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Framing a Descriptive Profile of a Transformed Apparel Industry: Apparel Import Intermediaries in the United States

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Abstract

Purpose – The purpose of this paper is to confirm empirically the existence of a US apparel import intermediary (AII) identity crisis, and to provide a detailed descriptive profile of AIIs, differentiating them from apparel firms not primarily engaged in importing activities.

Design/methodology/approach – A survey study was conducted using a national sample of US AIIs. Based on these firms' executives' responses, a firm identity issue was analyzed and a detailed profile of these firms' business characteristics was developed, using frequency comparisons.

Findings – The study confirmed that US AIIs are currently experiencing an identity crisis, as nearly half of the study respondents misclassified themselves as apparel manufacturers or other business types, suggesting a significant distortion in US Economic Census data. The study also provided a descriptive profile of US AIIs, including geographic location and other business operation characteristics.

Research limitations/implications – Three fourths of the survey respondents were located in the state of New York. Whether most US AIIs truly reside in New York cannot be known with certainty. Generalization of the study findings to a greater population should be cautious.

Practical implications – Confirmation of an AII identity crisis suggests both aggregate and individual firm-level impacts on import activities. The study offers a new term, "intermediary", to replace the US Census Bureau term "wholesaler" to accurately reflect the industry's transformation.

Originality/value – The study provides the first empirical support for a US AII identity crisis. The detailed profile of US AIIs offers industry data not available prior to this study.

Keywords: Garment industry, Imports, Wholesaling, Census, Intermediaries, United States of America

Paper type Research paper

Introduction

Economic globalization has changed the nature and content of firm operations across the globe (Narula and Dunning, 2000), resulting in a business environment where developed countries tend to focus on knowledge-based, service-oriented, and technology-intensive activities and firms in developing countries tend to engage in manual skill-based, manufacturing-oriented, and labor-intensive activities (Dicken, 2003). Under this scenario, many products

are designed in developed countries, manufactured in less-developed countries, and shipped back to developed countries for consumption. In the case of the U.S. apparel industry, over 90% of apparel products distributed by leading apparel firms today are foreign-made and, thus, imported, with only a fraction of apparel products being made within U.S. borders (American Apparel & Footwear Association, 2007; Baughman, 2004). Despite this global shift in business, relatively little is known about the changed nature and content of firm operations in regards to the apparel firms that have survived economic globalization and have become major players in facilitating the recent high level of importation of apparel products into the United States.

While firms facilitating apparel import transactions have brought a flood of imported goods into the U.S. apparel market, benefiting consumers with low prices and a wide range of apparel products produced all over the world, the U.S. apparel industry has simultaneously suffered. It has lost domestic jobs due to the off-shoring of many manufacturing processes, has been unable to sustain competitive advantages in the U.S. textiles and apparel industries, and has experienced increasing foreign trade deficits that may threaten economic independence in a global economy (Kunz and Garner, 2006). Unfortunately, mass media and industry analysts have tended to focus on the emotional and negative side of the apparel industry's globalization, taking attention away from the changed nature of the apparel industry, the new growth of some industry members, and the reconfiguration of firm responsibilities that has accompanied economic globalization. For example, little attention has been paid to the significant proportion of importing firms that are using different approaches to their traditional business activities and assuming new responsibilities from the middlemen of the past (Ha-Brookshire and Dyer, 2008).

The lack of attention to firm changes within the apparel industry mirrors the lack of attention to firm changes in the broader scope of business, which may explain why the government descriptions of business have remained relatively unchanged. Currently, the U.S. Census Bureau categorizes business firms using three discrete classifications—manufacturer, wholesaler, and retailer (U.S. Census Bureau, 2007, April 02). In 1810, the manufacturing trade became the first business category for which the U.S. Census collected economic data. Over 120 years later, in 1930, both the retail and wholesale trade categories were added as identifiable, separate business classifications (U.S. Census Bureau, 2002). However, despite sweeping changes in domestic business and global trade, the U.S. Census Bureau business classification descriptions have changed little in the past 80 years. This has led to confusion among firms over how to describe and/or classify their business types and, consequently, possible distortions in Economic Census data, particularly in regards to manufacturers and wholesalers within the U.S. apparel industry (see more in Ha-Brookshire and Dyer [2008]).

Recently, Ha-Brookshire and Dyer (2008) and Dyer and Ha-Brookshire (2008) described the changed environment of the U. S. apparel industry and argued that there is great need for an updated assessment of the status of U.S. apparel import firms because of industry changes that have taken place, as well as the critical issues of identity confusion and data distortion that may exist as a result of out-of-date government business classification descriptions. The authors introduced the term, apparel import intermediary (AII), a domestic apparel service firm that links domestic wholesalers/retailers and foreign

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distributors/manufacturers to facilitate import transactions in the global apparel supply chain, as a first step toward accurately describing import firms in a transformed U.S. apparel industry. Following up on these concerns, this study sought to achieve two specific objectives (a) to support empirically the existence of a U.S. AII identity crisis, and (b) to develop a descriptive profile of these firms.

