

Jeans, Market Intelligence, April 2003

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Introduction and Abbreviations

Mintel last reviewed the retail market for jeans in March 2001. In the twelve months running up to this jeans had been reinvented as an essential fashion item, with significant efforts by the world leader, Levi Strauss, helping to make jeans an essential part of the fashion wardrobe once more.

The fashion market is cyclical, with roller coaster trends influencing different goods. Jeans can be substituted by other styles of trousers, like cords or chinos and this can mean that the fashion for wearing jeans ebbs and flows, as well as jeans fashions and styles changing within the overall market. Fashions have become faster and more temporary, so the trend that helped the jeans market to grow rapidly in 2001 and 2002 renders jeans vulnerable to competition from other garments once more. Despite this, 2003 appears to be promising further sales growth for jeans.

The jeans market has also polarised, with growth in the low-price private label sector, contraction of demand and falling prices in the mass-market, and buoyancy in the premium priced jeans sector. The popularity of the discount and value retailing sector has been a major factor, with Matalan buying up established jeans brands and selling product at low prices. George at Asda has also been influential, cutting the prices of its basic ranges. At the other end of the scale, suppliers have been adding to style and finish in order to shore up their designer image and charge premium prices.

This report looks at how the market for jeans has developed over the period since March 2001 and examines the future for jeans in the market.

Other Mintel Reports of relevance include:

- *Men's Ties and Accessories, Market Intelligence – UK Report, March 2003*
- *Men's Outerwear, Market Intelligence – UK Report, February 2003*
- *Menswear Retailing, Retail Intelligence – UK Report, August 2002*
- *Men's Designerwear Retailing, Retail Intelligence – UK Report, September 2001*
- *Menswear Discount Retailing, Retail Intelligence – UK Report, July 2001*
- *Women's Designerwear Retailing, Retail Intelligence – UK Report, June 2001*
- *Women's Outerwear, Market Intelligence – UK Report, May 2001*
- *Womenswear Mainstream Retailing, Retail Intelligence – UK Report, May 2001.*

Definition

In this report, jeans are taken to include the traditional basic “**Western five pocket**” variety made of denim. Corduroy and heavy canvas trousers, often referred to as jeans, are not included, although fashion denim jeans, which may not have "five pockets" are included. Children's jeans are included in total figures. Sales of second-hand jeans are specifically excluded.

Consumer research

Lifestage and Special Groups

In addition to the standard breaks, Mintel also analyses the consumer research in the following manner.

Lifestages are derived from analysis of the exclusive consumer research and are split into four main groups:

| | | % of population |
|----------------|---|----------------------------|
| Pre-/no family | aged under 45 who are not parents | 28 |
| Family | any age with at least one child aged under 16 still at home | 28 |
| Third age | aged 45-64 with no children aged under 16 | 25 |
| Retired | aged over 65 with no children aged under 16 | 20 |

As part of an ongoing policy to find new ways of analysing data, Mintel has created **Special Groups** of consumers to typify consumer habits in the early years of the 21st Century. Unlike the lifestage groups, these groups represent only sections of the population and do not account for all adults.

| | | % of population |
|--------------------------------|---|----------------------------|
| ABC1 pre-/no family | ABC1 socio-economic group and in the pre-/no family lifestage | 16 |
| ABC1 families | ABC1 socio-economic group and in the family lifestage | 13 |
| ABC1 third age | ABC1 socio-economic group and in the third age lifestage | 12 |
| ABC1 retired | ABC1 socio-economic group and in the retired (65+) lifestage | 9 |
| Two full-time earners | Couples where both partners work full-time | 17 |
| One-person households under 65 | Aged under 65 and living alone | 9 |
| Internet users | All Internet users at home, work or elsewhere | 39 |
| Broadsheet readers | Read <i>Daily Telegraph</i> , <i>Financial Times</i> , <i>Guardian</i> , <i>Independent</i> or <i>The Times</i> | 19 |
| Mid-market tabloid readers | Read <i>Daily Express</i> or <i>Daily Mail</i> | 22 |
| Popular tabloid readers | Read <i>Mirror</i> , <i>Daily Sport</i> , <i>Daily Star</i> or <i>The Sun</i> | 33 |
| Satellite/digital TV viewers | Have satellite/cable/digital TV | 45 |
| Mobile phone users | Have a mobile phone | 68 |

