HOW DO NEW ZEALAND SMALL TO MEDIUM-SIZED (SME) FASHION DESIGN FIRMS ACQUIRE KNOWLEDGE DURING THE INTERNATIONALISATION PROCESS?

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ABSTRACT

The purpose of this research is to understand how New Zealand fashion small to medium-sized enterprises (SMEs) acquire knowledge during the internationalisation process. A qualitative case study of four firms has been used to explore this research question. The findings of this research suggest that New Zealand SME fashion design firms acquire different forms of knowledge and learning from various sources during the internationalisation process by serendipity and also by design, as will be discussed.

This research contributes to the existing internationalisation literature by extending the Six Markets Model (Payne, Ballantyne & Christopher, 2005) from relationship marketing literature to illustrate how SMEs acquire knowledge during the internationalisation process, and from which sources. This study also identifies the forms of knowledge and sources of knowledge that SME fashion firms need if they are to internationalise successfully.

A limitation of this research is that this study focused on the New Zealand fashion design industry alone. Therefore future research should focus on extending the application of the Six Markets Model on stakeholder relationships in other contexts, such as industries where SMEs comprise a significant proportion of the national economy.
ACKNOWLEDGEMENTS

The following thesis could not have been completed without the help and support of my family and friends. To my Dad, Brett, this project has been a project that has transformed from a 3-year Bachelor’s degree into a 6-year postgraduate degree, and you have been behind me all the way. Thank you for persevering and coaching me mentally throughout this project. I could not have done it without you.

To my best friend and classmate, Tabitha, thank you. You have always been there when I have needed a break from study and have encouraged me all the way to the end. Your support and friendship throughout this time has been invaluable to me. We will be friends for many years to come.

Thank you to my supervisors, David Ballantyne and Brendan Gray for your support throughout this Master’s thesis and for inspiring me to study international marketing. You have not only strengthened my passion for marketing as an academic researcher but also as a marketing professional. I would also like to thank the Marketing Department, who have supported me during my study at the University of Otago. I am grateful to have taken part in postgraduate study at the University of Otago.

I would also like to give special thanks to Delta, and my boss, Gary Johnson for allowing me the time to complete my Master’s thesis while working full time.
### LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>SME</td>
<td>Small to medium-sized enterprise</td>
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<tr>
<td>MNE</td>
<td>Multinational enterprise</td>
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<tr>
<td>OECD</td>
<td>Organisation of Economic Cooperative Development</td>
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<tr>
<td>IE</td>
<td>International Entrepreneurship</td>
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<td>INV</td>
<td>International New Venture</td>
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<td>NZTE</td>
<td>New Zealand Trade &amp; Enterprise</td>
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<td>NZFW</td>
<td>New Zealand Fashion Week</td>
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<td>DCC</td>
<td>Dunedin City Council</td>
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<tr>
<th><strong>Born-global Firm</strong></th>
<th>A small, technology-oriented company with fewer than 500 employees that operates in international markets from the earliest days of the firm’s establishment, has an annual turnover of more than US$100 million and uses leading-edge technology (Knight &amp; Cavusgil, 1996).</th>
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<tr>
<td><strong>De-Internationalisation</strong></td>
<td>The process of deactivating prior accumulation of knowledge through internationalisation, from relationships and resources in order to successfully withdraw from international activities.</td>
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<tr>
<td><strong>Entrepreneur</strong></td>
<td>An individual who carries out entrepreneurial actions (Andersson, 2000).</td>
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<tr>
<td><strong>Entrepreneurship</strong></td>
<td>The discovery, enactment, evaluation, and exploitation of opportunities to create future goods and services (Oviatt &amp; McDougall, 2005).</td>
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<tr>
<td><strong>Explicit Knowledge</strong></td>
<td>Explicit knowledge can be transmitted, such as written rules or guidelines, while tacit knowledge is harder to formalise and is mostly rooted in action, commitment and involvement (Nonaka &amp; Takeuchi, 1996).</td>
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<tr>
<td><strong>Fashion Industry</strong></td>
<td>The fashion industry refers to the industry in general, inclusive of fast fashion, high fashion, the outdoor apparel market, boutique fashion, and luxury fashion.</td>
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<tr>
<td><strong>Global Firm</strong></td>
<td>A firm that has a strong domestic market before it internationalises and sells its products in up to 60 countries worldwide. These firms take a long time to make their international debut, typically ranging from 26 to 65 years (Chetty &amp; Campbell-Hunt, 2004).</td>
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<tr>
<td><strong>Globalisation</strong></td>
<td>The process by which businesses or other organisations develop international influence or start operating on an international scale (Oxford Dictionary Online, 2015).</td>
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<tr>
<td><strong>International Entrepreneurship</strong></td>
<td>The discovery, enactment, evaluation, and exploitation of opportunities - across national borders - to create future goods and services (Oviatt &amp; McDougall, 2005).</td>
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<tr>
<td><strong>International New Venture</strong></td>
<td>A business organisation that from inception seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (McDougall &amp; Oviatt, 2005).</td>
</tr>
<tr>
<td><strong>Internationalisation</strong></td>
<td>The process of acquiring the necessary knowledge that the firm requires from relationships and other resources available to the firm in order to successfully engage in international activities.</td>
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<tr>
<td><strong>Internationalisation Knowledge</strong></td>
<td>Specific knowledge about how firms manage resources when internationalising including abilities to search for information, to identify and evaluate opportunities, screen country markets, evaluate strategic partners, and manage customs operations and foreign exchange. Internationalisation knowledge is firm-specific knowledge that has to be integrated internally and coordinated with the firm’s other resources to be useful.</td>
</tr>
<tr>
<td><strong>Internationalisation Process Knowledge</strong></td>
<td>All forms of knowledge about the firm’s internationalisation process including: market knowledge, technological knowledge, internationalisation knowledge, relationship-specific knowledge and expert knowledge.</td>
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<tr>
<td><strong>Internationalised fashion firm</strong></td>
<td>A firm that has internationalised its operations in a foreign market through distributors or some other form of external distribution channel. Firms that export over the Internet alone have not been included as internationalised fashion firms.</td>
</tr>
<tr>
<td><strong>Latent Inductive Analysis</strong></td>
<td>The process of interpreting meaning from the data or observing the data subjectively (Braun &amp; Clarke, 2006).</td>
</tr>
<tr>
<td><strong>Latent Theoretical Analysis</strong></td>
<td>The process of interpreting meaning from the literature</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<td>Regional Firm</td>
<td>A firm that has 80% or more of their sales spread across two geographically close markets, and is active in less than ten countries beyond the region. These firms must export more than 15% of their total sales to the foreign market and must have a strong domestic market before they internationalise (Chetty &amp; Campbell, 2004).</td>
</tr>
<tr>
<td>Relationship-specific Knowledge</td>
<td>Relationship-specific knowledge is a form of tacit knowledge gained through past experience in working with a particular business partner in iterative cycles of learning (Ballantyne, 2004).</td>
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<tr>
<td>Resources</td>
<td>Tangible or intangible properties that are owned or controlled by the firm. When enabled these resources can be transformed into products, services and business intelligence that enables the SME to learn and grow (Ruzzier, Hisrich &amp; Antoncic, 2006).</td>
</tr>
<tr>
<td>Sematic Inductive Analysis</td>
<td>The process of denoting the data or observing the data objectively (Braun &amp; Clarke, 2006).</td>
</tr>
<tr>
<td>Tacit Knowledge</td>
<td>Tacit knowledge is not embedded in physical knowledge but is instead knowledge gained through doing and communicating (Bhardwaj et. al, 2010).</td>
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1.0. INTRODUCTION

1.1. Background to the Research

The New Zealand fashion design industry is a thriving but embryonic industry. Well-recognised internationally for its entrepreneurial and creative abilities, New Zealand boasts several notable fashion design firms including Karen Walker, NOM*d, Icebreaker, Silkbody, Trelise Cooper and Zambesi. New Zealand is also the host of several internationally acclaimed fashion shows such as Dunedin’s iD Fashion Week, Wellington Fashion Week, and New Zealand Fashion Week, in Auckland. Although the success and the skills of those involved in the fashion world are of international calibre, and the global fashion market presents significant opportunities for New Zealand fashion exports, many New Zealand fashion designers have remained hesitant to internationalise (e.g. Natalie Chan, Andrea Moore, Company of Strangers and Charmaine Reveley). Additionally, the New Zealand fashion design industry has received little attention in government institutional documents (NZ-China Free Trade Agreement, 2013 (China FTA Website, 2015); Close Economic Relations New Zealand Australia Free Trade Agreement, 1983 (DFAT Website, 2015); Exporter: The Magazine Behind NZ’s Export Drive, 2015 (Exporter Magazine Online, 2015)). Instead, the New Zealand government has placed significant emphasis on primary industries such as dairy and agriculture, making the New Zealand economy a very vulnerable one through a lack of diversity.

There has been limited research into the New Zealand fashion design industry (e.g. Chetty, 1999; Molloy, 2004; Lewis, Larner & Le-Heron, 2007; Larner, Molloy & Goodrum, 2007) and I could find none that investigated how New Zealand SME fashion design firms learn and acquire the knowledge needed to internationalise. While theoretical studies have focused on the barriers that New Zealand SMEs face in extending their international activities (Shaw & Darroch, 2004), differences between born global firms and traditional firms (Chetty & Campbell-Hunt, 2004), and business networks (Chetty, 2014), extant internationalisation

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2 For the purposes of this research, the fashion industry has been referred to as the industry in general, inclusive of fast fashion, high fashion, the outdoor apparel market, boutique fashion, and luxury fashion.
literature lacks understanding of how New Zealand SME fashion design firms acquire knowledge during the internationalisation process.

Previous internationalisation research has highlighted how accumulated experience and networks assist small to medium-sized enterprises (SMEs) to internationalise. However while knowledge and learning have been acknowledged as fundamental aspects of the SME’s internationalisation process, extant internationalisation literature does not reveal how SMEs acquire knowledge during internationalisation. Several scholars (Pellegrino, 2009; Fletcher & Harris, 2012) have noted a gap within the internationalisation literature with regard to – (1) how SMEs learn (Pellegrino, 2009), (2) the forms of knowledge SMEs acquire (Fletcher & Harris, 2012), and (3) the sources which this knowledge is acquired from (Fletcher & Harris, 2012). Therefore the research question I want to address is: How do New Zealand small to medium-sized fashion design firms acquire knowledge during the internationalisation process?

Several New Zealand fashion designers including Karen Walker and Trelise Cooper have ventured overseas³ to achieve great success while other fashion designers (e.g. Natalie Chan, Andrea Moore, Company of Strangers and Charmaine Reveley) have remained hesitant. Is this reluctance to internationalise due to not knowing how to acquire the requisite knowledge? This study presents four case studies to illustrate how several New Zealand SME fashion design firms acquire knowledge during the internationalisation process. The objective of this research is therefore to understand how these SMEs acquire knowledge, to evaluate the accessibility and application of this knowledge, and to observe the challenges associated with knowledge development during internationalisation.

1.2. Justification for the Research

A review of the relevant literature (Chapters 3 & 4) has revealed the following research question:

How do New Zealand small to medium-sized fashion design firms acquire knowledge during the internationalisation process?

³ Internationalising its operations by exporting via distributors or another form of external distribution channel. Firms that export over the Internet alone have not been included as internationalised fashion firms.
It is important for researchers to understand how SMEs acquire knowledge during the internationalisation process as knowledge is co-created through the interactions that take place between participants. For example, relationship-specific knowledge is created between participants during interaction and is uniquely shared between those involved in the relationship. Knowledge also goes hand-in-hand with learning and therefore cannot occur without the other.

While the internationalisation of the New Zealand fashion design industry presents many opportunities for the New Zealand economy, the New Zealand fashion design context has been overlooked in the internationalisation literature. This context is important because the New Zealand fashion design industry differs from other contexts studied such as European fast fashion firms, and New Zealand firms are geographically distant from potential markets. As many New Zealand fashion design firms are classified as SMEs, they therefore often lack the financial resources, human resources and commercial skills required to develop their businesses internationally. New Zealand is also considered an important context for the study of SMEs due to the rapid globalisation of the New Zealand economy within a short period of time compared with other national economies (Chetty & Campbell-Hunt, 2004).

Previous internationalisation studies have focused specifically on fast fashion (e.g. Bhardwaj, Eickman & Runyan, 2011; Ramey, 1994; Castellano, 2005; Tiplady, 2006) and luxury brands (e.g. Kim & Ko, 2012), however these studies focus on multinational enterprises (MNEs). While there is a substantial amount of literature available on how MNEs acquire knowledge during the internationalisation process, there is little-published research available on how SMEs internationalise (see for instance, Chetty & Campbell-Hunt, 2004; Ruzzier et. al., 2006; Pellegrino, 2009; Fletcher & Harris, 2012). But there have been no empirical studies about how SME fashion design firms acquire and use the knowledge needed to internationalise.

Another important reason for studying the New Zealand fashion design industry is that increasing globalisation pressures and political/economic events such as the ongoing Fonterra milk crisis and the recent challenges facing New Zealand’s primary industries (e.g. dairy, agriculture and coal) have raised questions about New Zealand’s reliance on primary industries to sustain the national economy. Within the New Zealand economy, MNEs
comprise only 3% of New Zealand firms, while 97% are SMEs (Ministry of Economic Development, 2015).

Despite efforts to better understand how SMEs acquire the necessary knowledge to internationalise, SMEs worldwide remain underrepresented in the international economy (OECD, 2005). The internationalisation of SMEs presents an important research context for study because if SMEs were to increase their contribution to the global economy to the same level as their contribution to national economies, the gains would be very substantial (OECD, 2005).

The New Zealand fashion design industry provides the context for this thesis. This study examines the internationalisation experience of several New Zealand fashion design firms that have been selected because of their success in building international businesses. The findings of this research could be useful for other creative industries such as the film and music industries. This research may also be useful for other countries with a similar structure to the New Zealand economy such as Sweden, Switzerland and Norway, where SMEs make up a large proportion of the national economy.

1.3. Overview of the Methodology

The primary focus of this research is to improve understanding of how New Zealand SME fashion design firms acquire knowledge during the internationalisation process. A qualitative case study methodology has been chosen. This research has been guided by a critical realist worldview that defines its ontological, epistemological, and methodological assumptions (discussed in further detail in Chapter Four). It is important to understand the researcher’s worldview prior to observing this research, as the research cannot be separated from the researcher’s ontological and epistemological views.

The methodology consists of four case studies (Yin, 1984) along with several strategies for analysing process data (Langley, 1999; Braun & Clarke, 2006; Creswell, 2009). As the internationalisation process is a phenomenon that occurs over time, the methodology consists of four case studies that include retrospective accounts of case participants.

Four New Zealand fashion design firms were selected to participate in the case study research using the theoretical/purposive sampling technique (Eisenhardt, 1989; Glaser & Strauss, 1967;
and six participants were interviewed in total. One participating firm requested to remain anonymous throughout the study and has hence been referred to as ‘Company A’. Data for each case study was captured through semi-structured, open-ended, in-depth interviews with case study participants (Carson, 2001; Easterby-Smith, Thorpe & Lowe, 1991; Yin, 2003) supported by document analysis (Yin, 2003). In-depth interviews were selected as the primary tool for the research, as the method enhanced the researcher’s ability to probe and gain rich information from participants (Creswell, 2009). The data from each interview then provided a case study history of each firm and a thematic analysis technique was used to process the data (Braun & Clarke, 2006).

1.4. Scope of the Research

The findings of this research need to be considered within the boundaries of this thesis. The scope is limited to: how New Zealand SME fashion design firms acquire knowledge during internationalisation. Subsequently, as this research focuses on how these firms acquire knowledge during the internationalisation process, it is beyond the scope of this thesis to examine how such firms utilise knowledge acquired from network partners. However, there is likely to be some spill-over between acquiring knowledge during the internationalisation process and using this knowledge to guide strategic business decisions around market selection and market entry mode.

1.5. Contributions to the Research

This study offers new insights into how SMEs acquire knowledge during the internationalisation process, which has the potential to inform both internationalisation theory and management practice.

1.5.1. Theoretical Contributions

The findings of this research contribute to the internationalisation literature as well as several other literature streams including the study of SMEs, relationship marketing, international business and business-to-business marketing. This study also offers a new perspective on knowledge in the SME internationalisation literature by reconceptualising and extending the Six Markets Model (Payne et al., 2005) adopted from the relationship marketing literature.
1.5.2. Managerial Implications

This study may also inform SME fashion design managers of the forms of knowledge required prior to internationalisation. These insights may also assist SME managers with recruitment planning, informing SME managers of key skills required for the firm’s internationalisation process (e.g. employing people with international or specialist experience to improve the skill-set of staff and the resources of the firm).

1.5.3. Public Policy

The findings of this research provide several important suggestions for public policy. One of the major challenges currently facing the New Zealand government is the economic reliance on MNEs and primary industries such as dairy, agriculture and coal to sustain the New Zealand economy.

A review of the internationalisation literature has suggested that SMEs provide significant economic benefits for national economies. The New Zealand fashion design industry provides one example of an SME context that could significantly benefit from exporting overseas. The findings of this research suggest that the creation of government incentives for SMEs to export will encourage more SMEs to internationalise (OECD, 2004) and will enable the New Zealand government to diversify its risk portfolio.

1.6. Organisation of the Research

Chapter One has presented the context and scope of this study.

In Chapter Two, the global context within which New Zealand fashion design firms operate, the global fashion industry, is introduced. In this chapter, concepts such as globalisation and internationalisation are discussed to provide the foundations for the research topic.

In Chapter Three, a critical review of existing SME internationalisation literature is undertaken.

In Chapter Four, a review of the organisational learning and knowledge literature is presented with a particular focus on the acquisition of knowledge during the firm’s internationalisation
process. The literature also borrows from the relationship marketing discipline pertaining to relationship-specific knowledge and the role of relationships in acquiring knowledge.

In Chapter Five, extant internationalisation literature is reflected on to inform the research problem and supplementary research questions. The research question derived from a review of the literature is introduced in this chapter.

Chapter Six provides an outline of the research methodology. In this chapter, the research design and research analysis techniques are also explained.

In Chapter Seven, the results of the data are presented.

In Chapter Eight, the findings of the study are discussed in relation to prominent themes throughout the review of the literature. The findings from this study are then compared with extant literature, to compare similarities and differences between the findings.

Chapter Nine provides the conclusions of the research, summarising the overall findings of the study to address the research question. The limitations of this study are also discussed along with the theoretical contributions and managerial implications of this research. Suggestions for future research are included in this chapter.
2.0. SITUATING THE NEW ZEALAND FASHION INDUSTRY

Fig. 2.1. A Timeline of Key Historical Events Influencing New Zealand Fashion Design

- **1800s**: Department stores ‘cathedrals of consumption’ begin to emerge worldwide
- **1884**: Drapery Importing Co. opens in Dunedin (now Hallenstein Bros.)
- **1920s**: Department stores began to emerge in NZ
- **Mid-1930s**: NZ experiences a clothing shortage
- **1939-1945**: As World War II communication dominated media, international communication and diffusion of fashion knowledge was poor
- **1940s**: The pioneers of the NZ fashion industry emerge (Trilby Yates, Ninette Gowns & Bobby Angus)
- **1958**: Britain joins the European Union
- **1958**: The NZ Benson & Hedges Fashion Shows begin
- **1966**: The World Bank advises NZ govt to remove import trade barriers
- **1983**: Australia & NZ form Closer Economic Relations Free Trade Agreement
- **1984**: The NZ Four participate in London Fashion Week
- **1991**: The Design Industry Taskforce becomes Designers Institute of NZ
- **1999**: NZ-China Free Trade Agreement formed
- **2013**: NZ-China Free Trade Agreement formed
2.1. A Brief History of New Zealand Fashion Design

This section briefly discusses the significant economic and societal events that have shaped the context of study, the New Zealand fashion design industry.

2.1.1. The Emergence of New Zealand Fashion Design

During the early 1930s, the New Zealand fashion design industry consisted of imported goods from Europe, with the exception of clothes made by dressmakers or by housewives. The advent of World War II (1939-1945) saw international media communication lines utilised almost exclusively for military purposes, resulting in poor communication of fashion knowledge. As a consequence of the War, a lack of fashion supplies shipped from the United Kingdom led to a nationwide clothing shortage in New Zealand, with dressmakers and housewives ‘making do’ with the materials they had available. These complementary societal events sparked the emergence of the New Zealand fashion design industry (Te Ara Encyclopedia of New Zealand, 2015).

2.1.2. Institutional Constraints

Following World War II, New Zealand entered a new phase of economic development, which resulted in significant changes to the burgeoning fashion design industry. During this period, rapid globalisation dramatically altered international economic trade conditions. Globalisation can be defined as, “the process by which improvements in communications, transport and the removal of trade barriers are reducing borders between countries and enabling the flow of goods, services, capital and people” (New Zealand International Business Forum, 2015). While rapid globalisation presented many new trade opportunities to national economies, the New Zealand government placed significant reliance on the United Kingdom to continue to provide New Zealand’s imports. However, worldwide economic conditions began to deteriorate in the mid-1950s as a result of Western Europe forming the very restrictive European Union, excluding countries such as New Zealand and Australia from previous trade deals. As a result of New Zealand’s lack of diverse market offerings, the nation’s export prospects plummeted (New Zealand International Business Forum, 2015). New Zealand’s living standards also

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4 These dates were included as New Zealand is part of the Commonwealth system and hence the dates used here are the English dates and not the American dates.
declined during this time, as the export sector could not afford to pay for the increasing imports for consumption and infrastructure investment. In 1966, the World Bank intervened, advising the New Zealand government to revise its trade policy, in particular, the extensive trade barriers that were protecting the entry of imports as this cost of protectionism was restricting technological advances and impeding the growth of the New Zealand economy (New Zealand International Business Forum, 2015).

2.1.3. New Zealand Fashion goes Global

In 1983, the New Zealand government took significant steps towards globalising the New Zealand economy by forming the Closer Economic Relations Free Trade Agreement (1984) with Australia. Following this, the fourth New Zealand Labour government accelerated the removal of import protection and tariffs, opening up the New Zealand economy to global competition. The deregulation of the New Zealand economy meant that firms exporting prior to 1984 could take advantage of government imposed incentives. Conversely, firms exporting after 1984 were forced to rely on the incentives generated by global markets and global competition.

While the gradual liberalisation of New Zealand’s trade has continued to date, not all SME fashion design firms have welcomed globalisation. Between 1985 and 1996, revenue made from imported clothing increased from NZ$129 million to NZ$480 million (Blomfield, 2002; Perera & Bell, 2000; Walton & Duncan, 2002; Larner, Molloy & Goodrum, 2007) highlighting the significant consequences of globalisation and global competition in New Zealand. With the removal of tariffs and import protection in New Zealand, many overseas competitors superseded the market share of domestic competitors, forcing many New Zealand clothing manufacturers to close down their businesses. Some New Zealand manufacturers, struggling to survive, were driven off-shore, initially migrating to Fiji although in recent years, the effects of globalisation have led New Zealand designers to look further afield for globally competitive pricing, for example, looking to China and other competitive developing economies. In order to survive in this highly globalised competitive new environment, New Zealand fashion firms were encouraged to seek and realise new market opportunities overseas (Chetty, 1999; Chetty & Campbell-Hunt, 2004).
According to the Organisation for Economic Development (OECD), the extent of New Zealand’s deregulation is considered among the most far-reaching and rapid of any countries part of the OECD (OECD, 1990). Until 1984, New Zealand had the highest import tariffs on manufactured goods of any OECD country however following deregulation, New Zealand has become one of the most open economies in the OECD (Chetty & Campbell-Hunt, 2004). Scholars Chetty & Campbell-Hunt (2003) postulate that the deregulation of the New Zealand economy within such a short timeframe has been a primary driver of the born-global phenomenon within the internationalisation process literature (to be later discussed in Chapter Two).

2.1.4. The New Zealand Four

In 1999, London Fashion Week provided an opportunity for four high profile New Zealand fashion design firms to represent New Zealand fashion design on the global stage. ‘The New Zealand Four’ included: WORLD, NOM*d, Zambesi, and Karen Walker. These designers were hailed ‘fashion leaders’ with a distinctive ‘dark and intellectual’ look reflective of New Zealand fashion design (Te Ara Encyclopedia of New Zealand, 2015). Shortly following London Fashion Week, New Zealand Fashion Week was created in 2001 to celebrate New Zealand fashion design each year in Auckland. One high profile fashion label to develop from New Zealand Fashion Week is Karen Walker. Karen Walker has become one of New Zealand’s best-known overseas fashion designers with Hollywood celebrities such as Rihanna, Beyoncé and Gwen Stefani wearing the fashion designer’s sunglasses (Next Magazine, 2015). A significant advantage of celebrity endorsement for Karen Walker is that these celebrities have highly influential fan followings in the global teen/pre-teen market to expose the designer’s fashion products to.

2.1.5. New Zealand Fashion Today

A brief history of the New Zealand fashion design industry has revealed that a combination of changes in the global landscape have developed the industry into what it is today. These changes include economic developments such as the deregulation of the New Zealand economy, and technological advancements such as the Internet, which have transformed the way in which New Zealanders conduct world trade. Geographic barriers have now become less of an issue for isolated economies, as transportation and communications technologies
have rapidly developed, enabling faster globalisation of world trade. These rapid changes have now enabled New Zealand SME fashion firms, once challenged by robust import barriers and geographic isolation to internationalise. The primary question that this thesis will address is: how do New Zealand SME fashion design firms with limited internationalisation process knowledge and experience learn to internationalise? The following section will define the context of the global fashion industry.

2.2. Global Fashion Industry

2.2.1. Structure of the Global Fashion Industry

The global fashion industry is a loosely defined collective of all fashion firms operating within the textile, clothing, and apparel industry within an international context. The fashion industry consists of a range of product offerings and various target markets including both men and women, ranging from high-end luxury brands (typically modelled at high-fashion runways) through to fast fashion retailers. There is also a variety of companies in between this medium that produce and sell clothing, shoes, and other textile products (United States Fashion Industry, 2015). For the purposes of this research, the definition of the fashion industry is extended to include all firms that produce clothing and accessory items to sell to the market.

The global apparel industry has evolved significantly over the past few decades due to the expansion of cross-border relationships throughout the globe (Bhardwaj, Eickman & Runyan, 2011). In 2012 alone, the global fashion industry brought in revenue of more than $US1.7 trillion (Fashion United, 2015). The restructuring of national markets has now seen the world become a singular marketplace where businesses connect across borders, and individuals have the ability to purchase foreign products at the click of a button. Several characteristics that have changed the face of the global apparel/fashion industry include: a change in consumer demand for mass produced goods, changes to business-to-business (B2B) supply chain formations, and heightening consumer expectations for firms to provide products and services that incorporate affordable design, quality, delivery and efficiency to market (Doyle, Moore & Morgan, 2006). Many fashion companies have observed an opportunity to attend to the needs of their fashion market by delivering these items of quality, efficiently, and at a low cost to the consumer, a description which has been termed ‘fast fashion’ (Barnes & Lea-
Greenwood, 2006; Castellano, 2005; Tiplady, 2006). Fast fashion has emerged as a by-product of globalisation, and refers to, a business strategy with the objective to minimise the amount of lead time and buying processes required for introducing new fashion to market to satisfy consumer demand during peak periods (Barnes & Lea-Greenwood, 2006; Bhardwaj et. al, 2011).

Over the past two decades, the global luxury industry has seen steady growth and is one of the most attractive and profitable of consumer industries (Kim, Ko, Xu & Han, 2012). To illustrate the growing trend for luxury goods, the global sales volume of luxury goods was the equivalent of US$130 billion in 2007 (Okonkwo, 2007). According to Wiedman, Hennings & Siebels (2009), materialistic individuals represent the largest consumer segment for luxury brands and there is growing consumer demand for luxury goods and services across Asia, particularly in countries such as China, Japan, and Korea.

The global fashion industry is also changing shape due to the internationalisation processes of fashion retailers. While globalisation has enabled more opportunities for fashion firms, empirical internationalisation literature has primarily focused on traditional stage theories of the internationalisation process (Johanson & Vahlne, 1977). Knight & Cavusgil (1996) however, have introduced a new paradigm to the internationalisation literature, prompting scholars to reconsider their evaluations about stage theory and the gradual internationalisation process of firms (Bhardwaj et. al, 2011).

The global fashion market presents a very profitable market opportunity for international SME fashion firms to exploit (Fashion United, 2015; Kim, Ko, Xu & Han, 2012; Okonkwo, 2007). As the global landscape evolves, firms must therefore learn how to attend to the needs of their customer markets and to adapt to the challenging and rapidly-changing conditions of the global landscape as a matter of survival of the fittest. Several key environmental trends influencing the attractiveness of the industry will now be discussed.
2.2.2. New Zealand Fashion Market

In 2002, New Zealand clothing exports were valued at NZ$260 million, while domestic designer fashion sales accounted for less than half of exports at NZ$120 million (Market New Zealand, 2015). With a population of 4.5 million (Statistics NZ, 2013) and heightened competition from both domestic and overseas incumbents (Chetty & Campbell-Hunt, 2004), the New Zealand domestic fashion market represents little opportunity for SMEs to grow.

New Zealand SME fashion design firms must diversify their international markets and seek new opportunities to grow and to spread their financial and political risk. These international opportunities however will test the ability of SMEs to acquire the relevant knowledge required for internationalisation. The global fashion market presents a significant opportunity for New Zealand SME fashion firms to explore, however an understanding of how New Zealand SME fashion firms acquire knowledge during internationalisation has not yet been explored in the internationalisation literature. The demands of the global luxury fashion market also represent another important marketing opportunity for New Zealand SME fashion design firms.

2.2.3. Demands of the Global Luxury Fashion Market

China is currently the largest luxury economy in the world, as well as the largest online economy in the world and continues to grow at an astonishing rate (Tan, 2013). According to a McKinsey report titled Understanding the Chinese Consumer’s Growing Love for Luxury, China recently surpassed Japan to account for more than 25% of the global total of luxury goods and services purchases (Atsmon, Vinay, Leibowitz & Wu, 2011). China’s ‘new rich’ culture represents a new group of wealthy individuals who live in affluent surroundings and consume luxury goods and services (Wu, 1997; Blackwell, Miniard & Engel, 2001). As the incomes of middle-class Chinese consumers increase, luxury firms are also reaching out to middle-class Chinese consumers through brand extensions, which provide a more affordable range of goods (Meyers, 2004) in attempt to create a long-term consumer-brand relationship as middle-class citizens build their wealth. Notwithstanding the presence of luxury brands such as Gucci, Louis Vuitton, and Cartier in China, luxury brands have been confronted with many challenges regarding the changing dynamics of today’s macro-environment resulting in
only limited profitability. The influences of globalisation, hyper-competitive markets, increasing customer sophistication, and the maturity of traditional markets have all led to the challenges, which face luxury brands in China today (Crane, 1997; Djelic & Ainama, 1999; Ling, 2009).

Japan and Korea have also been identified as large luxury economies. Japan is the second largest luxury economy in the world with an estimated population of 128 million (World Bank, 2012). Korea also has a growing and powerful luxury market due to its fashionable and image-conscious consumer population of 50 million (World Bank, 2002).

2.2.4. High Levels of Material Well-being and Discretionary Income

An individual’s well-being is greatly influenced by their life domain evaluations including their perceived standard of living with regards to material things (Diener & Suh, 1997). By understanding the relationship between an individual’s subjective quality of life and their consumption behaviour, SME fashion firms can target appropriate international markets based on their levels of discretionary income and economies where the material life domain is valued highly. The OECD Better Life Index (2015) comprises a subjective well-being analysis of 25 OECD countries, which identifies countries with the highest quality of life rankings in the OECD. According to the Index, the top eight countries in order of quality of life ranking include: Australia, Sweden, Norway, Switzerland, Denmark, Canada, United States, and New Zealand (OECD, 2015). With an understanding of these statistics, New Zealand SME fashion firms may decide to target demographics and geographics where high levels of material well-being are enjoyed. Another significant socio-economic trend to strengthen the attractiveness of the global fashion market is the economic purchasing power and the increasing wealth of women.

2.2.5. Women of Wealth

According to Barletta (2006) “women are the world’s most powerful consumers, and they are the largest, fastest-growing market in the world.” Market estimates, according to research company Nielsen Consumer (2013) suggest that women’s’ total purchasing power ranges anywhere from $5 trillion to $15 trillion annually. By the end of 2015, annual global spending by women is expected to rise to $28 trillion, more than the world’s largest growth markets,
China and India combined (Silverstein & Sayre, 2009; Harvard Business Review, 2015). In the United States, women account for more than $7 trillion in consumer and business spending, and control more than $13 trillion in personal wealth; an amount that is expected to almost double to $20 trillion by 2021 (Warner, 2006). Reaching these women is now a desperate ambition of luxury fashion firms worldwide.

Rising female consumer power is also changing the way businesses design, produce, and market products. With the affluent women’s’ market growing as an important financial segment (Silverstein & Fiske, 2003) and women being responsible for 83% of all consumer purchases (Barletta, 2006), affluent female consumers have high levels of disposable income to spend on luxury goods such as fashion, warranting the creation of further products and services to attend to the needs of this consumer. Statistics suggests that over the next 10 years, women will control 66% of consumer wealth in the United States and will be the beneficiaries of the largest transference of wealth in US history, with estimates ranging from US$12 trillion to US$40 trillion (Fleishman-Hillard Inc., 2013). A US study conducted by Prince & Grove (2004) found that 61% of wealthy women interviewed had accumulated their fortunes through corporate employment, their own or a family business, or a professional practice and only 39% of women had married into wealth, or inherited money.

Increases in women’s wealth has contributed to a significant social, cultural, and economic shift in the global economy, which has influenced the way that women make evaluations about purchase decisions. The affluent female consumer represents a powerful consumer market segment that has tremendous potential for New Zealand SME fashion firms to target with enticing fashion apparel products. The following section reveals the perceived strengths and weaknesses of New Zealanders when engaging in international business from the perspective of foreign business people.

2.2.6. New Zealand’s Point of Difference

New Zealand is often characterised by foreign business people as an economy that is small in size. New Zealanders are also considered naïve and non-threatening when engaging in international business. Research commissioned by Nielsen for New Zealand Trade and

5 (with at least $3 million in investable assets)
Enterprise (NZTE) from 2006 through until 2008 unveiled the perceptions that overseas business people have of New Zealand business culture and values. The research was carried out across seven different countries including the UK, USA, China, Japan, Australia, South Korea, and India.

The findings of the NZTE (2008) study found that overseas perceptions of New Zealand were primarily positive and the people and country were held in warm regard. Several quotes from the study have been illustrated in Table 2.2: New Zealand’s Point of Difference.

Table 2.2: New Zealand’s Point of Difference (NZTE, 2008)

<table>
<thead>
<tr>
<th>Positive Overseas Perceptions of New Zealand</th>
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<tbody>
<tr>
<td>What you see is what you get, which makes dealing with New Zealand business very straightforward. And that is not true around the world... so in a different way you rapidly develop trust – which in a business relationship can be quite elusive (US).</td>
</tr>
<tr>
<td>They (New Zealand business people) are reliable, optimistic and open. They are not aggressive and quietly get things done (China).</td>
</tr>
<tr>
<td>There’s not a lot of ‘we can’t do this because we don’t have that.’ There is much more of a willingness to find a way, and that’s a good quality (UK).</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>New Zealand’s Ethical Differences</th>
</tr>
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<tbody>
<tr>
<td>It is a very happy, very contented, very progressive country... Industries are run to high ethical standards that, you know, things that make money are more often the dirty parts, the dicey area of companies you may not think of as exhibiting the highest in ethics, but they move really fast... I cannot see ‘cut-throat’ in New Zealand (US).</td>
</tr>
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<table>
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<tr>
<th>Risk Averse and Conservative</th>
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<tr>
<td>New Zealanders seldom make a sound in the international market. They have no passion to introduce themselves to others (Japan).</td>
</tr>
<tr>
<td>It’s a simple matter of risk aversion. It’s a matter that nobody wants to pay out and failure is seen as a devastating experience. Whereas in America, failure is seen as proof of contest –</td>
</tr>
</tbody>
</table>


You’ve actually done it. You have pushed the entrepreneurial idea up to the point that it could fail (US).

They are very protective towards their know-how and industries, not too willing to open up (China).

Many Asian countries, in particular, perceived an element of casualness and naivety in New Zealand business people. Chinese businesses also appeared to be well aware of their growing economic status. The findings of this study suggest that Chinese business people are very wary of companies that seek transactional relationships with Chinese business people (NZTE, 2008). Table 2.3: New Zealand’s Point of Difference provides quotes from Asian respondents on their perceptions of New Zealanders in international business.

**Table 2.3: New Zealand’s Point of Difference (NZTE, 2008)**

<table>
<thead>
<tr>
<th>Asian Respondents Perceptions of New Zealanders</th>
</tr>
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<tbody>
<tr>
<td>They didn’t understand the Chinese needs, even if they have a lot of experience in this area; but there is a great difference between the China market and theirs (China).</td>
</tr>
<tr>
<td>New Zealand’s quality standard does not meet up to our quality standard, and [sic] they do not seem like they are making an effort to adjust to our sense of quality (Japan).</td>
</tr>
<tr>
<td>I like to cooperate with those who have a real interest in China, have long-term and detailed business plans and goals, and come to China to understand and interpret us and our consumers more. I don’t like those who do not have much thoughts [sic] put into the Chinese market (China).</td>
</tr>
</tbody>
</table>

Participants from US and UK markets also suggested that New Zealanders display a reluctance to establish partnerships with foreign firms, while participants from the US and UK markets perceived partnerships and networks as the way in which firms get ahead in highly globalised markets. Australian participants also expressed their frustration with New Zealand businesses reluctant to partner up, and discussed the tendency of New Zealanders to engage in transactional relationships.
This study suggests that foreigners perceive New Zealand business people to face several constraints when engaging in international business with respect to forming relationships and understanding different cultures. These constraints include:

- New Zealanders display a lack of interest and understanding of market knowledge prior to foreign market entry,
- New Zealanders possess a conservative attitude towards engaging in international business,
- New Zealand businesses lack an understanding and/or awareness of the international desire, and finally,
- New Zealanders do not consider building international relationships with companies in foreign markets to be important.

