EMBRACING CHANGE:

HOW COTTON CAN AVOID BECOMING WOOL

By Robert P. Antoshak, Managing Director, Olah Inc.
I HAVE NOTHING AGAINST WOOL.
But I do have a worry ...
Global Fiber Consumption

Source: Gherzi Textil Organisation
THIS IS EVEN MORE CONCERNING.

Global Fiber Consumption

Million Tons

Source: Gherzi Textil Organisation

Forecast

Wool

Cotton

MMF/Other


0 10 30 50 70 90 110 130 150 170 190 210 230 250


Source: Gherzi Textil Organisation

Forecast

Wool

Cotton

MMF/Other
SO WILL COTTON BECOME A “LUXURY” FIBER?
COTTON’S STRUGGLES

- Of course (happily) cotton has done much better over the past year
- However, it’s the long-term trend that worries me
- We can blame synthetics, or blame weather or blame inter-crop competition, or even blame cotton promotion in general
- But assigning blame misses the point: we need to identify what’s going on beyond the farm — in the textile supply chain and at retail
OUR CUSTOMERS ARE CHANGING AND IT AFFECTS EVERYONE
HERE’S RETAIL APPAREL INDUSTRY IN FOUR SLIDES:
Consumers are getting older ...

(Median Age of the American Population)

Source: U.S. Census Bureau
So they buy less clothing ...

(Average Annual Value of American Purchases of Clothing)

Source: U.S. Census Bureau
While there are more things to buy ...
So What Happens? Prices Stall.

(Consumer Apparel Price Index; 1984=100)

Source: U.S. Bureau of Labor Statistics
Let’s look more **closely**.
SO WHERE'S RETAIL RIGHT NOW?

- Lots of change
- Apparel sales are struggling to keep up
- More competition for consumer spending
- Common trends between U.S. and E.U.
U.S. RETAIL APPAREL SALES
BILLION US $
TOTAL U.S. RETAIL* VS. APPAREL SALES
MILLION US $
SLOWING DOWN?
U.S. APPAREL SALES VS. POPULATION GROWTH

Source: Forrester Research
BRICK & MORTAR IS STILL MUCH LARGER THAN ONLINE

Source: U.S. Census Bureau
BUT ONLINE HAS GREAT INFLUENCE
US APPAREL RETAIL SALES BY TYPE

Source: Forrester Research
ONLINE APPAREL SALES
CHINA FORECAST TO BE LARGEST

Source: Statista.Com
INFLUENCE OF ONLINE AFFECTS EU RETAIL, TOO

Source: Forrester Research
GLOBAL RETAIL & ONLINE FORECAST

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% Change

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Source: eMarketer
SO WHAT IS APPAREL COMPETING AGAINST?
COMPETITION FOR CONSUMER SPENDING — THE GLOBAL AVERAGES

Source: Strategy&
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AND THERE ARE SOME MACRO TRENDS WE NEED TO CONSIDER
WORLD POPULATION GROWTH
RATE OF GROWTH IS SLOWING

Source: U.N., Dept. of Economic & Social Affairs, Population Division
GLOBAL MEDIAN AGE
EVERYONE IS GETTING OLDER

Source: U.N., Dept. of Economic & Social Affairs, Population Division
GROWTH IN GLOBAL GDP HAS BEEN SLOWING FOR A WHILE NOW …

Source: The World Bank
Age
Getting older

Yes, we have a new generation of consumers, but that generation lacks the purchasing power of their elders.

A rising median age means population growth will slow.

But with fewer new consumers entering the market, and with less disposable income, there’s not enough demand to equal the rapid growth of older generations.

Population
Growth Slowing

Slowing population growth translates into less people to buy more stuff.

So, the models of the past will increasingly under pressure from simple demographics.

Of course, growth will vary by country and region, but there’s not enough population growth in developing countries to offset all of the declines elsewhere.
SO PRICES WEIGH HEAVILY ON THE TEXTILE SUPPLY CHAIN.
SO, HOW HAS THE TEXTILE SUPPLY CHAIN RESPONDED?
IT'S BEEN A BRAWL!

COTTON AGAINST COTTON AGAINST SYNTHETICS AGAINST TEXTILES, ETC.
HOW DID COTTON **REACT**?

- It dispersed
- Industry adopted different, segmented messages
- Lost in all of this is why cotton is great, why it is sustainable and preferable to synthetics
HERE'S WHAT I MEAN
WE HAVE CONFUSION ...
IT CAN BE CONFUSING FOR A RETAILER OR BRAND
I BLAME THE ORGANIC PEOPLE FOR STARTING THIS
RETAILERS EMBRACED ORGANIC COTTON AS SOMETHING NEW FOR THEIR CUSTOMERS … ONLY TO FIND OUT ABOUT ITS SHORTCOMINGS …
WHICH BRINGS ME TO CONSUMERS ...
FICKLE.

COST
SENSITIVE.

FASHION

CONSCIOUS.

ADVOCATES.

KNOW WHAT THEY WANT -- OR NOT!
BUT IT’S A TOUGH RETAIL MARKET — YIKES!

**FLAT** MARKET. **EXCESSIVE** **COMPETITION.** **RECESSION.** **CHANGING** **DEMOGRAPHICS.** **UNCERTAINTY.** **FEAR.** **OLD HABITS.** **GLOBALIZATION.** **ADVOCACY GROUPS REVIEWING** **SUPPLY CHAINS.**
SO WHAT’S A RETAILER OR BRAND TO DO?
MANY SLASH THEIR PRICES, OF COURSE — OH JOY.
BUT THERE’S SUSTAINABILITY ...
OR HOW GREEN...MAKES GREEN
SUSTAINABILITY IS A MEANS FOR COTTON TO REGAIN MARKETSHARE

- Environmental sustainability is actually an outgrowth of the organic movement, but unlike organic production, sustainability, when properly managed, can contribute to a company’s bottom-line.

- It can be commercially scaleable

- It can cut the cost of operation

- It can enhance efficiency

- It meets the demands of customers

- While at the same time being good for the planet
BRANDS AND RETAILERS ARE ALREADY ASKING FOR SUSTAINABLY PRODUCED COTTON.
BUT THERE’S A **PROBLEM AND AN OPPORTUNITY**

- How do we define sustainability?

- As we’ve seen earlier, there are lot’s of programs in the cotton industry already touting sustainability.

- In turn, that has helped to scatter cotton’s message.

- But, there is a common belief around the industry that cotton is environmentally sustainable. It is good for the earth, and efficient growing practices can make for a more competitively priced product with better margins.
FINDING A COMMON THEME FOR SUSTAINABILITY — DEFINE IT.
A **COMMON** SUSTAINABILITY STANDARD?

- Instead of different standards, let’s agree on a common industry standard
- And then take the fight to synthetics.
AND HELP OUR CUSTOMERS TO BETTER KNOW OUR PRODUCT
OTHERWISE, WE RISK DECLINE
THANK YOU!

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