN THIS CHAPTER, YOU WILL LEARN THE FOLLOWING:

- missions and objectives of fashion brand companies
- definitions of brand, brand identity, brand positioning, and brand image
- classifications of fashion brands
- the ways in which businesses within the fashion industries compete
- the organizational structure of fashion brand companies

MISSIONS OF COMPANIES IN THE FASHION INDUSTRY

Why does a fashion brand company exist? To provide meaningful employment and contribute to the economic development of communities and countries? To create and distribute products to meet the needs of a particular group of customers? The answers are *yes*. All successful companies have a defined **mission** that is implemented through their business activities. The mission of a fashion brand company defines its function in society, products and services, target customers, and advantages over its competitors—in other words, why it exists. As part of its business plan and strategic planning process, a successful fashion brand company will articulate its specific mission through a mission statement and then align its goals, objectives, and organizational structure and strategies with its mission.

Mission Statements

The **mission statement** of a fashion brand company is a brief description of the company's fundamental purpose for its customers and society—it answers the questions "who are we as a company?" and "what do we offer our customers and society?" It is used as the starting place for both internal decision-making and external communications. Effective mission statements can bring focus to a company's strategies and convey the company's sense of purpose both internally and externally. The best way to understand mission statements is to review examples of effective mission statements of fashion brand companies.

- Everlane: We believe we can all make a difference. Our way: Exceptional quality. Ethical factories. Radical Transparency. At Everlane, we want the right choice to be as easy as putting on a great T-shirt. That's why we partner with the best, ethical factories around the world. Source only the finest materials. And share those stories with you—down to the true cost of every product we make. It's a new way of doing things. We call it Radical Transparency (Everlane, 2019).
- Nike: Our Mission: Bring inspiration and innovation to every athlete* in the world. *If you have a body, you are an athlete (Nike, Inc., 2019).
- Stella McCartney: We are committed to operating a modern and responsible business. We are agents of change. We challenge and push boundaries to make luxurious products in a way that is fit for the world we live in today and the future: beautiful and sustainable. No compromises. Each decision we make is a symbol of our commitment to defining what the future of fashion looks like. From never using leather or fur and pioneering new alternative materials to utilising cutting edge technologies, pushing towards circularity, protecting ancient and endangered forests and measuring our impact with ground-breaking tools (Stella McCartney, 2019).
- PrAna: We are prAna. Born in California, raised by experience. We strive to make clothes that help you thrive in any environment and embody your adventurous spirit, so you can focus on what really matters. Whether you're commuting to work or wandering the globe, rest assured we've been there and have used those moments to design a better product. prAna – Clothing for Positive Change (prAna, 2019). (Figure 2.1).
- Kit and Ace: For people that move in cities that move. We build technical apparel for the modern commuter – the people who value the functional details of cycling gear and the technical properties of athletic wear. We're here to solve problems for professionals on the move. Our benchmark is the bike – if it functions on two wheels, it functions anywhere. We sit down with real people to find solves for the things that are getting in your way. We seek out the problems hidden in everyday clothes, and then we design solutions for those pain points—and we make the solutions beautiful. In every design decision, comfort is a non-negotiable. We search the globe for the best technical fabrics. We add extra features that you wouldn't expect from your streetwear—like water repellency, quick-dry and moisture wicking properties, hidden reflectivity, stretch and breathability. Like the people we design for, our team is in a constant forward motion—testing, trying, growing. Through our own evolution, we're also learning what you need to keep moving forward. It's clothing that takes you from home, to your bike, to your office

Figure 2.1
Owned by Columbia Sportwear Inc., prAna brand has a mission of being "clothing for positive change."

> and back again. We're listening, looking and asking questions so we can find big opportunities and little moments to make your life easier. This is Kit and Ace (Kit and Ace, 2019).

Aligning Mission Statements with Business Strategies

Aligning business strategies with a company's mission is imperative for authentic and effective internal decision-making and both internal and external communications. For example, the mission statement of fashion brand, Eileen Fisher (2019), is

> Our purpose is to inspire simplicity, creativity and delight through connection and great design. We make ethical, timeless clothes designed to work together, wear effortlessly and be part of a responsible lifecycle.

Eileen Fisher's production development, sourcing and production decisions, workplace culture decisions, and profitability are then aligned with this articulated mission and values. Similarly, adidas Group (2018) articulates its mission, corporate strategy and strategic choices as aligned decisions and implemented strategies (Table 2.1).

GOALS AND OBJECTIVES OF COMPANIES IN THE FASHION INDUSTRY

With an articulated mission statement and strategic priorities and/or values that align with the mission, the company is now set to describe goals and objectives for a particular time period, typically annually or biannually. As part of the planning process, these goals and objectives create a culture of accountability for the company. Both goals and objectives used as the basis for evaluating performance and creating or adapting company policies and strategies. As with the outline of strategic priorities and/or values, a success company's goals and objectives align with the company's mission.

Business Goals

Business goals are *what* the fashion brand company expects to accomplish in a particular time period. Business goals change over time as a fashion brand company grows and evolves. Business goals may be related to benefits for the company itself, benefits for its employees, and/or related to benefits for its customers or society. For example, a new fashion brand company

Table 2.1 Example of Mission, Corporate Strategy, and Strategic Choices Alignment: adidas

ON A CLEAR MISSION

We want to be the best sports company in the world. What does that mean? Well, to us 'best' means that we design, build and sell the best sports products in the world, with the best service and experience, and that we do so in a sustainable way. But 'best' is also what our consumers, athletes, teams, partners, media and shareholders say about us.

