

Textile Consumer™

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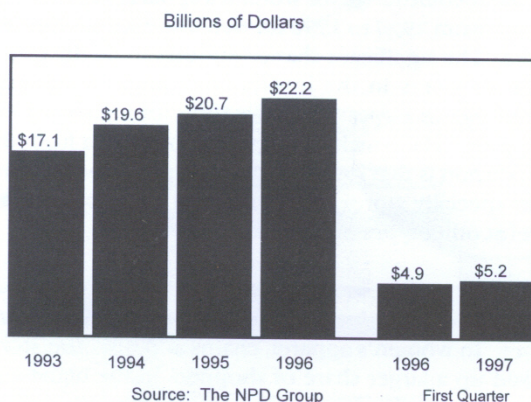


Sizing Up Women's Apparel

With the women's plus-size apparel sales growing twice as fast as the total apparel sales, retailers have been given an opportunity to provide an array of size and style choices to meet the needs of a highly-discerning market. Whether the plus-size trend is the result of being overweight or larger framed, most American women are size 14 or larger. Further supporting this trend is the latest National Health and Nutrition Examination Survey, indicating one in three or 58 million Americans are overweight, and the majority — 32 million — are women. Combining these statistics with the magnitude of the aging baby boomer population, the electronic age and the reduction of physical activity, it's no surprise that many industry experts are expecting sales of the plus-size market to continue to increase.

According to data from The NPD Group, while dollar sales of total women's apparel have increased by 13 percent in the past four years, dollar sales of women's plus-sizes have increased at a much faster pace. In 1993, plus-sizes accounted for \$17.1 billion in women's apparel sales and in 1996 sales increased to \$22.2 billion, a 30 percent increase. Over the past four years, plus-sizes have had triple the growth of total women's apparel, on a unit basis. Comparing the first quarter of 1997 to the first quarter of 1996, both dollar and unit sales of plus-size apparel have increased six percent, outpacing the five percent dollar and three percent unit increase in total apparel sales.

Retail Apparel Sales For Plus Sizes



Plus-size consumers spend most of their time shopping for apparel at specialty stores. In 1996, specialty stores sold \$5.7 billion of plus-size clothing, up 25 percent from 1993. Case in point, the success of the past eight years of plus-size specialty-retailer, Lane Bryant. During that time, Lane Bryant has opened 130 additional stores, and now operates 850 stores nationwide and generates about \$1 billion in annual sales.

Discount stores, however, have recognized the opportunity in this market and are quickly closing in on specialty stores and already have surpassed chain and department stores in dollar sales. In 1996, discount stores accounted for \$4.4 billion of plus-size apparel sales, up 41 percent from 1993. While both chain and department stores sold \$3.7 billion dollars of plus-sized apparel last year, these outlets continue to cater to traditional shoppers.

With plus-sizes comprising approximately one-fourth of all women's apparel sales, are retailers positioned to meet the challenges of a growing plus-size market? Data from Cotton Incorporated's Lifestyle Monitor™ indicate that almost 50 percent of American women are not satisfied with apparel offerings and that two of their main reasons for not shopping are size related. It may be the allure of stylish apparel that beckons consumers to shop, but the ability to find clothes that fit will result in a purchase. Lifestyle Monitor™ findings reveal that the primary reason women are not wearing clothes that are in their closets is because "the clothes are not comfortable or don't fit." Yet, when shopping for replacement items, more than half (52 percent) of women state that "current styles don't flatter my shape" and 45 percent state that "in general, I can't find my size in clothes I like." These numbers are even higher for women between 35-55 years of age, which is significant considering that according to NPD data, 49 percent of plus-size purchases are made by women in this age segment.

