

Getting Ahead and Staying There

Marc A. Lewkowitz
Supima
4141 E. Broadway Road
Phoenix, Arizona, USA

Getting Ahead and Staying There is most certainly a common goal in many aspects of life and business. For Supima it is a multifaceted challenge of building a brand identity and consumer recognition upon a top quality cotton fiber. To understand the goal for Supima it is important to understand what American Pima is, as well as address the concept of differentiation and adding value to a product through branding and how we at Supima promote and identify American Pima.

There are two species of cotton grown in the U.S. The most common one is the *Gossypium Hirsutum* – otherwise known as Upland cotton. The other species is an extra long staple cotton called *Gossypium Barbadense* – otherwise known as American Pima in the United States. American Pima production represents about 3% of the entire U.S. cotton crop on an annual basis. This is similar to the percentage of ELS and LS cottons that are grown around the world relative to the entire worldwide crop.

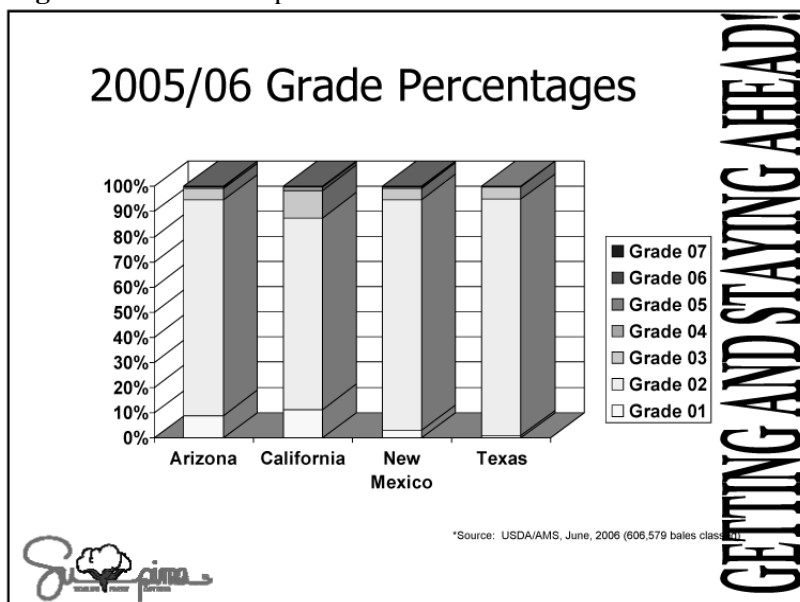
It is believed that the origin of the *Gossypium Barbadense* species originated out of South America. It is reported that the original variety was much like the current Tanguis variety of cotton grown in Peru with a shorter staple length and a far coarser fiber. It wasn't until the fiber landed in the Caribbean that it went through a transgressive inheritance and developed its special fiber characteristics. The first records indicate that the first plantings of this fiber in the U.S. occurred at some time early in the 1600's in limited quantities. Initial developments of the fiber began, and by the end of the late 1700's the fiber had adopted the name of its new home on Sea Island, Georgia and was now referred to Sea Island Cotton. This fiber was revered the world over for its exceptional fiber length and fineness. Unfortunately, growing pest pressures and competition from the Caribbean, where the new Sea Island varieties had been reintroduced, saw the eventual cessation of plantings on Sea Island. In the mid 1800's the fiber made its way to Egypt where it was reported to have been crossed with Jummal, a tree type cotton from the upper Nile region of Sudan. This was followed with the migration of the Sea Island cotton over to the west. By the early 1900's the United States Department of Agriculture (USDA) was actively breeding and developing the fiber for use as tire cording for military vehicle tires. During this time the American Pima Indians were helping the breeders to grow the cotton in the breeding trials near Sacaton, AZ. Eventually, the Pima Indians were honored by the government when the American ELS cotton, originally called American-Egyptian for the original crosses, was re-named as Pima. The first official cultivar was released in 1908 and was called Yuma. The real breakthrough came in 1951 with the release of S-1. Several iterations of this fiber were followed up through S-7. The S-6 and S-7 varieties still exist today but are planted in very limited quantities. Today's new varieties produce far more yield as well as better fiber.

