



Insight Into the Children's Apparel Market

Psychologists have shown that as early as age 3, children express brand preferences. Though they may not yet be chasing fashions and brands the way teens and adults do, children are an important segment of the consumer market for apparel.

This issue of the *Textile Consumer* highlights findings from a retail audit of children's apparel conducted by Cotton Incorporated. These findings offer a snapshot of the market for children's apparel and some insight into how this market compares with the adults' apparel market.

Why Look at Childrenswear?

About one in five Americans (21%) is under the age of 14, and sales of children's clothing have grown continuously since 1998, reaching \$28 billion in 2003. Although children lack the purchasing power of teens and adults, they do have considerable say about what is bought for them—7 of 10 mothers say they purchase items specifically requested by their children. According to Cotton Incorporated's Lifestyle MonitorTM, 56% of 13- to 15-year-olds select all or most of their own clothing, as do 30% of those aged 10 to 12 and 15% of those aged 6 to 9. The bottom line is that children are an important segment for manufacturers and retailers of apparel.

To assess the products available at retail in toddlers' and kids' sizes, Cotton Incorporated in 2003 conducted a retail audit of the six top retailers of children's apparel, excluding department stores. Department stores were excluded because of time and budget constraints. (Of the four largest retail channels, department stores have the smallest share of the children's apparel market.)

The audit took place in three cities across the United States (Raleigh, North Carolina, St. Louis, Missouri, and Denver, Colorado). Over 8,800 apparel products—including tops, bottoms, and sleepwear—were analyzed by gender, size, brand, price

point, fiber content, and country of origin (tailored apparel, outerwear, swimwear, and sweat apparel were not included). This analysis highlights selected results from the audit and compares them with 2003 data on adults' apparel purchases.

The Landscape of Apparel Offerings

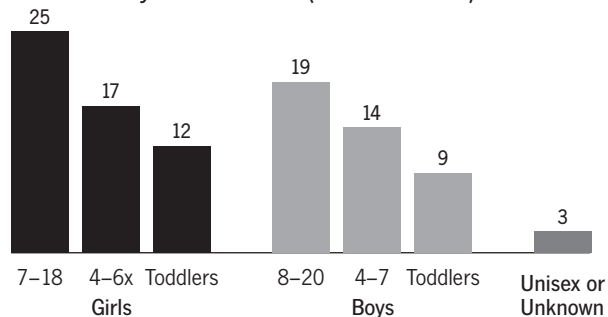
Based on the audit findings, bottoms accounted for 47% of apparel offerings for children, tops for 45%, and sleepwear for 9%. In contrast, adults' apparel purchases significantly favored tops over bottoms. Adults buy three tops for every pair of shorts, slacks, or jeans, indicating that they tend to use tops rather than bottoms to diversify their wardrobe. Denim apparel is important to consumers of all ages; it accounted for 18% of audited children's apparel, a figure similar to denim's 19% of adults' 2003 apparel purchases.

Over half (51%) of the audited children's apparel items were offered by mass merchants, compared with 37% at national chain stores and 13% at specialty stores. Mass merchants also claimed the largest share of adults' apparel purchases, followed by specialty, chain and department stores. According to data for 2000 from the NPD Group, department stores sold 12% of adults' apparel and 7% of children's apparel.

Over half (56%) of 13- to 15-year-olds select all or most of their own clothing.

Distribution of Children's Apparel Offerings

by Gender & Size (% of Total Units)



Source: Cotton Incorporated's Childrenswear Audit.

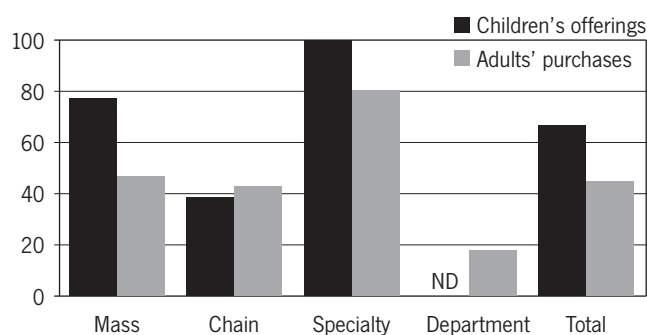
Women tend to purchase half again as many apparel items as men, and this trend was reflected in what retailers displayed for youngsters. More products were available for girls (56%) than for boys (43%), and the numbers of offerings differed according to size. The largest selection of children's apparel was in girls' sizes 7 to 18, which accounted for 25% of the offerings, compared with 19% in boys' sizes 8 to 20. A little over one-fifth of the audited apparel (21%) was in toddlers' sizes.

Branded Apparel

At the audited stores, private labels dominated the offerings, accounting for 65% of childrenswear, compared with 35% for national brands. However, the proportions of private-label and national brands differed markedly among the retail channels. All children's apparel items at specialty stores and 77% at mass merchants were private labels, but the majority at chain stores (61%) were national brands. Within national brands, 29% of the items were licensed-character apparel. In contrast, over half of adult apparel items purchased in 2003 were national brands, despite recent gains of private labels in the adults' apparel market. The distributions of national and private-label brands in childrenswear offerings resembled those for adults' apparel purchases at chain and specialty stores, but not at mass merchants. It should be noted that national brands dominated adults' apparel purchases at department stores, which were not included in the audit; however, as noted, department stores sell a smaller share of children's than adults' apparel.

