Global market review of the denim and jeanswear industries – forecasts to 2012

2nd edition

www.just-style.com
Single-user licence edition

This report is provided for individual use only. If you would like to share this report with your colleagues, please order additional copies or sign up for a multi-user licence by contacting.

Rebecca Rice
Research manager, just-style.com
Tel: +44 (0)1527 573 605
Fax: +44 (0)1527 577 423
Email: rebecca.rice@just-style.com

Copyright statement

© 2005 All content copyright Aroq Limited. All rights reserved.

This publication, nor any part of it, may be copied, reproduced, stored in a retrieval system, or be transmitted in any form by any means electronic, mechanical, photocopying, recording or otherwise without the prior permission of Aroq Limited.

This report is the product of extensive research work. It is protected by copyright under the Copyright, Designs and Patents Act 1988.

Aroq Limited offers a reward of £1,000 for information leading to the successful prosecution for illegal copying of this document.

The authors of Aroq Limited research reports are drawn from a wide range of professional and academic disciplines. The facts within this report are believed to be correct at the time of publication but cannot be guaranteed. All information within this study has been reasonably verified to the author’s and publisher’s ability, but neither accept responsibility for loss arising from decisions based on this report.
Table of contents

Single-user licence edition................................................................. ii
Copyright statement.......................................................................... ii

Table of contents ............................................................................... iii

List of tables ....................................................................................... vi

List of figures ....................................................................................... vii

Acknowledgements ............................................................................ viii

just-style.com membership............................................................... x

Chapter 1 Executive summary............................................................. 1
Price and cost structure of denim jeans.............................................. 1
Comparisons with the first edition of this report................................. 1
The jeans market 2004 ......................................................................... 1
The jeans market 2012 ......................................................................... 2
Brands and price points ....................................................................... 3
Price points and fashionability ............................................................. 4
Supply chains and strategic alliances .................................................... 5
The future ............................................................................................... 5

Chapter 2 Introduction........................................................................ 6
Attitude .................................................................................................. 6
Report coverage..................................................................................... 6

Chapter 3 Price and cost structure of denim jeans.............................. 7
The average pair of jeans .................................................................... 7
Retail, wholesale and fabric cost relationships .................................... 8

Chapter 4 The market.......................................................................... 10
Market explanation................................................................................ 10
Definitions ........................................................................................... 10
What’s included and what’s excluded ............................................... 10
Origins.................................................................................................... 10
Denim history ...................................................................................... 11
Sources of statistical data .................................................................... 13
Comparisons with the first edition of this report ................................. 14
Denim production and jeans consumption ........................................ 15
The Cone argument............................................................................. 15
The India argument............................................................................. 16
The China price problem ................................................................. 17
Exchange rates .................................................................................... 17
The market, 2004 .................................................................................................................... 18
  The world jeans market 2004 .............................................................................................. 18
  Regional jeans markets 2004 ............................................................................................ 18
  Jeans US$ values rest of the world 2004 .......................................................................... 21
  Jeans units by region ........................................................................................................ 22
  Jeans consumption per person ......................................................................................... 25
  Jeans prices by region 2004 ............................................................................................. 26

The Market, 2012 .................................................................................................................... 27
  The world jeans market 2012 ............................................................................................ 27
  Regional jeans markets 2012 ............................................................................................ 29
  Jeans US$ values rest of the world 2012 .......................................................................... 31
  Jeans units by region 2012 ............................................................................................... 33
  Jeans consumption per person 2012 ............................................................................... 34
  Jeans prices by region 2012 ............................................................................................. 35

Chapter 5 Brands and price points ....................................................................................... 36
  Retail own label, brands and anonymous jeans ................................................................. 36
  7 For All Mankind ............................................................................................................... 38
  True Religion .................................................................................................................... 39
  2rt ...................................................................................................................................... 39
  Retail formats ..................................................................................................................... 40
  Prices and retail formats ..................................................................................................... 40
  Price points, the US$ value and unit onion ........................................................................ 42
  Price points and fashionability ......................................................................................... 43

World, regional and directional brands ............................................................................... 47
  Based in the UK ................................................................................................................ 47
  Based in France .................................................................................................................. 47
  Based in Germany and Holland ......................................................................................... 48
  Based in Italy ...................................................................................................................... 48
  USA .................................................................................................................................... 48
  Italy .................................................................................................................................... 48
  Germany ............................................................................................................................. 48
  France .................................................................................................................................. 48

Chapter 6 Jeans brands and denim company sketches ......................................................... 50
  Jeans brands ....................................................................................................................... 50
  Market proposition ............................................................................................................ 50
  Levi ..................................................................................................................................... 51
  Lee ...................................................................................................................................... 53
  Wrangler ............................................................................................................................ 54
  LTB ..................................................................................................................................... 57
  David Bitton ....................................................................................................................... 57
  Spy Denim ......................................................................................................................... 58
  Edwin ................................................................................................................................. 59
  Swade ................................................................................................................................. 60
  Nudie ................................................................................................................................. 60
  Mavi .................................................................................................................................... 61
  Denim company sketches ................................................................................................ 62
  Arvind ................................................................................................................................. 62
List of tables

Table 1: Average price (US$) of a pair of jeans by world region, 2004........................................7
Table 2: Jeans cost structures in the developed and the developing world, 2004.........................8
Table 3: Comparisons with denim and jeanswear report edition 1, global 2003 and 2010 data ....14
Table 4: Reconciliation from denim metres to jeans units for 2004 .............................................16
Table 5: Major currency exchange rates.......................................................................................17
Table 6: Important currencies for the denim and jeanswear industry ..........................................18
Table 7: Rest of world, jeans value % growth, 2012 over 2004 ..................................................31
Table 8: Rest of world, jeans US$ value growth, 2012 over 2004 ..............................................32
Table 9: Generic pricing onion for jeans ......................................................................................42
Table 10: Specific pricing onion for jeans, based on the UK market in US$ prices ..................43
Table 11: Jeans price fashion matrix .........................................................................................46
Table 12: Summary matrix of company attributes for the brands featured as sketches ..........50
Table 13: Summary matrix of company attributes for the brands featured as sketches (continued)..................................................................................................................................51
Table 14: World jeans market trend line, US$ values, units and population, 2004 to 2012 .......76
List of figures

Figure 1: Jeans market 2004 by region, US$ consumption (%) ........................................... 20
Figure 2: Jeans market 2004 by region, population (%) .................................................. 20
Figure 3: Regional jeans market 2004 within rest of world, US$ consumption (%) .............. 21
Figure 4: Regional jeans market 2004 within rest of world, population (%) ....................... 22
Figure 5: Jeans market 2004 by region, units consumption (%) .......................................... 23
Figure 6: Jeans market 2004 by region, population (%) .................................................... 23
Figure 7: Jeans market 2012, growth in units consumption from 2004 (m’s and %) .............. 27
Figure 8: Jeans market 2012, growth in population from 2004 (m’s and %) ....................... 28
Figure 9: Jeans market 2012, growth in US$ value consumption from 2004 (m’s and %) ....... 28
Figure 10: Jeans market 2012 by region, US$ consumption (%) ......................................... 29
Figure 11: Jeans market 2012 by region, population (%) .................................................. 30
Figure 12: Jeans market 2012 by region, units consumption (%) ........................................ 33
Figure 13: Jeans market 2012 by region, population (%) .................................................. 34
Acknowledgements

The author would like to thank the following for their support and help in producing this edition of the report.

○ Tom McKenna, Cone Mills (ITG)

○ KSA Technopak, India report

○ Cotton Incorporated

○ Lorna Hall, Drapers Record re-Brazil

○ Andrea Kurz, chief executive, 7 For All Mankind

○ Jeff Lubell, CEO, True Religion

○ Aiden O’Meara, president Jeanswear Coalition Europe, VF Corporation

○ Hannah Campbell, Exposure PR on behalf of Levi

○ Dave Moreton, UK sales manager, Lee

○ Gareth Anderson, Lee Concept Store, Carnaby Street, London

○ Ben Salmon, UK Sales, Wrangler

○ Scott Otte, European marketing manager, Wrangler

○ Rudy Budhdeo, country manager UK, LTB

○ Onita Prasada, general manager, UK and Europe, David Bitton

○ Cafer Mehmet, sales executive, David Bitton

○ George Parmar, creative director, Spy Denim
- Jared Foulds, UK and Ireland Sales, Edwin
- Damian Wanstall, Brand, Swade
- Fraser Trewick, Nudie
- Aron Sharpe, Mavi
just-style.com membership

As a ‘consumer’ of apparel, footwear and retailing research, just-style.com site membership will be especially valuable to you. For just £125 a year (approx* $195/€175) you will gain access to a growing portfolio of exclusive management briefing reports, and also receive at least 12 new reports for each year you are a member.

* Exchange rate correct at time of writing, subject to fluctuation. GBP price correct at time of writing.

These reports are between 5,000 and 10,000 words and give you fresh insight into diverse sectors such as maternity wear, designerwear, technology, merchandising optimisation and sourcing.

As well as this impressive list of members’ only reports, you also gain one year’s access to a constantly updated stream of news, feature articles and analysis at www.just-style.com. Established in 1999, just-style.com has rapidly evolved into the premier source of global apparel news, analysis and data for busy senior executives.

In addition, membership gives you full access to four years of news and feature archives, key news headlines from around the web and your own email alerting tool – AMANDA. In short, a one-stop shop for global apparel, footwear and retailing intelligence.

For further details of this month’s special joining offer visit www.just-style.com/offer.asp
Chapter 1 Executive summary

Price and cost structure of denim jeans

The average retail price of a pair of jeans across the world for report year 2004 is US$29. Japan and Korea is the most expensive region with a price of US$50, closely followed by Western Europe on US$45. North America is relatively cheap in comparison at US$26. Estimates for other regions of the world are based on anecdotal evidence and vary from US$20 in Eastern Europe down to US$5 in Africa.

Wholesale prices vary from one third of retail in developed countries for top end product to two thirds of the consumer price on market stalls in poor world regions. The denim itself varies from 25% of the wholesale price up to just over half.

Comparisons with the first edition of this report

A downwards correction has been made to the first denim report to account for:

○ A downwards revision of figures for the US market from sources there
○ The belief by suppliers that the take-up of jeans in China and India was over-optimistic

Volume for 2003 has been revised downwards by 11%; value by 9%.

The jeans market 2004

The world jeans market in 2004:

○ Was worth US$49bn
○ Composed of 1,715m pairs of jeans
○ Was bought by a world population of 6,372m
○ One pair of jeans was bought per 3.7 men, women and children
○ The average price of a pair of jeans was US$29
The disparities between different parts of the world are striking. The main points are that:

○ North America has 36% of consumption, but this comes from only 5% of the world’s population
○ Western Europe has 33% of consumption, from only 6% of the world’s population
○ Japan and Korea have 18% of consumption, from 3% of the world’s population
○ The rest of the world has only 14% of consumption, from 87% of the world’s population

Within the rest of the world value total of just under US$7bn, the main sub-regions are:

○ Eastern Europe – US$2bn
○ Latin America – US$1.5bn
○ South East Asia – US$1bn

In spite of the current hype surrounding their potential growth, in 2004 the Indian sub-continent was worth just over US$500m, and China just under that figure.

In unit terms, the figures are less unbalanced:

○ North America has 40% of unit consumption
○ Western Europe has 21% of unit consumption
○ Japan and Korea have 10% of unit consumption
○ The rest of the world has 29% of unit consumption, around 500m jeans
  (compare that to its 14% of value consumption)

The jeans market 2012

The just-style forecast for 2012 – based on population growth, on spending power and on the lure of the western jean for the world consumer – comprises the following:

○ The world jeans market will be 1,910m pairs
○ Coming from a world population of 6,977m
○ And worth, at retail, US$53.2bn

This represents:

○ Volume growth of 11.4% over eight years (2005-2012). This is equivalent to just under 1.5% per year
○ The world population growth will be 7.7% over eight years, two thirds of the growth of jeans units
○ But US$ value growth will be lower at 9.5% as denim and jeans production for the developed world continues to shift to low cost countries, thus keeping prices down; and as the growing markets are those in which the price points are far lower than the western world
○ Overall, the world average jeans price will fall by US$1 from US$29 in 2004 to US$28 by 2012

Industry opinion is that:

○ For the developed world, value growth will be less than volume because of supply, of denim fabric as well as of jeans, moving to low cost countries
○ For the developing world, value growth could be at least as much as volume, as consumers’ spending power grows, and they trade up to “aspirational” brands

The developing world’s share of the jeans market will grow from just under US$7bn to nearly US$10bn, a growth of 42% over eight years. Growth will be led by India and China.

Brands and price points
Levi and VF Corporation (Lee and Wrangler) remain the three genuine global brands, but it is highly likely that their share is being chipped away at by “aspirational” and “attitude” brands. These brands command high price points, anything from US$150 to US$450. It is estimated that the absolute top and high end price points, which include the top of the range “authenticity” brands from the Levi and VF stables, account for 7% and 12% of global value respectively. In volume terms this is only 1% of the market for the absolute top and 3% for high-end price points.
Across the world, it is estimated for 2004 that mass-market brands and own label merchandise accounts for 22% by value and 28% by volume. The growing discount segment (which includes anonymous merchandise) has only a 17% share by value but more than 40% by volume.

**Price points and fashionability**

In this report, just-style has attempted to combine the notion of fashionability with price. Fashionability is a very subjective issue in clothing, and no more so than in the jeans sector. What is one person's commodity (such as the traditional five pocket Western jean) may be high fashion to another because of some minor change to cut. The fashionability categories chosen are:

- Basic
- Authentic
- Mainstream
- Fashion
- Celebrity

Although an authentic jean can look just like a basic or mainstream one, in the world of denim its authenticity and “honesty” commands a premium price. In contradistinction to this, a celebrity jean would be regarded by a connoisseur as a fake. Yet that fake also commands a premium price.

The price/fashionability matrix given in chapter five is central to this report – containing a wide set of brands and private labels and where they sit. The matrix includes the truly global brands, European-national and pan-national brands, designer labels, and the internationally retailed own labels.

The positioning of brands in the price/fashionability matrix is followed in chapter six with a series of “sketches” of jeans brands and denim weavers. These have been chosen to illustrate a particular market position that each has taken, and their attitude statement (how they are attempting to resonate with their target consumer). This viewpoint is the author’s personal one, and not necessarily the same as what the brand says about itself.
Supply chains and strategic alliances
There is no doubt, from a wealth of news evidence that both denim and jeans production is accelerating the pace of its move to lower cost countries, notably Turkey, India and China.