Abbreviations

| | |
|------------------------|--|
| € | Euro |
| ASA | Advertising Standards Authority |
| BMRB | British Market Research Bureau |
| D&G | Dolce and Gabbana |
| EU | European Union |
| FHM | For Him Magazine |
| ITC | Independent Television Commission |
| M&S | Marks & Spencer |
| msp | manufacturers' selling price |
| MTV | Music Television |
| mu | million units |
| Nielsen Media Research | Nielsen Media Research. For more information contact Mary Sneddon on 01344 469100. |
| PDI | Personal Disposable Income |
| POS | Point of Sale |
| PRODCOM | Products of the European Community |
| rrp | recommended retail price |
| SPSS | Statistical Package for the Social Sciences |
| TGI | Target Group Index. For further details concerning this information, including data on readership patterns of users/purchasers and details of brands, please contact Phil Greenslade at BMRB International on 020 8566 5000 or via email at phil.greenslade@bmr.co.uk |
| VAT | Value Added Tax |

Market Size and Trends

Surge in demand in 2002

Following a period of lacklustre demand between 1998 and 2000, volume sales of jeans experienced a revival in 2001. Growth continued in 2002, when volume sales of jeans reached 61 million pairs, as denim became the season's 'must have' fabric for trousers. Further growth is expected in 2003. Figure 5 presents UK volume sales of jeans in the period between 1998 and 2003.

FIGURE 1: UK RETAIL VOLUME SALES OF JEANS, 1998-2003

| | Million units | Index |
|------------|---------------|-------|
| 1998 | | |
| 1999 | | |
| 2000 | | |
| 2001 | | |
| 2002 | | |
| 2003 (est) | | |

Source: Mintel

Between 1998 and 1999, volume sales of jeans saw a slight decline of 2%, which was recovered in 2000, when volume sales grew to 46 million pairs of jeans. In the period under review, volume sales grew by 43% to reach an estimated 63 million pairs in 2003, from 44 million in 1998.

FIGURE 2: UK RETAIL VALUE SALES OF JEANS, 1998-2003

| | £m | Index | £m at 1998 prices | Index | €m | Index |
|------------|----|-------|-------------------|-------|----|-------|
| 1998 | | | | | | |
| 1999 | | | | | | |
| 2000 | | | | | | |
| 2001 | | | | | | |
| 2002 | | | | | | |
| 2003 (est) | | | | | | |

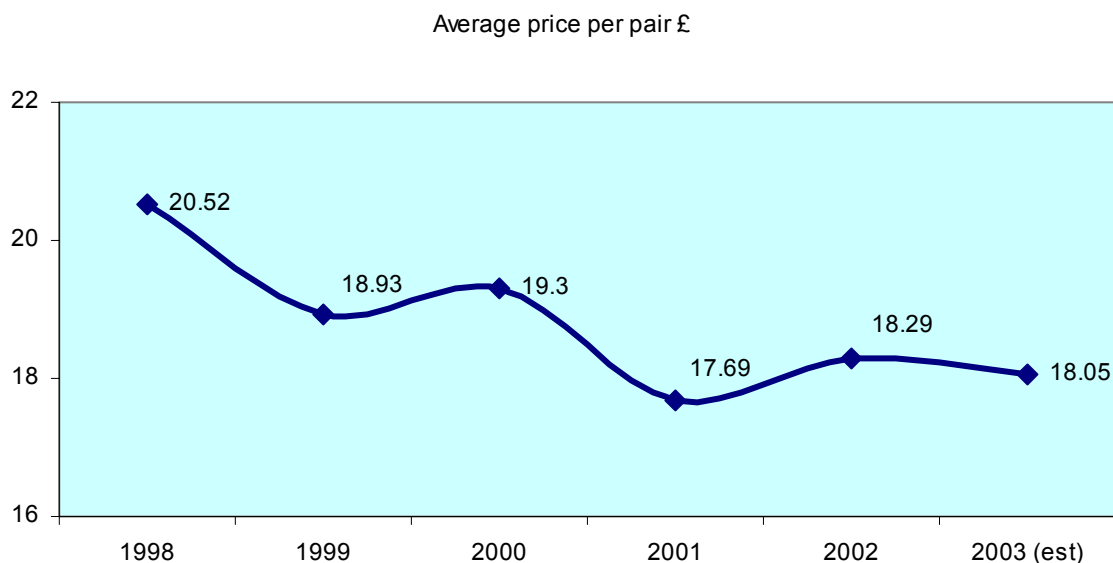
Source: Mintel

Value sales in the UK market for jeans showed 26% growth in the period under review. Following a steep 10% decline between 1998 and 1999, value sales started to recover in 2000, and by 2001 were slightly ahead of 1998 levels at £920 million. Between 2001 and 2002, value sales saw strong growth at 21%, with high levels of consumer demand and a wide-range of well-priced jeans available.

