

## EXECUTIVE BRIEFING

### 1. SUMMARY:

- a. China's population of 300 million millennial's offer business expansion in to luxury wine category, with potential sales in excess of AUD\$30 billion
- b. According to our analysis, promotion of new passenger vehicles and Formula 1 team within Asian events would increase social media followers within these locations by 400 million viewers
- c. Due to Indonesia's human rights violations our suggestion is to seek alternative garment manufacturing within Vietnam

### 2. PROPOSAL:

- a. In the development of smart climate controlled packaging, we will appeal to the millennial consumer for wine sales and promotion via platforms such as Sina Weibo and WeChat. The strengths of this plan are discussed in our SWOT analysis of this venture.
- b. For market introduction of new passenger vehicles we will look to entice the millennial consumer, initially within China, promoting hybrid cars via a joint venture with Tencent Holdings with view to expanding the brand into airborne vehicles, as discussed in our PESTLE analysis.
- c. Dismissing the possibility of manufacturing in Indonesia as per the weaknesses and threats listed in our SWOT analysis, Vietnam is to be investigated further.

### 3. RISKS:

- a. Minimal risks will be incurred within China promotion of new luxury wine brand employing the services of Gaibo, will ensure venture success
- b. Depending on success of joint venture, minimal risks will be encountered in event promotion of Formula One event in China
- c. As Indonesia has been deemed too risky as a manufacturing supply chain, Vietnam will be investigated for further risks

### 4. RECOMMENDATIONS:

- a. Prompt analysis of briefing notes is required to establish R&D for smart packaging
- b. Initial contact to be made with Tencent Holdings upon receipt of this report
- c. Investigate Vietnamese garment manufacturing supply chains, prior to travel

## BRIEFING NOTE for : Mr Ockawanaby

Subject: Blue Octopus Wine Asian Export Possibilities to China

### Summary:

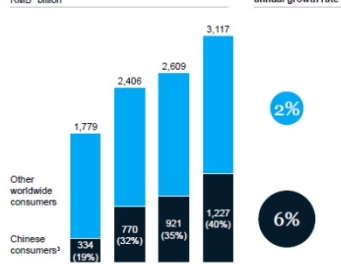
- Young Chinese (GEN-Y) are reshaping Global luxury
- Social media booming to attract this target market within China
- Popularity of Gaibo and other social influencers
- Sustainable temperature control packaging allows tracking of shipment
- Smart packing detecting breakages, stabilising wine and sediment for high quality product

### Issue:

With China's affluent upper-middle class driving luxury global spending, items such as Australian wine are sort after commodities. According to the McKinsey & Company report released 2019, luxury spending is expected to double to 1.2 trillion renminbi by 2025, conveying 65% in market growth globally.

Exhibit 1  
China is winning half of the luxury world.

Global personal luxury goods' market evolution  
RMB<sup>1</sup> billion



<sup>1</sup>Ready to wear, accessories, watches and jewelry, and beauty.

<sup>2</sup>Fixed exchange rate of €1 = 7.3 RMB.

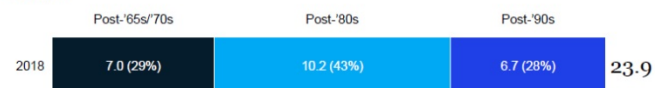
<sup>3</sup>Sub domestic and overseas spending.

SOURCE: China Luxury Report 2019, China Luxury Report 2017

Exhibit 2

Post-'80s consumers are still the largest luxury spending group in terms of both consumer numbers and total spending.

Total no. luxury consumers by generation  
Million, %



Annual luxury spending by generation  
Billion RMB, %



Note: Figures may not sum to 100%, because of rounding.

SOURCE: China Luxury Report 2019

<https://www.mckinsey.com/featured-insights/china/how-young-chinese-consumers-are-reshaping-global-luxury>

Employing smart sustainable packaging to ship this Australian-produced luxury wine brand to these consumers, would gain traction for the Blue Octopus brand, by means of unseen

shipping technology leveraging competitive advantage. Value gained by inventory and lifecycle management, retaining the product's integrity throughout international shipment via temperature controlled sustainable casing, featuring new technology in tracking via GPS or RFID chips. Embedded into the environmentally friendly packaging enhances the user's experience of this luxury brand. Direct daily emails advising of the bottle's journey, its current and sustained climate during travel and daily suggestions for food pairings with this wine flavour or blend, please the purchaser greatly.

