



EMBRACING CHANGE:

HOW COTTON CAN AVOID BECOMING WOOL

By Robert P. Antoshak, Managing Director, Olah Inc.



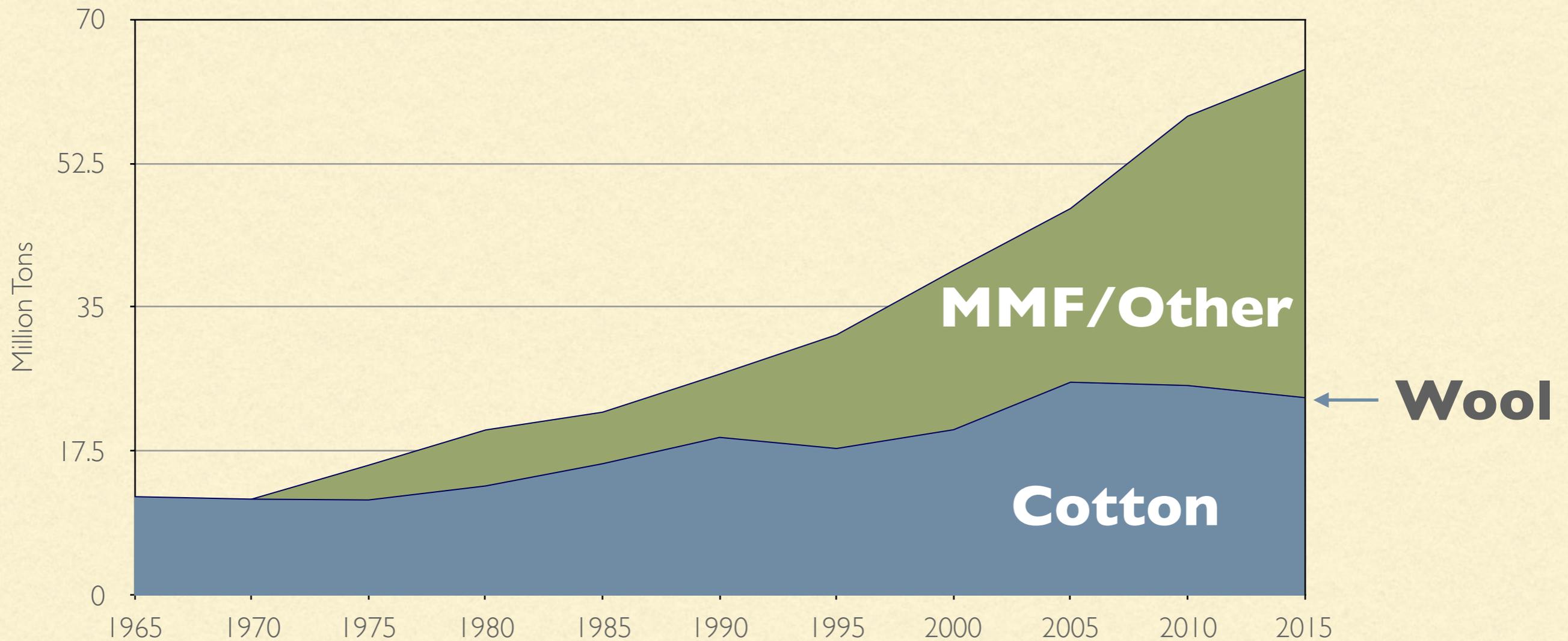
I HAVE NOTHING
AGAINST WOOL.



But I do have
a **worry** ...

THIS IS **CONCERNING**.

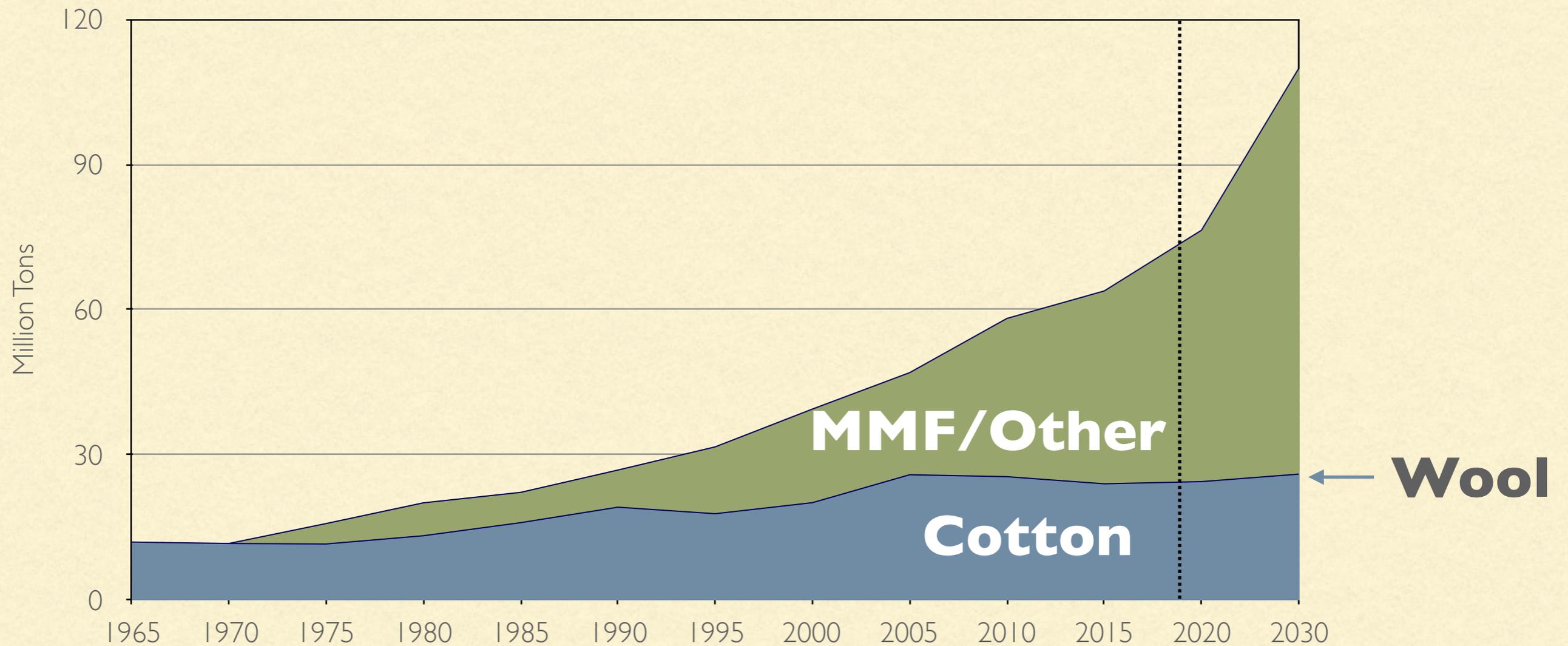
Global Fiber Consumption



Source: Gherzi Textil Organisation

THIS IS EVEN **MORE** CONCERNING.

Global Fiber Consumption



Source: Gherzi Textil Organisation

— Forecast —



SO WILL
COTTON
BECOME A
“**LUXURY**”
FIBER?

COTTON'S **STRUGGLES**

- Of course (happily) cotton has done much better over the past year
 - However, it's the long-term trend that worries me
 - We can blame synthetics, or blame weather or blame inter-crop competition, or even blame cotton promotion in general
 - But assigning blame misses the point: we need to identify what's going on beyond the farm — in the textile supply chain and at retail
-



Changes

NEXT EXIT ↗

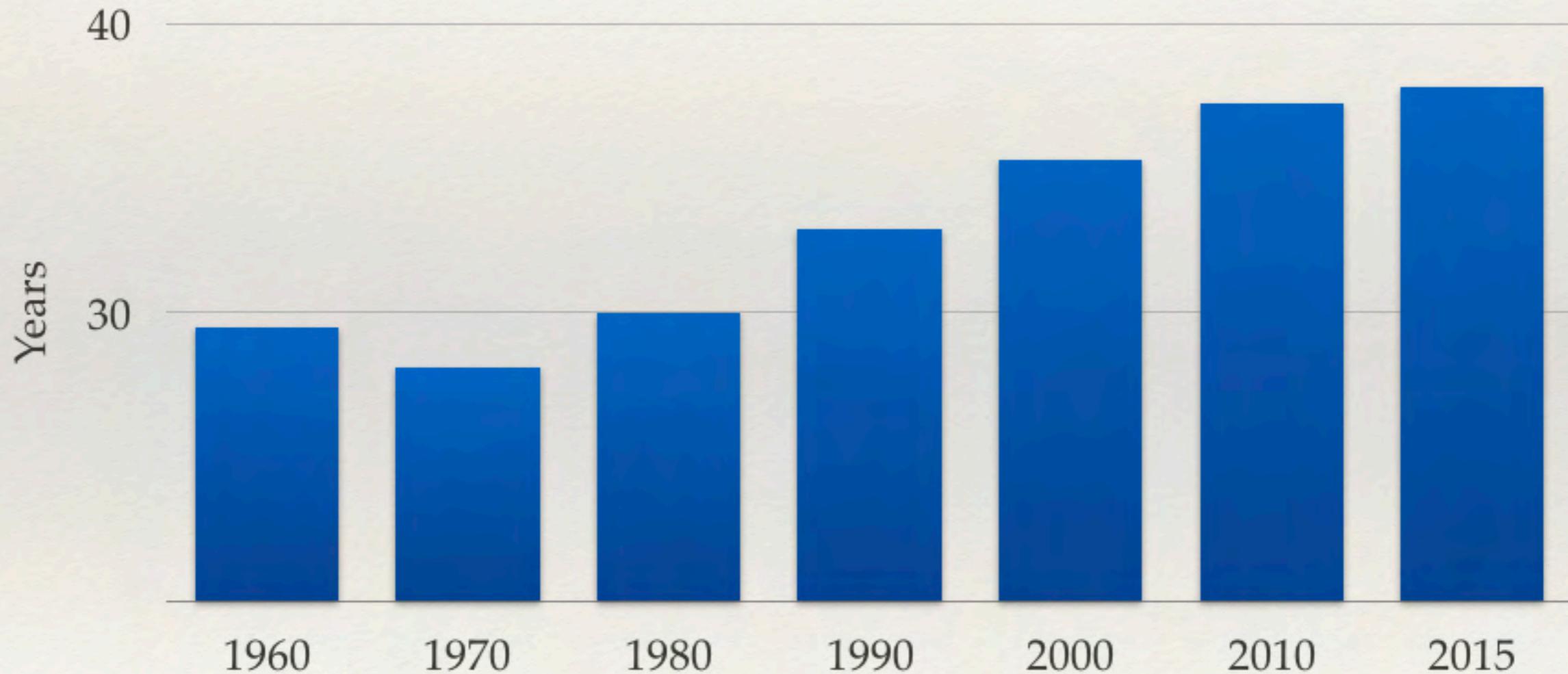
OUR **CUSTOMERS** ARE **CHANGING**
AND IT AFFECTS **EVERYONE**

