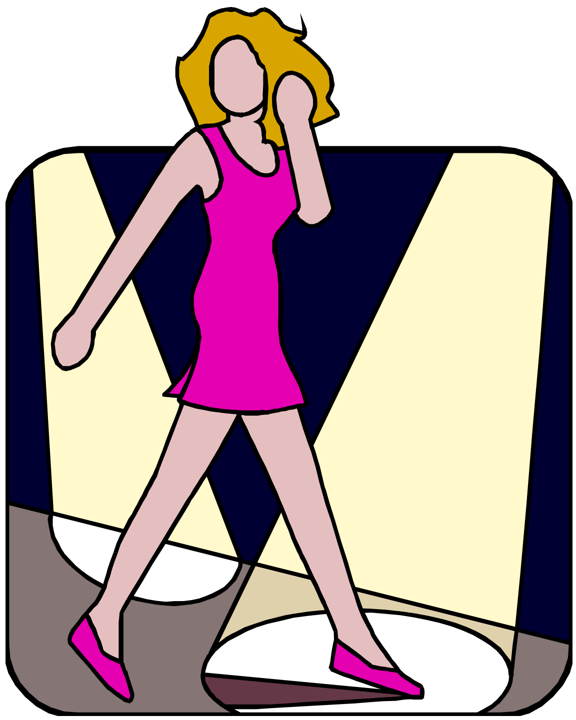
The Los Angeles Area Fashion Industry Profile



December 2003

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As the premier business leadership organization, the LAEDC's mission is to attract, retain and grow businesses and jobs in the regions of LA County, as well as to identify trends and affect positive change for the local economy. Since 1995, the LAEDC Business Development team helped in the creation of more than 68,000 jobs from 368 projects.

The LAEDC Economic Information and Research Department is a key source for current and forecasted data on Southern California's economy. Regular publications include *Business Resource Guide of Southern California, Economic Forecast & Industry Outlook, International Trade Trends & Impacts, L.A. Stats, Roadmaps to Industry Clusters, and regional economic reports.* All reports and industry profiles are provided free to the general public via our information website at *http://laedc.info* .

The LAEDC Economic Consulting Department offers custom research with expertise in transportation, the environment, infrastructure, regional economic trends and regional industry analysis.

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THE LOS ANGELES AREA APPAREL INDUSTRY PROFILE -- 2003

The fashion industry is perhaps one of the most misperceived industries in Los Angeles. The mere mention of apparel manufacturing conjures up images of sweatshops full of minority women operating sewing machines next to a mountain of cut fabric and under the eye of abusive bosses. But that's not the true face of the apparel industry in L.A. Instead, the image should be one of designers and models in a design studio, drawing up new designs and sending them electronically to offshore factories; graphic artists drawing the sketches for the next set of ads; logistics experts arranging for merchandise to be shipped to distribution centers or stores around the world; photographers taking pictures against the backdrop of Pacific beaches; fashion models walking down the runway; or freight forwarders signing customs papers for a container full of finished merchandise. Furthermore, while employment is declining, sales revenue is actually growing for many firms. There's also significant activity in cosmetics, footwear, and jewelry beyond importing and wholesaling.

L.A.'s apparel industry is now driven by design talent, economics, technology, and speed to market. It is a $24.3 billion industry that still has lots of potential. Unfortunately, many people judge the current state of the apparel industry by using the most readily available data -- employment. Apparel manufacturing employment has steadily declined since 1997, the year of the beginning of the Asian Financial Crisis. Several Asian currencies, including the South Korean won and the Malaysian ringgit, were hit hard. The sudden depreciation (if not collapse) of these currencies made their exports to the U.S. much, much cheaper, and the apparel manufacturing industry suffered because apparel accounts for a significant portion of those countries' exports to the U.S. China stood its ground and did not devalue the Chinese yuan, but it began giving export tax rebates to its exporters to help offset their competitors' currency advantage.

Domestic American firms could only stand and watch as cheap imports flooded our ports, and some closed their domestic factories and moved overseas. But the woes in manufacturing did not diminish the popularity of the "L.A. style," and the design side of the business continued to prosper. The divergent fate of the segments of the same industry shows the need for an industry to constantly reinvent itself. This is the only way industries facing intense import competition can survive in a higher-cost location such as the U.S.

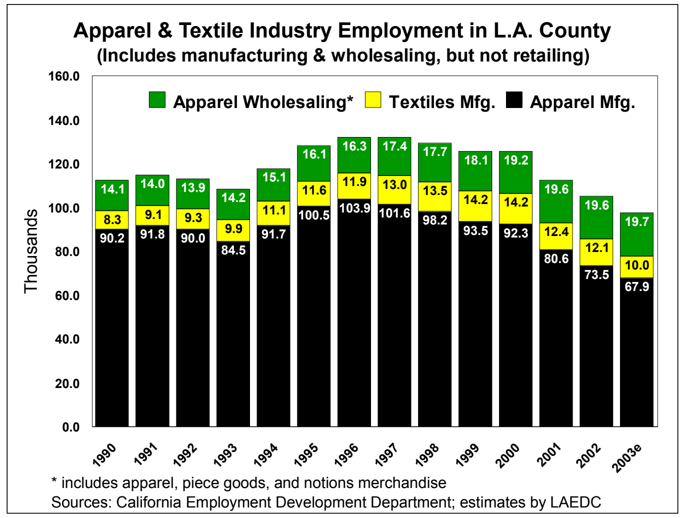
Many apparel "manufacturers" actually do not manufacture anything. Nameless contractors, similar to the Original Equipment Manufacturers (OEMs) in the computer industry, actually do the cutting and sewing. The manufacturers are legally responsible for fulfilling their contracts with retailers, the quality of their products, and their contractors' labor practices regarding wage and overtime issues. Since contractors can bid for work orders from many manufacturers, many are highly specialized and efficient at their core competencies. By using contractors, the manufacturers are also able to adjust their production rates depending on market demand. (In this report, data for "apparel manufacturing" refers to both manufacturers and contractors because it's hard to separate the two in official statistics. We will specify the focus of the particular discussion when appropriate.)

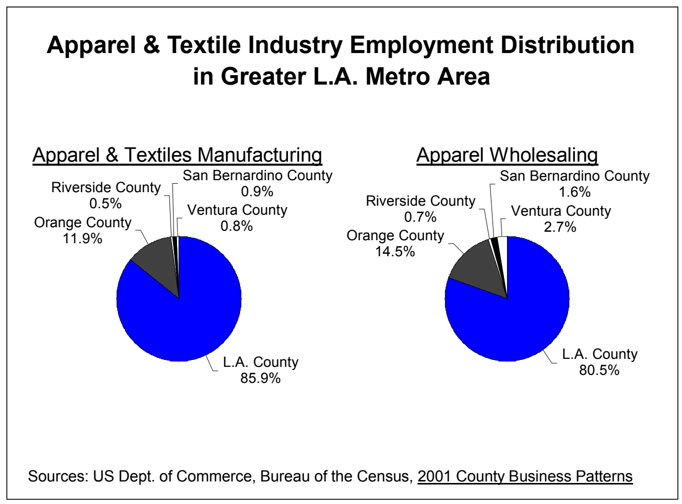
(Note: This report does not cover apparel retailing in detail. Apparel retailing is covered in our recently released Retail Industry Profile [released Sept., 2003] which is available at http://laedc.info . The report will cover briefly the textile industry, which is higher up in the supply chain and has a strong presence in the Southland. It will not cover the textile products industry, which generally includes home decoration products such as linen and carpet.)

Industry by the Numbers

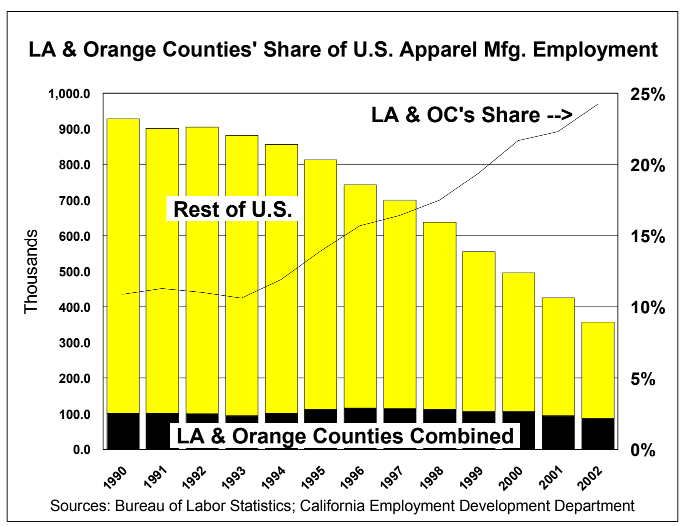
Employment

The apparel industry (excluding retailing) is one of the larger industries in the Los Angeles five-county area, with Los Angeles County accounting for over 80% of the apparel manufacturing employment. Los Angeles County has the largest job count, while Orange County has a smaller and growing base focused on surfwear and activewear. L.A. has a classic industry cluster in the Fashion District in downtown Los Angeles, but in the case of Orange County the industry is spread out. In Los Angeles County, the recent peak for apparel manufacturing was 103,900 jobs scored in 1996. Since then, the industry has seen a fairly drastic decline. By 2002, the job count was down to 73,500 or around 71% of the 1996 average. LAEDC estimates the 2003 average employment to be around 67,900. Textile manufacturing reached its recent peak in 1999 and 2000 when it had 14,200 jobs in Los Angeles County. It has since declined partly because of energy cost issues. Apparel wholesaling is still in a growth mode, because it benefits from both import and export activities. L.A.'s role in marketing and its own large local market are additional reasons why apparel wholesaling continues to prosper even though manufacturing has declined dramatically. Apparel wholesaling's job count stood at 19,600 in 2002 and is estimated to be around 19,700 in 2003.