Exports to China are booming and sustainable solutions for packaging is gaining traction within the global import/export market; reviewing other Asian marketplaces, such as Malaysia. We have found that their wine market is current unsuitable, due to the risk of 60% of the population being Muslim, their religion forbidding consumption of alcohol.

China, as the third largest market for imported wine, behind the United States and Germany, is the largest consumer market. With the Generation-Y driving China's appetite for luxury goods, this demographic consists of 10.2 million consumers, they spend on average 41,000RMB yearly on luxury items.

Australian wine maintains a high quality reputation with Chinese consumers, and tariffs eliminated in January 2019, under the Australia-China Free Trade Agreement, enhance this expansion for the brand. By employing the selling power of Gaibo and celebrity social Sina Weibo ambassadors, this demographic would be easily influenced by technological and sustainable aspects of this product and affluent nature of all aspects of the brand. Copycat and low quality brands are not favoured by this consumer; therefore this would not be a concern for the brand.

#### Background:

Financial year ending 2018 saw Australian wine exports to mainland China, Hong Kong and Macau valued at \$1.12 billion, up 55% on previous year. Comprising of 40% of total wine export, it is greater than United States, United Kingdom, Canada and New Zealand combined. Opportunities exist for Australian wine brands with reputable IP and brand protection strategy is key to success in the Chinese market. Recognition for this high-quality product and technical sustainable packaging would ensure that the China consumer identifies it as a high value commodity and therefore aligned with their hedonistic lifestyle ideals and ambitions. Since an embargo on pirated products, consumption-led recovery has seen sales volumes recover substantially since 2015. Australia is China's second largest

supplier behind France, performing strongly since the conclusion of the China Australia Free Trade Agreement in December 2015.

Marketing product in China is a multi-billion dollar business and a systematic approach in marketing ethics is required. Four ethical guidelines occupy features applicable and integral to enterprising in China, including: honest communication, reinforcing human proficiency, championing creative intercultural diversification and the promotion of sustainable growth and eco-efficiency. Sustainable Social Responsibility (SSR) would be at the forefront of all marketing activities in the lead up to brand targeted promotion, assuring the consumer of the high-quality of this Australian made product, is imperative to sales.

#### Considerations:

Climate controlled smart packaging is comparatively expensive, using recycled, sustainable materials which are to be sourced for external packaging and for internal stabilisers. However, this would be an additional cost option for purchases at completion of shopping cart. The purchaser recognising this added value, by ensuring their order is hand delivered and guaranteed in the same high quality as the shipment was consigned, would delight in the ability to apply new technology and recycling packaging with return of the bottles as a monthly subscription service. Eventually the SSR packaging option, due to economies of scale and advancement in technology, would ensure costs decrease over time. Considering any potential losses incurred, with shipping breakages and spoilt product, to not implement smart packaging in its current initial stages of development, would be a loss to the company with competing wine brands taking advantage; Blue Octopus could be a key player and contributor to the development and advancement of this technology.

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| <b>STRENGTHS</b>   |
| <ul style="list-style-type: none"><li>• Distribution network through use of international couriers, emphasising the luxuriousness of product with high-tech sustainable and traceable packaging</li></ul>                          |
| <ul style="list-style-type: none"><li>• Cultural adaptability by modification to suit the Chinese target market needs for full bodied red wines and sparkling white wines.</li></ul>   |
| <ul style="list-style-type: none"><li>• Network of Australia based Gaibo to influence Chinese, initially targeting Gen-Y consumer</li></ul>  |
| <b>WEAKNESSES</b>  |
| <ul style="list-style-type: none"><li>• Brand is yet to be released and therefore is an unknown brand to the consumer</li></ul>  |
| <b>OPPORTUNITIES</b>   |
| <ul style="list-style-type: none"><li>• Sina Weibo and WeChat to be employed by Gaibo promoting the brand's own social media channels and selling platforms</li></ul>  |
| <ul style="list-style-type: none"><li>• Chinese consumers have been targeted through social media and bilingual digital platforms as part of an ambitious push to bolster a New South Wales wine regions global profile.</li></ul> |
| <ul style="list-style-type: none"><li>• B2C demand for the product will enable further post-launch expansion into B2B</li></ul>  |

| THREATS  |
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| <ul style="list-style-type: none"><li>Chinese government review of trade agreements and health of international relations may reduce imports. In the past China has reduced their wine imports from Australia to bolster ties with the US.</li></ul> |



