FORUM

THE PROMOTION OF WOOL-SYNTHETIC FIBRE BLENDS: A COMMENT

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Professor Tisdell's recent paper [1] on wool promotion provides encouraging evidence of academic interest in a practical issue of promotional strategy which continues to engage the attention of the International Wool Secretariat (I.W.S.). While the paper falls somewhat short of providing I.W.S. with a workable decision calculus on this question, it may help stimulate further work in this area.

Our comments are intended, firstly, to clarify or correct, in some respects, Tisdell's description of current I.W.S. policy on blends promotion. His summary statement of it was somewhat outdated even at the time the manuscript was submitted for publication, as a result of a major review of the Woolblendmark programme some months previously. Secondly, we believe that some of his policy conclusions, or suggestions concerning blend promotion strategies for wool, either do not emerge from the analysis or are based on assumptions of relationships which are not wholly plausible and may be unwarranted.

At the risk of seeming to look an academic gift horse in the mouth, we think it necessary to counter the possibility that unsubstantiated or tentative conclusions and hypotheses might be used to lend respectability to pressures upon I.W.S. to make illconsidered changes in its blends strategy—pressures which are, of course, not always entirely disinterested.

I.W.S. BLENDS POLICY

While the primary emphasis is placed upon pure new wool goods, I.W.S. is by no means inactive in blends promotion.

In several major branch countries, notably Japan, Western Germany and Italy, the balance of I.W.S. operations between the Woolmark and Woolblendmark programmes reflects the commercial judgment that any major diversion of promotion funds to blended products would probably lead to a net reduction in total demand for wool. However, in several other major countries a substantial share of the budget is devoted to wool-rich blends. In the U.S.A., for example, more than a third of promotion expenditures are on blended products; in France about one-fifth and in the United Kingdom at least one seventh.

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While global policy concerning the eligible categories of merchandise and the minimum wool content are determined with possible trade-offs with wool usage in pure new wool goods in mind, the impression conveyed, that individual I.W.S. branches have discretion to license or not to license products which meet I.W.S. specifications for the Woolblendmark, is misleading. The exclusion of lightweight men's suits from the Woolblendmark programme in Japan, cited by Tisdell as an example, is in fact the only exception.

Just as I.W.S. provides specific promotional support to only a fraction of goods carrying Woolmark labels, so too its resources do not permit joint promotion contributions to be extended to all manufacturers or distributors of Woolblendmark articles. How a branch should allocate its advertising funds between alternative programmes and types of product is determined, within the marketing planning process, to maximize pay-offs to expenditures in terms of increased wool demand. However, supporting technical and fashion services, quality control and the selling power of the I.W.S. certified trade marks are available to all licensees and not only to promotion partners.

Following a major review of policy in April, 1976, additional categories of merchandise were introduced to the Woolblendmark programme, especially in the womenswear field. Furthermore, blends undertaken purely for purposes of cost reduction, as distinct from enhanced product performance or fashion effects, were accepted into the programme.

ALLOCATION OF FUNDS BETWEEN BLENDED AND
PURE NEW WOOL PRODUCTS

I.W.S. exists only to serve its woolgrowing country members by enlarging and maintaining the demand for wool. In allocating its promotion funds, I.W.S.'s objective, therefore, must always be to influence, towards wool, decision makers at the manufacturer, distributor and consumer levels. One of the most elementary pitfalls would be to distribute promotion funds in support of products which would be made, sold or specified in precisely the same form and quantity, irrespective of I.W.S.'s actions—that is to disburse grower-financed quasi-rents to processors and distributors without significantly influencing their fibre choice. Some of the pressures upon I.W.S. to switch more of its funds to blends promotion and to lower the minimum wool content in Woolblendmark product specifications come from manufacturers who would welcome joint promotion contributions from I.W.S. just for going their own way with blends (especially if they could, at the same time, qualify for promotion payments from synthetic fibre distributors).