By 2003 the market for jeans in the UK is estimated to reach £1,137 million. However, volume growth, which came in at 43% over the review period, outstripped the 26% growth in value sales at current prices over the same period, as a result of deflationary pressures affecting the UK retail clothing market.

At constant prices, however, growth in the market over the period under review came in at 50%, twice the growth seen at current prices. This gives an idea of the effect of price deflation in this particular market, which has seen the average price of a pair of jeans consistently fall between 1998 and 2003, as illustrated in Figure 7.

FIGURE 3: EVOLUTION OF THE AVERAGE PRICE OF A PAIR OF JEANS, 1998-2003



Source: Mintel

Deflation has been a contributory factor and prices have fallen in real terms. Following a severe blip in 1999, caused by excessive discounting in mainstream retailing, average prices per pair have continued to fall as foreign production has lowered costs of goods. However, the falling average price per pair masks continuing changes in the overall structure of the market, which has been polarising.

Higher priced branded jeans have done relatively well and there has been buoyancy at this premium end of the market. At the same time, the discount/value retailers, including Matalan, Asda and other value-led stores, have continued to drive down prices for the mass market. This includes fashion as well as classic styled jeans. Fashion jeans in outlets such as New Look also contributed to falling prices.

Market overview

Despite a return to utility styling, denim remained popular for women in 2002, with jeans being used for occasions from casual to going out. Top styles were washed out, low waisted/hipsters and boot cut. Flares were also a feature of the women's jeans look in 2002. In menswear, boot cut and tassel finished jeans were popular fashion points in 2002. This has filtered down to the high streets from top fashion brands like Dolce & Gabbana and was taken up by the mainstream Levi's and Diesel brands. Distressed and washed out denims were popular, following the women's style trends.

In 2003, the combat look has become a hot fashion item and is expected to be popular for the Spring/Summer season. The fashion themes move very quickly, however, and Autumn 2003 will see different fashions emerging once more.

FIGURE 4: UK RETAIL VOLUME SALES OF WOMEN'S JEANS, 1998-2003

| | Million units | Index |
|------------|---------------|-------|
| 1998 | | |
| 1999 | | |
| 2000 | | |
| 2001 | | |
| 2002 | | |
| 2003 (est) | | |

Source: Mintel

Jeans began to compete for share of attention in the high streets and fashions moved very fast. Suppliers recognised the potential of women's jeans and innovations in fabric and finishes helped to drive the market forward. Figure 14 presents value sales of women's jeans between 1998 and 2003.

FIGURE 5: UK RETAIL VALUE SALES OF WOMEN'S JEANS, 1998-2003

| | £m | Index | £m at 1998 prices | Index | €m | Index |
|------------|----|-------|-------------------|-------|----|-------|
| 1998 | | | | | | |
| 1999 | | | | | | |
| 2000 | | | | | | |
| 2001 | | | | | | |
| 2002 | | | | | | |
| 2003 (est) | | | | | | |

Source: Mintel

Value sales of women's jeans grew by 69% between 1998 and 2003, faster than the total jeans market, which in the same period saw value sales grow 26%. Following a 12% decline in value in 1999, volume sales started to recover in 2000, as women's jeans became an essential fashion item. Between 2000 and 2003, value sales progressed from £305 million to an estimated £461 million, mainly driven by styles targeted at younger consumers. Embellished denim, faded washes, low slung waistlines and flared legs were part of the fashion trend. Meanwhile, stretch fabrics in jeans continued to be an important feature, helping to improve fit and comfort.

The Supply Structure

Apparent consumption of denim jeans in the UK

The following figure is derived from Government statistics based on manufacturers sales, exports and imports.