A close-up photograph of a hand with fingers spread, palm facing forward. The hand is the central focus, with a blurred background showing another hand and a person's face. The lighting is soft, highlighting the texture of the skin.

HERE'S RETAIL APPAREL
INDUSTRY IN FOUR SLIDES:

Consumers are getting older ...

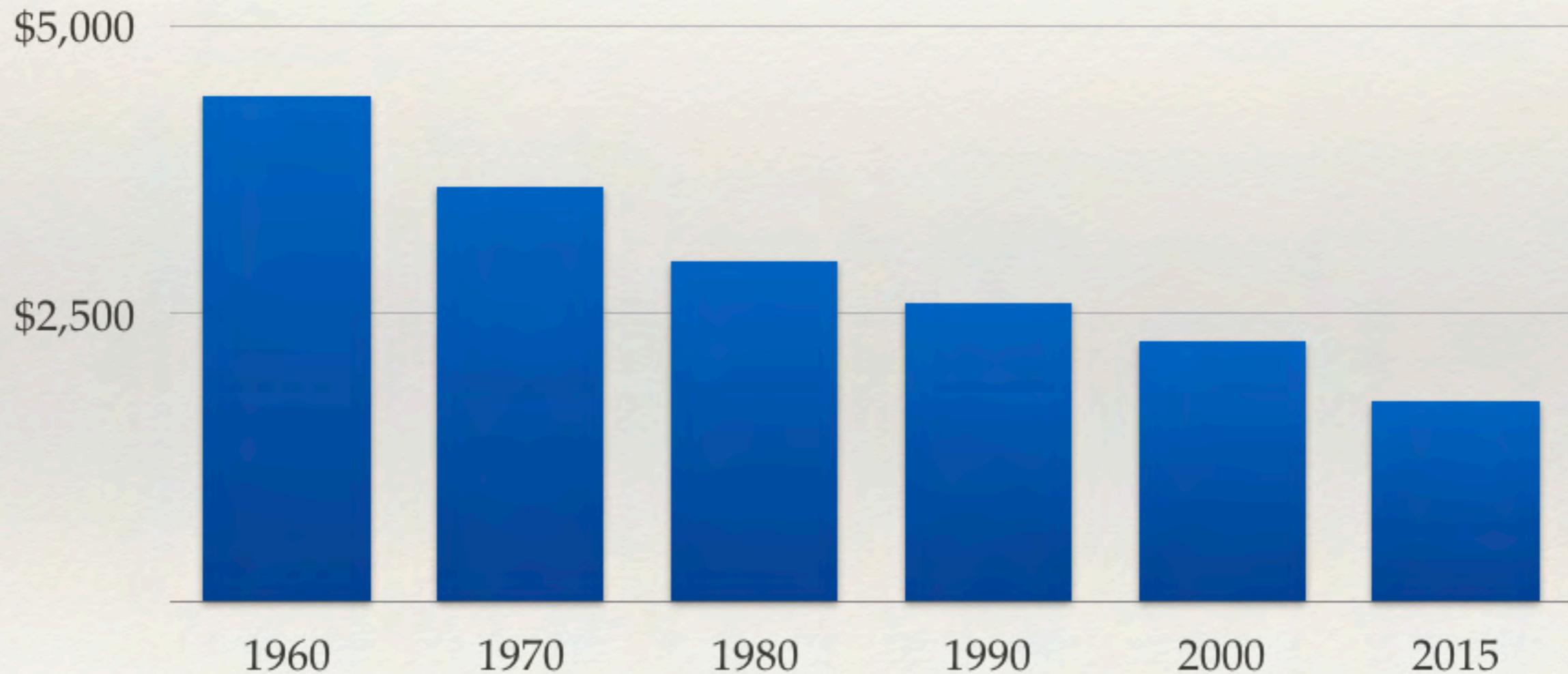
(Median Age of the American Population)



Source: U.S. Census Bureau

So they buy less clothing ...

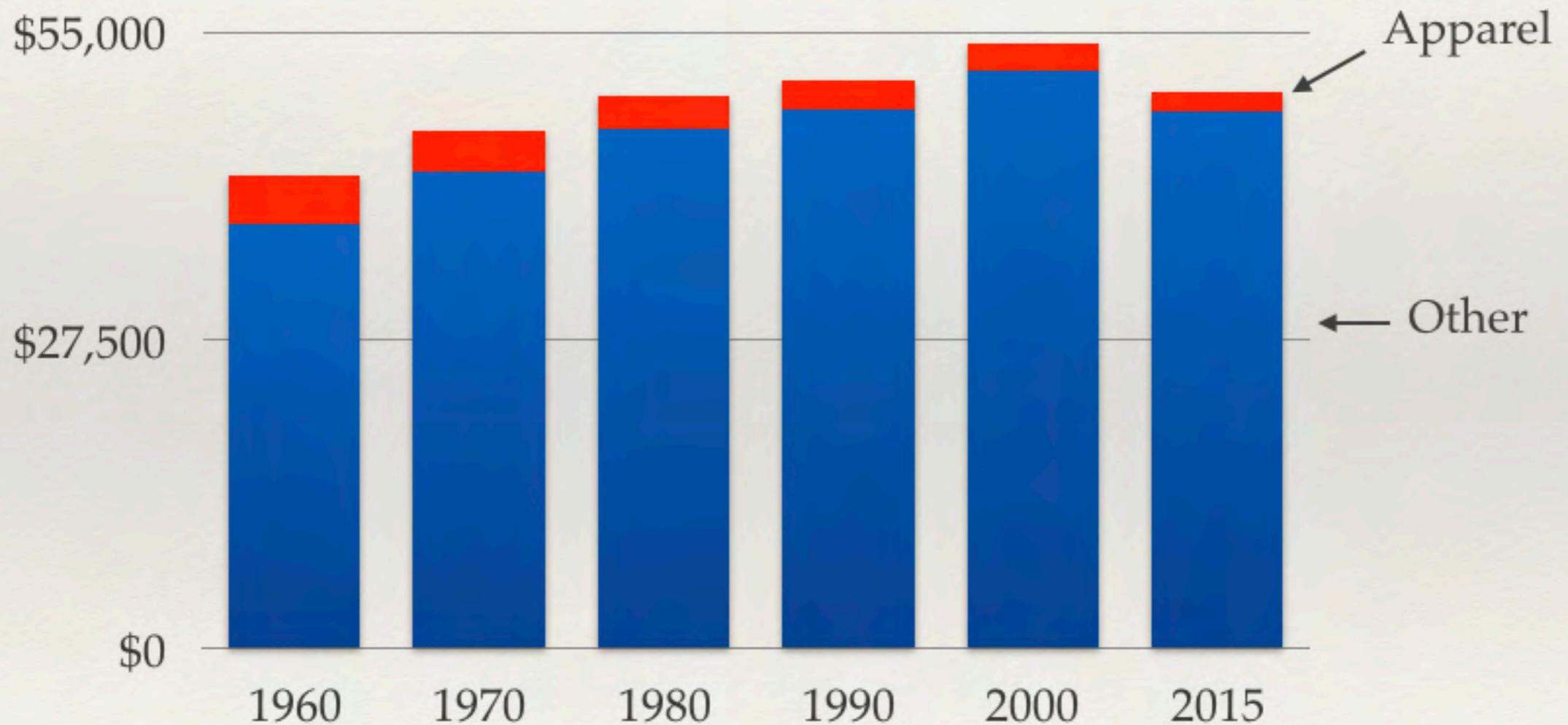
(Average Annual Value of American Purchases of Clothing)



Source: U.S. Census Bureau

While there are more things to buy ...

