



Introduction

The team at Raunchywear is pleased to contribute to the Federal Governments review of the EMDG program. Raunchywear is a micro business that is currently moving from the start up phase to a brand building phase of our business plan. We have included a brief bio of Raunchywear Swimwear at the end of this submission. Contact details for further comment or to request personal representation are included.

We have received a partial EMDG reimbursement for promotional activities undertaken overseas during the 2005 - 2007 financial periods. We appreciate this expense reimbursement and are currently working with Austrade to define suitable international customer demographics that we can target to increase our export sales of our custom fitted swimwear.

Comments made in this submission are based on the Experiences of the Raunchywear business and from the owners' personal and professional experiences both in Australia and from living and working overseas. Raunchywear is a part time micro business of the owners Ian and CherylAnn Falconer who both have professional careers in Engineering and Human Resources. In effect we are employees and business owners.

Issues that Raunchywear Believes are Inhibiting Australia's Export Growth Potential

Issue 1 - Low Value Add (aka Dumb) Exports

Australia seems to cling to a quaint notion that agriculture and natural resources are all we need to export. Australia is a highly developed country with an enviable way of life and standard of living unique in the World. However our major export earners are 'dumb' or low value add commodities. These low value add commodities are subject to the vagaries of global supply and demand from influences that we as a country have virtually no control over. Luckily for us we are in the midst of a growth cycle. Disturbingly we may be at the end of a growth cycle with a number of our trading partners. Specifically the US.

Comments from acquaintances and colleagues internationally paints a disturbing picture for Australia if we focus our major efforts on exporting low value add commodities. The Japanese consider us mad for exporting iron ore that we promptly buy back as manufactured goods. They "think we are crazy" for not adding value before we hand over our product to Japanese manufacturers. These comments are interesting from a country, Japan, that has no natural resources of significance and is totally dependent on imported input materiel. Why are we still on the losing side of this relationship after 50+ years of negotiations?



Issue 2 - Science Before Practical Application

Australia is also world renowned as a country of ideas. We've even been called the clever country. Unfortunately the Scientific community, which dominates technical and R&D funding, is more interested in fundamental rather than applied research. Unless of course it's focussed on the agricultural or mining resource industries. Australian ideas such as the Split Cycle Engine, UNSW Solar Power Generation and Simrock to name a few areas where we lead the world, have either faltered, IP has been purchased by overseas entities or worse still have been commercialised by other countries. We may be clever at ideas but we are stupid at commercialisation. It is commercialisation of ideas that leads to stability, improved standards of living and respect from the global community. The Scientific community doesn't seem to understand the economic concepts related to ideas and research.

Issue 3 - Small Business (SME) versus Big Business

SMEs are the main employer in Australia. Big business demands dominate our national decision making but most innovation originates from SMEs. SME profits and investment typically remain in the Australian economy while many large businesses drain profits from Australia and therefore innovation is minimal. So how can we take the innovation of SMEs and momentum of large business to allow Australia to get our ideas to market faster? Ford Australia's inability to market the Falcon vehicle platform in overseas markets is a prime example of an offshore parent company protecting a decades old market for the Ford Crown Victoria in the US and the Middle East when the local Australian Falcon design would be highly successful in these markets. Thankfully General Motors Holden has been successful where Ford have failed.

Issue 4 - Technology Adoption

The author's experience in working overseas in the Automotive industry has exposed the poor use of technology in Australian business as a key enabler for change, continuous improvement and time to market. In Australia when we do invest in technology it is often expected to be a "silver bullet" and the adoption and implementation support is neglected or forgotten. The author's experience in working in the Defence industry in Australia supports these comments. The demise of Mitsubishi's Australian operations are a classic example of what happens when investment is neglected in preference for offshore shareholder profits.



EMDG Experience of Raunchywear Swimwear and Lingerie

During time spent living and working in the US the owners of Raunchywear were able to experience the rise of the internet and ebusiness in a commercially savvy and innovative environment like the US. The experience of the dotcom boom and bust led to the idea of forming an ebusiness to provide custom fitted swimwear and lingerie to fit individuals.

Upon return to Australia market research was undertaken and this ultimately led to product development and then promotion and marketing of the Raunchywear business. Initially all local South Australian suppliers were engaged. However this patriotic approach was short lived due to excessive cost, slow response and a lack of innovation from local businesses. After reflection the owners re-engaged with a customer focussed "maximum gain for minimum pain" approach to running the business. This led to hosting our website www.raunchywear.com in the US, sourcing raw materials from the US and bringing the manufacturing of swimwear in house.

Having now moved the Raunchywear business to a customer focussed promotional and branding phase, in late 2007, we approached Austrade again to see if we could get assistance in building our business. Sales to date have been from many regions including Europe, the US and Australia with no discernible pattern. We applied for and received EMDG reimbursement for promotional activities through the website and for overseas promotion. During our first engagement with Austrade and the EMDG program in 2007 we felt that there was a poor understanding of ebusiness and how this differed from what seems to be the major focus of Austrade and that is to connect Australian manufacturers with overseas retailers.