A criticism of this study is that the study was carried out between 2006 and 2008, almost one decade ago. The introduction and availability of information communication technologies (ICT) over the past ten years, such as smartphones, tablets and mobile applications have drastically improved both information accessibility and communication across geographical boundaries. It is therefore logical to assume that the availability of ICT may have enhanced communication between New Zealand and foreign businesses and that accessibility to in-depth market information may have also improved international business knowledge and the ability to seek knowledge.

The findings of this study suggest that foreign business people typically have positive perceptions of New Zealanders engaging in international business, which is an advantage for NZ SME fashion firms exporting to foreign markets. However, this study also revealed the perceived weaknesses of New Zealanders in international business including: New Zealanders need to acquire market knowledge before entering foreign markets, New Zealanders need to improve their ability to build relationships with foreign counterparts, and finally, that New Zealanders need to become more informed of international relations when engaging in international business. It is therefore suggested that New Zealand SME fashion firms are aware of these findings and look to build upon these perceived weaknesses during their internationalisation.
The above section has discussed the key reasons why opportunities in the global fashion market are important for New Zealand SME fashion firm managers to consider, along with foreign perceptions of New Zealand business people. Environmental trends such as increased demand for luxury goods, increases in women’s discretionary power, and positive perceptions of New Zealanders in international business, represent several significant opportunities for New Zealand SME fashion firms to explore further. The following section will discuss the concepts of globalisation and internationalisation, and will explain how these forces have influenced the internationalisation process of the SME.

2.3. Globalisation

Increased global economic integration and globally inter-linked social and environmental developments have often been referred to as globalisation throughout the internationalisation literature (see for example, Dreyer, Gaston & Martens, 2008) however there is no unanimous agreement on what defines globalisation. According to Mussa (2003, p. 14), “globalisation may be defined as the increasing interaction among, and integration of, the activities, especially economic activities, of human societies around the world.” The phenomenon of globalisation is characterised by the worldwide integration of competitive markets and companies facing global competition (Ruzzier, Hisrich & Antoncic, 2006). Globalisation has also influenced the integration of dispersed economic activities across a variety of international markets as businesses change their models to suit this demanding environment. As a result of globalisation, traditional exporting methods are less obtainable as businesses become increasingly subject to a demanding consumer environment where time is critical and geographic distance is no longer a barrier. Consequently, SMEs must confront these demands and find new ways to resource themselves to compete with MNEs in the global market. Yet world economies at this point are not truly global. Globalisation is more of a process and a direction than an achieved fact.

Throughout the globalisation literature (Acs, Morck & Yeung, 2001; Gjellerup, 2000; Ruzzier et. al., 2006), there is a general consensus that three environmental forces are driving the globalisation of business: the accessibility of low-cost technology, the removal of economic trade barriers, economic liberalisation and geographic market expansion. Technological
advancements have enabled businesses to connect with international business people from a variety of geographic locations, for example, through instant messaging tools, video-conferences or by telephone call. The availability and affordability of this technology for business use, along with the supporting infrastructure, enables a greater awareness of international economic opportunities for firms. Another force behind the globalisation of business is the increasing number of free trade agreements and financial deregulation in national economies therefore creating a more level playing field for some resource-strapped SMEs and small economies (Ruzzier et. al., 2006). For instance, New Zealand’s free trade agreement with China provides a valuable tool for New Zealand SMEs to access the Chinese market. The final motivating force of globalisation is the influence of socioeconomic and cultural trends on global markets. One example is the geographic expansion of Asian markets such as China, Vietnam and Thailand, and the rise of middle-class incomes, particularly in China, which have stimulated new markets of wealth and growth. These previously closed markets now represent major opportunities for international business growth, expansion and foreign direct investment for New Zealand SMEs (Ruzzier et. al., 2006).

Madsen & Servais (1997) argue that globalisation and the consequent issues have only recently been introduced in SME development and research, as globalisation researchers have predominantly focused on MNEs. According to Ruzzier et. al., (2006) the impacts of globalisation are more likely to be more profound on the SME sector due to the corporate sector already establishing its place in a highly internationalised market. The following section defines the term ‘internationalisation’ and provides an overview of the existing body of literature on SME internationalisation.

2.4. Internationalisation

The internationalisation literature covers an extensive list of fields ranging from: economics, marketing, organisational theory, strategic management and international management through to small business management. Significant issues that have guided internationalisation research include international decision-making and management, the development of international activities, and the study of environmental factors influencing the success of internationalisation (Ruzzier et. al., 2006). Important contributions to SME internationalisation research have derived from Johanson & Vahlne (1990); Welch &
Luostarinen (1993); McDougall & Oviatt (1999; 2000); Chetty & Campbell-Hunt (2004); Hakansson & Snehota (1995); Knight & Cavusgil (1996; 2004); Ahokangas (1998); Penrose (1959); Andersen (1993); Miesenbock (1988), and Johanson & Mattson (1993). While the internationalisation literature is extensive and covers a wide range of disciplines, this study will focus specifically on how SMEs acquire knowledge during the internationalisation process.

Many different perspectives on what constitutes internationalisation exist. Traditionally, the internationalisation process has been widely understood as gradual and sequential, consisting of several stages (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Rogers, 1962; Welch & Luostarinen, 1993) however recent academia has contested this view (Oviatt & McDougall, 2005; Knight & Cavusgil, 1996; 1999; 2004; Knight, Bell & McNaughton, 2001). Stage model theorists (such as Luostarinen, 1979; Johanson & Wiedersheim-Paul, 1975; Welch & Luostarinen, 1993; Calof & Beamish, 1995) have defined the internationalisation process as ‘evolutionary’ through which firms discover opportunities, become involved in, and committed to international activities but can also become inverted and de-internationalise.

While this perspective considers a holistic view of internationalisation and de-internationalisation, it does not address the perspective of the international new venture (Knight & Cavusgil, 1996; Oviatt & McDougall, 2005, Chetty & Campbell-Hunt, 2004) which does not follow a traditional, evolutionary path to internationalisation. De-internationalisation is the antonym of internationalisation and is defined as, the process of deactivating the accumulation of knowledge from relationships and resources in order to successfully withdraw from international activities (Calof & Beamish, 1995).

From a business network perspective, other scholars have defined internationalisation as the process of developing networks of business relationships in foreign markets (Johanson & Vahlne, 1990; Johansson & Mattson, 1993). While Johanson & Vahlne (1990) and Johansson & Mattson’s (1993) definitions of internationalisation have a strong focus on the relationships of the firm, these perspectives do not define the strategic objectives of establishing those relationships. Other scholars define the strategic objectives behind the firm’s motivations to internationalise (Ruzzier et. al., 2006). Although Ruzzier et. al.,’s (2006) definition includes the scope of internationalisation and the action taking place, ‘geographical expansion’, what it fails to recognise is the relationships that enable internationalisation to take place. None of
the existing definitions of internationalisation identify the crucial role of accumulating knowledge during the internationalisation process, which ultimately provides firms with the tools needed to internationalise. Therefore, for the purposes of this study internationalisation is defined as, the process of acquiring the necessary learning and knowledge, as well as the tools that the firm requires from relationships and other resources available to the firm to successfully internationalise.

To understand how firms internationalise, the reader must first understand what it means by a firm’s international orientation. A firm’s international orientation consists of the firm’s general attitudes towards internationalisation (Ruzzier et. al., 2006). According to Reid (1981), a firm’s international orientation is a measure of the perceived differences along economic, cultural, political, and market-strategic dimensions between the home market and international markets. International commitment is another important term used to describe the degree of internationalisation of the firm within a particular market. International commitment includes the necessary requirements of the firm to operate in the chosen market, and the human resources required to compete in that market.

2.4.1. MNEs versus SMEs

The international commitment of the firm is dependent on the type of firm that it is, as these firms each have different resources (Ruzzier et. al., 2006). MNEs have been the primary subject of investigation throughout the internationalisation literature while SMEs have only recently attracted broader interest (Miesenbock, 1988). Several of the main MNE internationalisation theories adopt an economic view of internationalisation. Several examples include: internalisation theory (Buckley & Casson, 1993), transaction cost approach (Teece, 1986), the eclectic paradigm (Dunning, 1988), and monopolistic advantage theory (Hymer, 1976). Chen & Hambrick (1995) argue that SME research should be treated separately, as SMEs are faced with different opportunities and constraints compared with MNEs. Identifiable differences include limited resources such as funding and skilled staff, a lack of international experience and knowledge about internationalisation, a lack of specialist expert knowledge, and a lack of power and influence in an international setting.
Although SMEs, encounter concepts such as global strategies, strategic international alliances, knowledge accumulation and problems of diversification and control as do MNEs, international business (IB) research has focused on the internationalisation of MNEs (Ruzzier et. al., 2006). Several scholars argue that attempting to align the behaviour of SMEs with MNEs by grouping internationalisation theories together will only impair the internationalisation literature, as these firms face different opportunities and constraints, and have different resources from inception (Chen & Hambrick, 1995; Ahokangas, 1998). SME research has previously focused on the various stages or export development models of internationalisation (Johanson & Vahlne, 1977; Rogers, 1962) as opposed to how firms acquire knowledge during internationalisation. Another area which is not widely recognised throughout the internationalisation literature is how SMEs transition into MNEs.

The following section will critically reflect on the SME internationalisation literature. This section begins by defining the term SME, and will explain the important contributions that SMEs provide to their national economies.
3.0. A REVIEW OF THE SME INTERNATIONALISATION LITERATURE

3.1. Introduction to the Literature

3.1.1. Defining the SME

There have been various definitions of SMEs (United Nations, 2005; OECD, 2005). According to the United Nations (2005) New Zealand has no administrative definition of what constitutes an SME however, the United Nations identify SMEs as an enterprise with an employee base of between 10 and 250 employees. The United Nations also identify a micro-enterprise as an enterprise with between 1 and 9 employees. By this definition, most New Zealand fashion firms would be considered micro-enterprises. In comparison, the OECD (2005) defined an SME to have no more than 250 employees. For the purposes of this research, New Zealand SME fashion design firms have been referred to as firms with less than 250 employees.

A highly globalised business environment has provided the ideal conditions for SMEs to internationalise, particularly where sectors are subject to strong globalisation forces and thrive in rapidly changing conditions, and this is particularly evident in firms which specialise in the production and distribution of goods and services (Buckley & Ghauri, 1993; Andersen, 1993; Ruzzier et. al., 2006). An obvious example is the Chinese manufacturing industry, which has established its dominance in the world market over the past decade by offering globally competitive manufacturing prices. There is also support throughout the SME internationalisation literature to suggest that SMEs with high-growth potential require early access to international markets in pursuit of perceived development and growth opportunities (McDougall & Oviatt, 2006).

3.1.2. The Economic Significance of SME Internationalisation

Many SMEs have successfully engaged in internationalisation over the past few decades and their role is becoming increasingly important for the future growth of national economies
While SMEs represent approximately 95% of market participants in most OECD countries (OECD, 2002; Pellegrino, 2009), these types of firms are underrepresented in international trade. According to the OECD (2004) SMEs account for 60% of a country’s employment and contribute 50% of a country’s GDP, however contribute to a mere 30% of the world’s exports. A pending question for empirical SME research beyond the focus of this research is, why do SMEs make such a small contribution to global markets, and why are so few SMEs active in global markets?

Increasingly, governments globally have been taking steps to reduce barriers to internationalisation for SMEs (for example, New Zealand China Free Trade Agreement, 2013; Closer Economic Relations Free Trade Agreement, 1986; European Union, APEC, ASEAN). However several barriers have restricted SMEs from fulfilling their potential in international markets (OECD, 2004). Internationalisation expose SMEs to several kinds of risks, which SMEs are less well-resourced for (OECD, 2004) such as heightened international competition; intellectual property concerns; political risks and corruption. Recent research suggests that the creation of regulatory, administrative and policy measures by government can remove some of these barriers to encourage more SMEs to internationalise (Shaw & Darroch, 2004; OECD, 2004).

The increasing amount of empirical and theoretical attention to SME internationalisation is a reflection of governments attempting to increase the international activities of SMEs to stimulate economic growth, create employment and to transform SMEs into potential MNEs (Ruzzier et. al., 2006; Pellegrino, 2009). SME internationalisation presents an important phenomenon for study as if SMEs were to increase their contribution to the global economy to the same level of their contribution to national economies, the gains would be very substantial (OECD, 2005). This section has defined SME internationalisation, and has discussed why SME internationalisation is important for national economies. The following section will critically review the stage model theories of internationalisation.
3.2. Stage Model Theories

SME internationalisation studies heightened during the 1990s as a result of the increased interest in understanding the internal dynamics of SMEs within small and open economies such as New Zealand (Bloodgood, Sapienza & Almeida, 1996; Ruzzier et. al., 2006). The first stage model theory of the SME’s internationalisation process to emerge was the Uppsala Model developed by Johanson & Vahlne (1977) of Uppsala University in Sweden, and was influenced by Cyert & March’s (1963) behavioural theory of the firm, and Penrose’s (1959) theory of knowledge and change in organisations.

Johanson & Vahlne’s (1977; 1990) studies of Swedish SMEs illustrated that these firms traditionally target foreign markets considered ‘psychically proximate’ to the home market, and use less committed modes of entry, such as exporting. Psychic proximity or psychic distance refers to the differences between the firm’s home market and the foreign market in terms of culture, structure and language (Nordstrom & Vahlne, 1992). Johanson & Vahlne’s (1990) study also found that international actors learn, and increase foreign market knowledge and international commitment in an incremental manner, which is demonstrated by their stage model theory of the internationalisation process, the Uppsala Model. In this way, firms develop strategies and actions as knowledge is developed incrementally over time. However, contrasting theories such as INVs and the ‘born-global’ phenomenon (discussed later in this chapter) demonstrate that firms do not need to internationalise incrementally as the stage model approach suggests but can internationalise from inception (Oviatt & McDougall, 2005; Knight & Cavusgil, 1996; Chetty & Campbell-Hunt, 2004).

The Uppsala Model (Johanson & Vahlne, 1990) asserts that firms manage foreign market risks by acquiring tacit knowledge about foreign markets and incrementally changing their commitments to those markets. In particular, the Uppsala Model values knowledge gained through personal experience and observation (what is known as experiential or tacit knowledge) rather than through objective or taught knowledge (what is known as explicit knowledge). In this way, business knowledge is accumulated by engaging in international operations, and drives internationalisation by influencing the SME’s entry-mode and country-market selection (Whitelock, 2012). Knowledge acquisition in this way, suggests that the
firm’s internationalisation process is driven by the firm’s know-how, and that psychically proximate markets inform the firm’s internationalisation process (Andersen, 1993; Whitelock, 2012). Several scholars have suggested that the Uppsala Model is often favoured by SMEs for early stages of internationalisation (see for example, Chetty & Campbell-Hunt, 1999).

In an extension to the Uppsala Model, Johanson & Mattsson (1993) identified four different stages of SME internationalisation including: the early starter, the late starter, the lonely international, and the international. However these are descriptions of the firm relative to its speed of internationalisation from inception, which resembles similarities to Knight & Cavusgil’s (1996) description of the born-global firm and McDougall & Oviatt’s (2005) international new venture, rather than illustrating the firm’s process to internationalisation. Many scholars have criticised the Uppsala Model for being deterministic and asserting that if businesses were to follow the model verbatim, there would be no room for strategy and innovation (Chetty, 1999; Reid, 1981; Andersson, 2000). Therefore, suggesting that the expertise of entrepreneurs and employees are not acknowledged as important resources for the firm, which existing INV literature contests (Oviatt & McDougall, 2005; Miesenbock, 1988).

The role of relationships in internationalisation is an important resource for international new ventures (INVs). Johanson & Mattson (2009) have since extended the Uppsala Model to include aspects of the Industrial Marketing and Purchasing group perspective, which represents the role of relationships in internationalisation including investments in business networks (Johanson & Vahlne, 1990; 2009). The Uppsala Model also focuses on traditional cross-border behaviour, as opposed to accelerated internationalisation or entrepreneurial behaviour (Knight & Cavusgil, 1999; Oviatt & McDougall, 2005). Johanson & Vahlne’s (1977) Uppsala Model could also be criticised for suggesting that firms should react to external forces by learning through experience, whereas the entrepreneurship perspective (Oviatt & McDougall, 2005) suggests that firms should plan to acquire knowledge before experiencing internationalisation first-hand in order to internationalise quicker. Traditional stage models such as the Uppsala Model (Johanson & Vahlne, 1977; 1990; 2004) do not account for unforeseen macro-environmental factors, which may have a negative impact on the firm’s internationalisation, such as competitors exploiting an opportunity prior to the firm.
Ultimately, missed market opportunities can be time-consuming, resource-intensive and cost-intensive for SMEs (Bell, 1995; McDougall & Oviatt, 1997). A further criticism of the Uppsala Model is that the model does not express the importance of creating a sustainable competitive advantage for the firm. This therefore poses an important question for SMEs; how can the firm understand what its capabilities are, and where it will be most competitive in the marketplace if the existing resources of the firm have not yet been evaluated?

Analogous to the Uppsala Model (Johanson & Vahlne, 1977), innovation-related models consider internationalisation as a stage model approach, where each successive stage of the firm’s internationalisation is perceived as an innovation for the firm (Rogers, 1962; Gankema et. al, 2000). Disparate to the eclectic paradigm and other economic models of internationalisation used to describe MNEs, the focus of innovation-related models is based exclusively on the export development process of SMEs. Leonidou & Katsikeas (1996) identified three generic stages of SME internationalisation including: the pre-export stage; the initial export stage, and the advanced export stage. The authors found that innovation-related models consist of a number of pre-determined, sequential stages to internationalisation (Leonidou & Katsikeas, 1996; Ruzzier et. al., 2006). However a criticism of innovation-related models is that it is difficult to distinguish between the model’s different stages of internationalisation (Miesenbock, 1988; Andersen, 1993), for example, at which stage does a firm graduate from the initial export stage to the advanced export stage? Furthermore, are the differences between each export stage related to the types of knowledge, and relevance of that knowledge, that the SME has acquired? Andersson (2000) proposed that innovation-related models are behaviourally-oriented, and therefore consider individual learning (tacit and explicit) and top-level managers as important variables in understanding the internationalisation behaviour of SMEs. The following section will reflect on the alternative internationalisation theories beginning with the relationship-based theories of internationalisation.

3.3. Relationship-Based Theories

One relationship-based internationalisation theory is the Industrial Marketing and Purchasing group perspective, which takes a broad environmental scanning approach based on the
concept of business interactions within networks of relationships (Whitelock, 2012). This perspective (Hakansson & Snehota, 1995) suggests that ‘no business is an island’ and considers relationships as the forgotten dimension from traditional stage models such as the Uppsala Model (Johanson & Vahlne, 1977) and economic models such as the eclectic paradigm (Dunning, 1999). According to the Industrial Marketing and Purchasing group’s perspective, relationships are the fundamental tie of firms within networks of firms, and encompass many facets of the business including purchasing, production and distribution.

Hakansson & Snehota (1995) argue that interdependencies between firms begin to develop over time as interactions among the business network begin to multiply and this claim is also supported by the relationship marketing literature (Ballantyne, 2004). The Industrial Marketing and Purchasing group’s perspective involves a market analysis of the business environment before the focal firm decides which markets to penetrate. This analysis includes observing the focal firm’s position in relation to customers, but also importantly, the activities of other business actors in existing network links (Hakansson & Snehota, 1995). While the authors discuss the importance of relationships and interactions in successful internationalisation, the authors do not discuss the importance of knowledge which is the result of business interactions. Other criticisms of this perspective include an undue focus on relationships, to the exclusions of strategy, brand equity and profitability considerations.

A further relationship-based internationalisation theory is the business strategy approach, which has a market-orientation focused on relationships. This approach is based on the application of trade-offs between relevant firm-based, and external variables, guided by an evaluation of the firm’s market opportunities, resources and managerial philosophy (Whitelock, 2012). Similar to the business strategy approach is the business networks approach, which involves an understanding of firms as embedded actors within business networks (Johanson & Mattsson, 1993; McAuley, 1999; Ruzzier et. al., 2006). The business networks perspective views firms as a set of interlinked relationships, which can be connected to other actors within and outside of the network (Blankenburg et al., 1996). From a business network perspective, the firm’s internationalisation strategy is to acquire the necessary knowledge to replace the need to develop experiential knowledge, minimise the need to adjust the SME’s operations, and to exploit already established network positions in foreign markets (Johanson & Mattsson, 1993; Fletcher & Harris, 2012). There are several ways in
which SMEs can integrate into business networks including through international extension, penetration and international integration. According to this view, the internationalising firm initially engages in a domestic network and then further develops business relationships as part of networks in other international markets.

Several important theoretical issues have surfaced from a review of the Industrial Marketing and Purchasing group’s perspective and the business networks literature, and do not only reflect on relationships but also include issues such as trust, control, resources and the interdependency within and between firms. These relational factors are important foundations for the firm’s acquisition of knowledge during internationalisation. While the majority of business networks research has focused on the management of international relationships, the literature (Hakansson & Snehota, 1995; Johanson & Mattsson, 1993; McAuley, 1999) has overlooked the role of knowledge and organisational learning in internationalisation, which relates to issues such as trust, control, resources and interdependency. As knowledge is a valuable outcome of interactions within business relationships based on trust, control and interdependency, it is important to study these interactions to understand how firms acquire knowledge. The following section will reflect on the economic trade theories.

3.4. Economic Trade Theories

From a market perspective, economic trade theories also provide an insightful lens on internationalisation research. Havnes (1994, cited in Ahokangas, 1998) argued that all SME internationalisation models represent either a market, firm or entrepreneurship perspective. The market perspective has been largely confined to studies on internationalisation or the diversification strategies of MNEs with roots in economics (Dunning, 1988; Mahoney & Pandian, 1997) whereas the firm perspective, including traditional stage models of internationalisation (Johanson & Vahlne, 1977; 1990; Johanson & Mattson, 1993; Rogers, 1962) provides a significant proportion of the available literature on SME internationalisation. The entrepreneurship perspective however is an understudied area within the internationalisation literature (Cavusgil & Naor, 1987). While the economic view of internationalisation favours MNEs, these approaches to internationalisation overlook the
advantages associated with individuals making strategic choices within SMEs, where entrepreneurs and managers play a significant role (Reid, 1981; 1983; Turnbull, 1998; Andersson, 2000).

Entrepreneurship is an important element of the organisational and economic development of SMEs. Increased globalisation has led to a variety of changes to the international business environment including a new phenomenon of international start-ups, which embodies a major challenge to traditional views of SME internationalisation (evident in the work of Johanson & Vahlne, 1977; 1990; Johanson & Mattson, 1993; Rogers, 1962). Within international start-ups and SMEs in general, a particular resource of importance to the firm is the individual entrepreneur, their personal characteristics, and their network relationships (Ruzzier et. al., 2006). Entrepreneurs are considered important change agents for SMEs, who are willing to take risks to be innovative and are driven to exploit business opportunities in new markets (OECD, 2000). Although entrepreneurs are willing to take risks and address uncertainty in international markets, the INV or born-global perspective (discussed in greater detail later in this chapter) stresses that entrepreneurs have prior experience and forms of knowledge that reduce the degree of the firm’s uncertainty and risk in international markets (Knight & Cavusgil, 1996). Often these opportunities are perceived internationally, as international markets present rapid growth potential for SMEs. Therefore entrepreneurs must establish international new ventures to exploit their opportunities (to be further discussed later in this chapter).

From an entrepreneurial perspective, networks of individuals and the tacit knowledge or social capital that entrepreneurs possess, can be seen as resources for the SME (McDougall & Oviatt, 2000; Schumpeter, 1950; Alvarez & Busenitz, 2001; Penrose, 1959; Barney, 1991). Other resources of the firm include relationships, experience, training, tacit skills, judgement and experience with coordinating resources (Barney, 1991; Langlois, 1995). Due to the entrepreneur’s experience and the competencies built from previous international new ventures, entrepreneurs fundamentally understand the opportunities to be co-created from knowledge-sharing and resources. These competencies include business networks developed by the entrepreneur and knowledge formed from experience in earlier international activities (McDougall et. al, 1994). These resources are socially complex and add value to the firm.
because they are not easy to imitate and therefore other firms cannot replicate the value embedded within these resources (Alvarez & Busenitz, 2001). Entrepreneurs and their firms are also connected through a wide range of networks with other entrepreneurs. Therefore entrepreneurs have the ability to gain access to resources and information for entrepreneurial actions through their network relationships (Hakansson & Snehota, 1995; McDougall & Oviatt, 2000). It is however worth noting that entrepreneurial competencies are not the same for all entrepreneurs, and depend on a variety of factors such as the entrepreneur’s background and personal experiences. These experiences make the competencies of the entrepreneur unique, and provide a valuable resource for an SME as the know-how of entrepreneurs is difficult to imitate. From an entrepreneurial perspective, entrepreneurs can be described as strategists, who have the aptitude to conduct thorough market analysis of their business environment to identify attractive market opportunities, while simultaneously analysing threats and matching the capabilities of the firm to those opportunities (Foss et. al, 1995; Ruzzier et. al., 2006). Therefore entrepreneurs are vital actors within SMEs who enable the acquisition of knowledge. The following section reflects on international entrepreneurship within the SME internationalisation literature.

3.5. International Entrepreneurship

International entrepreneurship (IE) is an emerging area within the internationalisation literature that fuses entrepreneurship and international business research (McDougall & Oviatt, 2000; Antoncic & Hisrich, 2006). International entrepreneurship approaches SME internationalisation from the entrepreneurial perspective and covers a broad stream of literature including: entrepreneurial cultures, alliances and cooperative strategies, SME internationalisation, strategic management, entry modes, cognition, country profiles, corporate entrepreneurship, exporting, knowledge management, venture financing and technological learning (Ruzzier et, al., 2006). Seminal contributions throughout the INV and born-global literature have stemmed from Oviatt & McDougall (1994), McDougall, Shane & Oviatt (1994), McDougall & Oviatt (1999; 2000; 2005), Knight & Cavusgil (1996), and Chetty & Campbell-Hunt (2004).

While the international entrepreneurship field comprises a variety of disciplines, IE scholars are still searching for the right term to define the international activities associated with
entrepreneurial SMEs. The most recent definition of IE is from Oviatt & McDougall (2005, pg. 540) who define international entrepreneurship as “the discovery, enactment, evaluation, and exploitation of opportunities - across national borders - to create future goods and services” acknowledging some origins from Shane & Venkataraman (2000).

3.5.1. International New Ventures & Born-global Firms

Several studies have confirmed that SMEs are internationalising rapidly, and that many are doing so within a short time after they are founded. Scholars have referred to this phenomenon as INVs (Oviatt & McDougall, 1994; 2005) or born-global firms (Knight & Cavusgil, 1996; Chetty & Campbell-Hunt, 2004; Madsen & Servais, 1997; McKinsey & Co., 2003). As these terms are synonymous, the term INVs will be used to discuss both INVs and born-global firms. INVs are business organisations “that, from inception, [seek] to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p. 49). INV studies focus on the speed of the firm’s internationalisation as opposed to how knowledge is acquired during the internationalisation process. Similarly, Knight & Cavusgil (1996, p. 11) define these firms as “small, technology-oriented companies that operate in international markets from the earliest days of their establishment.” These firms have less than 500 employees, an annual turnover of US$100 million and possess leading-edge technology to manufacture high-technology products for a particular niche in international markets (Knight & Cavusgil, 1996).

3.5.2. Speed of Internationalisation

The macro-environment presents many opportunities for INVs to exploit. These opportunities include:

- the enabling forces of technology,
- the motivating forces of competition,
- the mediating perceptions of entrepreneurs, and the
- moderating forces of knowledge and networks which collectively determine the speed of the firm’s internationalisation (McDougall & Oviatt, 2005).

INVs are often formed by individuals or small groups of entrepreneurs in an attempt to create valuable assets, to utilise the existing alliances and network structures of entrepreneurs, and
to establish a unique resource that provides a transferable sustainable advantage across international boundaries (McDougall, Shane & Oviatt, 1994; Oviatt & McDougall, 1994).

According to Oviatt & McDougall (2005), the internationalisation of INVs begins with a potential entrepreneurial opportunity. These firms are entrepreneurial from their inception, and perceive the world as one single marketplace rather than fragmented national markets. INVs also perceive international markets to provide ‘opportunities’ rather than obstacles therefore the main driver of the INV is to achieve growth through international sales (Knight & Cavusgil, 1996; Madsen & Servais, 1997). In pursuit of this goal, INVs produce highly specialised customised goods for international niche markets and develop international networks in foreign markets (Knight & Cavusgil, 1996, 2004; Madsen & Servais, 1997; McKinsey & Co., 1993).

Oviatt & McDougall (2005) argue that the speed at which a firm internationalises is an important part of the internationalisation process of the firm. The authors conclude that neither technology nor competition alone can accelerate the SME’s trajectory to internationalisation, but the entrepreneur’s ability to interpret and enable the opportunity, technology and the threat of competition, can provide the conditions for the firm to rapidly internationalise (Oviatt & McDougall, 2005). Therefore entrepreneurs play an important role in the internationalisation process of the firm. Autio, Sapienza & Almeida (2000) also speculate that there may be performance advantages associated with the rapid internationalisation of the INV and this is a view shared throughout the international entrepreneurship literature (Zhou, Wu & Barnes, 2012; Fletcher & Harris, 2012). Concurrency within the literature posits that, the earlier in the firm’s history that the SME internationalises, the faster it seems to grow and that these opportunities are enabled by the entrepreneur.

While the international entrepreneurship literature suggests that the firm’s speed of internationalisation is important, there is a degree of ambiguity about the speed at which the INV internationalises. For example, definitions vary from the firm internationalising within the first two years of inception (McKinsey & Co., 1993) through to as many as six years (Zahra, Ireland & Hitt, 2000), or in some cases even as many as eight (McDougall, Shane & Oviatt, 1994). For the purposes of this study, INVs have been defined as making their international
debut within five years of inception, which is the average of two and eight years combined. The internationalisation literature is also diverse on the proportion of international sales that classify the firm as an INV (Knight & Cavusgil, 1996; McKinsey & Co., 1993; Chetty & Campbell-Hunt, 2004). Knight & Cavusgil (1996) characterised INVs as firms that export more than 25% of their production within a few years of inception (however ‘a few’ does not provide definitive boundaries) whereas other scholars (McKinsey & Co., 1993; Chetty & Campbell-Hunt, 2003) define the INV to export 75% of its production within two years of inception. I have adopted the higher of these percentages due to the small size of the New Zealand market compared with global markets. Therefore for the purposes of this research, an INV has been characterised to export more than 75% of its production within five years of inception (also adopted by McKinsey & Co., 1993; Chetty & Campbell-Hunt, 2003).

Welch & Luostarinen (1988) have criticised the INV perspective stating that firms that internationalise from inception are rare. However changing industry and market conditions have created a highly globalised business environment where rapid internationalisation is feasible therefore creating the ideal context to nurture the INV’s growth (Chetty & Campbell-Hunt, 2004). Consequently, as New Zealand has globalised quickly within a short period of time, it is logical to assume that New Zealand SMEs are increasingly following the INV path to internationalisation.

3.5.3. Knowledge & Speed of Internationalisation

According to Oviatt & McDougall (2005), there are three types of firms that illustrate how knowledge affects the subsequent speed of the firm’s internationalisation process. These types of firms include: traditional firms, knowledge-intensive firms and knowledge-based firms. Due to the constantly changing business environment, the speed of the firm’s internationalisation can present an important advantage for the firm, for example, if the firm enacts opportunities before its competitors to take advantage of new technologies. In Chapter Three, the concept of the traditional firm was discussed (for example, the Uppsala Model). The traditional firm introduces mature technology into a foreign market and therefore internationalises incrementally, as the principal entrepreneurial act for this firm is to exploit an old concept in a new location (Chetty & Campbell-Hunt, 2004). Chetty & Campbell-Hunt (2004) suggest that the Uppsala Model may best represent the
internationalisation process of traditional firms, as these firms learn through an incremental learning process gained through experience and tacit knowledge.

In contrast, knowledge-intensive firms use more complex knowledge to design new products, develop improved production methods, and to provide more efficient service delivery. Knowledge-intensive firms internationalise faster than traditional firms because they typically hold a competitive technological advantage that can be exploited in multiple countries. Several scholars suggest that because INV studies have typically focused on knowledge-intensive industries, INVs are a new concept (Knight, Bell & McNaughton, 2001) however Chetty & Campbell-Hunt (2004) acknowledge that such firms have also been identified in traditional industries and appear to be an externality of macro-environmental changes. In keeping with wider reading of the internationalisation literature, the latter appears to be the logical conclusion (that is, INVs are most likely to be shaped by dynamic environmental conditions). The final firm type, the knowledge-based firm is likely to have the most accelerated internationalisation process, more so than knowledge-intensive firms because it typically holds a competitive advantage that is sustainable in a number of foreign markets (Chetty & Campbell-Hunt, 2004).

3.5.4. Innovation in International Entrepreneurship

Environmental influences, industry conditions, and the strategic thinking of entrepreneurial actors themselves are believed to be prime factors determining the speed of international involvement (McDougall & Oviatt, 2005). The success of the INV does not only depend on the entrepreneur’s discovery of a valuable innovation but also the enactment of that opportunity, that is, the opportunity must be successfully introduced to world markets (Acs et. al, 2001; Hitt et. al, 2001). Enactment implies that the individual acts and then interprets what the actions have created, in which the creation may lead to economic opportunities (Oviatt & McDougall, 1994). If the entrepreneur discovers this opportunity but does not enact the opportunity, then the opportunity is relinquished. The entrepreneur’s ability to enact the opportunity is dependent on several characteristics including the entrepreneur’s perceptions of risk and the opportunity being sought (McDougall & Oviatt, 2000).
The internationalisation process has also been perceived as an innovation adoption by several scholars (Reid, 1981; Andersson, 2000) which gives richer insight into how international activities are initiated and developed, and recognises the influence of innovation-related models (Shumpeter, 1934; Rogers, 1962). A primary example of how an opportunity is enacted, is Schumpeter’s (1934) distinction between an invention and an innovation, with invention being the discovery of an opportunity, and innovation being the exploitation of the opportunity for economic benefit (Alvarez & Busenitz, 2001). While an inventor may be the first in the world to imagine the opportunity or idea, the innovator is the first to enact the capabilities of that opportunity by interpreting it in a different way, which leads to exploitation of the same opportunity. Generally, this is due to the innovator having a greater awareness and understanding of their business environment, in particular, market knowledge, competition and technological advances (Foss et. al, 1995; Ruzzier et. al., 2006). In a highly globalised environment, the ability of the entrepreneur to enact the opportunity is vitally important for the acquisition of new knowledge for the firm. The following section will reflect on the resource-based theories of internationalisation.

3.6. Resource-Based View

The resource-based view (RBV) characterises SMEs as a collection of firm-specific resources (Foss, Knudsen & Montgomery, 1995). The resource-based view has been adopted from the strategic management literature, and focuses on the sources of long-term sustainable competitive advantage available to the internationalising SME. Resources can be defined as tangible or intangible properties that are owned or controlled by the firm, and when enabled these resources can be transformed into products, services and business intelligence that enables the SME to learn and grow (Ruzzier et. al., 2006).

Resource-based models occupy an important position within the internationalisation literature as they recognise the importance of a firm’s intangible knowledge-based resources, which may provide the firm with sustainable competitive advantages (Barney, 1991; Chetty & Campbell-Hunt, 2004). According to this perspective, the firm’s ability to attain and maintain a competitive market position is dependent on the SME’s ability to gain and defend its most valuable resources that offer a source of competitive advantage (Conner, 1991; Barney,
Barney’s VRIO perspective (1991) suggests that in order for SMEs to capture sustainable competitive advantages, the firm’s resources must be valuable, rare, imitable and not substitutable. In contrast, Grant (1991) proposed that for SMEs to capture competitive advantages, resources must capture durability, transparency, transferability, and replicability. These varying perspectives suggest that no clear boundaries of how to achieve sustainable competitive advantage have been established between these perspectives (Andersen & Kheam, 1998).

Ahokangas (1998) advocates that SMEs are dependent on the development potential of key internal and external resources, for example, their business strategy and networks, the firm’s internal resources, and the development potential of inter-firm resources to internationalise (Ruzzier et. al., 2006). According to Ahokangas’ conceptual model (1998), the internal firm-oriented adjustment of the SME attempts to develop the critical resources needed for internationalisation by engaging in international activities and learning from experience (Johanson & Vahlne, 1977) without depending on resources externally available to the firm (Ahokangas, 1998).

Resource-based theories have helped to improve our understanding of the internationalisation of SMEs (Montgomery & Wernerfelt, 1997). The body of literature on the resource-based view (Foss, Knudsen & Montgomery, 1995; Ahokangas, 1998) suggests that SMEs have access to both internal and external resources which comprise the total set of resources available to the firm. Ruzzier et. al. (2006) also suggests that firms may utilise these resources by co-operating vertically through supply chain management, or horizontally with competitors by entering into network relations. This perspective therefore overlaps with the Industrial Marketing and Purchasing perspective (Hakansson & Snehota, 1995) and the business network perspective which describes network actors as important resources for the SME’s internationalisation.

The resource-based model not only addresses the firm’s ownership of resources, but also the ability of the SME to develop new organisational learning (Huber, 1991; Nonaka, 1994), therefore increasing the intangible resources available to the firm. While Barney (1991) and Grant (1991) claim to have the recipe for creating the ultimate sustainable advantage, SMEs
often encounter fundamental difficulties in determining which are the critical resources needed for internationalisation prior to internationalisation (Ruzzier et. al., 2006). Chen & Hambrick (1995) support this claim, highlighting that SMEs require different resources to MNEs. These observations provide grounds for further exploration into what these resources are for SMEs, and empirically, how firms decide on which resources are needed for internationalisation. The following section summarises the main findings from this chapter.

3.7. Summary

A review of the internationalisation literature has revealed that knowledge is an important part of the SME’s internationalisation however the way in which SMEs acquire knowledge remains understudied in existing internationalisation literature.

