



2 Ways Retailers Can Avoid Hiking Clothing Prices

By Lydia Dishman | April 18, 2011



Retailers are holding out on us, but right now it's a good thing. March was the second consecutive month that apparel prices fell while retailers ate the costs incurred by soaring cotton and fuel prices. **H&M**, for example, didn't pass the buck even though its gross margin fell to 57.8 percent in the first quarter from 61.9 percent and earnings dropped 30 percent.

But a spike in the price of raw materials and an uptick in the consumer price index for apparel need not signal the end of the era of cheap chic. There are still ways for retailers to manage cost and hang on to customers.

Add fiber

The fabric of our lives has some viable (and sustainable) alternatives. For instance, **Naturally Advanced Technologies** (NAT) CEO **Ken Barker** told me that currently, at a 30-40 percent less cost than cotton, the company's **CRAiLAR** fiber has the potential to create a 5-10 percent price impact at retail.

Barker, the former head of apparel at **Adidas** and **Levi's Canada**, also pointed out that CRAiLAR is made from flax, which grows on rainfall, while the cotton required to make a plain t-shirt takes about 75 gallons of irrigated water.

NAT just inked a development agreement with **Levi Strauss & Co.** to support evaluation of processing CRAiLAR flax fiber in woven casual apparel, specifically denim and non-denim (think Dockers khakis).

Levi's had planned to hike prices, as did **VF Corp.**, makers of **Wrangler** and **Lee** jeans. Cotton makes up about half the production cost of jeans, which are roughly one-third of VF's sales.

Lest we forget fashion's recent infatuation to recreate all manner of 70s glam looks, the rising cost of crude oil is raising petroleum-based product prices for the era's fabrics of choice: nylon and polyester. But shiny disco togs account for a small slice of that trendy pie. Undergarments for women (think hosiery, bras, slips and the like) rely on synthetics and could be replaced with natural fibers to offset the cost of traditional materials.

Simplify

A recent study by **AlixPartners** indicates that retailers will benefit from a "shift to thrift." Though only 59 percent of retailers choose to simplify product complexity or quality, AlixPartners says this will make or break the balance sheet during the fall and holiday selling seasons.

In **LOFT's** (ANN) Fall collection, **Ann Inc.**'s execs appear to have taken this strategy to the design boards and turned out an assortment of pared down garments without sacrificing style. Though most pants sport boot and flare cuts, tops are a bit shorter — saving on fabric. The neutral palette (less color, less cost) is set off by bright, skinny belts (less leather!). In contrast to last year, faux fur and lace are used as an accent rather than the material for entire garments.

LOFT also recently introduced a woven synthetic "scuba" fabric for pants, skirts and jackets. The heft is luxurious and the fit is flattering, but the blend — 45 percent viscose, 46 percent polyester, 3 percent elastane, 6 percent cotton — is probably saving them a bundle.

Creating lighter weight garments is one way for retailers can cash in twice: selling more pieces to layer and using fewer raw materials in each piece. **Urban Outfitters** (URBN) and **Anthropologie** are doing great things with light layers and sheer fabrics as is LL Bean's Signature line.

Not-so-fast forward

Even though the economy is rebounding, labor costs in China have been on the rise since last year, and are now increasing in other key manufacturing countries. Additionally, **Richard Hastings**, macro and consumer strategist at **Global Hunter Securities**, predicted that inflation will get worse in 2012 with local governments raising taxes to make up for persistent budget deficits. Both factors only reinforce that the time is now for retailers to position themselves to make their margins over the next few years.



Lydia Dishman has covered business, style, and travel for over a decade. She is currently a regular contributor to Fast Company, Entrepreneur Magazine, and others.

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