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FROM BASIC TO FASHION IN THE APPAREL INDUSTRY:
A STUDY ABOUT UPGRADING IN VALUE CHAINS

A thesis presented to the *Programa de Pós-Graduação em Administração da Universidade do Vale do Rio dos Sinos – UNISINOS* in partial fulfillment of the requirements for the degree of *Doutor em Administração*.

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São Leopoldo, RS

Brazil

2011

Abstract

This dissertation aims at explaining the elements involved with the upgrading processes in value chains. Empirical data about the upgrading processes of apparel production and consumption in Brazil is taken as a way to explore upgrading strategies in the context of a growing fashion industry. We assume that fashion has been a key element in the apparel production which responds to upgrading in apparel value chains, turning basic apparel into more valued products and services as they are embedded by particular social values recognized and legitimized as fashion trends. Consequently, fashion apparel is an enterprise which involves dealing with two different processes: (1) the tangible or material production process of apparel items and (2) the intangible or immaterial production process of fashion concept. To explain the two diverse but consonant processes, this study draws upon two theoretical approaches to unveil the value creation that leads to upgrading in apparel production. Both theoretical approaches feature value-adding processes but in different ways: (i) the global apparel value chain industrial upgrading approach highlights the tangible production of apparel items through contractors' industrial upgrading process and (ii) the fashion social embedded system approach focuses on intangible production of fashion concept or belief through a cultural upgrading process. Furthermore, bolstered on these two theoretical approaches and on empirical data, this study delineates three propositions to discuss and characterize the means by which upgrading occurs: (a) through a linear value chain configuration; (b) by way of a network system or (c) via

a loose chain. The results suggest that basic apparel production upgrades to fashion apparel production and consumption when different players intertwine, producing, sharing and/or incorporating intangible value-adding activities such as designing and image-making. The embedment of intangible value turns apparel players into hybrid forms casting doubt on the industrial/traditional upgrading approach of the apparel value chains. These hybrid forms reveal a broad perspective for upgrading in apparel production, highlighting a convergence of tangible and intangible activities related to apparel production in the realm of a fashion apparel loose chain.

Keywords: value chain; apparel value chain; fashion apparel; cultural economy.

Resumo

Esta dissertação procura explicar os elementos envolvidos com os processos de progressão nas cadeias de valor. Dados empíricos sobre os processos de progressão da produção e do consumo de vestuário no Brasil são considerados como uma maneira de explorar estratégias de progressão no contexto de um setor de moda em desenvolvimento. Adotamos como premissa que a moda tem sido um elemento chave na produção de vestuário. A moda responde pela progressão das empresas nas cadeias de valor do vestuário, transformando o vestuário básico em produtos e serviços mais valorizados na medida em que eles são incorporados por determinados valores sociais reconhecidos e legitimados como tendências de moda. Conseqüentemente, o vestuário de moda é uma iniciativa que lida com dois processos diferentes: (1) o processo de produção tangível ou material de itens de vestuário e (2) o processo de produção intangível ou imaterial do conceito de moda. Para explicar esses dois diferentes, mas também convergentes processos, o presente estudo se baseia em duas abordagens teóricas para desvendar a criação de valor que leva à progressão na produção de vestuário. Ambas as abordagens teóricas apresentam os processos de agregação de valor, mas de maneiras diferentes: (i) a abordagem da progressão industrial na cadeia global de valor do vestuário destaca a produção tangível de itens de vestuário por meio do processo de progressão industrial dos contratados envolvidos na cadeia e (ii) a abordagem do sistema de moda impregnado por valores sociais que se foca na produção intangível

do conceito ou crença de moda através de um processo de progressão cultural dos agentes envolvidos no sistema. Ademais,, baseado nestas duas abordagens teóricas e em dados empíricos, este estudo propõe três proposições para discutir e caracterizar os meios pelos quais a progressão ocorre: (a) através de uma configuração linear de cadeia de valor; (b) por meio de um sistema em rede ou (c) via uma cadeia flexível. Os resultados sugerem que a produção do vestuário básico progride para a produção e consumo do vestuário de moda quando diferentes agentes se envolvem nessa iniciativa, produzindo, partilhando e/ ou incorporando atividades de agregação de valor intangível como o design e a construção de imagem. A incorporação do valor intangível transforma os agentes produtores de vestuário em formas híbridas, lançando dúvidas sobre a abordagem da progressão industrial/tradicional das cadeias de valor do vestuário. Estas formas híbridas revelam uma ampla perspectiva para a progressão na produção de vestuário, com destaque para uma convergência de atividades tangíveis e intangíveis relacionados à produção de vestuário no âmbito de uma cadeia flexível de vestuário de moda.

Palavras-chave: cadeia de valor; cadeia de valor do vestuário; vestuário de moda; economia cultural.

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Acknowledgments

I am especially grateful to my advisor Professor Yeda Swirski de Souza for being patient, centered and supportive during the hard process of developing my dissertation.

I am particularly grateful for the guidance of Professor Frederick Henry Abernathy (Fred), who blessed me by the opportunity to work with him and to learn from his savvy discussions I often enjoyed by phone in Brazil and in his room 326, Pierce Hall at Harvard University. These great moments will continue to serve me properly in every future endeavor.

I am appreciative of Professor Ely Laureano Paiva and Professor Luciana Marques Vieira who gave me my first lessons into academic search in the realm of the value chains.

I am thankful to Professor Guilherme Liberali Neto for being supportive in my efforts to follow my fellowship in the United States.

I am also grateful to Marina DiDonato-McLaughlin who assisted me in my first contacts with Harvard community.

I am also appreciative of Professor AnnaMaria Abernathy for sheltering me in my first weeks in Massachusetts.

I would like to show my gratitude to Ilse Maria Biason Guimarães (*Assintecal*) who introduced me to some members of the *Design Brazil* group.

I am also thankful to all players interviewed, especially Mauricio Medeiros, Waldete Almeida (*Banco de Areia*), Alexandre Silva Martins (*Bibi*), Sylvie Quartara and Fernando Pires.

I want to thank CAPES Foundation for providing my scholarship that allowed me to go and spend some time in the United States.

Last but not least, I wish to acknowledge Ana Isabel Krzimirski and Heather Kleinschmidt for revising my American English text.

We did it!

*Dedicated to Mom who is always
supportive and proud of my deeds.*

“We make doors and windows for a room; but it is these empty spaces that make the room livable. Thus, while the tangible has advantages, it is the intangible that makes it useful.”

Lao Tzu

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Chapter 1

Introduction

This study aims at contributing to the analysis of the upgrading processes in value chains, especially those related to apparel production and retailing. Empirical data about the upgrading process of apparel production and consumption in Brazil is taken as a way to explore upgrading strategies in the context of an emergent fashion industry.

We considered as an assumption that fashion has been a key element in the apparel industry which responds to upgrading on apparel production, turning basic apparel into more valued products and services as they are embedded by particular social values recognized and legitimized as fashion trends. Consequently, fashion apparel is an enterprise which involves dealing with two different processes: 1) the tangible or material production process of apparel items and 2) the intangible or immaterial production process of fashion concept.

This study draws upon two theoretical approaches to unveil the value creation and upgrading in the process of apparel production. Both theoretical approaches feature value-adding processes but in different ways: (i) the global apparel value chain industrial upgrading approach which highlights the tangible

production of apparel items through contractors' industrial upgrading process. This approach is based on the studies of Abecassis-Moedas 2006; Abernathy et al. 1995, 1999, 2004 , 2005; Appelbaum & Gereffi 1994; Amighini & Rabellotti 2006; Bair & Gereffi 2001; Bonacich & Waller 1994; Cheng & Gereffi 1994; Doeringer & Crean 2006; Feenstra 1998; Ferdows et al. 2004; Gereffi 1994, 1999, 2006; Gereffi et al. 2005; Gereffi & Memedovic 2003; Jacobides & Billinger 2006; Kogut 1985; Mytelka 1991; Porter 1990; Rabellotti 2003; Schmitz & Knorringa 2000; and (ii) the fashion social embedded system approach which focuses on intangible production of fashion concept/belief through a cultural upgrading process centered in social relationship. This approach is based in the studies of Caves 2000; Cholachatpinyo et al. 2002 Currid 2006, 2007; Djelic & Ainamo 1999; Dunford 2006; Granovetter 1985, 2005; Kawamura 2006; Merlo & Polese 2006; Oh & Kim 2006; Rantisi 2002, 2004; Richardson 1996; Uzzi 1996, 1997; Skov 2006; Ulaga 2003; Williams & Currid-Halkett 2011.

1.1 Problem Statement

The global apparel value chain industrial upgrading approach, henceforth named *Industrial Upgrading Approach* (IUA), treats value adding activities and upgrading process in the context of global apparel value chains. This approach assumes that the value chain is a process by which technology is combined with materials and labor and then processed, assembled, distributed and marketed (Kogut 1985). Furthermore, this approach assumes that upgrading occurs to products that are organizationally related through the lead firms in global value

chains (Gereffi 1999). So, companies from emerging countries (e.g. Brazil) need to follow in this value chain process in order to upgrade. IUA reveals export models from emerging countries, for instance, original equipment manufacturing (OEM) and original brand name manufacturing (OBM) (Gereffi 1999, Gereffi et al. 2005). OEM is characterized as a step up from a mere assembly of imported inputs (exporting processing zones) to a more integrated and skill-intensive activity of supplying goods and services in domestic and overseas markets. OBM is characterized as an export model that goes beyond OEM by joining production expertise in a learning manner with the design and sale of branded merchandise. IUA also characterizes the apparel value chain as a buyer-driven chain where big retailers and brand companies lead the chain and get the larger amount of the chain's income. In fact, this finding suggests that the potential for follow-up companies' upgrading in the value chain is limited; mainly for the followers that usually perform tangible value adding tasks (e.g. apparel manufacturers). There are even examples of industrial downgrading in companies that abandoned design and sale inputs when they joined apparel value chains as manufacture contractors (Rabellotti 2003).

IUA apparently fails to explain the whole process by which companies increase value-adding activities in the apparel industry since it does not consider the process of intangible value upgrading. Fashion concept and fashion apparel production are slightly mentioned in the studies related to the IUA. So, when it occurs, fashion is not pondered as an element of the upgrading process of apparel production, due to the assumption that upgrading does not occur to a random set of

skill-intensive activities, but rather to products that are organizationally related through the lead firm in value chains (Gereffi 1999). IUA considers fashion simply as an oriented segment of apparel that is very dependable on time to market and consequently to global sourcing (Amighini & Rabellotti 2005; Appelbaum & Gereffi 1994; Gereffi 1994, 1999; Rabellotti 2003).

The fashion social embedded system henceforth named *Fashion System Approach* (FSA) considers fashion as a concept and fashion apparel as a practice or phenomenon. In this approach, fashion must be considered as a concept in a broader sense to favor the understanding of what fashion apparel means in a sociological sense (Kawamura 2006).

According to FSA, fashion is a concept or belief that separates itself from other expressions which are often identified as synonyms of fashion, such as clothing, dress and garment. Those words refer to tangible objects while fashion is an intangible object. Trying to define a particular piece of cloth as fashion is futile because fashion is not a material product but a symbolic product which has no content substance by/in itself (Currid 2007; Kawamura 2006).

In FSA, fashion concept is considered as a deep-rooted element of the apparel production. FSA proposes a cultural embedding process of upgrading in apparel production that recognizes and legitimizes it. FSA considers this process as pivotal in turning a fashion conceptual collection into a fashion apparel commercial collection. This process takes place in the fashion industry because fashion is a culturally manufactured symbol that evolves to a concept. A conceptual collection is

a coherent group of items that carry some message to communicate and to share with its public.

Following FSA we understand that fashion emerges as a socioculturally constructed meaning in specific urban contexts where different cultural expressions establish an intense interaction that forms the cultural economy. FSA explains that these cultural worlds are constructed through interpretations, experiences and activities whereby material (i.e. apparel) is produced and consumed. FSA also clarifies that these cultural objects, such as fashion apparel can be analyzed from both/either production and/or consumption perspectives. Likewise, fashion can be a matter of collective production, distribution and sale, and also a matter of personal consumption and identity (e.g. street wear).

Despite the fact that FSA introduces fashion concept into apparel production, it apparently fails to explain the whole process by which companies increase value-adding activities in the fashion apparel industry. FSA does not clarify the tangible and mutual facet of the upgrading in apparel production. Both aspects, tangible and intangible, take aim in the fashion apparel production and consumption. Some studies about fashion agglomeration overemphasize the artistic and aesthetic bias of fashion concept (Currid 2007, Kawamura 2006; Rantisi 2002), leaving almost no room to discuss its mutual apparel production.

The embedment of fashion production in cultural and social life is depicted in some studies. Currid (2007) emphasizes the significance of an informal social production system for disseminating ideas that propel a cultural economy in New York City. Currid (2006) and Rantisi (2002; 2004) point out the cultural vitality of

the New York City's garment district, which boosts ideas and innovations on fashion high-end apparel. These studies shed light on how several people or/and organizations find the credibility to crown a dress or a shoe with the approval and the cachet that make it worth wearing. This can lead to an effective intangible value-added process to a piece of apparel.

Moreover, FSA does not explain appropriately how the ephemeral effect of fashion concept/belief turns the fashion apparel life cycle even shorter. Fashion concept and apparel production work together on a timetable, meaning that they have a certain time frame to perform as one. As one force, they strive to minimize inadequacies and usual busts, as well as maximize the time to market.

Furthermore, in terms of organizational form, the two approaches point out different structures. On the one hand, IUA assumes that the configuration of the apparel value chain is represented as a linear one in which its coordination is characterized like a buyer-driven chain (Appelbaum & Gereffi 1994; Gereffi 1994; Gereffi 1999). This approach mainly highlights aspects of tangible value-added processes. Appelbaum & Gereffi (1994) and Gereffi (1994) emphasize the importance of global apparel value chains as an opportunity for many companies to access the international market. Gereffi (1999) identifies the buyer-driven characteristic of the global apparel value chain and illustrates the value upgrading process inside the apparel chain.

On the other hand, new evidences from fashion apparel production and consumption (Currid 2006, 2007; Feenstra 1998; Ferdows et al. 2004; Jacobides & Billinger 2006; Rantisi 2002; Skov 2006) have casted doubt about a consistent

configuration and coordination for the fashion apparel organizational form as a linear configuration. In recent years, a process of fashion authority “demassification” and/or fragmentation has been set up in postmodern societies. There is not a rigid and clear style to follow anymore. Fashionable styles are provided in different forms for different people so that fashionable items can reach almost every level of consumer (Kawamura 2006). This allows each national context to build new organizational solutions for fashion as well as apparel production and consumption (Djelic & Ainamo, 1999).

Additionally, we identified studies which emphasize both the perishable/outdated aspect of fashion as well as the new and upcoming technological ideas that are reshaping fashion apparel production and consumption. Ferdows et al. (2004) explains the logic of the fast fashion strategy. Abernathy (2007) proposes flexible supply options to allow eventual replenishment of fashion high-end apparel demands. This literature shows how apparel oriented sectors have been organizing their activities among their players from the 1980s until now.

Besides the evidences of new technological support for apparel industry, the difference between IUA and FSA suggests that there is a lack of a complete explanation about value creation in the apparel value chain. In addition, there is a gap to be fulfilled in the understanding of the fashion apparel production and in its upgrading process. A better comprehension of this process can lead us to figure out the constraints apparel companies face to transform apparel production into fashion apparel production and consumption.

The identification of this gap sparks the research question driving this dissertation: *How does basic apparel production upgrade to fashion apparel production and consumption?*

We assumed that inherent characteristics are related with the value-adding process of apparel production such as the tangible and the intangible value.

We consider the tangible value as the mechanical steps involved with apparel production such as modeling, cutting, sewing and finishing.

We consider the intangible value as the cultural and creative steps involved with apparel production such as fashion designing and image making.

We assumed that the basic apparel is the clear output of the tangible value exerted in the apparel production and that the fashion apparel is the manifest output of both tangible value and intangible value of the apparel production and consumption.

We consider that the intangible value bears the ability to add more value to the whole process of apparel production. The tangible value and the intangible value are exercised along different stages of the apparel value connections.

1.2 Research Purpose

1.2.1 General Purpose

This study aims at analyzing the process by which basic apparel production upgrades to fashion apparel production and consumption.

1.2.2 Specific Purposes

- a) To characterize the fashion apparel industry;
- b) To identify the elements related to industrial upgrading;
- c) To identify the elements associated with social embedded upgrading;
- d) To clear the implications of the identified elements with fashion apparel;
- e) To analyze the implications of the identified elements to the fashion apparel chain.

1.3 Dissertation Explanation and Contribution

According to Gereffi (2006), the industrial structures of the advanced countries are intrinsically linked with networks of suppliers and workers across the world. A remarkable characteristic of contemporary globalization is that a very large and growing proportion of the workforce in many global value chains is now located in developing countries. Most of world's industrial manufacture has shifted from the United States and the Western Europe to peripheral areas of the global economy such as Asia and Latin America. Arrighi, Silver and Brewer (2003) point out that in the past four decades newly industrializing economies were narrowing the industrialization gap with advanced economies, and the proportion of gross domestic product (GDP) in manufacturing by now was actually higher in various parts of the developing world than in advanced industrial regions. However, there was no convergence between the levels of income enjoyed on average by people and companies of these two groups of countries.

From a value upgrading perspective of the apparel production, global apparel value chains hide deep and pervasive asymmetries in the global sourcing strategies of the world economy. Gereffi (2006) affirms that the trend toward industrial convergence was due primarily to advanced countries deindustrialization, rather than to endogenously generated industrial development in the developing countries. The shift of manufacturing activities from developed economies to lower-cost production sites overseas entails a wide process of structural transformation in the global economy that also includes the growth and takeover of a service sector that accounts for an array of activities of high income in developed countries. Besides, the gains from industrial growth are highly concentrated in developed countries and in a few developing ones due to the fact that some companies (lead companies) keep its reservoir, or legacy, of resources that have been shaped by the past. These resources are stocks of experience, skills, human talents, organizational capabilities, and institutional memory – not only material resources. After all, a firm's experiences are not only the product of the institutions and practices in the country in which the company was born, but also the product of learning over time from different customers, suppliers, or rivals, and as a result of acquiring skills and solving problems of survival, renewal, and growth (Berger 2006).

The changing landscape of global economy reverberates in the structural organization of the apparel industry around the world. In Brazil, in the last two decades, some textile mills and apparel manufacturers have been shaping their firm structure. According to Garcia & Azevedo (2002) and Gorini (2000), some leading basic apparel manufacturers are also giving up certain manufacturing value added

(MVA) activities. They are expelling these labor intensive and unskilled activities from their four walls. Consequently there was an increment in domestic outsourcing of labor from low-wage organizational pools. In addition, leading and potential leading companies are experiencing a rising of new services involved with apparel production, from information technology to cultural imprints. These services are performed by skilled workforce who provides fashion incremental value to apparel production (Scalzo 2009).

In Brazil, the impact of fashion on apparel production is generating an average profit of US\$ 22 million per year in fashion events and, it is growing fast (APEX 2010). Signs of emergent fashion apparel players can be noticed, especially during the organization of fashion fairs in the last fifteen years. Fashion shows are demanding an array of skilled workforce usually devoted to cultural activities. Fashion apparel companies are revolving apparel production by blending fashion value added (FVA) activities into the process of apparel production. This move is affecting the production of local manufacturers, the sales of retail stores and the export of fashion apparel made in Brazil. The *Fashion Business*, a connected event to *Fashion Rio* (the most important Brazilian fashion show for summer collections) that occurs in January and May in the city of Rio de Janeiro, is becoming an attractive meeting for banks that are offering loans to boost contracts between the fashion apparel players. The 2006 *Fashion Business* January edition commercialized US\$ 150 million inside the Brazilian market and US\$ 11 million abroad. In 2009 January edition, US\$ 208 million were sold in the domestic market and US\$ 16.9 million abroad. In 2010 January edition, US\$ 256 million were commercialized in Brazil and

US\$ 19 million overseas (ABIT 2010; Fashion Business 2010; BNDES, 2007). These initial figures illustrates that the upcoming fashion value and the changing prospects of local and global apparel sectors are relevant aspects for theoretical discussion.

These figures also suggest that fashion apparel is a rising industry in Brazil and this industry might not be sufficiently described by the extant literature. So, this study intends to explain the process of upgrading in apparel production - from basic to fashion – through a proposed approach that takes into account a growing fashion industry.

We believe that there is a lack of studies about business strategies concerning intangible value-adding activities in apparel producers, in particular when companies do materialize the intangible value of fashion into apparel production and consumption. Both theoretical approaches mentioned before (IUA and FSA) explore organizational forms considering data from well defined fashion sectors. This dissertation considers a peculiar organizational form brought about by a rising fashion industry in a developing country that has its own historical legacies and institutional constraints.

This peculiar form henceforth named fashion apparel chain deals with the whole process of apparel upgrading that encompasses both tangible and intangible value-adding processes. Take part in this alleged hybrid chain can possibly turn out to be a competitive advantage for apparel manufacturers that aim to commercialize their fashion apparel items worldwide.

For players involved in the fashion system, fashion apparel is perceived as a more competitive and complex phenomenon. It embodies both tangible and

intangible value. Tangible value is considered as low value-added apparel characteristic while intangible value is considered high value-added apparel characteristic. In addition to cope with the tangible value of materials and manufacture processes, fashion apparel players must also deal with the intangible value of the art, creative design, music and buzz of the fashion realm. Companies located in developed countries such as the United States, France, Italy and the United Kingdom benefit from the alleged cultural spillover of their lively fashion evolving cities. However, little or nothing can be stated about fashion apparel deployment in developing countries such as Brazil that do not yet host these kinds of cities. There is no indication about the way companies deal when materializing the intangible value of fashion into apparel.

Furthermore, there is a lack of academic business studies susceptible of analyzing the mechanism by which fashion adhere to apparel production in a business milieu that does not necessarily arise at any established fashion evoking cities. Therefore, this dissertation intends to interpret the embedment of fashion concept into apparel production and consumption. A better comprehension of the fashion apparel industry can reveal new possibilities for business and public strategies in this sector.

Moreover, this study discusses and reveals the upgrading process of apparel production in the Brazilian fashion apparel industry. These matters have also significant implications for managerial and public policies.

Considering the implications for managerial practices, the revealing upgrading process carries the concept of fashion and its network of service

players/suppliers that impact apparel production. By introducing the conceptualization of fashion apparel, this dissertation embodies fashion into apparel production. Briefly, the surrounds for fashion apparel tends to be more complex than that of basic apparel, incurring additional challenges for companies that intend to manage the production and consumption of fashion apparel items.

Considering the implications for public programs, the fashion apparel industry extends the economic boundaries of fashion and apparel production, since fashion apparel is nurtured by an array of diverse players. Most of these suppliers usually rely on a burgeoning cultural system that often counts on public policies to thrive.

In sum, results are expected to help in developing public policies concerning fashion apparel coordination and competitiveness. Results may also have managerial implications since they can indicate commercial alliances and other associative strategies.

The choice for Brazil is due to the fact that its fashion industry has evolved considerably over the last 20 years. There has been a steady economic move to exploit the diversified sources of cultural inspiration and material experimentation in Brazil. Furthermore, we believe that Brazil's rising cultural economy is building its own foundations for propelling new fashion apparel global players.

1.4 Outline of Dissertation

Chapter 1 delineates the introduction of this study with an overview of the theoretical assumptions and their related gaps. It also poses the problem statement,

the research purpose and the dissertation explanation and contribution. It ends with the outline of this dissertation. This first chapter allows the reader to take a look at the purpose of this dissertation and to glimpse the subjects that will be discussed herein.

Chapter 2 describes the fundamental concepts that underlie fashion and apparel production. These concepts underpin the following theoretical approaches and assumptions presented in this study and guide the author to speculate further on the emergence of a Brazilian fashion concept along with the adherence of this intangible value to the process of apparel production and consumption. It ends with the synthesis of the study and its propositions.

Chapter 3 discusses the method, the focus analyzed, the outline of the case and the research procedures adopted in this dissertation.

Chapter 4 presents the results of this study. First, an overview of the Brazilian apparel industry is reported. Then, the author depicts the collective process of Brazilian fashion apparel production, showing connections between players, explaining the upgrading process by which basic apparel turns into fashion apparel.

Chapter 5 presents the discussion of the study analyzing and explaining the propositions built in this study.

Finally, chapter 6 summarizes the findings of the study, makes comment on the research question and its implications, exposes the theoretical contribution, the limitations of this dissertation and suggests areas where future research might be of particular value.

Chapter 2

Literature Review

2.1 Fundamental Concepts

In this part we present the concepts of fashion, apparel and fashion apparel. With these concepts in mind, we can better apprehend the phenomenon of apparel production and consumption.

2.1.1 Fashion and Apparel

One noticeable dissent in the apparel value chain is between the producers of standardized and fashion-oriented apparel. According to Gereffi (1994), for standardized apparel like jeans, men's underwear, brassieres, and fleece outerwear, large firms using dedicated or single-purpose machines have emerged. These companies include the giants of the U.S. apparel industry, like Levi Strauss, Sara Lee, VF Corporation (Lee and Wrangler jeans and Jantzen sportswear) and Fruit of the Loom. Huge firms like them tend to be closely linked with U.S. textile suppliers, and

they manufacture many of their clothes within the United States or they ship made in the U.S. parts to neighbor countries for sewing.

Fashion-oriented segment of the apparel industry embraces products that change according to retail buying seasons. Leading fashion apparel firms like Liz Claiborne and Phillips-Van Heusen have six or more different buying seasons every year. These companies face far greater demands for variation in styling and materials, and they tend to utilize numerous overseas suppliers because of their need for low wages and organizational flexibility in this labor-intensive and volatile segment of the apparel chain. According to Gereffi (1994), fashion apparel is most actively involved in global sourcing and U.S. retailers' net markup goes around 46%. So, it is a big business that grows every year and merits close attention.

2.1.2 A Concept of Fashion

As a concept or an idea, fashion has several definitions. Some of them are related to habitual or customary practice at a given time or a reflection of the spirit of the age (*zeitgeist*). Some others associate fashion with style, referring it as costume or clothing.

The concept of fashion drew attention from several disciplines. Fashion can be explained from various standpoints from sociology, semiotic, psychology to anthropology and economics. The literature contributions are diverse like the idea of fashion as a conspicuous consumption in a trickle-down theory proposed by Veblen in 1899 (Simmel 1904) that gives a sociological interpretation of consumption based on the idea that fashion is a class differentiation ingredient.

Thorstein Veblen examines and exposes the emptiness of many cherished standards of taste, education, dress and culture. Since the original publication of his work *The Theory of The Leisure Class* in 1899, it has become a classic of social and economic theory that contributed strongly to the modernization of economic thought and policy and exerted an influence widely felt beyond the sphere of economics. Veblen coined the term “*conspicuous consumption*” and according to him, the shallowness and superficiality of society resulted from the tendency to believe that true accomplishment lay in arriving at a condition of ostentatious wealth and status. In elaborating this thesis, he traces the origins and development of ownership and property, offering extraordinary insights into the phenomenon of consumerism, the evolution of class structure, the rise of leisure time and how modern societal goals are grounded in pecuniary aspirations and achievements (Dowd 2000).

Semiotic reads fashion as a language whose signs and symbols are expressions of personal differentiation (Barthes 1990). Psychology and anthropology discuss the collective selection in which social and cultural communities contribute to collectively set the fashion of the time according to their way of expression and interaction (Blumer 1986) and economics explains fashion as a factor of extreme inelasticity for product demand (Robinson 1961).

The trickle-down theory proposed by Veblen in 1899 lost its general relevance since the shift from *class* to *consumer* fashion in the 1960s. This change has enabled the democratization of fashion and opened an extreme volatility in the realm of fashion apparel. So, fashion apparel production can be divided into two distinct parts, the

fashion concept, expression or identity (intangible value) that influences our style and eventually our demand for fashion as a product, and the production of apparel as market goods (tangible value). These two distinct but inseparable parts of fashion apparel production lead us to a business concept for fashion that involves a continuum of product/service planning, promotion and distribution that characterizes *haute couture*, ready-to-wear and fast fashion (Tokatli 2008). Although fashion is not about apparel, without it, fashion cannot exist. They are not mutually inclusive nor are they mutually exclusive (Kawamura 2006).

2.1.3 Fashion Apparel

Costume has always been used as a social tool to display many of our feelings. Guise can reveal our priorities, our aspirations, our liberalism or conservatism (O'Hara 1986). Behind this expressional tool lies a huge and complex industry that employs people and machinery to deliver intangible and tangible value. As an effort to better understand this puzzling industry, the following topics depict a concept of fashion apparel, its connection with business and then the implications of this association to the industry and to the market.

Fashion is something mobile, a changing reflection of the way we are and the times in which we live (O'Hara 1986). Fashion apparel began as a craft industry in the late 1880s in France, and represented in its beginning a way to establish status and class distinction for attaining elites. This modern fashion apparel industry called *haute couture* arose in the Parisian fashion houses. The work of fashion designer Charles Frederick Worth in the late 19th century launched the modern

basis of fashion apparel business. He was the first designer to be considered an artist rather than an artisan (Kent 2003).

By the end of the 1960s the social unrest and the debate over bourgeois values had a deep impact in the fashion industry and for the first time variants of style and taste from lower levels of society became influential. In the late 1970s technological improvements in fashion apparel production and research for affordable ways of dressing ignited the shift of the industry from craft production to industrial production. This change was promoted by companies, which at the time were already producing fabrics and knitwear and began collaborating with young fashion designers. Since then fashion apparel became affordable for many people. By the end of the 1990s new technological tools of information and logistics applied to apparel manufacture and retailing kicked off new opportunities for fashion apparel business such as fast fashion and quick response (Abernathy et al. 1999; Magretta 1998).

Fashion apparel embraces a cultural industry based on a social life of creativity. Fashion wear is the offspring of a creative niche, which is ubiquitous connected to its customers. These customers usually surf the web, learn about products and what appeals to them. They do that by way of following new trends as long as they maintain the relationship with the creative niche. Fashion apparel production follows the characteristics of art, music and movie making. Many of its economic values come from intangible cultural, creative and social ties.

As a cultural industry, fashion needs an ambiance to spur its creation. Nowadays few sites around the world traditionally host this global burgeoning

industry: New York, Paris, London and Milan (Global Language Monitor 2009), henceforth referred as fashion hub cities.

Even though the word *cluster* is commonly used in business literature to define an agglomeration of similar companies, the word *hub* better captures the meaning of fashion industry since fashion, as a central activity, connects companies with different focal activities like art, music and design on a specific chain such as a fashion apparel value chain or simply fashion apparel chain.

Fashion wear evolved as a business activity (Doeringer & Crean 2006; Dunford 2006; Ferdows et al. 2004; Reinach 2005; Tokatli 2008). Initially, the growing capital revenues highlighted the values of *haute couture* and then the ready-to-wear way and now are also investing in the fast-fashion track. Each of these realms has peculiar attributes and value.

Haute couture relies on custom-made products manufactured by a restricted craftsmanship production. Distribution is granted to few exclusive boutiques (Kent 2003). Uniqueness and scarcity of products may fulfill its consumption trend that is why some customers wait weeks and even months to acquire new handbag models from Chloé or Louis Vuitton.

Ready-to-wear is responsible for splitting fashion apparel activities among different actors. This realm allowed fashion to become more popular and torn down the idea of production within the four walls of the company. Ready-to-wear gave a new dimension to fashion apparel market creating an array of different participants in the fashion apparel delivery stream. The era of contracts has been launched. Designing, prototyping, seizing, cutting, sewing, assembling and marketing could be

performed by different contractors for one lead company/player (Dunford 2006; Reinach 2005). Diversity and availability of products may influence its consumption trend which can be enhanced by metaphorical mass advertise techniques commonly utilized by many retailers such as Old Navy, The Gap and Macy's.

Fast fashion explores the new technology of information and production demanded by the competition among the fashion industry. Lead actors like brand companies and big retailers usually program a series of capsule collections through a sale season. There is no possibility of replenishment because new items of a collection come almost every week. A relative sense of freshness, uniqueness and scarcity of products may develop its consumption trend otherwise people would not flow into Zara or H&M after the announcement of a new collection (Ferdows et al 2004).

From a price point value criterion, we considered fashion apparel products as representing a midscale market (US\$ 70 up to US\$ 450) that comprises off-the-rack dresses, tops, skirts, T-shirts, shirts, pants, jackets, jeans, beachwear and shoes analyzed between April 2009 and April 2011. These items are commonly found in department stores, apparel chains and boutiques and tend to be price quality, time perishable and fashion sensitive.

2.2 Theoretical Background and Propositions

In this part we present the extant theoretical contributions about the apparel production and fashion production and consumption as well as their own organizational forms. In addition, we introduce the theoretical propositions and

approaches related to the upgrading processes that are involved with apparel production and fashion production and consumption.

2.2.1 The Apparel Production: A Value Chain

According to Abernathy et al. (1999), basic apparel items like white t-shirts, men's white dress shirts, jeans, brassieres, fleece outerwear and men's underwear, remains in a retailer's or manufacturer's collection for several years. These items along with fashion-basic apparel items - typically variants on basic apparel items but containing some fashion element such as stonewashed jeans or khaki pants with pleats or trim - historically constituted the majority of apparel products delivered by the apparel chain.

Being one of the oldest global production systems, the apparel value chain became an industrial manufacture system after extensive use of power looms and mechanical sewing machines in the mid-nineteenth century. Apparel chain structure is commonly characterized by activities that require massive employ of labor force. Many countries have seen it as a formula for achieving economic development.