In presenting the research conclusions, the study first discusses the changed environment of the global apparel industry, the confusions surrounding the government business classifications, especially the term, wholesaler, and the dilemma among apparel import intermediaries concerning firm identity. It then addresses research methodology and data collection procedures, followed by data analysis with detailed descriptions of U.S. AIIs. Finally, the study presents important implications resulting from an identity and data crisis in the U.S. apparel industry.

Literature review

Changed environment of the U.S. apparel industry

Today, it is general knowledge that the United States no longer domestically "manufactures" many of the clothes that U.S. consumers purchase. In fact, the United States has become the largest apparel importer in the world, importing annually approximately one third of the world apparel trade total, approximately $80 billion in 2005 (World Trade Organization, 2006). It follows, then, that the primary U.S. apparel industry activities today involve apparel importing, rather than apparel manufacturing. More specifically, in the past, with a supply chain dominated by apparel manufacturers, the U.S. apparel industry concentrated on manufacturing/export-oriented responsibilities from cutting to sewing operations, to machine handling, to production flow/efficiency management. Today, in an apparel supply chain dominated by retailers, many U.S. apparel firms focus on import activities, including among their functional activities designing, buying, importing, sourcing, and distribution with special emphases on timely market research, production development, and merchandise assortment (Ha-Brookshire and Dyer, 2008; Dyer and Ha-Brookshire, 2008). Appelbaum and Christerson (1997), Baughman (2004), Cline (1990), and Dicken (2003) have all commented on this changed environment in the U.S. apparel industry.

U.S. Census term wholesaler and the apparel industry

While the U.S. apparel industry has moved from relying heavily on domestic manufacturing to relying heavily on foreign manufacturing, the U.S. Census Bureau seems to have failed to respond to the changed nature of business activities within the industry. Since 1930, the U.S. Census Bureau has surveyed economic activities using the same descriptions for three business classifications—manufacturer, wholesaler, and retailer (U.S. Census Bureau, 2007, April 02). Not surprisingly, firms operating in a transformed apparel market are struggling to make these old classification descriptions work effectively. In regards to apparel importing, the term, wholesaler, has presented particular problems.

The U.S. Census Bureau describes a wholesaler as a business establishment "engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise." The first issue, the ambiguity of the term, "transformation" of merchandise, clouds the determination of whether or not many of today's apparel firms fit the wholesaler classification.

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Designing and developing new products, planning and executing pre-production processes, and setting up and monitoring production procedures are generally considered important product transformation activities of apparel firms in the industry; yet, the term "transformation" is not specific enough to identify firms engaged in such activities as wholesalers (Ha-Brookshire and Dyer, 2008). Second, the term, wholesaler, has been historically understood to mean firms that simply buy and resell goods at a small portion of profit without those firms contributing any highly value-added activities. Researchers have already raised the issue that the term, wholesaler, may undervalue the importance of firms that do provide value-oriented business activities, such as design, branding, marketing, or logistics (Scheffer and Duineveld, 2004). Third, because of these issues, some apparel firms may misclassify themselves as something other than wholesalers when they select the type of business in which they engage and under which their business data will be reported in the U.S. Census Bureau's Economic Census every five years. Ha-Brookshire and Dyer (2008) argued that despite the heavy reliance on importing foreign-made goods, it is probably that many U.S. apparel firms currently inaccurately report themselves as apparel manufacturers rather than apparel wholesalers.

The ambiguity of the term, wholesaler, and the misperceptions of apparel firm identity together raise the next pressing dilemma—the reliability and validity of U.S. Economic Census data in regards to the U.S. apparel industry. As per the most recent U.S. Economic Census in 2002 (data collected in 2002 and published from 2005 through 2006), the apparel manufacturing sector (North American Industry Classification System [NAICS] 315) accounted for approximately U.S. $44.5 billion, while the U.S. apparel wholesale trade totaled over U.S. $106 billion (U.S. Census Bureau, 2005a, 2005b). If a substantial portion of apparel firms truly have experienced an identity crisis and have misclassified their businesses, then the dollar value of the apparel manufacturing sector expressed by the U.S. Economic Census most likely has been overestimated and the dollar value of the apparel wholesale trade most likely has been underestimated. Moreover, if this premise is correct, then the U.S. apparel manufacturing sector may have declined at a faster rate and the U.S. apparel wholesaling sector may have increased at a greater rate than our current understanding would allow. Consequently, an apparel import intermediary firm identity crisis has tremendous implications for our understanding, or lack thereof, of the reality of the U.S. apparel industry's structure and economic impact.

Apparel import intermediaries

Within the range of U.S. apparel firms that deal with the importation of foreign-made products, AIIs have recently been discussed in the literature. Ha-Brookshire and Dyer (2008) and Dyer and Ha-Brookshire (2008) argued that AIIs are key supply chain members that have been largely responsible for managing the huge influx of apparel imports into the United States in recent decades. In their exploratory qualitative interview studies, the authors discovered that with today's new market conditions characterized by intense global competition, strong consumerism, and highly fragmented processes (for example, dispersed overseas manufacturing), U.S. AIIs uniquely implement design, marketing, sourcing, and service activities—essentially playing an enhanced liaison role. These studies also indicated that the content and nature of AIIs' business activities seemed much different from those of traditional apparel

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manufacturers or apparel wholesalers. Such changed business operations signaled possible business classification problems. Not surprisingly, an interesting and important finding in these studies was that the study informants, U.S. AII executives, seemed to be confused about their firms' identities and, therefore, may have misclassified their businesses when responding to the U.S. Economic Census.