According to the audit, 91% of childrenswear offerings in 2003 were imported. The primary supplier

Private Labels' Share (%) of Children's Offerings* & Adults' Purchases†, by Retail Channel



ND = no data.

Sources: *Cotton Incorporated's Childrenswear Audit and †STS Market Research.

was Mexico (15%), followed by China (7%). Almost 6% of childrenswear was still manufactured in the United States. The same three countries (China, Mexico, and Honduras) were the leading suppliers of both children's apparel and total apparel, accounting for about 28% of audited children's apparel offerings and total clothing imports. (Because adults' and children's apparel categories are combined in international trade data, these data could not be used to compare imports of adults and children's apparel.)

Distribution by Country of Origin (%)

Children's Apparel Offerings*		Total Apparel†	
Mexico	15.2	China	12.1
China	6.8	Mexico	10.5
Honduras	6.2	Honduras	6.1
USA	5.6	Bangladesh	4.8
Guatemala	5.3	El Salvador	4.5
El Salvador	4.8	Hong Kong	4.2
Dominican Republic	4.5	Dominican Republic	4.0
Vietnam	4.0	Vietnam	3.9
All other	47.6	All other	49.9

Sources: *Cotton Incorporated's Childrenswear Audit and †TOTEXA.

Retail Pricing Dynamics

In today's economic environment, many retailers depend on price to gain a competitive advantage and to attract consumers. This strategy forces the majority of retailers to operate within a narrow range of prices, and the children's clothing market is no exception. Although children's garments were found at a wide range of prices, from \$1.79 to \$55.00, the majority of products (70% of tops, 62% of bottoms, and 83% of sleepwear) were offered for between \$6.00 and \$15.00. Girls' apparel had a slightly higher average price (\$11.37) than boys' (\$10.88), for a difference of only \$0.49.

In the audit, the average price of childrenswear was highest at chain stores (\$14.68), followed by specialty

Price Distribution of Children's Apparel (%)

	Tops	Bottoms	Sleepwear
\$5 or less	25	6	1
\$6-\$10	58	32	37
\$11-\$15	12	30	46
\$16-\$20	4	18	16
\$21-\$25	1	7	1
\$26-\$30	0	5	0
\$31 or more	0	2	0

Source: Cotton Incorporated's Childrenswear Audit.

Average Prices by Retail Channel (\$)

	Children's Apparel Price at Retail*	Adults' Apparel Purchase Price†	Difference
Mass merchants	8.46	15.73	7.27
National chains	14.68	25.17	10.49
Specialty stores	11.44	20.42	8.98
Overall	11.15	18.80	7.65

Sources: *Cotton Incorporated's Childrenswear Audit and
†STS Market Research (data for 6/03).

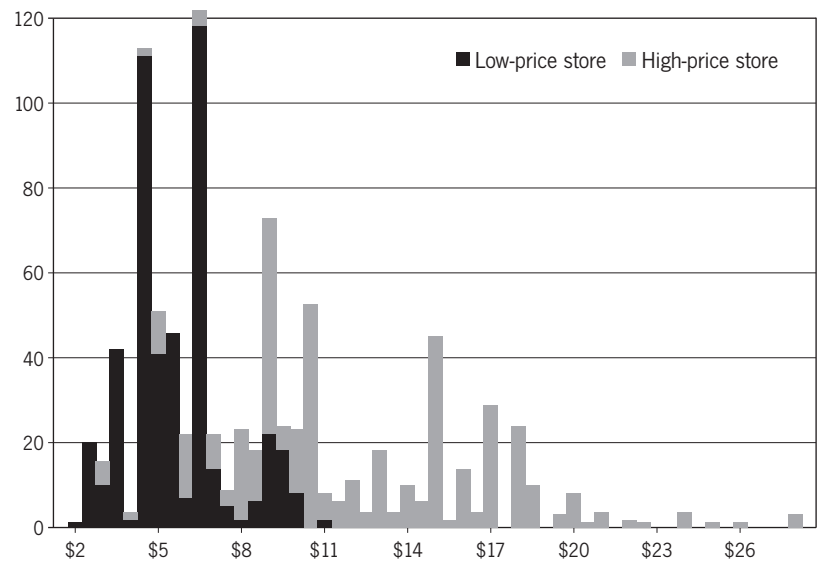
stores (\$11.44) and mass merchants (\$8.46). A continuing deflationary trend has forced many retailers to lower apparel prices to remain competitive, and price points overlapped even between the stores with the lowest and highest average prices. For example, in girls' tops, 50% of the offerings at the highest-price store competed in the same price range (\$3.00 to \$11.00) as 96% of the offerings at the lowest-price store.