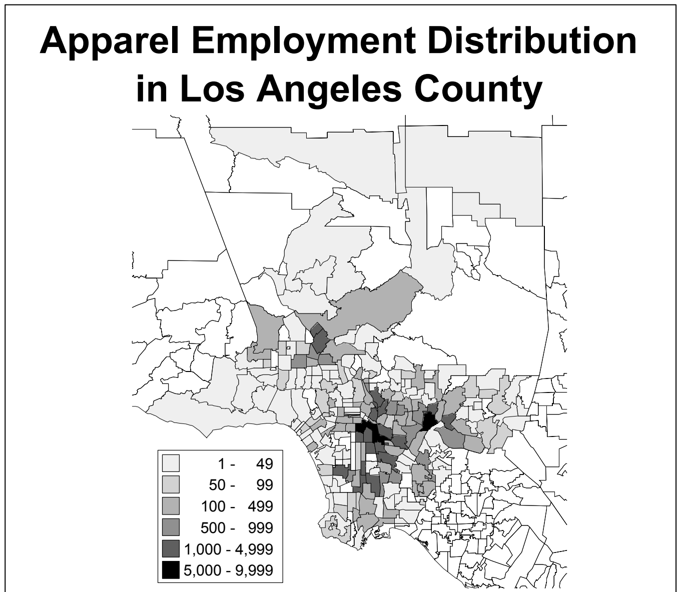


Orange County's apparel and textile manufacturing employment are reported together. The recent peak of 15,400 was in 2000, before the energy crisis and the recent recession. By 2002, the job count declined to 13,100, which is 15% lower than in 2000. The estimate for 2003 is even lower at 12,800. Employment for apparel wholesaling is not available because of its small size. Similarly, no apparel and textile manufacturing and wholesaling employment data are reported by the California Employment Development Department for the other three counties in the Southland.



Even though the job losses here are disheartening, L.A. is actually doing much better when compared to the national trend. Job losses in the U.S. have been brutal -- over 60% of apparel manufacturing jobs were lost between 1990 and 2002. Despite job losses, the combined L.A. County and Orange County share of U.S. apparel manufacturing employment has risen steadily since 1993 -- from 10.6% to 24.2% in 2002.

Data from the Census Bureau's County Business Patterns (CBP) data series offers a more detailed view of the two industries in Southern California. CBP reports employment, wage, and firm-size data for all the counties. In 2001 (the latest year available), Los Angeles County dominated the apparel manufacturing sector in Southern California with 87% of the 96,215 jobs, but had a lower-than-average annual wage of $19,192 (the region's average wage was $19,715). Orange County accounted for 12% of the jobs and had an average wage of $23,355. Ventura County had only 811 jobs but an exceptionally high average wage of $28,148. Perhaps a larger portion of Ventura's apparel manufacturing employment is design-related.



Source: US Dept. of Commerce, Bureau of the Census, 2001 ZIP Code Business Patterns (est. using firm counts)

Southern California accounted for around 77% of the State's apparel manufacturing employment. There's also sizable employment in San Francisco County (6,233 jobs), San Diego (3,967), and Alameda County (2,198).

In 2001, Los Angeles County accounted for 80% of the 11,152 textile manufacturing jobs in the Southland, with an average annual wage of $25,485. Orange County accounted for 15% of the jobs and has a lower average annual wage of $19,514.

In the five-county area, 86% of the textile manufacturing firms and 91% of the apparel manufacturing firms had fewer than 50 employees. The apparel industry, especially, is dominated by small firms. Three-quarters of them have fewer than 20 employees.

The outlook for apparel and textile manufacturing employment in Southern California is not bright. Job losses are projected for both industries for the foreseeable future. Although L.A. does have a niche market in quick-turn fashion-forward merchandise, this market is simply not large enough to induce job growth. Finally, there is a significant number of contract workers who are not captured by the official employment surveys. With rising workers' compensation and health insurance costs, some may think that employers might be tempted to hire contract workers instead of having them on permanent payrolls. While this may be true, the reality is far more complex. Many workers, especially those who are fast and skilled, constantly look for better opportunities among the different contracting firms. Some do this so they can fill up all the work hours they care to put in. As a result, the workforce is very fluid in the cut-and-sew section of apparel manufacturing. Under these circumstances, benefits such as an employer-financed (wholly or partially) health insurance program are difficult to manage.

Wage & Earnings

Compared to average manufacturing jobs, apparel workers have lower wages but do not seem to be "exploited" by employers. The apparel industry got a bad rap several years ago when a "sweatshop" full of undocumented aliens was discovered in El Monte. While slavery-like conditions are the rare exception, the general public still has the perception of "sweatshops" when they think of an apparel factory. The reality, however, is far more pleasant. The data from the 1997 Economic Census (the last year available for such detailed data) shows that, on average, production workers in apparel manufacturing got lower hourly wages but worked fewer hours than the average worker in manufacturing. As a result, their average annual wage is less than 60% of that of an average production worker in the manufacturing sector. Partly because of lower capital investments needed in this industry, the value added per production worker is just around 40% of the average manufacturing worker. Still, at a meager $8.11/hr., the wage rate here was still several times of those in places like Central America and China. Unless these workers are making high-margin merchandise, their jobs would have been lost to cheaper production locations.

The disparity is significantly less for non-production workers, which include supervisory, clerical, and other support personnel, but also designers and engineers. Unfortunately, the data are not detailed enough for us to isolate the earnings of apparel designers. Recent surveys show that designers make between $80,000 and $180,000 per year, depending on the size of the company and their tenure. Some make even more because of royalty payments and profit-sharing arrangements.

Table 1: L.A. 5-Co. Area Wages, Work Hours, and Value Added Comparisons, 1997

	Apparel Mfg.	Textile Mills Mfg.	Other Mfg.	Overall Mfg.
All Employees				
No. of Employees	106,559	10,158	864,665	981,382
Payroll ($000)	$1,841,038	$ 241,183	$ 30,168,577	$ 32,250,798
Avg. Annual Wage/Worker ($)	$ 17,277	$ 23,743	$ 34,890	$ 32,863
Production Workers				
No. of Employees	89,572	8,415	580,291	678,278
As % of All Employees	84.1%	82.8%	67.1%	69.1%
Payroll ($000)	1,220,728	158,355	15,102,747	16,481,830
Avg. Annual Wage/Worker ($)	$ 13,628	$ 18,818	$ 26,026	$ 24,300
Hours (000s)	150,512	17,002	1,149,032	1,316,546
Avg. Hours/Worker	1,680	2,020	1,980	1,941
Avg. Hours/Week (Total hrs/52)	32.3	38.9	38.1	37.3
Avg. Hourly Wage ($)	$ 8.11	$ 9.31	$ 13.14	$ 12.52
Non-production Workers				
No. of Employees	16,987	1,743	284,374	303,104
Payroll ($000)	$ 620,310	$ 82,828	$ 15,065,830	$ 15,768,968
Avg. Annual Wage/Worker ($)	$ 36,517	$ 47,520	$ 52,979	$ 52,025
Production				
Value Added (VA) by Mfg. ($000)	$ 4,614,668	$ 543,703	$ 82,538,237	$ 87,696,608
VA per Production Worker ($)	$ 51,519	$ 64,611	$ 142,236	$ 129,293
VA-to-Wage Ratio	141.1%	136.0%	268.5%	248.5%

Source: US Dept. of Commerce, Bureau of the Census, 1997 Economic Census

The data also do not show us the lives of those contract workers that work from their homes. The practice of using home labor for commercial apparel manufacturing is illegal, because power sewing machines are dangerous to children. Contractors who give work to home labor will be punished along with the laborer. Yet, out of desperation some are undoubtedly breaking this fairly obscure law unknown to most people outside the industry.

A Profile of Apparel Manufacturing Workers

Data from Census 2000 provides a glimpse of the apparel manufacturing sector. Unfortunately, we are unable to distinguish between apparel "manufacturers" and contractors, which do most of the actual production work. Most of the data being discussed here are likely from apparel manufacturing contractors.

