

INSIGHTS

LOOKING FOR VALUE IN HOME TEXTILES



Spending on home textiles is influenced by the housing market, so it is not surprising that the downturn in the housing market has significantly affected consumers' attitudes and shopping habits when it comes to these products. The U.S. GDP fell at an annualized rate of 6.2% in the fourth quarter of 2008, the largest decline in 25 years, and in February 2009 the Consumer Confidence Index reached an all-time low of 25. As the recession continues to deepen, no end is yet in sight for the housing crisis — by December 2008, home prices had fallen 27% from their peak in May 2006 (according to the S&P/Case-Shiller Home Price Index). Moreover, January 2009 marked the 37th straight month of year-over-year growth in the foreclosure rate (according to RealtyTrac), as mortgage delinquencies spread beyond the subprime market to affect creditworthy homeowners whose properties had plummeted in value or who had lost their jobs.

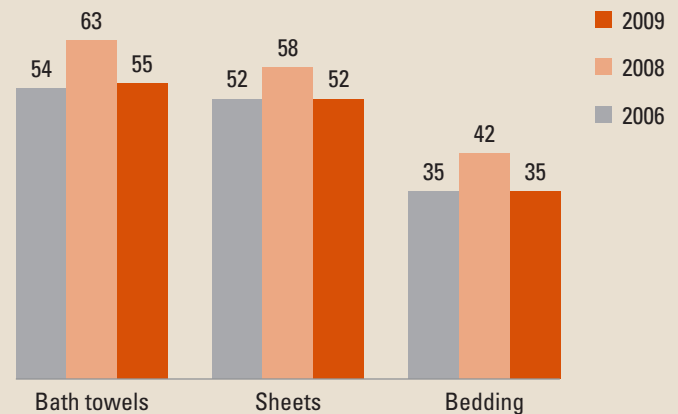
It is therefore not surprising that in Cotton Incorporated's 2009 Home Textiles Survey, female consumers reported scaling back their home-textile purchases. Nonetheless, despite the worsening economy, women's love of shopping for home textiles is undiminished — 79% of the women surveyed said they liked or loved shopping for home textiles, comparable to 80% in 2008 and 77% in 2006. Research by Cotton Incorporated suggests that consumers are still looking for cotton home textiles that perform well.

SCALING BACK PURCHASES

In last year's Home Textiles Survey, shoppers appeared to be taking advantage of sale prices to stock up on home textiles, buying significantly more than they had in 2006 despite the already slumping economy. But in the most recent

PURCHASING SLOWS IN ALL THREE CATEGORIES

% who said they purchase these products at least once per year



Cotton Incorporated's 2006, 2008 & 2009 Home Textiles Surveys

survey, the percentage of women who said they purchased home-textile items at least once a year was down sharply in all three major categories (bath towels, sheets, and bedding), returning to 2006 levels. Focusing on purchases in the previous three months, the percentage who had bought these products was down significantly, from 70% to 57% for towels, 66% to 57% for sheets, and 58% to 47% for bedding. In all three categories, the percentage of women who had made recent purchases also was lower than in 2006 — most notably for bedding (down from 52% in 2006 to 47% in 2009).

Historically, women tend to buy towels because they need them, while they view bedding as more of a discretionary purchase. Sheets fall somewhere in between, purchased out of desire more often than towels but less often than bedding. In the 2009 survey, consumers' motivations for purchasing towels and bedding were little changed from a year ago. Compared with purchase reasons given in 2008, slightly fewer women bought towels or bedding because they were redecorating or "ready for a change," while slightly more bought these products because they were on sale. Interestingly, this trend was more pronounced for sheets — significantly more women cited need (49%, up from 43% in 2008), and significantly fewer cited redecorating or desire for change (30%, down from 34%), suggesting that the economy is taking a toll on discretionary sheet purchases.

About the Research

Cotton Incorporated's 2009 Home Textiles Survey was conducted by Research Design Partners in a nationwide sample of women aged 25 to 70. The 801 women who completed the on-line survey were the primary purchasers of home fabrics for their households, and represented a mixture of ethnicities, geographic locations, and levels of income and education. Cotton Incorporated's 2009 Home Textiles Audit collected fiber content and other product information on 25,491 home-textile products in five product categories, including 35 product types, from nine national retailers across the United States.

