Export And The Fashion Industry In The USA: Evaluating Likely Impact On The USA Economy

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ABSTRACT

Contextually, fashion involves any product characterized as complementary apparel or wearable accessories, and its export market entails the shipping of the apparels or other wearable accessories that may perennially evolve and change from one country to another. The objective of this research is to determine the impact that fashion exporting has on the US economy, as well as explore the changing trends in the economy and the overall contribution of the fashion export to the economy. The research designs applied to this study are executive interviews and surveys, which provided the authors with the primary data; this research also benefited from some secondary data. Apart from appropriate and relevant literature review, there is also an evaluation of these research findings. The preliminary findings would seem to suggest that the impact of fashion products being exported to foreign countries and the imports into the US have both negative and positive consequences on the American economy, even though the ongoing debate is to what extent, on either side.

Keywords: Export Marketing, U.S.A Economy, Fashion, Consumer Awareness

INTRODUCTION

According to Christopher, Lawson and Peck (2004), the fashion industry typically encompasses any product, services or market where there is an element of style and form that is likely to be short-lived, if not constantly changing, with trends. Fashion markets are synonymous with rapid change and, as a result, commercial success or failure is largely determined by internal and external factors, and to a reasonable extent, the organization's strategy, structure, flexibility and responsiveness. It should be noted that the external dynamics are very significant.

The USA Department of Commerce (2007) defines export as any item that is sent from the United States to a foreign destination. "Items" are said to include commodities, software or technology, such as clothing, building materials, circuit boards, automotive parts, blue prints, design plans, retail software packages and technical information. It has also been argued by Gillespie, and Riddles, (2004) that export consists of activities that are transacted when a firm sells its products outside its domestic base of operation. This process involves a firm that sells its products abroad, and in which those products are physically shipped from one country to another.

For the past five years, the United States' government has intensified its relationship with foreign nations in the export of goods and services, of which fashion is a significant part; this is inspite of trade constraints, including the Multi-fiber Arrangement (MFA) adopted in 1973 by the United States, Canada, and Europe, that set quotas for the amount of textiles and apparel that could be imported into these countries. The MFA, which came into force in 1974, was for all practical purposes a protectionist measure intended to prevent the loss of textile and garment industry jobs in the USA, Canada, and the EU to other countries. Following its phase-out and replacement by the Agreement on Textile and Clothing (ATC), that came into force along with the World Trade Organization (WTO) agreement in 1995, all WTO members now have unrestricted access to the European, USA, and Canadian markets, even as the USA has gone ahead to establish trade agreements with other nations. Indeed, in an aggressive move by the USA to strengthen these trade relationships, pacts and agreements have been signed with several apparel-producing nations in the developing world. Examples include the African Opportunities Act, with Nigeria, Togo, and South African, and the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR), which includes seven signatories: the United States, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. There is also the recent agreement with India.

ENVIRONMENTAL PROFILE

By the beginning of the twenty-first century, the United States retail industry was undergoing significant changes, with many retailers shutting down their businesses, filing for bankruptcy, closing unprofitable stores, and consolidating (Lowson, 2001). These were as a result of many factors, including intensification in foreign competition, as well as the relatively slow organizational response to internal and external competition. Garment manufacturers were expected to feel a substantial impact from this trend with reduction of sales due to elimination of distributors and decreasing profits, as failed retailers reduced inventory with heavy mark-downs.