American Pima is also the only Extra-Long Staple cotton in the world that has an official standard in order to qualify to be called an American Pima. American Pima must be of the *Gossypium*

Barbadense species or a hybrid there of. It must also be roller ginned and have a length on 1-3/8” (35 mm) or longer.

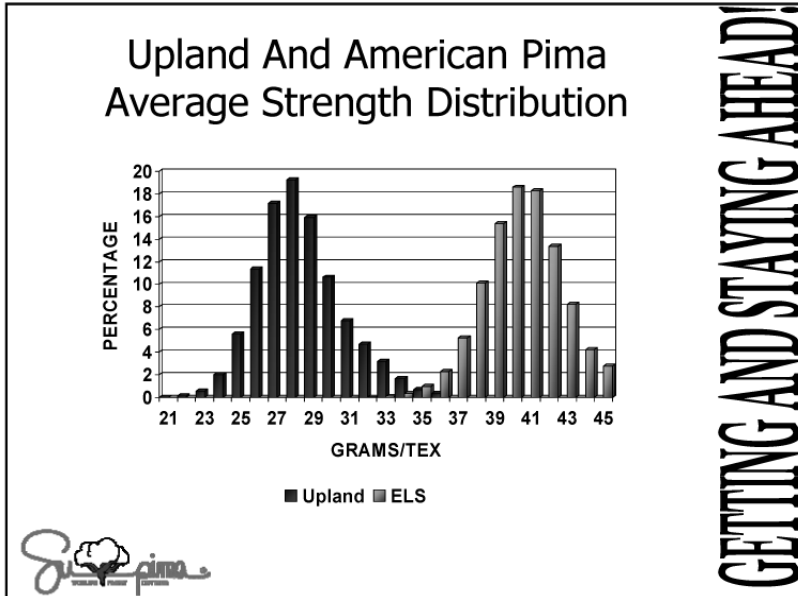
Additionally, American Pima benefits from the services of the United States Department of Agriculture in that every bale of cotton grown in the United States is classed and assigned a grade/value. This service provides a standardized comparative matrix from which cotton can be traded and can optimize fiber consistency in the manufacturing process. The USDA classing services also yield a clear picture of the whole American Pima crop. The graph in Figure I depicts the percentage of cotton for each grade in each of the four American Pima producing states. The 2005/06 crop had about 90% of the entire crop classed with a Grade 2 or better color grade. This is typical of an American Pima crop and a valuable component of American Pima.

Figure I. 2005/06 Crop American Pima Grades



Another beneficial factor for American Pima in addition to the length of the fiber, the consistency of the color and the USDA classing is the strength of the fiber. The table in Figure II represents the average strength distribution between American Upland cotton and American Pima. It is clear to see there is little crossover between the two.

Figure II. Distribution Comparison of Upland and American Pima



In summary, the extra length, additional strength and fine micronaire yield superior fabrics with better drape and softness. The fabrics will also have greater performance along with superior brilliance of color and luster.

American Pima production has seen continued growth on average. With WTO complaints against Upland cotton subsidies, more interest is being directed to American Pima in the southwest as a sustainable row crop. There are even predictions in the future that the U.S. could be producing 1,000,000 bales of American Pima every year. Recent reports also indicate that the realization of a new record production for the 2006/07 is more probable with reported record acreages being planted across the belt. As production grows, so does the demand for American Pima. China is now the largest consuming nation for American Pima accounting for 42% of the entire U.S. American Pima exports.

The latest USDA estimate for ending stocks of American Pima is only 48,000 bales (10,4500 metric tons). This compares to over 300,000 bales (65,000 metric tons) only four years ago and a stocks to use ratio that has fallen from 65.5% in 2001 to a mere 1.5% last year and only a marginally better estimate of 7.7% today.

Finally, in relationship to the other ELS producing nations, the availability of American Pima as a product for companies to build a product model around cannot be under estimated. American Pima accounts for 1/2 of all the worlds ELS exports which makes it the largest pool of available ELS cotton in the global marketplace.