In addition, both jeans brands and denim weavers are entering into strategic alliances with partners in those countries to safeguard their interests. Chapter eight supplies the evidence.

The debacle over the elimination of quotas for China merely illustrates how impossible it is to hold the sea back or push the rock uphill.

The future
Finally the problem that jeans have, over fashion versus function, is turned into a consumers’ sociology discussion, in which denim jeans are looked at as:

- Aspiration
- Authenticity
- Attitude
Chapter 2 Introduction

Attitude
The first edition, just-style denim and jeans report of 2004, concentrated upon global brands, and their fight with a multitude of other brands, and with some big-hitting private label retailers.

In this second edition, denim and jeans are reviewed worldwide, from the point of view of brand positioning. This provides insightful analysis of a product sector that is still trying to convince the consumer that it is cool.

Report coverage
Chapter four analyses the total jeans market which is valued for 2004 at US$49.4bn. The fundamental marketing issue in the jeans business is no longer the battle for share that takes place between global brands, and retailers’ own labels worldwide. It is now about consumers’ expectations and brand aspirations, not to mention lifestyle in the western world and whether the developing world will buy the western lifestyle. Therefore, the world market has been split in this report into the main global developed and developing regions. Forecasts are made for jeans consumption, to 2012.

In chapter five, brands and their price points are considered. These are composed of national and international retailers, global and regional jeans brands, and manufacturers in lower cost countries, whose names are unknown to the consumer, but important to the industry. This section is vital reading as the changes in global supply patterns have been, and will continue to be, an important contributor to the economics of the jeans industry.

Moving on from economics, chapter six addresses the way that different brands position themselves and address their target consumer. This is done in the form of brand “sketches”, which are followed in chapter seven by a review of “attitude”.

Chapters eight and nine look at supply, strategic alliances and the effects of quota abolition.
Chapter 3 Price and cost structure of denim jeans

The average pair of jeans

Although the definition of a pair of jeans is relatively straightforward (it is given in chapter four), the pricing of jeans is anything but. One pair of jeans looking to have similar styling to another and made from similar denim can cost up to ten times as much as its counterpart in the developed world. Jeans prices are radically affected by the degree of affluence in different countries. But although the jeans market is by no means homogenous, by definition there is a world average price for a pair of jeans. It is US$29. Average prices for the major world regions are given in Table 1.

Table 1: Average price (US$) of a pair of jeans by world region, 2004

<table>
<thead>
<tr>
<th>Region</th>
<th>Average price US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>29</td>
</tr>
<tr>
<td>Japan</td>
<td>50</td>
</tr>
<tr>
<td>Western Europe</td>
<td>45</td>
</tr>
<tr>
<td>North America</td>
<td>26</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>20</td>
</tr>
<tr>
<td>Developing countries</td>
<td>10</td>
</tr>
<tr>
<td>Africa</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: just-style.com

The first edition of this report established some consensus from a variety of experienced industry professionals on the prices of jeans in the developed and developing world. These were used to construct and validate US$ value totals and crosscheck them against volume estimates. Unfortunately, as will be explained in chapter four, theoretically knowledgeable jeans watchers in the US have now downgraded their views on jeans price points. At just-style, we have accepted this, but conducted our own research on jeans prices in places like the Near East, India and China. This has produced the conclusion that in these regions, jeans prices are higher than was hitherto thought.

Table 1 shows that for price relationships between regions, jeans prices in the three most important price regions of the world are as a multiple of the developing world:
○ Western Europe and Japan times 4.5-5.0
○ North America times 2.6
○ Eastern Europe times 2.0
○ Africa times 0.5

Retail, wholesale and fabric cost relationships

With all of these potential formats, it is stating the obvious to say that there will also be a plethora of supply chain pricing models. A whole report could be devoted to this subject alone, but a simple cost structure and value added chain is given as Table 2 for three different price segments in the developed world and for a “market” economy in the developing world.

Table 2: Jeans cost structures in the developed and the developing world, 2004

<table>
<thead>
<tr>
<th></th>
<th>Developed world</th>
<th></th>
<th>Developing world</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Branded jean</td>
<td>Branded jean</td>
<td>&quot;Market&quot; jean</td>
</tr>
<tr>
<td></td>
<td>US$ Factors</td>
<td>US$ Factors</td>
<td>US$ Factors</td>
</tr>
<tr>
<td>Retail price</td>
<td>50</td>
<td>150</td>
<td>30</td>
</tr>
<tr>
<td>Mark-up inc VAT</td>
<td>-</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>Buying/wholesale</td>
<td>20</td>
<td>50</td>
<td>15</td>
</tr>
<tr>
<td>price</td>
<td></td>
<td></td>
<td>6.67</td>
</tr>
</tbody>
</table>

Wholesale elements (US$ & %)

<table>
<thead>
<tr>
<th></th>
<th>Materials</th>
<th>Labour</th>
<th>Overhead</th>
<th>Profit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>40</td>
<td>20</td>
<td>30</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>12.5</td>
<td>12.5</td>
<td>20</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>25</td>
<td>25</td>
<td>40</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>7.5</td>
<td>3</td>
<td>3</td>
<td>1.5</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>20</td>
<td>40</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>3.67</td>
<td>0.67</td>
<td>1.67</td>
<td>0.67</td>
<td>6.67</td>
</tr>
<tr>
<td></td>
<td>55</td>
<td>10</td>
<td>25</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: just-style.com

It illustrates that for every US$100 the consumer spends on branded jeans in the developed world, at retail:

○ The wholesaler gets US$40
○ The fabric supplier gets US$16
In the developing world “market” economy, for every US$100 that the consumer spends on jeans:

- The wholesaler gets US$67
- The fabric supplier gets US$55

Manufacturers and middlemen do relatively better in poorer countries. Retailers do better in richer countries. The wholesaler and fabric supplier are obtaining a bigger share, but of a smaller pot.

In total, just-style believes that the close to US$50bn retail world market for jeans supports a:

- Wholesaling industry of US$15-20bn
- Manufacturing industry of US$10-13bn
- Denim fabric weaving industry of only US$5-6.5bn

One of the industry denim giants, Cone, are on record as saying that “with sales of around US$400m, we believe we have 5% of the market by value, less by volume”. This would put the total denim weaving industry at around US$8bn.

This is not as contradictory as it sounds because it is estimated that 20% of denim production goes into products other than jeans.
Chapter 4 The market

Market explanation

Definitions
This report is about denim and jeans, NOT the denim industry in its totality. But jeans are far and away the most important end use of denim. The jean is defined here as:

○ A man’s, woman’s or child’s trouser
○ Most probably, but not exclusively, with five pockets (the five pocket Western jean)
○ Made from cotton woven as a 3/1 warp-faced twill fabric, with a yarn dyed warp and an undyed weft yarn.
○ Traditionally (and still most usually), the warp is indigo dyed

What’s included and what’s excluded
The definition above tells the reader what is included. But what is excluded?
Excluded are:

○ Women’s and girls’ denim skirts
○ Denim jackets
○ Denim shorts (although it is difficult to tell where a short ends and a jean begins)
○ Bags and hats made of denim. (Interestingly, the author is indebted to the Soviet brand for informing him that their denim bags and hats are made by specialist denim producers, not specialist bag and hat companies)
○ Tents, tarpaulins etc
○ Other clothing made of denim, all the way to denim bras and briefs
○ just-style estimates that the jeans participation in the total denim industry is of the order of 80%.

Origins
Denim, according to Levi Strauss, had its origins in “hard wearing work clothes”.
“Levi Strauss and Jacob Davis listened. Jacob was the tailor who in the 1870s first fashioned heavy cotton cloth, thread and metal rivets into sturdy "waist overalls" for miners seeking durable work pants. Levi in turn met Jacob's needs for patenting and mass production of the product, enthusiastically embracing the idea and bringing it to life. The rest is history: The two created what would become the most popular clothing in the world — blue jeans.”

Source: Levi website, December 2003

Denim history

The evolution of denim jeans is well documented. There is an aficionado’s book called “The naked truth about Denim” produced by Nudie Jeans, one of the featured companies in chapter six.

Taking out some of the messianic statements, it is possible to chart the rise of denim jeans. For the first 80 years of its life, denim stayed just that, a hardwearing fabric used in work clothing. But in the ’60s, the breakdown of traditional codes of dress, particularly in universities and later, schools, led to the creation of a jeans culture. This was driven by the emerging rock n roll and pop cultures helped along by The Beach Boys, The Beatles, The Mamas & Papas, and The Rolling Stones – all prominent in the wearing of denim jeans.

Since then, jeans have been a constant staple of the wardrobe, worn by an ever increasing age range of consumers, as the original jeans generation refuses to grow old gracefully, and continues to wear their denim youth badge. Capitalising on this, ever since then, jeans brands have sought to innovate the fabric, the fabric finish and the product to continuously refresh consumer interest (see chapters six and seven).

As fashion is a fickle industry, which needs constant change to drive its consumer market, this has meant that jeans and denim have undergone many moves from fashion to commodity, back to fashion and back to commodity again. This has also meant that the product is either a two-headed chimera, or is decidedly schizophrenic. To some consumers and retailers it is a basic, to others a high fashion statement. Branding is an integral part of this.
Today, as the brands fight to convince the young that denim is still cool, even if their parents are still wearing it, the accent has swung to feature:

- Authenticity
- Music
- Celebrity

The quote above from Levi is quite mild rhetoric for a product that seems to excite such passion. Here is a powerful polemic on denim history taken from an anonymous writing on the web:

“Denim fabric is a cotton fabric. Legend and fact are interwoven when scholars discuss the origin of the name denim. Most reference books say that denim is an English corruption of the French phrase, serge de Nimes; a serge fabric from the town of Nimes in France. However, some scholars have begun to question this explanation.

“There are a few schools of thought on the derivation of the word denim. The serge de Nimes fabric traces back to France prior to the 17th century. At the same time, there was also a fabric known in France as ‘nim’. Both fabrics were composed partly of wool.

“Serge de Nimes was also known in England before the end of the 17th century. The question then arises: was this fabric imported from France or was it an English fabric bearing the same name? Fabrics, which were named for a certain geographic location, were often also made elsewhere, the name was used to lend a certain cachet to the fabric when it was offered for sale. Therefore a; serge de Nimes, purchased in England was very likely also made in England, and not in Nimes, France.

“There still remains the question of how the word, denim fabric is thought to have descended from the word serge de Nimes. Serge de Nimes was made of silk and wool, but denim has always been made of cotton. Again, this relation between fabrics is in name only, though both fabrics are a twill weave. Is the real origin of the word denim serge de nim, meaning a fabric that resembled the part-wool fabric called nim? Was serge de Nimes more well known than serge de nim and mis-translated when it crossed the English Channel? It’s likely we will never really know.
“To confuse things even more, another fabric known as jean also existed at this same time. Research on this textile indicates that it was a fustian – a cotton, linen and/or wool blend – and that fustian from Genoa, Italy was called jean. This is evidence of a fabric being named for a place of origin. It was apparently quite popular and imported into England in large quantities during the 16th century. By the end of this period, jean was being produced in Lancashire. By the 18th century, jean cloth was made completely of cotton and used to make men’s clothing, valued especially for its property of durability even after many washings.”

Source: Anonymous

All of this is compelling evidence for the fascination of the modern world with denim jeans.

Sources of statistical data

Data on the jeans market comes from a number of non-inclusive sources, which address developed markets. They include:

- Consumer studies
- Retail market estimates of consumption
- Production statistics
- Government trade statistics
- Information from brands
- Information from fabric suppliers

In the retail clothing industry, consumption figures are frequently based on “panel” studies of groups of willing consumers. There is a tendency for willing consumers to either genuinely be above average spenders or to inflate either the volume or the value of what they buy. Consequently, most industry observers reckon that consumer data is overstated. Moreover, consumer data is only collected in the developed world, where there is a “proper” retail market. Sales of jeans in China, India and Africa can only be calculated from anecdotal evidence from the trade.

Conversely, production and trade figures are based upon government-collected statistics. These are likely to be understated, as companies either fail
to deliver statistics, or deliberately conceal them, if they are part of either the "black" or "grey" economies.

Finally, government statistics are filed as a series of SIC (standard industrial classification numbers). These are generic and not fashion specific. The part of the trouser market that includes jeans is defined loosely as trousers made of 85% or more cotton. These could be jeans. They could be other casual trousers.

Consequently, none of these sources of data correlate with each other. There is no comprehensive analysis of the jeanswear market. This report addresses this information gap, by using data from a variety of sources. just-style believes that this report provides the best information yet available on the jeans and denim markets worldwide.

**Comparisons with the first edition of this report**

When an author has the luxury of returning to the same commercial and product subject for a second time, it is a chance to review previous assumptions in the light of new evidence. The evidence is that in the first edition of denim and jeans, the global market in both volume and value terms, was overstated. The degree of the correction is shown in Table 3.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail value US$m</td>
<td>49700</td>
<td>54644</td>
<td>51800</td>
<td>54727</td>
</tr>
<tr>
<td>Jeans units, m's</td>
<td>1720</td>
<td>1931</td>
<td>1855</td>
<td>2024</td>
</tr>
<tr>
<td>Average world retail price of one pair of jeans</td>
<td>28.90</td>
<td>28.30</td>
<td>27.92</td>
<td>27.04</td>
</tr>
<tr>
<td>Value correction %</td>
<td>-9.05</td>
<td>-</td>
<td>-5.35</td>
<td>-</td>
</tr>
<tr>
<td>Volume correction %</td>
<td>-10.93</td>
<td>-</td>
<td>-8.35</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: just-style.com
The reasons for the correction are:

- US markets, of which, data was derived from published sources, then harmonised with Cotton Incorporated figures, have since been downgraded. The reasons appear to be the lowering of prices at retail for both adults' and especially kids' jeans
- Indian and Chinese markets, where interviews suggested a wider take-up of jeans-wearing by consumers than more recent evidence suggests

The net results are that:

- The global market in units for 2003 is now estimated at 1,715m, not 1,931m
- The global market in value for 2003 is now estimated at US$49,700m, not US$54,644m

There are some slight counterbalancing effects concerning prices. Although US prices are now believed to be lower than were previously thought, new field evidence for the Near East, India and China suggests that average prices are higher than were previously thought. This reinforces evidence given later in this report, that in those regions, the wearing of jeans is a mark of relative affluence.