The results from the 5-Percent Public Use Microdata Sample (5% PUMS) for the Los Angeles five-county area affirms some of the perceptions about the apparel manufacturing industry. Hispanics (81%) and Asians (16%) dominate the ranks of production workers. Roughly two-thirds of these workers are women. Most workers did not complete high school and do not speak English proficiently. Over three-quarters are non-citizens but may have permanent residency status and thus employment authorization. They work, on average, around 40 hours per week.

Designers and researchers can be found in both "manufacturers" and contract shops, and the data is not specific enough for us to distinguish the type of firms, unfortunately. Designers at apparel manufacturers include both well-known names and younger designers. Those at contract shops may be limited to making smaller changes and they make a lot less than the real "pros." Of the 82 respondents classified as designers and researchers, 15 (18%) made over $75,000 in 1989. Among them, 11 (13%) made over $100,000. The top earner made $462,000 in 1989. Since this is from a sample covering just 5% of the population, it's most likely that some designers made a lot more than even the top earner in this sample data set. The fact that 48% speak only English is an indicator that most are native-born. Technical personnel, which include engineers, computer programmers, and mechanics, are still dominated by minorities but they tend to have higher educational attainment.

Table 2: Demographic Characteristics of Apparel Workers [1]

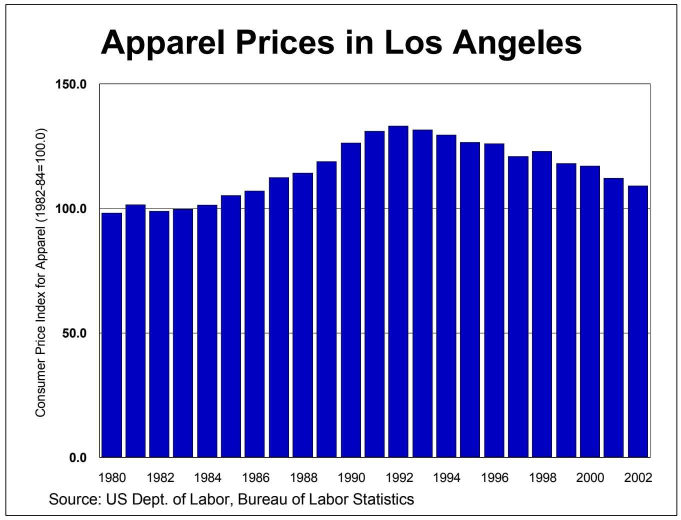
Indicators	Production Workers	Designers & Researchers	Technical Personnel	Top Managers
% women	66%	76%	17%	39%
Median age	35.0	35.0	36.0	44.5
% Hispanic	81%	31%	65%	18%
% Asian	16%	24%	30%	23%
% with only grade school education	44%	4%	4%	2%
% not finished high school	78%	9%	39%	2%
% with college degree	4%	64%	22%	52%
% not speaking English at all	32%	1%	0%	0%
% not speaking English very well	36%	13%	35%	16%
% speaking only English	8%	48%	13%	50%
% non-citizens	77%	22%	65%	25%
% naturalized citizens	17%	18%	26%	23%
For foreign-born: median year of entry into US	1989	1985	1988	1982
Average no. of weekly work hours	39.7	43.6	42.8	48.3

Source: US Dept. of Commerce, Bureau of the Census, Census 2000, 5-Percent Public Use Microdata Sample

[1] We do not show the corresponding wage data because the data seem to be quite inconsistent, especially for production workers. Many may not have filled out the survey forms properly, and thus the reliability of the responses are compromised. Data for the other three categories are used on a selective basis.

Merchandise Prices

Like the computer industry, the apparel industry has to battle falling prices. However, the forces behind the price declines are different. The computer industry sees technological advancements unparalleled in human history, and deflation is caused mainly by constantly lowering costs due to technological improvements in production and the high rate of technological obsolescence (i.e. slower systems must be sold before they become totally unwanted). In contrast, falling average prices in the apparel sector has been caused by the shift of production to lower-cost locales, changes in retailing, and a general acceptance of more casual appearance for both the workplace and social occasions.



More and more apparel is sold at value retailers (e.g., Wal-Mart and Target) and "wholesale clubs" (e.g., Costco and Sam's Club) instead of department stores. The mid-income consumers have become more value-oriented in recent years and discount chains have upgraded their offerings to attract this huge segment of the population. In some cases, chain stores have licensed designer brands and taken over manufacturing responsibilities. Now some once-hot designer brands are available at very low prices through these stores.

International Trade

The U.S. imports much of the apparel sold domestically. Since most of the imports come from Asia, a significant portion passes through the Los Angeles Customs District, which includes the twin ports of Los Angeles and Long Beach, Port Hueneme, LAX, Ontario International and McCarran Field (Las Vegas). Of the top source countries for apparel imports, China was by far the largest with $4.1 billion in 2002 (our definition of "China" includes Hong Kong and Macao for reasons to be explained in the Foreign Competition section). It is followed by Indonesia ($716 million), South Korea ($708 million), Thailand ($687 million), and Taiwan ($608 million). China accounted for over one-third of the total apparel imports coming through the L.A. area's seaports and airports. And because its products tend to be at the lower end of the price spectrum, in terms of quantity China's share is much higher than one-third. (Note: trade data for the LA Customs District does not reflect actual production or consumption in the Southern California area. It is the most comprehensive data that's available, and we feel it does provide a good picture of the overall trend. For L.A.-Canada and L.A.-Mexico trade, however, the data are severely skewed because much of the trade passes through border customs districts like San Diego and Seattle. According to industry insiders, Mexico is the second largest source of L.A.'s apparel imports behind, who else, China.)

The top consumer of Los Angeles apparel exports is Japan ($171 million), followed by China ($45 million), Mexico ($35 million), the United Kingdom ($23 million), and the Philippines ($14 million). A large portion of U.S. exports is shipped by air, a sign that these are often high-value, time-sensitive merchandise. What's being exported? Anything from swimwear to designer dresses to Dodgers shirts (which are big in Japan because of Japanese pitchers Hideo Nomo and Kazuhisa Ishii).

For textiles (not textile products such as carpets, rugs, etc.), China was also the largest source of imports at $216 million (out of a total of $936 million), followed by South Korea ($134 million), Taiwan ($122 million), Pakistan ($81 million), and Japan ($56 million). Several of the top 20 are industrialized countries, including Japan (#5), France (#16, $9 million), and Germany (#19, $5 million). These countries export higher-value textiles to the U.S. for further manufacturing.

U.S. exports of textiles may return to the U.S. after a few weeks as finished products. China was the number one destination in 2002 at $41 million, followed by Japan ($22 million), Australia ($14 million), South Korea ($12 million), and Taiwan ($9 million). Many apparel items now indicate the source of the material besides the location of sewing and packaging. For many products, the source of the fabric is more important than where the product is actually stitched together. Also, exports to Mexico are under-reported for the same reason mentioned above.

Indirect Impacts

Like all industries, the real economic impact of the apparel and textile industries goes beyond the jobs in these industries and the paychecks they generate. For every job created, there are multiplier effects in terms of either earnings or additional jobs.

When a worker takes home a paycheck, he spends a portion of it. Part of his spending becomes other people's income, and they in turn spend a portion of what they make. Different industries have different average indirect effects on earnings, which are indicated by earnings "multipliers." The differences come from the different spending patterns of workers in the various industries. For instance, a highly educated computer engineer may make a lot of money but also invest a large portion of his earnings, while a factory worker may be forced to spend most of his income. Their purchases are also different, and that means their spending in effect go to different people who spend their income differently, and so on. Therefore, different industries in different regions have different multipliers for earnings.

Using L.A. County's multipliers, one can see the real impact on earnings is more than doubled for the industries in this report. While the direct, documented payroll in apparel & textiles was $2.7 billion, it generated another $3.5 billion in indirect earnings and thus accounted for $6.3 billion in total earnings. This means that if all the jobs under this analysis went away, the region would lose $6.3 billion in total income for its population.

Table 3: Direct & Indirect Apparel/Textiles Earnings in Los Angeles County, 2001
(Total change in household earnings due to change in apparel manufacturing earnings, in millions of dollars)

Industry \ Impact	Direct	Indirect	Est. Total	Multiplier
Apparel manufacturing	$ 1,599.1	$ 2,561.1	$ 4,160.2	2.6016
Textile manufacturing	226.3	250.0	476.3	2.1046
Apparel wholesaling	880.2	737.0	1,617.3	1.8373
Total of these industries	$ 2,705.7	$ 3,548.1	$ 6,253.8	

Note: Earnings multipliers include the original earnings; overall wholesaling multiplier used as substitute for apparel wholesaling
Sources: Multipliers -- US Dept. of Commerce, Bureau of Economic Research, RIMS II multipliers 1999/1997
Earnings & jobs -- US Dept. of Commerce, Bureau of the Census, 2001 County Business Patterns

Looking at the issue in terms of jobs is another way of determining the total impact of the apparel and textiles industries. The documented employee count was 120,255 in 2001. Their earnings and spending generated another 130,000 "indirect" jobs for the region. The total employment impact was around 250,000 jobs -- not a small number by any measure.