It is important to note that it is not just one aspect about American Pima that is remarkable or that much superior to the other characteristic of another ELS cotton. It is a combination of all of them that has facilitated the successful adoption of American Pima in so many products and markets.

Found in 1954, Supima is celebrating its 52nd anniversary this year. The organization was created to promote American Pima, address government regulations and support agricultural research relevant to American Pima. Supima is a non-profit organization that receives its funding in part from voluntary dues collection from the American Pima farmers of \$3 per bale. The revenue from these collections is used to run the organization and to fund our advertising and promotional activities. The name Supima is an abbreviation of Superior Pima and is a registered trademark around the world. Maintaining a trademark is not a simple or cheap undertaking. There are many instances in which we find that a company is trying to leverage off Supima's recognition by creating a similar sounding name. For example, a company recently tried to market a cotton product under the name of "Suprima". The only difference was that the company had added an "r" between the "p" and the "i" of Supima. The name Supima does not intrinsically denote cotton to the consumer and as such requires a certain amount of branding to build the recognition of the Supima brand.

Branding can be simply defined as the affinity that a consumer has for a particular identity. As such, branding and the greatness of a brand can most easily be constrained to two statements which are; 1) A brand will be successful if it has the ability to converge the functional and emotional benefits of its product and; 2) A brand will be successful if it has the ability to nurture sales by building an emotional connection with the customer.

Supima's branding has been focused on building consumer and trade awareness. Supima initiated its first advertising and promotional campaign in B/W to be simple and clear and tie in a connection to the consumer for a luxury level ingredient product. Our first ads were mainly geared to the home textiles with a sheet ad and a towel ad along with one for women's apparel. The current ad campaign over the last two years saw the introduction of bright colors and bold images. Supima has tried to capture the imagination of our audience by enticing them with captivating images. The ad captions elude to luxurious, lustrous, lasting, soft, sensual and sensational – all emotion eliciting adjectives to bring as much of a tactile sensation to the images of the product as possible without actually being able to touch.

As Supima is a cotton, it is important that we reach the consumer with the concept that Supima is a cotton. However, Supima also needs to differentiate American Pima from other cotton. For example, the name Egyptian cotton conjures perceptions within the consumer base of high quality cotton. Unfortunately, the name Egyptian cotton does not imply anything special other than that the cotton comes from Egypt. The name does not impart any confirmation or knowledge about the quality of the fiber. Hence it is important that Supima associate the Supima brand with the name cotton but also differentiate it from other cotton as a specialty and unique cotton – a Luxury Cotton and a Lifestyle Brand.

Ultimately, the application of branding to an item or a group of items is done in order to generate sales or increase sales. In this sense a brand is providing a unique point of differentiation for a specific product in order to separate it from other competitive products. In addition to facilitating

sales, a brand is also designed to increase the perceptual value of the product to the consumer. Once the consumer is aware of the brand, then the consumer will need to associate a value with that brand that will value the branded product as more valuable than another comparable product. Finally, the goal of a brand is to provide the seller with a competitive advantage in the marketplace against other products.

Lands' End has been very successful in implementing these aspects in their advertising. By highlighting a competitive advantage of better cotton in their product and thereby imparting a perception of value, their product is positioned to sell. In a launch of a new Supima twill pant, Lands' End was able to realize initial sales that exceeded the retailer's forecasts by 200%.

Brands also need champion items that bring increased perception of an item to the market place. Denim manufacturing and denim products today are a good example of a champion type of product for Supima. Jeans have long been considered a casual wear article of clothing. However, with the introduction of Supima into the denim marketplace, these new products have been elevated into an entirely new market segment and one could even say it has defined a new "Luxury Denim" market. Products in this category typically have prices in excess of \$150 per pair and have seen prices of even \$600 or even higher per pair. "Luxury Denim" is one of the new "in" products and as casual office wear continues to grow, consumers are willing to purchase higher priced casual wear products that still exude a level of higher fashion and uniqueness.

At the end of the day, things that make a brand and the convergence of the functional and emotional benefits a success are things that make a brand recognizable, distinguishable, identifiable and memorable. Developing a brand that triggers the right memories in the audience will be the brand that prevails and succeeds.