**Denim production and jeans consumption**

**The Cone argument**

Fortunately, the reduction in the market estimate for jeans units for 2003 does not invalidate the world denim production estimate used in the first just-style denim and jeans report. These were based on information kindly supplied estimated by Cone Mills. Cone Mills' denim business is now called ITG Group, but remains confident of the figures given in Table 4.
Table 4: Reconciliation from denim metres to jeans units for 2004

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>US Yds</th>
<th>Metres</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>m’s</td>
<td>m’s</td>
</tr>
<tr>
<td>Global denim production (Source: Cone Mills)</td>
<td>-</td>
<td>3000</td>
<td>2730</td>
</tr>
<tr>
<td>% of Denim not converted into jeans</td>
<td>20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Denim metres used for jeans</td>
<td>-</td>
<td>-</td>
<td>2184</td>
</tr>
<tr>
<td>Average metres of denim per jean</td>
<td></td>
<td>Metres</td>
<td></td>
</tr>
<tr>
<td>Mens</td>
<td>1.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Womens</td>
<td>1.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Kids</td>
<td>0.95</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Average metres of denim per jean</td>
<td>1.25</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jeans units calculated from denim usage</td>
<td>-</td>
<td>-</td>
<td>1747.2</td>
</tr>
</tbody>
</table>

Source: just-style.com; Cone Mills (ITG)

The derived figure for jeans units of just under 1750m is within 2% of the adjusted units for the market 2004.

The India argument

Since the writing of the first edition of this report, fresh market estimates have been made of the scale of the market in India by the consultancy and research company, KSA Technopak. Its estimates were that:

- The market was worth 1,900 crore
- This amounted to 43m jeans
- Bought by 35m consumers

The Indian monetary system can be confusing to Westerners and requires some explanation:

- A crore equals 100 laks
- A lak equals 100,000 rupees
- Therefore a crore is 10m rupees

At the current exchange rate of 44 rupees to US$1, this value’s the Indian jeans market at US$430m, and suggests that the average jeans price is
US$10. This both stacks up with local retail opinion, and also fits with commercially quoted wholesale prices. On this basis, just-style estimates the entire Indian sub-continent, which includes Pakistan, Bangladesh and Sri Lanka, to have a jeans market 2004 value of US$552m.

**The China price problem**

In the first report, just-style used an average retail price in China for a pair of jeans of US$5. We now believe this to be too low, based on discussions with brands selling into China. It is also unlikely that there will be such a price divergence between India and China. Consequently, the average price 2004 for a pair of jeans retailed in China has been estimated at the same US$10 as used for India.

**Exchange rates**

In the first edition denim and jeanswear report, a table was given of the prevailing rates of exchange of the US$, £, €, and Japanese yen. These are brought up to date as Table 5.

<table>
<thead>
<tr>
<th></th>
<th>US$</th>
<th>€</th>
<th>£</th>
<th>Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td></td>
<td>0.81</td>
<td>0.55</td>
<td>109</td>
</tr>
<tr>
<td>€</td>
<td>1.23</td>
<td></td>
<td>0.68</td>
<td>134</td>
</tr>
<tr>
<td>£</td>
<td>1.81</td>
<td>1.47</td>
<td></td>
<td>197</td>
</tr>
<tr>
<td>Yen</td>
<td>0.009</td>
<td>0.007</td>
<td>0.005</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Financial Times at 17 August 2005*

However, the world continues to become Marshall MacCluan’s global village at a truly frightening speed. A separate list, Table 6, is given of other important exchange rates at the time of drafting this report.
The market, 2004

The world jeans market 2004

The world jeans market:
○ Was worth US$49bn in 2004
○ Composed of 1,715m pairs of jeans
○ Was bought by a world population of 6,372m
○ One pair of jeans was bought per 3.7 men, women and children
○ The average price of a pair of jeans was US$29

These global facts contain a vast imbalance of purchasing power across the world, as analysed in our database and summarised in the charts below.

Regional jeans markets 2004

To analyse regional jeans markets, the world has been split into a number of areas, based on jeans and denim consumption and production history, rather than pure geography. They are:

1. North America
2. Western Europe

Table 6: Important currencies for the denim and jeanswear industry

<table>
<thead>
<tr>
<th>US$1, £ or € buys:</th>
<th>US$ 1</th>
<th>£1</th>
<th>€ 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese Renminbi</td>
<td>8.1</td>
<td>14.65</td>
<td>9.98</td>
</tr>
<tr>
<td>Taiwan Dollar</td>
<td>31.99</td>
<td>57.88</td>
<td>39.43</td>
</tr>
<tr>
<td>Indian Rupee</td>
<td>43.52</td>
<td>78.74</td>
<td>53.65</td>
</tr>
<tr>
<td>Korean South Won</td>
<td>1016</td>
<td>1839</td>
<td>1252</td>
</tr>
<tr>
<td>Polish Zloty</td>
<td>3.25</td>
<td>5.88</td>
<td>4.01</td>
</tr>
<tr>
<td>Brazilian Real</td>
<td>2.35</td>
<td>4.25</td>
<td>2.89</td>
</tr>
<tr>
<td>Russian Rouble</td>
<td>28.45</td>
<td>51.48</td>
<td>35.07</td>
</tr>
<tr>
<td>Turkish New Lira</td>
<td>1.35</td>
<td>2.44</td>
<td>1.68</td>
</tr>
<tr>
<td>Indonesian Rupiah</td>
<td>9918</td>
<td>17931</td>
<td>12215</td>
</tr>
<tr>
<td>Moroccan Dirham</td>
<td>8.93</td>
<td>16.17</td>
<td>11.01</td>
</tr>
</tbody>
</table>

Source: Financial Times at 17 August 2005
3. Eastern Europe and Turkey
4. Middle East
5. Indian Sub-Continent
6. Africa
7. Russia and “Stans” (former USSR)
8. Japan and South Korea
9. China
10. South East Asia and the Pacific
11. Australia and New Zealand
12. Latin America and the Caribbean
13. Africa

From the point of view of jeans consumption, these can be put into four bigger groups:

1. North America
2. Western Europe
3. Japan and Korea
4. Rest of the World

The analysis below looks at these from the viewpoint of:

- Jeans consumption by value
- Jeans consumption by volume
- Population

For the four major world regions, Figures 1 and 2 show the relationship between value and population.
Figure 1: Jeans market 2004 by region, US$ consumption (%)

- North America: 35%
- Western Europe: 18%
- Japan and Korea: 14%
- Rest of World: 33%

Source: just-style.com

Figure 2: Jeans market 2004 by region, population (%)

- North America: 86%
- Western Europe: 6%
- Japan and Korea: 5%
- Rest of World: 3%

Source: US Census Bureau
World consumption is very different in the various main regions. For instance:

- North America has 36% of consumption by, but only 5% of the world’s population
- Western Europe has 33% of consumption, from only 6% of the world’s population
- Japan and Korea have 18% of consumption, from 3% of the world’s population
- The rest of the world has only 14% of consumption, from 87% of the world’s population

**Jeans US$ values rest of the world 2004**

The developed world markets of North America, Western Europe and Japan adopt a fairly uniform market attitude to jeans. This will be considered further in chapter five on brands and price points and chapter six on brand sketches.

The rest of the world needs more explanation for two reasons. Firstly, parts of it have no real statistical data. Secondly, when it comes to purchases by value, the differences within this region are marked. The main markets for jeans in the rest of the world, break down by jeans purchases in value (in US$) per year, and by population, as shown in Figures 3 and 4.

**Figure 3: Regional jeans market 2004 within rest of world, US$ consumption (%)**

Source: just-style.com
These figures show that:

- Eastern Europe and Turkey has 30% of its region’s value consumption, but only 3% of its region’s population.
- Central and South America is second only to Eastern Europe and Turkey with 23% of consumption from 10% of the population.
- South East Asia is in a balanced situation having 16% of both consumption and population.
- The Indian sub-continent is a growing powerhouse in the world of clothing (and jeans) consumption, with 8% from the largest population, which is 25%.
- China closely follows with 7% of consumption from 24% of the region’s population.
- Africa still lags behind with only 1% of value consumption, from 13% of the region’s population.
- Middle East has only 1% of its region’s value consumption, from 2% of its region’s population.

**Jeans units by region**

For the four major world regions, the same analysis can be done, comparing jeans units with the population. This is shown graphically in Figures 5 and 6.
There is less consumption disparity between different parts of the world by volume, but the differences are still significant. The main points are that:

- North America has 40% of unit consumption by, but only 5% of the world’s population.
- Western Europe has 21% of unit consumption, from only 6% of the world’s population.
○ Japan and Korea have 10% of unit consumption, from 3% of the world’s population
○ The rest of the world has 29% of unit consumption (compare this to its 14% of value consumption), from 87% of the world’s population

Unit figures from North America and Western Europe have been obtained from a variety of sources, which correlate well with each other. North America is pretty much one homogenous market. Western Europe however, is composed of a number of markets, which have different propensities towards the purchase of jeanswear.

Broadly speaking, Northern Europeans buy jeans. Southern Europeans buy fewer. The big four countries comprising France, Germany, Italy and the UK have between them, 73% of Western Europe’s population. They purchase 80% of the region’s jeans per year. Using published research of national markets, and information from Aidan O’Meara, president Jeanswear Coalition Europe for VF Corporation, just-style has calculated that in both Germany and UK, consumers buy more than one pair of jeans per year, whilst in France and Italy, it is less than one pair per year. Spain is similar to Italy. As Aidan points out, “It is not just the climate, but particularly the culture of dress codes, which has meant that so far we have been less successful in getting the Latin countries to embrace the jeans culture to the same degree as Northern Europe”.

When it comes to estimating the breakdown of units within the rest of the world region, the only available information comes from informed opinion. This is based on:

○ Production estimates
○ Exports
○ Imports

Because this information is “soft”, it has not been put into a figure, as this would imply spurious accuracy. However, the ‘best guess’ from just-style is that the rest of the world consumes just over 500m jeans units per year (see Figure 5). Of that:

○ Each of; Eastern Europe and Turkey, Central and South America, and South East Asia and the Pacific buy close to 100m units
○ The Indian sub-continent and China have around 50m units each
○ Russia and the “Stans” account for 35m units
○ Africa has only 15m units from its population of 740m
○ The Middle east has less than 10m units

**Jeans consumption per person**

From the volume and population numbers for 2004 contained in Figures 5 and 6, we can infer that in:

○ North America, each man, woman and child buys just over two pairs of jeans per year
○ Western Europe, each man, woman and child buys one pair of jeans per year
○ Japan and Korea, the figure is similar, each man, woman and child buys one pair of jeans per year
○ The rest of the world, the combined consumption is 0.1 pairs of jeans per year. There are however wide differences between sub-regions, which are addressed below

Today there is no practical survival or warmth need for anyone in the US or Western Europe to buy any more clothes (including denim). According to Cotton Incorporated (the trade body for the US cotton industry) “with 8.3 pairs of jeans filling the closet of the average American, are consumers continuing to buy more?”

For just-style’s first edition of this report, Cotton Incorporated estimated that the average American bought two pairs per year, and believed that their jeans should last at least three years, so theoretically they needed only one pair per year (half of what they had bought).

In Western Europe that number is more like four owned and one bought because of the wider range of “dress up” garments, says VF Corporation (owners of the Lee and Wrangler brands).

There is also minimal opportunity to sell more jeans by opening up any new consumer segments. Baby boomers now aged 55-60 are wearing jeans, so the chance of selling to the “grey” market has already happened. In the US, Cotton Incorporated believe that, “the men’s market accounts for 43% of total denim sales, whilst women’s is 32%. Children’s and other are 25%.” Denim and jeans
(80% of all denim is estimated to finish up as jeans fabric) have little scope to address men, women or children more intensively.

**Jeans prices by region 2004**

Looking at the figures for both value and volume allows some estimates to be made of average jeans retail prices. The world average is US$28.81.

Within that, and by region:

- **North America**; the average jean costs US$26 at retail. In the first edition of this report, just-style presented the average retail price as being US$30. However, the recent reduction in average price estimates by various sources including Cotton Incorporated leads us to accept a lower average. The reason, as expressed earlier is likely to be lower prices for kids jeans

- **Western Europe**; the average jean costs nearer US$45 at retail.

- **Japan and Korea**; the figure is slightly higher at US$50, with higher Japanese prices complemented by lower Korean prices

- **The rest of the world**; the average price is nearly US$14. However, in parts of the world, the market is either barter or black

Although the subject of pricing will be covered in detail in chapter five on brands and price point, and chapter eight on supply chains and strategic alliances, it is so important that a short explanation helps to put the rest of this market review into perspective.

Essentially the same product in the developed world (a pair of trousers designed with a back yoke instead of the traditional formal trouser construction, and made of cotton denim) is sold at three completely different price points, as was made clear in Table 2:

- As a commodity discount jean at prices around US$30
- As a mainstream brand at prices below and above US$50
- As a fashion brand or designer label at anything from US$60 right up to US$500, probably averaging US$150
The Market, 2012

The world jeans market 2012
Jeans sales were estimated at 1,715m units per year for 2004. Of that:

- 40% was sold in North America
- 21% in Western Europe
- 10% in Japan and Korea

The main parts of the developed world have 71% of the world market by volume, but from only 14% of the population.

That leaves considerable potential for growth from the developing world, but only if jeans product can be supplied at prices its consumers can afford.

The just-style forecast for 2012, based on population growth, on spending power and on the lure of the western jean for the world consumer is that:

- The world jeans market will be 1,910m pairs
- Coming from a world population of 6,977ms
- And worth at retail, US$53.2bn

The growth from 2004 is shown in the line charts, which are figures 7, 8, and 9.

Figure 7: Jeans market 2012, growth in units consumption from 2004 (m’s)

[Chart showing growth from 2004 to 2012 in millions of units]

Source: just-style.com
As Figures 7, 8 and 9 indicate, there will be:

- Volume growth of 11.4% over eight years. This is equivalent to just under 1.5% per year
○ The world population growth will be 9.5% over eight years, two-thirds of the growth of jeans units
○ But US$ value growth will be lower at 7.7%, as denim and jeans production for the developed world continues to shift to low cost countries, thus keeping prices down; and as the growing markets are those in which the price points are far lower than the western world

The business problems of low volume and lower value growth, which the denim and jeans companies failed to address for most of the ‘90s will not go away.

