

Appendix B 2010/11-2012/13 Strategic Plan

STRATEGIC PLAN 2010 to 2013 SUMMARY

INTRODUCTION

This is a challenging time for Australia's wool industry, but one full of hope. The drought that has plagued the industry is all but broken, and we are seeing price movement for the first time in the right direction. Our work in assessing consumer sentiment shows that the world is searching for what we have – a natural fibre that is sustainable, flexible and comfortable. The message we received from Woolgrowers from Woolpoll 2009 was clear – to focus our attention in R&D and Marketing and to reconnect the world's apparel and interiors consumers with wool.

AWI has, over the last 18 months, reviewed its performance and structure. We have formalised much of the consultation we do with stakeholders streamlined our business to reduce overheads; and reviewed every program and project to ensure we are aligned with Woolgrowers expectations.

Likewise we have focused our attention on current and potential partners in the supply chain who, like AWI, believe the Wool fibre story is of value to consumers and engaged with them in planning a range of activities to grow demand and improve returns to Woolgrowers.

With hard work and a focus on the business, we believe this Strategic Plan will help the wool industry to shift to a stable base, and in turn to continuously improve our product and its delivery to consumers around the world.

Wal Merriman
Chairman

Tough times beget tougher expectations, and it is the job of the AWI team to meet Woolgrower's expectations that we deliver research and development, and marketing programs that drive the growth of demand for Australia's wool, and the price we are paid for it. To do this successfully we will need a cohesive strategy, strong market presence and disciplined programs and actions. These are the challenges for our management team presented in this Strategic Plan.

Our thinking starts with the consumer. It is a deepening knowledge of this consumer, their wants, needs and aspirations that drives both our on-farm and off-farm research and development. Matching the benefits and attributes of Australian wool to consumer wants and needs will ensure our best chance for demand growth. Likewise, our marketing efforts, working with supply chain and retail partners, must ensure we deliver relevant information when, where and how the consumer wants it that will motivate them to demand apparel and interior products made from wool

For us to deliver this Strategic Plan, we have reviewed and refined our resource requirements, aligning them to the mandate we received from Woolgrowers. We are increasing our consultation with all stakeholders, and have taken steps to improve the effectiveness measures we have in place to assess the impact of our activity.

In all our endeavours we recognise that our best resources in meeting these expectations are our people. Well trained, motivated and responsive management and staff is a key element to delivering this plan and the results woolgrowers expect.

Stuart McCullough
Chief Executive Officer

VISION, STRATEGIC INTENT AND BUSINESS MODEL

Vision

AWI will be a significant contributor to a vibrant, stable and profitable wool industry providing the world with the best natural fibre.

Missions

AWI’s mission is to invest in research, development, marketing and promotion in order to;

- 1: Enhance the profitability, international competitiveness and sustainability of the Australian Wool Industry; and
- 2: Increase demand and market access for Australian Wool.

Goal

To help increase the demand for wool through investments in marketing, innovations and R&D – from farm to fashion.

Business Objectives

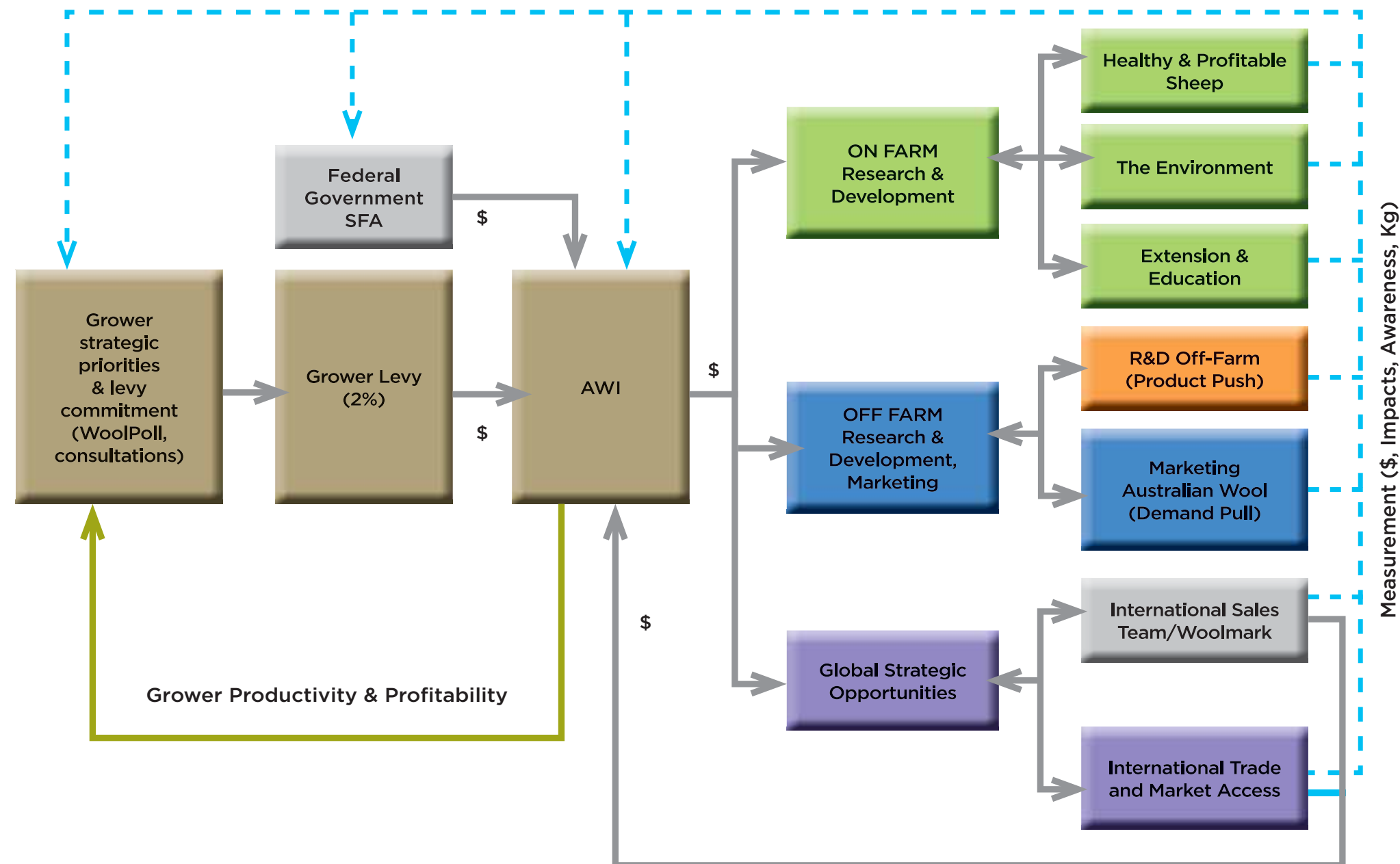
- 1. AWI will be a leaner, commercially oriented company with a sales and customer focused culture where every member of the team is either marketing wool and its attributes, or serving someone who is selling wool in its various forms as it moves through the supply chain.
- 2. In line with the reduced size of the industry, AWI will continue to actively review its size and resource base and reduce it wherever possible without compromising our ability to achieve our Vision and Goal.
- 3. Review the role of AWI brands (e.g. the Woolmark) and define a long term strategy to rebuild the brand and its value to consumers and trade.
- 4. Proactively review and manage current and potential issues impacting trade development, regulatory controls and in the period of this Strategic Plan, AWI will continue its efforts to identify and capture new revenue streams. We recognise that in the short term this is difficult, due to the diverse nature of the supply chain we must service, and the size of the challenges that confront us. We will however make every effort to enhance current revenue streams, and define new revenue streams.

Business Model

In the WoolPoll conducted of growers in November 2009, our shareholders voted to continue the current levy at 2%. Funding splits are:

Research and Development 50%		Marketing 50%
On Farm R&D 30%	Off Farm R&D 20%	Off Farm Marketing 50%
On Farm Activities 30%	Off Farm Activities 70%	

AWI BUSINESS MODEL



CORPORATE VALUES

Innovative:

We will continuously pursue **fresh approaches and ideas** in research and development, and marketing throughout the supply chain.

Transparent:

In all our operations and dealings internally and externally AWI, its Board, our people will seek to be **transparent** about what we do, why and how we do it.

Accountable:

Adopting principles of **measurement** and accountability in all activities is vital to maintaining the credibility of AWI. At all times we will set objective measurement criteria, establish metrics for our performance and evaluate our progress. The Australian woolgrower works hard to produce a quality product and they deserve and require us to work as hard on their behalf and provide a return on their investment.

Collaborative:

AWI and its stakeholders have limited resources, and do not control the processing or end use of our product. As such we are dependent on **partners** through the supply chain to ensure our objectives and policies are pursued and results achieved through collaboration and partnership.

Proactive:

Allowing market conditions and circumstances to drive the future of Australia's wool industry is unacceptable. We will seek to understand future trends, **anticipate market needs** and drive growth opportunities rather than simply react to external dictates.

Committed:

We are committed to providing our people with a safe, rewarding, accountable and **supportive work environment**.

AWI AS AN INDUSTRY OWNED COMPANY (IOC) AND STATUTORY FUNDING

AWI is partly funded by the Federal Government through a Statutory Funding Agreement (SFA) gearing in investment in Research and Development. Government budgeting and reporting practices were reviewed in 2008 under Operations Sunlight (the Murray Report) to help improve the transparency and quality of Government financial management and accountability processes. In addition to other administrative changes 'Outcomes', 'Programs' and associated 'Deliverables' and KPIs now form the essence of the Government's budgetary framework. The Program Framework provides a useful "benchmark" planning and performance management framework which can be applied across the industry owned companies (IOCs) such as AWI as their performance is reviewed and SFAs are renewed. AWI is responsible for ensuring that expenditures of the funds on marketing and R&D deliver planned benefits to Australian woolgrowers. This suggests two major "outcomes" under the 2009 WoolPoll along the following lines:

1. R&D outcome: informed decisions by woolgrowers to enhance the profitability, international competitiveness and sustainability of the Australian wool industry through investment in R&D; and
2. Marketing outcome: increased demand and market access for Australian wool through investment in marketing and promotion.

Each of the two outcomes can be delivered by AWI through dedicated Wool Industry R&D Program and Wool Industry Marketing Program along the following lines:

- **Wool Industry R&D Program:** increase information and knowledge through the targeted investment in R&D to enhance the profitability, international competitiveness and sustainability of the Australian wool industry through:
 - **Off farm wool Industry R&D Sub-Program:** increase information and knowledge through targeted investment in off-farm R&D to enhance the profitability, international competitiveness and sustainability of the Australian wool industry.
 - **On farm wool Industry R&D Sub-Program:** increase information and knowledge through targeted investment in on-farm R&D to enhance the profitability, international competitiveness and sustainability of the Australian wool industry.
- **Wool Industry Marketing Program:** increase demand and market access for Australian wool through targeted investments in marketing and promotion:
 - **Marketing Sub-Program – Fibre Information and Partnership Marketing:** build demand for Australian wool through investment in marketing related developments and promotions, filling gaps in consumer and trade understanding of the fibre and its benefits.
 - **Marketing Sub-Program – Merino Wool Product Development and Marketing Support:** build demand for Australian Merino wool through investment in targeted fashion apparel and interiors; assist to commercialise products in partnership with the supply chain.

GUIDING OPERATIONAL PRINCIPLES

There is a future for wool. World demand is searching for natural, sustainable alternatives to industrial and petrochemical based products, and according to Mintel's latest report (March 25, 2010) on green living, the environment remains a concern for the majority of consumers. More than one-third (35%) of Americans surveyed say they would pay more for 'environmentally friendly' products. To date the strongest evidence of this is in Food and Beverage and Personal Care categories. To capitalise on this trend the wool industry has a major challenge ahead of it. In its report to AWI in 2007, McKinsey and Co. stated: "a massive shift in demand will be required to fundamentally change long-run woolgrower profitability." To achieve anything like this required growth a unified approach to growing and marketing wool is required. AWI, and the wool industry, must embrace strategies that are based on:

Partnership

The industry can rebuild market share, but only if it creates a united, relevant and meaningful dialogue both direct with consumers, and with manufacturers who value the natural attributes of wool as part of an overall quality story. AWI will engage in targeted efforts to build effective commercial partnerships with those most likely to have both market success and return incremental earnings to growers. To do this however, stronger leverage of our investment alongside partners, and supplementary funds must be found outside the current R&D levy system to allow wool to compete with the \$AUD150 million plus spent marketing cotton, and much more invested in man-made fibre. And it is doubtful many woolgrower groups have this level of funding available. AWI cannot meet all the challenges identified by itself. It needs to identify partners throughout the supply chain and work with them to build demand for wool. A number of our in-market programs have evidenced that there is no shortage of potential partners prepared to work with us to achieve improved volume and margin. AWI will pursue these productive and leveraged partnerships provided that there is a common understanding of who we are targeting, what "barriers to purchase" we are addressing and how we will motivate consumers to buy wool garments.

Measurement

AWI's direction is governed by expectations of our stakeholders, one of which is that we ensure cost-effective investment of their funds across R&D and Marketing. To ensure this is the case we ensure every project we do is evaluated through metrics relevant to the task at hand and the over-riding concern about creating demand and improving price paid to woolgrowers. We undertake measurement at Project, Program and Strategy levels on a project completion, quarterly and annual basis.

People

AWI understands that its principal investment, and asset, is its people. We value our employees and will provide our people with opportunities for responsibility, personal growth and development through facilitating and supporting the development of our people's knowledge and skills. We are developing a corporate culture that empowers our people to work hard in support of Australian woolgrowers, their partners and the broader community. We will empower them to do so by offering support and help without removing responsibility for action.

Provenance

These days consumers want to know more about the products they buy, and seek them in real time. They want to know what they are purchasing, its provenance, fitness for purpose, CSR and ecological credentials. AWI will work toward supporting these demands from on-farm through to fashion in its R&D and Marketing efforts, and assist our stakeholders to meet these consumer needs.

GUIDING OPERATIONAL PRINCIPLES

Product Innovation

There is a range of product development activity around existing and new uses of wool. These have had a positive response from manufacturers and retailers, but by nature of the supply chain are slow to get to market. In the past we have focused on function at the expense of form, or fashion. Our efforts at an effective, consumer-driven product innovation program will continue, with a stronger focus on early engagement with commercial partners and a stronger emphasis on aesthetically pleasing products. Cut, colour, texture and drape are at the core of this program, and innovation will be applied across each of these dimensions. This product development program is designed to increase market access and in particular to those consumer segments our research suggests will respond most readily to a wool value proposition.

Self-Help

AWI has limited funds and resources, therefore our ability to reach every participant in a long and complex supply chain is limited. Further, consumers of wool are dispersed across the globe. In these circumstances AWI, wherever possible, will focus its attention on strategies and programs that enable supply chain partners and consumers to help themselves when looking for information on wool and wool products. By using technology, and providing contemporary and compelling content, we will extend our knowledge to a broader audience and encourage adoption and action that leads to incremental volume sales of wool.

Information and Training

A generation of consumers (and customers) are unfamiliar with wool. Wool is natural, biodegradable and sustainable and today delivers a wearer experience second to none. This must be communicated to consumers both directly and via those that stock and sell wool fashion apparel.

In regard to consumers, AWI has identified those market segments likely to find wool garments affordable and preferable. However these consumers still perceive wool garments to be outdated and unsuitable for today's more casual, climate-controlled living conditions. There is a gap between perceptions and our product reality and we need to work with partners to close this gap by delivering information on the comparative benefits of wool. Doing this requires us to look at enabling technologies such as direct digital and mobile information delivery.

Equally, the rapid turnover of staff in the average retail outlet means there is little chance retained knowledge of wool, its competitive benefits and value for money is available to assist in selling products that, in many cases are at a price disadvantage to other products made from cheaper fibres. AWI must provide trade partners (especially at retail) with affordable, available and easily accessible training tools that enable sales people to sell our product. Recent advances in delivering digital content (like short training films) to websites or via mobile applications allow us to do this, in partnership with channels and key accounts, cost effectively. Equipping these stockists with the appropriate training tools and point of purchase materials (both written and digital) is a critical success factor.

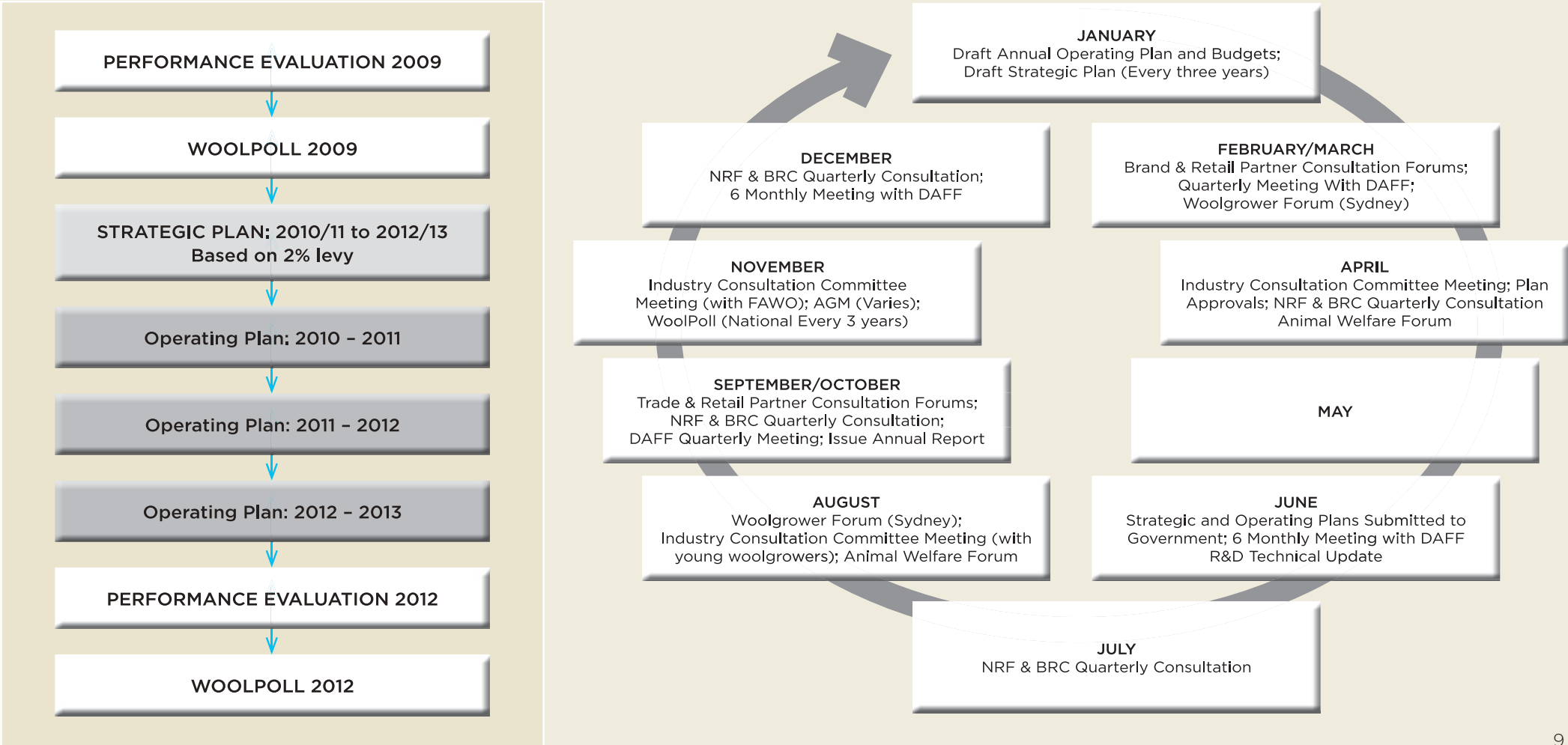
Environment and Welfare

The wool industry has a proactive stance in the management of natural resources and animal welfare standards. As consumer interest grows in these issues we are prepared to lead in discussions on the responsible conduct of our business and the adoption of 'best practice' standards from farm to fashion. The challenges posed by climate change and environmental sustainability are universal across the agriculture and livestock sectors, and AWI is committed to using its education and extension resources and programs to ensure woolgrowers are equipped with the knowledge and tools necessary to build and maintain sustainable enterprises in this broader community context.

PLANNING AND CONSULTATION

As an entity owned by Australian woolgrowers, AWI adopts a highly consultative approach to the development of its strategic priorities, Strategic and Operating Plans. The strategic direction of the company and its base income forecasts are derived from the WoolPoll, which takes place every three years and, as established in the legislation, is conducted independently.

In the most recent WoolPoll, conducted in November 2009, woolgrowers confirmed the levy will remain at 2% for the next three year period (1st July 2010 through to 30th June 2013). The assumptions on which this 2010/2011 to 2012/2013 Strategic Plan are based derive from that decision, and from the direction from Woolgrowers that AWI focus on demand creation/marketing and on farm side improvements to profitability and management of woolgrowing enterprises. Further, based on this Strategic Plan, an Operating Plan has been prepared for the impending fiscal year (2010/11). It should be noted from the figure (below) that the Strategic Plan & Operating Plan are prepared to meet operational requirements for budgets to be in place by June 30th each year.



