

NYC'S GARMENT INDUSTRY
A NEW LOOK?

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Preface

This report was researched and written by Sarah Crean, Research Analyst, under the direction of James Parrott, Deputy Director and Chief Economist, Fiscal Policy Institute. Seth Myers and Oliver Cooke provided additional research assistance.

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Peter Doeringer, Professor of Economics at Boston University, contributed extensively to this report, particularly Section V. His input is greatly appreciated.

Special thanks to all of the individuals who were interviewed as part of our research. They are listed in the appendix on page 21.

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The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that focuses on the broad range of tax, budget, economic and related public policy issues that affect the quality of life and the economic well being of New York State residents. Founded in 1991, FPI's work is intended to further the development and implementation of public policies that create a strong, sustainable economy in which prosperity is broadly shared by all New Yorkers. FPI has offices in Albany and New York City.

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I. Introduction

The New York City apparel manufacturing sector in 2003: A key component of the city's fashion cluster and economy

This is the first in a series of two reports on New York City's apparel manufacturing sector. *NYC's Garment Industry: A New Look?* focuses on the continued resiliency of New York City's apparel manufacturing sector, and how it is evolving in order to survive in a global production market. We have highlighted business models which appear particularly promising, both in terms of capitalizing on consumer trends and in terms of creating sustainable living wage jobs. This area of research continues via interviews with apparel manufacturers and contractors across the city, and their customers (retailers, designers, etc.) and suppliers. FPI will release a separate and more detailed report in the fall of 2003 that will attempt to gauge the viability of the models we have identified.

The primary motivation for this report is the important role that apparel manufacturing continues to play in communities throughout the five boroughs. Apparel manufacturing and wholesaling, despite the tremendous employment losses suffered over the last two decades, persists as the city's fourth largest export sector, a critical source of employment and entrepreneurial opportunity for New York, and a provider of services to leading designers and merchandisers.

NYC's Garment Industry: A New Look? also provides a more complete picture of New York's apparel manufacturing sector by underscoring its role within the city's fashion industry and the economy at large. New York City's vast fashion industry cuts across many sectors, including design, arts and entertainment, specialty and mass market retailing, and hospitality and tourism. New York City apparel designers and distributors, and the retailers who carry their products, continue to use local shops as part of their production network.

Informed by interviews with industry experts, this preliminary report identifies several potentially effective and promising approaches being pursued by New York City apparel manufacturers and contractors in an increasingly competitive global marketplace. Ultimately, the goal of our research is to support the development of a healthy, competitive, sustainable New York City apparel manufacturing sector and a more diverse regional economy. We believe that elements of this type of sector already exist. If these elements can be nurtured and further developed, the rewards to the city and its residents will be immense.

II. Understanding the Fashion Cluster

New York City is home to the nation's largest and most complex "fashion cluster". This is due to New York's historical role as a center of apparel design, production, distribution and marketing. New York City continues as one of the world's "culture capitals" and commercial centers, and fashion is a key component of global cultural and commercial activity. A 2001 study by the Empire State Development Corporation (ESDC) found that more than 80% of the 159,000 persons employed in New York State's fashion cluster worked in New York City. More recent employment figures are provided below. The ESDC study defined the fashion cluster as those industries involved in the production of clothing (including leather goods and footwear), jewelry and accessories. New York City's fashion cluster is fundamentally a service industry, with blue and white-collar components.

New York City's Fashion Cluster

Segment	Total Employment	Total # of Firms
Apparel Manufacturing	43,757	2,661
Textile Manufacturing	4,502	317
Wholesalers of apparel & textile supplies/piece goods & finished goods	40,770	4,912
Jewelry, silverware, plated ware (manufacturers)	8,889	664
Costume jewelry & novelties, fasteners, buttons, needles & pins (manufacturers)	1,061	86
Footwear (except rubber) (manufacturers)	59	4
Handbags and other personal leather goods (manufacturers)	951	48
Total	99,989	8,692

Source: NYS Department of Labor (DOL), 2nd Quarter, 2002

The above table does not include other segments of New York City's service sector that intersect the fashion cluster and are part of the overall supply chain, such as:

- Machine leasing & repair services
- Cutting/packing/pressing services
- Trucking/Warehousing services
- Business Services
 - Accounting
 - Payroll
 - Legal
- Financial Services for Apparel Firms
 - Factorers/Creditors
- Advertising
- Fashion Press
- Fashion photography
- Fashion Shows/modeling
- Fashion Design Schools (Fashion Institute of Technology, Parsons Schools of Design, etc.)

In mid-2002, almost 90,000 New Yorkers were employed in the apparel/textile¹ manufacturing and wholesaling sector alone. Another 11,000 more workers were involved in the manufacturing of fashion accessories, such as jewelry and handbags. Thousands more were employed in apparel-related design, advertising and publishing firms.

