

## The Competitiveness of the Capital Cities Specialised in the Fashion Industries

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Examining the specific nature of the fashion economy causes us automatically to question the two sides of a fashion product: the material element and the immaterial element. In order to envisage how these characteristics play out, it seems interesting to us to examine the role played by the cities that are specialised in the fashion industries. The globalisation of the manufacturing of fashion products, for all product ranges, is now unavoidable. In addition, all creative activity remains concentrated in a few capital cities. Manufacturers of luxury products are, for the most part, located in capitals. The Paris, London or Milan shows remain the ones with the most media coverage. Economists have taken a keen interest in the question of the concentration of industrial activities in a precise place or region; and their thoughts are, we will see, enlightening in terms of understanding this phenomenon of concentration of fashion activity in big capital cities.

This article will first of all cover the importance of the notion of localisation in the fashion economy. The idea is to take economic thought as a starting point (in particular the work of Alfred Marshall, the Italian economists who studied industrial districts and Paul Krugman) and the sociological studies of Allen J. Scott in order to attempt to show in what way their analysis can be applied to the fashion industries. We will then examine the pertinence of the notion of tacit knowledge. It would appear that because of the “artisanal” nature of fashion design, the articulation of codified and tacit knowledge and skills is particularly appropriate in order to describe the activity of the fashion industry.

We turn naturally to the Italian districts to examine the work of economists on the fashion industry. The analysis of the success of the “third Italy” has been widely covered. But we would like to examine instead what might constitute the economic explanations of the success of fashion’s “great capitals”. The attractiveness of fashion cities is highlighted in a very visible manner during the shows in Paris, London, Milan and New York. Does this huge level of media exposure correspond to an economic reality on the scale of these cities? What can economists tell us notably about the issue of the concentration of industries in the same place?

### Marshall’s approach

First of all, Marshall’s vision remains absolutely up to date in terms of understanding the springs behind creativity and innovation in the fashion industry, notably the highlighting of the role of informal exchanges, a notion that appears to have great importance in this industry. The English economist Alfred Marshall was the first to highlight the informal exchanges that occur in one location. The following extract from *Principles of Economics* published in London in 1898, is particularly enlightening, especially as the ideas, even the expressions themselves have been, we shall see, taken up and used today by economists in order to explain and characterise the permanence of an economic activity in a given place or region and describe the mechanisms of the spread of knowledge around this place or region. “When an industry has thus chosen a locality for itself, it is likely to stay there long (...) The mysteries of the trade become no mysteries; but are as it were in the air, and children learn many of them unconsciously. (...) if one man starts a new idea, is taken up by others and combined with suggestions of their own; and thus it becomes the source of further new ideas”<sup>1</sup>.

Can we transpose the analysis of industrial districts to the fashion capitals? To what extent do the “mysteries” of the fashion industries exist “in the air”? On the surface,

there are a number of different places from where information spreads: style bureaux, trade fairs, of course fashion shows. However, the information deals essentially with what happens upstream and above all it does not necessarily involve a precise localisation on the part of the company. This vision of districts is still in existence in Italy. A number of economists in the seventies and eighties tried to explain the economic success of the “third Italy” and in particular the medium sized cities that are generally specialised in one activity (mainly textiles) and that manage to export a major part of their production. These analyses rely notably on the roles played by Marshall’s externalities. Taking into account the extent of the writing on this subject, we have chosen to concentrate on the work that relates closest to our subject.

Becattini and Rullan<sup>2</sup> highlight the role played by the locality, as a source of input in terms of “*material and immaterial infrastructure, social culture and institutional organisation*”. The Italians point out the role played by cooperation and mutual aid to explain the success of these districts. According to them, we are dealing with a form of organisation that is more market-based than hierarchical. But, at the same time, the common interest of the firms pushes them to cooperate, a cooperation that is limited however to the firms in the district.