### Conclusion and Recommendations:

Developing smart packaging will be imperative to the launch of the brand; therefore this improvement would be crucial to target the Gen-Y consumer. We anticipate that the SSR cases can be prototyped within 30days and further developed with smart technology and app tracking for both iPhone and android use in time for launch:

- Sparkling white wine sales targeting : Summer (June to August)
- Key festivals : Dragon Boat Festival (June 7<sup>th</sup> – 9<sup>th</sup>)
- Red wine sales targeting : Autumn (September/October)
- Key festivals : Mid-Autumn Festival (September 13<sup>th</sup> – 15<sup>th</sup>)  
National Day (October 1<sup>st</sup> to 7<sup>th</sup>)
- Red wine sales targeting : Winter (November/March)
- Key festivals : Chinese New Year (Spring Festival \_ highest predicted sales period)
- Sparkling white wine sales targeting : Spring (April/May)
- Key festivals : Qingming Festival (April 5<sup>th</sup> – 7<sup>th</sup>) Labor Day (May 1<sup>st</sup> – 4<sup>th</sup>)

A decision will be required from you no later than May 15th, enabling development to remain on schedule. Our recommendation for Blue Octopus to start exporting wine to the Chinese market, by benefiting from the use of Chinese social media platforms to penetrate the market, and build recognition. Marketed as a prestigious luxury wine brand, the China Wine Competition held in Shanghai, November 3<sup>rd</sup> to 4<sup>th</sup>, would also be a crowning event to the official debut of the brand. Unveiling a rare wine during this event, after the brand has already established B2C traction, would ensure greater reach into the consumer marketplace with possibility of B2B with retailers such as Carrefour and Tesco, could possibly have the brand desired within the European marketplace.

Over the next 6 months, by monitoring your direct customer sales to China and market share, will allow you to actively predict the market conditions and demand for product. After 12 months and the winter season, a review conducted as to market share, will enable adjusting export focus to include other Asian luxury consumer class economies, such as Singapore, Japan and Korea to diversify your portfolio.

## BRIEFING NOTE for CEO

Subject: Social Media Marketing in Asia

### Summary:

- Formula 1 Heineken Chinese Grand Prix 2019 (April 12<sup>th</sup> to 14<sup>th</sup> 2019)
- Formula 1 Singapore Airlines Grand Prix 2019 (September 20<sup>th</sup> to 22<sup>nd</sup> 2019)
- Formula 1 Japanese Grand Prix 2019 (October 11<sup>th</sup> to 13<sup>th</sup> 2019)

### Issue:

The launch of the company's new hybrid race cars, initially at the Chinese Grand Prix, will introduce the brand, its race team and new passenger vehicles, by employing the use of Sina Weibo as a promotional platform to appeal to the Chinese Generation Y, prior to the event. These consumers range between 23 to 38 years old and as a demographic are often corporate professionals or savvy business executives, always with technology at their fingertips. These millennial's are upper-to-middle class and drive luxury global spending.

Released April 2019, the McKinsey & Company report, states luxury spending in China alone, is expected to double to 1.2 trillion renminbi by 2025. By targeting this cashed up consumer via their social media accounts and by portraying the hedonistic opulent lifestyle that these cars provide, will ensure successful expansion attempts into both Singapore and Japan.

With the closure of Klout in 2018, China's own social credit system was launched in 2014; and set to be rolled out nationwide by 2020. Adhering to the ethical guidelines set in social media usage, by practising authentic conversation to followers will bolster the personal efficiency of the company and brand. We will attempt to advance intercultural diversity, imperative to the success of this project launching in China, and utilising this content on prominent social media sites within Singapore and Japan.

## Background: China

Millennial Chinese are influenced by their immediate peers and social circle, a key reason why a digital marketing solution via social channels can be effective for western brands. Increasing distrust of traditional media sources has this technology savvy viewer turning to these networks as a source of information. Social media use and proliferation is higher on average in larger markets such as China, South Korea, Taiwan and Singapore. Mainstream social marketing in Asia is still dominated by Business to Consumer (B2C) contexts compared to Business to Business (B2B) contexts.