A portion of the city's retail and tourism sectors are also directly tied to the fashion complex. Thrice-yearly fashion shows, such as 7th on 6th, attract thousands of visitors from across the world. The Metropolitan Museum of Art houses a substantial fashion collection and periodically hosts large retrospective shows. Using data collected by Kurt Salmon Associates, the New York City Economic Policy and Marketing Group estimated in 1993 that approximately 20,000-25,000 out-of-town retail buyers come to New York City 4-5 times per year to place orders in midtown showrooms. The direct expenditure impact on the city economy of these buyers was approximately \$100 million annually in the early 1990s.

The Foundation of the Cluster: Apparel & Textile Manufacturing and Wholesaling

This report focuses primarily on apparel and textile manufacturers, and to a lesser degree on fabric, trim and finished garment wholesalers. Despite severe job losses in the last two decades, apparel manufacturing and wholesaling is New York City's 10th largest private sector employer. More significantly, the sector is the city's fourth largest export² industry, based on 2001 employment.

Top Ten NYC Export Industries, by Employment, 2001

#1	Securities/commodities exchanges & services	182,106
#2	Engineering/Acct/Research/Management Svcs	117,786
#3	Depository Institutions	97,994
#4	Apparel/Textile Manufacturing & Wholesaling	97,558
#5	Construction/special trades contractors	82,653
#6	Legal Services	79,156
#7	Printing & Publishing	74,943
#8	Communications	66,138
#9	Air Transport	52,563
#10	Insurance Carriers	44,690

Source: NYS DOL

¹ Apparel and textile manufacturing employment are counted together because textile manufacturing in NYC is largely knitwear, i.e., finished apparel products.

² By "export" we mean industries that mainly produce goods or services for sale outside of New York City.

Customer Base

Apparel manufacturing shops in New York City continue to produce a wide variety of men's, women's and children's clothing for designers and labels (at all price points) that are well known to consumers. Clothing made (and usually designed) in New York City is carried by the full-range of retailers, from department stores to discount chains to specialty clothing shops, such as

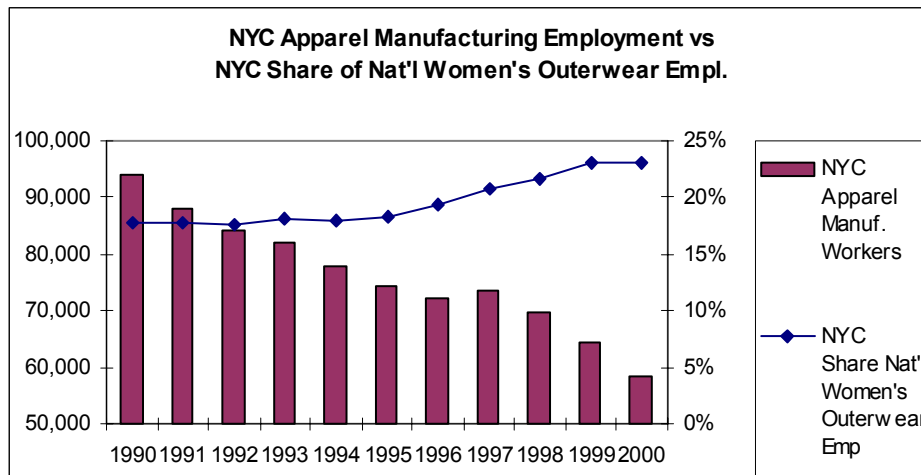
Macy's	Brooks Brothers
Victoria's Secret	Land's End
Sears	Saks Fifth Avenue
K-Mart	French Connection
Armani Exchange	Nordstrom
Talbots	JC Penney
Dress Barn	Wal-Mart
Spiegel	Bergdorf Goodman
A Personal Touch	Fashion Bug
Mandee Shops	Barney's

Famous Labels Made in New York City	
Anna Sui	Eileen Fisher
Ralph Lauren	Isaac Mizrahi
Bill Blass	Harve Benard
Oscar de la Renta	Jones New York
Geoffrey Beene	Jeffrey Craig
Betsy Johnson	Mystic Apparel
Liz Claiborne	Kenneth Cole
Donna Karan	Nicole Miller
Calvin Klein	Leslie Fay
Ellen Tracy	Vera Wang
Anne Klein	Ocean Bay

Apparel production in New York City: growing dominance in domestic women's fashion

Despite a significant decline in employment, the relative strength of New York City's apparel production base is reflected by the fact that New York City's share of national women's outerwear manufacturing employment has grown steadily in the last two decades. New York City now holds almost one-quarter of women's outerwear manufacturing jobs in the U.S. Women's outerwear is a broad category that encompasses all aspects of women's apparel (dresses, blouses, pants, skirts, suits and coats), excluding undergarments.