Larger sizes tended to garner a higher average price. Apparel for toddlers averaged \$9.18, while items in boys' sizes 4 to 7 and girls' sizes 4 to 6x averaged \$10.14 and \$10.83, respectively. The average prices were highest for boys' sizes 8 to 20 (\$12.57) and girls' sizes 7 to 18 (\$12.55). In contrast, size and average price paid for women's apparel in 2003 were negatively correlated; petite-sized garments sold for an average of \$20.98, compared with \$19.40 for misses and \$17.98 for plus sizes. This trend was related to retail channel—petite-

sized women's apparel was purchased mostly at department stores, while plus-sized apparel was purchased mostly at mass merchants.

Childrenswear appears to be less sensitive than adult apparel to deflationary price pressures. Retail sales data for 1995 through 2000 (from the NPD Group) show that significantly less children's apparel was purchased on sale (47.0%) than adults'

Price Distribution of Girls' Tops at the Highest- and Lowest-Price Stores

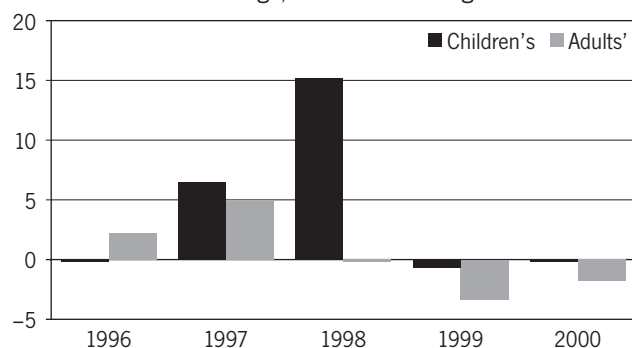


Source: Cotton Incorporated's Childrenswear Audit.

apparel (58.3%). Over this period, the annualized change in average price was +3.9% for children's apparel and +0.2% for adults' apparel. In the 2003 audit, only 28% of the children's apparel items were offered at discounted prices, whereas 64% of apparel purchased in 2003 by consumers aged 15 or older was on sale. The rationale for paying full price for children's apparel items may be their already lower average prices. The average price paid for adult apparel during June 2003 at the stores audited was \$18.80, \$7.65 more than the average price asked for childrenswear.

Percent Change in Average Price Paid for Children's and Adults' Apparel

Year-over-Year Change, June 1995 through June 2000



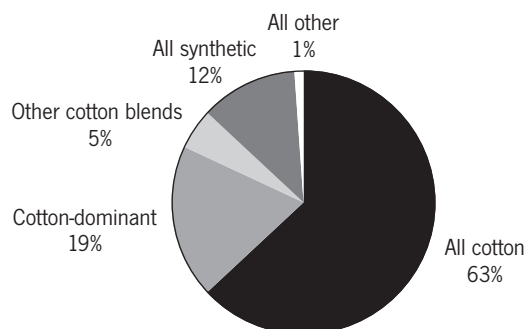
Source: The NPD Group.

Cotton's Stronghold in Apparel

As in adults' apparel, cotton plays a major role in clothing for children. On a unit basis, 86% of the 8,800 audited childrenswear products contained cotton, compared with 79% of adults' apparel purchased in 2003. Almost two-thirds (63%) of children's tops and bottoms were 100% cotton, compared with

Fiber Content of Children's Apparel Offerings

Percent of Units



Source: Cotton Incorporated's Childrenswear Audit.

57% of adults' tops and bottoms purchased in 2003, and 31% of kids' sleepwear was all cotton. Cotton-dominant apparel (containing from 60% to 99% cotton) accounted for another 19% of childrenswear offerings at retail and 17% of adults' apparel purchased.

In children's apparel, the share of 100% cotton was highest in denim shorts (88%) and denim jeans (73%). More boys' apparel (73%) than girls' (56%) was 100% cotton, reflecting the pattern seen in adults' apparel. Though fiber content was less related to size, offerings in girls' toddler sizes included significantly more 100% cotton items (59.9%) than did offerings in larger girls' sizes (54.1%). Spe-

cialty stores offered childrenswear shoppers the most cotton-rich assortments; 77% of their offerings were all cotton, compared with 64% at mass merchants and 58% at chain stores.

A better understanding of the trends in the children's apparel market and how it resembles or differs from the adults' apparel market will arm retailers and manufacturers with knowledge needed to compete in a market with numerous brand offerings and deflationary pressures. It is estimated that the population of children aged 14 or younger will grow an average of 2.9% annually over the next decade, offering retailers a clear opportunity to increase unit sales in this market segment.

Fiber Content of Children's Apparel Offerings by Product Category

	100% Cotton	60%-99% Cotton	Other cotton blends	100% Synthetic	Other or unknown
Jeans	73	20	6	0	2
Pants	48	33	5	7	7
Shorts	72	16	5	6	2
Overalls	94	5	0	0	2
Skirts	50	16	6	26	2
Dresses	50	21	14	9	6
T-shirts & tanks	72	21	3	3	1
Polos & sport tops	69	20	6	4	0
Oxfords & blouses	57	16	9	15	4

Source: Cotton Incorporated's Childrenswear Audit.

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