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Structure of The Apparel Industry

The organizational structure of the apparel industry in the traditional market can be divided into four levels beginning with the production of the materials at the mill level and ending with the consumer.

Level 1:

Material Producer

At the mill level, materials are produced and sold to apparels firms such as fabrics, closures, sewing threads, support materials, trims, and accessories. Some apparel manufacturers are backward vertically integrated with textile production and therefore may produce in their own plants all or some of the materials used to make their garments. Some apparel manufacturers buy materials from vendors' open stock, and others with their specification.

Level 2:

1. Apparel Manufacturer

The firms that engage in product development and own their own production plants are called manufacturers. The firms that engage in product development and source all their production capacity from contractors are also called manufacturers. Apparel manufacturers are traditional



sellers of apparel products in wholesale markets. Some manufacturers also forward vertically integrated into retail sectors through owning their own retail stores. Apparel manufacturers have two types of organizational structures.

1. Fully facilitate manufacturer

Traditional manufacturers design, develop, and produce their apparel product line in their own facilities. A manufacturer may also hire contractors to supplement their own production capabilities. Manufacturers sell their goods to retailers at wholesale markets and/or by sales representatives that call on retail buyers at their stores or offices.

2. Partially facilitate manufacturer

Unlike traditional manufacturers some manufacturers design and develop products but don't own production facilities. These manufacturers use contractors for all of their production.

2. Apparel Contractor

Firms that provide services including product development, cutting, trimming, sewing, and finishing are called contractors, subcontractors, vendors, or sometimes jobbers. Apparel contractors serve to one or more apparel manufacturers, retailers, and institutions. They sometimes enter competitive bidding for orders by submitting bids based on estimates of production cost for a given volume. Contractors can be located anywhere in the world where there is an inexpensive labor supply. Regardless of location, they are responsible for meeting specifications and delivery dates set by the firm that contracts their service. A contractor may be categorized based on services;

1. CMT (cut make and trim) contractor

CMT contractors normally cut the garment from the pattern supplied by the manufacturer and provide sewing operators, machines, and thread to make garments. The apparel manufacturer or retailer that hires a CMT contractor provides fabrics and findings and does product development. CMT contractors do not own the products on which they work.

2. FPP (Full package program) contractor

FPP contractors usually source materials and develop patterns, make and ship samples for



approval and provide operators, machines, and trims for assembly. FPP contractors bear greater financial responsibilities than other contractors and they own the products.

3. HPP (half package program) contractor

HPP contractor does all the pattern development to production like FPP except fabric sourcing that is supplied by sourcing firms.

4. Shared production

Shared production means that garments are designed, developed, and cut domestically by either manufacturers or retailers and then garment parts are exported and assembled in a foreign country by a contractor. In his way, garment production costs are reduced because when the assembled garments are imported, a tariff is assessed only on value-added, and since the added value is mostly labor and the labor rates are inexpensive in contractors' countries.

5. Specialty contractor

Specialty contractors provide services such as pattern grading, cutting, embroidering, and printing etc. specialty contractor don't own the product on which they work.

6. Asian manufacturers

Apparel producers in more developed countries are moving from being contractors to being manufacturers. They are taking on the responsibilities for marketing and merchandising their product lines in addition to production. The contractor-now-manufactures are designing and developing their own product lines that may be marketed in their own countries or marketed in competition with lines developed by American and European fashion markets.

3. Backward Vertically Integrated Retailer

The backward vertically integrated retailers also play role in apparel manufacturing through interaction with contractors. Retailers may develop their own products and hire contractors to produce apparel that they want to sell in their stores, thus bypassing the manufacturer, who is the traditional supplier of apparel products.



Level 3:

Retailer

Retailing is selling goods to the ultimate consumer. Firms that own their own retail stores and engage in private-label product development are vertically integrated into manufacturing but are called retailers. There are basically seven different types of retailers in today's consumer goods markets:

1. Catalog retailer

Catalog retailers present their merchandise assortment in printed form that can be delivered to customer mailbox. Orders may be placed by mail, telephone, or internet, and merchandise arrive at the customers' door in a few days.

2. Department store retailers

Department store retailers operate relatively large brick-and-mortar stores, offering multiple categories of merchandise that usually include apparel for men, women, and children; bed and bath textiles and accessories; kitchen equipment; window treatments; and home furnishings. Sales associates may be available to assist with merchandise selection.

3. Internet retailers

Internet retailers offer merchandise for sale through a computer network. Customers can view the merchandise assortment on a computer and place an order by computer, telephone, or mail. The merchandise arrives at the customers' door in a few days.

4. Mass retailers

Mass retailers offer consumer goods in a discount, self-service environment with broad appeal across income ranges, ethnic groups, occupations, and lifestyles. Stores are large, offering most categories of merchandise consumers use on a daily basis.



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5. Specialty retailers

Specialty retailers offer a large selection of a limited line of consumer goods usually with target customers narrowly defined by demographics and/or lifestyle variables.

6. Warehouse/wholesale clubs

Wholesale clubs are self-service environments in which customers pay an annual “membership fee” which enables them to sell for less. A primary customer appeal is national brands at low prices. In fact, many of the items found in these stores can be priced with minimal markup.

7. Retailer outlets

Retailer outlets are operated as clearance centers of the previous season and previous year excess merchandise for the retailer department, specialty, catalog, and/or Internet stores.

Many retailers now use multiple channels of distribution, and channel integration. The retail sector has become a highly concentrated industry; dominated by mass retailers, with the five largest retailers selling 68% of the apparel retailed in the United States and the next 24 largest retailers selling 30%. This means that the remaining 2% of apparel retail sales is shared among thousands of retailers.

Level 4:

Consumer

The consumer is the ultimate purchaser of apparel products and they are the target of the entire textile and apparel industry. Decisions made at all levels are based on forecasts of consumer demand. Forecasts are based on many things, including demographics, and the psychographics of consumers. For the most part, consumers are determining factors in the success or failure of an apparel firm. Fashion merchants can make their business profitable if they understand the services that their customers want.

Demographics, which identifies the population in groups based on demographic variables such



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as age, gender, income, occupation, education, religion, race, family size, or stage of the family life cycle.

Psychographics, which identifies the lifestyles and lifestyle classification including attitudes, activities, interests and opinions.

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