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THE DYNAMICS OF COTTON IN THE U.S. RETAIL MARKET

Melissa R. Bastos, Kimberley S. Kitchings, and Mark A. Messura
Cotton Incorporated
Cary, NC

Abstract

Apparel and home fabrics are the largest end uses for cotton, representing 82% of finished cotton products. From a year ago, sales of cotton-dominant apparel have had strong growth for men and women of all ages. Cotton's presence is also strong in home fabrics products at retail, denoted in Cotton Incorporated's Retail Audit. In conjunction with retail findings, attitudinal research indicates cotton is important when consumers make their purchasing decisions.

Introduction

In the year 2002, consumers are estimated to have used 34 pounds of cotton per capita, which is slightly up from 2001's estimated 33.8 pounds, yet down from 2000's 35.8 pounds. Those 34 pounds of cotton most likely came in the form of a finished product. According to the USDA, the major end uses for cotton include home furnishings, apparel, carpet, industrial uses - items such as linens for hotels and hospitals, rope, tents, and canvas bags - and nonwovens, products such as diapers and facial wipes. Apparel and home furnishings are the largest end uses for cotton, making up 82% of all finished products (Figure 1).

Discussion

Cotton Apparel at Retail

Apparel is the largest market for cotton, representing 52% of cotton's use in finished products (Figure 1). The following section is an analysis of cotton's presence in this industry using Accupanel data from STS Market Research based in Cambridge, Massachusetts.

In order to measure cotton's presence in apparel, cotton's share is calculated based on weight. This means that the weight of all cotton present in apparel purchases, whether it is 1% or 100%, is combined and divided by the total weight of all fibers. By category, jeans have the highest percent of cotton: 98% for women's and 99% for men's (Table 1). Knit shirts and shorts also are strong categories for cotton. Skirts and dresses is one of cotton's weakest categories (44%), however, it is up 2 percentage points from this time last year. Overall, cotton's share is higher for men's apparel (84.1%) than it is for women's (69.2%).

Even though cotton has a lesser share of women's apparel, women still buy the majority of cotton-dominant clothing (56%, Figure 2). Cotton-dominant refers to all apparel that contains a minimum of 60% cotton. A comparison of these data to year ago data, both men and women purchased more cotton-dominant apparel; however, men are purchasing at a faster rate than women. Men's purchases grew by 11%, while women's grew by 7%.

Cotton Incorporated's research indicates that as consumers get older they go through different life stages, and these life stages influence their shopping behaviors. Therefore, it is essential to analyze cotton-dominant purchases by age groups to learn who is buying. The majority of purchases by all age groups are cotton-dominant apparel; however, the highest percent of cotton-dominant apparel purchases are made by 13 to 24 year olds, which account for 83.8% of all their purchases. As consumers age, their cotton-dominant purchases tend to decrease (Figure 3). Compared to the first 10 months of 2001, all age groups are buying more cotton-dominant apparel, however, 13 to 34 year olds are not only buying more cotton-dominant apparel (up 2.1%), they are purchasing less apparel made with other fibers and blends (-15.7%).

Unit sales of shirts (13.3%) and slacks (13.0%) are up from last year, and another good sign for cotton, the growth in dollar sales is also positive. Dollar sales, however, did not grow as rapidly as unit sales, indicating downward pressure on average retail prices for these products. Sales of skirts and dresses have also grown, however, one area of slight decline is women's jean purchases, off 1.2% (unit basis, Table 2).

Cotton-dominant apparel sales have grown from this time last year in all of the four major outlet channels, the fastest growth being at chain stores and department stores. Examples of these four channels include <u>department</u> stores such as Macy's and Lord & Taylor, <u>specialty</u> stores such as The Gap or Chico's, <u>chain</u> stores such as JC Penney and Sears, and <u>mass</u> merchants such as Wal-mart and Target. Although 78.2% of mass merchants' sales are cotton-dominant apparel, it is the only outlet where there was stronger growth in sales of apparel made with other fibers/blends, while department stores and specialty stores, who tend to be more fashion oriented, had less purchases of apparel made with other fibers/blends compared to last year (Figure 4).

Sales of 100% cotton apparel make up 78% of all cotton-dominant purchases. Wal-mart sold the most 100% cotton apparel during the first 10 months of 2002 (13% share of the total sales based on units). Wal-mart is also the leader for cotton-dominant apparel sales. The top brand for all-cotton apparel sales is Old Navy (5% of total brands purchased), which is a specialty store brand. Not only are mass merchants (Wal-Mart, Target, and Kmart) top sellers of all-cotton apparel, a representative from all four of the major outlet groupings are in the top 9 retailers for 100% cotton apparel sales, which means cotton apparel is not only available at these outlets, it is selling there (Table 3).

