

APPAREL'S CHANGING LANDSCAPE

From price hikes to performance revolutions, major developments are happening in the wearables category. To get to the bottom of it all, we answer six of the most pressing questions.

By C.J. Mittica

Roller-coaster price changes. A favorite fabric transformed. Major product safety liability. Litigation that could forever handcuff fashion. All just another day in the advertising specialty industry's largest category.

In short, major changes are happening right now in apparel. The wearables industry continues to redefine its presence along multiple fronts – eco, sourcing, compliance, technology and much more. To paint the picture in full, *Counselor* answers six burning questions about the apparel industry. Read on to see how the most important trends are impacting the apparel market right now.

1 What just happened to my favorite cotton shirt?

For the better part of two decades, Under Armour peddled its advanced polyester performance garments with the unofficial battle cry: "Cotton is the enemy." So imagine the surprise last fall when the athletic wear giant's newest product was revealed to be ... "Charged Cotton."

"Now that a company like Under Armour is bringing a product to market that has all the attributes of cotton, but with a performance advantage, I think it's a huge win for consumers because they love cotton anyway," says David Earley, senior director of supply chain marketing for Cotton Inc. "I think they're really going to respond to it."

Feels like cotton, performs like polyester? That's the future of cotton. Despite how much traction polyester has gained in the marketplace with consumers, Under Armour realized one key fact: It could never completely take over the average person's wardrobe until it got into the cotton game.

"People still love cotton," says Sotiris Aggelou, vice president of brand development for CRONS, an offshoot of distributor firm Cavanaugh Marketing Network (*asi/159262*). The mentality performance brand is developing performance cotton in its factories to sell alongside its athletic polyester garments. "They might have a performance shirt, but they're always going to have a cotton shirt too," Aggelou says. "That's due to multiple reasons, from pricing to feel. It's always going to be popular."

And yet a regular cotton T-shirt (which is unbelievably effective at absorbing moisture) clashes with the wicking products that athletic brands like Under Armour and CRONS peddle. Under Armour couldn't sell cotton until it developed a garment that wicked just like polyester while still remaining breathable. And thus, Charged Cotton was born.

The development didn't happen overnight, and the technologies behind performance cotton aren't new. Cotton Inc., a research and advocacy group that worked with Under Armour, has three advanced cotton technologies. The first technology, called Wicking Windows (developed a decade ago), prints a repellent substance that creates "windows" of dryness while reducing cling. The more recent and advanced TransDry blends treated cotton yarn with normal yarn for six times the moisture transport and half the drying time. And Storm Cotton is a water-repellent but breathable treatment used by companies such as Dickies, Cabela's and 5.11 Tactical.

"We've spent a lot of time over the past three to four years focused on the outdoor and performance market," Earley says. "It's been a big area of emphasis for us."

The technology may finally be in place, but consumer awareness of performance cotton is still minimal. Independent Trading Company, a wholesaler of hoodies and sweatshirts, is an official supplier of Storm Cotton. But the company only offers it in its custom products. "With the rise in cotton prices the past couple of years, Storm Cotton has not been in high demand," says Celeste Vella, production manager for the supplier. But, if cotton prices continue to decline and stabilize like they have in the past six months, she believes it "will help our current performance products, and in turn we should start receiving more inquiries on products such as Storm Cotton."

Consumer appetite for performance cotton will also be fueled as more companies bring it to market. Aggelou says performance cotton is a year or two away for his brand. But when CRONS does launch it, the market for it will be there. "Adding some kind of performance element to cotton is going to bring buzz into the market," says Aggelou, "and obviously there will be demand for it."

2 Speaking of cotton, what's in store for fabric and apparel prices in 2012?

As distributors watched cotton prices go up ... and up ... and up in the first half of 2011, it was only natural for them to wonder when the rise would stop. Well, it has most definitely stopped.

Since then, cotton costs have retreated from their historic highs; December cotton futures were selling at \$1.10/lb, a far cry from March's historic \$2.29 price.