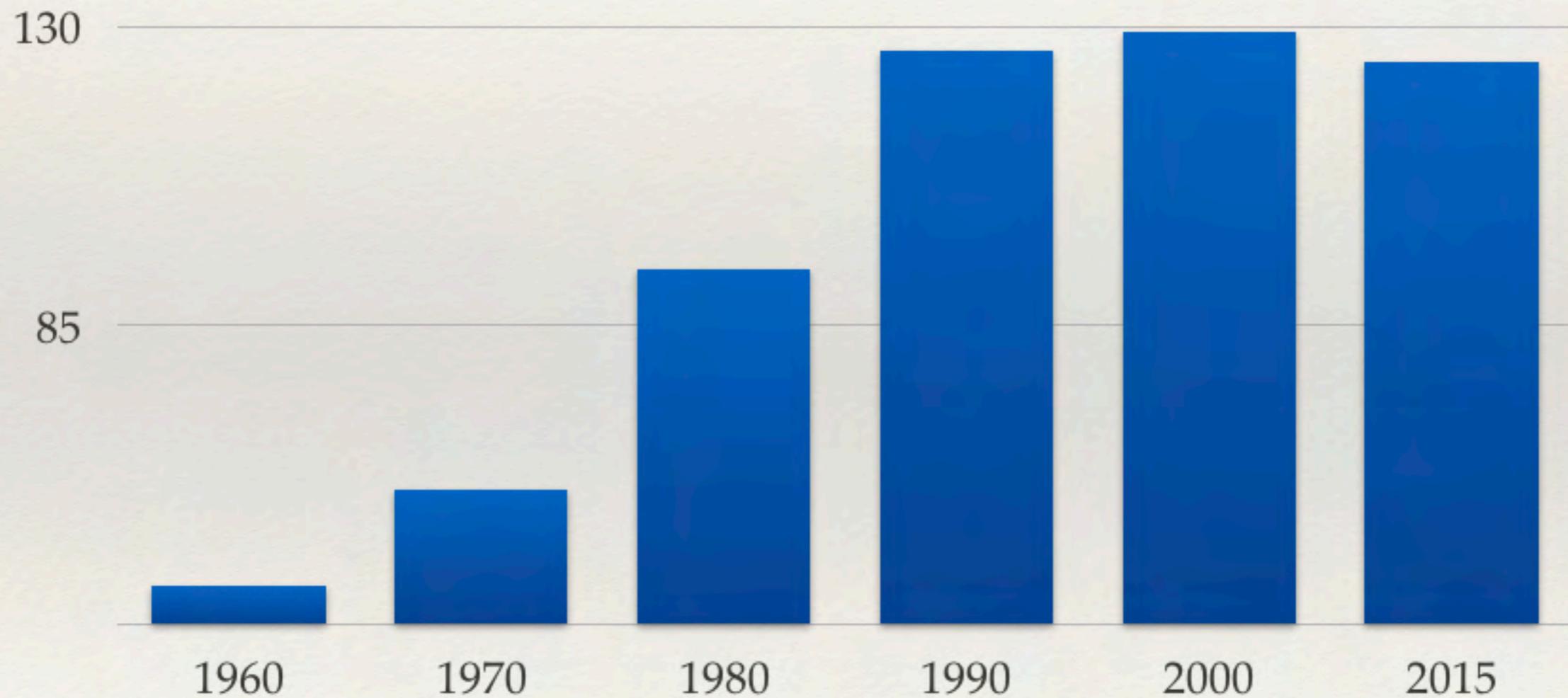
(Average Annual Value of American Consumer Purchases)



Source: U.S. Census Bureau

So What Happens? Prices Stall.

(Consumer Apparel Price Index; 1984=100)



Source: U.S. Bureau of Labor Statistics

Let's look more **closely**.



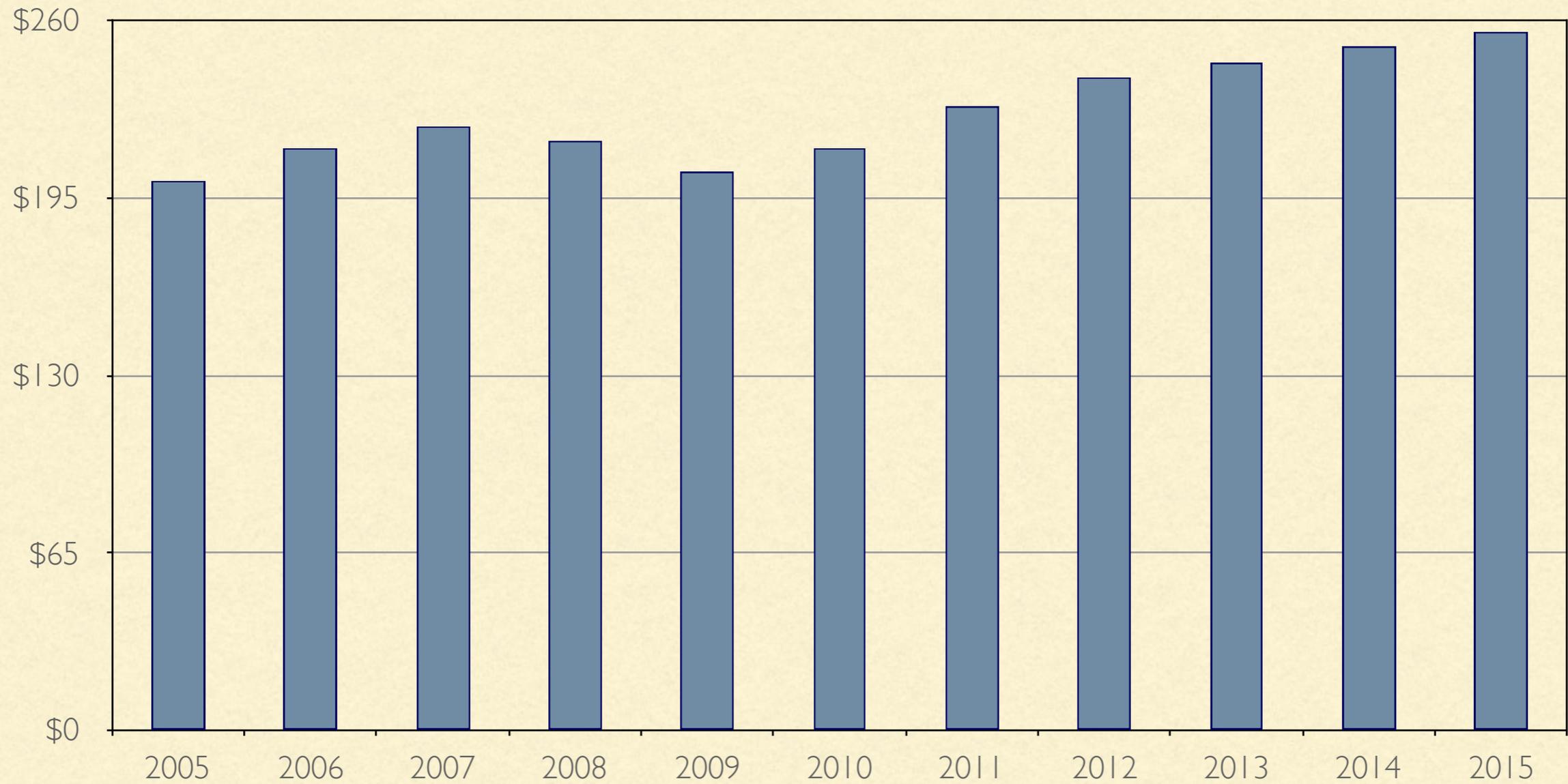
SO WHERE'S **RETAIL** RIGHT NOW?



- Lots of change
 - Apparel sales are struggling to keep up
 - More competition for consumer spending
 - Common trends between U.S. and E.U.
-