**Regional jeans markets 2012**
The same regional splits are used for the forecast to 2012 as for 2004.

As before, the analysis looks at:

○ Jeans consumption by value
○ Jeans consumption by volume
○ Population

For the four major world regions, Figures 10 and 11 show the relationship between value and population.

*Figure 10: Jeans market 2012 by region, US$ consumption (%)*

![Pie chart showing jeans market distribution by region](source: just-style.com)
We know, intuitively, and from industry experience, that:

○ For the developed world, value growth will be less than volume because of supply (of denim fabric as well as of jeans) moving to low cost countries

○ For the developing world, value growth could be at least as much as volume, as consumer spending power grows, and they trade up to “aspirational” brands

○ For the underdeveloped world (as for Eastern Europe ten years ago) it is a balance between consumers acquiring the money to buy, and how much “falls off the back of the lorry”

Comparisons between 2004 and 2012 are illuminating, to wit:

○ North America consumption has fallen by one percentage point, from 36% to 35% of the world total. Its population remains at 5% of the world’s population

○ Western European consumption is down by a massive three percentage points, from 33% to 30%. Its population has also slipped from 6% to 5% of the world’s population

○ Japan and Korea have also seen a decline in their share of consumption, from 18% to 16%, whilst their combined populations remain at 3% of the world’s population
The rest of the world has grown its value consumption from 14% to an astonishing 19% whilst retaining 87% of the world’s population.

These changes, in macroeconomic terms are dramatic, and illustrate the speed of change in the regional demand for denim jeans. If they have not worked it out already, and come up with plans to react, jeans marketing executives should be very concerned.

**Jeans US$ values rest of the world 2012**

Given the dramatic increase in the market share held by the rest of the world, where is the value growth to be seen in both percentage and US$? The total US$ value of the market within the rest of the world will grow from US$6,945m in 2004 to US$9,893m by 2012. This is 42% over eight years, a cumulative per annum growth of 4.5%.

Table 7 illustrates where the percentage growth will be by comparing it against Figure 3.

**Table 7: Rest of world, jeans value % growth, 2012 over 2004**

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2004</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Sub-Continent</td>
<td>1116</td>
<td>552</td>
<td>102</td>
</tr>
<tr>
<td>China</td>
<td>891</td>
<td>468</td>
<td>90</td>
</tr>
<tr>
<td>South East Asia</td>
<td>1680</td>
<td>1080</td>
<td>56</td>
</tr>
<tr>
<td>Australia and NZ</td>
<td>990</td>
<td>660</td>
<td>50</td>
</tr>
<tr>
<td>Middle East</td>
<td>151</td>
<td>102</td>
<td>48</td>
</tr>
<tr>
<td>Rest of World</td>
<td>9893</td>
<td>6945</td>
<td>42</td>
</tr>
<tr>
<td>Russia &amp; “Stans”</td>
<td>469</td>
<td>337</td>
<td>39</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>2880</td>
<td>2088</td>
<td>38</td>
</tr>
<tr>
<td>Africa</td>
<td>93</td>
<td>74</td>
<td>26</td>
</tr>
<tr>
<td>Central &amp; S America</td>
<td>1623</td>
<td>1584</td>
<td>2</td>
</tr>
</tbody>
</table>

*Source: just-style.com*

The main points to be highlighted from these line charts are, that those regions growing most over this period are:
○ The Indian Sub-Continent, up 102%, which raises its share of rest of world consumption from 8% to 11%
○ China, up 90% which raises its share of rest of world consumption from 7% to 9%
○ South East Asia, up 56% which raises its share of rest of world consumption from 16% to 17%

In relative terms, the big loser is:

○ Central and South America, up by only 2% and with its share down from 23% to 16%

This need not necessarily worry the South American giant, Brazil, because its future looks to be in the export of both denim and jeans. Moreover, percentage increases and decreases are dangerous. In the real world it is US$ sales that matter and Table 8 shows monetary growth.

Table 8: Rest of world, jeans US$ value growth, 2012 over 2004

<table>
<thead>
<tr>
<th></th>
<th>2012 US$m</th>
<th>2004 US$m</th>
<th>US$ growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest of World</td>
<td>9893</td>
<td>6945</td>
<td>2948</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>2880</td>
<td>2088</td>
<td>792</td>
</tr>
<tr>
<td>South East Asia</td>
<td>1680</td>
<td>1080</td>
<td>600</td>
</tr>
<tr>
<td>Indian Sub-Continent</td>
<td>1116</td>
<td>552</td>
<td>564</td>
</tr>
<tr>
<td>China</td>
<td>891</td>
<td>468</td>
<td>423</td>
</tr>
<tr>
<td>Australia and NZ</td>
<td>990</td>
<td>660</td>
<td>330</td>
</tr>
<tr>
<td>Russia &amp; &quot;Stans&quot;</td>
<td>469</td>
<td>337</td>
<td>132</td>
</tr>
<tr>
<td>Middle East</td>
<td>151</td>
<td>102</td>
<td>49</td>
</tr>
<tr>
<td>Central &amp; S America</td>
<td>1623</td>
<td>1584</td>
<td>39</td>
</tr>
<tr>
<td>Africa</td>
<td>93</td>
<td>74</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: just-style.com

As this figure shows – in money terms – the big winners, in a developing world in which there are no losers, are:
### Jeans units by region 2012

For the four major world regions, the same analysis can be done for units, as was done for value, by comparing unit growth with population. This is shown graphically in Figures 12 and 13.

#### Figure 12: Jeans market 2012 by region, units consumption (%)
Figure 13: Jeans market 2012 by region, population (%)

The disparities in units between different parts of the world are less striking than they were by value, but are still significant. The main points are that:

- North America will still have 38% of unit consumption in 2012 (38% in 2004) but still from only 5% of the world’s population
- For the same period, Western Europe will have 18% of world consumption (down from 21%) but still from only 5% of the world’s population
- Japan and Korea will have 9% of unit consumption (it was 10%) from 3% of the world’s population
- The rest of the world will have grown by 2012 to 35% of unit consumption (up from 29% in 2004) from 87% of the world’s population

All of this just reinforces the intuitive view that the markets are swinging away from the developed to the developing world.

Jeans consumption per person 2012

Jeans consumption per person changes quite slowly, on a macroeconomic basis. From the volume and population numbers for 2012 contained in Figures 12 and 13, we can infer that in:

- North America, each man, woman and child will buy just over two pairs of jeans per year in 2012, unchanged from 2004

Source: US Census Bureau

© 2005 All content copyright Aroq Ltd. All rights reserved.
○ Western Europe, each man, woman and child will buy in 2012 just less than one pair of jeans per year, a very small reduction from 2004, caused mostly by an aging population
○ Japan and Korea, the figure is similar for the time period, each man, woman and child buys one pair of jeans per year
○ The rest of the world, the combined consumption will rise from 0.1 pairs of jeans per year, to 0.11 for every man, woman and child across the time period. This seems minute but as the figures above on units and growth demonstrate, is in fact, quite important

Jeans prices by region 2012

Looking at the figures for both value and volume, allowed estimates to be made of average jeans retail prices for 2004. The world average was US$28.81. just-style expects it to be lower in 2012 by almost US$1 at US$27.86.

Within that, and by region:

○ North America; the average jean will cost US$26 at retail in 2012. In the first edition of this report, just-style calculated that the average was US$30. However, the downpricing by various sources, including Cotton Incorporated, leads us to accept a lower average. The reason, as expressed earlier is likely to be lower prices for kids jeans
○ Western Europe; the average jeans price at retail will be unchanged at US$45 in 2012
○ Japan and Korea; the figure is also unchanged at US$50, with higher Japanese prices complemented by lower Korean prices
○ The rest of the world; the average price will have risen by US$1 to nearly US$15 between 2004 and 2012
Chapter 5 Brands and price points

Retail own label, brands and anonymous jeans

The clothing industry is different from some others that the AROQ group profile, in that there is a blurring of brand identity. In the automobile industry for example, brands are immediately recognisable, and retailers and distributors sell those brands to consumers. The car is either a Ford or a Toyota. It is not the name of the retailer that happens to sell it.

In the last 60 years, however, the consumer has come to associate the price, the quality and the reliability of merchandise with the retailers that sell the merchandise, as much as with the originator of the product. This applies particularly in food supermarketing, and clothing. In the jeanswear sector, the consumer buys Walmart, Gap or Guess in the US. In the UK, they buy Marks & Spencer, Matalan or Asda (now part of Walmart). In France it could be Carrefour, in Germany C & A or Lidl.

These mass-market retailers sell both food and clothing (including jeans) under their own retail brand, or an “own label” which has developed the status of a brand. This trend and philosophy is important, because it sets a framework in which the consumer decides what “brand” means in terms of price, fashionability and quality, and what brand they are loyal to.

As mentioned above, the retailer brand is relatively recent. There were a few before the Second World War (namely Sears Roebuck, J C Penney, Marks and Spencer, Boots, Woolworths) but manufacturer brands mattered. From the fifties onwards, mass-market distribution grew and the retailer began to take over from the manufacturer brand. In jeans clothing the main retailer brands are to be found in those countries where there is concentrated retail power. These start with US and UK where developed distribution, and economies of scale, have led to retail jeans brand-leaders, such as:

- Walmart
- Gap
- Marks & Spencer
It is worth noting that none of these three jeans leaders started out as jeans specialists.

Unfortunately for jeans, its burgeoning heyday coincided with the growth of retailers’ own brands. Consequently, even in the ‘60s and ‘70s, the western denim brands were competing with retailers’ own labels. Brands have had to fight to convince the retailer and the consumer that their name matters. To begin with, the manufacturer brands had the kudos and the marketing muscle. The original big three were American, by geography, ownership and attitude. They were:

- Levi Strauss
- Lee
- Wrangler

These three are the only really global jeans brands. For most countries in the world, their brand share cannot be quantified, except to say it is substantial. They have an estimate themselves, but are not keen to share it. However, from their financial accounts, we do know their geographic sales in major markets and can surmise that in value terms:

- VF in total (Lee and Wrangler, plus smaller brands) has 18% of the total US market
- Levi has around 17% of the total US market

In the UK the position is that:

- Levi has 21% of the market but a massive 49% of the branded market
- Wrangler has 7% of the market and around 19% of the branded market
- Lee has only 5% of the market, which is about 12% of the branded market

It is just-style’s view that all of these companies and brands have been losing market share to new “aspirational” or attitude brands, but that this is only a small dent in their total sales. These “other” brands have nibbled at this domination over the years, but never really taken a big bite out of it. They have attempted to control either price or fashion niches. In addition to them, internationally recognised designers have sought to put their names on jeans, usually without adding any significant design content. Only in America have these names, such as Calvin Klein and Tommy Hilfiger developed any large-
scale mass-merchandise sales. Outside America, these businesses are all high price, low volume, high visibility operations.

These labels, which obtain the support of different segments of the clothing consumer tend to be either “street cred” or “fashionista”. None have any real scale but gain high visibility in glossy magazines, Sunday paper supplements or by being worn by “celebrities”. The list is long, and their time in the spotlight is likely to be no more than Andy Warhol’s “famous for 15 minutes” quote. A few were referred to in the first denim and jeans report. Judging by the inches of press, most of these are already history. The new kids on the block are:

- 7 For All Mankind; at an aspirational retail price of US$450
- Von Dutch; was the US fashion snappers favourite at an absurd price of over US$600
- David Bitton (Buffalo), the celebrity butt-lift jean at US$350
- Edwin, the Japanese toy boy: authenticity at US$450
- Nudie, the Scandanavian honest jean; an honest price of US$150-300

David Bitton, Edwin and Nudie are showcased in chapter six, because they contributed material to this report. Others for whom only public information was available include:

**7 For All Mankind**

Los Angeles cool, with word-of-mouth cachet and celebrity support. Currently has sales of US$200m, of which 75% is womenswear, which is unusual for a jeans brand. It was launched in the mould of fellow Los Angeles based Earl Jean in 2000 and in the words of recent chief executive Andreas Kurz, “will build a lifestyle brand, from the centre (jeans) out, trying to keep creative control and tight distribution”. Kurz believes that the denim market is only growing at the luxury and value extremes. But he admits that 80% is spent on jeans under US$50, and only 3% on jeans over US$100. However, and this may be somewhat marketing hype, Andreas says;

“We are all about femininity, elegance, sophistication. I like to say we are in the body-sculpture business.”
True Religion
Another US brand which sells in upmarket US, Japanese and UK department stores. Its customer list is a directory of the great and the good in the department store world:

○ US – Saks, Neiman Marcus, Henri Bendel, Nordstrom
○ UK – Harrods, Selfridges, Harvey Nichols
○ Japan – Isetan, Barneys Japan
○ France – Galeries Lafayette

It is truly religious about the sanctity of its brand, having recently closed down a US north east coast retailer for selling counterfeit True Religion brand jeans. “We are taking an aggressive stance to protect our trademark and other intellectual properties”, said Jeff Lubell, True Religion CEO.

2rt
The third and last of the directional pen pictures features 2rt (how arty can you get?). The name is texting influenced. The concept was “Arty, but not too arty”. The company aim is to become “the dominant jean”. It’s designed in the UK but owned by a Hong Kong company, with manufacturing in China. Its denim supplier is Kahiara (see denim company sketch in chapter six), and the emphasis is on soft but hard wearing (no one can complain). These jeans are being launched in UK retail right now, at price points of £70-£90, and are yet another example of the attitude statement (see chapter seven).

As in most apparel categories, there is also “no name” anonymous merchandise. Just because it is “no name” its volumes and share of any market, are generally understated by market research companies. In the UK, for example, it is believed to constitute 10% by volume and 5% by value. But it is under threat from “recognised” labels being sold by discount retailers such as Walmart, Matalan and George at Asda.

In the developing world, however, no name market share must be significantly bigger. You have only to look at a market in Hong Kong or Bangkok to appreciate the amount of anonymous merchandise, possible factory overmakes or seconds. To add insult to injury, the stallholders are often prepared, indeed offer you – the consumer, the service to sew on a designer label there and then.
Retail formats

The balance and share of retail own labels, brands and anonymous jeans depends fundamentally upon the nature of the retail format in that country or region. Jeans are retailed across the world through a variety of different retail formats:

○ Department stores
○ Variety stores
○ General chains
○ Specialist jeans chains
○ General clothing independent boutiques
○ Specialist jeans independent boutiques
○ Mail order catalogues
○ The internet, computer based mail order
○ Discounters
○ Supermarkets

Each of these retail formats will have a different merchandise assortment, and will of course, be selling at different prices. A more detailed analysis of price points, both for brands and private label is contained further on in chapter five.