The basic apparel value chain is organized through links of different value attributes enacted by its players. The value chain includes steps associated with manufacture such as selection of fibers and fabrics, design, cut, sew and finish, and steps associated with marketing such as branding, distribution and retailing. Nowadays many companies around the world perform these activities under the rules of several leading companies or groups, usually large retailer chain stores or large brand companies. The overall supply chain operations are based on uphold

points for production processes, supply of raw materials and distribution, across the entire spectrum of activities in the global market. According to Appelbaum and Gereffi (1994), each chain link is like a network connected to other links that are responsible for related activities. Being a participant in the value chain means an opportunity for companies to become worldwide players. So, value chains are of increasing importance for manufacturing companies.

Sturgeon (2000) defines a value chain as the sequence of productive – value-added – activities that lead to the delivery, consumption, and maintenance of goods and services. Sturgeon also recognizes that various value chains often share common economic players that are dynamic in the way they are re-used and reconfigured on an ongoing basis. Gereffi (1994) created the word “commodity chain” to set up a distinction between buyer-driven and producer-driven commodity chains.

Most of the literature on apparel value chain has originated within the last fifteen years. Appelbaum & Gereffi (1994) suggest that apparel economic surplus appears to be concentrated in the nodes of the chain - considered during their time as commodity chain – where market power was greatest. On the retail side, giant discounters, national merchandise chains, warehouse clubs, and other large buyers account for the lion’s share of the orders in the U.S. and European apparel market. They use their leverage to press for compliance from domestic as well as overseas apparel manufacturers. Unlike producer-driven value chains, in which supply factors largely determine the nature of demand, in the buyer-driven apparel commodity chains the decisions made by big buyers shape the global production

networks (Gereffi 1994; Gereffi & Memedovic 2003; Jin 2004). Table 1 summarizes the characteristics of the producer-driven and buyer-driven chains. It is important to realize, however, that the most profitable segments of the apparel chain can and do change over time.

Table 1: Characteristics of Two Global Chains

Commodity chain	Buyer-driven	Producer-driven
Typical sample industry	Labor-intensive industries such as apparel, footwear, toys, consumer electronics, handcrafted items.	Capital and technology intensive industries such as automobiles, semiconductors, computers, and aircrafts
Who takes the pivotal role	Large retailers, brand-name merchandisers and trading companies.	Transnational corporations or other large integrated industrial enterprises.
Production system	Decentralized and horizontal	Centralized and vertically integrated
Source of profit	Design, value, services and marketing	Economies of scale, volume and technological advances

Source: Developed by Jin (2004) based on Gereffi (1994).

According to the apparel value chain literature (Appelbaum & Gereffi 1994; Cheng & Gereffi 1994; Gereffi, Humphrey & Sturgeon 2005), the upgrading of a participant company is primarily associated with the shift from assembly to full-package production. Compared with the mere assembly of imported inputs, full-package production fundamentally changes the relationship between buyer and supplier in a direction that gives the supplying firm a far greater autonomy and learning potential for method upgrading. Full-package production becomes more frequent due to the fact that most retailers and marketers that order apparel are no longer able to manufacture them.

Gereffi & Memedovic (2003) suggest three models that represent the competition under activity in the U.S. market: the East Asian, the Mexican and the

Caribbean Basin. Each model presents different perspectives and challenges for systematic upgrading. The United States continues to define the terms of change, and the U.S. firms lead the process towards mass customization and agile manufacturing. Mexico needs to develop new and better networks in order to compete with the East Asian suppliers for the U.S. full-package market. The Caribbean Basin model, which is almost exclusively limited to assembly, would have to develop networks with U.S. retailers and marketers in order to acquire the skills and resources needed to participate in more diversified activities associated with full-package production. The Mexican and Caribbean experiences can be generalized as full-package and assembly models applicable to other regional contexts.

There has been a striking merger of the retailer segment of buyer-driven value chains in the United States. There has also been a growth in the strength of retailers in the United States as opposed to apparel manufacturers in Europe and Japan. While retailing and marketing is becoming more concentrated, manufacturing is splintering. To a certain degree, this trend is propelled by the information revolution that gives retailers better day-to-day market information about consumer purchasing decisions. This information allows retailers to demand more from their suppliers in terms of inventory management, quick response, more frequent deliveries, etc.

As retailers develop their own private-label collections, they also change the competitive dynamics of the textile and apparel value chain, as they become competitors rather than customers of traditional apparel manufacturers and designers.

When acting as importers, retailers demand lower prices that in turn increases globalization since manufacturers are forced to go overseas. Because retailers do not have production experience, they are dependent upon the suppliers in their global sourcing networks. In Asia, a number of manufacturers are integrating forward from specification contracting, as the Original Equipment Manufacturing (OEM) or full-package function, to developing and selling their own private labels, such as the Original Brand Name Manufacturing (OBM) function. In the U.S, textile companies are forming production groups with local apparel firms in Mexico to assure themselves a customer base. Thus, a growing concentration at the retail end of the apparel value chains is generating networks of collaborators as well as competitors in the upstream segments of the chains (Gereffi & Memedovic 2003).

Gereffi (1999) considers the global apparel value chain as a buyer-driven linear chain (Figure 1). In this configuration, leading companies (large retailers or/and branded marketers or/and branded manufacturers) control apparel chain getting their main income from providers/followers who work for this value chain such as traders, overseas buyers, licensed manufacturers, etc. Companies that negotiate prestigious brands or/and manufacture famous brands or/and sell huge amounts of goods to consumers make the rules. The main decisions taken by the coordinators of the apparel chain are associated with the choice of suppliers that are able to deliver orders to retail stores in time to the market and with competitive prices. Low value-added contractors often attempt to incorporate value-added productive activities that were originally developed or controlled by the coordinator. Thus, a supplier that was initially an assembler of components supplied

by the coordinator would then start to produce these components. By doing this the supplier upgrades its role in the value chain stream. Low value-added supplier would increase its knowledge about the process in order to obtain better pay in the chain flow.

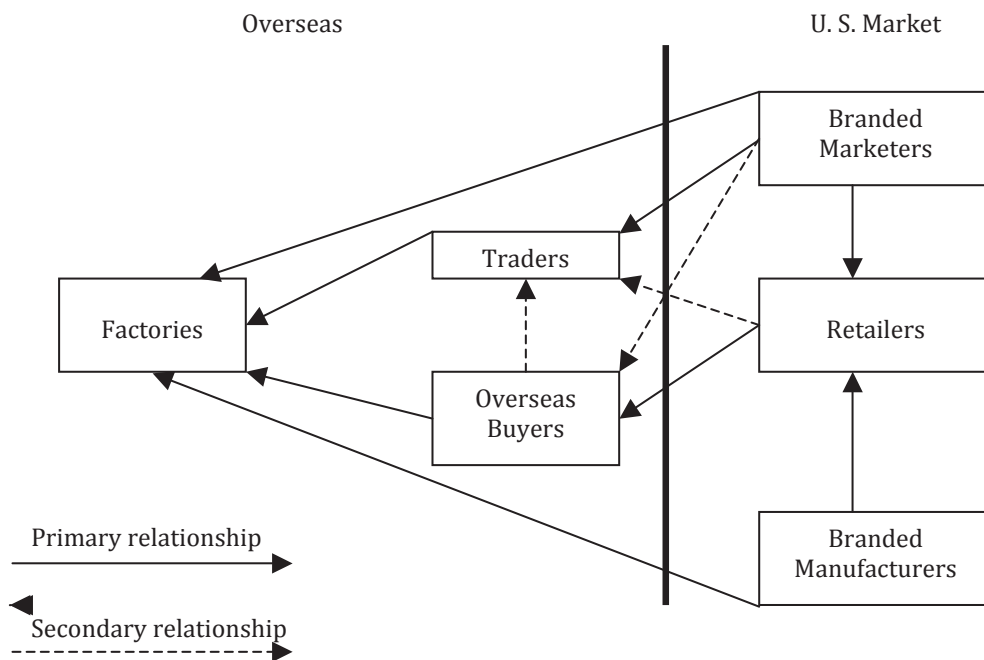


Figure 1: The *Buyer-driven* Global Apparel Value Chain
Source: Adapted from Gereffi (1999), p. 42

Based on Williamson (1975, 1979, 1983), Gereffi, Humphrey and Sturgeon (2005) describe the industrial upgrade as a shift in chain governance due to the complex of transactions, the ability to codify transactions, the capacity to supply tiers, the way to explicit coordination and the power asymmetry between companies in the value chain. The apparel value chain is pointing to future change from a type of relational governance to a modular one. The existence of complex

interactions between buyers and sellers, which often creates mutual dependence, and high levels of assets specification, characterize the relational governance. This can be managed through reputation and family or ethnic ties. Providers that offer their products according to buyer's specifications, which may be more or less detailed, characterize modular governance. However, when full-service is delivered, the supplier is responsible for all the skills that involve the technological process, the generic equipment that restricts investment in specific transactions and the payment for carrying components and materials demanded by clients (Gereffi, Humphrey and Sturgeon 2005).

Based on the theoretical assumptions revealed in the studies about the apparel production in the global value chains, we have drawn the following proposition:

Upgrading in the apparel value chains is explained by the Industrial Upgrading Approach (IUA) studies which characterize the apparel chains as buyer-driven chains and show that industrial upgrading in the apparel production occurs when apparel manufacturers join these chains in a way to provide manufacturing steps (tangible value-adding work) for the whole chain.

2.2.2 The Industrial Upgrading Approach of the Apparel Production

Apparel value chain has been characterized by the IUA as a buyer-driven value chain. Gereffi (1999) states that large buyers coordinate the global apparel value chain, getting the main income of the flow of goods provided by the chain. So,

companies that negotiate prestigious brands and/or manufacture famous brands and/or sell huge amounts to consumers, coordinate the value chain. The main decisions taken by the large buyers are associated with the choice of contractors who are able to comply with orders and deliver goods to retail stores in time to market them and with competitive prices. Thus, time in months, mass volume and cost are main tenets for this buyer-driven value chain logic.

According to Jacobides & Billinger (2006), apparel companies adopt different strategies to compete: some companies supply distinct portions of the chain's activities, some others attend the entire spectrum of the main apparel value chain's activities illustrated in Figure 2.

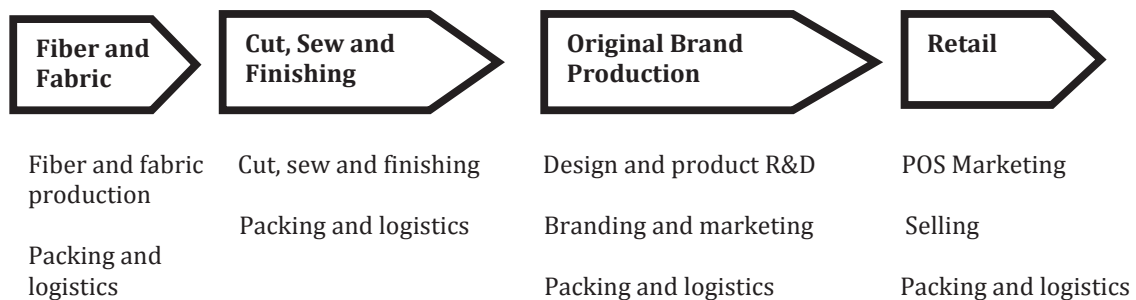


Figure 2: Main Apparel Value Chain Activities
 Source: Adapted from Jacobides & Billinger (2006: 253)

Relationship between members of the apparel value chain often unveils attempts to incorporate productive activities that were originally developed or controlled by the coordinator. This intake means an upgrade, where a contractor that was initially an assembler of components supplied by the coordinator becomes manufacturer of these components stepping up its position in the value chain stream. This upgrade matters with an increase of knowledge about the industrial

manufacture process in order to obtain a better pay in the flow and can be noticed as an attempt to ease the power asymmetry in the apparel value chain.

Kaplinsky & Morris (2001) assume that there are four trajectories which firms (players) can adopt in pursuing the objective of upgrading in value chains: [a] Process upgrading: increasing the efficiency of internal processes such that these are significantly better than those of rivals, both within individual links in the chain (e.g. increased inventory turns, lower scrap) and between the links in the chain (e.g. more frequent, smaller and on-time deliveries; [b] Product upgrading: introducing new products or improving old products faster than rivals. This involves changing new products development processes both within individual links in the value chain and in the relationship between different chain links; [c] Functional upgrading: increasing value added by changing the mix of activities conducted within the firm (e.g. taking responsibility for, or outsourcing accounting, logistics and quality functions) or moving the locus of activities to different links in the value chain (e.g. from manufacturing to design) and [d] Chain upgrading: moving to a new value chain (e.g. move from the manufacture of natural fibers to synthetic ones).

An emblematic example of industrial upgrading through apparel production in value chains is the case of Li & Fung, one of the largest apparel supplier companies in the world. Li & Fung was established in 1906 as an exporter of porcelain and silk from China. After the World War II the company began to focus on the export of apparel, toys and other manufactured goods. It became a reference on the apparel trade because of its ability to negotiate Asian export apparel quotas to the United States in the 70s and 80s. As a purchasing agent and a quotas broker, Li &

Fung has established contact with more than 2,000 Asian suppliers and has built ties with manufacturers and retailers in the apparel value chain. By the end of the 80s and during the 90s, the company took advantage of its Asian supplier network and of its increasing ability for logistics management to offer U.S. retailers an efficient way of getting products from Asia (Magretta 1998). In 2003, Li & Fung credited logistics as its core business, proclaiming itself as an organization that manages its global chain for high-volume products that are time-sensitive. Li & Fung has an estimated 7,500 suppliers, 35,000 employees, US\$ 16.7 billion of total revenue and operates in 40 countries around the world (Li & Fung 2009).

Gereffi, Humphrey and Sturgeon (2005) describe the upgrading process of production as a shift in chain governance. Apparel value chain is pointing to future change from a type of relational coordination to a modular one as shown in the exhibit of the five global value chain governance types exhibited in Figure 3. On the one hand, the existence of complex interactions between buyers and sellers, which often creates mutual dependence, and high levels of assets specification, characterize the relational governance. On the other hand, the presences of players/providers that offer their products according to buyers' specifications, which may be more or less detailed, characterize modular governance. However, when full-service is delivered, the provider is responsible for all the steps that involve the technological process, the generic equipment for specific transactions and the payment for carrying components and materials demanded by clients.

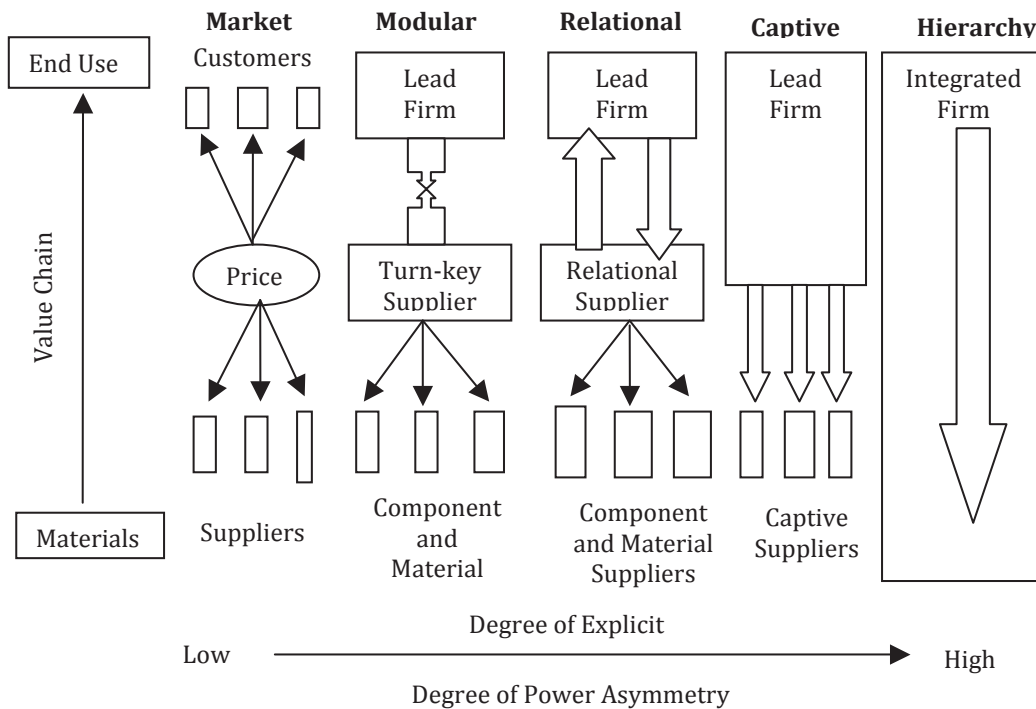


Figure 3: Five Global Value Chain Governance Types
 Source: Gereffi, Humphrey, & Sturgeon (2005: 89)

Kaplinsky & Morris (2001) emphasize the value chain analysis, affirming that it plays a key role in understanding the need and scope for systematic competitiveness. According to them, from a value chain perspective, the researcher can not only apprehend the factors that both drive and facilitate improvements in product and processes which arise from the activities of the firm/player itself but also capture upgrading processes that are systematic in nature and which involves groups of players linked together in value chains. They profess that value chain analysis is important because it helps in comprehending the advantages and disadvantages of firms/players specializing in production rather than services and why the way in which manufacturers are connected to final markets may influence their ability to gain from participating in broader markets. They argue that value

chain analysis is also important because it helps to explain the distribution of benefits, particularly income, to those participating in the industry. Mapping the flow of inputs (goods and services) in the production chain allows each firm to determine who else's behavior plays an important role in its success.

According to Abernathy, Volpe and Weil (2005) and Gereffi, Humphrey and Sturgeon (2005), over some decades, Li & Fung was reshaped from an apparel wholesaler to a supplier of finished products, incorporating new services such as product development, raw material selection, production planning, manufacturer selection, production control, quality control, and complete export expediency of goods. Nowadays the company is known as a full-package provider.

The Industrial Upgrading Approach (IUA) illustrated through the example of Li & Fung reveals a steady process of acquiring steps of industrial manufacturing expertise that were slowly dropped by the leading company to several elected providers/players or followers in a myriad of potential ones.

IUA explains the upgrading process of apparel production by means of a linear value chain configuration usually coordinated by large retailers. IUA interprets the elements of apparel production under a realm of basic and fashion-basic items, large batches and usually long lead times. However, the product diversity of apparel in the United States market segmentation (percentage of selling items) shown in Figure 4 suggests an integrative approach for upgrading in apparel production casting some doubts about apparel value chain configuration and coordination. Abernathy, Dunlop, Hammond, & Weil (1999) point out that basic apparel items linger in a retailer's or manufacturer's collection for some years.

These items along with fashion-basic items comprised the majority of apparel products commercialized by the apparel value chain. According to Gereffi (1994), large companies using specialized machinery have appeared to assist basic and fashion-basic apparel in the U.S. market and abroad. These huge companies tend to be connected with the U.S. textile suppliers, and they manufacture many of their apparel items inside the United States or they ship made in the U.S. components to bordered countries for sewing. In addition to basic and fashion-basic items, there are fashion apparel articles, a growing segment that have a particular way of production and consumption as well as a distinct time to market.

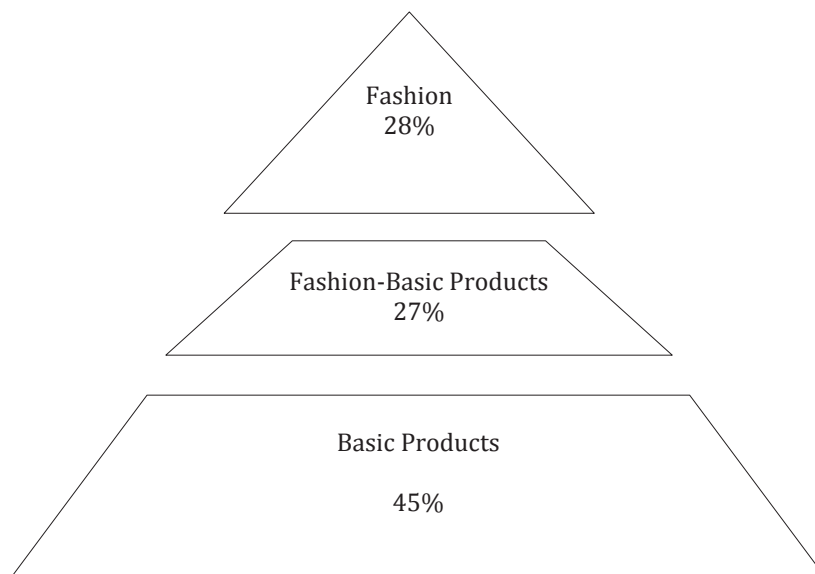


Figure 4: The Apparel Triangle
Source: Adapted from Abernathy et al. (1999: 9)

Fashion-oriented apparel items change according to retail buying seasons. Leading fashion apparel companies have several different buying seasons every

year. These companies face huge demands for variation in styling and materials, and they usually utilize many foreign labor-intensive suppliers by reason of their need for low wages and organizational flexibility in this volatile branch of apparel industry. As mentioned before, fashion apparel is most actively involved in global sourcing and the U.S. retailers' net markup for fashion items is much higher in comparison with basic items (Gereffi 1994). For that reason, fashion apparel production deserves close attention.

Mytelka (1991) suggests that with increasing international competition and the diffusion of new technologies, especially information technology as in the case of design, brand, point of sales control and supply chain management, some companies are taking a twofold strategy: rapid technological change along with production migration. Thus, companies become more competitive when they add-tech product most and reduce costs. Mytelka (1991) argues that there was a change in the pattern of competition, which was previously based only on price and now has become more based on innovation. The companies that are reshaping production steps began to focus on intangible value, mainly in the management of private labels and fashion concept, creating new barriers for the entry of new competitors.

Rantisi (2002), Currid (2006) and Markusen et al (2008) bring new evidences of unconventional and peripheral activities that influence the production of fashion apparel by shedding some light on the cultural and creative economy for companies that supply apparel components. This evidence also unfolds the upgrading process of an intangible value system or network structure identified as Fashion System Approach (FSA) that has implications with fashion apparel players

and consequently with the Fashion Apparel Chain (FAC) that is going to be discussed in chapter 5.

2. 2. 3 The Fashion Production and Consumption: A Value System

Social network prevails in the world of fashion industry. Meetings organized by players/connectors such as fashion magazine editors in fashion hub cities attract social circuit. Dinner parties gather prestigious fashion designers, flagship store directors, costume designers, fashion producers, movie directors, movie stars, singers, art designers and a cohort of acquaintances and friends interested in doing business.

In the fashion system, power is often measured in terms of social circuit. This is a social and cultural-driven system instead of a buyer-driven chain. The prevalence of aspects related to cultural relationship characterizes this organizational structure.

Fashion is embedded in intangible value from a cultural and creative economy where a circuitous line leads to value-added products such as fashion apparel (Caves 2000; Currid 2006; 2007; Rantisi 2002).

There are signs that fashion intangible value is weakening the traditional (buyer-driven) power of coordination in the apparel value chains. For long time retail chain stores have kept their own fashion style creation teams but now agreements between these big-box buyers/retailers and independent fashion designers and/or private label marketers are becoming usual. For instance, by 2004,

Hennes & Mauritz (H&M) started a partnership with Karl Lagerfeld and recently H&M has launched new ventures with Sonia Rykiel and Jimmy Choo. Such associations give fashion higher profile for H&M and generate a new business model for fashion apparel value chain where designer collaboration heavily counts. Most recent ventures between big-box retailers and fashion designers include Stella McCartney with The Gap and Rodarte with Target (Michault 2009). In Brazil, for example, there were recent connections between Osklen and Riachuelo (Guimarães 2010) and between Cris Barros and Riachuelo (Romero 2011). The association between retailers, fashion designers and brand companies shed some light into the power of social circuit as a source able to materialize intangible value in fashion apparel business.

Fashion system is characterized as a social and creative or cultural-driven structure where the relationship between its participants and acquaintances is vital to provide business opportunities in the fashion market. Cultural-driven impact is even stronger in market segments such as luxury and the web consumer (Arnold 2010).

Most of Alexander McQueen credit can be ascribed to Isabella Blow, former editor of Tatler Magazine. Vogue America fashion director Sally Singer and Paper Magazine editor Kin Hastreiter have also contributed to the reputation of many American fashion designers such as Donna Karan, Michael Kors, Marc Jacobs and Zac Posen (Trebay 2010).

FSA considers fashion as a concept and fashion apparel as a practice or phenomenon. In this approach fashion must be considered as a concept in a broader

sense, to favor the understanding of what fashion apparel means in a sociological sense (Kawamura 2006). According to FSA, fashion is a concept that separates itself from other social expressions which are frequently identified as synonyms of fashion, such as garments, clothing (basic apparel items). These expressions refer to tangible goods while fashion is an intangible value.

Based on the theoretical assumptions revealed in the studies about the fashion production and consumption in the social and cultural ambiance, we have drawn the following proposition:

Upgrading in the apparel value chains is explained by Fashion System Approach (FSA) studies which characterize the fashion system as institutional-driven networks and show that fashion is elaborated by organizational and macro-institutional factors.

2.2.4 The Fashion System Approach: A Cultural Upgrading in the Apparel Production

Fashion System Approach (FSA) interprets upgrading in apparel production as a process that involves an array of different players who potentially provide additional layers or degrees of intangible value to basic apparel items. This process of upgrading has strong ties with social relationship. According to Uzzi (1997), there is a notion that economic action is embedded in social structure. Through an analysis of apparel industry, this author exhibits a scheme of network interaction between apparel players (Figure 5). Based on the players' relationship, he found

that an information structure emerge as a particular style, which is the fusion of components from different fashions, materials, nomenclatures, and production techniques. Uzzi (1997) explains that as a style tends to be forbidding and time consuming even to experts, this kind of information becomes difficult to be articulated and separated into discrete components parts, and hard to codify into a pattern or to convey via arm's-length ties without losing its substance. This reasoning cast doubt about extending relational or modular coordination (Gereffi et al. 2005) to fashion apparel production.

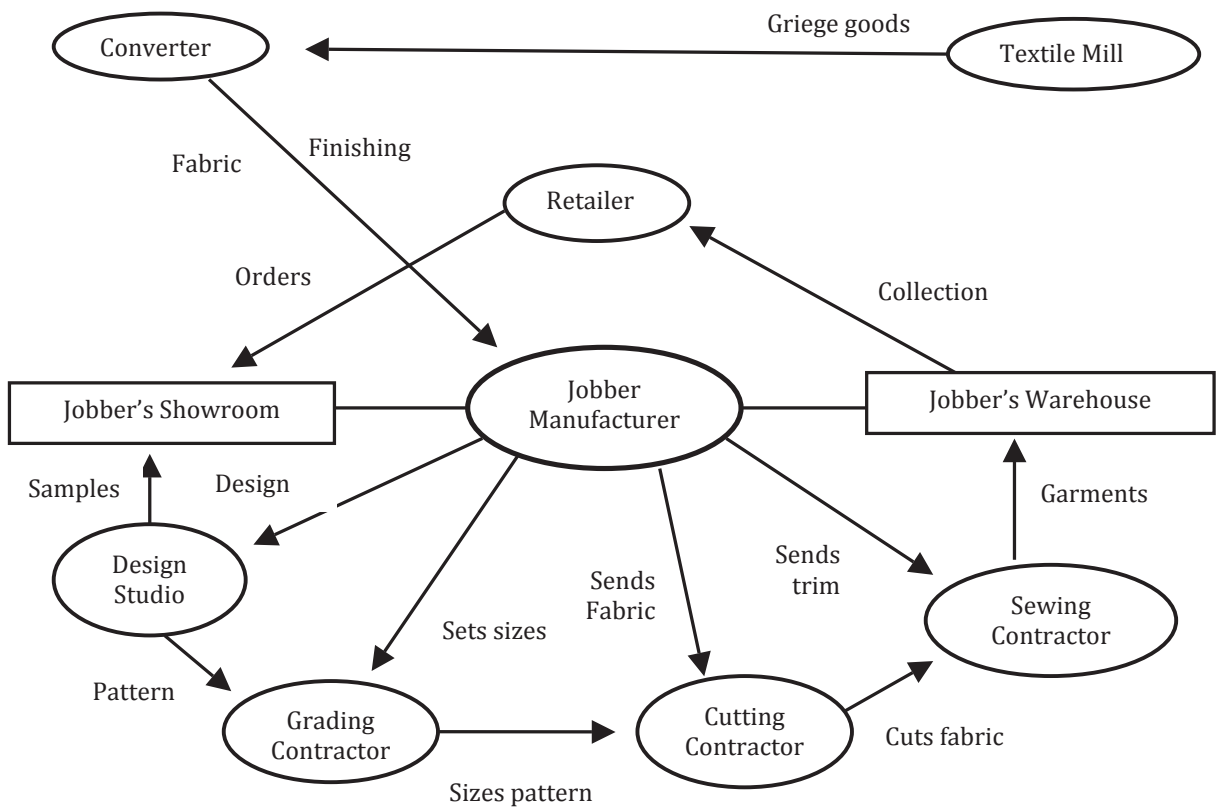


Figure 5: Interfirm Network in the Apparel Industry's Better-dress Sector
 Source: Adapted from Uzzi (1997:40).

In FSA, fashion industry is considered as a deep-rooted contributor of the apparel production. FSA proposes a cultural embedding process for upgrading that recognize and legitimize it. FSA considers this process as pivotal in turning a fashion conceptual collection into a fashion apparel commercial collection. This process takes place inside the fashion industry because fashion is a culturally manufactured symbol. Cholachatpinyo et al. (2002) point out the contribution of the symbolic interactionism thought for the comprehension of the fashion embedding process in apparel production (Figure 6). According to Blumer (1969), humans act toward objects on the basis of the meanings they ascribe to those objects, yet, the meaning of such objects is derived from, or arises out of, the social interaction that one has with other and the society. Furthermore, these meanings are handled in, and modified through an interpretative process used by the individual in dealing with the object he or she encounters.

Following FSA we understand that fashion emerges as a socio-culturally constructed meaning in specific urban contexts where different cultural expressions and the cultural industry establish an intense interaction. FSA explains that these cultural worlds are constructed through interpretations, experiences and activities whereby material (i.e. apparel) is produced and consumed. FSA also clarifies that these cultural objects, such as fashion apparel can be analyzed from both/either production and/or consumption perspectives. Likewise, fashion can be a matter of collective production, distribution and sale, and also a matter of personal consumption and identity.

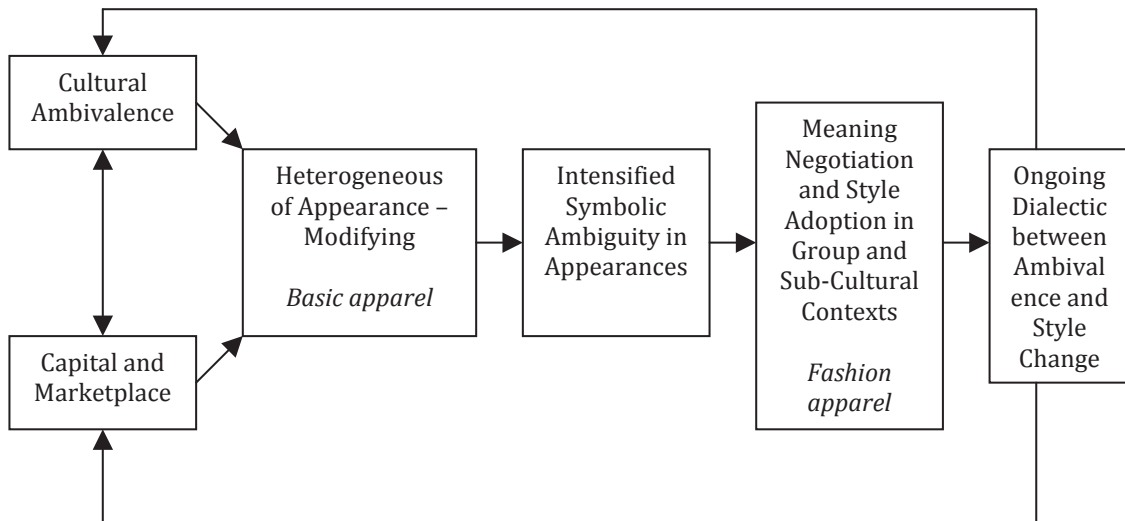


Figure 6: The Process of Symbolic Interactionism and Fashion Change
 Source: Adapted from Cholachatpinyo et al. (2002: 12)

From FSA perspective, basic apparel products have none or little identity such as a white crew neck T-shirt. Fashion-basic apparel products have some identity like a graphic V-neck T-shirt. Fashion apparel products have strong identity like a prestigious authorial turtleneck long sleeved T-shirt. Needless to say, fashion is embedded in identity like art and music.

Fashion identity serves to establish who the holder, owner, or wearer is by bearing symbols, design and style. Fashion identity carries an intangible value. It belongs to the social realm that creates fashion products. High degree of social life allows creative people to produce art, music and fashion items. The atmosphere usually inspires creative apparel designers. French Riviera affected Coco Chanel's marine style as New York City motivates several fashion designers in their

collections e.g. Calvin Klein, Diane von Furstenberg, Donna Karan and Kate Spade (Tungate 2008).