U.S. RETAIL APPAREL SALES

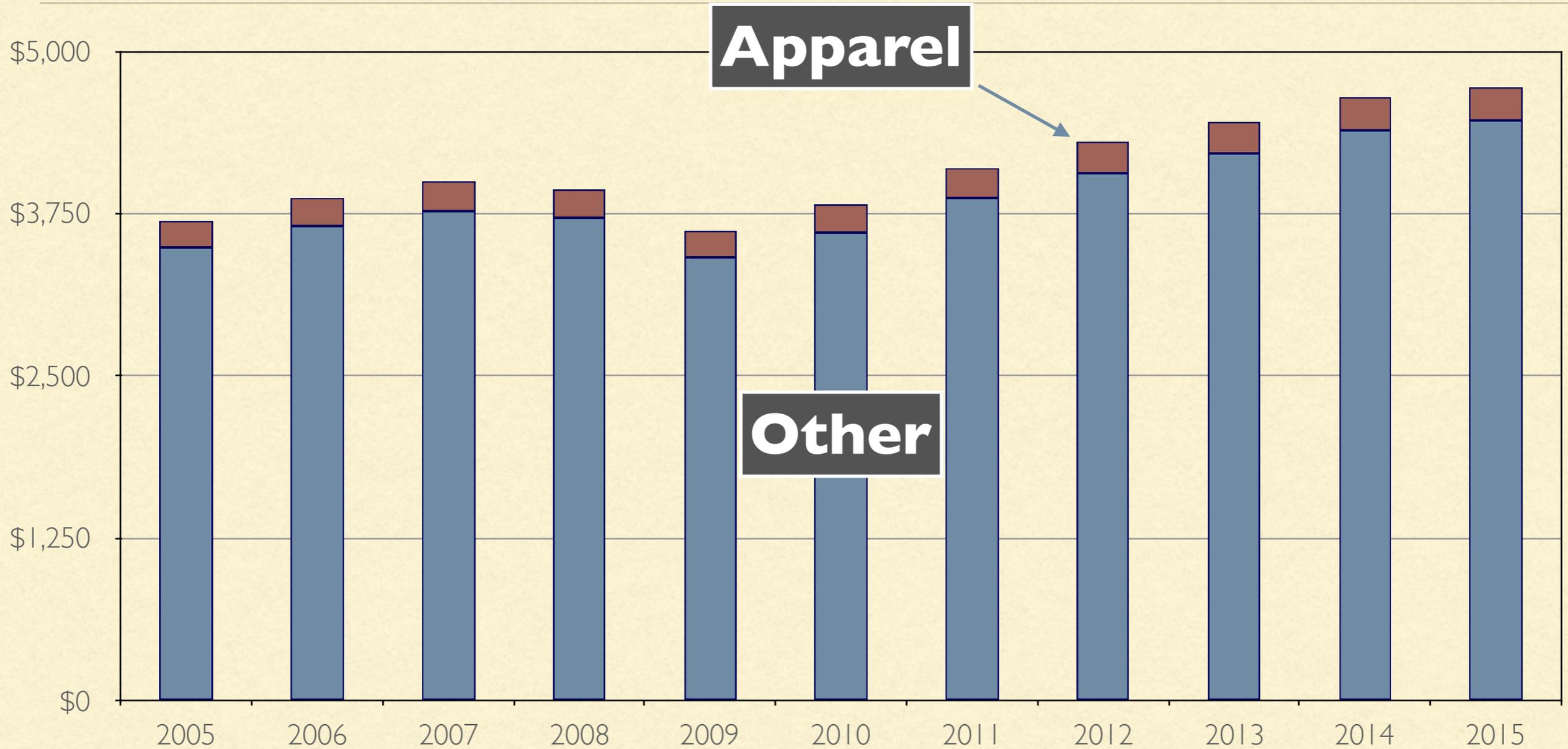
BILLION US \$



Source: U.S. Census Bureau

TOTAL U.S. RETAIL* VS. APPAREL SALES

MILLION US \$

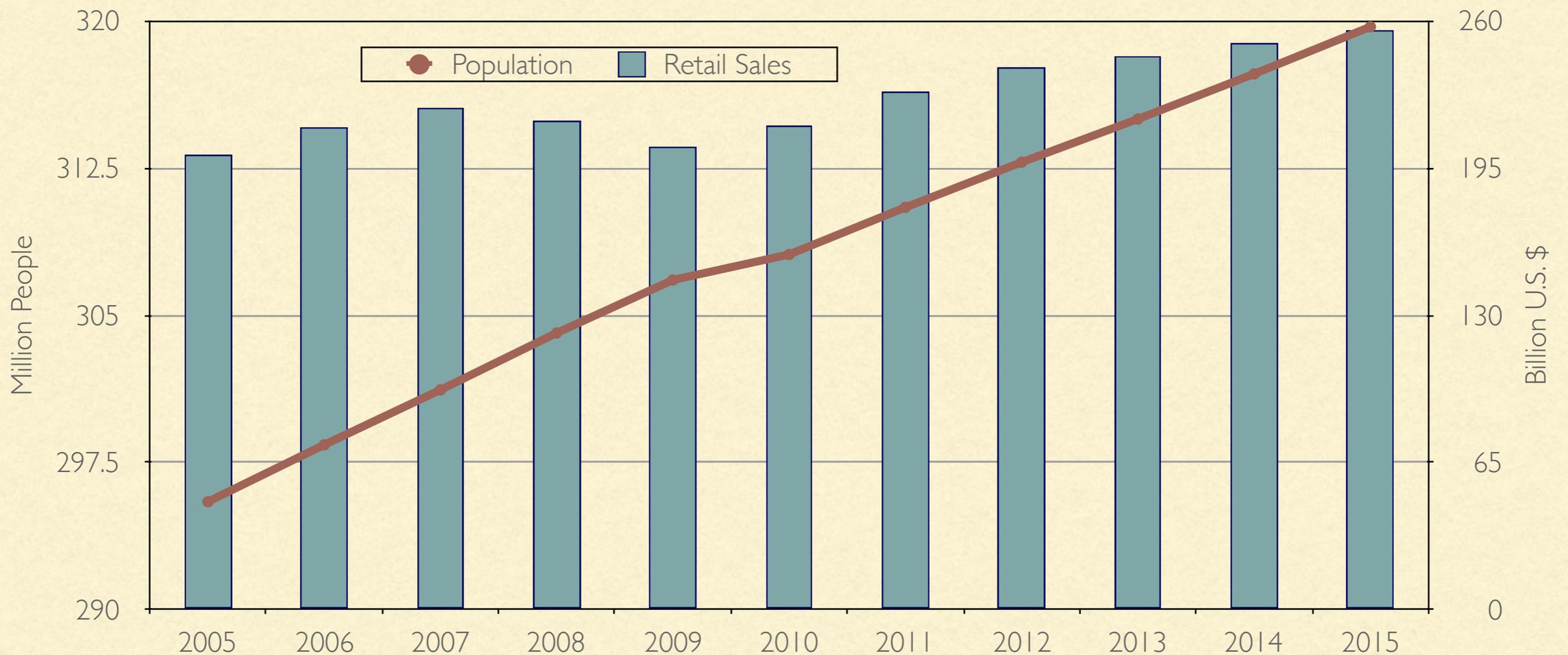


Source: U.S. Census Bureau

* Excludes Motor Vehicles

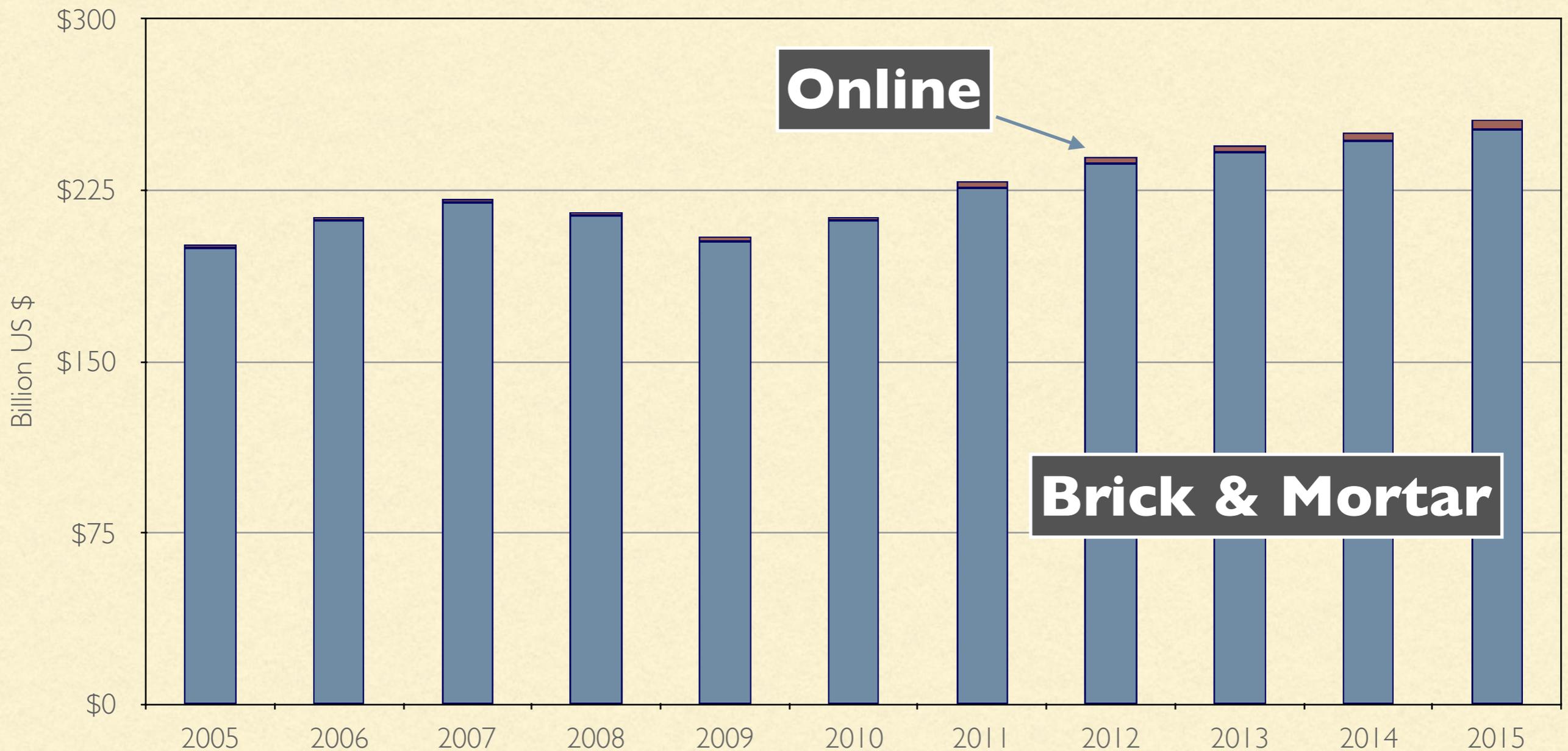
SLOWING DOWN?