The total effect of all of these retail formats, across a multitude of different price points for jeans in greater or less affluent countries and regions, has been estimated in tables 1 and 2. These tables show the global average retail prices for 2004 (the current year) for jeans, and the cost structure associated with the different price points and retail selling formats.

Prices and retail formats

The price positioning of different retail formats obviously influences the price the consumer pays for a pair of jeans. Broadly speaking for the developed world and for the top end of retail in the developing world (department stores and stores in shopping malls), it may be characterised as:

○ **Department stores.** Their sales are mostly brands, and at the upper price points
○ **Variety stores.** Variety stores are an anachronism which themselves, need some explanation. This is best done by using examples. In the US, think K-Mart or Sears. In UK, think Marks and Spencer or BhS. In Germany, C&A is the best example. Variety stores mostly sell their own
label, but may have some branded merchandise. Prices are middle to lower middle

○ General clothing chains. General clothing chains are mostly own label. Their jeans offering will be based around the staples of the five pocket Western.

○ Specialist jeans chains. It is in this group that the widest selection of brands will be found, outside the biggest up-market department stores. In this context, Selfridges in London stocks at least 12 internationally recognised brands. No specialist jeans chain will have that many, choosing instead to concentrate on merchandise variety within a smaller brand offering. The specialist jeans chains run the gamut of consumer offerings from classic middle-aged to young grunge attitudinal

○ General clothing independent boutiques. In this category, jeans are important, but are unlikely to account for more than 10% of total turnover. Therefore for an independent boutique with a sales turnover of US$20,000 per week, jeans will account for US$2,000 per week, or US$100,000 per year. That means that the jeans buy is most unlikely to exceed US$20,000 per season. A buy of that scale will limit the retailer to perhaps three or four brands if any balance is to be maintained between washes, colours and sizes

○ Specialist jeans independent boutiques. Here the situation is different. The shops tend to be smaller, perhaps an annual sales turnover of US$10,000 per week, US$500,000 per year. But as all of this is spent on jeans, the buy could be of the order of US$90,000 per season. This is an order of magnitude that is very similar to the general boutiques, but to support the specialist expertise, it is likely that up to six brands may be bought and stocked.

○ Mail order catalogues, unlike either department stores or variety stores, are liable to offer a relatively broad assortment of both own label and brands

○ The internet, computer based mail order. This is a relatively new phenomenon and so the format is still settling down. It is difficult at this point in their evolution to categorise how they may operate

○ Discounters. Discounters today are strong in jeans, because of the desire from a part of the consumer world that is not influenced by either fashion or brand awareness, to buy either anonymous or cheap own label. To them, price is everything
Supermarkets. The supermarket is now a major force in parts of the jeans sector, especially in children’s jeans. It operates mostly through own label merchandise.

**Price points, the US$ value and unit onion**

For just-style, the concept of the value and unit pricing onion was developed individually for each product sector, in order to explain how pricing works in the fashion industry. Broadly speaking, it follows a hierarchical theory that is based on the Pareto principle. This said that:

- 80% of your sales will come from 20% of your products
- 80% of your product purchases will come from 20% of your suppliers
- Etc

The value onion extends this as shown in the theoretical example that is Table 9.

**Table 9: Generic pricing onion for jeans**

<table>
<thead>
<tr>
<th>Price ranges</th>
<th>Median price points</th>
<th>US$</th>
<th>US$ %</th>
<th>Units %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute top</td>
<td>500</td>
<td>7</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>300</td>
<td>12</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Upper brands</td>
<td>160</td>
<td>24</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Lower brands, better own label</td>
<td>100</td>
<td>18</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Mass brands, own label</td>
<td>60</td>
<td>22</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Discounters</td>
<td>30</td>
<td>17</td>
<td>42</td>
<td></td>
</tr>
</tbody>
</table>

Source: just-style.com

This table can be explained as follows:

- The absolute top end of any garment product group can only ever capture 1% of the volume. However, this accounts for 7% of the value
- At the opposite extreme, the discounter (low end) can capture 42% of the volume but only 17% of the value
In the middle, the mass brands and own label have 28% by volume and 22% by value.

If this principle is transmogrified into the jeans market in the developed world, then the results are as shown in Table 10, which is based upon a detailed price analysis of the UK market.

Table 10: Specific pricing onion for jeans, based on the UK market in US$ prices

<table>
<thead>
<tr>
<th>Price range US$</th>
<th>Price point</th>
<th>US$m</th>
<th>Units (m)</th>
<th>US$ %</th>
<th>Units %</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;200</td>
<td>250</td>
<td>187.5</td>
<td>0.75</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>100-200</td>
<td>150</td>
<td>337.5</td>
<td>2.25</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>60-100</td>
<td>80</td>
<td>640</td>
<td>8</td>
<td>24</td>
<td>11</td>
</tr>
<tr>
<td>40-60</td>
<td>50</td>
<td>500</td>
<td>10</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>20-40</td>
<td>30</td>
<td>600</td>
<td>20</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>10-20</td>
<td>15</td>
<td>450</td>
<td>30</td>
<td>17</td>
<td>42</td>
</tr>
</tbody>
</table>

Source: just-style.com

The UK market may be somewhat more price-sensitive than other European markets. However, it is similar to the US in its discounting strategy.

**Price points and fashionability**

In a market that spans the world, and contains dozens of brands, hundreds of mass-market retailers, thousands of manufacturers, and tens of thousands of no name market sellers, any analysis of price will be based upon limited information. So, we have chosen to only give indications of selected retail price points for the developed world. Starting with the US, and from the bottom upwards:

- Faded Glory US$10-20
- Levi Signature US$20-30
- Wrangler US$30-40
- Lee (Core) US$50-70
- Levi 501 US$50-70
- Gap US$50-70
- Polo Ralph Lauren US$60-90
○ Earl Jean       US$90-120
○ DKNY            US$100-150
○ 7 For All Mankind US$280-500

A similar exercise has been carried out for Europe based on the UK market, but using US$. In Western Europe, brands are priced higher than in the US. When the exchange rate was US$1.5 = £1, a regularly used rule of thumb was parity.

○ Levi 501 in USA  US$40
○ Levi 501 in UK   US$60 (£40)

At US$1.8 to the £, jeans bought in the US are “a snip”

Again starting from the bottom prices:

○ Falmer at Matalan   US$25-35
○ Easy               US$25-40
○ H & M              US$25-40
○ BhS                US$25-40
○ Wrangler Basics    US$45-60
○ Gap                US$30-70
○ Marks & Spencer    US$40-60
○ Ben Sherman        US$50-80
○ Spy                US$75-90
○ Lee (core)         US$75-110
○ Levi 501           US$75-110
○ LTB                US$90-120
○ Mustang            US$80-120
○ Diesel             US$100-140
○ Lee 101            US$150-200
○ Nudie              US$160-320
○ Edwin E-Tab        US$200-320
○ David Bitton       US$200-350
○ Bluebell           US$250-350
○ 7 For All Mankind  US$280-550
○ Lee Originals      US$350-450
○ Edo from Edwin     US$500-550
Table 11 adds the concept of fashionability to the pricing lists above to derive a two-dimensional price-fashion matrix. Fashionability is shown on the horizontal axis of the charts below. It is a very subjective issue. What is one person’s commodity (such as the traditional 5 pocket Western jean) may be high fashion to another because of some minor change to cut (think women’s low rise jeans exhibiting the waistbands of thongs, as seen on every pop video in 2004), embellishment, or fabric treatment.
### Table 11: Jeans price fashion matrix

<table>
<thead>
<tr>
<th>Fashion Price</th>
<th>US$ Upper</th>
<th>Basic</th>
<th>Authentic</th>
<th>Mainstream</th>
<th>Fashion</th>
<th>Celebrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute Top End</td>
<td>1000</td>
<td></td>
<td>Edo</td>
<td></td>
<td>True Religion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lee Originals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Bluebell</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>200</td>
<td></td>
<td>Levi Vintage</td>
<td></td>
<td>Dolce &amp; Gabbana</td>
<td>Versace</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nudie</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>200</td>
<td></td>
<td>Edwin E-Tab</td>
<td></td>
<td></td>
<td>David Bitton</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lee 101</td>
<td></td>
<td></td>
<td>Joop</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>DKNY</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Diesel</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Juicy Couture</td>
</tr>
<tr>
<td>Upper Brands</td>
<td>100</td>
<td></td>
<td>Hugo Boss</td>
<td></td>
<td>Wale Adeyemi</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Firetrap</td>
</tr>
<tr>
<td></td>
<td>60</td>
<td></td>
<td>Polo Ralph Lauren</td>
<td>Replay</td>
<td>Mustang</td>
<td>Edwin</td>
</tr>
<tr>
<td>Lower Brands and Own Label</td>
<td>60</td>
<td></td>
<td>Lee Core</td>
<td></td>
<td>Ben Sherman</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Levi 501</td>
<td></td>
<td>Miss Sixty</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Wrangler basics</td>
<td></td>
<td></td>
<td>Gap</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Spy</td>
</tr>
<tr>
<td></td>
<td>40</td>
<td></td>
<td>Swade</td>
<td></td>
<td>Mavi</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sonetti</td>
</tr>
<tr>
<td>Mass Market Own Label</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td>Marks &amp; Spencer</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Joe Bloggs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20</td>
<td></td>
<td>Levi Signature</td>
<td>Wrangler</td>
<td>Joe Bloggs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>C&amp;A Germany</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>20</td>
<td></td>
<td>Faded Glory</td>
<td></td>
<td>H&amp;M</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Signature, Carrefour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: just-style.com
The headings across the top and bottom of Table 11 illustrate the problem of what constitutes fashionability in the jeans market very well. To the undiscerning amateur, the actual look of Faded Glory or a Falmer jean may appear quite similar to an Edo from Edwin or a Lee Original. This however is heresy to the connoisseur. The connoisseur is keenly aware of all the authentic details that make an Edwin or a Nudie jean what they are, or say they are. So authenticity, although it looks like basic tradition, is something completely different.

At the other end of the spectrum, recent celebrity jeans such as 7 For All Mankind, Earl Jean and most of the designer labels would be seen by the connoisseur as fakes, a deliberate act of deceit by the brand on the true denim believer. This is a rather convoluted concept for the average consumer to grasp but, as the jeans and denim sketches in the next chapter show, it gets a lot of purple prose from the marketing writers of the brands.

**World, regional and directional brands**

There are only three genuine world brands, in spite of the product and attitude hype of the others. They are:

- Levi Strauss
- Lee
- Wrangler

The last two being part of the US clothing conglomerate VF Corporation. Sketches of Levi, Lee and Wrangler are given in chapter six.

In Europe particularly, there are a number of regional or pan European brands. These include:

**Based in the UK**

- Pepe
- Ben Sherman

**Based in France**

- Lee Cooper
Based in Germany and Holland
○ Mustang
○ LTB

Based in Italy
○ Diesel
○ Replay

There are also designer labels, which could claim to be global brands because their names are recognised in many countries around the world.

USA
○ Calvin Klein
○ Tommy Hilfiger
○ Polo Ralph Lauren
○ DKNY

Italy
○ Armani
○ Versace
○ Dolce e Gabbana

Germany
○ Hugo Boss
○ Joop

France
○ Jean Paul Gaultier

It is worth noting that those with the widest recognition are either US, or Italian. It is a fact of the designer world that no other European designer labels (with the exception of traditional French haute couture names like Dior or YSL) are other than regional or marginal. It is also necessary to repeat, that, for these names, jeans are just a small add-on to their men’s and women’s clothing ranges.

There are dozens of “directional” brands, even though the average consumer may never have heard of them, and would be unsure what a directional brand is. It may be the case that, just as a designer is anyone who declares
themselves to be a designer, so a directional brand is one that says so often enough. As Andreas Kurz of 7 For All Mankind was quoted in Drapers Record, “jeans are associated with values such as individuality, freedom and rebellion”. He then went on to say that his challenge was to communicate those values across the various demographics that can afford to pay premium. Therefore, in the complex world of jeans marketing, being free to rebel means preparedness to pay a large amount of money for your jeans. In chapter six, a number of directional brands have been reviewed to ascertain their message to consumers.
Chapter 6 Jeans brands and denim company sketches

Jeans brands

Market proposition
All jeans brands seem to be obsessed with either fashion or authenticity. But many of them are also trying to woo the consumer who is NOT an aficionado and is NOT prepared to pay more than ten times what it requires to buy a pair of jeans in Walmart. Consequently, there are a variety of market propositions, which were tested by the author at trade shows in August 2005. They are summarised in Table 12 for the three global brands of Levi, Lee and Wrangler and for up and coming brands selected for their interesting slant.