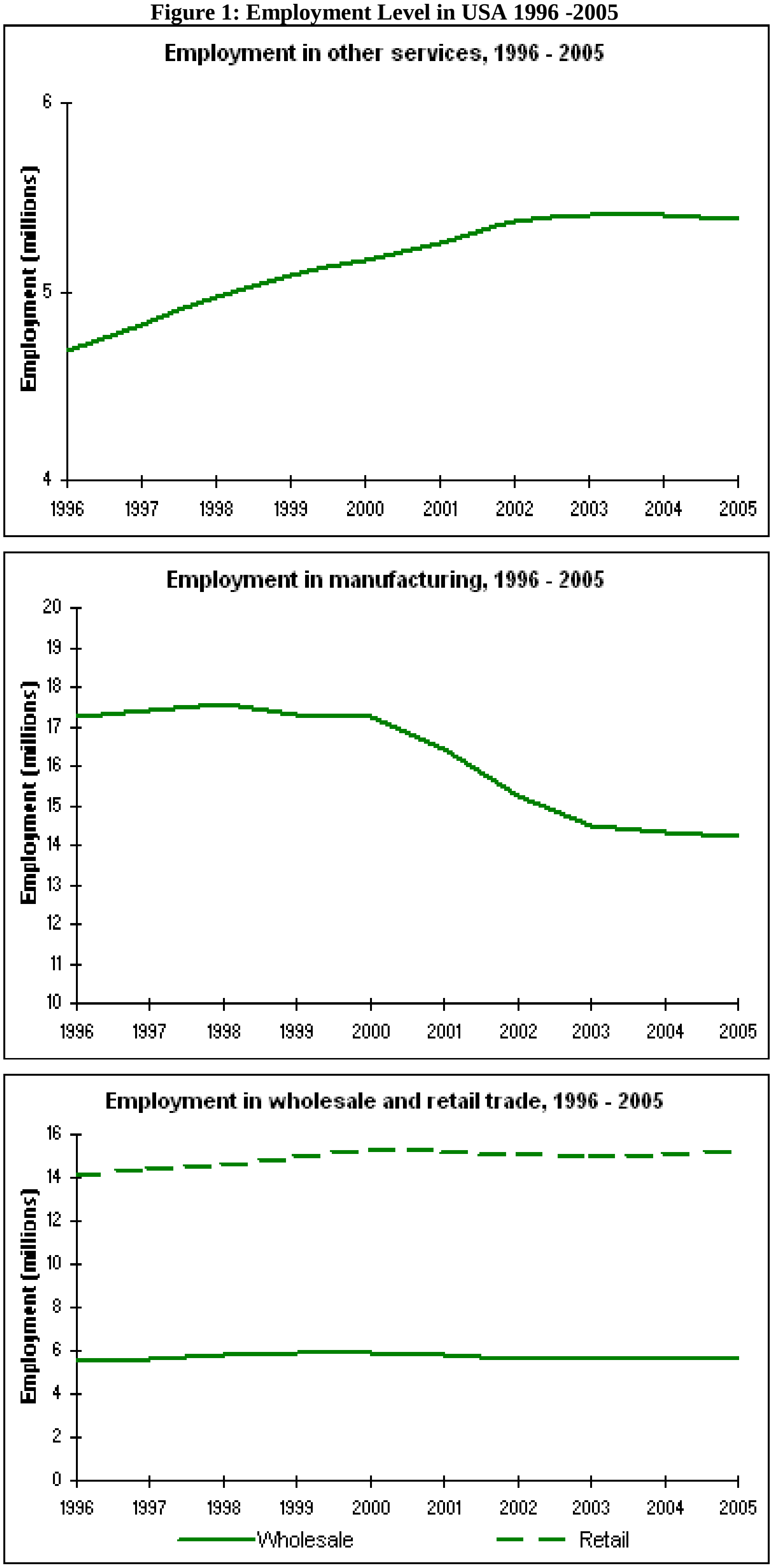
Consumer spending on clothing and shoes in the United States reached about US$297.5 billion in 2000 and rose to US$311.2 billion in 2003. Spending on women's and girls' apparel accounted for US$160.6 billion in 2002, while men's and boys' apparel accounted for US$94.7 billion. Production of men's and boys' apparel totaled 1.635 billion pieces in 2003, valued at US$10.47 billion. These figures represented a 2.5 percent decline in volume and a 7.4 percent decline in value from the previous year. Women's apparel totaled 3.45 billion pieces, valued at US$23.89 billion, representing an 11.2 percent decline in volume and 11.8 percent decline in value from 2002 (Apparel, 2006).

The employment rate in this industry is also an important determinant the GDP. Figure 1, illustrates the changing employment patterns in the different sectors to which export and fashion are part of. It also demonstrates the complementarities of the sectors and how they impact one another.

In 2003, Central America Free Trade Area (CAFTA) countries supplied 24.7 percent of U.S. apparel imports, with Mexico and China each supplying about 11 percent. However, the end of quotas in 2005 threatened to shift this balance. Some analysts have predicted that China could take up to 70 percent of the U.S. textile and apparel market; others, however, have pointed out that countries in the Western Hemisphere, which are much closer to the United States and can ship items more quickly, can remain competitive by taking location advantage (Apparel, 2006).

