

Impact Assessment Report:

Cubus: Everyday wool – Sustainability and durability campaign

1.0 Executive Summary

Following the impressive success of the first collaboration, TWC X Cubus came together to confirm their establishment in the Nordic market with the *Everyday Wool Collection*. Cubus is part of the Norwegian company, The Varner Group, and it is known for being a brand that aims to cover the basic clothing needs of Nordic families. The Varner Group is one of the largest fashion retailers in the Scandinavian region, with nearly 11,000 employees and 1,400 stores across 5 countries (Norway, Sweden, Finland, Iceland and Denmark). The group consists of the fashion brands Cubus, Dressman, Dressmann XL, Bik Bok, Carlings, Volt, Junkyard and Levi's Store. It is a family-owned Norwegian company with an estimated yearly revenue of NOK 11 billion in 2018. (AUD \$1.8 billion)

The Varner Group's immense presence in the Scandinavian market prompts the exposure of TWC, the meaning behind the brand and the benefits of Merino wool. It is expected to additionally give access and introduction to relevant influencers as well as relevant media. Cubus operates in the low-price textile segment for families and by the end of 2022, it already had 170 stores in Norway, 70 in Sweden and 50 in Finland – totaling up to 290 stores. ¹ This exclusive collaboration between AWI/TWC and Cubus is considered to have offered TWC a significant kick-start in the Nordics market.

2.0 Overview

This impact assessment has been conducted according to the guidelines of the Council of Rural Research and Development Corporations (CRRDC) and its purpose is to evaluate the outcomes and returns of investment of AWI's collaboration with Cubus.

The first collaboration between AWI/TWC and The Varner Group was introduced in the 2020-21 FY which consisted of the launch of Cubus' first range of Superfine Merino wool apparel, adding to its existing, much-loved Merino wool range. Following its success, the 2021 FY campaign was introduced and based on the promotion of merino wool based on its sustainability, responsibility, and circularity. It aimed to educate the consumers by providing them with a wool care guide, POP (Point-of-purchase) material and social contents developed by partnered influencers which showcased the innate durable/sustainable nature of merino wool.

3.0 Project Logic

The main objective of the collaboration between Cubus and AWI/TWC was to build demand for Australian wool by building brand equity for The Woolmark Brand as well as taking advantage of the vast audience available on the Scandinavian region, reinforcing wool's position in the market, and solidifying a strong price to ensure a sustainable future for Australian woolgrowers. Figure 1 below shows the project logic that was implemented for the project.

¹ Project report: Cubus - EVERYDAY WOOL - Sustainability & Durability campaign

Table1: Project Logic

Key Project Activities	Outputs	Outcomes	Impacts
In store campaign	Building reputation and trust around the Woolmark logo as a quality brand - meaning behind the logo	Creation of retail staff training pack for app	Increase awareness regarding usage of wool, its versatility, and its sustainability attribute.
	Educate the consumer on the durability, sustainability, comfort and easy-care qualities of wool	Creation of <i>Everyday Wool</i> care guide	
Cubus landing page showcasing the benefits of merino wool, a care guide and styling ideas	Increase the perceived value of wool through strong product positioning.	Co-branded press release (focus markets: Norway, Finland, Sweden)	Increase in wool production and sales
	Educate Cubus employees, specially store staff of Cubus stores in Norway, Finland and Sweden about all campaign details of the collaboration between TWC and Cubus and Merino wool benefits/qualities	Wool content on the topics of durability and sustainability on wool	
Advertisement via website, social media and through influencers	Increase sales	TWC paid social campaign (focus Norway, Sweden, Finland)	Promotion and positioning of the Woolmark brand

4.0 Target Market

The project aims to not only create Merino wool awareness among industry stakeholders but also among consumers, specifically families and budget spenders who directly contribute towards wool sales through their intent to purchase wool products. Since this partnership is focused on the Scandinavian region, it offers a vast range of opportunities for Australian merino wool due to its climate conditions and their growing culture of clothing sustainability and upcycling.

