

Country99 TV interview on 17 September 2012 with Elders Primary Wool Chairman Stu Chapman regarding the Just Shorn deal with US-based CCA Global Partners

DAVID BEATSON: Elders Primary Wool says it has a North American game changer on its hands with its Just Shorn brand of New Zealand wool carpets. An initial trial run in 80 luxury stores in the United States convinced one of the world's largest carpet retail chains, CCA Global Partners, that they're right. Now, the Just Shorn range of carpets and rugs is being rolled out across the United States and Canada in a move Elders Primary Wool say could lift the value of wool at their growers' farm gate here in New Zealand. Up till now, the American market's been a tough nut to crack. So, what's made the difference this time? Here's the man with the answer, Chairman of Elders Primary Wool New Zealand, Stu Chapman. Well Stu, thanks for joining us. Tell me, just how much of a game changer is this marketing deal you've just struck?

STU CHAPMAN: Well David, it's about changing the perception of wool, re-educating consumers about the attributes of wool. So, it is a big ask. But also...

DAVID BEATSON: Why do you say that?

STU CHAPMAN: Well, there's a generation or two of people out there, particularly in America, that don't understand wool, because wool had a dominant marketplace in the '60s, and since then, it's all been downhill to, basically, a two per cent share of the flooring market today.

DAVID BEATSON: So, what pushed you aside?

STU CHAPMAN: Synthetics and nylons. Yeah, they did a far better job. There was no promotion around wool and - over the last 30 or 40 years, and synthetics have just taken the market by storm. Obviously, in America, laminates and that are very strong as well. But in terms of the soft flooring, wool only accounts for 2 per cent.

DAVID BEATSON: Well, it was a game changer in terms of consumer perception, but is it going to be a game changer in terms of business?

STU CHAPMAN: Well, that's still to be tested, of course...

DAVID BEATSON: [Laughs]

STU CHAPMAN: ... but - and our early response from the the IDG launch, through the high-end...

DAVID BEATSON: The IDG being?

STU CHAPMAN: International Design Guild...

DAVID BEATSON: Yeah.

STU CHAPMAN: ... which is part of CCA, which we launched last year, the sales through there have been reasonably strong. Not perhaps as strong as would have liked, but CCA very happy with what they achieved.

DAVID BEATSON: Not a great time in the American economy to be launching...

STU CHAPMAN: No, no, no.

DAVID BEATSON: ... a new luxury product though.

STU CHAPMAN: Yeah, no, it wasn't good timing, but when is a good time and, I guess, we're hoping that it's all uphill from here.

DAVID BEATSON: Okay, I'll - and bearing in mind that it is a pretty tough climate over there, how did you actually convince a major retailer to take a punt, essentially, on a product which didn't have a market presence in the States?



PWC
members,
take a
bow!

STU CHAPMAN: Well, CCA are a pretty innovative chain of stores. They are a cooperative, so they are all individual owner operators. They like the concept of dealing with Elders Primary Wool which 50 per cent of Elders Primary Wool is owned by Primary Wool Co-operative farmers here in New Zealand. So, there was some instant recognition around that. But they also saw the opportunity to grow their market share, given that wool is such a small percentage of the market, and their research had shown also that there was some demand for more natural sustainable environmentally-friendly product, and wool fits that category great.

DAVID BEATSON: Did you test out the Just Shorn product and where did it come from, Just Shorn? I mean, it says it all pretty much: fresh, natural New Zealand [indistinct]...

STU CHAPMAN: It is a great brand. But we worked with a Boston marketing company. We knew that...

DAVID BEATSON: You're not going to tell me Americans [indistinct]...

STU CHAPMAN: Well, unfortunately, we - that was the market that we were after...

DAVID BEATSON: Oh, okay...

STU CHAPMAN: ... and we had to make sure that we understood all the nuances of consumers in America. So, we worked with this Boston marketing company who came up with several options for us, and that was the option that was chosen by Kiwis, and it does resonate well and it certainly holds well and shows well in the stores.

DAVID BEATSON: So, tell me, what is it going to mean for the growers back home here?

STU CHAPMAN: Well, ultimately, it's got to mean better returns. This program's been four years in the making, and we've always said that we want to pay premiums for wool that we buy from our growers. And we are. We're buying wool at the moment, and they get a market price on the day, and then they get a premium from the royalty of the sales at a later date.

DAVID BEATSON: Mmm mmm.

STU CHAPMAN: So it's - ultimately, it's about the growers and making sure that sheep farming or growing wool is a sustainable proposition.

DAVID BEATSON: Have you set yourself some targets for growing that?

STU CHAPMAN: We have.

DAVID BEATSON: What?

STU CHAPMAN: We've got some very strong targets, both agreed between ourselves and CCA around value and sales.

DAVID BEATSON: Mmm mmm.

STU CHAPMAN: And yeah, they are ambitious but you've got to be ambitious because if we aren't, we will never crack it. At the moment, we're manufacturing product for samples and small volumes of inventory, but that inventory supply will continue to grow between now and February.

DAVID BEATSON: And you've got your processing manufacturing capacity lined up where?

STU CHAPMAN: Yeah. So, Godfrey Hirst is our manufacturer to this - to the program. They are going to use all - obviously, e... Elders Primary Wool supplied wool. They're going to scour it here in New Zealand, spin it and manufacture the carpet here in New Zealand.
So, it's a wonderful New Zealand Inc story, given that a lot of manufacturing jobs are under pressure at the moment in New Zealand. It's a wonderful New Zealand story.

DAVID BEATSON: Well, you're going into a huge market. So, what kind of str... marketing

strategy are you adopting and are you planning anything special for the launch?

STU CHAPMAN: Yes, there is some - there's some special launch material available and some functions, et cetera. Obviously, they are under wraps, but we will be using traditional digital marketing strategies. Obviously, educating consumers in the store is a big part of this program. It's not a scattergun approach. It's more about targeted marketing and ensuring that we get the opportunity for our store staff to up-sell the product in store. And that's where CCA are very, very good. They have this online university where they're training their staff all the time in the way to up-sell and showing them the benefits of the - of quality of wool.

DAVID BEATSON: Now, is it true the incentive - the real incentive for them is that maybe they'll get to New Zealand and see the product on the ground [laughs]?

STU CHAPMAN: We have had a couple of incentivised trips to New Zealand which have worked favourably for us, and we'll continue to offer that as part of the program, because once the Americans - the store owners get out here, seeing is believing and just to get them on farm and talking to farmers and their wives and families and seeing the sheep being shorn and seeing the way dogs muster the sheep, it's just mind-blowing for Americans. So, it's very emotive, but, hopefully, very successful.

DAVID BEATSON: Well, we won't wish you luck because you don't need luck. Just good judgement.

STU CHAPMAN: We do, indeed.

DAVID BEATSON: Stu Chapman, Chairman of Elders Primary Wool New Zealand.