

Post Farm Gate BMP (Polishing the Brand)

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Introduction

The Australian cotton industry has been able to remain competitive in a global commodity market due to a number of factors, including: its ability to produce high quality cotton, grow world-leading yields, maintain low levels of contamination, and provide reliable shipments. Increasingly these advantages are being eroded, as competing growers improve their yield and quality, and pay more attention to managing contamination. Furthermore, the introduction of transgenic cotton varieties, and the increased speed with which technology can be adapted and adopted has led to improved yields world-wide. It is likely that Australia's competitive advantages will not be as large, nor last as long as they used to. To maintain its place as a preferred supplier, the Australian cotton industry needs to continually improve on its performance in the areas noted above, and ideally, further differentiate its product so that it remains the product of choice in a discerning market.

One means of differentiating our product is to develop a brand that represents Australian cotton, and what it can offer to the customer. To explore the options for differentiating Australian cotton, and the implications of developing a brand, the industry successfully applied for funding under the Federal government's 'EMS Pathways Program', a component of the Natural Heritage Trust. The hypothesis of the cotton industry's EMS Pathways project is that by developing a branded product, the Australian industry can enhance demand, which in turn provides an incentive to participate in the BMP Program, leading to increased adoption of BMP's and improved NRM outcomes.

What to Brand? — Points of Differentiation

Two aspects of Australian cotton stand out as offering the ability to provide a point of differentiation: high quality fibre, and good environmental stewardship. Whilst the focus of the EMS Pathways funding program is on improved natural resource management practices, it was also recognised and accepted that fibre quality management would likely be a critical component of any formal branding program — not least of all as the existing informal brand (or promise) of Australian cotton is based on its reputation for quality, contamination-free lint.

Developing and Supporting a Brand

If we consider a brand to be a promise, then we need to have the ability to deliver on that promise. One of the challenges therefore is whether and how to combine the two means of differentiation, environment and quality. These are challenges first because the two aspects have different target audiences. For the spinner, the direct customers of Australian cotton, quality is the fundamental consideration (or promise) they are interested in. They will only be interested in the sustainability of the method of production if their customers are interested, and require it. The customers who are ultimately responsible for that interest are much further down the supply chain – the brand owners and retailers of cotton clothing — and they do not necessarily have a direct connection back to the spinner. It is obviously critical to understand the needs of these two groups of customers when designing a brand, and the systems that underpin the brand promise.

Second, branding them is a challenge as they are not directly measurable characteristics of the product being sold. Environmental branding is the branding of the environmental management production practices, something that is impossible to measure by reference to the finished product. Branding the fibre quality management practices — whilst they will hopefully lead to improved fibre quality and an enhanced reputation — is of course no guarantee of say contamination free cotton.

Further, as they are both process-based characteristics, they (especially the environmental branding) will require systems to ensure that the piece of cotton being traded was actually produced as claimed. That is, a tracking and verification system is required. The challenge is to do this in a way that does not add cost, but also prevents merchants from substituting other growths to take advantage of any demand.

Fibre Quality Management and Branding

Australian cotton already enjoys an excellent reputation for the quality of the fibre. So it could be argued that fibre quality is already being well-managed, and that there is no need for anything else to be done. However, it can equally be argued that there is always room for improvement, and as competitors improve their standards, unless Australia also improves then any current advantage will disappear.

As well as helping the industry deliver on its promise of good fibre quality, the actual existence of a set of codified, agreed practices can itself be used as part of a marketing strategy to promote the industry, and the efforts it is going to help ensure that the needs of the spinners are being considered at every stage.

Cotton passes through many sets of hands, each of which can have an influence on the quality of the fibre, before it reaches the spinner. Thus any program seeking to support a promise needs to address each of these steps. This includes:

- ✓ Agronomic management
- ✓ Defoliation
- ✓ Harvesting
- ✓ Module building and transport
- ✓ Ginning
- ✓ Classing
- ✓ Warehousing

To date, BMP's for classing have been developed and agreed with the Cotton Classers Association. Information on appropriate agronomic and defoliation practices exists, and is being collated in preparation for publication as part of the 'pak' series. Draft guidelines for managing harvesting and module building have been developed, and will be refined during the upcoming season. The first steps to developing and agreeing on standards for ginning-related issues (eg. bale moisture content, bale packaging and ties, bale weights and bale storage) have been taken, with involvement from the growing, ginning and shipping sectors being proposed.

