

SPINNING OUT THE VALUE



Ever since they set out to transform New Zealand's merino sheep industry 20 years ago, the growers behind New Zealand Merino have never been afraid to push the boundaries.

Driven by a resolve to lift merino out of the commodity basket, NZM is a grower and management-owned integrated sales, marketing, and innovation company that's turned the industry on its head.

As CEO John Brakenridge explains, the original vision came from the growers themselves:

"Twenty years ago, the product was just being dumped on the commodity market, sold at a discount to Australia, and it really was a declining industry. The growers knew they had a product that was undervalued and unrecognised."

So they said, let's employ people who are prepared to challenge the status quo and apply disruptive thinking."

Enter CEO John Brakenridge and an executive team of blue-ocean thinkers. These days, the organisation employs people across a diverse spectrum of roles – environmental and textile scientists, digital media experts, and a value-chain designer to assess the life-cycle of competitors' garments.

The entrepreneurial mindset has certainly paid off; with NZM now responsible for about 75 percent market share. One of the key advantages of ditching the commodity model has been gaining control over fluctuating prices.

"The big thing that destroys markets is volatility," says Brakenridge. "Dealing with that is a critical part of our model."

NZM growers supply wool under contract to one or more brand partners, according to clear specifications at a fixed price – generally one to three years in advance.

And while NZM growers are virtually guaranteed to stay in the money – Brakenridge says it's the certainty that's more valuable than price.

"Once you know what your price is, you can concentrate on your productivity gains, you can talk to your bank...you can do all those things."

The partnerships are historically solid. NZM has now done "hundreds of millions of dollars in contracts, with hardly a single default, either from the market or grower side."

"I think the difference for growers is that it's not some faceless contract...it's a relationship with, for example, Jeremy Moon and Icebreaker. They're talking to each other, they know what the dynamics are, and where their product is going."

So what's next for NZM, the organisation that's always pushing the boundaries?

Don't be surprised if you see the brand literally 'pop up' around the world. Brakenridge would love to see progressive New Zealand companies band together to establish offshore 'Centres of Excellence', based in key micro-markets that influence the wider region (e.g. San Francisco is a leader in the US).

"The kind of place where people could bring their customers, run focus groups and testing, provide insights to the likes of NZTE or MPI; maybe even sell some product. It's these kind of business-led initiatives that are going to help our New Zealand provenance story."



ON USING 'DESIGN THINKING':

Turning a market on its head is not for the faint-hearted. Challenging the establishment requires 'design thinking, disruptive play, and phenomenal tenacity'.

Once upon a time, there existed a Wool Board, a bunch of traders, and an R&D division at Lincoln. They all worked in silos, happy with the status quo. Then along came the growers from NZM.

"We were basically the antithesis of that infrastructure," says John Brakenridge.

"They put up barriers between growers and end markets – and our job was to break those barriers down. We're driven by the creation of value chains, and linking growers through to end market."

When asked if there's anything NZM would have done differently, his response is: "No, I don't think so. Because when you apply design thinking, it enables you to prototype ideas, validate them, gain insights, and then amplify it when you've got some confidence. So it's not as if we're going to do a big launch and then say, gee, I guess we got that wrong..."

ON TELLING THE NEW ZEALAND STORY:

When it comes to creating a global New Zealand brand, who should be telling the story?

According to John Brakenridge, the answer is simple.

The likes of Icebreaker, for instance, is taking 'brand New Zealand' to the world. Similarly, Brakenridge is excited by deals currently in the works with major British and Italian designers. Big-brand ethical platforms, such as the Sustainable Apparel Coalition, are drumming up demand for NZM's premium ZQ Merino fibre.

According to the Brakenridge theory, an endorsement from superstar designers will drive global customers to equate New Zealand product with ethical animal welfare standards, quality, safety, and high-end fashion.

"We need to have more Icebreaker equivalents, and high-profile global brands, telling our stories. Ultimately that's what will brand New Zealand in the minds of our consumers...not a generic Government campaign."

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