THE HOME TEXTILE CONSUMER

FAVORING DISCOUNT RETAILERS

% of women purchasing most of their home textiles at the channel

	Bath towels	Sheets	Bedding
Mass merchants	39	36	30
Department stores	24	23	22
Chain stores	12	12	14
Specialty stores	8	11	14
Off-price stores	7	8	8
Warehouse clubs	5	2	1
Internet	3	5	6
Catalog	1	1	2
Other	1	1	2

Cotton Incorporated's 2009 Home Textiles Survey

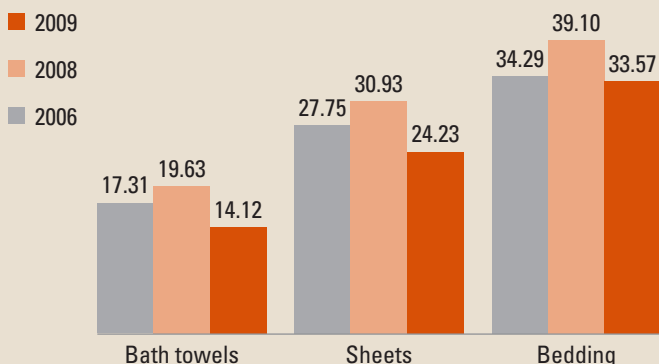
LOOKING FOR A GOOD PRICE

Consumers who had purchased home textiles in the previous three months reported spending significantly less than they had in 2008—28% less on towels, 22% less on sheets, and 14% less on bedding. Their choice of retail channels suggests a continuing concern with price, especially for home textiles bought out of need. Over half (51%) of consumers said they bought most of their towels at discount retailers (mass merchants, off-price stores, or warehouse clubs), compared with 46% for sheets and 39% for bedding.

Internet shopping was up in all three product categories, from 2% to 3% for towels, 3% to 5% for sheets, and 3% to 6% for bedding. Only a small percentage of women do most of their home-textile shopping on line, perhaps because for such tactile products, they prefer to handle the merchandise. But in hard times, more shoppers may appreciate the savings in gas and time, ease of price comparison, and wide selection offered by the Web.

SPENDING LESS ON HOME TEXTILES

Average amount spent (\$) in the previous three months



Cotton Incorporated's 2006, 2008 & 2009 Home Textiles Surveys

THE VALUE OF COTTON

Even as the recession deepened, consumers said they cared more about quality (58%) than price (34%) when shopping for home textiles. They also ranked durability as one of the most important characteristics to look for in all three product categories—shoppers would rather spend a little more for long-lasting home textiles than buy products that will need to be replaced sooner. The Home Textiles Survey also found that women were drawn to performance features that increase product life and contribute to ease of care, such as wrinkle resistance, stain resistance, and fade resistance, and were willing to pay more for such features. However, despite high consumer interest in performance features, Cotton Incorporated's 2009 Home Textiles Audit found no such features available in bath towels at retail, while performance features were seen in only 3% of the 3,627 sheets audited and 0.5% of the 5,669 bedding products. Wrinkle resistance was by far the most common performance feature available.

CHARACTERISTICS WOMEN WANT

% saying the characteristic is important when buying home textiles

	Bath towels	Sheets	Bedding
Softness	94	92	88
Durability	89	89	88
Ease of cleaning	87	85	90
Color/pattern	84	84	89
Fade resistance	80	79	82
Fiber content	75	80	71
Thread count	–	82	68
Drying time after laundering	53	55	66
Brand name	30	33	33

Cotton Incorporated's 2009 Home Textiles Survey

Women overwhelmingly prefer 100% cotton or cotton blends for bath towels (97%), sheets (92%), and bedding (94%), and over 70% consider fiber content an important factor in home-textile purchases. Retailers and brands are responding by offering mainly cotton-dominant products—96% of bath towels, 91% of sheets, and 72% of bedding in the Home Textiles Audit contained cotton. According to recent research by Cotton Incorporated, most consumers describe cotton as comfortable (85%), soft (84%), high quality (80%), and a good value (77%). Clearly, women value the combination of softness, durability, and ease of care offered by cotton. The scarcity of performance features in home textiles available at retail suggests an additional market opportunity for cotton—especially since consumers are willing to pay a premium both for cotton and for performance features, even in these tough economic times.

