CRC

for

Premium

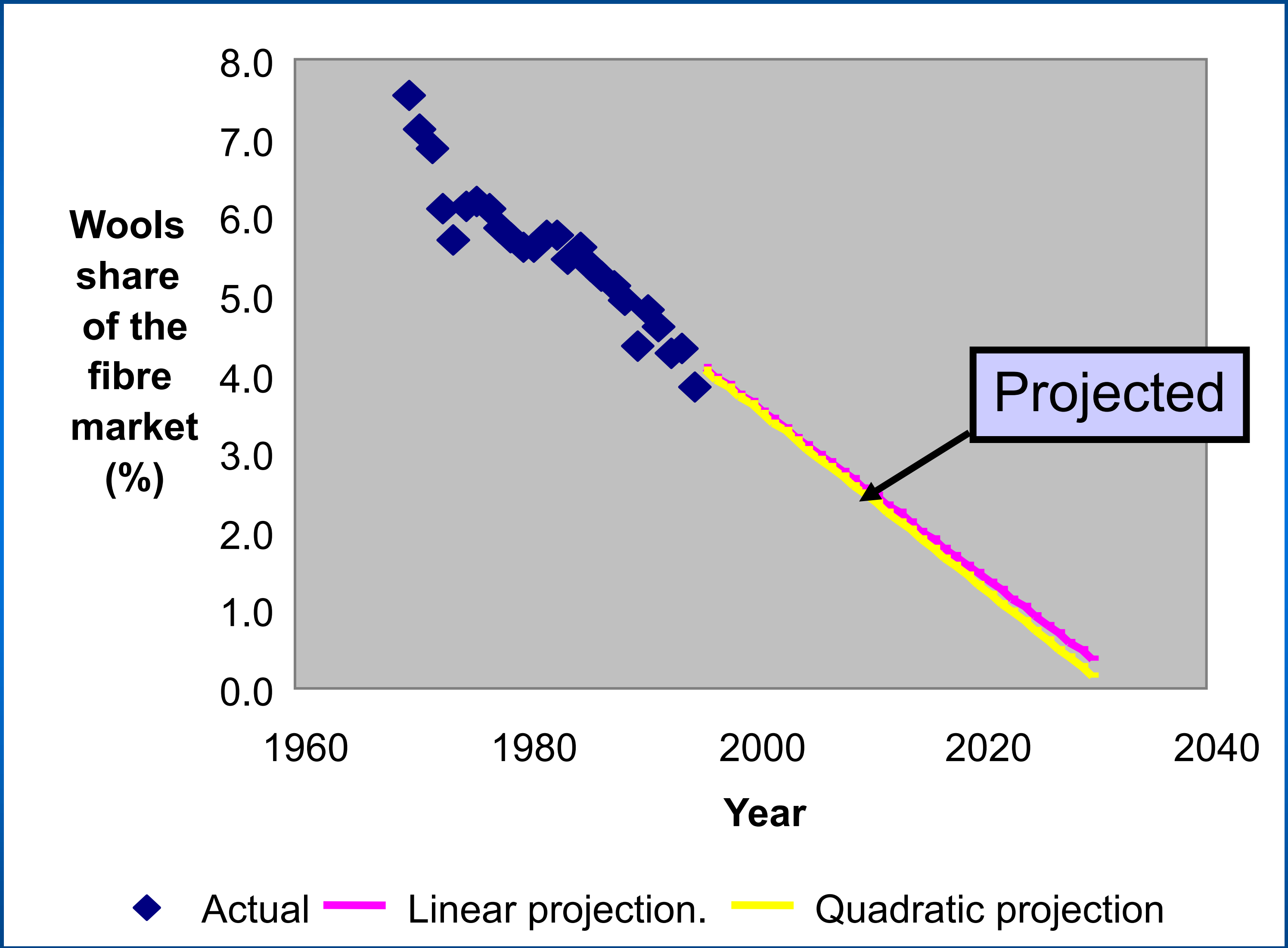
Quality

Wool

New Marketing Strategies

Produced for the CRC for Premium Quality Wool undergraduate program by;
Dr. Paul Swan, Paul G. Swan & Associates Pty. Ltd.