FIGURE 6: APPARENT CONSUMPTION OF DENIM JEANS IN THE UK, 1997-2001

| | Production | | Imports | | Exports | | Apparent consumption* | |
|-----------------------|------------|--------|---------|--------|---------|--------|-----------------------|--------|
| | m pairs | £m msp | m pairs | £m msp | m pairs | £m msp | m pairs | £m msp |
| 1997 | | | | | | | | |
| 1998 | | | | | | | | |
| 1999 | | | | | | | | |
| 2000 | | | | | | | | |
| 2001 | | | | | | | | |
| % change 1997/2001 | | | | | | | | |

* production plus imports minus exports

Source: Mintel

Production of denim jeans in the UK slumped dramatically over the period from 1997 to 2001 by 72.7% in terms of volume. This drop has come about because cheaper sources are available elsewhere in the world. Compared with an average manufacturer selling price of £5.77 for a pair of imported jeans, UK produced jeans had an average manufacturer selling price of £8.88. Unit prices coming in from abroad are significantly below those prices that UK manufacturers could match. This has driven down the price of many jeans in the market as a whole, and as a result, manufacturers have moved their production abroad and retailers have begun to source private label jeans from overseas suppliers. At the same time as UK production has slumped, there has been a corresponding 63.3% jump in volume of imports. Because of the slide of UK manufacturing, exported goods from the UK have also declined by 47.1% in terms of volume. Volume of exports and home production balanced out in 2001.

The analysis shows that apparent consumption of jeans actually declined gradually until 2000, although the year 2001 saw an increased consumption of denim. This coincides with the uplift in denim sales in the UK as fashion switched once again towards denim jeans styles. Although the apparent consumption ended the period 10.2% higher in terms of volume, the total amount at manufacturers' prices was 32.7% lower. This illustrates the huge effect that price deflation has had in the sector.

The increased demand in 2001 compared with 2000 was significant, both in uplift in number of pairs and the uplift in consumption at manufacturers selling price. At manufacturer prices, apparent consumption jumped by almost a quarter in 2001 compared with 2000. At the time of writing this report, complete data for 2002 are not available. Early indications appear to show that demand continued to be strong in 2002 with sales of men's and women's product both ahead of 2001. It is worth noting that at the end of 2002, retail demand for clothing as a whole appeared to be cooling and many large retailers were left with heavy stock levels.

Companies and Brands

Market shares

The market for jeans is becoming increasingly fragmented and segmented, with a variety of brands addressing different consumer groups within the market as a whole, as illustrated in Figure 19.

FIGURE 7: BRAND SHARES BY VALUE IN THE UK JEANS MARKET, 2000 AND 2002

| | 2000 £m | % | 2002 £m | % |
|-------------------------|------------|---|------------|---|
| Levi's | | | | |
| Marks & Spencer | | | | |
| Lee | | | | |
| Wrangler | | | | |
| Diesel | | | | |
| Pepe | | | | |
| Next | | | | |
| CK Jeans | | | | |
| Gap | | | | |
| Easy | | | | |
| Falmer | | | | |
| Lee Cooper | | | | |
| Other own/private label | | | | |
| Other brands | | | | |

Total

Source: Mintel

The long established Levi's brand remains the leading jeans brand in the UK in 2002. Levi's has maintained its brand share of the market through new product development and very high levels of publicity. The Lee and Wrangler brands belonging to VF Corporation have lost market share. Diesel has performed especially well in the market because of its youthful appeal and innovative design. Diesel has attracted a host of copiers with very many stylish youth brands now addressing this segment of the market. This is putting Diesel under market share pressure and other gains are being witnessed, with brands like Miss 60, Pepe and other fashion brands. Gap, which has been a market leader in the UK, has been struggling to satisfy its consumers. Its market share held up fairly well because of higher levels of discounting in 2001 and 2002 as the company reduced goods in order to shift over stocks. The leading private labels in jeans in the UK are from Next, Marks & Spencer, Gap and others. Falmer is now owned by Matalan. This has been continuing to benefit from the success of the parent stores. Matalan is re-addressing its merchandising strategy in order to give greater prominence and brand awareness for the brands that it has been buying, including more recently the Lee Cooper brand. Consumers were asked the following questions:

"If you were to buy a pair of denim jeans, which of the following would you consider important?"

"And which, if any, of these statements about denim jeans do you agree with?"

Figure 25 shows the top line responses for the factors that consumers consider important when they buy jeans.