So what's the forecast for cotton this year? Though the commodity is still potentially volatile, the higher prices encouraged farmers to move back toward the crop; production of cotton in 2011-2012 is expected to increase by 8%. An increased supply should help stabilize the price in the next year or two. But that doesn't necessarily translate into immediate apparel price drops, as manufacturers still have older bales of higher-priced cotton that they have to use. "We are seeing lower cotton prices, but there's maybe 5% of cheaper cotton used in a finished garment now, so that's not a lot," says Garry Hurvitz, president and CEO of Ash City (*asi/37143*).

So while Ash City is increasing prices on "most everything" in its catalog in 2012, Hurvitz adds, "When we come out with our new catalog, depending how much old stock there is vs. new inventory, then we will adjust prices." Other factors will also influence the price of apparel, including increased labor prices in Asia, the status of the dollar and the stable-but-higher prices

of synthetic fabrics like polyester.

Since fabric cost is the most crucial factor in apparel pricing, prices could retreat in due time. Sooner than that, however, suppliers may get aggressive in recapturing market share. "I anticipate in 2012 that those prices will be pretty stable through the spring," says Mark Stevenson, owner of Proforma Stevenson & Associates (*asi/300094*), "but come late spring/early summer, I think you'll see some weekly specials, more so than we're getting now."

Unsurprisingly, the bid business for many distributors became tougher with competitors willing to eat their losses on prices to gain business. Otherwise, the best tactic is a simple one: communicating with customers about where prices are and

where they are going, as well as explaining the factors that are driving the change.

"Keeping my customers informed throughout the year helped me to maintain my margins," says Stevenson, who took a modest 2% slide. Meanwhile, distributors like Pro Specialties Group Inc. (*asi/299725*) have used the uncertainty as an opportunity to encourage advance buying when price increases were looming. The San Diego-based distributor even housed apparel at no charge until clients needed it. "In the heat of the increase, we saved clients \$1,000 to \$5,000 per order because we had them buy in advance," says Marvin Mittleman, director of corporate sales. "We'll absolutely continue to do it because of the uncertainty over prices."

"Adding some kind of performance element to cotton is going to bring buzz into the market"

SOTIRIS AGGELOU, CRONS

3 All I did was buy some shirts, yet product safety regulations have my business as the manufacturer of record. What gives?

Within the many byzantine requirements of the Consumer Product Safety Improvement Act (CPSIA) is this little nugget: If a distributor buys a blank garment and then decorates it, the distributor becomes the responsible manufacturer.

"We posed the question specifically about this, and a Consumer Product Safety Commission official said it's not even a discussable item," says Rick Brenner, CEO of PrimeLine (*asi/79530*) and an industry product safety expert. "He said why wouldn't they be manufacturers? They're buying raw material – the T-shirt – and they're adding value. The shocking thing is distributors never thought of themselves as manufacturers."

Then again, just a few years ago there were hardly any compliance efforts on the part of the distributors. But the enactment of the CPSIA and its regulation of children's

products was a wake-up call to many. Still, progress has to be made. Distributors who have children's garments decorated need to be prepared to test, label and track within the letter of the law.

How should distributors approach this? Top 40 distributor PromoShop (*asi/300446*) first requires copies of testing certification from the supplier it purchases from, with details on things like flammability and the presence of phthalates. Then it requires more testing certification from its decorator for the presence of phthalates, formaldehyde and lead in the surface coating of the ink that is used. And even then, "Depending on the client, we may need to have third-party testing done based on the client protocol," says Kim Bakalyar, chief compliance officer for the distributor.

What else do distributors need to be

aware of with apparel product safety?

- On January 1st, the stay on mandatory compliance for lead in the substrates will be lifted. Previously, compliance was only required for lead in surface coatings. "That is, I think, the most significant thing that is going to affect the industry," Brenner says.

- Dyed and undyed textiles are exempt from testing in children's garments. But fasteners like zippers, buttons, snaps and grommets all fall under the regulations.

- And what exactly constitutes a children's garment? In apparel, it's simple: clothing in children's sizes. But in all-ages items like bags, a child-specific imprint for ages 12 and under would qualify under the provisions if it will be used by a child.

- Rhinestones and crystals are out because of their high lead content. Embroidery should use metallic-free thread. To

be on the safe side, use water-based ink in screen printing instead of plastisol (which can contain phthalates).