Research method

Sample and response rates

In response to the significant implications of a possible U.S. apparel firm identity crisis and a consequent possible misreporting of key industry data, this study specifically sought (a) to confirm empirically the existence of a U.S. AII identity crisis and (b) to provide a detailed descriptive profile of AIIs, differentiating them from apparel firms not primarily engaged in importing activities. To achieve the study's research objectives, a survey study was conducted based on a national sample of U.S. AIIs. The sample frame was generated through *Reference*USA (2006) which provides detailed information about more than 14 million U.S. businesses, including the classification of firms based on NAICS codes. Before selecting the study sample, however, it was critical to ensure that the sample frame would include all possible types of AIIs due to the suspected AII identity and data crisis issue being explored.

As Ha-Brookshire and Dyer (2008) argued, AII is a term that includes intermediaries of the past, as well as firms that have responded to the new apparel market environment. Due to the classification confusion, AIIs may include wholesalers such as traditional intermediaries, apparel wholesalers, domestic jobbers, or agents that existed before the globalization of apparel manufacturing and that might be clear about their firm identity as wholesalers. In addition, some newer AIIs might be clear about their business type and also classify themselves as wholesalers. Due to the classification confusion, however, AIIs may also include firms that have abandoned domestic manufacturing facilities and sought foreign manufacturing processes, thereby becoming intermediary firms, but continuing to report and classify themselves as apparel manufacturers. To be comprehensive, the study included: (a) U.S. apparel wholesalers under NAICS codes 42432 (men's and boys' clothing and furnishing merchant wholesalers) and 42433 (women's and girls' clothing and furnishing merchant wholesalers), excluding only apparel merchandise agents and brokers (firms that trade apparel products on a commission basis without taking title to the goods) because agents and brokers are not tracked separately under the current NAICS and typically account for a very small portion (less than 10% in 2002) of the entire nondurable-goods wholesaling sector—of which apparel is yet again a very small portion. (NAICS 424) (U.S. Census Bureau, 2006, February 15); and (b) U.S. apparel manufacturers under NAICS code 315. The inclusion of the above NAICS codes from *Reference*USA (2006) resulted in an initial sample frame of 19,595 firms.

Given an average response rate of approximately 21% in business survey research, an adjusted sample frame size of approximately 800 firms was targeted to yield sufficient responses for most statistical data analyses (Paxson, 1992, as cited in Dillman, 2000). From the initial sample frame of 19,595 firms, firms were randomly selected and pre-verified by phone and e-mail to confirm they were currently open for business and had correct contact information and mailing addresses. The final adjusted sample frame included 807 firms from

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across the nation to which 807 surveys were mailed. Sixty-five firms returned their surveys, not requiring further follow-up contacts. Those firms requiring follow up were contacted using Dillman's (2002) mixed-mode survey technique, with follow-up contacts made via phone, e-mail, and personal visits. During the six weeks from the initial mail-out to the end of follow-up contacts, a total of 165 usable surveys were obtained, resulting in an effective response rate of 22.2%.

The target respondents for the survey were firm executives as they are, in general, believed to be the most knowledgeable about broad-based firm characteristics (Cavusgil and Zou, 1994). Out of 165 respondents, 69 (41.8%) were Chief Executive Officers or Presidents, 46 (27.9%) were Vice Presidents, 25 (15.2%) were Division Managers, and 13 (7.9%) were General Managers. 12 (7.3%) specified themselves as other, including Owners, Designers, and Merchandisers. These results confirmed that the survey respondents were executives who were qualified to provide expert opinions about their firms' strategies and performance.

Survey

The survey questions were designed to analyze U.S. AIIs' perceptions about their firms' identities, as well as to gather information about a range of business operation characteristics. To explore the AII identity crisis issue, the survey questionnaire included items asking the percentage of products that the respondent's firm domestically manufactured and the percentage of goods directly imported by his/her firm. The survey also asked if the respondent's firm currently owned retail stores making direct sales to end-user consumers. If the firm did, the survey asked what percentage of the firm's total products was sold directly to end-user consumers. These questions were designed to reveal the intensity of domestic manufacturing and retailing so that the study could identify AIIs.

Additionally, for an overall picture of business operation characteristics of the firms that participated in this study, the survey questionnaire asked for the following information: the number of years of major import operations, the number of countries from which his/her firm imported products, the average number of suppliers per country, the number of domestic clients to which his/her firm supplied products, the number of employees, including overseas staff, the percentage of overseas staff, his/her firm's business classification, his/her firm's major product category, annual gross sales, and the title of the respondent. These questions were designed to provide detailed descriptions of AIIs business operations. Geographic locations were tracked through mailing addresses of the respondents. The survey responses were coded and analyzed, using simple frequency comparison to frame a detailed descriptive profile of U.S. AIIs. Testing for non-response bias and measurement differences indicated that the use of different follow-up contact modes was not an issue in this study.