Creative fashion designers should be present in the social circuit of a fashion hub city. Being among town's celebrity brokers and society hostesses can allow some fashion designers to be introduced to people that have the credibility to crown fashion items with the approval and the seal that make them worth wearing and buying. So, a fashion designer will have the opportunity to show his/her work and who knows, even be accepted to a project runway where in fact his/her collection will or wont be given aesthetic value by experts.

As an active player in fashion apparel industry, fashion designers should bear in mind that those who approve and seal fashion items are tastemakers and/or gatekeepers and they often show up in social meetings (Kawamura 2006). According to Currid (2007) these people spend a lot of time in the social realm. They along with all the other creative people who also thrive in the social life of a fashion hub city give meaning to a world that outsiders think of as frivolous, superficial, or filled with cute people who have nothing to say. All mentioned above is related to the social life of creativity, from evening studio parties to 2 am bars or dance floors, the central nexus between culture and fashion apparel business.

2.3 Theoretical Foreground and Proposition

In this part we present the fashion apparel production and consumption as the result of the connections between the previous theoretical contributions. In

addition, we introduce the theoretical proposition and approach related to the upgrading process that is involved with fashion apparel production and consumption.

2.3.1 The Fashion Apparel Production and Consumption

Preliminary observations suggest that fashion apparel production does not follow the same orientation of basic and fashion-basic apparel production. The flow of creativity and relationship among fashion players and fashion apparel players – fashion magazine directors and editors, fashion designers, architects, singers, movie stars and directors and many other artists from the nightlife scene – is stressed on the ties of people who manage fashion apparel input and output. The diversity of the fashion system suggests free connections between its members, characterizing fashion system as a network of acquaintances.

For instance, *The Victoria's Secret 2010 Summer Fashion Show Collection* was a mix of style, sensuality and music celebrating fashion apparel production diversity. This appears like a fusion of intangible value in pieces of designed underwear in an entertainment business performance spotted by many fashion players including media companies like Madoff Productions and CBS television (Columbia Broadcasting System). Fashion apparel must also be cool and fresh. These additional properties demand a broader range of providers/contractors/players other than regular apparel manufacturers and sellers such as public artists, graphic designers, singers, musicians, movie stars, supermodels, etc. The diversity of fashion sources of

value may indicate unpredicted levels of uncertainty on fashion apparel chain coordination.

Figure 7 illustrates connections/relationship between fashion, fashion apparel and apparel players. The production revolves around an atomized coordination or a hub node, which usually does not take part in the tangible production of any part of the apparel; instead, this coordination exerts the function of planning or creating fashion designs and defining the activities to manufacture its products. The coordination can be exercised by a group of influent people and/or organizations. The fashion system entangles the apparel value chain when it embraces the creation of a fashion apparel conceptual collection, normally created or suggested by the coordination or by independent designers under close supervision of this fluid coordination. This collection is then presented to retailers that deliver orders. Then, the coordination supervises contractors to make them produce quickly the quantity of selected samples ordered by retailers. So, a fashion apparel player can lead the value chain, which is composed by contractors that model, size, cut, sew and finish. The fashion apparel player can also ask for textile products from mills that are responsible for raw materials and semi-finished fabrics like cotton, silk, wool or linen. These bundles are sent to converter mills that process them out with texture, color and pattern, transforming them in finished fabrics requested by the lead company to start the fashion apparel manufacturing flow. Nowadays even textile and apparel integrated companies are deciding to purchase bundles of cotton fibers and are contracting sewing steps. In the same way contractors have been used to textile-finishing step, reinforcing the existing trend of

hiring contractors to perform many steps of the manufacturing process (Serra 2001).

According to Rantise (2002), it is important to create an image, an identity and a brand-name authority for fashion apparel in a contemporary economy. This image rests, in part, on the style and quality of the product. However, a large part of the image-making process concerns the production of the spectacle surrounding the product. Several institutions –what may be called cultural intermediaries – have emerged to facilitate this process. These intermediaries include players/organizations that produce, consume, and evaluate new market-based cultural products. They interpret cultural goods to potential consumers and, in that process, enhance and redefine the intangible value of the goods. Intangible value like information of trends for design, material, color and graphics as well as managerial practices and supply capabilities of the contractors, are discussed in the fashion network system.

GenArt is an example of a highly respected organization that supported financially, technically and socially emerging talents in fashion, music and arts. After 16 years of promoting social network for rapid career advancements it shut down operations on May 05, 2010, but left examples of the way in which legitimacy and credibility are nourished from social circuit. Semiannually, GenArt selected a series of fashion designers to showcase during The New York Fashion Week. One of the remarkable examples of GenArt's influence is Zac Posen. Posen debuted as a successful fashion designer in 2001, when he was 20 and he had the opportunity to have Kal Ruttenstein - the fashion director of Bloomingdales - in the front row of his

showcase to appreciate and buy his collection. Shepard Fairey, a graphic designer, mentioned that he believes in the prevalence of good work, but there is nothing wrong with putting your stuff in front of the right people at the right time as long as it has substance (Currid 2007).

Customer demand for constant delivery of new products generates a shorter and more complex product life cycle. The fashion system influences apparel value chain configurations asking for more integration between customers and suppliers. The growing influx of cultural intermediaries into the apparel chain suggests that the coordination of the value chain has more room to accommodate partners other than large retailers, trade companies and apparel manufacturers.

Fashion apparel rely on a highly complex cultural ecosystem of support, an incubator of ideas and innovations where the cost of creation has nothing to do with the price of it but is about who else is wearing it, who designed it and who is selling it (Wilson 2010).

As mentioned before, this system also relies on value creation through relationship. In this matter, Ulaga (2003) proposes eight dimensions of value creation in business relationship: [1] Product quality; [2] Service support; [3] Delivery; [4] Supplier know-how; [5] Time-to-market; [6] Personal interaction; [7] Price and [8] Process costs. These dimensions are relevant throughout the apparel chain and even more in its stages where fashion concept prevails, because in these steps the collective creation of a multitude of different players should carry out.

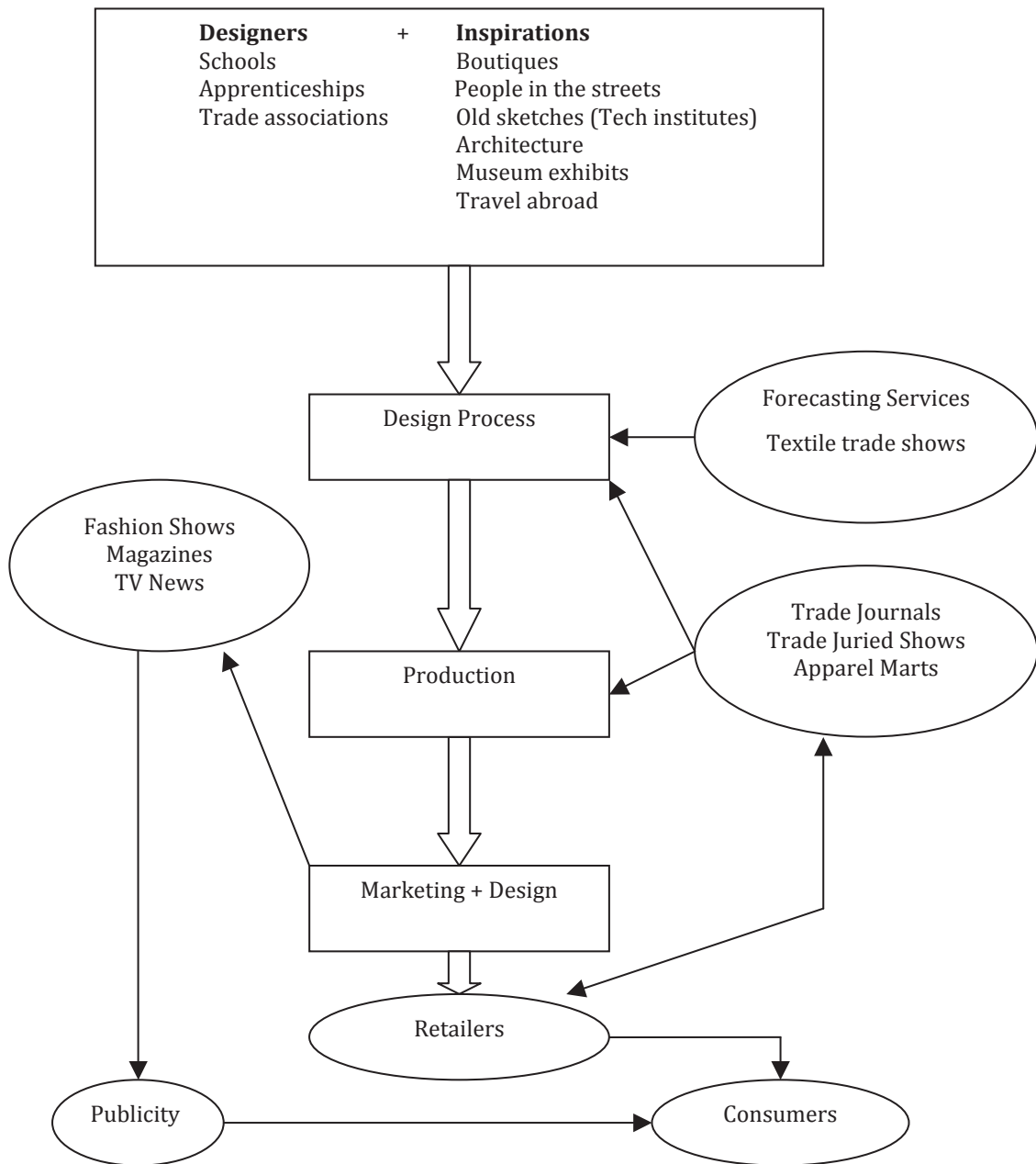


Figure 7: Players and Processes in the Fashion Apparel High-end Industry
 Source: Adapted from Rantisi (2002).

In this amalgam of tangible and intangible value that constitutes fashion apparel, companies use to obtain a better position in their value chain. So, they follow some strategic steps on purpose to grasp better paid tasks.

2.3.2 Combining Expertise and Experience

The nexus between culture and business in fashion apparel production can be defined as a feasible project to transform a model/prototype into a commercial product. It is an approach that involves fashion designers, trend spotters, cool hunters, tasters, gatekeepers, apparel retailers and manufacturers. This is a complex relationship system that evolves in order to reduce demand uncertainty over which products will be selected for exposure to consumers. In a cultural-driven value chain, models/prototypes are part of a fashion event that carries and turns them into commercial products. The runway is a supreme place that attracts attention of fashion designers, fashion magazine editors, show business icons, artists, celebrities, fashion students, etc. Some fashion designers represent apparel retailers or manufacturers. Fashion shows, as trade fairs, produce contracts by joining people's experience on fashion trends with the apparel companies' expertise as capital use and skilled work force to reproduce (licensed replicas) and sell fashion apparel items at time to market. However, like art, music, design and writing, not all but several fashion apparel design produced are marketable. In a field characterized by uncertainty over cause-and-effect relations, the boundaries of fashion apparel organization must be wide enough to provide conditions where it is apparently more efficient to produce many flops for each success than to sponsor fewer items and pretest each on a massive scale to increase media coverage and consumer sale. The input of coolness and the output of licensed replicas as commercial fashion apparel products are an exercise of expertise and experience of previous mentioned

players and can be depicted in the following value-added continuum (Figure 8).

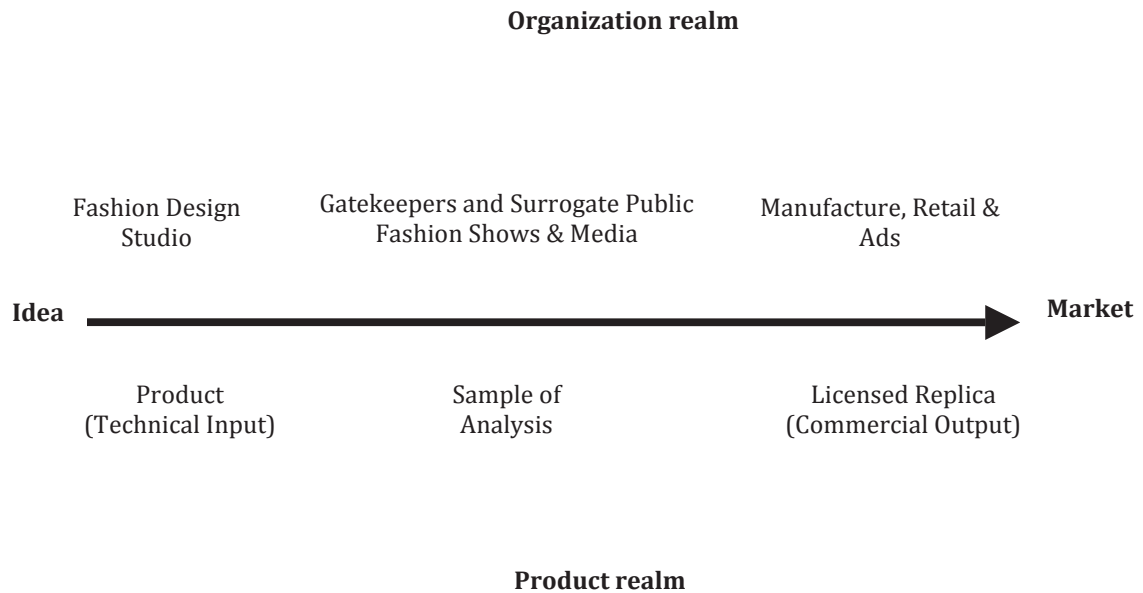


Figure 8: Value-added Continuum of Fashion Apparel Items
 Source: Based on the studies of Currid (2006, 2007) and Kawamura (2006)

When interpreting the FSA for apparel production, it becomes clear that the IUA for apparel production is limited because it is confined to the tangible value upgrading process to basic apparel items. Instead of grasping upper scale steps of industrial apparel production, fashion apparel players/companies aim at spreading social relationship with fashion VIPs on the way to seize recognition for its apparel production (intangible value of upgrading).

2.3.3 The Economics of Buzz and Coolness

Considering fashion apparel as a substantial cultural product, it may be also

defined as an intangible good that aims at hitting a public of consumers for whom it generally serve an aesthetic or expressive, rather than a clearly utilitarian core function. Almost like movies, music, plays and fine arts, fashion apparel is embedded with nonmaterial sense that embodies a soul of a designer performance and/or holds a distinctive set of ideas.

Nueno & Quelch (1998) assumed that the ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high when luxury fashion items are compared to basic ones. So, fashion conceptual function must succeed some sequences to attain high intangible utility value as marketable products. First, fashion apparel design needs to be recognized by a cultural industry composed of formal and informal institutions and of several peer reviewers. The players/organizations that belong to this cultural industry are depicted in a dynamic and cyclical fashion review process in Figure 9. Formal institutions are legitimized organizations that are directly or indirectly involved with fashion apparel production, distribution, promotion and sales like design studios, fashion schools, galleries, museums, fashion shows and boutiques. Informal institutions are bars, nightclubs, studio parties and all kind of venues that gather members of the cultural industry like tasters, gatekeepers, certifiers, fashion designers, movie directors, music stars, brand designers and fashion directors of flagship stores. Second, fashion apparel design needs to match its intangible value with tangible one (selected material and equipment, skilled work force and capital) of few contractors able to manufacture and deliver collections at time to market. Third, fashion apparel needs to find an appropriate point-of-sale to embellish its presentation. Forth, after

being in the market, fashion design apparel collections need to be reviewed again, collection after collection in a regular basis of creative feedback across cultural economy (Caves 2000; Currid 2007; Kawamuara 2006).

The cultural economy has its own principles. The system of production, distribution, promotion and sales has no clear compartments. This is a hybrid, flexible, cyclical and apparent horizontal or *heterarchic* value chain.

The word *heterarchic* is defined as the way people from different departments of an organization are able to use their diverse skill set and resources to create new problem-solving techniques and new innovation by actually engaging parts of the organization that would not normally interact with each other (Stark 2000).

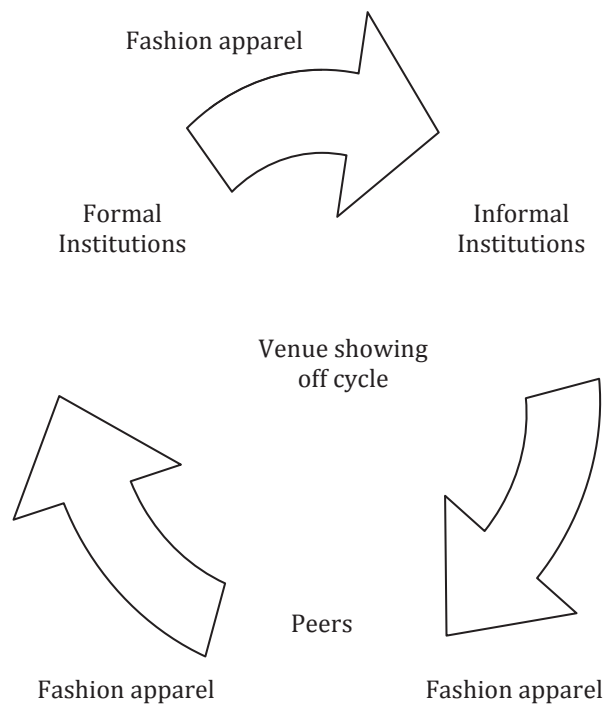


Figure 9: The Cyclical Process of Fashion Review in a Cultural Economy
 Source: Based on the studies of Currid (2006, 2007)

The cultural economy is deeply rooted in social weak ties, strengthened by formal and informal meetings in different venues located in fashion hub cities. The buzz about such places enacts business practices like certifications of fashion apparel design or a review of fashion apparel collection, practices required in the process of acquiring intangible value utility for fashion conceptual and expressive function. The process of certification is exhibited in a cyclical running in Figure 10. Certifications can be considered as deeds that will crown fashion items with the social approval and the seal that make them worth wearing and buying.

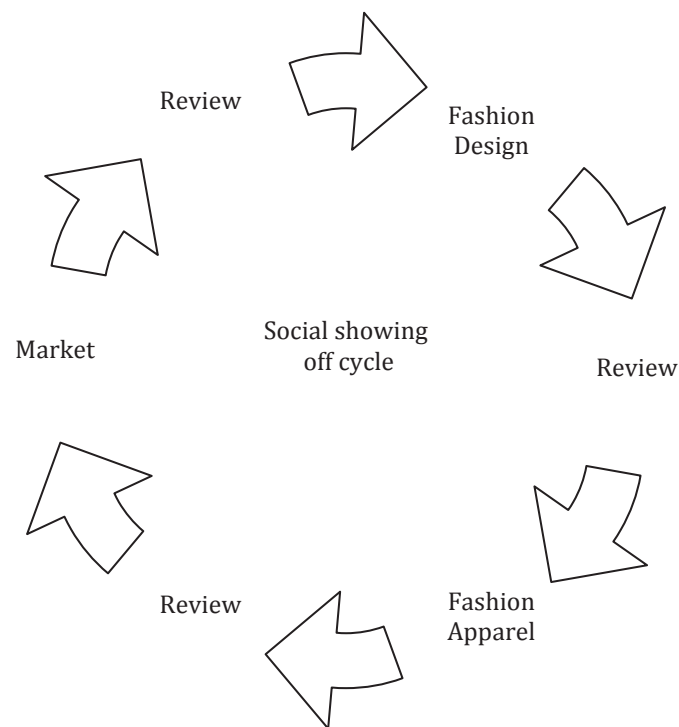


Figure 10: The Cyclical Process of Fashion Value Certification
Source: Based on the studies of Currid (2006, 2007)

This cyclical process is also a long term endeavor followed by several fashion icons such as Coco Chanel, Christian Dior, Giorgio Armani, Calvin Klein, Tommy Hilfiger, Liz Claiborne, Salvatore Ferragamo, etc. (Iturbe et al. 2006; Tungate 2008, 2009).

2.3.4 Fast Fashion and Quick Response

One of the characteristics of the fashion intangible value is freshness. Fashion apparel life cycle becomes shorter year after year to attain this sense of freshness for its consumers. However, the speed of production among the contractors in the apparel value chain varies according to their duties. Fashion apparel needs time for being designed, modeled, assembled and delivered at stores' racks. This process in general involves several activities like the production of creative design, the production of specific fabrics and other materials, apparel inner production (cutting, sewing, finishing) and logistics. Some contractors perform these tasks spending different lead times. The allocation of time among contractors in the apparel value chain is strategically crucial in fashion apparel production. To attain a rapid cycle of fashion apparel production and consumption, some companies developed the business idea of fast fashion.

The idea of fast fashion is centrally related to the quick response concerns of lean retailers depicted by Abernathy et al. (1999, 2006) in the 1990s. However, the quick response demands, were then essentially, revolving around replenishment dynamics. There are differences between the quick response concerns revolving around replenishment dynamics and the quick response concerns driven by fast

fashion dynamics where there is low or no replenishment (Tokatli & Kizilgun 2009).

Fast fashion, as its name suggests, is a company's strategy to provide fashion apparel items for a changeable and agile market. It is conceived to follow what happens to a product until the customer buys it. The company can design, produce and deliver or contract one or more of these steps for a new apparel item and put it on display in its stores worldwide in a mere 15 days. Such move looks like a quixotic pace in the fashion apparel business where designers typically spend months planning for the next season. Companies like Zara and H&M follow some strict rules to achieve fast fashion performance when managing their fashion apparel value chain.

According to Ferdows et al. (2004), Zara keeps a self-reinforcing system that transfer both hard data and anecdotal information quickly and easily from customers to designers and production staff. Zara invests on anything that helps to increase and enforce the speed and responsiveness of the chain as a whole. Zara also empowers production and distribution facilities and uses them to increase the chain's responsiveness to new and fluctuating demands.

Fast fashion stores provide customers with fresh items with limited supply. So, this strategy suggests novelty and scarcity. Both stimuli converge to fashion intangible value. A regular customer thinks, *this green shirt fits me, and there is one on the rack. If I don't buy it now, I'll lose my chance* (Ferdows et al. 2004; Tokatli 2008). This fashion retail concept relies on systematical creation and rapid replenishment of occasional small batches of new items. The relentless introduction of new fashion apparel items in small quantities, wryly, reduces the usual cost

associated with running out of any single item. Fast fashion apparel stores such as Zara and H&M make a virtue of stock outs. Empty racks do not drive costumers to other stores because they always have new things to choose from new capsule collections. Fast fashion strategy tells that being out of stock in one item helps sell another, since shoppers are often happy to grab what they can. Zara has an informal policy of relocating unsold items after 2 or 3 weeks. What can be an expensive practice for a typical store is not for Zara since its stores receive small lots and carry little inventory. According to Ferdows at al. (2004), Zara's unsold items account for less than 10% of stock, compared with industry average of 17% to 20%. Furthermore, new merchandise displayed in limited quantities and the short window of opportunity for purchasing items motivate consumers to visit Zara's stores more frequently than they might other stores. In central London (England), for example, consumers visit the average store 4 times annually, but Zara's customers visit its stores an average of 17 times a year.

Fast fashion strategy requires that companies take control of production and information flow. The entire value chain moves to a fast but predictable rhythm. Timing the whole chain avoids the usual problem of rushing through one step and waiting to take the next. The precise motion begins in the fast fashion apparel store. In the case of Zara, the store managers in Spain and southern Europe place orders twice a week, up to 3:00 pm on Wednesdays and up to 6:00 pm on Saturdays, and the rest of the world places them up to 3:00 pm on Tuesdays and up to 6:00 pm on Fridays. These deadlines are strictly enforced: If a store in Barcelona misses the Wednesday deadline, it has to wait until Saturday. Order fulfillment follows the

same strict motion. A central warehouse in La Coruna prepares the shipments for every store, usually overnight. Once loaded onto a truck, the boxes and racks are either rushed to a nearby airport or routed directly to the European stores. All trucks and connecting airfreights run on established schedules to match the retailers' twice a week orders. Shipments reach most European stores in 24 hours, U.S. stores in 48 hours, and Japanese stores in 72 hours, so store managers know exactly when the shipments will come in. When the trucks arrive at the stores, the rapid motion continues. Because all the items have already been previously priced and tagged, and most are shipped hung up on racks, store managers can put them on display the moment they are delivered, without having to iron them. The need for control at this stage is minimized because the shipments are 98.9% accurate with less than 0.5% shrinkage. Finally, because regular customers know exactly when the new deliveries come, they visit the stores more frequently on those days. This relentless and transparent motion aligns all the players in Zara's fast fashion apparel chain. It guides daily decisions by managers, whose job is to ensure that nothing hinders the responsiveness of the total system. It reinforces the production of fashion apparel items in small batches, though larger batches would reduce costs. It validates the company policy of delivering two shipments every week, though less frequent shipment would reduce distribution costs. It justifies transporting products by air and truck, though ships and trains would lower transportation fees. And it provides a rationale for shipping some garments on hangers, though folding them into boxes would reduce the air and truck freight charges. Fast fashion unconventional wisdom practice pays off. It has shown that by managing a strict

motion, Zara can carry a low inventory, about 10% of its sales what is fewer than its main competitors. (Ferdows et al. 2004).

Among the main companies that adopt fast fashion business strategy as Zara and H&M, there are differences concerning ownership. Zara again dismiss the conventional wisdom that in a volatile market where product life cycles are short it is better to own fewer assets. Zara has a predominant configuration of vertical integration. In a different manner H&M owns no production facilities, concentrating most of its capital investment in selecting and coordinating outstanding contractors (Michault 2009).

Zara managers' reason is that investment in capital assets can actually increase the organization's overall flexibility. Owning production assets gives Zara a level of control over schedules and capacities that, its senior managers argue, would be impossible to achieve if the company were entirely dependent on outside suppliers, especially those located in Asia. The simpler products, like sweaters in classic colors are outsourced to suppliers in Europe, North Africa, and Asia. But Zara reserves the manufacture of the more complicated products, like women's suits in new seasonal colors, for its own factories (18 of which are in La Coruna, 02 in Barcelona, and 01 in Lithuania, with a few joint ventures in other countries). When Zara produces a jacket inside its 4 walls, it uses local subcontractors for simple and labor-intensive steps of the production process, like sewing. These are small workshops, each with only a few dozen employees, and Zara is their primary customer (Ferdows et al. 2004).

As examples of fast fashion oriented companies, Zara and H&M are organized for direct, quick, and rich communications among those who manage their fashion apparel value chain. These operational structures help bring about a steady motion. Conversely, a strict schedule for moving information and goods through the value chain makes it easier for operators at different steps to communicate with one another. And when the company focuses its own capital assets or contractors on responsiveness, it becomes simpler to maintain this motion. These principles, devotedly applied over many years, help to put together the jigsaw puzzle of fast fashion practices.

Along with fast fashion, quick response strategy keeps the sense of freshness for fashion apparel but it does not indulge the feeling of exclusivity since it allows replenishment at least for the few coming months of the apparel season.

As said before, the idea of fast fashion is centrally related to the quick response considerations of lean retailers depicted by Abernathy et al. (1999, 2006). Nevertheless, the quick response needs were, then inherently turning around replacement dynamics. Fast fashion dynamics suggests low or no replenishment. So, henceforth, quick response will be discussed under concerns of lean retailing and replenishing.

Quick response in apparel industry progressed with the rise of lean retailing. Until mid 1980s a lack of connected market information generated inevitable cost for doing business in retailing, however, in the 1990s, access to reliable information became crucial to competitive excellence. According to Abernathy et al. (1999), the ability to gather, transmit, and use information regarding sales at the cash register

has created a new way of offering products to customers. It has generated the lean retailer.

Lean retailing represents a combination of new technologies of information and managerial practices adopted and adapted by many companies. Mass merchants, national chains and department stores contribute to open this great transformation in the U.S. (Abernathy et al. 1999).

Lean retailing is feasible when companies decide to share a certain degree of information through commonly used information technology tools and practices e.g. bar codes, SKUs (stock keeping units) and EDI (electronic data interchange). Retailers' point-of-sales (POS) data supply value chain with precious information to kick off, maintain, slow or cease a steady flow of production. Table 2 summarizes different demands for different retailers.

Lean retailers, such as fashion apparel stores require quick response suppliers, e.g. apparel manufacturers. With POS data provided by lean retailers, quick response suppliers will replenish lean retailers' items on selling floor.

According to Abernathy et al. (1999), in general, quick response apparel manufacturers must at least have the following capabilities to meet lean retail requirements. 1) Label, track, and respond to product orders in real time on the basis of style, color, fabric, and size; 2) Exchange – send and receive – information concerning the current status of a retailer's items on an electronic basis; 3) Provide items to a retailer's distribution center that can be efficiently moved to stores, that is, containers marked with bar codes concerning contents; shipment of items ready for display in retail stores.

Table 2: Supplier Performance Needs for Traditional and Lean Retailers

Retailer Requirement	Traditional Retailer	Lean Retailer
Product replenishment	No replenishment within season	In-season replenishment; one week from order to receipt of product by retailer.
Order reliability	Total # shipped consistent with order; accept discrepancies	Accurate at the SKU level; reject discrepancies
Penalties for non-compliance with retail standards	None	Monetary penalties for late and incomplete shipments; charges for retail preparation of certain merchandise for display
Adherence to transaction-related standards (e.g. product identification)	None	UPC(a); EDI; SCM(b); floor-ready merchandise; etc.
Provision of floor-ready merchandise	Limited	Growing requirements; retail pricing; display
Lead time for new products	One to two year lead time expected	Significantly less than one year lead time required

(a) UPC: Unit Production System; (b) SMC: Shipping Container Marker
 Source: Abernathy et al. (1999).

Cheng & Gereffi (1994), classify apparel retail in several types: swap meet stalls; street vendors; small-volume, low and medium-priced stores; large-volume, low-priced discount stores; mass merchandisers; department stores; and fashion boutiques or upper-end specialized retailers that deal exclusively with international and national brand-name products.

According to Weitz & Whitfield (2010), apparel retailers can be roughly classified as follows:

- a) Typical apparel stores – no frills approach – usually mid-range consumers;
- b) Boutiques – sell fashion apparel products often high-end items;
- c) Hypermarkets – have a sector for apparel items, usually low-cost basic and fashion-basic items;

d) General apparel stores - a hybrid between United States' department store and a discount store;

e) Warehouse club stores – have a sector for low-cost basic and fashion-basic apparel, often high-quantity of apparel is piled on pallets or steel shelves;

f) General stores - stores which sell most basic apparel and other goods needed, typically in residential districts, small towns and in rural area.

AAFA (2009) also classifies apparel retailers in several types: department stores, national chains, mass merchants, boutiques, upscale apparel chains, moderate apparel chains, trend/youth stores, off-price retailers and sport specialty.

Boutiques, upscale apparel chains and some moderate apparel chains are the fashion apparel chain downstream or end of the line. Their retailing ambiance contributes for fashion value enhancement.

Some degrees of information interchange among value chain players/suppliers or contractors are required to attain the lean retailing standards for quick response performance.

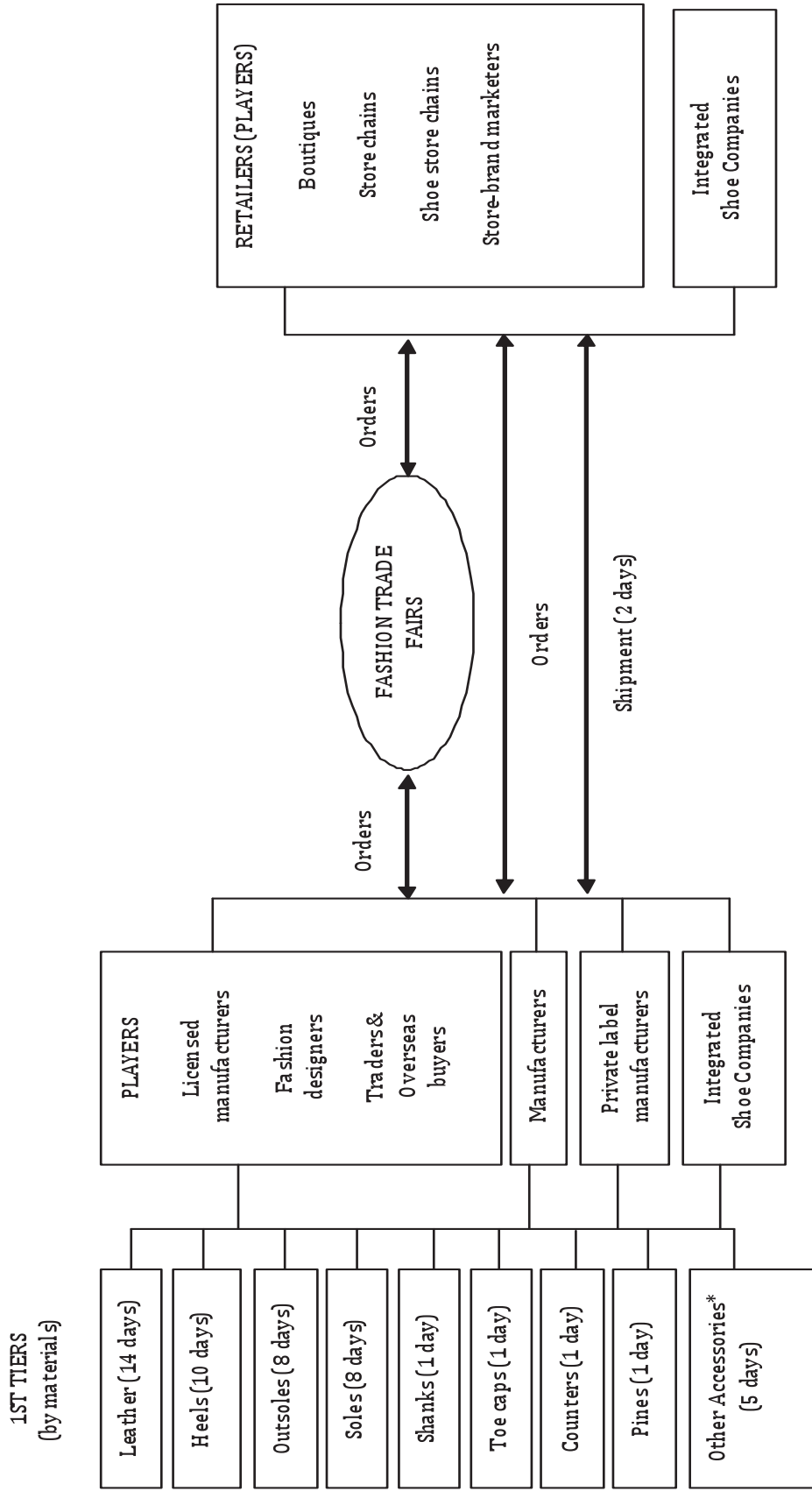
Quick response became possible after significant technological, market and environmental changes originated outside the apparel industry. Bar codes, for instance, began with the food and grocery industry in the 1970s to lower the labor cost of cashier work and avoid delays to customers. Fruits, vegetables and dairy items are known for being materially perishable and demand costly storage at selling floor. Even though apparel items do not rot as quickly as grocery and dairy items, fashion apparel items become obsolesces, that is, an unavoidable decay. In the

1990s, the apparel industry started to use technological tools like bar codes and EDI that emerged in the food industry two decades before.

