

CHAPTER XII

ECONOMIC VALUE OF CLOTHING

Importance. We are all interested in the best methods of supplying clothing to the family or ourselves at the least cost. In order to do this, we must avoid waste and secure one hundred cents' value out of each dollar we spend. Also, we should have an appreciative knowledge of the most efficient methods of making, buying, and using clothing. The experiences of people successful in this respect have been compiled and constitute the science of economics applied to clothing.

The economics of clothing includes (1) efficient production, that is, production at the least cost, without waste or inefficiency; (2) efficient distribution, that is, the rapid transfer of clothing from the manufacturer to the user; and (3) efficient consumption, that is, proper selection, purchasing, and conservation.

Many people dislike the term economics or economical, because they think it means "close" or "stingy," and for that reason dislike the study of the subject or anything pertaining to it. This idea is false, as economical means conserving waste so that one can obtain the best results. For example, economical consumption means efficient buying and conserving — buying what is necessary, or what we can afford, and using it to best advantage. Sometimes it may be good economy to purchase high-priced clothing, and at other times inexpensive wearing apparel will do as well; hence either practice would be economical or constitute good economic consumption, depending upon conditions.

Value and Price. We purchase clothing, as anything else, because it is useful or satisfies a definite want in one's life. The special quality that the article possesses for our use is called value. We usually express this value in dollars or cents, and this

amount, called *price*, is what we pay when we purchase any commodity. Thus, we see that the price of any article is the value of that article in terms of the standard currency of the country, which in the United States is the gold dollar. That is, when we purchase a piece of clothing we pay the price or the equivalent in dollars. So we can use value in two ways: (a) referring to the qualities articles possess that satisfy our needs, and (b) the price of the article that we purchase.

The price of clothing or any other article tends to fall when the supply is increased or when the demand for the article decreases. For example, at the beginning of a style season we pay more for clothing than at the end of the season because the demand is greatest at the beginning and least at the end of the season. Hence "bargains," or clothing at reduced prices, are found at the middle or end of the season. The price we pay for an article is called the initial price. The full original price is what the article has actually cost us for repairs, cleaning, etc., during its life. Therefore, in the purchase of this utility we must compare the different articles of clothing, not only considering the initial price, but approximating the total or final price.

Many people feel that extravagance in dress may be justified on the ground that it places money in circulation, thus giving other people employment. In order to benefit the community, and therefore the individual to the highest degree, money should be spent for the things that give the greatest return — the necessities or the important wants of man.

The consumer determines what kind of clothing or wearing apparel shall be made. The amount one spends on a commodity such as clothing is called the *purchasing power* of that consumer in clothing. Of course, the consumer of clothing may be educated to some extent by the advertising in the daily paper and fashion magazine, or by skillful salesmanship on the part of the salesman or saleswoman.

Need for Economics for Consumer. In order to avoid waste, particularly in wearing apparel, we must have efficiency in

production and distribution as well as the proper selection, purchasing, and conservation of clothing. Great emphasis has been placed on production, and to some degree on distribution, but little if any emphasis has been placed on the proper kind of clothing for the individual at reasonable prices, or on the ability to conserve the clothing once purchased.

Women's attempt to secure one hundred cents out of a dollar in the purchase of commodities has laid stress on the laws that govern consumption.

Problems of Economics of Clothing. A study of the economics of clothing should be part of everyone's education, particularly that of girls and women, who are the spenders of income, especially for clothing. Economics of clothing should include a study of (1) how much to spend for clothing; (2) proper selection of clothing, which in turn involves (*a*) what clothing is composed of, (*b*) elements that make clothing beautiful — lines, color, artistic value of the human form, style and fashion; (3) purpose and historical development of each piece of wearing apparel, (4) trimmings of clothing, (5) how to judge and buy clothing, (6) the conservation of clothing, etc., (7) need of cooperation between consumer, distributor, and producer in order to meet effectively the needs of the public with regard to clothing.