FIGURE 8: FACTORS IMPORTANT IF CONSUMERS WERE TO BUY JEANS, BY GENDER, NOVEMBER 2002

Base: 2,012 adults aged 15+

| | All % | Men % | Women % |
|--------------------------------------|----------|----------|------------|
| Traditional/classic style | | | |
| Latest fashion | | | |
| Retailer's own brand | | | |
| Jeans brand | | | |
| Designer brand | | | |
| Stretch style fabric | | | |
| Distressed/faded/dirty denim | | | |
| Flared jeans | | | |
| Hipster style | | | |
| Baggy shape eg skate | | | |
| Ripped/cut/zigzag hem/frayed hem etc | | | |
| Embroidered/embellished | | | |
| Cropped leg length | | | |
| Tie-died or similar | | | |
| Not bought in last year | | | |
| Never wear denim jeans | | | |
| Don't know | | | |

Source: BMRB/Mintel 2002

There are distinct differences between men's and women's attitudes towards jeans. Although 25% of women claim never to wear jeans, the responses clearly demonstrate that those who do are motivated by fashion and styling considerations. The latest fashion is for hipster styling and flared legs and this is highly evident in the response among women. There are clear contrasts between men's and women's attitudes. Far more women than men claim to look for the latest fashion and are motivated by fashion styling like flared jeans and hipster shapes. Meanwhile men are significantly more motivated by the brand. Many more men than women will look for a specific jeans brand and a high proportion will also seek out designer branding. Men are more likely than women to wear jeans altogether, with only 17% of men claiming that they never wear jeans. Although fashion is very important in the current jeans market, traditional and classic style jeans still have life left in them. This is clearly demonstrated by the very high 30% of men and 24% of women who look for traditional and classic styling when they buy jeans.

The next Figure examines those factors that are most important to men when shopping for jeans.

FIGURE 9: ATTITUDES TOWARDS JEANS, JEANS WEARERS, BY GENDER, NOVEMBER 2002

| | All | Men | Women |
|---|-----|-----|-------|
| Base: all who ever wear denim jeans | | | |
| You can wear jeans anywhere these days | | | |
| I have different jeans for kicking about at home or going out | | | |
| Brand is less important than a good price | | | |
| I would never think of paying a high price for jeans | | | |
| I have a favorite jeans brand | | | |
| Jeans are only suitable for certain occasions | | | |
| I am happy for my wife/partner/husband/mother to buy jeans for me | | | |
| It is important to have a range of different jeans | | | |
| I think it is worth paying more for a fashionable or designer brand | | | |
| Jeans make me feel stylish | | | |
| Jeans make me feel slim | | | |
| Jeans make me feel young | | | |
| I like to wear the same jeans as my friends | | | |
| Don't know | | | |
| None of these | | | |

Source: BMRB/Mintel

Jeans are regarded by many as a very acceptable item of clothing. In the past jeans have been excluded from certain nightclubs, pubs and even from casual wear in offices. However, these days around 48% of all consumers consider that you can wear jeans anywhere. This having been said, different jeans are used for different occasions. Slightly fewer consumers agree that they have different jeans for kicking about in at home compared to those that they use for going out. Almost one in five consumers consider that jeans are only suitable for certain occasions. This makes the styling of jeans a very important issue. Consumers are likely to have a range of smarter jeans, older jeans or more up to date jeans that they consider are right for making them feel stylish and for going out in.

Although brands are clearly very important in the jeans market, one of the highest responses is that brand is less important than a good price. For around a third of consumers, price is clearly an issue when buying jeans. These consumers will be catered for by Matalan, George at Asda and other stores selling value jeans. While branding in jeans is an issue, brand loyalty is also something which is important to the brand houses. Men are slightly more inclined than women to have a favourite brand of jeans and this is a highly relevant factor in the research as a whole.

Men and women have very different shopping habits. Many research surveys conducted by Mintel underline the importance in the men's market of women shopping for men. A quarter of men who wear denim jeans agree that they are happy for their wife or partner to buy jeans for them. This shows that for many men having somebody else to go shopping for them is a very relevant factor in their lives. It is much less likely that women are happy for someone else to go and buy jeans for them.

Although a lot of people do have different jeans for kicking around in and for going out in, relatively few think it is important to have a range of different jeans. This would appear to imply that the kicking around variety tend to be an older version of jeans rather than a different styling. Jeans are certainly a fashion and style statement for many, although relatively few in this survey consider that jeans make them feel stylish. For women, however jeans have the added advantage of making many feel slim. Some 12% of women who wear jeans think that jeans make them feel slim, while a similar proportion consider that jeans make them feel young. Consumers like to be individuals these days and relatively few agree with the statement that they like to wear the same jeans as their friends.