U.S. APPAREL SALES VS. POPULATION GROWTH



Source: Forrester Research

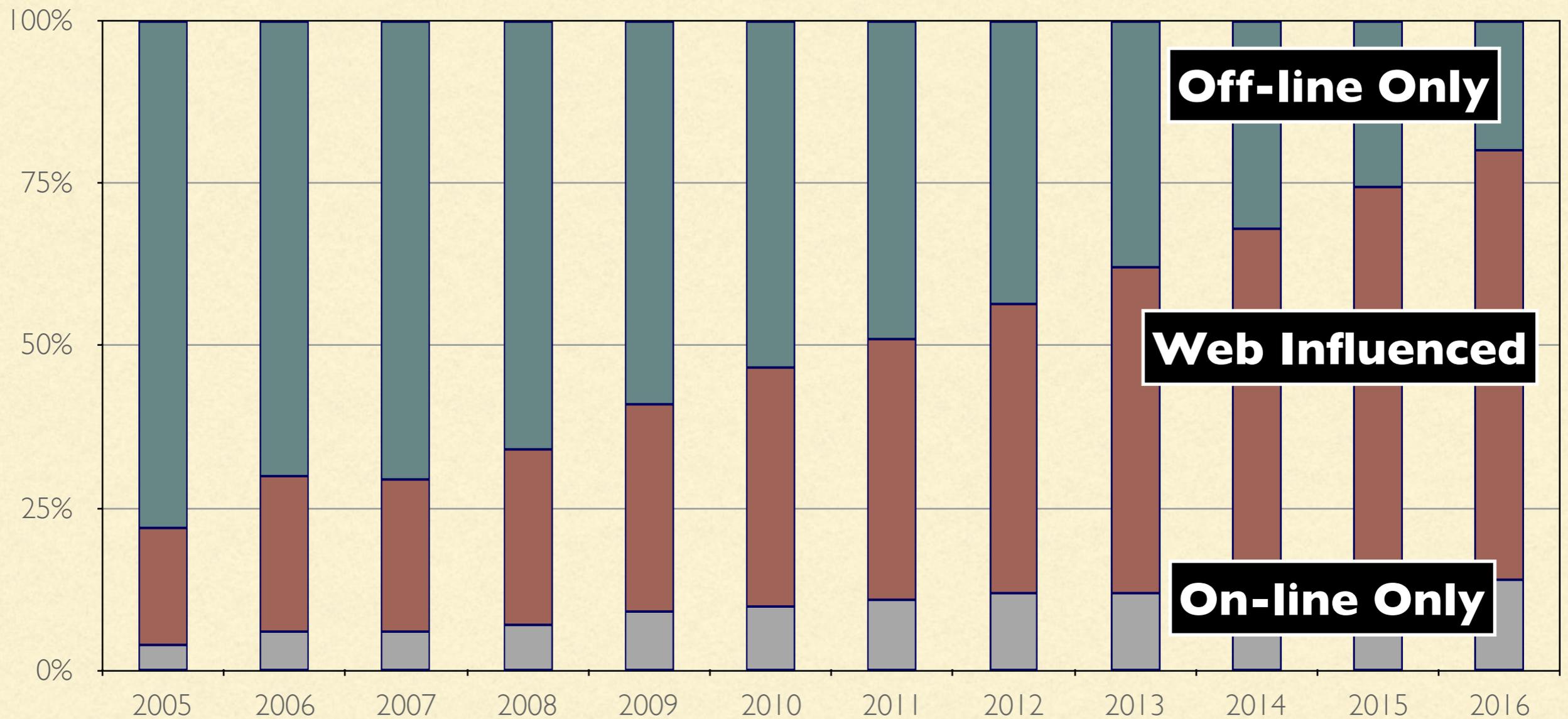
BRICK & MORTAR IS STILL MUCH LARGER THAN ONLINE



