

## **THE CHALLENGE: Pursuing Acceleration Through Collaboration**

After NZM was successful in gaining its NZSTX funding, the team needed to plot a course forward toward achieving the program's goals.

To address the priority of expanding the international market for Zque wool, the company decided to convene a meeting of its key brand partners to get their input, seek new ideas, and attempt to engage them in working toward this mutually beneficial goal.

Even though they were competitors to varying degrees, they had all invested heavily (or were planning to do so) in products made from Zque wool, and they all had a direct interest in seeing demand for these products increase. NZM hoped that they would be willing to think collectively and consider collaborating for the benefit of all players in the category. Given the competitive nature of a number of the brand partners NZM was unsure how they would feel about joining forces.

NZM would call the brand partner meeting a "Thinkering Summit," which referred to the intersection of creative thinking and discovery through doing (tinkering). Brakenridge's hope was that the group would come together to "build and think," (a form of strategizing through the use of prototypes).

The theme for the meeting would be "Acceleration through Collaboration: Designing a Zque Blueprint that Accelerates Brand Partner Growth in the U.S." The NZM team chose to focus on expanding New Zealand Merino sales in the U.S. market as a first step for a couple of reasons. First, all of NZM's brand partners had a significant presence in U.S. markets or had aspirations to establish one. Second, the U.S. had a large population of LOHAS consumers, as confirmed by market research recently commissioned by New Zealand Trade and Enterprise (NZTE). (See NZM [Products and Partners](#) for more information.)

Eight core team members from NZM would participate in and help orchestrate the summit. The invitees would include representatives from a number of the organization's brand partners, New Zealand's Ministry of Agriculture and Forestry (MAF), NZTE, and Stanford University. After the invitations were issued, everyone confirmed that they were very enthusiastic about participating. All were sending at least one representative with the exception of NZM's two Italian partners (Loro Piana and Reda). These two companies would be unable to attend due to commitments at key tradeshows, but both would send a personal letter of support.

The NZM team convened the summit in Palo Alto, CA due its proximity to a number of thought leading organizations such as Apple, Facebook, Google, and IDEO. In this setting, the team would also be able to involve thought leaders in marketing from the Stanford GSB, including Professor Baba Shiv, with whom it had been working on an informal basis over the past year. For a venue, the team rented a vacant retail store (along with the space adjacent to it) at the "Town and Country" shopping center near Stanford's campus. One idea that the NZM team had brainstormed was to develop temporary retail stores in targeted "micromarkets" where NZM's brand partners could collectively display and sell their products. Consistent with the thinkering philosophy, NZM decided to prototype one of these stores and use it as a 'set' for the meeting - to provide a hands-on experience and inspire

attendees to expand the “realm of the possible.” The retail space next door would be used as a reception area.

The first morning of the event started with a breakfast. To evoke people’s positive perceptions of New Zealand as a beautiful, natural environment, the team covered the floor of the reception area in real grass that led to a sand beach, and everyone was encouraged to leave their shoes at the door. The walls were lined with bamboo and images of picturesque New Zealand landscapes. To showcase the warm, friendly hospitality for which the country was known, the NZM team brought two of its local caterers to Palo Alto. Their role was to provide the participants with fresh New Zealand delicacies throughout the summit. As breakfast was coming to a close, the guests were surprised with a performance by three traditional Maori dancers. Afterwards, the dancers welcomed each participant with a customary Maori greeting called hongi, which requires the two people to press their noses together.

At this point, the group moved next door where the floor was covered in a luxurious, white shag-pile carpet made from New Zealand Merino wool. Most of the participants took seats on the inviting carpet or in chairs that had been placed throughout the space. However, the leaders of the five primary brands ([Ibex](#), [Icebreaker](#), [John Smedley](#), [Johnstons](#), and [SmartWool](#)), along with Brakenridge, were given elevated, makeshift “thrones” at the head of the room as the leaders of their collective future.

After showing a video on the New Zealand experience to keep participants grounded in the country’s allure, Brakenridge led a discussion about why they were all together and what effective collaboration could mean to the participants in the room.

The group offered the following early ideas:

1. Broader acceptance for New Zealand Merino wool.
2. Capturing U.S. market share from consumers currently buying synthetics.
3. Sharing best practices in the industry through “coopetition” or “cooperating to compete.”

The group agreed that there was a time to compete and a time to come together, and that in some instances there was room for multiple brands in the stores that they sell through. Primarily though, they needed help to get consumers to understand the benefits of wool. Then it would be up to the brand partners to carve a unique identity for their own products.