Percent Of Females That Agree.. "Current Styles Do Not Flatter My Shape"



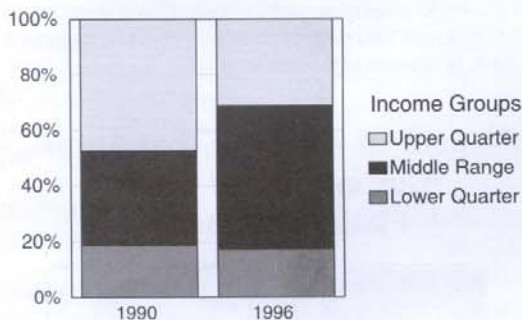
With an estimated 40 percent of all potential customers seeking out plus-sizes, retailers are looking at an opportunity to heed demand and increase apparel sales. Enticement to spend is hinged on providing female consumers with clothes that fit and flatter their shape.

Consumers' Incomes And Retail Spending Patterns

During the period from 1990 to 1996, the textile industry witnessed changes not only in new products such as wrinkle-resistant clothing and cultural changes such as the movement toward casual dressing, but also in consumers' buying patterns. Consumers shifted their clothing purchases, in general, away from department and specialty stores and toward discount, chain, off-price, factory outlet stores and direct mail. A consequence of this shift has been considerable pressure on retail prices. For the last two and one-half years, average retail prices for apparel have fallen, leaving shrinking margins for manufacturers and retailers alike. What are the significant aspects of this shift?

In 1990, in terms of percentage of total dollar sales, specialty stores had the largest share of the market for both men's and women's clothing apparel. Specialty stores accounted for 31 percent of women's apparel sales and nearly one out of every four dollars spent on men's clothing. Department stores were the second largest outlet type with 27 percent of women's sales and 22 percent of men's sales.

Distribution Of Apparel Dollar Sales By Consumer Income Department Stores



Source: The NPD Group

By 1996, the picture had changed. Specialty and department stores kept their respective rankings, but over the course of the last seven years, both specialty and department stores lost share to discount, chain, off-price and factory outlet stores. Direct mail shopping also earned an increase in share over the period. In women's apparel, department stores lost nearly five points in share and specialty stores lost nearly four points, while chain stores increased by almost two points and discount stores by more than three points. The pattern was the

same for men's apparel where chains and discount stores each gained about two points in share.

Change In Percentage Point Share Of Total Apparel Dollars, 1990 to 1996

	Men's Apparel	Women's Apparel
Department	-3.0	-4.9
Specialty	-4.3	-4.1
Chains	1.9	1.7
Discount	2.3	3.6
Off price	0.5	1.1
Factory	2.0	0.7
Direct mail	0.8	1.8

Source: The NPD Group

Although many reasons can be offered to explain this shift, one answer may lie in understanding the changes that occurred in the consumer base for these outlets. Shoppers in the middle-income range left department and specialty stores in favor of other types of outlets. In 1990, approximately 34 percent of men's apparel sales in department stores were made by shoppers who were among the top quarter of income earners. By 1996, that percentage had risen to 51.5 percent of shoppers. With the share of lower-income shoppers remaining roughly constant, department stores clearly lost a significant share of shoppers in the middle-income range, falling from 47.3 percent of the consumer base in 1990 to 31.3 percent in 1996. The same pattern was also true of the consumer base for men's apparel sold in specialty stores.

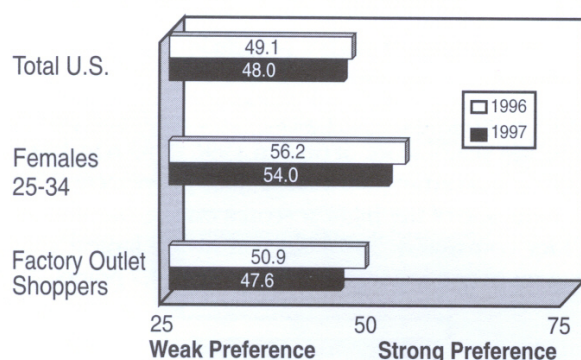
Changes in the consumer base for women's apparel were not as pronounced. The percentage of shoppers in the middle-income range for women's apparel showed little change from 1990 to 1996 for department and specialty stores. The significant change appears to be the loss of some shoppers in the low-income range by specialty stores and an increase in their share of higher-income shoppers. The conclusion that can be drawn from this observation is that lower-income shoppers moved away from specialty stores and purchased more of their apparel at other types of outlets.