MEASUREMENT AND EVALUATION

Based on various assessments undertaken prior to the development of this plan, AWI has developed a measurement and evaluation framework which will be adopted and rigorously enforced across all its activities described in this Strategic Plan. This framework is, at the time of writing, being formalised by PricewaterhouseCoopers into a procedure that will deliver independent third party evaluation metrics to AWI and its shareholders on a regular basis.

In negotiating with partners their participation in AWI programs, AWI is mindful of its commitment to woolgrowers in WoolPoll 2009, wherein we assured them we would engage in marketing activities with partners where the leverage is \$1 from AWI to \$2 from partner contributions. To this end, for the marketing activity outlined in this Strategic Plan we require partners to agree to the following method of evaluation prior to commencing a program:

Program Type	Measure	Source	Frequency
Marketing 1. Fibre Promotion Partnership Programs 2. Product Promotion Partnership Programs	Awareness and Purchase data	Consumer Monitor (Partner TBA)	Quarterly/Annual
	AWI to Partner Investment ratio (measured in cash or kind equivalent \$)	Partner measurement and declaration; financial records	By project
	Program Impact measured in Reach, Frequency and Total Impacts	Media Measurement Services (contracted by project prior to commencement)	By project
	Kilograms of wool sold (defence or incremental new demand)	Partner measurement and declaration; financial records	By project
Product Development Programs	AWI to Partner Investment ratio (measured in cash or kind equivalent \$)	Partner measurement and declaration; financial records	By project
	Kilograms of wool sold (defence or incremental new demand)	Partner measurement and declaration; financial records	By project

The specific interim measures to be utilised are described below (but subject to confirmation on completion of the PWC work).

GOVERNMENT POLICY SYNERGY - STRATEGIC PRIORITY FRAMEWORK

National Research Priorities	Rural RDC Priorities	AWI R&D Priorities
Promoting and maintaining good health	Productivity and adding value – improve the productivity and profitability of existing industries and support the development of viable new industries.	On-Farm R&D Strategy 1: Animal Health, Welfare and Productivity Strategy 2: Wool Harvesting and Clip Quality
	Supply chain and markets – better understand and respond to domestic and international market and consumer requirements and improve the flow of such information through the whole supply chain including to customers.	Off-Farm R&D Strategy 1: Quality Assurance, Eco and Carbon Management of the Supply Chain Strategy 2: Health and Environmental Attributes and Benefits of Wool Fibre and Products
An environmentally sustainable Australia	Natural resource management	Marketing (Demand Pull) On-Farm R&D Strategy 3: The Environment, Climate Change and Carbon
	Climate variability and climate change	On Farm R&D Strategy 3: The Environment Off-Farm R&D Strategy 1: Quality Assurance, Eco and Carbon Management of the Supply Chain Strategy 2: Health and Environmental Attributes and Benefits of Wool Fibre and Products
Frontier technologies for building and transforming Australian Industries	Supporting the rural R&D priorities through innovation skills and technology	On Farm R&D Strategy 3: Education and Extension Off-Farm R&D Strategy 6: Marketplace Extension, Trade and Consumer Education
Safeguarding Australia	Biosecurity	On Farm R&D Strategy 1: The Merino Fibre - Healthy and Profitable Sheep Strategy 2: The Environment

INDUSTRY CHARACTERISTICS

- Wool was Australia's second largest agricultural export in 2006/2007 behind beef, making up around 11% of total farm exports.
- In its first forecast for the 2010/11 season, the Australian Wool Production Forecasting Committee predicted that shorn wool production in Australia will rise to 350 mkg greasy, largely due to an expected increase in fleece weights given the good seasonal conditions in many parts of eastern Australia. The Committee also revised upwards its forecast for Australian shorn wool production in 2009/10 to 340 mkg greasy, up from its December 2009 forecast of 330 mkg greasy. This compares with a final estimate for 2008/09 of 362 mkg greasy.
- The Australian flock was composed of 88% Merino, 9% crossbred and 3% other breeds as at 1 January 2007. Since then, the proportion of crossbred sheep has increased at the expense of Merino reflecting a shift to meat/wool combined production.

OUTLOOK FOR WOOL – ABARE

- World wool consumption has declined, but sheep numbers and wool production also declined.
- More sheep meat production has led to lower supplies of fine wool.
- Australian lamb slaughters are up.
- Developments in China are important to the Australian wool industry.
- China's wool demand is projected to rise as growth in demand for textiles and clothing continues.
- Competition from other low cost countries will increase over time.
- China needs to produce high-quality woollen textiles & clothing to compete. To achieve that China will have to import more fine wool.
- Australia will be a major world supplier of fine wool.
- Australian sheep flock will rebuild only gradually.
- Fine wool prices will be supported by limited supply.
- In Summary:
 - EMI to average 920 cents/kg clean.
 - Export volume to fall 4% to 385 kt greasy equivalent.
 - Export value: \$2.06 billion.
 - Sheep flock to increase gradually from 2011/2012.

CURRENT ISSUES AND OPPORTUNITIES

Flock Size

Recent estimates show the national flock is currently approximately 71.6 million – the lowest for more than 100 years. These numbers may continue to fall (despite anecdotal comments to the contrary) unless there is a decrease in the numbers going to market or an increase in reproduction rates. It is hard to see either scenario happening when the number of producers reducing or walking away from wool production altogether has been accelerating. The dramatic drop in wool production is due to three primary reasons:

- Consumer demand has declined and this has had an impact on wool prices;
- Farmers have responded to the changes in relative commodity prices by switching enterprise mix away from wool production;
- The drought has also had an impact.

Minor Increase in Real Prices

While the Eastern Market Indicator shows a minor recovery of the price of wool from its all time lows, woolgrowers tell us that the average EMI price of wool does not, on average, cover their costs of production while higher prices for other commodities (such as meat and grain) yield higher returns per hectare. This is reflected in the ABARE statistics collected and reported in 2007/8. The real price received for our product is not much more than it was in 1979. Instead of wool being the primary product of farm enterprises, it is increasingly being relegated to a component of mixed farming. All too often producers are continuing to produce wool either for historical/emotional reasons or as an element of a mixed farming risk management strategy. Yet, despite the decline in numbers, they remain important for high and sustained profits and risk minimisation – particularly on mixed crop-livestock farms.

Supply Chain Issues

In the last few decades, the supply chain has increasingly become dominated by Chinese processors, who have been found at times to blend the finer Australian Merino wools to a price, rather than being concerned with product integrity. This being the case, the quality of the mid and end products made from our wool cannot really be controlled from Australia. In March 2009 China imported 81 per cent of Australia's total wool exports - a jump from a stable 10-year average of around 60%. Further, despite being the leader in apparel wool production, we have taken a holiday from effectively marketing wool to consumers (and in many cases to retailers) for close to a decade. In this time we have seen other “brands” – fibres such as cashmere and cotton – form and maintain relevant bonds with retailers and their consumers while wool has not.

It has been noted that a number of RDCs have been working on supply chain dynamics and improvements, and the supply chain for wool is perhaps the most complex and geographically diverse. Nevertheless, AWI will focus on generating improvements and creating long term efficiencies in line with delivery of a better quality, more affordable end product.

CURRENT ISSUES AND OPPORTUNITIES

Animal Welfare

Standards of animal care and custodianship are attracting greater attention from consumers, governments, retailers and special interest groups within Australia and internationally. Where there are welfare concerns, this has the capacity to impact on market demand, market access and the reputation of the industry. Whilst the Australian Wool Industry has traditionally maintained very high standards of animal welfare, there has been growing international concern regarding the flystrike prevention procedure of mulesing. This has been the focus of an animal activist campaign with a significant impact on international retail stakeholders in North American and European markets in particular. Unfortunately, it is not a simple issue to resolve. The procedure is highly effective to prevent suffering and death due to virulent *Lucilia* blowfly maggot infestation, and millions of sheep across Australia's diverse environments would be highly threatened by and exposed to the condition without it. Where woolgrowers seek to manage flystrike risk without the procedure they may face significant productivity losses such as due to; sheep illness and death; the need for and stress of increased handling; costs and environmental impacts of increased chemical treatments, and reduced wool quality due to dag, stain and chemical contamination. In many cases this would be sufficient to drive woolgrowers out of wool production and into other enterprises. This is a significant risk to the industry at a time when merino numbers and wool production has already reached critically low levels. This risk needs to be balanced against potential impacts on the image and reputation of the industry, and on demand and market access for wool.

Assisting woolgrowers and the industry address and resolve this issue is thus a very high priority for Australian Wool Innovation. AWI is targeting investment and activity in many different areas designed to balance the above risks and assist the industry to move forward in a sustainable, productive and positive fashion. These include:

- 1: Pursuing highly targeted and committed R&D and extension activities designed to assist woolgrowers manage flystrike risk in their sheep without mulesing through breeding and/or use of alternate management or breech modification strategies. This is likely to see more and more growers able to successfully manage their sheep without the procedure over time, with growing volumes of non-mulesed wool available to the marketplace.
- 2: Supporting welfare improvements to the procedure where-ever it is still undertaken in the meantime, through best practice training and accreditation and use of pain relief treatments.
- 3: Supporting differentiation and choice in the marketplace via the National Wool Vendor Declaration, and assisting supply chain and retail partners source wools that meet their requirements.
- 4: Engaging with stakeholders, partners and the community to educate, inform, monitor and report on progress - It is imperative that stakeholders, partners and the community have a well informed understanding of the issue and realistic expectations.
- 5: Providing evidence based science in support of informed policy decisions at national and international level to protect and enhance market access.
- 6: Promoting the wider industry efforts and progress to address welfare concerns and engender trust and confidence in the Australian Wool Industry.

Sustainability

The global textile consumer is increasingly making purchasing decisions based on sustainability. This ranges across perceptions of a product's environmental credential, its carbon footprint and textile production practices.

Sustainability is also having an increased impact on designers' decision making process. This can be what fabrics they choose, the factories they use to make their products, the packaging of garments, care instructions and disposal options. Activity is also increasing in this area. At London Fashion Week in 2010 there was an exhibit devoted to "eco sustainable fashion". Early in 2010 the United Nations Conference on Trade and Development in Geneva hosted an EcoChic fair. It focused on "sustainable fashion" where well-known designers created garments out of natural fibres manufactured in the "most sustainable way".

Mintel, the international market research company notes: "As consumers demand more from companies they do business with, they'll want more scrutiny on ethical claims than ever before".

The sustainability evolution has taken hold at many of the most famous and influential apparel brands. Nicole and Michael Colovos, Creative Directors at Helmut Lang placed high importance on it. "We believe sustainable fashion is clothing that continues to be relevant - that can be worn for many years. It is the opposite of disposable fashion. It is about the quality of the fabric and construction, intelligence in design and the ability for the concept to withstand the tests of time. It also now extends to working with factories and mills that work in an ethical environment with regards to the employees and the environment."

CURRENT ISSUES AND OPPORTUNITIES

Sustainability (cont'd)

In early 2010 the World Wide Fund for Nature published a report called “Deeper Luxury”. Its aim was to score the 10 largest publicly listed luxury brands on 50 different environmental and sustainability issues. None of them scored more than a C+.



In a broader context, UK's Forum For The Future identified eight key issues that impact fashion in context of sustainability, seven of which are dealt with in specific activities outlined in this Strategic Plan:

1. Fashion consumption – the increasing number of fashion items that we buy and then dispose of. **(See: Product Development)**
2. The intensity of cotton production requiring lots of energy, water and pesticides. **(See: Marketing/Fibre Promotional Partnerships; Product Development)**
3. Working conditions across the supply chain from cotton production to sweatshops.
4. Energy consumed when we are washing our clothes contributes to climate change. **(See: Product Development)**
5. Chemicals in the working environment can be toxic and damage workers health and the local environment. **(See: On Farm R&D; Product Development)**
6. Unsustainable man-made fibres can take longer to degrade in landfill sites. **(See: Marketing/Fibre Promotional Partnerships; Product Development)**
7. Fashion miles that burn carbon as fabric and clothing are transported around the world. **(See: Product Development)**
8. Animal welfare – ensuring that good standards are upheld during leather and wool production, and avoiding fur. **(See: On Farm R&D)**

The Australian wool industry through AWI and its Woolmark brand are perfectly placed to position Australian Merino wool to benefit from this increasing consumer trend. Being able to work across all stages of the value chain, AWI can assist growers and partner with processors to provide a more consumer-based sustainability and low carbon value proposition. This can be further developed to include new IP revenues and Merino fibre marketing programs working with our leading brand partners.

CURRENT ISSUES AND OPPORTUNITIES

In Summary – We Must Overcome Significant Barriers

There are a number of issues and opportunities we must address, if AWI is to achieve its goals:

Fashion Profile

On the whole, fashion has moved against wool. Apparel categories where wool has traditionally had a high share have shown limited or negative growth.

Consumer Preference

Consumers' preference also shifted from formal to casual wear, which has had a negative impact on Australian wool given it is mostly consumed in formal wear today. This trend will continue and is of particular concern for apparel worn “below the waist”.

Perceptions

Consumers have negative associations of wool versus other fibres and are out of step with product reality. They rate “comfort” as increasingly important in choice of fabric, while wool is perceived as “itchy, hot, scratchy”; they also have a preference for “easy care” garments, while they perceive wool to be difficult to care for. They want a natural fibre, but don't immediately think of wool.

Processing

The industry will find it almost impossible to reverse the minimal ability to process wool in Australia without very significant investment. Over time, circumstances have relegated the Australian woolgrower to producing a price based commodity, where all the added value is earned (and remains) offshore.

Profitability

On average there is insufficient net income to keep producers in the business, to attract new growers, and to ensure a supply of labour (shearers) necessary to continue product production and improvement. We need to look at the sales process, supply chain dynamics, and its viability and identify areas where we can claw back additional income and better profitability for woolgrowers.

Sustainability

The industry needs to connect along all stages of the growing, processing and retail chain to ensure consumers are aware of Merino wool's superior performance in sustainability; its renewable, natural status; low energy care status; longevity as a style focused garment; the epitome and standard for “slow clothes” other fibres aspire to meet.

Climate Change

This will continue to provide challenges and opportunities for Merino wool production. One of the main challenges will be competing land use. As the carbon economy continues to develop, landowners will find new income sources from environmental planting of trees on grazing land for potential carbon credit generation. This challenge can be lessened by AWI working with international carbon experts to develop methodologies for agricultural carbon offsets under the November 2009 released National Carbon Offset Standard. This work can be done in parallel with processors in developing countries to reduce the carbon footprint of textile processing and manufacture.

CURRENT ISSUES AND OPPORTUNITIES - SWOT

Strengths

- AWI has achieved consensus on R&D and Marketing investment levels for the next three years and now has a cohesive approach to strategy across the industry
- Wool is natural, biodegradable, renewable, low carbon footprint
- Reduced micron of the wool clip over time has created the potential for finer, more comfortable products
- Merino (wool) is seen as a luxurious and more comfortable than traditional wool products, and has the potential to address consumer barriers to consumption
- Both designers and processors (in particular Italian) are prepared to support marketing efforts behind wool
- AWI R&D efforts off farm are increasingly consumer driven and finding acceptance in strategically important markets (Japan, China, UK)
- The Woolmark is one of the world's most recognised apparel brand symbols

Weaknesses

- Supply vulnerable to prevailing weather conditions. The flock size has reduced significantly over the last decade
- Other farm activities provide higher and more reliable returns
- Consumers on the whole are ignorant of wool's competitive benefits, origins, environmental credentials
- Existing consumer perceptions are dominated by old, unfashionable and uncomfortable products
- Given a long supply chain, wool represents a minor percentage of final apparel cost, therefore cannot easily impact end consumer price and presentation
- Retailers and brands have limited and decreasing knowledge of how to sell wool apparel, and in many cases how to source fashionable saleable products
- The Woolmark no longer connotes quality and has lost its connection with consumers and value to some licensees

Opportunities

- On farm, there is considerable room for management improvements and greater productivity
- Further progress on predation and infestation will lower costs of production
- Natural fibre and low carbon footprints are relevant competitive benefits for a significant proportion of the market
- Product development and innovation has yielded successes in the challenges facing woven product consumption
- Wool lends itself to greater use in sports and performance apparel, in particular for its benefits in moisture control, hygiene, temperature regulation and compression
- Brands and retailers are looking for product "stories" and wool has one to tell
- Marketing has changed, with more cost effective targeting now available through digital and some traditional media
- Rebuild perceptions of the Woolmark through attaching relevant fibre and product information

Threats

- Limited levels of productivity improvement have been evident in wool production, and there is a need to ensure modern management practices and a market driven perspective are adopted industry-wide
- Labour availability has been restricted and remains under pressure; there is particular concern for continued availability of shearers and wool classers
- Limited early stage processing in Australia, most now processed in China, with lesser amounts in Eastern Europe and India
- While oil prices have continued to climb, albeit at a slower rate, man made fibres continue to have a strong price advantage over natural fibres and in particular wool
- At less than 2% share of apparel, manufacturers and retailers relegate wool to niche product offerings
- AWI must help the industry proactively manage trade and market access and regulatory environments

STRATEGIC FRAMEWORK

Vision	AWI will be a significant contributor to a vibrant, stable and profitable wool industry providing the world with the best natural fibre.				
Missions	AWIs mission is to invest in research development marketing and promotion in order to; 1: Enhance the profitability, international competitiveness and sustainability of the Australian Wool Industry and 2: Increase demand and market access for Australian Wool.				
Objectives	1. Help build a sustainable Australian wool industry through improvements in productivity and profitability on-farm. 2. Help increase demand for Australian Merino wool by recognising and addressing through off-farm R&D the product and process barriers to consumption at trade level through consumer-driven, targeted research, development and innovation programs (PUSH Strategies). 3. Help increase demand for Australian Merino wool by recognising and addressing the information barriers to consumption at consumer and trade level, and informing people the Merino wool fibre story. In short – implement PULL strategies. 4. Review the role and value of the Woolmark brand, revitalise it and, where markets and partners permit, maximise the presence and income streams of the brand. 5. Define threats and opportunities facing the Wool industry, and build strategies and programs to ensure market access, sustainable production and improved trading environment across the supply chain.				
Strategies	Wool Industry R&D On-Farm	Wool Industry R&D Off-Farm (Product Push)	Marketing Australian Wool (Demand Pull)	International Sales Team/ Woolmark	International Trade and Market Access
	Through R&D help build and maintain a sustainable and profitable industry.	Through product R&D and Marketing adopt a SALES PUSH approach to ensure trade partner support for Merino wool through innovation in consumer- driven product and process.	Through implementing a DEMAND PULL approach, in partnership with industry, increase demand for Merino wool fibre by informing and motivating target consumers, retailers and the supply chain.	Revitalise the Woolmark and, through the Fibre and Product Marketing Partnerships, rebuild consumer links with Wool, and over time increase the value and understanding of Woolmark and its role in building consumer demand and product quality.	Proactively identify and manage regulatory and trade environment and extend market access. Lead facilitation of trade development and penetration of new and profitable markets.