Figure 1



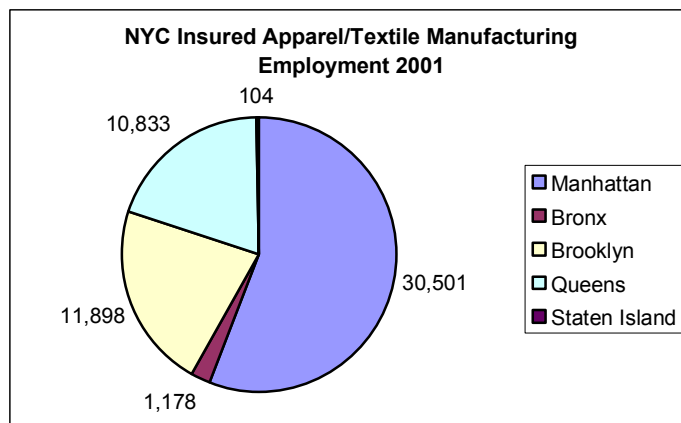
Source: NYS DOL, US BLS.

Women's outerwear production now dominates New York City's apparel industry. In 2001, 71% of New York City apparel manufacturing employment was in women's outerwear. According to New York State Department of Labor data, there are currently 3,320 apparel and textile manufacturing shops in the five boroughs. Almost two-thirds of these (2,151) specialize in women's outerwear.

A Citywide Industry but Manhattan is the Center

- ✓ 56% of apparel/textile manufacturing employment is located in Manhattan, as opposed to 61% in 1990
- ✓ 22% is located in Brooklyn.
- ✓ 20% is located in Queens.

Figure 2



Source: ES202 data

- ✓ The two key apparel manufacturing districts in Manhattan are the Garment Center and Chinatown.
- ✓ A 2000 land use survey found that 76% (14,000 + workers) of employment in the Midtown Special Garment Center District is apparel-related. Almost 9,000 of these jobs are production jobs.
- ✓ The Asian American Federation reported that 246 garment factories employed an estimated 13,808 workers in Chinatown prior to the September 11th attack, which paralyzed Chinatown apparel operations for several weeks. One-quarter of those factories (65) remained closed according to a follow-up survey done in November, 2002.

- ✓ Sunset Park, Brooklyn has the highest concentration (currently over 200)³ of garment manufacturers and contractors outside of Manhattan.
- ✓ Long Island City, Queens also has a significant cluster (147)⁴ of apparel manufacturers and contractors.
- ✓ Two other large clusters of apparel/textile employment are found along the Bushwick, Brooklyn/Glendale, Queens border. One cluster is located on Flushing Avenue; the other is found in the triangle surrounded by Myrtle and Wyckoff Avenues and Decatur Street.

Although there are similarities and overlaps, each geographic concentration of production activity plays a somewhat distinct role in the city's apparel industry. In addition to sample rooms and production factories (cut and sew, cut only, and sew only), and mid and high-end couture production, the midtown Manhattan Garment Center is also home to the majority of the city's apparel showrooms, a large number of designers, and a wide array of industry suppliers (fabric, buttons, notions, etc.) Perhaps the two most distinguishing factors of midtown production facilities is their tendency to be "high end" and their proximity to designers.

Chinatown originated as a cluster of sportswear contractors and has become the center of low and moderate women's wear production, with some emerging mid-end and full-package production capacity as well. Nonetheless, Chinatown's apparel firms remain principally contractors, including cut and sew.

Sunset Park, Brooklyn is similar to Chinatown in the sense that it has a large concentration of contract shops, specializing primarily in low and moderate priced women's wear. What distinguishes Sunset Park is its far lower rate of unionization.

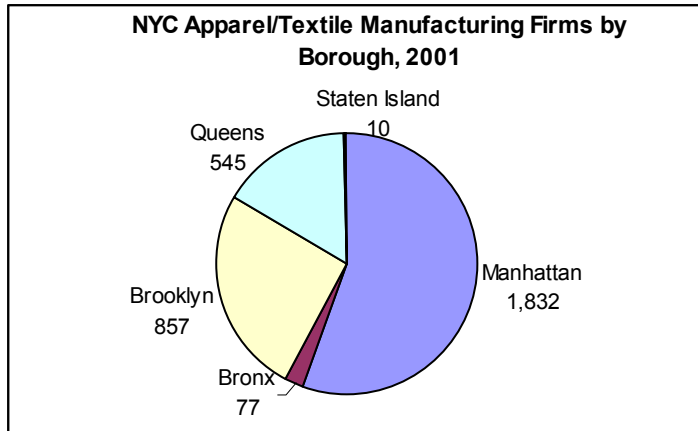
Production concentrations in Queens, such as Long Island City, include a mixture of manufacturers and contractors. Firms tend to be larger and more self-contained, handling several aspects of the production process at once. This self-containment is partially due to the fact that Queens firms are more likely to produce specialty items, such as uniforms. Because of this specialization, they do not have the range of ancillary support businesses typically available to larger sectors, such as women's wear producers.