Five out of the top nine brands for 100% cotton apparel sales cost more than 100% synthetic apparel, and in seven instances cotton costs more than cotton-dominant blends (Table 4). Based on a single product category, there is a spread of approximately $20 from the lowest average priced jeans, Faded Glory for $15.50, and the highest average priced jeans, Tommy Hilfiger at $35.00.

Although cotton may cost more than synthetics, consumers are still buying 100% cotton apparel, and at a faster rate than 100% synthetics, 4.7% and 0.6% respectively (based on year-over-year percent change for units). The strongest growth for cotton is in the 60% to 99% cotton (cotton-dominant) blend category. Part of this growth can be attributed to cotton/Lycra blends. Even though Lycra has been encroaching on cotton's core products like jeans, it has not actually taken away from cotton's share. Based on the first 10 months of 2002, 100% cotton jean purchases are slightly off, 1.4%, and cotton/Lycra blends are up significantly 13.4% (Table 5). However, cotton's share on a fiber weight basis has not declined; it is up 0.6 percentage points from a year ago.

Cotton Home Fabrics

Almost one-third of cotton's use in finished products goes into home fabrics. Although home fabrics sales are significantly smaller than those for apparel, it is a growing market. According to the U.S. Census Bureau, personal consumption expenditures on home fabrics are up 3.0% compared to last year (November estimate).

Data from the U.S. Census Bureau reflect the annual decline (2001 is the latest annual data available) in production of home fabrics. From the data available by fiber, sheets and pillowcases make up 91% of the production of chiefly-cotton products (towels did not have information available by fiber). The year 2001 saw declines as high as 34% for sheets and pillowcases compared to 2000 (Figure 5). According to *Home Textiles Today*, Springs Industries, the leading manufacturer for sheets and pillowcases in 2001, had flat sales, and made internal shifts to increase global sourcing, which most likely took away from their domestic production.

Since 1990, imports of cotton home fabrics have been increasing. From this time last year (November estimates), imports are up 26%, and from 1990 they are up 271%, almost 3 times (Figure 6). Benefiting from these increased imports, China, Pakistan, and India have emerged as the three largest exporters to the U.S. for home fabrics products.

In order to evaluate product offerings at retail, Cotton Incorporated performed a retail audit in the fall of 2002 at the same seven outlets in Denver, Colorado and Raleigh, North Carolina. A total of 870 products were audited, which included bath towels, sheet sets, and bath/scatter rugs. The type of information gathered included fiber content, price, manufacturer, and manufacturing origin, as well as information specific to the product, like thread count for sheets and sizes for rugs.

According to the analysis, almost all towels (98%) and the majority of sheet sets (70%) were made with 100% cotton (Table 6). In the bath and scatter rug market, 100% cotton only made up 24%. This market as a whole did not have a dominant fiber; 100% nylon was the front-runner with a share of 37%.

Cotton Incorporated undertook a consumer attitudinal survey called *Cotton Incorporated's Home Study*. Since women make 80% of all purchases, the research study involved interviews with 800 women between the ages of 25 and 70, which were balanced to the U.S. census. The survey asked consumers their shopping habits and opinions about bath towels, sheets, bath/scatter rugs, bedding, upholstery, and children's home fabrics.

When respondents were asked, "How important is it that home products are 100% cotton," the majority said it was very/somewhat important for towels, sheets, and bath/scatter rugs. Some consumers feel that cotton is so important they are willing to pay more for it (64% for towels, 56% for sheets, and 31% for bath/scatter rugs, Table 7).

Summary

Cotton-dominant apparel purchases are up from this time last year for both men and women and for all age groups. However, men are purchasing cotton-dominant apparel at a greater rate than women, and not only are 13 to 34 year olds buying more cotton-dominant apparel, they are also buying less apparel made from other fibers and blends. According to the consumer, just as it is important to have cotton in apparel, the majority of shoppers also feel 100% cotton is an important factor when purchasing home fabrics. On average, 100% cotton products garner a price premium for retailers, compared to 100% synthetic apparel.

Notes

[1]Bastos, Melissa R. Manager, Market Analysis. Kitchings, Kimberley S. Director, Market Research and Planning. Messura, Mark A. Vice President, Strategic Planning.

References

Cotton Incorporated's Home Study. 2002. *Cotton Incorporated's Home Study* was a survey based on interviews of 800 women ages 25 to 70 and was conducted via the Internet. Interviews and data tabulation were conducted by Bellomy Research, of Winston-Salem, North Carolina.