Becattini did wonder if the Marshall industrial districts could be considered a creative milieu. In a 1992 article in the magazine *Espace et Sociétés*<sup>3</sup>, he answers this question positively by breaking it down into five themes: the psychology of creativity, the question of teaching and creativity, an attempt to define the characteristics of a creative milieu and finally a study of the Marshall industrial district as a creative milieu. On the first point, that of the psychology of creativity, he highlights the “generic creativity” that enables the evaluation of the capacity of an individual or a group to associate existing ideas with a given time and place, and according to a formula

of his own “targeted creativity” that designates the capacity to associate ideas, ideas that, according to him must produce creations that correspond to the criteria of the communities to which they belong. Becattini’s analysis of the links between teaching and creativity paints quite a negative picture of teaching methods that reduce the individual’s capacity to react to the unexpected. As for the characteristics of the creative milieu, Becattini feels that the criteria necessary for a place to become what he terms a “centre for creative processes” are as follows:

1. The coexistence of multiple skills. According to Becattini these districts have a recognisable “typical approach” to practice, that is not logic-based but more the result of historical circumstances.
2. The presence of what he terms a “liaison agent” (a role played in Italy by the *impannatore*).

Finally the study of the Marshall industrial district as a creative milieu leads Becattini to reflect that, within a district, there is a coexistence between a “*fierce competitiveness and (...) solidarity (...) custom and (...) informal institutions*”. The technological resources are shared within the Marshall industrial district which favours development and innovation. In the end, the skills retained by the district become more important from an economic point of view, than those of the firm. So we have a mixture between targeted creativity, generic creativity and skills that are the preserve of the Marshall industrial district. The author concludes with a call to reform teaching methods so as to encourage creativity and the establishment of “cultural” cities. According to him, it is by seriously developing “spontaneous creativity” that these districts will last.

Another Italian economist, Bianchi (1997)<sup>4</sup> has developed the notion of formal innovation, a type of innovation that is characteristic of design and fashion products. According to Bianchi, formal innovation involves five characteristics:

1. It doesn't involve the typical elements of the Schumpeterian model like new technologies or organisational changes, despite the fact that they are often associated;
2. This type of innovation can associate the use of new materials, without this being a necessary condition;
3. This type of innovation generates new types of already existing products;
4. In addition, through these new types, innovation highlights the aesthetic or symbolic content of the innovated product;
5. Finally, after adding on the "formal added value", the offer increases its level of competitiveness.

Finally, Garofoli (2002) summed up the characteristics of the Italian industrial districts in six main points:

1. Quite a high level of division of labour between the firms in the district which leads to very close client-supplier relationships, both within the sector and between sectors;
2. Specialisation in terms of production;
3. A large number of local agents, which leads to a practice of trial and error with a high level of problem solving with satisfactory solutions often found for the district's problems, at least on the part of certain operators, that are then immediately copied by the other operators;
4. The existence of an effective transmission system of information on a local level, which guarantees the rapid circulation of information on;
  - the wholesale market
  - alternative technologies
  - new raw materials
  - intermediary components and products that can be used in the production process
  - new commercial and financial techniques.
 This system of transmission enables the knowledge of each individual economic operator to be transformed into the "common heritage" of the zone;
5. Highly qualified workers;
6. An increase in bilateral relations between economic operators.

As we mentioned above, these descriptions corresponded to medium-sized Italian cities specialised in a particular activity. We feel that it could be interesting to apply this model to specialised fashion cities such as Paris, Milan or London. Why is one location at a disadvantage in comparison with another? This question is answered by the Krugman theory, in opposition to traditional theories.

### The Krugman approach

The notion of "*path dependence*" is particularly interesting given the history of the fashion industry and can throw additional light on the preceding analyses. To be schematic about things, it gives importance to historical events and takes accidental events into account, thus, according to Liebowitz and Margolis: "*The claim for path dependence is that a minor or fleeting advantage or seemingly inconsequential lead for some technology, product or standard can have important and irreversible influences on the ultimate market allocation of resources, even in a world characterized by voluntary decisions and individually maximizing behaviour*"<sup>5</sup>. The approach of the American economist Krugman is in line with this theory, to a certain extent. While Krugman's analysis (that belongs to the "New economic geography" school) does not cover the informal character of exchanges, it is interesting in as much as it insists on the role played by history in economic geography. Krugman (1991 and 1992) does not rely on the standard theory of localisation and notably refutes the theories of constant yield and perfect competition. He places himself more in the perspective of industrial economy, the dynamic conception of space and based on the theory of growing yields. So there is a « *processus endogène cumulatif de divergence régionale* » (Lecoq) (*endogenous, cumulative process of regional divergence*) that results from the interaction of the demand, growing yields and transport costs. In this analysis, trajectories (Courlet)<sup>6</sup> determine the shape of the economy. A region