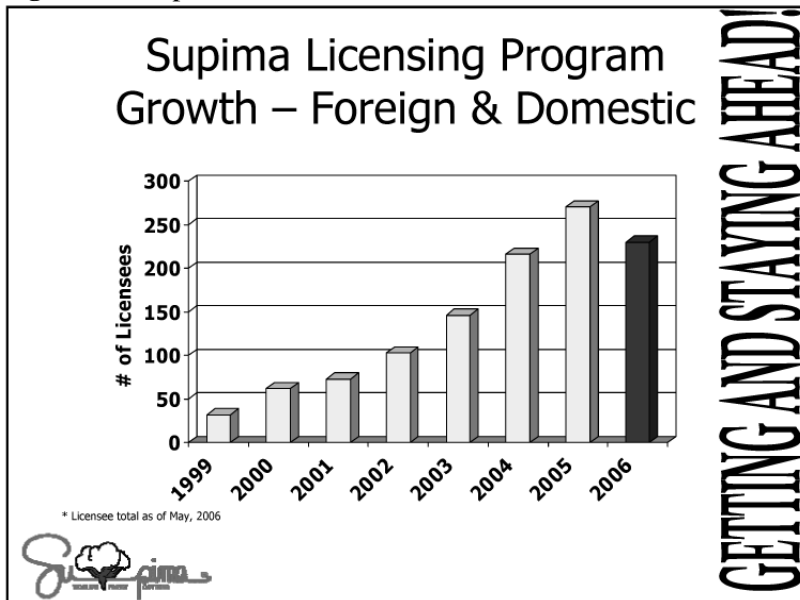
For Supima this entails identifying with cotton but also differentiating it as a unique and special item. This is probably the most valuable asset to Supima in that a brand or retailer can consequently use the Supima brand to differentiate their product. This can enable the brand or retailer to draw new consumer interest, new revenues, new margin levels as well as build a stronger and lasting connection with their audience as a leader of providing their customer with better product.

This is an exciting time to be working with luxury cottons. The trading up phenomenon is well documented and referenced today. The Luxury market is noted as being the healthiest and fastest growing sector of the retail market and this provides a great opportunity for Supima products. Sales at major higher end retailers are growing at 7 - 15% vs. 3.5% overall growth for most retailers. Higher income consumers are searching for ways to bring luxury into their lives. These customers are well educated and have more money and they are willing to pay a premium for top quality goods. Many are stressed and lead busy lives and would like to pamper themselves. They are also well educated and would like to reflect their sophistication and success with better products. The superior products end up making an emotional connection with the consumers.

Ultimately, the use of Supima as a Brand and an ingredient allows the brands/retailers to use it as a point of differentiation. They can take “tired” basic products and infuse them with a new feel and look and give them a new life. They can also raise price points to regain lost margins in the continuous price wars in the marketplace.

A measure of Supima’s success can be reflected in the growth of the licensing program as seen in Figure III.

Figure III. Supima Licensees



Since beginning to brand Supima and promote the Supima trademark in Japan in the mid 1980’s, Supima has experienced its most growth since the start of the millennium. It was at this time that Supima actively began advertising and working with licensees to promote the uniqueness of the American Pima fiber and its benefits. Supima initially started promoting a supply-push style of promotion campaign in that we worked with the spinning mills to promote Supima yarns to the knitters and weavers. A few years ago Supima changed the direction and implemented a demand-pull philosophy to work with the brands and retailers that wish to differentiate their product and use the Supima trademark to identify the uniqueness of their product. This strategy has been very successful as can be seen here in the chart. The bar to the right is the current level of licensees so far this year. This might look counter intuitive as that would not seem like any growth. In reality this is a very positive figure as the cost of the licensing program on an annual basis increased five fold over last year and as such indicates that even with a cost increase to the licensee, there is still tremendous value to the licensees to continue to promote their product as a Supima branded product.

The Supima licensing program requires that the Supima licensee use 100% American Pima in their products. The entire supply chain from the spinner through to the brand/retailer must be licensed. There is an annual license fee for each licensee of \$5,000 with the exception of brands/retailers that are not required to pay the fee as they are the companies that are promoting the Supima products directly to the consumer.