BLENDING AWAY FROM CONSUMER DEMAND: THE IMPACT OF THE 2011 COTTON PRICE SPIKE ON RETAIL OFFERINGS AND CONSUMERS' REACTION TOWARDS FIBER SUBSTITUTION

Justin Coates
Melissa Bastos
Cotton Incorporated
Cary, NC

Abstract

The cotton price spike in 2011, along with other rising input costs, prompted U.S. apparel retailers and brands to reevaluate and alter their apparel offerings. While numerous retailers and brands used fiber substitution as a mechanism to cut costs, there is limited research available on the impact of fiber substitution on cotton's share at retail and consumers' attitudes shifts in cotton's share. This paper will utilize Cotton Incorporated's Retail Monitor™ and Lifestyle Monitor™ surveys to identify retail channels and product categories in which cotton has lost share and investigate consumers' reactions towards fiber substitution and other changes at retail. Results from this paper will give the industry insight into the impact of the 2011 cotton price spike on cotton's share of apparel offerings at retail, as well as, the consumer fallout over higher-priced, less cotton-rich clothing.

Introduction

The cotton price spike in 2011, along with other rising input costs, prompted U.S. apparel retailers and brands to reevaluate and alter their apparel offerings. Research and media reports indicate that retailers and brands resorted to substituting cotton for cheaper synthetic fibers, lowering the quality of their offerings, and/or raising prices in order to cut their costs and save their margins (Bhattacharjee & Wahba, 2011) (Holmes & Cui, 2011) (Kavilanz, 2010) (Marian, 2011). Figure 1 shows that for the first time in nearly two decades, U.S. apparel prices rose 5.4% from 2010 to 2011 and continued to rise in 2012 (U.S. Bureau of Labor Statistics, 2012); however, little research has been conducted to better understand (1) fiber substitution away from cotton is in the U.S. apparel market and (2) U.S. consumers' reaction towards fiber substitution and other retail changes that have been documented in the media.

Figure 1. U.S. apparel consumer price index (1982-1984=100)
(U.S. Bureau of Labor Statistics)

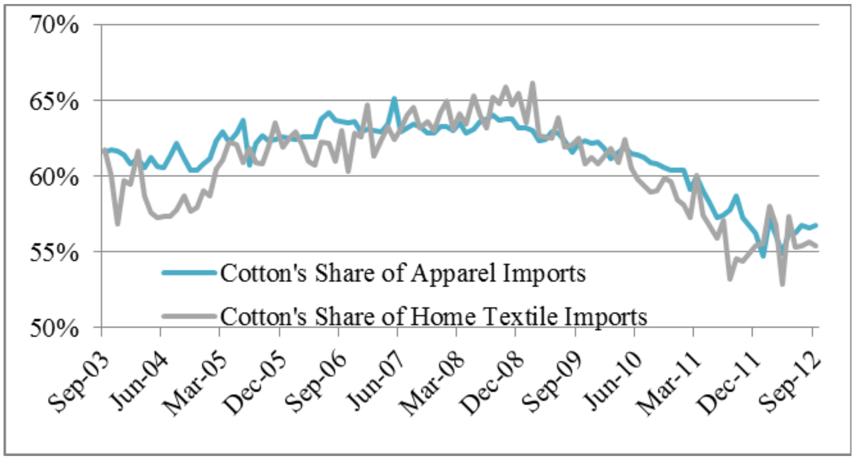

Figure 2. Cotton's share of U.S. apparel and home textile imports
(U.S. Department of Agriculture)

Recent results from Cotton Incorporated's Retail Monitor™ and Lifestyle Monitor™ surveys address these issues. Research indicates that there has been fiber substitution away from cotton towards mainly synthetic fibers in the U.S. retail market, along with price increases. U.S. consumers have recognized that they are paying more money, and getting lower-quality, less cotton-rich clothing, which does not fit their value needs. The majority of consumers are bothered by fiber substitution away from cotton and are willing to pay a premium to keep cotton in their clothing and home textiles because they recognize the value that cotton provides.