OVERVIEW – ON-FARM R&D STRATEGIC FRAMEWORK

Objective	Through careful investment in R&D projects address opportunities to help improve productivity and build demand for Australian wool.			
Approach	Invest in On-Farm R&D programs that improve profitability, competitiveness and sustainability of the Australian Wool Industry.			
Outcomes On-Farm R&D Sub program	The generation of information and knowledge to foster the viability, productivity and sustainability of the Wool Industry through investment in On-farm R&D, education and extension			
	1. Foster Sustainable, Profitable and Ethical Animal Care and Wool Production	2. Foster Sustainable, Profitable and Ethical Land and Resource Management	3. Industry Resilience, Confidence and Growth	
Strategies	Strategy 1: Sheep Health, Welfare and Productivity	Strategy 2: Wool Harvesting and Clip Quality	Strategy 3: The Environment, Climate Change and Carbon	Strategy 4: Education and Extension – “2-way”
Programs	Program 1: Sheep Health, Welfare and Productivity I. Robust welfare standards II. Reduce impact of disease, infestation and predation <ol style="list-style-type: none"> Reduce impact of Flystrike Analgesia, minimise impact of invasive husbandry Reduce impact of lice and worm infestation Reduce impact of dog predation III. Productivity, Reproductive and Labour Efficiency IV. Genetics and Genomics Program 2: Provenance, Verification and Promotion Of Welfare Credentials	Program 1: Shearer and Wool Handler Training Program 2: Wool Clip Quality Assurance I. Reducing wool clip contamination	Program 1: The Environment and Climate Change I. Optimal land and resource management II. Adaptability to climate change III. Reducing pesticide use Program 2: Carbon I. Monitoring impact of policy on wool industry, market access and trade II. Carbon credentials III. Opportunities to participate in carbon markets Program 3: Provenance, Verification and Promotion of Wool Carbon Eco-Credentials	Program 1: Grower Education and Extension I. AWI Extension Networks II. Leadership and Mentoring III. Scholarships, training and coaching IV. Young Grower programs V. Broad Access communications Program 2: Education and Extension To Stakeholders and The Marketplace Program 3: Wool Forecasting and Market Feedback
Key Performance Indicators	1. Reduced Impacts of illness, infestation and predation on productivity and/or welfare 2. Productivity gains through improved sheep resilience, reproduction and/or fleece production 3. Provenance and welfare credentials to protect market access and enhance demand for Wool 4. Enhanced industry reputation for ethical, sustainable and responsible animal care	1. Labor and production efficiencies in clip harvesting and preparation 2. Reduce incidence and impacts of clip contamination 3. Enhanced industry reputation for wool clip quality	1. Productivity gains through optimal land and resource management 2. Increased resilience and adaptability to climate change 3. Productivity gains through advances in carbon sequestration and global GHG mitigation 4. Provenance and eco credentials to protect market access, support participation in carbon trading markets and enhance demand for Wool 5. Enhanced industry reputation for ethical, responsible and sustainable land and resource management	1. Participation, use, adoption and retention rates 2. Increased wool grower resilience, pride and confidence 3. Integrated communication strategy with stakeholders and marketplace 4. Enhanced industry reputation for productivity, profitability, and responsible land and animal custodianship

OVERVIEW

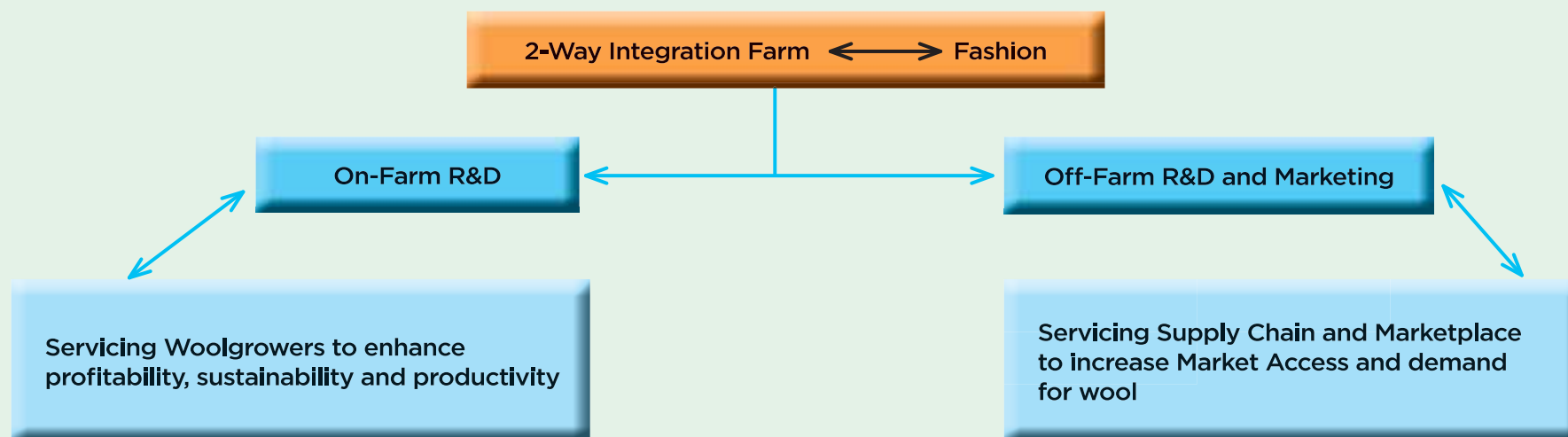
The On-Farm Research Development and Extension (RD&E) strategy covers three priority themes:

- 1: Animal Care And Wool Production
- 2: Environment And Natural Resource Management
- 3: Wool Industry Resilience, Confidence And Growth

Activities in these areas target increasing on farm productivity, profit and sustainability, as well as lowering costs of production and supporting labor retention and growth of the wool industry. Enterprises that are adaptable and profitable through productivity gains have greater resilience to manage threats and challenges to production and contribute to a strong, sustainable and viable wool industry. The On -farm R&D program also links through the supply chain in support of Off-Farm RD&E and Marketing of wool.

Integration of On and Off farm R&D

The quality of land and animal care has a direct impact on fleece value and market demand for wool through impacts on fibre production and fibre characteristics, such as micron, strength, vegetable matter and residues. In addition, standards of ecological and animal custodianship are attracting greater attention from consumers, governments, retailers and special interest groups within Australia and internationally. On one hand, this provides a powerful opportunity to add value to the Australian wool clip, through provenance stories promoting natural, sustainable and ecological production, carbon benefits and high animal welfare standards. On the other hand, an increasing regulatory environment has the potential to limit trade and market access. The On-farm R&D program is targeted to deliver evidence based science to support responsible and informed policy formation, enhance the reputation of the industry and to protect and maintain trade and market access.



SHEEP HEALTH, WELFARE AND PRODUCTIVITY

Programs under this strategy are aimed at generating knowledge and innovation to foster sustainable, profitable and ethical animal care and wool production, to deliver on-farm improvements in productivity, profitability and deliver community trust in the wool industry to maintain and support optimal sheep health and welfare.

Program 1: Sheep Health, Welfare and Productivity

Outcomes:

i Robust Sheep Health and Welfare Standards and Codes of Practice

AWI works in collaboration with Government, industry and stakeholders to support and promote robust sheep welfare standards and codes of practice and to provide evidence based science to support and promote informed policy decisions. AWI is also working collaboratively to assist development of the Australian Animal Welfare Strategy and ensure that its research activities align with national sheep health and welfare research priorities. AWI also works in the international environment to monitor, report on and address international welfare policy opportunity and threats.

Outcomes 1: Contribute to Robust Sheep Health and Welfare Standards and Codes of Practice.

2: R&D aligned with and contributes to address National and International Sheep Welfare Priorities

SHEEP HEALTH, WELFARE AND PRODUCTIVITY

Program 1: Sheep Health, Welfare and Productivity (Cont)

Outcomes:

ii Prevent / Minimize impact of Disease, Infestation, Injury and Predation.

Disease, infestation, injury and predation of sheep cause significant losses in productivity, increase costs of production and can have serious negative welfare impacts on sheep. Some of the greatest impacts result from parasitic infestation such as due to blowfly strike, lice and worms. These parasites cost the sheep industry respectively an estimated \$290 million, \$125 million and \$369 million annually (Holmes & Sackett, 2006). Dog predation is estimated to cost producers \$20.87 million annually (Gong, Sinden, Braysher & Jones 2009). R&D priorities include

a) Reduce the impact of Flystrike – This remains the highest R&D priority. R&D and extension activities are aimed at delivering increased natural resistance to flystrike and reduced reliance on surgical flystrike prevention. Projects target on-farm management strategies to minimise flystrike risk, and deliver integrated pest management tools such as Flyboss. R,D&E activities also target information and education regarding genetic selection and breeding for improved breech strike resistance, development of alternative methods of breech modification such as biodegradable clips and needleless injectable treatments. Investments are also targeted to monitor the economic, health and welfare impact of different management options as well as monitor the impact of pesticide use and scope for alternatives to pesticides without environmental impacts. Monitoring and reporting on progress and stakeholder information and communication are a critical part of this program.

Outcomes 1: Increase natural resistance to flystrike and reduce reliance on surgical flystrike prevention through improved management strategies, breeding, development of new alternatives, education and extension.

2: Limit impact on trade / marketplace through support for NWD, engagement, education and support activities for stakeholders, supply chain and marketplace.

b) Analgesia And Reduce Impact Of Invasive Husbandry Procedures – Invasive husbandry procedures can be important to protect animal health and productivity, however there can be negative welfare impacts associated with the procedures. R&D activities are aimed at reducing or removing the need for invasive procedures, or, where they remain necessary, reducing welfare impacts through best practice techniques and development of safe, effective and affordable on-farm pain management strategies. A particular focus of activity is support for National Mulesing Accreditation Program and the development of additional “pre-operative” pain relief options.

c) Reduce the Impact of Lice and Worms - Lice and worm management relies on risk prediction for timing of treatments, and choice in treatment options (including avoidance of drug resistance). Projects will target the enhancement of existing decision tools for integrated parasite management (Wormboss and Liceboss), breeding for parasite resistance and commercialisation of DNA tools and continued education and monitoring of pesticide use and resistance. scoping for alternatives to pesticides and methods of application without environmental or human health impacts.

Outcomes 1: Increase natural resistance to lice and worm infestation through R&D into improved management practices, genetic markers and breeding, education and extension

2: R&D to support and maintain the availability of safe, affordable and effective preventative chemicals and treatments.

d) Reduce the Impact of Dog Predation. Wild dog management relies on a range of effective, efficient, affordable and accessible lethal tools cost effectively deployed in combination by land managers across a large landscape in a synchronised fashion. Investment will target accurate reporting of the impact of dog predation on the wool industry and support wider industry efforts to improve wild dog control. AWI will collaborate with wild dog management groups and IACRC to develop and maintain effective Wild dog control measures, including cost-effective lethal tools and effective methods of deployment.

SHEEP HEALTH, WELFARE AND PRODUCTIVITY

Program 1: Sheep Health, Welfare and Productivity (Cont)

Outcomes:

iii Increase Productivity & Reproductive & Labour Efficiency – (Easy care productive sheep)

Management strategies, sheep nutrition, lambing and weaning practices can have a significant impact on lambing and weaning percentages, which in turn can have an important impact on the productivity and profitability of wool enterprises and the sustainability of the wool industry. This is a particular imperative in order to rebuild the national merino flock and ensure a sustainable future for the industry. Improving lamb survival rates is also an important welfare imperative. R, D & E activities target optimisation of sheep management, breeding and nutrition to deliver resilient sheep with optimal lambing and weaning rates. R&D and extension activities are delivered through modules such as “Making More for Sheep” and “Lifetime Ewe management”. The Sheep CRC will be researching reproductive efficiency and matching genotypes to environments to identify commercially valuable traits to optimise reproduction and labour productivity, as outlined below: Productivity gains through improved sheep resilience, reproduction and labour efficiency.

iv Genetic Research and Breeding.

- a) Effective Genetic Benchmarking. By measuring a range of production traits woolgrowers can breed animals that better target specific wool and meat markets. AWI supports genetic research through the Sheep CRC and through direct partnerships with research institutions such as the CSIRO. This research is targeted to identify commercially valuable traits such as fibre diameter, staple strength, fleece weight, growth rate, number of lambs weaned, eye muscle, fat depth, worm resistance and breech wrinkle. Genetic benchmarking for wool, growth, animal health and reproduction is then developed via breeding values produced by Sheep Genetics to increase the rate of genetic gain. Genomic information (from DNA studies) will then be used to enhance these breeding values. Outcome The use of breeding value technology increases the rates of genetic gain through greater selection accuracy and reduces risk. Sheep Genetics is a joint venture with Meat and Livestock Australia (MLA) where ram breeders pay a fee to receive Australian Sheep Breeding Values and AWI and MLA contribute funds for the continued growth and development of the technology.
- b) Commercialisation of DNA tools - The next technological breakthrough in increasing rates of genetic gain for woolgrowers is and likely to be the commercialisation of genomic (DNA) enhanced breeding values. Competing livestock and cropping enterprises are more advanced in commercialising this technology. The Sheep Genomics Program and the Sheep CRC are continuing to conduct research and analysis of the outcomes

Program 2: Provenance, Verification And Promotion Of Welfare Credentials.

Outcomes:

Developing and maintaining high standards of sheep health and welfare is important to develop community trust, value-add through provenance stories, and protect against threats to trade and market access. Investments in this area are targeted at building stakeholder engagement, education and feedback opportunities, as well as promoting welfare standards to consumers and the marketplace. AWI maintains specialist veterinary and genetic research advisory groups and holds regular welfare, industry and retail stakeholder forums. These assist AWI identify and target priority research areas, institute measures to address welfare concerns, and report on progress. AWI supports verification mechanisms such as the NWD, and assists promote welfare credentials and standards to the marketplace via integration with AWI's global marketing team.

Outcomes 1: Enhanced community trust and industry reputation for ethical, sustainable and responsible animal care.

2: Provenance and welfare credentials to protect market access and enhance demand for Wool.

WOOL HARVESTING AND CLIP PREPARATION

Program 1: Shearer and Wool Handler Training

Outcomes

Shearer and wool handler training in each state will continue to improve harvesting skills and fibre quality and encourage new entrants into the industry.

Outcomes 1: Improved industry sustainability through retention of well trained labour force for wool harvesting.

2: Productivity gains through improved labour efficiency and clip quality

Program 2: Quality Assurance – wool clip

Outcomes

Contamination of wool clips due to dark and medullated fibres, foreign bodies, chemical contaminants and stains can have a significant impact on the value and reputation of the national wool clip. This increases costs and difficulties for processors and can have a negative impact on demand and price paid for wool. AWI collaborates with industry and supply chain partners to monitor clip contamination issues and identify priority research areas. Investments are targeted to enhanced clip quality through wool grower education and extension activities, as well as shearer and wool handler training as above.

Outcomes 1: Reduce incidence and impacts of clip contamination.

2: Enhanced industry reputation for wool clip quality

ENVIRONMENT, CLIMATE CHANGE AND CARBON

Overview

The climate is changing. Regardless of whether man-made or natural forces are the main driving force, the wool and sheep industry can contribute to reducing the impact of greenhouse gases and potentially generate an additional income stream through carbon trading. However, the climate change issue is complex, technically and politically with many unknowns. Collaborative research will aim to unlock some of the unknowns in relation to Australian agriculture, and provide opportunities for woolgrowers to participate at an optimal level.

Climate change is likely to result in a range of impacts, short and long term, affecting the resilience and capability of grazing enterprises to respond to risk. While woolgrowers are adapting their systems constantly to address new threats, grazing businesses require adaptation strategies to ensure long term business sustainability.

Australia's landscape is fragile and woolgrowers take pride in improving the landscape for the benefit of this and next generation. Land Water and Wool demonstrated that woolgrowers can make a valuable contribution to the sustainable management of the Australian landscape essential for long term food and fibre production and social outcomes. Improving environmental outcomes in concert with productivity gains, provides the ideal win:win situation. Markets and consumers are increasingly interested in the provenance of wool fibre and environmental sustainability and improvement throughout the supply chain. To meet consumer expectations a Wool Lifecycle Analysis (LCA) will be completed for use in marketing initiatives to demonstrate the wool industry's carbon footprint, and to identify further research and development opportunities. In addition, to demonstrate continuous improvement to the market and provide underpinning credibility to the industry's environmental footprint, verification processes will be investigated and methods to transfer the environmental story through the supply chain.

Program 1: Environment and Climate Change

Outcomes:

- 1: Productivity gains through optimal land and resource management, and
- 2: Increase resilience and adaptability to climate change.
- 3: Engage with stakeholders and consumers to educate and to engender trust that the wool industry is an ethical and responsible custodian of land and natural resources.

i. Optimal Land and Resource Management

Many wool growers and wool grower farming systems make valuable contributions to sustainable resource management, environmental protection and efficient food and fibre production. Optimising land and natural resource management is vital to ensure productivity, profitability and sustainability and to hand farms down to future generations. AWI invests in R&D as well as education and extension activities such as Land, Water Wool, to assist woolgrowers achieve optimal natural resource management outcomes for catchment and individual benefit. Ongoing investment will target improved farming systems and management strategies that optimise use of the feed base and natural resource available to deliver wool growing systems that are more profitable, resilient and contribute to improving natural resource management outcomes.

"2-way" extension activities promote positive outcomes to woolgrowers and to the marketplace.

ii. Adaptation to Climate Change

In collaboration with DAFF and MLA, investment will target participatory research to identify potential adaptation response options, model responses using productivity models such as GrassGro and extend outputs to stakeholders via workshops.

iii. Reducing On Farm Pesticide Use

Knowledge of best practice for parasite control as part of an integrated pest management program incorporating reduced application is pursued through the extension program. Scoping alternatives to pesticides and methods of application without environmental or human health impacts will occur.

THE ENVIRONMENT, CLIMATE CHANGE AND CARBON

Program 2: Carbon

Outcomes: Research and promote wool carbon benefits, prepare for carbon trading and defend ruminant based industry.

- i. Monitoring impact of policy on wool industry, market access and trade** – AWI supports the Wool Carbon Alliance, an industry and specialist scientific advisory group formed to 1) monitor the impact of policy on the wool industry, market access and trade, 2) promote the positive role that wool and wool production can play in the national and global response to climate change and 3) to assist direct wool industry R&D investment.
- ii. Carbon credentials** – In collaboration with DAFF, MLA, the Sheep CRC, and international wool stakeholders, initial investment will target development of a robust Lifecycle Analysis (LCA) of Merino textiles to be able to demonstrate to the global market the wool industry's footprint in terms of methane, water and energy. Longer term investment will target:
- R,D and E to support + promote on farm carbon capture and storage in pastures and wool.
 - R,D and E to support + promote global GHG reductions through increased use of wool in buildings, furnishings and apparel.
 - Investigate joint GHG reduction ventures with supply chain partners.
 - R,D and E to develop verification methods to enable woolgrowers to fully participate in carbon trading markets

Outcome 1: Improve understanding of opportunities, limitations, risks and liabilities associated with carbon sequestration (wool and soil) and trading, to assist woolgrowers in their decision making when trading opportunities arise and

2: to provide information to the market on how woolgrowers may participate in a carbon market.

Program 3: Provenance, Verification & Promotion of Eco and Carbon Credentials

Outcomes:

There is already a great deal of knowledge and information regarding the positive ecological and environmental benefits of wool grazing systems and wool fibre, however this has not been effectively packaged, or extended and promoted to the marketplace. Initial investment will therefore target “2-way” extension of current knowledge and information; first to growers, to continue to enhance on farm practices, and secondly to the marketplace. Processes will be developed to ensure wool's environmental story is transferred through the pipeline to customers and global markets.

Ongoing investment will focus on developing verification methods to demonstrate and add credibility, increasingly desired by global markets, to the industry's environmental performance record and to display continuous improvements. As soon as suitable methodologies are developed woolgrowers could start earning additional income from carbon markets as the NCOS is scheduled to come into effect on 1 July 2010. These activities are the foundation for work along the rest of the wool value chain to improve our environmental and sustainability provenance story and the LCA of Merino textile products. These combined give powerful marketing and consumer demand creation campaigns.

Outcomes 1: Enhanced wool industry reputation for ethical, responsible and sustainable land and resource management

2: Provenance and eco credentials to protect market access, support participation in carbon trading markets and /or enhance demand for Wool

EDUCATION AND EXTENSION

Overview: Woolgrower and stakeholder engagement, education and extension increases the skills capacity and resilience of woolgrowers, and the sustainability and profitability of the wool industry. Resilience to factors beyond the control of the grower builds business profitability or reverses unprofitable times more quickly, and builds skills and confidence to plan ahead.

AWI education and extension strategy is “2-way” engaging woolgrowers, and stakeholders to deliver knowledge, information and innovation to wool growers and to the supply chain and marketplace.

Program 1: Education and Extension to Woolgrowers

Outcomes

Education will be accessible and relevant to increase growers’ resilience and capacity, and build confidence in the business of wool growing. It will target farm and business management practices designed to increase productivity, profitability and sustainability, transfer new knowledge and innovation, and increase confidence and skills. AWI will also target activities to identify leaders, train, mentor and encourage young growers in the industry.

Outcomes 1: Increased participation, use, adoption and retention rates

2: Increased wool grower resilience, pride and confidence

- i. AWI Extension Networks groups - AWI Extension Networks will continue to receive support for maintaining and expanding formal training programs such as “Making More from Sheep” as well as informal links to a range of AWI funded and non funded education and extension activities
- ii. Leadership and Mentoring - AWI will invest in identifying and training leaders and advocates for the wool industry. Identification of leaders and support for mentoring will continue through AWI Extension Networks and be linked as appropriate to activities with young growers.
- iii. Scholarships, Training- AWI will support a range of scholarships and training opportunities to develop and maintain needed knowledge and skills within the industry. Professional development for consultants and AWI network coordinators will continue through AWI supported R&D updates and conferences targeting the Merino in a profitable enterprise mix.
- iv. Young Growers A pilot program using electronic media will target young woolgrowers enabling networking, discussion, access to information sources, mentoring, coaching and leadership opportunities.
- v. Broad access AWI communications to growers through woolgrower forums and road shows, direct mail and a range of electronic media and e-learning.