Table 12: Summary matrix of company attributes for the brands featured as sketches

<table>
<thead>
<tr>
<th></th>
<th>Levi</th>
<th>Lee</th>
<th>Wrangler</th>
<th>LTB</th>
<th>David Bitton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranges</td>
<td>Many</td>
<td>Many</td>
<td>Many</td>
<td>Single</td>
<td>Single</td>
</tr>
<tr>
<td>Market proposition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Retail price US$</td>
<td>25-200</td>
<td>40-250</td>
<td>25-100+</td>
<td>110</td>
<td>170-350</td>
</tr>
<tr>
<td>2 Target consumer</td>
<td>All</td>
<td>Connoisseurs</td>
<td>Regular guys</td>
<td>Fashion</td>
<td>Fashionistas</td>
</tr>
<tr>
<td>3 Product innovation</td>
<td>Fit</td>
<td>Shape</td>
<td>Fit</td>
<td>Wash</td>
<td>Butt lift</td>
</tr>
<tr>
<td>4 Product detail</td>
<td>Tradition</td>
<td>Tradition</td>
<td>Tradition</td>
<td>Limited editions</td>
<td></td>
</tr>
<tr>
<td>5 Service</td>
<td></td>
<td></td>
<td></td>
<td>From Holland</td>
<td></td>
</tr>
<tr>
<td>6 Authenticity</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>7 Celebrity</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>8 Music</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td>No</td>
<td>Mobo</td>
</tr>
<tr>
<td>9 Value</td>
<td></td>
<td></td>
<td>At lower end</td>
<td>Margin</td>
<td>No</td>
</tr>
<tr>
<td>10 Source denim</td>
<td>Global</td>
<td>Global</td>
<td>Global</td>
<td>Italy</td>
<td>Japan</td>
</tr>
<tr>
<td>Source jeans</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>
Table 13: Summary matrix of company attributes for the brands featured as sketches (continued)

<table>
<thead>
<tr>
<th></th>
<th>Spy</th>
<th>Edwin</th>
<th>Swade</th>
<th>Nudie</th>
<th>Mavi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranges</td>
<td>Single</td>
<td>Three</td>
<td>Single</td>
<td>Single</td>
<td>Single</td>
</tr>
<tr>
<td><strong>Market proposition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Retail price US$</td>
<td>80-100</td>
<td>100-450</td>
<td>80-100</td>
<td>180-350</td>
<td>80-100</td>
</tr>
<tr>
<td>2 Target consumer</td>
<td>Value conscious</td>
<td>Connoisseurs</td>
<td>Value conscious</td>
<td>Value conscious</td>
<td>Value conscious</td>
</tr>
<tr>
<td>3 Product innovation</td>
<td>Wash</td>
<td>Denim processes</td>
<td>Standard</td>
<td>Wash</td>
<td>Fit</td>
</tr>
<tr>
<td>4 Product detail</td>
<td>Hand finished</td>
<td>Many features</td>
<td>Stitching</td>
<td>Many features</td>
<td>Many features</td>
</tr>
<tr>
<td>5 Service</td>
<td>From Germany</td>
<td>From UK</td>
<td>From Sweden</td>
<td>From Turkey</td>
<td></td>
</tr>
<tr>
<td>6 Authenticity</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>7 Celebrity</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>8 Music</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Kaiser Chiefs</td>
<td>No</td>
</tr>
<tr>
<td>9 Value</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>10 Source denim</td>
<td>Turkey</td>
<td>Japan</td>
<td>Turkey</td>
<td>Japan</td>
<td>Turkey</td>
</tr>
<tr>
<td>10 Source jeans</td>
<td>80-100</td>
<td>100-450</td>
<td>80-100</td>
<td>180-350</td>
<td>80-100</td>
</tr>
</tbody>
</table>

Source: just-style.com

What follows are sketches taken from each brands’ own material, and the author’s individual and independent comments.

**Levi**

Since 1873 the Levi’s® brand has been the definitive source of original jeanswear. Created as utilitarian clothing for working men, denim jeans became fashion in 1935, when Levi’s® introduced the world’s first jeans cut for women – and Vogue magazine celebrated them as a must-have style item. Season after season, we are still crafting original styles of jeans from cotton fabric, thread and rivets with the same passion for denim as ever.

For Spring 2006, Levi’s® Vintage Clothing, the heart and soul of the Levi’s® brand, retraces the history of Roller Derby skaters and the birth of skateboards. A selection of handcrafted replicas of 1950s and 1960s archival
denim is presented in a wider range of finishes per fit than ever before, offering greater choice to retailers and consumers alike.

Celebrating its women’s heritage, Levi’s® Red Tab® Jeans proudly unveils the ultimate portfolio of contemporary women’s silhouettes, resulting from the most complete denim fit research programme ever conducted. They are presented in the softest, open weave Japanese denim and in directional, brightly coloured denim.

For guys, the iconic Levi’s® 501® Jeans are complemented by a collection of tough on-trend square top block fits, surprisingly re-edited in fine heritage-inspired versions. An eye-catching range of ecru-printed, bright coloured denim oozes catwalk attitude. A bold yellow cloth 2-Horse Logo® patch, painted buttons and striped lining adorn fine Japanese 12.5 oz. grey and green cast denim, in clean to heavy worn finishes. Our Spring ’06 collection looks at the microcosm of beach communities in Southern California, and steals the lively colours of its sea, beaches and surfboards. On and off the beach, in Spring/Summer ’06 denim jeans are worn-in for daytime, and clean and dark for evening. Throughout the line, loving details such as limited-edition red selvedge, real leather patches, vintage sundries and red cotton pocket bags and piping pay homage to Levi’s® heritage.

Levi’s® Blue drives a cleaner, tailored look in the denim universe. Ten to 14 oz. wideloom denim, natural indigo, the finest jerseys, poplins, silk knits and pearl leather are the rich ingredients of the collection. Five directional denim fits for guys and five for girls drive a cleaner, tailored look in the denim universe. The girls’ figure-enhancing silhouettes make legs look longer and derrières pert. Tailoring construction details are highlighted by tonal stitching details.

The new Levi’s® Engineered Jeans® seasonal collection is inspired by Californian beach soccer. Building on the platform of Freedom to Move, it features an even wider finish range. An exclusive 12 oz. double weave denim creates worn effects the like of which has never been seen before.

Levi’s story strap line: **Something for everyone**

Source: Hannah Campbell at Exposure (PR)
Author’s comments

In spite of the attempt to create a number of ranges, which are intended to appeal to all parts of the consumer spectrum, there remains a feeling of sameness about the Levi brand. They are however, clearly backtracking from the low priced Signature approach, which was apparent at the time of the first report, and concentrating again on the independent retailer.

Lee

The word that the cowboys at Lee would like the consumer to think of, when their jeans are mentioned, is authenticity, especially for the top of the range. As is part of the VF Corp philosophy of a portfolio of brands at various price points for various consumers, authenticity, as exhibited at the Lee concept store in Carnaby Street, London straddles the sub-brands. For the company, price point, product and attitude are:

1. Originals at retail prices of £200. These jeans use Japanese denim woven on old H T Lee looms exported to Japan after the Second World War. They are the epitomy of authenticity for the Western jean aficionado, harking back to the cowboy heritage through the use of the “hairy hide” brand logo.

2. 101s. These are a premium, but more accessible jean, at price points from £80 up to £120. The product is stitched in Lee’s own plants. As Gareth Anderson of the concept store points out; “the favourite is the dry 101Z because it moulds itself to you and becomes your personal jean”.

3. The X-Line is the next sub-brand. It retails between £60 and £100 incorporating product details such as the lazy-S, old leather, UFO rivets, but no rivets on the back pockets. As Gareth explains, “they would scratch your saddle”, a reference to good old cowboy respect for leather.

4. The core range is what it says, a group of best sellers retailing between £50 and £65. A perennial favourite is the Dillon loose fit boot cut, whilst the hot style of the moment is the tight straight leg Wheeler, because the skinny look is back with rock bands. Besides cowboy, music and festivals are important in the attitudinal advertising of the brand.
In the London store the Norma jean (a reference to Marilyn Monroe) has been flying off the shelves this summer, especially in black. It exemplifies what Lee believes about their female consumers. “They come into the store knowing what they are looking for”, Says Anderson, whether that is the current trend to clean and skinny or persevering with distressed and loose.

Lee story strap line: Authenticity and attitude

Source: Dave Moreton, UK sales manager. Gareth Anderson, Lee concept store, Carnaby Street, London

Author’s comments
Lee does appear to be executing the portfolio philosophy, which was explained by VF top management in the first report. If anything, VF has tried to further differentiate between the brands in its Lee offer. The reason for doing this is because of increased competition from European brands such as G-Star, Diesel and Replay. To combat this, stress has been placed at the upper price points on authenticity, which appeals to the jeans connoisseur.

In addition, the focus on the RPI (retail partner initiative) has continued. Aidan O’Meara, president Jeanswear Coalition Europe explained that, “by the end of 2005, there will be 1,200 managed areas across Europe benefiting from VF support for collection merchandising, assortment planning and a flow of new merchandise in-season”. This is necessary because, as he further explained; “in a saturated and competitive European market, a jeans brand has to provide something extra. The VF retail partnership initiative gives retailers like Karstadt and Kauffhof better retail sales densities. Bottom line results are a win-win for both the retailer and the brand.”

Wrangler
Time was when Wrangler was firmly pigeonholed in the “jeans classic” camp, as exemplified by the Texas style. As a result of a conscious re-positioning of the brand and its sub-brands, Wrangler has developed no less than five fashion concepts. Each of these has a clear price point, a target consumer, and a styling identity. In the UK market, these can be summarised as:

1. Bluebell authentic replica jeans, the American classics. Priced at retail between £135 and £180 for the true denim connoisseur. Probably sold in no more than 20 accounts across the nation
2. BY (which stands for Blue Yellow). A deliberate play on icons such as the yellow stitching, so that as Ben Salmon, Wrangler UK key accounts manager puts it, “you will either love it or hate it”. Retails at £95 and is targeted at 75 doors including retailers such as Selfridges and Urban Outfitters

3. W Rivet Series. This is where the brand comes into contact with the middle market, going head-to-head with competitors such as Ben Sherman and Levi. Retail price points are £50-£70

4. Classics. Styles such as Texas are still a large part of the volume percentage sales of Wrangler and retail at around £40, with wide distribution

5. Durable basics. This is the budget end of the Wrangler stable and retails between £25 and £30

In this way the brand covers all the bases of price and fashion.

Wrangler story strap line: **Jeans to cover all your bases**

But Wrangler is also about attitude. As Scott Otte, European marketing manager put it, and as the material quoted below shows, “it’s about the wanted world”.

**WANTED: Desire. The need, the itch…**

**WANTED: Hunt, seek. Apprehend.**

WANTED is about attitude; it’s the manifestation of an outlaw spirit, a self-given right to go beyond the rules. WANTED is individuality – not the anxiety of an insecure loner, but the self-reliance of an individual who dares stand alone… because he is as comfortable being with others as he is, off on his own.

WANTED. It’s the thought that a little flirt with danger might be nice today. It’s the belief that taking challenges head-on is the best way to go about life. It’s physical. It’s powerful. It takes guts and a huge fistful of balls.
Forget timidity and shyness. WANTED is about brand pride. It's the satisfaction of doing what you do; esteem and belief in who you are. Self-respect. Appreciate yourself and let others feel your personal contentment.

WANTED is a simple but strong and confident message. To the consumers. To the competitors. To the trade. It's the promise of a solid Wrangler range. Hard-wearing goods, great fitting jeans.

WANTED is very much about the product. Love it or loathe it, Wrangler delivers sexy jeans. Durable products. That look good. That make you look good. From head to toe, via your sweet ass.

WANTED is the cue to go out and get a pair. You don’t need to say more. You don’t need to push people in the back. They will come. Because you’re sure that they will come. Enough said.

The given. With WANTED, brand heritage is here to stay. Wrangler will always be the real deal. No ifs buts or maybes. Straightforward – what you see is what you get.

Wrangler story strap line: **Jeans to cover all your bases**

**Author's comments**

What was said about Lee applies similarly to Wrangler, with the caveat that, any brand selling most of its units at mass-market prices must have trouble selling aspiration, in spite of the brave words of Scott Otte:

“Wrangler will be known as a confident brand. Fairly simple and straightforward, no frills but also not plain and boring. Wrangler will not be glamour, Wrangler will not be colourful. But Wrangler will be a nice alternative for self-assured individuals with style who know what they want. A no bullshit brand with a bit of irreverence and bravado.

“It follows then that consumers will no longer perceive Wrangler as simply a good value for money brand. Rather, Wrangler will be seen as a brand that offers nice products in which they can look good… at a pretty decent price.”
LTB

LTB is new to the UK, but its parent company is not new to the jeans business. The Littlebig company already sells in Germany, Netherlands, Italy and has launched in New York. In the UK, its fresh appeal looks likely to open 25-35 doors in its first season.

The appeal is based around a number of factors, of which retail price and the margin for the retailer is principle. Wholesale prices are just above £20, and retailers are urged to sell at £65, which gives them a mark-up of three.

Denim is from Legler, the well-known Italian weaver, and variety is provided in both fabric and product detail. A number of washes are available in the range. The men’s range is available in sizes 26-40 in four leg lengths. The ladies is presented in 26-33 waist in three leg lengths.

But the USP from LTB is really based on freshness and flexibility. Upwards of six new styles are available each month. A fast sampling capability allows the retailer the luxury of short ordering. The warehouse in Holland can replenish in two to three days, a service which minimises retail risk, and gives support to “winners”. There are no minimums and no size pack constraints.

All in all, this provides an attractive package for the independent boutiques, which are LTB’s target customer.

LTB story strap line: Freshness, margin and service

Source: Rudy Budhdeo, country manager, UK

Author’s comments

With its UK retail price of £65 and a mark-up for the retailer of three, LTB could well achieve its targets quickly.

David Bitton

David Bitton is the UK incarnation of ‘Buffalo’, which is already well established in Canada and the US. There, it is the jean of choice for many celebrities including Halle Berry, Julia Roberts, Kim Catrall, Ben Affleck, Brad Pitt.

The jeans are aimed at “aspirational” consumers who want to get a share of Butt Botox, the ‘butt lift’ is in the jeans.
As Onita Prasada puts it: “Wearing David Bitton is a spellbinding, high voltage adventure. These jeans were not meant for those suffering from bad taste.”

The secret of Butt Botox is of course in the fit, but also in the left hand twist Japanese denim. Other must haves include, limited editions of 600 pairs, which come complete with certificate and bag. Product detail such as the stitching on the back pockets complete the David Bitton USP, which is supplemented by a lot of press exposure. The brand has been featured in FHM, Esquire, Arena, GQ, Vogue, ID, and Glamour magazines.

As well as celebrity, the brand is also into music. It is worn by Keane and will be the denim sponsor of the Mobo awards in September, having recently featured at Lovebox in London.

All of this does not come cheap. Retail prices lie between £98 and £180 but David Bitton is sure that the experience is worth it.

David Bitton story strap line: Aspire to have your butt lifted

Source: Onita Prasada, general manager, UK and Europe Cafer Mehmet, sales executive

Author’s comments

The David Bitton experience seems to be a similar sell to that of 7 For All mankind, Von Dutch etc. But if fashionistas are prepared to part with that amount of money in order to feel like a celebrity (be it A, B or C list), don’t knock it.

Spy Denim

Spy sells denim with a difference. It is a modern fashion jeanswear label, producing short order collections for men.

The offer is formed round the basis of value, a mid priced (retail £45-£50) jean with a lot of work in it. This is designed to appeal to the 40-50 UK boutique accounts that need something to come in under the better-known fashion labels, but with some consumer interest.

