

INSIGHTS

THE TEEN APPAREL MARKET: BOUNCING BACK

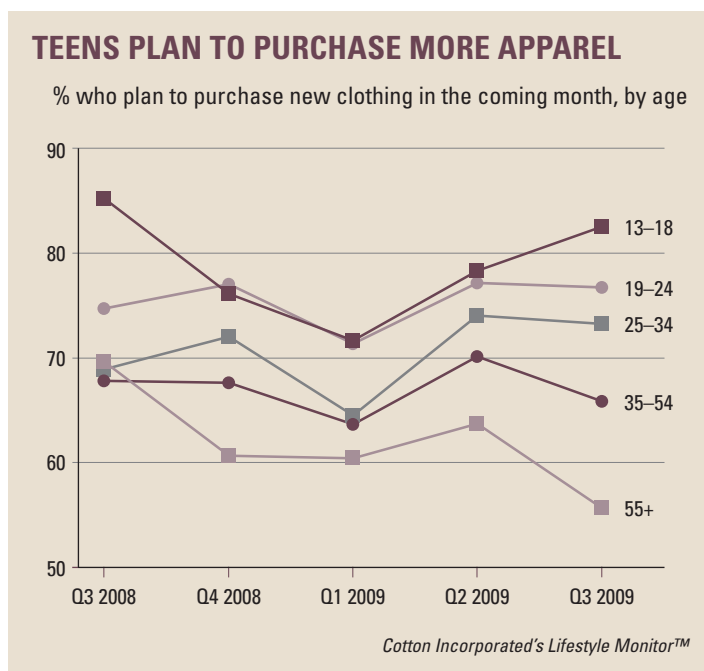


According to Cotton Incorporated's Lifestyle Monitor™ survey, teen consumers (aged 13 to 18) differ considerably from adult consumers in their attitudes towards apparel—in particular, they are more fashion-forward and are more influenced by their peers and the media. Teens are also more likely than adults to shop for most of their clothing at specialty stores, as opposed to mass merchants or chain stores, and they care more about brand and less about price, giving the teen market great appeal to brands and retailers. However, declines in teens' spending money have caused them to scale back clothing purchases, buy more on sale, and shop at lower-cost stores. Still, in contrast to overall apparel spending, teen apparel spending is already rebounding, driven by the high popularity of denim among teens.

HOW HAS THE ECONOMY AFFECTED TEENS?

The unemployment rate for U.S. teens aged 16 to 19 increased from 16.9% in December 2007 (when the recession began) to 25.9% in September 2009. However, the majority of teens (55%) rely on allowances for their spending money, according to Mintel's April 2008 report "Spending Power of the Teen Consumer," suggesting that teens' purchasing power is susceptible to fluctuations in their parents' income and spending habits. Among Lifestyle Monitor respondents, the percentage of teens who reported feeling very or somewhat optimistic about their personal financial situation fell from 56% in early 2008 to 42% in the third quarter of 2009, and the percentage who were pessimistic grew from 11% to 17%.

Lifestyle Monitor data indicate that the economy has affected how teens shop for clothes and has caused a dip in their apparel spending. Although teens are still buying ap-



parel, they are more price conscious, and they have economized on clothing by shifting to lower-cost retail channels. Since the first quarter of 2008, the percentage of teens shopping for most of their clothing at specialty stores has fallen from 35% to 24% (Q3 2009), while the percentage shopping mostly at mass merchants has grown from 18% to 23%. More teens also are waiting to buy their clothing on sale at the end of the season (50%, up from 45%). Teen spending on apparel declined from an average of \$98 a month in the third quarter of 2008 to an average of \$68 a month in the first quarter of 2009. However, it has increased throughout 2009, reaching an average of \$83 in the third quarter, and there are signs that teen apparel spending will continue to rise.

SIGNS OF RECOVERY

Although teens have been affected by the downturn in the economy, their disposable income and apparel spending are showing signs of recovery. In the first quarter of 2009, 55% of teens said they had less money to spend on clothing this year than last year, and only 7% had more money to spend. By the second quarter, the percentage with less money to spend had declined significantly, to 31%, and the percentage with more to spend had grown significantly, to 29%. Over

About the Research

Cotton Incorporated's Lifestyle Monitor™ is a monthly on-line research study that gauges the attitudes and behavior of U.S. consumers regarding clothing, appearance, fashion, home furnishings, fiber selection, and other topics. Each year, 6,000 consumers are surveyed, 60% female and 40% male, aged 13 to 70, and representative of the U.S. population based on ethnicity, income, education, and geography. **Cotton Incorporated's Retail Monitor™** is a quarterly survey of textile products carried by national mass-merchant, chain, department, and specialty stores. It is conducted in stores and via the Internet, and data are collected on product category, brand, fiber content, fabrication, price, country of origin, and product features.