Time to market has become one of the leading competitive ingredients for fashion apparel chain strategy. For companies that strive in this sector, the general overall lead-time is usually shorter than two months. For non-replenishable planned items, e.g. fast fashion capsule collections; the time frame is often shorter than 45 days. For a few replenishable planned items that follow a quick response plan, e.g. fashion high-end apparel items, the window is even shorter.

Time to market starts to impose new standards for fashion apparel players. In the niche of high-end shoes, for instance manufacturers may comply with smaller lots and quick response replenishment in a fashionable and even shorter product life cycle that impact all the agents of the value chain. Figure 11 illustrates the average time demand for first tiers of suppliers of high-end fashion shoes and their main buyers.

Fashion apparel players as well as apparel players located in countries where it is possible to fulfill the requirements of a responsive chain may take part in the tangible value-adding process of the global apparel value chain. Time to market is pivotal for fashion apparel items since liquidation reduces profits and erodes the identity and the brand of fashion apparel players.



* Alloys, stone and resins.

Figure 11: Fashion Seasonal Time Replenishment & High-end Fashion Shoe Players
Source: Based on the studies of the *Flexible Supply Options-FS0* (Ab ernathy 2007).

Based on the theoretical assumptions revealed along the studies about the apparel production and the fashion production and consumption, we have drawn the following proposition:

Upgrading in the apparel value chains is explained by the Fashion Apparel Chain (FAC) case which characterizes itself as loose chains and shows that upgrading occurs not only in a tangible value-adding manner but also in an intangible ground of mutual and diversified connections of fashion apparel production and consumption.

2.4 Synthesis of the Study

This dissertation highlights the aspects related to the upgrading in value chains. It deals with the dynamics of the apparel production that reveals the apparel diversity, the evolution of the apparel concept and manufacturing, the organizational form that coordinates the apparel production and the basic and the fashion apparel implications.

Based on these aspects, we designed three analytical approaches to explain the process of upgrading in the apparel production: a) Industrial Upgrading Approach (IUA), b) Fashion System Approach (FSA) and 3) Fashion Apparel Chain Approach (FAC). Each approach has its particular foundations. IUA is imbued with global sourcing studies; FSA is attached to economic geography studies and FAC is dyed by both approaches in an eclectic case approach.

Keeping in mind the assumptions of the approaches, we developed a study that provided data for interpreting, describing and generating propositions about the process of upgrading in apparel production. Chart 1 summarizes the dissertation reasoning course.

Chart 1: Research Question, General and Specific Purposes and Study Propositions

Research question:

How does basic apparel production upgrade to fashion apparel production and consumption?

General Purpose:

To analyze the process by which basic apparel production upgrades to fashion apparel production and consumption.

Specific Purposes

- a) To characterize the fashion apparel industry;
- b) To identify the elements related to industrial upgrading;
- c) To identify the elements associated with social embedded upgrading;
- d) To clear the implications of the identified elements with fashion apparel;
- e) To analyze the implications of the identified elements to the fashion apparel chain.

Study Propositions:

(a) Upgrading in the apparel value chains is explained by the IUA studies which characterize the apparel chains as buyer-driven chains and show that industrial upgrading in the apparel production occurs when apparel manufacturers join these chains in a way to provide manufacturing steps (tangible value-adding work) for the whole chain;

(b) Upgrading in the apparel value chains is explained by FSA studies which characterize the fashion system as institutional-driven networks and show that fashion is elaborated by organizational and macro-institutional factors;

(c) Upgrading in the apparel value chains is explained by the FAC case which characterizes itself as loose chains and shows that upgrading occurs not only in a tangible value-adding manner but also in an intangible ground of mutual and diversified connections of fashion apparel production and consumption.

Chapter 3

Method and Research Procedures

3.1 Method

The purpose of this study justified the adoption of a descriptive as well as interpretative approach. We assumed that we could draw propositions under the orientation of one general research question. This modus operandi comprises an [a] examination of the state-of-the-art theory related to the specific object under consideration along with an [b] immersion on the field for data collection.

The extant theoretical approaches (IUA and FSA) have analyzed some circumstances and have advanced some propositions about the upgrading process in apparel production. Considering these advanced propositions we have made an immersion in the field by collecting data from many sources in order to criticize the theory and to obtain the verisimilar information. This information helped us to interrogate our findings by propelling an inductive and deductive process of analysis by way of determining if the extant propositions are sufficiently explicative or whether some other set of alternative explanations could be more relevant to clarify the object under examination (the process of upgrading).

In this chapter we delineate data sourcing and the process of data gathering as well as their relations with medial questions that emerged along this study.

Initially, we had no clear idea about the way apparel manufacturers participate in the upgrading process of apparel production. So, we developed an initial research proposal about upgrading based on a quick assessment of the assumptions of the global apparel value chains and the fashion system. This proposal was developed in parallel with a previous research that was carried out to provide preliminary data to write the first draft of this dissertation. Both field and literature assessments cause research questions to arise due to a process of comparison and interpretation between the literature assumptions and the initial data. A scheme of initial research incursion is shown in Figure 12.

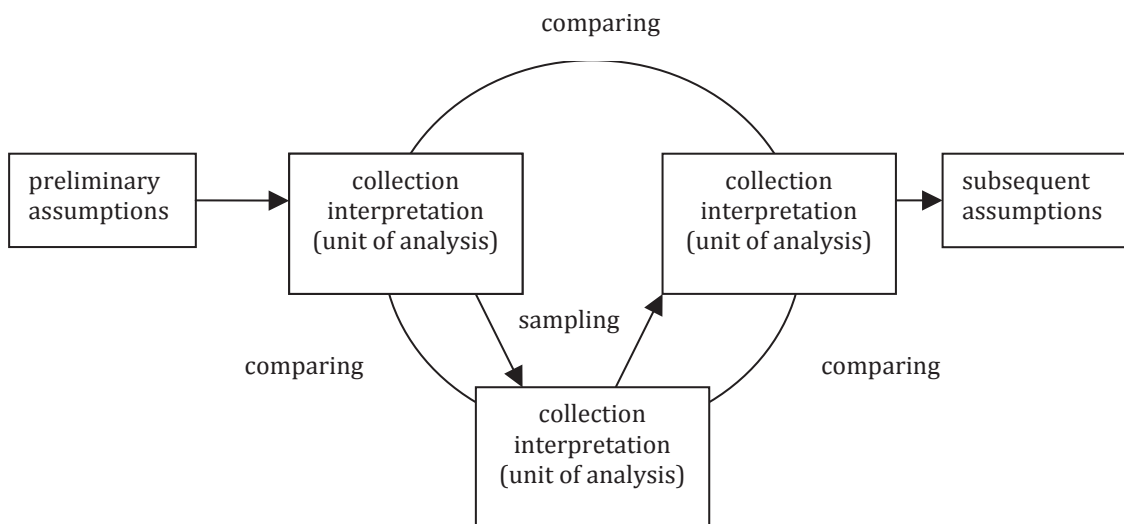


Figure 12: Circular Model of the Research Process
Source: Based on Flick (2009) and Glaser & Strauss (2009)

These preliminary steps engendered a sketch of the ideal approach (verisimilar information) that was utilized as a case perspective for analysis (Figure 13). In such way this study can be seen as a case study (Barzelay 1993; Eisenhardt 1989) as it stress data to form one case which we present as exemplar to shed light on the upcoming of a new organizational structure related to fashion apparel and on the process of upgrading in apparel production.

These preliminary steps have also provided ways for integrating pieces of data records (memos) which were then diagrammed on meaning concepts. To such an extent, this study can be seen as inspired by the grounded theory methodology, considering the research procedures, the problem statement and the theoretical development along the time spent on the field immersion (Charmaz 2006; Flick 2009; Glaser & Strauss 2009).

The final comments on the problem statement (chapter 1) as well as the analytical propositions previously presented (chart 1) were established after several stages of data collection, medial research questions and ongoing interpretation of partial results. Most of these stages are analogous to the grounded theory process exhibited in Figure 13. Chart 2 illustrates medial questions that came out during the field immersion.

The ongoing interpretation progressed through expanded memos that were built from more literature reviews and additional field observations and data collection. These records were developed for a better comprehension of the concept of fashion (a distinct concept related to apparel) and its implications to apparel value chain. All the additional data collection and interpretation fostered conceptual

categories (based on players' leading role) that led us to analyze propositions and to clarify data about the upgrading process of apparel production. Feedbacks were ubiquitous in all the stages of the study analysis.

Chart 2: Sample of Medial Questions

Medial research questions:

What kind of apparel we are talking about?

Who are the players in the fashion apparel business?

What sort of relationship do apparel manufacturers hold?

What type of value upgrading do apparel manufacturers deal with?

Is that possible to conceive industrial upgrading without apparel diversity?

According to Flick (2009), a case grounded theory assessment gives priority to the data and the field under study over the theoretical assumptions. Postulations should not be applied to the subject being studied but rather be “discovered” and formulated through the empirical data that is found while working in the field. People and companies are selected according to their relevance to the research topic and they should embrace their context.

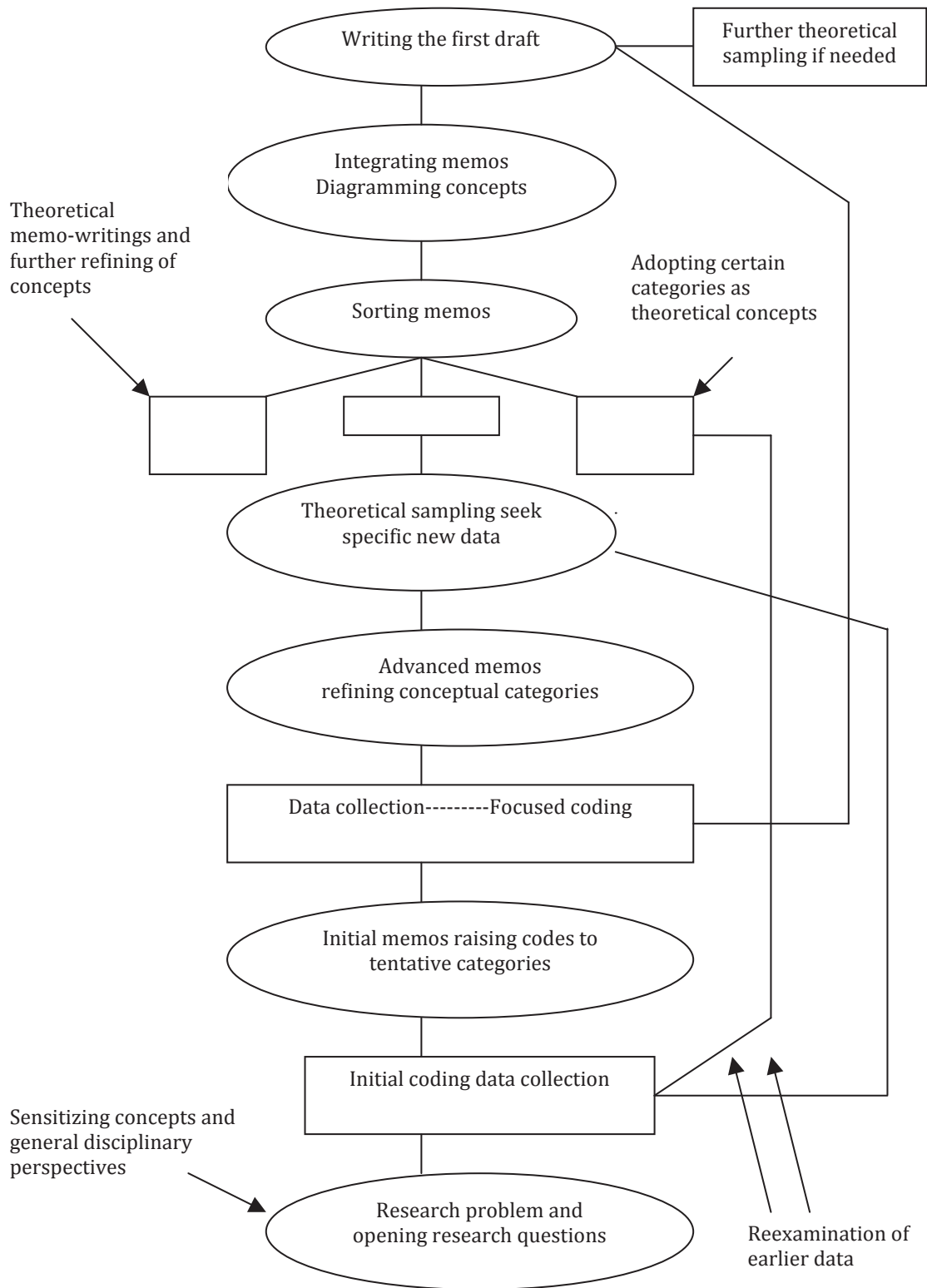


Figure 13: The Grounded Theory Process
 Source: Charmaz (2006) Pg. 11

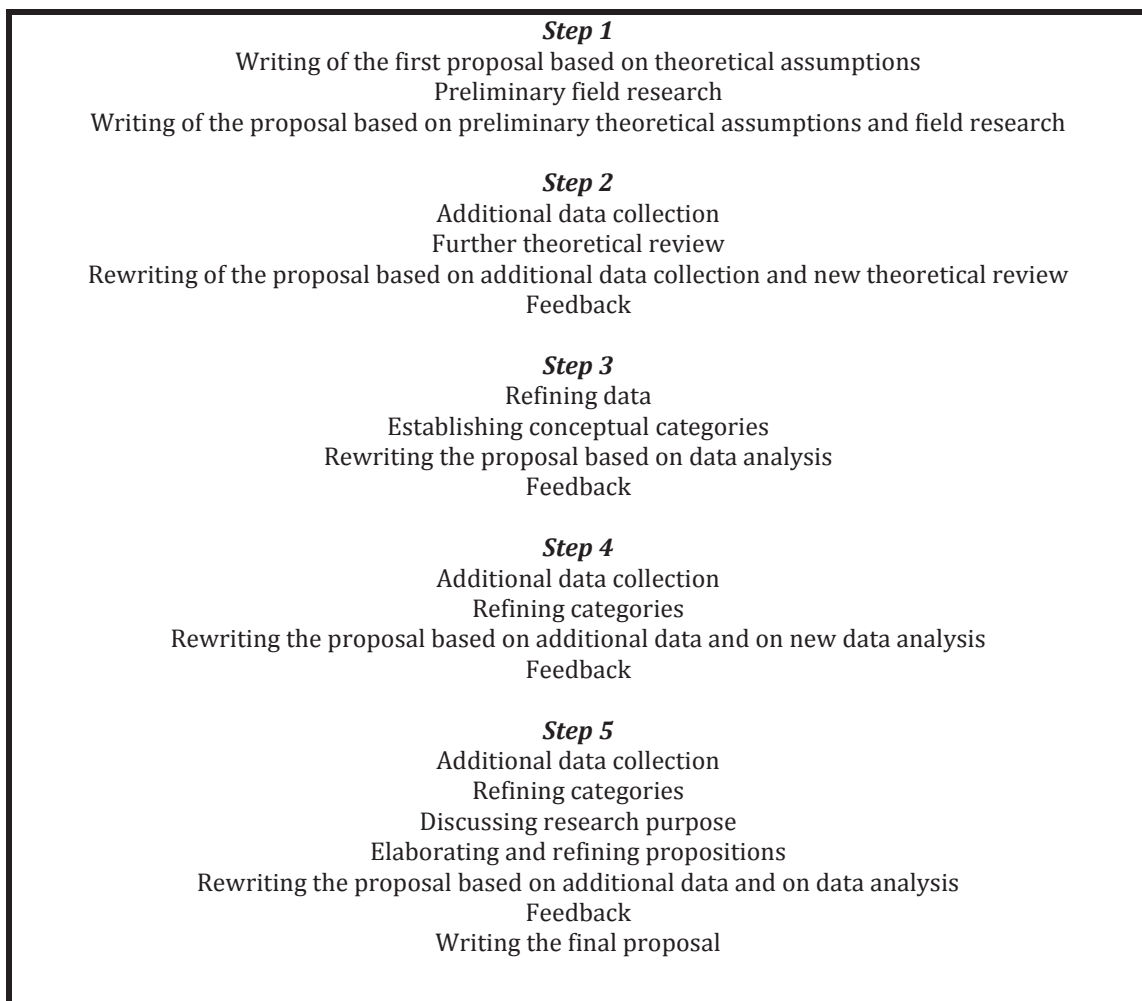
As stated by Flick (2009), the aim of the researcher is to guarantee that his study is represented in the data and findings (e.g. samples of people/players or companies) that are studied can be drawn from the findings. Feedback is one of the strengths of the grounded theory assessment, because it forces the researcher to continuously reflect on the whole research process. When the feedback remains consistent, the researcher is able to focus on the singular steps in the light of the other steps. The close (also temporal) link between collecting and interpreting data and the selection of empirical material allows the researcher not only to repeatedly ask the research questions in different stages of the investigation, but also to answer the questions. Are the methods, categories, and theories reasonable when they are applied to subjects and data? (Flick 2009). The context of this model of the research process should be referred to when single parts, like theoretical sampling, are taken from it and used in isolation. This process-oriented understanding allows one to realize the epistemological principle of interpretation with a great degree of sensitivity.

The criterion used to analyze the data was the *explanation building* (Vieira 2004; Yin 2006) in which the object under examination is not only analyzed but also interpreted. The intention is to define a set of casual links related to the process of upgrading by means of the examination of the phenomenon of apparel production.

The assumptions that were formed about the subject under study, in the reformulated version of the object, helped us to take into account the construction of reality in the research process. The central part held for the interpretation of data – compared with their collection or the a priori construction of elaborated designs –

made allowance for the fact that text was the actual empirical material and the ultimate basis for developing the subsequent assumptions as illustrated before in Figure 12. Chart 3 exhibits the general steps taken in this study.

Chart 3: Steps Followed along the Study



3.2 Focus of the Analysis: The Case Choice

According to Abecassis-Moedas (2006), the majority of the management literature used to be centered on the firm as the main production entity. However, recently another level of analysis has been used which goes beyond the boundaries of the company: namely, the value chain scope (comprising player's relationship). In this study, the organizational form (e.g. value chain) is the level (perspective) that is the most appropriate for analysis. In the global value chain literature, two main expressions are used: "value chain" and "commodity chain" (Appelbaum & Gereffi 1994; Gereffi 1999).

From a case study perspective, this dissertation has drawn an exemplar set that encompasses a context, an object of study and units of analysis. This conceptive structure was intended to pursue the characteristics of a peculiar organizational form in the apparel industry through the links between its participants. The context is the apparel industry, the object of study is the apparel production and the units of analysis are the players involved with fashion and apparel production.

We chose as an exemplar case the fashion apparel chain (FAC) because it can be considered as representative of a new organizational form. The fashion apparel chain (FAC) is embedded in a context that includes the globalization of markets and a more flexible production process, labor market, and customer practice.

In Brazil, the last decade was marked by retail concentration. Massive investments from international mass merchants such as Wal-Mart and Carrefour, US chains such as JC Penney, Brazilian mass merchants such as Pão de Açúcar, and

apparel chains such as Riachuelo, Pernambucanas and Marisa are transforming point-of-sale practices by incorporating new tools of information technology and sales floor amenities (Borsatto 2010; Dezem 2010). Mass merchants have absorbed several regional store chains and are likewise demanding lower prices and a quick response from local manufacturers. Apparel chains are becoming more fashion oriented, by investing in opening new conceptual stores and pushing their suppliers with more frequent deliveries.

The growing concentration of the apparel retail industry in Brazil is also generating new implications for the apparel value chain. Fashion oriented apparel production is affecting the apparel value chain configuration. Fashion concept (value) appears to promote and strengthen the fashion apparel made in Brazil worldwide; however, this phenomenon remains unclear and unreached by the lenses that explain the upgrading process and the configuration of the apparel value chain (Appelbaum & Gereffi 1994; Cheng & Gereffi 1994; Gereffi, Humphrey & Sturgeon 2005). The characteristics and dynamic of fashion apparel production embrace not only the textile and the apparel players (e.g. companies) but also unconventional suppliers. The diversity of fashion suppliers/players causes additional implications for the apparel value chain.

The FAC includes units of analysis which are the fashion players, their associates and their connectors. The configuration and coordination of the FAC is analyzed under the assumptions of the buyer-driven apparel value chain (IUA) and of the cultural system (FSA). Figure 14 illustrates the purview of the analysis.

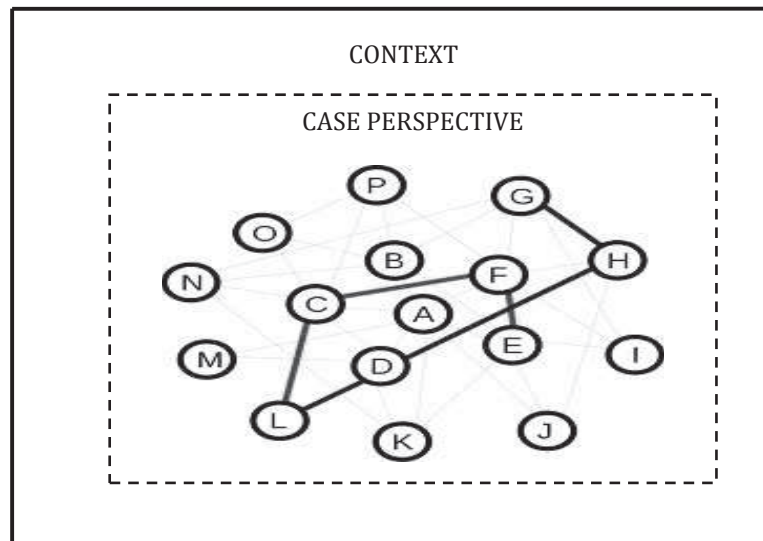


Figure 14: Lengths of the Study and Units of Analysis

In Figure 14, G, H, D, could be fashion designers or fashion producers; L, could be a fashion apparel retailer; C, F, E, could be fashion apparel licensed manufacturers and, P, O, B, N, M, K, J, I could be other players involved directly or indirectly with fashion apparel production such as fashion editors, costume designers, publicists, musicians, street artists, celebs, etc.

This case perspective was adopted because it can depict fashion intangible value (concept) as a phenomenon and fashion apparel production as a practice that belong to the context of modern life. It can also seize the implications of these circumstances to the configuration and coordination of a fashion apparel chain (FAC).

Inside the context, the boundaries of such case are not clearly defined and the researcher was unable to rein neither the circumstances nor the context. To

come up with a description of the phenomenon (practice), the researcher needed to access many signs. (Charmaz 2006; Flick 2009; Glaser 2002; Glaser & Strauss 2009).

3.3 Research Procedures

A descriptive, interpretative and propositional research was adopted to handle the information about the fashion apparel chain in Brazil. This procedure was important to identify the connections between the main fashion apparel players and to build a picture of the characteristics of the fashion apparel value chain. This was essential to create a better understanding of the way fashion apparel organizational form is structured. This picture can suggest how the players acquire and manage both the intangible and tangible value for creation, production, promotion, distribution and consumption of fashion apparel items.

This analysis is primarily focused on the fashion apparel players who provide components or/and items for fashion apparel production and consumption. These items are commonly found in department stores, apparel chains and boutiques and tend to be time perishable, price quality and fashion sensitive as reminded in the section of fashion apparel on the chapter 2.

The researcher investigated the characteristics of the fashion apparel production through primary and secondary sources. Data were gathered from interviews with top executives of Brazilian companies or players (apparel manufacturers, apparel retailers, store-brand marketers, traders, fashion designers, fashion editors, etc.). Data was also obtained from fashion editorials of Brazilian and

U.S. fashion magazines and newspapers. Last but not least, field observations were performed in Brazil and in the U.S.

Academic studies, previously mentioned, also gave support for comprehending the coordination of intangible value such as creative design, style, fad, freshness, coolness and buzz.

This study also comprises data found in the electronic media such as interviews and tweets with fashion VIPs, fashion designers, and fashion magazine editors. These bundles of data were helpful when it came to describing and interpreting the picture as it provided a better map of the constituents of the fashion apparel value chain.

Open-ended personal interviews (Appendix A, p. 193) with Brazilian companies (fashion and apparel players) took place in the cities of Rio de Janeiro, São Paulo, and Porto Alegre and in the urban areas of the Sinos Valley (Dois Irmãos, Parobé, Campo Bom and Novo Hamburgo). A map of Brazil is shown in Appendix B (p. 194). Additional interviews by *Voice over Internet Protocol* (VoIP) were also held. The interviews were performed from April 2008 to February 2011. Table 3 depicts the players who were interviewed in this study.

Data from electronic media comprises recorded interviews with prestigious Brazilian fashion players (fashion producers or stylists and a costume designer). These interviews were performed by fashion journalists and are available on the internet by digital format – podcasts (Appendix C, p. 195).

The observations in Brazil started before the researcher's academic fellowship in the U.S., and continued right after his return. Seventeen retail stores

were visited in São Paulo and Rio de Janeiro. Different retail channels were visited such as, mass merchants; boutiques; upscale apparel chains; moderate apparel chains; trend/youth stores and beach wear stores. In all places visited, the researcher registered the characteristics of the store. This includes observing the way apparel is both displayed and promoted inside the store, as well as noting the salespersons' attitudes towards favoring customers. Except for Extra, all retail channels are composed by apparel stores (Appendix D, p. 196).

Mass merchants are usually large stores (around 1.800 m²) selling extensive lines of mass products to many numbers of buyers. Boutiques are usually small (approximately 50m²) specialized stores that sell few batches of fashionable high-end goods (average price point higher than US\$ 700). Upscale apparel chains are commonly stores intended for selling fashionable goods to high income life style consumers (average price point US\$ 500). Moderate apparel chains are usually stores intended for selling fashionable goods to medium income life style consumers (average price point US\$ 200). Trend/Youth stores are commonly stores intended for selling fashionable items for youth or followers of the young life style. Beachwear stores are usually specialized stores intended for selling fashionable beachwear items.

Table 3: Fashion Apparel Players and Personal Interviewees in Brazil

Player (leading role)	Company's birth year	Appointment of the interviewee	Number of interviews	Interview hours
Apparel manufacturer	1949	Commercial representative	2	2
Fashion apparel retailer & manufacturer	1984	Marketing director	1	2
Apparel manufacturer	1948	Chief Production Officer (CPO)	1	1
Fashion apparel retailer & manufacturer	1998	Marketing director	2	3
Fashion apparel retailer & manufacturer	1986	Marketing director	1	2
Trader & overseas buyer	1977	Director	1	2
Trader & overseas buyer	1976	Director	1	2
Licensed manufacturer	1991	CPO	1	1
Fashion designer & private label marketer	2000	Company's owner	5	6
Fashion designer	2004	Company's owner	3	3
Fashion apparel retailer & manufacturer (fashion group)	2006	Intl. sales director	1	1
Fashion designer & manufacturer	2006	Company's owner	1	1
Fashion designer & manufacturer	1990	Company's owner	5	5
Fashion designer & manufacturer	1982	Company's owner	1	1
Fashion media	2007	Fashion journalist	1	1
Fashion media	2008	Fashion journalist	1	1
Entertainer/disk jockey	n/a	DJ/Freelancer	1	1
Fashion designer & Manufacturer	1989	Company's owner	1	1
Apparel retailer & store-brand marketer	1988	Store manager	1	1
Apparel retailer	1982	Commercial representative	2	2
Photographer	n/a	Freelancer	1	1
Designer	2006	Company's owner	1	1
Street artist	n/a	Artist/Freelancer	1	1
Total			36	42

The observations in the U.S. were conducted during the researcher's academic fellowship held in Boston in 2009. Forty-one retail stores were visited in the metropolitan area of Boston, New York City and San Francisco, California. A map of the United States is shown in Appendix E (p. 197). Different retail channel stores

were visited such as department stores, national chains, mass merchants, boutiques, upscale apparel chains, moderate apparel chains, trend/youth stores, off-price retailers and sport specialty stores. In all the places visited, the researcher registered the characteristics of the store, noted the way apparel was displayed and promoted inside the store, as well as paid attention to the salespersons' attitudes towards favoring customers (Appendix F, p.198).

Data from the retailers' observations were recorded in the researcher's notebook and then were compared with the data provided by the interviewees and by the secondary sources (e.g. fashion magazines, academic literature). Observations checklist is depicted in Appendix G (p. 199).

Chart 4 adds the different sources of data in each step of the study (Chart 3) to show their relation with the successive study proposals.

Chart 4: Sources of Data Utilized in Each Step of the Study



After designing the categories according to the propositions of each approach: IUA players, FAC players and FSA players, we redefined (refined) these

players in subcategories according to their connections in the fashion apparel industry.

Players are defined as individuals (e.g. freelancers, One-Person companies), companies and organizations (e.g. fashion groups, fashion shows, fashion institutes, trade fairs) which directly and/or indirectly provide value to apparel production.

While refining data from the categories previous mentioned (IUA, FSA and FAC players), we found: [a] players who were mostly involved with apparel manufacturing steps and/or apparel selling and who were attached to a linear apparel value chain. They are *traders and overseas buyers, licensed apparel manufacturers and apparel retailers and/or store-brand marketers*. We considered these players as subcategories of IUA players; [b] players who were partially involved with fashion apparel design and institutional image-making steps and partially involved with apparel manufacturing steps (private label projects - other players). These players were considered as hybrid and belonging to a diversified fashion apparel chain. They are *fashion shows and fashion producers or stylists, fashion designers, fashion media, fashion groups, fashion apparel manufacturers, fashion apparel retailers and textile mills*. We considered these players as subcategories of FAC players; [c] players who were occasionally or rarely involved with fashion apparel manufacturing steps and totally or partially involved with fashion apparel consumption. These players belong to a fashion system. They are *designers, costume designers, entertainers, photographers and artists*.

The explanation of each subcategory was based on the set of causal connections in relation to the subcategory. These connections between the players

describe the phenomenon of the contemporary apparel production. A caveat is in order, however. This description of subcategories revealed some concurrent activities that will be shown in chapter 4 and discussed in chapter 5.

Chart 5: Categories and Subcategories Studied

CATEGORIES	MAIN SUBCATEGORIES STUDIED
[a] IUA players	[a1] Traders and overseas buyers; [a2] Licensed apparel manufacturers (contractors); [a3] Apparel retailers and store-brand marketers.
[b] FAC players	[b1] Fashion shows and fashion producers or stylists; [b2] Fashion designers; [b3] Fashion media; [b4] Fashion groups; [b5] Fashion apparel manufacturers; [b6] Fashion apparel retailers; [b7] Textile mills.
[c] FSA players	[c1] Designers; [c2] Costume designers; [c3] Entertainers; [c4] Photographers; [c5] Artists.

The categories (IUA players, FCA players and FAS players) and the subcategories were built from data analysis and reanalysis. This analysis of fashion apparel compound led us to draw the Figure 15 that exhibits a frame of reference to direct data explanation in this study. We could place each subcategory within the borders of each category.