Forbes magazine states: Fifteen years ago Chinese domestic cars were copies of Japanese, Korean or German vehicles and copying was legendary. But these days' auto manufacturers have come a long way, with Chinese market sales for cars reaching approximately 29 million units in 2017; their production volume was the same. To manufacture our passenger cars in China and initially introducing to the same marketplace, would see sales profits greater than if the cars were imported. Selling as Australian-designed luxury, hybrid sports cars would capture the attention of this millennial target market, with sleek designs with Sustainable Social Responsibility (SSR) in fuel consumption, would ensure the market feels ethically aware of their local environment with emissions control.

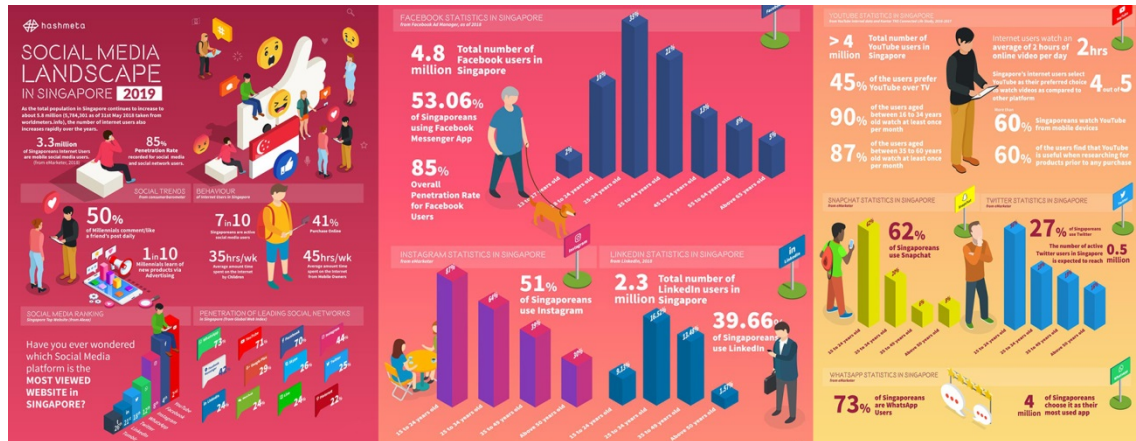
Formula 1 attendance in China has seen slight growth from 2016 to 2017, 145 000 Chinese attending the event in 2017. Figures are unreleased for 2018, but as the event has unfortunately been scheduled to coincide with a national holiday weekend, a mass exodus of Shanghai has contributed to a lack of spectators. Set to continue, with a rescheduled calendar weekend until end of contract period in 2020.

## Background: Singapore

Social media in Singapore, sees China preferred WeChat in 4<sup>th</sup> rank, with Western channels such as YouTube (2<sup>nd</sup> place), followed closely by Facebook and Instagram as their favoured



means of communication and interaction with peers and social groups. With 4.8 million users on Facebook (population of 5.8 million), this channel would be the chosen platform to promote the F1 race team and branded passenger cars by reposting content in the lead up to the Singaporean event, from the Weibo platform and content created for the Chinese Grand Prix, creating new posted content as a marketing tool for the brand globally.

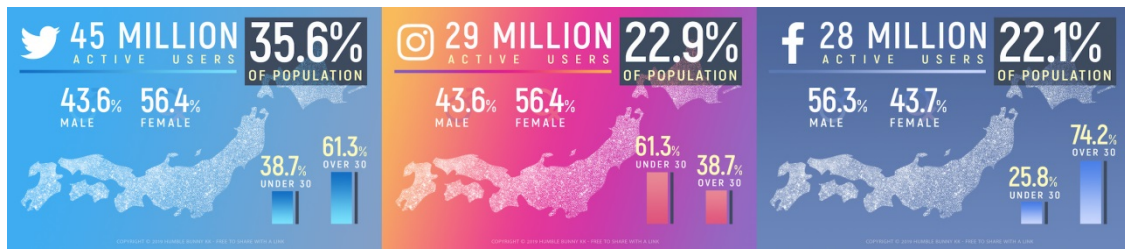


The Business Times states: Slump in Singapore vehicle sales to worsen in 2019 and hit rock bottom in 2021. Due to per capita ownership of passenger vehicles and ride share demand, the drop in new vehicle registrations will worsen sharply from an estimated 11% reduction in 2018, to 20.1% in 2019. It would only be viable for the company at this stage to use Singapore as an international shipping hub for vehicles produced out of China and distributed worldwide. Positioned as the 5<sup>th</sup> highest Formula 1 attended event (out of 21), 263 000 Singaporeans attended in 2018, with interest in the event another 4 year deal was signed.