The losses experienced by the department and specialty stores translated into gains for chains and discount stores. In women's apparel, chains and discount stores picked up a larger share of shoppers in the highest income group. The market for men's apparel displayed a similar trend. Chains and discount stores saw an increase in their share of higher-income shoppers. Chains, in particular, appear to have succeeded in trading some of their middle-income range shoppers for a larger percentage share of higher-income customers.

Lifestyle Monitor™ Barometer Scores

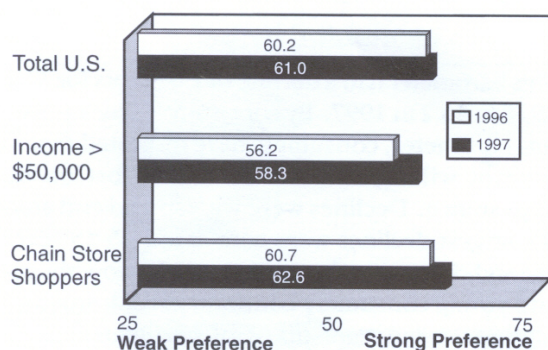
The Lifestyle Monitor™ is an ongoing research tool to determine the perceptions, attitudes and behavior of consumers. The Lifestyle Monitor™ has "barometers" that track how consumers change their attitudes and behavior over time. The analysis of the movement of barometer scores provides meaningful research data that the industry can use to understand where consumer attitudes and behavior appear to be leading. The benchmark study was conducted in 1994. Barometer scores can range from 0 to 100 with a score of 50 representing a neutral reading. These scores are not percentages, but composite tabulations of multiple responses to each barometer's question cluster. The barometers below are comparisons of 1997 first quarter and 1996 first quarter.

Shopping



The Shopping Barometer declined by 1.1 points from 49.1 in the first quarter of 1996 to 48.0 in 1997 and registered its lowest score since the project began in 1994. Declines were widespread, with the largest decreases for females 25-34 years of age and for factory outlet shoppers. The only gains that were recorded were for males and specialty store shoppers.

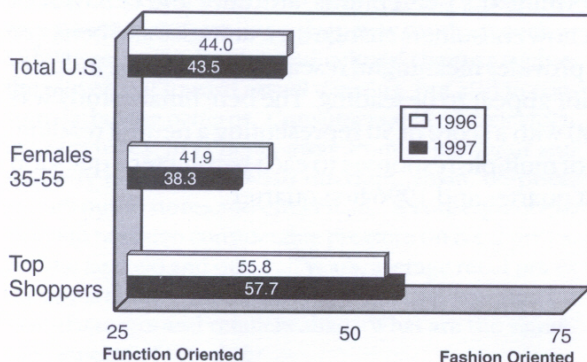
Casual Dressing



The Casual Barometer continues to edge upward for the third consecutive quarter. This barometer increased year-over-year from 60.2 in the first quarter of 1996 to 61.0 for the first three months of 1997. Moderate gains were posted in most categories, with consumers earning over \$50,000 per year having the largest increase of 2.1 points and chain store shoppers also having a gain of 1.9 points.