Materials and Methods

This paper utilizes two proprietary studies. First, Cotton Incorporated's Retail Monitor™ Survey provides a detailed snapshot of menswear and womenswear offerings at key U.S. retailers. The research is based on on-going, quarterly retail audits of over 100,000 apparel items annually. Audits are conducted at twenty-six national U.S. retailers, representing the major mass, chain, department, and specialty stores in the U.S. apparel market. Information collected on each product includes product type, fabrication, price, country of origin, performance features, and fiber content. Second, Cotton Incorporated's Lifestyle Monitor™ Survey is a monthly online research study that gauges the attitudes and behaviors of U.S. consumers regarding clothing, sustainability, home furnishings, fiber selection, and other topics. The research began in 1994 and currently interviews 6,000 respondents annually. Respondents are 60% female and 40% male, aged 13 to 70, and representative of the U.S. population based on ethnicity, income, education and geography. Both research studies are managed by Bellomy Research in Winston Salem, NC. A third source utilized in this paper is customer comments from key apparel retailer websites were collected to evaluate satisfaction levels of products purchased. This research is complimentary to the quantitative work and highlights the specific areas of concern among U.S. consumers.

Fiber Substitution at Retail

While cotton remains the dominant fiber at retail, it lost share relative to cheaper synthetic fibers. Figures 3 and 4 show that the percentage of menswear and womenswear containing cotton significantly declined from 2011 to 2012, while the presence of synthetic fibers in both markets increased significantly. Tables 1 and 2 show that fiber substitution away from cotton towards synthetic fibers occurred at most major retail channels and in core product categories like knit and woven tops, pants, dresses, and athleticwear. Although fiber substitution away from cotton towards cheaper synthetic fibers was a mechanism to cut costs, average asking prices for apparel rose approximately 17%. Research indicates that U.S. retailers simultaneously substituted cotton for cheaper synthetic fibers as they raised the prices that consumers pay.

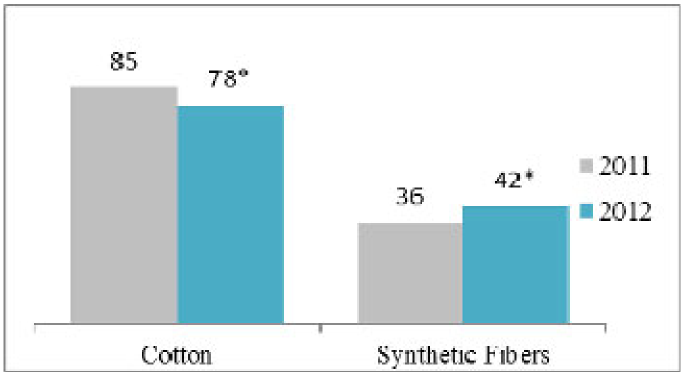

Figure 3. Percentage of menswear containing the following fibers (containing = 1 to 100%)
*Indicates a significant difference at a 95% confidence level

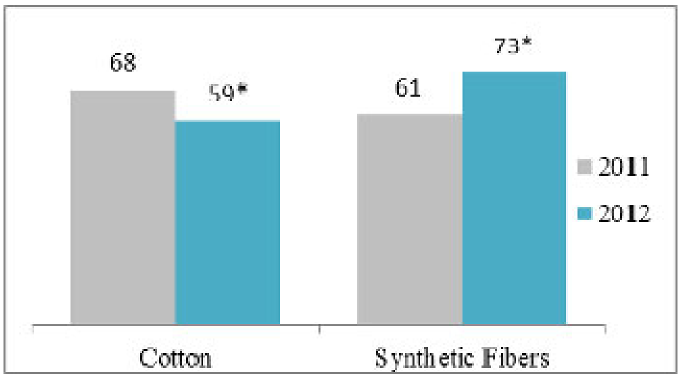

Figure 4. Percentage of womenswear containing the following fibers (containing = 1 to 100%)
*Indicates a significant difference at a 95% confidence level

Table 1. Percentage of apparel containing cotton by retail channel in 2011 and 2012

	Contains Cotton (1-100% Cotton)	
	2011	2012
Mass Merchants	83%	77%*
Specialty Stores	72%	73%
Chain Stores	79%	69%*
Department Stores	76%	67%*
Sport Specialty Stores	20%	19%

*Indicates a significant difference at a 95% confidence level

Table 2. Percentage of apparel containing cotton by major product categories in 2011 and 2012

	Contains Cotton (1-100% Cotton)	
	2011	2012
Denim Jeans	99%	100%
Knit Shirts	82%	79%*
Woven Shirts	81%	70%*
Pants	73%	70%*
Athleticwear	37%	32%*
Dresses	34%	26%*