Table 4: Direct & Indirect Apparel/Textiles Jobs in Los Angeles County, 2001
(Total change in no. of jobs due to change of jobs in apparel manufacturing)

Industry \ Impact	Direct	Indirect	Est. Total	Multiplier
Apparel manufacturing	83,321	91,386	174,707	2.0968
Textile manufacturing	8,881	8,060	16,941	1.9075
Apparel wholesaling	28,053	30,118	58,171	2.0736
Total of these industries	120,255	129,564	249,819	

Note: Job multipliers include the original jobs; overall wholesaling multiplier used as substitute for apparel wholesaling
Sources: *ibid.*

Apparel Manufacturing -- An Industry in Transition

Normally, the apparel industry would be considered a "sunset" industry for an advanced economy. Apparel manufacturing is a labor-intensive industry with low barriers of entry and low capital investments. As a result, it is often one of the first manufacturing industries to be established in an underdeveloped countries where low labor costs make them more price competitive. So based on simple common sense, industries like apparel manufacturing would not survive in a high-cost environment such as Los Angeles. But this has not been the case…

A Design-driven Industry…

In reality, the modern apparel industry is far more than just manufacturing. It is a highly sophisticated industry involving fashion & market research, brand licensing/intellectual property rights, design, materials engineering (which is often classified under "textiles" rather than "apparel"), product manufacturing, marketing, and finally distribution. Of these steps, the value-added of manufacturing can be a large part in accessories or a small part in high-fashion products. Los Angeles, with its strength in entertainment and design, is able to maintain its competitive advantage in product design and marketing. In some cases, it is also able to sustain its manufacturing capacity for the high-value, high-fashion, quick-turn orders.

What is the source of the strength of L.A.'s apparel design base? A large part of the strength is the amorphous concept of " L.A. style," which is propagated by constant media obsession with Hollywood and entertainment celebrities. The perception of Los Angeles as one of the centers of fashion (along with New York, Paris, and Northern Italy) continues to support the demand for things designed in and reflective of Los Angeles. Even as Los Angeles loses traditional apparel manufacturing to Central America and East Asia, its reputation as the source of fashion is

Do You Know These Local Brands?

A.B.S. by Allen Schwartz - women's wear
BCBG Max Azrias - women's wear
Catalina Swimwear - swimwear
Cherokee - jeans
Cole of California - swimwear
Fredericks of Hollywood - (highly diversified)
The Great Escape - motorcycle-related apparel
Guess? - (highly diversified)
Hot Kiss - women's wear
Hurley - casual
Juicy Couture - casual, women's activewear
Karen Kane - women's wear
L.E.I. - Young women's wear
La Blanca - swimwear
Laundry by Shelli Seagal - women's wear
Lucky Brands - casual men's & women's wear
Manhattan Beach - swimwear
Mossimo - (highly diversified)
Op - surfwear & activewear
Paris Blue - jeans
Quiksilver - surfwear & activewear
Roxy - casual, active women's wear
Self Esteem - casual women's wear
Seven Jeans - jeans
Speedo - swimwear
St. John Knits - women's wear
Sue Wong - women's dresses

growing. Every entertainment award broadcast reinforces the perception that "L.A. is fashion" even though there's no concerted effort to promote the "L.A." brand.

…Dominated by Immigrants

Interestingly, many of the contracting firms are owned by minorities, especially Asian entrepreneurs (Korean-American apparel firms even have their own association). Their workers are also mainly of minority origin: Hispanics and Asians. This is an industry where non-skilled immigrant workers can learn basic skills and move up the ladder within or outside the apparel industry.

Perceptions & Misperceptions

The local apparel industry suffers from many misperceptions that surround it. One misperception is that the apparel industry is full of "sweatshops" where undocumented aliens, minorities, and women work long hours for very low pay and in very poor working environment. While it's true that some workers do sweat at work, the phenomenon known as "sweatshops" is the rare exception rather than the rule. Stringent self- and government monitoring help ensure that "exploitation" occurs very rarely. Furthermore, the old-style "cut & sew" jobs have largely disappeared. In their place are shops that work closely with the designers and fill low-volume, quick-turn orders that command much higher prices and hence higher profit margins. Sending such orders to offshore factories is simply not economical, especially in terms of time. A "Made in the U.S.A." label still commands a prestige factor that designers and retailers must consider when focusing on high-margin merchandise.

Sometimes the apparel industry actually benefits from misperceptions. "Designed in Los Angeles" is seen as a statement of cutting-edge fashion, even though most labels only indicate the location of manufacture (and sometimes that of headquarters of the brand). Only industry insiders who go to the trade shows and the "marts" really know what's designed locally and what's not. Some designer labels play to the entertainment factor by hiring Hollywood-style models to represent their merchandise in paid advertisement. Also, what celebrities wear to award shows are often perceived as designed in Los Angeles, even though it's just the show that's in Los Angeles. In truth, some are not designed locally, but this connection helps link the idea of "celebrity fashion" with Los Angeles.

Design Programs at Local Colleges

Los Angeles is perceived as a leader in the field of fashion design, which helps its specialty design schools such as the Fashion Institute of Design & Merchandising (FIDM) and Otis College of Art and Design attract the top candidates to its design programs. In all, there are 16 private and public undergraduate schools with programs dedicated to apparel design and merchandising. These schools also draw many foreign students and minorities, and they add not just diversity but also international flavors to these programs. Many of their graduates stay to work in this area, which further reinforces the competitiveness of the region's apparel design industry.

The list of schools with design programs include:

- Brooks College
- California Design College
- California Polytechnic University, Pomona
- California State University, Los Angeles
- California State University, Northridge
- East Los Angeles College
- El Camino College
- Fashion Institute of Design & Merchandising
- Glendale Community College
- Long Beach City College
- Los Angeles Trade Technical College
- Mt. San Antonio College
- Otis College of Art & Design
- Pasadena City College
- Santa Monica College
- Woodbury University

A Truly Global Industry

If globalization allows all countries to benefit from their comparative advantage, then L.A.'s apparel industry can be upheld as a poster child of this trend. In Los Angeles, long gone are the large factory floors full of sewing machines. Today, the division of labor is based on each region's strength and economic realities. Now a piece of a garment can take a very long journey before it reaches the customer's closet. The design work, including the necessary market and trend analysis, can be done in Los Angeles. Marketing efforts through various channels begins immediately, if needed. The design may be modified slightly during the marketing phase. The design is then sent overseas to contract factories in Central America, Asia, or Africa. These factories may source fabric from the U.S. or elsewhere. When finished, the merchandise is most often shipped back to the name-bearing "manufacturer," which in turn ships the orders to retailers' distribution centers or wholesalers all around the world. Surplus inventories are also sold to certain discounters and close-out retailers such as BIG Lots and Ross.

Niche Markets in Quick-Turn Merchandise

Product differentiation is very significant in the apparel business, perhaps more so than any other business. Brand and designer names command a premium based on their reputation. (The joke is that the "LV" lettering on a Louis Vuitton handbag accounts for 95% of the bag's value, but this may not be far from the truth.) Exclusivity also counts. Two women wearing the identical dresses at the same party is a true nightmare. Therefore designs with limited

The Mysterious "Marts"

To know the story of Los Angeles' apparel industry, one must understand the role of the "marts." Behind the façade of these ordinary-looking office buildings is the heart of the Los Angeles fashion industry. These are the marketplaces for designers, manufacturers, wholesalers and retailers to meet and connect. Access to these marts is restricted to involved parties only. Most of these "shows" are not open to the general public, but sometimes there are special public events where one can purchase sample items.

Marts in L.A. have a distinct characteristic: they are open 52 weeks a year and potential buyers can visit any time. Other marts around the country are only open during designated "market" times. Surprisingly, New York, which also has a sizable apparel industry, does not even have a mart.

There are four main marts in Los Angeles: California Market Center (formerly the CaliforniaMart), Cooper Design Space, The Gerry Building, and the New Mart. They're located at the four corners of Los Angeles St. and 9th St. in Downtown L.A. Now that's industry clustering!

What's inside these marts ranges from mundane to cutting-edge. One can find the latest fashion before it even becomes fashion. Some large retailers also have "buying offices" where representatives of designers and manufacturers can go and showcase their latest offerings. At these marts the parties mingle and deal. Billions of dollars of contracts are awarded annually thanks to the interactions inside these marts.

It takes a trip to one of the marts and a trade show to appreciate the sophistication of the industry. There are products that outsiders would not have imagined, such as "predictive services." These expert forecast trendy colors and styles for the next two years so designers and buyers can plan accordingly. No predictive services can ignore what's going on in L.A. because L.A. leads in youth trends and grabs more attention thanks to the Hollywood connection.

A "Market Week" is a week of fashion shows. It's also a time to attract more distant buyers and press from all over the world. Given L.A.'s reputation as a major center of the latest fashion, Market Weeks (held five times a year) are a great time to promote L.A.'s fashion industry. Unfortunately, they do not get the local media attention they deserve, and L.A. residents are largely uninformed about the significance of the marts and their special activities.

production runs also command a high price tag -- fewer people to share the design cost. It is in this kind of environment that Los Angeles' apparel industry finds a niche -- the market for custom-designed, low-volume, high-fashion merchandise that has a very short concept-to-product time. These garments require high-quality materials, agile manufacturing capabilities, close working relationship between the factory and the designer, and quick turnaround. Los Angeles is able to bring together such synergies.