Our market share is declining



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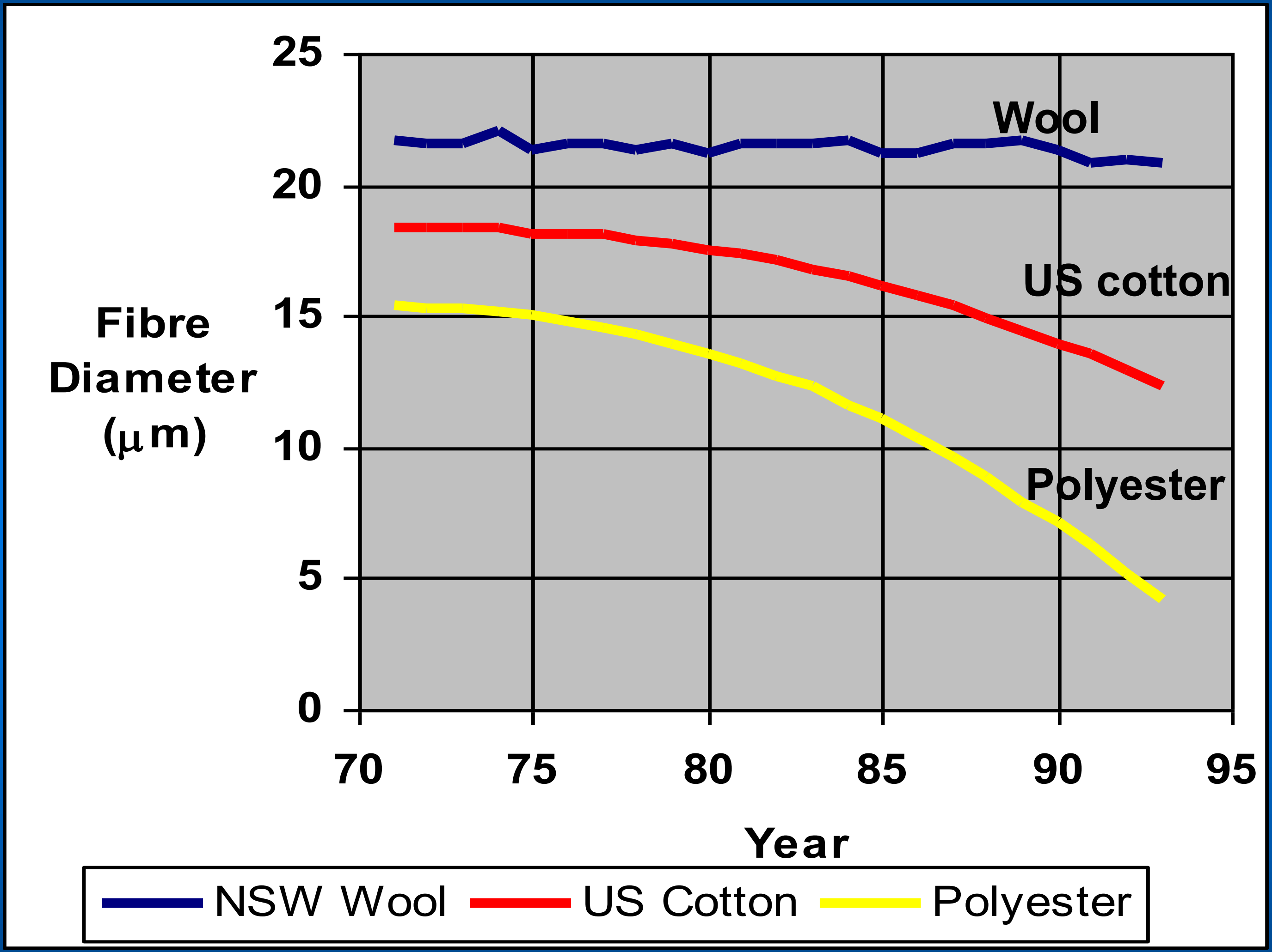
Paul Swan
Source: IWS (1993)