WITH A SOLID PLAN

'Creating the New' is not only the attitude that leads us into the future, it is also the name of our strategic business plan until the year 2020 to accomplish our mission. At the core of Creating the New stands our ambition to further drive top- and bottom-line growth by significantly increasing brand desirability. We therefore focus on our brands as they connect and engage with our consumers – adidas and Reebok.

We know that, in order to be successful, we need to get closer to our consumers than ever before. To achieve that, our plan is based on three strategic choices: Speed, Cities and Open Source. But ultimately, Creating the New has its powerful foundation in our unique corporate culture. We have great talents in our organization who work with passion for sports and our brands. It is our people that bring our strategy to life and make the difference in achieving our long-term goals.

OUR STRATEGIC CHOICES

Our business plan is built around three strategic choices that will enable us to focus even more on our consumers:

- **Speed – How we deliver:** Putting our consumers at the heart of everything we do and serving them in the best possible way means that we need to ensure that they always find fresh and desirable products where and when they want them. We will become the first true fast sports company.
- **Cities – Where we deliver:** Urbanization continues to be a global megatrend. Most of the global population lives in cities. Cities are shaping global trends and consumers' perception, perspectives and buying decisions. We have identified six key cities in which we want to over-proportionally grow share of mind, share of market and share of trend: London, Los Angeles, New York, Paris, Shanghai and Tokyo.
- **Open Source – How we create:** This is all about collaboration and innovation. About learning and sharing. We are opening the doors of our brands inviting athletes, consumers and partners to co-create the future of sport and sports culture with us.

Source: adidas Group (2019).

may have a business goal of being profitable in two years; an established fashion brand company may have a business goal of increasing market share among competitors. Fashion brand companies may also have goals related to its employees such as increasing professional development opportunities for its employees. Fashion brand companies may also have business goals related to benefits to society such as reducing the environmental impact of their products or of providing the highest quality products made in fair and responsible factories.

Effective business goals are realistic yet aspirational, with decision makers in the fashion company taking into account the company's mission, overall business environment, competition, changes in the characteristics of the target customer, technological advancements, and other trends when setting business goals. Business goals provide specific direction for a company to accomplish both business and social objectives.

Business Objectives

Within the business plan of a fashion brand company and aligned with business goals are business objectives. The **business objectives** of a fashion brand company are *how* the company will achieve the goals that benefit the company, including measurable targets. For example, with a goal being profitable in three years, a new fashion brand company may outline specific objectives needed to achieve this goal—create a business plan in the first three months, identify ten potential investors within the first six months, raise $100,000 in the first year, and so forth.

Social Objectives

Within the business plan of a fashion brand company and aligned with business goals are also the company's social objectives. **Social objectives** of a fashion brand company are *how* the company will achieve its goals that benefit its employees, customers, and/or society, including measurable targets. For example, with a goal of reducing the environmental impact of its products, a fashion brand company may outline specific objectives needed to achieve the goal—create an environmental sustainability plan, research materials that have the least impact on the environment, partner with suppliers of environmentally responsible materials, and so forth.

In some cases, the social objectives of a fashion brand company are equal to their business objectives. The term **social enterprise** describes these businesses and organizations "that address a basic unmet need or solve a social problem through a market-drive approach" (Social Enterprise Alliance 2018). Many fashion brand companies are social enterprises and are categorized by how their business and social objectives align with each other (Burns 2019):

- business and social objectives are directly aligned (e.g., companies such as Sseko Designs with production facilities in Uganda, Africa, providing needed employment and educational scholarships for women employees).
- business and social objectives overlap (e.g., companies such as TOMS' one-for-one program).
- business and social objectives are unrelated (e.g., companies such as Conscious Step, whereby for every pair of socks purchased from Conscious Step, they donate to one or more of their nonprofit organization partners, including Action Against Hunger, Global Citizen, and Water.org; Figure 2.2).

FORMS OF COMPETITION IN THE FASHION INDUSTRY

A business goal of every company in the fashion industry is to earn a profit by providing products and/or services that are desired by the ultimate consumer. However, many companies are vying for the consumer's business. As such, fashion brand companies compete with one another for **market share**, the percentage of total volume (dollar or unit) a particular company or brand captures. Fashion brand companies are involved in one or more types or systems of competition and thus compete on the basis of factors related to these systems.

Types of Competition

Five primary types of competition or market systems exist among companies in countries that adhere to market economies. In general, these systems are based on the number of sellers there are in a particular market. All are briefly explained although not all are typical within the fashion industries.

Figure 2.2
As a social enterprise, Conscious Step makes a donation to one or more nonprofit organizations for every pair of socks purchased.

1. monopoly
2. oligopoly
3. oligopsony
4. pure or perfect competition
5. monopolistic competition

In a **monopoly**, one company typically dominates the market and thus can price its goods and/or services at whatever level it wishes. Because a monopoly essentially eliminates or drastically reduces competition, federal laws prohibit companies from buying out their competition and, in effect, becoming a monopoly. Only essential services, such as utilities, can legally operate as monopolies in today's market, and the prices they charge are heavily regulated by the government.

In an **oligopoly**, a few companies dominate and essentially have control of the market, thereby making it difficult for other companies to enter. The dominant companies compete among themselves through product and service differentiation and advertising. Although oligopolies are not illegal, the dominant companies are not permitted to set artificial prices among themselves. In many ways, the athletic footwear industry can be considered somewhat of an oligopoly because it is dominated by a few companies. Key players include Nike, adidas AG, Skechers, ASICS, Fila Inc., Under Armour, Inc., New Balance Athletics, Inc., and Puma SE. As such, they compete for overall market share through performance and design innovations, fashion styling, and associations with celebrity endorsers.

Oligopsony exists when there are a small number of buyers for goods and services offered by a large number of sellers. This type of competition is most often found in agricultural products (e.g., cocoa) when numerous growers sell to a limited number of buyers worldwide.

