

Question on notice no. 7

Portfolio question number: 7

2020-21 Additional estimates

Rural and Regional Affairs and Transport Committee, Agriculture, Water and Environment Portfolio

Senator Bridget McKenzie: asked the Australian Wool Innovation on 23 March 2021—

Senator McKENZIE: When we're looking at a diversification of market strategy, I would have thought, as a publicly-funded organisation and one that has levy payers at its very heart, that you would be consulting with the Department of Trade and Foreign Affairs very, very closely in identifying potential markets. I'm pretty sure North Korea would not have been one of the potential countries you should be looking at. That was a comment. I'm very disappointed the chair isn't here, because the first day I met her she told me of a marketing strategy of AWI's logo on the Prada yacht in a race in the Mediterranean.

Senator STERLE: Really?

Senator McKENZIE: Yes, Senator Sterle, this is the truth.

Mr McCullough: No, the race was held in-

Senator McKENZIE: No, I met her a little while ago. We've also got the Australian Wool Innovation logo in the America's cup, on the Prada boat. I'm sure levy payers will be really happy to see that as well. Although, it is hard to see the actual logo. Pirelli is easy to identify, Prada is very easy identify, but the AWI logo is very, very small on these sails. I have a few questions about this. Can you update the committee on what the media value is? In your 2019-20 annual report, the Prada marketing project cost a little over \$1.6 million, nearly \$1.7 million, but on page 48 it says the project in its preliminary phase has earned a media value of a million dollars. Can you give us an update, please?

Mr McCullough: That's a project that's been going for four years. It started with product development. We built product for the sailors to their specifications out of wool. That product was also merchandised by Prada and still is being merchandised by Prada around the world. The project went on, but the big gain here was to get it to the America's Cup and profile it there.

Senator McKENZIE: Achieved.

Mr McCullough: Yes. I got a figure the other day. That project's costs us \$4.2 million in total over four years. In terms of marketing return, the marketing team are constantly monitoring this and they measure over about 10 different matrix, both digital, print and TV. That investment right now is in the order of 10X-say, \$40 million.

Senator McKENZIE: So, you're going to say \$42 million.

Mr McCullough: Something like that.

Senator McKENZIE: So, \$4.2 million you've been able to leverage to, as the marketing team reckons, \$42 million. What specific metrics are used to calculate that return?

Mr McCullough: I'll get you the full list of them, but there are many. There are click-throughs, dwell time, media inches, column inches. There's a whole range of things that they measure. I can give you a full list over all the things that they measure and how that value is created or assessed.

Senator McKENZIE: I look at that sail, and it doesn't matter which one-even this one. Emirates-that I know is New Zealand. Omega has a big logo. There is no way in the world that I could even see the AWI logo, the Woolmark, let alone understand what it's about. I'd like to table these actually, Chair, if I could.

Mr McCullough: Senator, I don't think you ended up watching this on television.

Senator McKENZIE: The America's Cup?

Mr McCullough: Yes.

Senator McKENZIE: No.

CHAIR: It's funny you mention that. I've received a text message while we've been doing this, and somebody says, 'I watched three races every day. I was at Dad's for the America's Cup and pre-cup races. I had no idea there was an Aussie logo on the boat.'

Senator McKENZIE: Thank you to the texter. We welcome that live feed straight to the chair. I won't hand her mobile number out, but we do have email addresses. I find it incredible, given that's direct feedback from somebody who did watch all the races. Where are we actually calculating this return for growers?

Mr McCullough: We've got professionals that calculate both brand profiling and fibre profiling on a per- jurisdiction basis all around the world. This telecast went all around the world.

Senator McKENZIE: The point, Mr McCullough, that the chair's direct live feed just proved is that it was telecast all around the world and nobody saw it.

Mr McCullough: No, that's not true.

CHAIR: I think they don't show the sails. They show the-

Mr McCullough: No, that's not true.

Senator McKENZIE: And they don't zoom in. Anyway, on notice, I want full metrics. I want to understand how you get to \$42 million and I want to see some science and rigour behind this rather than, 'We're in 10 yachting magazines and all the yachting around the world might have seen the Woolmark and then might have thought about Australian wool while they did that. Who approved the expenditure on the marketing for this project?

Mr McCullough: The board.

Senator McKENZIE: Is that an ongoing approval?