A further challenge for the internationalisation literature is that many firms today, enabled by globalisation, do not follow the traditional pattern of internationalisation proposed by incremental stage theories such as the Uppsala Model (Johanson & Vahlne, 1977). Some firms have been perceived to be global from their inception and have been termed: international new ventures (McDougall, 1994; Oviatt & McDougall, 1994, 1995, 2005; Coviello, McDougall & Oviatt, 2011), born-global firms (Madsen & Servais, 1997), and global start-ups (Oviatt & McDougall, 1995). Oviatt & McDougall (2005) also suggested that the type of knowledge orientation used by a firm (traditional, knowledge-intensive or knowledge-based) may influence how quickly an entrepreneurial opportunity is exploited (Oviatt & McDougall, 1994). It is therefore logical to argue that the quicker knowledge is formed within the firm, the faster the speed of the firm’s internationalisation, which may present a significant advantage for SMEs.

New Zealand is one example of a market that can benefit greatly from the advantages that the globalised business environment has to offer born-global firms. It has been argued that New Zealand’s geographically isolated position in relation to foreign markets, and New Zealand’s harsh environmental conditions fuel the knowledge processes required to accommodate such a harsh environment, which therefore prepare the firm to be more successful in international markets (Chetty & Campbell-Hunt, 2004; Knight, Bell & McNaughton, 2001). It should be noted however that geographic-isolation and relying on
domestic market success alone will not compensate for the firm’s ignorance or failure to adequately research the market needs of their foreign markets, which may ultimately lead to international market failure (as demonstrated by the findings of Nielsen Research and NZTE, 2008).

The following chapter investigates the development of organisational knowledge and learning within the SME in its process to internationalisation.
4.0. ORGANISATIONAL KNOWLEDGE AND LEARNING

A critical issue facing SMEs today is not how knowledge is disseminated, or finding the technology to contain it, but learning how to acquire knowledge during internationalisation, and turning this knowledge into resource capability for the firm (Ballantyne, 2004; Fletcher & Harris, 2012). Internationalisation process theory (Johanson & Vahlne, 1977; 1990; 2006; 2009) and international new venture (INV) research (Oviatt & McDougall, 1994; 2006) both recognise that knowledge is an important resource of the SME. However internationalisation models that focus on how SMEs acquire knowledge do not articulate how these firms actually learn (Forsgren, 2002). As the internationalisation literature is still relatively premature in terms of what knowledge is, how it is created, where it is acquired from, and the types of challenges faced by SME managers (Eriksson, Majkard & Sharma, 2000; Sapienza, De Clerq & Sandberg, 2005; Zahra, 2005), this chapter will address those shortcomings and in doing so, will provide a platform for further understandings.

4.1. What is Knowledge?

The term ‘knowledge’ has been defined in many different ways throughout the academic literature, most importantly because there are different forms of knowledge within the construct. Knowledge refers to the understanding of, or information about a subject that an individual gets by experience or study, either known by one person or people generally (Cambridge Dictionary, 2015). In order for knowledge to be created, interaction must take place through the form of dialogue between several parties. Knowledge therefore involves one’s comprehension of the information exchanged during dialogue. Dialogue is an important form of verbal communication in business-to-business (B2B) relationship building and refers to the interactive process of learning together in business conditions that lack perfect information (Ballantyne, 2004). The objective of dialogue is to achieve deeper levels of meaning and mutual understanding through the interactions between participants (Senge, 1990), which can be achieved through listening, learning, and qualifying interpretation of the communication. Dialogue is a highly personable skill that presents a foundation for participants to build trust in one another, as trust enables the sharing of knowledge between
the participants therefore facilitating organisational learning and knowledge generation, which may ultimately lead to competitive advantages for the firm (Ballantyne, 2004). Nonaka's (1994) dynamic theory of organisational knowledge creation is consistent with Ballantyne’s (2000) perspective on dialogue and interactions and suggests that organisational knowledge is created through a continuous dialogue between tacit and explicit knowledge through four patterns of interactions including: socialisation, combination, internalisation and externalisation. Fletcher & Harris (2012) also suggest that internal information is an important source of knowledge for the firm, and accessing it is especially important for firms that have achieved international growth. In support of this claim, Grant (1996) adds that the primary role of the firm is the integration of specialist knowledge which resides in individuals.

There are two major forms of knowledge including tacit knowledge and explicit knowledge. Tacit knowledge refers to knowledge gained through doing and communicating, and is not embedded in physical form (Bhardwaj et. al, 2010). Tacit knowledge is comprised by the experience of employees. It is difficult for competitors to imitate as the knowledge is unique and cannot be easily captured therefore strengthening the firm’s competitive advantage. Utilising tacit knowledge in an effective way can be very challenging for firms however clearly, sometimes tacit knowledge needs updating. For example, according to Dixon (1999), organisations can unintentionally create systematic constraints which obstruct dialogue and inhibit people from learning together.

Huber’s (1991) organisational theory of learning suggests that organisational learning comprises of three key sources of tacit or experiential knowledge, or knowledge gained by experience. These sources of experiential knowledge include *direct experience* (experienced first-hand), *vicarious experience* (experienced through another firm) and *grafted experience* (experienced by a third party, including government agencies and consultants). Fletcher & Harris (2012) suggest that government bodies and specialist consultants provide grafted experience for firms. The scholars posit that internationalisation knowledge is more likely to be acquired through government advisors and consultants, who work closely with the firm, than from network relationships. A criticism of this view is that Fletcher & Harris (2012) have observed the role of government agencies and consultants through the lens of the firm’s experience, rather than looking at these actors as sources of knowledge. In this instance,
government agents and consultants would possess *expert knowledge* as a result of their learning about particular industries.

In contrast to tacit knowledge, explicit knowledge can be transmitted, such as written rules or guidelines, while tacit knowledge is harder to formalise and is mostly rooted in action, commitment and involvement (Nonaka & Takeuchi, 1995). This further illustrates the importance of both written and learned knowledge within the firm which helps to elucidate tacit knowledge (Bhardwaj et. al, 2010).

### 4.2. Forms of Knowledge

Previous internationalisation literature including international business (IB), internationalisation process (IP), and international new venture (INV) research has produced three specific types of knowledge considered relevant for the internationalising SME. These include technological knowledge, market knowledge, and internationalisation knowledge. Other scholars have described forms of knowledge such as relationship-specific knowledge (Ballantyne, 2004) and expert knowledge (Fletcher & Harris, 2012) however these forms of knowledge have not been widely accepted throughout the internationalisation or knowledge literature.

A firm’s technological knowledge can assist the firm to achieve specific advantages which are transferable across international borders (Buckley & Casson, 1976; Caves, 1971; Hymer, 1976; Kogut & Zander, 1993; Fletcher & Harris, 2012). Technological knowledge also provides a resource for INVs to improve their speed of internationalisation (Oviatt & McDougall, 1994; 2005; Chetty & Campbell-Hunt, 2004). Firms that have a technological advantage in the marketplace are often referred to as knowledge-intensive firms (Fletcher & Harris, 2012). Knowledge-intensive firms use new technological knowledge to develop and adapt products for new markets and to avoid stagnation in existing markets (Autio et. al., 2000). Developing unique products or services assists INVs to overcome traditional barriers to internationalisation such as firm size, and having a lack of experience in foreign markets (Oviatt & McDougall, 1995). The knowledge intensification process within international activities, allows firms to identify new international opportunities for exploitation.
Another vital form of knowledge available to the SME is market knowledge. Market knowledge refers to the firm’s knowledge about its customers and competitors (Day, 1994; Kohli & Jaworski 1990; Narver & Slater, 1990). Market knowledge includes the institutional knowledge of government, institutional frameworks, rules and norms, knowledge of local conditions and opportunities, business knowledge of the resources, capabilities and market behaviours of suppliers, competitors, and local clients and their customers (Fletcher & Harris, 2012). A lack of market knowledge can result in uncertainty and risk for SMEs in internationalisation therefore the accumulation of market knowledge enables SMEs to increase the firm’s commitment in specific markets (Johanson & Vahlne, 1977, 2003; 2009).

Firms can also extract internationalisation knowledge, as they accumulate international experience and knowledge about internationalisation. Internationalisation knowledge refers to specific knowledge about how firms manage resources when internationalising (Fletcher & Harris, 2012) although the definition is somewhat ambiguous. A more comprehensive definition of internationalisation knowledge would be that firms acquire specific knowledge about markets, technology, relationships and specialist fields across international borders. Internationalisation knowledge is a critical form of knowledge that facilitates a sustainable process of internationalisation for SMEs. Internationalisation knowledge accentuates the firm’s ability to: search for information, identify and evaluate opportunities, screen country markets, evaluate strategic partners, and to manage customs operations and deal in foreign exchange (Prashantham & Young, 2011; Welch, Benito & Petersen, 2007; Fletcher & Harris, 2012). Other scholars (Fletcher, 2009; Forsgren, 2002; Johanson & Vahlne, 1977) propose that internationalisation knowledge assists with the firm’s lateral expansion by facilitating strategic decisions around new international markets to penetrate. Internationalisation knowledge is firm-specific knowledge that, in order to be useful for the firm, must be internally integrated and aligned with the firm’s other resources (Fletcher & Harris, 2012; Blomstermo, Eriksson & Sharma, 2004; Eriksson et. al., 1997; Johanson & Vahlne, 2009; Welch & Luostarinen, 1988).

Internationalisation knowledge involves the exchange of knowledge between the providers of the knowledge and the recipients of the knowledge. Providers or recipients may include: suppliers, networks, government agencies and consultants. While networks are considered to be important sources of technological and market information for firms, Fletcher & Harris
(2012) posit that network contacts external of the firm have neither sufficient knowledge of the firm’s capabilities and resources, nor the time for interaction with the other firm to provide the firm with internationalisation knowledge. The authors therefore argue that internationalisation knowledge is instead provided by external consultants and government agencies. A criticism of Fletcher & Harris’ (2012) study is that while the scholars refer to the importance of grafted experience, the authors do not suggest the type of explicit knowledge that grafted experience creates for the firm. It is important to note that an experience can only be considered useful to the firm if that knowledge is recorded and transformed into a resource for the firm to store and use. Fletcher & Harris (2012) also do not discuss an important form of knowledge for internationalising firms, in this instance, tacit knowledge, and more specifically, relationship-specific knowledge (Ballantyne, 2004). Relationship-specific knowledge is particularly useful to the firm as social relationships are extremely important resources for entrepreneurs and their businesses (Holmlund & Kock, 1998; Davidsson & Honig, 2003; Hoang & Antoncic, 2003).

Relationship-specific knowledge is a form of tacit knowledge which may prove useful in engaging with the participant throughout the duration of the relationship (Ballantyne, 2004). While relationship-specific knowledge is based on past relational experiences, it is also co-created and perpetually evolving as new interactions take place, therefore relationship-specific knowledge is an important form of knowledge acquired by firms during the internationalisation process. Through interaction, relationship-specific knowledge may bring business-to-business (B2B) participants closer to one another over time, or this knowledge may lead to separation (Ballantyne, 2004). A desired outcome of forming relationships is to create shared understanding of the meaning of particular events. A major obstacle to developing relationship-specific knowledge however is, that participants do not always communicate clearly therefore in order to maintain relationships, participants must question the underlying assumptions behind the decisions of other participants (Ballantyne, 2004).

Several scholars have proposed that relationship-specific knowledge is also embedded in the long-term relationships formed by one individual within the firm (Ruzzier, et. al, 2006; Grant, 1991). This individual may therefore have a significant influence on the firm’s internationalisation through their close social relationships with other individuals. This view is
also consistent with Gao, Knight, Yang & Ballantyne’s (2014) interpretation of a gatekeeper. Gatekeepers are, “individuals who maintain consistent ongoing contact outside their organisations, who understand the way in which outsiders differ in their perspective from their own organisational colleagues, and who are able to translate between the two systems” (Allen, 1977, p. 703). A contrasting perspective on the individual’s containment of knowledge is the perspective of Bohm (1996) who argues that it is not possible for an individual to contain shared concepts such as ‘thinking’ and ‘knowledge’. Therefore there is a representative barrier between the concepts of “thought” (past tense) and “thinking” (present tense), where the former consists of knowledge created through previous interaction, and the latter reveals new knowledge as a result of shared meaning and understanding (Bohm, 1996; Ballantyne, 2004).

Relationship-specific knowledge offers a resource to firms as this knowledge has the capacity to strengthen the bond between participants, and reduce the impact of risk by collectively pooling and sharing knowledge, therefore making the internationalisation process less risky for firms. Without relationship-specific knowledge to mediate the exchanges of participants both, within the firm, or at an inter-organisational level, generic business knowledge is going to be the only form of knowledge widely shared (Ballantyne, 2004). As relationship-specific knowledge grows, through iterations of interaction through dialogue, mutual trust may develop between two or more participants and therefore the relationship strengthens.

In B2B interactions, while the common goal is to gain equitable value for the individual or firm, the initial dialogue between participants begins with some degree of informality and spontaneity (Ballantyne, 2004). Depending on the reactions of the participants involved, this initial dialogue may lead to a single transaction, or it may lead to the co-creation of mutual value, which develops over a period of time. According to Ballantyne (2004) trust developed between participants as a result of interaction, supports the generation of new business knowledge, and also helps to diffuse the acceptance of existing knowledge. Ballantyne (2004) also asserts that when buyers and suppliers share internal data and market knowledge freely between participants, both firms can identify important forms of knowledge generated from knowledge-sharing, and can improve their business processes by applying this co-created knowledge. Knowledge-sharing in this way, assists both firms in forming new business
intelligence. Now that the different types of knowledge have been discussed, the following section will discuss where these forms of knowledge can be sourced from.

4.3. Sources of Knowledge

Knowledge is an important resource that can be acquired through forming relationships with other participants or by forming part of a network. Academic interest in relationship marketing has increased over the past decade due to the availability of new technologies, the deregulation of international trade barriers, and the expansion of global markets which has required an ability of firms to interact across borders. Although interest in the relationship marketing area has grown, mainstream marketing and internationalisation literature have overlooked the importance of stakeholder relationships in business to business (B2B) and business to consumer (B2C) interactions during internationalisation (Anderson & Narus, 1999; Donaldson & O’Toole, 2002; Gronroos, 1997; Gummesson, 1995; Payne & Holt, 1999; Savage, Nix, Whitehead & Blair, 1991; Tzokas & Saren, 1999).

The relationship marketing literature proposes that firms should not just be concerned with customer exchanges but should be more broadly engaged in a wide range of stakeholder relationships (e.g. Savage et. al., 1996; Morgan & Hunt, 1994; Gummesson, 2002). The Six Markets Model pictured below (Payne, Ballantyne & Christopher, 2005) delineates the role of relationships between the firm and different stakeholder groups including: customer markets (existing and prospective customers), referral markets (existing customers who recommend their suppliers to others, and referral sources which refer business to another firm), influencer markets (government agencies, shareholders and consumer groups), employee markets (prospective employees), supplier markets (traditional suppliers and organisations with a strategic alliance with the firm) and internal markets (internal departments and staff). However it should be noted that not all of the firm’s stakeholder markets require the same amount of attention and emphasis.
While Payne et. al., (2005) propose that the Six Markets Model emphasises the role of interaction and communication in the firm’s research process, the conceptual model does not illustrate the critical role of knowledge acquisition within this process. Gummesson (1994) asserts that managers need to prioritise and establish their stakeholder relationships to help firms to succeed, but how do SME managers know which partnerships to prioritise if they don’t, in addition, know which forms of knowledge are needed to succeed?

A further criticism of the Six Markets Model is that while managers may be aware of the need to pay attention to their stakeholder interests, there is no guarantee that managers will follow the guidelines of this model (Donaldson & Preston, 1995). Payne et. al., (2005) found that a primary reason for this may include that many organisations do not undertake a formal analysis of their stakeholder interests because they anticipate difficulties with mapping them. Payne et al. (2005) argue that the Six Markets Model responds to this issue by informing managers about the advantages to be gained from formally mapping the variety of the firm’s stakeholders. This assertion presents another important question for the firm, what does the firm do with this information once this information has been captured? Furthermore, how does the firm prioritise the importance of each stakeholder relationship if the firm does not know which forms of knowledge it needs? Arguably these authors have gone some way in addressing the reciprocal benefits of the application of the Six Markets Model (Ballantyne et. al., 2005).
Future research would enable the investigation of stakeholder-based marketing approaches and the impact of such dimensions as commitment, trust and bonds.

The business networks literature also emphasises the importance of relationships and networks in relationships (Hakansson & Snehota, 1995). The Industrial Marketing and Purchasing group’s perspective suggests that interactions, which are visible to the firm through sales and purchase transactions, are embedded in relationships, or by extension, in networks of relationships (Axelsson & Easton, 1992; Hakansson & Snehota, 1995). Networks are considered particularly useful for SMEs in emerging economies, as networks provide resources for the firm, which may enable the firm to overcome a lack of knowledge, technology and increased capital (Jaklic, 1998). Bonaccorsi (1992) also illustrated that SMEs trade and acquire information through interaction within their social networks, which leads them to imitate other firms in their network which increases the speed of SME internationalisation (Oviatt & McDougall, 2005) however there is no reference to the transformation of that information into knowledge. Despite some inadequacies, Hakansson & Snehota (1995) argue that network theory may contribute new insights into how the SME’s resources, activities, and the actors within networks affect the firm’s internationalisation process.

**4.4. Summary**

Chapter Four has borrowed from the organisational learning and knowledge, and relationship marketing literature to explore the concepts of organisational learning, knowledge acquisition, and the importance of relationships in SME internationalisation. This chapter demonstrated that the co-creation of knowledge and knowledge-sharing between participants can assist firms to form new business intelligence. Furthermore, through B2B interaction firms can create unique knowledge that is relationship-specific and therefore unique to the participating firms.

The application of the Six Markets Model (Payne et. al., 2005) within the internationalisation literature provides a conceptual model that illustrates the sources of knowledge available to the SME. However the Six Markets Model does not illustrate the critical role of knowledge
acquisition in the SME’s internationalisation. As stakeholder relationships are important sources of knowledge for the SME, and relationship-specific knowledge is co-created during the firm’s internationalisation, it seems logical to apply relationship marketing models to the study of SMEs.

A review of the organisational learning and knowledge literature has informed readers that knowledge is an important facet of the internationalisation of the firm however several fundamental questions remain. For example, how does the SME manager know which forms of knowledge it needs to acquire for successful internationalisation? Furthermore, how does the firm know which sources to extract this information from? The following section will reflect on the overall findings of the literature (Chapters Two to Four) to better understand how SMEs acquire knowledge during internationalisation.
5.0. REFLECTIONS

The New Zealand fashion industry has developed into what it is today as a result of several institutional developments and technological advancements.

A review of the global fashion industry has identified that the global fashion market presents a profitable market opportunity for New Zealand SME fashion firms. As worldwide demand for luxury goods increases rapidly, and local designers struggle to achieve economies of scale by selling domestically, internationalisation represents an attractive opportunity for the growth of New Zealand SME fashion firms. An analysis of the internationalisation literature has revealed that in order for New Zealand SME fashion firms to grow, firms must diversify their markets and seek new opportunities to spread their financial risk. These international opportunities will test the firm’s abilities to learn how to internationalise by observing and learning tacitly from others, as well as drawing on the explicit knowledge of others, and consciously as a risk minimisation strategy, developing connections for the future through networks of relationships.

The findings of the organisational learning and knowledge literature revealed that SMEs acquire different forms of knowledge during internationalisation including technological, market, relationship-specific, expert knowledge and internationalisation knowledge (Fletcher & Harris, 2012). Several scholars also referred to the importance of creating relationship-specific knowledge in the interactions between participants, as this creates an important internal resource for the firm (Ballantyne, 2000; Bohm, 1996; Nonaka; 1994; Huber, 1991). A principal gap in the organisational learning and knowledge literature is to better understand the associations between the forms of knowledge sought by the SME, and the sources of knowledge available to the SME (as illustrated by the Six Markets Model; Payne et. al., 2005).

Several research gaps have been identified however a prominent gap arose from the organisational learning and knowledge literature. Fletcher & Harris (2012) suggested that future research should focus on how SMEs develop international business knowledge, and how these firms access internal information including different knowledge needs, forms, and sources of knowledge. In addition to the concerns raised above, Fletcher & Harris (2012)
suggest that SMEs may not have the relevant experience or useful networks to internationalise, and therefore propose that SMEs may rely on sources that have been rarely recognised in existing literature.

5.1. Problem Definition and Research Questions

The objective of this research is therefore to uncover the forms and sources of knowledge that successful internationalising firms have used, to evaluate their accessibility and application, and to observe the challenges associated with acquiring knowledge during internationalisation. Consequently, the research problem is:

How do New Zealand small to medium-sized fashion design firms acquire knowledge during the internationalisation process?

This research question has also been developed further into four sub-questions:

1. Which forms of knowledge do these firms acquire?
2. Which sources do these firms acquire knowledge from?
3. How do these forms of knowledge evolve?
4. How do other actors (e.g. network partners, staff, investors, trade development organisations) help the owners and senior managers of these firms to overcome a lack of knowledge during the internationalisation process?

In other words, this research will explore how New Zealand SME fashion firms accumulate the information and know-how needed to recognise and take advantage of international opportunities. This also presents the question of, how will these firms transform this new knowledge into capabilities to internationalise?
6.0. METHODOLOGY

This chapter outlines the qualitative research methodology adopted for this study to best address the research question.

6.1. Paradigmatic Perspectives

In this section, the relevant philosophy of science perspectives to this study will be discussed, followed by a discussion of the alternative paradigms to guide this research. For the purposes of this research, a critical realist world view has been adopted.

6.1.1. Philosophy of Science

According to scientific philosopher Karl Popper (1972, p. 29), “all knowledge is human” and therefore the absolute truth goes beyond the ability of man to determine. Popper believed that there are no truly objective facts in this world, but only facts perceived true by humans (Popper, 1972). It is inherent in human nature for humans to make mistakes and to have prejudices towards certain people and certain ideologies, for humans are highly psychological and emotional beings. In the social sciences, it cannot be assumed that one individual, or any collection of individuals, can ever have perfect information at one time (Popper, 1972). In all forms of research (quantitative, qualitative and mixed methods), it is the role of the researcher to acknowledge these prejudices and to understand that perceived phenomena are indeed just that to separate the empirical findings of one’s research with the rational ideologies that the researcher consciously and subconsciously subscribes to.

The objective of scientific research is to improve understanding of a particular phenomenon. Since the early 1960s, the term ‘paradigm’ has been employed to describe the structure of scientific revolutions and to frame academic thought. According to Kuhn (1970, p.176) “A paradigm is what the members of a scientific community share, and conversely, a scientific community consists of men who share a paradigm.” In simpler terms, Creswell & Miller (2000) describe a paradigm, as a world view that provides a guiding research lens to make judgments about what is both significant and legitimate (see also Patton, 1990). A change in paradigm involves the recurrent process within a scientific community of rejecting one paradigm, and concurrently accepting another in order to improve the body of scientific knowledge (Kuhn,
1970). This paradigm view of scientific revolution (Kuhn, 1970) resembles similarities to Popper’s (1972) falsification theory, where existing theories and paradigms are ‘fallible’ and alternative paradigms emerge intermittently.

Scientific paradigms include a combination of ontological, epistemological and methodological viewpoints (Denzin & Lincoln, 2005; Guba & Lincoln, 2005). An individual’s ontological perspective refers to the individual’s understanding of their own reality, and the boundaries of reality. An individual’s epistemological perspective refers to the nature of the relationship between the inquirer and the known, and is the philosophical basis for proclaiming to know what humans know. An individual’s epistemological perspective is influenced by the individual’s perceptions of reality and their own existence (Gruber, 2002). An understanding of the researcher’s ontological and epistemological perspectives lead the researcher to apply different research methodologies to the research to grasp some knowledge of the world, or of a particular phenomenon. In the following section, the major paradigms and different perspectives for guiding social science research are discussed.

6.1.2. Positivist World View

A positivist world view is a philosophical perspective that asserts that at the ontological level of understanding, there is an absolute reality to be studied, captured and understood (Denzin & Lincoln, 2000). Throughout the social sciences literature, there is a growing consensus that the positivist world view is not well-suited to social science research, as this paradigm omits humanistic qualities, and the interaction between the researcher and the observed (Seal, 1999; Denzin & Lincoln, 2005).

6.1.3. Post Positivist/Critical Realist World View

Several scholars suggest that a closely related paradigm to positivism is post positivism (Denzin & Lincoln, 1994) which has also been termed by other scholars (e.g. Tsoukas, 1989) as critical realism. Tsoukas (1989) has attempted to distance critical realism from positivism as despite belief in an ‘external’ reality, this external reality can never be fully apprehended and only approximated due to the limitations of the researcher’s mental capacity. In contrast to the view of traditional positivists, post positivists/critical realists believe in a world perceived as an imperfect open system, where events do not follow a determined and recurrent pattern
In accordance with this belief, critical realists pursue multiple perspectives of participants through methods such as triangulation, and seek perspectives in attempt to build a more accurate picture of events by conducting multiple case studies (Easterby-Smith, Thorpe & Lowe, 2001).

For critical realist researchers, the objective of a scientific inquiry is to reveal the underlying structures of perceived events provided by social actors through analysing data extracts (Bhaskar, 1978; Tsoukas, 1989). In contrast to naive realists, critical realists acknowledge that the researcher’s observations are value-laden and therefore should be carefully analysed (Bhaskar, 1978). Critical realists believe that the reality and the value-laden observation of reality operate in two different domains: the real domain and the actual domain, respectively. An important characteristic of the critical realist is that the researcher acknowledges that human knowledge of reality is influenced by social conditioning. With the perspective that there is no absolute truth or reality to be discovered, and that human knowledge of reality is influenced by social conditioning, critical realists recognise the importance of understanding the perceived reality of social actors. Critical realists therefore believe that the data collected cannot be comprehended independently of the social actors involved in the knowledge-generating process (Dobson, 2002).

6.1.4. Constructivist World View

In contrast to the positivist world view, the constructivist world view asserts that at the ontological level of understanding, there is no perceived reality to be studied, captured and understood (Denzin & Lincoln, 2000). For example, the role of a researcher within the interpretivist paradigm is to attempt to understand the internationalisation processes and organisational learning of the firm through the lens of those embedded within this context. According to Locke (2000) the constructivist researcher must engage and participate in the context of study, to interpret the experiential happenings first-hand to construct its reality, which involves the observer becoming the observed. Therefore the primary focus of the interpretivist methodology is to understand the phenomena from the perspective of the main actors within a given context (Burrell & Morgan, 1985; Carson, 2001; Locke, 2000).
6.2. Philosophical Perspective

The philosophical perspective adopted for this study is the critical realist perspective. The critical realist perspective was determined to be most appropriate for this study for several reasons. The critical realist perspective is the one that I am most comfortable with but also, it was determined appropriate for this research as the objective is to uncover structures that underlie perceived events, and I do not believe that there is an absolute reality to be discovered. The research question also involves extensions to existing theories of internationalisation and knowledge acquisition as opposed to testing existing theories.

The critical realist perspective also acknowledges that perceptions of events cannot be separated from the social actors in the knowledge-generating process and the actions of the firm (Dobson, 2002). This also relates to the importance of the social actor, the entrepreneur in the context of SME internationalisation. Strategic decisions regarding perceived opportunities, foreign markets and networks cannot be actioned or envisaged without the characteristics and perceived realities of the entrepreneur, therefore social actors play a valuable role in the SME’s history and in its success.

The process of theory building through multiple case studies is also supported by the post positivist paradigm including the critical realist perspective. To illustrate this, the case study approach assumes several factors. First, case study research assumes that reality is imperfectly attainable. Second, case study research assumes that the researcher attempts to be independent of the phenomenon studied, which is objective and can be falsified. Finally, the case study approach inquires about a phenomenon observed in its context, and multiple case studies are used to build triangulation of perceived events (Eisenhardt, 1989).

6.3. Researcher’s Background

According to Gummesson (2000), a researcher’s personality is a crucial instrument when conducting research, particularly in qualitative research where the researcher is required to initiate discussion and to provoke conversation among participants (for example, during in-depth interviews and focus groups). All pieces of academic research are influenced by the researchers’ unique experiences and personal characteristics, which unwillingly create some degree of bias for the research (Gummesson, 2000) however by acknowledging the
researcher’s background and experiences; this can assist both the researcher and the reader to identify some of the biases present throughout this research. To identify potential research bias before conducting this study, the researcher’s educational background, past work experiences and other relevant experiences, which could influence this research, are discussed.

I am originally from Auckland, New Zealand and studied a Bachelor of Commerce degree in marketing and management at the University of Otago. After enrolling in several international business papers, my passion for international marketing was discovered and I chose to pursue a Master of Business degree on this topic. Throughout five years of study at the University of Otago, I worked part-time during summer periods as a sales assistant for several women’s fashion retailers. My experience has provided me with another perspective on marketing, through the lens of a salesperson. These experiences have developed my tacit understanding of fashion marketing by observing consumer behaviour in-store.

These insights, which have led me to this research context have been developed both from my experiences working as a part-time fashion sales assistant and from conducting consultancy work for a Dunedin fashion designer as part of the postgraduate advanced international marketing class. During my postgraduate year, myself and a fellow student were required to provide an international market analysis report for the client. After reading extensive literature and reports on luxury fashion consumption, I became fascinated by the Chinese fashion consumer and luxury markets, and was determined to seek more information about how New Zealand businesses can take advantage of international opportunities. After identifying a lack of available information on New Zealand SME fashion firms, I decided to pursue my research on the internationalisation of SMEs and the importance of knowledge acquisition in internationalisation, with the context of study being the New Zealand fashion industry.

6.4. Methodological Scope and Boundaries

There are several methodological challenges to this project.

i. The number of case studies conducted
Of the 30 fashion firms contacted, four firms agreed to participate in this study. Several of the firms approached did not participate as they were deemed ineligible for the study (as firms must be internationalised). Many fashion firm managers who declined to participate said that they were too busy to participate in this study.

ii. The availability of founders/business owners

This research design intended for two participants from each firm to participate in case study interviews to triangulate the answers of respondents, however in some cases this was not possible due to busy schedules, for example, with NOM*d and Icebreaker. This limitation has been minimised by conducting document analysis to triangulate respondent’s answers.

iii. The definition of an SME

As this study concerns knowledge acquisition within the internationalisation process of SMEs, the now MNE firm, Icebreaker was chosen to participate in this study. Icebreaker was considered an important firm for case analysis as accounts of the firm’s history, business decisions made by the firm, and knowledge acquired during the internationalisation process can be observed from the firm’s inception through to its success today. Icebreaker represents a more mature, successful example of an internationalised New Zealand fashion firm within the case study profile that has built a wealth of international experience and knowledge from resource-strapped beginnings. It was therefore decided that Icebreaker may present some interesting insights to offer SME research by reflecting on past experiences.

iv. The ‘reliability’ and ‘validity’ of case studies in qualitative research

Qualitative research literature has maintained that when conducting qualitative research, the reliability and validity criteria of the study are threatened due to a lack of rigour and structure of the research (Gummesson, 2000; Yin, 2003). However steps were taken to improve rigour throughout the research. An interview topic guide aided the researcher during each in-depth interview to ensure that important topics were discussed with all case study participants (please refer to Appendix D for a copy of the Interview Topic Guide).

v. The focus and boundaries of the research
This study has focused on how New Zealand SME fashion firms acquire knowledge during the internationalisation process. Subsequently, due to a primary focus on how these firms acquire knowledge, it is beyond the scope of this research to examine how such firms utilise knowledge acquired from network partners. However, this research does acknowledge that there is likely to be spill-over between acquiring knowledge and using this knowledge to guide strategic business decisions around market selection and market entry mode.

While there is a substantial amount of literature available on how MNEs acquire and use internationalisation process knowledge, there is little-published research available on how SMEs learn to internationalise (see for instance, Chetty & Campbell-Hunt, 2004; Pellegrino, 2005) or more specifically, on how SME fashion firms acquire and use this knowledge.

This research focuses on the internationalisation of New Zealand SME fashion firms therefore the findings of this research may not be applicable to other industries and/or countries. The main contextual factor is that New Zealand firms are geographically isolated and the effects of this will be assessed in the analysis wherever possible. The following section discusses the case study strategy employed for this research.

6.5. Case Study Strategy

The exploratory nature of the research question suggests that qualitative research is the most appropriate technique to record and interpret information about how New Zealand SME fashion firms acquire knowledge during internationalisation.

According to Denzin & Lincoln (2005, p.3), “a strategy of inquiry comprises a bundle of skills, assumptions and practices that the researcher employs as he or she moves from paradigm to the empirical world.” Case studies are useful as they provide contextual richness to the phenomenon of study by capturing the history of the firm, and are therefore considered an important tool for theory-building (Goodman & Kruger, 1988). The purpose of case study research is to observe the data and interpret the similarities and differences within the data to inform underlying patterns (Perry, 1998). According to Yin (1984, p.23), a case study strategy is an empirical inquiry that, “investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.” According to Stake (2005) case
study research is a process of inquiry, as well as the product of the inquiry, which involves collecting materials, analysing data, and repeating this process so that understandings are gradually improved as the inquirer learns more about the phenomenon.

A primary motivation of this study was to ask the question of ‘how do firms acquire knowledge’ and ‘what kind of knowledge do firms acquire’. Case study research was therefore determined to be well-suited to the research question as the research is contextual, and the objective is to reveal the experiential happenings of perceived events (Lincoln & Guba, 2000; Stake, 2005). In case study research, the researcher does not seek specific answers from participants, but rather reveals a history of events and personal accounts of perceived events.

According to Cope & Watts (2000), critical incident theory suggests that participants’ historical accounts of events (revealed by analysing the data) reflect on brief episodes of drastic transition in the firm’s history. As conscious learning takes place during dramatic events, these events prompt respondents to have a higher recollection of critical incidents throughout the firm’s history (Cope & Watts, 2000). A limitation of the participant’s retrospective account of business history is that participants’ recollections of events must rely on the memories and perceptions of the people involved. The triangulation of information through conducting multiple interviews and/or documentary evidence helps to address this limitation.

The firm is the focus of this analysis, and multiple case studies have been observed rather than analysing a single case study. The multiple case study method encourages researchers to observe the data by looking for patterns within the data itself, followed by a cross-case analysis to reduce the odds of chance associations (Eisenhardt, 1999). Multiple case studies enable the researcher to analyse each case study inductively and theoretically to identify areas of replication. Through replication, this enables the researcher to identify similarities and differences within each case study, as well as through cross-case analysis.

Four case studies were conducted using documentary evidence and in-depth interviews as the tools for analysis. In-depth interviews were conducted with the managers of four fashion firms including: Beats Clothing, Company A (this firm wishes to remain unidentified throughout this study), NOM*d and Icebreaker. Interviews were conducted with two managers from two organisations to triangulate responses. In two cases (NOM*d &
Icebreaker), single interviews were conducted with founders and managers, as another representative was not present for the interview. Document analysis was then undertaken in attempt to triangulate and verify responses. In social science research, triangulation is a powerful technique used to validate data through the cross verification of two or more information sources (Bogdan & Biklen, 2006). Triangulation is often used to reduce the likelihood of bias present in the research, and to build a more accurate picture of the data findings. The more often, that similarities that appear in respondent’s answers, the more confidence the researcher can have in the evidence provided. However, it is acknowledged that each case study participant is likely to perceive each event differently due to differences in their ontological and epistemological viewpoints (Denzin & Lincoln, 2005; Guba & Lincoln, 2005), which may add value to the findings of the research by acknowledging multiple perspectives.

**6.6. Formal Stage of Collecting Empirical Materials**

6.6.1. The Selection Process

The formal stage of collecting empirical materials began on 1 May, 2015 and was completed on 12 June, 2015.

Participants were recruited based on the following criteria:

i. The participant must be the founder or manager of a New Zealand SME fashion firm

ii. The participating firm must have internationalised into at least one foreign market.

To ensure that rich historical information from the firm’s inception was collected, the researcher elected to approach key members of management including the founders of each of the firms. The founder was considered the most important source of information for the case study analysis, as he/she was involved with the historical strategy of the firm since its inception. He/she had personally encountered the challenges, opportunities and environmental changes that faced the SME during the firm’s internationalisation process.

6.6.2. Case Study Design

There is no consensus throughout the literature on an optimal number of case studies or participants within case studies (Yin, 1984) however many researchers agree that case studies
do not follow the statistical sampling logic used in survey design (Eisenhardt, 1989; Yin, 1994). Therefore the sampling method used to select the participating fashion firms followed a theoretical, purposive sampling technique (Glaser & Strauss, 1967; Eisenhardt, 1989). The convenience sampling technique involves a recurrent sampling process in which the researcher simultaneously collects, codes and analyses the recorded data, while deciding on which data to collect (guided by a topic guide), and the best way to retrieve the information from the participant through a series of questions (Glaser & Strauss, 1967, pp. 45-77).

6.6.3. The Search for Case Study Participants

Information on New Zealand SME fashion firms was gathered through visiting the websites of New Zealand fashion firms including websites such as New Zealand Fashion Week (NZFW) and Fashion Industry New Zealand (FINZ). New Zealand Trade and Enterprise (NZTE) were also phoned in pursuit of a list of internationalised fashion firms. Once a list of firms was compiled, participants were sought by phoning the firm’s head office for the contact details of the founder/business owner, followed by an email.

Of the 30 firms contacted, four firms including Beats Clothing, Company A, NOM*d and Icebreaker agreed to participate in the research. Of the participating firms, the researcher had met three of the firms’ founders prior to meeting them for the interview (Company A and NOM*d). A founder of Company A was invited to participate in the study via email and accepted to participate very early on in the research. After contacting the founder of NOM*d via email and receiving no reply, the researcher crossed paths with the founder at an iD Fashion Week event. During this encounter, an agreement was reached, which was then followed up with an email confirmation. The founders of the third firm, Beats Clothing were introduced to the researcher through a personal connection and mutual friend of both parties, although the founders were not known well by the researcher prior to the interview. The fourth case study participant, Icebreaker was approached through email communication via the founder’s online blog. In total, six participants agreed to be interviewed, including two representatives from two firms (Beats Clothing and Company A), and one individual from each of the other firms (NOM*d and Icebreaker).

Aligned with the convenience sampling research technique, the participants of this case study are not declared to be statistically representative of the New Zealand population, but are
diverse and informative examples of New Zealand SME fashion firms. The following section will illustrate the key topics that guided the researcher through questioning in the interview topic guide.