*Indicates a significant difference at a 95% confidence level

Consumer Reaction Towards Fiber Substitution & Retail Changes

Although U.S. consumers continue to follow the price-conscious apparel shopping habits adopted during the recession, they are still seeking value in their apparel purchases. Table 3 shows that since the recession, U.S. consumers are spending less on clothing by shopping around at multiple stores for the best deals, planning more of their apparel purchases, and shopping on sale more frequently. Nevertheless, more than 9 out of 10 consumers (91%) say quality is important to their apparel purchases and their definitions of good quality clothing have not changed over the same period. Figure 5 illustrates that the majority of consumers define "good quality" clothing as "durable or long-lasting" (58%), followed by "made of good or strong fibers" (23%) and "made well" (12%). Even as consumers have become more pragmatic apparel shoppers over the past few years, their quality expectations have not changed.

Table 3. U.S. consumer apparel shopping habits in 2008 and 2012

	2008	2012
Average spent on clothing annually	$874	$772*
Shop at multiple stores for clothes	60%	73%*
Plan apparel purchases	65%	69%*
Shop for clothes on sale	65%	67%*

*Indicates a significant difference at a 95% confidence level

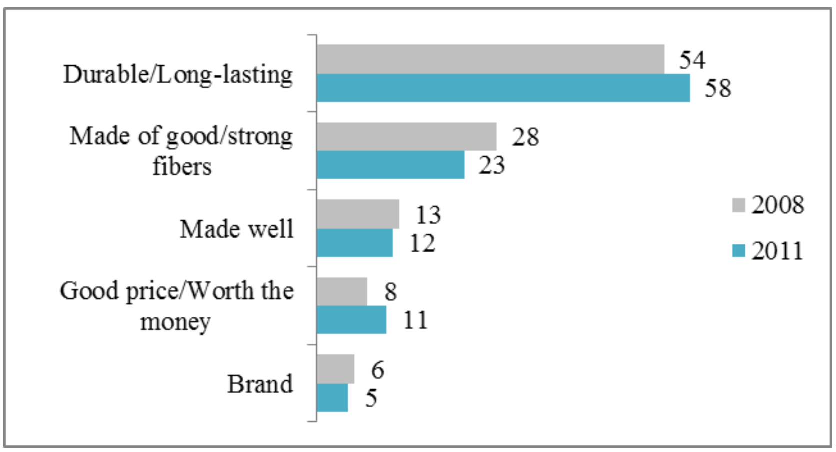

Figure 5. Percentage of U.S. consumers who define "good quality" clothing in the following ways

However, research indicates that U.S. consumers say they are paying more for their clothing and getting less quality. For the first time in nearly two decades, U.S. apparel prices rose and consumers noticed. Figure 7 shows that more than seven out of ten consumers agree that clothing prices have increased from last year. In addition, most consumers say clothing does not last as long as it used to, clothing fabrics are thinner, clothing items typically made with cotton are now made with other fibers, and the quality of clothing at retail has declined over the past year. Consumer recognition of these retail changes has been consistent over the past year. While most consumers are willing to pay a premium for better quality clothing, paying more for less does not meet their idea of value and has led to a significant amount of customer dissatisfaction. In fact, consumers are expressing their dissatisfaction on retailer and brand websites. Comments shown in Figure 6 are leading indicators that quality issues are pervasive, at some lower- and higher-priced retailers, in different product categories, and at different fiber content levels.

