



THE LOS ANGELES AREA **FASHION** **INDUSTRY PROFILE**

EXECUTIVE SUMMARY | MARCH 2014

Fashion remains the most under-appreciated industry in Los Angeles.

It truly has a global reach.

The mere mention of apparel manufacturing, unfortunately, can conjure up very dated images: sweatshops full of minority women operating sewing machines next to a mountain of cut fabric, and under the eye of abusive bosses.

HERE'S THE TRUE PICTURE

Consider these images instead. Design entrepreneurs sit in well-lit design studios near downtown. They imagine new clothing designs and send them electronically to offshore factories or to local contractors. Graphic artists electronically draw sketches for the next set of online ads. Logistics experts arrange for merchandise to be shipped to distribution centers or specialized clothing stores around the world. Fashion photographers take pictures against the backdrop of Pacific beaches, and fashion models walk down runways. Freight forwarders electronically sign customs papers accepting shipping containers full of finished merchandise from distant shores.

L.A.'s apparel industry success has long been driven by the pull of design talent, favorable cost economics, the appeal of casual clothing (particularly denim), fashion, and speed to market.

Local operators earn at least \$18 billion in revenue from the L.A. region's apparel wholesale, textile, and apparel manufacturing businesses, and their workers earn more than \$6.4 billion in direct, indirect, and induced income.

More than \$46 billion in apparel imports comes through L.A. ports.

The business makes great use of local design entrepreneurs' sophisticated skills, talents, and customer insights. To preserve profit margins, the industry uses differently skilled workers to cut and sew ever-higher volumes of product in far-flung regions of the world.

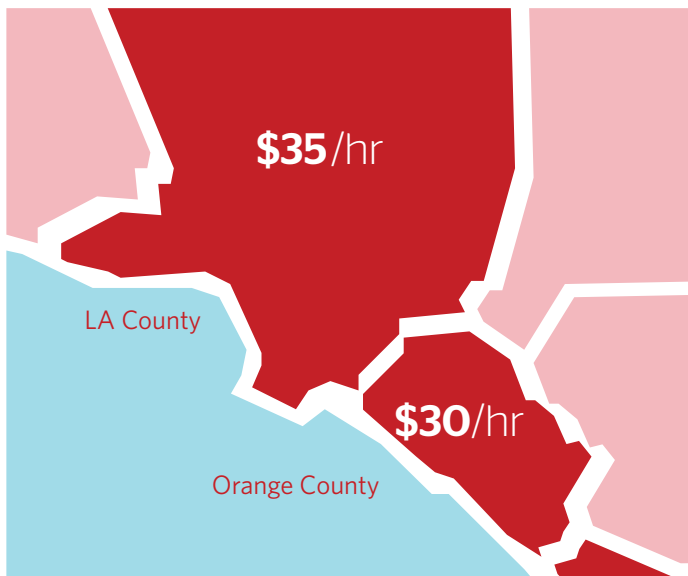
Los Angeles is Strong as a Fashion Apparel & Textile Sector

- / More than \$46 billion in apparel enters as imports.
- / This global industry has clear reasons for sustaining a permanent place in this region, which boasts a well-paid employment base. Geography and a marketable fashion statement form a powerful combination.
- / Given the enduring popularity of L.A.-based design, inspired by the sun and a vision of easy living, “L.A. Style” is constantly propagated by the national media’s obsession with Hollywood celebrities.
- / L.A. brands and the constant influx of new designer names command a premium in the capital markets.
- / Technology helps L.A.’s designers and manufacturers stay competitive, shortening product cycles and reducing costs.
- / L.A.’s textile industry’s advantage is design: the ability to diversify product lines and take on vertical operations. These processes involve many layers of expertise, speed, and a willingness to try new things.

Local companies capture more than \$18 billion in revenues, and \$6.4 billion (more than a third of the total) flows to local workers.



Working Conditions in Los Angeles Improve



In May 2012, **3,770** independent fashion designers worked in Los Angeles, earning about \$30 an hour in Orange County and \$35 an hour in the L.A. County metro area.

- / L.A. is beating national trends in the turnaround of employment data (up 3.2 percent year-over-year). Collecting that data is difficult because apparel-related jobs fall outside the data “catch-all” of manufacturing, textiles, and wholesalers.
- / Wholesaling apparel wages remain strong at \$25 an hour, while basic manufacturing (cut-and-sew) apparel jobs offer \$15 an hour, well above the California and federal minimum wages.