In **pure competition**, or **perfect competition**, there are many producers and consumers of similar products, so price is determined by market demand. The market for agricultural commodities, such as cotton or wool, is the closest to pure competition that can be found in the textile and apparel industries. In these cases, the price for the product—raw cotton or wool—is determined by supply and demand of the commodity, although government regulations and branding of commodity goods can affect the supply and demand. Supply and demand for cotton are estimated two years in advance. Cotton supplies can be affected by weather conditions, production yield, trade negotiations, legislation, and other factors that affect how many bales of cotton are produced. When supplies are high and demand is stable or low, prices of cotton can decrease. When supplies are low and demand high, prices of cotton can increase.

The most common form of competition in the fashion industry is **monopolistic competition**, in which many companies compete in a certain product type, but the specific products of any one company are perceived as unique by consumers. For example, many companies produce brands of denim jeans including Levi's®, Wrangler, 7 for All Mankind®, DIESEL®, G-Star Raw, Nudie Jeans, Joe's, True Religion, and AG. However, through product differentiation, advertising, distribution strategy, and pricing, each company has created a unique image. By creating this unique image in consumers' minds, each company has, in some respect, a monopoly in its specific product and, therefore, has some control over price. A consumer who wants only G-Star Raw jeans and seeks out that particular brand may be willing to pay a premium for that brand (Figure 2.3).

Figure 2.3
In a monopolistic competition, G-Star Raw differentiates itself from other denim brands so that consumers will seek it out.

Competitive Strategies

Companies compete in a number of ways that, in part, determine their business strategies. Companies typically compete on any of the following bases:

- the *price* of the merchandise to the retailer or consumer
- the *quality* of the design, fabrics, and construction
- *innovation*—how unique or fashionable the merchandise is
- *services* offered to the business customer or ultimate consumer
- *social benefit of the merchandise*—how the company or brand creates a lasting benefit to the environment or society through the design, production, and/or distribution of the merchandise
- a combination of these factors

In monopolistic competition, the most common type of competition in the fashion industry, each company must create a perceived difference between its product and the competition's products through one or more of the factors listed above. In these ways, consumers associate a company's goods with a particular unique image. Examples include

- The product is differentiated by design characteristics.
- The company uses advertising to create public awareness of its brand name, logo, and/or trademark.
- The company acquires the use of a well-established brand name, trademark, or other image through licensing programs.
- A retailer creates **private label brand** merchandise that is unique to its store and differentiates itself from other retailers. Examples of private label brands are Harrods Private Brand (Harrods), Arizona (JCPenney), Halogen and Caslon (Nordstrom), and Charter Club and INC International Concepts (Macy's).
- A specialty store offers only private label merchandise, thus becoming a **specialty store retailer of private label apparel (SPA)**. Examples of SPAs are Gap, Banana Republic, UNIQLO, Zara, H&M, and Ann Taylor.
- A fashion brand company creates an effective brand community through digital engagement and/or experiential activities.
- A fashion brand company expands services to consumers through their retail stores and websites. For example, Nudie Jeans offers repair shops in their retail stores whereby customers can have their jeans hemmed or repaired (Figure 2.4).

When implemented effectively, a fashion brand company's mission, business goals, objectives, and strategies align to uniquely position the brand among its competitors. For example, SPA fashion brand, UNIQLO (2019), competes with other SPA brands through innovation, design, and sustainability initiatives.

Figure 2.4
Nudie Jeans differentiates itself through offering services, such as repair shops in their retail stores.

Mission Statement:

UNIQLO LifeWear: Simple Made Better

This is LifeWear. Who you are, what you believe in: that's what you wear every day. And that is what we make clothing for. Welcome to a new way of apparel. Apparel that comes from our Japanese values of simplicity, quality and longevity. Designed to be of the time and for the time. Made with such modern elegance that it becomes the building blocks of your style. A perfect shirt that is always being made more perfect. The simplest design hiding the most thoughtful and modern details. the best in fit and fabric made to affordable and accessible to all. Clothing that we are constantly innovating, bringing more warmth, more lightness, better design, and better comfort to your life. It never stops evolving because your life never stops changing. Simple apparel with a not-so-simple purpose: to make your life better.

With a commitment to sustainability, UNIQLO (2019) launched the All Product Recycling Initiative in 2006, collecting items at their stores and delivering them to people in need around the world through partnerships with organizations including The UN Refugee Agency, JRCC, and St. Vincent de Paul Society San Francisco (Figure 2.5).

Figure 2.5
UNIQLO's commitment to sustainability is implemented, in part, through their All Product Recycling Initiative.

BRAND STRATEGIES IN THE FASHION INDUSTRY

We can all think of famous fashion brands—Chanel, Ralph Lauren, Levi's, Nike, H&M, and Zara. These brand names create images in the minds of consumers—images that influence their decision to purchase the brand. As such, effective brand development and implementation strategies are important for the success of fashion brand companies.

Creating, Developing, and Implementing a Brand Strategy

A **brand** is "an entity with a distinctive idea expressed in a set of functional and experiential features with a promise of a value reward relevant to its end user and in economic return to its producers (through the building of equity). Brands have meanings to the consumer that include both functional and experiential aspects of the product carrying the brand (Davis 2009; Hancock 2009). A successful brand has a strong identity (mentally and physically), is innovative, consistent, competitively positioned, and holds a matching positive image in the consumer's mind" (Hameide 2011, pp. 5–6). Key aspects identified by Hameide (2011) in this definition include brand distinction, promise of a value, brand identity, innovation, consistency, positioning, and image. Think of your favorite **fashion brand**. How does this brand name reflect these key aspects?