Tisdell suggests that the transformation function for resources allocated between blends and pure new wool promotion (or blend ratio 1 and blend ratio 2) will typically be convex from above. By ruling out corner solutions in this way, Tisdell is, of course, ruling out concentration on pure new wool, in certain end-uses, as an optimal solution. The assumption about the shape of the transformation functions is critical, but is no more plausible than one of concavity from above over the whole or part of the curves.
Indeed, I.W.S. marketing executives, familiar with their domestic markets, would firmly reject the relationship assumed by Tisdell and would take the view that, in general, the limited sums available to I.W.S. for promotional activity would achieve less if split between two or more blend-ratios than if applied to one or the other. They would concede some exceptions. Moreover, in advertising circles it is not an uncommon view that a certain threshold level of expenditures is necessary before a promotional message can be heard over the “noise” in the market-place. Unity is frequently regarded as an imperative in the design of successful promotion campaigns. Given the dearth of empirical data in this field, but with practitioner consensus and most of the a priori considerations pointing the other way, it is by no means clear that I.W.S. policy would be better based on the kind of relationship depicted in Tisdell’s article.

Tisdell also draws tentative conclusions favouring blends promotion from a game theory example. I.W.S. would readily concede that game-like models and planning approaches may be useful in the evaluation of promotional strategies. However, there is a little of the “firebreak” approach to blends promotion in Tisdell’s suggestion that I.W.S. should take the initiative in promoting blends because blend ratios are not stable and timely I.W.S. intervention might halt a trend adverse to wool. Whether this line of argument, which implies a certain progression and irreversibility in blend ratios, is appropriate to the commercial conditions is extremely debatable.

More importantly, however, Tisdell’s conclusion that synthetic producers will find it advantageous, under the more competitive conditions now existing in the synthetic fibre industry, to promote blends is an artefact, depending to a great extent on the particular values of his pay-off matrix in his table 1, viz.:

\[
\begin{array}{c|cc}
\text{Maker II’s Strategies} & \text{Promote Pure Synthetic} & \text{Promote Blended Yarn} \\
\hline
\text{Promote Pure Synthetic} & (50, 50) & (20, 70) \\
\text{Promote Blended Yarn} & (70, 20) & (40, 40) \\
\end{array}
\]

If makers I and II adopt a conservative strategy (maximin) then, in the absence of collusion, both will promote blends. If collusion is possible, both will choose to promote synthetics. It would, however, be dangerous to generalize from the outcome of this particular game, for Tisdell’s pay-off matrix contains a number of implicit assumptions as regards the trade-off between the promotion of blends and 100 per cent synthetic products:

Assumption I—If one producer promotes blends when the other is promoting synthetics, his returns are more than three times greater than those of his competitor (70, 20). This suggests the greater effectiveness of blends promotion in boosting synthetic fibre consumption if pure synthetic products are being promoted.
Assumption II—If both producers promote blends, then returns are less than in the case where they both promote pure synthetics. This suggests pure synthetic promotion is more effective than blends promotion in boosting synthetic fibre consumption.

The outcome of the game could be very different if a number of equally plausible alternative assumptions were introduced. For instance, if the second assumption were retained, but the first amended by interchanging the pay-offs to makers I and II when their strategies are opposite, the matrix shown below is obtained:

\[
\begin{array}{c|cc}
\text{Maker I's Strategies} & \text{Promote Pure Synthetic} & \text{Promote Blended Yarn} \\
\hline
\text{Maker II's Strategies} & \text{(50, 50)} & \text{(70, 20)} \\
\text{Promote Pure Synthetic} & \text{(20, 70)} & \text{(40, 40)} \\
\text{Promote Blended Yarn} & & \\
\end{array}
\]

The outcome of this particular game is that, whatever the extent of collusion, makers will always promote pure synthetic products. Tisdell's hypothesis regarding the effect of more competition between synthetic fibre manufacturers appears to be based, therefore, upon a number of unsubstantiated assumptions regarding the trade-off between the promotion of blends and pure synthetics. The general validity of these assumptions is not intuitively obvious.

REFERENCE