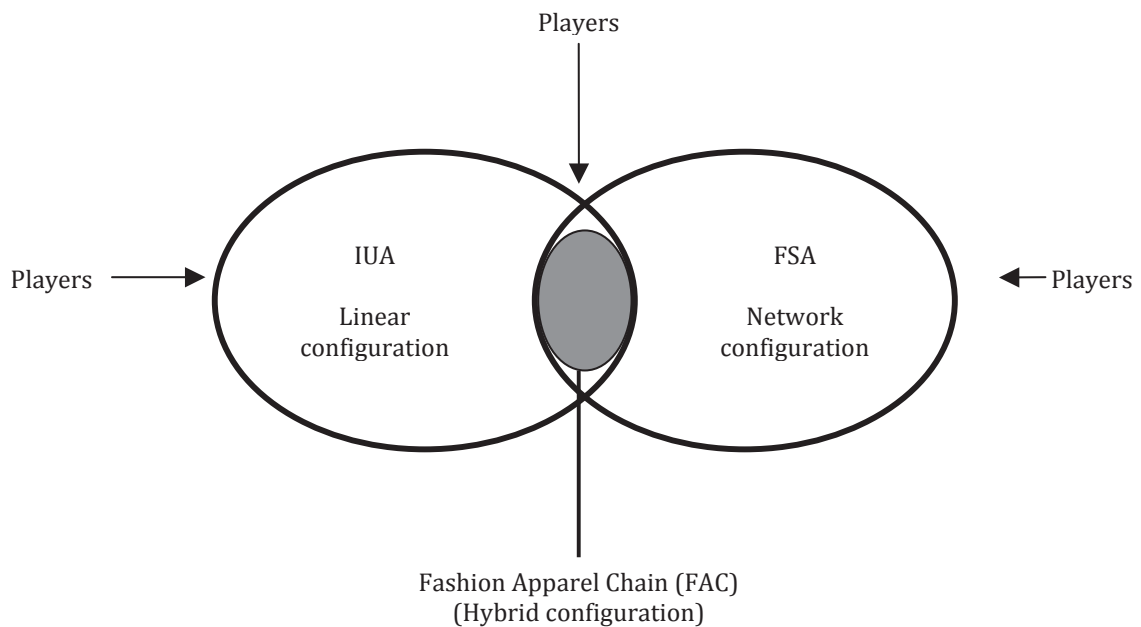


Figure 15: Frame of Reference for Data Explanation

After being recorded, data from personal interviews, electronic media and loci observations were organized in a collection of texts (descriptions, narratives and transcriptions). These texts were analyzed following the theoretical propositions that led to the case design. We utilized the software NVIVO 9 as an attempt to organize, combine and classify data. Again, *explanation building* was the technique chosen to analyze the evidences reported in the texts that were then discussed in chapter 5.

Chapter 4

Results

4.1 An Overview of the Brazilian Apparel Industry

The growing importance of the textile and apparel industry in the Brazilian economy can be better understood through some figures. In 2004 exports surmounted US\$ 2.13 billion. During the same year the sector generated a surplus of US\$ 656 million and created more than 66 thousand job openings in the country. In 2006, the total turnover of the industry attained US\$ 33 billion. In 2008 the estimated earnings of the textile and apparel chain was of US\$ 43 billion, a 4% growth compared to 2007, which recorded US\$ 41.3 billion and the average apparel production was of 9.8 billion pieces, a 4 % increase over 2007 which registered 9.5 billion pieces. Brazilian textile and apparel industry aims at recovering its 1% share of the world market, which is equivalent to increasing the volume of exports up to US\$ 4 billion per year (ABIT, 2010). Brazil is the world's ninth highest gross domestic product – US\$1.976 trillion - measured by purchasing power parity in 2008 (World Bank 2010) but it is considered a relatively closed economy. Its international trade accounted for 24% of its gross domestic product in 2008

(Prideaux 2009). The country shared only 1.2 % of the world's export market in 2009, exporting US\$ 154 billion and ranking the 24th position, but it is the world's leading exporter of coffee, orange juice, sugar, ethanol, tobacco and chicken meat (Dantas et al 2010). These facts indicate that Brazil is a large exporter of mass-produced unspecialized and low value-added products that needs to diversify its export, especially by introducing distinguished and higher value-added products on the way to boom its product's price and grab positions in the world's export rank.

The way to gain world impetus on distinguished products can be based on different strategies. According to Cheng & Gereffi (1994), U.S. apparel market demands high, medium and low volume of apparel for different segments of price. Usually high and medium volumes can be delivered at low and medium prices, however, low volume demand goes beyond low and medium price to encompass high price. So, companies would focus on supplying retail stores with different volume and price. The choice or fate for delivering apparel often lies on a value chain scheme (IUA) where various suppliers provide value but few ones call the shots.

After acknowledged that Asians dominated the apparel high volume/low price segment worldwide, Brazilian apparel players started to consider the standards required to supply medium and high price apparel segments, usually considered as fashion-oriented segments (fashion apparel spot – Figure 15). Efforts have been made by Brazilian governmental agencies such as *Apex* that promotes the *Grupo Gestor Moda* (Fashion Manager Group), an initiative that involves 2.141

companies, US\$ 120 million in projects and US\$ 92 million in promoting aid (MDIC 2010).

The rising of fashion groups like InBrands and the outcome of some enterprises like Design Brazil from the Brazilian Footwear Association (*Abicalçados*) are signs that apparel industry in Brazil is under a new shape. Both initiatives are intended to push the Brazilian fashion apparel export average price from a single-digit to a double-digit or even to a triple-digit increase.

This new apparel industry whack suggests a complex array of players who provide value-added services primarily for domestic and then to international market. The action of these players determines an organizational form that is discussed in the next topics.

The chart 6 ahead illustrates the price point (full price) for apparently similar apparel items in the Brazilian market (Porto Alegre). Data was gathered on April 2011.

Chart 6: A Comparative of Price Points - Basic and Fashion Apparel Items

Outfit sample	Basic apparel price point	Fashion apparel price point
<i>Men's outfit*</i>		
V-neck T-Shirt short sleeves	US\$ 8	US\$ 89
Blue jeans straight leg	US\$ 37	US\$ 195
Leather upper; rubber sole sneakers	US\$ 95	US\$ 298
<i>Women's outfit**</i>		
V-neckline polyester top	US\$37	US\$ 160
Blue jeans boot cut leg	US\$ 39	US\$ 245
Leather upper; rubber sole sneakers	US\$ 87	US\$ 238

*Basic items from *Pompéia* and *Renner* stores

**Basic items from *Pompéia* and *Riachuelo* stores

*Fashion apparel items from *Osklen* stores

**Fashion apparel items from *Cori* and *Forum* stores

4.2 Players, Fashion Apparel Production and Consumption

Data analyses provided a description of the players as well as some connections between them. Some of these players revealed their role such as a dynamo that empowers fashion concept and consequently transforms apparel production and consumption.

The analysis of primary and secondary data led the researcher to uncover and clarify aspects related to the creation, maintenance, reproduction and dissemination of the fashion apparel. This whole process that implies different players and their connections can be defined as a fashion apparel chain (FAC) where FAC players intertwine with players categorized here as belonging to the Industrial Upgrading Approach (IUA) and to the Fashion System Approach (FSA).

In the following paragraphs we present activities, characteristics and connections of players who are directly and indirectly involved with fashion apparel production and consumption in Brazil. Along with primary and secondary data, parts of the life stories of some professionals were taken as illustrative information. In addition, a written extract of a dialog from a motion picture was captured to center attention on fashion conceptual value. Furthermore, some extracts of written interviews were used as data instance. These extracts are free translations of Brazilian Portuguese original versions and some of the names utilized are fictional.

[a] IUA Players in the Apparel Value Chain

Our data showed that the IUA players are those who are less involved with intangible value creation and who are more connected to mechanical steps of tangible value apparel production such as the manufacturing of basic and fashion basic apparel items and/or private labels replicas.

[a1] Traders and overseas buyers

The description of this player comes from evidences of traders and overseas buyers of apparel (specifically shoes) located in a distinct cluster of footwear production called Sinos Valley, in southern Brazil, and from evidences of fashion apparel manufacturers located in Rio de Janeiro (see map in Appendix B, p. 194).

Traders and overseas buyers represent buyers who are usually large retailers and brand marketers (Gereffi 1999). According to Bazan & Navas-Alemán (2003), who had studied the process of upgrading in value chains in the region of the Sinos Valley, there is a high degree of buyer concentration and sales concentration in traders. So, selling to big retailers and large brand-store marketers means to comply with their own rules. In addition, the offering of cheap Asian products makes the conquest of new markets and the maintenance of traditional ones more defiant than ever. Traders, usually exporting dealers, represent the rights of the buyers among manufacturers. The purchase of large lots manufactured in long lead times has characterized the role of traders and overseas buyers in the apparel value chain. By offering private label contracts, this player is focused in

manufacturing ability and/or capacity when he/she looks for outsourcing apparel (tangible products). There is no room to commercialize creative design and branding when the negotiations are carried out by buyers' representatives (traders). The buying representatives are accountable to the retailers and, producers (local manufacturers) do not control any of the strategic activities mentioned above. These conditions, combined with the atomized international apparel supply, make modular and relational connections the main trend in the chain as mentioned by Gereffi et al. (2005).

Traders and overseas buyers usually receive the fashion apparel design project (private label design planning) from the buyer and then select the potential providers/players to manufacture the project. Traders and overseas buyers are experts in dealing with contracts and in negotiating details involved in international trade (freight, shipping lines/routes, customs clearance, etc.).

Aspects of *Emerson* life story are illustrative of the role of a trader in the apparel chain. *Emerson* is a shoe trader. He obtained a bachelor's degree in business administration in 1989 from a college located in the Sinos Valley area. During his studies, he worked as a production assistant in a shoe factory. In the beginning of the 1990s he decided to join two friends (former employees of the shoe industry) and open a company to import and export shoe components and footwear. At the office, he spends most of his time on phone calls, in front of his personal computer, reading and answering emails and on meeting discussing new opportunities of business with his assistants. He spends time out visiting his clients who are in

general international buyers (retailers and store-brand marketers) and local suppliers (shoe manufacturers). *Emerson* usually visits national and international apparel and shoe components trade fairs. When he travels to developed countries (traditional markets) such as the United States, he carries a set of shoe samples to show to potential buyers and, when he comes back he starts working with sample adaptations and new projects (new private label designs). When he goes to China (low cost supplying market), he looks for new shoe components to import. In his words:

"I receive the schemes/prototypes from a retailer/store-brand marketer and then I discuss the feasibility to produce these prototypes with some selected manufacturers. Thereafter, we examine the orders and fix a schedule (on a timetable) to have all the replicas ready to ship. We do not sell items, we are bought". (CEO of an overseas trade company, personal interview, February 9, 2009).

[a2] Licensed apparel manufacturers (contractors)

Licensed apparel manufacturers or contractors are those involved with some steps of the apparel production, mainly mechanical activities such as sewing and finishing items. In general, these activities require massive and less qualified labor force. While selecting materials, lead apparel companies usually contract these manufacturers to assemble their licensed replica items (Bair & Gereffi 2003).

Contractors rely on written agreements that allow them to participate in the apparel value chain. The contracting system, which maximizes the flexibility of manufacturing, contributed to the abandon of menial work inside the four walls of leading apparel companies (former manufacturers) located in developed countries. According to Appelbaum & Gereffi (1994), the contracting system means that the so-called apparel manufacturer (leading apparel firm) does not need to employ any production workers, run the risk of unionization or wages pressures, or be concerned with layoffs resulting from changes in product demand. Through its own representative (traders and/or overseas buyers), the once apparel manufacturer can acquire the necessary production capability for a particular product run, externalizing many of the costs and risks associated with the labor process. The externalities were embraced by numerous suppliers and producers (contractors) often concentrated in interdependent networks of small apparel manufacturers (licensed manufacturers for instance) and labor pools usually located in developing countries. Once turned flexible, manufacturing (i.e. laboring) became a variable capital whose quantities and costs could be made congruent with the need of the production process. This refreshed contracting system is often based on friendship and kinship networks that reduce the workers' sense of the need for reasonable labor standards. This system flourished in countries where labor regulations are either not enforced or nonexistent, generating an array of sweatshops. Contractors must agree with the articles of the contract that is usually offered by traders and/or overseas buyers and/or store-brand marketers. Once signed, the contract becomes effective, i.e., the licensed manufacturer begins to produce the apparel items under

the supervision of the trader or the store-brand marketer. Contractors always get a minority share of the margin obtained by apparel sales because they mostly assemble apparel items. According to Bazan & Navas-Alemán (2004), some contractors established alternative/concurrent production lines to provide fashion apparel items under their own identity and brand name. In this case, they have turned into a hybrid form, sharing the characteristics of a player that will be discussed later in this chapter, the fashion apparel manufacturers.

We have interviewed *Milton*, the Chief Production Officer of a licensed shoe manufacturer located in the Sinos Valley. He got a B.S. in mechanical engineering in 1994 from a university located in Porto Alegre, Brazil. Before he was promoted to the position of CPO in 1995, he worked as a production assistant in the factory. The plant has been manufacturing shoes since 1948. He considers his manufacture team as experts in making shoes. Some of the people from his shoemaker team have been working in the production line for more than 40 years. *Milton* usually discusses projects of shoe assembly with traders. His team knows well when a project is feasible or not. He likes to discuss which material to use, which sort of adhesive to apply, how to fix the shoe parts. He knows the company has a long experience with private labels, providing materials and skilled workforce to achieve shoemaking for marketers (traders) and apparel retailers. They have been doing this since the 60s. His words:

“We attend private label (brands from fashion apparel players). In this case, the client send the project (models), we discuss the possibilities for production (cost, materials, lead time). After we signed the deal, we manufacture and ship the items” (Chief Production Officer of a shoe manufacturer, personal interview, May 5, 2009).

Occasionally and/or often, some contractors produce fashion apparel items with their own identity and brand name in a concurrent strategy to provide items for the regional and/or national market as stated by Bazan & Navas-Alemán (2004). In some conditions there is an effort for attending the international market such as in the case of the brand name Dumond from the Paquetá group mentioned by Smaniotto (2006).

[a3] apparel retailers and/or store-brand marketers

The testimony of an apparel store manager gives an idea of the activities and the goals of this player:

“We work with our apparel items. We are engaged in selling as much clothes as possible. We have our own selling policy to offer good bargains to ours customers”. (Manager of an apparel store, personal interview, October 8, 2010).

In her words, *Rose*, who works for an apparel store in São Paulo, defined the main objective of this business. She handles the sale floor. She takes care of the store windows, and she deals with the store' displays (hanged apparel items). She determines the selling price of the products and she plans the sale promotions. She analyzes the items that are in stock and out of stock. She projects the sales and the purchase of items according to the demands of her clients and the opportunities (bargains) from her suppliers.

Apparel retailers and/or store-brand marketers are deeply involved with the sale of apparel items. Apparel retailers commonly buy products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sell smaller quantities to end-users. They are at the end (downstream) of the apparel value chain. Store-brand marketers can also run free from apparel retailers. They can intermediate the purchase and the sale of apparel items. They bargain the production of specified items with manufacturers and the sale of them with retailers. Some apparel retailers are also store-brand marketers (e.g. Renner and C&A).

According to the IEMI (2007), the number of stores that sells predominantly apparel items in Brazil was around 105.000 in 2006. The large apparel chain stores and brand marketers such as Renner and C&A accounted for 24.2 % of the total distribution, and small independent stores, mostly present in residential areas and smaller cities, accounted for 21.4%. The majority of apparel stores (51%) are located in south east of Brazil. According to Costa & Rocha (2009), the main apparel

retail and wholesale clusters are located in the neighborhoods of Bráz and Bom Retiro in the city of São Paulo.

Apparel retailers obtain their goods through national manufacturers or via representatives (traders, overseas buyers) who contact overseas factories. These international links span countries and even regions, depending on the wage factor and the stage of development of the apparel industry in each country.

Apparel retailers that also exercise branding in Brazil (store-brand marketers) usually sources from national manufacturers and from international traders according to their apparel segment, e.g. medium-priced apparel chain stores that work with private label buy primarily from medium to low-cost mid-quality providers.

Apparel stores are usually placed in a fixed location (e.g. streets, malls) or at a distance (selling by mail, or/and by e-commerce), they sell in small or individual lots for direct consumption. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. Store-brand marketers often see the process of retailing as a necessary part of their overall distribution strategy.

The figure 16 ahead illustrates the connections between the IUA subcategories.

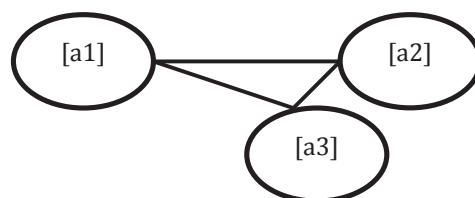


Figure 16: Connections between IUA Players

The apparel retail named boutique and/or upscale apparel store (Cheng & Gereffi 1994; Weitz & Whitfield 2010) is identified in this study as the subcategory of fashion apparel retailer due to its distinctive aspects that embellish and add value to fashion apparel items. It will be shown in the next category.

[b] FAC Players in the Fashion Apparel Chain

Our data showed that the FAC players are those who are simultaneously involved with intangible value creation and with mechanical steps of tangible value apparel production. Being so, they are connected with different providers (IUA and FSA players) to elaborate fashion apparel items.

One extracted dialog between *Miranda Priestly* (alleged *Anna Wintour* from *American Vogue*) editor in chief of *Runway* fashion magazine interpreted by *Meryl Streep* and her personal assistant *Andrea Sachs* interpreted by *Anne Hathaway* from the movie "*The Devil Wears Prada*" illustrates the previous mentioned values involved with basic apparel and fashion apparel. Andrea was wearing basic apparel and Miranda was planning and composing an editorial with fashion apparel.

While deciding between two belts for composing an outfit, one of the editorial assistants commented: "*Here. It's a tough call. They're so different*".

Andrea laughed.

Miranda asked: "*Something funny*"?

Andrea: "*No, no, nothing. You know, it's just that both those belts look exactly the same for me...you know, I am still learning about this stuff and...*"

Miranda: "*This [stuff]? Oh, okay. I see...you think this has nothing to do with*

you go to your closet...and you selected, I don't know, that lumpy blue sweater, for instance...because you're trying to tell the world you take yourself too seriously...to care about what you put on...but what you don't know is that that sweater is not just blue. It is not turquoise. It's not lapis. It's actually cerulean. And you're also blithely unaware of the fact...that in 2002, Oscar de la Renta did a collection of cerulean gowns...and then it was Yves Saint Laurent who showed cerulean military jackets (...) then cerulean quickly showed up in the collection of eight different fashion designers. And then it filtered down through the department stores...and then trickled on down into some tragic Casual Corner where you, no doubt, fished it out of some clearance bin. However, that blue represents millions of dollars and countless jobs. And it's sort of comical how you think that you've made a choice...that exempts you from the fashion industry...when in fact, you're wearing a sweater that was selected for you...by the people in this room...from a pile of [stuff]" (Finerman & Frankel 2006).

[b1] Fashion shows and fashion producers or stylists

The initial attempts to authorize and legitimize the Brazilian fashion apparel through a fashion institutionalized organization have its roots in São Paulo and Rio de Janeiro in the final decade of the last century.

Contemporary Brazilian fashion apparel shows debuted in São Paulo in the 1990s. The *Phytoervas Fashion*, a cultural event conceived to promote new fashion designers arose in the city of São Paulo in 1993. At this time, a bunch of young fashion designers e.g. Gloria Coelho, Alexandre Herchcovitch and Ronaldo Fraga composed a team that brought to the scene the image of a fashion that was under

construction thanks to *Phytoervas Cosmetics*. Before the 1990s, the references of fashion for apparel manufactured in Brazil came from the European market. Exceptionally, few Brazilian fashion allusions were ascribed to *Fenit*, a traditional textile trade fair that began in 1958. The business of Brazilian fashion was so primitive that its agents never had even imagined a brand-name concept for it. For several decades Brazilian media had made their fashion editorials based on the European aesthetic. Brazilian fashion designers were used to follow trends dictated by the textile industry established in developed markets. Brazilian fashion, at that time, lacked the exploration of the cultural universe in its own country. Therefore, fashion designers, models, fashion producers, stylists and fashion editors emerged to fulfill the modern Brazilian fashion industry that was on the rise. At that time the *Phytoervas Fashion* was broadcasted live on *MTV Brasil* (Pasqual 2010).

In 1996, one of the lead promoters of *Phytoervas Fashion*, Paulo Borges realized that there was room for a fashion week in Brazil. So, his group of fashion players started to organize the *Morumbi Fashion* that succeeded *Phytoervas Fashion*. At that time with the support of the Morumbi Shopping Center, the *Morumbi Fashion* hosted four fashion shows daily for an audience of approximately 300 people. This event rocketed the career of some Brazilian fashion designers such as Ricardo Almeida, Ronaldo Fraga and Reinaldo Lourenço. The fashion shows also launched famous models e.g. Gisele Bündchen, Ana Claudia Michels and Isabeli Fontana. Meanwhile, under Fernando Collor's presidency, Brazil started to open its market for imports. This openness moved Brazilian textile and apparel manufacturers to invest in technology in order to face foreign fashion apparel goods imported by

major brand companies such as Chanel and Versace that came to Brazil in the 1990s (Pasqual 2010).

In 2001, the *Morumbi Fashion* was renamed to *São Paulo Fashion Week* (SPFW) and the Brazilian fashion calendar was settled. However, Brazilian fashion remains under consolidation. SPFW has driven Brazilian fashion like a compelling ingredient for economic development. It disseminated the Brazilian fashion style in Brazil and abroad. SPFW is currently organized by *Luminosidade*, a fashion group that will be discussed later in this chapter. SPFW also contributed to the professionalization of a diverse value chain that involves fashion designers, models, fashion producers, stylists, textile mills, fashion media, etc. SPFW presently features two editions: one in January, anticipating winter collections and another in July for summer collections. The fashion week investment grew substantially: from US\$600,000 in 1993 to approximately US\$ 6 - 7 million in recent editions. The number of shows has also increased and reached forty nine in January 2009 with the entry of new fashion designers. SPFW is now the greatest and most important fashion event in Latin America and can be considered as a one of the largest fashion weeks in the world among the major fashion weeks such as Paris, Milan, London and New York (Pasqual 2010).

Contemporary Brazilian fashion apparel shows also debuted in Rio de Janeiro in the 1990s. The concept of the Rio de Janeiro' event was elaborated by a Brazilian journalist called Eloya Simão and an Italian architect called Giorgio Knapp. Both realized that a fashion event was essential to attract attention for new collections and gather Brazilian fashion players to think about Rio de Janeiro as a cultural echo

chamber for Brazilian fashion. So, the duo launched the *Leslie Style Week* in 1993. This event was held at the Rio Jockey Club and initially hosted twenty five fashion apparel companies. Three years later, a partnership with Barra Shopping Center moved the fashion event to the mall remaking and renaming it as *Barra Shopping Style Week*. At that time investment started to pour into the professionalization of the Brazilian fashion industry. During the next six years the Brazilian fashion calendar in Rio revolved around *Barra Shopping Style Week* (ABIT 2010; Barbosa 2010).

In 2002 Simão and Knapp debuted the *Fashion Rio* project at the MAM (Museum of Modern Art in Portuguese). At that time the *Fashion Rio* integrated major initiatives for fashion events in the city of Rio de Janeiro. This was the first time when a bunch of fashion designers were hired by both public (City Hall) and private sector. It was also the first partnership between fashion apparel companies and textile mills with support from FIRJAN (Federation of Industry of the State of Rio de Janeiro in Portuguese) and ABIT (Brazilian Textile and Apparel Industry Association in Portuguese). Under the umbrella of *Fashion Rio* most fashion shows were hosted in touristic sights e.g. The Sugar Loaf, The Fiscal Island, The Copacabana Palace, The National Library and The Lapa District (Barbosa 2010).

In May 2009, FIRJAN announced a partnership with InBrands (a Brazilian powerhouse fashion group) and the director and cofounder of SPFW took control of the *Fashion Rio*. Nowadays, the two most important Brazilian fashion events are coordinated by a fashion group that unified the Brazilian fashion calendar.

São Paulo Fashion Week (SPFW) and *Fashion Rio* are considered the two most important fashion shows in Brazil. They are the epitome of Brazilian contemporary fashion and their venues attract a wide range of fashion players such as fashion group representatives, producers, designers, media editors and fashion apparel companies' directors. They also attract models, stars of music, soap operas, and movies, as well as attract journalists, celebs, VIPs, architects, artists, fashion students, etc. People who attend fashion shows like to circulate. Some of them come not only to see the shows but also to be seen by the other key players such as the media players who are responsible for calling attention to people and events; making them famous.

Aspects of the life stories and personal testimony of some professionals are illustrative of the role that fashion shows play on developing business and careers related to fashion apparel production. We have interviewed one fashion designer (Antonio aka Lino) who has been participating in fashion shows and we have obtained, from the internet, an interview of a fashion producer/stylist (Paulo) who organizes fashion shows.

Antonio is a fashion designer in Fortaleza, Brazil. He began his career as a custom-made sewer at his home. His clients often praised his apparel items because they were original and unusual. Determined to improve his skills, he started to practice more techniques of sewing and to test new sort of materials as decoration. Soon he became popular in his neighborhood and he learned the value of his work and how to charge the right amount from his clients. The fact that his customers

were so excited wearing his apparel items called the attention of the VIPs of Fortaleza. These people started to ask him new apparel items and then these items were exposed on TV screens while high society parties were being reported. From that time he started to receive invitations to show his collections on the runways. Last year, he participated in the 2 seasons of the *São Paulo Fashion Week* (SPFW). Antonio (Lino) has already participated in the fashion weeks of Tokyo and Paris. During his trips around the world, he observes different places, people and habits and, from this diversity, he gets inspiration to create his new collections of fashion apparel. He considers fashion shows as the pinnacle of his work. He knows his collections are often crowned on the runways and so, he takes all means to be successful on stage. His words:

"I believe I am an artist who creates a particular style. Today, I see my work being recognized by our society. My style was initially accepted by regional VIPs, and then it became noticeable by the regional media because VIPs usually wore my items during fancy events. In addition, the national media was charmed by the unusual materials that I have incorporated in my apparel items. This also attracted attention of the international media. All of this helped me to get access to some prestigious fashion shows that rocketed my work, style and career. The aesthetic theme of a fashion apparel collection is usually planned through brainstorming based on many ideas that are then shaped by cultural and social trends. My work is done in my atelier because my collections are fashion sensitive. I own two retail stores and one showroom. I

have a very skilled workforce. My team makes things happen. I consider the originality of my work along with the responsibility in complying with delivery times an essential feature to fashion apparel business.

(...) My creation goes beyond the mechanical process of making clothes. My creation pushes me to go around and see art collections. I should see these crafts to create delusions. This is a process that makes me less prejudiced and that contributes to improve my work. If you see my shows you will notice that the drawings and the images look different but they have coherence.

(...) I occasionally sell items from my conceptual collections however the items that really sell are the commercial ones, those less impudent or more cognized by the market. I actually make few bold conceptual items. They account for less than 20% of the total production of the atelier". (Lino Villaventura, personal interview, September 29, 2010).

Paulo is a fashion producer in São Paulo, Brazil. He considers himself as an entrepreneur. After working with a fashion journalist, he decided to promote fashion shows for new fashion designers: *Phytoervas Fashion* and then *Morumbi Fashion*. At the present time, he promotes the major fashion weeks in Brazil: *São Paulo Fashion Week* (SPFW) and *Fashion Rio*. Paulo started selling the idea that fashion production is a source of profits and if companies put their money in fashion events they would get high income. Initially he convinced some companies to invest in the talent of young fashion designers. To practice his project, he gathered a small group of young and creative designers and with the money he initially obtained

from some investors (e.g. Phytoervas cosmetics) he started to organize remarkable fashion shows (*Phytoervas Fashion*). *SPFW* and *Fashion Rio* contributed to the creation of a new concept of fashion in Brazil, incorporating social and cultural Brazilian lifestyles to apparel production. In addition, these fashion events established a national fashion calendar. At present time, the production of the most important fashion show in Brazil involves around 1500 people, 50 fashion apparel collections, about 100.000 watchers and it cost around US\$ 5 million (*SPFW 2010 Summer Edition*). His words:

"We have a committee of fashion designers in the São Paulo Fashion Week. (...) It analyzes each candidate proposal (overview of the product/concept comprising its identity along the time). The committee discusses the compatibility of the proposal with fashion design general consistency (Is this product a workable fashion design?). We take care and we thrust into products that are based in fashion design. This is a top-down move of fashion design into apparel items". (Paulo Borges, personal interview with Sérgio Waib on July 23, 2006).

"(...) During the fashion shows we share our ideas about fashion apparel and design. There is a convergence of ideas; we go beyond our core activities of fashion design and fashion apparel to prize cultural and artistic expressions such as photography, motion pictures, music, and architecture". (Paulo Borges, personal interview with Fernando Carvalho on June 15, 2010).

[b2] Fashion design

Contemporary fashion design has considerably evolved in the last two decades in Brazil. This role of applying design and aesthetics or natural beauty to apparel has its roots in the 1970s, when some fashion designers such as *Zuzu Angel*, *Lino Villaventura* and *Gloria Coelho* incorporated aspects of Brazilian culture in fashion apparel items.

In the 1980s new fashion design projects appeared but almost like in the 70s they were proposed in an isolated way, showing that fashion design in Brazil was still incipient. However, these fashion designers had the opportunity to show their work in the newly launched fashion weeks of the 90s (player *b1*). Example of these fashion design initiatives came from the work of Carlos Miele (*M. Officer*), Oskar Metsavahat (*Osklen*), Reinaldo Lourenço, Tufi Duek (*Triton and Forum*) and Valdemar Iódice.

Some Brazilian fashion designers from the 70s and the 80s studied in fashion schools in Europe and/or in dressmaking technical schools in Brazil.

After 1989, the first fashion design graduate courses appeared. These courses revealed a new generation of recognized fashion designers in Brazil e.g. Alexandre Herchcovitch, Icarius de Menezes, Gisele Nasser, Simone Mina, Adriana Barra, Vinícius Campion (*AMP – A Mulher do Padre*), Érica Ikezili, Emilene Galende and Thaís Losso (*Cavalera*) among others.

During the 1990s some new fashion design grads had the opportunity to present their designs in the recently created fashion shows (player *b1*) along with the previous generation.

The fashion designers of the 80s and 90s have launched the process of consolidation of the fashion apparel design in Brazil.

Fashion designers usually apply aesthetic trends to apparel. This artistic work is influenced by cultural and social attitudes, and has changed over time and place.

One aspect that has been highlighted by some fashion designers in the last years is sustainability. Oskar Metsavahat from *Osklen* is deeply involved with bringing the idea of simplicity, design and materials from sustainable sources to fashion design. He created the *Om.art*, a creative design office where his team works with new projects for Brazilian and international partners such as the new *Arpoador* watches for *H Stern* jewelry; the pop art apparel collection (jointly with The Andy Warhol Foundation for the Visual Arts) for the *Coca Cola Company*; the *Ipanema RJ* sandals inspired in the contemporary style of the city of Rio de Janeiro (Osklen 2011). Recently Oskar was invited to join RTG (Runway to Green) a fund-raising project that brings together today's most important and relevant fashion designers to raise funds, educate and create awareness for the environment. This project is cosponsored by American Vogue (Runway to Green 2011).

Fashion designers work in different ways in designing apparel. Some work alone or as part of a team. They strive to please consumer desire for aesthetically designed fashion apparel; and, because of the time required to bring a new

collection to the market, they should at times anticipate changing consumer tastes. In fact, some fashion designers have a reputation, which enables them to prescribe fashion trends.

Evidences from our data revealed that we can find 6 different ways of fashion designer insertions in fashion apparel production in Brazil:

(1) A fashion designer who work full-time for one fashion design company which owns the designs; (2) An independent (freelancer) fashion designer who works selling his/her designs to fashion apparel retailers that bears private labels (store-brands); (3) Fashion designers who set up their own brand name (designer identity), under which their designs are marketed. In this way fashion designers act as national and/or international marketers; (4) Fashion designers who attend specialty stores or high-fashion department stores as a R&D team employee. These designers create original items, as well as those that follow established fashion trends; (5) Fashion designers who have their own fashion apparel stores and/ or fashion apparel manufactories; (6) Fashion designers who works for apparel manufactories, creating fashion basic items for everyday wear.

Recognized in Brazilian market, some fashion apparel brand names such as *Herchcovitch*, *Lino Villaventura*, and *Iódice* are designed by a team of designers under the direction of one chief fashion designer, usually the CEO of the fashion apparel retailer and manufacturer (insertion 5). However, some companies' brand names such as *Forum* (AMC textile), *Osklen* and *Ellus* (InBrands) exceed the name of their CEOs. Chart 7 illustrates the association between value and price for some Brazilian fashion apparel identities and brand names.

Chart 7: Brazilian Brand Names - Average Price Point for Men's Jeans

Brand names	Average price point for men's jeans in Brazil in 2010
Herchcovitch	US\$ 215
Osklen	US\$ 225
Ellus	US\$ 218
Iódice	US\$ 280
Forum	US\$ 275

We have interviewed Sylvie, a fashion designer who set up her own brand name (insertion 3). Sylvie's work is representative of the effort to create a genuine style of Brazilian fashion design. She produces around 600 pairs of shoes per seasonal collection. The retail price point of her shoes is between US\$ 440 and US\$ 500 (December 2010 in São Paulo boutiques). She outsources her tangible production (replicas) from 2 small shoe plants, one in the state of São Paulo and the other in the Sinos Valley (state of Rio Grande do Sul). Her main clients are boutiques situated in the southeast region of Brazil. Sylvie graduated in public relations and advertising in the ESPM (School of Advertising) in São Paulo. Right after graduating she moved to Europe looking for additional training where she followed some courses on photography, history of art and industrial design. She considers herself as a very curious person and she likes to test new materials and to create new objects for decoration. Once in Europe, she was invited by a retailer to create a new collection of home decoration. She opened her own atelier in Milan, Italy and started to work with an array of different materials such as glass, wood, plastic, paper, straw. This past experience helped her to utilize unusual materials to fashion

apparel production, e.g. new textures and colors. Sylvie considers this work as her creation and her original fashion identity. When she came back to Brazil she decided to continue on her own way of working, adopting Brazilian materials. She considers inspiration as something essential for her creation. Her creation needs inspiration for uprising, growing and happening. Her relation with images and material is fundamental for her creation. Her inspiration comes from objects that attract her attention such as colors, a combination of lines or curves from a leaf or a stone. She collects these objects from the nature and put them in a cardboard box, and then she recovers some of these materials when she is planning to create her new collection. If she decides to work with coconut fiber for instance, she will deeply search about this material, especially on the internet. After collect as much information as possible about coconut fiber, she will be more confident to sketch her new collection. These materials gathered during the research process along with the research itself form her chart of inspiration. While sketching the models with the help of the chart of inspiration, her imagination comes up on they way to visualize all the possibilities to use coconut fiber. Aspects of her design and original materials are shown in Appendix H, p. 200 (Duarte 2011). When Sylvie decides to elaborate the commercial replicas, she commonly visits her contractors to guide all the artisans who work for her. Her words:

“The more I focus on my chart of inspiration; my fashion apparel collection will have more consistency. I mean, my models will have an identity to share. I work with materials and colors that have already been tested by me”. (Sylvie Quartara, personal interview, November, 9, 2010).

