Willingness to Pay for Organic Cotton: Insight from Apparel Consumers

Pilot Study

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Significance

- 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).

Methodology

- An exploratory study was conducted: to elicit consumers true WTP for organic T-shirts.

Steps in random nth-price auction:

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

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.