- What about formaldehyde, the toxic chemical often used in wrinkle-free resins?

When the CPSIA was enacted in 2008, it called for a study on the use of formaldehyde in manufacturing textiles. At the end of 2010, that study from the Government Accounting Office was released. Its findings? Levels were

generally low in textiles, but can cause allergic skin reactions for some people. Beyond a suggestion to wash wrinkle-free clothing before wearing, no official recommendation for testing was given.

4 Did anything ever come about with that eco apparel supergroup?

It was with great fanfare that a cadre of apparel superpowers (adidas, H&M, Nike, Patagonia, Levi Strauss and many more) announced last year that they were banding together to create a group called the Sustainable Apparel Coalition (SAC). The goal? To develop improved sustainability strategies for the apparel industry as well as an index to measure and evaluate environmental and social impact. But since its coming-out party last March, the SAC has gone radio silent.

What's going on? Basically, the SAC is building up the framework of its Apparel Index V1.0 – the “metrics-based tool” the organization will use to evaluate companies and products. Participating companies are entering data to fill the structure of the system, with the eventual goal of creating an easy-to-understand rating system for consumers. The content of the Apparel Index was supposed to be made publicly available by the end of 2011, but as of press time there has been no update.

Nevertheless, the quiet beginning of the coalition belies the major impact it's poised to bring to the apparel industry. “My opinion is this is the index that people will strive to

and get to know,” says Mark Trotzuk, president and CEO of Boardroom Eco Apparel (*asi/40705*). (Trotzuk's company isn't participating in the Apparel Index's pilot phase due to the hefty financial commitment, but is following it closely.) It's not just the big names behind it that will give the Apparel Index weight, says Trotzuk, but a mountain of data that will lend integrity to any rating.

“The U.S. is way behind other countries on standardizing the ‘eco-friendly’ marketplace,” says Kris Robinson, chief sustainability officer and executive vice president for PromoShop and ecopromos.com. “If a system like this is true, it is well-needed, and I'm happy some organization is spending the time and money to create it. There is too much greenwashing in the marketplace, and this will help in limiting that.”

The Apparel Index's greatest impact will be in retail, but it certainly matters to the promotional apparel industry. It reinforces the directive for distributors to demonstrate evidence behind their eco claims. After all, says Trotzuk, “That person who walks into an REI, sees the rating and buys a Patagonia jacket could be

“A new compliance rule is the most significant thing that is going to affect the industry.”

RICK BRENNER, PRIME LINE

that marketing or sustainability person for Google.” And once buyers become familiar with the Apparel Index, they will wonder why the ad specialty companies they work with don't have something similar. It may mean the creation of the industry's own system or an adaptation of what will become the prevailing standard. Either way, accountability in eco claims is on the horizon, and it's something distributors should be educated about so they can discuss it with their clients.

5 There's been a lot of talk about fashion trademarks and copyrights. Cause for worry?

Imagine this scenario: A distributor designs custom shirts with a traditional plaid pattern for a beverage company, and gives them away as prizes at a launch event. Months later, the distributor is sued by a retail apparel company for violating copyrights on both the color and the plaid pattern. Sound far-fetched? Not as much as you might think. Fashion may be an endless recycling of ideas, but a pair of major legal developments will

determine where the line is drawn.

In federal court, Christian Louboutin is suing Yves Saint Laurent for stealing the designer's signature trademarked look: a shoe with a red sole. A preliminary injunction has swung the case in YSL's favor, with the presiding judge wondering whether Louboutin's original trademark was too broad to even be valid in the first place. (Louboutin is appealing this early decision,

with a ruling likely to come this spring.)

Meanwhile, Congress has introduced the Innovative Design Protection and Piracy Prevention Act (ID3PA for short), a bill that seeks to extend copyright protection to fashion designs. (Currently, only trademark and patent protections apply.) The goal is the same – for fashion houses to eliminate infringement or stealing of their designs. Its future is uncertain; the bill has sat in a Senate committee for

a year, while the House version was referred to a subcommittee last August.