can thus benefit strongly from an initial advantage, and benefit from growing yields. As a result, we can deduce that these regions benefit from an advantage that results from an unequal initial distribution. The most important point analysed by Krugman is the propensity for concentration in one place. We are no longer in an optimal schema from a competitive point of view. As a result, Krugman highlighted the point of the importance of economic geography in order to understand these processes of regional divergence. According to him, an industry has a high propensity to cluster in one place. The result is the importance of external economies. For Courlet: “*an initial regional advantage can become cumulative*”. According to this approach, regional development does not obey only rational rules. Courlet also highlights the interesting concept of “*verrouillage*” (lock-in). Can the idea of “*verrouillage*” be used in order to characterise the role of big urban areas in the luxury industry? The “concentration in one place” of the ready-to-wear luxury and couture industries is clear to all. But, can we speak of a “propensity to concentrate”? The fashion industry has a low level of product innovation and we can presume that this favours a high level of localisation. The role of external economies should also be highlighted. So we could apply this to Paris, taking into account the fashion schools, training centres, fashion shows and trade fairs that exist there.

Let's now examine an author who has worked extensively on the economy of the cultural industries and who has developed the reasons for the geographical concentration of these industries in quite a precise manner.

### **The Scott approach**

Scott's analysis, which is not exactly that of an economist but more the approach of a sociologist, is particularly interesting in as much as it deals explicitly with the cultural industries. We are thus dealing with an analysis that doesn't necessarily cover a

technology-based sector. In addition, he has concentrated his work on bigger cities and not medium sized cities.

Scott<sup>7</sup> studied the interaction between local regulation and cultural industries which includes fashion. In his opinion, the origin of the Marshall notion of district can be summed up in three points:

1. Regional cultures lead to informal effects of significant knowledge. He affirms that tacit skills are also present in most regions;
2. From the producer's point of view, clustering on a regional level is characterised by “*an accumulation of cultural conventions, social rituals and routine personal exchanges*”;
3. Finally, the products themselves benefit from their localisation, as they have, as such, a “semiotic content”.

Scott aims to show that there is a strong link between places and “*the reputation and authenticity of cultural products*”. This is linked to a form of modern, post-Fordian capitalism. Scott outlines that the connection between the image produced and the place create a sort of “exclusive revenue” associated with these places. It is indeed tempting to think that cities such as Paris or Milan benefit from an advantage that could be seen as a revenue, an advantage that results from their traditional haute couture activity for the former and textiles for the latter.

Scott's contribution involves notably highlighting “*reputation and authenticity*”. He introduces a marketing-based dimension rather than one based on the intrinsic quality of the products on offer from these places. These creative places can be used by firms to valorise their products. Scott speaks of a “*multiform process of auto-transformation*”. Little by little, an urban area acquires “*identifiable, cultural attributes marked by distinct conventions and habits*”.<sup>8</sup> If we apply this description to Parisian fashion, it is clear that the progressive establishment of professional organisations (Chambre syndicale de la Couture parisienne) is in tandem

with this schema. Scott describes a process in which the local labour markets experience real growth. He uses the term of “industrial atmosphere” to do so. It remains however, that Scott’s work is not backed up by concrete data, which is hard to collect and define.

Scott takes an interest in the role played by a “dominant location”. He clearly follows Marshall’s theory (in fact using the terms “industrial atmosphere”) and feels that the phenomenon is characterised by a growth in the local labour market and the emergence of new qualifications. In the end, the location will possess “*identifiable, cultural attributes marked by distinct conventions and habits*”. So that is how we explain the dominance of a few fashion capitals on the world scene: Paris, London, Milan.

These two approaches (Krugman and Scott) explain the domination of certain places or regions. Let’s now go back to the way in which skills and knowledge are spread around the same place, and what the economists have said on the subject. What gives fashion industry skills and knowledge a particular character?

### **The issue of tacit know-how and knowledge**

In a paper recently produced by two university lecturers, we see a clear stance in favour of the importance of tacit knowledge in the fashion industry. Barrère and Santaga state that “*the difference between tacit knowledge and explicit knowledge, while subtle, is very visible in the fashion industry.*”<sup>9</sup>

The authors state that there is a difference between tacit knowledge and explicit knowledge. This approach, again, in tandem with Marshall (the term “in the air” is used), highlights the fact that the world of fashion has escaped complete codification. But we feel it goes much too far. How is the notion of tacit knowledge applicable to the fashion industry? Outlining this notion in terms of fashion is indeed difficult. The notion of tacit knowledge was first put forward by Michael Polanyi. He considered that a human being’s

knowledge is superior to what they can tell (“*I shall reconsider human knowledge by starting from the fact that we can know more than we can tell*”<sup>10</sup>).