EDUCATION AND EXTENSION

Program 2: Education and Extension to Stakeholders and the Marketplace

Outcomes:

AWI will target investments to engage, educate and inform stakeholders and the marketplace regarding sustainable, productive and ethical animal and land custodianship, as well as the ecological and environmental benefits and attributes of the fibre. This will occur through stakeholder meetings and forums, and integration with off-farm R&D and marketing programs to provide content and support for market extension, supply chain retail and consumer education activities.

Outcomes 1: Enhanced Wool industry reputation for sustainability, productivity, profitability as well as fibre quality and sustainable and ethical land and animal custodianship.

Program 3: Wool Forecasting and Market Feedback

Outcomes:

i. Production

Wool Production Forecasting will be reviewed and an updated and streamlined forecasting process put in place of value to growers and to the global supply chain.

ii. Demand Patterns

Data and related information to this topic will be collected in local markets by AWI Management and consolidated in reports on a quarterly basis.

iii. International Messages & Trends

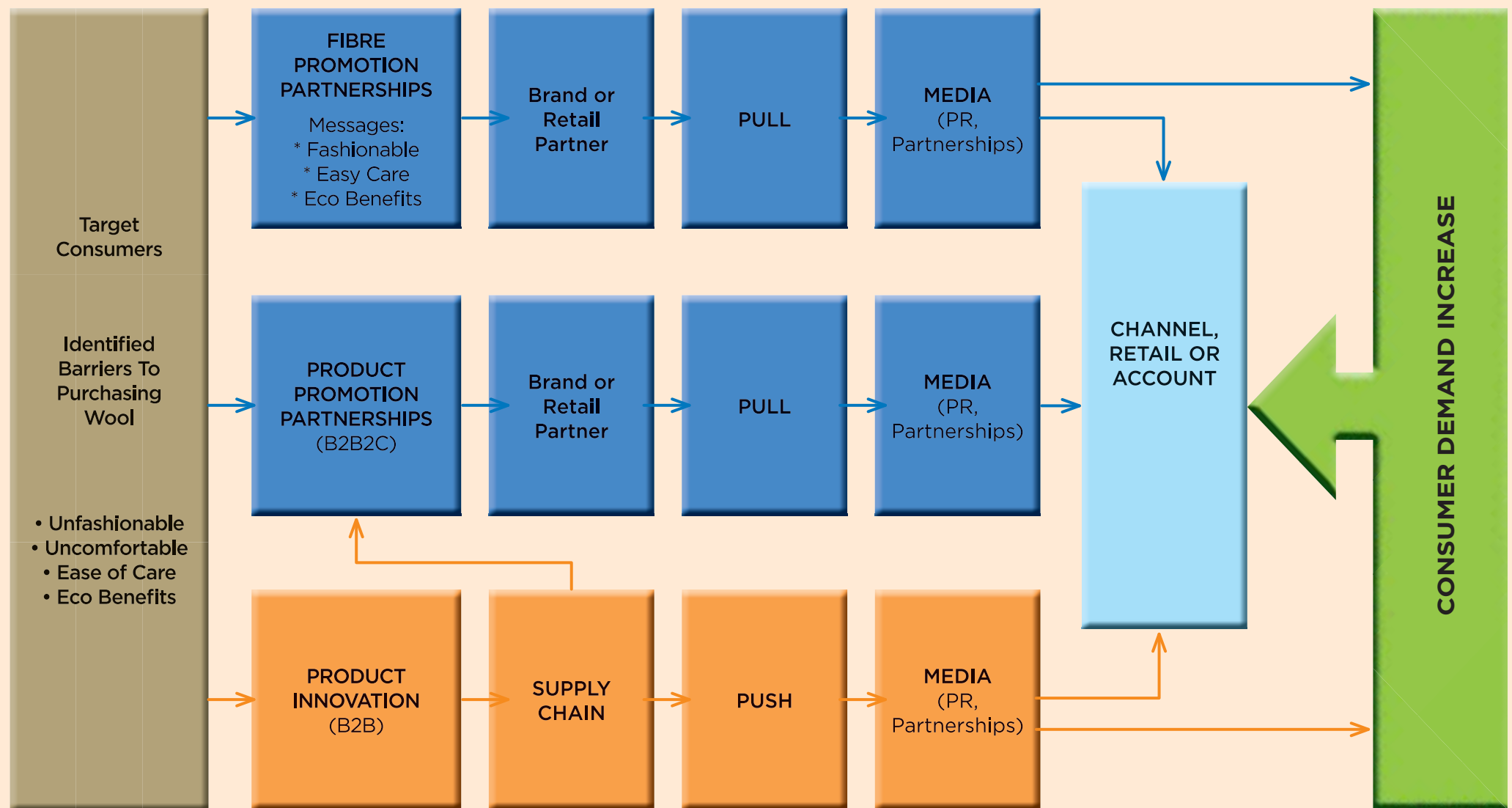
Data and related information to this topic will be collected by AWI Management and consolidated in reports on a quarterly basis.

Data will assist AWI deliver business intelligence to woolgrowers and identify, set R&D priorities and address emerging market opportunities and threats

OVERVIEW - OFF-FARM R&D STRATEGIC FRAMEWORK

Objective	Develop a range of product and process innovations that address opportunities to increase the use of wool in apparel and interiors.					
Approach	Using insights gained into the barriers to incremental consumption of Wool. AWI will implement six strategies that, in synergy with On-Farm strategies will help generate incremental demand for Australian wool.					
Outcomes Off-Farm R&D Sub program	The generation of information and knowledge to increase demand for wool and to foster the viability, productivity and sustainability of the Wool Industry through investment in Off-Farm R&D.					
	1. Sustainable, ecological and profitable processing	2. Fibre and textile attributes – new knowledge and innovation to support and develop markets and uses for wool				3. Marketplace Extension, Trade and Consumer education
Strategies	Strategy 1: Quality assurance, eco and carbon management	Strategy 2: Health and Environmental attributes and benefits of wool fibre and products	Strategy 3: Performance apparel and safety attributes.	Strategy 4: Fibre quality, innovation and textile development	Strategy 5: Interior textiles and floor coverings (IT&F)	Strategy 6: Marketplace Extension of Fibre Knowledge and textile Innovation (product marketing)
Programs	Program 1: Quality assurance Program 2: Sustainable and ecological processing – chemicals, dyes, water and energy Program 3: Off-Farm carbon footprint, garment care, decomposition and recycling Program 4: Increasing global processing capacity	Program 1: Consolidate, enhance and transfer knowledge regarding the health attributes of wool Program 2: Consolidate, enhance and transfer knowledge regarding the ecological and environmental advantages of wool	Program 1: Consolidate, enhance and transfer knowledge regarding the performance, thermal regulatory, odour and moisture management and fire safety attributes of wool	Program 1: Wool whiteness and colour absorbency Program 2: Next to skin comfort Program 3: Casualisation Program 4: Improved aesthetics Program 5: Womenswear Program 6: Wool for all seasons	Program 1: Handmade rugs Program 2: Machine made carpets Program 3: Bedding products Program 4: Upholstery and carpets	Program 1: Trade fairs Program 2: Retail Workshops Program 3: Market extension (product marketing) materials Program 4: Colour trends (Fashion Apparel and IT&F) Program 5: Consumer and trade education
Key Performance Indicators	1. Supply chain processing advances to maximise market access, demand and opportunities for wool 2. Reduce threat to industry posed by eco-regulation	1. Increase consumer awareness and preference for wool based on health and eco attributes 2. Increase penetration of wool into infants and children's wear	1. Increased consumer awareness and preference for wool based on performance and safety attributes. 2. Increase penetration of wool into sports performance apparel	1. Increase use of wool in casual and womens wear markets.	1. Increase consumer awareness and preference for wool in interior textiles and floor coverings	1. Enhanced trade and consumer understanding of the fibre attributes and competitive advantages of wool

STRATEGIC FRAMEWORK OFF-FARM R&D SYNERGY WITH FIBRE & PRODUCT MARKETING (PUSH)



OVERVIEW PRODUCT INNOVATION (PUSH)

The most critical requirements reported by manufacturers and retailers of apparel and interiors products are:

- A steady stream of new, customer-driven products that excite and motivate purchase that are based on the macro consumer trends of:
 - Casualisation – continue to address the trend to casualisation by building a larger supply chain and new product lines.
 - The “Green” story – prepare for the trend to eco-sensitive products.
 - Value consciousness – the desire to save money, as a result of the global economic downturn, but in the context of our target markets’ concern for value rather than just the cheapest price.
- The overall goal is to work with our key retailer/manufacturing partners and their supply chain. All post-farm R&D projects will support the supply chain of these key retailers and brands.
- Support and, as required, assistance in sourcing new garments, styles, finishes and processes designed to meet these needs by using our innovations work streams, and the resulting product collections, to open doors and start the discussion:
 - Merino Casual: 3-D Merino, Crinkle Merino, Vintage Merino, Devoré Merino.
 - Merino Touch: Basolan, Mercerised Merino, Mercerised Merino with noble fibre blends.
- Over the past five years AWI has increasingly focused its product development strategy on these objectives, and on meeting the changing needs of consumers. In this strategic plan we will concentrate our efforts across six product development strategies.

QUALITY ASSURANCE, ECO AND CARBON MANAGEMENT

- Increasing consumer awareness of environmental damage associated with textiles.
- End-to-end carbon foot-printing project recently been completed highlights two areas of concern in apparel
 - Manufacturing (wet-processing & dyeing)
 - Aftercare (washing and drying)
- Strategy focuses on reducing chemical, energy and water consumption in manufacturing and aftercare.
- Merino wool's inherent natural benefit of biodegradability needs to be aligned with future disposal regulations.

Program 1: Quality Assurance

Program 2: Sustainable And Ecological Processing – Chemicals, Dyes, Water And Energy

- Reduce environmental impact of manufacturing, examples: - Chlorine Free Processing - Chrome Free Dyeing - Dyeing.

Program 3: Off-farm Carbon Footprint, Garment Care, Decomposition And Recycling

- Reducing the usage of energy and water during manufacturing, examples: - Raw Wool Scouring - Dyeing and Finishing.
- Reduce Carbon Footprint during Garment Care through: - Low Temperature Machine Washing - Machine Drying Energy Reduction - Minimum or no Ironing.
- Reduce Carbon Footprint during Garment Disposal through: - Facilitate ease of “End of Garment Life” Recycling - Accelerated Biodegradability.

Program 4: Increasing Global Processing Capacity

Key Performance Indicators

1. Supply chain processing advances to maximise market access, demand and opportunities for wool.
2. Reduce threat to industry posed by eco-regulation.

HEALTH & ENVIRONMENTAL ATTRIBUTES & BENEFITS OF WOOL FIBRE & PRODUCTS

Program 1: Consolidate, Enhance and Transfer Knowledge Regarding the Health Attributes Of Wool

Program 2: Consolidate, Enhance and Transfer Knowledge Regarding the Ecological and Environmental Advantages Of Wool

Key Performance Indicators

1. Increase consumer awareness and preference for wool based on health and eco attributes.
2. Increase penetration of wool into infants and children's wear.

PERFORMANCE APPAREL ATTRIBUTES

- One of the most dynamic and growing apparel market sectors.
- New market for wool = new kgs.
- Communicates to a new young audience and addresses consumers' key negative perceptions about wool.
- Innovations and marketing of this program aim to build on the current momentum by widening the partner platform for wool and to maintain and increase interest and volume.
- The aim is to deliver a reliable and robust supply chain for wool in order to bring assurance to buyers.
- The deliverables will be inclusion of Merino (pure or blended) products by new partners and increase volumes with current partners in the sports, performance and outdoor market segments.

Program 1: Consolidate, Enhance and Transfer Knowledge Regarding the Performance, Thermal Regulatory, Odour and Moisture Management and Fire Safety Attributes Of Wool

- Bespoke moisture management systems for yarns and fabrics.
- Improving the quality and performance of:
 - Circular Knits
 - Seamless Knits
- Comparative data with other fibres
- Development of new finishes.
- Optimisation of manufacturing procedures using Sheep CRC developments to measure next to skin comfort and softness.

Key Performance Indicators

1. Increase consumer awareness and preference for wool.
2. Increase penetration of wool into sports performance apparel.

FIBRE QUALITY, INNOVATION AND TEXTILE DEVELOPMENT

- Based on the macro consumer trends of:
 - Casualisation – continue to address the trend to casualisation by building a larger supply chain and new product lines.
 - The “Green” story - prepare for the trend to eco-sensitive products.
 - Consumer interest to save money, as a result of the global economic downturn.
- These trends to be addressed with programs containing innovation collections such as Merino Casual, Merino Touch and Merino Cool.
- Each of the programs will deliver a collection of apparel, and support materials.
- The collections will be made equally of newly developed innovative, as well as commercially available, products from a wide range of supply chains spanning Asia and Europe.
- The programs will be timed to sell into the fashion cycle for Northern Hemisphere Autumn/Winter.

Program 1: Wool Whiteness and Colour Absorbency

Program 2: Next To Skin Comfort

Program 3: Casualisation

Fight cotton in the medium to up-market segment by developing new casual effects in wool.

Program 4: Improved Aesthetics

Enhance aesthetics through blends and through optimisation (using Sheep CRC developments) of softness & drape.

Program 5: Womenswear

Recover lost ground through strategic alliances with companies such as Lenzing using Tencel (Wovens) and Modal (Knits) blends.

Program 6: Wool For All Seasons

Use Merino Cool to open retailer-minds to Merino wool for spring and summer.

Key Performance Indicators

Increase use of wool in casual and womenwear markets.

INTERIOR TEXTILES AND FLOOR COVERINGS (IT&F)

- Since little or no Australian wool is used in the IT&F sector overseas, no levy funds will be used for product development or product marketing.
- Product Development and Product Marketing in IT&F will be self funding from income fees.
- The exception to the above is in the case of:
 - Australian brands where the product is manufactured in Australia.
 - High likelihood that the product is Australian Merino based on micron or traceability.
- The opportunity exists to rebuild this Woolmark licensee base and add support by focusing attention on a “Wellness” story that has positive implications for all end uses of wool.

Program 1: Handmade Rugs (Overseas markets)

Program 2: Machine Made Carpets

Program 3: Bedding Products

Program 4: Upholstery And Carpets

Key Performance Indicators

Increase consumer awareness and preference for wool in interior textiles and floor coverings.

MARKETPLACE EXTENSION OF FIBRE KNOWLEDGE & TEXTILE INNOVATION (PRODUCT MARKETING)

- Product Marketing is required to support the new innovations for:
 - Fashion Apparel
 - Performance Apparel
 - Environmental Benefits
 - Health Benefits
- The Product Innovation team is responsible for taking the new innovations and promoting to trade and Retailers/Brands through Trade Fairs, Retail Workshops, Development of Product Marketing Materials, Colour Trends.
- This methodology creates the “PUSH” and leads to:
 - Improved understanding of the competitive advantages of wool.
 - Better equipped sales staff at retail allowing better sell-through of Merino apparel and interiors.
 - Build confidence, knowledge and ability to use wool.

Program 1: Trade Fairs

Program 2: Retail Workshops

Program 3: Market Extension (Product Marketing) Materials

Program 4: Colour Trends (Fashion Apparel And IT&F)

Program 5: Consumer And Trade Education Materials

Key Performance Indicators

Enhanced trade and consumer understanding of the fibre attributes and competitive advantages of wool.

OVERVIEW – MARKETING (PULL) STRATEGIC FRAMEWORK

Objective	Help increase demand for Australian Merino wool by recognising and addressing the information barriers to consumption at consumer and trade level, and informing people the Merino wool fibre story. In short – implement PULL strategies.		
Approach	Through implementing a DEMAND PULL approach, in partnership with industry, increase demand for Merino wool fibre by informing and motivating target consumers, retailers and the supply chain.		
Outcomes	1. Build demand for Australian wool through investment in marketing related developments and promotions, filling required gaps in consumer and trade understanding of the fibre and its benefits.	2. Increase sales volume growth through specific apparel promotional activities undertaken in conjunction with supply chain and retail partners, that deliver a positive ROI.	3. Collect, analyse and disseminate consumer-driven market research.
Strategies	Strategy 1: Fibre Partnership Marketing:	Strategy 2: Product Partnership Marketing	Strategy 3: Market Intelligence
Programs	<p>Millward Brown consumer research, trade research and feedback clearly shows that a lack of knowledge of the origins and benefits of wool fibre is a barrier to increased demand. AWI will create and implement a comprehensive program to educate consumers and customers on fibre</p> <p>Program 1: Consumer Education</p> <p>Program 2: Online Presence; Search Engine Management and Optimisation</p> <p>Program 3: Trade Education Tools</p> <p>Program 4: Brand Rationalisation and Refresh</p> <p>Program 5: Public Relations = Fibre Publicity</p>	<p>Recent discussions with branded apparel owners in Italy, China, UK and the USA, along with the measured success of past Test B2B2C programs, show this approach to be a sound method of increasing wool sales, provided that AWI receives, in return for its investment dollar, string leverage from other participating retail, brand, supply chain and media partners.</p> <p>Program 1: Trade and Consumer Product Promotion (previously B2B2C)</p> <p>Program 2: Woven Volume Defence</p> <p>Program 3: Public Relations - Product Publicity</p> <p>Program 4: Brand Standards and Quality Control</p> <p>Program 5: Endorsements</p>	<p>In the past AWI has provided a number of information services to its partners and to woolgrowers. This data was of use in some circumstances, but required a significant overhead investment in staff. In line with our desire to reduce overheads, and focus on marketing, we have revised our offering and will confine our activity to the information described as follows:</p> <p>Program 1: Production Forecasting</p> <p>Program 2: Retail and Trade Market Reports</p> <p>Program 3: Consumer Insight and Trend Monitor</p> <p>Program 4: Global Consumer Apparel and Fibre Market Research</p>
Key Performance Indicators	1. Number of projects implemented 2. Gross impacts on target audiences 3. Partner versus AWI investment ratio 4. Measurable shift in perceptions of wool	1. Number of projects implemented 2. Partner versus AWI investment ratio 3. ROI measured by new Kg of wool sales Vs AWI Investment	1. Number of projects implemented 2. Partner versus AWI investment ratio 3. Take-up of marketing information

FIBRE MARKETING PARTNERSHIPS

Program 1: Consumer Fibre Marketing Partnerships

Create and execute, with appropriate supply chain and retail partners and - where affordable - directly through digital media, a fibre story campaign. Develop overall fibre and brand stories to be used in sales presentation materials, on website, at trade fairs and all other key collateral.

Outcomes:

Delivery of image elements and information leading to an increased awareness and perceived importance of wool as a factor in the choice of apparel and creation of partnerships with supply chain, retailers and media to deliver messages in a cost-effective, targeted, response-driven form.

Deliverables:

Partnership projects delivering media-based content to target consumers, increasing knowledge and relevance of wool in apparel.

Key Performance Indicators:

1. Number of projects actually completed versus target
2. Number of partners engaged
3. Number of consumers reached
4. Where possible, ROI on expenditure in terms of message delivery, incremental kilograms of wool sold (define by project)

Program 2: Online Presence; Search Engine Management and Optimisation

Upgrade the online presence, technology and content of the AWI websites to ensure content is targeted and appropriate to trade and consumer audiences. The online strategy focuses on fulfilling our core strategies and www.wool.com will be at the centre of these activities. AWI has begun the process of active Search Engine Management and Optimisation and will continue this at a global, regional and market level, ensuring brand messages, care information and campaigns. Further investment will deliver personalised homepages offering content requested by users, targeted email and SMS communications, consolidation of 17 sites into a single point of access for all stakeholders, dedicated consumer brand sites with relevant imagery and content. In addition, the new tickets and labels process will be launched as an online service via www.wool.com

Outcomes:

1. Web presence in major markets delivering wool related content to specific target audiences (consumer and trade)
2. Wool, Merino and other specified terms delivered as top 3 fibre aspects of a fashion, apparel or interiors related enquiry

Deliverables:

1. Wool on the web, with a strong presence and increased visitation through use of SEM and SEO practices
2. Increased hit rates and measureable sell

Key Performance Indicators:

1. Web presence maintained
2. Number of partners engaged
3. Number of consumers reached/visited; length of time on sites; level of click through to partners
4. Where possible, ROI on sales of apparel of wool sold (define by project)

FIBRE MARKETING PARTNERSHIPS

Program 3: Trade Education Tools

Develop and distribute in digital form (and other forms as appropriate) training modules aimed at retail shop assistants, and designed to help them sell the differentiating factors of wool apparel over competitors. Where appropriate supply physical point of sale and support use of these materials through Regional and Market staff working with partner management teams to instil and incentivise adoption and use of these materials.

Outcomes:

Improved consumer and technical knowledge base and sales skills at manufacturing and retail allowing better sell-through of Merino apparel and interiors

Deliverables:

1. Retail Associate Product Knowledge and Training Modules (physical and digital forms)
2. Supply Chain training modules

Key Performance Indicators:

1. Number of projects completed
2. Number of partners engaged
3. Number of sales associated reached and completed training modules
4. Where possible, ROI on expenditure in terms of message delivery, incremental kilograms of wool sold (define by project)

Program 4: Branding

AWI will continually review and, as necessary, revise brand management policies to match market and partner needs. We will provide appropriate image, collateral and support materials including swing tags, labels, base brochures, posters, core imagery, and educational materials.