“I do work with my own style. My style has always been soft. I have never admired industrial (mass production) processes. I consider myself an artist while planning my collection and I act as an advisor when I guide the team of artisans who works for me. I like my duty of telling the story of my collections”.

(Sylvie Quartara, personal interview, May, 7, 2009).

We have also interviewed Fernando Pires, a fashion designer who owns a fashion apparel manufacture plant and a fashion apparel store (insertion 5). Fernando graduated in Architecture and Urban Design in Santos, Brazil in the 70s. Right after graduating, he started to develop projects for home building. Years later, one of his clients perceived his interest in fashion design and suggested him to create new models of fashion apparel items. He accepted the task and started this new project that he carries on until now with the group of few dedicated artisans who work in his plant. The technical knowledge he learned in college helped him to design and build innovative models. He likes to build bold models. He defines himself as audacious in creating strong models for personally strong women. He has a bunch of friends who loves his style. Among these friends there are celebrities who are lured by him and who prize him by conspicuously showing his models on fashion shows, on remarkable parties and on TV programs. He usually borrows his models for fashion productions and for fashion editorials. He likes to participate in the fashion circuit of São Paulo. His words:

“Fashion designers seek to create apparel which is functional as well as aesthetically pleasing. They should consider who is likely to wear an article and the situations in which it will be worn. They usually have a broad range of combinations of materials to work with and several colors, patterns and styles to choose from. I do work with my own style. My style has always been innovative and daring. I am not involved with industrial (mass production) processes. I am an artist when I plan one collection and I am an artisan when I and my team manufacture it. I do also own a retail store for my brand. When I finish one item, and I see that it looks like (It fits the image of) one celebrity who is a friend of mine, I send it to her” (Fernando Pires, personal interview, March 25, 2010).

[b3] Fashion media

Fashion media, often represented by fashion editors, reunites a group of professionals responsible for describing aspects of fashion apparel conceptual production (beauty/artistic inspirations, synesthesias involving fabric/fiber, color, material textures, decorations, conceptual design and shapes) and for preparing these aspects to be published in the fashion media. These people are commonly fashion writers, fashion critics, fashion journalists or reporters. Obvious cases of fashion edition are the fashion features in magazines and newspapers. Other examples include books about fashion, fashion related reports on television as well as online fashion magazines websites and blogs.

There are many fashion publications in Brazil. Some of them progressed in the last two decades. Some important fashion magazines are, for example: *Vogue Brasil*; *Elle Brasil*; *Estilo (InStyle)*; *Marie Claire Brasil*; *Claudia*; *Manequim*; *Mag!*; *Moda Joyce Pascowitch*; *L'Officiel Brasil*, etc. Certain fashion magazines are published by independent Brazilian media companies; others are published by Brazilian media groups (e.g. Globo and Abril) in association with international media groups such as Condé Nast (*Vogue*); Time Warner (*InStyle*); Hachette (*Elle*). In addition, there are many pages and blogs dedicated to fashion in the internet. Some popular ones are, for instance, *Fashion forward* (www.ffw.com.br); *Fashion bubbles* (www.fashionbubbles.com.br); *Chic Gloria Kalil* (www.chic.ig.com.br); *Glamurama* (www.glamurama.uol.com.br); *Oficina de Estilo* (www.oficinadeestilo.com.br), etc.

The work of a fashion editor can be quite varied. Regular work includes writing or editing articles, or helping to formulate and style a fashion shoot. Fashion editors are involved with the creation and dissemination of stories that comprise life style, fashion trends, urban outfits in a general intellectual, moral and cultural climate of a specific era (*zeitgeist*). These aspects can be checked out in the monthly works of Patricia Carta and Daniela Falcão in *Vogue Brasil* (Carta 2009; Falcão 2010); Deise Garcia in *L'Officiel Brasil* (Garcia 2010); Monica Serino in *Marie Claire Brasil* (Serino 2010) and in the weekly works of Stefano Tonchi; Armand Limnander (Appendix I, p. 201); Walter Kirn and Will Self (Kirn 2009; Limnander 2009; Self 2009; Tonchi 2009). A fashion editor generally spends a lot of time researching and/or conducting interviews. It is fundamental that he or she has good contacts with people in the fashion industry, including designers, photographers, and public

relations specialists. Fashion editors are either employed full time by a media company or are employed on a freelance basis (Ceratti 2010a; 2010b).

We have interviewed *Regina*, a fashion journalist who works as a fashion apparel editor for one of the fashion magazines listed before. *Regina* commonly spends 5 to 6 hours a day browsing fashion sites and blogs, answering phones, examining trends, materials, fashion designs, looking for the best fashion shows and parties. She usually gets the inspiration for the theme or narrative of a fashion story she is planning to write from her search on the internet. She believes she is a hired gun for fashion designers and photographers. She helps fashion designers to edit their collection and she gives assistance to photographers to sell their images. Regina loves traveling to designated cities, cultivating relationships with showrooms, choosing the right items for the story and making arrangements for the delivery and return of fashion apparel items. She appreciates when she is invited to seat in the first row in a fashion shows. She likes to make sure every thing is right. She dresses somewhat thematically and she makes sure she has the right jewelry on, the right shoes. It's all about the details. She occasionally gets free fashion apparel items. She admitted that according to the editor's rank, one can get a good amount of items at different levels. But one has also to be careful not to get too greedy. She stated that people will notice this behavior. She pointed out that it is hard and a strange thing. It is partly friendship and partly bribery and things can definitely get out of hand. Her words:

“We are a branch of a news group dedicated to provide fashion information to fashion professionals and fashion apparel end users (consumers). We intend to be a fashion beacon. We are 3 fashion editors (fashion journalists) and a group of freelancers: stylists, journalists, photographers, beauty stylists. We are engaged in telling the story of fashion apparel collections, we suggest various fashion outfits. We blend valuable feeling and beliefs with apparel items in our contents”. (Journalist of a fashion magazine, personal interview, February 3, 2011).

[b4] Fashion groups

Fashion groups are usually branches from textile, entertainment, financial and media conglomerates that invest capital in fashion events production. They partner with leading consulting marketers and media networks to help fashion apparel retailers and manufacturers grow their businesses through event properties, media production and distribution, talent brands, sponsorship consulting, brand licensing, sponsorship sales and other services. Fashion groups usually provide expertise in media production and distribution across multiple platforms; event creation, management and sponsorship sales; client representation and brand management and consumer products licensing (IMG 2010).

At the present time, fashion groups are in a process of consolidation in Brazil. The best example is *Luminosidade* from InBrands investment group (Veja 2010). *Luminosidade* was founded by Paulo Borges in the 80s and was invigorated by other partners in the 2000s. The group’s main product is the SPFW, but it also organizes

the business meetings surrounding the SPFW. In addition, *Luminosidade* produces the content of the *Fashion Forward* website, the *Mag!* (fashion magazine) as well as the *SPFW Journal*. This group also holds the *In-Mod – Instituto Nacional de Moda e Design* (National Institute of Fashion and Design), the institutional organism of the SPFW.

Another noticeable group is *Casa de Criadores*. This group is recognized as a breeding ground for new artists (visual artists, graffitists, etc), graphic designers, photographers and fashion designers. *Casa de Criadores* has launched and supported fashion designers and their own brand names such as *Andre Lima, Carlota Joaquina, Cavalaria, Elisa Chanan, Fabia Bercsek, Giselle Nasser, Icarius* (fashion designer of *Diesel*), *Juliana Jabour, Jum Nakao, Karlla Giroto, Lorenzo Merlino, Marcelo Quadros, Marcelo Sommer, Mario Queiroz, Ronaldo Fraga, V. Rom*, among others. The director of this group, Andre Hidalgo is also the owner of a prestigious night club in São Paulo called *Clube Gloria* where he promotes outstanding parties and vernissages (Casa de Criadores 2011).

Other fashion groups (perhaps other ventures) are under construction according to new investments on national and international brand names sponsored by holdings such as Jereissati, Artesia, JHSF, Vicunha and AMC Textile. Some facts of these industrial groups are shown in the next paragraphs.

There are evidences that these industrial groups are investing in fashion industry. In 2010, Diane Von Furstenberg (DVF) opened her first store in Latin America (Nika 2010). It is located in *Iguatemi* São Paulo, a luxury mall that host

famous fashion apparel stores such as Christian Louboutin; Louis Vuitton and Chanel. *Iguatemi* shopping mall belongs to the Jereissati holding.

Jereissati holding began its operations in the textile area in the beginning of the last century in Fortaleza, Brazil and, subsequently, diversified its investments in the real estate and metallurgy industries. It currently operates in telecommunications, service and food sectors and has its headquarters in São Paulo. The *Iguatemi Shopping Centers* is one of its branches (service) founded in 1973. It is one of Brazil's largest full service companies in the shopping center industry. Its operations comprise project conception, planning, development and management of regional malls and mixed-use real estate complexes such as commercial towers and residential projects in urban areas. *Iguatemi* São Paulo is the main shopping mall of *Iguatemi* company (IESC 2011).

Artesia is an investor group which manages the resources of its own members. It was founded in 2003 by Brazilian businessmen. At the present time the group holds companies such as *Le Lis Blanc* (women fashion wear), *Metalfrío* (commercial freezers) and *Produquímica* (nutrients for agriculture) (Adachi 2010).

JHSF holding is a leader in Brazil's real estate industry, with significant operations in development of large-scale and mixed-use residential and office projects; development and management of shopping malls; rentals of office properties; and high-end hotels. The JHSF holding has developed unique expertise in the real estate luxury segment, known for its attractive margins and short payment cycles. One of the large investments of JHSF is the *Cidade Jardim* mall in São Paulo. Prestigious international brand names (Chanel, Hermès, Giorgio Armani, Jimmy

Choo and Salvatore Ferragamo) and national ones (Carlos Miele, Daslu, Reinaldo Lourenço and Valdemar Iódice) are hosted in this luxury shopping mall built and managed by JHSF. (JHSF 2011).

Vicunha is one of the largest textile manufacturers in the world, with more than 40 years of expertise in the market. With factories in Brazil and Ecuador and sales offices in Argentina and Europe (Switzerland), *Vicunha* occupies a prominent position in the domestic and international markets. Highlighted among its main areas of operation are the production and sales of Indigo and Twill. *Vicunha's* leadership role in the Brazilian textile market can be verified by several indicators. Currently, it is responsible for 40% of the Brazilian production of Indigo Denim Fabric, being also one of the largest producers in the world. *Vicunha* is one of the main sponsors of *SPFW* and *Casa de Criadores - House of Creators* (Vicunha 2010; Fashion Forward 2011).

AMC textile was founded in the 80s in Brusque, Brazil. It is one of the largest national producers of knitwear. The holding owns some Brazilian fashion apparel retailers and it has been constantly investing in fashion industry by acquiring new national brand names. At the present time the holding manages the brands Tufi Duek, Forum, Triton, Forum by Tufi Duek, Colcci, Sommer, Coca Cola Clothing, Carmelitas and Menegotti (IEMI 2006).

We have interviewed *Daniel*, an international sales director of a fashion apparel manufacturer and retailer that belongs to one of the holdings mentioned before. He graduated in Engineering in the 1990s and post graduated in Industrial

Design and Marketing in the 2000s. *Daniel* has been working for the group since 1996 and for the fashion apparel integrated firm (retailer and manufacturer) since 2006. He manages the sales of replicas (private labels) from national designers who sell abroad. Sometimes he observes the work in the R&D division of the company. *Daniel* often participates in meetings with the team of designers in the R&D division. He is invited to give his opinion about market trends and effective sales. Most of these meetings occur due to the company's own projects of new models. He also appreciates the private label projects in a way to recommend some final commercial details (prototype adaptations) before the production of the replicas. His words:

"We do work with two kinds of businesses: with our own identity (brand name) and with brands of other players (national luxury private labels). Our identity essentially demands creativity from our team of designers and modelers. We experience new materials and new design concepts. When we are engaged with our own collection we invite some different providers to join the team for a while. We have retail stores for our own brand. When we are dealing with private labels, there is always hard negotiation about price and time. We are commonly involved with modeling and material issues to check the possibilities for attending clients' demands. In private label business, teams are composed mainly by manufacture assistants from our plant". (International sales director of a fashion apparel manufacturer & retailer, a branch of a holding company, personal interview, June 6, 2009).

[b5] Fashion apparel manufacturers

Before explaining the next subcategories of fashion apparel players, a caveat must be formulated. As noticed before in the words of *Daniel*, data obtained from some fashion apparel players have shown that there is integration between manufacturing and retailing activities in basic and in fashion apparel manufacturers. That is, along the time some apparel manufacturers have incorporated the fashion concept and then they have decided to sell at retail their own production or part of it by opening their own stores in a process of downstream integration. Some fashion apparel players born integrated in a form that comprises atelier plus store such as the beachwear company *Banco de Areia* that will be shown later in this chapter.

Fashion apparel manufacturers are those who design and manufacture their own fashion apparel items. Most of them have their own identity that comprises their own brand. Fashion apparel manufacturers often work with private label, identity that belongs to other fashion apparel players. Fashion apparel manufacturers are in general independent enterprises of fashion designers and/or fashion producers who work full-time for their companies. However, in this case, the identity and brand name of the company surpass the identity of the chief fashion designer. This suggests an easier succession along the time. As said before, some fashion apparel manufacturers integrate downstream, also becoming fashion apparel retailers.

We have interviewed *Alex* from a fashion apparel manufacturer that produces men's fashion wear. For over 10 years, *Alex* worked in an apparel factory.

He began as a machine operator, sewing straight seams. Decided to improve his skills he started so a course in a nearby school for technical designer. There, he exercised more complex operations on new materials. After noticed that *Alex* was learning new techniques of sewing, his supervisor asked him to train on some specialized machinery. By the time *Alex* left the factory in the 1990s, he had risen to the appointment of sewing supervisor.

Alex left the company voluntarily to open his own atelier. He felt he could make more money sewing on his own. *Alex* used his savings to buy an industrial sewing machine and he started to visit some local apparel retailers to make contacts with potential markets. Through local retailers he was introduced to a fashion designer who was an intermediary and trader. This fashion designer was interested in people that could produce for boutiques located in touristic areas.

Alex has now been working for this fashion designer, who has been his partner, for 3 years. They both work on designs, on fabrics as well as on their own identity and brand. His partner usually buys the fabric and the materials for decoration which are of very high quality, and delivers them to *Alex*, who cuts and assembles the fashion apparel items. He then takes the finished items to the fashion designer to deliver to the boutiques. They are paid for their work by the piece. They know that their superior skills were fundamental to their success in ascending to fashion apparel manufacturers. Now they have 5 industrial sewing machines and 4 assistants to help them when they have large orders.

Alex and his partner have visited some boutiques, so they know the final selling prices of their fashion apparel items. They would like more of that price to

come to them. Now, they are ready to move toward greater independence and the key is to have their own stores. His words:

“Our fundamental processes are cutting, modeling, patterning and graphing. We also perform dyeing and washing and then smoothing and finishing. All these steps are done in our plant. We feel delighted and proud when we see in the news one of our celebs wearing our products. We didn’t pay anything for her. It comes from her distinguished personality. It rocks. We ask local street artists to create graphics to our T-shirts. We invite soap opera and movie stars to celebrate our new collections. We dress deejays and veejays. We fancify pop venues. We need to gather cool people” (Owner of a fashion apparel factory, personal interview, September 10, 2008).

We have also interviewed *Waldete*, a former lawyer who has engaged in fashion apparel production. *Waldete*, her husband and some partners established a fashion apparel manufacturer called *Banco de Areia* in the city of Rio de Janeiro in 1999. Since its beginning, her beachwear manufacturing company embodied fashion concept, uprising as an atelier with its own brand-name stores. However, most of its production is commercialized by independent beachwear stores. A sample of a *Banco de Areia* swimsuit is shown in Appendix J (p. 202).

Visiting Ipanema, the famous touristic and charming Rio de Janeiro’s beach and neighborhood, one can find ready-to-wear boutiques gathered in a bundle of fashion malls. All these beachwear stores are quite similar, but every windows looks

for special market style and fashion details. In this scenario, *Banco de Areia* disseminated own brand-name stores. At present time the company has 17 retail stores in the city of Rio de Janeiro. The company is expanding its manufacture and its retail activities in the domestic market. Her company also operates in the international market since 2003, exporting its products with its own brand to several countries of the Americas (Canada, Caribbean Islands, Chile, Mexico and USA) Europe (Belgium, France, Holland, Italy, Greece, Portugal and Spain) and Asia (Indian Ocean Islands, Indonesia, Israel, Malaysia and Turkey). Currently the company manufactures around 40.000 items per month in its plant. More than 20% of its items are exported. Italy and Spain are the main destination abroad (Pinto, 2009). The main fashion apparel players that supply materials (graphic fabrics) for her company are two textile mills, *Rosset* and *Teka*, they are specialized in attending fashion apparel manufacturers. Her words:

"The production is totally carried out into the Rio de Janeiro's plant, only when the demand is greater than the plant's capacity we subcontract the sewing step (...) Brazil and its lifestyle is responsible for beachwear trends. We envisage them and with our partnership with textile mills such as Rosset we get exclusive graphics (...) Brazilian beachwear creation is considered excellence. The characteristic of most products forbids manufacture subcontracting e.g. suitable graphics for the shape and size of bikinis. Beachwear's quality is reflected in its fabric, shape and finishing (...) Style and creation teams are committed to invent graphics and to choose fabrics. The teams usually expend 3

to 4 months to visualize the collection"(Waldete Almeida, representative of a fashion apparel manufacturer, personal interview, September 9, 2008).

Chart 8 ahead illustrates the price point (full price) for apparently similar apparel items in the Brazilian market (Rio de Janeiro and Porto Alegre). Data was gathered on April 2011.

Chart 8: A Comparative of Price Points – Basic and Fashion Bikinis

Outfit sample	Basic apparel price point	Fashion apparel price point
<i>Bikinis</i>		
Tops	US\$10	US\$ 45 ¹ US\$ 42 ²
Bottoms	US\$ 10	US\$ 45 ¹ US\$ 42 ²

Basic items from *Riachuelo* stores

Fashion apparel items from *Salinas*¹ and *Banco de Areia*² stores

[b6] Fashion apparel retailers

Some fashion apparel players can be identified as fashion apparel retailers though some of them share retailing and manufacturing activities. However, retailing activities prevail in this subcategory. This characteristic is shown in evidences from data analysis. Fashion apparel retailers are those involved in the sale of fashion apparel merchandise. They commercialize their items in a close fixed location (e.g. fashion apparel stores and/or boutiques or kiosks) and/or at a distance (by mail, or/and by e-commerce). This last model allows non-store

retailers. They sell in small or individual lots for direct consumption. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. Commonly, a fashion apparel retailer buys products in medium or small lots from manufacturers or marketers, either directly or through traders, and then sells smaller quantities to end-users. Fashion apparel retailers are at the end of the apparel chain. Some manufacturers and marketers see the process of retailing as a necessary part of their overall distribution strategy.

We have interviewed *Lisa*, the manager of a fashion apparel store located in the Market Place shopping mall in the city of São Paulo. *Lisa* started working in 1992 as a sale attendant for the same chain store. She graduated in Business Administration in 2005. Right after graduating she was promoted. She supervises her sales people and manages the fashion apparel collections commercialized in the store. *Lisa* takes care of all the store equipments that embellish the presentation of the collections. She makes the sale floor looks cool with nice ambient sound and lighting. She usually gives her opinion about the sales of past collections and about projects of fashion apparel items while participating in meetings with the directors of the company and fashion designers. She also suggests some fashion designer work. All the fashion apparel items commercialized by the store have the store identity and brand.

Lisa has an array of friends who are fond of the style of the store. Among these friends there are celebrities and fashion editors who are lured by her and who

prize her by visiting the store. She usually borrows items from the store collections to fashion producers and these items are shown in fashion magazine editorials.

“We are involved with consumer’s outfit. We have noticed that fashion apparel business evolved drastically in the past 20 years. We have seen a professional upgrading of an array of people who create fashion catalogs, who make up fashion productions and who set up retail media layout. We experienced fashion apparel collections from young designers. We were occasionally engaged in fashion apparel projects along with textile companies and fashion designers. We are focused on consumer goods and fashion apparel is an important ingredient of that” (Fashion apparel retailer, personal interview, November 4, 2010).

We have also interviewed *Cristina* and *Hilda*, representatives of fashion apparel retailers. Both executives evidenced the transformation of their companies once predominantly apparel manufacturers and now mainly fashion apparel retailers.

Cristina is one of the partners of a fashion apparel retailer called *Agilità* that set up business in the city of Niterói (metropolitan area of Rio de Janeiro) in 1988. Initially the enterprise was an apparel manufacturer and a wholesale company. In 1993 the company initiated a strategic change as it integrated retail activities in its business by opening its first retail store in the city of Niterói. Initially as a manufacturer and wholesale, the company produced and commercialized knitwear,

basic and fashion-basic apparel items. After opening its first retail store, the company started to produce and sell fashion apparel items with its own identity, brand name and style. In addition, the company became more fashion-oriented and more focused in its own retail stores indicating that the company had decided to integrate its production flow downstream. A sample of *Agilità* outfits is shown in Appendix K (p. 203).

At the present time, *Agilità* owns one plant in São Gonçalo (metropolitan area of Rio de Janeiro), five retail stores in the city of Rio de Janeiro and three wholesale stores (two in the state of Rio de Janeiro and one in the city of São Paulo). In addition the company holds two showrooms, one in Ipanema neighborhood (city of Rio de Janeiro) and the other in the city of São Paulo.

Agilità occasionally exports its items to the United States and Europe. The company participates in fashion fairs in Miami (USA) and Paris (France) but recently, economic downturn faced by its main overseas' clients, drastically reduced company' orders from abroad.

According to *Cristina* who currently works as a commercial representative of *Agilità*, women' fashion apparel industry is very competitive and volatile. There are few textile mill providers *e.g. Cedro, Vicunha* and *Santanense* and many rivals in the fashion apparel retail. Her words:

"Our essential identity is related with our creation and style. What you can see here hanging in these hangers are original models that soon will be replicated according to our coming orders. This is the output of a strenuous work of

research on fashion trends, materials, manufacture techniques, cost, etc. (...) Only inside the company, with our team, we can conceive and bring to reality a shape that will appropriately fit in our customers, those who feel feminine for real. (...) We only send the replicas outside for sewing and finishing but under close supervision of one of our inspectors". (Cristina, representative of a fashion apparel retailer, personal interview, September 8, 2008).

Hilda is a commercial representative of a fashion apparel retailer called *Armadillo* that set up business as a basic and fashion-basic apparel manufacturer in 1988. Six years later (1994) the company turned out as a men's youth fashion apparel wholesale company and in 1995 the new conceived fashion apparel company decided to open its first retail store in Botafogo, city of Rio de Janeiro. After opening its first retail store, the company became fashion-oriented and as the previous example (*Agilità*) adopted the path of an integrated firm. It gradually directed its manufacturing efforts to provide its own fashion apparel items (with own identity and brand name) for its own stores. Up to now, according to *Hilda*, the company possesses one plant, one showroom and one wholesale store in São Cristovão, a neighborhood located in the northern area of the city of Rio de Janeiro and twelve retail stores throughout the city of Rio de Janeiro. *Hilda* mentioned that sometimes the company exports its items to Spain. *Armadillo* usually takes part in *Fashion Rio*, one of the most prestigious fashion fairs in Brazil. A sample of *Armadillo* outfit prototypes is shown in Appendix L (p. 204). The company carefully selects textile mill providers such as *Vicunha* and *Tavex*. Her words:

“Our fundamental process involves the whole fashion apparel cycle; we mean its manufacturing and retailing steps. By manufacturing we consider cutting, modeling, patterning, dyeing, washing, smoothing and finishing. By retailing we envisage the presentation of our items in the sales floor; this is the reason why we maintain a replica of our sales floor in the showroom here inside our headquarters”. (Hilda, representative of a fashion apparel retailer, personal interview, September 10, 2008).

[b7] Textile mills

Even though textile mills were mentioned in the subcategory of *fashion groups (b4)*, there, they are seen as part of corporations that are building fashion groups, a distinct player that acts in the fashion apparel chain as considered before.

Some textile mills are intrinsically linked to chemical industries and some others are close associated with fashion apparel manufacturers and/or retailers. Textile mills often work with certain patterns of fabric and/or specific pigments that allow fashion apparel manufacturers to be creative while using materials. At the present time, one of the major challenges faced by textile mills is to become flexible in their production processes, that is, to be capable of manufacturing small and diversified lots of fabric in short lead times. The textile mills are companies that require a huge expenditure in the form of capital and technology. These companies are characterized as economies of scale since they demand large investments in technology and equipment and they are only profitable when maximizing their production output.

Traditionally prominent in the Brazilian economy since the beginning of the last century, this sector is dominated by large national and international corporations who have a major influence on the apparel industry (Massuda 2002).

Brazilian textile industry is among the 10 largest producers of yarn/threads, woven and knitted fabrics, especially from cotton. In this last segment - with a predominance of cotton knits - the country is the third largest producer, only behind the United States and India (Gorini 2000). Brazilian textile and apparel sectors are the sixth largest producer of textiles and garments in the world. However, in relation to the world trade, it is in 46th among the major exporting countries and 43rd among the major importers (Costa & Rocha 2009).

Santa Constancia, *AMC Textile*, *Vicunha* and *Rosset* are among some textile mills that have close relations with fashion apparel manufacturers and/or retailers.

Santa Constancia is an outstanding example of partnership with fashion industry. It is an innovative manufacturer of knitted and plain-woven fabrics. The company owns 3 showrooms in São Paulo and Rio de Janeiro. It is a vertically integrated company that transforms raw yarn in finished fabric. *Santa Constancia* textile mill dyes, draws graphics and produces special textures effects due to its exclusive manufacturing processes. It is a leader and a pioneer in manufacturing natural fabrics with spandex in Brazil. The company usually supports young fashion designers and Brazilian renowned brand names in their fashion apparel projects. Besides its own collections, the company produces unique graphics in association with its customers: fashion designers, fashion apparel manufacturers and retailers (Santa Constancia 2011).

We have obtained a testimony of Costanza Pascolato, one of the top executives of *Santa Constanca* textile mill. She commented about the relations between textile mills and fashion apparel manufacturers. Her words:

“The connections of the textile mills with the contemporary fashion industry in Brazil are recent and immature but we are improving to provide appropriate materials. (...) During the 80s and 90s, groups of investors forged fashion groups to manage brand names and lifestyles in Europe and in the United States. Among those investors there were textile mills. They are at least 20 years ahead of us”. (Costanza Pascolato, Textile mill representative and author of Confidential, interview with Tatjana Ceratti on July 16, 2010).

Next we elaborated the figure 17 that illustrates some connections between the FAC subcategories. Solid lines represent tangible value and dashed lines represent intangible value.

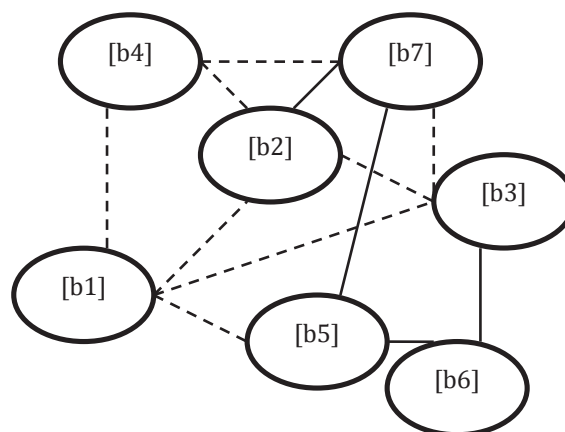


Figure 17: Connections between FAC Players

[c] FSA Players in the Fashion System Network

Our data revealed that the FSA players are those who are deeply involved with intangible value creation such as the production of social and cultural images, ideas, concepts and tastes. FSA players are associated with urban environments where procreative connections arise encouraged by the diversity of skilled professionals who lives in certain cities.

In Brazil, the first urban influences over the contemporary fashion industry was noticed during the events surrounding the national textile fair (Fenit) in São Paulo in the 1970s. At that time fashion producers associated new technological innovations applied to fabrics with new urban artistic productions such as urban designs and urban pop music (Scalzo 2009). Since then, new associations have come up by the isolated experiments of Zuzu Angel in Rio de Janeiro and Gloria Coelho in São Paulo. By the 90s most of the urban circuit moved to shopping malls, pushing the main Brazilian brand-name stores to do the same.

Both the urban circuit and the agglomeration of fashion apparel stores in shopping malls contributed to the evolution of the contemporary concept of fashion in Brazil. *Morumbi Shopping Center* in São Paulo has promoted the embryo of the SPFW as well as *Barra Shopping Center* in Rio de Janeiro has hosted the germ of the Fashion Rio (Scalzo 2009).

[c1] Designers

Designers are players who specify the structural properties of a tangible and/or intangible object such as consumer products, processes, graphics, etc. Traditionally, the main areas of design were architecture, painting and sculpture, which were understood as the major arts. The design of fashion apparel, furniture and other common artifacts were left mostly to tradition or artisans specializing in hand making them.

With the increasing complexity of the society at the present time, and due to the needs of mass production where more time is usually associated with more cost, the production methods became more complex and with them the ways designs and their productions are created. The traditional areas are now subdivided in smaller and more specialized realms of the design according to the product designed or its means of production (industrial design, interior design, exterior design, urban design, furniture design, fashion design, etc.).

We have interviewed *Gloria*, an interior designer. *Gloria* graduated in Architecture at Federal University of Rio de Janeiro in 2001. She has worked as an architect freelancer for 5 years. In 2006 she opened her own office in Rio with a friend who had recently graduated in Architecture at Fine Arts School in São Paulo. She and her partner usually work with medium and small firms of home and office decoration. Sometimes they work on projects of home decoration for end-users. When *Gloria* worked as a freelancer, she had the opportunity to participate in 3

fashion apparel projects. One of them was for a friend who owns a fashion apparel store in Rio de Janeiro. *Gloria* contributed to the project by suggesting materials for purse decoration. In the other projects she elaborated graphics along with an artist. These graphics were imprinted in fabrics that were used in fashion apparel collections. Her words:

“I joined a team of designers who work for the company; there we designed the graphics that were utilized in fashion apparel items such as T-shirts and blouses. They asked me a combination of colors that could be associated with a marsh”. (Interior designer, personal interview, December 7, 2010).

[c2] Costume designers

Costume designers are people who usually design costumes for stage productions, soap operas, movies, etc. Soap operas are very popular in Brazil and they demand lots of costumes. Soap operas for instance usually have 200 episodes and one actor or actress can wear around 13 costumes in 10 episodes (Carneiro 2003).

Costume designers are considered an important part of the production team, working alongside the director, scenic and lighting designers as well as the sound designer. The costume designer can also work with a hair/wig master or a makeup designer and a motion picture photographer.

Costume designers will commonly search to enhance a character's personality, and/or to create a revealing plot of color, by changing the social status or time period through the visual design of fashion apparel. They accomplish this by distorting and intensifying the body within the framework of the director's vision. Costume designers should work in tune with not only the director, but the set and lighting designers as well to ensure that the overall design of the production works together. Costume designers need to have strong artistic capabilities concerning knowledge of pattern development, drafting, draping, textiles and fashion apparel history. They must also maintain an awareness of balance when in period dress, and be sensitive to the creative direction that the performer wants to take his/her character. Costume designers create the look of a character in television (soap operas, series), in movie pictures, in stage productions or in plays. They usually read and analyze scripts; help to develop design concepts; purchase fabrics, new or used apparel; develop patterns for costumes if required; conduct research to complete geographical and time period setting as well as characters and their relationships and actions; elaborate drawings and color renderings of costumes and develop and implement a budget for costume-related expenses (Carneiro 2003).

We have obtained, from the internet, an interview with a costume designer (*Marilia*) who designs costumes for soap operas, movies and plays. *Marilia* has a long experience in this area since she started working as a costume designer in the 70s. When she is invited to develop a project, for instance, a new movie or soap opera, she initially read the synopsis, which is the summary of the character's profile. Sometimes it occurs even before the cast is selected. She creates ideas from

this synopsis and then she discusses some adaptations with the movie director. Thereafter she talks with the actors or the actresses to obtain their impressions from the characters, if they share the same vision that she has, she considers she can move on, if not, she talks again with them until they meet a common idea of the characters. She adapts the apparel items to fit in the character will as well as in the time when and place where the scene is supposed to occur according to the writing. She often adapts outfits from what she sees in the streets when the movie or the soap opera is based on writings of present days. Her words:

"I created this character (Laura) and she was suitable for Claudia (name of the actress). The costumes I chose enhanced her power in the plot. Thereafter, I noticed that her outfit became popular even without a brand name". (M. Carneiro – Costume designer, electronic interview, December 23, 2003).