Just how fast is the turnaround in this market? From concept to product, these production runs may be as short as just a few weeks. Once people forget what Nicole Kidman wore at the last Oscars, the perceived value of her dress drops exponentially. Therefore, the "knock off" must get to the market quickly. Some firms may also place the initial order with local contractors at the same time they place the larger order with overseas firms. This allows them to capture the higher-priced retailers early on and use the mass-production goods that come months later to sell to the mid-priced markets.

Another potential niche market is that of reorders. Some firms underestimate the demand for a certain style and need additional production fast. If they go through the overseas channel, the style may become a bit out-of-fashion by the time the products arrive. Also the quantity needed may not be large enough to cover the extra overhead involved in overseas sourcing. Thus developing the capabilities to adjust production runs quickly is crucial for local firms seeking a piece of the reorder market.

L.A. & O.C. -- Two Distinct Trendsetters

Although Los Angeles and Orange counties are economically integrated like two Siamese twins, they do have their own distinct personalities and hence niche apparel markets. Los Angeles County is strong in "contemporary" apparel while Orange County is famous for its surfwear and activewear. One example of the contemporary style is Hot Topic based in the City of Industry. It focuses on the latest fashion shaped by music videos and other entertainment venues, alternative artists, and teens. Its management and employees attend concerts to spot the latest trend, and they stay in close communication with their customers to find out what they want. By staying connected with the music industry, it is able to identify fashion trends and act on them quickly. The product cycle is so short in this music-driven industry that Hot Topic relies on a network of domestic suppliers rather than foreign manufacturers.

Orange County may feel it's under the shadow of its big sibling to the north, but it has its own unique strength in the apparel sector. Its surfwear and activewear are considered the trendsetter among the enthusiasts. Anaheim-based Pacific Sunwear, better known as PacSun, is hot among the young and the active adults. Its customers may not skate or surf, but they like to be associated with such "California-lifestyle" activities. Wearing this trendy activewear makes a statement about one's personality. (PacSun has its own private labels [e.g., Trans 9, Bullhead, and Tilt], but it also sells branded merchandise such as Quiksilver and Hurley. Having such a mix helps it to cover the missing gaps in the offerings of branded merchandise, be more flexible with inventory control, and act more quickly on any shift in the fashion trends.)

In both markets, the key is to be ahead of the fashion curve, which twists and turns quickly in both the contemporary and the activewear sectors. The Southland's strength in these two sectors is a shining testimony to its creative environment and design talents.

Technology Comes to the Rescue?

Technology is playing a major role in helping L.A.'s design shops to stay competitive by shortening product cycles and reducing costs. Computer-aided design and manufacturing (CAD/CAM) products and services help designers to quickly turn their concepts into prototypes and samples. Advanced computer-aided videoconferencing allows better communications between designers, manufacturers (which are often located overseas), and retailers, and this helps improve product creation and shortens the product cycle (the design-to-shelf time). Computerized shipping services allow manufacturers and retailers to control product flow (including customs clearance) and reduce delays, uncertainties, and inventory costs. Together these new technologies help designers, manufacturers, and retailers cut costs and maintain competitiveness.

But large capital investments can be very burdensome for smaller contractors. First of all, new machinery is often very expensive and requires some training. Secondly, some firms are nervous about investing when their own business outlook is uncertain, especially during harsh economic times. Therefore, some firms find it difficult to invest in new equipment even though long-term savings may be substantial. Another option for small firms is to rent facilities at technology centers, which are like Kinko's for the apparel industry.

There are no real barriers keeping firms in developing countries from utilizing these advanced technologies to their advantage. They may not have to invest in the latest equipment. Instead, they can go for second-tier equipments whose costs have dropped because of the introduction of newer machines. Some countries also have activist industrial policies that provide financial assistance to their producers. Thus, in order to stay in business, the firms in L.A. have to compete using their greatest strength -- creativity.

Labor Burdens A Barrier to Job Growth

In an attempt to prevent labor exploitation like the 1994 situation found in El Monte, the State has some new labor regulations that seem to specifically target the apparel manufacturing industry. The concept of "joint liability" became law in 2001, making the brand-carrying manufacturers equally responsible for wage and hour issues within their contractors' shops. This is meant to force manufacturers to monitor their contractors more closely. Starting in 2003, manufacturers are also liable for the workers' compensation payments of their contractors. These two laws make manufacturers more nervous about having production done in California. Some of these jobs went underground (i.e. not registered with the State). Yet this doesn't mean these factories are worker-exploiting sweatshops. Legal workers can still report any labor violations to the proper authorities. With the higher regulatory costs here, manufacturers can only produce the higher-margin lines in California, such as those low-quantity, quick-turn garments.

There may still be "sweatshops" in Southern California where undocumented workers are exploited by rogue contractors. However, this is not a problem just for the apparel industry. It's a general social problem that covers other labor-intensive manufacturing, service, and construction sectors.

Barriers to Exporting

There are several barriers to the exporting of L.A. apparel, including both tariff and non-tariff barriers, plus the local industries' own lack of experience in exporting. Apparel manufacturing is an industry found in many developing countries, and thus some developing countries have special tariffs to protect their domestic factories from foreign competition. The U.S. has not been as aggressive on barrier removal for apparel as it could, according to industry insiders. The WTO may be the answer to this problem, however, but other countries will surely put up a fight if they believe their own apparel industries are threatened. In reality, many of L.A.'s exports are items that do not compete with their local production (e.g., swimwear from Quiksilver). L.A.'s merchandise may be less of a threat to them than they realize.

Certain barriers to importing of U.S. apparel products are not explicitly sanctioned by foreign governments. In many cases, they are just part of the accepted local business practices. For instance, sometimes it is hard to get shelf space at some foreign retailers because they have long-term relationships with existing suppliers/wholesalers. If those suppliers refuse to carry the merchandise for a variety of reasons, the exporting manufacturer does not have access to retail shelves. Some larger manufacturers invade foreign countries with their own retail stores, but this is not an option for smaller manufacturers with limited financial resources. It is always safer to test the market by going through existing retail channels at first, but many manufacturers find that option to be extremely limited. Perhaps there can be a cooperative effort to establish an "L.A." branded retail channel in some countries. Thus far this idea hasn't gained much traction. Another idea is to get American retailers in those countries (e.g., Wal-Mart) to provide shelf space.

Finally, many firms in L.A. simply are not very knowledgeable about exporting. The lack of export expertise in some companies may partly be the result of the U.S. being a large enough market to tackle, and some firms are too busy supplying U.S. retailers to pay attention to exporting. Some may be overly concerned with documentation needs or creditworthiness of their buyers (one solution: get trade-related insurance). When these companies finally get an export order, some may find that they are ill-prepared for issues such as trademark protection. Some firms do not realize that their names may have already been "registered" by someone else until they try to export. Other firms also have to deal with their tarnished brand names caused by low-quality imitators using their trademarks illegally.

A disproportionate number of apparel export agents are in New York, even though the industry in L.A. is bigger. One of the reasons for this trend is historical -- New York has more headquarters of large apparel firms. Given the large number of international trade assets around L.A., improving the export capabilities of L.A.'s fashion industry should not be difficult. While getting a precise count of export agents is difficult, a comparison of the apparel & textiles employment in Los Angeles County and the eight-county New York PMSA shows that New York has more jobs in apparel wholesaling and a much higher wholesaling-to-manufacturing ratio. Since a lot of wholesaling activity is trade-related, this is an indirect way of showing the relative strength of New York in trade-related services for apparel.

Table 5: Apparel & Textiles Employment -- L.A. County vs. New York PMSA

NAICS	Industry	L.A. County/PMSA	New York PMSA
313	Textile mills manufacturing	8,881	5,556
315	Apparel manufacturing	83,321	43,780
4223	Apparel wholesaling (inc. accessories & shoes)	28,053	46,706
	Total	120,255	96,042
	Apparel wholesaling-to-manufacturing ratio:	0.34	1.07

Source: U.S. Dept. of Commerce, Bureau of the Census, 2001 County Business Patterns

Issues Looming Over the Horizon

Foreign Competition to Intensify in 2005?

Under the WTO, import quotas on textiles and apparel products will be lifted in 2005, except in the case of some specific categories of items from China. (A few other non-WTO members will also see later removal dates, including Vietnam, Bangladesh, and Cambodia.) Quotas on some Chinese products (e.g., gloves, bras, and sleepwear), euphemistically called "safeguards," will not be lifted until 2008. (In mid-November, the Commerce Department voted to invoke the safeguard measures on a few textile products. The two governments will have to negotiate over the details, and China may yet retaliate with their own trade measures.) Some manufacturers are concerned about allowing a flood of cheap imports that could kill the remaining domestic jobs in apparel and textiles. But the current quota system was breached long ago. Manufacturers can ship fabric and textile (if not nearly finished products) to a quota-free or quota-available country for final assembly. Some merchants go as far as setting up factories in third world countries to literally circumvent the quota system. This practice, called "transshipments," is helping to fuel the opposition to more free trade agreements with other countries.