Outcomes:

Effective management of AWI owned brands, and the collateral and support materials necessary to make them of value to supply chain and retail partners.

Deliverables:

1. Collateral materials as required by supply chain and retail partners
2. Media presence (with partners) of key brands and stringer perceived consumer understanding of their meaning and value to a purchase decision of apparel or interior products

Key Performance Indicators:

1. Rationalised brand portfolio and reduced cost of registration
2. Updated and relevant brand support materials
3. Increased level of renewals and new licensee relationships
4. Stabilise then grow brand licensee income

FIBRE MARKETING PARTNERSHIPS

Program 5: Public Relations - Fibre Knowledge

There is currently a variety of PR-type activities and awards that do not either drive fibre knowledge or link back to or our B2B2C partners. Going forward, AWI will focus its PR activities only on those programs that tie in with our strategies and work on a partnership basis. There will be a number of activities targeting leading global designers and up and coming/cutting-edge designers in each global market and specific funds will be allocated in the regions to these programs. In return, they will be required to increase their usage and innovative designs with Merino wool. Again, we will link these designers to our licensee base in order to promote their yarns/fabrics. The Visiting Journalists Program will continue, and we will develop a Visiting Buyer Program – with Austrade as a potential partner – in conjunction with the Melbourne Fashion Festival and Sydney-based Australian Fashion Week.

Outcomes:

Increase in awareness of and interest in wool as a vital element of fashion

Deliverables:

Partnership projects with strong media coverage and high leverage of AWI investment versus audience and content delivery

Key Performance Indicators:

1. Number of articles on target and delivered
2. Combined reach of on-strategy content
3. ROI on sales of incremental kilograms of wool relative to AWI investment in project

PRODUCT MARKETING PARTNERSHIPS

Program 1: Product Marketing Partnerships (previously B2B2C Programs)

Develop and execute promotional programs targeted to key markets and segments, and in partnership with retailers and supply chain partners. These projects will be based on the TMP, JPM, KMP and other programs that have shown strong results in the last four years. Further efforts will be made to ensure these programs are closely aligned to market segment targets, have measureable KPIs built in to the project contracts. Continue as a guideline a target contribution of \$1.00 of AWI funds to minimum of \$3.00 partner funds.

Outcomes:

Increase in net volume of wool apparel and interiors.

Deliverables:

Partnership projects with high leverage of AWI investment that deliver incremental sales of wool apparel or interiors.

Key Performance Indicators:

1. Percentage of completed projects versus target
2. Partner contribution as a ratio to AWI investment
3. ROI on sales of incremental kilograms of wool versus AWI investment in project

Program 2: Wovens Volume Defence

Using the strategies and tools outlined in the preceding sections, AWI regional management will prioritise those retail and brand “accounts” which in their judgement offer targeted opportunities and solid potential success in defending the volume of fine Merino wool used in traditional forms such as business suits.

Outcomes:

Maintenance of net volume of wool apparel and interiors products sold.

Deliverables:

Partnership projects with high leverage of AWI investment defend sales of wool used in woven apparel.

Key Performance Indicators:

1. Number of partner prospects converted to project investors
2. ROI on sales of incremental kilograms of wool versus AWI investment in project

PRODUCT MARKETING PARTNERSHIPS

Program 3: Public Relations - Product Publicity

There is currently a variety of PR-type activities and awards that do not either drive fibre knowledge or link back to or our B2B2C partners. Going forward, AWI will focus its PR activities only on those programs that tie in with our strategies and work on a partnership basis. This Program will focus on those products that are covered in Product Promotions campaigns undertaken with our partners, and that focus on products targeted to segments and uses consistent with the strategies outlined in this plan.

Outcomes:

Increase in awareness of and interest in wool products marketed in partnership programs.

Deliverables:

Partnership projects with strong media coverage and high leverage of AWI investment versus audience and content delivery.

Key Performance Indicators:

1. Number of articles on target and delivered
2. Combined reach of on-strategy content
3. ROI on sales of incremental kilograms of wool relative to AWI investment in project

PRODUCT MARKETING PARTNERSHIPS

Program 4: Brand Standards and Quality Control

When projects use AWI intellectual property, in particular our brands such as the Woolmark, we must assure consumers that products using these brands meet the criteria set for use. This is especially the case when the brand is a certification mark (as are most of the Woolmark variations).

To ensure this is the case, AWI provides, at the licensees cost, testing and quality assurance services, when it is required. This also means providing technical support to manufacturers that enables them to meet the required standards.

Outcomes:

Consumer assurance of product quality (and where appropriate provenance).

Deliverables:

Quality assurance testing standards

Quality assurance testing

Access to swing tickets, labels and collateral (at licensee expense)

Key Performance Indicators:

1. Number of garments tested
2. Provision of testing services
3. Access to technical support
4. Number of users/uses of tags, labels and collateral

PRODUCT MARKETING PARTNERSHIPS

Program 5: Endorsement Testing and Support

When partners use AWI intellectual property, in particular our brands such as the Woolmark, we must assure consumers that products using these brands meet the criteria set for use. To ensure this is the case, AWI provides, at the licensees cost, testing and quality assurance services, when it is required. This also means providing technical support to manufacturers that enables them to meet the required standards.

Outcomes:

Consumer assurance of product quality (and where appropriate provenance).

Deliverables:

Quality assurance testing standards

Quality assurance testing

Access to swing tickets, labels and collateral (at licensee expense)

Key Performance Indicators:

1. Number of garments tested
2. Provision of testing services
3. Access to technical support
4. Number of users/uses of tags, labels and collateral

Program 6: Woolmark Technical Services

Outsourcing of Woolmark Testing

A program has been established to ensure the ongoing testing of Woolmark products with the closure of the likley laboratories. A number of formerly-accredited labs will be authorised requiring annual proving trials. The data will be used to yield statistical information on variation. New sources for standard materials will be established.

Test Methods and Specification

A program for ongoing Review with biennial release of Specifications and Test methods has been established which will involve the development of new Specifications (eg Merino Fresh) and the optimisation of routes for communication of changes to licensees.

Expansion of the Endorsement programs

There is great potential for the expansion of Woolmark Apparel Care, Woolmark Interiors Care, and Woolmark Accredited Technologies (eg Natural Coloration Technology). This will be pursued in both Asia and Europe.

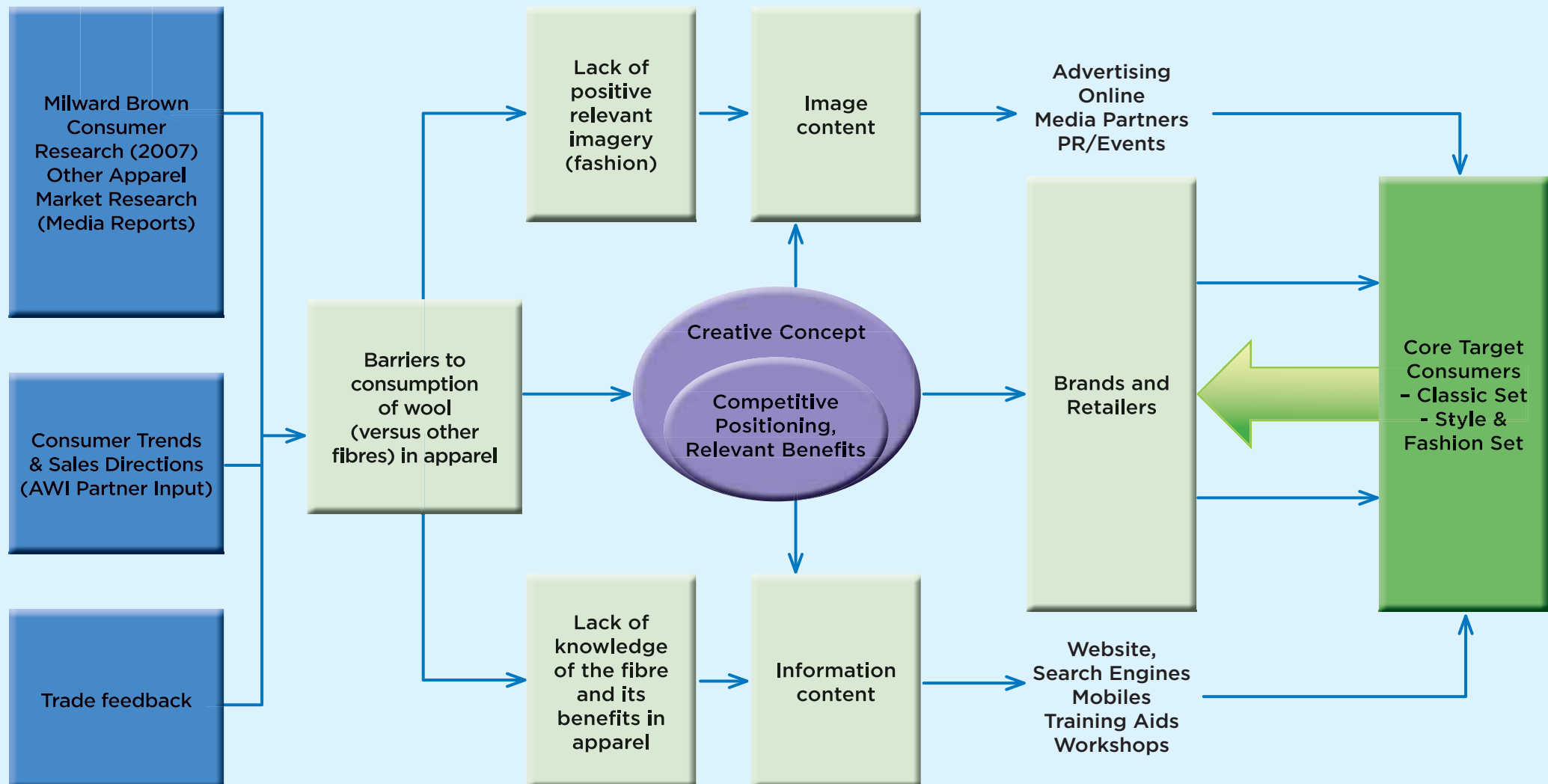
Coordination with standards organisation (ISO, IWTO, IEC)

There is potential to harmonise the test methods used for wool products and endorsed appliances used by the various standards bodies. WMK will work closely with IEC and CHEARI to ensure that the test program required to meet the standards of each organisation can be minimised.

Ad-hoc technical support for licensees will be conducted at regional level.

MARKETING COMMUNICATIONS ARCHITECTURE

When it comes to executing our Marketing “Pull”/product “Push” strategy, we do so with partners, and we ensure we communicate using the most cost-effective means of impacting our target market. The resulting marketing campaigns are based on understanding who we are talking to, and how they use modern media. Using this approach, we develop overall themes and specific projects with partners that deliver the message in a way that can motivate sales. In most cases this will involve elements of media, in-store, education of floor staff, specific events. The following describes our approach to delivering our message to consumers in conjunction with our supply chain partners:



INTERNATIONAL SALES TEAM (WOOLMARK)

Objective	Review the role and value of the Woolmark brand, revitalise it and, where markets and partners permit, maximise the presence and income streams of the brand		
Approach	Through the Fibre and Product Marketing Partnerships, rebuild consumer links with Wool, and over time increase the value and understanding of Woolmark and its role in building consumer demand and product quality		
Outcomes	1. Through consumer research and insights, define a sustainable brand strategy and revitalise the Woolmark	2. Leverage the market presence and value of the Woolmark through identifying and maximising Woolmark revenue streams, license income and royalties	3. Evaluate the feasibility of extending the use of the Woolmark into retail operations
Strategies	Strategy 1: Build Woolmark Brand Presence through Partnership Marketing Programs	Strategy 2: Maximise income and royalties through leverage of the Woolmark	Strategy 3: Retail & e-Commerce Feasibility
Programs	Program 1: Fibre Partnership Marketing Programs – Woolmark Presence Program 2: Product Partnership Marketing Programs – Woolmark Presence	Program 1: Brand Licensing Program 2: Additional Endorsements	Program 1: Feasibility Study – Woolmark Branded Retail Outlets Program 2: Feasibility Study and Development Strategy – Woolmark e-Commerce business
Key Performance Indicators	1. Number of Woolmark licensees in apparel stabilises at 2010/2011 levels 2. Increase in the number of endorsements in major markets 3. Increase in non-levy income	1. Income from Woolmark and other AWI brand licensing and projects	1. Completion of feasibility studies and action recommendations from feasibility study

INTERNATIONAL SALES TEAM (WOOLMARK – THE BRAND)

Based on our understanding of consumer sentiment and trade attitudes, we believe the International Sales Team and the AWI brands, including Woolmark have a vital role to play:

- To “capture” the value from investment we make in telling the wool fibre story
- In assuring consumers that the provenance of the Woolmark apparel they buy is stated in terms relevant to them.

To make this happen, we must ensure Woolmark standards and descriptors are:

- Known, and relevant to consumers
- Known and understood by retailers and their staff
- Present on the garment
- Can lead to interaction with the fibre stories we tell.

The International Sales Team is charged with developing and maintaining relationships through the supply chain, including use of AWI brand assets and resources as appropriate.

INTERNATIONAL SALES TEAM (WOOLMARK – ACTIVITIES)

Strategy 1: Build Fibre Brand Presence through Fibre Information and Partnership Marketing Programs

Program 1: Fibre Partnership Marketing Programs – Woolmark Presence

Program 2: Product Partnership Marketing Programs – Woolmark Presence

Outcomes:

We will use the AWI Brands where it is acceptable to partners in order to capture the fibre messages we are promoting. Examples of this type of activity is the “HRH Prince of Wales Campaign for Wool”, where a version of the Woolmark will be used to reinforce the ‘green’ credentials of apparel wool. Usage of Woolmark brand as appropriate in projects under the Marketing Strategy, Fibre and Product Marketing programs

Deliverables:

Woolmark brand presence on a number of advertisements, collateral and in-store presence.

Key Performance Indicators:

As per specific project requirements described under Fibre and Product Marketing strategies

Strategy 2. Income and Royalties

Program 1: Brand Licensing

Program 2: Additional Endorsements

Outcomes:

Assess, plan then leverage the market presence and value of the Woolmark through identifying and maximising Woolmark revenue streams, license income and royalties

Deliverables:

Woolmark brand presence on a number of advertisements, collateral and in-store presence.

Key Performance Indicators:

As per specific project requirements described under Fibre and Product Marketing strategies

Strategy 3: Retail & e-Commerce Feasibility

Program 1: Feasibility Study – Woolmark Branded Retail Outlets

Program 2: Feasibility Study and Development Strategy – Woolmark e-Commerce business

Outcomes:

Conduct Feasibility studies to define the market potential and associated risks of a branded Woolmark retail outlet, and a similar online e-Commerce business

Deliverables:

Feasibility Studies, recommendations and business plans

Key Performance Indicators:

Completion of Feasibility Studies and Plans and presentation of recommendations to CEO, then Board of Directors

INTERNATIONAL TRADE AND MARKET ACCESS

Objective	Define threats and opportunities facing the Wool industry, and build strategies and programs to ensure market access, sustainable production and improved trading environment across the supply chain.	
Approach	Proactively identify and manage regulatory and trade environment and extend market access. Lead facilitation of trade development and penetration of new and profitable markets.	
Outcomes	1. An industry leadership role in identifying trade and market access issues, strategies to address these issues, and facilitation in implementing these strategies with other industry bodies and with Governments as appropriate.	2. Identify and manage opportunities and risks identified as posing a threat to the stability and sustainability of the Wool industry, in particular risks arising from changes in the fibre and the early to mid-stage processing of it.
Strategies	Strategy 1: Market Access	Strategy 2: New Market Development
Programs	<p>Program 1: Develop and implement market access strategies and programs to ensure ongoing access to key processor markets for Australian wool.</p> <p>Program 2: Develop and implement market access strategies and programs to ensure ongoing access to emerging retail markets for Australian wool.</p> <p>Program 3: Enhance trade advocacy activities at all levels of our industry and across the supply chain to achieve optimal trade outcomes.</p>	<p>Program 1: Additional Demand for Broad Micron Wools</p> <p>Program 2: Evaluation of “New” Markets for Australian Wool (Thought Leadership)</p>
Key Performance Indicators	<ol style="list-style-type: none"> 1. Effective implementation of strategies and plans developed. 2. Positive industry feedback on the role of AWI in maintaining or developing market access. 3. Extension and adoption of programs and outcomes. 	<ol style="list-style-type: none"> 1. Strategies and plans in place addressing fluctuations in supply of wool types and activities to support sale of the clip across micron ranges 2. Extension and adoption of programs and outcomes

MARKET ACCESS AND NEW MARKET DEVELOPMENT

Strategy 1: Market Access

Program 1: Develop and implement market access strategies and programs to ensure ongoing access to key processor markets for Australian wool.

Program 2: Develop and implement market access strategies and programs to ensure ongoing access to emerging retail markets for Australian wool.

Program 3: Enhance trade advocacy activities at all levels of our industry and across the supply chain to achieve optimal trade outcomes.

Outcomes:

AWI will adopt an industry support role in identifying trade and market access issues, strategies to address these issues, and facilitation in implementing these strategies with other industry bodies and with Governments as appropriate.

Deliverables:

Thought leadership strategies and facilitation of action to meet desired outcomes on an industry basis, and in cooperation with other peak wool bodies and the Federal Government.

Key Performance Indicators:

1. Effective implementation of strategies and plans developed.
2. Positive industry feedback on the role of AWI in maintaining or developing market access.
3. Extension and adoption of programs and outcomes.

Strategy 2: New Market Development

Program 1: Additional Demand for Broad Micron Wools.

Program 2: Evaluation of “New” Markets for Australian Wool (Thought Leadership).

Outcomes:

Identify and manage opportunities and risks identified as posing a threat to the stability and sustainability of the Wool industry, in particular risks arising from changes in the fibre and the early to mid-stage processing of it.

Deliverables:

Thought leadership strategies and facilitation of action to meet desired outcomes on an industry basis, and in cooperation with other peak wool bodies and the Federal Government.

Key Performance Indicators:

1. Strategies and plans in place addressing fluctuations in supply of wool types and activities to support sale of the clip across micron ranges.
2. Extension and adoption of programs and outcomes.

2010/2011 - 2012/2013 STRATEGIC PLAN BUDGET

		Budget 2010/11 (AUD '000)	Budget 2011/12 (AUD '000)	Budget 2012/13 (AUD '000)
Revenue	Levy Funds	30,889	TO BE PROVIDED AS AN ADDENDUM BY 30 JUNE, 2011	TO BE PROVIDED AS AN ADDENDUM BY 30 JUNE, 2012
	Government	9,596		
	Investment & Other	2,623		
	Sub Total	43,108		
	International Sales Network	8,996		
	Total Revenue	52,104		
Program Costs	On-Farm R&D	10,135		
	Off-Farm R&D	6,758		
	Marketing	16,893		
	Total Program Support Costs	33,786		
Support Costs		7,242		
	Total Support Costs	7,242		
	Tactical Funds	2,500		
	Sub Total Expenditure	43,528		
International Sales Network		8,576		
Net Results		-		
Funding Split Per WoolPoll 2009 \$				
	On-Farm R&D	12,308		
	Off-Farm R&D	8,206		
	Marketing	20,514		
		41,028		
Funding Split Per WoolPoll 2009 %				
	On-Farm	30%		
	Off-Farm	20%		
	Marketing	50%		
		100%		



OVERVIEW – MARKETING STRATEGY (DEMAND PULL)

Reconnecting Consumers With Australian Wool

In all our efforts to increase the demand for wool, it is important to understand that wool fibre is an ingredient in an end product. As such it is difficult for AWI, as the fibre marketing body, to impact an end consumer without the support of supply chain partners. In fact every element of the AWI Off-Farm strategy can be referred to as “**Partnership Marketing**”, whether partners are R&D suppliers, the Italian wool trade, retailers, online direct sales sites or media owners such as Conde Naste or Newscorp.

In the past, image advertising was used to reach a mass market efficiently (measured in cost per thousand of contacts). Historically, marketing channels have evolved as a function of technology advances. Marketing messages were delivered as a broadside fired at almost everyone. However since the advent of the internet, the fragmentation of media usage and advances in measurement, this type of approach has in the main been replaced by the presence of a **response mechanism** (e.g. for further information go to www.wool.com) and a consumer call to action (e.g. Now available exclusively at David Jones). In essence we are returning to the sort of one-to-one sales conversation we had before the advent of mass media.

It is also never used in isolation, but always as part of **an integrated media strategy**. The latter refers to the carriage of one core message or offer in multiple media, working together to deliver a specific outcome which these days can be measured in terms of ROI.