³ June, 2003 count according to the NYS Department of Labor Apparel Registry

⁴ June, 2003 count according to the NYS Department of Labor Apparel Registry

As in employment, Manhattan is home to over half (55%) of the city's apparel and textile manufacturing firms. Brooklyn has a larger share of apparel/textile firms (26% of the city's total) than it does of employment, indicating relatively smaller firms. Queens has a smaller share (16%) of the city's apparel/textile firms in relation to its share of employment, indicating larger firms.

Figure 3



Source: NYS DOL

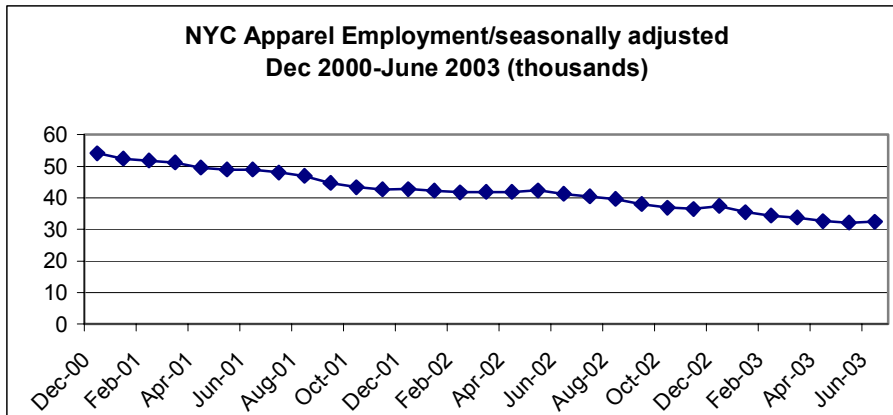
New York City's apparel production workforce: Struggling to maintain ground despite two decades of losses

Despite its continued importance to the city's economy (and the fact that apparel and textile manufacturing and wholesaling firms employed almost 100,000 workers in 2001), the apparel *manufacturing* sector has suffered severe job losses in the last two decades.

The number of apparel manufacturing jobs declined by 58% in New York City between 1980 and 2000, as opposed to a decline of 51% for the rest of the nation. As noted earlier in this report, New York City's share of national women's outerwear employment grew during this period, indicating a slower rate of decline in this segment. New York City's share of national apparel manufacturing jobs, after dropping to a low of 8% in 1994, climbed back to 9.7% in 2000. NYC's share of national apparel jobs was last this size in the mid-1980's.

The more recent employment picture, however, is particularly daunting and shows the cumulative effects of heightened import pressures, September 11th, a lack of affordable space for garment shops and the slowing economy. NYC apparel and textile manufacturing jobs declined by 15.7% in 2001, the worst one-year decline in the last twenty years⁵. The pace of employment decline moderated in 2002, but nonetheless, apparel manufacturing jobs declined by another 11.5% in 2002.⁶

Figure 4



Source: NYS DOL/seasonally adjusted by FPI.⁷

⁵ Source: ES202 data

⁶ Source: 790 data

⁷ The chart above utilizes NAICS (North American Industrial Classification System) data. As of 1998, federal agencies like the U.S. Census Bureau, and now the NYS Department of Labor, are using the NAICS classification system to present economic data. NAICS represents the first major overhaul of the nation's industrial classification system since the 1930s and is designed to better reflect the evolution of the U.S. economy. NAICS manufacturing data, in particular, has a production orientation.

III. Economic impact of the apparel manufacturing sector

In addition to employment, the apparel industry makes a significant contribution to the city's economic base. A study by the New York City Economic Policy and Marketing Group in 1993 found that "The apparel manufacturing industry has a direct annual payroll of \$2.7 billion. However, because New York City has a fully integrated apparel design, production and wholesaling complex which has numerous linkages to several other industries in the city, it has a substantial total economic impact locally of \$22 billion." The 1993 study also found that the local tax impact of the apparel manufacturing industry exceeds \$500 million (\$535 million).

The positive multiplier effects of apparel manufacturing activity

Fiscal Policy Institute analysis of apparel activity in 2002 found that every million dollars of apparel production in New York State represents 16.2 jobs, 10.6 within the apparel and textile sector itself, and another 5.6 jobs in other industries ranging from business services to banking to health care. Every apparel production job in New York State creates another 1.5 jobs elsewhere in the local economy. The apparel industry's employment multiplier effect is higher than that for retail (1.2), business services (1.41), and health services (1.42), and similar to that of construction (1.51) and air transport (1.52).⁸

Similarly, every million dollars of apparel production in New York State results in a total increase in economic output in New York of \$1,703,375. New York City apparel and textile manufacturers added \$4.1 billion in value to their inputs and generated \$9.1 billion in shipments/sales in 1997 (the last year for which shipments data is available from the U.S. Census Bureau).

