What Happened to the Garment Industry I Used to Know?

Harvey L. Nachman

By definition, a “Garmento” is someone that worked in the garment industry; that smoked twisted cigars in front of Nat Sherman’s store at 1400 Broadway in NYC; that wore silk suits with great cufflinks; and took limos to the airport to travel to Paris to check on the progress of the new prints, or to the Far East to check on the factories. Dancing at Studio 54 with the fashion models was also a side benefit. They were great. days, but as in the song, “You’ve lost that feeling They are gone, gone, gone.”

Family businesses perpetuated the industry. Brothers, cousins, fathers and sons working together were the road to success. One relative was the sales person on the outside, and the other worked on the inside. As the business grew, room developed for a sister, nephew or other out-of-work relative. The business was typically run as a vehicle for family lifestyle and not usually as an effort to build up share value.

Of course there were exceptions. Among the more successful (and charitable) were Sidney Kimmel and Rena Rowan who built Jones New York into a world-class company after working for the Villager, another family dominated business.

Garment shops abounded! There were hundreds of factories in Los Angeles, Philadelphia, St. Louis, Chicago and Baltimore. On top of that, New York City was thriving, and in the outlying areas of the major cities, “upstate” as these areas were known, large numbers of shops could be found.

So what happened to change all that? Well the ethnic: make-up of the industry changed dramatically. The traditional Italian, Jewish or Polish sewing machine operators worked all kinds of hours and found a way for their children to get to college and “not live that hard lifestyle.” A whole new generation of doctors, lawyers and investment bankers (University of Pennsylvania, Wharton grads) emerged. Soon, the new “greenhorns” that replaced the old ones were mostly of Asian descent. As well, new Pacific Rim producers, who paid a fraction of the hourly rate to their captive workers, replaced the contracting shops of old. Large international selling conglomerates began to design “private label” merchandise for their own benefit and this further reduced the opportunity for boutique manufacturers to get “shelf space or “t-square rack” positions on which they could feature their styles.

The trend toward “packages” then emerged wherein a manufacturer would have to design the product line, sell it to the larger stores, source the fabric, purchase and pay for the labor, and at the same time, have to compete on price with the off-shore producers. To get orders, these firms worked on reduced margins, maintained inventory, took the credit risk and were almost always forced to take deductions from their invoices in the form of charge-backs, mark-downs or advertising allowances. Without adequate capitalization, these firms quickly became potential victims and at the first “hiccup,” failed.

A second disheartening trend also emerged. In the past, most of the banking or factoring arrangements were relationship-based. The borrower’s good character was as important as balance sheet stability. Short term lending for seasonal needs was available based upon past performance and social interaction. But when the industry changes started, the banking arrangements also changed. Merger mania in the banking industry was accompanied by the absorption of most of the smaller regional lenders into the fold of the larger, national or international ones. Suddenly, relationship lending became an anathema to the new breed of balance sheet lenders. As soon as trouble would emerge at a borrower, the banker’s traditional concept of “riding it out” changed to one of “liquidate now.” The threat of bankruptcy filings caused this schism to grow even wider so that today the garment industry has only a few lenders willing to lend when comparing the risk to the reward.

Where will this lead? Well, if a major ingredient of the cost of producing apparel remains the labor cost, then America’s labor cannot compete. The other major ingredient is fabric and there are fewer and fewer textile mills remaining open in the USA, foreign-made c1oth is the alternative. Several options remain. The US government has become very pro-active in several areas. The Caribbean Basin Initiative (“CBI”) and the African Government Overseas Association (“AGOA”) encourage cutting in the United States and sewing in other countries. Typically called #807 production, this enables the label to state, “Assembled in the United States.” NAFTA has encouraged more production shifts to Mexico and import, limiting quotas for China are decreasing each year. With all of that said, according to Harvey Gross, Managing Director of the New York Institute of Credit, “The hope is that ethnic and upstate shops can continue to produce fairly priced goods that require a fast turn around time, especially for re-orders that cannot be made on a timely fashion in the Far East.”

However, for the original concept of a place for an American-born family to band together and provide for their family in the garment business, the issue is pretty fragile. The Asian families have the same work ethic as the early Eastern European’s, and that potential is being realized. The industry is not what it used to be! For my generation of “Garmentos,” the “song has ended but the memory lingers on.”

NachmanHaysBrownstein Consulting, Inc.
Principal Harvey L. Nachman, CTP
237 West 35th Street, 4th Floor
New York City, New York 10001
Tel: 212-244-7734
Fax: 212-244-6012
web: www.nhbteam.com

Reprinted from March 2002 issue of *Garment Fashion Manuscript*