Wasteful consumption means the production of luxuries to satisfy the whims or fancies of certain people. Such consumption causes a reduction in the production of the necessities.

Competition and Rivalry. Cloth or clothing, like any other commodity, is produced by many manufacturers. There is rivalry among the producers as to who can sell the most. As the result of this rivalry, which is called competition, there is a tendency to sell at a price that equals the real cost of production. The consumer is anxious to secure the lowest price, hence competition tends to lower prices to a minimum. Sometimes there is an element of risk to industry in carrying competition too far. Price-cutting sometimes takes selling below the real cost price. The result is that the seller

will demand these lower prices and failures in business will take place.

Then again manufacturers and retail stores frequently meet and form associations and decide on prices and other conditions. This is called monopoly. In fact, business men tend to eliminate competition and substitute some kind of monopoly.

Cost of Selling. The retail price paid for a fabric is very constant except under special conditions. The difference between the cost of manufacture of a fabric or costume and what the consumer pays is called the cost of selling. Very few of the buying public realize the cost of selling. Sometimes it costs as much as two hundred per cent above the original mill price to place an article in the hands of the consumer. To illustrate: A yard of gingham cloth may cost at the mill 14 cents and is sold to the retail store for 28 cents. The retail store sells the gingham to the consumer for 42 cents a yard. The mill price for a staple is usually determined by adding eight to ten per cent to the complete cost of manufacturing and selling.

There are two methods of calculating profit: (1) considering the selling price as a basis, and (2) considering the buying price as a basis.

SOLUTION: *Method No. 1*

\$0.14 mill price
.28 wholesale price
.42 retail price

Cost of selling (wholesale) is 50 % of selling price, or 100 % of mill price.

Cost of selling (retail) is 33 $\frac{1}{3}$ % of selling price, or 50 % of buying price.

Retail price is 200 % over original mill price.

Method No. 2

Cost of selling (wholesale) is 100 % of purchasing price.

Cost of selling (retail) is 50 % of purchase price.

Retail price is 200 % over original mill price.

The mill price for a novelty is usually determined by adding 25 %

to 100% to the complete cost of manufacturing, depending upon the risk involved in selling the whole production of the fabric.

Similarly, the price of a costume is based on the cost of materials, hours of labor of the workers on the garment — designer, draper, fitter, — overhead expense, and percentage of profit. The manufacturer's price of the costume, that is, the price the manufacturer charges, may be expressed as follows: Cost of materials, plus cost of labor and wages of management, plus overhead, plus profit.

The cost of labor includes the hours of labor of the unskilled, skilled, experts, designers, drapers and fitters, and others who take part in the construction of the garment. The overhead includes the amount set aside per hour or per costume for rent, light, heat, office, etc.

If the costume is a staple fabric or suit and the manufacturer feels certain that he will be able to sell it, the profit may be only eight per cent on the cost of manufacturing. It should be at least ten per cent. If, on the other hand, the fabric or costume is a fancy and there is an element of risk in selling, then the profit may be 25 to 75 per cent on the cost of manufacturing. Most costumes are sold by manufacturers direct to the retailers or dry goods stores.

Limits of a Price. The price of any article of clothing or any other commodity cannot, year after year, fall below the cost of producing it. For if the price should fall below the cost of production, the manufacturer or producer would not raise or manufacture the article. When this condition takes place, the supply is reduced and, of course, the price of the commodity is increased.

On the other hand, there is a limit to what a consumer will pay for a piece of wearing apparel, and if this is exceeded there is practically no demand, and the commodities will be on hand to be sold at reduced or bargain prices in order to get rid of them. In other words, the upper limit of price is governed practically by the demand of the consumer.

High Cost of Clothing. The question may be asked, why does it cost more in dollars and cents for wearing apparel today than twenty years ago? The prices of clothing like the prices of all

commodities have risen in the last generation for the following reasons: (1) due to the lower value of gold, the money standard, and (2) the higher cost of production and distribution.