An Industry of Small Businesses and Immigrant Entrepreneurs

Small business opportunities abound in the apparel industry, with 3,320 contractors and manufacturers operating in the City in 2001. Census Bureau data for 2001 reported that 75% of the "cut and sew" factories in New York City employed fewer than 20 people that year.

Apparel production shops have been a traditional entry point into business ownership for immigrants. In the 1980s and 1990s this was particularly the case for Asian immigrants, especially Koreans and Chinese. The Korean Apparel Contractors Association of Greater NY grew from 12 companies in 1980 to 400 contractors in 1995, 260 of which were located in the Garment Center. The association estimates that it covers only half of the Korean owned firms in the District⁹.

⁸ FPI analysis using the IMPLAN input-output model.

⁹ Florence Palpacuer, "Subcontracting Networks in the NYC Garment Industry: Changing Characteristics in a Global Era" from *Free Trade and Uneven Development: the North American Apparel Industry after NAFTA*, 2002.

Immigrants Employing Immigrants

According to a 1998 Community Service Society report, 1990 Census Bureau data indicates that 62% of New York City apparel production workers (operators, fabricators & laborers) did not speak English well or at all; and 71% of production workers did not have a high school diploma. Apparel and textile manufacturing jobs remain a major source of employment for low-skilled workers, particularly immigrants. Apparel production jobs can lead upward in the labor market, as exemplified by firms like Harold Greenberg.

Apparel Workers: Climbing the Ladder

Harold Greenberg, a producer of men's outerwear (mainly uniforms) since 1943 believes that one of the most positive contributions he has made to New York City is the preparation of low-skilled individuals for the workforce.

"We employ very low-skilled workers. They don't speak English. We train them, put them to work, with a union job. We've taken people who were barely able to read and write and we've made them managers." Greenberg focuses on promoting from within and moving high performers into better positions, off the shop floor and into shipping, the management office, etc. He also cited employees who have learned office skills with him and have moved on to good jobs in other companies.

Business has been going very well for Greenberg in the last couple of years. He believes that New York City has an excellent labor supply (but labor costs are a problem). Greenberg's central concern is that the city should favor local manufacturers when accepting bids for uniform production. There is an enormous amount of work available but much of it is not being obtained by New York City firms.

According to the Community Service Society, 1990 census data also states that only 7.5% of New York City apparel production workers were born in the continental U.S. Over-half (54%) of production workers in 1990 were not citizens. In addition, Hispanics (38%) and Asians (27%) are the two largest groups within the NYC apparel industry workforce. (The report speculates that Asians became the largest ethnic group within the industry during the 1990's.)

Apparel/textile manufacturing and wholesaling workers earned \$4.2 billion in 2000¹⁰, bringing this income back to their neighborhoods throughout the five boroughs, contributing to a myriad of local industries and paying sales tax.

¹⁰ County Business Patterns, U.S. Census Bureau

IV. Why significant parts of New York City's apparel manufacturing sector are viable

The U.S. Trend Toward Urban Specialization

- Domestic women's wear production is now concentrated in urban centers, chiefly L.A. and New York City.
- In 2000, the state of New York ranked second in terms of apparel employment behind California. Eighty-three percent of New York's apparel jobs were located in New York City, while 70% of California's apparel jobs were in L.A.

NYC's Competitive Edge in a Global Sourcing Market

Does New York City retain a competitive advantage in the global apparel market? A 2002 study of the North American apparel industry concluded that "the consistent management of global production networks aims at maintaining a balance between local and foreign sourcing in which New York retains specific locational advantages for small lot production."¹¹

Manufacturers and Contractors: Understanding the Difference

Contractors typically specialize in one area of production (usually cutting or sewing or a combination of both) and provide their services to a wide variety of customers.

In the apparel industry, the word "manufacturer" can indicate a firm that is not actually involved in production work itself but always delivers a finished garment at the end of the process. Manufacturers serve their clients by either producing garments or by farming the work out to contractors. In addition to coordinating production for designers, department store private labels and the like, most manufacturers have their own branded labels as well. Leslie Fay is a good example.

Today, most of New York City's large women's wear manufacturers (with sales of \$100 million or more) rely on foreign sourcing for a substantial portion of their products. It is estimated¹² that foreign sourcing represents 60 to 85% of annual sales. Nonetheless, New York City has maintained a "central" location in global apparel production networks. How? Sourcing decisions are based on four factors: delivery-time requirements, fabric origin, price and production volume. NYC production shops are competitive in the sourcing arena in the following ways:

- Garments sourced in NYC can be shipped to customers in 2 to 5 weeks (as opposed to 8 to 12 weeks for off-shore production)
- Overseas sourcing is not economical for small-size orders and overseas producers often have a minimum order size
- Manufacturers must have local capacity to produce market tests, re-orders and collection lines for high-price segments

¹¹ Florence Palpacuer, "Subcontracting Networks in the NYC Garment Industry: Changing Characteristics in a Global Era" from *Free Trade and Uneven Development: the North American Apparel Industry after NAFTA*, 2002.