We have been technically static



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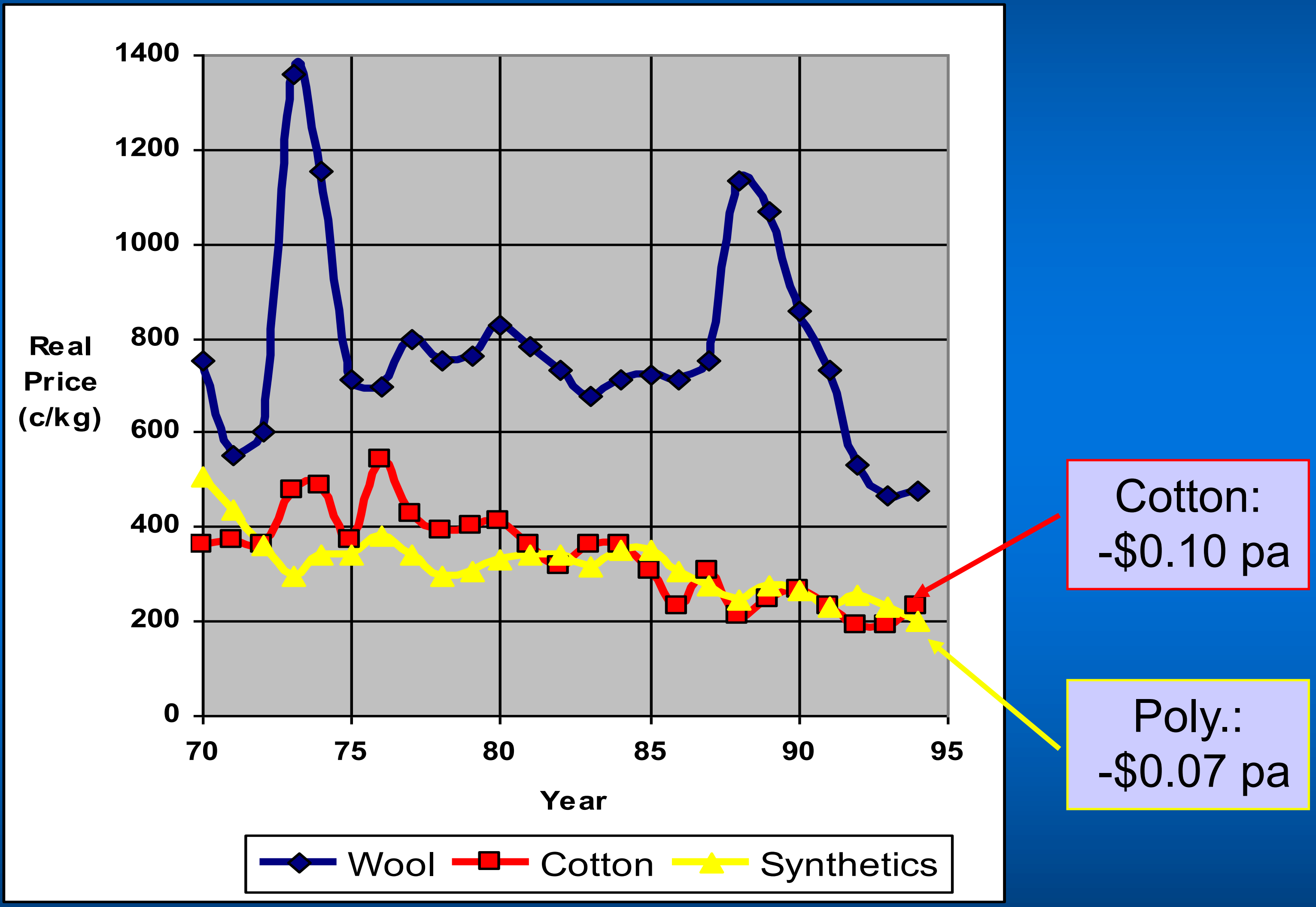
Paul Swan
Source: Seaman, S. (1998)

We are also expensive as an apparel fibre



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Paul Swan
Source: IWS (1993)

Consumers are changing, and seek…

- comfort
- convenience
- light weight, smart casual
- ease of care
- value for money