Despite their advantage in labor costs (which are around 1/4 the costs of Mexican labor), Chinese exporters are also getting export tax rebates (currently 17% across-the-board) from their government which help subsidize their exports (their rationale: to offset the value-added taxes imposed by foreign governments). During the Asian financial crisis, the Chinese government initiated the export tax rebates to help exporters in a successful attempt to avoid having to devaluate its currency. With the U.S. and other developed countries demanding that China rethink its currency peg and the country facing budgetary pressures, reducing the export tax rebates can serve two causes at the same time. However, taking away these rebates will likely not offset their cost advantage and bring relief to U.S. producers. The differential is simply too large.

In the long run, some other Asian and Latin American countries are more likely to be hurt by the phasing out of quotas than the U.S. More production may be shifted to China once the quotas are lifted in 2008. Some African countries will lose their role as the transshipment centers for current quota-busters. They will lose some jobs and tariffs from the loss of transshipments.

Eventually, importers, retailers, and consumers will all benefit from the lifting of quotas. Importers and retailers will be able to consolidate their suppliers to just a few countries. Nowadays many retailers source from countries all over the world because quotas limit how much they can get out of each country. This adds to their management and logistical costs and reduces their efficiency. Costs that are currently incurred on quota compliance will also disappear.

The lifting of quotas further reinforces the need for U.S. apparel manufacturers to continue to move into design-based and/or high-end merchandise. L.A.'s design-based apparel industry will fare much better than other areas that are not design-driven. This region's strength must be promoted and exploited, just as the Italians found a niche in designer-based automobiles, eyeglass frames, and shoes.

The "Cliff" -- The 2004-2005 Transition Period

For now, retailers, importers, and shipping companies are trying to figure out what may happen in late 2004 and early 2005. Some insiders call this transition period "the cliff," and for good reason. When quotas are lifted, apparel prices to retailers may drop substantially. But firms cannot just postpone the orders to 2005 because shelf space (and time) is "perishable" -- once it's not used, it's gone forever. In any event, it would cause logistical headaches for manufacturers, shippers, importers and retailers. As for consumers, they may see a slight drop in apparel prices, but even that's not a sure thing.

A fairly unknown practice called "carry forward" further complicates the picture. Under the current quota system, an importer can borrow a portion of the quota from the year ahead if they have a need. For many importers, this has become a standard practice year after year. In 2004, they would not be able to borrow from 2005 because there won't be quotas in 2005 (except for China). So for some importers, they won't be able to deliver the goods in late 2004 even if they have orders for them. Some of them have borrowed some of the 2004 quotas in 2003 and now they cannot borrow from 2005 (one cannot borrow what's not there -- quotas). One possible solution: divert orders to quota-free or quota-available countries.

L.A. & N.Y. -- Friends or Foes?

Two areas in the U.S. can really claim to be centers of fashion: New York and Los Angeles. While L.A. (and its sibling Orange County) has a claim to be the leader in contemporary wear, activewear, and surfwear, New York is strong in women's outerwear and tailored clothing. Both areas are facing various cost pressures and trying to survive with design-based production and filling the needs of niche markets.

New York has taken notice of the unfavorable trends in U.S. apparel manufacturing and is developing strategies to support its current industry base. Some of their proposed policies include[2]:

- ✔ focusing on niche markets such as small orders (e.g., low-quantity, quick-turn, higher-priced production runs and re-orders)
- ✔ strengthening brand-building capabilities of local firms
- ✔ improving production "capabilities" instead of production "capacity," including forming partnerships among firms
- ✔ further integrating design and production
- ✔ developing even more export capacity (for those competitive products)
- ✔ securing stable markets (e.g., local government contracts for uniforms, etc.)
- ✔ supporting design training and young designers
- ✔ promoting the "Made in New York" brand

Many of these ideas are also applicable to L.A.'s apparel industry. The two areas should stop seeing each other as competitors but as partners facing the same tidal wave. The future of the U.S. apparel manufacturing sector depends on the health and growth of firms in both Los Angeles and New York.

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[2] Taken from NYC's Garment Industry: A New Look? by the Fiscal Policy Institute, August 2003

Textiles Manufacturing -- Another Sunset Industry?

Just as the apparel industry in Los Angeles is sustained by a strong design base and a niche market in contemporary and quick-turn merchandise, its sister industry, textiles manufacturing, also has found extended life in niche markets. Textiles manufacturing is highly mechanized and far more capital-intensive than apparel manufacturing, but it is not difficult to transport the factory to a cheaper location. It is energy-intensive and thus a location with high energy costs and unreliable supplies is often avoided. There are environmental concerns (i.e. from dying and washing) involved with textiles manufacturing, which makes it less viable for advanced economies with stringent regulations.

The competitive advantage of Los Angeles' textiles industry is in design and the ability to diversify product lines, which are processes with many layers of expertise. Once a basic design is created, it has to be turned into a repeat pattern with the final color choices. Different repeat patterns and color choices can be made so the basic design can yield many different complete designs. Years later, the same basic design can be given different colors and emerge as a new design.

Many apparel items now indicate that the source of the fabric is from the U.S. even though the final sewing is done in another country. Because it's much less labor-intensive and in many cases highly automated, textiles manufacturing hasn't seen the kind of job losses and offshore relocation common in many manufacturing industries. Until the energy crisis of 2001, textiles manufacturing in the Southland was actually gaining jobs. But the energy crisis hit the industry hard, and the industry lost 1,800 jobs, or 12.7%, between 2000 and 2001 in Los Angeles County alone. Most of the lost jobs have not come back even though the cost of energy, in particularly natural gas, has dropped significantly. (Natural gas supplies are not projected to rise significantly unless major investments are made to boost the importation of natural gas.) The textiles industry is seeing contraction now, but labor costs play a rather small part in this trend. Energy supply and cost issues, along with some environmental regulatory concerns, are the issues on the minds of most local textile manufacturers.

Sweet Toppings -- Cosmetics, Jewelry, and Footwear

A few other fashion-related industries in Los Angeles also have their own industry clusters. Cosmetics manufacturing has over 7,500 workers in the Southland. Big names include Neutrogena and Hard Candy. Many of these are probably office jobs such as sales and marketing. They are listed under manufacturing because that's the classification of the corporation in general. Cosmetics wholesaling data is not available, but it is likely significant due to all the trade-related activities and domestic consumption in this area. One boost to the cosmetics industry comes from the entertainment industry and its sometimes unique needs.

The jewelry industry has a significant cluster around Hill St. and Broadway just to the east of the Downtown Financial District. The Jewelry District has many retailers and wholesalers engaging in deal-making. Many smaller retailers and wholesalers rent booths from the various marts. It's quite a sight to see bazaars full of merchants selling diamonds, gold chains, and other precious stones. Bargaining is acceptable at many shops, and buyers should come knowing the current market prices for precious metals and stones.

Just upstairs in many unimposing buildings in and around the Jewelry District are many jewelry designers, manufacturers, and wholesalers. These are places where the real big deals are generated. While some firms choose to have their mass production done elsewhere, others have their whole production lines local in order to maintain quality control and provide speedy service. Of course, nearly all designers and manufacturers have small shops making samples or special custom orders. Low prices are not the central focus of most jewelry buyers, and thus local skilled craftsmen face less competition than their apparel counterparts. Local employees often go to trade shows in Las Vegas or elsewhere, showcasing their designs and signing up orders.

No fashion is complete without the proper footwear (except perhaps surfwear & swimwear), and it's also a significant business in L.A. Like cosmetics, a lot of these "manufacturing" jobs are really supporting jobs in sales and marketing. There are three shoe shows in L.A. every year, and they get bigger and bigger each year.

Because L.A. is also a major center for marketing/advertising, this is also where much of the advertising materials (e.g., magazine photo shoots, TV commercials, etc.) in support of all the fashion-related industries are created. Men's footwear is often represented by sports figures (some bear their names, such as Air Jordan) and advertisements often feature backgrounds that are seen as part of an active lifestyle. The Southland's beaches are some of the favorite backdrops. Moreover, L.A. is one of the places where you can go from beaches to ski slopes in less than two hours. L.A. also has two of the most marketable players: Kobe and Shaq. (In Fact, one reason why Shaq came to L.A. was to facilitate his venture into entertainment. His movie career did not score a slam-dunk, but he has sure starred in a lot of commercials.)