- / The L.A. apparel industry has greatly improved working conditions since 1995. In contrast, the “second migration” to low wage countries—from China to places like Cambodia and Bangladesh— has created a consumer backlash over the lack of worker safeguards.





THE OUTLOOK FOR L.A'S APPAREL INDUSTRY

Evidence of Growth

- / The apparel industry cluster in Los Angeles is very visible and geographically identifiable. The “Fashion District” to the east of downtown is supported and promoted and has its own Business Improvement District (BID). Real estate owners in the district proactively work together to upgrade 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 trends in the United States, and marketing efforts should focus on that fact.

L.A.’s apparel businesses dominate MAGIC. Of approximately 4,000 companies that displayed their wares at the 2012 show, 24 percent hailed from L.A.

- / Design talent coming out of L.A.’s schools provide 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 their perceptions of L.A. Furthermore, it is easier for young designers to get attention in L.A. than in New York because the industry is less structured and always looking for new talent.
- / There is tremendous interest in the “L.A. Style,” an amorphous concept that’s open to interpretation. Los Angeles has strength in contemporary designs 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 surf wear and active wear design.
- / Fresh ideas in retailing are sprouting from Los Angeles in response to retail consolidation. Large national retail chains engage in “matrix purchasing,” which favors existing, large suppliers. In response, some manufacturers are going vertical, opening retail shops with major and risky investments.
- / The tradeshow MAGIC’s move to Las Vegas affected convention revenue in Los Angeles, yet L.A.’s apparel businesses dominate the show. Of approximately 4,000 companies that displayed their wares at the 2012 show, 24 percent hailed from L.A., and any sales booked at the show from these firms became sales in L.A.
- / Access to seaports and airports provides another advantage for Los Angeles. The Pacific Rim (not just East Asia but also Central America) is the center of global apparel manufacturing, and L.A. is effectively the capital of apparel design and marketing in the middle of this “Ring of Sewing Machines.”

Hurdles to Overcome

- / The lack of major, publicly accessible L.A. fashion shows means lower public awareness of the strength of this local industry. The Men’s Apparel Guild in California (MAGIC), the nation’s largest apparel show, organized its first shows in Palm Springs, California; only one MAGIC show was held in downtown L.A. The organizers then moved MAGIC to Las Vegas because the Los Angeles Convention Center proved inadequate.
- / New, young designers seek to enter this business, and more and more specialized women’s clothing buyers arrive from other states and often other countries. The need to refresh the LAX airport terminal and the downtown Fashion Business Improvement District (BID) thus grows more important with every passing year.
- / Most media coverage focuses on the trendy runway shows, which do not showcase well the more mainstream, saleable designs of California’s producer brands.
- / Not many local high school students know about the abundant opportunities in apparel design and marketing, so they fail to take advantage of the available educational resources here. Many end up choosing college majors with limited career opportunities and miss out on the vast opportunities in apparel and other consumer product development.
- / Our own export capabilities need to be enhanced, and cooperation between government and business is necessary to overcome barriers to exporting. One possibility is to create retail channels that focus on the “L.A.” brand. Another is to engender cooperation with American retailers who operate overseas.
- / A hard look at how regulatory decisions are imposed on employers in the apparel and textile area is necessary. Reducing financial stress on small companies (those whose revenues are less than \$2 million) never falls out of fashion! Let us enhance entrepreneurial expansion—that’s the spirit of the West in a modern form!

Export capabilities need to be enhanced through cooperation between government and business.

Supporting the Industry

- / Reforming immigration and work permit rules tops the list to expand the industry.
- / An Employment Development Department adjustment could be made to provide training grants for small companies, as well as to establish a training wage for unskilled labor. **There is also a need for new equipment, and financing, in L.A.**
- / **The industry needs to aggressively market the “L.A.” or “California” brand.** Successful marketing generates additional demand and boosts the sale price of the merchandise. Intense marketing also brings in more buyers to local market weeks, which generate a variety of additional spending and tax revenues (e.g., meals, hotels, limo services, etc.).
- / A successful apparel business requires more than just great designers; it also needs top-notch management talent. **Post-graduate and graduate institutions should consider offering apparel-related business management and merchandising studies,** not just apparel design and merchandising.
- / The industry should **introduce local high school students to opportunities in the apparel industry** through “reality-based” programs such as the Regional Occupational Program (ROP) in high schools.
- / Finally, the industry should upgrade the impact of “Market Week” to get more publicity, using it to educate the residents about the importance of the local fashion industry. Such steps will help strengthen L.A.’s reputation as the center of street fashion in America.