6.7. Interview Topic Guide

An interview topic guide was used to prompt discussion about key topics, and to guide the researcher’s line of questioning during the in-depth interviews. At the beginning of each interview, the researcher set a conversational tone for the interview to make the participant feel relaxed and comfortable with the researcher. It was also expressed that the researcher must maintain a neutral position throughout discussions, and cannot offer an opinion during the interview to reduce the risk of bias in the research. To emphasise comfortability, each in-depth interview followed a semi-structured approach so that the researcher could adapt the line of questioning to the answers of participants.

Several interview topics were on hand to guide the discussion and to ensure that particular topics were discussed.

Prompt topics of questioning included:

- Tell me about your company
- When did you decide to take your company international?
- How would you describe the Dunedin/New Zealand Fashion Industry?
- Do you have a business plan?
- In your experience, what makes your brand different?
- Do you believe you have an advantage as an international designer, being from New Zealand? Why/why not?
- Were you worried about anything before you went international? Why/why not?
- What are some of the challenges you’ve faced?
- How did you get around that?
- How did you find out about that?
- If you could do it all again, what would you do differently? Why?
- How many employees did you begin with? How many do you have now?
- Have you had the help of any government agencies with going international?
• As a percentage, how many of your total sales would you say you export?
• Do you sell internationally online?
• As a percentage, how many of your online sales would you say you export?

6.8. Profile of Participants

The below table provides an overview of the company name, the number of employees, the positions of participants, and the number of years’ experience of each of the four participating firms. A brief description of each firm has also been included underneath this table.

*Fig. 6.8. Table of Participant Profiles*

<table>
<thead>
<tr>
<th>#</th>
<th>Location</th>
<th>Company Name</th>
<th>Name</th>
<th>Position</th>
<th>Experience (years)</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
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<td>4</td>
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<td>Beats</td>
<td>Participant Two</td>
<td>Director and Chief Financial Officer</td>
<td>3-4</td>
<td>4</td>
</tr>
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<td>Participant Three</td>
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<td>2</td>
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<tr>
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<td>Participant Four</td>
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<td>2</td>
</tr>
<tr>
<td>E</td>
<td>Dunedin</td>
<td>NOM*D</td>
<td>Participant Five</td>
<td>Creative Director Nom*D and Plume</td>
<td>29 years</td>
<td>19</td>
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<tr>
<td>F</td>
<td>Auckland</td>
<td>Icebreaker</td>
<td>Participant Six</td>
<td>Founder of Icebreaker</td>
<td>21 years</td>
<td>500</td>
</tr>
</tbody>
</table>
6.8.1. Beats Clothing

Having established a strong following in Brisbane, Australia over the past two years, Beats Clothing currently export product to the Australian market online and through their Brisbane-based distributors. The Beats Clothing collection is described by the firm’s designer as “weird”, “out-there” and “you either love it or hate it”. A loyal Beats Clothing customer would be best described as a young male aged between 14 and 20, who likes to make a fashion statement. This consumer is willing to try new things, is eager to please and expresses their identity through their clothing choices (Personal communication with Beats Clothing, 2015).

6.8.2. Company A

In 2002, this Dunedin father and daughter duo released their range of natural silk clothing in New Zealand. The range was designed shortly after the designer completed her degree in Clothing and Textile Science at the University of Otago in Dunedin. With an extensive knowledge of the performance properties of silk, and the potential of this fibre, she set about designing a range of clothing that embodied the traditional luxury of silk within high performance garments for every day, sport and travel (Company A’s Website, 2015).

6.8.3. NOM*d

Described as ‘dark’, ‘witty’ and ‘sombre’, NOM*d has created an iconic image of New Zealand fashion abroad and within New Zealand. NOM*d clothing maintains its credibility as a label unaffected by trends and whims, instead adopting the cool, considered gaze of the fashion outsider. Since its inception in 1986, NOM*d has been amongst a small number of directional fashion labels, which have been responsible for defining the style that is now referred to as ‘The New Zealand Look’. As one of the ground-breaking New Zealand Four who showed at London Fashion Week in 1999, NOM*d firmly established the dark, intellectual qualities that are now synonymous with New Zealand design (NOM*d Website, 2015).

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6 This information was retrieved from the company’s website but for confidentiality reasons no details will be given.
6.8.4. Icebreaker

The New Zealand success story of Icebreaker began in 1994 when founder Jeremy Moon set on a mission to create an outdoor clothing range using merino fibre technology. In humble beginnings, Icebreaker sold its product to the domestic New Zealand market, to be shortly followed by an introduction to its physically close neighbour, Australia in 1996. The company has been growing rapidly throughout Europe, and has acquired distributors in Canada, USA, and many other European countries. Approximately 90% of Icebreaker’s sales are exported internationally and in 2014, the firm’s annual sales reached $200 million (Personal communication with Icebreaker, 2015).

6.9. In-depth Interviews

In-depth interviews were determined to be the most appropriate form of collecting empirical material for this study. Interviews with participants were pre-arranged and were conducted at the premises of participants’ offices. This was considered to be an important part of the research, as participants could feel more comfortable answering research questions in a familiar environment, and also enabled the interview to take place in a quiet, controlled environment.

An interview topic guide was used to prompt questions about specific topics during each interview. The topics prompted the researcher to provoke discussion about the firm’s strategic planning, supplier and buyer relationships, human resources, information-gathering, trusted knowledge sources, and stages of internationalisation. Interviews varied in duration from 1 hour to 1 hour and 45 minutes. Interviews were recorded on the researcher’s mobile phone and were later transcribed (more information will be discussed in the method of analysis section to follow).

To improve the reliability of the research findings and support the data collected from the in-depth interviews, document analysis (Huber & Power, 1985) was also used. Document analysis involves the collection of factual events, to complement participants’ recollections of events in attempt to improve the recall of participants. Whenever possible, written documents were made available by firms and an information search was also conducted in the public domain. Multiple media and industry sources were used to collect information on
the firm including: television interviews, magazine articles, industry reports and company websites. However the main source of information was retrieved through personal direct communication, which involved conducting an in-depth semi-structured interview with each of the participants.

Triangulation of information was carried out by comparing the answers from the in-depth interviews with sources of documentary evidence. Respondents were then invited to correct and comment on drafts of the case studies in person (Beats Clothing) and via email (NOM*D, Company A and Icebreaker).

6.10. Method of Analysis

6.10.1. Empirical Data Collection Method

Empirical data was collected by conducting one on one in-depth interviews with each participant. I voice-recorded the answers of participants to ensure I was engaged throughout the interviews, and to maintain accurate transcription of the data.

6.10.2. Specific Methods of Analysis

Braun & Clarke’s (2006) thematic content analysis method was adopted to analyse the data collected from in-depth interviews. Thematic analysis is a research method used to identify, analyse and interpret recurrent themes within raw data. “A theme captures something important about the data in relation to the research question, and represents some level of patterned response or meaning within the data set” (Braun & Clarke, 2006, p. 10). Thematic content analysis involves the organisation and description of the researcher’s data in rich detail (Braun & Clarke, 2006) and therefore is well-suited to analysing case studies.

According to Braun & Clarke (2006) the researcher’s judgement is a necessary determinant in outlining what a theme is. In this instance, a theme is defined as a common underlying meaning observed within the data. Themes can only be observed by the researcher as without interpreting the data, one cannot derive meaning from it. Themes identified can be present within data, even when different words are used by participants to express the same or a similar event. It is the role of the researcher to identify the themes within the data in the analysis, and interpret how these themes may relate to one another.
The specific methods of analysis for this study included:

i. Voice recordings of each of the interviews were listened to slowly while answers were typed and transcripts were created (*please see Appendix E for the interview transcripts*). Where dictation was not clear, the recording was played back several times.

ii. The transcripts were read several times over by the researcher and data extracts were highlighted and coded into keywords.

iii. Once transcripts were coded, each transcript was re-read and possible themes were identified within each case study. Where the researcher had interpreted a theme, data extracts were used to show supporting evidence for these themes.

iv. A cross-case analysis was then conducted to compare the key themes identified within each case study with other case studies.

v. Following this, each of the codes and themes were reviewed and discussed with the researcher’s supervisor.

vi. The results of the thematic analysis were then reported in tables using direct quotes (data extracts) from participants.

In stage one of the data analysis, a semantic inductive analysis was carried out, which involved observing the data objectively and compiling the data from the four different case studies (Braun & Clarke, 2006).

This process was carried out in the following steps:

i. Case studies were created for each firm and captured data about how firms acquired knowledge during internationalisation. This data included: the form of knowledge (tacit or explicit), what the knowledge was concerning, the source of knowledge, the usefulness of the source and knowledge, and direct quotes from case study data to support where participants had expressed the transfer of knowledge. *Please refer to the appendices for the full table of themes and data extracts that illustrate the results of the data collection in stage one. Snapshots of these tables are included in figures 6.1 to 6.6.*
### Fig 6.1. Icebreaker Thematic Analysis Table

<table>
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<th>Tacit</th>
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<td>Financial knowledge/business knowledge</td>
<td>Technical product knowledge</td>
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### Fig 6.2. Beats Clothing Thematic Analysis Table

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<td>How do these firms learn about what is</td>
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<td>Trial and error Researching</td>
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<td>By looking at where the Chinese production</td>
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<td>By talking to people who How to internationalize</td>
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<td>By not trusting other competitors Graphic design</td>
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<td>By experience and learning what Networking</td>
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</table>
ii. The data from each case study was then separated into data extracts and each extract was coded using keywords (see table 6.5 below).
### Fig. 6.5. Icebreaker Data Extract and Coding Example

<table>
<thead>
<tr>
<th>Data Extract</th>
<th>Code Applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Canada we had the wrong partner… We had partners that didn’t understand us, didn’t understand the brand, and were more fashion distributors than outdoor distributors so I had to undo that relationship and hire some of the key people in that market and put them into a company that we started.</td>
<td>Distributor relationships&lt;br&gt;Partnership not beneficial&lt;br&gt;Partner perceived brand as fashion brand rather than outdoor brand&lt;br&gt;Founder had to undo relationship&lt;br&gt;Hired key people from company and started own company</td>
</tr>
</tbody>
</table>

### iii. The keywords were then collated into broader codes that captured emerging themes (see table 6.6 below).

### Fig 6.6. Icebreaker Data Extract and Final Coding Example

<table>
<thead>
<tr>
<th>Data Extract</th>
<th>Code Applied</th>
<th>Final Code Applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Canada we had the wrong partner… We had partners that didn’t understand us, didn’t understand the brand, and were more fashion distributors than outdoor distributors so I had to undo that relationship and hire some of the key people in that market and put them into a company that we started.</td>
<td>Distributor relationships&lt;br&gt;Partnership not beneficial&lt;br&gt;Partner perceived brand as fashion brand rather than outdoor brand&lt;br&gt;Founder had to undo relationship&lt;br&gt;Hired key people from company and started own company</td>
<td>Agent issues&lt;br&gt;Importance of brand&lt;br&gt;Control&lt;br&gt;Market knowledge&lt;br&gt;Glocalise</td>
</tr>
</tbody>
</table>
iv. All final codes were then recorded in a separate analysis and were grouped together, where themes were considered to be the same, or similar by the researcher.

v. Following the coding process, the researcher observed ten key themes within the data including: producer/supplier relationships, agent relationships, distributor/retailer relationships, a lack of information sharing among competitors, macro-environmental changes, expert/internationalisation knowledge, relationship knowledge, de-internationalisation knowledge (and potential loss of knowledge), explicit knowledge (internal of firm) and government support.

6.10.3. Limitations of the Chosen Methodology

This research employed a qualitative-based research method. One of the key criticisms of qualitative research is the lack of generalisability of this method (Creswell, 2009; Eisenhardt, 1989). It is however recognised that the exploratory nature of this research was not intended to be generalisable therefore the limitation is noted but not actioned.

Another limitation of the chosen methodology is that the coding and grouping of identified themes expressed within the data were based on and interpreted by the researcher, whom has opinions and an ontological viewpoint unique to the researcher. Therefore issues regarding the subjectivity of the interpretation of the data may have affected the validity of the study. However to minimise the likelihood of bias during this stage of the research, the researcher’s ontological viewpoint has been clearly defined earlier in this section. Additionally, while carrying out the analysis, the researcher compared answers and codes several times over, and the validity of the themes were also enhanced by cross referencing themes with the researcher’s supervisor.

6.10.4. Ethical Procedures

As part of requirements set by the University of Otago, this research was required to follow the set of ethical guidelines provided by the University’s Ethical Approval Committee. This study has been scrutinised regarding confidentiality and ethical considerations for a University of Otago Category B Ethics Approval application (please refer to Appendix C for the ethics approval sheet given to participants to complete).
All participants in this research were required to sign the consent form to participate in the research before interviews began. Each participant was made aware of their voluntary participation and their rights during this study. Participants were informed of how their anonymity would be preserved if they participated in the research, and were also informed of the nature of the data that would be collected for the research. To illustrate this, participants were given the opportunity to select information that they wished to remain confidential, for example, their company name, location and company size, by indication on the consent form and were encouraged to discuss this with the firm’s other participant or relevant firm member before consenting to take part in the study.

6.11. Summary

Chapter Six has provided an evaluation of the different paradigmatic perspectives available to guide the researcher throughout this study, along with the critical realist perspective that has been adopted. This chapter has outlined the case study methodology employed for this research, along with the data collection methods (in-depth interviews and document analysis) and analysis procedures (thematic analysis) involved. The limitations of this methodology have also been highlighted, complemented by ways in which the researcher intends to address these limitations to minimise the effects of bias within the research.

The following chapter presents the results from the in-depth interviews and document analysis to provide an analysis of the case studies.
7.0. EMPIRICAL FINDINGS

This chapter presents the findings of the research as part of a latent inductive analysis.

7.1. Latent Inductive Analysis

A latent inductive analysis (Braun & Clarke, 2006) was carried out, which involved interpreting the data extracts and grouping the extracts under key themes observed within the data.

Each table below consists of the researcher’s interpretation of the data, followed by data extracts to support this interpretation. The following tables present the key themes that have been identified in relation to the research question.

7.1.1. Key Themes

<table>
<thead>
<tr>
<th>Researcher’s Interpretation</th>
<th>Two out of four firms explained that they valued long-term relationships with their suppliers highly, and have been with the same suppliers since their inception.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Extracts</td>
<td>“We call it narrow and deep. We have a small number of partners that we do big business with. We have long-term relationships and I prefer... more powerful relationships with fewer people rather than lots of manufacturers because that creates more risk and it means it’s harder to control the environmental and social ethics” (Icebreaker)</td>
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<td>“…I go to China once a year. You just kind of have to for a day or two... It’s important to maintain high level relationships” (Icebreaker)</td>
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<td>“We still work with the distributors (suppliers) that we met at that first tradeshow in Guangzhou. We built a really good relationship with them... We visit them every year to meet with them. It’s vital, because it’s all about those relationships, and going to the factory and meeting the general manager...”</td>
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</table>
and his wife, and going to his father’s 80th birthday party... It’s good for us to have more of a connection with them but also good for them to get to know us as well” (Company A)

“(Our) relationship with our supplier and agent at the least, in China is really important. Because we are a small player it’s good to have their support. Even though our orders have been small or big, they’ve supported us all the way through” (Company A)

“They’ve always seen the potential. They always see any relationship as a long-term relationship... I think they don’t think as short term as other businesses and other New Zealand businesses and we’ve nurtured that. I think there is value in the fact that father and daughter are running it. We have the same values and ethics, which is really important and I think people really like that story, so that’s been quite good” (Company A)

| Researcher’s Interpretation | Trust was a major issue between fashion firms and their suppliers, where they did not establish a strong relationship. Face-to-face communication was either seldom or non-existent and led to mistrust and mistakes being made such as quality issues, and producing more garments than were ordered. |
| Data Extracts | “I only met him because he was looking at buying Tikau Knitwear and the contract was between us and the Chinese. I mean, he introduced us to the Chinese factory by the way of email... but there was never any face-to-face contact with the Chinese, and really our contract was with the Chinese, not with him... I don’t know whether he got a payoff from the |
Chinese or not. I mean there was no way that he was responsible for any of that, and a good lesson for us delving off into overseas production” (NOM*d)

“1 month in, we started to get customers ringing us to say the sleeves had fallen off their jumper, and so we got heaps of product back and mainly it was in the construction... not visible if you were checking it with quality control... we sent it to our knitter in New Zealand. He said when you link yarn, you usually use two ends of yarn, they’d only used one” (NOM*d)

“When I made the payment, which was $60,000 or something - it was quite big, I held back. I don’t know why, I just sometimes have these premonitions, so I held back $5,000 just in case, like I’ll pay you when I receive it and of course I never paid it” (NOM*d)

“They also produced more than what we asked for and said, ‘We’ve got another 200 of these, so what would you like us to do with them?’ which was pretty much like they were going to sell them. Either we were going to have to buy them, or they were going to sell them” (NOM*d)

“We didn’t know which way was the best way to make it ourselves and that’s why we’ve been switching back and forwards but never actually taking the time to get a reliable factory. You’d almost be better to stop what you’re doing right now and go and form a relationship” (Beats Clothing)

<table>
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<th>Researcher’s Interpretation</th>
<th>Relationships were also perceived to be a commitment, or investment that was negatively perceived by Beats Clothing.</th>
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<tr>
<td>Data Extracts</td>
<td>“In China, they want ongoing orders. The minute you contact</td>
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them, they expect an order straight away. And once you put in that first one, they expect a monthly commitment... If you haven’t put in the next order, they’ll probably just turn around and not deliver” (Beats Clothing)

<table>
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<tr>
<th>Researcher’s Interpretation</th>
<th>Retailers were considered a primary source of market knowledge for fashion firms. Retailers were considered valuable for their part in directing sales online and understanding the needs of the firm’s customers. Retailers also shared information about other competitors in the case of Beats Clothing. Company A’s UK retailer also provided the firm with specific relationship knowledge that guided the firm to seek out agents at the European tradeshow.</th>
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<tbody>
<tr>
<td>Data Extracts</td>
<td>“There was an outdoor tradeshow, which was the big tradeshow in Europe. We found out about it from talking to our UK distributors. Everyone in the UK goes to this tradeshow. They explained it to us and we went for a visit to check it out before committing to selling product there (Company A) “He’s got a good customer base in Australia who are mainly New Zealanders living in Australia. Through their marketing, we’ve ended up with stockists and sales through our online store too” (Beats Clothing) “He knows his customers and his product well. He knows his customers a lot better than other people. He gets things in that we go, “does that really fit with our brand?” but he knows his customers in Brisbane and he knows exactly what they want, so when he orders, he almost knows specifically”</td>
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“They do a lot of work for you, dealing with customers for you. And you’re probably not going to make much money by setting up a store” (Beats Clothing)

Sales assistants also held important network information and were responsible for reporting sales contacts to higher level management. Sales assistants were also important for communicating market knowledge back to the fashion firm, Beats Clothing.

“One of our retailers shared with us that one of our competitors is selling via Asos. A lot of what we’ve learned has come from the retailers... because you don’t get much from the other brands. The retailers and sales assistants actually see everything and deal with these other brands. They know the most and they’re quite open with sharing things, which I don’t necessarily think is a good thing. That’s about the only way we’ve learned” (Beats Clothing)

“We went into (Retailer A’s) Mt Maunganui store and spoke to a sales assistant there. He passed us on to their buyer and the buyer contacted us” (Beats Clothing)

“Our Melbourne customers ask our Melbourne salespeople, “Oh my god do you think anyone would wear this?” (Beats Clothing)

Fashion firms had mixed views about the role of agents in helping to establish new market followings. NOM*d stressed...
that the English agent she had met at London Fashion Week had helped her to achieve sales in the Japanese and the UK markets, however then quickly moved on to another agent in London. When “things started to get tough” for them, she again moved on to a Japanese agency. In contrast, Icebreaker explained that the firm’s use of agents takes away the firm’s control over the brand.

Data Extracts

“From the fashion week thing in 1999 in London, we took on an English agent and he achieved some quite good sales for us. I mean a lot of that was in Japan, some in the US... New Zealand Trade and Enterprise made a lot of contacts for you because obviously they were venturing into this whole fashion thing... so they were quite helpful in making contacts over there” (NOM*d)

“We moved on from that agent in London, to another one in London. There were a couple of Australian girls and they continued to sell in Europe and Japan. I think things started to get tough for them and we were approached by an agency in Japan and so we ended up going with them” (NOM*d)

“We never use agents because you lose visibility into practices. They... say, “yeah, yeah, I can get you that” and they show it to you and you don’t know if it’s been made by child labour or something... I was very scared of having any practices that weren’t true to the brand” (Icebreaker)

Researcher’s Interpretation

Fashion design firms don’t typically work with other fashion designers.

Data Extracts

“We don’t really have any relationships with Dunedin
designers... We haven’t really put ourselves in the Dunedin fashion circles... The streetwear market is very competitive. They’re almost your enemy. We were threatened by one of the labels once” (Beats Clothing)

“It’s almost like people have a theory in their head about there’s not enough to go around so you’ve got to compete against everyone else... Your brand has its own unique values and you’ve never really going to have an identical brand or clothing are you?” (Beats Clothing)

“Not really. We sold some silk fabric to NOM*d for knitwear but that was a one-off... I’m involved in GUILD, which is a society called Dunedin Design Incorporated. It’s all about showcasing Dunedin designers and working together to support one another to get ourselves out there” (Participant Three, Company A).

“In terms of designers, generally not, no. I think people are fairly individualistic. I can’t say that we’ve worked together with anyone... Having said that, Participant Three has started GUILD – a cooperative and it’s working quite well but I think that’s unusual” (Company A)

“The New Zealand Fashion industry is quite small, fresh but quite inward looking. Everyone looks at what everyone else is doing” (Icebreaker)

“We’re cooperative. We work with them (other designers), on group type shows. There is an element of, I wouldn’t say rivalry, but at the end of the day, you are competition. We’re not so up ourselves that we think they’re not competition to us, they are. I think probably just because of our longevity, we actually see a lot of influences that have come from us in
other brands’ collections but I suppose that’s a compliment (NOM*d)

“It depends what kind of relationship you’ve got with them (other designers). There’s brands like Company B where they used to work with us so there is sort of a friendly relationship there, although I still look at it as competitive. They’ve got at least three staff from us. Participant X worked in the workroom for 7-8 years and then Participant Y, her off-sider also worked for us for about 5 years but we just have to be grown up about it. These people are going to move on and do their own thing and they have learned quite a bit by working for us. I mean, we’ve learned, they’ve been able to use their skills too as they’re younger and they’ve come from education that’s more up-to-date, so there’s a two-way street there (NOM*d)

<table>
<thead>
<tr>
<th>Researcher’s Interpretation</th>
<th>Expert advice was considered to be very important for two of the four firms. One firm in particular, Icebreaker, mentioned the importance of recruiting experts, as well as seeking the help of consultants.</th>
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<tbody>
<tr>
<td>Data Extracts</td>
<td>“One guy used to run the BNZ, another guy was the director of Todd Corporation, a big business and they helped me to write the business plan. They were the directors of the company for 18 years” (Icebreaker)</td>
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<td></td>
<td>“During the early days, I hired a lot of people I had a friendship with, which is really good because you build a really strong work culture but I would have brought in people from the industry who were experts earlier... the problem with me is that the only business I’ve ever run is Icebreaker... I’ve only</td>
</tr>
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</table>
“Surround yourself with experts is my advice and understand what it takes to win in each market...” (Icebreaker)

Researcher’s Interpretation

Company A suggested that expert advice is important for internationalising New Zealand businesses in the process of learning and accumulating knowledge. Company A also suggested that New Zealand firms have a lack of expert support and advice, and could benefit from some more support in this area from government agencies such as NZTE.

Data Extracts

“The knowledge base about trading online is very thin. People claim that they know about Amazon and all those sorts of things but getting really good advice, cutting edge advice in that area is very thin” (Company A)

“I feel that there is really a lack of expert support and I think there could be... an office or... people that we could consult with that are really up with the play. Everything changes so quickly and anyone who tells me that they are an expert... I’m very cautious about because generally they’re not ” (Company A)

Researcher’s Interpretation

Personal networks demonstrated to be important resources for gaining market knowledge and expert knowledge. Two out of four firms gave examples of how their connections with personal contacts had turned into valuable assets for their businesses.

Data Extracts

“I rang friends who I went to varsity with at Otago and they...
introduced me to their parents and I got some mentors and they helped me write the business plan” (Icebreaker)

“We didn’t go out looking for a store in Australia. We had a client who had a store in Brisbane, that’s where she lived, and she also had a store in Melbourne” (NOM*d)

“Our biggest client base is in Perth. They (the retailer) pretty much took it straight away. They knew me and they knew Plume. Her daughter set up some stores in Perth and the one in Sydney, Retailer D, which we’ve stocked right from the beginning” (NOM*d)

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**Researcher’s Interpretation**

Three out of four firms discussed the process of de-internationalisation, as well as internationalisation. Fashion firm NOM*d discussed how she withdrew from the Japanese, UK and US markets due to a fall-out with an agent. Company A also described the process of de-internationalisation by removing the firm’s distributors from the supply chain, and selling directly to consumers through an online platform. It appears that with de-internationalisation, these firms have lost previous and potential knowledge gained as a result of the relationships with their agents and distributors.

**Data Extracts**

“What I found quite hard going with both the Japanese and second London-based agency... they charged a fee for PR and got commission on sales. PR fees just designed to pay their rent and when I said we can’t really afford this PR, because we actually need to achieve a certain percentage of sales before we pay for PR... Once we pulled out of the PR sort of things, they pretty much lost interest in selling for us”
“We mostly sell online now... We’ve still got product in the UK, Germany, Australia, Chile and some in Poland but we don’t have any active distributors anymore because we’ve changed our model completely and our exports are all online. We’re still very much exporting, but online, which is directly to the consumer instead of through distributors” (Company A)

<table>
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<tr>
<th>Researcher’s Interpretation</th>
<th>All four firms agreed that government agencies such as NZTE and local councils had been very helpful in providing assistance for the firms to internationalise.</th>
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</thead>
<tbody>
<tr>
<td>Data Extracts</td>
<td>“New Zealand Trade and Enterprise had been reasonably helpful in the early days, providing a 50% subsidy for some of my R&amp;D costs” (Icebreaker)</td>
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<td></td>
<td>“One thing that was really good was that they (NZTE) got me into a conference of apparel executives in the USA and they’d paid for that. That was really, really helpful in terms of building contacts in the US market” (Icebreaker)</td>
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<tr>
<td></td>
<td>“We’ve had the help of New Zealand Trade and Enterprise and other funding bodies like that so that’s been really good. Mostly with funding and contact with representatives in other markets such as the UK market, and providing us with a meeting place to meet with distributors. They’ve definitely been helpful” (Company A)</td>
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<td>“The New Zealand Trade and Enterprise Marketing and Development grant provided us with 50% of the cost of going to a tradeshow (it cost approximately $60,000-$70,000 to attend)” (Company A)</td>
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<tr>
<td>Researcher’s Interpretation</td>
<td>One firm stated that the government funding previously available to New Zealand firms is no longer available, which has affected potential relationships with distributors.</td>
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<tr>
<td>Data Extracts</td>
<td>“...Unfortunately the government pulled the plug on the (Marketing and Development grant) funding, which was really annoying because we got to the point where we had distributors covering 10-20 countries (about 12 distributors) and we were covering Russia, Poland, UK, France, everywhere in Europe and we haven’t targeted the States and Korea and other places” (Company A)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Researcher’s Interpretation</th>
<th>Three out of four firms stated that they need further support from government agencies such as New Zealand Trade and Enterprise and local councils such as Dunedin City Council.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Extracts</td>
<td>“I actually think there’s huge export potential and it’s taken New Zealand Trade and Enterprise a while to realise that this is actually a valid thing for New Zealand businesses to do that’s profitable and they need support” (Company A)</td>
</tr>
</tbody>
</table>

“...The fashion environment, as far as academia or people like New Zealand Fashion Week and New Zealand Trade and Enterprise - who are the ones that actually funded us to New Zealand Fashion Week - would love to have a really big presence of New Zealand in the international fashion market..."
but there’s a few hurdles” (NOM*d)

“The Dunedin City Council (DCC) did give us a very small amount of money when we were showing at New Zealand Fashion Week because we’re from Dunedin... The payback on that is you have to do the school report afterwards... New Zealand Trade and Enterprise had made a couple of commitments because the whole thing really started off with London Fashion Week and the New Zealand Four... They supported us for two seasons... A few years later, they also supported us to show at a tradeshow in Paris but in the meantime, we had established our own agents and market over there as well” (NOM*d)

“The lady at the Dunedin City Council (DCC) gave us some good contacts but we never followed through. It’s almost that dealing with designers - seems like they wouldn’t want to help you. She gave us some contacts for manufacturing in China so when we’re ready for it, we’ll use it. She was really helpful” (Beats Clothing)

(Would you go back?) “Probably not. She gave us translators and things like that for if we go to China, which was really helpful” (Beats Clothing)

“We’ve seen grants you can get but most of them don’t fit our profile. They’re mostly R&D. We need the most help with our marketing and graphic design... It’s just the marketing side of things” (Beats Clothing)

| Researcher’s Interpretation | One firm in particular, Icebreaker, demonstrated an initial lack of market knowledge, which resulted in mistakes made |
in internationalisation. However, Icebreaker managed to overcome the obstacle of lacking market knowledge by ‘glocalising’ and employing local people in the foreign market with local market knowledge.

**Data Extracts**

“Because I did it in too much of a hurry, and didn’t understand Canadian law, that cost me a million dollars. So the process, the way I did it wasn’t right. I did it in too short of a time frame. I gave him 6 months’ notice of the transition… but I needed to give him 12 months” (Icebreaker)

“(We went into Australia) in 1998 and we failed there because it wasn’t cold enough. The market was very unsophisticated” (Icebreaker)

“We’ve got 500 people. 100 of them are in New Zealand, 400 are in the northern hemisphere. 80% of our income is from the northern hemisphere, so you build the company in the shape of the kind of dream of what you’re trying to build, not just hire a few people and hope that it sells overseas” (Icebreaker)

“It’s called glocalising. It’s taking a global idea and making it local, so you adapt it through the expertise of people you’ve got on the ground” (Icebreaker)

7.1.2. Supporting Themes

There were also some unexpected findings observed within the research, which were not specifically related to the research question. These supporting themes have been included as tables under section 7.1.2 as they help to contextualise the findings of this research.
<table>
<thead>
<tr>
<th>Researcher’s Interpretation</th>
<th>New Zealand manufacturers were struggling to keep up with the demands of New Zealand fashion firms in terms of cost, quality and quantity.</th>
</tr>
</thead>
</table>
| Data Extracts              | “We were falling behind in making the product in New Zealand...” (Icebreaker)  
““We had a situation where a manufacturer in Ashburton, Tikau knitwear... closed down...” (NOM*d)  
“Initially we bought fabric from a New Zealand fabric wholesaler but we had issues with ripped clothing and they didn’t have many menswear fabrics” (Beats Clothing) |
| Researcher’s Interpretation | Fashion firms each chose their preferred manufacturers based on different values. For example, Icebreaker selected its suppliers based on qualities such as: technology, ethics, quality, currency, innovation, price, quantity and efficiency. Beats Clothing selected its suppliers based on price and availability of menswear fabrics. NOM*d decided on its suppliers based on the interpersonal trust of a contact (someone she’d recently met), and Company A decided on their suppliers based on the interpersonal trust of her parents, who had visited China and had already used a Chinese supplier for their business. |
| Data Extracts              | “I looked around the world for the best manufacturer for us, with the best technology and the best ethics, and the best quality was made in Shanghai with European companies that were based in China” (Icebreaker)  
“I set up a supply chain there that meant we could... get access to better prices, trade in US dollars, improve quality,
improve innovation and get access to bigger quantities and basically deliver on time. (I heard about it from) industry people that I knew” (Icebreaker)

“Where else do you go? America was no cheaper, Australia was dearer by far and they didn’t have what we wanted and neither did New Zealand. Even then, it’s still pretty dodgy. They only take cash and half of the suppliers we found, we can’t get in contact with again, they don’t have email. You’ve got no way of paying them and no way of contacting them” (Beats Clothing)

“One guy came to me and said, ‘I can get this product made for you in China for such and such’, he was a New Zealander but obviously he had some dealings in China. Quality’s great etcetera so we though oh well, we’ll give it a go” (NOM*d)

“We knew that if we wanted to do silk, then we’d need to go to China so we just went over there. Mum and Dad had been before me. They’d been to China on one trip before we found the supplier that I wanted” (Company A)

<table>
<thead>
<tr>
<th>Researcher’s Interpretation</th>
<th>Icebreaker also faced a situation where the company formed a partnership which was not working well in Canada. To encourage success in that market, Icebreaker employed local people with local market knowledge to overcome these barriers for the firm.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Extracts</td>
<td>“In Canada we had the wrong partner... We had partners that didn’t understand us, didn’t understand the brand, and were more fashion distributors than outdoor distributors so I had to undo that relationship and hire some of the key people in</td>
</tr>
</tbody>
</table>
that market and put them into a company that we started” (Icebreaker)

<table>
<thead>
<tr>
<th>Researcher’s Interpretation</th>
<th>While the Internet was disruptive for most firms, the most disruptive technology for Icebreaker was email communication.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Extracts</td>
<td>“When I started the Internet didn’t exist. I didn’t have a website and I didn’t even have an email address. Now online sales are 10% of our global sales, so about $20 million out of $200 million... And obviously social media’s huge. It’s changed everything” (Icebreaker)</td>
</tr>
<tr>
<td></td>
<td>“The thing that really impacted on us initially was email. We could communicate faster and we didn’t need faxes. We got a website in about 2000, and more people started going to our website than our catalogues. It was just disruptive... We started selling online in about 2008 and now it’s a really big part of our business” (Icebreaker)</td>
</tr>
</tbody>
</table>
8.0. DISCUSSION

Chapter Eight presents the researcher’s interpretations of the findings from both the data and the literature. Table 8.2 reveals the key themes identified by the researcher.

8.1. Key Themes Identified

<table>
<thead>
<tr>
<th>Theme observed</th>
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<tbody>
<tr>
<td>Long-term supplier relationships are an important source of relationship-specific knowledge and market knowledge for New Zealand SME fashion design firms.</td>
</tr>
<tr>
<td>New Zealand SME fashion design firms chose their preferred suppliers based on different values and criteria for finding business partners.</td>
</tr>
<tr>
<td>Mistrust was a major communication barrier restricting knowledge shared between New Zealand SME fashion design firms and their suppliers. Where face-to-face communication was seldom or non-existent, this led to mistrust and miscommunication issues such as overproducing the number of garments and quality issues.</td>
</tr>
<tr>
<td>The disadvantage of New Zealand SME fashion design firms lacking market knowledge can be overcome by employing agents, distributors/retailers or local people in foreign markets.</td>
</tr>
<tr>
<td>Expert and internationalisation knowledge is sourced from government agencies, consultants, and by employing entrepreneurs with specialist expertise.</td>
</tr>
<tr>
<td>For New Zealand fashion design firms, important sources of market knowledge and relationship knowledge may be lost through de-internationalisation.</td>
</tr>
<tr>
<td>The four firms in this study suggested that New Zealand SME fashion design managers don’t share information with other fashion design managers.</td>
</tr>
<tr>
<td>The findings of this study suggest that these New Zealand SME fashion design firms require further assistance from government agencies such as NZTE, NZFW and local councils to acquire expert and internationalisation knowledge.</td>
</tr>
</tbody>
</table>
8.1.1. **Theme One: Long-term supplier relationships are an important source of relationship-specific knowledge and market knowledge for New Zealand SME fashion design firms.**

Two of the four fashion firms studied (Company A and Icebreaker) discussed the importance of their long-term relationships with their suppliers. One participant from Company A addressed the disadvantage of being a small firm and only being able to order from suppliers in small quantities. Throughout the interview however, she stated that regardless of the number of orders made, the firm’s supplier supported the firm in their endeavours from the beginning of the partnership. According to this participant, this was due to the perceived willingness of the suppliers to enter a long-term relationship. The participant from Icebreaker also referred to the importance of forming long-term relationships with its suppliers, and noted that a lack of strength within the relationship can lead to issues of risk and control over the brand’s ethics. Therefore this was a primary motive for Icebreaker to develop strong long-term relationships with its suppliers and other stakeholders. This finding suggests that relationship value can be created over a period of time and therefore may act as a resource for the New Zealand fashion SME.

8.1.2. **Theme Two: New Zealand SME fashion design firms chose their preferred suppliers based on different values and criteria.**

An interesting observation from this study is that each fashion design firm chose their preferred supplier based on different values. For example, Icebreaker based their partnership decision around technology, ethics and quality, while Beats Clothing based their partnership decision around price. In addition, Company A knew of a close contact who had worked with suppliers from the foreign market previously. Participants appeared to make strategic decisions based on what they already knew, and with resources they already had rather than with the objective to develop new knowledge and new resources for the firm during the firm’s internationalisation process. Therefore the creation of new knowledge evolved from a serendipitous outcome for the firm. There is always the possibility of serendipity or emergent opportunities, which may lead to useful or not so useful business decisions for firms.

8.1.3. **Theme Three: Mistrust was a major communication barrier restricting knowledge shared between New Zealand SME fashion design firms and their suppliers. Where face-to-
face communication was non-existent or seldom, this led to mistrust and miscommunication issues such as producing goods of lower quality and overproducing the number of garments.

In the case of NOM*d, mistrust between the firm and its supplier featured strongly throughout the data, however a third party was also present in the interaction, which may have added complications to the communication between the firm and its supplier. A lack of willingness to meet with the Chinese suppliers face to face or to have any interaction other than email communication appeared to be a big problem for NOM*d, which led to the overproduction of garments and quality issues with the finished product. The participant also said she held back payment to the supplier before the goods were sent, which again illustrates the lack of trust placed in her Chinese suppliers.