Table 6: Other Fashion-related Industries

Cosmetics		L.A.	Orange	Riverside	San Bernardino	Ventura
32562	Cosmetics manufacturing	6,862	345	250-499	n/a	100-249
Jewelry		**L.A.**	**Orange**	**Riverside**	**San Bernardino**	**Ventura**
339911	Jewelry manufacturing	3,223	175	n/a	n/a	n/a
42194	Jewelry wholesaling *	5,840	395	n/a	n/a	110
	Total	9,063	570	n/a	n/a	110
Footwear		**L.A.**	**Orange**	**Riverside**	**San Bernardino**	**Ventura**
3162	Footwear manufacturing	1,393	n/a	n/a	n/a	n/a
42234	Footwear wholesaling	1,913	584	n/a	201	n/a
	Total	3,306	584	n/a	201	n/a

* Note: includes watches, precious stones & metals
Source: US Dept. of Commerce, Bureau of the Census, 2001 County Business Patterns

Outlook for L.A.'s Apparel Industry

Pluses

- ✔ The apparel industry cluster in Los Angeles is very visible and geographically identifiable. The "Fashion District" to the east of the Downtown is also supported and promoted by local authorities and has its own Business Improvement District (BID). Even the real estate owners in the district are pro-actively working together to define the Fashion District for the region.

- ✔ Perception can become reality if it's propagated relentlessly. L.A. is increasingly seen as the fashion capital of the U.S. Marketing efforts should focus on that perception and keep pushing the idea to the general public.

- ✔ The design talent coming out of L.A.'s schools is one of the greatest assets of the fashion industry. Some of these students come from faraway places and are attracted by both the real assets (i.e. the schools themselves) and by the perception about L.A. Furthermore, it is also easier for young designers to get attention in L.A. than in New York because the industry here is less structured.

- ✔ There's also tremendous interest in the "L.A. Style," an amorphous concept that's open to interpretation. Los Angeles has the strength in contemporary designs, partly because L.A. helps define what's hot and what's "in." In recent years, Orange County has also established itself as a center for surfwear and activewear design.

- ✔ Access to seaports and airports needed for distribution (to the 48 states) is also an advantage for Los Angeles. The Pacific Rim (not just East Asia but also Central America) is the center of apparel manufacturing in the world. L.A. is effectively the capital of apparel design and marketing in the middle of this "Ring of Sewing Machines."

Minuses

- ✕ The negative image of the industry continues to plague it. This discourages government support for this industry and retards the recruitment of management talents. The industry deserves public embrace rather than ridicule.

- ✕ Small design shops and manufacturers find it difficult to sell to large retail chains. Large retail chains engage in "matrix purchasing" which favors existing, large suppliers. Some manufacturers are opening retail shops, which are major and risky investments.

- ✕ The lack of major, public-accessible shows means lower public awareness of the strength of this local industry. MAGIC, the nation's largest apparel show by Men's Apparel Guild in California, was once here but moved to Las Vegas because the Los Angeles Convention Center was not big enough.

- ✕ Most media coverage focuses on the trendy runway shows, which do not really showcase the more mainstream saleable designs. The real action is found in pre-selling at the showrooms in the marts.

- ✕ Not many local high school students know about the abundant opportunities in apparel design and marketing, and thus fail to take advantage of the available educational resources here. They end up choosing college majors with limited career opportunities (e.g., history) and miss out on the vast opportunities in apparel.

- ✕ There are barriers to exporting, and some government and business cooperation are needed to overcome such barriers. One possibility is to create retail channels focusing on the "L.A." brand. Another is to get cooperation from American retailers operating overseas. Finally our own export capabilities need to be enhanced.

An Item to Watch…

- The lifting of import quotas in 2005 may open the door to even more low-cost apparel from China. The impact on U.S. apparel jobs, however, is uncertain but may not be as large as some feared. It's more likely that other developing countries will take a bigger hit. U.S. consumers will likely benefit from lower prices (partly because of the reduction in "quota-busting" costs incurred by the middlemen). The more direct trade may also improve efficiency of retailers' supply chain management, which can bring additional savings.

What Could be Done to Support the Industry?

- Marketing, marketing, and more marketing of the "L.A." or "California" brand. Successful marketing generates additional demand and boosts the intrinsic value of the merchandise. A strong, proprietary local brand also means it's not something that can be easily transferred to another location. Intense marketing also brings in more buyers to local market weeks, which will generate a variety of additional spending and tax flows (e.g., meals, hotels, limo services, etc.).

- A successful apparel business require more than just great designers; it needs top-notch management talent also. More colleges should consider offering apparel-related business management and merchandising studies, not just apparel design.

- Introduce local high school students to the opportunities in the apparel industry through "reality-based" programs such as the Regional Occupational Program (ROP) in high schools. Once they see the process of fashion design and merchandising, some might be hooked!

- The community should work to upgrade the impact of "Market Week" so it gets more publicity and use it to educate the residents about the importance of the local fashion industry. Fashion is a big business in L.A. so let's make market weeks a big deal around here. This will help strength L.A.'s reputation as the center of fashion in America.

Fashion Week Spring '04

Anyone who thinks L.A.'s fashion industry is in decline definitely did not attend the last market week, *Fashion Week Spring '04*, held at the California Market Center from Oct. 31 through Nov. 4. (Yes, the date is correct -- buyers are looking for products for next spring at the late-autumn market week.) The statistics speak for themselves:

- 80 runway shows
- retail attendees from 46 states and 25 countries
- 1,800 showrooms
- a 24% increase in first-time attendees

Market weeks draw in large numbers of buyers, who may book a hotel room, dine at local restaurants, and do a little casual shopping. The economic impacts of these market weeks are not well recognized.

# # # #

Table 7: Apparel & Textiles Employment in Los Angeles & Orange Counties

	LA County			Orange Co.
	Apparel Manufacturing	Textiles Manufacturing	Apparel Wholesaling*	Apparel & Textile Manufacturing
1990	90,200	8,300	14,100	11,500
1991	91,800	9,100	14,000	10,300
1992	90,000	9,300	13,900	9,500
1993	84,500	9,900	14,200	9,400
1994	91,700	11,100	15,100	10,400
1995	100,500	11,600	16,100	12,400
1996	103,900	11,900	16,300	13,000
1997	101,600	13,000	17,400	13,300
1998	98,200	13,500	17,700	13,900
1999	93,500	14,200	18,100	14,300
2000	92,300	14,200	19,200	15,400
2001	80,600	12,400	19,600	14,400
2002	73,500	12,100	19,600	13,100
2003e	67,900	10,000	19,700	12,800

Note: includes apparel, piece goods, and notions merchandise

Source: California Employment Development Department

Table 8: Another View of Apparel & Textiles Manufacturing Employment, 2001

	Employment		% of State	
	Apparel	Textile Mills	Apparel	Textile Mills
California	125,640	13,319	100%	100%
Alameda County	2,198	206	2%	2%
Los Angeles County	83,321	8,881	66%	67%
Orange County	11,099	1,695	9%	13%
Riverside County	369	123	0%	1%
San Bernardino County	615	400	0%	3%
San Diego County	3,967	423	3%	3%
San Francisco County	6,233	81	5%	1%
San Mateo County	374	19	0%	0%
Santa Clara County	606	119	0%	1%
Ventura County	811	53	1%	0%

Source: US Dept. of Commerce, Bureau of Census, County Business Patterns 2001

Table 9: Apparel & Textile Manufacturing Firms by Employment Size, 2001

Textile Mills	Employment	Annual Payroll ($000s)	Avg. Annual Wage ($)	No. of Establishments	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Los Angeles Co.	8,881	226,334	25,485	332	121	52	59	56	22	16	6	0	0
Orange Co.	1,695	33,076	19,514	48	19	9	7	4	3	5	1	0	0
Riverside Co.	123	2,596	21,106	14	8	4	1	0	1	0	0	0	0
San Bernardino Co.	400	8,964	22,410	15	5	2	4	1	2	1	0	0	0
Ventura Co.	53	1,377	25,981	4	2	1	0	1	0	0	0	0	0
Total LA5 Co. Area	11,152	272,347	24,421	413	155	68	71	62	28	22	7	0	0

	As % of 5-co. area		As % of all firms in the county								
	Employment	Annual Payroll	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Los Angeles Co.	80%	83%	36%	16%	18%	17%	7%	5%	2%	0%	0%
Orange Co.	15%	12%	40%	19%	15%	8%	6%	10%	2%	0%	0%
Riverside Co.	1%	1%	57%	29%	7%	0%	7%	0%	0%	0%	0%
San Bernardino Co.	4%	3%	33%	13%	27%	7%	13%	7%	0%	0%	0%
Ventura Co.	0%	1%	50%	25%	0%	25%	0%	0%	0%	0%	0%
Total LA5 Co. Area			38%	16%	17%	15%	7%	5%	2%	0%	0%

Apparel Manufacturing	Employment	Annual Payroll ($000s)	Avg. Annual Wage ($)	No. of Establishments	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Los Angeles Co.	83,321	1,599,088	19,192	3,907	1,399	741	713	710	196	122	17	8	1
Orange Co.	11,099	259,218	23,355	401	157	80	63	62	19	16	0	2	2
Riverside Co.	369	8,228	22,298	52	33	8	6	4	1	0	0	0	0
San Bernardino Co.	615	7,556	12,286	74	36	20	10	6	2	0	0	0	0
Ventura Co.	811	22,828	28,148	44	24	8	5	5	1	0	1	0	0
Total LA5 Co. Area	96,215	1,896,918	19,715	4,478	1,649	857	797	787	219	138	18	10	3