What process do fashion brand companies use in creating a brand? They start with a **brand strategy** (Davis 2009) that outlines the company's mission, target customer (audience for the brand), and competitors (to create brand distinction). Marketing research is conducted to understand views of consumers' and other stakeholders in formulating the brand strategy (discussed in greater detail in Chapter 7). Next, they conduct a process of **brand positioning**, or how the company positions its brand on key characteristics as compared to its competitors. Brand managers and/or merchandisers for fashion brand companies will use brand positioning processes to analyze how their brand compares with competitors—and more importantly, how their brand is different from competitors on characteristics important to the target customer. **Brand differentiation** results in creating distinct brand images in the minds of consumers. For example, Figure 2.6 shows a brand position map of women's swimwear.

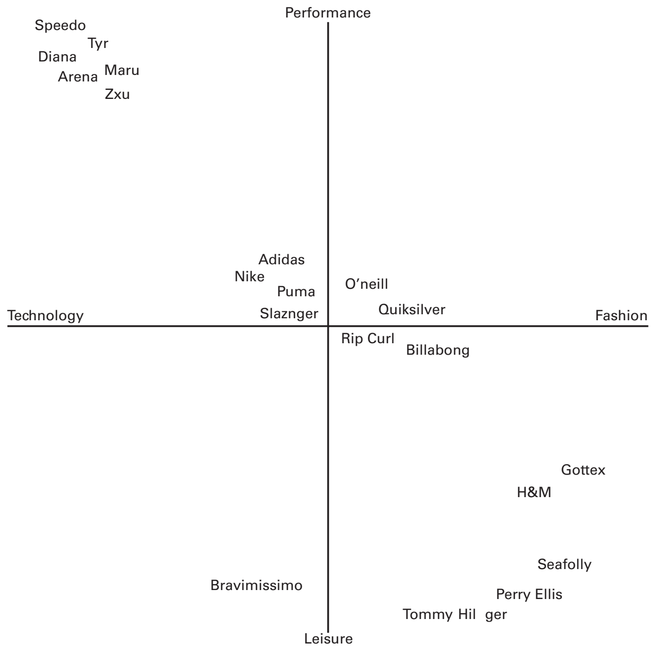

Figure 2.6
Example of a brand positioning map for women's swimwear.

The brand development stage is next, by which designers and writers create the **brand identity**, including the "look, feel, and meaning" of the brand, including name, logo, and language used in portraying the brand in company-controlled communications with the consumer. The symbols of brand identity including the brand name, typography/font, graphics, logo, trademark, specific colors, and packaging (Hameide 2011). More specifically, a **logo** is an identifiable graphic design, stylized name, or other symbol used to represent a fashion brand. Logos and other symbols are used individually or in combination to convey the "look, feel, and meaning" of the brand (Figure 2.7).

Brand identity implementation involves communicating the brand. Effective brand identity implementation involves using these symbols consistently and throughout the fashion brand company's signage, advertising, digital presence, and any other communications. Consumers create a **brand image** in their minds based on their experiences with the brand and their attention and interpretation of the company's marketing and advertising efforts. Thus, brand identity and brand image are not necessarily the same thing. Think again about your favorite fashion brand. What is the brand image for this brand? How do you think this brand differentiates itself from its competitors?

Fashion Brand Price Zones

Fashion brands use a pricing strategy to position their lines around a **price zone** or **price point** for a line. These categories are based on either the suggested retail price of the merchandise or the approximate wholesale price of the merchandise. Some fashion brand companies use a **brand tier** strategy by which they offer separate brands, each focusing on a particular price zone.

Figure 2.7
H&M's logo is distinctive through its stylized name, font, and color.

- *Luxury or Designer*: The luxury or designer price zone is the most expensive in ready-to-wear. It includes collections of designers, such as Louis Vuitton, Vera Wang, Giorgio Armani, and Chanel, as well as brands that sell merchandise at the luxury level, including Burberry and St. John Knits and jewelry brands such as Tiffany.
- *Bridge*: Brands at the bridge price zone traditionally fall between designer and better price zones. These may include designers' less expensive brands, sometimes called **diffusion brands** or **diffusion lines** (e.g., Armani Collezioni), or those brands that are situated between designer and better price zones (e.g., Eileen Fisher).
- *Better*: Brands in the better price zone include internationally known brand names (e.g., DKNY, Nike), many SPA brands (e.g., Banana Republic), and department store private label merchandise (e.g., Nordstrom's Caslon private label brand).
- *Moderate*: Brands in the moderate price zone include nationally known activewear brands (e.g., Hanes, Champion), private label brands or SPA brands (e.g., JCPenney's Arizona brand, Gap) and less expensive brands of companies that also produce merchandise in other price zones (e.g., Calvin Klein sport).
- *Budget* or *mass*: Found primarily at mass merchandisers and discount stores, brands at the budget price zone are the least expensive. Budget brands include SPA brands with low prices as a competitive strategy (e.g., Old Navy) and private label merchandise for discount stores (e.g., Walmart's Time and Tru private label brand).

Fashion Brand Classifications

In addition to price zone categories, fashion brands fall into one or more of the following categories of brands. These categories are not mutually exclusive. That is, a luxury brand may also be considered a lifestyle brand.

- *International designer or luxury brands*: **Designer** or **luxury brands** are typically at the designer or luxury price zone and associated with high quality and prestige. Numerous lists of top luxury brands exist. However, these lists consistently include the following brands: Louis Vuitton, Hermès, Gucci, Chanel, Prada, Burberry, Tiffany & Co, Dolce & Gabbana, Georgio Armani, and Fendi (Figure 2.8).
- *National/local designer or luxury brands*: Some designers have more local or national recognition. These brands are also at the luxury price zone and focus on high quality but may not have the same international reputation as the international designer or luxury brands. For example, the luxury brand Michelle Lesniak, named for the winner of Season 11 of *Project Runway*, is well-known in the Portland, Oregon, area where this designer's studio and boutique are located.
- *International name brands*: Some companies have established international recognition as a brand name. Examples include companies such as Nike, adidas, Roots, and Timberland.