Results

Identifying AIIs

To confirm empirically the existence of a U.S. AII identity crisis and to provide a detailed descriptive profile of AIIs implicitly demands an accurate identification of U.S. AIIs, that is, U.S. firms primarily engaged in importing apparel. Thus, to identify AIIs, several steps were taken and several business descriptions—descriptions gathered by the survey and independent of how firms classified themselves based on government descriptions—were evaluated. These were used to segregate firms primarily engaged in importing apparel from firms primarily

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engaged in manufacturing or retailing (see Table I).

First, firms' involvement with domestic manufacturing operations was evaluated to distinguish AIIs from those more appropriately classified as domestic apparel manufacturers. Out of 165 responding firms, 11 (6.7%) firms indicated that they owned domestic apparel manufacturing facilities, whereas the majority of the respondents, 154 (93.3%) firms, did not own any domestic apparel manufacturing facilities whatsoever. Among the 11 firms that owned domestic manufacturing facilities, 6 (54.5%) firms generated less than 30% of their sales and 5 (45.5%) firms generated more than 50% of their total sales from their own domestic manufacturing operations. Based on these data, 30% of domestic manufacturing operations appeared to represent a natural breakpoint in distinguishing AIIs from apparel manufacturers. Using this heuristic shaped by the data, the study classified the first six firms as AIIs and the latter five firms as apparel manufacturers. This finding suggested that over half of U.S. apparel firms that own domestic manufacturing facilities may, in fact, be strongly involved in wholesaling.

Second, the study evaluated the responses on the firm's ownership of retail stores making direct sales to end-users in order to differentiate AIIs from those apparel firms primarily engaging in retailing. Out of 165 firms, 11 (6.7%) firms stated that they owned retail stores; however, 10 firms generated less than 20% of total sales and 1 firm had over 50% of its sales coming from its own direct retailing operations. Consequently, the study classified the former as AIIs and the latter as apparel retailers. Based on the survey data, generating 20% of sales from retailing operations appeared to be a natural breakpoint in distinguishing AIIs from apparel retailers. This result suggested that only a small portion of AIIs were involved with retailing and that the retail portion of their activities were likely to be insignificant.

Based on the above data-driven heuristics, the study's 165 survey respondents were classified as one retailer, 5 apparel manufacturers, and 159 AIIs. The findings suggested that only a small number of U.S. AIIs (fewer than 7%) was engaged in manufacturing operations and that of those the domestic manufacturing operations were of limited scope (no more than 30% of their total sales). The results also indicated that some U.S. AIIs (fewer than 7%) carried out retail operations; however, these operations accounted for less than 20% of total sales. The majority of U.S. AIIs, over 93%, were engaged in neither domestic manufacturing nor retailing activities and acted as pure intermediaries (or wholesalers in U.S. Census' terms).

AIIs' identity crisis

Next, the survey respondents' self-classification of their firm business types was examined to explore the issue of a possible AII identity crisis. As expected, and despite clear indication in the survey business descriptions that these firms were primarily engaged in import activities, the survey respondents indicated a variety of business types for their firms' major business operations, including manufacturers, wholesalers, retailers, and others. Out of the 159 AII respondents, close to a third of the respondents, 56 (35.2%) respondents, classified themselves as apparel manufacturers. Out of the 56 firms that identified themselves as apparel manufacturers, 50 firms, in fact, had no domestic manufacturing operations and 6 firms had less than 30% of total sales generated from their own domestic manufacturing operations. These findings

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empirically confirmed that the AII study participants were, in fact, confused about their firm identities.

Furthermore, out of the 159 AII respondents, 22 (13.8%) firms indicated "other" as their firm business types. Seven firms classified themselves as agents, another seven firms as importers, four firms as factory representatives, and two firms as buying service offices. One respondent specifically expressed that his or her firm was both a manufacturer and a wholesaler, despite being asked to indicate only one business type. Another respondent did not specify his or her firm's business type at all. These findings were particularly interesting in that not only did AIIs appear to perceive themselves as other than wholesalers or manufacturers, but they also refused to be categorized into one of these established business types. In addition, the study respondents of agents, importers, factory representatives, or buying service offices did not consider themselves to be wholesalers, even if they should fall under the wholesaler type as per the U.S. Census Bureau. Clearly, the study results confirmed that the business types and the descriptions of wholesalers provided by the U.S. Census Bureau have failed to communicate properly with the majority of U.S. AIIs.