Source: U.S. Census Bureau

BUT ONLINE HAS GREAT INFLUENCE

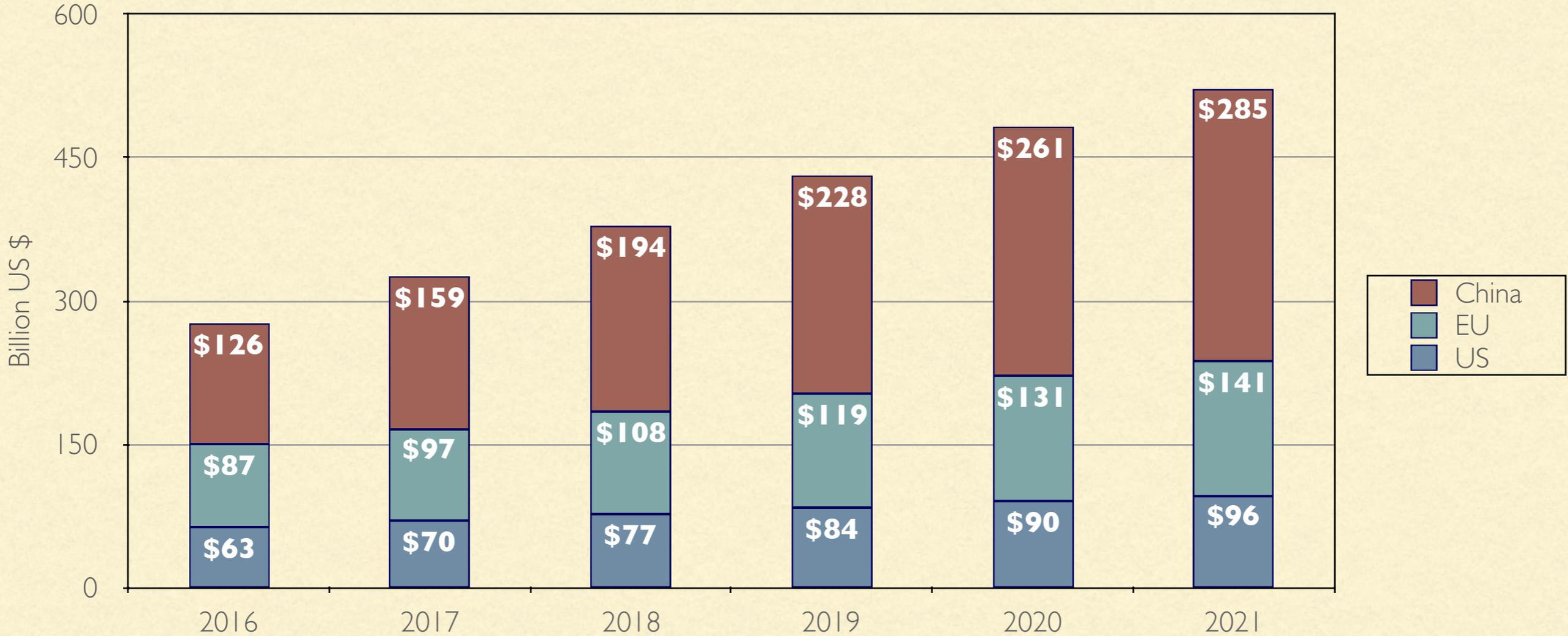
US APPAREL RETAIL SALES BY TYPE



Source: Forrester Research

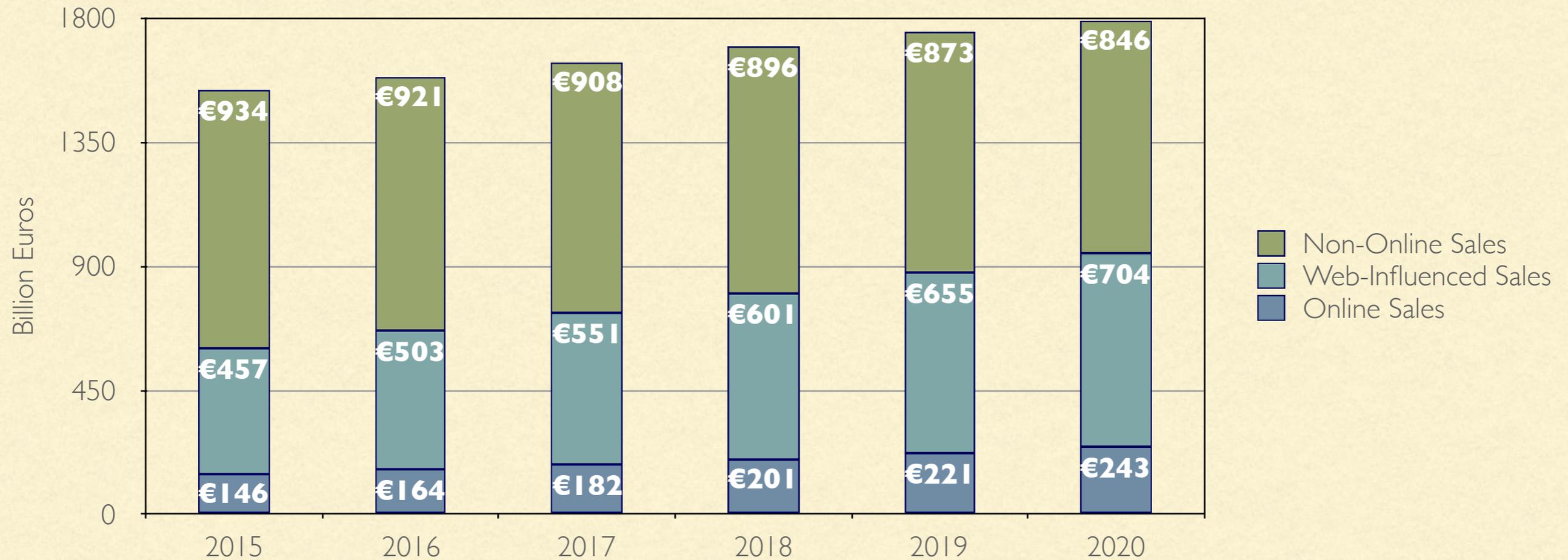
ONLINE APPAREL SALES

CHINA FORECAST TO BE LARGEST



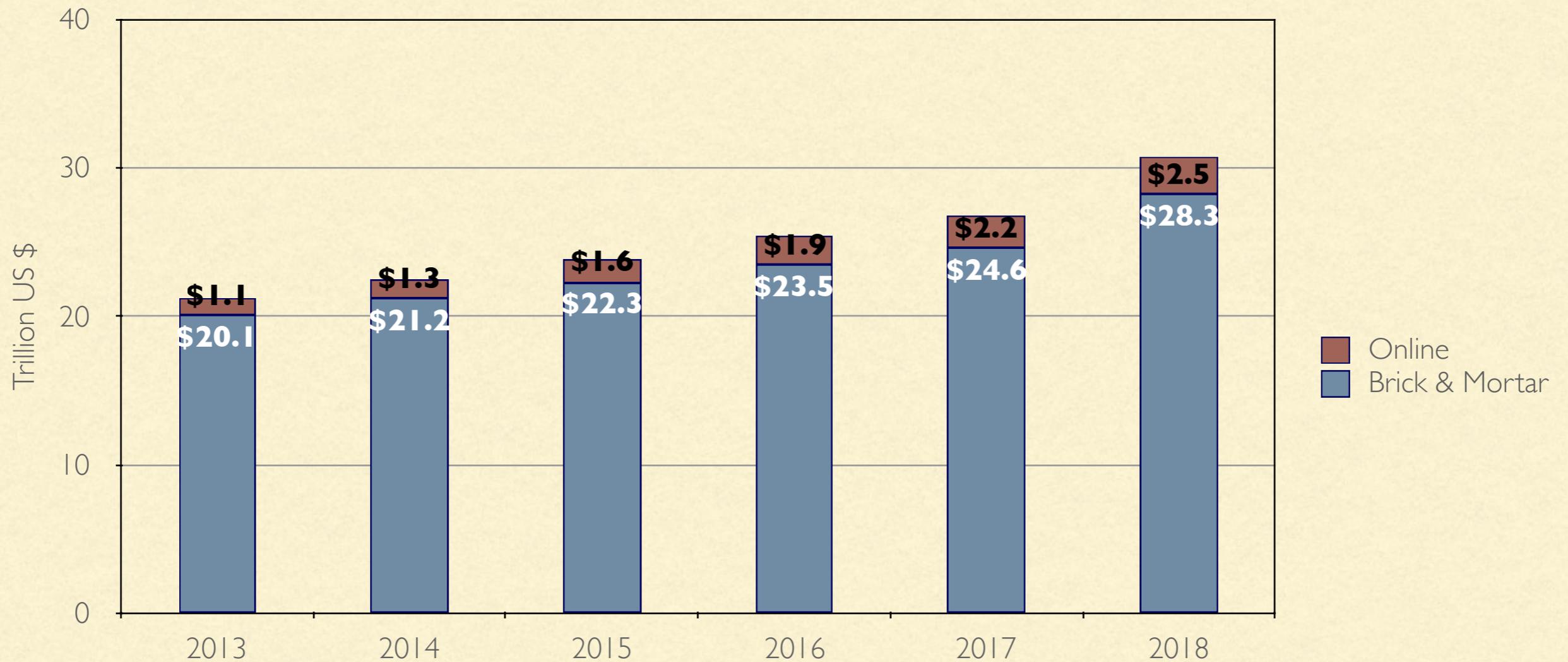
Source: Statista.Com

INFLUENCE OF ONLINE AFFECTS EU RETAIL, TOO



Source: Forrester Research

GLOBAL RETAIL & ONLINE FORECAST



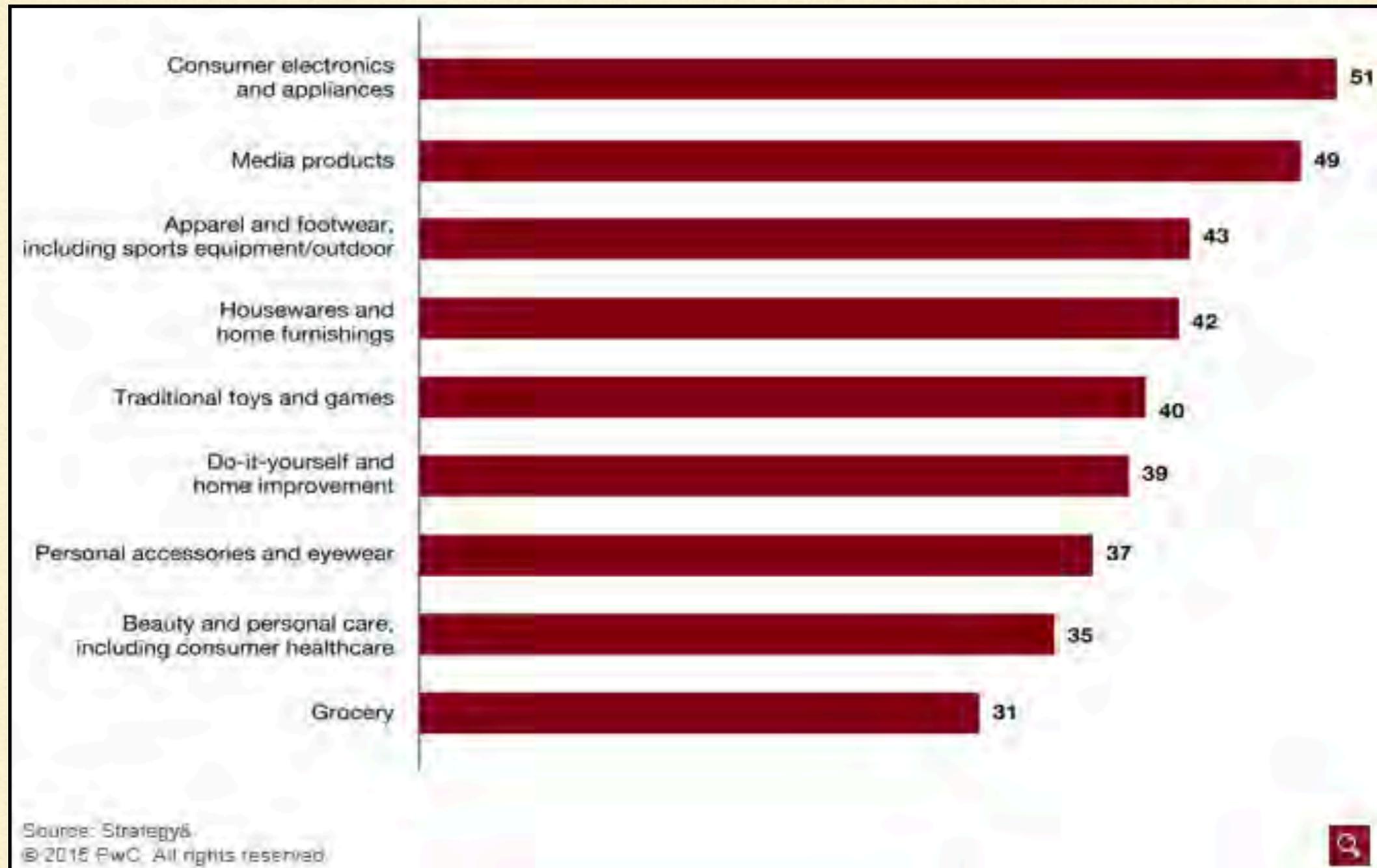
<u>% Change</u>	2013	2014	2015	2016	2017	2018
Brick & Mortar	6.4%	6.1%	6.4%	6%	5.8%	5.5%
Online	25.9%	22.2%	20.9%	18.6%	16.4%	13.3%

Source: eMarketer

SO WHAT IS APPAREL
COMPETING
AGAINST?