A participant of Beats Clothing also spoke of issues related to miscommunication and feelings of mistrust with potential Chinese suppliers when placing orders. In sharp contrast to the earlier theme regarding long-term firm-supplier relationships, this participant has described the term ‘commitment’ in an undesirable way, in comparison to the desire for commitment as demonstrated by Icebreaker and Company A. This would suggest that the firm’s desire is not to create a long-term relationship with a supplier but to satisfy the need for supply in a one-off transaction. Based on my broader reading around Chinese culture and NZTE’s study on foreign perceptions of New Zealand business people, the findings of their study suggested that Chinese business people like to create long-term relationships with firms and avoid forming transactional relationships with firms. It is therefore suggested that the Chinese suppliers had suspicions about the intentions to form a long-term relationship with Beats Clothing and therefore this led to communication barriers between Beats Clothing and potential suppliers.

8.1.4. Theme Four: The disadvantage of New Zealand SME fashion design firms lacking market knowledge can be overcome by employing agents, distributors/retailers or local people in foreign markets.

All four firms described how they gained local market knowledge by employing a variety of agents, distributors and retailers in foreign markets. In the case of Icebreaker, the firm’s relationships with its employees in foreign markets were pivotal in realising the dream of achieving an international brand, and the need to “glocalise” (employ a global strategy in a
local market) was highly stressed. A participant of Company A also articulated how the firm came to acquire knowledge about potential markets, and opportunities to extend their network through their United Kingdom distributor. The participant from NOM*’d also acknowledged the role of her agent in acquiring market knowledge and achieving international sales on behalf of the firm. Participants from Beats Clothing also communicated the value of their retailer capturing market knowledge in their primary target geographic, Brisbane, Australia. These participants also stated that their main source of acquiring market knowledge about competitors and their market is through their retailers.

8.1.5. Theme Five: Expert and internationalisation knowledge is sourced from government agencies, consultants and by employing entrepreneurs with specialist expertise.

One of the firms studied referred to seeking the knowledge and experience of external sources to assist their firm to internationalise. In the case of Icebreaker, the participant discussed how he captured the valuable knowledge of several experts (including NZTE) by employing entrepreneurs with specialist expertise. These experts provided the firm with important financial and business advice for many years following the firm’s inception. Expert and internationalisation knowledge are two critical forms of knowledge for firms to acquire during internationalisation however only one firm out of the four studied seemed to understand the importance of acquiring this form of knowledge. Government agencies, for example, NZTE can provide firms with this form of knowledge due to the organisation’s vast experience in dealing with many different industries and sectors in international business. By employing entrepreneurs with specialist experience, this enables firms to store and internalise this knowledge.

8.1.6. Theme Six: Important sources of market knowledge and relationship knowledge for New Zealand SME fashion design firms may be lost through de-internationalisation.

While the focus of this research is on internationalisation, it was also observed that in the process of de-internationalisation, firms may lose knowledge, as a reversal from internationalisation, where firms seek to acquire knowledge. The topic of de-internationalisation was therefore identified to be present within two firms (NOM*’d and Company A).
In the case of NOM*d, the participant decided to de-internationalise from the United Kingdom, Japanese and American markets based on the price of agent public relations (PR) fees, and ultimately, the agents lost interest in maintaining the relationship formed with NOM*d. According to a participant from Company A, the firm decided to de-internationalise from its relationship with its distributors due to a change of business model, which may have resulted in a loss of market knowledge. While relationship-specific knowledge is difficult for firms to value in monetary terms because it is future oriented, it should be acknowledged that the value of inter-firm relationships should not be overlooked when making decisions about de-internationalisation, as relationships provide important valuable learning and knowledge resources to resource-strapped SMEs. Therefore cost alone should not be used as a measure to gauge significance but the firm should reflect on its overall resource capability and the role of that resource in helping the firm to achieve its overall business strategy.

8.1.7. Theme Seven: The four firms in this study suggested that New Zealand SME fashion design managers don’t share information with other fashion design managers.

Of the four firms studied, all six participants said that Dunedin and New Zealand fashion design managers do not tend to exchange knowledge about internationalisation. According to a participant of Beats Clothing, the streetwear market is very competitive, and the firm was once threatened by a competing label. In the case of Company A, one participant noted that Dunedin fashion design managers do not tend to work together very often however mentioned her involvement in a team that collectively showcases Dunedin design. The participant from NOM*d said that Dunedin and New Zealand design managers are cooperative and work with each other on group shows however are still considered competition. In contrast, the participant from Icebreaker described the New Zealand fashion industry as “inward-looking” rather than focusing on the international market.

8.1.8. Theme Eight: The findings of the four firms studied suggest that these New Zealand SME fashion design firms require further assistance from government agencies such as NZTE, NZFW and local councils to acquire expert and internationalisation knowledge.

Three of the four firms studied said they require more assistance from government agencies such as NZTE, New Zealand Fashion Week, and local councils. One participant from Company A said that the fashion/apparel industry provides significant export potential for SMEs and
that the New Zealand government needs to support SMEs in their process to internationalisation. The participant from NOM*d also felt that there are several challenges, which New Zealand fashion firms need help with that government agencies don’t tend to realise. A participant of Beats Clothing provided an example of assistance received from their local council, however stated that they were unsure of the usefulness of the information provided, or how to go about making use of it (transforming this information into knowledge). The participant also stated the need for specialist help with their business including assistance with specialist areas such as marketing and graphic design.

In the following section, I will reflect on the findings from the data to identify key themes supported by the SME internationalisation, and organisational knowledge and learning streams of literature.

8.2. Semantic & Latent Theoretical Analysis

A semantic theoretical analysis (Appendix J) was first carried out to observe the literature objectively, followed by a latent theoretical analysis where the data was observed subjectively (Braun & Clarke, 2006). These analyses involved interpreting the findings of the literature and comparing it with the observations from the case study findings. An example of how this information was recorded is captured below (the complete findings table can be found in Appendix J).

**Fig 8.2 Data and Literature Findings Comparison Table Example**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Data</th>
<th>Theory</th>
<th>Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What different forms of knowledge do these firms acquire?</td>
<td>Long-term supplier relationships are an important source of relationship-specific knowledge and market knowledge for New Zealand SME fashion firms.</td>
<td>Relationship-specific knowledge is a form of tacit knowledge that consists of knowledge which may prove useful in dealing with current dilemmas and determining future expectations (Ballantine, 2004). While this knowledge is based on past relational experiences, it is co-created and constantly updated in interaction by new experiences. Relationship-specific knowledge may also bring participants closer to one another over time, or it may lead to separation (Ballantine, 2008). Relationship-specific knowledge offers a resource to firms to strengthen the bond between two or more participants and reduce the impact of risk on the firms. Without relationship-specific knowledge to mediate the exchanges of participants within the firm, or at an inter-organisational level, only the most commonly known business knowledge is going to be</td>
<td>The literature highlights the formation of relationship-specific knowledge between firms and their stakeholders. The findings of the literature show support for the literature in the context of firms and their suppliers. Relationship-specific knowledge is a form of tacit knowledge that consists of knowledge which may prove useful in dealing with current dilemmas and determining future expectations (Ballantine, 2004). Therefore, relationship-specific knowledge grows, through iterations of interaction through dialogue, mutual trust may develop between two or more participants. This is illustrated by the following example: Isolator “We have a small number of partners that we do business with. We have long-term relationships...”</td>
</tr>
<tr>
<td>2. Which sources do these firms acquire knowledge from?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. How do these forms of knowledge evolve?</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
8.2.1. Theme One: Long-term supplier relationships are an important source of relationship-specific knowledge and market knowledge for New Zealand SME fashion design firms.

A review of the relationship marketing literature has revealed that relationship-specific knowledge is concealed within stakeholder relationships, and may prove useful in dealing with current dilemmas and determining future expectations. Therefore as relationship-specific knowledge grows through interaction through dialogue and observation, mutual trust may develop between two or more participants (Ballantyne, 2004).

The findings of the data show support for the relationship marketing literature and is evident in the relationships between firms and their suppliers. These findings suggest that the fashion firm reduces its risk by developing mutual trust, and by strengthening the bond with its supplier. Relationships are therefore the basis for the co-creation of relationship-specific knowledge. These findings are illustrated by the following examples:

<table>
<thead>
<tr>
<th>Quotes</th>
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<tbody>
<tr>
<td>“We have a small number of partners that we do big business with. We have long-term relationships... I prefer more powerful relationships with fewer people rather than lots of manufacturers because that creates more risk and it means it’s harder to control the environmental and social ethics” (Icebreaker)</td>
</tr>
<tr>
<td>“We still work with the distributors (suppliers) that we met at that first tradeshow in Guangzhou. We built a really good relationship with them...” (Company A)</td>
</tr>
<tr>
<td>“(Our) relationship with our supplier and agent at the least, in China is really important. Because we are a small player it’s good to have their support. Even though our orders have been small or big, they’ve supported us all the way through... They’ve always seen the potential. They always see any relationship as a long-term relationship... I think they don’t think as short term as other businesses and other NZ businesses and we’ve nurtured that... there is value in the fact that father and daughter are running it. We have the same values and ethics, which is really important and I think people really like that story” (Company A)</td>
</tr>
</tbody>
</table>
8.2.2. Theme Two: Mistrust was a major communication barrier restricting knowledge shared between New Zealand SME fashion design firms and their suppliers. Where face-to-face communication was seldom or non-existent, this led to mistrust and miscommunication issues such as producing goods of lower quality and overproducing the number of garments.

The organisational learning and knowledge literature highlights the importance of clear communication between participants in B2B interactions in developing and sharing relationship-specific knowledge. The literature also suggests that participants should challenge the underlying motivations of their stakeholder’s decision-making processes, in attempt to reach shared understanding of particular events. Where this is not the case, participants may fail to reach a shared understanding, which threatens the creation of relationship-specific knowledge through interaction (Ballantyne, 2004).

The findings of the data show support for the literature and is evident in the relationships between firms and their suppliers. In several cases, communication issues hindered the creation of relationship-specific knowledge for two fashion firms, and led to issues of mistrust and mistakes (for example, the overproduction of garments and quality issues). This is illustrated by the following examples:

<table>
<thead>
<tr>
<th>Quotes</th>
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<tbody>
<tr>
<td>“I only met him because he was looking at buying Tikau Knitwear and the contract was between us and the Chinese. I mean, he introduced us to the Chinese factory by the way of email... but there was never any face-to-face contact with the Chinese, and really our contract was with the Chinese, not with him... I don’t know whether he got a payoff from the Chinese or not. I mean there was no way that he was responsible for any of that, and a good lesson for us delving off into overseas production” (NOM*d)</td>
</tr>
<tr>
<td>“When I made the payment, which was $60,000 or something, it was quite big, I held back. I don’t know why, I just sometimes have these premonitions, so I held back $5,000 just in case, like I’ll pay you when I receive it and of course I never paid it” (NOM*d)</td>
</tr>
<tr>
<td>“They also produced more than what we asked for and said, ‘We’ve got another 200 of these, so what would you like us to do with them?’ which was pretty much like they were going to...”</td>
</tr>
</tbody>
</table>
sell them. Either we were going to have to buy them, or they were going to sell them” (NOM*d)

“In China, they want ongoing orders. The minute you contact them, they expect an order straight away. And once you put in that first one, they expect a monthly commitment... If you haven’t put in the next order, they’ll probably just turn around and not deliver” (Beats Clothing)

8.2.3. Theme Three: The disadvantage of New Zealand SME fashion design firms lacking market knowledge can be overcome by employing agents, distributors/retailers or local people in foreign markets.

The internationalisation literature suggests that a lack of market knowledge results in uncertainty and risk in internationalisation. The findings of the data show support for the internationalisation literature in the relationships between firms and their suppliers. In the case of Icebreaker, the firm experienced an initial lack of market knowledge as evidenced by market failure in Canada and Australia however went on to achieve great success in the Canadian market by learning how to acquire market knowledge effectively in the foreign market. This is illustrated by the following examples:

Quotes

“In Canada we had the wrong partner... We had partners that didn’t understand us, didn’t understand the brand, and were more fashion distributors than outdoor distributors so I had to undo that relationship and hire some of the key people in that market and put them into a company that we started” (Icebreaker)

“Because I did it in too much of a hurry, and didn’t understand Canadian law, that cost me a million dollars. So the process, the way I did it wasn’t right. I did it in too short of a time frame. I gave him 6 months’ notice of the transition... but I needed to give him 12 months” (Icebreaker)

“We’ve got 500 people. 100 of them are in New Zealand, 400 are in the northern hemisphere. 80% of our income is from the northern hemisphere, so you build the company in the shape of...
the kind of dream of what you’re trying to build, not just hire a few people and hope that it sells overseas” (Icebreaker)

“It’s called glocalising. It’s taking a global idea and making it local, so you adapt it through the expertise of people you’ve got on the ground” (Icebreaker)

The internationalisation literature also argues that market knowledge accumulates with increased commitment in specific markets (Johanson & Vahlne, 1977; 2003; 2009). However the findings of the data suggest that market knowledge does not need to develop with increased commitment to specific markets through acquiring explicit knowledge through social actors such as agents and distributors. The findings of the data instead suggest that fashion firms may be able to reduce the risk of failure through acquiring market knowledge through employing people with local market knowledge, or ‘glocalising’ as referred to by Icebreaker. This is emphasised by the following quotes:

<table>
<thead>
<tr>
<th>Quotes</th>
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<tbody>
<tr>
<td>I had to undo that relationship and hire some of the key people in that market and put them into a company that we started” (Icebreaker)</td>
</tr>
<tr>
<td>“It’s called glocalising. It’s taking a global idea and making it local, so you adapt it through the expertise of people you’ve got on the ground” (Icebreaker)</td>
</tr>
</tbody>
</table>

8.2.4. Theme Four: Expert/internationalisation knowledge is sourced from government agencies, consultants and by employing entrepreneurs with specialist expertise.

The internationalisation literature supports the findings of the data that suggest that internationalisation knowledge is acquired from government agencies.

Previously in the internationalisation literature, the importance of the entrepreneur’s role within the SME was highlighted. It was acknowledged that entrepreneurs bring several important forms of knowledge to the firm including experiential knowledge from doing, expert knowledge and internationalisation knowledge. It was however noted that Icebreaker
was the only example of the four firms which had employed entrepreneurs outside of the founding managers. It is argued that this may be attributed to the lack of resources of SMEs including funding to employ an expert within the firm however few firms had sought expert advice outside of government agencies such as councils and NZTE.

**Quotes**

“One guy used to run the BNZ, another guy was the director of Todd Corporation, a big business and they helped me to write the business plan. They were the directors of the company for 18 years” (Icebreaker)

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8.2.5. Theme Five: Important sources of market knowledge and relationship-specific knowledge for New Zealand SME fashion design firms may be lost through de-internationalisation.

The organisational learning and knowledge literature revealed that trust developed between the firm and stakeholders through dialogue supports the generation of new business knowledge, as well as the important role of diffusing existing knowledge. When buyers and suppliers share internal data and market knowledge freely between participants, both firms can identify important forms of knowledge generated from knowledge-sharing, and can improve their business processes by applying this co-created knowledge. Knowledge-sharing in this way, assists both firms in forming new business intelligence (Ballantyne, 2000; Bengtsson & Kock, 2000). It is therefore argued that when firms de-internationalise firms withdraw from their partners and lose accessibility to important forms of knowledge shared between the two firms. Examples to support this finding are presented in the examples below:

**Quotes**

“What I found quite hard going with both the Japanese and second London-based agency... they charged a fee for PR and got commission on sales. We can’t be paying $2,000 a month and you haven’t brought in ‘x’ amount of sales, there’s no profit in it... Once we pulled out of the PR sort of things, they pretty much lost interest in selling for us...” (NOM*d)
"We mostly sell online now, so we’re selling to distributors and wholesalers as well, which we don’t do so much of now... We’ve still got product in the UK, Germany, Australia, Chile and some in Poland but we don’t have any active distributors anymore because we’ve changed our model completely and our exports are all online. We’re still very much exporting, but online, which is directly to the consumer instead of through distributors” (Company A)

8.2.6. Theme Six: The findings of the four firms studied suggest that these New Zealand SME fashion design firms require more assistance from government agencies such as NZTE, NZFW and local councils to acquire expert and internationalisation knowledge.

Within the SME internationalisation literature, Fletcher & Harris (2012) suggested that the SME’s networks have neither sufficient knowledge of the firm’s capabilities and resources, nor the time for interaction with the focal firm to provide internationalisation knowledge. Therefore the authors argue that this knowledge is instead provided by external consultants and government agencies. The data below suggests that firms require further assistance from government agencies to acquire expert (specialist) knowledge and internationalisation knowledge.

Quotes

“I actually think there’s huge export potential and it’s taken NZTE a while to realise that this is actually a valid thing for New Zealand businesses to do that’s profitable and they need support” (Company A)

“The fashion environment as far as academia or people like NZFW and NZTE, who are the ones that actually funded us to NZ Fashion Week would love to have a really big presence of New Zealand in the international fashion market but there’s a few hurdles” (NOM*d)

“The lady at the DCC gave us some good contacts but we never followed through. It’s almost that dealing with designers, seems like they wouldn’t want to help you. She gave us some contacts for manufacturing in China so when we’re ready for it, we’ll use it. She was really helpful” (Beats Clothing)
“We’ve seen grants you can get but most of them don’t fit our profile. They’re mostly R&D. We need the most help with our marketing and graphic design... It’s just the marketing side of things” (Beats Clothing)

8.3. Reflections of the Findings

This section reflects on the findings of the research. The primary research question of this study was:

How do New Zealand small to medium-sized fashion firms acquire knowledge during the internationalisation process?

Sub Questions:

1. Which forms of knowledge do these firms acquire?
2. Which sources do these firms acquire knowledge from?
3. How do these forms of knowledge evolve?
4. How do other actors (e.g. network partners, staff, investors, trade development organisations) help the owners and senior managers of these firms to overcome a lack of internationalisation knowledge?

The findings of this research have revealed that New Zealand SME fashion firms can learn to internationalise by acquiring different forms of knowledge from various sources.

A review of the internationalisation, and organisational behaviour and learning literature revealed that there are five main forms of knowledge including: market knowledge, technological knowledge, internationalisation knowledge, relationship-specific knowledge and expert knowledge. All four fashion firms sourced market knowledge from firms such as retailers, distributors and agents, as well as through forming relationships with local people in foreign markets. In contrast, knowledge such as relationship-specific knowledge, expert knowledge, technological knowledge and internationalisation knowledge were more difficult to source for the firms studied except through evolving relationship development with suppliers and other emergent stakeholders. Sometimes these connections were achieved
purposely and sometimes serendipitously. Either way, connections were made, sometimes with negative consequences but mostly positive.

Following the interview process, it was discovered that the Six Markets Model (Payne et al., 2005) provided a helpful template to explain the stakeholder relationships of each fashion firm. During the case study analysis, the Six Markets Model (Payne et al., 2005) was then applied to each fashion firm to determine the sources of knowledge, followed by the forms of knowledge acquired from each of these sources. Stakeholders that acted as sources of knowledge for these firms included government agencies, entrepreneurs (experts), suppliers, distributors/retailers, wholesalers, agents and customers. Government agencies, entrepreneurs and experts were observed to play a crucial role in sourcing internationalisation knowledge to help these firms overcome a lack of internationalisation knowledge. Without being able to source this knowledge from government agencies, entrepreneurs and experts, SMEs can acquire this knowledge through first-hand experience however this would require significant investment in terms of time and funding, which are resources the SME does not typically have in a highly globalised environment.

The findings of the research show that the New Zealand SME fashion firms studied use several resources to acquire knowledge from during the internationalisation process. The findings suggest that fashion firms acquire knowledge during the internationalisation process by: a) forging strong relationships with suppliers and distributors/retailers to co-create relationship-specific knowledge, b) forging strong relationships with agents who acquire market knowledge on behalf of the firm to account for the firm’s lack of this knowledge, and c) employing government agencies, consultants and entrepreneurs with previous internationalisation experience to acquire internationalisation knowledge. It was also observed that of the four firms studied, firms may also decide to de-internationalise however by doing so, may also lose valuable relationship-specific knowledge co-created within the relationship.

Forms of knowledge acquired by SME fashion firms evolved in a predominantly unplanned manner, and did not follow a strategy to acquire new knowledge, instead focusing on existing knowledge possessed by the firm. Knowledge acquisition often arose from serendipitous opportunities, for example, in the case of Beats Clothing where competitor information was
revealed through one of their retailer’s sales assistants. The findings of this research suggest that firms can be more effective in acquiring knowledge by adopting the model illustrated in Fig 9.3.2 to evaluate the forms of knowledge required, which will then inform the firm of the sources that the firm can acquire this knowledge from.

As SMEs typically lack the resources needed for internationalisation, this research asserts how SME fashion design firms can acquire an important resource (knowledge) to assist with the firm’s internationalisation process. This research suggests that in a highly globalised environment with limited resources, knowledge is power for the SME. This study therefore suggests that firms should establish a clear understanding of the forms of knowledge required during inception to evaluate the forms and sources of knowledge required to strengthen the firm’s resource capability. The model developed as a result of this research (see Fig 9.3.2) helps to explain how firms with little knowledge and experience can acquire knowledge and skills, and become consciously aware of how various sources of knowledge might assist with the firm’s internationalisation process.

The findings of this research also support several findings of the NZTE study conducted by Nielsen (NZTE, 2008) which revealed the reluctance of New Zealand businesses to form partnerships with international businesses. According to the literature, and supported by this study, firms form stakeholder relationships to acquire knowledge which will help the firm to internationalise. Knowledge-intensive firms, in particular, acquire the technological knowledge required to allow the firm to learn and develop new knowledge quickly, which acts as a sustainable source of competitive advantage for the firm.
9.0. CONCLUSIONS AND IMPLICATIONS

9.1. Review of the Research Process

This study was conducted within the context of the New Zealand fashion industry and addressed the lack of research into how internationalising SMEs acquire knowledge about the internationalisation process. The main research question was defined as:

**How do New Zealand small to medium-sized fashion firms acquire knowledge about the internationalisation process?**

To address this specific research question, an extensive review of the SME internationalisation and organisational knowledge and learning literature was conducted.

Upon reflection of the literature, it was found that there was a research gap with respect to how New Zealand SME fashion firms acquire knowledge during the internationalisation process. The literature described several key forms of knowledge for the SME including technological knowledge, market knowledge, internationalisation knowledge, relationship-specific knowledge and expert knowledge.

9.2. Conclusions about the Research Questions

The findings of the literature review revealed a specific research gap for this study. Several supplementary research questions were also developed to support the primary research question. These included:

**Sub Questions:**

1. *Which forms of knowledge do these firms acquire?*
2. *Which sources do these firms acquire knowledge from?*
3. *How do these forms of knowledge evolve?*
4. *How do other actors (e.g. network partners, staff, investors, trade development organisations) help the owners and senior managers of these firms to overcome a lack of internationalisation process knowledge?*
This research was guided by a post positivist critical realist perspective, which influenced the ontological, epistemological and methodological assumptions of this research. Based on the proposed research questions and framed by the researcher’s world view, a multiple case study method was employed.

The selection of case study firms followed a theoretical purposive sampling technique within the population of New Zealand SME fashion firms. Data was collected during semi-structured in-depth interviews with the founders and business owners of each of the fashion firms. After transcribing the data, accounts of participants were used to create a case study of each firm following a process of thematic analysis (Braun & Clarke, 2006) which involved coding and organising the data into main themes, along with documentary evidence to triangulate responses (see Appendix F). Following analysis of each case study, a cross-case analysis was conducted to compare similarities and dissimilarities between cases. This analysis uncovered insights about the forms of knowledge firms acquire, and from which sources, along with the forms of knowledge that New Zealand SME fashion firms currently lack.

**9.3. Contributions and Implications for Theory**

This research extends the limited literature on SME fashion firms to offer new insights into how SMEs acquire knowledge during the internationalisation process, which has the potential to inform both internationalisation theory and management practice.

A review of the internationalisation and organisational behaviour and learning literature revealed a lack of comprehensive literature integrating the forms of knowledge which SMEs acquire during the internationalisation process. For example, in the internationalisation literature, Fletcher & Harris (2012) described market knowledge, technological knowledge and internationalisation knowledge however the authors did not describe relationship-specific knowledge (Ballantyne, 2004) or expert knowledge (yet described this as grafted experience). Therefore this study has borrowed from other literature streams to provide a more comprehensive overview of the knowledge literature.

This study offers a new perspective on knowledge in the SME internationalisation literature by explicitly exploring knowledge forms and sources, and by recommending and extending the use of the Six Markets Model (see Fig. 9.3.2) adopted from the relationship marketing
literature (Payne et al., 2005). Fig 9.3.2 illustrates the findings of this study and the literature combined.

Fig. 9.3.2 SME acquiring knowledge during the internationalisation process

![Diagram showing knowledge acquisition during internationalisation process]

As the relationship marketing literature has suggested (for example, see Ballantyne, 2004; Gronroos, 1999), without interaction and the exchange of knowledge between firms, the firm’s stakeholder relationships would not exist. Therefore knowledge represents an important intermediate dimension that has not previously been illustrated conceptually. This study offers a new perspective on knowledge, and learning how to get it in the SME internationalisation literature by reconceptualising and extending the Six Markets Model.

The above model (extended from Payne et al. (2005) in Fig. 9.3.2) conceptualises how New Zealand SME fashion design firms acquire knowledge, and from which sources during the internationalisation process. This model frames the findings of this research, which suggest that SME fashion design managers should evaluate the forms and sources of knowledge that the firm has, and the forms and sources of knowledge that the firm requires before approaching potential partners (e.g. suppliers) and other stakeholders (e.g. agents, retailers,
distributors) to acquire this knowledge. This model therefore helps to explain how SMEs without prior knowledge might acquire the knowledge needed for successful internationalisation.

According to the findings of this research, SMEs that lack expert (or specialist) knowledge can review the efficacy of sourcing this knowledge through potential customer markets and supplier markets, but also through internal markets, referral markets, influence markets and/or recruitment markets. This finding suggests that expert knowledge can be captured by hiring an external consultant, or by employing someone with specialist knowledge within the firm. Additionally, SMEs that lack relationship-specific knowledge can capture this knowledge from any of the six market domains. However as relationship-specific knowledge is unique to those involved in the relationship, it is harder to anticipate what value that knowledge will contain when it is co-created as the co-creation of relationship-specific knowledge is constantly evolving and devolving through new interactions.

SMEs that lack internationalisation knowledge can acquire this knowledge from perhaps unexpected sources. These sources include: internal markets, referral markets and influence markets. To illustrate this finding, government agencies such as NZTE possess internationalisation knowledge due to their regular involvement with New Zealand exporters. These stakeholders therefore have access to a broad scope of international and industry information to assist firms during the internationalisation process. Another way of acquiring internationalisation knowledge can be realised by employing entrepreneurs who have international business experience - albeit in a different industry or international market. The skills and experiences developed as a result of the entrepreneur’s experience add to the internal resource of the firm. This resource is very important for firms as internal internationalisation knowledge is very difficult for competing firms to imitate.

Through the case studies reported, it is evident that market knowledge was acquired from three of the “six markets” including: customer markets, supplier markets and recruitment markets. Through the recruitment of agents and local people within foreign markets, these appointments helped with the acquisition of market knowledge.
The findings of this research suggest strongly that knowledge about the macro-environment can be acquired from influence markets, with an example being government agencies. Similar to internationalisation knowledge, government agencies hold extensive industry knowledge, as well as international business knowledge, and have access to powerful data analysis tools to provide insights about the global marketplace.

9.4. Managerial Implications

This study has a number of applied implications for New Zealand fashion design managers and the New Zealand fashion design industry.

i. The model shown in Fig 9.3.2 may assist fashion design managers with their strategic planning, and the internationalisation of the firm.

ii. This research may inform aspiring fashion design managers of the forms and sources of knowledge required for internationalisation, which may assist with the recruitment process (e.g. employing people with international, specialist experience) to build the firm’s resource capability.

iii. This research may also inform prospective small business owners about the necessary forms of knowledge needed to internationalise, and the sources of knowledge that can assist firms to achieve their goal of internationalisation.

This study also presents valuable insights into the New Zealand fashion design industry for the New Zealand government, and government agencies such as New Zealand Trade and Enterprise (NZTE), Fashion Industry New Zealand (FINZ) and local councils.

i. Government agencies can provide fashion firms with tools such as the model developed in this research to illustrate how these firms might acquire knowledge.

ii. Government agencies such as local councils and NZTE can use the findings of this research to understand the role that different stakeholders play in providing different forms of knowledge to fashion SMEs, in particular, the role of government agencies in providing internationalisation knowledge.

iii. This research also informs local councils and government about the constraints faced by SMEs during internationalisation. Therefore these government agencies can
address how to create better conditions for SME internationalisation, which will therefore contribute to increased economic benefit for the New Zealand economy.

9.5. Limitations

This study was limited to one context, the New Zealand fashion industry.

A limitation of the research is that the number and type of selected cases imposed a limitation on the generalisability of the findings of this research. Four case studies represent a small proportion of SMEs within the fashion industry however conducting multiple case studies is labour-intensive and results in a significant amount of qualitative data, which makes the analysis more difficult (Yin, 2003) therefore it is necessary to limit the number of case studies conducted. Moreover, this study has found replication in the data provided by case participants hence there are grounds to expect external validity for the results.

A second limitation is that this study is not generalisable to the wider population as only four case studies were conducted. However as the research question was designed to explore how firms learn to acquire knowledge, the rich qualitative data and context collected from the case study adds depth to the findings of the research.

A third limitation of this study is that for firms to participate in this research project, participants were required to meet certain criteria. These criteria included:

iv. The participants must be the founder or manager of a New Zealand SME fashion firm
v. The participating firm must have internationalised into at least one foreign market.

To understand more about why SMEs don’t internationalise, it would be beneficial for future research to expand the criteria to include New Zealand SME fashion firms that have not yet internationalised, as well as firm that have internationalised after gaining the requisite types of market, internationalisation, and other forms of knowledge summarised in Fig 9.3.2. However this topic is beyond the scope of this study, which was more focused on how SMEs acquire knowledge during the internationalisation process.
9.6. Future Research

There are several recommended areas of future research. Future research should test the use of this newly developed conceptual model (Fig 9.3.2) as a way of reconceptualising and extending the Six Markets Model (Payne et. al., 2005) in different contexts (e.g. other industries where SMEs comprise a significant proportion of the economic structure).

Further studies should also examine the perspectives of other “markets” (i.e. stakeholders) involved in the Six Markets Model (Payne et. al., 2005) such as suppliers, retailers, agents and government agencies to understand the forms of knowledge they possess, as well as the knowledge they currently lack. Future research would also enable the investigation of stakeholder-based marketing approaches and the impact of such dimensions as commitment, trust and bonds.

Future research could also examine the research topic through the perspective of an interpretivist/constructivist worldview. An internal insight (participant-observation method) would allow the researcher to experience first-hand how knowledge is acquired during the firm’s internationalisation process. This could be achieved by completing an internship with an internationalising SME.

At the other end of the philosophical spectrum, future quantitative research could also help assess the generalisability of the current findings. In particular, future research should include a statistically representative sample of New Zealand fashion design firms.
10.0 REFERENCES


Tan, F. (2013). Online Shopping: How China Leads the Boom at Virtual Checkouts, Knowledge@Australian School of Business (May 07, 2013), Retrieved 5 April 2015 from: http://knowledge@asb.unsw.edu.au/printer_friendly.cfm?articleid=1774


11.0. APPENDICES

Appendix A: Ethical Approval Information Sheet

How do New Zealand fashion firms learn to internationalize with limited information?

INFORMATION SHEET FOR PARTICIPANTS

Thank you for showing an interest in this project. Please read this information sheet carefully before deciding whether or not to participate. If you decide to participate, we thank you. If you decide not to take part there will be no disadvantage to you and we thank you for considering our request.

What is the Aim of the Project?

The following project aims to understand how New Zealand fashion firms learn to internationalise with limited information. This project is being undertaken as part of the requirements for Brooke Lowry’s Master of Business degree at the University of Otago.

What Types of Participants are being sought?

Several fashion firms are being sought to participate in the research. Firms are being sought based on meeting the following criteria:

- The participant must be a New Zealand designer who is established in the NZ market
- The participant must produce fashion garments that are designed in NZ
- The participant must have international experience in an overseas market
- The participant must be willing to explore further opportunities overseas

As a result of participating in this research, you will be helping to advance academic research on the internationalization of the New Zealand fashion industry. This research project has also been designed to inform government about how New Zealand fashion firms internationalize and any learnings will be published to communicate how the New Zealand fashion industry can be improved from the
perspective of four established New Zealand fashion firms.

In the event that this publication is entered into an academic journal, the company name and
information will also be publicized. Please indicate on the consent form if you do not wish to include
this information in the published version.

What will Participants be asked to do?

Should you agree to take part in this project, you will be required to participate in an in-depth
interview for a period of 20-30 minutes, which will be recorded by the researcher. For clarification of
any issues that are unclear from the in-depth interview, a brief follow up interview may be required.
Please be aware that you may decide not to take part in the project at any time without any
disadvantage to yourself.

What Data or Information will be collected and what use will be made of it?

The information collected during these interviews will be recorded as part Brooke Lowry’s Master of
Business thesis in order to better understand how New Zealand fashion firms learn to internationalize.
Participants will be audio-taped during the interview with the researcher so that the researcher can
participate in an informal discussion with the participant and answers can be revisited at a later point
when analysing the data.

This project involves an open-questioning technique where some questions are not preconceived prior
to the interview. The general line of questioning includes the internationalisation of your business and
how international opportunities have come about. The precise nature of the questions which will be
asked have not been determined in advance, but will depend on the way in which the interview
develops. Consequently, although the Department of Marketing is aware of the general areas to be
explored in the interview, the Committee has not been able to review the precise questions to be used.
In the event that the line of questioning develops in such a way that the participant feels hesitant or
uncomfortable, you may decline to answer any particular question(s) and/or may withdraw from the
project without any disadvantage of any kind.

The information gathered will have restricted access by the researchers and the Department of
Marketing at the University of Otago. The data collected will be securely stored in such a way that
only those mentioned below will be able to gain access to it. Data obtained as a result of the research
will be retained for at least 5 years in secure storage. Any personal information held on the
participants such as contact details, audio or video tapes, after they have been transcribed may be
destroyed at the completion of the research even though the data derived from the research will, in most cases, be kept for much longer or possibly indefinitely.

The results of this research project may be published and will be available in the University of Otago Library (Dunedin, New Zealand) however every attempt will be made to preserve your personal anonymity.

Will Participants have the opportunity to correct or withdraw the data/information?

Participants will have the opportunity to review and correct the data and information before it goes to be published. This will be likely to occur prior to the conclusion section of the document being finalised and may be several weeks following the date of interview.

Participants will be also be given access to the final results of the study.

Can Participants change their mind and withdraw from the project?

You may withdraw from participation in the project at any time you feel uncomfortable with answering a question and without any disadvantage to yourself.

What if Participants have any Questions?

This proposal has been reviewed and approved by the Department of Marketing at the University of Otago. If you have any questions about our project, either now or in the future, please feel free to contact either:

Brooke Lowry (Student Researcher) or David Ballantyne (Project Supervisor)
Department of Marketing Department of Marketing
03 479 8985
BrookeLowry@windowslive.com David.Ballantyne@otago.ac.nz

This study has been approved by the Department stated above. However, if you have any concerns about the ethical conduct of the research you may contact the University of Otago Human Ethics Committee through the Human Ethics Committee Administrator (ph 03 479-8256). Any issues you raise will be treated in confidence and investigated and you will be informed of the outcome.
Appendix B: Participant Consent Form

How do New Zealand fashion firms learn to internationalize with limited information?

CONSENT FORM FOR

PARTICIPANTS

I have read the Information Sheet concerning this project and understand what it is about. All my questions have been answered to my satisfaction. I understand that I am free to request further information at any stage.

I know that:

1. My participation in the project is entirely voluntary;

2. I am free to withdraw from the project at any time without any disadvantage;

3. Personal identifying information including voice recordings and written notes will be destroyed at the conclusion of the project but any raw data on which the results of the project depend will be retained in secure storage for at least five years;

4. I acknowledge that this project involves an open-questioning technique. The general line of questioning includes the internationalisation of your business and how opportunities to internationalise have arisen. The precise nature of the questions which will be asked have not been determined in advance, but will depend on the way in which the interview develops. In the event that the line of questioning develops in such a way that I feel hesitant or uncomfortable, I may decline to answer any particular question(s) and/or may withdraw from the project without any disadvantage of any kind.

5. I understand that if I feel hesitant or uncomfortable throughout the interview process, I have the ability to decline to answer or to withdraw from the research without disadvantage of any kind.

6. For my contribution to this research, I will receive a gift of recognition.

7. The results of the project may be published and will be available in the University of Otago Library (Dunedin, New Zealand) but every attempt will be made to preserve my anonymity.

I give permission for the researcher to include the following information in the completed publication: company name, number of employees, geographic location, your position and company experience.

I agree to take part in this project.

.........................................................................................................................
(Signature of participant) (Date)

.........................................................................................................................
(Printed Name)
Appendix C: Ethics Application Form

UNIVERSITY OF OTAGO HUMAN ETHICS COMMITTEE
APPLICATION FORM: CATEGORY B
(Departmental Approval)

Please ensure you are using the latest application form available from:
http://www.otago.ac.nz/council/committees/committees/HumanEthicsCommittees.html

1. University of Otago staff member responsible for project:
   Ballantyne       David
   Gray             Brendan

2. Department/School:
   School of Business

3. Contact details of staff member responsible (always include your email address):
   Associate Senior Professor David Ballantyne
   David.Ballantyne@otago.ac.nz

   Senior Professor Brendan Gray
   Brendan.Gray@otago.ac.nz

4. Title of project:
   How do New Zealand fashion firms learn to internationalize with limited information?

5. Indicate type of project and names of other investigators and students:
   Staff Research
   Student Research    x
   Level of Study (e.g. PhD, Masters, Hons) Master of Business

   Brooke Lowry

   Name

   Name

   Name

   Name
6. **When will recruitment and data collection commence?**

   1 May 2015

**When will data collection be completed?**

   18 May 2015

7. **Brief description in lay terms of the aim of the project, and outline of the research questions that will be answered** (approx. 200 words):

   The following research project aims to understand how New Zealand fashion firms learn to internationalise with access to limited information and resources. The fashion industry is currently understudied in academic literature and receives little attention in New Zealand government export documents. Previous internationalisation literature has focused primarily on how SMEs learn however internationalisation research has not focused on the New Zealand fashion industry and how New Zealand fashion firms learn to internationalise with limited information and resources.