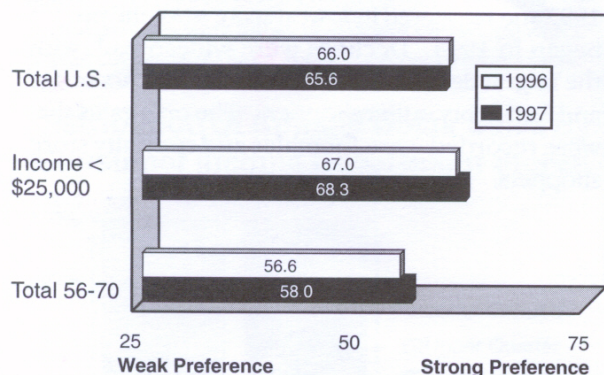
Lifestyle Monitor™ Barometer Scores

Fashion



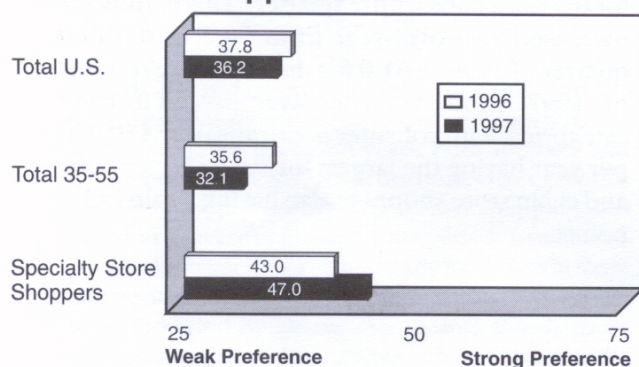
The Fashion Barometer had a slight decrease of 0.43 points in 1997 to 43.5 in the first quarter of 1996. Females 35-55 had the largest decline in the Fashion Barometer, a drop of 3.6 points from 41.9 in 1996 to 38.3 in 1997. Top Shoppers had a gain of 1.8 points, which continues a growing trend for this segment of shoppers in their preference for clothes that are fashionable.

Denim



The Denim Barometer had a decrease of 0.40 points over last year's score of 66.0 in 1996 to 65.6 in 1997. Consumers earning less than \$25,000 per year continue to have one of the highest scores on this barometer. Older consumers 56-70 registered the largest gain quarter-over-quarter with an increase of 4.7 points.

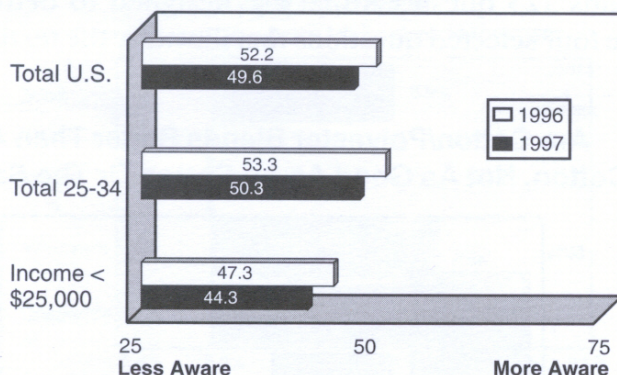
Appearance



This barometer had a decline of 1.6 points for 37.8 in 1996 to 36.2 in 1997. By consistently scoring low on this barometer, consumers have indicated that they are not willing to exert a lot of effort on their appearance. Declines were widespread and among the largest declines were consumers 35-55 years of age and chain store shoppers. Specialty store shoppers and young consumers continue to rank among the highest scoring segments of this barometer.