5.0 Economic Analysis

This impact assessment evaluated the 2021 - 2022 FY collaboration between AWI/TWC and Cubus. The results showed the benefit cost ratio (BCR) to be 6.2 which means that for every \$1 there was a return of \$6.2 on investment²

The key highlight of this collaboration is the introduction of TWC brand into the Nordic market. One of the project's objectives was to achieve a 30% increase in the merino wool related sales YoY, which was achieved. The 2021 FY collaboration between AWI/TWC and Cubus reported a 31% increase in the units sold from 472,074 in 2020 FY to 617,255 units sold in the 2021 FY hence, the extra units sold that can be attributed to AWI/TWC first collaboration with Cubus total 145,181 units.

A 5-year projection was conducted to calculate the benefit cost ratio resulting from the project; AWI's investment was \$187,300 during the 2022 FY plus overhead costs, which were assumed to be 20 business days. It is also known that the average wool content and weight per garment was 60% and 0.3 kilograms respectively.

After monitoring the success of the project during two consecutive years as well as being aware of the opportunities available for Australian merino wool in the Scandinavian market, it was estimated that sales deriving from the project will continue increase at least 20% YoY; for the sake of the calculations, it was assumed that the extra units sold as result of the collaboration will increase at least 20% YoY for the next 5 years. AWI invested \$274,603 during the 2021 FY and \$187,300 during the 2022 FY.

For increased accuracy, the overhead costs have also been included in the calculations based on the assumption that on average, the project required 20 net business days' worth of work by the relevant office. It was estimated that the net benefit resulting from the collaboration between Cubus and TWC is \$2,649,813 over a period of 5 years.

Table 2: Benefit Cost Ratio and Incremental Benefits

Key measure	Value
Incremental benefits (PVB)	\$3,155,863
Incremental costs (PVC)	\$506,050
Incremental net benefits (NPV)	\$2,649,813
Benefit-cost ratio (BCR)	6.2
Estimated net benefits of AWI contribution	\$2,649,813
Estimated BCR of AWI contribution	6.2

² Additional benefit resulting from wool purchased from Australian woolgrowers

Table 3: Benefit Forecast

PVB	\$	3,155,863.31
0-year	\$	367,076
1-year	\$	419,515
2-year	\$	479,446
3-year	\$	547,938
4-year	\$	626,215
5-year	\$	715,674
PVC	\$	506,050
BCR	\$	6.2

5.1 Sensitivity Analysis

Sensitivity analysis was undertaken for two of the variables: wool content percentage and units sold during the project with the aim to test how changes in these two variables influenced the project's BCR. As shown in table 4 and 5, changes in both the units sold and wool content would significantly influence the project's BCR.

The sensitivity test for the wool units sold after the project involve varying the value based on the lower and upper bound. This results in the benefit-cost ratio varying from 3.9 to 10.1 as shown on table 4. The sensitivity test for the percentage of wool content per garment involved varying the proportion from 50% to 80%. This results in the benefit-cost ratio varying from 5.2 to 8.3 as shown on table 5.

Table 4: Units sold variation

	Net Benefits	BCR
Lower bound	527,638	3.9
Forecast	1,597,858	6.2
Upper bound	3,776,419	10.1

Table 5: Wool content variation

Wool content variation		
	Net Benefits	BCR
50% wool content	1,247,207	5.2
60% Forecast	1,597,858	6.2
80% wool content	2,299,161	8.3

6.0 Conclusions

TWC/AWI's x Cubus collaboration has shown a significant success of TWC introduction to the Nordic market with less investment from AWI. Part of the project's key activities was to introduce customers to the unique characteristics of merino wool for them to understand about the durability and versatility of the fiber. Such activities have demonstrated to have a longer lasting effect on their target market causing the impact of the project to prevail throughout several years.

Collaborations of this kind allow growth opportunities for Australian merino wool into new markets. By collaborating with established brands, risks and costs are lowered and increase the range of success of the project. This was the second year of the collaboration between TWC/AWI and Cubus/Varner, and it is expected that the effects of the project will last for several years hence, requiring a lower economic investment by AWI and a higher return for the Australian Woolgrowers.