Polyester/Wool/Spandex Women's Dress Pants
July 16, 2012 (Luxury Department Store) I bought these about a year ago and the seams and fabric at the crotch literally fell apart. Huge one inch holes. I have only dry cleaned them three times! Unbelievably poor performance for just high priced pants. It's a shame too because they fit beautifully.
68% Cotton/19% Polyester/12% Rayon/1% Spandex Women's Denim Jeans
September 10, 2012 (Fast-Fashion Specialty Retailer) Material is not denim at all. I truly hated these pants. They're uncomfortable, with a sort of itchy feeling. They're cheap for a reason. These jeans wouldn't even be fit for Barbie. Unfortunately I was in a rush & took the tag off immediately upon trying on. I ultimately felt scammed
Cotton/Spandex Men's Underwear
March 01, 2012 (Mass Merchant) I purchased roughly a dozen and wore them for a good period of time – 8-10 months before I noticed that the spandex was giving out. So I pitched them and bought a dozen new ones. After two washings the new briefs are in worse shape than the ones I threw away. The leg openings don't last the first hour of wearing before they give out – stretched with no elastic return. I'm giving up on underwear from [this retailer] – the nice stuff they have lasts one season. The cheap crap they sell routinely is just that low quality, cheap crap.
Nylon/Lycra Women's Yoga Pants
October 14, 2012 (High-End Sports Specialty Retailer) When I tried these pants at the store, it was like love at first sight. Not too flared, provided a lean look, comfortable stretch and rise. I absolutely loved the look and fit. I just had my baby this year, and needed some new yoga pants to bum around the house and neighborhood in. After a couple of wears, I noticed the fabric starting to pill in a few places. Then, after the first careful wash (just the pants alone in the washer, hang to dry), it got worse. This material is just not durable. Or maybe durable isn't the right word, basically, it'll look old and ratty too soon. This is the last item I'll purchase. Doesn't even compare to my 5+ year old yoga pants which still look brand new. I should've heeded the warnings from these reviews!
100% Polyester Sheets
March 14, 2012 (Home Textile Specialty Retailer) Sure these sheets are soft, but when my husband and I first got in bed, the sheets were snagging on our feet. Our toenails (which are not long by any stretch of the imagination) and the dry bottoms of our feet were constantly snagging on the sheets. It was horrible! I mistakenly thought they were 100% cotton. Now I see they are 100% polyester and they don't breathe at all. Unfortunately I probably can't return them as we've used them, but I don't recommend these at all!

Figure 6. Customer comments from various retailer websites

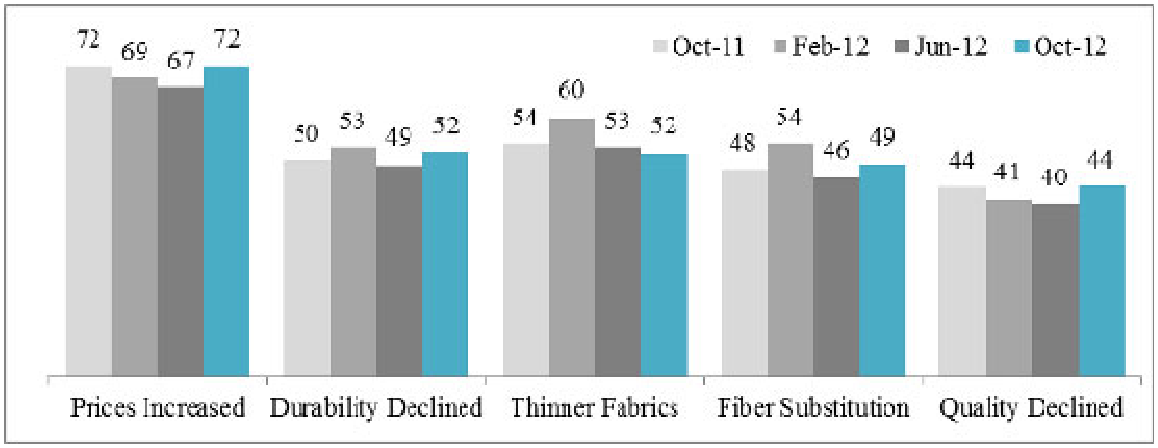

Figure 7. Percentage of U.S. consumers who say they strongly or somewhat agree the following changes have occurred with clothing offerings at retail in the past year

Lastly, research indicates that fiber substitution away from cotton is not acceptable to most consumers. Figure 8 shows that most consumers are bothered that retailers and brands would substitute synthetic fibers for cotton in intimates, casualwear, home textiles, and businesswear. As more than six out of ten (62%) consumers say cotton clothing tends to be higher quality than synthetic clothing, shifts away from cotton could be seen by many as a shift away from quality. Figure 9 indicates that consumers see the value that cotton provides in apparel as most are willing to pay a premium to keep cotton from being substituted in their favorite clothing items. This willingness to pay more for cotton is significant in a period of economic uncertainty and illustrates the need for consumers to purchase apparel that they know will meet their quality and durability expectations.