COMPETITION FOR CONSUMER SPENDING — THE GLOBAL AVERAGES

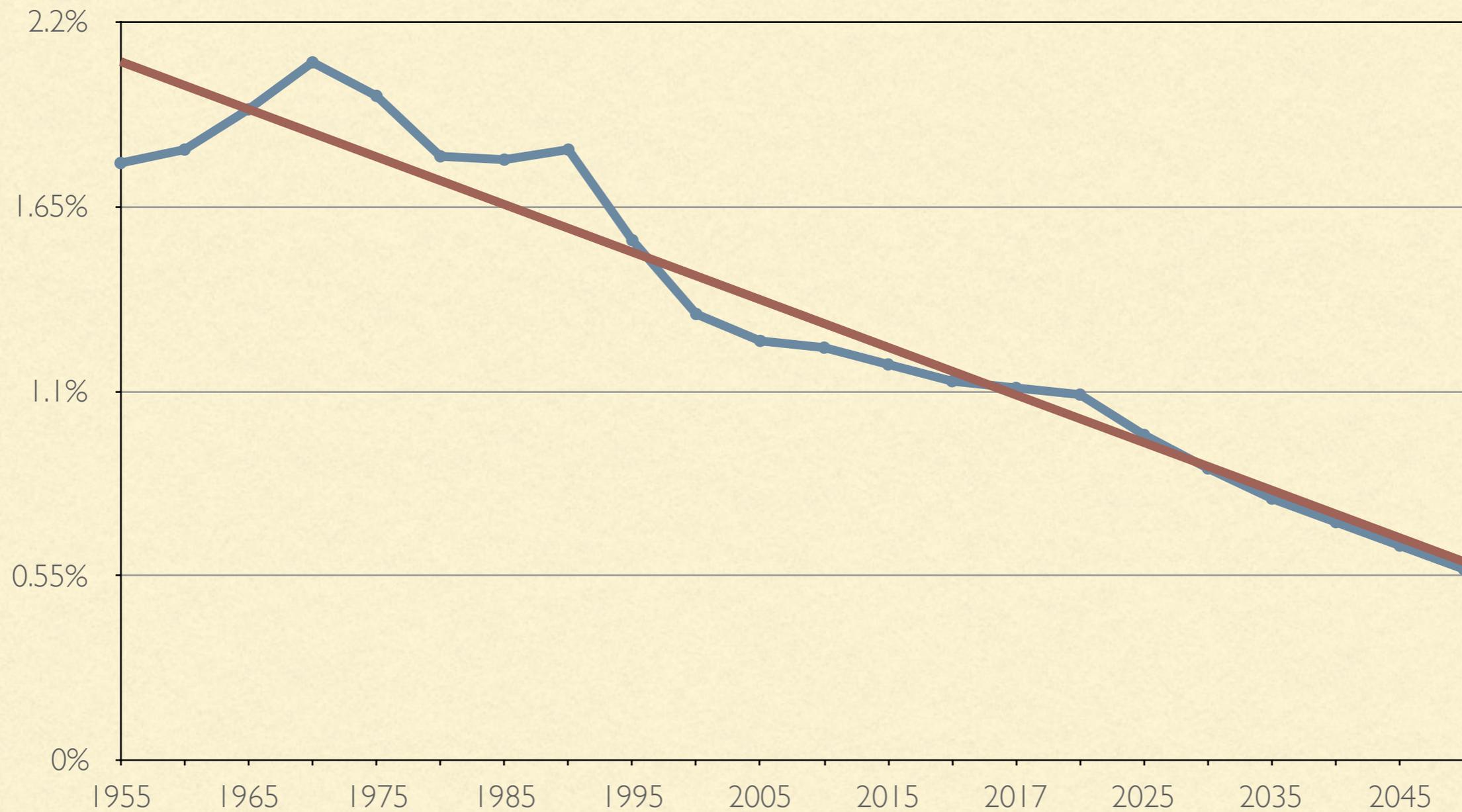




AND THERE ARE SOME **MACRO**
TRENDS WE **NEED** TO CONSIDER



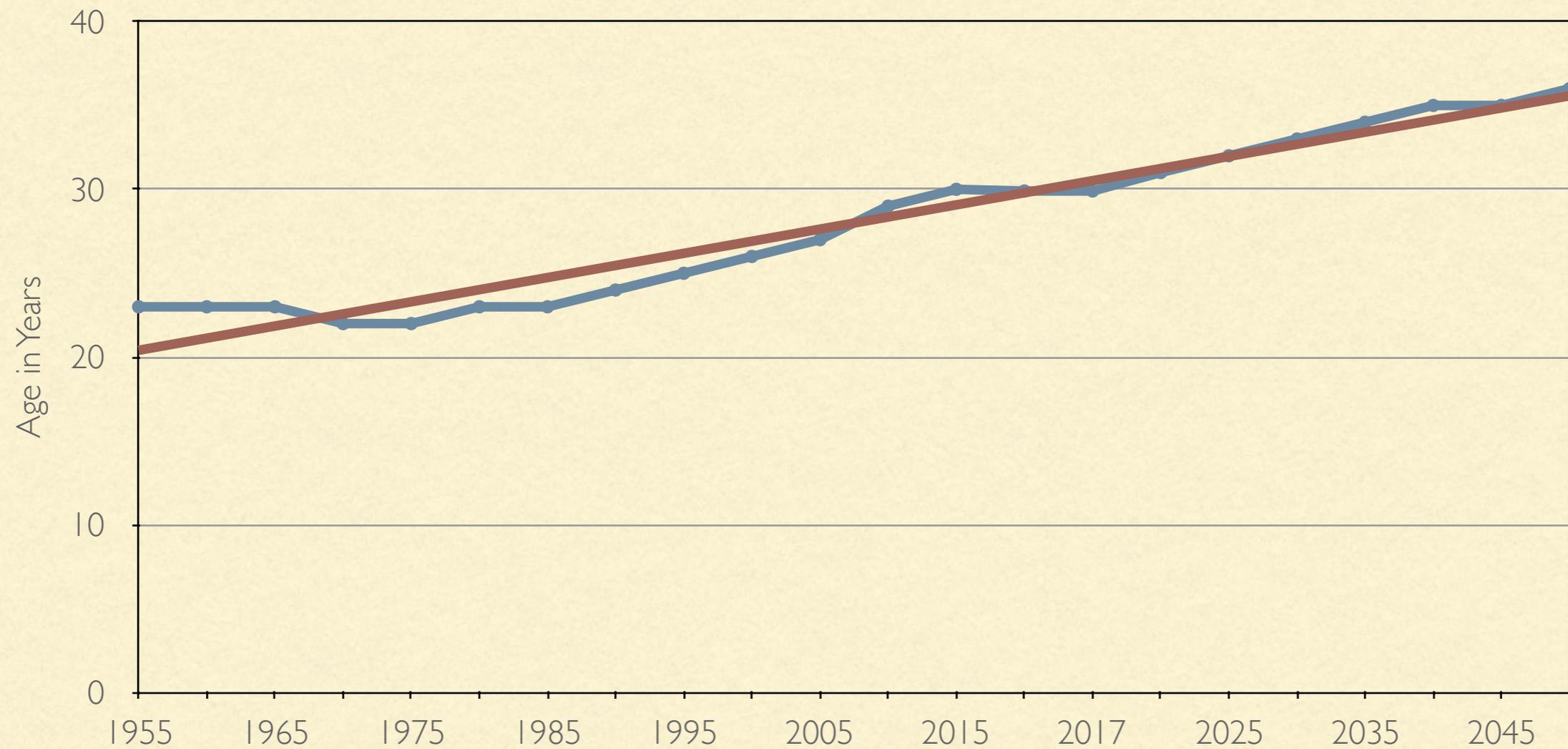
WORLD POPULATION GROWTH RATE OF GROWTH IS SLOWING



Source: U.N., Dept. of Economic & Social Affairs, Population Division

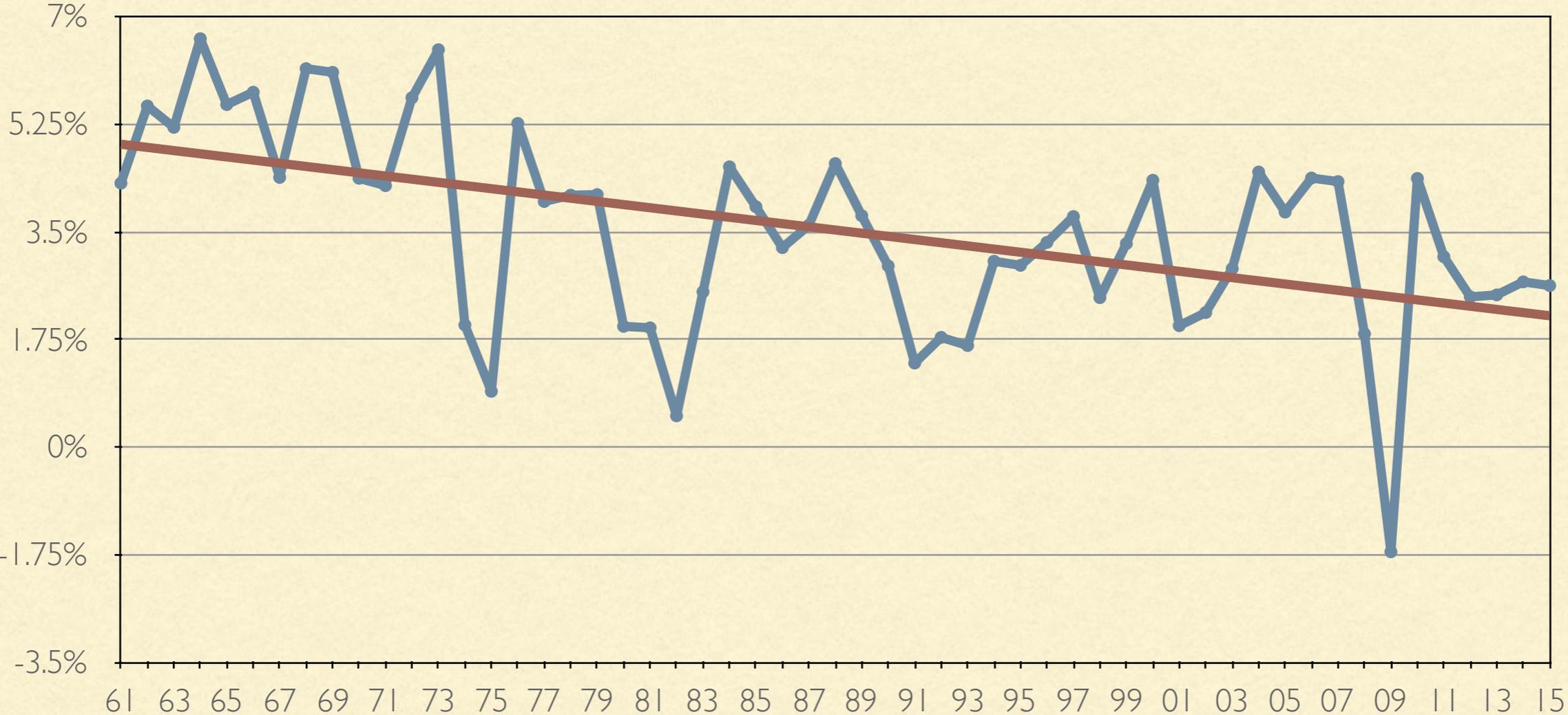
GLOBAL MEDIAN AGE

EVERYONE IS GETTING OLDER



Source: U.N., Dept. of Economic & Social Affairs, Population Division

GROWTH IN GLOBAL GDP HAS BEEN SLOWING FOR AWHILE NOW ...