¹² Palpacuer

The U.S. apparel industry (especially in urban areas like NYC) has been forced to reconsider its approach to cost competitiveness. The U.S. will never be competitive in terms of labor costs but it is competitive in other ways, particularly turnaround time, quality control and the flexibility to do small and medium-sized lots.

Three ways in which NYC apparel manufacturers have successfully adjusted to a global apparel market

- Brand building (e.g., Leslie Fay)
- Service flexibility (maintaining a diversity of contract shops)
- Niche suppliers (e.g., "bridge" or lower-priced designer brand items for Calvin Klein, Ralph Lauren, etc.)

New York City manufacturers have had to develop new strategies in order to adjust to a sourcing market in which they are often competing directly with enormous factories overseas that are capable of offering every step of the apparel production process, including fabric sourcing and purchasing, at a lower cost. One strategy has been to focus on the market responsiveness of their own branded labels in order to market them more effectively to large and medium-sized retailers. This entails more collaboration with designers and more market research. Manufacturers have also been forced to pursue retail buyers aggressively, whereas previously, buyers would have come to the manufacturers themselves looking for new products and new ideas.

Another critical change for manufacturers has been a much more diversified approach to production. Because of intense price pressures, they must place work in factories strategically, according to the size of the runs, the time needed for order completion, and the attention to detail and oversight that will be required. The availability of fabric and other materials also affects where work is placed. A growing number of New York City manufacturers are establishing relationships with overseas factories or, in some cases, partnering with them, while also maintaining a local network of producers for fast turnaround and completion of complicated projects that require close monitoring.

Finally, as is the case with contractors, many manufacturers are trying to establish themselves in niches in which local production can make sense. While mass-produced items (even for designer labels) are usually manufactured for far less overseas, designer items with a medium price point can be cost-effectively produced in New York City. This appears to be due to the fact that the items are produced in slightly smaller runs and still require tight quality control.

What makes local manufacturers vulnerable to fluctuations in demand

Because of the high levels of consolidation within the retail sector and the skyrocketing ability to produce apparel cheaply overseas, retailers now have disproportionate influence in the apparel sourcing process. Manufacturers have fewer potential customers and per unit prices are dictated by retailers with little room for negotiation. Manufacturers are confronted by three central challenges.

- o Inability to target a specific market
- o Inability to build close links with retailers
- o Competing mainly on the basis of cost

A central part of our research this summer is intended to uncover ways in which New York City manufacturers can address these challenges more effectively.

Local manufacturers and NYC contractors: When is it the right match?

- Large manufacturers typically maintain a three-tiered network of contractors in order to balance cost competitiveness, speed and product quality. All three tiers can be located in NYC, or the top tier/core

Rebuilding the NYC Label: One Manufacturer's View

A large manufacturer explains why the firm has kept all of its production in New York City. "The main reason is quality control. The second reason is that local production work ultimately is much faster than overseas work. The third is that it's much easier to control excess production."

This manufacturer believes NYC's future is in high-quality work, not mass production. He cites the fact that Italy built a highly successful apparel industry with high labor costs. This was accomplished through the concerted marketing of the Italian label. He believes that the City of New York needs to market the local fashion industry similarly and help rebuild its cache.

"NYC is a world fashion center. There should be an emphasis on our design capacity with a small amount of state support. All of the viable pieces of a healthy, high-end fashion industry are already here (designers, skilled workers, retailers, and consumers looking for variety and quality). The city needs to shine a positive spotlight on this industry. We have great things to offer, none of them cheap."

contractors are located in higher cost countries (U.S./S. Korea/Hong Kong) while the bulk of production takes place in lower cost countries.

- The higher the price segment, the more typical it is to use local core contractors because product quality eventually supersedes cost.
- Small local manufacturers who adopt a niche strategy prefer to rely on local sourcing (e.g., Nicole Miller) because they can better control quality and flexibility.
- More developed managerial skills are required for building and maintaining relationships with local producers.

V. Revitalizing the New York City Apparel Industry

The NYC apparel industry is a diverse collection of contractors, manufacturers, and wholesalers joined together in a production network that also includes suppliers of fabric, thread, and trims. The common thread among these firms is that they transform fabric into finished garments that are sold through department stores, specialty chains, mail order catalogs, and other merchandising outlets throughout the country. This network has long occupied a critical position in the larger U.S. apparel supply chain. Originally, New York City was the production hub for a wide variety of men's and women's wear, but as the production of commodity garments has gradually shifted offshore, the New York industry has become increasingly specialized in a variety of market niches for which there are fewer and fewer alternative sources of supply. The future prosperity of the industry depends on devising new niche market strategies and reengineering the New York City supply network to take advantage of its ability to serve a wide variety of niche markets.