One brand partner commented that New Zealand Merino was a great product that elicited an emotional response from customers. Consumers, he noted, become passionate in a unique way once they experience the product. For this reason, the key question that the group needed to answer together was:

## **"How do the brand partners take that experience to the next level?"**

NZM referred to the concept of taking the consumers (and the industry) to the next level as “Crossing the Chasm.” It was agreed that those who touched and, even more importantly, experienced Zque products did not just convert to customers—they became passionate

advocates for the product, singing the praises of New Zealand Merino wool and encouraging their friends to try it.

As NZM had learned, individuals in the initial target market of early adopters became intellectually interested when the benefits of Zque were explained to them. Once they touched a Zque product, they began to get excited. In situations where they actually had the opportunity to use the product, then they become passionate. Now was the time to mobilize these early adopters to convert their non-user peers.

See what attendees at the brand partners summit experienced and hear their reflections on the event (comments begin at 2:10).

The challenge was that the devoted group of “converts” in the U.S. was currently small relative to the total addressable market. Not only did relatively few people understand the benefits of New Zealand Merino wool, synthetic substitutes were significantly less expensive—for example, a basic synthetic short-sleeve base layer might cost \$19-25, while a similar shirt made from New Zealand Merino might cost approximately \$60.

The group came back to the fact that they had all been spending substantial time, energy, and money promoting the benefits of wool versus synthetic fibers, as well as positioning New Zealand Merino as a premium wool fiber. Participants concurred that their messaging around the fiber story was similar and, as a result, their efforts were duplicative. It would benefit all brand partners if NZM would market the fiber and the benefits of wool so that the brand partners could focus on promoting their own brands rather than the attributes of Zque.

As the brand partners talked about their own goals for the next three to five years, two important goals emerged at the category level. The subsequent discussion focused on two key points:

1. The basics of Merino need to be known and acknowledged by the general consumer base. To achieve this goal, two hurdles would need to be overcome. First, few people knew about Merino wool and its benefits. Second, even if they did, they needed to better understand why they should pay more for one type of Merino over another.
2. In order to support the brand partners’ planned company growth, there needed to be a consistent, guaranteed wool supply at the specifications they required. This meant that NZM would have to make more high-quality New Zealand Merino wool available.

At a more near-term, tactical level, the group discussed the fundamental messaging it might use to reach U.S. consumers. For NZM and the brand partners to grow the category for Zque wool, it was imperative that the messaging was perfected and told consistently across the category. There were four potential aspects to the fiber story:

### **Wool**

Breaking traditional stereotypes associated with wool and differentiating it as a better, natural alternative to synthetic fibers.

### **Merino**

Explaining that Merino is a type of wool, and that it is preferable to all other wool fibers.

## **New Zealand**

Positioning New Zealand Merino as superior to all other types of Merino and capitalizing on the “goodwill” associated with products from New Zealand.

## **Zque**

Promoting Zque as the highest quality New Zealand Merino available to consumers and explaining its advantages when it comes to performance and sustainability.

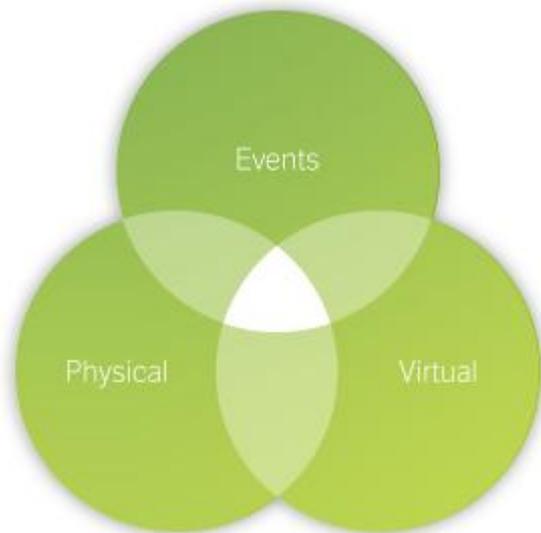
The challenge was that explaining all four aspects to consumers was difficult to accomplish in a concise, easy-to-understand message. The brand partners would have to decide which factors were most important in the messaging hierarchy, and which could be reserved for more detailed, second-level communications.

Importantly, many companies sold products made from Merino wool. For example, \$40 Merino sweaters were routinely available at the Gap and Banana Republic. The thing that differentiated all of the brand partners from these other companies was their use of Zque Merino from New Zealand. This branding would ensure that value was captured by the group, rather than generic Merino (or even generic New Zealand Merino) offerings, and that the group would be protected from any detrimental actions of competitors in the Merino sector (e.g., producing garments from lower-quality Merino that resulted in a negative customer experience).

The primary focus of Zque marketing to date had been around its sustainability attributes, but increasingly this attribute was becoming a “must-have,” rather than a true differentiator in the brand partners’ market segments. NZTE’s recent market research in the U.S. confirmed that consumers were more concerned with quality than sustainability (although sustainable products were often considered of higher quality). The Zque story needed to be widened to include other quality and performance characteristics that resonated with consumers such as not sweating or not smelling, and the emotional connection that occurred when the customer experienced the feel of the garment.