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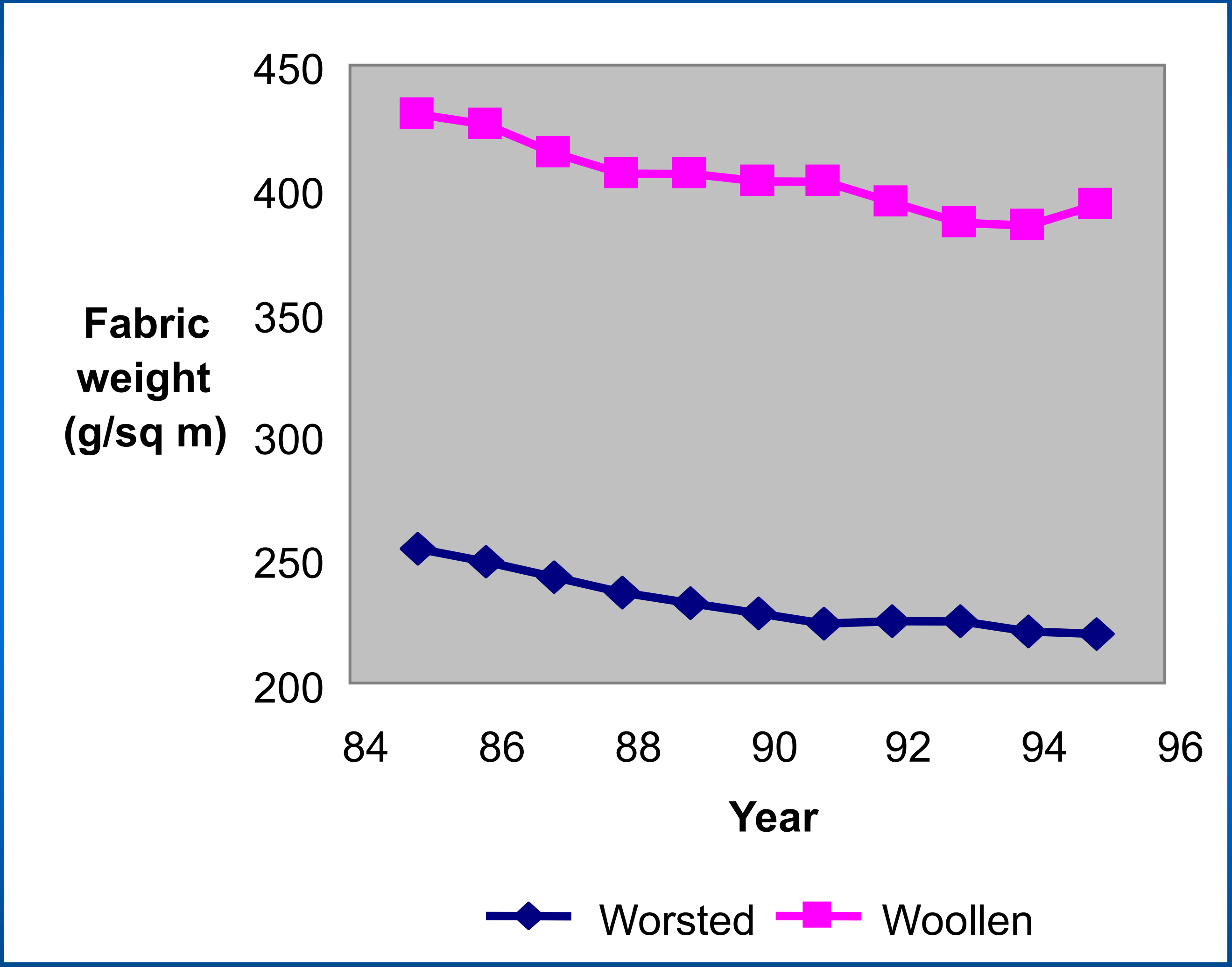
Fabric weights are declining



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Data for Italian processors, Source: IWS (1993)

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Summary

Relative to our competitors, wool is…

- **increasingly rare**
  - market share decreasing rapidly
- **increasingly expensive**
  - price ratio likely to increase
- **inefficiently processed**
  - high conversion costs; fragmented chain

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Compete as a generic, commodity fibre ?