The first reason can be explained as follows: If a dress in 1910 could be produced for \$18, it means that the exchange value of the dress in 1910 in gold was \$18. In 1929 the same dress has a price of \$39, which means the exchange value in gold in 1929 is \$39. Since the price of clothing or other commodities is expressed in terms of the exchange value of the gold, it follows that when the quantity of gold or other standard money increases the prices rise, while if the quantity of gold or other standard money decreases the prices of all articles decrease.

The increase in the cost of clothing during the last fifty years is due primarily to the high cost of distribution rather than the increased cost of production, for while the purchasing power of the dollar of 1870 may have been twice as great as the purchasing power of the dollar of 1920, at the same time the factories erected with the dollars of 1920 were capable of producing much more than twice as many goods as were produced in the factories erected with the dollars of 1870. As a matter of fact, the cost of manufacturing during this period has been reduced one-fifth. During those fifty years the population of this country increased from 38,588,371 to 105,710,020. The percentage of people engaged in production has decreased from 80 per cent in 1870 to 70 per cent in 1920; the percentage of people engaged in distribution has increased from 12 per cent to 30 per cent during the same period. The increase in the cost of distribution is due to extravagant marketing, that is, buying and selling of goods after they are produced, and increased cost of distribution, such as commercial travelers. In fifty years, traveling salesmen have increased 716 per cent, all receiving high salaries, commissions, and expenses. This has increased threefold the cost of putting goods into the consumer's hands.

It may be well to enumerate some of the factors in the cost of selling, such as, for instance, planning the campaign of selling:

(a) Determining the exact field or market.

(b) Finding the most effective system of presenting goods to the public — advertising.

- (c) Investigation of the financial standing of the buying public.
- (d) Investment and upkeep of building and equipment, of showroom, storage, etc.
- (e) Cost of transportation — freight, trucking, shortage, insurance, etc.
- (f) Expenses and salaries of selling force and assistants.
- (g) Losses due to bad debts, depreciated goods on hand, etc.
- (h) Accumulation and classification of information relating to the field of manufacturing and destination.
- (i) Fair profit on capital invested.

The salesman must be trained scientifically in the following:

1. Selling points of the textiles. (Use, characteristics, etc.)
2. Field for product; the developed and undeveloped market.
3. Basis of appeal to the buying public.
4. Determination of price and credit to customers, due to difference in locality, and competition.

Installment Buying. The practice of securing clothing or any other commodity and paying for it while using it is called "installment buying." Installment buying is based upon the fact that 90 per cent of the people are honest, and feel that their credit is worth developing.

Installment buying is serving a legitimate purpose in our economic life, and to that extent it is good, because it gives one with a limited income an opportunity to dress well and pay for the clothing at the same time. It made its appearance in this country in 1807, and was later developed by a prominent sewing machine company, which began installment selling in 1856. Installment buying has had a gradual development, with its greatest expansion about 1921.

Variety of Fabrics. Originally, in the pioneer stage, clothing was worn for warmth and modesty, and was very simple in character. But today, due to increase in wealth, more variety of clothing is necessary. Style is desired in addition to warmth.

The consumption or demand for clothing is greatly increased if there is variety, because each one can select clothing a little different from his neighbor. Hence there is a great development of the

artistic side of clothing — harmonious color schemes, materials, and trimmings.

American-made Fabrics. The people of America should make a special effort to purchase American-made fabrics and American-made costumes. While it has been true in the past, and may be in some cases today, that European fabrics are of finer quality and more original in design, there is a distinct effort on the part of the American manufacturers to improve the quality, originality, and variety of design. The American manufacturers should be encouraged in this field by the women and others, by purchasing domestic-made fabrics and by offering constructive suggestions to the manufacturers for new designs.