Competitive Functional Benefits

- 100% natural, biodegradable fibre
- 100% renewable resource, wherein sheep begin to grow their new fleece immediately it is shorn.
- Fire resistant - a fabric made entirely of wool is difficult to ignite, burns slowly, and has limited ability to sustain a flame.
- Durable - the interlocking protein molecules with wool fibres have the power to elongate, stretch and recover, creating an extremely robust fabric that will last for years.
- Thermal - it can store water vapour up to 35 per cent of its own dry weight yet it remains dry to touch and speeds up the body's own cooling system.
- Static resistant - the retention of moisture within the fabric prevents a build-up of static electricity.
- Comfortable - its elasticity means garments fit so well and yield to body movement, it absorbs moisture, allows your body to breathe, yet never feels damp and clammy.
- Versatile - wool fabric, knitwear and carpets are made from a wide range of wool types varying from superfine for suits and knitwear through to broad fibres that give carpets their strength and character.

Cooperative Approach

Where possible AWI will engage with partners to implement its marketing programs. This includes consideration of other Natural Fibres as allies in clawing back market share from man made fibres.

Ethical Messages

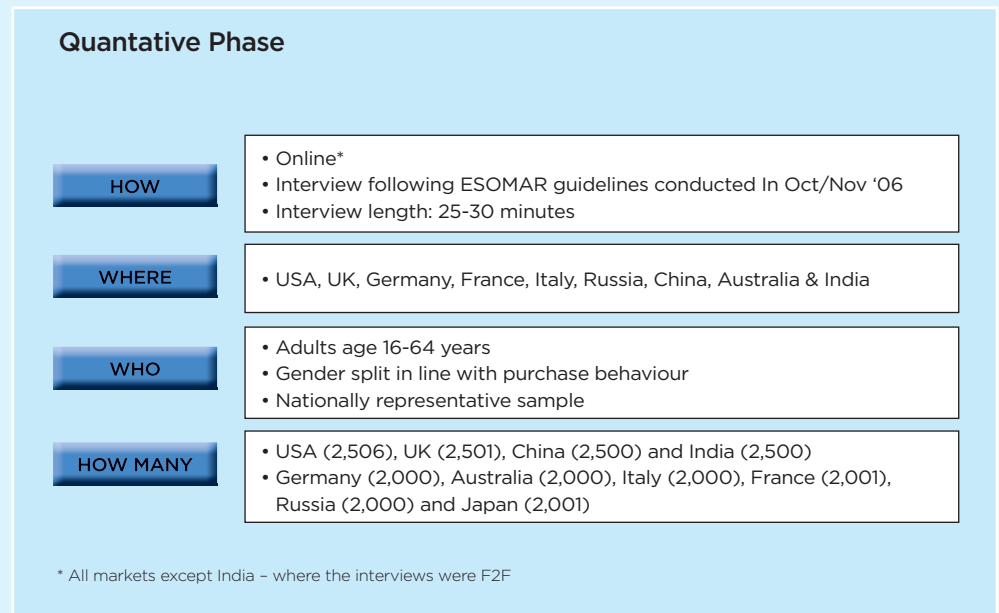
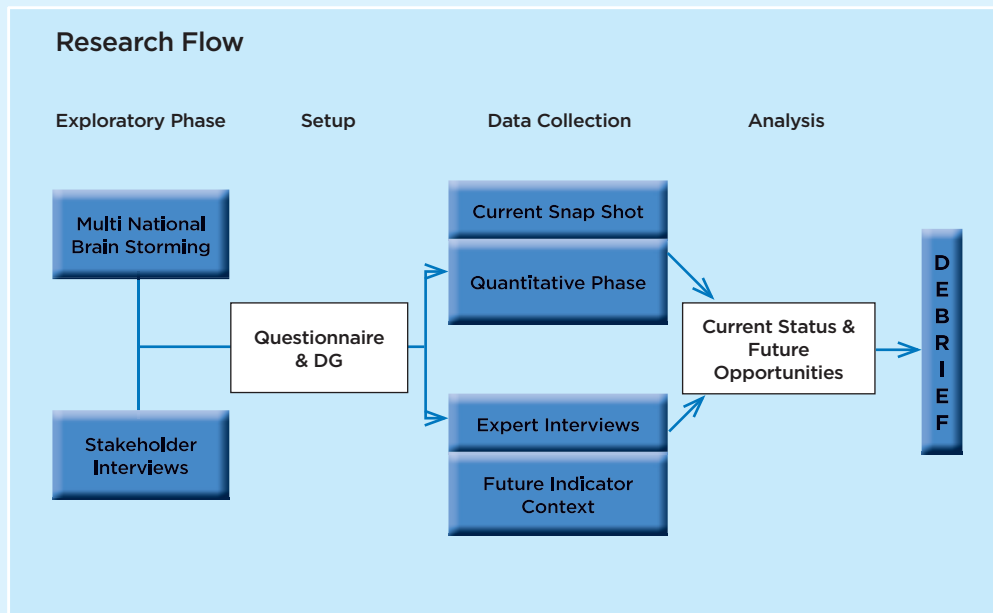
Research shows consumers are responsive to ethical messages and where possible AWI will seek to include this in its marketing activities.

Niche Markets

The Australian wool clip is diverse in micron forms. AWI will seek to define specific markets where possible for different micron sizes and target these with selective marketing programs. Examples include school jumpers and uniforms, corporate uniforms, military and emergency services.

MARKETING STRATEGY

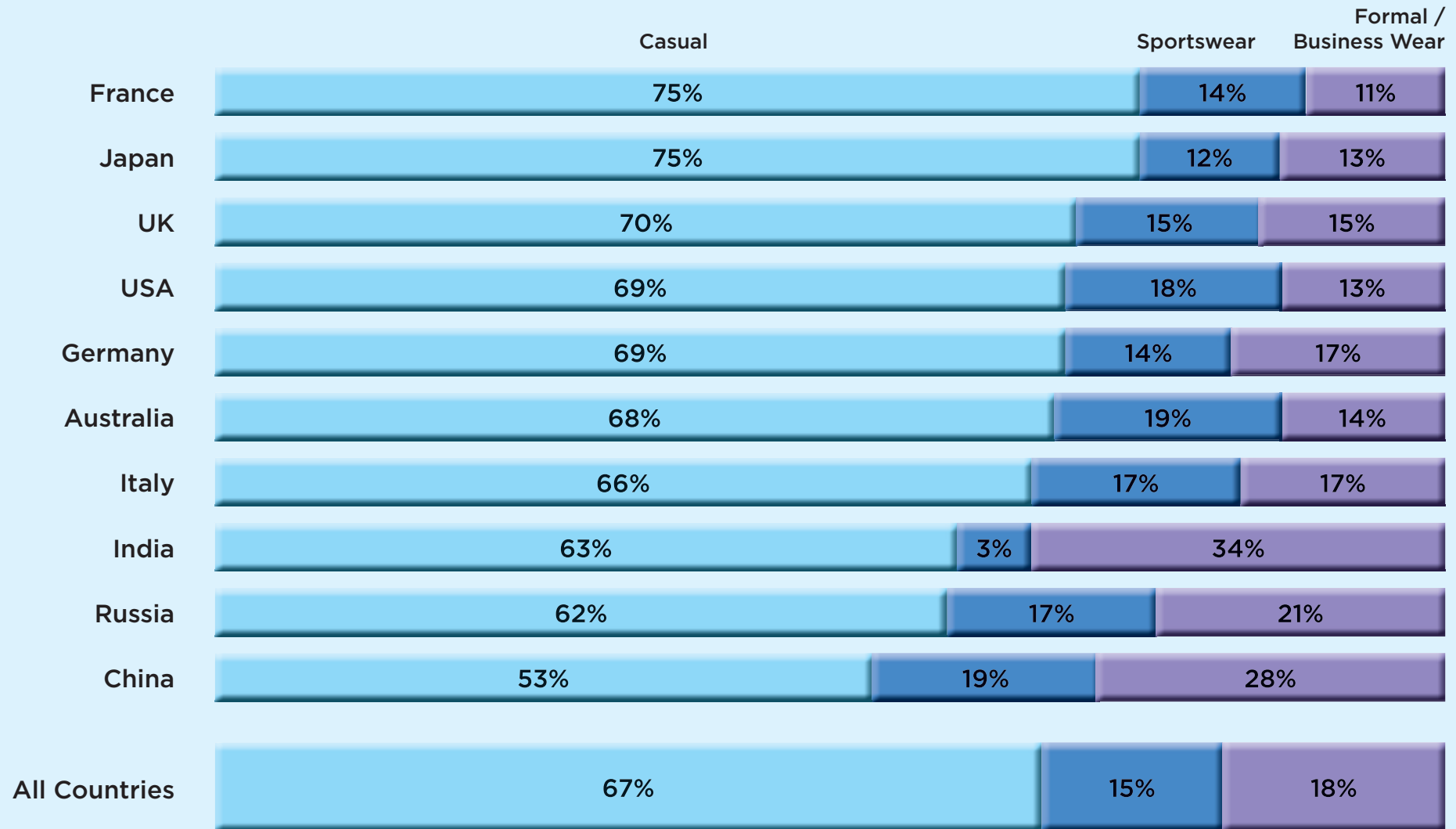
- AWI has long sought to adopt a principle, in its planning, of placing the consumer at the centre of our thinking. While much of the industry is focused on the woolgrower, it is our firm belief that a sustainable industry must be derived from a sound understanding of our consumer, their needs and where we, as a fibre, fit in their perceptions.
- In keeping with this, AWI commissioned Millward Brown, the world's largest consumer research company to conduct primary consumer research in each of the major markets for apparel.
- In 2007 AWI received the report from Millward Brown of survey results from 22,000 interviews:
 - Adults age 16-64 yrs
 - Gender split in line with apparel purchase recency and role/behavior
 - Nationally representative samples from:
 - USA (2,506), UK (2,501), China (2,500), India (2,500), Germany (2,000), Australia (2,000), Italy (2,000), France (2,001), Russia (2,000) and Japan (2,001)
- The methodology, as described below, was extremely rigorous and the results are highly unlikely to have changed significantly since the project was completed.



FINDINGS: LIFESTYLES AND THE FASHION LANDSCAPE HAVE CHANGED...

- For the first time in the history of civilisation, we can control our personal climate
 - Household heating, air conditioning, cars
- We have a culture of instant gratification
 - Live on credit
 - No expectation that consumer items will 'last'
 - Limited self denial
- Access to information has never been easier or faster
 - Popular culture transcends national boundaries
- Fashion has become democratised
 - High fashion is no longer only the domain of the wealthy
 - Fashion has become more eclectic and individualised
 - Anything goes
 - Societal expectations are no longer fixed
 - The definition of 'fashion brand' has changed in developed markets
 - Less about the brand you wear but how you can put things together
 - The line between retailer and designer has blurred
 - The consumer is exerting more power and retailers are having to adapt quickly to consumer demands
- The recent economic downturn and subsequent recovery has placed even more emphasis on value for money, a key element of which is the durability of fashion apparel and its ingredient fibre

FINDINGS: AS A RESULT OF THESE CHANGES... FASHION HAS BECOME CASUAL



Source: Millward Brown, Base All Respondents n=22,009

FINDINGS: LIFESTYLES AND THE FASHION LANDSCAPE HAVE CHANGED

- The most important factors when buying clothes are fit and value
 - When fashion experts talk about fit they refer to the drape, the silhouette, the cut. Their reference points are visual and emotional.
 - Contrastingly, consumers talk about fit in terms of size, comfort and the look and feel . Their reference points are much more functional, emotional and experiential.

FINDINGS: THE ROLE OF FIBRE

- Cotton has high appeal and dominates the wardrobe. Cotton wins on all the important decision criteria and is seen to have a more relaxed personality in keeping with modern lifestyles.
- Wool is relatively weak on the most important drivers of choice within the category and is seen as more dated versus other fabrics, old and traditional.
- Awareness of Merino varies greatly by country and where it is known those perceptions are positive. It has great potential.
- But to realise its potential Merino and wool should be unbundled.
- In consumers minds, if the reference point for Merino is wool then we:
 - unnecessarily burden Merino with negative baggage, and
 - borrow very little that is positive

KEY MERINO ASSOCIATIONS %	IMPLICATIONS
Comfortable 65	Very important but owned by cotton
Lightweight 55	Owned by cotton
Different from other wools 43	Continue to build Merino’s differentiation
Soft 69	Closely linked to comfort
Premium quality 71	A challenge for cotton
Has fashion potential 49	Differentiator for Merino

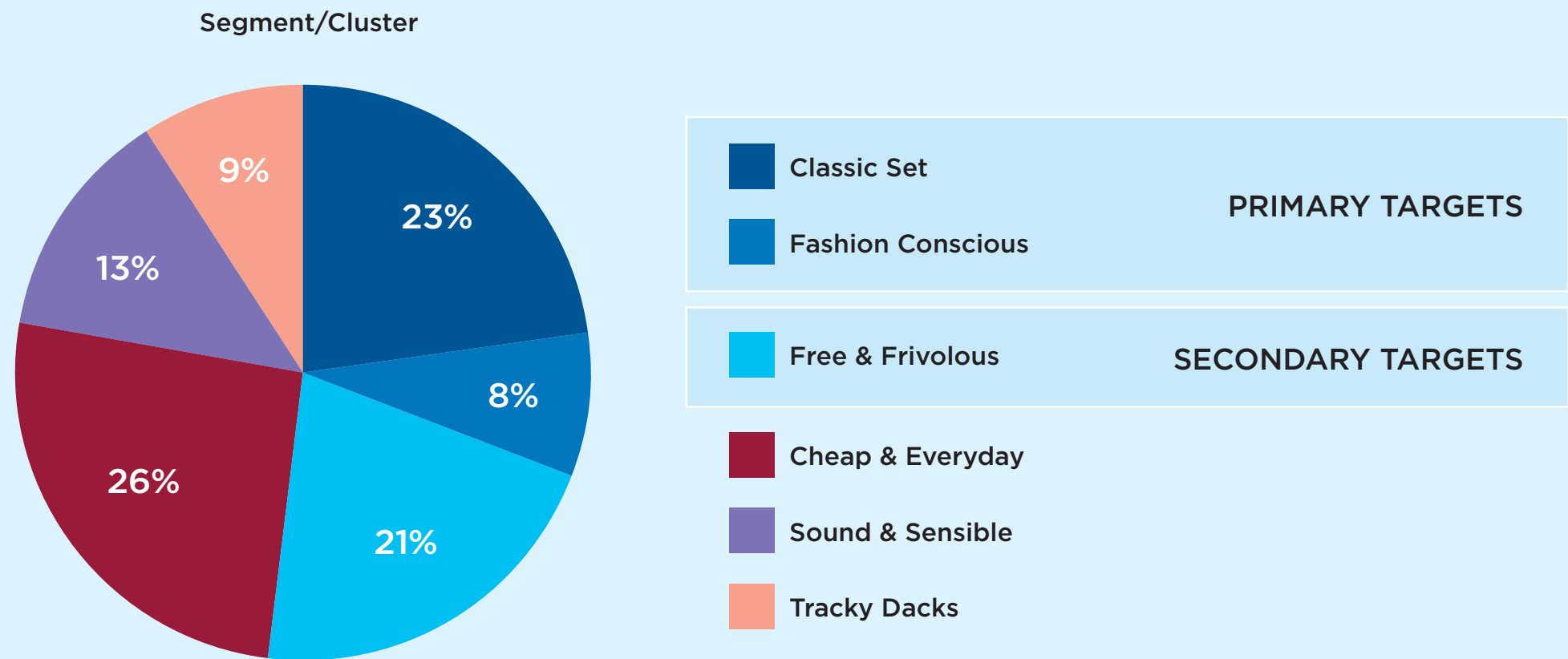
FINDINGS: IN CONCLUSION...

“WHAT WE HAVE HERE IS A FAILURE TO COMMUNICATE”

- Wool is not currently at the centre of consumers' wardrobes. It is struggling to be relevant, interesting or desirable.
- In contrast, cotton is where the action is. It has kept up with changes in lifestyle and fashion. Cotton has managed to exist as two brands successfully (Cotton and Denim).
- To achieve volume we need to play in the casual arena. As it currently exists, wool cannot take on cotton without overcoming specific barriers to purchase that exist in consumers minds:
 - Uncomfortable
 - Unfashionable
 - Available in casual styles; suitable for all seasons
 - Easy to care for
- However, Merino has a different story to tell
 - It shares some of cotton's strengths
 - It is strong against key drivers of choice
 - And importantly, it has some real differentiated strengths that we can build on:
 - Premium quality
 - Fashion potential
- Clearly, not everyone is alike
 - There are different demographic groups
 - At different life stages
 - Who behave in different ways
- Across the markets that are important to AWI there are consumers that share common habits and attitudes when it comes to both shopping and fashion. Two of these have habits and attitudes that are aligned to the latent strengths of Merino and combined with a secondary target market that are more price sensitive, they represent the core consumer market for wool apparel.

THERE IS POTENTIAL FOR WOOL AND FOR MERINO, IF WE TARGET THE RIGHT SEGMENTS...

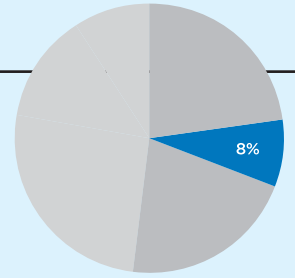
- There are six consumer segments in apparel purchasing, two of which have great potential for Wool and for Merino.



PRIMARY TARGETS = WHO ARE THEY?

Fashion Conscious

For this segment – there is a combination of style, quality or fashion running through their veins.



• Attitudes

- Fashion, style and brands are very important
- Expensive clothes translate into better quality
- Buy clothes which fit the fashion but for the long term
- Organic and natural fabrics are important

• Interest in clothing and clothing expenditure

- Buy clothes for pleasure
- High clothing expenditure

• Main influencers when buying clothes

- Fabric

• Image of wool and knowledge of Merino

- Positive associations with wool
- Good awareness and understanding of Merino

• Who and where they are

- 18-35 years old
- Highest incidence in Italy followed by China and India. Highest numbers in China, USA, Italy, UK

• Where do they shop?

- Branded outlets, fashion boutiques, department stores, online

• Media usage

- TV has a big impact but is becoming less effective
- Higher than average magazine (fashion, lifestyle). Celebrities are important and influential as are the magazines and online sites carrying news about them
- Highest incidence of internet and mobile access and usage
- Increasing importance of joint brand/retailer/media activity



PRIMARY TARGETS = WHO ARE THEY?

Fashion Conscious

For this segment – there is a combination of style, quality or fashion running through their veins

Strategic Approach

• Demand PULL

- Consumer Education – Fibre Story
 - PR
 - Media Partnerships
 - Partnership Marketing Programs
 - Digital/SEM/Search Engine Optimisation
 - Trade Promotion (B2B)
 - CONSUMER PROMOTION (B2B2C)
 - Retailer Education tools
- Consumer Education – Fashionability
 - Influence the influencers
 - PR
 - Media Partnerships
 - Partnership Marketing Program
 - Trade Promotion (B2B)
 - Consumer Promotion (B2B2C)

• Product PUSH

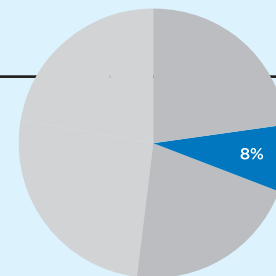
- Fashion innovation
 - Key fashion trends
 - Casual product forms
 - Update traditional product forms
- Trade Partnerships
 - Key Account Management
 - Trade Shows
 - License and Transfer process and product

• Market priorities (countries/categories)

USA	Womens Knitwear, Wovens; Sports/Active
China	Mens Wovens, Womens Knitwear and Wovens Sports/Active
Japan	Womens Knitwear; Sports/Active
Germany	Mens and Womens Woven; Knitwear
United Kingdom	Mens Wovens, Womens Wovens
Italy	Mens and Womens Knitwear

• Key account targets

- Vary by market



PRIMARY TARGETS = WHO ARE THEY?

Classic Set

For this segment – comfort and quality are key, Merino a positive, and their tastes are conservative

- **Likely to be our existing consumers**

- **Attitudes**

- Prefer to buy organic and natural fibres
- Quality is more important than latest fashion
- Always look at fabric label before they buy clothes

- **Interest in clothing and clothing expenditure**

- Enjoy shopping only when they have a need
- Medium clothing expenditure

- **Main influencers when buying clothes**

- Fit (comfort) and fabric

- **Image of wool and knowledge of Merino**

- Positive wool image
- High awareness of Merino with reasonable level of knowledge

- **Who and where are they?**

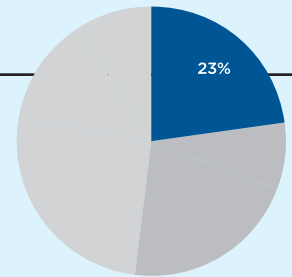
- 40 years plus
- Highest incidence in Russia and Italy; highest numbers in China, USA, Russia, Italy, UK

- **Where do they shop**

- Branded outlets (older profile), Department stores, Premium mass merchandise

- **Media usage**

- Higher traditional media usage
- Mid level internet usage (selected sites)
- High Magazine readership (targeted lifestyle)



PRIMARY TARGETS = WHO ARE THEY?