   Key research questions for in-depth interviews will include the following:

   - Tell me about your company
   - When did you first decide to take your company international?
   - What is your current business plan for taking (insert firm name here) international?
   - What were some of the challenges that you faced after entering the (overseas market)?
   - How do you plan to cater for a substantial increase in demand from overseas markets?
   - How many employees do you currently employ? What are the positions that these employees currently hold? How many management, design, production, sales positions?
   - Have you thought about how this structure would change when entering international markets?
   - What advice would you give other fashion firms following in your steps about entering international markets?

   Other questions will follow the means-end chain laddering technique (why) in order to get more in-depth answers from the participants on the topic of internationalisation.
8. **Brief description of the method.**

Qualitative research will be undertaken to compile four case studies of NZ fashion firms. The research is designed to understand both why NZ fashion firms internationalize as well as the types of resources they use during the internationalisation process. Two to three members of each organisation will be interviewed in order to triangulate motivations and events related to the company’s strategy and goals for internationalisation. Participants will be asked questions about their fashion firm and its journey to internationalization. The findings of this research will be used to inform the New Zealand fashion industry and government on how these firms and other similar industries can learn to internationalise with limited information and resources.

Firms will be recruited using a non-probability sampling technique. Purposive sampling will be used to determine participating firms as each firm will be chosen based on specific characteristics. Each participating firm in this study will need to meet the following criteria:

- The participant must be a New Zealand designer who is established in the NZ market
- The participant must produce fashion garments that are designed in NZ
- The participant must have international experience in an overseas market
- The participant must be willing to explore further opportunities overseas

Each participant will participate in an in-depth interview consisting of approximately 20-30 minutes with the researcher involving key questions mentioned in the first section. The means-end chain laddering technique will be applied in order to capture further detail of events and topics raised by the participant.

9. **Disclose and discuss any potential problems:**

It is acknowledged that there may be sensitivity issues around sharing information about the firm’s business strategy however participants will be given the opportunity to decline to answer questions that they feel uncomfortable answering. Participants will also be given the option to consent to personal information being published on the consent form.

*Applicant's Signature: .................................................................

**Name (please print):**

**Date:**

*The signatory should be the staff member detailed at Question 1.*
Appendix D: Interview Topic Guide

Topics of questioning included:

- Tell me about your company
- When did you decide to take your company international?
- How would you describe the Dunedin/New Zealand Fashion Industry?
- Do you have a business plan?
- In your experience, what makes your brand different?
- Do you believe you have an advantage as an international designer, being from New Zealand? Why/why not?
- Were you worried about anything before you went international? Why/why not?
- What are some of the challenges you’ve faced?
- How did you get around that?
- How did you get to where you are now?
- How did you find out about that?
- If you could do it all again, what would you do differently? Why?
- How many employees do you have?
- Have you had the help of any government agencies with going international?
- As a percentage, how many of your total sales would you say you export?
- Do you sell online?
- As a percentage, how many of your online sales would you say you export?
Appendix E: In-depth Interview Transcripts

**Participant One – Streetwear Designer – Beats Clothing**

**Researcher:** So let’s just start with you telling me a bit about Beats.

**Participant One:** Alright. Well Beats began about 4 years ago in 2010 or 2011. I graduated in 2009 and took one year before I started making clothes. I worked part time to afford to start sewing and buy materials. Initially I started a womenswear line with another girl but it fell through because she was working full time.

I started off making clothes for Participant Two’s mates and then put clothes up on Facebook every week then Participant Two was like, no you can take this a step further, and so we started making sales outside of Facebook so we started our own collections and approached our first store (stockist).

**Researcher:** Cool. How would you describe the Dunedin Fashion Industry?

**Participant One:** The Dunedin Fashion industry is more formal than Beats clothes, most stuff has a darker style. The Beats brand was imagined for Australians in particular New Zealanders living in Australia.

**Researcher:** Would you say that Dunedin fashion designers work together?

**Participant One:** I don’t have many relationships with Dunedin designers, more buyers in stores as you get a lot of info on other designers through stores. We haven’t really put ourselves in the Dunedin fashion circles.

**Researcher:** Oh ok. Have any of your friends from design school created their own companies?

**Participant One:** No one really has. There were some girls in Melbourne working in more established fashion firms, some are working in PR firms in Auckland. From
graduating school most have the idea that they will work for someone else but it doesn’t always happen.

**Researcher:** Good on you. How would you describe the New Zealand Fashion Industry?

**Participant One:** I consider myself more a streetwear designer than a fashion designer... New Zealand is so little. The New Zealand industry is extremely creative, more risk taking with design, a lot more crazy. I think that’s why New Zealand gets seen on the bigger scale.

**Researcher:** Have you worked with any other New Zealand designers?

**Participant One:** Nah we don’t really have any relationships with other NZ firms. The streetwear market is very competitive, like almost your enemy. Once we were threatened by one of the labels. It’s like you begin as enemies and never as friends.

**Researcher:** Oh ok. Who would you say your competitors are?

**Participant One:** Um I’d say Competitor A, Competitor B, Competitor C, Competitor D, Competitor E was but now they are classed in the higher quality bracket.

**Researcher:** How did you decide to take Beats international?

**Participant One:** We didn’t really. It was more like the market chose for Beats to go into the Australian market. We had people approaching us on Facebook in 2014. They were mostly from the Gold Coast including one stockist based in the Gold Coast. There is a big market over there. There are a lot of New Zealanders working in mines.

We got lots of feedback through Facebook. I think what happened is lots of stockists were getting customers approach them wanting to buy Beats and so then the
stockists felt like they had to approach us. We trusted stockists by looking at other brands they stocked and asking, are these the kind of brands we want to be placed with? They were the same sort of styles and brands stocked in NZ.

**Researcher:** How would you describe the Beats brand image?

**Participant One:** On trend but inventing new ways of streetwear. We do a lot of experimentation. The clothes are designed to be weird, grab attention, people either love or hate among the public.

**Researcher:** Were you worried about anything before selling to Australia?

**Participant One:** Not really worried about anything, maybe Participant Two was about the money and distance and losing stock. Not really though. Money problems I guess like the New Zealand versus the Australian dollar and the mark up is cheaper it’s not as much as in New Zealand. Australians still can buy from the New Zealand site but Australian prices are cheaper because there’s more stuff to choose from.

**Researcher:** Oh ok. Cool. What were some of the challenges you faced after you started selling to Australia?

**Participant One:** The climate was a big one. Like in New Zealand, we make a lot of sweatshirts, and pants are important. Denim and the weight of clothes is an issue in Australia. They don’t want to see sweatshirts or hoodies, we’re designing for a different country and forget about it.

**Researcher:** Has that changed what you design?

**Participant One:** You have to carefully consider your fabric choices before selling to the Australian market, that’s for sure.
**Researcher:** Where do you source your fabric from?

**Participant One:** We purchase our fabrics from China but we can’t get a hold of them again. We’ve bought from China before, paid cash and just trusted them to send it but then we got contacts from Hong Kong who were able to email the Chinese. Now we get our fabrics from Hong Kong, which is a little more expensive than China but are more reliable.

Initially we bought fabric in New Zealand but fabric wholesalers don’t do fabrics that suit menswear but more ladies. When we were buying from them, we found that the clothing ripped. So we either had to quit or find fabric, which is what led us to China.

**Researcher:** What made you decide to go with China?

**Participant One:** Participant Two got hold of someone in China to tour us around and talk to us before we went over there. But being unprepared, we entered China without visas and missed our meeting, so we had to get visas and go back. We ended up having to use Google translator to talk, which was really unprofessional. Participant Two researched the Chinese market before we went by looking on the Internet at blogs and fabric markets at the bottom of China.

**Researcher:** Oh yeah. Do you have a current business strategy for going international?

**Participant One:** We are a wee bit naughty because we need to change our plan if we want to push internationally. We really need to get production in order to get everything made in time. Timelines have been a problem in the past. We need our marketing to be more proactive and to go on a big sales trip.

**Researcher:** Oh ok. What do you think has been part of your success to getting to where you are today?
Participant One: I think people wanting it. Like for a while our stock kept selling out. We had New Zealand celebrities like The GC boys wearing Beats Clothing, Facebook and Facebook advertising has also been really helpful in getting that awareness out there.

The GC boys actually approached us through Facebook. We were making lots of noise on Facebook doing stupid stuff and posting stuff just to get attention. We also got league players and Kimbra’s drummer to wear Beats during his tour throughout the States.

Researcher: Oh ok. That’s really cool. So if you could start all over again is there anything you’d do differently?

Participant One: It would be so easy to go ‘we’re in the right season, 6 months out, we design, we sell it, we know where to get fabric from, we’re not going to spend all this money on things we didn’t know about, and to approach everyone professionally. We haven’t even made business cards. To stop and start over again with everything you had would be sweet. A lot more organized.

Researcher: Haha cool. What advice would you give aspiring fashion designers about going international?

Participant One: I don’t know. It costs a lot more than you think? Good money backing would be good, and to get everything organized before spending anything. We jumped in there and made mistakes. A lot of mistakes were through fabric disasters, being on the wrong bandwagon of selling and making. We were always chasing our tail. We had raised so much awareness that we had to keep producing each season and one to two of us couldn’t do it. I think the biggest issue was that if we had the fabric from the start we would have saved so much money because we paid ridiculous amounts for stuff when we ran out of time. We kept running out of denim at one stage that we had to get some from Australia. The orders were committed to but weren’t really worth it money wise in the end.
Researcher: Have you had any help from anyone with forming your strategy and going international?

Participant One: Not really any help from anyone. I don’t really know much. I’m aware of the fashion incubator at Otago Polytech. I saw the lady at Polytech when I was working on the womenswear line. We learned the outline structure of a start-up but nothing in detail, apart from that not really. We’ve been kind of winging it.

We talked to a lady from the council once but we didn’t go back because we were too busy and forgot about it. We really need to get some other people in so we can focus. Sometimes we get a bit lost.

We want to go offshore with production in China so we cut out the backwards and forwards of fabric and wastage. We’re doing it in New Zealand at the moment because we don’t have big orders. If we go on the sales trip and realize we have a lot of orders then we will look to produce a lot more in China but doing it around the other way is a bit dodgy because we’ve been growing without holding stock, we’ve kept the label exclusive because we’ve never had to have a sale because we don’t have leftover stock, which made us be able to grow more easily as money wasn’t tied up in dead stock. So we’ve been good to get away with it so far.

We want to cater to more stock, be more organized and set deadlines so that we can go with bigger production in China. That will depend on if we can get the bank to lend us more money though. We’ve heard some labels get the sponsor from the factory who pay them once they’ve been paid, and pay them after brands have paid them which will be amazing, otherwise you have to round up money for orders. We are considering doing deposits, typically you get paid way after (20th of following month but they never meet that deadline to pay) and then wait two months because you need to buy fabrics in advance.
**Researher:** How many employees do you have at the moment?

**Participant One:** Just two of us. Participant Two and I work full time but we’ve also got two outworkers and one back up contract sewer but we may need more or to go back to the factory.

Our outworkers are middle-aged ladies who want something to keep them busy. I show them how to sew them and they take bundles away to happily sew it at home then drop it back. It has worked out well and they have gotten through more than we thought they would.

**Researher:** Do you have any sales staff?

**Participant One:** No. We do everything else but we should probably have more people. We do sales trips and introduce new styles and collections to people and new stores, Participant Two has the sheets where they mark off what they like and don’t like and we do it that way. Another way we could save time is to get a sales person in.

**Researher:** So how do you usually approach stockists then?

**Participant One:** Participant Two usually emails stockists and arranges times to meet in person. It’s good if they’ve contacted you first, not if you just email them. It does not look very flash because we have Hotmail accounts at the moment, we don’t have email signatures, which is an issue we need to work on. We need a more professional approach where we approach them. Emails not usually received very well. We’ve got lucky and people have approached us so now we need to work on how we approach them. We’re not very good at explaining ourselves versus them already seeing us.

**Researher:** Do you know how much, as a percentage, you export out of your total sales?
Participant One: I think we export 20% just in Australian market. We’ve got three chains with one store Retailer D, one in Melbourne, Calgooly and one in Townsville. Retailer D sells products online and in-store. The Retailer D guy has an e-commerce store that he treats separate from the store. I think he approached us about our clothes first. He saw our clothes on one of The GC dudes who shops at his store. He’s a proactive advertiser who’s done a lot. It’s done a lot having him advertise us as well.

Researcher: Have you experienced many cultural differences selling to the Australian market?

Participant One: Yeah definitely. Aussies are a lot different, they’re a lot more safe. The clothes that we send over are tame for Beats but they’re even tamer. In Melbourne store they say, “Omg I’ve never seen this before. Do you think anyone would wear it?” to salespeople. They tend to like neutral, plain tones. If we want to do more in that market we need to tone it down a bit more. They’re quite dressy in Melbourne...

Beats followers want the crazy new thing, they’re always looking for new thing. Melbourne people are fashion followers. The trendsetters are the Kiwis working in Australia. They make our product ‘acceptable’ in Australia. When we do our sales trips, we ask stockists what sells well in their store, we do a bit of people watching, what other stores are around, stalk people.

Researcher: Do you have any Beats ambassadors?

Participant One: I’m not sure. Not really. Haven’t really looked into it. We’ve got the one dude who started the new 2 wheel crazy sport, a new board that’s been invented that’s supposed to be a cross between snowboarding surfing and skating. He wanted us to sponsor him so we went along with it because we thought it suited our experimental style so we share some of his videos (on Facebook) and its going alright, so he’s a better rep for us rather than the league players because he’s
representing the younger market. Will be quite useful pushing it that way. More extreme sporty people more inclined to wear extreme outfits.

**Researcher:** Cool. Can you tell me a little bit about you iD Dunedin Fashion Week Collection you’ve got there?

**Participant One:** Sure. The collection is based on the idea of ‘forged in the darkness’, and how athletes don’t become successful on the podium, they become successful in all the hours they put in behind the scenes, so forged in the darkness, not out on the podium under all the lights. I was going with the idea of contrasting colours so black and bright pinks and crazy patterns. I kind of wanted a more warrior idea so I went with camo etc. and training. The training idea as in the army look, pockets on knees, camo pattern, leather, more warrior-like which has been inspired by movies such as Hunger Games such as the lights on finale outfit. It’s like coming out of the darkness and gives you that sense of hope that you have when you’re working behind the scenes and that you’re heading towards the end goal.
Participant Two - Business Manager - Beats

Researcher: Let's start off with you telling me a bit about Beats.

Participant Two: Ok. Well Participant One started Beats when she was at Polytech, just after Polytech. She started making clothes, hoodies for my friends who took an interest and started buying. It wasn’t exactly what Participant One necessarily wanted to do, menswear but it was working. She was doing it at nights and stuff.

We got our first shop at Retailer A in town (Dunedin) and that was the start of having a more full time approach. We went to every surf shop in town: Retailer B, Retailer C, Retailer A and the first few attempts were no good. We got sent away. We were completely in the wrong season. We didn’t know what the buyer wanted so we took a whole rack and assumed the buyer would pick out what they wanted. We went into shops to look around and asked whoever was behind the counter, who’s your buyer and what do you have to do to get in to the shop? Do you stock NZ brands and that? Retailer A was really helpful. They gave us lots of advice and weren’t just like come back in six months and didn’t send us away. Owner A and Owner B the owners were really good, they’ve been with Retailer A for 3-4 years in Dunedin but Owner A worked for Retailer A in Queenstown before that. They’re really good buyers. They know what’s selling and trending and they’ve got all the good brands in there now.

Researcher: That’s great. Can you describe the Dunedin fashion industry for me?

Participant Two: Dunedin fashion is probably more casual than up north than everywhere else we’ve seen. A lot of people will wear hoodies and things, whereas in Wellington people wear shirts and suits and dresses up a lot more formally, people down here are a bit more willing to take a risk, wear something more unique.

Researcher: Ok so what about the New Zealand fashion industry. Is it different from Dunedin?
**Participant Two:** The New Zealand fashion industry is way different to Australia. Australian gear is stock standard in shape and neutral. Board shorts and t-shirts are what most guys would wear over there. In NZ fashion labels feed off of each other’s style and all sort of do different things to what I’ve seen overseas.

**Researcher:** Do fashion designers tend to share ideas with each other?

**Participant Two:** In Dunedin, I don’t know about sharing ideas. We’ve met Designer A from Design Company A and Designer B from Design Company B. Like you can go and have a yarn to them but it’s not sort of a collaboration type of thing. Design Company B have gone out of the fashion scene and more into artwork, not sure what Design Company A are doing these days. We’ve met Designer C from Design Company C as we bought our sewing machines from her. Not so much information sharing. It’s almost like people have a theory in their head about there’s not enough to go round so you’ve got to compete against everyone else when in reality, in the fashion world it’s a unique sort of product anyway. Your brand’s got its own unique values and you’re never really going to have an identical brand or clothing to anyone else are you?

**Researcher:** How did the opportunity come about to start selling overseas?

**Participant Two:** We got approached by Retailer D who sent a message on Facebook who just stocks New Zealand brands in Australia because of a lot of New Zealanders over there. He saw the opportunity and tried to be only New Zealand brands stockist in Australia. We didn’t agree to this ‘cause we wanted to get more stockists and didn’t want to place all of our reliance on him. We’ve been with Retailer D since Sept 2013.

**Researcher:** How is he performing in Australia?

**Participant Two:** It was going really well. He’s really good at marketing in Australia and has got a good customer base throughout Australia who are mainly New
Zealanders working/living in Australia. They’re online too. Through their marketing, we’ve ended up with shops and sales through our online store – been going really well. Retail tends to do better sales-wise than online. Retailer D puts in separate orders for online vs physical store. Online store similar size to retail stores in isolated places... He actually got in trouble recently and didn’t pay us. He’s only just paid now since our November orders. We didn’t budget for that but we’ve still got to buy our fabric and pay for next season made. He didn’t reorder because he was basically broke but I think he’s alright now. They’ve turned it around now. They’ve pretty much cleared all their stock and they’re starting fresh. Retailer D is biggest Beats stockist in Australia.

Researcher: What do you think it is about him that makes the store such a success for Beats?

Participant Two: It’s his marketing, he sells a lot more than the other stores. He’s got three stores. It’s interesting to think about that because there’s another shop that we had in Townsville, which were more modeled similarly to Retailer D but it didn’t work there and they went under in 6 months so I think he knows his customers a lot better than other people. He gets things in that we go, ‘does that really fit with our brand, other brands he stocks, but he knows his customers in Brisbane and he knows exactly what they want so when he orders, he almost knows specifically. He’s really good with what he buys. Whereas other shops will just take your range and go size-range for everything, you know that’s not going to work koz they don’t know what they’re buying for. He knows his customers and his product well. We want to see him and he went through half of our range and went ‘my customers won’t buy that’ straight away whereas others look at your range and they don’t know so they just order everything. We get the sales but for them it’s not a good idea koz they’re still just testing it – they don’t really know. I guess it’s the only way you find out but even right from the word go, he knew what his customers would buy even before he even tried our stuff in store. It’s pretty good.
Researcher: Were you worried about anything before going international?

Participant Two: No, not really.

Researcher: Why weren’t you worried?

Participant Two: I can handle the customers and the accounting side of things. Then it’s just the freight in between and they do the selling for you over there so it’s not really that different for us to sell to Australia than it is to sell to Auckland. And they pay the postage anyway.

Researcher: Why did you decide to pursue stockists to sell your gear?

Participant Two: Because of the cost of setting up a store, and by the time you pay rent, workers, stock. You’re probably not going to make as much as if we just sell online to Australia, even if we’re selling less. And we have a physical store (stockist) in Australia and they do a lot of work for you dealing with customers. Ideally we don’t want to have to deal with customers, the shops deal with the customers, ideally the factory would make it and we’d just do design.

Researcher: What were some of the challenges you faced when you did enter the Australian market?

Participant Two: We’ve had problems with exchange rates, like in November when Retailer D put the orders in the dollar was around .92 and now it’s up near $1. He’s moaning and complaining saying our stuff’s too expensive, so that’s one thing. We’ve had stock get lost. We sent one to Melbourne and one to Calgooly, wrong stock. Melbourne came back to us so they didn’t get their stock for Xmas.

Importing’s an interesting one, initially we put in a trial order and they sent us a bag of rubbish, the fabric place in China, and then we couldn’t get in contact with them. We ran out of fabric because it was mid-2013, we picked up Retailer D and Retailer E
in the North Island and our sales pretty much tripled from one season to the next and we got through that but then we couldn’t get any more fabric from our NZ suppliers. We were using Supplier A and Supplier B in Auckland. There aren’t really many of them and they don’t really stock menswear fabrics. We couldn’t get enough fabric from NZ, only way we could get it was from Australia but then it was costing an arm and a leg because of the Aussie dollar and freight and everything. So we went to China.

**Researcher:** Why did you decide on China?

**Participant Two:** Because where else do you go? America was no cheaper Australia was dearer by far and didn’t have what we wanted and NZ didn’t have anything so we went over. But even then, it’s pretty dodgy. They only take cash and half the suppliers we found we can’t get in contact with them again, they don’t have email. They’ve got a shop and all the fabric you want but from here they don’t have any email, you’ve got no way of paying them no way of contacting them.

**Researcher:** Did you talk to any New Zealand designers buying fabric from over there?

**Participant Two:** Nah. Would be good to.

**Researcher:** Would you go back there?

**Participant Two:** Yeah ideally we’d want to get production over there.

**Researcher:** What do you think it would take?

**Participant Two:** We could do it now but we’d have a lot of stock left over and we’d have to sell it on sale at the end of the season. We’ve never had ‘sales’ before. So we don’t want to have to if we can get away with it. To do it properly, we’d need to be twice the size we are now, in terms of number of stockists. Because each store we
can get, another order for a season, another store, another sale, more orders for the style. If we can get our orders up for each style to the minimums for China then we’re there.

**Researcher:** What has helped you to get to where you are?

**Participant Two:** Participant One’s design. Even if you’re slightly off with colour or style you wouldn’t sell anything. There have been a few times where we’ve been pretty much ready to quit, especially last year when I was trying to work full time, study at nights and then do this as well. You’ve just got to keep going, have a goal and there’s always ways around things. Things always seem bad at the time but they’re never that bad, ya know. I quit my job end of last year to help Participant One (end of 2014), before Christmas. The company is definitely a lot better now that I’ve freed up a lot of my time, our life is a lot easier now. We can have weekends and yeah it’s great.

Participant One designs. Ideally she’d design all day, do nothing but focus on that and I’d do everything else as far as the business side goes but we need to get some people in that would be better than we would ever be at the likes of marketing to help because you can never learn everything yourself. Even though I’d like to do everything you’re better not to if you can find someone to help.

**Researcher:** Did you seek any advice for taking the business international?

**Participant Two:** Yep. We went to the council and she gave us good contacts but we never actually followed through. It’s almost that dealing with other designers, seems like they wouldn’t want to help you. She gave us contacts for people who were manufacturing in China and that so when we’re ready for it we’ll use it. She was really helpful. We probably wouldn’t go back. She gave us translators and things like that, for if we go to China, which was really helpful.

**Researcher:** Did they give you any helpful resources?
Participant Two: Seen grants and things you can get, but they don't really fit the profile for Beats looked through them. They're mostly R&D. We need most help with marketing and graphic design. We've got the design sorted, I can handle business-wise, accounting side but marketing and graphic design are where we're lacking and others have got down like photoshoot etc. Otherwise quality wise – we think we could make the same sort of stuff as other firms. We could copy if that's what it took. Just the marketing side of things.

Researcher: How is the Australian market different to the New Zealand market?

Participant Two: A lot different. A lot safer than New Zealanders. Safer in colours, neutral colours, safer in style. For example, they wouldn't wear a low crutch like down to your knees whereas in New Zealand people will. Climate is different too a lot different temperature. Australia never buy sweatshirts, obviously they wear shorts all year round sort of thing, which we don't do. Sweatshirts don't sell that many but higher price so we make more off them. They're definitely only for Winter. Summer we might sell a small percentage.

Researcher: Have you considered other international markets?

Participant Two: We got approached by a couple of guys from the Netherlands. They wanted to buy some stuff off us and take it over but they didn't have any retail experience. They were pro kite boarders. Came to NZ on a kiteboarding trip, saw our stuff in the shops. They wanted to take it back over there and go round the music festivals and that. Like Oktoberfest and those sorts of things. I looked into it and you can't actually set up stands for selling things so I'm not quite sure they thought through their plan very well. We were going to put in an order with them. We've been emailing them but I'm not sure if it's the way to go. We're probably better off just to find retail stores over there that already have the market and the right customer base.
I’ve looked into the likes of Company D online websites that sell globally, because I think that might be one way to get coverage because we tried promoting global postage worldwide ourselves and it doesn’t work because all of our audience are just in New Zealand and Australia. So our messages aren’t reaching anyone (outside of that) so if we say that, it’s a waste of time. But a website like that (Company D) that’s already got the market, people are already going on there looking for Streetwear might be a better approach. We also found a thing called Company E, one of them, they’ve got contacts with buyers around the world. There was another one, that basically we can use them for all of our own stockists as well. They can just log in and buy from them and they also send links to buyers that they think will be interested in us overseas. Based in New York. Haven’t visited. Did all demos online and got quotes and everything. There’s a bit of an upfront cost, like $6,000 a year plus ongoing monthly costs so we’re a wee bit unsure if we’re ready for it or not.

One of our competitors uses Company D, that’s sort of how we found out actually. No, one of our retailers shared with us that one of our competitors is selling via Company D. A lot of what we’ve learned has come from the retailers, pretty much everything because you don’t get anything from any other brands or that but the retailers or the sales assistants actually see everything, deal with these other brands and they know the most and they’re quite open with sharing things which I don’t think is a good thing. That’s about the only way we’ve learned.

Researcher: How many employees do you currently have?

Participant Two: Me and Participant One work full time and then we’ve got 2 outwork sewers and that’s it. Me and Participant One do a sales trip but I deal with the sales like emails and orders, invoicing and all of that sort of thing.

We’ve tried lots of different ways of approaching stockists and nothing’s really worked out well. We’ve tried emailing, have you seen our stuff before, if interested we’ll come and see you. We’ve just tried turning up at stores, if we pass a shop we’ll go in there. Start talking to the owner or buyer or whatever and show them our
clothes but a lot of the time it never works. You’re always on the backfoot when you approach them. Retailer A approached us, which shows they want our stuff. Once they’ve approached us they feel like they have to put in an order with us. If you approach them, they’re like, ‘you’ve approached me, I don’t have to make any commitment or anything.’

All the New Zealand stores are pretty much, you walk in there the owner will be there and they can make the decisions. The likes of Retailer E has a full time buyer and we went into their Mt Maunganui store and showed the sales assistant there—he passed it on to their buyer and the buyer contacted us. But it was still the buyer contacting us so we’ve never had any luck approaching buyers. That’s why we’re keen to get some help there. Retailers are our customers really. But we still have to make sure we do our part in promoting the new styles and that otherwise we won’t get the customers. Because a lot of the retailers aren’t very good at promoting their stock that they’ve got. They’ll put up one photo and say oh, Beats is in store.

Our shop in Melbourne, Retailer C (one shop), the owner’s son was a sales rep for a lot of Australian brands, he’s got contacts with a lot of stores around Australia and she said that if it goes well in her shop, then she’ll see what she can do as far as getting him to mention us to a few of his retail stores. She’s just sold it to a new girl. She’s nice but other owner had all the contacts.

Researcher: What about taking on a salesforce to promote and sell your product?

Participant Two: Online was what I really wanted to focus on this year because we can control all of the images that go out and the branding and messaging but we really need a good strategy with what actual messages we’re trying to get across and that before we get started. We haven’t really sat down and said, this is what we should and shouldn’t be doing. Setting a clear sort of strategy. I’ve thought about finding a product, that has a similar customer, maybe like R&V that has same age group, same target market that have already got their database and do some sort of collaboration.
We’ve had some good success with getting sports people wearing our gear, even Participant One’s brother with Motocross (top of the sport), we’ve always tried to be a sports brand because we can never make surf boards as good as Company F so why focus on sport and because you’re also eliminating a whole lot of other people who don’t like that. Or like different sports so we’ve always tried to focus on design as the core thing that we can compete on.

When the two-wheel board came up, we thought it’s a new thing and a lot of Participant One’s work with her design is new things that people haven’t seen before so they get a reaction. Some people like them and some people don’t. So that’s why this new sport is pretty cool you know, it’s just been invented, let’s get involved. It’s quite a unique sport and the same sort of guys that will be riding these will possibly like the clothes. And he’s going to be doing a world tour promoting our clothes and yeah we’re gonna give him some gear and he’s going to be wearing our clothes in his promo videos and all of that. So if the sport takes off, hopefully because he’s wearing our stuff we’ll get some sort of mileage out of it. And he also hangs out with some pretty cool people, famous people who ride motorbikes and skateboard and things like that.

**Researcher:** What’s the plan for Beats from here?

**Participant Two:** Me and Participant One were talking about this recently. Ideally we’d get 6-12 months from now, we’d design that season. We’d do a full sales trip, NZ, East coast of Australia, USA, Europe get all of our sales in and with a bit of luck we’d have enough orders to buy from China and get it sent home.

It could all go wrong, but if we leave enough time between to do, you’d probably fly over there to check the samples then fly back so if you left enough time for shit to go wrong and do it again then I don’t know. That would be the plan. I don’t know how we’d go about approaching American stores and that. Whether something like. The ideal way would be to find someone who’s already got contacts and whether that’s our sales rep or American brands. But they always take a cut in between.
The name is a problem, which is something we might want to change. There’s a pretty good chance we’re going to get taken to court so we need to sort that out but other than that, we wouldn’t change the product and we could use the same images and that that we use for NZ so then it’s just getting in front of the right buyers over there. Even just getting in front of one chain over there would be enough to keep us going.

**Researcher:** Have you considered selling in Asia?

**Participant Two:** Haven’t thought about Asia. It’s a tricky one. When we were there, we didn’t see anything that resembled street-wear like what it is over here. Hong Kong was the closest, but China I don’t know. It’s just a wild country ay, I can’t imagine anyone there would pay $180 for a top when they make it there for like $2 but there must be higher income people there ay there’s so many people there, I haven’t really thought about selling back to them. Just kind of categorized China as production, cheap, I don’t think that they’d get our style but I don’t actually know that.

**Researcher:** Do you have any financial goals?

**Participant Two:** We just want to make enough so that I don’t have to go back to work. Of course I’d like to build an empire but I think as soon as we got back to China money’s not going to be a problem, just because the margin’s are ridiculous. If we started today, we would design the season 12 months ahead, we’d do a full sales trip and go straight to the factories. Cut out all of the mistakes we’ve made. It’d be amazing.

**Researcher:** What mistakes have you made?

**Participant Two:** Oh... shit. The biggest mistake we’ve made is starting off in the wrong buying season. We’ve never ever since day one managed to get back. Every other brand sells summer now, so 6 months ahead, we’ve always sold summer so
close to the season, we’ve always run out of time. That’s the biggest mistake. Second mistake – we didn’t know which was the best way to make it ourselves and that’s why we’ve been switching backwards and forwards but never actually taking the time to get a reliable factory. You’d almost be better to stop what you’re doing right now and go and form a relationship now. In China - they want ongoing orders. The minute you contact them they expect an order straight away and once you put that first one in they expect a monthly commitment. So you can’t just put in one order. You put in your first order, they expect the next one. Like orders being placed before they deliver the first one sort of thing. If you haven’t put the next order in they’ll probably just turn around and not deliver. They’re bastards to deal with. We’d have to go there. You can’t tell by looking online. You can’t tell one from the other, they’ve just got a big Chinese name and it sounds the same.

All of our competitors produce in China. I’ve talked to a lady at Supplier A in Auckland that order from China. She said unless you’re as big as Kmart or the Warehouse you’re wasting your time. She basically tried to talk us out of it. But I know for a fact that all of our competitors are made there so it must be do-able.

For a start, we’d end up with so much fabric leftover we just didn’t get the quantities right so we were ordering. There have been so many styles that haven’t worked. We’re just lucky we’ve got a few that have really worked well because probably out of 20 items in a range, four will go really well. I’m not sure if this varies by country but they seem to order the same thing but I think it’s because we’ve got a pretty limited range. What we did last time, we got all of the orders in and then made a cut off point and said we’re not making half of the range, it’s not worth it, we know it won’t work. We knew who the good buyers were, so we knew they’d all pick the same ones. So if no-one’s delivering the other styles they’re probably not going to work. So we just decided, sure lose the sales but in the long-term we know these styles are going to work.

Researcher: What advice would you give to aspiring fashion designers?
Participant Two: Make sure you save up a lot of money before you start. We’ve had issue with getting a lot more orders in then we can afford to make. That’s been one thing that’s really slowed us down because we didn’t have enough money to start with. Every time you do one season then double your sales the next season, it costs twice as much to make if you don’t have that cash there. Because usually you’re waiting on cash from the last season as well. Like if you could get a backer or a bank loan guaranteed for the start you’d be in a much better position. Then your sales aren’t limited by your financials. So if you have a product that takes off and you get a whole heap of stock ordered then you can actually afford to do it rather than having to cut orders.

We’ve had to get a couple of bank loans when we first took on this big stockist. We got their order and went to the bank with these guaranteed sales and said look we need this much to make it to get through and they said yes. When they put the order in (contract) it indicates that they are going to pay for it and they knew from our history that the product wouldn’t fall apart and it wouldn’t come back so they were willing to give it to us. I sold my house last year and we put all the money from that into the business. You have to make sacrifices.

I had dealt with heaps of banks and that just from my accounting background and have applied for loans for heaps of people before and that so I knew the whole process and I knew what they wanted to see. That was pretty easy. Then I actually got the guys from work to check it over too. I can do all the forecasts they want so getting that side of things done wasn’t too much of a worry. It would be hard for someone who hadn’t done accounting because they were only lending on a forecast and if you can’t do a financial forecast well I guess you could pay an accountant to do it.
Participant Three - Director – Company A

Researcher: So let’s just start with you telling me a bit about your company.

Participant Three: Company A is 13 years old. It all began in July 2002. We started out as a thermal underwear brand and are now a lifestyle clothing/fashion brand as well. We started out of sync season-wise but that didn’t seem to matter too much. We were selling mainly to the outdoor market. They didn’t mind us being out of sync. Some fashion stores are strict on their budgets (summer and winter). I remember feeling lucky because 12 stores took our product straight away when we did our sales trip around the country.

Researcher: Who were some of your initial retailers?

Participant Three: Retailer A and Retailer B (Wellington) were some of our bigger stores and then smaller outdoor stores that we had been selling other silk products too so that’s how we already had the relationship. Those were the ones that took us straight away but there were some after that that took a few gos (I can’t think of specific examples, departments and fashion stores – Retailer C for instance). Department stores work strictly on 6-monthly budget concept so can take a few gos to get in (timing or letting them know that you’re there).

Researcher: How would you describe your brand?

Participant Three: We currently provide luxury lifestyle clothing. The differentiating point would be our fabrics. We have unique fabrics for instance silk spun (72% silk, 13% merino and 15% cotton, which works well for everyday wear and outdoor wear. Then we have other more technical products such as cellular which are 80% silk 20% merino. We also have a silk fleece, one we developed and silk side-in. We’re quite innovative in our fabrics. And the other one is our styling, which is quite simple and classic so it works well for a range of different occasions for casual and for dressing which is why it works really well for travel-wear.
**Researcher:** Do you think you have an advantage as being a New Zealand designer overseas?

**Participant Three:** People love that we’re from New Zealand for sure. New Zealand has a built-in reputation, just having the name New Zealand related to your brand is a vote of confidence and it says quality, and it says interesting and a cool product.

**Researcher:** How have you built the New Zealand designer element into your brand?

**Participant Three:** We haven’t really incorporated the New Zealand brand into our brand. It’s tricky because our product is designed here but it’s made from silk, so you know it’s not made from pure merino. It’s a tricky one and we never felt comfortable in really pushing the New Zealand thing really strongly. We had pressure from some of our distributors to push it more than we did but we found it difficult to reconcile how you actually portray that.

**Researcher:** How have you built the New Zealand designer element into your brand?

**Participant Three:** Our other silk products are made in Vietnam and that’s where we started the business but Company A has always been made in China.

**Researcher:** Did you already have a relationship with a supplier in China through your other product?

**Participant Three:** No we didn’t already have a relationship set-up there. We just knew that if we wanted to do silk that that was where we needed to go so we just went over there. We went to a big tradeshow. We didn’t contact anyone prior to going over for this particular trade show. Mum and Dad had been before me. They’d been to China on one trip before I went before we found the Company A supplier that I wanted. They’d gone looking at silk sheets and I think they found them on the Internet. But when we went to China looking for Company A suppliers, we just went
there to see what we could find at this tradeshow. We still work with the distributors we met at that first tradeshow.

**Researcher:** Can you describe the nature of your relationship with these suppliers?

**Participant Three:** We built a really good relationship with them, I mean the factories have changed over the years but the agent that we work with, the company that we work through is the same one. We visit them every year to meet with them. It’s vital because it’s all about those relationships and going to the factory and meeting the General Manager and meeting his wife and you know going to his father’s 80th birthday party so yeah, you just have more of a connection and it’s good for us to have more of a connection with them but also good for them to get to know us as well.

**Researcher:** How would you describe the Dunedin Fashion Industry?

**Participant Three:** The Dunedin fashion industry is quite innovative and has a name for itself as being quality but interesting and probably being reasonably small businesses, not big companies. It’s pretty vibrant and has a lot of potential.

**Researcher:** Have you worked with other Dunedin designers?

**Participant Three:** Not really. We sold some silk fabric to Competitor A for knitwear but that was a one-off and that sort of direct involvement but I’ve done combined fashion shows with Competitor B.

**Researcher:** Was that for iD Fashion Week?

**Participant Three:** No that was for a conference and they wanted some entertainment for their conference and Competitor B organized it at the Art Gallery. There was a bunch of us so people do work together and support one another. And of course I’m involved in GUILD, that shop in Moray Place which has just been set-
up, which is a society that I helped to set up called Dunedin Design Incorporated so the GUILD shop is designed to support Dunedin designers with a gallery a retail space that they wouldn’t otherwise be able to either afford to be involved in or have the time... so it’s showcasing Dunedin designers and it’s all about working together and its about working together and supporting one another and getting ourselves out there. And it’s working really well.