THE TEEN APPAREL MARKET: BOUNCING BACK

the same period, the percentage who reported purchasing less apparel than last year fell from 47% to 22%, while the percentage who said they purchased the same amount of apparel grew from 38% to 51%. The percentage who said they planned to buy clothes in the coming month declined from the last half of 2008 through early 2009, but now is rebounding strongly, a change not seen among older consumers.

Why is teen apparel spending recovering while overall apparel spending remains flat? Lifestyle Monitor data indicate that teens' personal financial outlook has little effect on their apparel purchasing plans, whereas adult consumers' plans to purchase apparel depend on their financial outlook. These attitudes are reflected in spending patterns—in 2009, both optimistic and pessimistic teens increased their spending on apparel, while apparel spending was flat among consumers overall, regardless of their financial outlook. Because teens have fewer financial obligations than adult consumers, they can spend more of their disposable income on apparel. When asked what they would do if they had extra money left at the end of the month, the largest percentage of teens said they would put it in savings (27%). However, teens were more likely than any other consumers to say they would spend it on apparel (23% vs. 6% for adults). Teens also were more likely to spend extra money on entertainment (17% vs. 7%) and less likely to spend it on eating out (5% vs. 13%) or use it to pay off debt (7% vs. 31%).

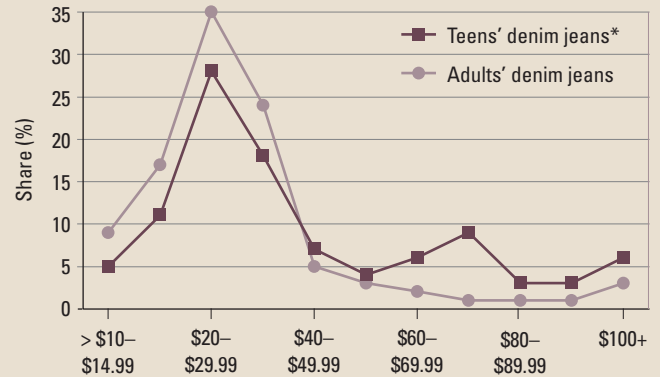
TEENS AND DENIM

In 2009, the apparel product enticing teens to spend their disposable income is denim jeans. Teens typically own more denim than the average consumer, and denim jeans are one of the most popular back-to-school purchases among teens. In the third quarter of 2009, denim jeans accounted for 15% of teen apparel purchases, up from 12% in the third quarter of 2008. Among teens shopping for their next pair of denim jeans, fit and style are the top purchase drivers. This year,



TEENS' DENIM JEANS ARE PRICED HIGHER

Share of denim jeans offerings at retail, by price



*Sold at teen retailers and/or in juniors or young men's sizes. Cotton Incorporated's Retail Monitor™

teens are looking for relaxed-fit jeans (28%), skinny jeans (24%), and boot-cut jeans (17%). Teens are likely to be acquiring more denim jeans in the last quarter of 2009. The percentage of teens who expected to buy several pairs of denim jeans in the coming months bottomed out at 31% in the first quarter of 2009 but has bounced back to 46% in the third quarter of 2009. In contrast, the percentage of older consumers who expected to buy several pairs of jeans declined slightly over the same period, from 24% to 23%.

Although the largest share of denim jeans are sold in the \$20 to \$30 price range, jeans offered at retail for teens are priced higher on average than those offered for adults, according to Cotton Incorporated's Retail Monitor™ survey. On the premium side of the teen denim market, jeans priced at \$70 to over \$100 account for 21% of jeans offered at retail, significantly more than the percentage of jeans offerings for adults in this price range (6%). Teen retailers recognize that teens are more willing than their elders to spend their extra money on clothes, and they are banking on denim to lure teen consumers back into stores. To compete for teens' business, they are upgrading fit, finishes, and fabrics, while offering denim jeans at a wider range of price points.

THE FUTURE OF THE TEEN MARKET

Although the economic downturn has made teen consumers more price conscious and caused a dip in their apparel purchases, their spending is already on the rebound. Compared with consumers in general, teens are more eager to spend their extra money on clothes. While older consumers may still hesitate to spend on apparel, teens are reporting plans to buy more apparel in coming months, including more of their wardrobe staple, denim jeans.