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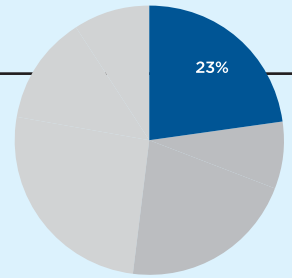
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United Kingdom	Mens Wovens, Womens Wovens
Italy	Mens and Womens Knitwear

• Key account targets

- Vary by Market



SECONDARY TARGETS = WHO ARE THEY?

Free and Frivolous

Young and fashionable, they prioritise fashion over quality but tempered by disposability and income

• Attitudes

- Try to keep up with latest fashions
- Love shopping and can spend hours shopping for clothes
- Often buy clothes they don't need
- Can trade off quality for latest fashion

• Interest in clothing and clothing expenditure

- Buy clothes for pleasure
- Medium to high clothing expenditure

• Main influencers when buying clothes

- Fashion / style

• Image of wool and knowledge of Merino

- Relatively negative wool image
- Low awareness and limited understanding of Merino

• Who and where they are

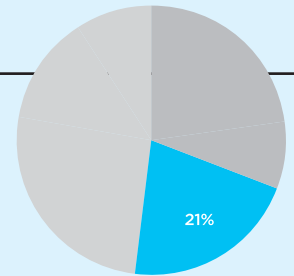
- 18-35 years old
- Higher in China, India and Japan

• Where do they shop?

- Department stores
- Value boutiques
- Mass merchandise
- Online

• Media usage

- Heavy television viewing, magazine usage
- Heaviest internet, mobile and social media
- Targeted magazines



SECONDARY TARGETS = WHO ARE THEY?

Free and Frivolous

Young and fashionable, they prioritise fashion over quality but tempered by disposability and income

Strategic Approach

• Demand PULL

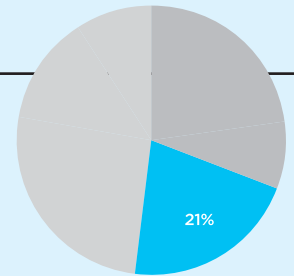
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• Product PUSH

- Fashion innovation
 - Key fashion trends
 - Casual product forms
- Trade Partnerships
 - Key Account Management

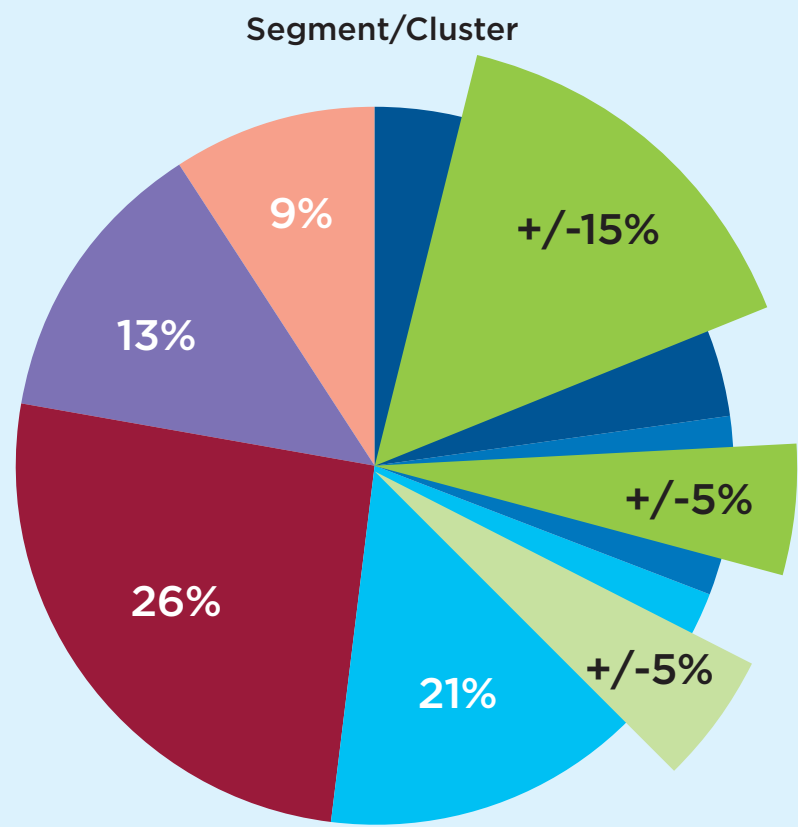
• Strategic Approach

- Given limited resources, this segment is not a high priority globally but will be addressed as opportunities present themselves in Regional Annual Operating Plans



PRIMARY TARGETS = WHERE ARE THEY?

Within target segments, and because we understand where and how they shop for apparel, we target those accounts by region that are market leaders and set trends. This refines our efforts and targets 20% of consumers in high yield accounts across core consumer segments.



1. Filter by Consumer Segment:

- Classic Set
- Fashion Conscious
- Free & Frivolous
- Cheap & Everyday
- Sound & Sensible
- Tracky Dacks

2. Filter by Key accounts:

- Top 10 Market Leader & Trend Setter Partners by Region

PRIMARY TARGETS = WHERE ARE THEY?

Primary: USA
Secondary: Canada

Primary: Germany, UK
Secondary: France, Italy

Primary: China, Japan
Secondary: Korea



Manufacturing: China, Italy, India

PRIMARY TARGETS = LOCATION AND REQUIRED ACTION

Retail Consuming Markets

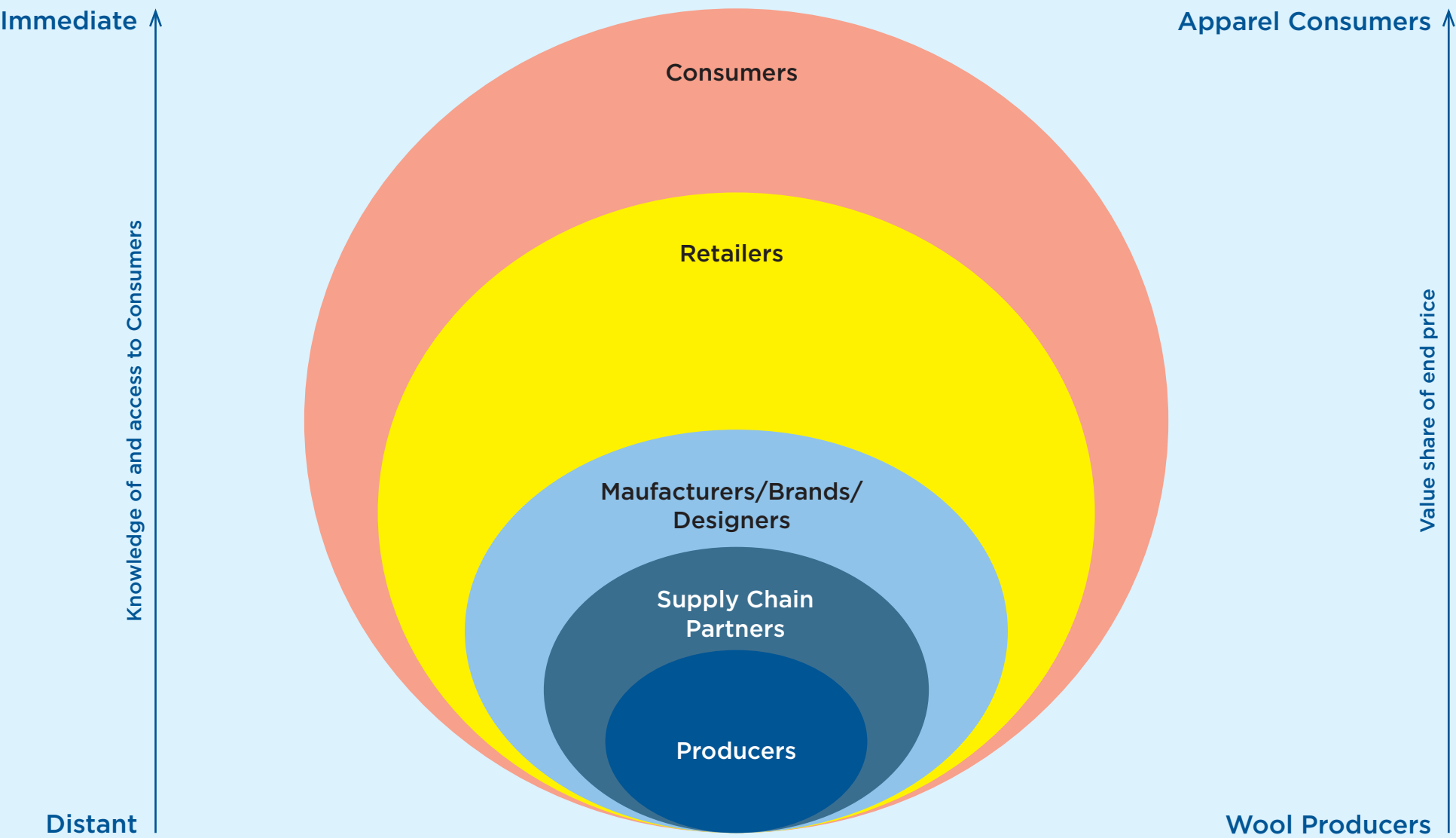
PRIMARY MARKETS	USA	GERMANY & UK	CHINA	JAPAN
SECONDARY MARKETS	CANADA	FRANCE, SPAIN & ITALY	KOREA	
REQUIRED OUTCOMES	REGAIN KNITWEAR	REGAIN KNITWEAR (Germany, Italy)	REGAIN KNITWEAR	
	Defend woven use of wool	Defend use of wool in wovens	Defend use of wool in wovens	
	Increase Active, Infants & Women's Woven Wear	Increase Active, Infants & Women's Woven Wear (UK, Germany)	Increase Active & Women's Woven Wear	

Manufacturing Markets

ITALY	CHINA
	INDIA/FAR EAST

REACHING OUR TARGET MARKETS

Limited resources mean we must concentrate on both indirect and direct methods.



REACHING OUR TARGET MARKETS

- Our goals are to:
 - Drive consumer awareness and knowledge of the wool fibre and its benefits.
 - Focus on the fashionability aspects of the fibre to key target audiences
 - Build on and further commercialize the AWI Merino innovations
- AWI is focused on bringing our retail, brand and manufacturing network closer to the farm. Our place at the centre of the pipeline positions us uniquely to create customised supply arrangements.
- In order to meet increased demand from the market for authenticity and traceability, we will be actively setting up supply chain agreements that meet the needs of both brands/retailers and the woolgrower.
- AWI has had initial success in supporting several direct supply chain partners. The partners have benefited from the Woolmark network through introductions up and down the supply chain. This business model will be further pressure tested and refined.
- Italy is vitally important to AWI given the \$1.5 million in licensee income and the ability to link Merino wool to some of the most influential brands in the world.
- Our relationship with key industry players has been challenging and we need to develop a more open dialogue and stronger business relationship. China is a developing market for AWI and we have had measured success working with supply chain partners. Italy remains influential and AWI will refocus its efforts there to:
 - Influence the global fashion market toward wool ultimately increasing volume
 - Co-develop product innovations
 - Increase the upward positioning of the Woolmark brand through direct associations with the leading brands of Italy.
- There are a number of partnership opportunities. Going forward, the global sales team will focus on fewer but longer term regional and global accounts.

21ST CENTURY WOOL MARKETING

Mass media advertising, as a dominant force in marketing, belongs to the Twentieth Century. The shift to a focus on data-driven, relevant customer and consumer engagement in the internet age has outdated traditional concepts. In 2008, more than 52% of all advertising funds went into direct and data-driven channels – over \$US176 billion globally.

Success in meeting the challenges facing wool not only require us to understand our consumer, but to understand the technology they use on a daily, if not hourly basis. Services such as Google, Brightwave, Salesforce, Goldmine, Real Branding – these are the modern day media owners that provide marketing with accountable access to a rapidly expanding global marketplace of billions of consumers. Our customers know and understand this. E Zegna places as much marketing effort into its online presence and direct sales as it does its owned and licensed global retail outlets.

Likewise, Search Engine Strategists and Managers have replaced traditional media managers and in 2009 the marketing funds controlled by these experts outstripped those controlled by Advertising Managers. Why? One reason – accountability. From the consumers perspective, the way people use media has changed because the media options have changed. The traditional “Push” model of sending messages to faceless consumers has been almost fully replaced by the Push/Pull reality of new media. The traditional “Message Distributed by Media to Consumer” has been replaced by “Media Carrying Messages Selected by Consumers As Relevant” In December 2009, there were 2.2 billion registered internet users.

For wool to address the barriers to increased consumption, we must do two things:

1. Create the right messages in forms and using language the consumer understands. It's about telling people a story they find engaging and relevant.
2. Deliver these messages - with partners - to the media consumers most likely to respond.

The key to success in this environment is knowing our consumers, how they think about apparel and fibre, how they purchase apparel and how they consume media. In essence we have to move from the old Brand Image (“Generic”) advertising model to a more direct, response driven, 1:1 relationship with our customers and their consumers. The model overleaf shows a simplified strategy we will use to do this. The role of AWI is to participate, facilitate and where appropriate provide the content for this process. The internet has some demographic bias, although the younger age group bias is reducing as penetration grows beyond 25% of the world's population.

MARKETING COMMUNICATIONS STRATEGY - FIBRE MARKETING PARTNERSHIPS

What Is the problem?

Consumers perceptions of wool are outdated. It's irrelevant to them.

What is the opportunity?

Make wool more relevant: tell the fibre story; introduce new products; help partners sell more wool products.

Why has this problem occurred?

A decade ignoring the consumer as the focus of wool marketing; a strong price differential for man-made fibres.

Why have we not solved it before?

Inconsistency in commitment to marketing the fibre.

Who are we targeting?

Fashion Conscious, and the Classic Set, filtered by key accounts that drive image and volume

- “Traditional Set” – older consumers who may have forgotten the benefits of choosing wool woven and knitwear over man-made fibres. Specifically target those shopping in department stores and boutiques and willing to pay for quality.
- “Fashion Conscious” – Urban adults, who follow fashion, are concerned for the environment, and are prepared to pay for style, quality and an ecological benefit.

Who are the parties involved?

The media, retailers, brands, manufacturers that sell to our target markets.

How will we measure success?

By establishing quantifiable objectives for every project and partnership and, where possible, measuring a direct ROI for each program.

Communications Objectives

- Reconnect target consumers with the wool fibre.
- Position the Merino fibre as the affordable, luxury “must have”.
- Motivate consumers to search out more information on line or in store.
- Facilitate consumers choosing fashion apparel made from Merino wool.

Desired Perceptions

Fashion apparel made from Merino wool is (now) comfortable, stylish and fashionable. The world's leading brands choose wool because of its significant benefits over other fibres.

MARKETING COMMUNICATIONS STRATEGY - FIBRE MARKETING PARTNERSHIPS

Desired Positioning

For those who value style and quality, Merino wool is the affordable luxury fibre to insist on. It is 100% natural, more comfortable than you thought and suitable for every season.

Product Benefits

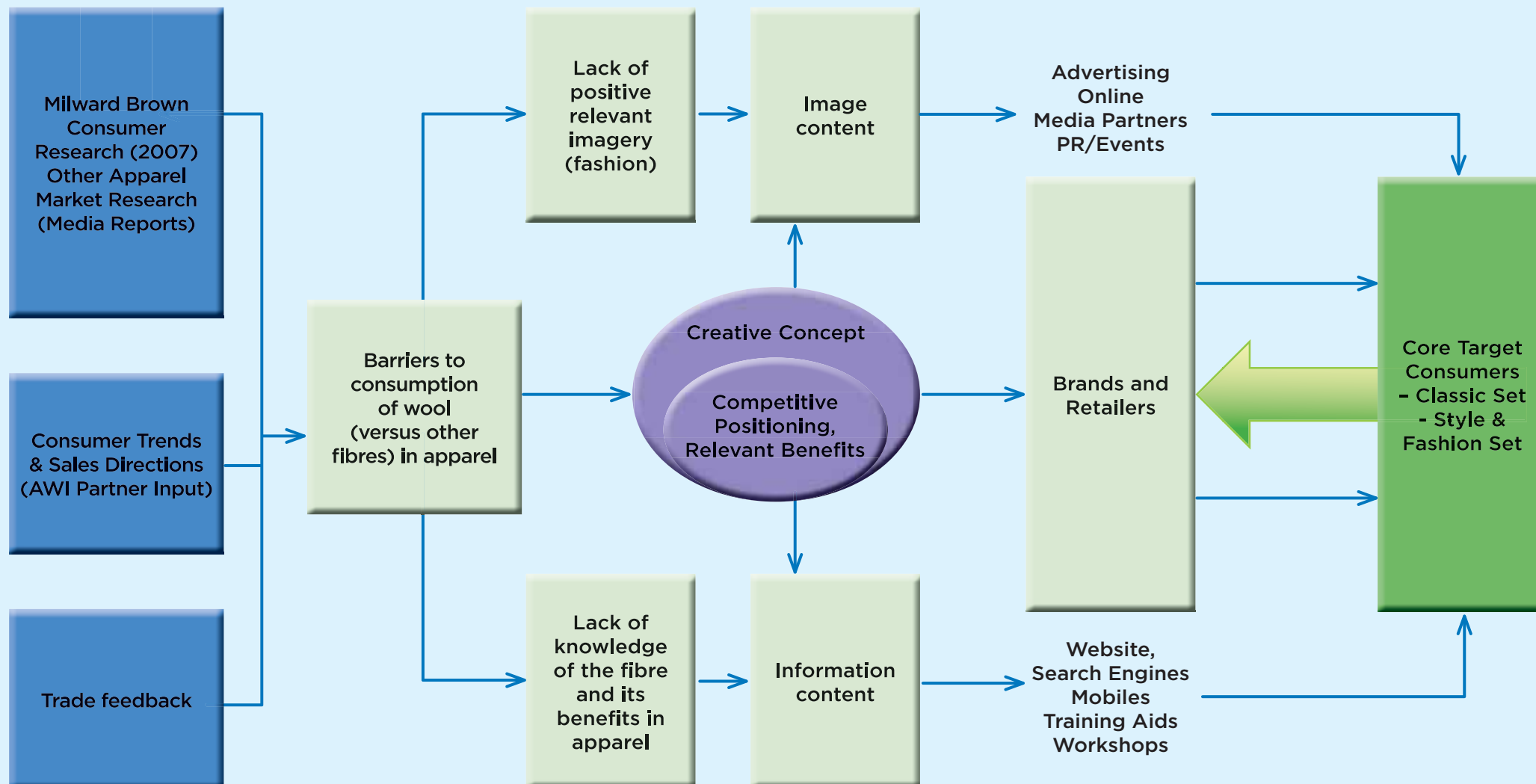
- Wool is 100% natural fibre, biodegradable and renewable
- The world's leading designers and brands always prefer Merino wool
- Wool apparel lasts longer because of the natural strength of wool
- Merino wool is now lighter, and softer due to its finer average micron, and suits all seasons
- Merino wool is available in more casual styles to suit contemporary lifestyles
- Merino wool is naturally fire resistant and high UV protection
- Wool is easy to care for
- Wool is easier on the environment. It has a lower carbon impact and made from a 100% renewable resource

Character

Contemporary, honest, open, caring

MARKETING COMMUNICATIONS ARCHITECTURE

When it comes to executing our Marketing “Pull”/product “Push” strategy, we do so with partners, and we ensure we communicate using the most cost-effective means of impacting our target market. The resulting marketing campaigns are based on understanding who we are talking to, and how they use modern media. Using this approach, we develop overall themes and specific projects with partners that deliver the message in a way that can motivate sales. In most cases this will involve elements of media, in-store, education of floor staff, specific events. The following describes our approach to delivering our message to consumers in conjunction with our supply chain partners:



A NOTE ON MARKETING TERMINOLOGY

Through the strategy development process it is apparent that while discussions are lively, **opinions among stakeholders are cohesive** in terms of the strategic direction AWI will take. What often causes consternation is terminology. Because most stakeholders have little or no direct experience with marketing, **jargon can confuse** and often create dissension where there is none. In regard to these plans note that:

1. B2B: This term is used to describe efforts by AWI and its representatives to work with partners in the supply chain in generating more floor space or SKU's for wool products, either through new product introductions or promotional programs. The marketing term would normally be **"Trade Promotion"**. It almost always contains elements of education, incentive and instore presence. More recently it would also involve provision of digital content.
2. B2B2C: This term has been used to describe programs where AWI approaches specific partners, channels or key accounts in the supply chain to work with AWI in reaching consumers with a sales message. The marketing term would normally be **"Consumer Promotion"** or, more recently **"Shopper Marketing"**.