The stakes are clear. What is inspiration, and what is theft? How much does branding matter? (Fashion mavens see a red-soled shoe and instantly think “Louboutin.”) And what will happen to the creative side of apparel if designers are limited in what they can imagine? “This really highlights the struggle between the art side and the business side of fashion, which relies heavily on branding and business recognition,” says Joe Martin, a lawyer and chair of the Intellectual Property Group for the law firm of Archer and Greiner, about the Louboutin lawsuit.

While Louboutin’s lacquered red sole is trademarked, the notion of trademarking

the color red for this use caused Judge Victor Marrero to say that the original trademark was “without some limitation” and “overly broad.”

And the same implications exist for the congressional bill. Will it protect just a very few, specific, distinctive designs, as the bill’s proponents have argued, or will it open the copyright floodgates for even the simplest elements?

“If you try to say that’s my stripe, or I’m the guy who came up with the V-neck T-shirt with one button, and start suing everybody, it’s going to be a disaster,” says Greg Weisman, a lawyer for Silver and Freedman and outside counsel for about 100 labels in the fashion industry.



QR codes are finding a home on apparel, such as this bandanna created by Bandanna Promotions (asi/44020) with a QR code from Gotcha! Branded Mobile Solutions (asi/57851).

photo courtesy of Bandanna Promotions (asi/44020)

6 What are the possibilities with QR codes on apparel?

The TED conference and website achieves its goal of “Ideas Worth Spreading” by making speeches and talks freely available online. The organizers of the independent TEDx Greenville conference in South Carolina had a similar goal with their promotion. In the gift bags at the event, the 400-plus attendees received a black and red paisley bandanna with a QR code printed right on the garment. Not only did the attendees scan the code (which took them to the conference website), but they wore the bandannas throughout the conference and afterward, which encouraged others to scan the code to find out more about the organization.

“The mere fact that you have a QR code makes people feel that you’re relevant,” says Kim Madden, product development & sales for Bandanna Promotions (asi/44020), which created the bandannas for the event.

It’s impossible to miss QR codes right now. Magazine ads, bus stops and trade show booths all prominently feature the ubiquitous black and white matrix

boxes. According to comScore Inc., 14 million Americans scanned a QR code in June 2011 alone. And that number will only grow as consumers learn about QR codes and businesses understand how to leverage them in marketing.

“If you look at the entire marketplace, you’re probably only looking at a good 10% of businesses that are really conscious of QR codes and what they can do with them,” says Christopher Jenkin, CEO of Gotcha! Branded Mobile Solutions (asi/57851), which has been instrumental in bringing custom QR codes to this industry. “I think that awareness is only going to grow.”

And because of that, it’s only natural that those codes are making the leap to apparel. Bandanna Promotions has used them as special store promotions



photo courtesy of Pacific Sportswear & Emblem Co.

The uZAPPI! Smart Tag from Pacific Sportswear & Emblem Co. carries a QR code on the back of a dog tag. It comes in all sorts of varieties – everything from die-cut options to rhinestone encrusting.

for Tractor Supply Company and for an outdoor trail promotion in California. Pacific Sportswear & Emblem Co. has come up with the uZAPPI! Smart Tag – an imprinted dog tag with a code on the back. Rich Soergel, lead innovator for the company, highlights a number of possibilities for the smart tag, including an apparel hang tag, a beverage company giveaway and a reusable coupon for a retail store. “There are a lot of uses, especially for under a buck, and that’s the key thing,” says Soergel. “It’s so much marketing muscle for being so inexpensive.”

But the QR code as we know it is changing. In addition to alternatives like SnapTag, the original black and white boxes are giving way to full-color artistic creations that incorporate company logos and more. Change the shape, or change the background and it can still work. “We could put an image of a sunset in the QR code,” Soergel says. “As long as the black and the light colors contrast enough for you to zap it, it works.”

Not that it comes without hurdles. “There are some limitations with textiles that you don’t have on some of the other mediums,” Madden says.

The ink from screen printing or dye-sublimation (embroidery won’t work) could potentially run, muddying the preciseness needed to make the code work. ○

C.J. Mittica is a staff writer for Counselor.