"Take in Table I"

Geographic locations of AIIs

The study's sample frame, 807 firms, represented 28 states across the United States (see Table II). After completing data collection, survey responses had been received from 16 states. Totally, 667 (82.7%) surveys were sent to the state of New York and most responses also came from that state (76.4% of the total responses). It was not surprising to see the domination of the state of New York, given the many apparel firms located around the Fashion Avenue in New York City. California and New Jersey were the states with the next highest response rates. The state of California is known for its apparel business; however, it tends to provide short-run, quick-response domestic manufacturing, generally targeting junior markets. The response rate was also reviewed per state, with Colorado, Illinois, Louisiana, Maryland, Oklahoma, Pennsylvania, Tennessee, and Virginia providing better than a 50% response rate per state and California, Georgia, Missouri, Minnesota, New Jersey, New York, North Carolina, and Texas demonstrating response rates per state between 14.3% and 37.5%. Interestingly, although most AIIs appeared to be located in New York, the response rate for that state was one of the lowest.

"Take in Table II"

AIIs' import operation characteristics

The characteristics of AIIs' business operations dealing with domestic clients and foreign suppliers were explored through a variety of survey questions (see Table III). First, it was clear that most AII firms were deeply engaged in apparel import operations. Approximately 85% of the AII respondents claimed that over 90% of their total sales were generated from their own import operations. Only 5% of the AII respondents indicated that less than half of total sales came from their own import operations, implying an insignificant portion of domestic product purchasing activities among U.S AIIs. This finding suggested that most intermediaries in the U.S. apparel industry are involved with import wholesaling, not domestic wholesaling. Thus, the current economic data of the apparel wholesale sector (NAICS 4242 and 4243) may more strongly represent import wholesaling than it does domestic wholesaling.

Second, the responses in regards to the years of the firm's import operations

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revealed that over 80% of the AII participants had fewer than 29 years of import experience. This coincided with the decreasing trend in domestic apparel manufacturing in the United States in recent history. This finding was also consistent with Ha-Brookshire and Dyer's (2008) argument that many U.S. apparel firms have transformed from a manufacturing orientation to an import orientation in the past 30 years.

Third, the question dealing with the number of countries from which an AII firm imports products was designed to capture the breadth of AIIs' import connections worldwide, as each foreign country poses different levels of knowledge and experience relative to product development and international trade. Of the 159 AII respondents, 118 firms (74.2%) reported that, in the past three years on average, they were importing products from fewer than nine countries, with only two (1.3%) AII firms importing products from 15 to 19 countries. Despite the wide range of foreign countries that can produce and export apparel products for U.S. apparel firms, it seemed that most of the study's respondents focused their import activities on a relatively small number of countries, generally fewer than 10. That may be partly due to the ability of one country to produce a variety of product lines for U.S. AII firms. For example, if one country can produce many different product lines, a firm may prefer working with that country for efficient business operations and communications. Another reason for AIIs' import transactions with a limited number of countries could be a narrow focus on their major product categories. For example, if a firm targets and produces a women's sleepwear product category, it might prefer working with a smaller number of countries that have sufficient relevant resources and proper, effective labor skills for the given product category.

Fourth, the statistics on the number of suppliers per country from which an AII firm imports products were also intended to canvass the intensity of AIIs' import connections within a given foreign country. While having a small number of suppliers within a given country might not be helpful if a large volume of products were needed in a short time, a small number of suppliers within a given country would be very helpful for an AII to achieve efficient communication flows, given that less training and learning would be involved to complete business transactions. Furthermore, many suppliers within a given country might cause unnecessary competition among foreign suppliers for limited resources, affecting U.S. AIIs' reputations among foreign suppliers and, in turn, foreign suppliers' loyalty to U.S. AIIs. Interestingly, 122 (76.7%) out of the 159 AII respondents indicated that, in the past three years on average, they had dealt with fewer than four suppliers per country. Only 8 (5%) AII respondents reported that they had 10 to 14 suppliers per country, and there was no response to having more than 15 suppliers per country. This finding suggested that AIIs may work with a limited number of business partners in a given country, possibly for a healthy long-term relationship, as well as for efficient and effective business communication flows.

Finally, the number of domestic clients to which an AII firm sold products was explored to ascertain the range of product lines and target markets that AII firms handle. Contrary to the findings of the number of foreign suppliers as AIIs' business partners, in the past three years on average, 123 (77.4%) out of the 159 AII respondents indicated that they had sold products to up to 19 different domestic clients, with 31 firms selling to over 25

domestic clients. Compared to the number of countries that AIIs focused on for their import operations, the number of AIIs' domestic clients was much larger, suggesting AIIs are more actively seeking a variety of domestic clients than they are a broad range of foreign suppliers. This finding was consist with Ha-Brookshire and Dyer (2008) that AIIs are strongly involved with domestic market research for a wide range of domestic clients in the United States.

"Take in Table III"

AIIs' other firm characteristics

Other firm characteristics of the survey respondents were assessed to provide a better understanding of AIIs' internal business structure (see Table IV). First, the number of employees (including overseas staff) was requested to obtain an overview of each participant's firm size in terms of the number of employees. Out of the 159 AII respondents, 80 (50.3%) AIIs had fewer than 49 employees and 46 (28.9%) AIIs employed 50 to 149 people. There were 3 AIIs that employed over 750 employees. This finding suggested that a significant portion of U.S. AIIs operate relatively small businesses, although the range of firm size was wide.