Environmental Management and Branding

Looking at environmental management, obviously the BMP Program forms the foundation for any brand based on a promise of responsible environmental management. To determine whether it meets the needs of the customers for the promise we first need to understand why does an environmental focus has any potential as a brand focus; i.e. why they are interested in environmental cotton?

There are

two main reasons

supply chain security – they have a vested interest in ensuring that production of one of the major raw materials in their supply chain is not put at risk, for example, through reduced yields, reduced production because of increased regulations and or restrictions, or reduced access to water.

The second driver is managing their **reputational risks** - and protecting the value of their brand value, which can represent over half the value of a company's balance sheet. A tarnished reputation can lead to loss of brand (and balance sheet) value, a fall in share price, customer boycotts and dissatisfied employees. And that value can be diminished quickly: Nike reportedly lost over one billion dollars US from its balance sheet when the sweatshop conditions of workers producing its shoes was exposed. It is no coincidence therefore that of the cotton clothing/retail companies in the top 100 global brands by value, three are directly involved in the Better Cotton Initiative:

Table 2005 Brand Value of Selected Companies

Company	Ranking (out of 100)	Brand Value (Billions of USD)
Nike	30	10.114
Gap	40	8.195
Ikea	42	7.817
adidas	71	4.033
Levi's	96	2.655

Source BusinessWeek Online

Retailers of cotton clothing can fall into the following categories regarding their concern over loss of brand value and hence their interest in sustainable cotton

1. Those that don't care. They sell T-shirts at 3 for \$10 to consumers unlikely to care too much about sustainability issues and are unlikely to be the target of a brand-based media campaign
2. Those that are interested in sustainable cotton to manage their business and reputational risks. They fear damage to their brand-name, but are not driven by consumer demand or the potential to access a premium market. They want to reduce risk at the lowest possible cost, and are therefore unlikely interested in labels and certification schemes because of the added costs involved. Nor likely to be interested in geographical considerations would prefer to source

sustainable cotton as another commodity option so as to not restrict supply chain any more than necessary

3. Those who focus on customers who are willing to pay for sustainable cotton. Organic retailers are the perfect example for this category.

As these retailers are not experts on the sustainability of cotton production, they have tended to look to external parties and/or systems to define sustainability — again, organic production is a good example of this. More recently however, some retailers, lacking confidence in the ability of organic cotton to ever be able to supply large volumes of cotton, have sought to become involved in the development of standards that would define sustainable cotton production. The Australian industry, as the only national cotton industry to have defined best management practices for sustainable cotton production, is well placed to meet the requirements of, and therefore be able to supply, any demand for this style of cotton when it eventuates.

It is also important to reflect on the differences between food and fibre before assuming that the increased importance being attached to sustainably produced food will be reflected in time, or in the same way, in the market place for fibre-based products:

- For the consumer, when cotton is compared with food, cotton has a greater distance between the primary product - raw cotton - and the final product, say jeans. This makes it more difficult for the consumer to relate to or be interested in the means of production of the raw material
- For clothing, the consumer faces a myriad of factors to consider when making a purchasing decision - brand, colour, style, size, type of cotton, price. Any considerations about sustainability are therefore competing for attention with many more factors than is the case for food
- Probably most importantly there is no selfish motivator! sustainable cotton has no direct health benefit for the consumer, as is the case claimed for sustainable (especially organic) food.

Conclusion

Opportunities to brand Australian cotton do exist. On the environmental front the current presence of campaigns in Japanese Department stores focusing on both the Australian and environmental characteristics of the cotton evidences this, and the involvement of large retailers in the Better Cotton Initiative points to a potential future demand for sustainable cotton. On the fibre quality front the combination of the existing (albeit informal) brand and the ever-tightening specifications being required by spinners, provides both the platform and need to formalise the existing good practices that are helping the industry to deliver on its brand promise. The challenge however is to be realistic about what such a brand may deliver — further consolidation of Australia's position as a reliable supplier of high-quality, sustainably produced cotton. The alternative is to surrender that position to our competition.

References

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