Strategies for Revitalization Of New York City Apparel Manufacturing

- ✓ Improve local production capabilities
- ✓ Build on short cycle production
- ✓ Develop flexible retailing
- ✓ Integrate design & production
- ✓ Develop export capacity

The primary strength of the New York City garment industry in serving niche markets is its capacity for flexibility, speed, quality, and reliability that cannot be matched by offshore suppliers. Related strengths are the critical mass of a support base of suppliers of fabric, thread, and trims that is equally flexible and New York City's direct access to up-to-date designs and fashion information. Despite the pressures of foreign competition, the increasing consolidation and centralization among retailers, changing real estate markets, and the severe disruptions of September 11, the New York City industry has thus far retained this critical mass through a combination of entrepreneurial energy, willingness to make new investments, and the infusion of new fashion ideas by young designers. But this is a fragile balance that could easily shift if the industry is not nourished with new ideas and new development policies.

The challenges are to maintain this critical mass of nimble firms at all stages of the supply network, and to develop equally flexible relationships with retailers, so that New York City can sharpen its competitive edge in global apparel markets. A number of organizations including UNITE'S Industrial Development Department and its New York City locals, the Garment Industry Development Corporation, technical assistance providers such as TC2 and the Industrial & Technology Assistance Corporation, the New York Industrial Retention Network, progressive employers, and forward-looking retailers are hard at work to sustain the industry's current strengths while identifying ways to rebuild the industry in the future. Some of the new directions that are currently being discussed by industry experts are briefly summarized below.

Improving Local Production Capabilities

- **“Full Package” Production Capability**

Garment contractors are the most numerous type of supplier in the New York garment industry. Their relatively small size is a source of speed and flexibility. However, contractors often lack the resources and/or scale of production needed to purchase fabric, support cutting facilities, and purchase specialized machines necessary to compete in markets for “full package” supply favored by most large retailers. Without a full package capability, contractors have no choice but to depend on jobbers and manufacturers for product development, fabric, and orders. Identifying and assisting contractors who have the potential to become full package suppliers will open new markets for higher value garments and can improve the competitiveness of the New York industry by allowing contractors to sell directly to retailers. A few full package operations in New York City have also developed their own internal design capacity and, in some cases, have also established their own branded product lines that are carried by major retailers such as Bloomingdales, Bergdorf Goodman and Saks Fifth Avenue.

- **Upgrading Production Capacity**

For contractors that are not yet ready to develop a full package production capability, there are smaller steps that can improve revenues. These include helping contractors to improve their production efficiency and, more importantly, acquire new customers. This can be partially done through engineering evaluations and technical assistance to reduce costs, improve quality control, upgrade skills, develop pattern-making and cutting facilities, and more readily meet quality and labor standards.

- **Securing Stable Markets**

A stable level of year-round production is critical to maintaining production efficiency and workforce skills in the apparel industry. But offshore competition and the volatility of fashion production have made the New York City industry vulnerable to wide fluctuations in product demand. Developing a foundation of stable production that is not extremely time sensitive is an important offset to the uncertain, short-cycle production that characterizes much of the New York City industry. The market for uniforms for governments, schools, and the health care and other service sectors represents one such opportunity for New York City to create a significant number of stable production jobs, and to capture work that must be done domestically. City and federal legislation, for example, mandates preferences for local or domestic production and New York City suppliers are already taking on new and relatively large contracts for military and airport security uniforms, as well as smaller orders for school uniforms.

Building on Short Cycle Production

- **Reorder Markets**

Many analysts believe that short-cycle market niches for reorders represent the future of the American apparel industry.¹³ While offshore production can compete on cost, it cannot match the supply speeds of domestic suppliers, particularly for relatively small orders. Without a quick turn reordering capability, retailers are obliged to place larger initial orders offshore, which means higher inventory costs and increases the risk of overstocks, markdowns, and missed sales from out-of-stock merchandise. Having a domestic reorder capability allows retailers to reduce initial offshore orders and carry smaller inventories that can be selectively replenished as needed. Some large retailers have moved to this quick-reorder market, but usually only for fashion-basic products. The quick reorder market for the more fashionable products in which the New York industry is increasingly specializing is an example of a niche market with future potential.

The Brooks Brothers tie plant in Queens is a short-cycle production success story. Through a grant from the Sloan Foundation, TC2 worked with the plant to reduce average product turnaround time from 10 days to 2 hours. This was accomplished through a restructuring of management style and production processes, and re-engineering of the assembly line. The plant developed such extensive production capacity that they now make ties for other labels.