Some of the interest is created from the use of vintage hand finished fabric made from authentic used and destroyed denim. To achieve this and still hit
the wholesale and retail price points referred to above, requires a mix of Denim from Turkey and stitching in Portugal.

Spy story strap line: **Keely priced for a lot of work content**

**Source:** George Parmar, creative director

**Author’s comments**
Spy is another brand attempting to nibble away at the mass and slightly higher prices of the multinationals.

**Edwin**
Edwin (of Japan) has a simple philosophy… a passion for denim. At Edwin, Blue is what they love, and all details count. They only use Japanese denim fabrics that are exclusive to the brand. And the entire approach is wrapped around more processing, more washing and more finishing.

That attitude is combined with an insistence on authentic Edwin jeans trademark details, such as the rainbow denim selvage, hidden rivets, multitone stitching, curved pockets and lined back pockets. The accent on technology is completed by, jackets and jeans with a Gore-tex membrane lining, providing windproofness, waterproofness and breathability.

To this determination to remain true to their 1947 origins, when the Japanese company obtained denim weaving equipment from the US, there now exists the intention to show the whole set of Edwin ranges in a flagship store in London’s Covent Garden, which will open this Autumn. There, they will showcase:

- The Edo line (the old name for Tokyo and synonymous with a glorious period of Japanese history). Edo wholesales at €150 to retail at £280
- The E-Tab line, 5-pocket Western denim for the purist, woven from Japanese fabric, with Italian sewing, and a European cut. It wholesales for €60-€100 and should retail at £120-£180
- The new E-Tab Core range wholesaling at €40-60 and retailing at £80-£120
Edwin story strap line: **Japanese purity and quality. Something to tempt every Edwin connoisseur.**

Source: Jared Foulds, UK and Ireland sales

**Author’s comments**
Edwin has clearly done a great job of cornering the connoisseur market. However, by definition this market is very limited. My source suggested that a small exclusive retail customer base was all they wanted.

**Swade**
Swade is in no way ashamed to be in the mid-price volume segment of the jeans market. Indeed, it glories in just that. In a tight and commercially focused collection of denim, the accent is on detailed garment stitching, pockets and pocket bags. They see the trend for spring/summer 2006 to be cleaner and darker.

How do Swade achieve this in a garment which retails at £40-£50, and is sold wholesale for £16-£20? The answer lies in intelligent sourcing. The denim comes from Turkey and the make up and finishing is done in India. Wanstall is happy to say that, *“once the manufacturing has been carefully explained, our Indian partners deliver a reliable cost effective garment.”*

The proof is that, in four seasons, Swade has opened over 150 doors in the UK.

Swade story strap line: **Competitive prices from low cost sourcing**

Source: Damian Wanstall, brand manager

**Author’s comments**
Swade is carrying the Spy approach one stage further. Denim from Turkey, but this time, even lower cost manufacturing in India. The question is, will retailers and consumers see the value?

**Nudie**
Nudie is proud to be “a true jeans brand not pushing short term trends”. The company philosophy is captured in its history book, The Naked Truth About Denim, and in statements such as:
Nudie philosophy – besides leather, only denim has the ability to age beautifully – formed by its user into a second skin. The longer it lives, the more character it gets. The indigo is a living colour that fades and gives the denim its character. The more you wear your jeans, the more beautiful they get. Jeans are more than just a piece of clothing.

Nudie passion – we love jeans, a passion we share with everyone who mourns a pair of worn out jeans as a close friend. Jeans share the same soul and attitude as music. The inspiration springs from the same dreams.

Once the attitudinal statements have been digested, the commercial facts are that Nudie is committed to and guarantees either Japanese weaving by Kaihara, or Italian fabric, sewing and finishing treatments. Particular attention is paid to garment details, such as double stitching, cross stitch on the bottom hem and nickel rivets. The jean comes with the Nudie orange selvage and a Nudie repair kit containing the distinctive orange thread.

It is a jean for the aficionado, but also has strong connotations with the music scene, being the jean of choice for Razorlight, the Kaiser Chiefs and the Gallagher brothers.

Nudie story strap line: Industry processes meet celebrity music

Source: Fraser Trewick UK agent; Nicola Gard marketing

Author’s comments
This is Edwin from Scandanavia. Japanese denim meets a designer originally from VF, with a book that reads like homespun Walt Whitman wisdom.

Mavi
Founded in Turkey in 1991, Mavi, which means blue in Turkish, is known for high quality, great fitting and fashion-forward denim. Mavi’s never-ending goal is to create the perfect pair of jeans with an unmatched fit. Mavi is one of Europe’s biggest producer of jeans, although to be pedantically accurate, Turkey is not yet part of Europe. According to its own website, Mavi “sells millions of pairs of jeans every year. It is sold in over 4,600 specialty stores and better department stores in 28 different countries including the US, Australia, Canada, Turkey, Germany, Italy, England and Denmark. Mavi owns
and operates stores in many cities around the world, namely New York, Vancouver, Montreal, Berlin, Frankfurt and Istanbul."

Significant retail space in these stores is dedicated to supporting and exhibiting the works of up-and-coming artists. There are also ten Mavi showrooms located all over the world in Istanbul, New York, Milan, Los Angeles, Vancouver, Montreal, London, Frankfurt, Copenhagen, and Sydney making it one of the few Turkish products that is a true global brand.

The Mavi offer is formed round the basis of a premium product, ranked alongside Diesel and Replay, but at an entry price (retail £45-£50) for a jean with a lot of work in it. The value proposition is that the retailer gets a jean up to 40% cheaper than a comparable brand.

Mavi was established and remains as a family company. Mavi's founder, Sait Akarlılar, drew from his experiences as a boy in the garment industry to found Erak, which today stands as one of the largest apparel manufacturing companies in Turkey. In 1990 Sait Akarlılar wanted to create an entirely new denim brand, one with Mediterranean roots. He looked to his family, to provide the leadership and creative inspiration for the Mavi brand. Presently, his son Ersin serves as the company's CEO, overseeing global operations. His daughter Elif oversees marketing, product development and supervises the creative direction of the Mavi brand.

Mavi strap line: **Premium product at an entry price point.**

Source: Aron Sharpe, Kevin McQuaid

**Author’s comments**

It is companies like Mavi that are the new face of denim and jeans. A family business that no doubt has access to local cotton, locally woven denim and a low cost labour force may well be the future of the jeans business.

**Denim company sketches**

**Arvind**

Arvind Mills Limited is the flagship company of the Lalbhai Group, an Indian conglomerate with a total turnover of Rs20m (US$500m).
Today, Arvind is an international force to be reckoned with across the entire textile chain from yarns through fabric to garments and retail. The company is strong in denim fabrics, being one of the top three producers of denim worldwide. Readymade garments are managed by Arvind Brands which covers both the owned brands and the licenses of some of the best international brands like Arrow, Lee, Wrangler and Tommy Hilfiger for the Indian subcontinent.

The Denim Division was established in 1987 and has since grown into one of the world’s largest denim producers. With a turnover of US$180m, Arvind Denim has a capacity for producing 110m metres of denim per year, 70m metres slasher and 40m metres rope. The denim is exported to more than 70 countries all over the world, besides catering to the Indian domestic market.

The product mix includes denims from 6 oz. to 15.5 oz. in various shades of indigo, yarn-dyeds, different casts, tints, naturals and over-dyeds, both open-end and ring-spun, in various weaves, in 100% cotton and cotton-based blends with Lycra®, Polyester, Tencel®, Bamboo, Jute, Linen etc., and in various finishes.

Arvind offers the full range of textile technologies, namely open-end and ring spinning, air-jet and projectile weaving, foam and wet finishing, mercerizing, slasher and rope dyeing. All the units have in-house power generation plants, ensuring round-the-clock power supply and an effluent treatment facility, which recycles wastewater. Denim waste is converted into recycled denim paper.

The new product developments include poly urethane-coated denims, customised designer denims, printed denims and structural. Arvind’s seasonal collections are trailblazers in the international market. Arvind produces two collections every year, the Spring-Summer and the Autumn-Winter.

It is a measure of the denim division’s internationalism that half the turnover by value is exported, although this represents around 40% by volume reflecting lower domestic prices. Arvind has around 2.5% of the world denim production.
The following quote from an Arvind spokesman reflects the company’s confident and positive attitude:

“India’s core advantage as a denim producing country?

1. Cotton available locally (India is the third largest producing country)
2. Skilled textile work-force available
3. Presence of mills like Arvind with a good track record of manufacturing and exporting denim

Why an importer should prefer India as a denim sourcing destination?

1. An integrated country: from fibre to apparel
2. Strong in design & fashion capabilities
3. Capable of handling small lot sizes
4. Low labour costs

The future

[The] textiles industry is a high capital-intensive industry with high gestation periods, while garment manufacturing is low capital intensive, has low gestation periods but highly labour intensive. So, it is easier to set up a new garment facility rather than a fabric facility. It makes much more sense for all the fabric manufacturers to be vertically integrated as it will add to their margins, which are higher in garment manufacturing.”

As can be seen, there is a strong emphasis on integrating forwards into garments and brands.

Arvind Mills Limited has set up a state of the art garment factory in Bangalore for manufacturing tops and jeans primarily for export. The sewing plant uses automatic machines to perform most operations. Most machines are from Vi.be.mac, Italy and have automated operations like back pocket creasing, hemming and attaching, auto ‘J’ stitch, auto belt loop attach, Waist band attach and bottom hemming. This greatly improves the productivity and also helps bring in more consistency in production.

The sewing plant has capacity planned for 10 lines and 300 more machines during 2005 to increase the sewing and washing capacities to 20,000-pieces
per day. Other than doing regular washing like stone, enzyme and bleach washes, the laundry will be capable of doing state of the art washes like hand scrubbing, sand blasting, whiskers, garment tinting, spraying and coating with various chemicals, brushing, grinding, tacking and permanent creasing in an oven.

**Orta**

Orta is a Turkish denim supplier, which proudly lists the following brands amongst its customers: Levi, Lee and Wrangler, Diesel, Replay, Rifle, Big Star. But it is equally at home making for Gap, and for Next. It also produces denim for designer labels such as Polo Ralph Lauren, Calvin Klein and Tommy (Hilfiger) Jeans.

In the 1950s, the founders of the “Central Anatolia Textile Factory” equipped their yarn and greige cloth mill with advanced German technology and its own electricity generating facilities. Later, finishing facilities were added.

After a rather negative period in the 1970s, when the development of ready to wear clothing on an industrial basis in Turkey made greige cloth into a low price commodity product, the owners decided that the future lay in the export of quality fabrics. This period coincided with the beginnings of the move by major brands and private label retailers in US and Europe to source manufacturing and fabric in lower cost countries. Orta entered into an arrangement with West Point Pepperel (backed by Levi) to use West Point know-how and sales expertise to produce six million square metres of fabric per year. Early customers included Marks & Spencer. These developments have continued and Orta now produces 36m square metres. In 1997 it became a Levi’s approved supplier, one year after achieving ISO 9001 quality assurance status.

Today, the company operates out of a 150,000 square metre mill and employs nearly 1,000 people.

**Tavex**

“Denim bursts on to the scene once more, breaking all moulds…” This is the opening statement of the Spring-Summer 2006 collection from this Spanish organisation. It is followed by this ringing declaration: “Denim reinvents itself once again and stands out as the king of fabrics owing to its great versatility and extraordinary ability to assimilate and enrich various trends and styles.
DenimMania triumphs on the street in its purest state and in chameleon-like transformations of its appearance and colouring. Remember the equation: \textit{DENIM = Freedom + Fun}.

Tavex was created in 1846 in Bergara, Spain. It now claims to be the largest denim producer in Europe, exporting 80% of its production to over 50 countries. Until the 1960s, Tavex primarily produced fabrics for industrial clothing and the armed forces, although it had used indigo dyes from its inception. At that time a strategic decision was made to concentrate on denim, and significant investments were made in dyeing machinery in Spain.

Other landmark dates include:

- 1989, when the company acquired two denim factories in Alginet and Navarres (Valencia)
- 1990, when it built a plant in Morocco
- 1999, an investment in a further dyeing and finishing plant in Settat
- 2002, its Mexican subsidiary (Tavemex) purchased the assets of Textil de Puebla, another denim operation in order to access the US market

Legler

One of the Rolls Royce’s of the European denim industry is Legler. This Italian company was started in 1863, and has a high reputation for technical know-how. It is totally based in Italy, and genuinely vertically integrated, with:

- Product development at the main office of Ponte S Pietro, Bergamo
- Spinning in two plants in Sardinia
- Weaving also in Sardinia
- Dyeing and finishing back in Bergamo
- Central warehousing and distribution from the main office site

Total production capacity is around 50m metres per annum.

Legler likes to stress the evolution of Legler denim over the last 35 years, in which the main steps that feature on its website are:

- 70s California; a traditional 3/1 open end/open end regular yarn, 14 ¾ oz, basic construction
○ 1989 Bravo; the warp yarn becomes slightly irregular, uneven and the construction finer
○ 1991 Old; this marks the introduction of ring yarn into Legler denim. The warp and weft are slubby, and the effect is that of an authentic denim stressed by a rough construction
○ 1991 Davidson HD; tight construction fabric, clean look. Still loved by many customers, it is a product that identifies Legler quality
○ 1992 Alcatraz; continues the trend to a cleaner look. The warp is ring uneven and the weft is open end. Construction returns finer
○ 1994 Cayenne HD; a big step forward in the denim area. Cayenne is the leader of a group of streaky denims that enter the range
○ 1996 Vintage; following the main trends, denim returns to cross hatch ring/ring look. The effect is not too uneven
○ 1999 Dynamic and Day; the cross hatch look continues and developments are focused on the yarn. Dynamic and Day introduce a new concept of yarn, a naturally uneven look, produced with the latest spinning technology. The fabric gets a new surface, more natural and authentic.

Kaihara
Kaihara is something of an icon to true jeans connoisseurs. The company was founded in 1893, and the family still exerts considerable influence. According to its website Kaihara denim employs 450 people in a number of plants which are situated in and around Hiroshima. The sales output is 19,000m yen (US$175m). This means that each employee generates a sales value of US$385,000 reflecting both the high capital intensity of denim production, and Kaihara’s premium position.