	As % of 5-co. area		As % of all firms in the county								
	Employment	Annual Payroll	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Los Angeles Co.	87%	84%	36%	19%	18%	18%	5%	3%	0%	0%	0%
Orange Co.	12%	14%	39%	20%	16%	15%	5%	4%	0%	0%	0%
Riverside Co.	0%	0%	63%	15%	12%	8%	2%	0%	0%	0%	0%
San Bernardino Co.	1%	0%	49%	27%	14%	8%	3%	0%	0%	0%	0%
Ventura Co.	1%	1%	55%	18%	11%	11%	2%	0%	2%	0%	0%
Total LA5 Co. Area			37%	19%	18%	18%	5%	3%	0%	0%	0%

Source: US Dept. of Commerce, Bureau of Census, County Business Patterns 2001

Table 10: Textiles and Apparel Manufacturing Statistics, 1997

California

NAICS	Industry	No. of Establishments	Employment	Payroll ($000s)	Shipments ($000s)
313	Textile mills	461	11,061	$ 283,883	$ 1,384,399
3133	Textile & fabric finishing & fabric coating mills	256	5,885	156,572	791,811
315	Apparel manufacturing	5,112	130,120	2,259,516	12,776,139
31521	Cut & sew apparel contractors	3,094	58,459	663,432	1,442,608
31522	Men's and boys' cut & sew apparel manufacturing	338	16,211	318,453	3,107,500
31523	Women's and girls' cut & sew apparel manufacturing	1,070	40,323	992,764	6,942,053
3159	Apparel accessories & other apparel manufacturing	379	7,662	150,886	634,765

Los Angeles County

NAICS	Industry	No. of Establishments	Employment	Payroll ($000s)	Shipments ($000s)
313	Textile mills	294	8,465	$ 199,648	$ 943,774
3133	Textile & fabric finishing & fabric coating mills	158	3,907	101,753	522,290
315	Apparel manufacturing	3,808	96,523	1,657,920	8,574,606
31521	Cut & sew apparel contractors	2,354	45,622	505,746	1,129,442
31522	Men's and boys' cut & sew apparel manufacturing	237	9,113	171,945	861,767
31523	Women's and girls' cut & sew apparel manufacturing	824	31,906	799,414	5,734,794
3159	Apparel accessories & other apparel manufacturing	226	5,063	95,567	440,515

Orange County

NAICS	Industry	No. of Establishments	Employment	Payroll ($000s)	Shipments ($000s)
313	Textile mills	38	1,217	$ 31,071	$ 149,784
315	Apparel manufacturing	405	8,494	160,284	821,156
31521	Cut & sew apparel contractors	267	2,945	30,922	69,716
31522	Men's and boys' cut & sew apparel manufacturing	31	1,550	44,536	261,341
31523	Women's and girls' cut & sew apparel manufacturing	69	3,047	67,535	433,730
3159	Apparel accessories & other apparel manufacturing	32	675	12,082	39,498

Source: US Dept. of Commerce, Bureau of the Census, 1997 Economic Census: Manufacturing

Table 11: Apparel Manufacturing Statistics by Regions in California, 1997

Apparel Manufacturing (NAICS 315)

	No. of Establishments	Employment	Shipments ($ millions)
California	5,112	130,120	$ 12,776
Los Angeles Co.	3,808	96,523	8,575
Orange Co.	405	8,494	821
Riverside-San Bernardino	73	858	34
Ventura Co.	20	684	73
Sacramento PMSA	31	261	11
San Diego Co.	159	5,661	426
Oakland PMSA	142	2,375	110
San Francisco PMSA	359	12,626	2,421
Santa Clara Co.	20	345	29

Cut-and-sew Apparel Contractors (NAICS 31521)

	No. of Establishments	Employment	Shipments ($ millions)
California	3,094	58,459	$ 1,443
Los Angeles Co.	2,354	45,622	1,129
Orange Co.	257	2,945	70
Riverside-San Bernardino	48	640	12
San Diego Co.	76	1,973	50
Oakland PMSA	91	1,421	33
San Francisco PMSA	204	5,211	127

Source: US Dept. of Commerce, Bureau of the Census, 1997 Economic Census: Manufacturing

Table 12: Textiles and Apparel Wholesaling Statistics, 1997

California

NAICS	Industry	No. of Establishments	Employment	Payroll ($000s)	Shipments ($000s)
4223	Apparel, piece goods & notions wholesaling	4,139	36,723	$ 1,180,529	$ 17,190,997
42232	Men's & boys' clothing & furnishings wholesaling	980	10,793	374,029	5,357,123
42233	Women's, children's, & infants' clothing & accessories whlsl.	1,726	14,272	406,868	5,182,485

Los Angeles County

NAICS	Industry	No. of Establishments	Employment	Payroll ($000s)	Shipments ($000s)
4223	Apparel, piece goods & notions wholesaling	2,856	24,494	779,562	11,952,800
42232	Men's & boys' clothing & furnishings wholesaling	616	6,556	240,934	3,617,684
42233	Women's, children's, & infants' clothing & accessories whlsl.	1,238	9,785	273,928	3,698,824

Orange County

NAICS	Industry	No. of Establishments	Employment	Payroll ($000s)	Shipments ($000s)
4223	Apparel, piece goods & notions wholesaling	342	4,107	138,544	1,866,610
42232	Men's & boys' clothing & furnishings wholesaling	110	1,618	52,719	719,836
42233	Women's, children's, & infants' clothing & accessories whlsl.	126	1,491	35,878	329,903

Source: US Dept. of Commerce, Bureau of the Census, 1997 Economic Census: Wholesale Trade

Table 13: Import & Export of Apparel Products through L.A. Customs District, 2002
(STIC 4015, 4203, 4303, 6101..6217, 6309, 6501..6507)

Imports Rank	Imports Country/Economy	Customs Value (US$mil)	Exports Rank	Exports Country/Economy	F.A.S. Value (US$mil)
1	China (inc. Hong Kong, Macao)	4,108.1	1	Japan	171.4
2	Indonesia	715.7	2	China (inc. Hong Kong, Macao)	45.2
3	South Korea	708.3	3	Mexico	35.1
4	Thailand	687.0	4	United Kingdom	22.6
5	Taiwan	608.4	5	Philippines	13.8
6	Bangladesh	547.4	6	Australia	13.3
7	Philippines	538.7	7	South Korea	11.6
8	India	400.2	8	El Salvador	10.1
9	Malaysia	349.0	9	France	9.3
10	Vietnam	306.9	10	Vietnam	7.9
11	Cambodia	294.6	11	Guatemala	7.7
12	Sri Lanka	247.9	12	Singapore	6.9
13	Guatemala	195.5	13	Taiwan	5.8
14	Pakistan	169.3	14	Belgium	5.5
15	Italy	125.6	15	Italy	5.4
16	Australia	116.9	16	Canada	5.1
17	Japan	92.1	17	Germany	4.8
18	El Salvador	90.0	18	India	4.1
19	Mongolia	85.1	19	New Zealand	4.0
20	Singapore	84.2	20	Switzerland	3.0
	Rest of the world	1,090.0		Rest of the world	45.8
	Total	11,560.9		Total	438.3

Table 14: Import & Export of Textiles through L.A. Customs District, 2002
(STIC 5106..5113, 5204..5212, 5306..5408, 5508..5516)

Imports Rank	Imports Country/Economy	Customs Value (US$mil.)	Exports Rank	Exports Country/Economy	F.A.S. Value (US$mil.)
1	China (inc. Hong Kong, Macao)	216.2	1	China (inc. Hong Kong, Macao)	41.4
2	South Korea	133.5	2	Japan	21.9
3	Taiwan	121.6	3	Australia	13.5
4	Pakistan	80.9	4	South Korea	11.7
5	Japan	56.3	5	Taiwan	8.8
6	Italy	44.9	6	Guatemala	8.5
7	Indonesia	42.5	7	Philippines	6.9
8	Philippines	33.5	8	El Salvador	3.7
9	Thailand	30.4	9	Thailand	3.6
10	Turkey	29.4	10	Mexico	3.2
11	India	17.5	11	New Zealand	2.8
12	Sri Lanka	16.6	12	Indonesia	2.7
13	Uzbekistan	16.4	13	Singapore	2.5
14	Malaysia	15.5	14	Dominican Republic	1.6
15	Brazil	12.5	15	United Kingdom	1.5
16	France	8.5	16	Malaysia	1.5
17	Israel	6.4	17	Vietnam	1.4
18	Bahrain	6.4	18	Colombia	0.9
19	Germany	4.8	19	India	0.8
20	Belarus	4.8	20	Netherlands	0.7
	Rest of the world	37.5		Rest of the world	6.6
	Total	936.1		Total	146.3

Source: US Dept. of Commerce, Bureau of the Census, U.S. Import Merchandise Trade 2002

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