Mr McCullough: No, it's over my delegation, which is \$350,000. Anything over that goes to the board.

Senator McKENZIE: Is that done on an annual basis or is it a five-year project?

Mr McCullough: No; it was a four-year project. Senator McKENZIE: So, it's coming to an end? Mr McCullough: Yes; it is.

Senator STERLE: No review?

Mr McCullough: Well, there's no other race for another four years.

Senator McKENZIE: I want to understand what meetings have been had-obviously you'd have to meet with Prada because, hopefully, they're using a lot of Australian wool-

Mr McCullough: They are.

Senator McKENZIE: in making some decent gear. I want to know board members that attended any regattas where this boat raced-

Mr McCullough: I can answer that now: zero.

Senator McKENZIE: And staff?

Mr McCullough: Zero.

Senator McKENZIE: No corporate hospitality?

Mr McCullough: Zero.

Senator McKENZIE: Zero?

Mr McCullough: It was held in New Zealand, and no-one went.

Senator McKENZIE: Yes, I understand that, but this is a four-year project. I want to understand: over the four years, is it still zero?

Mr McCullough: Certainly for board, but there was a launch function in Italy in 2018.

Senator McKENZIE: Is that the only event attended by AWI?

Mr McCullough: That's the only event. It was just a dinner.

Senator McKENZIE: I understand that, but it was in Italy. Can I understand who went and how much it cost.

Answer —

Answer attached.

Rural and Regional Affairs and Transport
Answers to questions on notice
Agriculture, Water and the Environment Portfolio

Question No: 7
Hearing: Additional Estimates
Outcome: Agency
Division/Agency: Australian Wool Innovation
Topic: AWI \$42 million Prada campaign
Hansard Page: 74-75
Question Date: 23 March 2021
Question Type: Spoken

Senator McKenzie asked:

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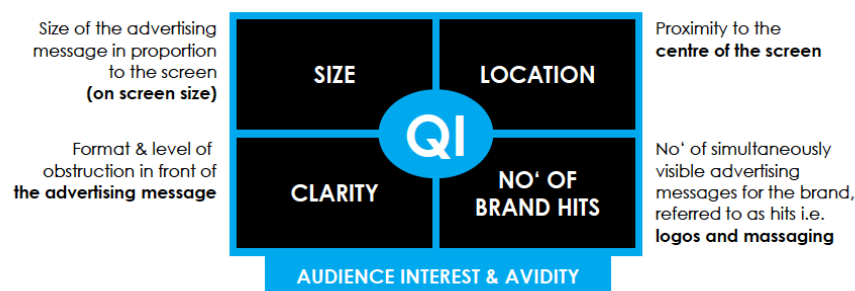
Answer:

1.

Immediate project success is calculated via a systematic and consistent media analysis process. The Woolmark Company sponsorship strategy will be independently evaluated by Neilson and include measurement and assessment of TV, Print and Online coverage to ensure a consistent global industry standard that is comparable between sports sponsorship strategies.

Logo positioning on sails, uniforms, backgrounds etc is referred to as 'passive, in-content branding' and ROI is calculated by an adjusted media equivalency that accounts for the ambient nature of the exposure by applying an independent 'Quality Index Methodology' (QI) to brand exposure.' A QI score accounts for size, location, duration, number of brand hits and impact factor of the logo to calculate a value in relation to the cost of advertising costs.

The following five criteria combine to derive the QI Score:



A comprehensive valuation of social media coverage will also be produced with the overall report accounting for logo exposure and fan engagement.



There is also a longer-term objective for this project which is to build credibility for Merino as a performance fibre and increase Australian Merino wool's share of the sportswear market. A true valuation and success of this longer-term objective will not be evident until a min of 12months to allow for business development follow-up and brand product development cycles. It is important to note in the absence of trade fairs as a result of Covid-19 impacts the Luna Rossa project has provided a valuable platform to meaningfully engage with global brands on the technical potential of Australian Merino wool. As a direct result of the project project development opportunities are currently in discussion between The Woolmark Company and the nine other brands.

2.