Source: The World Bank

Population Growth Slowing

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

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

Of course, growth will vary by country and region, but there's not enough population growth in developing countries to offset all of the declines elsewhere.



Age Getting older

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

A rising median age means population growth will slow.

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



SO **PRICES** WEIGH **HEAVILY** ON
THE TEXTILE **SUPPLY CHAIN**



SO, HOW HAS THE
TEXTILE SUPPLY CHAIN
RESPONDED?

IT'S BEEN A
BRAWL!

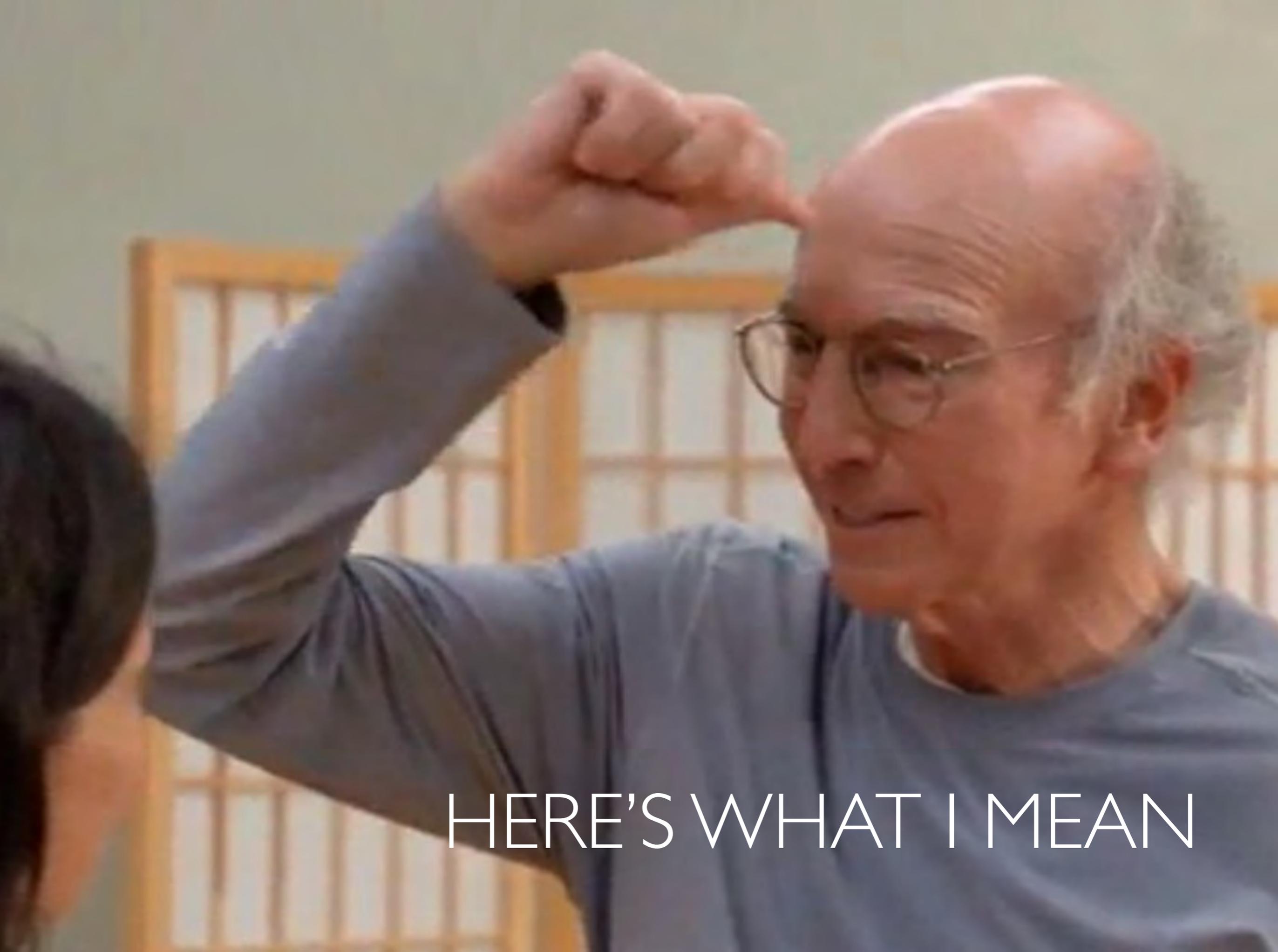
COTTON
AGAINST
COTTON
AGAINST
SYNTHETICS
AGAINST
TEXTILES, ETC.



HOW DID COTTON **REACT**?



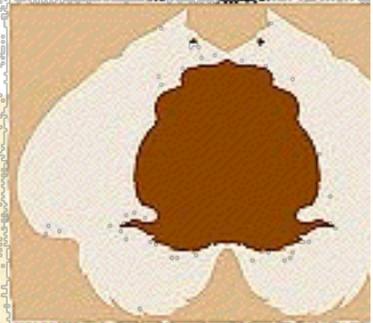
- IT DISPERSED
- INDUSTRY ADOPTED DIFFERENT, SEGMENTED MESSAGES
- LOST IN ALL OF THIS IS WHY COTTON IS GREAT, WHY IT IS SUSTAINABLE AND PREFERABLE TO SYNTHETICS



HERE'S WHAT I MEAN

GLOBAL ORGANIC TEXTILE

FOX FIB



COLOUR BY NATURE



FAIRTRADE

Certified Cotton



中国棉花
COTTON CHINA

e3

piima®



SUSTAINABLE
COTTON PROJECT



IT CAN BE
CONFUSING FOR A
RETAILER OR BRAND



A photograph showing a large, conical pile of white, fluffy material, possibly cotton or wool, under a clear blue sky. A small, rectangular, light-colored sign with the word "ORGANIC" printed in green capital letters is stuck into the top of the pile. The sign is slightly tilted and has some dark spots on it. The background is a clear, bright blue sky.

ORGANIC

**I BLAME THE ORGANIC
PEOPLE FOR STARTING THIS**

RETAILERS **EMBRACED** ORGANIC
COTTON AS SOMETHING **NEW** FOR
THEIR **CUSTOMERS** ...



... ONLY TO FIND OUT ABOUT ITS **SHORTCOMINGS**

A high-angle photograph of a woman in a red dress leaning over two men in suits in a hallway. The woman is looking down at the men with a serious expression. The man on the left is looking up at her, while the man on the right is looking down at his hands. The hallway has a light-colored floor and walls.

WHICH BRINGS
ME TO **CONSUMERS** ...

FICKLE.
COST
SENSITIVE.
FASHION
CONSCIOUS.
ADVOCATES.
KNOW WHAT
THEY **WANT** --
OR **NOT!**



BUT IT'S A TOUGH RETAIL MARKET — YIKES!



FLAT MARKET.
EXCESSIVE **COMPETITION.**
RECESSION.
CHANGING
DEMOGRAPHICS.
UNCERTAINTY.
FEAR.
OLD HABITS.
GLOBALIZATION.
ADVOCACY GROUPS
REVIEWING
SUPPLY CHAINS.



SO WHAT'S A **RETAILER** OR
BRAND TO DO?

MANY **SLASH**
THEIR **PRICES**, OF
COURSE — OH JOY.



A high-angle, close-up shot of Superman flying through the sky. He is wearing his iconic blue suit with a red and yellow 'S' shield on his chest and a red cape. His right fist is clenched and held forward. Behind him is a large, glowing blue shield with the 'S' symbol, which is slightly out of focus. The background shows the Earth's surface with clouds and a bright horizon line, suggesting he is flying high above the ground.

BUT THERE'S
SUSTAINABILITY ...

OR HOW **GREEN**...MAKES **GREEN**



SUSTAINABILITY IS A MEANS FOR COTTON TO REGAIN **MARKETSHARE**

- Environmental sustainability is actually an outgrowth of the organic movement, but unlike organic production, sustainability, when properly managed, can contribute to a company's bottom-line.
 - It can be commercially scaleable
 - It can cut the cost of operation
 - It can enhance efficiency
 - It meets the demands of customers
 - While at the same time being good for the planet
-



BRANDS AND RETAILERS ARE ALREADY
ASKING FOR SUSTAINABLY
PRODUCED **COTTON.**

BUT THERE'S A **PROBLEM** AND AN **OPPORTUNITY**

- How do we define sustainability?
 - As we've seen earlier, there are lot's of programs in the cotton industry already touting sustainability
 - In turn, that has helped to scatter cotton's message
 - But, there is a common belief around the industry that cotton is environmentally sustainable. It is good for the earth, and efficient growing practices can make for a more competitively priced product with better margins.
-

A close-up photograph of a hand pointing to a page in an open book. The lighting is dramatic, highlighting the hand and the pages against a dark background. The text is overlaid on the lower half of the image.

FINDING A **COMMON** THEME FOR
SUSTAINABILITY — **DEFINE** IT.

A **COMMON** SUSTAINABILITY STANDARD?

Why not?

- Instead of different standards, let's agree on a common industry standard
 - And then take the fight to synthetics.
-

A close-up photograph of a pair of hands, likely belonging to a person working with wool, holding a large, fluffy mass of raw, white wool. The wool is thick and fibrous, with some darker spots and small pieces of debris visible. The hands are positioned at the bottom and sides of the wool, with fingers spread, supporting the weight of the material. The background is dark and out of focus, with some light-colored circular shapes visible, possibly from a hat or a piece of clothing.

AND **HELP** OUR **CUSTOMERS** TO
BETTER KNOW OUR **PRODUCT**



OTHERWISE, WE RISK
DECLINE



THANK
YOU!

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