"..because of the relative complexity and hence higher cost structure of the wool yarn conversion route, ***wool*** (unless heavily diluted with cheaper fibres) ***can only be marketed in the mid - to – upper price levels of the garment industry, if the wool producer is to maintain reasonable profitability***".

Paul Swan
Source: AWC Report on Wool Marketing (1973)

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4 major competitive strategies

Broad segments

- *Cost leadership* (lowest cost producer)
- *Differentiation* (sole supplier)

Small market segments

- ***Focus cost*** (lowest cost producer)
- ***Focus differentiation***
  (premium $, specific segment, difficult to copy)

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Source: Porter, M.E. (1985)

A new strategy for the new millennium…

- based on Focus Differentiation
- abandon generic promotion
- identify specific market segments
- develop new markets
  - Low weight, high purchase price, frequent purchase, hard to copy
- facilitate technical innovation
  - specification, easy care…..
- achieve high quality standards
- facilitate communication
  - vertical integration?

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Homestead Grazing Co. Ltd.

An example of value chain management, and a focus differentiation strategy at work.

Paul Swan

Homestead Grazing Co. Ltd.

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Mission:

Homestead Grazing (HG) will become a preferred supplier of high quality apparel yarn, fabric, and garments to selected manufacturers, designers, and consumers in Australia and overseas. In so doing, HG will provide shareholders with the opportunity to achieve dividends and increased equity in the wool value chain.

Structure:

Vertically integrated wool supplier and processor. Investment in relationships, not processing infrastructure.

History:

Incorporated 14th Nov. 1997

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Homestead Grazing Co. Ltd.

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Shareholding:

Represents every link in the value chain from genetics to consumers (including marketers, fashion designers, weaver/spinners, topmakers, exporters, wool buyers, Stud Merino breeders, commercial wool growers, investors).
Wide geographic spread of woolgrower shareholders.

Nature of business:

Production and marketing of yarn, fabric, and garments.
Quality control throughout value chain.

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Homestead Grazing Co. Ltd.

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Target market segment:

High quality, technically difficult, pure wool products.

Niches:

Men and Ladies fine gauge knitwear, and fine worsteds.

Focus of Differentiation:

End product quality, performance, and reliability

Technically difficult products.

Specific greasy wool types (superior processing qualities).

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- Key product attributes
- Performance leader in all product niches
  - Sensual softness
  - Non-pill knitwear
  - Rich colour palette, including pastels and ecru
  - Enhanced drape
  - Crease resistance
- So for spinning and topmaking...
  - Minimal fibre breakage, maximum fibre control

Wool Quality Targets

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Excellence in processing potential...

- Excellent fibre alignment (character)
- Low fibre curvature relative to the diameter
- Long fibre length relative to the diameter
- Uniformity and softness
- Low mid-break percentage (< 30)

Measurable quality...

- Conventional specifications, plus curvature

Paul Swan

Wool Supply

- In order to make HG grow and satisfy clients:
  - Source from shareholders if possible
  - Make growers aware of requirements
  - Develop forward contracts
  - Forward pricing based on specific orders
  - Clip analysis, planning, prediction

- Interaction with stud networks

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Clip Preparation and Quality Assurance

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- Establish required standard of Clip Preparation
  - Owner & Classer training (RIST, HG)
  - Classing to meet specific market niches
  - Flock management implications
- Quality Assurance schemes
  - Development of HG's own
  - Interaction with existing broker

Homestead Grazing Co. Ltd.

Clientele for initial processing batch

- Fine gauge knitwear (2/54, 2/60, 2/72)
  - Albert Spangaro (Melbourne)
  - A&B Knitwear (Melbourne)
  - Elegant Knitting (Sydney)
- Fine Worsted cloth (2/80, 2/72)
  - Business shirting, suiting & trouser materials

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Characteristics of the greasy wool

Net Weight:	2214 kgs
Schlum. Yield:	80.3 %
V.M. content:	0.4 %
Diameter:	18.1 um
Staple length:	89 mm
Staple strength:	48 N/ktex
Mid break %:	37 %
Curvature	96°/mm