Cotton Incorporated's Home Fabrics Audit. 2002. *Cotton Incorporated's Home Fabrics Audit* was an in-store audit conducted at the same seven retailers in Denver, Colorado and Raleigh, North Carolina in October/November 2002. The audit and analysis was conducted by staff of Cotton Incorporated's Strategic Planning Division.

The NPD Group. 1990-2000. Consumer panel data. Reporting via mail surveys.

STS Market Research. 2001- 2002. Consumer panel data. Reporting via mail and Internet surveys. Data are compiled and projected to represent the purchasing behavior of the entire U.S. population for ages 13 and above.

United States Department of Agriculture. *Cotton and Wool Yearbook*. November 2001-02.

United States Census Bureau.

Table 1. Cotton's Share by Product Category. 10-Month Data for 2002 (percent).

Female (weight basis)	Cotton's Share	**Male** (weight basis)	Cotton's Share
Jeans	98.2	Jeans	98.7
Knit Shirts	81.9	Knit Shirts	89.0
Slacks	64.4	Slacks	74.4
Shorts	82.2	Shorts	81.1
Woven Shirts	58.8	Woven Shirts	72.2
Sweat Apparel	70.7	Sweat Apparel	64.5
Skirts/Dresses	43.9		

Source: STS Market Research.

Table 2. 2002 Sales of Cotton-Dominant Apparel. Year-Over-Year % Change.

Percent	**Units**		**Dollars**	
	Men	Women	Men	Women
Shirts	14.8	11.9	8.6	7.5
Sweaters	4.5	-1.4	-12.7	-7.6
Skirts/Dresses	-	7.3	-	5.1
Jeans	3.3	-1.2	0.2	-2.4
Slacks	14.6	11.9	11.1	4.7
Sweat Apparel	5.1	22.4	-7.7	9.5
Shorts	5.6	-9.5	-2.7	-10.4

Source: STS Market Research; 10-Months Data 2002.

Table 3. Sales of 100% Cotton (Bases on Units).

Leading Retailers	Leading Brands
Wal-Mart	Old Navy
JC Penney	Levi's
Kmart	Hanes
Old Navy	The Gap
Target	Tommy Hilfiger
Kohl's	Wrangler
The Gap	Dockers
Sears	Faded Glory
Macy's	Polo

Source: STS Market Research; 10-Months Data 2002.

Table 4. 2002 Sales of Apparel. Average Price ($) by Brand Fiber.

	100% Cotton	100% Synthetic	Difference
Old Navy	15.64	16.54	-0.90
Levi's	25.25	16.00	9.25
Hanes	11.07	12.28	-1.21
The Gap	20.24	18.46	1.78
Tommy Hilfiger	26.93	27.84	-0.91
Wrangler	16.96	16.74	0.22
Dockers	24.58	18.98	5.60
Faded Glory	12.67	12.67	0.00
Polo	25.25	23.94	1.31

Source: STS Market Research; 10 Months Data 2002.

Table 5. Cotton's Competition. Year-Over-Year % Change.

(Unit Basis)	100% Cotton	100% Synthetic	Cotton/Lycra Blends
Total	4.7%	0.6%	25.5%
Jeans	-1.4%	*	13.4%
Skirts/Dresses	-4.0%	-7.3%	*
Slacks	9.4%	-5.6%	15.5%
Knit/Woven Shirts	10.2%	7.7%	*
Sweat Apparel	9.7%	13.1%	*
Sweaters	-0.7%	24.3%	*
Shorts	-4.1%	-2.7%	*

Source: STS Market Research; 10-Months Data 2002.
* Sample size too small.

Table 6. Percent of 100% Cotton Products Available at Retail.

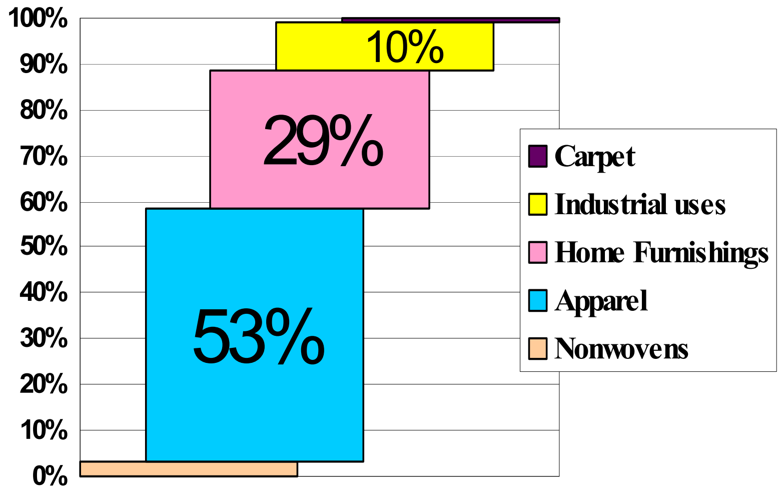
(Unit Basis)	100% Cotton Products
Bath Towels	98%
Sheet Sets	70%
Bath/Scatter Rugs	24%

Source: Cotton Incorporated's Retail Audit and Home Study.

