



# MODIANO

## G. Modiano Limited

Broad Street House, 55 Old Broad Street, London. EC2M 1RX  
Telephone: 020 7012 0000 Fax: 020 7374 6468 E Mail: wool@gmodiano.com

AWI 7<sup>th</sup> World Merino Conference  
July 14th 2006

laurence@gmodiano.com

I have travelled half way around the planet to make a ten minute speech. For me they are ten of the most important minutes in my career.

Most of my family's money is invested in wool, and has been for 50 years. We are totally dedicated to your fibre. Our machines cannot be used for anything else. To that extent we are more dependent on growers than they are on us.

I am no public speaker and have no political agenda. My only motivation for coming here today is to express some ideas which I hope will lead to the betterment of our industry.

We have precious little time to take our crippled, fossilised industry and prepare it for change. Unless we do, we are destined to become an insignificant cottage industry.

The world continues to change at lightning pace, yet we in wool have failed to evolve with it. Volumes have dropped, margins have collapsed, profits have disappeared. An outsider would argue that wool is on the way out. It offers scant opportunities for young entrants and even fewer for those who are left. Make wool desirable, we are told. But wealthy young consumers cannot desire a fibre they know nothing about. Only the older generation remembers. Is it any surprise that wool is regarded as an old person's fibre?

If we want to survive, and even thrive, we have to learn the lessons of the past and create a better future. Today. Now.

I think it is true to say that the Test Marketing Project has given the whole industry more hope than it has enjoyed for a considerable time. This is only the start of a very long and exciting road. It proves that we can shove narrow self-interest behind us and unite in a common cause to the benefit of all.

The momentum we have created must be followed through with money and ideas. Other retailers and brands will be aware of our efforts. We must strike while the iron is hot. The TMP, if nothing else, will have taught us a great deal about what works and what doesn't. Those lessons must be applied to the next campaign. We have to start preparing now.

Retailers and marketing executives all over the world tell me what a brilliant story we have.

The CEO of one of the largest marketing companies in the world had this to say to me: You have a timeless but sadly forgotten super-fibre. You have to communicate that wool is natural, renewable and sustainable. That it is elegant, beautiful and sexy. That it is the foundation of fashion. That it has launched careers and fashion styles throughout history.

The owner of a large UK retailer told me: Wool needs to differentiate itself. If it is more expensive than other fibres, it has to sell its own features and benefits. It has to explain why it is worth paying more money for. Above all, it has to address wants as well as needs. It has to be used in partnership with products which create emotions.

The philosopher Plato said: 'Those who tell the stories rule society.' Images rule desires, desires rule actions.

We have to tell our stories, but there are two very important ingredients: the skill of the storytellers and the money which will open doors for them.

AWI, which has spent a reputed \$300m, mainly on R&D, since its inception, without many memorable innovations to show for it, has now decided to turn to marketing, even though there isn't a single marketing person on the Board and Executive team. They may be smart growers and able scientists, but they don't live and work in the consumer world and lack the proper skills required to tell our story. Taking on marketing people isn't enough. The organisation has to be talented from top to bottom. I fear they are wasting more precious time. Research and Development without Marketing is like a two-legged stool. No company on earth invents a new product and then expects its customers to sell it without being motivated to do so.

On-farm research is essential, but it becomes a swanky extravagance when world demand for wool continues to plummet, and with it wool production and wool processing.

As I see it, AWI receives far too high a proportion of levy income. They have used it to fight other causes, but these not require the large sums received to date.

History has shown that leaving it to growers and technocrats to manage innovation and promotion has not yielded the results expected. As with any business or organization, the critical point is to choose the right participants with the right skills for the right markets.

The diamond monopoly De Beers is based in South Africa, but its sales and marketing head office is located in London. In 2006 they will spend \$US180m on marketing and promotion in 18 languages, in 15 countries. Their Group MD states on their website: 'Brands are a catalyst for growth. We want to work in partnership with our clients to create a dynamic, competitive and customer focused diamond industry.'

Australian growers vote in November to decide on the amount of levy they pay to AWI. The problem is not so much a question of how much to raise, but far more how it is spent. I recommend an approach to government requesting the transformation of AWI into a professional R&D/marketing body with worldwide reach, to be co-funded by growers, exporter/processors and all other wool dependents. Together we would elect a small but highly experienced supervisory board, representing the best of the global wool and marketing industry. It will be responsible for allocating funds and appointing executive directors with the essential technical, marketing and retailing skills, who would themselves work with local experts in each target zone. Wool's principal markets are in the wealthy countries of the North. That is where the executives should be based. Away from politicians, away from bureaucrats, away from producers and close to the decision-makers and consumers who can make wool viable for all who depend on it for their livelihoods.

Key countries like China, Italy and India refused to co-fund the Test Marketing Campaign. The only way to catch them is to impose a buyer's levy. Those grower leaders I have

spoken to appear to accept this as a valid means of raising more money. Others may argue it is simply another tax on the grower. I assure you it is not. When collection began in January, did you notice a fall in your wool income? I think not. It should be raised in all grower countries to a level which ensures sufficient funds are contributed by all wool dependents, no matter how unwilling. I propose the buyers attempt to lift their share to \$10 per bale, and if we see that our model works, lift it again to \$20. Some exporters may balk at this, but as long as all of us contribute, none of us will be disadvantaged.

Australians have every right to be proud of their product, but it is time for us to cease marketing wool as Australian. No shopper enters a store looking for wool from one particular origin, and it is highly unlikely they will succeed. It is completely absurd to market a fibre origin. If the product is desirable, it sells, no matter where it comes from. Indeed, one very large UK wool retailer does not even want the word 'Australian' on its garments; PETA has seen to that. Other grower countries want to contribute to marketing and have the funds to do so. Why turn them down? Any uplift in demand will benefit growers worldwide, so why should Australians subsidise everyone else? Wool is a worldwide business. It should be funded and managed as if it were one.

The hardest thing in the world is to let go. You are the greatest wool-producing nation on Earth. Wool is an integral part of your heritage. But you have been devoting an important slice of your hard-earned income for seventy years with precious little to show for it. Your leaders may have acted in good faith. But the system of controlling Australian money, by Australians on behalf of Australians, to develop and sell your fibre to a market which lies on the other side of the globe, has failed you. Continue, and we all face the prospect of falling off the cliff. But if we learn to work together, we will have the experience, the passion, the money, the contacts, the unity of purpose and the strong, single voice required to tell our stories to a world which may be very eager to hear what we have to say.

I am convinced that wool is an undiscovered goldmine. When women discover the luxurious and sensual pleasures of a fine merino jacket, when men discover the natural elegance and delight in a pair of extrafine merino trousers, when young people discover how wool can play a key role in saving the planet, when sportspeople discover there is a fibre which can keep them cool in Summer, warm in Winter, dry and microbe-free, when exorbitant energy prices force home-dwellers to turn down their thermostats and discover the pleasures of a voluptuous wool jumper, when mothers discover that soft merino clothes help their babies and infants to live and breathe more healthily, when retailers and brands discover there is a product which can differentiate their offering from the morass of mediocrity in the high street, when the world discovers that what you put on your body is as important as what you feed it with, then we shall begin to reap the benefits of our long and painful commitment to an idea we have long believed in, but simply failed to convey to the world.

We have to save our industry. We owe it to ourselves to give it our best shot. The clock is ticking and day is turning into night. The power is ours to decide whether we are there to greet the dawn.

CARPE DIEM