Figure 2.8
Hong Kong's Ocean Centre shopping guide identifies the luxury brands available.

- *Sub-brands*: Many large fashion companies own several brands. **Sub-brands** are affiliated with the parent company but carry a different brand name than the parent company. For example, H&M Group owns sub-brands including COS, Weekday, Monki, and ARKET (Figure 2.9).
- *Wholesale brands*: Historically, all fashion brands were sold to multi-brand retailers (e.g., Macy's, Nordstrom) through the wholesale market. With the introduction of private label brands and direct-to-consumer marketing, not all brands are sold at wholesale. However, wholesale brands are those that are sold through the wholesale market; many of which are also sold through direct-to-consumer marketing. These brands include Levi's, Nike, Ralph Lauren, Calvin Klein, and Tommy Hilfiger, just to name a few.

Figure 2.9
ARKET is a sub-brand of H&M Group with a mission to "democratize quality through widely accessible, well-made, durable products, designed to be used and loved for a long time."

- *Private label brands*: As described earlier in this chapter, a private label brand is specific to a particular retailer that oversees the design and marketing of the brand.
  - *Department store private label brands*: Examples include JCPenney's private label brands Collection by Michael Strahan and Peyton and Parker; Kohl's private label brands Croft & Barrow and Jumping Beans; Macy's private label brands Hudson Park and Alfani.
  - *Exclusive licensing brands*: Examples include Target's exclusive license with Shaun White shoes and clothing and their GO International program that has featured exclusive licenses with designers including Luella Bartley, Tracy Feith, and Zac Posen.
  - *SPA brands:* As previously discussed, one type of private label brand is the SPA (specialty store retailer of private label apparel) brand. In these cases, the retailer and the brand are one and the same and so are sometimes referred to as **store brands**. Examples include Gap, Banana Republic, and A&F.
  - *Fast fashion SPA*: One type of SPA retail brand is the **fast fashion brand**. Fast fashion companies are characterized by their low prices, fashion trends, and short time from concept to retail. Examples include UNIQLO, Zara, Mango, H&M, and Forever 21.
- *Lifestyle brands*: A **lifestyle brand** is a term used to describe brands that are associated with a particular target customer's activities and way of life. Tommy Bahama is a good example of a lifestyle brand as the merchandise is associated with the lifestyle of people who live or vacation in tropical locations. Ralph Lauren is also a lifestyle brand that exemplifies upper-class sensibilities and activities.
- *Heritage brands*: A **heritage brand** has a history in the fashion industry and is often marketed in ways that build on this heritage. Heritage brands in fashion are generally characterized by high quality and classic and timeless styling, although some heritage brands will also offer updated and even fashion-forward styles. Examples of heritage brands can be found across price zones and

- product categories, including Brooks Brothers, Burberry, Canada Goose, Gucci, L.L. Bean, and Louis Vuitton.
- *Licensed brands:* Through licensing agreements, owners of brands, images, or other symbols sell the rights to use these symbols on merchandise, resulting in **licensed brands**. Accessories, home fashions, and fragrances are commonly licensed brands. For example, Fossil and Tory Burch have a licensing agreement for Fossil to produce and distribute Tory Burch brand watches. The legal aspects of licensing agreements are discussed in greater detail in Chapter 6.
- *All other brands*: Thousands of fashion brand companies exist, each with their own brands and brand positions. In the past, the success of fashion brands was dependent on effective partnerships with fashion retailers who connected with customers. However, with the growth of e-commerce and direct-to-consumer strategies, fashion brand companies can connect directly with consumers.

ORGANIZATIONAL STRUCTURE OF FASHION COMPANIES

Although the organization of fashion brand companies vary based on their mission and size, they typically include the following areas (Figure 2.10):

- research and merchandising
- design and product development
- marketing and sales
- operations
- advertising and sales promotion
- finance and information technology

Large companies may have separate departments or divisions with dozens of employees who handle each of these activities. In small companies, a few employees may handle several of these activities.

In reviewing Figure 2.10, it is important to note the connections among all the areas or divisions. Communication among the various activities is imperative for the success of the company. Merchandisers must communicate with designers; designers must communicate

Figure 2.10
Organizational areas of fashion brand companies.

with production management and marketers; those in information technology must understand the technology needs and opportunities in all areas. Effective communication among the various areas can be a challenge for large companies.

Corporate social responsibility aspects of a fashion brand company are integrated throughout each of the areas to assure sustainable supply chains. In general, **corporate social responsibility (CSR)** refers to business practices that contribute positively to society. Companies have incorporated socially responsible business practices throughout the supply chain in many ways by asking the question: How do we design, produce, and distribute the highest quality and the most environmentally sustainable products under the best factory and business conditions in a profitable manner? Indeed, in today's business environment, manufacturers, marketers, and retailers must offer consumers competitively priced merchandise that is designed, manufactured, and distributed in responsible ways that foster sustainability from both environmental and business perspectives. CSR in the fashion industries is evidenced throughout the supply chain. Socially responsible supply chain management is achieved through design, sourcing, and distribution decisions that positively affect economic, environmental, social, and cultural systems. Creating sustainable supply chains is discussed in greater detail in Chapter 3.

Research and Merchandising

As noted in Chapter 1, the term merchandising generally refers to the process of synthesizing information to make decisions about the characteristics of merchandise manufactured and/or sold by a company (e.g., product category, price, promotion, retail venue, etc.) This process includes conducting necessary trend and market research and developing strategies to get the right merchandise, at the right price, at the right time, in the right amount, to the right locations to meet the target consumers' wants and needs.