To ensure fair trade around the world, the international community, including leading apparel producers, importers, and exporters, under the auspices of the World Trade Organization (WTO) has implemented multi-lateral trade agreements. Three of the most important ones for the global apparel industry are the General Agreement on Tariffs and Trade (GATT), a predecessor institution to WTO, the North American Free Trade Agreement (NAFTA) and the African Growth and Opportunity Act (AGOA). GATT's organization's objective is to liberalize trade and ensure stable and fair trading conditions for participating members. Implemented in 1994, NAFTA gradually reduced and ultimately eliminated tariffs among member countries (US, Canada and Mexico), making way for substantially freer trade by 2005. The African Growth and Opportunity Act (AGOA), which went into effect in 2000, created a special trading agreement between the United States and 37 sub-Saharan African nations, which allowed these countries duty-free access to U.S. markets for several categories of consumer goods, including apparel (Apparel, 2006).

Figure 1: Employment Level in USA 1996 -2005



Source USA Bureau of Labor Web Site 2006

LITERATURE REVIEW

Williams (2006) conducted research to identify the determinants of success in exports marketing by small and medium-sized enterprises (SMEs). This consisted of combining diverse and diffuse elements of previous research on successful SMEs. The approach used was qualitative fieldwork and a questionnaire-based survey, geared towards small exporters in the UK. The survey measured the frequency of their use against levels of export involvement, commitment, and experience. Groups' decision-making behaviors and export marketing acquisitions were identified from the study. Results from the study revealed a contradiction of traditional views that the longer a company exports, the more likely it is to do well. In order for an exporting company to be successful, an active, on-going marketing and information-gathering activities must be conducted. Market knowledge has been identified as an important factor in successful export performance. The conclusion can be drawn therefore, that the task of research and gathering information about the performance of the export markets should be the province of SMEs, and not export market experts. This would enhance the objectivity of the export decision-making processes and exercises with unbiased outcomes. It follows also that, to be successful exporters, companies must create a much more viable support infrastructure, including financial and human resources capabilities to enable the process.

Newman and Foxall (2003), states that the fashion market is characterized by unstable demands for merchandise and high impulse buying, with many decisions made at point of purchase. Time-constrained and highly mobile shoppers require different spaces than consumers who leisure-shop at discounts, and selectively during sale periods at various stages in the business cycle. The current fashion market is highly competitive with the need to continuously and competitively update new products, and marketing strategies.

With an extended number of "seasons" in the fashion industry, there is a challenge to logistics management. The growing use of outsourcing results in significantly longer lead-times. The critical lead-times include time-to-market, time-to-serve, and time-to-react. Research conducted by Christopher (2004) and his colleagues analyzed the three lead times that organizations must necessarily manage to successfully compete in the fashion industry, and following which they developed the agile supply chain model. Fashion markets as a whole, in relation to the lead times, are measured by having characteristics of short life-cycles, high volatility, low predictability, and high impulse purchasing. Highly competitive and the constant need to refresh product ranges and categories are pertinent in today's fashion market. In prior years, the traditional way of responding to customer demand was forecast-based, which results in a high risk of under-stocked or over-stocked merchandise. Attempt to resolve this problem is the impetus for the creation of the concept of an agile supply chain. An agile supply chain serves as a tool used to improve lead-times focused on "responsiveness." Agile supply chains are demand-driven and shorter. The foundation of the agile supply chain covers market- sensitive, virtual, network-based, and processes alignment. The underlining conclusion is that retailers and their suppliers must be more closely connected through shared information and database, which is the co-managed inventory (CMI). "Virtual teams" across the network will be implemented so information is shared in real time and supply chains in the fashion industry are more effective.

In their research John and Azuma (2004) evaluated the effects of quick response (QR) for a more efficient supply chain management in the fashion industry. The predominant conclusion is that the evolving world of fashion manufacturing is turning from established markets to offshore countries. This has played a crucial role in transforming the way fashion is created and consumed today. The Japanese fashion market consists of an ever-changing choice of styles of quality items. This market is considered a fast-moving trend cycle because it has a vast choice of styles of quality clothing. There are vast amount of differences among the four seasons, in a constantly evolving, yet conscious fashion world, which explains why consumers have to have the right wardrobe for every season. The Japanese textile-apparel industry was known as the largest export industry in the national economy, but it eventually lost this reputation over the past three decades. This was due to a combination of factors, including the soaring value of the Yen, government policies, and environmental changes in the global fashion industry.

