

# INSIGHTS

## DENIM JEANS — THE U.S. WARDROBE STAPLE



U.S. consumers have an enduring love for denim. According to Cotton Incorporated's Lifestyle Monitor™, they own an average of 15 denim garments, including 7 pairs of jeans, and 75% say they love or enjoy wearing denim. Data from NPD Fashionworld's AccuPanel indicate that of all apparel purchased in 2008, 17% was denim and that jeans accounted for 73% of denim apparel purchases. Consumers' loyalty to this wardrobe staple goes hand in hand with their love of cotton — on a fiber-weight basis, cotton's share in denim jeans is 96%.

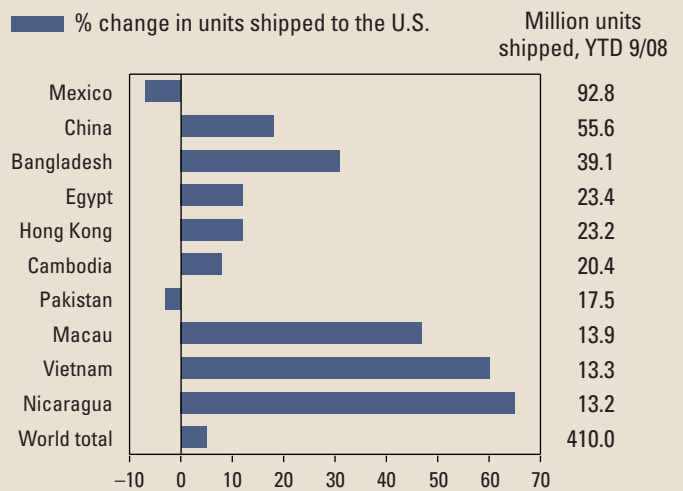
October 2008 was a challenging month for apparel retailers. However, despite the tough economic times, denim jeans are faring better than other apparel categories. "Consumers kept their faith in denim," said *Women's Wear Daily*, because they recognize "the value of an apparel item with a long life span that can be worn for a wide range of occasions." According to the Lifestyle Monitor, 37% of consumers said they had bought jeans in the past month, and 35% said they planned to buy jeans in the coming month. Among planned apparel purchases, jeans ranked second, trailing only tops. However, while consumers still plan to buy jeans, they are focusing more on price, which may have implications for brand loyalty. As shoppers become more selective, providing variety in jeans styles and features may become even more important to maintaining a competitive edge.

### DENIM IMPORTS PERFORM

While imports of other cotton-dominant apparel and bottoms-wear were down, U.S. denim jean imports remained strong. Year-to-date unit shipments in September were up 5% from 2007 to 2008, according to OTEXA data. Among the top ten suppliers of denim jeans to the U.S. market, only Mexico and Pakistan saw declines in units shipped, value of shipments, and market share. Although Mexico remained the largest supplier, with a 23% unit share, China continued to make inroads, with an 18% increase in units shipped, for a 14% share. The third-largest supplier was Bangladesh, which increased shipments by 31%, boosting its unit share of U.S. denim jeans imports from 8% to 10%. Imports from Bangladesh may have been helped by a low average unit cost — \$5.07, well under the world average of \$7.45 and lower than that of any other top-ten supplier.

### U.S. DENIM JEANS IMPORTS REMAIN STRONG

Top 10 suppliers: % change in units shipped, YTD 9/07 to YTD 9/08



OTEXA

### WHO'S IN THE MARKET?

Despite the weak economy and already-high levels of jeans ownership, consumers plan to buy more denim jeans. Among the 70% of Lifestyle Monitor respondents who said they planned to buy apparel in the near future, 51% said they would buy jeans, and these shoppers expected to buy an average of 1.8 pairs. Intent to purchase was higher among consumers under 34 (59%) than older consumers (44%), and higher among women (54%) than men (46%).

Although consumers still plan to buy jeans, they are becoming more price-conscious. The average price consumers said they would pay for a good-fitting pair of denim jeans fell from \$36.10 in January 2008 to \$32.13 in October, reaching a low for the year. However, consumers who considered brand to be an important factor in their apparel purchases were willing to pay an average of \$42.48.

