



# Willingness to Pay for Organic Cotton: Insight from Apparel Consumers

Pilot Study

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## Significance

- Organic cotton production worldwide increased 152 percent during 2007/08 crop year (*Organic Cotton Farm and Fiber Report 2008*).
- In 2006, organic fiber linens and clothing sales in the United States grew by 26 percent to a 203 million dollar market (*Organic Trade Association's 2007 Manufacturer Survey*).

## Significance

- Despite these increases research on organic apparel market potential is limited.
- Past research has focused on:
  - Profiles of organic consumers (Lin, 2009).
  - Effects of advertising and consumers willingness to buy (WTB) (Hartman & Apaolaza-Ibanez, 2008; Hustvedt and Bernard, 2008).
  - Personal and social ethical motives on willingness to pay (WTP) (McGoldrick & Freestone, 2008).

## Methodology

- An exploratory study was conducted: to elicit consumers true WTP for organic T-shirts.
- n*th-price auction
- Participants from two large university classes
- Survey
  - Demographics
  - Apparel product preferences
  - Organic product beliefs that may influence WTP

## Methodology

### Steps in random *n*th-price auction:

- Participants are put in groups.
- Each bidder submits a bid.
- Bid is rank ordered from highest to lowest.
- Flip coin to determine binding product.
- The monitor selects a random number.
- The highest bidder wins and is able to purchase the product for the second highest bid (Shogren, Margolis, Koo, and List 2001).

Variable	Organic Cotton	Conventional Cotton	Premium
Income level	0.07	0.10	-0.28
Race	*3.47	*2.74	1.17
Pay for own clothing	*-9.89	*-9.01	-2.68
Abercrombie/Urban Outfitters	*3.10	*2.98	0.24
Previously purchased organic foods	-0.93	*-1.52	0.91
Price is important	0.58	1.00	-0.73
Class - AMT108 vs. AMT450	-1.65	-1.08	-0.92
Planning to purchase in future	0.61	0.81	-0.44
What would you expect to pay	*0.65	*.42	*0.28
Organics are better quality	*1.67	*1.12	*0.83
Organics fit better	-1.09	*-1.51	0.52
Touch/Feel are important	0.99	0.28	*1.02
Brand is important	0.92	0.63	0.40
I make my purchase decisions alone	*-8.40	*-9.30	3.22
	Number of Observations = 128 F (14,113) = 5.23 R sq. = .3933	Number of Observations = 128 F (14,113) = 5.04 R sq. = .3843	Tobit Number of Observations = 128 LR chi2(14) = 47.51 Pseudo R2 = .0801

\* Denotes significance at the .1 level

## Results

- White race student have a higher WTP than all other students
- Students who shop in specialty stores have a higher WTP.
- Students who pay for their own clothing are WTP less for both organic and conventional cotton T-Shirts
- What student expected to pay in the market influenced their WTP (If they thought they had to pay more, they were willing to pay more).
  - Could indicate participants were estimating market price.
- Students who thought organics were of better quality were willing to pay more.
- Students who thought organics fit better were willing to pay less.
- Students who made their purchase decisions alone had a lower WTP.

## Conclusions:

- Students who pay for their own clothing and/or make their purchase decisions alone have a lower WTP.
- Students who feel organics are of a higher quality are willing to pay more for both organic and conventional cotton T-shirts.
- Students WTP for both organic and conventional T-shirts are influenced by their knowledge of market prices.