The study further analyzed the globalization process of the fashion industry and QR as the most important strategy of domestic manufacturing in the industrialized economies. A structured survey was designed, based on the key elements identified as deficiencies in Japan's supply chain. To make supply chain efficient in Japan, the concept of QR was introduced, which recognized deficiencies in the fashion supply chain. QR model presented to Japanese apparel firms appear to confirm a strong relationship between retailers and the apparel manufacturers. It further indicated that open communication will improve supply chain management, allowing each person involved to be aware of changes in the global fashion industry.

METHODOLOGY

Survey research method was used to gather opinions, facts, and attitudes about the export market and fashion industry in the United State, which served as a basis for comparisons and identifying the effects of the fashion industry on the economy. One Hundred and Twenty (120) undergraduate and graduate students at Morgan State University completed the questionnaires. This group was chosen at random, based mainly on previous experience and purchase habits of clothing apparel and other accessories that are exported from the USA. Focused interview were also conducted, with four groups comprised of eight (8) respondents each. The interviews and survey provided an in-depth understanding of factors that determine and influence exporting and its contributions to the USA economy.

SAMPLE MEASURE

The collected data were analyzed firstly, to determine respondent characteristics. This was done to better understand respondents underlying perpetual thoughts when fashion is involved, because fashion could be a simple, routinized purchase for most, but rather complicated for others. In addition, there are distinct peculiarities between male and female consumers. Hence 19.5% of our respondent were females, 18.8% were males. Table 1 indicates 23.4% of respondents are knowledgeable of the exporting industry in the United State. 40.5% are aware of the industry, 26.1% are neutral, while 9% strongly disagree or do not have any knowledge of exporting.

Table 2 indicates the amounts respondents spend on fashion. 27.9 % strongly agree that they spend a large percentage of their income on fashion. 23.4% agreed that they spend a lot of money on clothes, while 27.0% are neutral and 18.0% disagree. The least amount of respondents who strongly disagreed that they spend a lot of money on clothing is 2.7%. According to the US bureau of industry records, consumer spending on clothing and shoes in the United States reached US$297.5 billion in 2000, and rose to US$311.2 billion in 2003 (Apparel, 2006). Thus, our study further confirms this growing need for fashion and consumer buying behavior that influences both, hence the significance of the industry and its impact on the US economy.

The result in Table 3 indicates respondents' opinion on the role fashion plays in the U.S. economy. 32.4% agreed that fashion plays a major role in the economy. 29.7 % strongly agreed, while 31.5% are neutral and 5.4% disagree. This can also be related to the opinions expressed by some of our respondents. All of the business people acknowledged that exporting has both its pros and cons. Although it affects job opportunities, it does however, simultaneously decreases the cost incurred due to external manufacturing of fashion apparels, thereby increasing the content-value and consumers' value attribution of the apparels. These value leverage/savings are then transferred to the consumers, who are then able to purchase more apparel for less money. Manufacturers in the early 2000 also noted changes in consumer preferences in economically developed regions, such as the United States, the European Union, and Japan, where consumers demanded value and quality instead of the lowest price, or a particular brand, as they did in previous decades.

Table 1: Knowledge of US Fashion Industry

Construct Validation		Frequency	Percent	Valid Percent	Cumulative Percent
	strongly agree	26	23.4	23.4	23.4
	agree	45	40.5	40.5	64.0
	neutral	29	26.1	26.1	90.1
	disagree	10	9.0	9.0	99.1
	strongly disagree	1	.9	.9	100.0
	Total	111	100.0	100.0	

Table 2: Money Spend on Fashion

Construct Validation		Frequency	Percent	Valid Percent	Cumulative Percent
	strongly agree	31	27.9	28.2	28.2
	agree	26	23.4	23.6	51.8
	neutral	30	27.0	27.3	79.1
	disagree	20	18.0	18.2	97.3
	strongly disagree	3	2.7	2.7	100.0
	Total	110	99.1	100.0	
	Missing value	1	.9		
	Total	111	100.0		

Table 3: Fashion Plays a Major Role in the Economy

Construct Validation		Frequency	Percent	Valid Percent	Cumulative Percent
	strongly agree	33	29.7	30.0	30.0
	agree	36	32.4	32.7	62.7
	neutral	35	31.5	31.8	94.5
	disagree	6	5.4	5.5	100.0
	Total	110	99.1	100.0	
	Total	111	100.0		

Table 4: Cross Sectional Views

Taxes affect exporting operations	Gender			Fashion plays a major role in the economy	Gender
	female	male		female	male
strongly agree	23	19	strongly agree	17	16
agree	33	27	agree	29	17
neutral	13	10	neutral	14	21
disagree	6	1	disagree	4	2