## Background: Japan

Social media in Japan has seen instagram outstrip Facebook with an increase of 1 million active users. With Twitter far exceeding the social media landscape with 45 million active users, Gen-Y females are the dominant users at 26.5%, and Gen-Y male users only account for 15.8%. Twitter usage among high school students accounts for 79.3%, however it is Facebook which is favoured amongst the working professional demographic at 37.2%. Instagram spread evenly across all 3 demographics, from high school students at 47.9%, tertiary students 46.6% and business executives at a slightly higher ranking of 48.4%. Ensuring instagram company accounts created prior to the Singapore F1 event would be highly relevant, to implement in the Japanese marketplace. Using content created to entice attendance for 2019, as crowd attendance was up 20.4% in 2018.





Again we see car ownership in this Asian nation on the decline, figures show its lowest rate since 2006, licences holders are also on a downturn. Millennials are shifting away from car ownership, with high usage of public transport and ever-increasing cost of fuel and car storage in metro Japanese cities; these consumers are not as affected by the status of owning a vehicle or the freedom that it provides. This demographic seek SSR options and would be more impressed by a flying automobile than a gas-guzzling super car. The Japanese government established the Public-Private conference for Future Air Mobility, with aim to be airborne in 2023. Developing a prototype to launch and showcase during F1 events in Japan would be highly advantageous to the business model for expansion into this Asian nation.

#### Considerations:

Formula 1 racing globally is a top racing event and as a high-end competition with affluent drivers and teams, it has global appeal and is a very large investment for the company.

Seeking sponsors for the racecar and launch event for the passenger car to coincide with Shanghai Grand Prix would see us approach internet-based technology company Tencent Holdings, whose headquarters is located in Shenzhen, China. As prominent players worldwide in “connecting people for a greater future”, advertising is less than a third of their business model; which is low compared to Western cultures. As they primarily develop apps, AI and robotics, this appeals greatly to the millennial audience, and would highly benefit their standing to this demographic. As a joint venture in the promotion of this event it would also prove to be a strategic alignment for our business, especially in the prototyping of airborne passenger vehicles.

With strong CSR ideals, the company regularly promotes Youth Science Festivals, donations to China-based university’s and Youth growth camps, they are aware that the future of their business lies in the connection and education of this younger demographic.

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| <b>POLITICAL FACTORS</b>  |
| <ul style="list-style-type: none"> <li>Asian governments seek clean fuel sources and minimal cars on roads, therefore in the development of new fuel sources, hybrid passenger cars and airborne auto transport governments would be on board with minimal regulations against</li> </ul> |
| <b>ECONOMIC FACTORS</b>   |
| <ul style="list-style-type: none"> <li>Extensive R&amp;D would be required and therefore have a financial impact on stakeholders</li> </ul>   |
| <b>SOCIAL FACTORS</b>   |
| <ul style="list-style-type: none"> <li>Climate conscious consumers with high standards of ethics and CSR would be enticed to the company, by ensuring the future of their nation is clean and green for their family's future.</li> </ul>   |
| <b>TECHNOLOGICAL FACTORS</b>  |
| <ul style="list-style-type: none"> <li>Technological constraints would see a benefit from a joint venture with China-based robotics and AI developer, Tencent Holdings</li> </ul>   |
| <b>LEGAL FACTORS</b>  |
| <ul style="list-style-type: none"> <li>Requirements and regulations will differ between Asian nations and will require further investigation</li> </ul>   |
| <b>ECOLOGICAL FACTORS</b>   |
| <ul style="list-style-type: none"> <li>Sustainable Socially Responsible (SSR) options such as impact on greenhouse gases will be investigated during the research and development stage</li> </ul>  |

### Conclusion and Recommendations:

Currently with 90.8 million followers on Weibo, CCTV 5, as a major sponsor and broadcaster of this event; contact must be made with these producers to ensure coverage includes our brand, within the next 14days. Ensuing that we secure recognised bloggers or social influencers, with high engagement to promote our products and services, is of utmost importance. Ambassadors, who capture event moments via their mobile device, posting directly to Weibo, will include our unique brand specific hash tags, creating a digital footprint and can be recognised via platforms globally. Chinese insta-celebrities must be secured 30days prior to the event launch in Shanghai, and briefed on the requirement to provide a review or snapshot our brand ideal, selling points and importantly the lifestyle that the brand portrays.