The maturation of Raunchywear now sees us owning and controlling the entire business model from design, prototype, testing, manufacture, distribution, marketing and retailing solely through the online store www.raunchywear.com. We are currently engaging with Austrade to assist us via their ecommerce department in Sydney. Time will tell whether they can really assist us to identify target markets to grow our business. Raunchywear has also applied for a TCF Small Business Program grant for 2008. We have yet to hear whether we have been successful in this submission but the focus of the TCF Small Business Program is on culture change and understanding our target demographics is a primary focus of this application.



Comments on the EMDG Program

Raunchywear will probably not be eligible for an EMDG grant this year because ecommerce is not adequately addressed in the EMDG grant framework and this is where most of our expenses are incurred. Perhaps the EMDG framework could be modified to better address ecommerce ventures? The EMDG framework also seems to focus on volume manufacturing which is not viable in Australia now that emerging nations such as China , India, Sri Lanka are much cheaper producers of textile goods. Raunchywear is focussed on niche branding of our swimwear line rather than volume manufacture.

Raunchywear's other focus is on catering for our customers' 24 hour intimate apparel needs. Currently we source Lingerie from Europe and the US, which is typically manufactured in Asia and Eastern Europe respectively. The EMDG framework is not currently helpful to us as we source overseas. As our business grows we intend to develop our own range of underwear and lingerie. Luckily for Raunchywear Australia has a global reputation as a beach culture and we are, as a country, acknowledged as having expertise in swimwear.



Recommendations

Recommendation 1 - Austrade to foster B2B and B2C communities and forums

Perhaps the government could supplement the EMDG program with an Australian niche product promotional and awareness capability or program. As a micro business Raunchywear can adequately cope with the demands of design, manufacture and distribution. Where we have problems in either resourcing or understanding the market is in marketing and promotion. Communities of collaboration and networks of SMEs where "the whole is greater than the sum of the parts" would help address these fundamental issues relating to critical mass and being "heard amongst the herd".

Recommendation 2 - Provide Assistance to B2C ventures

While the EMDG program connects business to business (B2B) it does not address Raunchywear's needs of connecting our business to our customers (B2C). Maybe the EMDG program remains focussed on B2B and a new program, specifically aimed at addressing our trade imbalance for niche, branded, exclusive Australian products, could focus on B2C.

Recommendation 3 - Taxation for Innovation

Tax relief during the start up phase would also be helpful. Raunchywear is wholly funded by the owners Ian and CherylAnn without any external financing assistance. While this is appropriate for retaining control it is inefficient from an economic point of view. Perhaps the EMDG grant could be aligned with tax offsets or relief and with "innovation enabling" Research and Development tax offsets. Combining an innovation culture with a wider promotion or awareness of Australian products that can be substituted for overseas sourced goods would help to address our trade imbalance. While we continue to export low value add commodities, such as iron ore, and continue to import high value added commodities, such as manufactured goods, then is it any wonder our trade imbalance is growing in the wrong direction.

Recommendation 4 - Promote "Made in Australia" B2C Business Ventures within Australia

Perhaps Austrade could run a "did you know an Australian company makes a product better than xxx from overseas?" promotional campaign within Australia. While the EMDG program focusses on selling Australian product to overseas retailers perhaps we should be telling Australians about Australia manufactured product. This could be in the form of Austrade funded ads in Australian media with 30 second good news stories. A lottery or competition could be used to select those Australian SMEs to be featured. Taking this promotional recommendation one step further Austrade could develop a reality tv program (or web based program) that takes an Australian SME and builds that business using government and private industry resources to build the business brand and awareness. The show could revisit the businesses over time to see how they are progressing.



About Raunchywear Swimwear and Lingerie - Who We Are

Raunchywear Swimwear and Lingerie markets swimwear and lingerie globally through our online store www.raunchywear.com. Our swimwear range is exclusive to us as we conduct the following activities in house:

- design
- prototype
- test
- manufacture
- distribute and
- market

We currently distribute Lingerie from US and European wholesalers but anticipate developing an exclusive Raunchywear line of underwear and sleepwear when our swimwear business has matured and can then fund further expansion of the business.

Raunchywear has developed a swimwear range and sizing method unique in the fitted apparel market place. Unique because body measurements are combined with 'coverage measurements' to get a personalised fit and look for any body shape. The sizing method meets the approval of potential customers based on research we have conducted in focus groups. We refer to this unique differentiator as "good on you", our tagline, and it fits with our intention of "getting the look you deserve".

Ian and CherylAnn Falconer, a husband and wife team and business partnership, are responsible for developing the "good on you" concept and swimwear product line. We divide the business responsibilities as Ian looking after "left brain stuff" and CherylAnn as "right brain stuff". Different you may think but perfectly logical for a microbusiness with too much to do and no-one to do it.

Raunchywear exists to address the following customer needs:

- mix and match swimwear pieces individually fitted to the customer in a complete range of sizes, fitments, patterns and colours
- meet our customers' 24 hr day and night needs for intimate apparel, underwear, sleepwear and special occasion lingerie

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