The fashion industry is a domain in which the circulation of information is an important source of competitiveness. The bi-annual (at the very least) rhythm of the ready-to-wear collections lends itself to this. The “air du temps” for example, is difficult to codify. Each company must, however, use a certain information to create and produce its collection. They use themes inspired by art, social movements... that circulate. These themes can be found at the trade fairs. We could thus consider the different capitals of fashion as industrial districts with the links between one another as their specific nature. The themes that circulate each season can be considered as tacit. The type of knowledge that is exchanged or “*industrial secrets*” to use Marshall’s term remains to be defined. As we have seen, it can be tempting to consider first of all, that tacit knowledge is particularly used in the fashion sector. We feel this is not entirely correct. We do feel it is particularly useful at this stage to refer to the recent work on the articulation of tacit and codified knowledge. This approach overestimates, in our opinion, the informal character of the knowledge exchanged. In fact, it doesn’t take into account the role played by the development of training (basic training and professional training) in fashion which is currently taking place in all of the big cities. In addition, the existence of a fashion calendar in Paris, like in London and Milan show a certain organisation. Localisation is a real point if we take the example of the design studios. The level of externalisation and/or relocation is very low. This may be linked to the necessity to locate close to sources of tacit knowledge (for example, the links between art and fashion).

In addition, we should note that the fashion industry is not an intellectual construct, or even an industrial process that is comparable to the manufacture of micro-processors

for example. It is, in fact, an industry that is based in craftsmanship (as is evident in France from the transformation of the anonymous dressmakers and tailors into designers who gave their products a signature). So, in a 1999 article in the magazine Design Studies, Louridas<sup>11</sup> compares design to DIY in the way Lévi-Strauss meant it in *La Pensée sauvage*. Claude Lévi-Strauss spoke of the meaning of the term “*bricolage*” (DIY) in order to draw a parallel with mythical thinking. When talking about the DIY expert, he explains that he is “*capable of carrying out a number of diverse tasks; but unlike the engineer, he does not need to use raw materials and tools designed especially for his project for each task: his instrumental universe is limited, and the rules of the game are to use what “comes to hand”, that is to say a collection of varied or surplus materials and tools.*”<sup>12</sup>

As such, Louridas considers that there is a largely historical division between design before it went professional and design after professionalization. But design products reflect status, personality, taste.

If we take a close interest in the notion of tacit knowledge, we see, for the writer who first identified the notion (Polanyi), that it is not transferable. Transferability is possible only through articulated knowledge. As Catin, Guilhon and Le Bas stated in an article on the subject: “*the articulation (...) [between tacit and codified knowledge] has a certain “thickness” that it can only be reproduced (remain present) within the functioning of institutions.*” Going back to Simon and Lorino, they remind us that knowledge is both formal and tacit. We have to admit that in each of the big urban areas that specialise in the fashion industry, such institutions exist.

So we understand the importance of the role played by institutions in the fashion industry (for example in Paris, the “Fédération de la couture, du prêt-à-porter des couturiers et des créateurs de mode” that organises the fashion show calendar). However, in the case of the fashion industry,

it seems to us that the type of knowledge exchanged is variable: supplier’s contact details, upcoming trends, perhaps human resources.

The writers highlight the fact that for Polanyi, the passing on of tacit knowledge on leads to “imitation and apprenticeship costs”. They add that “individual tacit knowledge can only be passed on by individual contact” and that as a result, the transmission of this knowledge is difficult and evidently more so at a distance.

We can see, analysis by economists of informal exchanges in one place is not new, in the same way as the valorising of the informal character of these exchanges. Urban areas can, thanks to their history, provide advantages for the firms present in material and immaterial terms. This double component, both material and immaterial, explains the perennial strength of the big cities that are specialised in fashion. Marshall’s ideas continue to inspire economic analysis and sociologists, with analysis that deals with the textile industry but also more immaterial activities like the film industry. This leads us, in our opinion, to look at the question of the singularity of the fashion economy in the wider context of the creative industries.

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