Second, the percent of overseas staff out of the firm's total number of employees was explored to gage the intensity of AIIs' international business activities, because keeping overseas staffs, in general, requires a strong involvement and commitment in a given foreign market. More than half of the AII respondents (52.2%) indicated that they did have overseas staff. Out of the 159 AII respondents, 61 (38.4%) had up to 19% of their employees operating overseas and 19 (11.9%) had over 40% of their employees working overseas. This high percentage of overseas staffing suggested an intensive involvement with and commitment to foreign supply markets to seek personal hands-on information available only from overseas partners.

Third, each firm's annual gross sales figure in U.S. dollars was assessed to gage the overall size of the participant's firm in dollar terms. Out of 159 AII respondents, 81 (50.9%) reported that their annual sales figure was less than 49.9 million dollars, coinciding with 80 (50.3%) of AII respondents whose firm sizes were fewer than 49 employees. Meanwhile, 49 (30.8%) AII respondents generated annual sales between 100 million and 499 million dollars, with only 5 (3.1%) AII firms over 500 million dollars in annual sales.

Finally, the product category of each firm's major business was asked for in order to understand the types of products that the study participants handled. Out of the 159 AII respondents, 65 (40.9%) reported that their major business was related to women's apparel, 31 (19.5%) to children's and infants' wear, 28 (17.6%) to men's wear and sleepwear/underwear, and 4 (2.5%) to fur/leather and other product categories. These statistics suggested AIIs handled a wide variety of product categories between foreign suppliers and domestic clients.

"Take in Table IV"

Conclusions

In recent years, sweeping changes have taken place in the global apparel market, and the literature has indicated the possibility of confusion over apparel importing firm classifications and the consequent unreliability of reported apparel industry data in the United States. In response to these concerns, this study sought to confirm the existence of a U.S. AII identity crisis and to provide the first detailed descriptive profile of AIIs based on data from a national survey of U.S. apparel firms. The study findings confirmed the existence of an identity crisis by successfully differentiating

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AIIs (those firms primarily engaged in apparel importing activities, from apparel manufacturers and apparel retailers) and finding that over 93% of the study respondents were engaged in pure intermediary (or wholesaling in U.S. Census terms) activities, while 45% misclassified themselves as either apparel manufacturers (35%) or "other" (10%) when providing their firm business types. The study data also presented the first available detailed profile of apparel AIIs.

The confirmation of an identity crisis among AII firms is the study's first important contribution, and it links to a misclassification of intermediary firms by the U.S. government in its data collection process. This misclassification impacts the apparel industry at two levels, aggregately (industry) and individually (firm). First, a misclassification of intermediary firms and the resulting distorted data would suggest that approximately 35% of the U.S. apparel manufacturing sector data expressed by the U.S. Economic Census has been overestimated, with the U.S. apparel wholesale trade most likely underestimated. If this is the case, it would mean that the U.S. apparel manufacturing sector may have declined at a faster rate and the U.S. apparel wholesaling sector may have increased at a greater rate than previously thought, creating a false picture of the U.S. international trade standing relative to import/export. Most notably at the industry level, the existence and general acceptance of unreliable trade data has far-reaching implications for both trade policy and legislation.

A second concern associated with the misclassification of firms in the collection of U.S. government trade data moves beyond the aggregate impact on an industry to the individual impact on the daily functioning of the firm itself. A primary purpose served by Economic Census data is the provision of basic statistical frames and benchmarks which individual firms can use for key business planning, such as determining the best locations for various business facilities, measuring potential markets, laying out sales territories, or guiding trade associations to assist their members and readers (Dodds, 1998). Thus, a misclassification of firms that results in incomplete or incorrect statistical government data can potentially distort firms' strategy-planning activities and, consequently, the daily operations that flow from strategic decisions. Likewise, the global impact of incorrect data on policy and legislation—and the resulting regulations—will filter down to everyday decisions and actions carried out by each firm.

Just as the shift to a more consumer-oriented society in the United States following World War I led to the addition of the retail and wholesale trades to the U. S. Economic Census business classifications in 1930, the shifting of the U.S. economy from an export to an import profile, in and of itself, suggests the need to rethink the business classifications being used by the U.S. government for the collection of trade data (Micarelli, 1998). This study confirms that need. Yet, changing the current government tracking procedures, presents challenges. In reviewing the history of the U.S. Economic Census since 1810, Micarelli (1998) describes in a detail how the U. S. Economic Census has modified which business classifications to track, include, and exclude in response to changes in business activities over time. The addition of the retail and wholesale trades to the U. S. Economic Census in 1930 is one example (Micarelli, 1998). These business classification changes, however, have tended to lag their need significantly and have followed a significant period of political upheaval and discussion by a wide population before change has occurred. By

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drawing attention to the identity crisis of firms within the U.S. apparel industry, an industry highly impacted by the U.S. shift toward importing, this study disseminates critical information. This information has the potential to act as a catalyst for meaningful discussion that may lead to changes in the U. S. Economic Census tracking procedures in regards to the import area—not just for the welfare of apparel import firms, but for all U.S. firms engaged in or associated with import activities.

