











the flow of materials, components and finished goods between manufacturers in Asia and their customers in Europe and North America, with lead times and companies' commitment to quick response suffering. Cash-flow problems among some Asian manufacturing partners have led to delays in delivery, he argues. In some cases, the final import cost of end products has turned out to be higher than it would have been to produce the same garments locally because labour costs in the remote sourcing destination have gone up, government export tax incentives have vanished, pushing prices up, currency fluctuations have made prices much less attractive than at the time of negotiating them, and raw materials and logistics costs have gone up. Mr Breier contends that levels of awareness of environmental responsibility and workers' rights is still low in Asia.

He continues: "Due to all of the above, I think we will witness the process of de-globalisation. The economic advantages of sourcing from the Far East are shrinking. Some leading companies in the west are now trying to bring their production back home. In the current situation, this is not as expensive as it was a year ago, and offers better control on quality and lead times."

Concretely, he believes that European companies, even those who are currently operating at the lower end of the market, will attempt to source more in Europe, perhaps in the east of the continent, including Turkey, with Asian suppliers losing out. Something similar will happen with North American companies, who will look to Central America.

"Our company, our suppliers and our customers are currently being very closely watched by the market very closely," he says. "There is a demand for lower prices and discounts, better payment terms, versatility in terms of logistics, as well as a wider range of products, quick response to short-notice order stock replenishment, and smaller orders. All of this supports the idea of bringing production back home."

### Beyond geography

For New Zealand-based merino wool outdoor clothing brand Icebreaker, it's possible to argue that every overseas market is quite remote. Perhaps to compensate for that, founder and chief

executive, Jeremy Moon, explains that his company's sourcing strategy has always been to have "narrow and deep" relationships with sourcing partners. Icebreaker's focus is on the qualities these partners have to offer, rather than on where in the world they operate.

"We want to know them well, and vice-versa," he says. "What's great about having deep relations with a small number of partners is that they understand the nature of our business. We have a history and are committed to working together to understand our business challenges, be it innovating a new product or coping with recessionary issues that impact us all.

Consumers may be spending less at the moment, but our outdoor merino apparel business continues to grow because our products are versatile, durable and ethical, things people want at times like this."

He insists that these aspects of choosing partners from which to source matter much more than geography to Icebreaker. The key to sourcing for Mr Moon's company is to balance "social and environmental ethics" to protect customers, the company itself, and its products. "So any supplier that is great in these two areas and has clean, new technology, is hot for us," he concludes.