Major customers include Levi, Lee, Edwin and Nudie, who state in their book, The Naked Truth about Denim; “The denim used by Nudie to make Regular Ralf Dry Selvage is made in Japan by Kaihara. It is a slubby, uneven denim, with cream filling, ring/ring in 13.5 oz weight, pre-shrunk rope dye double dip indigo denim, with a red lined selvage… The denim is hand dyed with real vegetable indigo. This traditional and natural way of dyeing with vegetable indigo is still practised in the south west of Japan, where you find fields of indigo plants and small indigo dye houses. Hand hank dyeing and old traditional narrow shuttle looms give the selvage denim fabric an authentic and unique look”.

© 2005 All content copyright Aroq Ltd. All rights reserved.
Chapter 7 Attitude

There is no doubt that this report is dealing with a thoroughly dysfunctional clothing sector. The companies cannot work out whether they are fashion or function (they continually mix up both). They also cannot work out whether they are value or aspiration to celebrity (again they mix up both). They cannot work out whether they are today’s fashion or faithfully replicating authenticity back to a past that no one except cowboys can even relate to.

And yet, this product group taps into a zeitgeist (lifestyle), which seems to defy any logic. Denim jeans’ marketing seems to capture three human attitudes that have no common relationship to the real world. They are:

○ I want a rugged product that works
○ I want a dream based on individuality and non-conformism
○ I want a uniform that makes me part of the herd

Most of the brand sketches in chapter six drew from one or more of these three attitudinal statements.

Most of the marketing material from the denim weavers mentioned in chapter six alluded to these attitudes whilst either copying each other or following trends, when still pretending to be pursuing their own production route.

Nearly all of this marketing material is about brands. Own label and anonymous merchandise tries to be “attitudinal” but the consumer buyers are more interested in shape, fit, function and (most importantly) price.

Yet when questioned by market researchers, consumers, particularly young men and women, are more likely to answer attitudinal questions about their reasons for buying jeans than value ones. This could well be a case of people saying what they think they should say rather than what they really think.
Chapter 8 Supply chains and strategic alliances

Supply introduction
Apparel manufacturing has been going offshore to lower cost countries since the 1980s. This is in spite of a variety of protectionist initiatives in the US and Europe. Denim jeans are no exception, apart from to say that the trend applies to weaving as well as to making up.

In this chapter, a number of statements, all made in 2005 and mostly quoted in just-style, are retold to show what is happening as production capacity changes location, and how global brands are moving their production around the world.

Economic facts and forecasts
○ Turkey earned US$1.1bn from denim jeans exports in 2004, 64% up on the previous year. The European Union accounted for 70% of this with Germany the top destination with 23% (US$256m) of the total. The UK was the second destination with 17%

○ Unaudited figures from the Turkish Exporters Assembly for the first six months of 2005 put the exports of denim jeans at US$705m. This would be another 28% increase over the annualised 2004 figure. A spokesman said that this meant that Turkey held 6.5% share of world jeans manufacturing. These figures are of course at wholesale

○ China is believed to have become the world’s largest supplier of denim garments, accounting for 30% of global production, and with exports of US$1.8bn in 2004. 76% of Chinese denim garment makers are operating at over 75% capacity. Only 7% are below 50% capacity

○ And yet at the same time, Japan (a very high cost economy) has produced export figures for denim for 2004, which show considerable increases over
2003 (itself a good year). Denim sales are at high price points, and the major destination countries for making jeans are the US and Italy

- Conversely, US imports of denim fabrics have increased steadily from 2001 to 2004, favouring Italy, Japan and Turkey

**China**

- Within China, 20% of its astonishing export figure comes from Jun’an, a small town near Foshan in Guangdong (Guangdong is literally “down the road” from Hong Kong, and started to be used by HK entrepreneurs as long ago as the late 1970s). In this close area, there are over 700 denim garment exporters who between them are believed to produce around 130m garments worth in the order of US$400m. They are served by 300 fabric weaving factories. The pace of investment is frenetic. Shunde Changrun Garment Company is building a new weaving plant which will boast 50 modern rapier looms that can weave 300,000 yards of denim monthly. Jun’an has nine washing and finishing plants that can process 80% of the town’s garment output. The area is not cheap. Although average prices are US$3.5, many of the better garments with more expensive washes sell for US$5-10

- Wilbur Ross, the US entrepreneur and owner of ITG (Cone) is spending US$100m in conjunction with Silas Chou of Novel, the Hong Kong based business on a denim mill which will produce 36m square yards of fabric annually. Ross commented “this initiative for Cone Denim establishes a global platform in continuation of the ITG strategy of aligning with its customers”

**Turkey**

- Turkish denim jeans makers are calling for government help to continue to support their high export growth, which was reported at 60% year on year for 2004

- Clothing maker Eroglu plans a new factory to make 35,000 jeans a month. It already makes 70,000 units a month and exports to 32 countries including US, France, Germany and UK
○ Orta Anadolu hopes to increase denim and jeans sales to US$230 in 2005, with half as exports. It already supplies Levi, Lee, Diesel, Rifle, and Mavi

○ Birlik Mensucat invest 19m lira in a denim production plant

○ Eroglu buys the Big Star jeans brand from its Swiss owners

Indian Sub-Continent

○ Universal Jeans of Bangladesh invests US$7m in a plant intended to produce 6m units annually

○ Sales of Lee jeans (licensed to Arvind Mills) in India poised to break US$20m mark

○ The Raymond Group intends to build three new factories in Bangalore, double its jeans making capacity and further integrate forward into retail. Denim capacity at Yavatmai will be increased by 10m metres per year to 40m metres. Spokesman Mr Mantagani said “we will use the cluster of powerlooms and process houses to invest in capacity, product design, washing and finishing for high volume medium value European and American customers”

○ American brands Gant and Cherokee are reported to be discussing partnerships in India

○ Century Textiles will invest Rs1.4m at Indore to increase the capacity of its denim plant to 10m metres per year

Japan

○ Kaihara has ordered 60 Sulzer looms for its new denim mill in Western Japan
Chapter 9 2005 and all that stuff

Abolition of quotas

At the point in time of drafting this report, the supply side of jeans, and indeed of all clothing, is reeling from the aftermath of the abolition of quotas, which was brought about by the World Trade Organisation on January 1st of this year. Although the MFA (Multi Fibre Agreement) had been in process of winding down for years, the number and duration of the rearguard lobbying exercises made many people cynical about whether and when it would really happen.

Nevertheless, happen it did and retailers and brands were quick to take advantage of the low cost of production in China. Chinese export figures rocketed and other countries, even those that were previously regarded as low cost, were hard hit, as these quotes from another just-style report by the author on apparel manufacturing technology and the abolition of quotas make clear.

The Times reported that Delta Apparel, one of Pakistan’s biggest garment exporters closed down earlier this year, saying "We cannot compete with much cheaper Chinese goods that have flooded the international markets since January… Now there is no limit to the quantity we can export but the buyers want us to reduce the prices" Majyd Aziz, chief executive.

To illustrate that Pakistan is not an isolated case, figures from the Textiles South East Asia Newsletter, published by Textile Media Services, show that Vietnam, a recent high flyer in the low cost country sourcing business is also suffering. Vietnamese apparel exports to both the US and the EU are down in the first three months of 2005 from the same period for 2004.

From the same magazine comes a news report of June 2005 stating that in Indonesia, four garment manufacturers have laid off 10,000 workers “due to the absence of orders following the removal of textile quotas at the start of 2005".
The same magazine reported in April 2005 that a number of Taiwanese clothing makers were expanding in Cambodia as a direct response to the expiration of the World Trade Organisation textile and clothing quotas.

In June of this year, The Hellenic Fashion Industry Association (Greece) announced further job losses in textiles and clothing for 2004 and cited “both a growth in cheap imports from China, and the movement of production to neighbouring Balkan countries”.

But now everything is up in the air again. Since June, the US, the EU and a number of other countries have re-imposed quotas on Chinese clothing categories. This is having the effect of stalling already produced garments in what the editor of Draper Record, Josephine Collins calls, “a paper maze that does not have a solution”. Product cannot reach the retailers until the relevant paperwork is completed, and again according to Collins, “multiple retailers and supermarkets, the most overexposed to the quotas, and (mass brands) are very quietly and very busily finding ways around the problem – securing what 2006 quota they can, moving production out of China and bringing out of mothballs some of the tactics they used before quota abolition”.

2005, volumes and prices

Two things are certain. There will be empty retail shelves and lower volumes will be sold in 2005 than was previously anticipated.

Chinese export licence costs will rise, and retailers and brands will move elsewhere. But, at least in the short run, some of the places they would wish to move to have closed down as the quotes above about Pakistan, Indonesia etc. demonstrate. Consequently, prices will rise, but not by as much as the volume fall, because retailers will be desperate to ensure that they sell the jeans, and not their immediate competitors. Virtually all the price rises will affect the budget and mass-market end of retail.

Supply and demand, classical economics

just-style had already finalised its forecast for 2005, when the scale of this problem began to become apparent. After making the downwards adjustment to 2003, explained in chapter four, the global jeans figures for 2005 were:
○ Value US$49,200m
○ Volume 1,720m units
○ Jeans per person, unchanged from 2004 at 0.27

In the short run, where the short run means 2005, we expect the classical economics laws of supply and demand to lead to a further change to the 2005 figures of:

○ A fall in volume of 2%,
○ A rise in price of 0.5%

The addendum to the figures is therefore:

○ Volume down from 1,720 to 1,685m units, a fall of 35m units
○ Price up by 1% from US$28.60 to US$28.89
○ Value down by 1% from US$49,200 to US$48,698m

The situation is likely to unwind in 2006, and no further changes have been made to the forecasts.
Chapter 10 The future

Jeans, a staple in the wardrobe
It is challenging to conclude a report on a product so iconic and yet so confusing as denim jeans. It is definitely a staple in the wardrobe.

○ Americans have eight pairs
○ Europeans have three to five, depending on whether you are Northern or Southern
○ Consumers in the developing world are slowly accumulating them, as manufacturing switches to become local to them

Jeans, a mark of status
And the last remark above is probably the most important. Being able to buy a pair of jeans in the developing world is fast becoming a mark of status. That is why, in a relatively slow growing market globally, the dynamism will come from low cost countries, which are gradually becoming more affluent. The author’s own belief is that India will embrace the jeans culture more wholeheartedly than China, fuelled by its Bollywood movie background.

Jeans, a statement of individuality or a uniform?
But in the end, as discussed in earlier chapters, the wearing of jeans still boils down to the three As:

○ Aspiration to a brand
○ Attitude
○ Authenticity

This was a paragraph from the Wrangler WANTED marketing material:

“WANTED is about attitude; it’s the manifestation of an outlaw spirit, a self-given right to go beyond the rules. WANTED is individuality – not the anxiety of an insecure loner, but the self-reliance of an individual who dares stand
alone... because he is as comfortable being with others as he is, off on his own."

The author’s view however, is that this is not about “an outlaw spirit”, it is about being one of the herd, wearing a uniform of conventionality and of convenience.

Future trend line
And because so many people want to belong, that is why the future for denim jeans is secure. As Table 13 shows.

<table>
<thead>
<tr>
<th>Units</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ retail value</td>
<td>US$m's</td>
<td>49405</td>
<td>49200</td>
<td>49100</td>
<td>49700</td>
<td>50500</td>
<td>51200</td>
<td>51800</td>
<td>52600</td>
</tr>
<tr>
<td>Jeans units</td>
<td>Millions</td>
<td>1715</td>
<td>1720</td>
<td>1740</td>
<td>1765</td>
<td>1800</td>
<td>1830</td>
<td>1855</td>
<td>1885</td>
</tr>
<tr>
<td>Population</td>
<td>Millions</td>
<td>6372</td>
<td>6448</td>
<td>6521</td>
<td>6594</td>
<td>6667</td>
<td>6739</td>
<td>6810</td>
<td>6890</td>
</tr>
<tr>
<td>Jeans units</td>
<td>Millions</td>
<td>683</td>
<td>685</td>
<td>693</td>
<td>700</td>
<td>705</td>
<td>710</td>
<td>715</td>
<td>720</td>
</tr>
<tr>
<td>North America</td>
<td></td>
<td>357</td>
<td>354</td>
<td>354</td>
<td>354</td>
<td>355</td>
<td>354</td>
<td>353</td>
<td>352</td>
</tr>
<tr>
<td>Western Europe</td>
<td></td>
<td>173</td>
<td>172</td>
<td>173</td>
<td>172</td>
<td>172</td>
<td>173</td>
<td>174</td>
<td>174</td>
</tr>
<tr>
<td>Japan and Korea</td>
<td></td>
<td>502</td>
<td>509</td>
<td>520</td>
<td>539</td>
<td>568</td>
<td>593</td>
<td>613</td>
<td>639</td>
</tr>
<tr>
<td>World total check</td>
<td></td>
<td>1715</td>
<td>1720</td>
<td>1740</td>
<td>1765</td>
<td>1800</td>
<td>1830</td>
<td>1855</td>
<td>1885</td>
</tr>
</tbody>
</table>

Source: just-style.com

- The market value will grow from US$49.4bn to US$53.2bn, 2004 to 2012
- Jeans units will increase from 1,715m to 1,910m, 2004 to 2012

And the main growth will come from increasing wealth in areas of the developing world where the jean is an object of aspiration.
Online sources of information

Free email newsletters
Experience just-style.com via our free newsletters:

- **Daily industry headlines**
  The most important headlines direct to your inbox daily.

- **Leonie Barrie’s ‘Editors weekly highlights’**
  Leonie’s unique take on the most important industry events each week.

- **Rebecca Rice’s ‘Research Update’**
  A monthly synopsis of new, important and reduced-price research.

Sign up at [www.just-style.com/newsletter](http://www.just-style.com/newsletter)

Other research reports
Search for related research reports from 20 leading research suppliers in the [just-style.com](http://just-style.com) store.

Global news and feature articles
Search for related news items and feature articles from [just-style’s news and feature archives](http://just-style.com), going back more than four years.

Search the web
Try [www.google.com](http://www.google.com) to search for related web sites and pages.
Your feedback

Your feedback is greatly valued. Please complete the form below with your positive and negative comments, along with any questions or queries, and fax it to us on +44 (0)1527 577 423. Thank you.

Name ___________________________  Job title ___________________________

Company ________________________  Phone ____________________________

Email ___________________________

Study title _________________________________________________________________

Things I liked about this study...
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

Things I disliked about this study...
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

My questions regarding the content...
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

I would like to see more information on...
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

Other subject areas of interest to me include...
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________