February 19, 2018: first meeting with LunaRossa (Woolmark Italy and Luna Rossa Team)

March 8, 2018: first meetings are organized with Luna Rossa staff and AC and Prada cup organizers

March 29, 2018: AWI HQ support exploring opportunity and submit a declaration of official interest

April-May 2018: preliminary phase of information gathering: *study and negotiation period between the parties to understand the details of the project, feasibility and costs*

May 11, 2018: internal discussion phase for an official green light to deal with Luna Rossa

May 29, 2018: preliminary phase of information gathering Woolmark Italy and Lorenzo bertelli, Max Sirena and AC / prada cup organizers to proceed with the negotiation and define the details of the possible partnership.

June-July 2018: first interaction with Prada Product office to present all the wool product innovations. Brainstorming on product developments. Prada introduced us the functional needs.

September 1, 2018: project official approval

September- November, 2018: product development activity goes live with kick-off meeting between Prada product office for product developments

November - December 2019: contract definition period including various meetings with Luna Rossa and the legal office for the drafting of the letter of intent

November 19, 2018: meeting with the Prada product office to evaluate the first proposals for fabrics and prototypes, during the meeting development directions are confirmed and the merchandising of the collection for the team takes shape

December 5, 2018: logo presence definition: meeting with Prada and Luna Rossa to define the presence of logos (magnitude and positioning)

January 11, 2019: letter of intent countersigned by the parties

January 17, 2019: meeting with Prada Product office to update developments and first prototypes to be tested by the sailing team. Prototypes have been sent to Cagliari for real testing

January-February 2019: product testing and new developments; period of product testing, changes and new developments in which the suppliers of woolen fabrics are involved. frequent one-to-one meetings with the product department and suppliers involved

March 2019: collection development closed - Final meeting with Prada product office to launch the samples to be presented at Pitti (June 2019)

April 4, 2019: Official uniform presentation - meeting with Prada and Luna Rossa to define the details of the official presentation at Pitti uomo in June 2019

June 10, 2019: Presentation to Press - official presentation of the Luna Rossa project to the international press, the uniforms are exhibited at the woolmark stand

July 9th 2019: Fabric Trade show presentation at the Milano Unica fair in Milan

September-December 2019: Marketing Plan implementation meeting with Prada office and Luna Rossa by definition of 2020 activities (worlds series regattas and in-store events)

January 21, 2020: marketing activities coordination: meeting with Prada by definition events in Prada WW flagship store and press and PR activities for exhibition events in Cagliari and Newport

February 2020: In store events first Luna rossa / Woolmark event in Montenapoleone store, followed by Tokyo and Sydney

March-April 2020: Covid Emergency: cancellation due to covid of the exhibition regattas of Cagliari and Newport. Situation on standby until June in view of a clearer situation.

September 2020: Luna Rossa crew leaving for New Zealand, World Series and Xmas cup confirmed in December. Followed by confirmation of Prada Cup and AC events

Regattas go live:

- **December 2020:** world series and Xmas Cup
- **January- february 2021:** Prada Cup
- **February – March 2021:** America's cup

3.

Two hospitality events where held by AWI for the Luna Rossa Project

- Event 1: Luna Rossa Partnership Announcement Dinner, June 2018, Florence Italy
- 10 Guests from AWI attended Announcement dinner along with 22 media and representatives from Luna Rossa.
- Total Spend: \$4,500

Category	Company	Name	Name
AWI	The Woolmark Company	Fabrizio	Servente
AWI	The Woolmark Company	Francesco	Magri
AWI	The Woolmark Company	Francesca	Ginnasi
AWI	The Woolmark Company	Valeria	Prencipe
AWI	The Woolmark Company	Birgit	Gahlen
AWI	The Woolmark Company	Elena	Zanini

AWI	The Woolmark Company	Stuart	Mc Cullough
AWI	The Woolmark Company	Anna	Mc Leod
AWI	The Woolmark Company	Peter	Ackroyd
AWI	The Woolmark Company	John	Roberts

- Event 2: America's Cup Final Event Race, Friday 12th March 2021, Sydney
- 7 x AWI Staff attended alongside 21 media and industry guests.
- Event cost: \$7,000
- AWI Attendees below:

Category	FIRST	LAST	COMPANY
AWI	Laura	Armstrong	Woolmark
AWI	Anna	McLeod	Woolmark
AWI	Anna	Buckley	Woolmark
AWI	Stuart	McCullough	Woolmark
AWI	John	Roberts	Woolmark
AWI	Stephen	Feighan	Woolmark
AWI	Don	MacDonald	Woolmark