DENIM JEANS: STATE OF THE U.S. MARKET

Denim jeans are a cornerstone of the American wardrobe and an important cotton product (accounting for almost one-fifth of all cotton clothing at retail). Almost all U.S. consumers own denim jeans and 76% say their closets are full of denim and they enjoy wearing it regularly. Consumer fondness for denim jeans stems from their versatility and durability. Regardless of the price they pay, consumers expect denim jeans to last longer than any other clothing item in their wardrobe. This issue examines the U.S. denim jeans market across the supply chain—beginning with a discussion of trade dynamics and assortment shifts at retail to the factors consumers consider before they purchase their favorite cotton product.

STATE OF IMPORTS

In 2010, approximately 98% of denim jeans available at U.S. retailers were imported. A record 604.9 million denim jeans were imported into the U.S. in 2010. China, Mexico, and Bangladesh were the top suppliers, accounting for 68.4% of imports. Following the record shipments in 2010, from January to May 2011, denim imports were down 8.0% over 2010 to 171.4 million units, and dollar volumes were down 0.1% to $1,316.9 million. Among the top 10 suppliers, only Nicaragua, Lesotho, Indonesia, and Cambodia saw increases in units shipped. Mexico continues to be the largest sourcing location for men’s and boys’ denim jeans (41.0% YTD May 2011), while China is the top supplier for women’s and girls’ jeans (44.2% YTD May 2011).

COMPETITIVE RETAIL LANDSCAPE

According to the Cotton Incorporated Retail Monitor™ survey, in the first quarter of 2011, denim jeans represented 12% of clothing (excluding children’s wear) at U.S. retailers, down from the same period in the past two years. Higher-than-average inventories of knit shirts, replaced denim jeans on store shelves. This increase, as discussed in a recent article in the Wall Street Journal, is advantageous for both the retailer and consumer. Retailers are able to provide a low-cost, easily replenishable product and consumers get a quick and lower-priced wardrobe update. The shift was most notable in the specialty sector, where denim jeans represented only 4% of retail offerings (down from 9% in 2010), while knit shirts increased their presence to represent almost half (47%), up from 37% in 2010.

According to the Cotton Incorporated Lifestyle Monitor™ survey, 43% of consumers said they typically purchase denim jeans at mid-tier department stores like
74% OF DENIM JEANS ARE PRICED BELOW $39.99
Percentage of U.S. retail offerings in this price range

Average prices of denim jeans increased in the first quarter of 2011. Almost three-quarters of denim jeans at retail are priced below $39.99. The average retail price of denim jeans was $37.41, up slightly from $36.24 in the previous quarter and from $35.46 a year ago. Although there have been increases, this first-quarter price is lower than the average retail price in 2009 ($39.28). While full effects of higher raw material prices have not likely made their way to retail shelves, lower retail inventories resulted in fewer discounted jeans. In fact, only 46% of denim jeans were priced “on sale” in the first quarter of 2011, down from 55% for the same period in 2010.

FACTORS IN FOCUS
While price is at the top of the list for general clothing purchasing decisions, it is less of a factor for consumers when buying denim jeans. The premium denim movement that peaked in 2005 initially increased consumers’ willingness to pay more for jeans; however, over time, the lasting effect on the jeans market is the trickle-down to the mass market of “premium” fabrics, styling, and fit, bringing with it increased expectations of quality and fit regardless of where consumers shop for jeans. Jeans with a higher cotton content (90% cotton or higher) have historically garnered a price premium. Consumers see the value in paying a little more for a jean that will fit better and last longer, and 76% of consumers think better quality clothing is made from natural fibers.

Women consider more factors when purchasing denim jeans and find greater importance in these factors than men. Fit was ranked as the top factor for women when purchasing, which was found to be very important by 83% of women surveyed. Women also considered comfort (77%) and flattering look (71%) as top factors, with price (66%) coming in fourth. Fit and comfort are equally important for men, with 66% finding those factors very important, and fewer than half of men finding price important. This is not surprising, as men are generally more likely than women to pay full price than to wait for clothing to go on sale, and this has been a constant trend for almost two decades.

Brand, as a deciding factor in denim jeans purchases, ranked lower in terms of importance to both male and female purchasers. However, this does not necessarily mean brand is not considered. While brand name alone may not affect whether a consumer purchases denim jeans, it may communicate how the jeans will fit, feel, and look based on his or her previous experience with the brand. In fact, over half of consumers prefer to buy the same brands of jeans they already own (56% of women and 52% of men). However, 31% of women said they had no one favorite brand, compared to 24% of men.

LOOKING FORWARD
While retail inventories of denim jeans are lower than a year ago, fall purchasing plans are positive. Sixty-six percent of consumers say they will purchase new jeans this fall, and 78% of parents plan to purchase new jeans for their children. Euromonitor International projects that sales of denim jeans will increase 4.1% in 2011 to $14.7 billion. Denim jeans are purchased for durability, longevity, and versatility because consumers find greater value in a product they know will last longer and fit better; therefore price is not the main factor in the denim jeans purchase decision, unlike other clothing. This positioning ensures that denim jeans will continue to have a place on store shelves and in consumers’ closets.