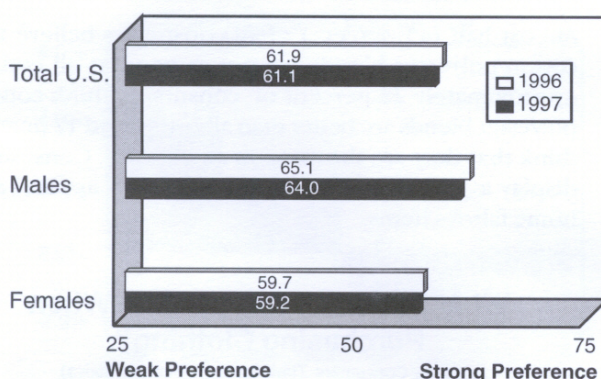
Lifestyle Monitor™ Barometer Scores

Fiber Awareness



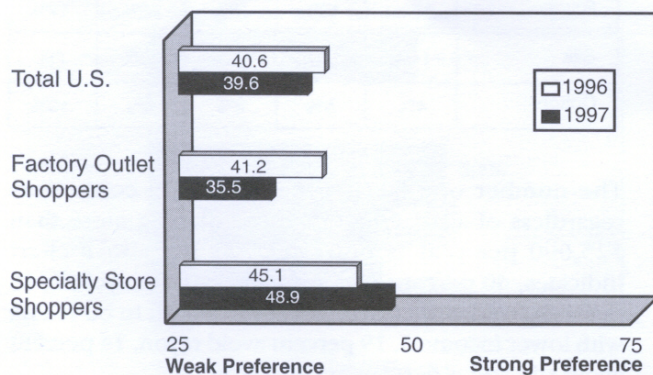
The Fiber Awareness Barometer had the largest decrease of all the barometers from 52.2 in quarter one of 1996 to 49.6 in quarter one of 1997, a decline of 2.6 points. This barometer also registered its lowest score to date since project inception. Notable declines were recorded for consumers 25-34 years of age and for consumers with annual household incomes of less than \$25,000 per year.

Natural Fiber Preference



The Natural Fiber Preference Barometer declined by 0.71 points year-over-year. This decrease comes one quarter after registering 62.3; it's highest score since the benchmark of the survey. There were widespread decreases and among the largest declines were younger consumers. Males also had a decline of 1.1 points and females had a decrease of 0.5 points.

External Influences



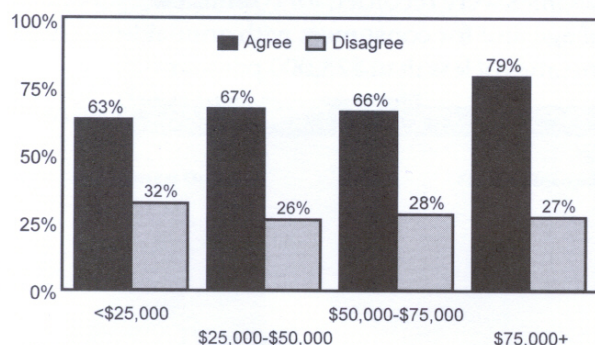
The External Influences Barometer declined from 40.6 in 1996 to 39.6 in the first quarter of 1997. Since the fourth quarter of 1995, this barometer has indicated a decrease in the influence of external efforts on the purchasing decision of consumers. The largest decline was for factory outlet shoppers and the largest increase was for specialty store shoppers.

Lifestyle Monitor™ Questions

Profile: Fiber Awareness

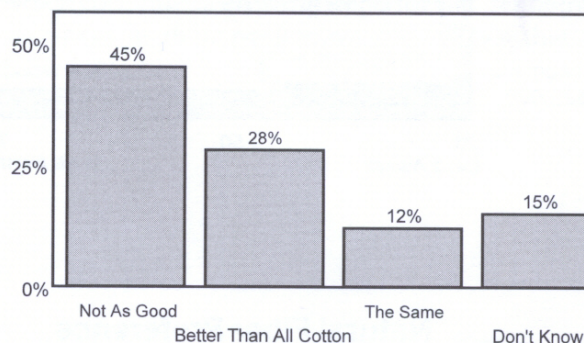
Cotton Incorporated's Lifestyles Monitor™ contains 125 questions that are designed to better understand the textile consumer. In this section are four selected questions that illustrate the textile consumers attitudes toward fiber.