Table 7. How Important is it that Home Products are 100% Cotton?

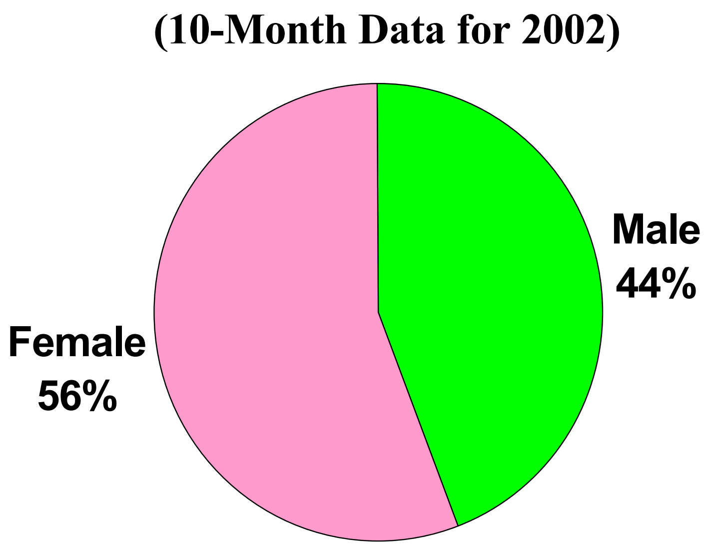
(Unit Basis)	Very/Somewhat Important	Willing to Pay More for 100% Cotton
Towels	88%	64%
Sheets	86%	56%
Bath/Scatter Rugs	59%	31%

Source: Cotton Incorporated's Home Study.



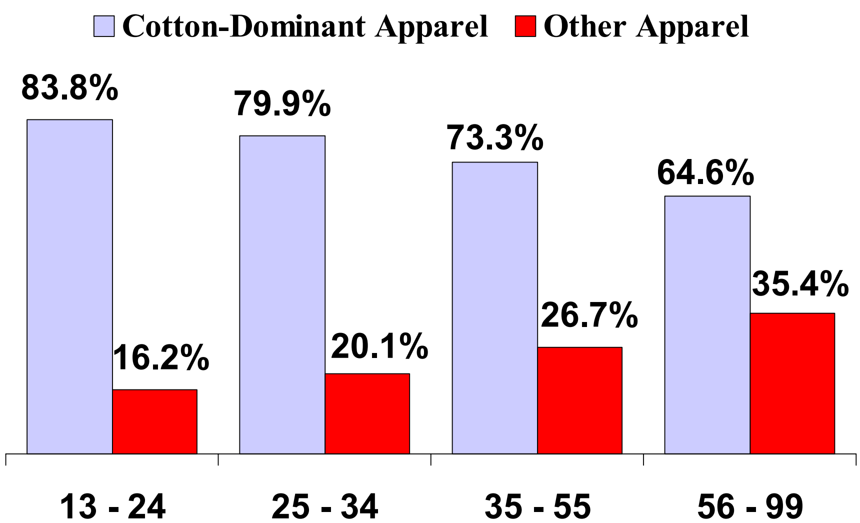
Source: USDA

Figure 1. Estimated End Uses for Cotton.