Table 5: Cross Sectional Views

Fashion plays a major role in the economy					
Respondent's college classification	strongly agree	agree	neutral	disagree	strongly disagree
Freshman	19	20	2	1	11
Sophomore	23	23	6	0	14
Junior	7	8	8	0	23
Senior	11	25	18	6	10
Graduate student	10	10	1	20	1

Table 6: Cross Sectional Views

Fashion plays a major role in the economy Total					
Respondent's income bracket	strongly agree	agree	neutral	disagree	strongly disagree
less than 10000	5	17	13	2	7
11,000 - 14000	18	6	9	1	4
14001 - 21000	12	5	1	1	9
greater than 21000	27	6	12	2	7

RESULTS AND MANAGERIAL IMPLICATIONS

The findings in this study suggest that status and lifestyle impact on fashion consumption are very significant, as more discretionary income becomes available, in addition to customary pay raises, from adjustments due to inflation. The other indication is that these additional discretionary incomes are spent on the consumption of luxury items, such as fashion accessories. Furthermore, the finding of this study indicates in Table 6 that respondents with higher incomes believe that fashion plays a major role on the US economy. Our study supports Swinyard's (1997) views of what US consumers have come to expect from retailers. They expect to "get their money's worth". Shoppers pay more than a financial price for their store purchases. This larger price includes money, time, opportunity cost, and such psycho-social costs as stress, anxiety, and uncertainty. In return for these prices paid, shoppers expect to receive a corresponding level of value and other benefits.

Tables 4 and 5 indicate the breakdown of the demographic characteristics of the respondent for this study. The findings of our study indicate that our respondent's link increased demand of fashion apparels to more people been aware of the industry. As indicated in our literature review, the US population has grown to over 300 million people in 2006 (USBS, 2006), thus reflecting a corresponding increase on impact to the GDP.

What is also significant in light of this research is the product and quality dynamism in this sub-sector. According to Lowson (2001), competitiveness is determined by the overall productivity and efficiency of the company. Therefore, industry observers expected to see significant restructuring in the apparel industry, including the implementation of information technology, in order to achieve this kind of productivity.

With government and industry funding, apparel manufacturers and retailers around the world, but especially in the United States, Japan, and the United Kingdom, have researched ways of developing communications and network systems to improve contact between apparel consumers and manufacturers. The goals of the research are to track consumer trends more effectively and to offer consumers custom-tailored garments in a short amount of time (Apparel, 2006). According to the Bureau of Labor, apparel, footwear, and household goods accounted for 96.0% of U.S. exports in 2005 and 96.2% of U.S. exports in 2006. In 2005 and 2006, textile, apparel and footwear accounted for 94.4% of U.S. exports respectively. An examination of these statistics demonstrates the substantial contribution made by the fashion industry to the US economy.

CONCLUSION

In conclusion, we believe that the fashion industry contributes substantially to the US economy. We believe the future of fashion lies in the hands of our consumers and fashion designers. Consumers are often hip and in-tune with the latest trends and fashion and fashion designers gain inspirations from vintage styles, street fashion, and celebrities. Furthermore, the time-sensitive and constantly evolving role of technology will make it easier for production. In regards to exporting, the fashion industry in the US can continuously expand with an impressive competitive advantage in the global market by shipping their latest trends to different countries and fashion centers around the world. As a result, this will generate more revenue in the form of repatriated profits to the US.

In conducting the surveys, we found that 95% of the respondents believed that fashion contributed to our economy and 5% believe that the fashion industry persuaded consumers to consume items they would not otherwise purchase. The result of our research strongly supports our hypothesis that fashion, in fact, does contribute to the U.S. economy. Overall, we believe this research has shown different perspectives of consumers and managers in their value attributions and value delivery. Although some of the managers we interviewed believe that the industry does not persuade consumers to purchase unneeded items, we believe managers, designers, etc. use different and sometimes, subtle persuasive methods, including new creative designs, to lure consumers into purchasing products. These methods include advertising, sales pitches and discounting. For instance one may truly desire to just purchase a pair of sneakers, but a salesperson may offer or suggest various other, if sometimes complementary, items like sneaker cleaner, erasers, and laces. Indeed, research has shown that the fashion industry is extremely broad, opinionated and rather psychedelically transient, which explains fluid dynamisms and increasing growth of the industry and its huge impact on the US economy.

AUTHOR INFORMATION

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