I Think Better Quality Clothes Are Made From All Natural Fibers



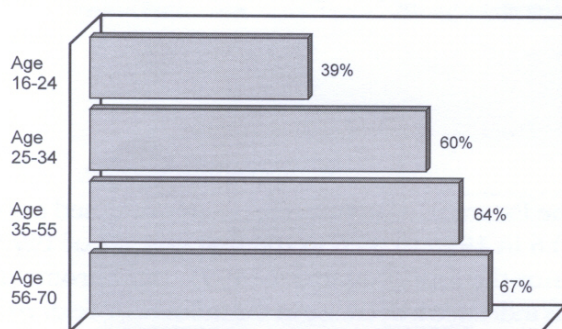
Sixty-three percent of consumers earning less than \$25,000 per year agree with the statement that "better quality garments are made from all natural fibers", while 67 percent of middle income consumers agree and more than 70 percent of consumers earning over \$50,000 per year agree. Regardless of income, age or gender the majority of respondents believe that better quality garments are made from all natural fibers.

Are Cotton/Polyester Blends Better Than All Cotton, Not As Good As All Cotton Or The Same?



Almost half (45 percent) of all consumers believe that cotton/polyester blends are not as good as all cotton. Approximately 28 percent of consumers think cotton/polyester blends are better than all cotton and 12 percent think that they are the same as all cotton. Consumers display a preference for all cotton in both apparel and home fabrics items.

Do You Avoid A Particular Fabric When Purchasing Clothing?



Fifty-five percent of consumers in the Lifestyle Monitor state that they avoid a particular fabric when purchasing clothing. Younger consumers are the least likely to avoid a particular fabric when buying clothes but as consumers age the percentage avoiding fabrics increases. Sixty-percent of 25-34 year olds avoid a particular fabric, while 64 percent of 35-55 year olds and 67 percent of 56-70 year old consumers steer away from certain fabrics in clothing.

What Fabrics Do You Avoid When Purchasing Clothing?

(Among Consumers That Avoid Particular Fabrics)

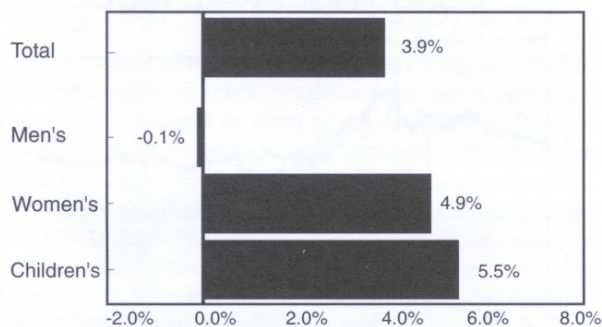
By Age	Total	16-24	25-35	35-55	56-70
Polyester	41%	36%	43%	41%	32%
Wool	28%	34%	31%	27%	28%
Rayon	19%	12%	18%	23%	19%
Silk	14%	15%	13%	13%	8%
Cotton	4%	5%	2%	6%	10%

The number one fabric avoided among consumers regardless of age, gender or those earning more than \$25,000 per year is polyester. As the above chart indicates, 40 percent of consumers avoid polyester, 28 percent avoid wool (these consumers tend to be young with lower incomes), 19 percent avoid rayon, 14 percent avoid silk and 4 percent avoid cotton.

Retail Sales Results

Apparel Sales

Percent Change Dollar Basis, 1st. 4 months 1997 vs. 1996

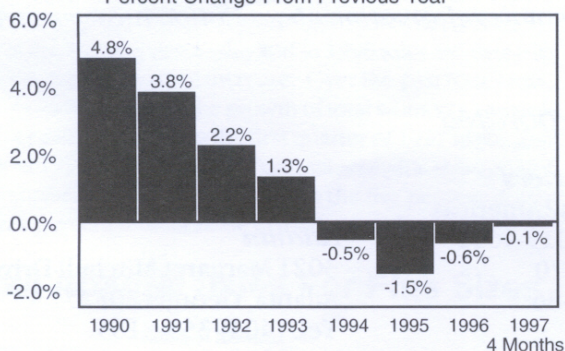


Source: The NPD Group

Apparel sales for the first four months of 1997 gained 3.9 percent compared to the same period in 1996. The growth in apparel sales was spurred by children's wear with an increase of 5.5 percent and women's wear with an increase of 4.9 percent. The leading category in children's wear was shirts while shirts and dresses had the most growth in women's wear. Sales in men's apparel had a decline of 0.1 percent for year-over-year comparisons which can be partly attributed to the decline in sales for sport shirts.