**Researcher:** And how about Dunedin Online? Are you still doing something with that?

**Participant Three:** Dunedin Online is about showcasing Dunedin Ecommerce stores which involves fashion obviously, so we have meetings and discuss issues pertinent to selling online and we have speakers come and talk to us as well.

Most of the people on there are selling domestically but we’ve had a speaker come to speak about selling on Amazon. There is a lot of opportunity and Dunedin Online has got plans to sell internationally and I think that would be really cool.

**Researcher:** Which international markets do they tend to export to?

**Participant Three:** A little bit to Australia, the UK and the States are the main ones.

**Researcher:** How would you describe the New Zealand fashion industry? Is it different from Dunedin?

**Participant Three:** The New Zealand fashion industry as a whole is more commercial than Dunedin. I think the Dunedin fashion industry has got less of a focus on being commercial which I think is why some of the smaller designers in GUILD for instance have got a space because they might not actually be in many stores themselves. They might not be seen as commercial so it’s hard to get visibility around the country.
Dunedin is more focused on producing clothes that the designers love to wear themselves and have a particular aesthetic where I think the NZ fashion industry as a whole are bigger brands and are probably more focused on creating products that are actually going to appeal to the masses a bit more.

**Researcher:** How many employees do you have? Have you always worked with Participant Four?

**Participant Three:** I ran Company A on my own and after two years Participant Four quit his job and joined the business. Participant Four has funded the whole business. It was his money initially and I worked on a wage to run it which included the accounts, marketing, design and dispatch all of that but Participant Four was the co-manager but not present on everyday basis. When it got busy we did employ a dispatch girl from Clothing and Textiles at the University and then we had an accounts woman so it kind of just grew as it became too busy for me to manage on my own.

We currently have two employees, myself and Participant Four. Mum’s been doing some work for us too. We have had up to five employees at one time. We had that many when we were selling to lots of distributors and we needed more of a team to keep things running. We sell mostly online now so we’re selling to distributors and wholesalers as well, which we still do a little bit of but not as much now. There’s so much more administration so that’s really what people were there for and to do the roles that we’re doing now because we were talking with distributors and travelling. So that’s why we’re now back to two.

**Researcher:** So what about your distributors? Do you still have distributors?

**Participant Three:** We’ve still got product in UK, Germany, Australia and Chile and some Poland, but we don’t have any active distributors because we’ve changed our model completely and our exports are all online. We’re still very much exporting but online which is directly to the consumer instead of via distributors.
**Researcher:** Have you done any supporting advertising to assist your online site? For example, the use of print media?

**Participant Three:** We don't need to do any supporting advertising to support online sales that might change but our sales have increased 50% online internationally and we were already doing really well last year. Things are going really well. I'm sure we could do some more advertising but it's working at the moment.

**Researcher:** As a percentage, how much out of your total sales would you say you export internationally?

**Participant Three:** That would be... 40% of total sales are exports, 60% of online sales are international.

**Researcher:** When did you first decide to take Company A international?

**Participant Three:** When we developed Company A we always designed it as an international brand. We always designed it for the international market. Although we started it with the NZ market, we always had grand ideas for it. So after we established ourselves in NZ outdoor market, Australian visitors would see Company A when travelling here and say we’d love to buy your products in Australia so we thought Australia seemed like the obvious first step for going international.

First of all we sold direct to some of our Australian stores, they approached us after seeing product in NZ, so then we sent to wholesalers. They were called Distributor A, in Brisbane. Then we just expanded and sold it in a few more stores. Then I believe the distributor approached us about one year after NZ. Things were a bit easier then, 10 years ago, the economy was a bit better then.

**Researcher:** Were you worried about anything before going international?
Participant Three: Not really worried about anything. I suppose considerations for freight etc. Participant Four had already been selling another product in Australia so we sort of had an idea of how to work that. It's a bit confusing. No. The other product, Participant Four ran through Company B but it didn't become a registered company until 2002 when we launched Company A. Although Company B is part of the same business we've treated them as separate entities in a way. They have different markets: Company B are outdoor and Company A was sold to fashion and department stores though initially they were they same and that's how we got Company A into the stores Company B were already in because we already had relationships with the Company B wholesalers and retailers.

Researcher: What challenges have you faced in going international?

Participant Three: Customers wanting different things, they wanted different colours, different sizing, so that's always been an ongoing issue with every country you go to they want something different and so we were pretty clear from the beginning of sticking to our guns. But there has been a process particularly with the sizing of getting that right. So that's the main challenge. When we first started selling to Australians directly without a distributor there were definitely issues with being paid. And we did learn, we got people to pay upfront but there were instances where we got burnt sending stuff and then them just not paying for it, or taking ages to pay. And that's definitely something I would warn other companies about with Australia, they’re terrible payers.

Researcher: How did the opportunity of selling to the UK come about?

Participant Three: Initially by selling direct to a store, Alice Brigham rather than distributor (I can't remember if they approached us first) they were already selling a silk range and were looking for a range to replace theirs. They were selling outdoor products. So we sent stuff direct from China rather than via a distributor. This was when the product in our distribution stores was starting to cross over a bit more with fashion. Before then it was very much real aesthetic and really outdoor looking

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but that has changed and people wear outdoor gear as an everyday thing. It was a global trend and in NZ as well. Clothing was more everyday and fashionable which was an important part of their business and the timing great for Company A, outdoor and thermal but also fashionable everyday garment.

**Researcher:** Did you have a business strategy in place for going international?

**Participant Three:** No we didn’t. It was more of an organic process. We didn’t sit down and write a one page business plan no. After Australia, we did think about starting to sell to the UK and in Europe as well and we knew that there was a good opportunity in Europe. There was an outdoor tradeshow in Germany (South), which was the big outdoor tradeshow in Europe.

**Researcher:** How did you find out about the opportunity?

**Participant Three:** We found out about it from talking to our UK distributors. Everyone in the UK goes to this tradeshow. They explained it to us and we went for a visit to check it out before committing to showing product there.

**Researcher:** In your opinion, what do you think has helped with the success of Company A?

**Participant Three:** Lots of things. I think our commitment to a good quality product has been key because we have customers now who bought our product at the beginning and still wear it. Good advocates for us. Relationship with our supplier and agent at the least in China is really important. Because we are a small player it’s good to have their support. Even though our orders have been small or big, they’ve supported us all the way through.

**Researcher:** Why do you think they’ve supported you even though you’re a small firm to them?
Participant Three: They’ve always seen the potential. They always see any relationship as a long-term relationship, I think. I think they don’t think as short term as other businesses and other NZ businesses and we’ve nurtured that. I think there is value in the fact that father and daughter are running it. We have the same values and ethics, which is really important and I think people really like that story, so that’s been quite good. We have also had the help of NZTE and other funding bodies like that so that’s been really good.

Researcher: How have NZTE helped you?

Participant Three: Mostly funding and contact with representatives in other markets such as the UK market and provide us with a meeting place to meet with distributors. They’ve definitely been helpful.

Researcher: If you could do it all again, what would you do differently?

Participant Three: That’s a difficult question because we wouldn’t know what we know now if we didn’t do what we did... I’d say, probably online, it’s the biggest thing that’s happened that we wouldn’t have been able to foresee. When we started people had websites but didn’t buy online. It’s happened in such a short space of time. If I’d known about it earlier then things would be different. Right from the beginning we did embrace being online with our factory store selling seconds. I wanted to sell online but didn’t want to annoy retailers. That’s different now because people are used to the whole concept of selling online. I would’ve planned. A bit of a game changer.

Maybe just the way that we went about finding distributors. We might have been a bit more proactive about going after distributors we wanted rather than waiting for them to come to us. We’ve got more knowledge now. We’re more confident in our product. We could have gone to the best distributors and presented our case.

Researcher: What advice would you give to aspiring fashion designers?
**Participant Three**: Go to the market you’re selling in. Meet the people you’re working with and ask lots of questions. Go to stores, look at other products they’re selling. Be careful who you partner up with because they are you in that market. Be very careful about payment – sending stuff before paying for it.

**Researcher**: You’ve spoken a lot about things that have gone well for your company. Have there been any situations that haven’t gone well?

**Participant Three**: We had a bad experience in the Czech Republic. We met a distributor at a tradeshow in Europe who was charming. We trusted him more than we should have. Shouldn’t have sent goods before we received payment for them.

**Researcher**: Did you have any help from anyone with forming your strategy/getting ideas for going international?

**Participant Three**: We didn’t have a mentor or anything like that. We pretty much just dived in and learned on the job. We applied to NZTE for a market development grant. I think we went to them first and then they hooked us up with contacts in the market. Even if they couldn’t give us direct assistance, the fact that we could ring NZTE in Germany was great.

**Researcher**: What about FINZ Fashion Industry New Zealand?

**Participant Three**: I’ve never had anything to do with them. The council provided market entry grants for trade shows, which was good and really helpful. These grants don’t exist anymore. We were really lucky, the economic climate has changed.

It may have been good to get other help. Connecting more with NZ businesses already exporting to same markets. General advice. It’s difficult for NZTE to do that – I think they have to stay neutral – can’t be seen to be favouring certain companies over others. More try to give you info and contacts. Put you in touch with advisors
and connect you but not go that step further. You need to pay for these services. They did have some reports on the general sectors — some were helpful but nothing specific.

**Researcher:** Did NZTE have any reports or information that would be helpful for fashion?

**Participant Three:** There was some on the outdoor market. Fashion not so much a focus at least not when we were talking with them. It didn’t seem like fashion was really a big export area that NZTE was focused on. There was general information on distributors available, which was really helpful and can be applied across multiple industries.

**Researcher:** How have you, and how do you plan to cater for increased production due to international demand?

**Participant Three:** Never a problem with our suppliers. We’re a small fish and they’ve got huge capabilities. Other firms do 10-20 times as much as what we do, it’s not a problem scaling up. Here we’d just need to scale up by employing more staff as we need on a part-time basis and make sure logistics wise we’ve got the right stock to send out and understanding what sells. That’s probably the trickiest thing.

**Researcher:** Do you have an idea of how many international exports you’d like to achieve?

**Participant Three:** No specific goal in mind regarding exports and total sales. We could do a lot more obviously, NZ is a such a small market. If we keep New Zealand at a similar amount as it is now and focus on international sales, then 80% of total sales would be fantastic.

**Researcher:** So how do you plan to achieve this target?
Participant Three: We’ve got the capability in terms of website, it’s just promoting it more internationally, we don’t have the funds for this. We rely on people searching for silk pants or Company A for those who already know the brand, or own a silk hoody.

Researcher: You were using Google AdWords previously, how have you found it to help with what you do?

Participant Three: We have used Google AdWords but we don’t spend that much on it anymore. We found that it didn’t really give us much. Organic searches are working better, and we’re doing the blog. We’ve got a blog. Social media hasn’t been that great for us. We had Facebook and not so much Twitter or Instagram. I’m just not sure that Facebook is a good forum for us. Or it may be just that we haven’t done it right. Its just Facebook definitely doesn’t work. We don’t get people clicking through the page and buying stuff.

The weekly email newsletter works well for us. We have lots of repeat customers. We just try to make the newsletter interesting and not ram things down people’s throats. Just info on how to wear the pants five ways and visits to the factory to build the Company A story. Building the newsletter database is key for us. People can sign up via website and can win a garment. We also do giveaways through NZ magazines.

Researcher: Do you do giveaways in international magazines to try and get your name out there?

Participant Three: There is opportunity overseas but we have relationships with NZ magazines and can do things for free. We have done a little bit of giveaways on international blogs. We recently had a promotion in a Dutch magazine (unpaid) so that sort of thing happens and it would be good to do a bit more of that. There was a guy doing an article on hoodies after purchasing one of our hoodies in Europe.
Participant Four – Director – Company A

Researcher: Ok so let’s start off with you telling me a little about how Company A came about.

Participant Four: Ok. It began with my wife and I travelling to Vietnam in 1977, we’d done quite a lot of backpacking. Before we went, someone gave us a silk sleeping bag called a Jagbag, which was quite expensive but when we were in Hanoi they were so cheap, so we went into a tailor and bartered the price and beat him down. At the time, I’d never felt comfortable with the idea about importing things from a third world country. It seemed like an opportunist thing to do and cheap thing to do with my own social conscience, but for whatever reason, I think I felt very comfortable with the people we were dealing with. They were just a family and really nice couple and I ended up buying maybe 10 or so sleeping liners and brought them back to NZ. I thought about giving them away as gifts and thought well maybe I could start marketing these, you know. And I took some down to R&R sport and they said, sure how much? They couldn’t believe how cheap they were compared to what they were normally selling and that we had really nice colours so that’s how it started.

Then I got on the road with my other daughter and went round all sports stores and within a short time, we cornered the sleeping bag market. Not a big market, but it was actually quite significant so I was just bringing a few thousand back a year and doing it from my back bedroom. It became a Company B room with a fax machine, all shops would send faxes, there was no online stuff yet, it was before people had computers so used fax machines.

Then we started working with silk and got to know a bit about silk and the properties of silk, and got intrigued by it and the history behind silk. And people would say things like, well you should be doing silk sheets and we thought, okay maybe we can make more of a business of this, doing bedding and that sort of thing. Then my wife and I in 2002, went to Shanghai and she found on the Internet, she Googled a site
called Meetchina.com and we ended up going to Shanghai and staying in the university there. Because very few people from the area had been and we found one guy, an academic who had been and stayed at the university, so we stayed there in the foreign quarters and met up with this women who was a dot com person and the next day a brand new tinted vehicle appeared. We had no idea where we were going and they showed us around some of the factories. We were just these two people from Dunedin and they were wanting us to place big orders. We just told them we’d have to get back to them. I think they expected it.

We just bought some samples from them because one place we went to, they had a massive fountain and we went into these very elaborate rooms and you’re given tea, it’s very formal, and this guy pulls out the order book and says, how much do you want? Then you realize they’ve turned off the fountain out the front and only turned it on for your arrival. It’s really interesting, they were really desperate to do business with Westerners at this stage (2000s). We didn’t end up doing that.

Participant Three was completing a clothing and textiles degree at this time and we also knew that silk was a good form of base wear worn by explorers and that sort of thing pre 1940s and that there was underwear available in silk but it looked like crappy underwear. It looked like Chinese made underwear. It looked terrible and we thought this is something we could do, there’s a market there maybe. And so we went to a tradeshow in Guangzhou, China, which has been going for years and still goes, and we sourced some fabric from there and made contacts. We then went back again the following year and Participant Three did her first designs and put in orders to factories and that sort of stuff, so that’s sort of how it began and it snowballed from there really. And we were able to get the product into sports shops because they were selling Company B’s products so not into all of them but 15-18 in the beginning and then it built on that. Competitor A was beginning and we were sort of riding alongside that at the time.

**Researcher:** Oh okay. That’s very interesting. How would you say your product is different from Competitor A?
Participant Four: Our fabric silk and our marketing. I think certainly we knew that the qualities of silk were superior to merino.

Researcher: How would you describe the Company A brand?

Participant Four: It's a lifestyle brand, which we've designed specifically for a demographic, who are a bit older. We weren't sure what our market was initially. A big dilemma has always been are we fashion? Or are we sportswear? Or what and how do we be things to everyone and how do we focus etc.? It appeals to generally older people because our designs tend to be a bit more classic, we've avoided into doing things with lots of bells and whistles, partly because of the expense and partly because it doesn't fit our demographic.

Researcher: Oh okay, that's fair enough. Do you think you have an advantage on an international scale for being part of the New Zealand brand?

Participant Four: Yes, definitely. People have got this perception of New Zealand being this clean green place and they like New Zealanders, you know people in Europe like New Zealanders, people in America, generally like New Zealanders. New Zealand has a fairly positive press in terms of impressions of people worldwide so even though our silk isn't made in New Zealand, people still like dealing with New Zealanders and I think they particularly like dealing with Participant Three and I because we're a family. And I'm taking that mostly from my experience at international trade shows.

Researcher: Ok. How would you describe the Dunedin Fashion Industry?

Participant Four: Small, quirky, it's got a lot of gifted creative individuals. I don't think people are making that much money in Dunedin fashion industry, maybe some are, maybe Designer A has but I don't know. It's small and it's a bit zany and I don't know it's whether because we live in Dunedin and we have fashion ID whether we
have an overinflated idea of the Dunedin look, I can’t be objective about that, I have no idea.

**Researcher:** Do fashion designers work together?

**Participant Four:** In terms of designers, generally not, no. Um I think people are fairly individualistic. I can’t say that we’ve worked together with anyone. I mean we’ve had people talk to us about we do and picked our brains and we try to do that but people mostly I think are fairly individualistic and in the end they want to do their own thing. I mean, you know, having said that, Participant Three has started up this GUILD shop for fashion designers and that’s a cooperative and it’s working quite well. But I think that’s unusual.

**Researcher:** How would you describe the New Zealand Fashion Industry?

**Participant Four:** Interesting questions as I don’t necessarily see ourselves as being part of the fashion industry as such, though broadly speaking I guess we are. We are in the apparel industry, when I say fashion, I guess you’re talking about a graduation of fashion so you’ve got high fashion so you’ve got the Designer A’s at one end and outlandish sort of stuff at the end of the scale and then you’ve got people doing more boring stuff like ordinary. We’re closer to that then high fashion although Participant Three does do some fashion stuff. In the beginning, we were more in the outdoor market but our pool of clients have pushed us to be more on the fashion side.

**Researcher:** How many employees did you start out with and what positions did they hold?

**Participant Four:** Ah we had a lady in accounts part time, we had some people working part time, people doing some PR work on a contract and my nephew did our design stuff. He did concepts and packaging, we wouldn’t have employed him if he wasn’t the right person for the job though.
**Researcher:** When did you first decide to take Company A International?

**Participant Four:** We always saw Company A as something being way beyond Dunedin. We didn’t see it as something confined to the perimeters of Dunedin or NZ so right at the beginning we saw nothing else internationally that fitted the space and there still is nothing in the space.

**Researcher:** Did you have a business plan in place or a strategy from the beginning?

**Participant Four:** We did have a strategy. We employed a marketing guy and did workshops and things with him. We did have a clear strategy. Then we got into contact with NZTE and got funding.

**Researcher:** Were you worried about anything before the company decided to go international?

**Participant Four:** No I found it exciting. Before the global financial crisis, we came into things at a time where things were buoyant economically and saw a lot of room and money’s always a problem in terms of developing things so there may have been some worries about that but we avoided getting investors involved but it’s all about loss of control.

**Researcher:** Can you tell me a little bit about the outdoor tradeshow in Germany?

**Participant Four:** We thought we could go in through the backdoor through distributors but really quickly we realized we had to showcase the Company A brand at the tradeshow. We looked really good in terms of our brand and our store. There was no-one else doing the same thing like us. We were really quite different. We got huge press and accolades from being at the trade show. The press came to us because we were really quite different.
We won a bronze award for one of our jackets. We didn’t realize how big of a deal the show was. We were naïve because we were up against the big boys like Nike etc. Competitor A and Designer A were at the tradeshow and we had frequent exchanges with them but at that stage Competitor A wasn’t as successful as it is today. I don’t think there were any other NZ businesses there.

**Researcher:** What do you think has helped you to get to where you are now?

**Participant Four:** Perseverence. I think Participant Three’s ability to stick at things. To have a vision and see it through. I think the personal aspects about us as people and the way we do things. To not give up. There are a few things that have put us on the map like the European tradeshow and funding from NZTE.

The NZTE Marketing and Development grant provided us with 50% of the cost of going to the trade show. It costs approximately $60,000-$70,000 for something like 3-5 days. Unfortunately the government changed the last time we were going to go and they pulled the plug on funding, which was really annoying because we got to the point where we had distributors covering 10-20 countries (about 12 distributors) and we were covering Russia, Poland, UK, France everywhere in Europe and we haven’t targeted the States. And Korea and other places.

**Researcher:** Why was this such an important tradeshow for you to attend?

**Participant Four:** You find out about retailers and distributors from going to the tradeshows. They are there looking for business. They ask to represent you.

**Researcher:** How did you find out about the tradeshow? Did you know anyone before you went over?

**Participant Four:** When we first went, we must have had some contacts. We knew about the tradeshow so we did know 1-2 people we knew. I can’t recall how we met them.
**Researcher:** So what is your current strategy going forward?

**Participant Four:** We’ve changed our model quite considerably since we spoke to your class. A part of our strategy was to identify a particular distributor in a particular country and for them to distribute our product, so they would just buy it from us and we would make sure they did the marketing etc. correctly as part of our ethos and that was beginning to happen but with the economic crisis, they weren't big people, but they had big brands, they might have had 5 salespeople but they’re very good. We had a lot of people wanting to do our stuff so we got to choose who we wanted. We made some mistakes, but mostly not.

So that model became unstuck when distributors had to buy upfront and they became a bit strapped for cash. We were already doing stuff online so although we still have the odd distributor, the figures are this: we have to sell 25 times the volume to one distributor to make the same profit from selling 1 times the volume online. The energy we have to put in to deal with a distributor is quite a lot. You have to visit them a lot of times, it takes a lot of your time. Once I went to 10-12 countries in 15 days. So we changed our model completely. We don’t want distributors. We don’t even really want retail stores now.

**Researcher:** How do you plan to develop your strategy online?

**Participant Four:** By redesigning our website to make it more user-friendly and to handle more traffic. Participant Three’s got a concept to distinguish our brands and optimize each part of it.

**Researcher:** Do you plan on doing anything else to support your online strategy? Like print media or traditional advertising?

**Participant Four:** Print advertising costs a huge amount of money. It’s just a waste of time. Paper and magazines cost a fortune. We can’t afford that. How do you know
it's working? It's hard to measure. Like right now, I can see three orders have just come through on my computer. You can see that.

**Researcher:** If I was from NZTE or a government agency and said I could help you with anything you needed, what would you ask me for help with?

**Participant Four:** The knowledge base about trading online is very thin. People claim they know about Google and they know about Amazon and all those sorts of things but getting really good advice, cutting edge advice in that area is very thin. So I actually think, there’s huge export potential and it’s taken NZTE a while to realize that this is actually a valid thing for New Zealand businesses to do that’s profitable and they need support. I feel that there is a lack of really expert support and I think there could be like an office or some people that we could consult that are really up with the play. Everything changes so quickly and anyone who tells me that they are an expert on ... I'm very cautious about it because they're generally not.

**Researcher:** What about expert help outside of New Zealand?

**Participant Four:** Outside of New Zealand, they don't want to help you because you're a New Zealander. We had a distributor who was working in the UK and it's very interesting, he was working with Scottish Enterprises and they provided support and he was looking to distribute for all of Europe. There's quite a lot that could be done with both of them if they worked together but, no way in a million years. We spoke to the consulate and he wouldn't have anything to do with it. It's all politics, it's just like get your act together. This could be good for both countries but I don't know what goes on behind there, I don't understand the politics of that but from an outsider's point of view and from our point of view, it's a bit frustrating.
Participant Five - Creative Director - NOM*D & Plume

Researcher: Let’s start off with you telling me a little bit about NOM*D and how NOM*D began.

Participant Five: NOM*D is probably known for being a manufacturer or a brand. Reality is we first started our cooperation in 1975 and it was purely retail, and then we started manufacturing knitwear in 1986. We solely manufactured knitwear up until 1998 1999 when we were invited to show at London Fashion Week as one of four designers and we didn't want to have just a knitwear collection, we wanted a full presence in design from top to bottom not just a knitted top and knitted skirt.

Researcher: Why not?

Participant Five: It’s not how I see fashion. It’s like more of a commodity brand and I think we’re a bit more fashion forward than that. I mean the decision to make knitwear, initially was we saw it as something that we could produce without having to leave Dunedin because we had Supplier A over the hill and also knitwear factory Supplier B that has since closed down that could do production. Both of those have since gone. Supplier B ended up going through so that was one of the major reasons for us starting to produce our own line I mean the retail environment that we had was quite unique in that they weren’t mass produced brands that we carried and also it was more about my sort of personal style that was what we want reflected in store. It was things that I liked and felt like we could offer to people in Dunedin primarily.

We already had our retail store stocking other brands and there was an opportunity to produce knitwear because there was one supplier that we previously had bought from, a boutiquy kind of store and she just supplied us but then she wanted to go more mass market and sell to a lot more stores in Dunedin and we thought, well we could actually do knitwear.
Researcher: Did you have a business plan for taking NOM*d international?

Participant Five: No international plans. Business plans weren’t part of our agenda. It was more about retail environment in Dunedin, where we lived, and also we wholesaled throughout NZ since 1986 pretty much right from beginning.

Mainly we had a good relationship with a lot of fellow New Zealand retailers that were like us as we all bought from the same brands so we often saw them at those sales time (because you have specific sales times for each season). It’s quite interesting, Retailer A in Invercargill who’s still there, Retailer B in New Plymouth, Retailer C (that’s actually my sister’s brand) so she was already operating out of Auckland at that time so we had her stores. Retailer D in Timaru and actually we still have those people, which is interesting in that we’ve come forward 30 years (almost, 29) we’re still around for the same reason that they’re still around too.

I mean the other reason for going down the knitwear path was probably that from 86-98 we always showed alongside Retailer D. One of the negatives was that people thought that Retailer D owned NOM*d because they were the far bigger company and lived in Auckland. And an actual fact is that wasn’t correct and I think that realization of showing in an international market made us very aware that we had to rebrand or re-present ourselves in a way that was, a package that was just NOM*d and had nothing to do with Retailer D.

Researcher: How did you find getting your product into your first retail stores?

Participant Five: Easy, really. Because they knew me and we’d been buying from the same brands for years, I mean we were in retail, started in 1975. That’s like 11 years before we started producing so a good five years of seeing those same people when you were buying the same brands so they knew me so obviously recognized our style and what we would do and went with it immediately.
Researcher: What do you think makes NOM*d different on an international scale?

Participant Five: I don’t know that it’s different from other brands out there internationally. I think we have a very distinct look about what we do. It’s never flashy, it’s sort of quietly confident and I think isn’t seeking to impress too loudly. It’s sort of quietly interesting and I think that we concentrate a lot on wearability and I think we find that when we have a customer or a wholesaler that hooks into it. Once they realize that it works really well in a retail environment, you’ve got those clients coming back forever. I suppose that’s why we’ve got clients in Invercargill, Auckland (Auckland’s kind of different cause it’s a family thing) but I’m sure if we weren’t related we’d still be buying.

Researcher: Do you believe you have an advantage being a New Zealand designer on the international stage?

Participant Five: No advantage is the international scene for being a NZ brand. I think that internationally if you talk to people, because you know I got Paris twice a year, although previously I was going four times a year when we were presenting our brand internationally, the general feeling internationally about New Zealand is a lot about the All Blacks and a lot about the clean green environment. Fashion doesn’t really come up as being a strong point about New Zealand, I hate to say it. Although I think that what can happen with brands, as with anything, the fashion environment as far as academia or people like NZFW and NZTE who are the ones that actually funded us to NZ fashion week would love to have a really big presence of NZ in the international fashion market but there’s a few hurdles.

Probably one of the major ones is that we’re in opposite seasons and when we were selling internationally, there was always that issue of the opposite season and we’re producing for our main market. So we’re producing winter for the Southern hemisphere winter and summer. And when we were selling in the northern hemisphere, up until 2010 we were always selling the season that we were already retailing in NZ because you need the 6-month turn around to produce. That was fine
as far as northern hemisphere was then, but now with the presence of the Internet and other communication, you can’t actually do that. Because we all have our own websites, we can all see things instantly and we couldn’t be selling wholesaling something into the northern hemisphere when it’s already retailing over here.

We’ve all got our own websites and we’re all selling out at retail so it’s never going to work. So we do have a little bit of a hurdle there. We send things all over the place through our website: Hong Kong, UK, the States so we do sell internationally.

**Researcher:** How would you describe the Dunedin Fashion Industry?

**Participant Five:** It’s thriving I would have to say. I can only comment on our situation because I don’t know how everyone else does. I think we’re fortunate that we have been in retail for such a long time because we do have a really great, loyal market.

I’d have to say that we, not only because we have our own brand in our stores but we also buy international brands and so what we’ve brought to Dunedin is an international flavour that I don’t think any other store would have the guts, for the want of a better word, to do it. I think I’m quite definite in things that I like and what I like to be selling at Plume and I think that what we do have in Dunedin is a very loyal market and very dedicated and also appreciate the brands that we bring in and enjoy them. There have been lots of brands that we’ve brought in that didn’t work so we don’t buy them anymore so it’s all got to work, it’s all got to be lucrative to a point. It’s all got to have some style and so forth but at the end of the day it does have to sell, you know, we’re not a museum.

But I think it’s a very appreciate market and what’s quite cool about it – is it’s not too big. It’s quite interesting because we’ve got a store in Christchurch – totally different there we’ve you got a lot of satellite places. Like if you’re in Auckland, you’d go to several different places if you want to go shopping, you might go to Ponsonby, you might go to Newmarket, you might do the City whereas in Dunedin,
you just do the City, which is great. It's not like you have to go elsewhere. I think that's what you find from international people that come here too. For such a small place, it actually has a lot of upmarket things to offer, like the cafes, the coffee's good, the fashion's good, it's got some good things going on about it.

**Researcher:** How would you describe Dunedin Fashion Designers? Do they work together?

**Participant Five:** We're cooperative. We work with them, I suppose with the group type shows and that, that goes on. There is an element of, I wouldn't say rivalry but you are very aware that at the end of the day, you are competition. We're not so up ourselves that we think that they're not competition to us, they are. I think probably just because of our longevity we actually see a lot of influences that have come from us in other brands collections but I suppose that's a compliment.

**Researcher:** You've been in the fashion scene for quite a while now, do you find that other designers come to you for advice and want to pick your brain?

**Participant Five:** Not so much to pick your brain, it depends what kind of relationship you've got with them. I mean obviously there's brands like Competitor A, where they used to work with us so there is a sort of friendly relationship there although I still look at it as competitive. They've got at least three staff from us, Designer A worked in the workroom for 7-8 years, and then Designer B her off-sider also worked us for about 5 years but it's like we just have to be grown up about it. These people are going to move on and do their own thing maybe and they have learned quite a bit by working for us. I mean, we've learned, and been able to use their skills too as they're younger and they've come from education that's more up to date so there's a two way street there. But I think at the end of the day, there is always going to be an area of competitiveness because it would be a lie to say that there wasn't.
**Researcher:** Can you tell me a little bit about your relationship with Otago Polytechnic?

**Participant Five:** Yeah I mean they do offer work experience. Students want to come and do some time. I mean, we're not, we don't take a hell of a lot of students on because we don't have a huge staff and when you're trying to teach someone to do something, it means that they're not really, doing the thing that they're employed to do. So sometimes I think that that work experience environment works ok in a big factory. But I think in our environment, everybody's got their specific tasks and if you're in sales and distribution, that's what you do. There might only be two people there and you know with design, sometimes out of a day, I don't really want one of the design members talking to an Otago Polytech student for four hours of the day. Often I'll only take them on if there's a specific role that they can be shown to do. It might take a week. A lot of the industry isn't glamorous. There's a lot of things you have to do like sticking up swing tickets and producing care labels, folding, washing. There's a lot of things that a design student should see but probably don't see as part of the backbone. It's not all about dreaming up. But this is reality. You need more people doing that kind of stuff than you need designing.

**Researcher:** How many employees do you currently have?

**Participant Five:** Let me count them... We have 19 employees – Dunedin store (4.5), Workroom (12), Merivale, Christchurch (3). We used to be in Christchurch City but after the earthquake, retail store opened in Merivale (20 minutes drive) village environment – developing area since earthquake – it was an area that I always used to go to when we travelled to Christchurch regularly.

**Researcher:** And how many employees did you have when you first started?

**Participant Five:** Store (3), Design (2) probably about 6 in total when we first started out. All designers were at store.
**Researcher:** Why do you think this has changed since when you first started?

**Participant Five:** The thing is you’ve got to have specialist roles, like finance and accounts so we have 1.5 people to do that so everybody specializes in different things and they couldn’t work in design. Basically it’s putting everyone in their boxes so everyone knows clearly what their role is within the company so if you’re doing sales and distribution, you know that’s your job and obviously you’ve got to have computer skills. Obviously the more intense you get, the more software you need. We went from having a fax machine to one computer in 1998-1999 and now everybody’s got a computer. Things have become very technology-based. The level of production has increased. We produce far more now then we did back then even though we don’t really have a strong international focus anymore.

Australia’s changed a lot. They used to be quite big and now their economy’s not great and you really notice it in their sales. I think fashion in Australia has become very fast and I think the public are consumed by that. I think you’ve either got luxury so Louis Vuitton and Prada or you’ve got like fast fashion and we sort of sit in some sort of area between where it’s quite individual. It’s not easily identifiable to the mass market and we don’t want to be mass market.

We had a store in Melbourne for 7 years since 2007 and it closed in 2014. We didn’t go out looking for a store in Australia, we had a client who had a store in Brisbane, that’s where she lived, and she also had a store in Melbourne. I mean, we actually had quite a good customer base in Melbourne. We might have had five stores that we were wholesaling but she decided it was hard for her to manage both stores out of her location and so we took over the lease of her store in Fitzroy.

**Researcher:** How did the Melbourne store do?

**Participant Five:** It was okay. It started really well and we went really well. We actually set it up as an Australian-based company, we were advised that would be better for tax purposes etc. One thing we found quite difficult was to be an
Australian company, you have to have a resident director up there and we didn’t. We had encouraged a friend to sign up, it was hard to do, we just needed to have someone on the ground if IRD wanted to follow up. 2 directors came back to NZ and then the other thing that made us pull out was that the lease came up for renewal and we tried to bargain with the landlord but he was unrealistic so we didn’t renew. Employment is Australia is quite hard going, they get a lot of holidays and the employer benefits are quite good and I mean that’s quite hard to manage especially if it’s a small shop. You know if someone wanted to go on holiday it was quite difficult to manage with 1.5 people. It just became in the too hard basket.

**Researcher:** And what about stockists in Australia?

**Participant Five:** We have always had stockists, in Melbourne, Sydney and Perth. Now we only have one stockist in Sydney. Our biggest client base is in Perth.

Our retail stores in Perth include: Retailer E, Retailer F, Retailer G (2 stores) and one in Albany. The lady living in Perth is initially from Albany, which is a lot like the Dunedin of South Australia. Her daughter set up some stores in Perth and the one in Sydney, Retailer D, which we’ve stocked right from the beginning. We’re also in Melbourne through Retailer D used to have a store in Sydney but they’ve since closed down. Australia isn’t a healthy retail environment and sometimes you’ve just got to bite the bullet and say, let’s pull out.

**Researcher:** Did you have any issues trying to get into the retail stores over there?

**Participant Five:** No, they pretty much took it straight away. They knew me and they knew Plume.

**Researcher:** Ok so was it through a personal relationship or a business relationship?

**Participant Five:** Business in that they knew us when we were buying other clothes, and personal because you get to know them.
**Researcher:** How would you describe the New Zealand Fashion Industry and is it different to Dunedin?

**Participant Five:** I don’t know. I think what’s different about the New Zealand fashion industry is I think a lot of what’s produced is produced outside of New Zealand. I think the thing about the Dunedin industry is when I think of major brands they all are made here in NZ, I don’t think anything gets made offshore, you know Dunedin residents. Apart from maybe, Company X her stuff’s made offshore and Company Y. But if you look at Company J or Company K. Company J exports to Australia. Retailer D is a store made in NZ. A lot of brands we buy in like Company L is made offshore, a high percentage of Company M’s stuff is made offshore, if not all, I’m not absolutely sure. Company P is all made offshore. From a price point, with things that are still made in NZ, the price point is a little bit higher. Although I think what happens with the brands made out of the East, offshore, often they have a lot of dead stock because the minimums are quite high. With here, if we only sold five, we only have to make 50 whereas if you’re buying from China, you might sell 50 but you have to make 100. It’s a bit of a false economy in some ways because often you’ll have to sell 50 and dump 50.

**Researcher:** Have you ever considered manufacturing offshore?

**Participant Five:** We did it once to be honest, we had a situation where a manufacturer in Ashburton, Tikau knitwear, had some amazing old machinery, they closed down and I just think that they never brought in any youth or never trained anyone so the people operating the equipment got old and got over it. I don’t know what to blame about it either. I just think maybe the government hasn’t helped the manufacturing process in NZ, they haven’t encouraged factories like Tikau to take on trainees and give them some sort of supplementary incentives to do apprenticeships and that sort of thing. This company closed down and at once stage they had some people looking at buying it, and one guy came to me and said I can get this product made for you in China for such and such, he was a New Zealander but obviously he
had some dealings in China. Quality’s great etc. so we thought oh well, we’ll give it a go.

The Tikau manufacturers produced the same stuff season after season. They could do it with their eyes closed but the delivery was always late for the new things they would do so they were sort of in a rut. We gave the Chinese the task of manufacturing five garments we had produced season in-season out, so we knew exactly how they should turn out and so forth. We thought that we’d use a yarn that wasn’t NZ wool to see how they coped with the production, silk and cashmere blend. There were a few communication problems in the beginning but in the end it sort of worked.

Right when the delivery was meant to be made, there was that warehouse scare where children’s pyjamas had phemeldahide in it or something. So I sent everything to the drycleaners and was sort of freaking out about what was going to happen. Smelling it and thinking it smells a bit chemically. So we did all that and got it into store, it all looked great and everybody thought it was great and we were all very happy. Until about 1 month in, we started to get customers ringing us to say the sleeves had fallen off their jumper and so we got heaps of product back and mainly it was in the construction, something that’s not visible like if you were checking it with quality control, you wouldn’t know so when we sent it to our knitter in NZ. He said when you link yarn you usually used two ends of yarn, they’d only used one. It’s got to be quite strong.

We had to prepay the order. When I made the payment, which was $50,000 or something, it was quite big, I held back. I don’t know why, I just sometimes have these premonitions, so I held back $5,000 just in case, like I’ll pay you that when we receive it and of course I never paid it. Then they also produced more than what we asked for – we’ve got another 200 of these so what would you like us to do with them. Which was pretty much like they were going to sell them. Either we were going to have to buy them or they were going to sell them and I mean I imagine that...
they kept a lot more than 200. We’re probably talking 15 years ago and whether that’s changed now, I don’t know.