The merchandising area of fashion brand companies may include merchandise managers, merchandise coordinators, and fashion directors. These individuals research and forecast fashion trends and trends in consumer purchasing behavior in order to develop color, fabric, and garment silhouette directions for the company's merchandise. When making these forecasts, merchandisers interpret these trends for the company's target market, which includes characteristics of their customer's age, gender, income, and lifestyle. The role of merchandisers in fashion companies can vary. In some companies, they facilitate the creation of lines; in other companies, they oversee the fashion direction of the company. The merchandising function of the fashion brand companies is discussed in greater detail in later chapters.

Design and Product Development

The merchandisers work closely with those in the design and product development area, who interpret the trend forecasts and create designs to be offered by the company. Generally, merchandisers and designers work together on the line planning. Those in the design and product development area include designers, assistant designers, product developers, stylists, pattern makers, and sample sewers. For companies that own their production facilities, the design and product development area may also involve managing and operating the factories, including the employment and training of sewing operators.

Small fashion brand companies may focus on a single type of product or small line of related merchandise for their target customer (e.g., dresses, men's casual shirts, organic cotton tops and bottoms). Larger fashion brand companies may offer a full range of fashion merchandise for their target customer including apparel, accessories, and lifestyle products. The term **cross-merchandising** refers to the strategy used by fashion brand companies to combine apparel and accessories in their product offerings and visual merchandising. Some fashion brand companies offer accessories to coordinate with their apparel lines. Other companies form licensing agreements to produce coordinating fashion merchandise. Licensing agreements are discussed in detail in Chapter 6. Chapter 9 focuses on the design and product development activities of fashion brand companies.

Marketing and Sales

The marketing and sales area of the fashion brand company works to conduct marketing research and apply the results to better, design, merchandise, and sell the company's merchandise to the retail buyers and/or the ultimate consumer. The marketing and sales division includes those who conduct marketing research for the company as well as regional sales managers and sales representatives. The marketing and sales staff also show the company's merchandise to merchandisers and/or retail buyers in the company's showrooms during market weeks and at trade shows. Some companies employ their own sales staff; others contract with independent sales representatives to handle their merchandise. Chapter 12 discusses the marketing and sales activities of fashion brand companies.

Operations

The operations area includes the preproduction, material management, quality assurance, sourcing, production, distribution, and logistics functions. The preproduction, production, material management, and quality assurance areas of fashion brand companies include those people involved with the material inspection and buying, production, and quality assurance. (Some companies refer to these activities as product engineering.) This area also includes those who identify and monitor domestic and foreign contractors to sew the garments, if the company contracts out these services (Figure 2.11). Once produced, merchandise is shipped and distributed to retailers. Operations across the fashion brand company's supply chain are discussed in greater detail in later chapters.

Advertising and Sales Promotion

Working with the design and product development staff and the sales and marketing staff, those in the advertising and sales promotion area focus on creating promotional, advertising, and social media strategies and tools to sell the merchandise to the retail buyers and/or to the ultimate consumer. Often these services are contracted to an outside advertising agency that specializes in these activities.

Finance and Information Technology

Because all companies are in business to make a profit, effective financial management of companies is imperative to their success. More than simply "churning out numbers," those in the finance area of an apparel company are responsible for the overall financial health of companies and work closely with all other areas.

Because of the importance of technology and computer systems in the design, production, distribution, and retailing of products and in the product data management of companies, information technology (IT) areas of companies play important roles in overseeing companies' technology needs and identifying new opportunities for implementing new technologies as they arise. Those who work within IT must have technical expertise, and they must understand the operation of the fashion industries. Some companies have chosen to outsource their IT area.

Figure 2.11
Operations areas of fashion brand companies include overseeing contract factories such as this factory in China.

SUMMARY

Fashion brand companies have defined missions, goals, and objectives that guide their business strategies around brand development and management, product development, and operations. A company mission statement is a brief description of its fundamental purpose for its customers and society—it answers the questions "who are we as a company?" and "what do we offer our customers and society?" Business goals are *what* the fashion brand company expects to accomplish in a particular time period. The business objectives of a fashion brand company are *how* the company will achieve the goals that benefit the company, including measurable targets. Social objectives of a fashion brand company are *how* the company will achieve its goals that benefit its employees, customers, and/or society, including measurable targets. Fashion brand companies compete on the basis of price, quality, innovation, services, and social benefits. Of the types of competition, the most common in the fashion industry is monopolistic competition. As such, fashion brand companies use a variety of strategies to differentiate their brands from those of competitors.

Fashion brands are entities with a set of functional and experiential features that create distinct images in the minds of consumers. Fashion brand companies strive to create a positive and unique brand identity through the process of brand positioning. Through a variety of company-controlled communication strategies and experiences with the brand, consumers develop a brand image. Fashion brands can be classified by type of brand (e.g., designer brand, luxury brand, international name brand, private label brand, lifestyle brand, licensed brand).

A typical fashion brand company includes areas or divisions that focus on the following activities: research and merchandising; design and product development; marketing and sales; operations including production, planning, control, and distribution; advertising and sales promotion; and finance and IT. Merchandisers set the overall direction for the merchandise assortment and work closely with other divisions of the company that carry out the design, production, marketing, and distribution of goods.