Meeting with Tencent Holdings in April, while in attendance at Chinese Grand Prix, joint venture must be secured no later than the start of May 2019. To allow for R&D time for an airborne passenger vehicle, as this highly important prototype must be ready to unveil start October and transported from Tencent Holdings headquarters by 1<sup>st</sup> October 2019.

## BRIEFING NOTE for CEO

Subject: Social Media Marketing in Asia

### Summary:

- Indonesian Textile Industry aims to be global export leader
- Fair Wear Foundation released report on Indonesia 2018
- May 2017 UN Human Rights Council review \_ Human Rights Violations
- Clean Clothes Campaign report labour disputes against manufacturers
- Volatile industry

### Issue:

Among the ten largest garment supply chains globally, the garment and textile industry in Indonesia subsidizes the country's wealth significantly and therefore is important employment sector within the country, for nearly 2 million Indonesians. Generating dependency on this industry, from an outsider's perspective, sees sector classified as substantial and the country in equal opposition to other Asian garment producing nations. However, according to the United Nations Human Rights Council 2017 review, there is a history of religious human and women's rights abuses, with a focus on Aceh, a province of Indonesia and relatively close approximation to Sumatra. However, with the country's industry prominently within Java, it is the Indonesian government's views on these human rights violations would be a great deterrent for any company to ethically view this industry as possible supply chain, moving forward in this new age of LGBT and religious diversity.

### Background:

The Indonesian-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) was finalised in 2018, this sees import duties waived on numerous of Indonesian products including garments and textiles. Previously, Australia imposed a 10-20% import duty on Indonesia's textile products. However as a manufacturing supply chain, Indonesia has never functioned at its 100% full capacity due to ageing machinery and equipment, leading to lower productivity and efficiency. Machinery continues to be used, particularly by more

traditional and small-scale players in the sector. Currently, 30% of textile factories use equipment over 25 years old.

#### Considerations:

Upon further investigation, the November 2018, Fairwear Foundation report into the Indonesian garment industry, compared Indonesia as an emerging producer against Bangladesh and Vietnam. However information provided in regards to (table 3) Gender Equality and Inequality/Povertyline index (table 4) rank both Indonesia and Bangladesh as high scores, however Vietnam is seen comparatively low scoring, in these ethical sectors. Labour wages have continued to be an issue with factory workers who have on numerous occasions protested against this controversy alongside poor working conditions and working hours, a strong disincentive for this brand and its moral standings, to produce their garments in ethically irresponsible producers.

Table 1. GDP Per Capita (current USD) in Selected Garment Producing Countries<sup>9</sup>

| Country    | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------|------|------|------|------|------|------|------|------|------|------|
| Bangladesh | 616  | 681  | 758  | 836  | 856  | 952  | 1085 | 1210 | 1359 | 1517 |
| Indonesia  | 2162 | 2254 | 3113 | 3634 | 3688 | 3621 | 3492 | 3335 | 3570 | 3847 |
| Vietnam    | 1143 | 1211 | 1310 | 1515 | 1723 | 1871 | 2012 | 2065 | 2171 | 2343 |

Table 2. Human Development Index in Selected Garment Producing Countries, 2015<sup>10</sup>

| Country    | HDI   | Life Expectancy | Mean Years of Schooling | Expected Years of Schooling | GNI per Capita |
|------------|-------|-----------------|-------------------------|-----------------------------|----------------|
| Bangladesh | 0.579 | 72.0            | 5.2                     | 10.2                        | 3,341          |
| Indonesia  | 0.689 | 69.1            | 7.9                     | 12.9                        | 10,053         |
| Vietnam    | 0.683 | 75.9            | 8.0                     | 12.6                        | 5,335          |

Table 3: Performance on Democracy, Governance and Gender Equality<sup>12</sup>

| Country    | Democracy Index Score (2017) | Rule of Law Score (2017-2018) | Control of Corruption Percentile Rank (2017) | Government Effectiveness Percentile Rank (2017) | Gender Inequality Index (2017) |
|------------|------------------------------|-------------------------------|--|---|--------------------------------|
| Bangladesh | 5.43                         | 0.41                          | 19.2   | 22.1  | 0.542                          |
| Indonesia  | 6.39                         | 0.52                          | 48.1   | 54.8  | 0.453                          |
| Vietnam    | 3.08                         | 0.50                          | 31.7   | 52.9  | 0.304                          |