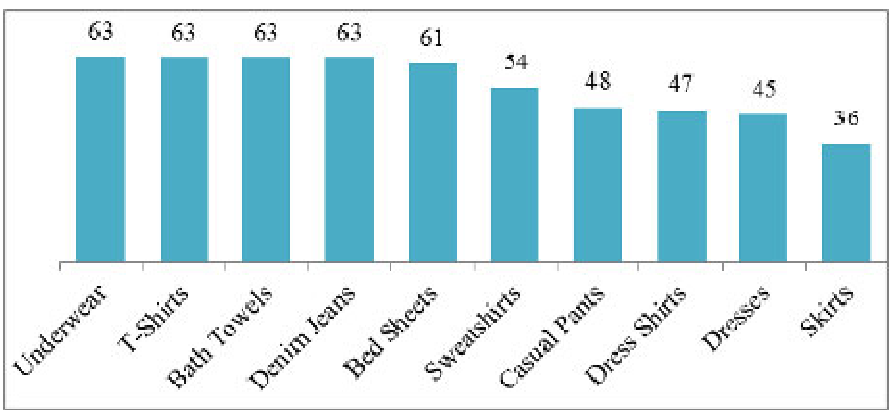

Figure 8. Percentage of U.S. consumers who say they are bothered that retailers or brands would substitute synthetic fibers for cotton in the following product categories (Top-5 box responses on an 11-point scale)

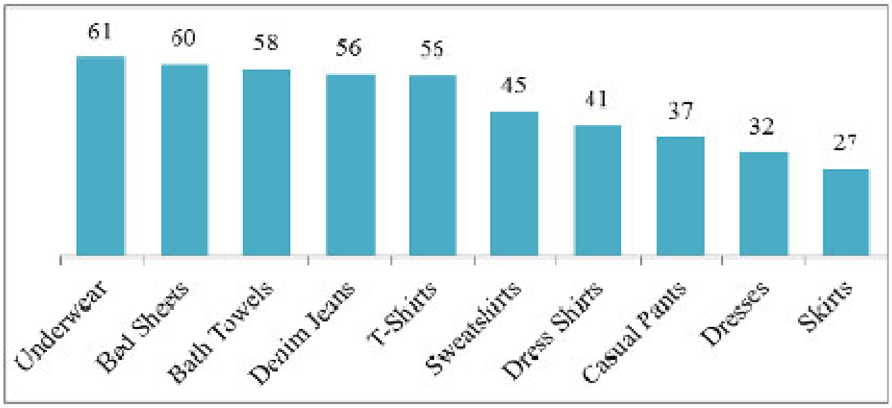

Figure 9. Percentage of U.S. consumers who say they are willing to pay a slightly higher price to keep cotton from being substituted with synthetic fibers in the following product categories

Conclusion

Economic conditions over the past few years have fostered a new pragmatism among U.S. shoppers. Still, consumers' quality expectations remain unchanged, although they perceive that the quality, fiber, and price offerings at retail have changed. Fiber substitution away from cotton towards cheaper synthetic fibers coupled with price increases have led to widespread dissatisfaction among U.S. consumers. With continued economic uncertainty and intense competition for the consumer dollar, the U.S. apparel and textile industry must recognize customer dissatisfaction with current offerings and find ways to provide value to their customers. As more than 9 out of 10 consumers (91%) describe cotton clothing as good quality (Cotton Incorporated, 2012c), reversing the fiber substitution trend seen in 2012 may be a worthwhile move to enhance the value of retail offerings.

References

Bhattacharjee, N., & Wahba, P. (2011, October 25). Shoppers Won't Get Break From Cotton Price Dip. *Reuters*.

Cotton Incorporated. (2012a). *Retail Monitor Survey.* Cary, NC: Cotton Incorporated.

Cotton Incorporated. (2012b). *Lifestyle Monitor Survey.* Cary, NC: Cotton Incorporated.

Cotton Incorporated. (2012c). *Environment Survey.* Cary, NC: Cotton Incorporated.

Holmes, E., & Cui, C. (2011, July 22). Tumble in Cotton Prices, New Wrinkle for Apparel Makers. *The Wall Street Journal*.

Kavilanz, P. (2010, September 9). Cotton Shortage = Pricey T-Shirts and Jeans. *CNN Money*.

Marian, P. (2011, October 17). Cotton Growers Look to Regain Lost Market Share. *Just-Style*.

U.S. Bureau of Labor Statistics. (2012). *U.S. Apparel Consumer Price Index.* Washington DC: U.S. Bureau of Labor Statistics.

U.S. Department of Agriculture. (2012). *Cotton & Wool Outlook*. Washington, DC: U.S. Department of Agriculture.