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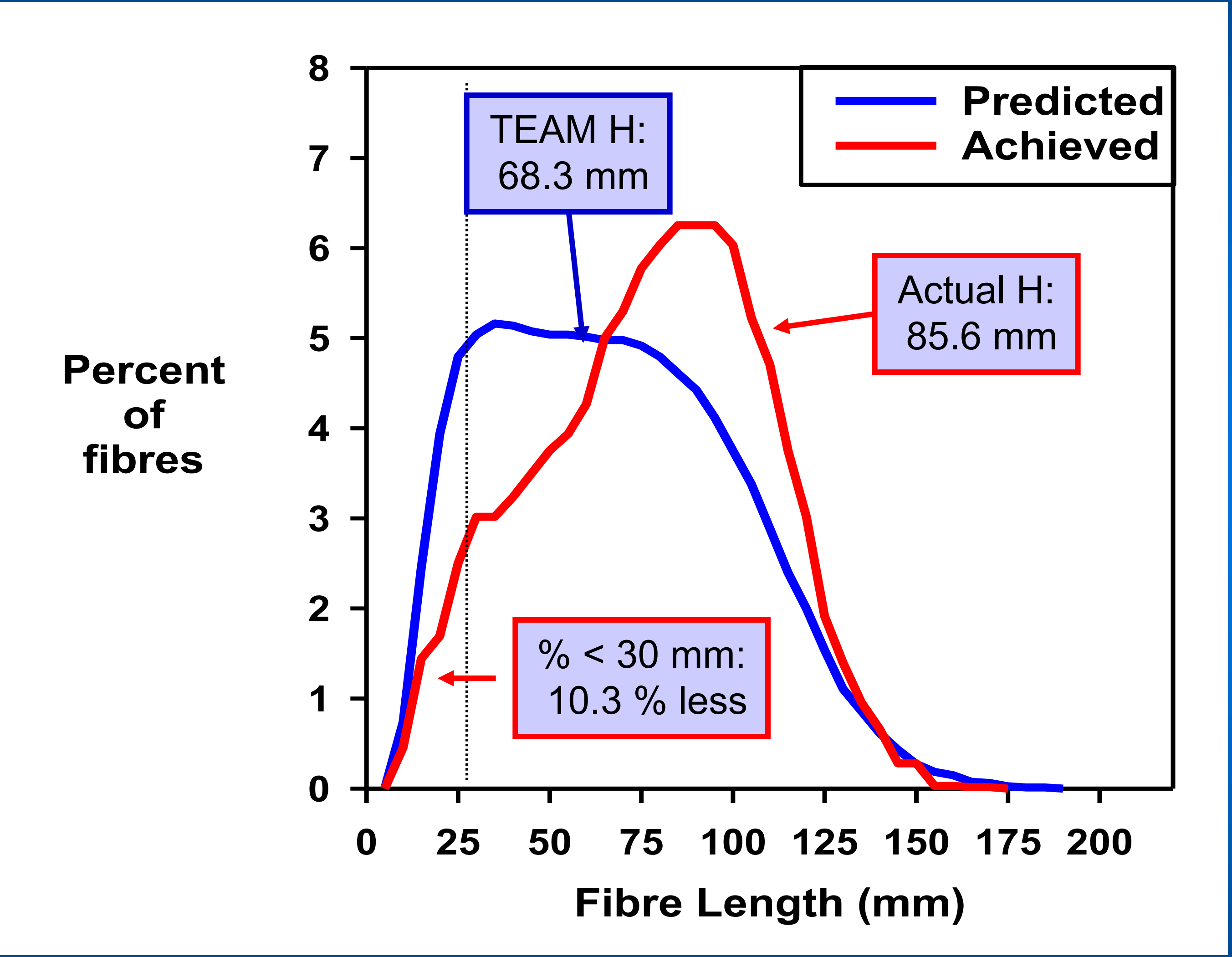

mean: Team 2, histogram SiroHauteur ver 1.5c

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The Future??