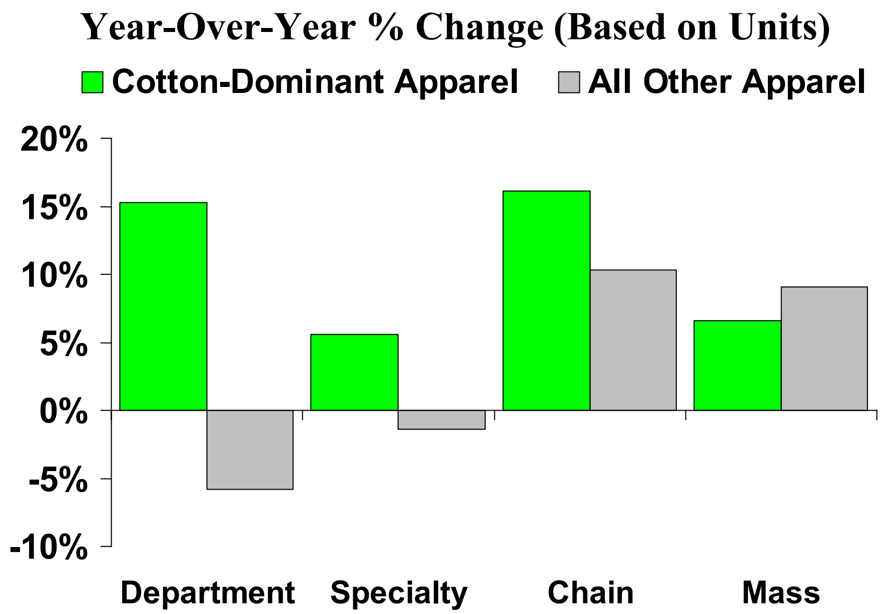
Source: STS Market Research

Figure 2. Who's Buying the Most Cotton-Dominant Apparel?



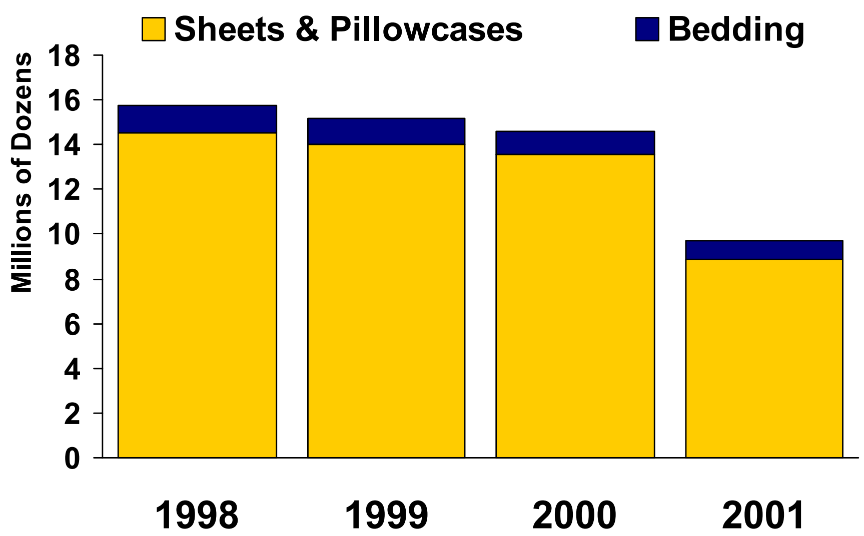
Source: STS Market Research; 10-Months Data 2002

Figure 3. 2002 Sales of Cotton-Dominant and All Other Apparel by Age (Unit Basis).



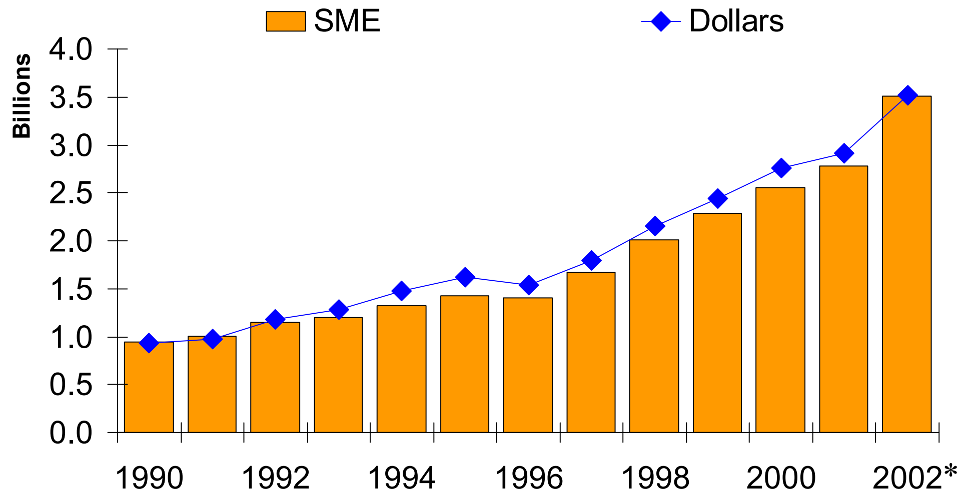
Source: STS Market Research; 10-Months Data 2002

Figure 4. Apparel Sales by Outlet.



Source: U.S. Census Bureau

Figure 5. U.S. Production of Chiefly-Cotton Home Fabrics (UnitBasis).



Source: OTEXA *Cotton Incorporated Estimate

Figure 6. U.S. Imports of Cotton Home Fabrics.