KEY TERMS

brand
brand differentiation
brand identity
brand image
brand positioning
brand strategy
brand tier
business goals
business objectives
corporate social responsibility (CSR)
cross-merchandising
designer brand
diffusion brand
diffusion line
fashion brand
fast fashion brand
heritage brand
licensed brand
lifestyle brand
luxury brand
market share
mission
mission statement
monopolistic competition
monopoly
oligopoly
oligopsony
perfect competition
price point
price zone
private label brand
pure competition
social enterprise
social objectives
specialty store retailer of private label apparel (SPA)
store brand
sub-brand

DISCUSSION QUESTIONS AND ACTIVITIES

- Why is important for a fashion brand company to articulate its mission through a mission statement? Read the examples of mission statements included in this chapter. What are three common elements across these mission statements?
- Name your three favorite fashion brands. What price point and category(ies) of brand are they? How does the company convey a brand identity for each of them? What is the brand image for each of them?
- In a fashion brand company, what role is played by each of the following divisions? Research and merchandising, design and product development, sales and marketing, operations (including production, planning, control, and distribution), and finance and information technology. In which area(s) are you planning to have a career? Why?

CASE STUDY

Ralph Lauren: Adding a Diffusion Line or Sub-brand

According to the Investor Relations website for Ralph Lauren Corporation (2018)

> Ralph Lauren Corporation is a global leader in the design, marketing and distribution of premium lifestyle products in four categories: apparel, home, accessories and fragrances. For 50 years, Ralph Lauren's reputation and distinctive image have been consistently developed across an expanding number of products, brands and international markets. The Company's brand names, which include Ralph Lauren Purple Label, Ralph Lauren Collection, Double RL, Polo Ralph Lauren, Polo Ralph Lauren Children's, Ralph Lauren Home, Lauren Ralph Lauren, RLX, American Living, Chaps and Club Monaco, constitute one of the world's most widely recognized families of consumer brands.

As is the case with many large fashion companies, Ralph Lauren Corporation includes a family of brands that include brands at several price zones and sub-brands that are affiliated with the parent company but carry a different brand name. Ralph Lauren Corporation has examined the pros and cons of adding diffusion lines and sub-brands over the course of its fifty-year history. The company has seen successes with diffusion lines (Polo Ralph Lauren) and sub-brands (RRL & Co., RLX, Chaps) at the bridge and better price zones. Ralph Lauren has also added sub-brands that did not connect with consumers. For example, in 2004 Ralph Lauren launched the young preppy brand, Rugby. However, in 2013 they closed all the Rugby stores and the e-commerce website. As a leader in design and marketing of lifestyle brands, Ralph Lauren Corporation must continually evaluate their family of brands in relation to the lifestyles of their target customers. Therefore, the time is right for the company to examine the opportunities and challenges with adding another diffusion line and/or sub-brand to their family of consumer brands.

1. What are Ralph Lauren Corporation's current brands? For each brand, describe the brand, price zone, and target customer. The following Ralph Lauren websites will be useful: Investor Relations website (http://investor.ralphlauren.com/phoenix.zhtml?c=65933&p=irol-irhome) and Ralph Lauren merchandise (http://www.ralphlauren.com).
2. What are the current gaps in the company's family of consumer brands? That is, given Ralph Lauren Corporation's orientation as creating lifestyle brands, what lifestyles would add to the family of brands?
3. What are the advantages and disadvantages for Ralph Lauren Corporation to add another diffusion brand or a sub-brand?
4. If you were a merchandiser for Ralph Lauren Corporation, would you recommend that Ralph Lauren Corporation add another diffusion brand or sub-brand? Why or why not?

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CHAPTER 3

Sustainable Supply Chains in the Fashion Industry

IN THIS CHAPTER, YOU WILL LEARN THE FOLLOWING:

- the importance of effective supply chain networks and logistics in the success of fashion brand companies
- types of supply chain strategies used by fashion companies
- overview of strategies used by fashion companies to create economically, environmentally, socially, and culturally sustainable supply chains
- the supply chain calendars adopted by companies in the fashion industry
- systems necessary for effective and efficient supply chain management in the fashion industry

SUPPLY CHAIN STRATEGIES IN THE FASHION INDUSTRY

An overview of the basic sectors of the fashion supply chain—textiles, ready-to-wear design and manufacturing, and retailing—was provided in Chapter 1. Chapter 2 provided information on the missions, objectives, and classifications of companies throughout fashion supply chain. Building on these two chapters, this chapter focuses on strategies that fashion companies use to

- assure that the sectors within their supply chain work together
- enhance economic, environmental, social, and cultural sustainability
- create optimal time frames for meeting consumer demand
- be logistically managed in ways that result in effective and efficient flow of materials and products

The strategies fashion companies use to create effective, efficient, and sustainable supply chains vary based on the degree to which the company owns and has control over the sectors. Strategies can be classified according to their degree of vertical integration, contracting one or more operations, and using one or more retailing formats. The strategies are not mutually exclusive; depending on the size, mission, objectives, and brand position of the fashion company, they may also use different strategies for different product categories. Tables 3.1 and 3.2 provide a summary of the operating models (Berg et al. 2018).

Vertical Integration

Companies that use a **vertical integration** supply chain strategy own and control several stages of production or several sectors of their supply chains (i.e., design, manufacturing, marketing, and/or retailing) for particular products. For example, today's textile industry includes a large number of corporations that use a vertical integration strategy, handling all stages of production from processing the fibers (e.g., natural fibers or manufactured fibers) to finishing the fabric. Some are also involved in making end-use products, such as towels, sheets, or hosiery. It should be noted that although vertically integrated textile companies may process fibers, they might not actually produce their own fibers. For example, a vertically integrated company that produces cotton knit fabrics might not be involved in growing the cotton. Instead, it might purchase raw cotton from cotton growers. Some companies are partially integrated, in that they focus on several steps of production. For example, some knitting operations (e.g., hosiery, sweaters) not only knit, dye, and cut the fabrics but also construct the knitted garments to be sold to retailers (Figures 3.1a and 3.1b).