The same line of reasoning applies to American-made costumes. While it is true that Paris has been the style center for women's costumes and London the style center for men's clothing, there is no reason why a definite progressive movement should not be made to make New York the style center of both women's and men's clothing. This can be done only by encouragement and constructive suggestion on the part of the consumer and a sense of loyalty in the purchase of only American-made styles.

Even Distribution. In order to distribute production twelve months a year so that the manufacturers can employ their help regularly on scheduled time and thus avoid "overtime" work, a definite movement has been started to do away with two-season and four-season style production. Under the old plan, manufacturers have found that by producing sizable stocks they have been obliged to sustain considerable loss on "numbers" which do not sell as well as had been expected. The result is that the mark-down on the unsold surplus very often more than offsets the profit on the part of the stock that is sold at a fair price. The tendency in some parts of the market now is not merely to talk about new styles every time a buyer comes to town, but to have "seasons" every month. In planning a line for November, for instance, these houses entirely disregard styles that were used in October. November styles become *passé* on November 30th, and December 1st sees the presentation of still another line.

As a result of swift changes and the consumer's failure to respond to some of them, the retailer today is continually being left with

unmarketable goods on his shelves which must be sold at a loss. His tendency toward piece-meal buying is partly attributable to his efforts to avoid losses on unpopular or outlived fashions.

Change of style, as expressed in short skirts, light-weight clothes, and simple dress, have led to a reduction in the quantity of fabric required. Steam heat and closed cars have made a surprising difference in this respect. There is practically no market left for the heavy underwear which was once so popular in cold sections of the country. However, the resulting curtailment of output is somewhat offset by the fact that people demand a greater variety of garments throughout the year.

Effects of Many Styles. While the multiplicity of styles in many lines of merchandise has been productive of sales stimulation, it is an increasingly important factor in the mark-down percentages of most retail stores. The continued searching for novelty effects has made style changes practically a mania and is bringing with it serious losses through too frequent changes.

In studying mark-downs, few divide them into their proper classifications. In the first class are mark-downs taken on merchandise to be used as sale items in order to bring more customers into the store on a given day. It is questionable if reductions in this class should be termed mark-downs. Actually they are advertising allowances, or money spent to attract customers.

The second class of mark-downs is on merchandise that has lost a part of its desirability because of being out of date. There is a third classification for mark-downs — for goods that have become soiled, handled, or broken, but the percentage of this class of mark-downs is so small that it can be ignored. Stores today are making valiant efforts to reduce the second class of mark-downs.

Preliminary Styles. One of the great sources of waste in the clothing industry is the attempt to produce early models based upon the "new style." Often the new style may be modified, causing the early models to be sold below cost. The preparation of models by garment manufacturers before they have had an

adequate opportunity for acquainting themselves with the authentic trend of fashion is causing an annual loss of many hundreds of thousands of dollars to the ready-to-wear industry.

Due to premature production, the average woman's apparel producer is forced to withdraw fully one hundred samples from his line in the course of a given season, chiefly because these numbers fail to meet certain clearly defined style tendencies. The tremendous wastage of effort and expenditure incurred through the new season places an unwarranted burden of cost upon the consumer, retailer, and manufacturer alike.

Few people realize the cost of making sample costumes. In a house making high-grade coats, for example, one highly skilled designer assisted by seven or eight sample hands can produce between eight and twelve new numbers a week. The average cost of labor alone on each of these garments is fully \$100. The materials consumed in this way represent a surprisingly large expenditure. Under the present method of model preparation in the trade, hardly 25 out of each 100 new numbers are retained in a manufacturer's line.

This loss could be substantially reduced if producers were willing to wait until a season actually got under way before they made any but a scant few of their models. Of course, there will always be models discarded, because manufacturers cannot gauge the demand correctly in every instance.