[c3] Entertainers

Entertainers are people who provide any activity which permits people to amuse themselves in their leisure time. There are many activities that provide fun and enjoyment and they are linked to entertainment forms such as theater, movie, sport, dance, shows, and etc. Entertainers can work for themselves producing their own spectacle and obtaining income directly from the audience or they can be hired to perform a show for an entertainment company or another player such as a fashion show or fashion producer.

A disk jockey is a type of entertainer. Deejays usually work for radio stations or nightclubs, they should be creative to command his or her specialty genre of music or demographic of audience. They should also be sensitive to his/her listener responses. A club or nightclub disc jockey must know how to mix beats so music progresses smoothly, how to design a night of music around a specific theme or requested type of music, and how to use lighting and special effects to best advantage.

We have interviewed *Junior* a disc jockey (deejay). *Junior* usually works from Wednesday to Sunday in different night clubs in Rio de Janeiro. He handles his own sound and lighting equipments and takes care of the additional equipment provided by the night clubs such as microphones, loudspeakers, etc. Besides working at night, he spends much of his time searching remixes and new songs on the internet and contacting people to provide his services. *Junior* occasionally performs in fashion shows, private parties and vernissages. The first time he did it was after being invited by a fashion designer who is a clubber. His words:

"I have been working as a deejay since the 1990s. Even though I arrive at the club at 11 pm I usually start performing at 1 am and I finish at 6 am. I like to animate the dance floors and every night seems unique for me because I often meet different people from different places. Sometimes I work for companies, animating business parties and shows". (Disk jockey, personal interview, October 15, 2010).

[c4] Photographers

Photographers take pictures of people, places, objects, and events and try to artistically capture and evoke a mood, feeling, or drama surrounding a particular subject. Photography is both an artistic and technical job with which one can present his or her technical proficiency as well as beautifully composed images. A photographer should practice extensively in order to master the technical knowledge of light, camera settings, lenses, film, and filters and apply this knowledge creatively. Many photographers produce pictures of merchandise, buildings, machinery, fashion apparel, models and groups of people to be used in advertisements, marketing reports, brochures, model books, fashion catalogs, and postcards. Editorial photographers work for magazines, newspapers, and sometimes book publishers (e.g. for covers). Some photographers specialize in special events such as wedding, fashion shows, fashion apparel productions, awards ceremonies, etc. Motion picture photographers film movies, commercials and television programs. Most photographers are freelancers and they work long and irregular hours and sometimes have to be available on short notice.

We have interviewed *Elton*, a photographer. *Elton* is a freelancer and he usually works for fashion magazines. He started working with photography in the beginning of the 1990s as a wedding photographer. At that time, one of his uncles who promoted events convinced him to take some shots. He enjoyed the task and

his uncle approved his job. While he was working with his uncle, he decided to learn more about photography. In 1996 *Elton* followed a technical course in photography in an art institute in the city of Porto Alegre. In 1999 he moved to São Paulo to study photography at Fine Arts School. There, he met photographers and journalists who work in fashion magazines. During his course he was introduced to editorial photography and editorial projects. The first editorial project in which he participated was about purses. *Elton* photographed models holding different kinds of purses from a fashion apparel manufacturer. It was a project developed by a group of professionals who worked for a fashion magazine. After this project, *Elton* participated in fashion apparel catalogs, billboards, fashion shows, etc. At present time he is developing a project for a fashion beachwear company. His words:

"I learned many tips about photography while working in studios. I mean the effects of light and shadows on a product, the contrast of colors, shooting angles, etc. I also learned about face expressions and the way I should work to capture them. I think these tasks are essential to promote fashion believe and customs' desire for the pictured products". (Photographer, personal interview, February 8, 2011).

[c5] Artists

Artists are usually image shapers. Artists seek to express a specific and unique vision through painting, sculpture, drawing, or mixed media. Some artists

spend time in workshops, attending other artists' shows and seminars. Some others do research in materials and knowhow processes. The core of this profession—the reason why people choose to join the very selective fine arts—is that they love what they do. Numerous artists use their specific set of marketable tools as freelance commercial artists, producing work on consignment to another's specifications. Some note that this selling of their skills at times affects their ability to produce their own work. Formal educational training in this field is usual, especially in graphic design, painting, or art history. Artists tend to congregate around major urban areas, in which the multiplicity of galleries and artists makes it easier to form connections; this also offers the unproven artist the opportunity to have his or her work shown. Artists in general keep good relations with movie producers, journalists, bands and deejays.

We have interviewed *Diana*, a street artist in Porto Alegre, Brazil. *Diana* has been working on arts for 6 years. She usually travels around the country showing her work. She has not formal education in arts but she admits that she learned a lot from observing other artists doing their work in the streets and in free workshops in public institutions. *Diana* loves to use pastel crayons to draw her own pictures of still lifes and landscapes upon canvas or to copy famous paintings onto pavements. While producing her art, she takes the opportunity to sell her finished sketches and paintings. She usually performs in public spaces where many people gather such as parks, flea markets, rail stations, bus stations, museums and nightclubs. Her boyfriend often joins her. He is also an artist and he produces crafts such as earrings, bracelets and necklaces using seeds and natural fibers. *Diana* admitted that

in 2010 she was asked to produce 5 original sketches for a fashion apparel collection. These sketches were imprinted in T-shirts. *Diana* expects to have new experiences in this area; she believes such practice can make her work better known and paid. Her words:

"I met this guy (a fashion designer) last year, in April, in a flea market called 'Mercado Mundo Mix' at the harbor in downtown. He asked me to sketch 5 original figures for his project. I have made an essay on my own. He appreciated the work and paid for the pieces. He said that he would reproduce 2 sketches and I agreed. He paid twice what I am used to receive for the job".

(Street artist, personal interview, February 19, 2011).

One noticeable example of the contribution of street artists for fashion apparel production in Brazil is the *Havaianas* flip-flops 2010/2011 summer collection.

Graffiti is an urban art for inspiration and ideas expressed in general in major metropolitan areas. Currently, 3 renowned graffitists, *Finók*, *Chivitz* and *Minhau* gained visibility for their work and authentic art in the city of São Paulo. These artists were commissioned by the fashion design team of *Alpargatas* (*Havaianas* manufacturer) to develop its new authorial and urban summer collection.

Finók was influenced by cartoons to create his art and objects. His style is marked with lime green color shades and dark blue outline. His authorial sandal

bears human faces and geometric interference that recall the architecture of São Paulo.

Chivitz depicts the underground scene, showing in his work the lifestyles of the skateboarders and of the adepts of hip-hop and tattoos. For over 10 years, Chivitz has drawn his characters rich in gestures and expressions – an art with the unmistakable aesthetics harmonious paintings, which evoke laughter in all sort of audience. His authorial work depicts characters that play with each other and give life and joy to the sandals in shades of purple and pink.

Minhau is addicted to cats and author of graffiti with strong lines and contrasting colors. Minhau was inspired by São Paulo's murals in the 1990s. In these extensive walls, a large number of graffiti artists have drawn their lyrics. Minhau authorial sandal depicts dreams and ideals in a colorful and visual caricature (Bagarai 2011). The sample of the sandals is show in Appendix M (p. 205).

Another example of association between art and fashion apparel was observed in one model of Italian shoes commercialized in Botticelli boutiques in NYC. The copyright owner of Sandro Botticelli collection lends the reputation of this artist for the brand-name boutique and the brand-name shoes where a reproduction of his famous painting *The Birth of Venus* is imprinted in the shoes' outsole (Appendix N, p. 206).

Next we elaborated the figure 18 that illustrates some connections between the FSA subcategories.

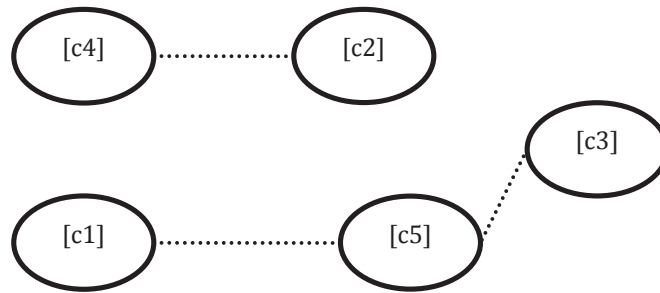


Figure 18: Connections between FSA Players

4.3 Nodes of the Fashion Apparel Chain

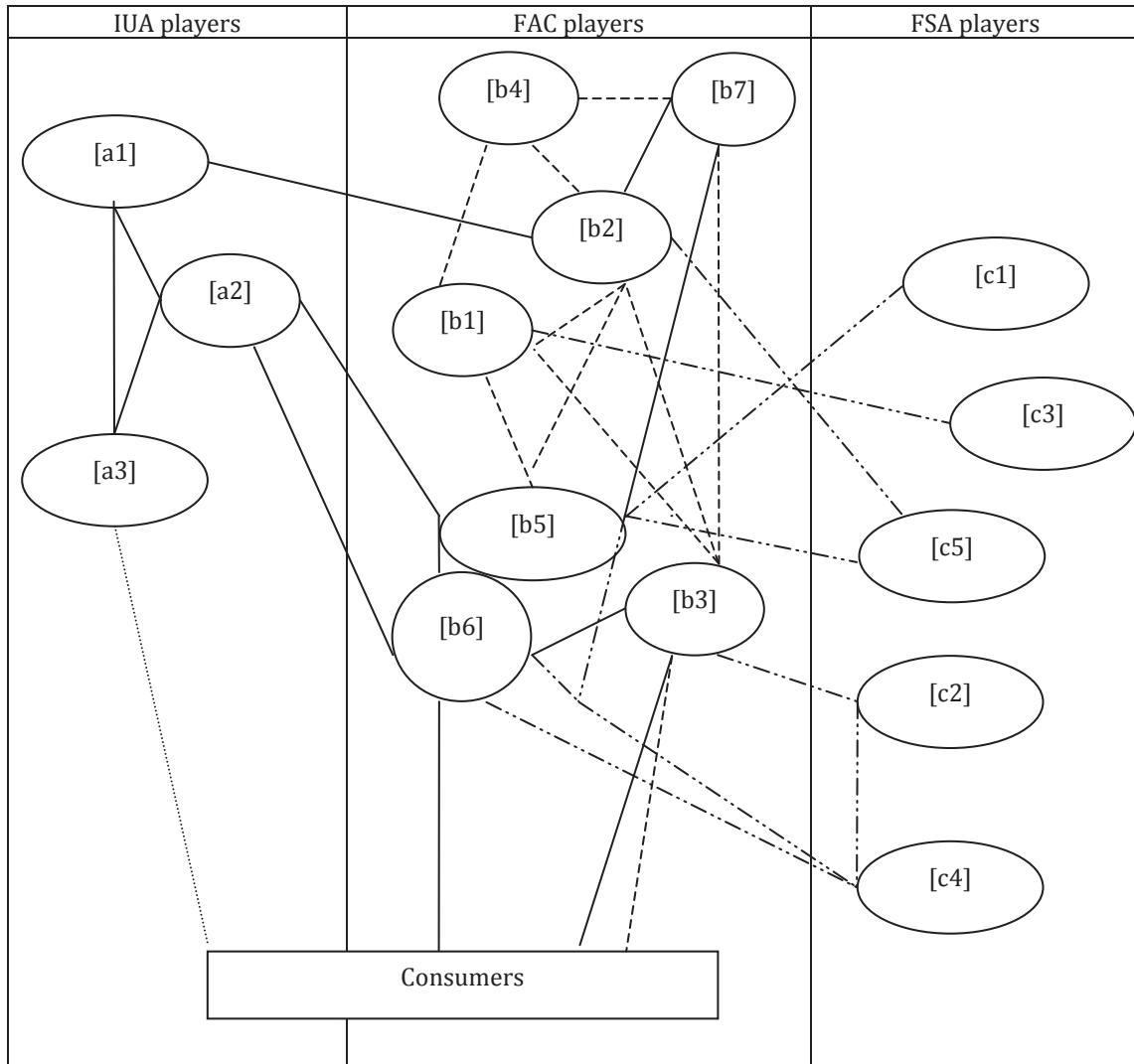
The categories previously mentioned: [a]; [b] and [c] respectively IUA, FAC and FSA players agglutinate the subcategories studied: [a1]; [a2]; [a3]; [b1]; [b2]; [b3]; [b4]; [b5]; [b6]; [b7]; [c1]; [c2]; [c3]; [c4] and [c5] that intertwine to form a fashion apparel 'loose' chain.

People, companies and organizations that perform the collective work of fashion apparel production (since their activities mingle) are named according to their main contribution for the overall process. The reliance and the contact among these players to generate fashion apparel, a hybrid task (the association of tangible and intangible value) gives room for the upgrading process and for the upcoming of a hybrid organizational configuration (mutually linear and network-shaped) that characterizes the phenomenon or practice of fashion apparel production and consumption.

The linear side of the fashion apparel loose chain becomes evident when

tangible value-adding activities abound during the production of fashion apparel commercial replicas. The network-shaped side becomes prominent when intangible value-adding activities are performed amid image making and designing of fashion apparel conceptual collections.

Figure 19 is an attempt to frame and reshape the case perspective scheme of the unit of analysis (Figure 14). It fills the letter spots with the players. Bold lines (dashed and solid ones) represent connections between fashion apparel dynamical players according to their evidences shown before.



Dashed lines – Fashion apparel conceptual collection
 Solid lines – Fashion apparel commercial replica collection (private label or not)
 Pointed line – Basic apparel items and/or old fashioned items
 Dashed and pointed lines – Acquaintance professional services

[a1] Traders & overseas buyers; [a2] Licensed apparel manufacturers; [a3] Apparel retailers & store-brand marketers; [b1] Fashion shows & fashion producers (stylists); [b2] Fashion design; [b3] Fashion media; [b4] Fashion groups; [b5] Fashion apparel manufacturers; [b6] Fashion apparel retailers; [b7] Textile mills; [c1] Designers; [c2] Costumer designers; [c3] Entertainers; [c4] Photographers and [c5] Artists.

Figure 19: The FAC 'Loose' Chain, Different Players, Flexible Links

Each player is labeled in conformity with his/her principal function or task when engaged in a fashion apparel project (conceptual collection and/or replica

collection). The acknowledgement of the players' work depends on who leads the project. For example, a fashion designer can play a pivotal role in his/her own fashion apparel collection or he/she can play a casual role while consulting for a new collection of a fashion apparel retailer and/or manufacturer.

Chapter 5

Discussion: Propositions and Data Explanation

We discuss the data from the perspective of the extant theoretical propositions. We begin with the Industrial Upgrading Approach - IUA (the traditional approach) then we discuss the Fashion System Approach - FSA and, finally, we canvass the Fashion Apparel Chain Approach - FAC.

5.1 The IUA Proposition

Upgrading in the apparel value chains is explained by the IUA studies which characterize the apparel chains as buyer-driven chains and show that industrial upgrading in the apparel production occurs when apparel manufacturers join these chains in a way to provide manufacturing steps (tangible value-adding work) for the whole chain.

Reports from the trader player, the licensed apparel manufacturer player and the apparel retailer player as well as our observations in this field showed evidences of how these players conceive and work with apparel items. They take care of increasing their efficiency of internal processes of selling (trader and retailer) and

manufacturing (manufacturer). Their links with other players in the apparel value chains are motivated by the possibility of upgrading in the tangible steps of apparel production. They conceive apparel just as clothes or garments. They see apparel only by its utilitarian value, that is, for covering, sheltering or hiding. They are involved with mass manufacturing and mass selling. Evidences from manufacturers show that they do not participate in the production projects that involve fashion unless when they manufacture replicas (private labels) under the license of a fashion apparel player. When they manufacture their own brands they are conservative, which means they usually promote minimal changes that are not related with seasonal calendar. When they plan to build a new model, they grasp fashion trends from webpages and blogs in the internet or from fashion magazines. Evidences from the apparel retailers show that these players are involved with increasing inventory turns and lowering leftovers. They usually dispatch unsold items to other stores of the same retail chain. For IUA players, apparel is almost a commodity item.

The IUA approach explains the configuration and the coordination of a linear, quite hierarchic and buyer-driven value chain that rises from a quasi commodity concept of basic and fashion-basic apparel production that defines and constrains the circumstances in which upgrading occurs.

According to the evidences shown in this study, the upgrading process experienced by the companies that participate in these steps of the apparel value chains is regulated by progressive concessions granted by the lead company (large retailer and/or store-brand marketer). These allowances regulate the allocation of

menial manufacturing activities that define the upgrading process in the realm of the IUA. In private labels for instance, the negotiation between store-brand marketers and apparel manufacturers revolves essentially around cost of materials, workforce, lots and lead-time. There is no room even for discussing the design unless the apparel manufacturer has demonstrated that the project would not be feasible. When it happens, the lead company usually sends a fashion designer to adapt the project as well as to assist and supervise the production team of the apparel manufacturer.

The process of upgrading in basic and fashion-basic apparel production has its own eases and constraints. However this is not the only process of upgrading that apparel production wraps up. There is an upgrading process that counts on intangible value, that is, an evolution from basic to fashion apparel production. Field observations and comments on literature (Bazan & Navas-Alemán 2003, 2004; Smaniotto 2006) revealed a coexistence of basic and fashion basic assembly lines and fashion apparel production cells in some integrated apparel players/companies (*a2, b5, b6*). The concurrent production reminds that the upgrading process is also nurtured with the concept of fashion that was brought to the apparel production by the Fashion System Approach (FSA).

5.2 The FSA Proposition

Upgrading in the apparel value chains is explained by FSA studies which characterize the fashion system as institutional-driven networks and show that

fashion is elaborated by organizational and macro-institutional factors.

Evidences from the players mentioned in the FSA category (designers; costume designers; entertainers; photographers and street artists) emphasized their social system as the source of their accomplishments. They work as artists and they are often involved with collective work. Maintaining substantial relationship appears to be of great importance for them. Social networking is a fundamental source for creating, nurturing and performing their art (value) to the market (Svendsen 2010; Weber 2008; Wilson, L 2010). Social and/or business relationship in the realm of the fashion industry is imbued with a feeling of strong cooperation in which the concept of fashion evolves and leaves room for the upgrading process based on intangible value. As an intensive cultural, cognitive, creative, and socially reliable activity, fashion concept depends heavily on close relationship as it demands engagement of skilled and specialized workforce to form and spread social ties for fashion industry in a sense of building organizations such as fashion shows, fashion institutes and a fashion hub. Social relationship embeds fashion industry.

The quintessence of fashion value creation arises from urban social settings, such as the streets, the theaters, the clubs, the virtual social environments/utilities and so on (socio-cultural relationship spots). These spots have been identified as being essential for the dynamics of imitation and self-accentuation of life style, including fashion apparel trends. People tend to imperceptibly morph into one another when placed in social settings where they will be noticed as well as notice

others. Through this “showing off” process (Figure 9 and Figure 10) volatile trends are formed.

Fashion business, which is highly fragmented and diverse, consisting of multiple medium and small players, has little that holds it together. So, it may count on the dynamics and the diversity of the socio-cultural urban spots to create some kind of craving coherence (e.g. a fashion trend or a fashion identity of one fashion designer) within its industry (Skov 2006).

Fashion trend is defined as the process by which fashion becomes a collective mood and taste. Tastes are themselves, a product of experience; they usually develop from an initial stage of vagueness to a state of refinement and stability. They are formed in the context of social interaction, responding to the definitions and affirmations given by others. People, who are thrown into areas of common interaction, that have similar paths of experience, tend to develop common tastes (Blumer 1969).

As mentioned before, the areas of common interaction of FSA players are often the fashion venues (clubs, art galleries, museums, theaters, famous streets, fashion media, virtual utilities, etc.) in which fashion events may occur. These events refresh the fashion identity of FSA players (designers, artists, entertainers, celebs, etc).

Evidences from the players who were interviewed have also shown that this category belongs to the realm of art where they usually count on their own job to add value to their creations. The example of the graffitists (*c5*) who were hired by a team of fashion designers (*b2*) who works for an apparel manufacturer (*a2*) reveals

the connections of an upcoming local fashion hub. Fashion designers usually suggest that people may dress with the spirit of the place (Mello 2010). This scattered working pool when reunited in the sociocultural venues has the potential to provide intangible value through personal connections by associating its work with apparel production.

As fashion is more than what we wear, fashion apparel involves different people in the process of its creation. This process of associating art and culture with apparel can be considered as a sort of culture production. However, producing culture does not simply involve making products such as fashion apparel items. According to Kawamura (2006), culture is not simply a product that is created, disseminated and consumed, but it is a product that is processed by organizational and macro-institutional factors.

The social and cultural urban settings are peopled with FSA players who circulate through formal and informal organizations and/or institutions that hatch associations between art and apparel producing fashion apparel conceptual collections. This mix of intangible value with tangible one is a substantial value-adding step in the whole process of apparel production, but this process should be concatenated with FAC players on the way to minimize flops that are so familiar in apparel experiments carried out only in this cultural realm.

The example of *Casa de Criadores* in the subcategory of fashion groups and other ventures (b4) shows the intention of this group to promote a mix of cultural expressions (visual arts, photography, and fashion apparel concepts) on purpose to generate business.

In the extract of his personal interview in the subcategory of fashion shows, fashion producers or stylists (*b1*), Lino Villaventura mentions that his conceptual collections inspired by art are not so marketable.

The role enacted by fashion concept over apparel production has the potential to reshape the links of the traditional apparel value chains, diversifying their configuration. As stated by Granovetter (1985, 2005), embedding economic interaction in social relationships can create authority relationship and behavioral norms in behavior (e.g. trust, reciprocity, reputation, peer pressure). This process can reduce the threat of opportunism and unfold an alternative governance mechanism on the continuum logic of configuration between the hierarchy of the integrated firm and the pure market relations (Figure 4). By exercising intangible value-adding activities such as in the case of building a fashion identity, an apparel manufacturer may introduce himself/herself in the field of authoritative and normative rules of behavior that are commonplace in the realm of social and cultural expressions (FSA domain) that generate fashion concept in the process of apparel production.

5.3 The FAC Proposition

Upgrading in the apparel value chains is explained by the FAC case which characterizes itself as loose chains and shows that upgrading occurs not only in a tangible value-adding manner but also in an intangible ground of mutual and diversified connections of fashion apparel production and consumption.

Evidences from the FAC players (fashion shows; stylists; fashion designers; fashion media; fashion groups; fashion apparel manufacturers; fashion apparel retailers and textile mills) emphasized the collective work of fashion apparel production performed by this category as well as their close connections between IUA players and FSA players.

The fashion designer Sylvie Quartara (subcategory fashion design - *b2*) subcontracts the production of her private label with two licensed apparel manufacturers (*a2*).

Rosset (textile mills - *b7*) produces exclusive graphics and fabrics for Banco de Areia (fashion apparel manufacturer - *b5*).

Vicunha (*b7*) provides selected fabrics for the atelier of Agilità (fashion apparel retailer - *b6*) and for the plant of Armadillo (*b6*).

Graffitists (artists - *c5*) participate in the production of fashion apparel items for licensed apparel manufacturers (*a2*).

Other examples of collective work are the fashion shows. These organizations (e.g. SPFW and Fashion Rio) were built by fashion apparel players to give authority to their work. National recognized fashion producers/stylists along with distinguished fashion designers are deeply involved with the production of fashion shows.

The extract of personal interviews with Lino Villaventura and Paulo Borges (subcategory *b1*) illustrate the significance of fashion shows for their work and for the fashion apparel industry in Brazil.

Fashion shows have considered evolved in the last 20 years in Brazil and they promoted fashion producers, fashion designers and fashion industry. According to Kawamura (2006), today's fashion designers place the strongest emphasis in recreating and reproducing their image, and the image that is projected through apparel is reflected on the fashion designer's personal image as an individual and consequently as a brand-name authority. Fashion shows are very important events that reunite FAC players who conspicuously project their images to credit and make fashion apparel worth wearing.

According to the spokespeople of the fashion apparel retailers and manufacturers (vertically integrated and hybrid companies) interviewed, there was an industrial upgrading process along the life cycle of these companies, e.g. new methods for sewing, new techniques to mold innovative fabrics. However, they considered that when they internalized the work on design and when they diversified the number of their providers/partners - FSA players who joined their fashion apparel production projects - they really perceived an incremental intangible benefit. They assumed that they were influenced by the work of some fashion apparel players' rivals on the decision of adopting new activities such as the design of apparel production within the company.

Some of the fashion apparel integrated companies mentioned (e.g. Agilità and Armadillo) evolved from mere contractors (licensed manufacturers) to fashion apparel developers, creating their own fashion identity by diversifying their mix of activities in a an upgrading way that goes beyond tangible elements of functional upgrading to incorporate the work of other FAC players and of FSA players,

influencing even fashion apparel consumption (wrapping up the whole process of fashion apparel production). Spokespeople of fashion apparel retailers & manufacturers believe that prestigious fashion designers and stylists affected their strategic upgrading moves.

Evidences from representatives of fashion media such as Vogue Brasil and L'Officiel Brasil revealed their interest in coproducing and covering fashion events. More a fashion magazine produces cool features more it is associated with fashion trends. This association enacts authority and expertise for those who are members of the editorial board of a fashion magazine. According to Currid (2006), we do not make decisions about fashion apparel items to wear based on how well they perform. We buy these things because we like them. This is a matter of taste not of performance. The reason why we buy such things is, very often, because it has been given value by experts, someone or some organization (e.g. FAC players) that has the credibility to assert it worth wearing.

Identified as being connected between IUA and FSA players, FAC players can also be recognized as an institutionalized socio-cultural chain. This organizational form relies on fashion apparel players' connections that are established to perform fashion ideas driven to fashion apparel projects, i.e. a Brazilian fashion apparel collection. Fashion media contributes to this collective project that is similar to a theatrical production where the climax is the fashion apparel conceptual collection "walking in" the runway. Furthermore, fashion media creates and disseminates fashion outfits as a way of informing consumers about being fashionable.

Fashion groups and textile mills are also engaged in this process, the former, investing massive capital to strengthen national brand-name fashion apparel manufacturers and the later, finding ways to become more flexible and technological responsive to provide new materials that are required by the quick cycle of fashion trends.

The links of the FAC players are able for building organizations. These new organizations in the fashion industry realm (e.g. *SPFW*; *Fashion Rio*; *In-Mod*; *Casa de Criadores*) are essential to invigorate fashion apparel inspiration and aspiration in Brazil.

The role of the FAC players influences the boundaries of the fashion apparel artistic creation (conceptual collection), constraining the creative impetus of fashion designers into the commercial domain of feasible replicas (commercial collections) as illustrated in Figure 20. The texture and the fiber bounds are determined by the ability of the textile mill partner. The color bound is determined ultimately by fashion trends that are nourished and informed by textile mills and chemical industries months before the fashion apparel season (Skov 2006). The decoration relies on the partnership with FSA players, other FAC player or IUA players.

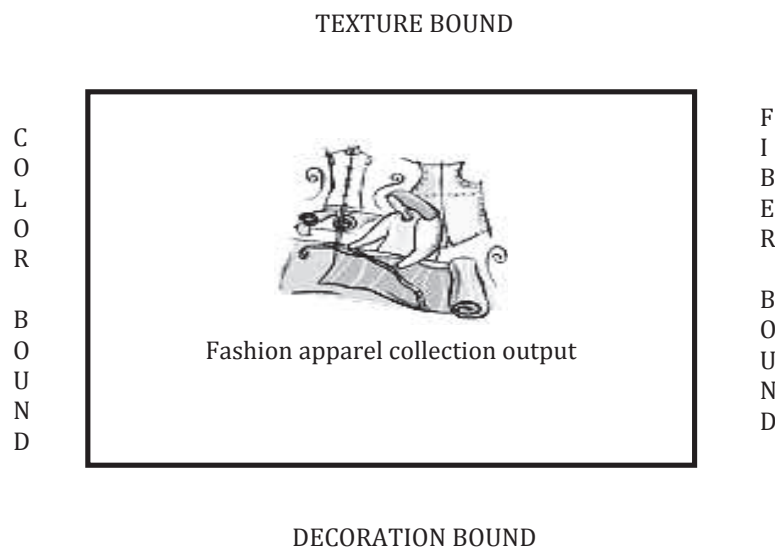


Figure 20: Material and Commercial Limits for Fashion Apparel Creation

As the FSA players, the FAC players count deeply in developing relationship. However, they are more involved with current and potential providers of applied materials for apparel production. FAC players create value through these connections. Furthermore, due to the rapid lifecycle of fashion apparel, FAC players should often update their links because a new fashion trend asks for new material providers.

FAC players need to select their provision base, focusing on closer relationship with key providers. Consequently, when accessing their supplier portfolio, fashion players need to decide when to invest in a specific provider/player relationship, when to maintain and develop existing ones, or when to divest from underperforming relationship.

The eight dimensions of value creation in business relationship, previously mentioned by Ulaga (2003), apply to fashion intangible value creation in the realm of the FAC. Let us see that distinctive networking is important to provide quality [1] for fashion apparel players' products. Fashion apparel requires appropriate materials and skilled work force for being assembled. Research of materials as well as intensive and specific labor usually comes from making exhaustive contacts with key suppliers. Service support [2] plays an important role in differentiating suppliers/players. Closer relationships are likely to provide better assistance. Delivery [3] proves that the players of the FAC are working on an accurate frequency that also demands tight connections. Supplier know-how [4] is very important to fashion apparel output since it allows alternative new solutions based on in-depth knowledge of the supply market and its evolution. Time-to-market [5] is crucial for fashion apparel items due to its short life cycle. Personal interaction [6] maintains and spreads the array of acquaintances that are essential to fashion apparel input and output. Price [7] relies on performance of the partners and on the image of the product on the sales floor. Process costs [8] are frequently defined by the degree of participation of the player in a fashion apparel collection.

FAC players who lead new fashion apparel collections must be keen in selecting their associates in the fashion system (FSA). They often act like filters in a realm where busts abound.

The collective work of fashion apparel production also comprises its customers. They take place in this process when they decide to purchase fashion apparel items and produce with them their own fashion outfits. This final and

associate step wraps up the whole process of apparel production and consumption, granting authority and legitimacy for the fashion apparel players.

According to Kawamura (2006), people (customers) are wearing apparel, but they believe or wish to believe that it is fashion that they are wearing and that they are consuming fashion through apparel. This belief is born out of the socially constructed concept of fashion which means a great deal more than mere basic apparel. Figure 21 illustrates the implication between value and price based on FAC players' designation for apparel production.

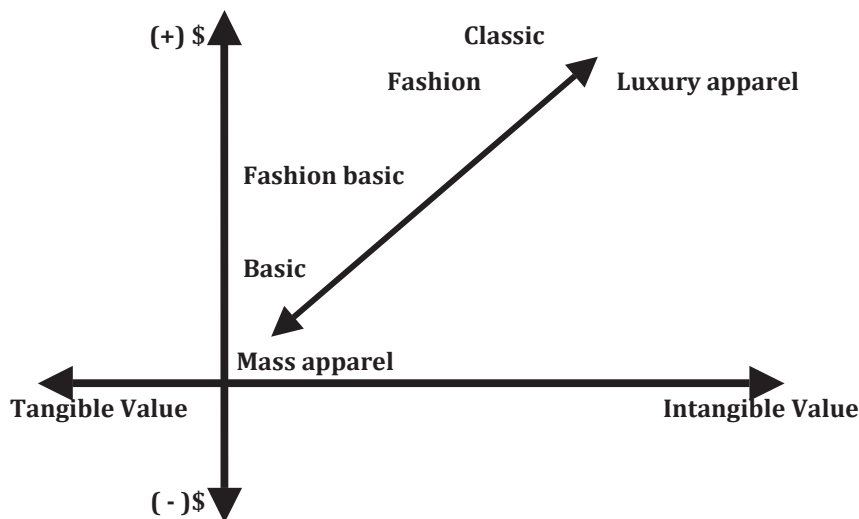


Figure 21: Value, Price and Apparel Designation

According to Oh & Kim (2006), fashion value requires an agile chain that embraces high materials variety, short product life cycle, high profit margins, volatile marketplace demand, availability customer drives, marketability dominant

costs, obligatory information, high forecasting inaccuracy, assign capacity purchasing policy and immediate and volatile stock out penalties.

Rising demands for fashion apparel items soon proved scant with the inflexible structures used to provide large quantities of basic apparel based on low-cost labor force and long lead times. Such inadequacy would cause room for players of a rising fashion industry, especially the FAC players who are connected with FSA players through fashion systems and with IUA players via apparel value chains.

The evidences reported in chapter 4 highlight the hybridism of fashion apparel production, distribution, diffusion, reception and adoption. The examples of Armadillo and Agilità have shown the transformation of these companies from basic and fashion basic manufacturers to fashion apparel manufacturers and retailers (hybrid forms). The case of the shoe manufacturers that hold concurrent assembly lines for private labels and for their own brand names (usually commercialized in their own brand-name shoe stores) have also shown hybridism. These steps suggest a fashion value momentum of production and consumption. These companies adopted a new concept for their products that transform themselves. This conversion is done on purpose to grasp better pay for their performance in the market. In doing so, these companies climb the ascendant line of the first quadrant of the figure 18. Evidences also suggest connections between fashion (intangible value), and apparel (tangible value) such as in the case of the fashion designers who outsources licensed manufacturers (Sylvie Quartara) and in the contribution of artists for new fashion apparel collections (Havaianas). According to Kawamura

(2006), apparel is the raw material from which fashion value is manifested and consumed.