In the RTW fashion industry where the design of the product is integrally connected to the target customer, integrating design and marketing functions is common. More recently, integrating the retail function has also become more common. Integrating manufacturing is less common and only a handful of RTW fashion companies use a vertical integration strategy that includes textile production. One of these companies is Pendleton Woolen Mills, headquartered in Portland, Oregon. Pendleton was started by Clarence

Table 3.1 Operating Models of Fashion Brands

BRAND	
Only direct-to-consumer	Mix wholesale and direct-to-consumers
Vertically integrated apparel player	Hybrid apparel player

Berg et al. 2018

Table 3.2 Operating Models of Fashion Retailers

RETAILER	
Brick-and-mortar and E-commerce	E-commerce only
Multi-brand retailer	Multi-brand pure e-commerce retailer

Berg et al. 2018

Figures 3.1a and 3.1b
Bleuforêt brand of hosiery is manufactured in a vertically integrated factory in France, creating finished goods to be sold at retail.

and Roy Bishop in Pendleton, Oregon, in 1909. Led by a fourth generation of Bishops, the company now manufactures woolen menswear, women's wear, and blankets; non-woolen apparel; and over-the-counter fabrics. The company designs and weaves fabrics, designs and markets apparel and home fashions, and offers merchandise through their own retail venues as well as through other retailers (Figure 3.2).

Figure 3.2
Pendleton Woolen Mills is a vertically integrated fashion company, with operations in textiles, design, production, marketing, and retailing.

Vertical integration allows companies to coordinate all production steps, resulting in greater ability to control costs, control quality, and streamline processes. Vertical integration can also allow fashion companies with retail operations to understand and more efficiently communicate customer demand to design and marketing sectors. Of course, effective vertical integration requires that a fashion company have expertise and infrastructure for multiple sectors. This requires investments and may limit the ability of the company to adapt quickly to changing market demands.

Design, Manufacturing, Marketing, and Retailing Integration

Integrating the design, manufacturing, marketing, and retailing functions of an RTW fashion company is not only very difficult but also very rare. However, the most famous of the exceptions is fast fashion company, Zara, one of the largest international fashion companies. Zara uses vertical integration strategies to design, manufacture, and sell hundreds of millions of items each year through its more than 2,000 stores and online market. To facilitate speed to market, in-house design and development teams work with limited preselected materials. On the retail side, integrated systems include using technologies to capture real-time consumer data and assure adequate and appropriate merchandise is available to customers (Figure 3.3). With sales and customer data linked to production and distribution systems, Zara has the ability to design and create merchandise in weeks rather than months (O'Marah, 2016).

Design, Manufacturing, and Marketing Integration

Some RTW fashion companies use a vertically integrated strategy of controlling the design, manufacturing, and marketing sectors of the supply chain but leaving the retail distribution to multi-brand retailers. For example, Hanesbrands, Inc., one of the world's largest manufacturers of underwear, socks, T-shirts, activewear, and other basic apparel primarily operates its own manufacturing facilities, with over 90 percent of its apparel sold are manufactured in their own plants or those of contractors dedicated to Hanes. Thousands of retailers around the world sell Hanesbrands, Inc. merchandise under the brand names Hanes, Champion, Playtex, Bali, Maidenform, and JMS/Just My Size (Figure 3.4).

Use of Contractors for Design and/or Manufacturing

A common supply chain strategy for RTW fashion companies is to focus on design and marketing functions and use contractors for manufacturing functions. As described in Chapter 1, **contractors** are companies that specialize in manufacturing (and in some cases

Figure 3.3
Designers for vertically integrated company, Zara, create patterns that are integrated with manufacturing processes.

Figure 3.4
Hanesbrands, sold by numerous multi-brand retailers, uses a vertical integration strategy with owned factories and dedicated contractors.

design) of RTW. With this strategy fashion companies will sell the merchandise through multi-brand retailers and/or their own retail venues.

Contract Manufacturing

Many fashion brand companies integrate design, marketing, and retailing functions of their supply chain and use contractors only for manufacturing functions. Most contract factories are **cut, make, and trim (CMT)** operations. That is, they use design specifications from the fashion brand company to cut, sew/manufacture, cut threads/trim, and package the merchandise for shipping. This supply chain strategy is used by

- **specialty store retailers of private label apparel** (SPA) chains, such as Gap, UNIQLO, and H&M.
- **direct-to-consumer** fashion brands that sell exclusively through own retail venues, primarily through e-commerce (e.g., Everlane, Warby Parker, Allbirds, Bonobos, ADAY).
- fashion brands that use a **dual distribution** (or hybrid) approach whereby they sell through their own retail venues (direct-to-consumer) and through wholesale to other retailers. Examples include Ralph Lauren, Eileen Fisher, and Nike. In some cases, these companies design and develop separate brand assortments for their different retail clients. For example, Nike develops different assortments for Foot Locker, JCPenney, and their own Niketown stores.
- department store or discount retailers, such as Nordstrom and Target, with in-house design teams for their private label merchandise (e.g., Nordstrom's Caslon private label).

In order to build efficiencies into the system, companies may partner with dedicated contractors with whom they are able to share data and information to create a more integrated supply chain.

Full-Package Contract Manufacturing

Fashion brand companies also use a supply chain strategy whereby they contract design, development, and manufacturing through the use of **full-package contractors**. In these cases, the fashion company relies on contractors to design, develop, and manufacture merchandise, often to specifications provided by the retailer (i.e., **specification buying**). This strategy is commonly used by department store or specialty store retailers who do not have in-house design teams for private label merchandise or choose to use contractors to design certain styles or types of merchandise. For example, a chain of specialty stores may use full-package contractors for basic styles that do not change a great deal across fashion seasons. For example, Los