The provision of a detailed profile of AII firms is the study's second important contribution, filling a gap in our understanding of import activities and of the apparel industry. The study's national survey study indicated that most U.S. AIIs imported over 90% of their products and have been engaged in import operations for fewer than 30 years, suggesting these firms are a relatively young population of companies. The findings also suggest that the transformation of the apparel industry has brought many new firms into the intermediary part of the apparel supply chain as well as converting some firms from manufacturers to importers. Firms representing 16 states responded to the survey, with greatest concentrations of participating firms in the Northeastern and Southeastern United States. Not surprisingly, New York appeared to be the primary location for AIIs. In terms of AII business partners, three fourths of U.S. AIIs imported from fewer than nine different foreign countries with fewer than four suppliers from each country on average. On the domestic side, a little over two thirds of U.S. AIIs sold products to at least 10 different domestic clients with some selling to over 25. Over half of U.S. AIIs had fewer than 50 employees with some portion of overseas staffing, and their annual sales figures were less than U.S. $50 million. Finally, U.S. AIIs handled various types of products from women's to children's, to men's and even to fur and leather products. These results provide a descriptive profile not previously available of the very basic nature of U.S. AII business operations.

Intermediary: A new term

The confirmation of a U.S. AII identity crisis and the detailed profile of these firms' business operations provided by the study results clearly demonstrated that the old term, wholesaler, has not been effective in communicating between the apparel industry and the U.S. Census Bureau. Consequently, the study offers a new term, "intermediary," as a proper business classification to replace the term, wholesaler, for firms engaged in connecting clients and suppliers domestically as well as internationally. Suggesting this "new" term is not a reach, because many academicians have already begun using the term, intermediary. Economists have used it to refer to firms in the banking, investment, or other financial industries that are not typically considered wholesalers (Moles and Terry, 1997). Export researchers have used the term, export intermediary, to recognize the importance of these firms' role in exporting in a global economy (Balabanis, 2000, 2001; Peng and Ilinitch 1998; Peng and York 2001; Peng et al., 2000).

The term, intermediary, has the advantage over the term, wholesaler, in that it would be inclusive of all firms that play an intermediary role in the supply chain. The term, intermediary, would include all traditional wholesalers, such as wholesalers, jobbers, merchant wholesalers, trading companies, foreign manufacturer's sales offices or sales branches—all of which are considered wholesalers as per the U.S. Census Bureau. The term, intermediary, would also include today's newer forms of intermediaries by providing an unambiguous business classification with positive public

perceptions for firms that carry out important value-added services beyond simple warehousing service, short-term product shifting service, or commission-based reselling services. Finally, the term, intermediary, would also be applicable for today's intermediaries performing intermediary business activities domestically as well as internationally. For example, the term, intermediary, would offer a clear home for export intermediaries and import intermediaries, solving any of their firm identity issues.

Unbridled proliferation of terminology should be avoided and suggesting the adoption of a new business classification should be approached only if it represents a significant improvement over previous terms. To that end, it is suggested that the adoption of the classification term, intermediary, would help (a) intermediary firms by establishing a sense of identity, reflecting the reality of their true responsibilities and activities; (b) the U.S. Census Bureau by providing a unified and consistent term across industries; (c) accurate economic data reporting by significantly reducing misclassifications of firms in the apparel industry, and (d) academics by providing a clear business classification for research and teaching. In the case of the U.S. apparel industry, the term, intermediary, would also help to recognize an important sub-sector of intermediaries, apparel import intermediaries, whose economic contributions in recent years have been far greater than those of the apparel manufacturing sector. This new terminology could help to resolve the AII identity crisis, bringing into focus a more accurate picture of the U.S. apparel industry, perhaps changing negative public perceptions about the industry. Furthermore, resolving the identity crisis could provide the basis for industry cooperation among AIIs, such as forming AII trade associations, as well as illuminating employment possibilities that may not currently be recognized by many people in the workforce.

Beyond the U.S. apparel industry

Some researchers have argued that the apparel industry is "a portent of things to come" and that many other industries will follow what has happened in the apparel industry (Bonacich et al., 1994, p.13). A number of industry practices, such as the globalization of manufacturing processes, hyper-competition, decreasing prices or costs due to cheaper labor forces from developing countries, and increasing consumer demands in developed countries are now seen in the auto-manufacturing, computer, household, furniture, and consumer products industries. It is highly likely that intermediary firms—both export and import—in these industries will be, if they are not already, experiencing similar identity issues and, thus, data misreporting for their economic activities. This study offers important lessons from the apparel industry and suggests that a review of current industry phenomena is broadly needed if timely and necessary corrections are to be made for the future.