- Better communication through the pipeline
  - virtual vertical integration

- Defined technical niches (market segments)
  - Hauteur : diameter, curvature, yarn weights

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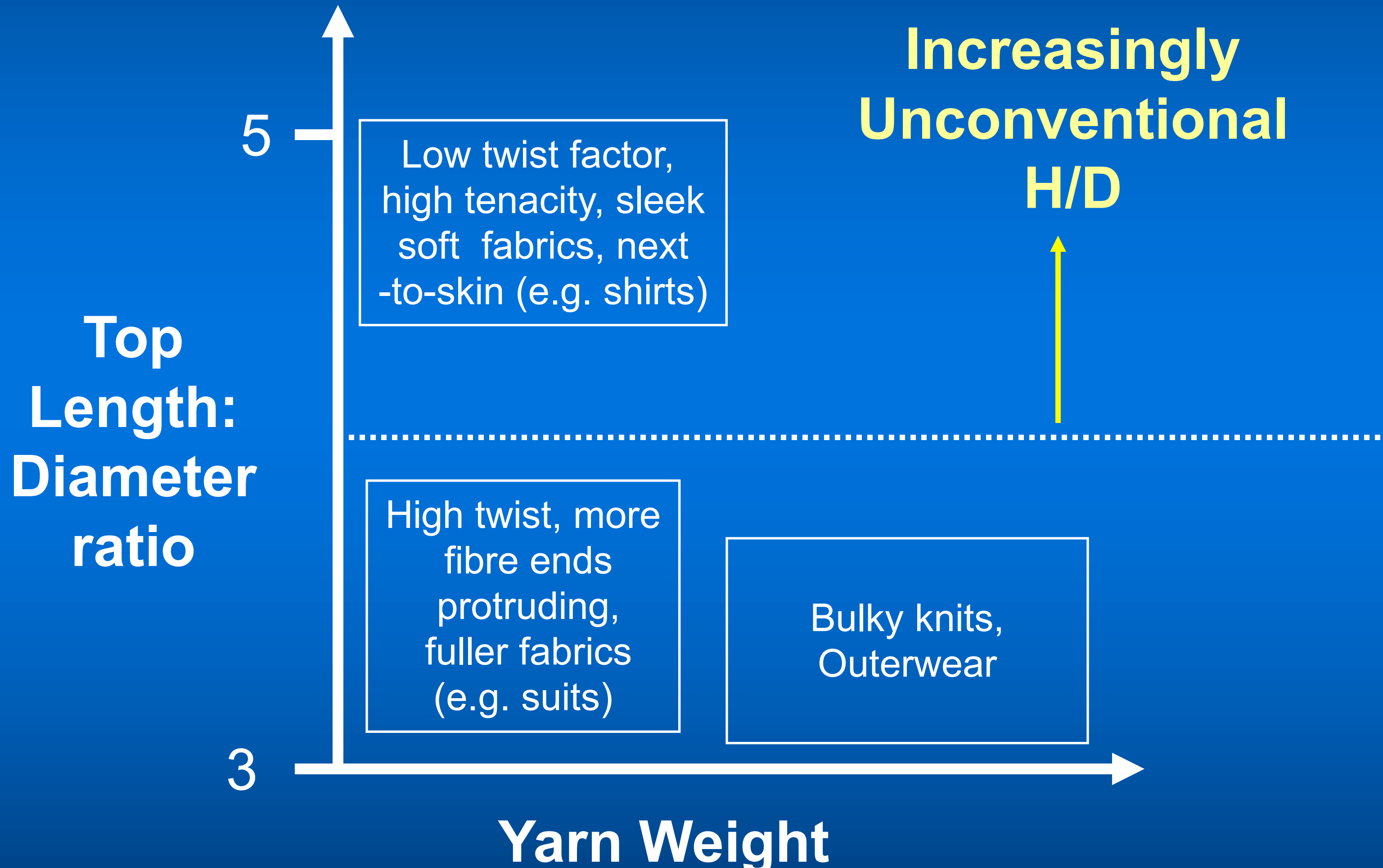
Defined technical niches (market segments)



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www.woolwise.com

The Future??

- Better communication through the pipeline
  - virtual vertical integration
- Defined technical niches (market segments)
  - Hauteur : Diameter, curvature, yarn weights
- Supply chain management
  - HG, Wesfarmers, Fibre Direct….
- Mature risk management system
- Technically aware, market oriented growers

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