- **Quick Fashion Markets**

A second type of short-cycle market is for new "quick fashion" products in which large numbers of fashionable products with a life for 2-4 weeks are introduced throughout the season. At present, quick fashion is mainly an innovation found among European specialty chains, where it has been important to the success of small firms and garment districts in France and Italy.¹⁴ However, the entry into the U.S. market of the Zara retail chain that specializes in a modified version of quick fashion may make it a more prominent element in U.S. clothing retailing in the future. Quick fashion can be produced in large quantities using planning and production schedules that are somewhat faster than those for initial orders of conventional fashion products. However, the more common method in Europe is for it to be produced on a quick response basis where small initial orders are quickly market-tested and successful products are immediately moved into larger scale production using networks of small contractors.

¹³ Frederick Abernathy, John T. Dunlop, Janice H. Hammond, and David Weil, **A Stitch In Time**, (New York: Oxford University Press, 1999).

¹⁴ Elisabeth Parat and Bruno Courault, "The French Textile, Apparel, and Distribution Chain Model", document de travail du Centre d'études de l'emploi, 98/81, December 1998; Daniela Bigarelli, The Response to Globalization of the Carpi District in the 1990s, R&I s.r.l mimeo, June 2003.

Developing Flexible Retailing

- **Quick Response Partnerships**

Some large retailers have successfully developed supply partnerships with large domestic apparel suppliers to reduce production lead times and build quick response capabilities. These partnerships provide suppliers with technical assistance in improving the speed and efficiency of production and often include sophisticated electronic data linkages between retailers and suppliers and computerized ordering programs. The irony is that this emphasis on large suppliers and sophisticated technologies has limited these retailer-supplier partnerships to fashion basic products that are produced on a large scale and has resulted in far slower supply speeds than are routinely achieved by contractors and manufacturers in New York City. Local manufacturers in New York City represent an asset that can help retailers to gain faster and more efficient production of test samples and to extend quick response production to products with higher fashion content or better quality than are found in typical fashion basic products. However, tapping New York City's quick response capabilities will require greater flexibility on the part of buying and sourcing decisions by retailers and new ways of linking small suppliers to the information technologies of large retailers.

Integrating Design and Production

- **Production For Couture Fashion**

New York City is one of a handful of global fashion centers, along with Paris, Milan, and London. The couture sector in New York does not directly account for a large volume of business, but such production lends cachet and image to "Made In New York" products that are important to the global reputation of the New York garment industry. Well-known U.S. designers such as Donna Karan source samples, duplicates and items for fashion shows that represent the pinnacle of the high-end, high valued added products that New York City suppliers are capable of producing and are a foundation for higher volume niche fashion markets.

- **Serving Young Designers**

New York City is also a center for the training of young designers. Many young designers aspire to start their careers by producing garments on their own in hopes of commercializing their products or using their collections to promote careers in design with fashion houses, major manufacturers and major retail chains with private labels. These startup ventures are risky as only some designers achieve the success needed to support commercial production. Nevertheless, young designers collectively represent a continuing flow of work that can benefit from better matching with garment contractors and manufacturers in New York City.

Developing export capacity

- **Building on “Made In New York”**

Small suppliers and small-scale garment districts in Italy have become major exporters of better to high end products based on the quality of the designs and products “Made in Italy”. New York City has a similar potential. Both established manufacturers’ brands and those of young designers are currently being promoted by “NY Fashion International”, a joint project involving GIDC, the Fashion Center BID, and the U.S. Department of Commerce. NY Fashion International brings European and Asian buyers to New York City show rooms and introduces New York City brands to European markets via trade shows and showrooms. Since 1991, these efforts have resulted in an additional \$55 million in export earnings for NY firms.

One of the most exciting results of this work was GIDC’s “Americans in Paris” exhibition, held in Paris in September, 2002. The highly successful event was co-hosted by Gilles Bensimon of Elle Publications and Didier Grumbach of the French Federation of Haute Couture & Prêt à Porter. A handful of young New York City designers, including David Rodriguez, Alice Roi, Ruben Chapelle, and Vilma Mare were highlighted. The goal of the exhibition was to promote New York City as a global fashion capital and showcase the creativity of emerging local designers. More than 300 international buyers and media representatives attended the event. As a result of the exhibition, local designer Victor DeSouza was picked up by Gen Art for their Spring 2003 show during New York’s Fashion Week. In addition, DuPont chose DeSouza, along with five other designers in the world, to create test designs for a new fabric they have developed. People for the Ethical Treatment of Animals (PETA) selected Gaelyn & Cianfarani, another emerging New York design firm, for their Spring 2003 show as well.

“Americans in Paris” is an example of the consumer interest and entrepreneurial potential that exists within the New York City apparel industry. The industry must be appropriately positioned to capture the benefits of this potential, however. Understanding the industry’s perspective on how to do this is the goal of our continued research.

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