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Table I. Firm Operations and Classifications

Firm Domestic/Retailing Operations	Frequency		Percentage	
Ownership of domestic manufacturing facilities				
No	154		93.3%	
Yes: Among YES, % of total sales from domestic manufacturing facilities:	11		6.7%	
1-9%		3		1.8%
10-19%		1		0.6%
20-29%		2		1.2%
30-39%		0		0.0%
40-49%		0		0.0%
over 50%		5		3.1%
Ownership of retail stores				
No	154		93.3%	
Yes: Among YES, % of total sales from retail stores:	11		6.7%	
1-9%		7		4.3%
10-19%		3		1.8%
20-29%		0		0.0%
30-39%		0		0.0%
40-49%		0		0.0%
over 50%		1		0.6%
Study classification of all respondents	165		100%	
Apparel import intermediaries (AIIs)		159		96.3%
Apparel manufacturers		5		3.0%
Apparel retailers		1		0.7%
Self-classification by AII respondents	159		100%	
Apparel wholesaler		81		50.9%
Apparel manufacturer		56		35.2%
Apparel retailer		0		0.0%
Other (frequency)		22		13.8%
Agent (7); Importer (7); Factory representative (4); Buying service office (2); Manufacturer/wholesaler both (1); and No information (1)				

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Table II. Geographic Location of Adjusted Sample Frame and Study Respondents

State[a]	Adjusted Sample Frame Frequency	Survey Responses Frequency		Response Rate per State	Percentage of Total Responses
		AIIs	Others		
New York	667	124	2 (1R[b];1M[c])	18.9%	76.4%
California	40	13	1 (M)	35.0%	8.5%
New Jersey	16	6		37.5%	3.6%
Pennsylvania	6	2	1 (M)	50.0%	1.8%
Illinois	3	2		66.7%	1.2%
North Carolina	10	2		20.0%	1.2%
Oklahoma	3	2		66.7%	1.2%
Tennessee	3	1	1 (M)	66.7%	1.2%
Georgia	7	1		14.3%	0.6%
Louisiana	2	1		50.0%	0.6%
Maryland	1		1 (M)	100.0%	0.6%
Minnesota	4	1		25.0%	0.6%
Missouri	5	1		20.0%	0.6%
Texas	5	1		20.0%	0.6%
Virginia	2	1		50.0%	0.6%
Colorado	2	1		50.0%	0.6%
Connecticut	3				
Florida	6				
Hawaii	1				
Kansas	1				
Massachusetts	3				
New England	1				
Ohio	3				
Oregon	1				
South Carolina	2				
Utah	3				
Washington	4				
Wisconsin	1				
West Virginia	2				
Total	807	159	6		100%

Note. [a] In the order of the percentage of total responses. [b]R: Retailer. [c]M: Manufacturer.

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Table III. Import Operation Characteristics of the AII Survey Respondents

Business Operations	Frequency	Percentage
Percent of total sales from direct import operations:	159	100%
Less than 49%	8	5.0%
50 – 59%	7	4.4%
60 – 69%	4	2.5%
70 – 79%	1	0.6%
80 – 89%	4	2.5%
Over 90%	135	84.9%
Years of import operations:	159	100%
Fewer than 9 years	30	18.9%
10 – 19 years	51	32.1%
20 – 29 years	47	29.6%
30 – 39 years	25	15.7%
40 – 49 years	5	3.1%
Over 50 years	1	0.6%
Number of countries from which the firm imports products:	159	100%
Fewer than 4	49	30.8%
5 – 9	69	43.4%
10 – 14	39	24.5%
15 – 19	2	1.3%
20 – 24	0	0.0%
Over 25	0	0.0%
Number of suppliers per country from which the firm imports products:	159	100%
Fewer than 4	122	76.7%
5 – 9	29	18.2%
10 – 14	8	5.0%
15 – 19	0	0.0%
20 – 24	0	0.0%
Over 25	0	0.6%
Number of domestic clients to which the firm sell products:	157	100%
Fewer than 4	14	8.8%
5 – 9	36	22.6%
10 – 14	41	25.8%
15 – 19	32	20.1%
20 – 24	5	3.1%
Over 25	31	19.5%

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Table IV. General Business Characteristics of the AII Survey Respondents

Business Characteristics	Frequency	Percentage
Number of employees (including overseas staff):	159	100%
Fewer than 49	80	50.3%
50 – 149	46	28.9%
150 – 299	15	9.4%
300 – 499	13	8.2%
500 – 749	2	1.3%
Over 750	3	1.9%
Percent of overseas staff, if any:	159	100%
0%	76	47.8%
1 – 9%	45	28.3%
10 – 19%	16	10.1%
20 – 29%	0	0.0%
30 – 39%	3	1.9%
Over 40%	19	11.9%
Annual gross sales figure in U.S. dollars:	159	100%
Less than 4.9 million	29	18.2%
5 – 24.9 million	30	18.9%
25 – 49.9 million	22	13.8%
50 – 99.9 million	24	15.1%
100 – 499 million	49	30.8%
Over 500 million	5	3.1%
Product category of the firm's major business:	159	100%
Women's	65	40.9%
Men's	28	17.6%
Children's and Infants'	31	19.5%
Sleepwear/underwear	28	17.6%
Fur/Leather	4	2.5%
Other: All of the above (2); Women's and Men's (1)	3	1.9%

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