These conditions have a demoralizing effect on the mills, and more or less raise the price of fabrics. This expense could be reduced to some degree, if not altogether, by the consumers themselves — women, co-operating with the producers and distributors. Today the prosperity of many clothing manufacturers depends on models catching the popular fancy. Changes in style often bring poverty to many, while others more fortunate reap wealth. For example, absence of trimming meant a decline in laces. Felt hats mean the absence of ostrich feathers, which in turn wipes out the industry of raising ostriches. Bobbed hair has practically wiped out the ribbon industry.

The rapidity with which wearing apparel changes causes the manufacturer more or less anxiety, as he is anxious not to have old styles on his hands. The same is true with a mill that makes only one kind of fabric. An analysis should be made of style tendencies in order to see if they can be regulated.

Models and Special Forms. For many years only costumes for the model forms were ready-made. Alterations in the model costumes were made for the short, stout, etc. Of course, many women who were unable to be fitted from the model costumes had their costumes made by dressmakers. But today there is a tendency to have model costumes for all types: (a) short stouts, (b) stylish stouts, (c) short thins, etc. In fact, there are shops, often called petite shops, that specialize in costumes for small women. Ready-made or ready-to-wear costumes have come to stay, as women do not care to waste time and endure the discomfort of trying on costumes.

How Styles Are Produced. American style leaders may visit various European cities and resorts, but they center their purchasing activities in the French capital. Whatever Paris dictates is accepted by stylists in this country as authoritative.

Can Style Be Regulated? Many feel that making style costumes is done in a frivolous and a superficial way. Sometimes it may seem that there is some justification for this remark, but a careful study will show that fashion is regulated by laws that can be easily grasped and applied to business, as the laws of economics. What are these laws?

- (1) High rate of production and consumption due to wealth.
- (2) Wide dissemination of knowledge, which brings an increase in desire, which in turn stimulates the willingness to work in order to gratify the desire.
- (3) Longing on the part of human nature for distinction, which leads one to seek beauty in all its forms — effort to beautify person.
- (4) People have a natural taste for dress, which may represent high or low points in our artistic scale, which the style must please.

Therefore, a public that is educated or developed along artistic lines will appreciate better styles.

(5) The spirit of change or desire for novelty is strong in human nature. Even if a woman of taste may find exactly what is best suited for her in line and color harmony, she cannot hold to it if she wants to please herself and attract favorable attention from the members of her family and her circle of friends.

(6) The desire of human nature to have its wants gratified immediately — not only beauty in design and harmony in color, but a wanted design or a marked color at that particular time.

Therefore, manufacturers and designers of fabrics, distributors, including wholesalers, retailers, and consumers, should know the laws governing fashion and know how to apply them. The public should feel that the ebb and flow of change in fashion, or to use the trade term "style," is not a scheme on the part of manufacturers to increase business, but an honest effort to supply customers with what they want. It is possible for the consumer to be trained and educated to appreciate proper designs and colors that would be within the scope of the manufacturers.

The manufacturers can collect style tendencies. This would merely call for the establishment of a bureau which would gather all the necessary data from the stylists, assuming that they are ready to supply the information, and then distribute the data for the guidance of the fabric producers.

QUESTIONS

1. What is meant by the expression, "economics value of clothing"?
 2. Why is the term "economics" repulsive to some people?
 3. What is the difference between value and power?
 4. Is extravagance in dress justifiable?
 5. Why is the study of economics important to all?
 6. (a) What is the difference between competition and rivalry?
- (b) Explain in terms of clothing.
7. (a) What is meant by the expression "cost of selling." (b) State the two methods of calculating profit. (c) Give examples.

8. What is the difference between staple and novelty clothing?
9. Is there a limit to a price of clothing?
10. (a) What is meant by the expression "high cost of clothing"?
(b) Apply it to clothing.
11. What contributes to the high cost of selling?
12. (a) What is meant by installment buying? (b) Can you justify it in clothing?
13. What effect has frequent changes of style on the price of clothing?
14. How can styles be regulated?