### WHAT'S IN A BRAND?

Brand competition in the jeans market is already intense — in the past five years, the number of denim jeans brands purchased has nearly doubled, according to NPD Fashionworld's AccuPanel. The Lifestyle Monitor asked consumers a series

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of questions to shed light on their attitudes toward brand as a factor in denim jeans purchases. Overall, brand loyalty was high — 73% of consumers said they preferred to buy the same brands of jeans they already owned, and the majority of consumers (54%) had preferred the same favorite brand for at least six years (64% of men and 45% of women). Although younger consumers and lower-income consumers were most willing to try new brands, brand loyalty was high in all age groups (from 69% among consumers aged 16 to 24 to 78% among those aged 35 to 55) and across income brackets (from 62% for consumers with incomes under \$25K to 77% for those with incomes \$75K or higher).

However, it is not the label itself that inspires loyalty — when asked why they preferred their favorite brand, consumers overwhelmingly cited fit/cut/length (66%), distantly followed by quality/durability (20%) and comfort (19%). Responses were consistent across most age and income groups, though younger consumers cared more about comfort than quality/durability, and low-income consumers cared more about quality/durability and comfort than did higher-income consumers. Only 1% of consumers gave brand name as a reason for preferring a brand. Even price/value ranked low, cited by 9% overall and by only 10% of consumers with household incomes under \$50K.

Despite consumers' fondness for their favorite brands, the influence of price on jeans purchases appears to be growing. When asked what factors would be most important in their next denim jeans purchase, cut/fit/length still ranked first (61%), but price/value was second across all age and income groups (26% overall).

## PRICE WILL FACTOR INTO NEXT JEANS PURCHASE

Reasons consumers prefer their favorite denim jeans brand, vs. the most important factors in their next jeans purchase (% responding; more than one response allowed)

	Favorite brand	Next purchase
Fit/cut/length	66	61
Quality/durability	20	7
Comfort	19	11
Style/design	10	12
Price/value	9	26
Brand name	1	3
Other	13	13

*Cotton Incorporated's Lifestyle Monitor™*

## ADDING VALUE — PERFORMANCE FEATURES?

In garments such as dress pants, dress shirts, and athletic apparel, manufacturers have added value by introducing performance features, such as wrinkle resistance or mois-

## PERFORMANCE FEATURES HAVE APPEAL

% of consumers "very" or "somewhat" likely to purchase denim jeans with performance features

	Total	Men	Women
Stain resistant	57	58	54
Wrinkle resistant	53	55	52
Moisture wicking	34	39	31
Waterproof	29	36	25
Wind resistant	26	27	25

*Cotton Incorporated's Lifestyle Monitor™*

ture wicking. MWG Apparel Corp. has recently incorporated Cotton Incorporated's Storm Denim™ technology into men's denim work jeans. The Storm Denim™ finish provides water repellency and stain resistance without sacrificing breathability or comfort.

Is there a market for performance features in fashion denim jeans? Given that Cotton Incorporated's retail audit found no denim apparel offerings with performance features, most consumers probably have not yet had experience with performance denim. The Lifestyle Monitor asked consumers to think about the need for and value of several features. Over half of consumers said they would be "very" or "somewhat" likely to purchase stain-resistant or wrinkle-resistant denim jeans. Among those who would be likely to purchase jeans with one or more performance features, a majority said they would pay a premium for each of the features listed. "Waterproof" was the feature for which the most consumers (66%) would be willing to pay extra. Consumers who said they would rather "look good" than "be practical" when buying denim were just as interested in jeans with performance features as their more utilitarian counterparts.

## DENIM JEANS — THE "GO-TO ITEM"

Even as consumers cut back on apparel purchases, they continue to buy denim jeans. Denim's durability and versatility make jeans "the go-to item in most people's wardrobes," said Tara Corral, of Revolve Clothing. Among Lifestyle Monitor respondents, 78% of both men and women said they preferred to go places where they could wear jeans. Though economic worries are making consumers more price-conscious, fit and cut still drive their denim jeans purchases more than any other factor. Given the universal appeal of jeans and the breadth of the market, variety and choice remain important. Although consumers are loyal to their favorite brands of jeans, their loyalty is to the jeans' features, not the label, and products that can offer the desired fit, cut, and style at a good price will have a competitive edge.