Apparel Prices

Percent Change From Previous Year

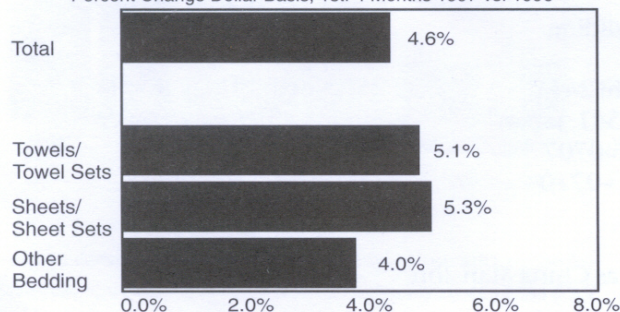


Source: Department of Commerce

Thus far in 1997, apparel prices have declined by 0.1 percent when compared to the first four months of 1996. This decline can be linked to the 7.2 percent decrease in the average price for men's apparel. However, a decline of 0.1 percent is marginal and based on economic predictors, apparel prices may begin to recover for the first time since 1993. During the first quarter of 1997, GDP was up 5.8 percent compared to last year, consumer confidence remained strong, unemployment stayed low and personal consumption increased by 5.7 percent.

Home Fabrics

Percent Change Dollar Basis, 1st. 4 Months 1997 vs. 1996



Source: The NPD Group

Home Fabrics sales grew by 4.6 percent outpacing total apparel sales for the first four months of 1997. Sales for towels/towel sets and sheets/sheet sets grew by 5.1 and 5.3 percent, respectively. Other bedding which consists of bedspreads and blankets had a gain of 4.0 percent over last year. Unit sales of home fabrics had a gain of 3.3 percent and grew at a slower rate than dollar sales.

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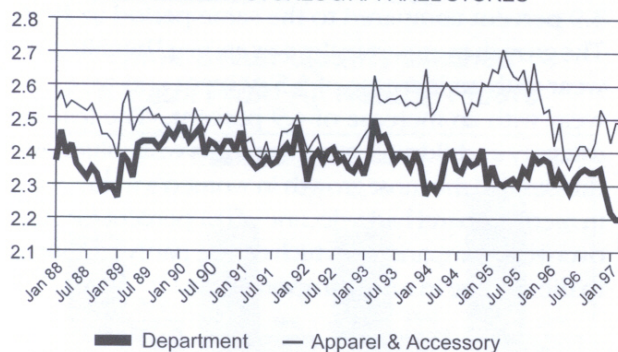
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INVENTORY/SALES RATIO

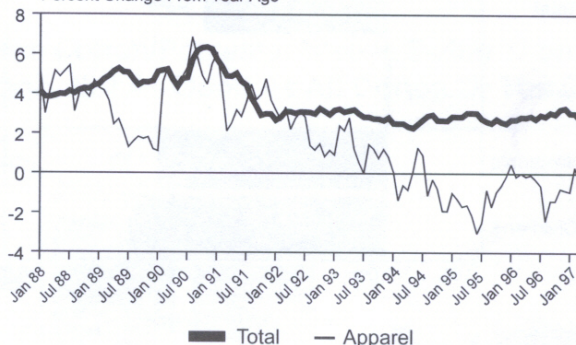
DEPARTMENT STORES & APPAREL STORES



Source: Department of Commerce

CONSUMER PRICE INDEX

Percent Change From Year Ago



Source: Department of Commerce

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