

# AMERICAN APPAREL STORES TO STAY OPEN DESPITE BANKRUPTCY

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The fashion label, whose German headquarters are located in Düsseldorf, recently filed for bankruptcy. The insolvency trustee in charge is Wolf von der Fecht from Düsseldorf. The store at the Königsallee continues its business for the Christmas season.

The seven German stores of US fashion label American Apparel stay open despite the company's file for bankruptcy. "The current stock on hand ensures regular business operations. The wages and salaries for the employees are secured by insolvency funds.", says Wolf-Rüdiger von der Fecht, preliminary trustee for the German subsidiary. Therefore, the Düsseldorf branch at the Königsallee will remain in business. The American Apparel Deutschland GmbH, with its headquarters in Düsseldorf, is currently employing 251 people.

American Apparel Deutschland already filed for bankruptcy at the district court in Düsseldorf on November 8<sup>th</sup>, days before their US parent company requested creditor protection in the USA. According to von der Fecht, the reasoning was "the economic difficulties of the parent company in the USA". American Apparel, whose plain T-Shirts and leggings used to be top sellers among younger and trend-conscious customers, has been fighting with slow business for a while now.

After a restructuring of debts in February, the company attempted a comeback in February by managing a hedge fund. However, the loss of revenue continued, worsened by high costs of manufacturing in Los Angeles while many competitors opt for cheaper manufacturing in Asia. For a while now, American Apparel has not been able to keep up with Swedish competitor H&M and Inditex, the Spanish mother company of Zara.

A quick decline followed their rapid growth, similar to the experience of many competitors like Abercrombie & Fitch, Wet Seal and Quiksilver. At least eight American teenage fashion suppliers have filed for bankruptcy in the past two years as a result of pressure created by price wars.

Talks between American Apparel and potential buyers have been stagnating lately. Parts of the production and sales, as well as some trademarks are supposed to be sold to Canadian competitor Gildan for \$66 million, read a letter by the company management to its employees. However, daily business is said to not be affected by the sales process. Still, this could be the kickoff for the sale of further parts of the company. Nonetheless, the production in the USA is supposed to be continued.