Table 4. Poverty and Inequality

| Country    | Gini Index (2016) | Percentage of Population Below the International Poverty Line (2016) | Percentage of Population Below the National Poverty Line (2016) |
|------------|-------------------|--|---|
| Bangladesh | 32.4              | 14.8   | 24.3  |
| Indonesia  | 38.4              | 6.5  | 10.9  |
| Vietnam    | 34.8              | 2.6  | 9.8   |

<https://www.fairwear.org/wp-content/uploads/2018/11/Indonesia-Country-Study.pdf>

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| <b>STRENGTHS</b>   |
| <ul style="list-style-type: none"> <li>Vertically integrated garment and textile industry</li> </ul>   |
| <ul style="list-style-type: none"> <li>Large domestic market helps to offset any slump in exports</li> </ul>   |
| <ul style="list-style-type: none"> <li>Large labour supply</li> </ul>  |
| <ul style="list-style-type: none"> <li>Developing government policies to attract foreign investment</li> </ul>   |
| <ul style="list-style-type: none"> <li>Abundance of natural resources</li> </ul>   |
| <ul style="list-style-type: none"> <li>Indonesia's banking sector remains healthy, no government bailouts, abundant credit</li> </ul>  |
| <b>WEAKNESSES</b>  |
| <ul style="list-style-type: none"> <li>Aging machinery that limits production and weakens power grid</li> </ul>  |
| <ul style="list-style-type: none"> <li>Poor electricity infrastructure increasing power bills</li> </ul>   |
| <ul style="list-style-type: none"> <li>Relatively higher interest rates than many of its neighbours</li> </ul>   |
| <ul style="list-style-type: none"> <li>Lack of supportive infrastructure for manufacturing plants</li> </ul>   |
| <ul style="list-style-type: none"> <li>Absolute dependence on imported cotton for both export and domestic needs</li> </ul>  |
| <b>OPPORTUNITIES</b>   |
| <ul style="list-style-type: none"> <li>ASEAN continues to develop as a textile and garment manufacturing hub, so opportunities for global and regional exports should improve</li> </ul>   |
| <ul style="list-style-type: none"> <li>Initiatives such as a modernization scheme shows the government pay attention to the sector</li> </ul>  |
| <ul style="list-style-type: none"> <li>Taking advantage of opportunities as they appear. 2005 and 2006 saw US and EU impose safeguard quotas on several textile and clothing products from China, Indonesia used the action to increase its exports to both regions</li> </ul> |
| <ul style="list-style-type: none"> <li>The country's massive domestic market offers an obvious opportunity</li> </ul>  |
| <b>THREATS</b>   |
| <ul style="list-style-type: none"> <li>Rampant smuggling and copy-cat products manufactured within the region</li> </ul>   |
| <ul style="list-style-type: none"> <li>Economies of scale and lower-priced products from China poses serious competition</li> </ul>  |
| <ul style="list-style-type: none"> <li>The emergence of Bangladesh, Sri Lanka and Vietnam as manufacturing nations in an already crowded market</li> </ul>   |
| <ul style="list-style-type: none"> <li>Low exchange rates – rupiah greatly fluctuates in the global financial market. Therefore the large gap between buying and selling, adversely affects business</li> </ul>  |

### Conclusion and Recommendation:

It is our recommendation that as the garment and textile industry, as it currently stands would not prove ethically aligned to ideals of your brand. In conscious mind to continue to investigate the manufacturing of garments within Indonesia, however reviewing the viability of the company sourcing finished textile yardage, to manufacture garments within Australia keeps with the ethical standards of the brand.

Sustainable fabrications are available within Indonesia with the GIS scheme, reducing production emissions and waste from printing these fabrics, further investigation in regards to corporate social responsibility (CSR) will be undertaken within the next 2 weeks following your decision from this report.

Only by auditing your chosen supplier or factories for their labour compliance standards, will you obtain a clear picture on their willingness to adhere to and improve diversity within this industry. It is our suggestion to you to travel to Indonesia, on review of this assessment, to enable a firsthand investigation and view the factory in their full manufacturing capacity.

If you deem this supplier to individually meet your ethical standards; this travel would be highly beneficial. This report can only clearly provide an analysis of the Indonesian industry as a whole, the potential of your supplier to independently meet these needs may differ from this report. In turn to travel to Vietnam as this country and its garment industry, in comparison would be highly beneficial to your endeavours.