Trends to Watch

What are the *key forces in today's apparel landscape* versus 6 or 8 years ago?

- / Costs abroad are rising. **A steady 3 percent inflation rate in China (linked to higher labor costs) can influence fresh apparel import contracts that originate there.** The increase in Chinese labor costs pushes more and more apparel manufacturing and textile contractors into lower wage countries like Vietnam, Cambodia, and Bangladesh every year. High oil prices can drive up sea, land, and air shipping costs, and rising energy prices can drive up textile operating costs.
- / **Temporary immigrant work visas and an I-9 fix will be critical.** Do you want to build back apparel and textile manufacturing employment inside the SoCal region? Start here.
- / Costly hassles that emanate from a multi-tier regulatory structure (such as unnecessary zoning or waste disposal red tape, onerous tax regimes, and other clumsy permitting) are worth a second look. **Water access for denim washing is critical.** Reducing discouraging and complex regulatory snafus will mean less hassle and more excitement, which builds more industry.
- / Major urban areas in Asia are dynamic. Mainland China contains a large class of middle-income consumers—tens of millions—as do Singapore, Taiwan, and South Korea. **By 2015, about 27 percent of Chinese households could be upper-middle-class or better,** according to McKinsey and Company, up from 10 percent in 2005. Asian cities of all sizes offer huge new markets for quick-turn and “Made in California” apparel.
- / **Efforts to navigate red tape and successfully display and sell products in Asia could be worthwhile,** since the paltry \$50 million in apparel exports that left L.A.’s ports for China in 2012 is laughable.

TEXTILE & APPAREL 5-COUNTY MACRO

LA Customs District Imports	\$46+ billion
Company Revenues	\$18+ billion
Worker Incomes	\$6.4+ billion

LA PAY

Fashion Designers	\$35 an hour
Wholesalers (Importers)	\$25 an hour
Apparel & Textile Workers	\$15 an hour

JOB COUNTS

Apparel, Textile & Wholesale (2012-2013)

SoCal Workers	97,384 (or 94,276 in a 2011 data breakdown)
L.A. County Workers	77,512
N.Y.C. Workers	47,069
SoCal Wholesalers	23,723 (or 42,076 in a 2011 data breakdown)
Apparel Mfg.	62,774 (or 45,500 in a 2011 data breakdown)
Textile Mfg.	10,887 (or 6,700 in a 2011 breakdown)

Independents	8,995
Fashion Designers	3,770
Cosmetics Workers	5,590
Jewelry Workers	6,985
Footwear Workers	5,904

L.A. Knitting Machines	2,000
Centers for Higher Ed	12

SoCal Establishments	10,000
Overall Fashion Jobs	127,578
Apparel Direct and Indirect Jobs	191,635

PROPORTION OF U.S. JOBS IN SOUTHLAND IN 2011

Apparel Manufacturing	36%
Wholesalers (Importers)	18%
Textile Mills	6%

L.A. COUNTY COMPANIES WITH \$1 MILLION OR MORE IN REVENUES IN 2013

Textile Mills and Apparel Manufacturing	667
Wholesale (Importers)	870



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John Blank earned a PhD. in economics from MIT. He was the author and lead economist for the 2011 Los Angeles Area Fashion Industry Profile, while serving as Deputy Chief Economist of the Los Angeles Economic Development Corp. This is a two-year update of that report. Currently, Mr. Blank is the editor of "The International Trader" at Zacks Investment Research. He resides in Los Angeles, CA.

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ABOUT THE CALIFORNIA FASHION ASSOCIATION

The California Fashion Association (CFA) is a non-profit organization established to provide information for business expansion and growth to the apparel and textile industry of California. The international mission of the CFA is to define the industry's economic impact and to outline its global opportunities. calfashion.org



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