Both Trade Promotion and Consumer Promotion are used extensively and successfully in the export marketing of a number of commodities (Rice, Meat, Fruit etc). It is important to note however that, in most of these cases, the consumer of these products buys the end product, not an ingredient of the end product. In all our efforts, it is important to understand that wool fibre is an ingredient in an end product. As such it is difficult for AWI, as the fibre marketing body, to impact an end consumer without the support of supply chain partners. In fact every element of the AWI Off-Farm strategy can be referred to as **"Partnership Marketing"**, whether partners are R&D suppliers, the Italian wool trade, retailers, online direct sales sites or media owners such as Conde Naste or Newscorp.

While it is still prevalent in large volume markets such as FMCG, or high image end products such as fashion brands or luxury travel, the use of brand image type of activity has changed radically over the past 20 years. In the past image advertising was used to reach a mass market efficiently (measured in cost per thousand of contacts). However since the advent of the internet, the fragmentation of media usage and advances in measurement, this type of approach has in the main be replaced by a presence of a response mechanism (e.g. for further information go to www.wool.com) and a consumer call to action (e.g. Now available exclusively at David Jones). It is also never used in isolation, but always as part of **an integrated media strategy**.

The latter refers to the carriage of one core message or offer in multiple media, working together to deliver a specific outcome which these days can be measured in terms of ROI.

The challenge facing wool in reaching those consumers who are most likely to respond positively to a fibre story or a wool product offer are significant. However what is clear is that information and image will both play a role in changing consumer perceptions, therefore addressing those barriers that stand in the way of purchase behavior.

THE ROLE OF BRANDS AT AWI

A logo itself (even a powerful logo like the Woolmark) is not enough to guarantee consumer relevance. A brand comes alive through its actions, and provides a consistent link for all our activities and investments.

In the current circumstance, the main value of a brand is as an asset to which we attach meaning and relevance through our investment in marketing; and which, together with our partners, we believe will enhance the effectiveness of our promotional activity

The Woolmark, while a brand, is also a certification mark. There are legal constraints on how and on what it can be used; and on if and how it can be changed, Nevertheless, **global recognition of the Woolmark symbol remains high** in some markets. This recognition ranges from a high of more than 94% in Japan, the UK, France and Italy down to only 48% in the USA.

The Woolmark symbol, while it is a certification mark in legal terms, is a brand in any definition of marketing. Despite lack of investment in this brand for over a decade, many consumers still recognise it and associate it with quality in apparel. Those that do recognise it, value it, but its relevance to a purchase decision is becoming lost to many of them. But to re-create the levels of recognition it still enjoys would take hundreds of millions of dollars investment. The challenge is to leverage the residual recognition into relevance then into a shift in behaviour.

At the trade level, AWI has aggressively pursued opportunities to license the Woolmark to manufacturers. However, due to restricted funds, investment in visibility and relevance has been very little.

As AWI is aware, because the Woolmark has in the past been attached to a broad range of apparel and interiors product, it is unlikely that the premium, branded end of the market will see use of the Woolmark as adding value to their business as a brand. It does retain the ability to generate interest, and can work with premium brands provided its meaning and relevance is enhanced through active support and investment.

Based on our understanding of consumer sentiment and trade attitudes, we believe the AWI brands, including Woolmark have a vital role to play:

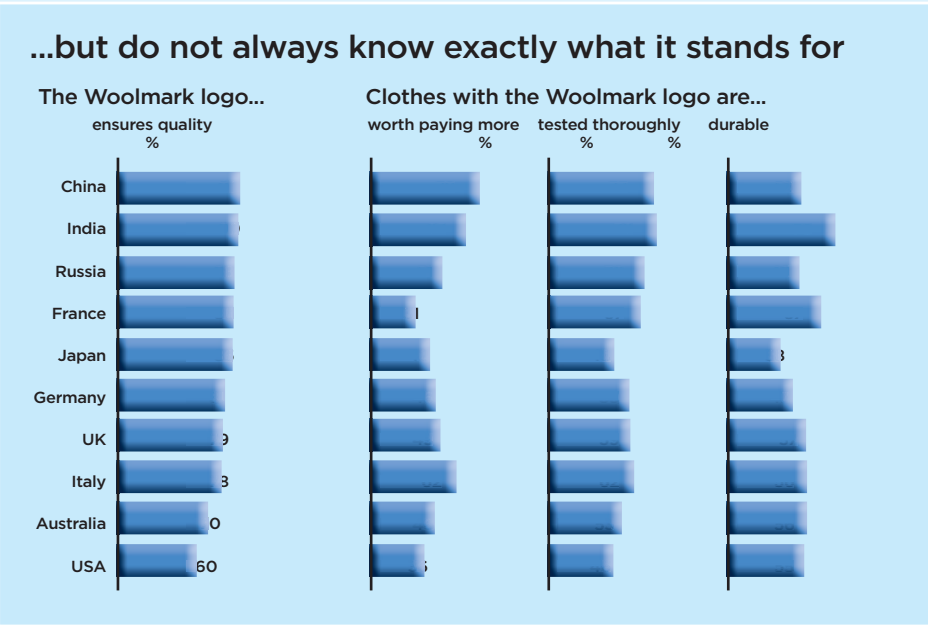
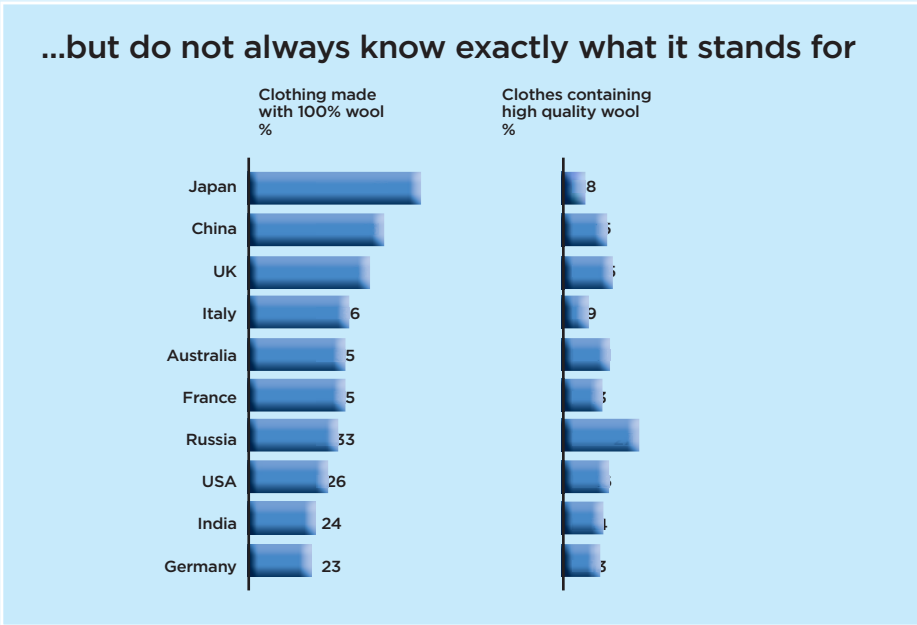
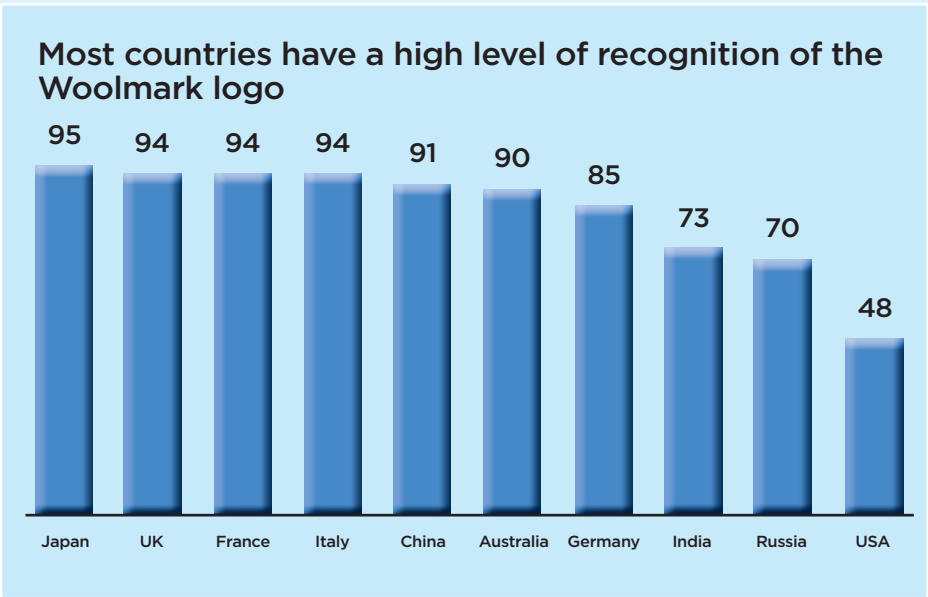
- To “capture” the value from investment we make in telling the wool fibre story
- In assuring consumers that the provenance of the Woolmark apparel they buy is stated in terms relevant to them

To make this happen, we must ensure Woolmark standards and descriptors are:

- Known, and relevant to consumers
- Known and understood by retailers and their staff
- Present on the garment
- Can lead to interaction with the fibre stories we tell

THE WOOLMARK BRAND - STATUS (SOURCE: MILLWARD BROWN RESEARCH)

- By any definition, the Woolmark brand represents a significant asset in terms of consumer equity. This has been built up over decades through investment (mainly by Australian woolgrowers). An internal estimate based on label production done in 2008 suggested over 3 billion garments have been sold with this brand attached since its inception.
- While it does represent an asset, reluctance to use it has been growing, as evidenced by the declining number of licensees.
- As shown in these charts, and reported by AWI regional staff, this is a result of little to no investment in the brand for over a decade.



CURRENT BRANDS




AWI and Australian woolgrowers own more than **50 brands** with 1500 worldwide registrations.

As mentioned previously, the role of AWI is **not brand marketing**, but the facilitation and encouragement of third parties to sell more items made of wool. In this context, **AWI’s brands are tools in a toolkit offered to those partners we work with.**

In 2009 AWI reviewed its list of brands both internally and in industry consultations. As a result, we have identified those brands that have potential leverage with or by our partners and those unlikely to contribute to growth in wool sales. The brands listed here will be used when and where appropriate. The remaining brands will be sold off, with the proceeds allocated to projects focused on selling more Merino wool.

AWI will continue to monitor and review the relevance and leverage delivered by various AWI brands and rationalise accordingly.

WOOLMARK PROGRAM – BRAND STRUCTURE – APPAREL

BRAND	SUB-BRAND	CARE CLAIM
Woolmark 	<ul style="list-style-type: none">• Pure New Wool• Merino Extra Fine• Natural Stretch (wovens)• Pure Merino Wool• Cool Wool• Merino Cool• Super S/S	<ul style="list-style-type: none">• ALL• ALL• DC, HW• ALL• DC, HW, MW• DC, HW, MW• DC
Woolmark Blend 	<ul style="list-style-type: none">• Wool Rich Blend• Wool plus Lycra®• Cool Wool• Merino Cool• Super S	<ul style="list-style-type: none">• ALL• DC, HW, MW• DC, HW, MW• DC, HW, MW• ALL
Wool Blend 	<ul style="list-style-type: none">• Wool Blend Performance	<ul style="list-style-type: none">• ALL

DC – Dry Clean Only
TEC – Total Easy Care

HW – Hand Wash
ALL – All Care Claims

MW – Machine Wash

FIBRE MARKETING PARTNERSHIPS

Program 1: Consumer Fibre Marketing Partnerships

Create and execute, with appropriate supply chain and retail partners and - where affordable - directly through digital media, a fibre story campaign. Develop overall fibre and brand stories to be used in sales presentation materials, on website, at trade fairs and all other key collateral.

Outcomes:

Delivery of image elements and information leading to an increased awareness and perceived importance of wool as a factor in the choice of apparel and creation of partnerships with supply chain, retailers and media to deliver messages in a cost-effective, targeted, response-driven form.

Deliverables:

Partnership projects delivering media-based content to target consumers, increasing knowledge and relevance of wool in apparel.

Key Performance Indicators:

1. Number of projects actually completed versus target
2. Number of partners engaged
3. Number of consumers reached
4. Where possible, ROI on expenditure in terms of message delivery, incremental kilograms of wool sold (define by project)

Program 2: Online Presence; Search Engine Management and Optimisation

Upgrade the online presence, technology and content of the AWI websites to ensure content is targeted and appropriate to trade and consumer audiences. The online strategy focuses on fulfilling our core strategies and www.wool.com will be at the centre of these activities. AWI has begun the process of active Search Engine Management and Optimisation and will continue this at a global, regional and market level, ensuring brand messages, care information and campaigns. Further investment will deliver personalised homepages offering content requested by users, targeted email and SMS communications, consolidation of 17 sites into a single point of access for all stakeholders, dedicated consumer brand sites with relevant imagery and content. In addition, the new tickets and labels process will be launched as an online service via www.wool.com

Outcomes:

1. Web presence in major markets delivering wool related content to specific target audiences (consumer and trade)
2. Wool, Merino and other specified terms delivered as top 3 fibre aspects of a fashion, apparel or interiors related enquiry

Deliverables:

1. Wool on the web, with a strong presence and increased visitation through use of SEM and SEO practices
2. Increased hit rates and measureable sell

Key Performance Indicators:

1. Web presence maintained
2. Number of partners engaged
3. Number of consumers reached/visited; length of time on sites; level of click through to partners
4. Where possible, ROI on sales of apparel of wool sold (define by project)

FIBRE MARKETING PARTNERSHIPS

Program 3: Trade Education Tools

Develop and distribute in digital form (and other forms as appropriate) training modules aimed at retail shop assistants, and designed to help them sell the differentiating factors of wool apparel over competitors. Where appropriate supply physical point of sale and support use of these materials through Regional and Market staff working with partner management teams to instil and incentivise adoption and use of these materials.

Outcomes:

Improved consumer and technical knowledge base and sales skills at manufacturing and retail allowing better sell-through of Merino apparel and interiors

Deliverables:

1. Retail Associate Product Knowledge and Training Modules (physical and digital forms)
2. Supply Chain training modules

Key Performance Indicators:

1. Number of projects completed
2. Number of partners engaged
3. Number of sales associated reached and completed training modules
4. Where possible, ROI on expenditure in terms of message delivery, incremental kilograms of wool sold (define by project)

Program 4: Branding

AWI will continually review and, as necessary, revise brand management policies to match market and partner needs. We will provide appropriate image, collateral and support materials including swing tags, labels, base brochures, posters, core imagery, and educational materials.

Outcomes:

Effective management of AWI owned brands, and the collateral and support materials necessary to make them of value to supply chain and retail partners.

Deliverables:

1. Collateral materials as required by supply chain and retail partners
2. Media presence (with partners) of key brands and stringer perceived consumer understanding of their meaning and value to a purchase decision of apparel or interior products

Key Performance Indicators:

1. Rationalised brand portfolio and reduced cost of registration
2. Updated and relevant brand support materials
3. Increased level of renewals and new licensee relationships
4. Stabilise then grow brand licensee income

FIBRE MARKETING PARTNERSHIPS

Program 5: Public Relations - Fibre Knowledge

There is currently a variety of PR-type activities and awards that do not either drive fibre knowledge or link back to or our B2B2C partners. Going forward, AWI will focus its PR activities only on those programs that tie in with our strategies and work on a partnership basis. There will be a number of activities targeting leading global designers and up and coming/cutting-edge designers in each global market and specific funds will be allocated in the regions to these programs. In return, they will be required to increase their usage and innovative designs with Merino wool. Again, we will link these designers to our licensee base in order to promote their yarns/fabrics. The Visiting Journalists Program will continue, and we will develop a Visiting Buyer Program – with Austrade as a potential partner – in conjunction with the Melbourne Fashion Festival and Sydney-based Australian Fashion Week.

Outcomes:

Increase in awareness of and interest in wool as a vital element of fashion

Deliverables:

Partnership projects with strong media coverage and high leverage of AWI investment versus audience and content delivery

Key Performance Indicators:

1. Number of articles on target and delivered
2. Combined reach of on-strategy content
3. ROI on sales of incremental kilograms of wool relative to AWI investment in project

PRODUCT MARKETING PARTNERSHIPS

Program 1: Product Marketing Partnerships (previously B2B2C Programs)

Develop and execute promotional programs targeted to key markets and segments, and in partnership with retailers and supply chain partners. These projects will be based on the TMP, JPM, KMP and other programs that have shown strong results in the last four years. Further efforts will be made to ensure these programs are closely aligned to market segment targets, have measureable KPIs built in to the project contracts. Continue as a guideline a target contribution of \$1.00 of AWI funds to minimum of \$3.00 partner funds.

Outcomes:

Increase in net volume of wool apparel and interiors.

Deliverables:

Partnership projects with high leverage of AWI investment that deliver incremental sales of wool apparel or interiors.

Key Performance Indicators:

1. Percentage of completed projects versus target
2. Partner contribution as a ratio to AWI investment
3. ROI on sales of incremental kilograms of wool versus AWI investment in project

Program 2: Wovens Volume Defence

Using the strategies and tools outlined in the preceding sections, AWI regional management will prioritise those retail and brand “accounts” which in their judgement offer targeted opportunities and solid potential success in defending the volume of fine Merino wool used in traditional forms such as business suits.

Outcomes:

Maintenance of net volume of wool apparel and interiors products sold.

Deliverables:

Partnership projects with high leverage of AWI investment defend sales of wool used in woven apparel.

Key Performance Indicators:

1. Number of partner prospects converted to project investors
2. ROI on sales of incremental kilograms of wool versus AWI investment in project

PRODUCT MARKETING PARTNERSHIPS

Program 3: Public Relations - Product Publicity

There is currently a variety of PR-type activities and awards that do not either drive fibre knowledge or link back to or our B2B2C partners. Going forward, AWI will focus its PR activities only on those programs that tie in with our strategies and work on a partnership basis. This Program will focus on those products that are covered in Product Promotions campaigns undertaken with our partners, and that focus on products targeted to segments and uses consistent with the strategies outlined in this plan.

Outcomes:

Increase in awareness of and interest in wool products marketed in partnership programs.

Deliverables:

Partnership projects with strong media coverage and high leverage of AWI investment versus audience and content delivery.

Key Performance Indicators:

1. Number of articles on target and delivered
2. Combined reach of on-strategy content
3. ROI on sales of incremental kilograms of wool relative to AWI investment in project

PRODUCT MARKETING PARTNERSHIPS

Program 4: Brand Standards and Quality Control

When projects use AWI intellectual property, in particular our brands such as the Woolmark, we must assure consumers that products using these brands meet the criteria set for use. This is especially the case when the brand is a certification mark (as are most of the Woolmark variations).

To ensure this is the case, AWI provides, at the licensees cost, testing and quality assurance services, when it is required. This also means providing technical support to manufacturers that enables them to meet the required standards.

Outcomes:

Consumer assurance of product quality (and where appropriate provenance).

Deliverables:

Quality assurance testing standards

Quality assurance testing

Access to swing tickets, labels and collateral (at licensee expense)

Key Performance Indicators:

1. Number of garments tested
2. Provision of testing services
3. Access to technical support
4. Number of users/uses of tags, labels and collateral

PRODUCT MARKETING PARTNERSHIPS

Program 5: Endorsement Testing and Support

When partners use AWI intellectual property, in particular our brands such as the Woolmark, we must assure consumers that products using these brands meet the criteria set for use. To ensure this is the case, AWI provides, at the licensees cost, testing and quality assurance services, when it is required. This also means providing technical support to manufacturers that enables them to meet the required standards.

Outcomes:

Consumer assurance of product quality (and where appropriate provenance).

Deliverables:

Quality assurance testing standards

Quality assurance testing

Access to swing tickets, labels and collateral (at licensee expense)

Key Performance Indicators:

1. Number of garments tested
2. Provision of testing services
3. Access to technical support
4. Number of users/uses of tags, labels and collateral

Program 6: Woolmark Technical Services

Test Methods and Specification

A program for ongoing Review with biennial release of Specifications and Test methods has been established which will involve the development of new Specifications (eg Merino Fresh) and the optimisation of routes for communication of changes to licensees.

Expansion of the Endorsement programs

There is great potential for the expansion of Woolmark Apparel Care, Woolmark Interiors Care, and Woolmark Accredited Technologies (eg Natural Coloration Technology). This will be pursued in both Asia and Europe.

Coordination with standards organisation (ISO, IWTO, IEC)

There is potential to harmonise the test methods used for wool products and endorsed appliances used by the various standards bodies. WMK will work closely with IEC and CHEARI to ensure that the test program required to meet the standards of each organisation can be minimised.

Ad-hoc technical support for licensees will be conducted at regional level.

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