By producing fashion identity, the fashion apparel players are dealing with the lion's share of value-added process of the apparel chain since they are building a social image-making idea, a symbolic product capable to turn an apparel collection worthy of a public recognition and adoption. Figure 22 suggests an illustrative configuration for players in the apparel chain, showing their connections and their tangible and intangible value production.

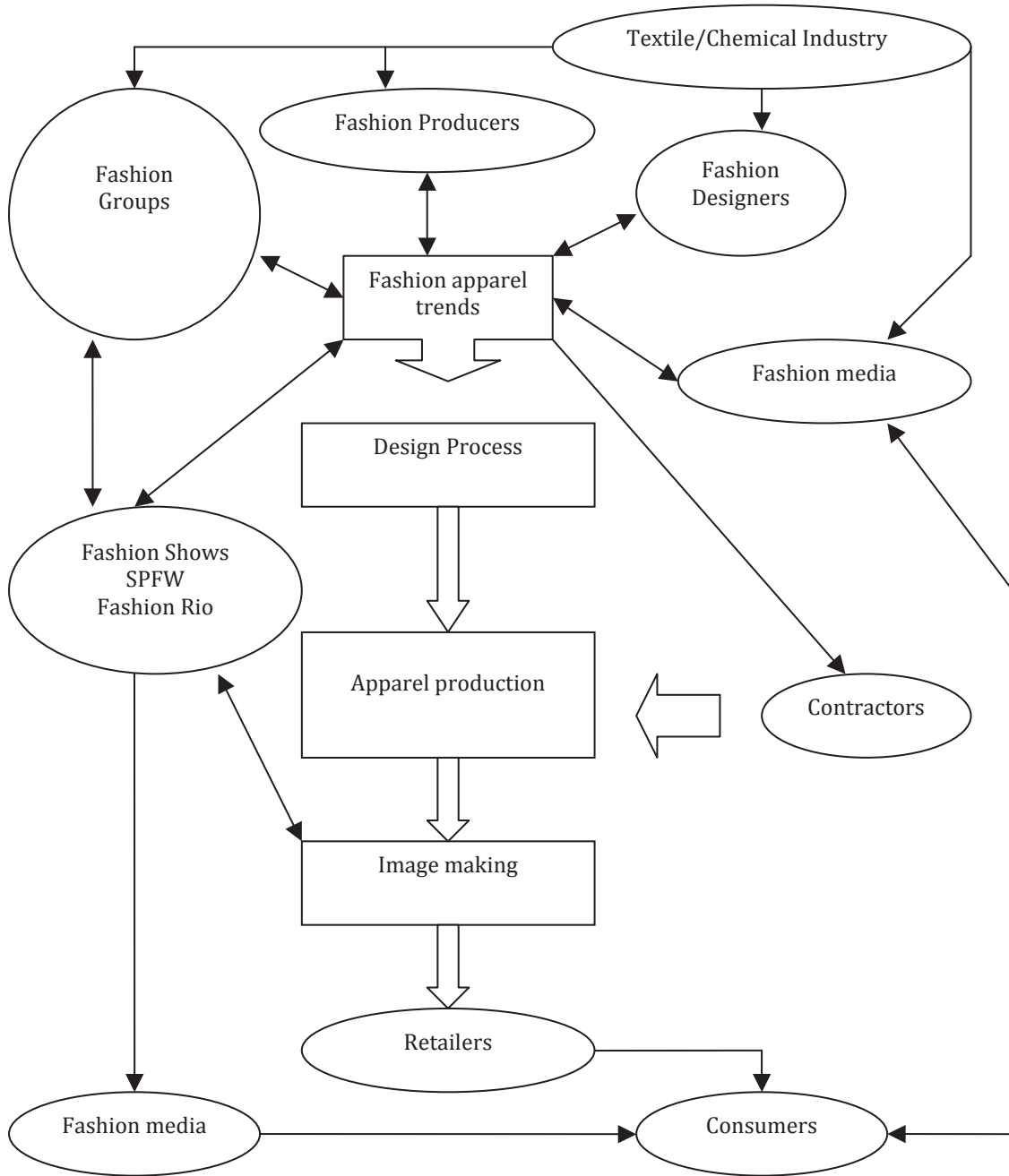


Figure 22: A Fashion Apparel Hub Configuration

Chapter 6

Conclusion

The previous chapter presented and discussed the main findings obtained from the successive assessments of data from apparel production performed through the whole study. We aimed at gaining insight into the nature and ways of upgrading in the apparel value chains, as well as, at answering the research question by presenting and explaining the theoretical propositions introduced in chapters 2 and 3. This chapter sums up the main findings of this research and canvasses a number of implications for the theoretical approaches that consider the understanding of the upgrading process in value chains and organizations management in view of companies and public policies. It also considers the reference's applicability for data presentation and explanation. Furthermore, this chapter discusses the limitations of the study and suggests areas for further research.

6.1 Summary of Findings

The findings suggest that the extant theoretical propositions (IUA and FSA) do not sufficiently explain the whole process of upgrading through apparel

production in the value chains. We assumed that the analysis of upgrading in the value chains should consider at one time the tangible and intangible intertwining stages of apparel production.

The IUA approach overemphasizes the tangible aspects of apparel production and considers fashion production as spillovers of modern society that promptly impinge apparel manufacturing. Chapter 2 examined the configuration and the coordination of the apparel value chain, outlining the lengths and limits for industrial upgrading in a buyer-driven chain. Upgrading of apparel manufacturers is under scrutiny by leading companies that call the shots in the value chain (large retailers and brand marketers). While there is no problem in complying with product specifications, some contractors or licensed apparel manufactures are becoming hybrid manufacturers. At the same time they are keeping licensees (private label); they are incorporating new stages of apparel production (fashion production) on a growing interface with fashion system players. As an outcome, some apparel manufacturers are vertically integrating (not becoming modular) and others are trying to improve relationship with fashion players.

The Fashion System Approach overemphasizes the intangible aspects of fashion production and considers apparel production as a mere process of manufacturing tangible and generally low cost objects (cloths). Chapter 2 examined the configuration and coordination of the fashion systems. It pointed out the diversity of fashion providers and the pros and cons of an institutional-driven system that has its own logic of producing few boosts and many flops. Upgrading of apparel manufacturers in fashion systems is ascribed to their relationship

performance with key fashion players (gatekeepers, tastemakers and connectors) and is under review of institutions that have the credibility to crown products with the approval and the prestige that make them worth wearing. This reviewing process capture intangible value-adding ingredient to apparel production. Even though the Fashion System Approach highlights the intangible and valuable fashion ingredient, it does not considers the likely tangible and also value-adding upgrading process of apparel production led by the fast fashion apparel companies that are reshaping the fashion apparel industry. These companies are recreating the business of fashion by keenly planning, through advanced logistic systems, quick introductions of capsule fashion apparel collections every 2 weeks based on a seasonal period.

Evidences from secondary sources led to previous assumptions that delineated the IUA and FSA theoretical propositions stated in chapters 2 and 3. These propositions were specified in the study and discussed in the chapter 5. They are:

- (a) Upgrading in the apparel value chains is explained by the IUA studies which characterize the apparel chains as buyer-driven chains and explain that industrial upgrading in the apparel production occurs when apparel manufacturers join these chains in a way to provide manufacturing steps (tangible value-adding work) for the whole chain;

- (b) Upgrading in the apparel value chains is explained by the FSA studies which characterize the fashion system as institutional-driven networks and explain

that fashion is elaborated by organizational and macro-institutional factors.

These two previous propositions partially explain the upgrading process of apparel since they do not approach the whole process of apparel production. The IUA studies digress from the intangible value of fashion production and the FSA studies digress from the tangible value of apparel production. From these two presumably irreconcilable previous assumptions and based on the evidences from the field, we have drawn an alternative set of subsequent assumptions: [1] Fashion apparel design needs to be recognized by a cultural industry composed of formal and informal institutions and of several peer reviewers. Formal institutions are legitimized organizations that are involved with apparel production, distribution, promotion and sales such as fashion apparel studios, fashion apparel manufacturers, fashion apparel retailers, fashion schools, galleries, museums and fashion shows. Informal institutions are bars, nightclubs, studio parties and all kind of venues that gather members of the cultural industry such as tasters, gatekeepers, certifiers, fashion designers, movie directors, music stars, brand designers and fashion directors of flagship stores; [2] Fashion apparel design needs to match its intangible value with tangible one (selected material and equipment, skilled work force and capital) of few contractors able to manufacture and deliver collections at time to market; [3] Fashion apparel needs to find a point-of-sale able to mingle fashion concept with tangible apparel items; [4] After being in the market, fashion apparel collections need to be reviewed and certified again, collection after collection and item after item in a regular basis of creative feedback across a cultural economy.

These assumptions were formulated according to the method (Figure 12) on the way to clarify the practice or phenomenon of fashion apparel production and consumption. It helped us to delineate a new theoretical proposition:

- (c) Upgrading in the apparel value chains is explained by the FAC case which characterizes itself as loose chains and explains that upgrading occurs not only in a tangible value-adding manner but also in an intangible ground of mutual and diversified connections of fashion apparel production and consumption.

From the evidences shown in chapter 4 and the discussion presented in chapter 5 and summarized here, it is argued that the upcoming institutional ways and managerial tools have shaken the extant modus of producing and consuming apparel. This impact is unfolding a more complex, flexible and less predictable process of upgrading in apparel production. Some apparel manufacturers (licensed or not) are turning into hybrid companies, grasping stages of both tangible and intangible value-adding activities. While they are adopting new managerial tools to comply with time to market requirements (fashion demand), they are also hiring FSA players and/or developing fashion identity by themselves using elements of local/cultural expressions usually conceived by FSA players (e.g. conceptual art and design) that will be adapted/developed in the four walls of fashion apparel hybrid companies (Appendix M and N). Furthermore, fast fashion companies, vertically integrated or not, are utilizing modern techniques of lean retailing to speed and reconceive fashion consumption and consequently pull new practices of apparel

production.

Fashion identity often comes up from the connections among the FSA players and with the FAC players (the loose chain - figure 19). The existence of a nearby cultural economy, comprising a network of FSA players, not only produces original cultural expressions (e.g. art, design, etc.) but also gives room for hybrid companies (*b5* and *b6*) boost connections with them, filtering fashion apparel projects and promoting fashion industry.

6.2 Comments on the Research Question and Purposes

The research question presented in chapter 1 was *“How does basic apparel production upgrade to fashion apparel production and consumption?”* The results shown in chapter 4 and the discussion presented in chapter 5 suggested that basic apparel production upgrades to fashion apparel production and consumption when, for example, an apparel manufacturer decides to improve his/her networking with FAC and FSA players, incorporating potential high value-adding activities such as fashion designing and image-making (elements associated with social embedded upgrading) within his/her firm or by moving the main locus of his/her activities to different links in the value chains through a diversification of his/her connections, becoming anyhow an hybrid form named herein FAC player. This allows the apparel manufacturer to introduce his/her own identity products what involves changes in product development processes within the firm and/or between different links in the apparel value chains. The whole process of upgrading in the apparel production and consumption involves at one time both tangible and intangible value upgrading.

The commutable processes of becoming hybrid and consequentially fashionable have shown that the apparel value chain has different characteristics along its nodes and suggest that different link structures such as linear, loosing and network arise according to the sort of upgrading in the value chain. These processes reveal the implications of the identified elements (tangible and intangible) to the fashion apparel loose chain.

Findings shown in chapter 4 and discussed in chapter 5 indicate that the Industrial Upgrading Approach (IUA) reveals a limited perspective for upgrading in apparel production since this approach highlights the tangible steps of apparel production such as cutting, sewing, finishing, herein named basic apparel concept or elements related to industrial upgrading.

Interviews with apparel players presented in chapter 4 distinguished them as neat players acting with mechanical and menial work, adding only tangible value to their apparel production.

IUA also suggests a linear configuration for a buyer-driven apparel value chain (Gereffi 1994; 1999) where apparel manufacturers from developing countries participates in the value chain in a subordinated position, being regimented by leading companies (large retailers and/or store-brand marketers) situated in developed countries.

Findings exhibited in chapter 4 and discussed in chapter 5 also indicate the diversity of players involved with fashion apparel production. Interviews with FAC players distinguished them as hybrid players acting with diversified duties, adding both tangible and intangible value to their fashion apparel items. The Fashion

Apparel Chain Approach (FAC) reveals a broad perspective for upgrading in apparel production since this approach highlights the tangible and intangible activities related to apparel production herein named fashion apparel, characterizing the fashion apparel industry. Some of these FAC players have already been merely apparel manufacturers in the past, producing replicas for leading companies. However, they realized that they could add more value to their apparel production, interacting with players that act in the realm of the fashion system (FSA).

Furthermore, evidences presented in chapter 4 and discussed in chapter 5 pointed up the potential contribution of FSA players to the fashion apparel production. Some of these players from the cultural economy eventually participate in the intangible value-adding steps of the apparel production. Interviews with fashion system players identified them as neat players acting with their own professional tasks, adding intangible value to their production. The Fashion System Approach (FAS) reveals a complementary perspective for upgrading in apparel production since this approach highlights the intangible activities related to apparel production herein named fashion concept.

6.3 Implications of Fashion Apparel Production

The results presented in chapter 4 and the discussion of them exhibited in chapter 5 raised new assumptions about upgrading in the apparel value chains. The analysis of the Brazilian case revealed the presence and the growth of different players that intervene with value-adding activities in some stages of the apparel

production, unfolding a potential not only for manufacturing but also for creating, unveiling and authorizing a meme that attends fashion consumption in a market that increase in size every year. These different players named herein FAC players are arranged in a loose chain and are somehow involved with building organizations (*SPFW, Fashion Rio, In-Mod, Casa de Criadores*) that move fashion apparel industry forward. This effort propels the creation of new markets and business opportunities that occurs concurrently or in the sideline of the FAC players' participation in linear buyer-driven apparel value chains such as in the case of shoe manufacturing in the Sinos Valley (Bazan & Navas-Alemán 2004).

Being a hybrid form, the FAC players demand a vibrant and diversified local or national source of creative and cultural value to nurture their fashion apparel production. In this way, the presence of the fashion system players - whose tasks relies on relationship, art, design and urbanism – look helpful (Mello 2010; Skov 2006; Ulaga 2003).

The mutual relation between FAC players, FSA players and IUA players shown in chapter 4 revealed that the concept of fashion and its network of service providers impact on apparel production. By discussing the phenomenon of fashion apparel production in chapter 5, this dissertation highlighted the repository of value creation presented in a developing country and revealed that the apparatus for fashion apparel production is more complex than that for basic apparel one.

The repository of value and the complexity of fashion apparel have important implications for private managers and for public agents.

From a private policy perspective, it was demonstrated in chapter 4 that the formation of hybrid fashion apparel players and diversified connections was becoming a source of competitive advantage since taking new activities such as fashion design or hire a fashion system player (e.g. a photographer) for image-making activities can result in more appreciated and high-priced apparel collections. However, by adopting fashion concept in apparel production, FAC players incur in additional challenges to manage not only the production but also the consumption of fashion apparel items. Among these challenges are shorter life cycles, quick response and flexible supply demands (Abernathy et al 1999; Ferdows et al 2004) that ask for newly commercial alliances and other associative strategies, e.g. fashion designers with large retailers (Michault 2009; Romero 2011).

From a public policy perspective, it was shown in chapter 4 that cultural agglomeration provides benefits for FAC players. The existence of a burgeoning cultural and creative milieu eases the production of art and design as well as the creation and the diffusion of fashion trends such as the street wear. Urban social venues have been identified as places where the dynamics of imitation and self-accentuation of tastes and trends occurs. The rise of trends happens in urban settings through a process of showing off that allows people to see and to be seen and thus adjust to one another (Currid 2007; Skov 2006). Urban venues are essential to gather and shield FSA players, allowing them to exert and diffuse their talents and provide their services for FAC players.

In an economy increasingly dependent of human capital, knowledge, consumption and services such as the realm of FSA players, public policymakers

should emphasize the attraction of factors of cultural production (artists, designers, promoters, medias, etc.), cultivating places and environments that are more conducive to innovation, offering amenities cluster and lodge different specialized workers and firms that collaborate and compete for fashion concept production.

In sum, the fashion apparel industry extends the economic boundaries of basic apparel production, since fashion apparel is nurtured by an array of diverse players (FSA players). Most of these players usually rely on a vibrant cultural hub system that often counts on public policies to thrive.

6.4 Theoretical Contribution

The theoretical contribution of this study is to find an alternative explanation for the process of upgrading in apparel value chains. The results and the discussion presented in this study unveil a complementary view of the process of apparel production. Chapters 4 and 5 reported evidences from the different players categorized as IUA players, FSA players and FAC players.

The outlines of the IUA players and the FSA players were based on 2 distinct approaches (IUA and FSA) built from extant theoretical propositions. The outline of the FAC players is based on the results shown in chapter 4 and discussed in chapter 5. The FAC approach is the complementary approach to explain the upgrading in apparel production as well as the theoretical contribution of this study.

The IUA was built from the studies about the global apparel value chains (Abecassis-Moedas 2006; Abernathy et al. 1995, 1999, 2004 , 2005; Appelbaum &

Gereffi 1994; Amighini & Rabellotti 2006; Bair & Gereffi 2001; Bonacich & Waller 1994; Cheng & Gereffi 1994; Doeringer & Crean 2006; Feenstra 1998; Ferdows et al. 2004; Gereffi 1994, 1999; Gereffi et al. 2005; Gereffi & Memedovic 2003; Jacobides & Billinger 2006; Kogut 1985; Mytelka 1991; Porter 1990; Rabellotti 2003; Schmitz & Knorrnga 2000) and the FSA was built from the studies about cultural and creative economy (Caves 2000; Cholatpinyo et al. 2002 Currid 2006, 2007; Djelic & Ainamo 1999; Dunford 2006; Granovetter 1985, 2005; Kawamura 2006; Merlo & Polese 2006; Rantisi 2002, 2004; Richardson 1996; Uzzi 1996, 1997; Skov 2006; Williams & Currid-Halkett 2011).

The FAC approach was built from converging points of the 2 previous approaches as well as additional secondary data and primary data that compose the chapter 4. Figure 16 identifies the intermediate locus of the FAC players signaling the convergent aspect of this approach.

6.5 Limitations of the Study

This study has opened a new perspective to investigate the upgrading in value chains. By focusing in the apparel production, this dissertation has also raised the conceptual element of fashion that proved to be essential to the comprehension of the aspects of upgrading. However, it must be accepted that this study has some limitations. First, the estimation over primary data has been confined to exploratory interviews with players individually. It was not possible to interview them in groups (within category and/or between categories). Second, whereas the unit of analysis (figure 14), the frame of reference (figure 15) and the illustration of the players'

connections (figure 16) provided a systematic view of the apparel chain and its players, these concepts are difficult to evaluate and rely on some interpretation of the researcher and in his ability to delineate the results and show them to the categorized interviewees. Third, this study considers one isolated case, thus additional examples of developing countries that could shed more light on the emerging hubs such as Russia, India, China or South Africa were not analyzed.

6.6 Areas for Future Research

Considering the time and the inner limitations of this study, several questions related to the subject treated in this dissertation remain unanswered and represent important areas for future research.

First, the results presented in this study are exploratory. They identify and categorize the players according to their work and their set of connections with other players. However, these results could be generalized by expanding the number of players and by checking if the set of connections between these additional players match with the proposed categories. There is scope for a survey to investigate this matter.

Second, the category of hybrid players (FAC players) could be developed by means of a longitudinal study about apparel value chains. Additional studies could go beyond categorization to find new evidences of upgrading.

Third, new studies could uncover new players involved with apparel production and expand the nodes of the apparel value chains. The use of other

techniques of data collection (e.g. focus group) could gain interesting clues on perceptions among players.

Fourth, future studies could also investigate the repository of value that exist in other developing countries and identify new sources of upgrading in apparel production such as new brand-name products based on indigenous characteristics.

Fifth, additional studies could investigate the lessons of upgrading from the apparel value chains and identify if they could be applied to other value chains.

APPENDICES

APPENDIX A

Interview Script

Interview Items

Open-ended Interview Items

1. Inner company:

- a) Is this a proprietorship, partnership, or branch of a corporation?
- b) How long of industry experience do the company/player have?
- c) Do you produce any products in-house? Yes? Why?
- d) No? Why do you outsource?
- e) Do you outsource labor? Yes. Why? What sort of labor?
- f) How many companies/players work for you?

2. Player, market and product characteristics:

- a) What are the characteristics of your product?
- b) How is our production organized?
- c) How sensitive is your product's demand to quality, price, and fashion trends?
- d) How has your market changed in the last 5 years?
- e) How has the company/player adapted to these changes?
- f) What does it take to succeed in this business?

3. Configuring players' contacts:

- a) How do you contact new players?
- b) When do you utilize new players?
- c) What role does reputation/prestige play?
- d) How does relationship begin and develop over time?
- e) Are written contracts used and when/

4. Players' interaction:

- a) What sort of relationship do you have with other players?
- b) How are disagreements resolved?
- c) How do you respond to poor performance?
- d) Do you visit your players' office?

5. Configuration outcomes:

- a) How are new products created and test marketed?
- b) How do you increase your ability to respond to the market?
- c) What promotes innovation?
- d) What benefits you for keeping the mix you want?

OBS: Because many of the data were collected in a descriptive way, these items summarize the questions but only convey the nuances and details of the lengthy, interactive, and face-to-face discussions, reported in this study.

APPENDIX B

Map of Brazil



* Urban areas where the personal interviews were conducted

APPENDIX C

Data from Podcasts

Data/interviews from electronic source (podcasts)

Fashion players	Appointment	Interviewer	Date of interview	IH (a)
Paulo Borges	Fashion producer/CEO	Sérgio Waib	07/23/2006	1
			11/09/2007	1
			07/26/2010	1
Marilia Carneiro	Costume designer	Internet users	12/23/2003	1
Constanza Pascolato	Textile mill/stylist	Tatjana Ceratti	07/16/2010	1
Gloria Kalil	Stylist/CEO	Tatjana Ceratti	02/11/2010	1
Total				6

(a) Number of interview hours

APPENDIX D

Store by Retail Channel in Brazil

Store by retail channel visited and observed in Brazilian cities

Retail channel(a)	Sao Paulo	Rio de Janeiro	Number of observation hours (OH)
Mass merchant			
- Extra	03/23/10		1
Boutiques			
- Daslu	03/23/10		1
- Ferragamo	03/26/09		1
- Louis Vuitton	03/26/09		1
- Gucci	03/27/09		1
- Fernando Pires	03/25/10		2
Upscale apparel chain			
- Osklen	03/26/10		1
- Iodice	03/26/10		1
- Alexandre Herchcovitch	03/25/10		1
- Ellus	03/23/10		1
- Zara	03/24/10		2
Moderate apparel chain			
- Renner	03/24/10	09/09/08	2
Trend/Youth store			
- Triton	03/23/10		1
- Reserva		09/08/08	1
- Armadillo		09/10/08	2
Beach wear store			
- Salinas		09/08/08	2
- Banco de Areia		09/08/08	2
Total (OH)			23

(a) Based on U.S. retail channel definition (AAFA, 2009) and on researcher observation

APPENDIX E

Map of the United States



* Urban areas where the observations in retailing were conducted.

APPENDIX F

Store by Retail Channel in the U.S.

Store by retail channel visited and observed in the U.S. cities

Retail channel(a)	Boston(b)	OH (c)	NYC	OH	San Francisco	OH
Department store						
- Bloomingdale's			12/26/09	2	11/19/09	2
- Macy's	09/11/09	2			11/23/09	2
- Neiman Marcus	09/18/09	2			11/23/09	2
- Nordstrom					11/24/09	2
- Lord & Taylor	10/09/09	1				
- Saks Fifth Avenue	08/28/09	2	01/04/10	2		
National chain						
- Sears	10/10/09	2				
Mass merchant						
- Target	10/23/09	1				
Boutiques						
- Alexander McQueen			12/26/09	1		
- Versace			12/26/09	1		
- Gucci	12/19/09	1				
- Botticelli			01/05/10	1		
Upscale apparel chain						
- Banana Republic	10/30/09	1				
- The Gap	10/31/09	1	01/04/10	1		
- The Limited			01/04/10	1		
- Zara	10/31/09	2	01/05/10	1	11/19/09	1
Moderate apparel chain						
- H&M	08/29/09	2	01/05/10	2	11/20/09	2
- Old Navy	12/04/09	1			11/18/09	1
Trend/Youth store						
- Abercrombie & Fitch	12/04/09	1				
- Aeropostale	12/05/09	1				
- American Apparel	12/19/09	1	01/05/10	1		
- American Eagle Outfitters	12/05/09	1				
- Diesel					11/20/09	1
Off-price retailers						
- Marshalls	12/11/09	1			11/21/09	1
- T J Maxx	12/11/09	1			11/21/09	1
- A J Wright	12/12/09	1				
- Filene's Basement	12/12/09	2				
Sport specialty						
- Foot Locker			01/06/10	1		
- Niketown			01/06/10	1		
OH per city		27		15		15
Total OH						57

(a) According to NPD Group for American Apparel & Footwear Association - AAFA (2009)

(b) Includes Cambridge and Somerville

(c) Number of observation hours

APPENDIX G

Observation Checklist

Observation Items

Aspects Noticed During Observations

1. Players' resources:

- a) Production process (manufacturers).
- b) Sales floor activities and layout (retailers).
- c) Office labor (service providers).

2. Players' contacts:

- a) Ways to get in contact with other players.
- b) Activities with other players.

APPENDIX H

Aspects of Sylvie's original materials and style



Natural fiber

Recycled Wood

APPENDIX I

Fashion Story

EMIX

Man of Mystery

Tracking down fall's most enigmatic trend.

Sherlock Holmes was by no means the only fictional detective in late-19th-century England — Martin Hewitt, Dr. Thorndyke and Simon Carne were just a few of his contemporaries. Still, none of them managed to make a comparable imprint on popular culture. That undoubtedly has to do with Arthur Conan Doyle's gift for spinning a yarn, but let's not underestimate the power of Holmes's image.

The spiffy sleuth has more in common with the fashion set than previously acknowledged. He took meticulous care of his dandyish wardrobe; made his living by constantly scrutinizing others; sauntered down London's mean streets with his (ahem!) highly devoted and well-accessorized male companion; and enjoyed a not-so-subtle fondness for a certain powdered stimulant that has since become illegal.

"He definitely had his look," says Valerie Steele, the director of the Museum at F.I.T., who recently curated an exhibition on Gothic glamour. "Stalking around at night with the pipe, the deerstalker hat, the tweeds, the cocaine — the whole thing is so cinematic."

That's why Sherlock Holmes mysteries have undergone so many screen adaptations — with



Following the threads Christopher Plummer and James Mason as Sherlock Holmes and Dr. Watson in the 1979 film "Murder by Decree."

even more on the way. Robert Downey Jr. is portraying a roughed-up Holmes in Guy Ritchie's new film, opening on Christmas Day. (The studio promises that he will reveal "fighting skills as lethal as his legendary intellect.") Sacha Baron Cohen, of "Borat" and "Brüno" fame, is working on a comedic version, in which one can only assume Holmes will reveal an entirely different set of abilities.

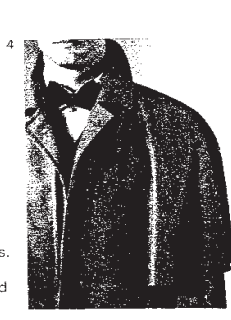
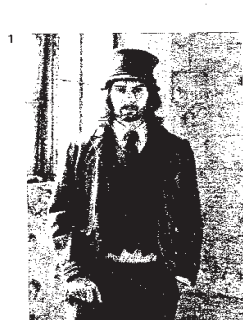
Meanwhile, labels like Alexander McQueen, Engineered Garments and Phineas Cole are supplying enough capes and canes to fill a neo-Gothic castle. "Whenever men's wear trends toward something highly tailored, it's likely to reference Victoriana, because that's

the golden age of frock coats and top hats and spats," Steele says. "Looking back, it all looks so modern."

During that era, men traded aristocratic frippery like lace collars, bright silks and floral embroideries for dark wool suits. To this day, there is no better uniform when the goal is to appear powerful and secure. "Any old nouveau riche could appreciate lots of gold and color and stuff, so it became more refined to talk about elegant details and impeccable tailoring," Steele says. "A suit really does make you look your best."

Elementary, as Holmes might say.

ARMAND LIMNANDER



1. A 19th-century-inspired look from Engineered Garments. 2. Victoriana from Alexander McQueen. 3. Jude Law and Robert Downey Jr. as Watson and Holmes. 4. A caped coat by Phineas Cole at Paul Stuart.

APPENDIX J

Banco de Areia 2011 Swimsuit



APPENDIX K

Agilità Green Chess 2011



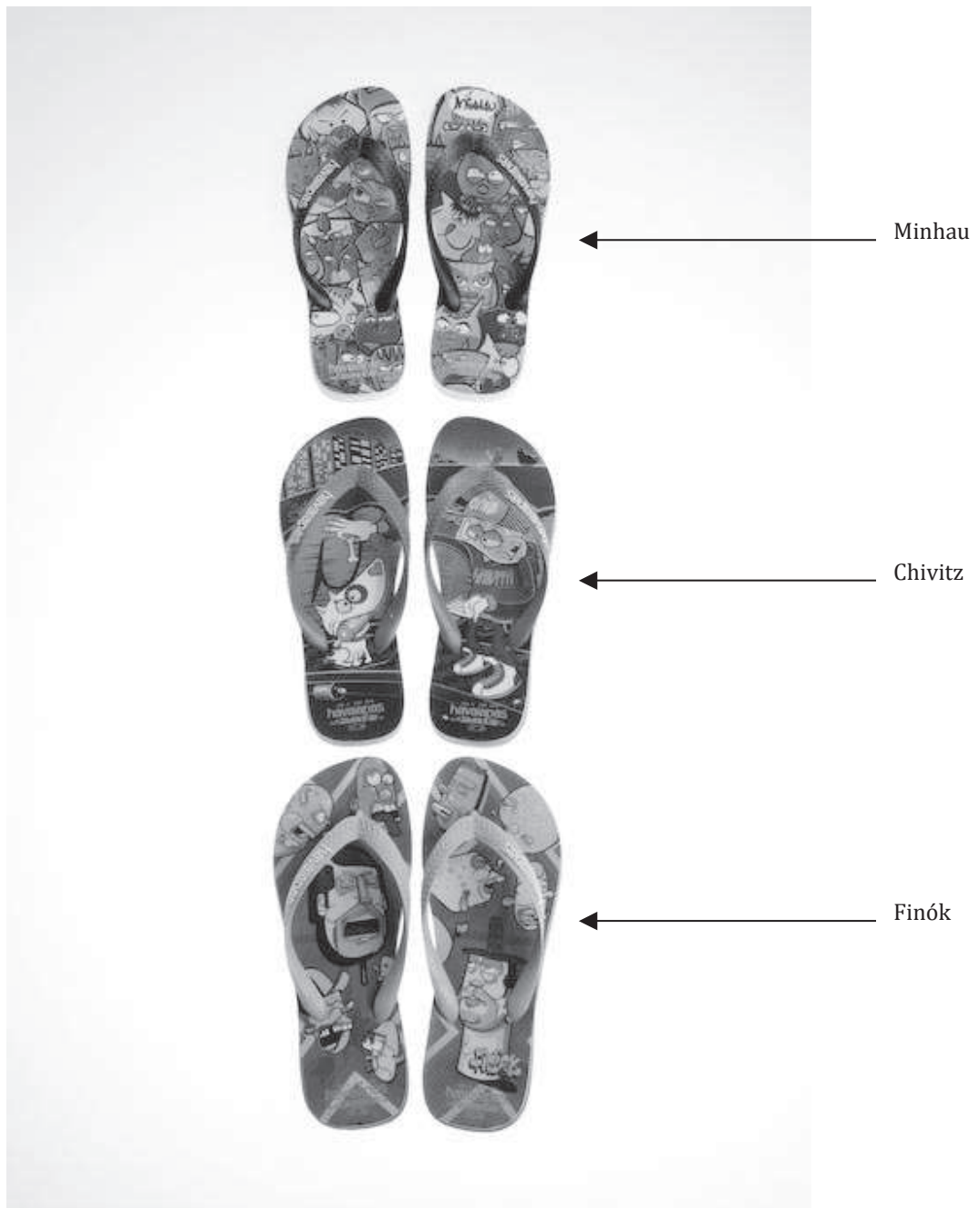
APPENDIX L

Armadillo Prototype Sketches Fall/Winter 2011



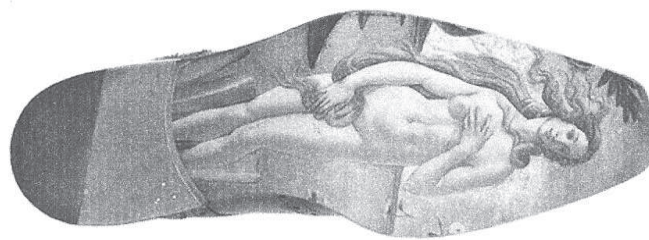
APPENDIX M

Havaianas Graffiti flip-flops



APPENDIX N

Men's shoe in Botticelli boutique at Fifth Ave, NYC



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