Brakenridge asked participants what they thought about including New Zealand as part of the core message. Everyone seemed to believe that associating New Zealand with the product would be a positive from the customer’s perspective. However, some members of the group expressed concerns that this term could be too limiting if the demand for high-quality Merino surpassed the country’s available supply. NZM was actively recruiting more New Zealand growers to join its supply-base, but the possibility remained that NZM would potentially need to expand its model outside New Zealand to keep pace with demand, or as a means of insurance in case the country was ever struck by a disaster that dramatically affected the entire Merino wool supply (e.g., drought or disease).

Another topic that generated a great deal of dialogue during the summit was which particular tactics to use to get a shared message out to consumers and turn them into converts. Given the tactile nature of the product, and the propensity of potential consumers to be converted once that had touched the products (or reached their “delta” point), everyone agreed that they needed to create more opportunities for consumers to touch and feel Zque wool (if not experience the product for themselves). They also agreed that they should consider a combination of traditional and novel channels that included physical, virtual, and event elements.



Another key feature of the model was entering micromarkets—specific cities with a high population of target qualified customers—where the brand partners could work together to significantly raise awareness of their collective and individual offerings. Participants suggested a range of cities across the U.S.

The team defined certain filtering criteria to help decide which cities would make the best micromarket locations. These included:

**Per capita virality**

The speed and extent to which information and ideas spread virally throughout a population.

**Brand partner activity in the city**

Do interested consumers have local options for buying brand partner products?

**Presence of early adopter**

Is there a strong base of forward-thinking risk takers who are likely to try new things?

**Affluence**

Ability of the population to understand, appreciate, and afford the product.

In terms of having a physical presence in a micro market, the group’s initial reaction to NZM’s temporary “pop-up” retail store concept was that it was an interesting idea. However, while everyone loved the way the prototype store looked (and was impressed by what the NZM team had accomplished!), they considered that perhaps, even in a high-traffic location, a fixed retail space might not reach enough potential customers.

Building on the concept, another idea was to create a mobile store—in a bus or the trailer of an 18-wheel truck—that could move from one high traffic area to another. Like the temporary retail space idea, the mobile solution would be designed to feature multiple tactile experiences, interactive consumer education materials, and the opportunity to make purchases (or be directed to participating retailers that carried the products of the brand partner).

Another potential concept was to approach established retailers that carried active outdoor products as well as luxury knitwear about setting up in-store areas where consumers could become better acquainted with (and buy) Merino products from all the brand partners.

From a virtual perspective, there was a lot of interest in figuring out how to start a viral movement around the Zque offering. The group was energized by examples of what had been accomplished by organizations and companies alike (e.g., Coca-Cola and its [Coke Happiness Machine](#)). Over the years, the brand partners had all collected testimonials and stories from existing customers praising their products and had used them to help spread the word, but none of them had successfully catalyzed any large-scale viral activity.

In terms of events, participants had numerous suggestions, particularly in the active outdoors segment (e.g., marathons, bike races, and other sporting activities). Physically, the collective could bring its mobile store to an event or set up a booth. They also agreed that they should strive to incorporate a virtual element into each event and find ways to reward consumers who participated in virally amplifying their message.



At the conclusion of the summit, just before the participants adjourned to relax with drinks and a friendly game of cricket, Brakenridge and team recapped what had been discussed and outlined an action plan for moving forward. The brand partners were encouraged and invigorated by the progress that had been made, and looked forward to implementing the action plan.

To NZM's delight, the final question was not whether or not there should be another summit; rather, when and where would the next summit be?



## **Attendees at the Thinkering Summit**

**Designer Textiles International**

Malcolm Walkinshaw – CEO

**Ibex**

John Fernsell – President

**Icebreaker**

Rosanne Palmisano – VP Global Marketing

**John Smedley**

Andrew Caughey – Managing Director

**Johnstons**

James Dracup – Group Managing Director

**SmartWool**

Mark Satkiewicz – President

Carol Davidson – Director of Marketing

Ann Wiper – VP and General Merchandising Manager

**Ministry of Agriculture and Forestry (MAF)**

Iain Cossar – Sector Performance Director

**New Zealand Trade and Enterprise (NZTE)**

Jon Mayson – Chairman

Tanya Shuster – Senior Business Development Manager

**NZM**

John Nichol – Chairman

John Brakenridge – Chief Executive Officer

Peter Floris – Chief Financial Officer

Nick Aubrey – Business Development Manager

Gretchen Kane – International Marketing Manager

Steve Williamson – Creative Manager

Ryan Hughes – Social Technology Manager

Jonny Simpson – Art Director

(Note that NZM is New Zealand Merino)

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