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No cap on growth for headwear makers

Companies diversify and find new prospects amid tough market conditions.

Bill Glovin

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Baseball cap wholesaler HYP had no problem attracting retail buyers to its expanded new digs on West 37th Street last quarter to snap up the latest neon and bright-colored styles for this year's back-to-school season. Selling most of its hats through big retailers such as Kohl's and Target under various labels, the 25-employee company has reached the point where it doesn't have to go to trade shows at the Jacob K. Javits Convention Center to pick up orders.

"We have established relationships, so they come to you," said Mike Pascal, a founding partner at the profitable firm, which he launched in 1991 with three college basketball-playing buddies and which now generates \$35 million to \$55 million in annual revenue.

Nonetheless, to thrive in a tough industry, HYP also offers accessories as varied as underwear and flip-flops. "This is a business where you must diversify," said Howard Levy,



Buck Ennis

Despite tough competition, Mike Pascal's Manhattan firm, HYP, sells most of its hats through major retailers.

another HYP founder.

INCREASED CHALLENGES

The company isn't alone in expanding its offerings this way. Today, few companies can afford to focus solely on hats and caps, says Marshal Cohen, chief retail analyst for the NPD Group, a consumer market-research firm in Port Washington, L.I.

Though the propensity of celebrities like Kate Middleton, Lady Gaga and Kate Moss to wear hats has sparked some interest among women in buying them, fashion trends have been unkind to the headwear market in recent years. "People generally buy headwear to associate with a role model or a successful sports team, not to protect them from the elements," said Karen Giberson, president of the Accessories Council in Manhattan, a national trade organization.

The decline of the headwear market has been long in the making. As a merchandise manager for Bloomingdale's in Manhattan in the 1980s, Mr. Cohen saw the hat department fold into accessories.

In recent years, small U.S. cap makers have also faced heightened competition from giants such as Nike, New Era, Reebok and Adidas, which have licensing and guaranteed sales agreements with college and pro sports teams and dominate the market.

The challenges have had a big effect locally. New York state accounts for almost 20% of all employment in the \$2 billion hat industry, according to a 2012 report by IBISWorld, an industry market-research firm. New York City remains one of the few cities in the country with millinery shops and wholesale distribution. "It's comparable to the jewelry exchange in the sense that while every city may sell diamonds, no city sells diamonds like New York," said Mr. Cohen.

To stay competitive, hatmakers have to be careful to keep costs down amid growing price pressure. "When we first started out, there were a handful of domestic manufacturers," said Mr. Pascal of HYP. "By our second order, we realized that to be price-competitive and meet delivery deadlines, we had to manufacture overseas."

BIG IN JAPAN

Expanding into new markets has helped fuel growth for family-owned New York Hat Co., which makes vintage hats like the Cagney, as well as offerings including knit ski caps and berets, ladies' floppy hats and military styles. "We were a wholesale company founded by our parents in 1982, but two years ago, we started selling online," said Laura Ackerman, one of three siblings who own the company, which is profitable. The charms of its merchandise aren't lost on foreign customers. "We do a lot of business in Japan, where American products such as our fedoras are very popular," she said.



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