**Researcher:** Did you know of any New Zealand designers who were exporting at that time?

**Participant Five:** No, I didn’t know of anyone at the time.

**Researcher:** And what about the guy who connected you with the Chinese in the first place? What was his background?

**Participant Five:** I only met him because he was looking at buying Supplier A and the contract was between us and the Chinese, I mean he introduced us to the Chinese factory by way of email, that type of thing but there was never any face to face contact with the Chinese and really our contract was with the Chinese not with him. He just sort of, I don’t know whether he got a pay off from the Chinese or not. I mean there was no way that he was responsible for any of that and a good lesson for us delving off into overseas production.

**Researcher:** So your production plans for the future are...

**Participant Five:** To keep production in NZ. We have several factories throughout NZ not just Dunedin.

**Researcher:** So tell me a little bit about the international markets you’ve been in and are currently in...

**Participant Five:** Australia was our first overseas market in the late 1980s. We weren’t really worried, we were far more trusting back then. I mean we’re far more careful now from a financial point of view when we take on new clients than we were then. There wasn’t really that fear of people not paying you. In this day and age if we take on a new account, our financial criteria is far more stringent because we
have over the years lost money and have been burned by people that didn’t pay. I mean even initially when we internationalized and sold to the US, you just sent the order and hoped like hell that you’d get paid. We had a number of instances that it’d get quite difficult so you become more wary and start to put, especially when you live far away, criteria in place so that you’d get a deposit before we’d start producing their order and I mean that becomes a bit of a stumbling block in itself. Especially with Americans. Because normal terms of trade would be like 20th of the month that sort of thing, that’s what accepted here in New Zealand. But for the Americans, it’s like 90 days. They think that’s good. And then within that time, they would decide that something’s not right in 3 months and go we’re not paying for that but it’s almost just like that’s what they’re like. I think what’s changed a lot with Australia now is that so many stores have closed down, and I’m talking stores that have been going for as long as we have. They just can’t compete anymore because of that very thing we’ve got a high presence of fast fashion and things are so inexpensive in a way. And then you’re elitist market are into luxury brands and sometimes that sort of more individual store finds it really very hard to survive.

Japan. We actually had quite a strong presence in Japan. From the fashion week thing in 1999 in London, we took on an English agent, and he achieved some quite good international sales for us. And I mean a lot of that was in Japan, some in the US. It was a situation where he was showing a few brands at the same hotel that we were staying in which was one of those things where you’ve got to talk so New Zealand Trade and Industry made a lot of contacts for you because obviously they were venturing into this whole fashion thing, it was a whole project for a couple of employees over there. So they were quite helpful in making contacts over there and were quite helpful. It was a woman, who was the buyer for Liberty and she was also on the British Fashion Council. We still see her now when we go to Paris and have remained quite good friends but a lot of it is about contacts and being in the right place at the right time and we were in the right place at the right time back then.

We moved on from that agent in London to another one in London, there were a couple of Australian girls and they continued to sell into Europe and Japan. I think
things started to get tough for them and we were approached by an agency in Japan and so we ended up going with them, so they continued to sell our product over there and support us in that way. We actually got into some quite big stores over there too. It’s quite interesting because what sort of changed I think, in some ways, if you wanted to put things into time frames, the international fashion industry changed quite a lot with the twin towers, things seemed to just turn from then. And then I’d have to say the Japanese market sort of fell off after the tsunami, I don’t know, just attitudes or something changed and the agents that we were working with thought that they wanted to go a bit more girly. You know with the Japanese, there is that market of sort of cutey type thing and we’re always quite dark. There were in Isatan, a department store that had a great fashion store, and we were alongside some brands that I admire, which is quite cool. There were probably 5 stores in Tokyo, 3 in Osaka... Dunedin has a good temperate climate for fashion.

Then there was America through the English or Japanese agents. Well basically I’d say Australia being southern hemisphere selling in the same season as us, and the America and Japan being northern hemisphere (London or whatever).

Researcher: Can you tell me a little more about your agents in these markets?

Participant Five: What I found quite hard going with both the Japanese and second London-based agency. They charged a fee for PR and got commission on sales. PR fees – just designed to pay their rent and when I said we can’t really afford this PR, because we actually need to be able to achieve a certain percentage of sales in order to pay for PR. We can’t just be paying $2,000 a month and you haven’t brought in ‘x’ amount of sales there’s no profit in it. So once we pulled out of the PR sort of things they pretty much lost interest in selling for us. The London-based agency went under, and the Japanese agents still exist but sell totally different products to what they did, now. They’ve changed their aesthetic. Because you also have to have someone that understands us.
At that time the NZD was strong so our garments became expensive in the northern hemisphere. We also had the whole Internet thing where everyone could see what’s going on in one second. The world just changed.

Researcher: What are some of the biggest challenges you’ve faced going international?

Participant Five: Price. What we’ve always done was convert NZ prices to whatever currency we’re going to be in and often it’s too expensive for those guys because the mark up at retail is much higher than it is NZ. Everyone wants to be able to make money on whatever they’re doing so that was always a bit of a difficulty. Plus the cost of freighting obviously from here to the northern hemisphere is quite significant.

Also freight, it’s gotten worse. Freight companies have all sorts of surcharges. If you look at bills there is so much in there. It’s massive. Freight is significant. We could always build the cost of freight into the cost of the garment to try and keep the price down to make it appealing but it would be ridiculous to be selling it for less than we sell it here. I remember a guy from NZTE saying, you’ve got to get your prices down, they’re too expensive and it’s like well, why should we bring it down for the northern hemisphere when in NZ, we’ve got a market that will pay that. That’s so unfair. But it’s almost like they’re trying to make their books look good. Bring your prices down, and it’s like we don’t just make them up. They’re actually all based off what it costs to make it (cost plus pricing) and the cost of the fabric so you know, the cost of the labour. Like what do you want us to do? So why would you? I mean your only other option is to go offshore but then it’s got its own set of challenges there.

Researcher: What do you think has contributed to the success of NOM*d today?

Participant Five: I think we’ve always been really careful. The company has evolved. We’ve never really had business plans so it’s really been an evolution. I don’t know that that context would work now with anybody who’s starting out. I think they
pretty much would have to set some goals and try and achieve them and be able to try and present some kind of package to the bank or whoever is going to be backing them.

I mean we’ve been very fortunate in that we’re totally self-funded. We’ve never had to take on any investors or anything like that. Yeah, I think when we first opened our shop in 1975, a year later I went to the bank to see if I could get a $500 overdraft and the bank manager told me that I needed to go away and learn to walk before I ran so I mean a bit of an old school thing but actually I have never forgotten that. I was like ok, righto, I’ll go and do that. The fact that we are based here – in Dunedin – I think possibly if we had gone and set up in another city in NZ we probably would feel a lot more peer pressure, perhaps take risks that may not have paid off whereas I think we’ve always progressed very slowly and probably in lots of ways we’re quite happy with our lot. We don’t have flash cars, haven’t got a mansion or that type of thing, which I suppose in some ways comes from being here. You don’t have to have those sorts of things. Well not in my head anyway. You don’t have to have a Porsche or whatever. There’s not really a pretentiousness here and I think further north there is that sort of element of what you’ve got and that indicates how successful you are maybe. I don’t live there so I can’t comment.

Researcher: What advice would you give to aspiring fashion designers?

Participant Five: Tread carefully. I don’t know. It’s different, I mean there’s the whole sort of ego trip of showing internationally and perhaps appearing to be international, I think what you do have to be really careful about is the business side of it and I think, these days you really have to have a good business mentor, because you can’t just be doing it for love because you won’t survive. I think you’ve got to look carefully at the dollars and cents and look to see if you’ve got something at the end of it because otherwise it’s not worth doing. I think there’s that whole thing, we were like that too, the world’s so huge and we only needed to sell to point something of a percent of the market in the northern hemisphere and we’d be doing alright and we did actually have some good accounts in the northern hemisphere but
that can be quite short lived and I think it’s quite interesting. Like who you would
dream to be the most successful NZ designer internationally? You’d think of Karen
Walker right, but have you ever looked at her website? If you have a look and see
how many stores she actually sells clothing to heaps and heaps are stores that sell
sunglasses. Heaps. But actually if you have a look at how many stores sell clothing,
there’s quite a few in Japan I have to say, because she does have quite a good
Japanese agent but elsewhere in the world, there’s not a lot. My case rests. That’s
why I think it’s not a good time. I think the last ten years have been really quite hard
and I think you have to really be quite careful about what you do, you know, so yeah
for any new designer, I hate to say it but probably looking at production offshore
because that’s the way the world is. It sounds terrible but that’s what I think you’d
have to do to compete. I mean decide what you want to do, whether you want to be
an independent designer just making for your own store, that’s what I’d probably do
if I were to have my time again. Just do your own little thing. But then you don’t get
the go trip of having your own collection and lookbook and that sort of thing. I don’t
know. Hard to say.

**Researcher:** Have you had any assistance from any government agencies like FINZ,
NZTE or DCC?

**Participant Five:** Not FINZ. Not where they’ve given us any grants or anything. It’s
always been NZTE. FINZ I’ve got no idea. It’s a bit of an Auckland thing isn’t it?
There’s so much that goes on in Auckland that maybe things that could be available
for designers are more accessible up there, I’m not sure. The council did give us a
very small amount of money when we were showing at NZFW because we’re from
Dunedin.

**Researcher:** Were you starting out or established at this point?

**Participant Five:** We were established. I mean the payback on that is that you have
to do the school report afterwards. Even with NZTE and I think what happened was
NZTE had made a couple of commitments because the whole thing really started off
with London Fashion Week and the New Zealand Four, which they supported us for two seasons so we did a winter and a summer collection over there. A few years later, they also supported us to show at a tradeshow in Paris but in the meantime, we had established our own agents and market over there as well. But they did do that for 3 seasons showing at Tranoi but you always had to be a group. It’s not an individual support, they always have to go as a group of 4-5.

It can be a little bit hard to be truly individual if you’re in a group, it’s like showing at iD, you’re gonna have the same models, the same hair so you can’t really do your own thing whereas if we show at NZFW and we’ve got our own stand-alone show, they’re models we’ve chosen, hair and makeups just for us, you’re not sharing it with another 10 or whatever designers which is what happens at group shows.

**Researcher:** How did NOM*d* stand up next to all of these international brands at the tradeshow in Paris?

**Participant Five:** We actually did really well. The two brands that did well were ourselves and Brand B which was quite interesting. They were quite aggressive in their approach, they obviously had some relationships with someone already, I think they had an agent in Italy or something like that. And we did really well too – I don’t know what Brand A did because they were one of the other ones. I hate to say it but Retailer D and Brand C didn’t sell anything.

**Researcher:** Tell me a little more about the trade shows.

**Participant Five:** The trade shows are to sell to retailers. So what happens is there’s fashion weeks all over the world in February, starts with NYFW, London, Milan, Paris and now goes to Tokyo and Seoul. It’s the major cities that it goes to and I go to Paris to buy the brands that we buy in at Plume so our collections were also shown in Paris in like showrooms because the agents we’d employ would set up in a showroom and they’d have maybe 5 brands or whatever that they’re representing and that can be in a showroom that might have 50 brands so that they have their
own little space but in Tranoi the one that NZTE supported – Tranoi has 3 big ones, there would be like 300 brands in each area. So NZTE had 5 NZ brands in one area. They were incredible to sort out all the things we needed to have – rails, hangers, imagery. The reality was once the report was done, they didn’t sell anything.

Researchers: Who were the other New Zealand brands that were there with you?

Participant Five: Brand A, Brand B, Brand C, NOM*d and Retailer D weren’t initially, they didn’t want to be part of the New Zealand group but then thought, oh yeah NOM*d did ok so maybe we should be part of that group. Sometimes you can get a bit up yourselves as far as that sort of thing goes.

I think, I don’t know. I just don’t think we’re a big enough country, you know at the end of the day New Zealand is seen as All Blacks. If you talk to anybody from a taxi driver to anybody that’s the thing they know and they know the clean green environment. I think they do think back then it was like the Once Were Warriors movies. I don’t know that NZ design per se stands up louder than anybody else or has a voice that’s louder than other countries. I think that a lot of people sort of group NZ and Australia together. I don’t know that, it was quite evident when we did the NZ Four thing, Karen didn’t actually come into the group with us. We were all showing from NZ House but she actually showed from a showroom that was more like a lot different brands. She didn’t want to be seen as a New Zealander, which you can see now that they were forward thinking. We were a bit naive going on you know, we’re all Kiwis but an actual fact, I think in the fashion world, I don’t know that you can actually play the NZ thing. I don’t think it’s going to make or break you. I just think you have to have some good clothes to offer, at a good price, and be standing out and I don’t know. I wish I knew what the answer was, but I don’t. I think people just have to go and experience the whole thing for themselves. Sometimes what you think is really successful, once you actually get into it, it’s not as great as you think it is.
**Researcher:** So what are your international plans from here?

**Participant Five:** No plans. My sort of focus is to make sure the people that we employ to work in our design room are forward-thinking because I think we can’t just be resting on our laurels from 25 years ago to be honest because the world’s changed so then we have to have people that want to go down that path and are very aware of what’s happening in the world now. As long as we can make a good living and everyone is paid well, we don’t have to be living in a castle and probably never would be. I think you’d probably have to be, I can’t think of one designer that comes from a small place that isn’t like America, UK, France, I guess Belgium, Belgium’s kind of seen as being quite unique and sending out more avantgarde designers but I don’t know. I’ve met Sean Kelly, the guy that won Project Runway the last time I was in Paris and at the end of the day, he’s struggling to find a job so I think there has to be an element of realism there. I think yes, you can do really well personally and sometimes it’s quite easy to produce a one-off range and it’s very different to selling 2000, 3000 units.

Or some designers choose to go down an avenue where they will make quite a bit of money but then actually holds up the creative side of it. We’ve got a guy that used to work for us that now works for Louis Vuitton and he went over to Paris probably 2005, he did work experience from Sydney Tech and we ended up employing him from there. He then went to Paris and worked for Marjella for 5 years and then now he works at Louis Vuitton. But he was saying he had his first winter season and they had their big show, he said that they did the winter collection which was the show, had a day off and then basically the very next day, they had to produce the real collection that was for the shops, the one that actually made the money for them, that didn’t have any press, wasn’t presented in a show format but was really really important like obviously the pressure to come on and have 6 weeks to get it together. So that was the show worthy, and then that’s what pays the bills so get together some clothes that people can wear.
Researcher: Wow that’s really interesting. And final question, how much as a percentage of your total sales, would you say you export?

Participant Five: Maybe 20%. I can get back to you on that one though... We export 20% of our total sales (Email communication, 2015).

Researcher: What about your international online sales?

Participant Five: I think 5-10% but I’ll get back to you on that one too... We export 10% of our online sales (Email communication, 2015).
Participant Six - Founder of Icebreaker - Icebreaker

Researcher: Tell me a little bit about Icebreaker.

Participant Six: We are a category creator. Most companies sell variations of existing products and we’ve created a new category, merino outdoor clothing and built a company with a unique brand to create that category, which is about focusing on the three things NZ is famous for: adventure, nature and sheep and that was the potent mix for our brand.

Researcher: Did you have a business plan starting out?

Participant Six: Yep, the first thing I did was lock myself in my bedroom in my flat in Wellington for three months and I wrote a business plan and that was about my dream to build an international brand from New Zealand. I started with that goal and I broke it into little chunks and I worked out.

Researcher: Did you have the help of anyone forming your business plan for going international?

Participant Six: Yep. I worked out that businesses fail because they run out of money, don’t have enough expertise, don’t have a highly differentiated product so I kind of aimed to address those three things. So I rang friends who I went through varsity with at Otago and they introduced me to their parents and I got some mentors and they helped me write the business plan. One guy used to run the BNZ, another guy was the director of Todd Corporation, a big business and they helped me write the business plan and they were directors of the company for 18 years. Secondly I used that business plan to raise $200,000 so I had some capital and thirdly, I invested that capital of $200,000 in branding and product design and development. I invested about half of it so I had a really fresh, different idea.
**Researcher:** Have you had the help of any government agencies such as NZTE and councils to help you internationalize?

**Participant Six:** NZTE has been reasonably helpful, in the early days providing a 50% subsidy of some of my R&D costs.

**Researcher:** Did New Zealand Trade and Enterprise help you out with anything other than your funding?

**Participant Six:** Um, they. One thing that was really good was that they got me into a conference of apparel executives in the USA and they’d paid for that. And that was really really helpful in terms of building contacts in the US market. But other than that, they mainly assisted with some design funding when we were just starting off. And also some market and development funding.

**Researcher:** Sure, so putting you in touch with the US executives you talked about, when did that happen?

**Participant Six:** That happened like ten years ago, about 2002.

**Researcher:** So that was 6 or 8 years after you’d first started?

**Participant Six:** Um about seven, seven years. Yeah, that’s right. We started in ’95.

**Researcher:** Was there anything that you did that was significantly different from your business plan?

**Participant Six:** Well my business plan was, um, build a brand around, well to get the identity clear around the brand and build a product as an expression of this brand, sell it in New Zealand and then internationalise it and then I kind of just took a basic 4 ‘P’s approach of looking at, um, price, product, promotion, place... Hey I just
thought, there's an interview I did a few weeks ago, I'll send you the link to, what might be quite a useful interview for you... but that's what the business plan said, really. You know it was quite chunky but that's all it really said, so what I did was I re-wrote the business plan every single year and every year we re-write the business plan.

**Researcher:** Yeah, to keep it current?

**Participant Six:** Yeah and it's kind of a 3-year forward business plan that keeps us in a forward space as opposed to just looking backwards. So I mean the plan was so simple that it wasn't significantly different but every year the plan changes quite a lot because the macro-environment is very different.

**Researcher:** That was leading into my next question about how Icebreaker's been affected by the Internet.

**Participant Six:** Mmm well when I started the Internet didn't exist. I didn't have a website and I didn't even have an email address. So, now online sales are about 10% of our global sales so about $20 million out of about $200 million. Um and obviously social media's um huge. So you kind of, you know, it's changed everything. So specifically, what do you want to know about that?

**Researcher:** When did it start to impact on Icebreaker, do you recall...?

**Participant Six:** Well the thing that really impacted on us initially was email. We could communicate faster and we didn't have need faxes. Do you know what a fax is?... Like my children will have no idea what a fax is. They would never have seen one, they wouldn't know what a record is, or a tape. You probably don't even know what a tape is. And the next thing was we got a website in about 2000 and more people started going to the website than our catalogues, it was just disruptive and
then we started selling online in about 2008. And now it’s a really big part of our business.

**Researcher:** So how did you cater for increased demand when international stockists took on your products?

**Participant Six:** So, we were falling behind in making the product in New Zealand in 2003, we shifted the manufacturing offshore. And I looked all around the world for the best manufacturer for us, with the best technology and the best ethics, and the best quality was based in Shanghai with European companies that were based in China. So we, I set up a supply chain there and that meant that we could um, get access to better prices, trade in US dollars, improve quality, improve innovation and get access to bigger quantities and basically deliver on time. So that was a real turning point.

**Researcher:** So how did you decide on that?

**Participant Six:** So I reviewed manufacturing all around the world and the best partners I found in China.

**Researcher:** And what kinds of sources did you look to, to find that information?

**Participant Six:** Um, industry people that I knew.

**Researcher:** Can you tell me a little about your relationships with your suppliers in Shanghai?

**Participant Six:** So we call it narrow and deep. So we have a small number of partners that we do big business with for example, this one manufacturer that makes 3 million pieces a year for us and we’ve been working with them since 2003. So we have kind of long term relationships and I prefer deeper, kind of more
powerful relationships with fewer people rather than lots of different manufacturers because that creates more risk and it means it’s harder to control the ethics, the environmental ethics and the social ethics. And we never use agents because you lose visibility into practices, if you have an agent. They kind of say, “yeah yeah I can get you that” and they show it to you and you don’t know if it’s been made by child labour or children or something like that. And I was very scared of having any practices that weren’t true to the brand.

**Researcher:** So do you travel to visit your suppliers often?

**Participant Six:** Well I’ve got a whole team out there. I’ve got 20 people that do that but I go to China once a year, you just kind of have to for a day or two.

**Researcher:** So why do you go along?

**Participant Six:** Um because it’s important to maintain high level relationships.

**Researcher:** And finally what have been some of the key success factors that have helped you in achieving your goal internationally? That can include resources like funding, personality type, relationships, expert advice but it’s not limited to these things.

**Participant Six:** Well I’m not going to give you a list because the whole thing is... Firstly, you’ve got to be ambitious, you’ve got to want internationalization to be central to your business. It’s not the old days where you make a bit of extra stuff and try and flog it off overseas. So the goal and the ambition has to be to build an international brand not just to sell a bit of extra stuff because that defines the choices that you make. Like we’ve got 500 people, 100 of them are in New Zealand, 400 are in the northern hemisphere. 80% of our income is from the northern hemisphere, so you build the company in the shape of the kind of dream of what you’re trying to build not just hire a few people and hope that it sells overseas. So
most of our staff are not Kiwis, in Germany they’re all Germans in Canada they’re all Canadians. I’ve got 50 people in Portland, Oregon. They’re all Americans.

**Researcher:** And is that so that they know the market they’re working in?

**Participant Six:** Yeah. So it’s like when you buy a Toyota you don’t expect someone from Tokyo to fly over and sell it to you, you go to your local Toyota dealer. You know people think Hilux’s are created by Farmers but no it’s not, it’s created by a whole lot of guys in Japan. But they’ve done a really good job of marketing their brand and making it local. So it’s called glocalising. It’s taking a global idea and making it local so you adapt that through the expertise of the people you’ve got on the ground.

**Researcher:** You’ve spoken a lot about things that have gone well but can you provide an example of where things haven’t gone well?

**Participant Six:** Yeah so in Canada, we had the wrong partner. We had a lot of potential in the market and we had partners that didn’t understand us, didn’t understand the brand and were kind of more fashion distributors rather than outdoor distributors so I had to undo that relationship and hire some of the key people in that market and put them into a company that we started. So that’s how we started Icebreaker Canada in 2003 and that’s about a $30 million dollar business for us now. It was a $2 million dollar business and because I did it in too much of a hurry and didn’t understand Canadian law, that cost me $1 million dollars. So the process, the way I did it wasn’t right. So it ended up being a really good investment but I could have done it a lot better. I did it in too short of a time frame. I gave him 6 months’ notice of the transition under Canadian law which was effectively quite ambiguous but I needed to give them 12 months.

**Researcher:** So what lead you into that decision to partner with that particular distributor?
Participant Six: We sent someone along to Canada and ended up making a decision that ended up being the wrong decision.

Researcher: How well did you know this person that you sent along?

Participant Six: Very well.

Researcher: And what was their background?

Participant Six: I’d rather not say. But you know we were around 25 at the time and we just can’t dodge stuff by making it up. I make poor decisions as well sometimes, it’s part of life and just one thing leads to another, so you know, there’s breakthroughs and breakdowns the whole time and it’s how you learn from your breakdowns and rebuild them as a breakthrough that’s the pulse of the business. That’s really what it’s all about.

Researcher: So when you started in the New Zealand market, did you go to the Australian market? Was that your next step?

Participant Six: Yeah in 1998 and we failed there because it wasn’t cold enough. The market was very unsophisticated. Our first export success started in Europe in 1999, and it started in Switzerland and the Netherlands. And because that started to take off, that’s why I needed to move manufacturing in 2003.

Researcher: So how did you get into the European market?

Participant Six: Um, we set a decision that we wanted to at a board meeting. And I had no idea how I’d do it and then a week later the phone rang and a guy said, “Hi I’m Arnold from the Netherlands, I’ve just been in New Zealand and I’ve seen your
product, do you want to set up a test market? And I said whoa this is freaky. And a week later another guy did exactly the same thing in Switzerland. So the guys in the Netherlands are still our partners, 16 years later.

Researcher: How did they find out about you?

Participant Six: Well they had travelled through New Zealand (Queenstown) and bought some Icebreaker and loved it.

Researcher: How many employees did you start with and what positions did they hold?

Participant Six: We had just one employee to start with, just me. After the first 5 years I had about 18 staff. We’ve got 500 now and 400 of them are in Northern hemisphere across Europe, Canada and the USA. 85% of our sales are across northern hemisphere.

Researcher: Can you describe the nature of the NZ fashion industry?

Participant Six: It’s small, fresh but quite inward looking. Everyone looks at what everyone else is doing.

Researcher: Have you worked with any other New Zealand fashion companies?

Participant Six: No, we don’t see ourselves as a fashion company, and our goal is not to be a New Zealand fashion company but to be an international brand from New Zealand.

Researcher: Do you believe you have an advantage as an internationalised designer being a part of New Zealand brand? And why or why not?
Participant Six: People won’t buy the product just because it’s from New Zealand. They buy it because it’s a great product and a great brand story. But being from New Zealand makes us more authentic. People love New Zealand and want to go here and it’s the home of adventure and nature and is associated with sheep. Adventure, nature and sheep are the things we’re famous for so it helps a lot but people aren’t going to buy a brand just because it’s from New Zealand.

Researcher: Were you worried about anything before you went international?

Participant Six: Worried? Pretty much constantly scared that I was going to go broke for the first 7 years. But you know I worked 12 to sometimes 18 hour days just to make sure I put everything into it and I got help from people to reduce the risk of that.

Researcher: What are some of the challenges you’ve faced since going international?

Participant Six: Everything you can imagine. Someone said there’s more breakthroughs than breakdowns when you’re running a small business you know you have more breakthroughs and breakdowns in a month than most people have in a year. So that’s true for the first 10 years anyway when you’re working it out.

Researcher: If you could do it all again, is there anything you’d do differently?

Participant Six: Good question. During the early days I hired a lot of people I had a friendship with, which is really good because you build a really strong work culture but I would have brought in people from the industry who were experts earlier because the problem with me is that the only business I’ve ever run is Icebreaker and I’ve only learned on the job and every year is kind of new so bringing in expertise earlier is what I would have done differently.
**Researcher:** What advice would you give other aspiring designers about going international?

**Participant Six:** Surround yourself with experts is my advice and understand what it takes to win in each market and not spread yourself too thin across too many markets.

**Researcher:** How much as a percentage of total sales, would you say you export internationally?

**Participant Six:** Total sales export. I'd say 85% in the northern hemisphere, some of that is Australia and Asia so I'd say 90% and we do about $200 million in total sales.

**Researcher:** How much as a percentage of your online sales, would you say you export internationally?

**Participant Six:** Probably 10% of total sales online internationally.
## Appendix F: Document Analysis Tables

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# Appendix G: Thematic Analyses

## Beats Thematic Analysis

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# Beats Thematic Analysis

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<th>Trial and error: Researching online, visiting China, by experience</th>
<th>By looking at where the product sells well</th>
<th>By talking to people who interact with customers everyday</th>
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<td>Culture</td>
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<tr>
<td>Shared experiences</td>
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<td>design</td>
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<tr>
<td>Networking</td>
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</tr>
</tbody>
</table>
# Beats Thematic Analysis

<table>
<thead>
<tr>
<th>How do they learn to learn?</th>
<th>Experience</th>
<th>By trusting firms</th>
<th>By trying new things</th>
<th>By acquiring resources</th>
<th>By acquiring information</th>
<th>By asking By trusting firms</th>
<th>By working closely with buyers</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quotes</td>
<td>“We’d end up with so much fabric left over. We just didn’t get the quantities right when we were ordering. There have been so many styles that haven’t worked.”</td>
<td>“I had dealt with heaps of banks and that just from my accounting background and have applied for loans for heaps of people before... I knew the whole process and I knew what they wanted to see.”</td>
<td>“We’ve tried lots of different ways of approaching stockists and nothing’s really worked out well.”</td>
<td>“We researched the Chinese market online via blogs and by searching fabric markets at the bottom of China.”</td>
<td>“He’s got a good customer base in Australia who are mainly New Zealanders living in Australia. Through their marketing we’ve ended up with stockists and sales through our online store too.”</td>
<td>“Backdoor has a full time buyer. We went into their Mr. Maunganui store and spoke to a sales assistant there. He passed us on to their buyer and the buyer contacted us.”</td>
<td>“When we do our sales trips we ask salespeople what sells well in”</td>
<td>“All of our competitors produce in China. I’ve talked to a lady at Supplier A in Auckland that order from China. She said unless you’re as big as Kmart or The Warehouse then you’re wasting your time. She basically tried to talk us out of it. But I know for a fact that all of”</td>
</tr>
</tbody>
</table>
## Company A Thematic Analysis

<table>
<thead>
<tr>
<th>About What?</th>
<th>Tacit</th>
<th>Explicit</th>
<th>Tacit</th>
<th>Explicit</th>
<th>Tacit</th>
<th>Explicit</th>
<th>Tacit</th>
<th>Tacit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Clothing and Textiles</td>
<td>Suppliers</td>
<td>Shanghai, China</td>
<td>European Outdoor Tradeshow in Germany</td>
<td>Retailer Relationships</td>
<td>Internationalization knowledge</td>
<td>Internationalization knowledge</td>
<td></td>
</tr>
<tr>
<td>Product knowledge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source</th>
<th>Parents Company B’s experience</th>
<th>Director herself Bachelor of Clothing &amp; Textiles</th>
<th>Parents Company B’s experience</th>
<th>Google MeetChina.com</th>
<th>UK distributors</th>
<th>Parents Company B’s experience</th>
<th>Competitors</th>
<th>Government agencies DCC</th>
</tr>
</thead>
</table>

| Useful       | Very useful                  | Very useful                          | Very useful                    | Very useful          | Very useful            | Very useful                             | Not very useful | Useful                              |

<table>
<thead>
<tr>
<th>Source trustworthy?</th>
<th>Very trustworthy</th>
<th>Very trustworthy</th>
<th>Trustworthy</th>
<th>Very trustworthy</th>
<th>Very trustworthy</th>
<th>Not trustworthy</th>
<th>Trustworthy</th>
</tr>
</thead>
</table>

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## Company A Thematic Analysis

<table>
<thead>
<tr>
<th>Knowledge lacking</th>
<th>Experience in combining producer and silk knowledge</th>
<th>Trust Relationships</th>
<th>Knowing who to contact</th>
<th>Customer Knowledge</th>
<th>Product Knowledge</th>
<th>European Culture</th>
<th>Market Knowledge</th>
<th>Internatinalization Knowledge</th>
<th>Culture</th>
<th>Shared experiences</th>
<th>Outdoor fashion reports</th>
<th>Selling online</th>
<th>Networks</th>
<th>Advice</th>
<th>Expert advice about trading online</th>
<th>Expert support</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do these firms learn about what is important or useful?</td>
<td>Following in footsteps of her parents</td>
<td>Experience By speaking to her parents and learning what the challenges are and what resources they don't have</td>
<td>By experience</td>
<td>By asking other people</td>
<td>By searching for information themselves</td>
<td>By talking to people who are participating in the tradeshow</td>
<td>Creating relationships through family referrals</td>
<td>By not trusting other competitor s and turning to other sources of information</td>
<td>By experience and learning what information they don't have when they get to a road block</td>
<td>By her</td>
<td>By learning</td>
<td>By searching</td>
<td>By talking to</td>
<td>By her parents</td>
<td>By</td>
<td>Experience and</td>
</tr>
</tbody>
</table>
# Company A Thematic Analysis

<table>
<thead>
<tr>
<th>they learn to learn?</th>
<th>parents experience</th>
<th>experience from others and doing the same</th>
<th>for information online</th>
<th>trusted sources and asking for help</th>
<th>experience working closely with trusted sources such as supplier, distributor, agent</th>
<th>research</th>
</tr>
</thead>
</table>

### Quotes

- **Mum and dad had been before me. They'd been to China on one trip before we found the supplier.**
- **Participan T Three studied a Bachelor of Clothing and Textiles degree – hence the technical knowledge regarding silk.**
- **I'd never felt comfortable with the idea of importing things from a third world country. It seemed like an opportunistic thing to do and a cheap thing to do with my own social conscience.**
- **We ended up going to Shanghai after my wife Googled a site called MeetChina.com and stayed in the foreign quarters as an academic who had stayed at the University told us he stayed at the foreign quarters, because very few people.**
- **After Australia, we did think about starting to sell to the UK and in Europe as well as we knew that there was a good opportunity in Europe.**
- **There was an outdoor tradeshow which was the big outdoor tradeshow in Europe. We launched Company A. Although Participant Four had already been selling another product in Australia so we sort of had an idea of how to work that.**
- **Participant Four ran through Company B but it didn’t become a registered company until 2002 when we launched Company A. Although Do Dunedin designers work together? “Not really. We sold some silk fabric to NOM*d for knitwear but that was a one-off. I’m involved in GUILD, which is a society called.**
- **The NZTE Marketing and Development grant provided us with 50% of the cost of going to a...”**
### Company A Thematic Analysis

<table>
<thead>
<tr>
<th>Source</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant Four</td>
<td>“But for whatever reason, I think I felt very comfortable with the people we were dealing with. They were just a family and a really nice couple so I ended up buying maybe 10 or more products from them.”</td>
</tr>
<tr>
<td>Participant Four</td>
<td>“We sell mostly online now so we’re selling to distributors and wholesalers as well, which we don’t do so”</td>
</tr>
<tr>
<td>Company B</td>
<td>“Company B is part of the same business we’ve treated them as separate entities in a way. They have different markets: Company B are outdoor and Company A was sold to fashion and department stores though initially they were the same and that’s how we got Company A into the stores Company B were already in because we already had relationships with the Company B wholesalers and retailers.”</td>
</tr>
<tr>
<td>Dunedin Design Incorporated</td>
<td>“It’s all about showcasing Dunedin designers and working together to support one another to get ourselves out there” (Participant Three, Company A).”</td>
</tr>
<tr>
<td></td>
<td>“In terms of designers, generally not, no. I think people are tradeshow (it cost approximately $60,000-$70,000 to attend). Unfortunately the government pulled the plug on funding, which was really annoying because we got to the point where we had distributors covering 10-20 countries (about 12 distributors) and we were covering Russia, Poland, UK, France everywhere in Europe and we haven’t targeted the States and Korea and other places.” – Participant Four.</td>
</tr>
</tbody>
</table>

---

That I wanted. They’d gone looking for Company B suppliers and I think they found them on the internet. But when we went to China looking for Company B suppliers, we just went to see what we could find at this tradeshow in Guanzhou, China.”
# NOM*d Thematic Analysis

<table>
<thead>
<tr>
<th>About What?</th>
<th>Tacit</th>
<th>Tacit</th>
<th>Tacit</th>
<th>Tacit</th>
<th>Tacit</th>
<th>Tacit</th>
<th>Tacit</th>
<th>Tacit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stockists</td>
<td>Fashion design</td>
<td>Production</td>
<td>Chinese suppliers</td>
<td>Payment terms</td>
<td>Japanese market</td>
<td>Europe and Japanese markets</td>
<td>Production and internationalization knowledge</td>
</tr>
<tr>
<td>Source</td>
<td>Previous retail experience</td>
<td>Creative Director</td>
<td>Locally available Tamahini and Mosgiel Knitting Factory</td>
<td>A New Zealander who’d been to China</td>
<td>Through experience – could have researched earlier?</td>
<td>UK Agent</td>
<td>2 x Australian girls UK agents</td>
<td>Japanese agent</td>
</tr>
<tr>
<td>Useful</td>
<td>Very useful</td>
<td>Very useful</td>
<td>Useful</td>
<td>???</td>
<td>Not very useful</td>
<td>Very useful</td>
<td>Very useful</td>
<td>Not very useful</td>
</tr>
<tr>
<td>Source trustworthy?</td>
<td>Very trustworthy</td>
<td>Very trustworthy</td>
<td>Trustworthy</td>
<td>Not trustworthy</td>
<td>Very trustworthy</td>
<td>Trustworthy</td>
<td>Trustworthy</td>
<td>Not trustworthy</td>
</tr>
<tr>
<td>Knowledge lacking</td>
<td>What customers want</td>
<td>Lack of alternative sources</td>
<td>Relationship building</td>
<td>Trust</td>
<td>Payment terms</td>
<td>Knowing who to contact</td>
<td>Customer knowledge</td>
<td>Which other NZ firms produce their garments in China</td>
</tr>
</tbody>
</table>

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## NOM*d Thematic Analysis

<table>
<thead>
<tr>
<th>How do these firms learn about what is important or useful?</th>
<th>From previous experience</th>
<th>By experience and learning what the challenges are and what resources they don’t have</th>
<th>By trial and error</th>
<th>Trial and error</th>
<th>By experiencing</th>
<th>By exposing herself to agents</th>
<th>By meeting new prospective agents</th>
<th>By not trusting other competitors and turning to other sources of information</th>
<th>By experience and learning what information they don’t have when they get to a road block</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do they learn to learn?</td>
<td>By experience</td>
<td>By trying new things</td>
<td>By experience</td>
<td>By experience</td>
<td>By networking</td>
<td>By networking</td>
<td>By working closely with stockists</td>
<td>Experience</td>
<td></td>
</tr>
</tbody>
</table>

**Quotes**

- “We had a store in Melbourne for 7 years since 2007 and it closed in 2014. We
- “We solely manufactur ed knitwear up until 1999 when we were invited to show at
- “The decision to make knitwear, initially was we saw it as something that we could
- “We had a situation where a manufactur er in Ashburton, Tikau knitwear, 
- “We’re far more careful now from a financial point of view when we take on
- “We actually had quite a strong presence in Japan. From the fashion there were
- “We moved on from that agent in London to another one in London, there were
- “We always showed alongside Zambesi. One of the negatives about that was that
- “I think that what can happen with brands, as with anything, the fashion environment as far as academia or
NOM*edy Thematic Analysis

London Fashion Week as one of four designers. We didn’t want to have just a knitwear collection, we wanted a full presence in design from top to bottom. Knitted top and knitted skirt.

Researcher: Why not? It’s not how Supplier B produce without having to leave Dunedin because we had Supplier A over the hill and also knitwear factory Supplier B that has since closed down that could do production. Both of those have since gone. Supplier B ended up going through some amazing old machinery, they closed down and I just think that they never brought in any youth or never trained anyone so the people operating the equipment got old and got over it. I don’t know what to blame about it either. I new clients than we were when we first started. There wasn’t really that fear of people not paying you. In this day and age if we take on a new account, our financial criteria is far more stringent because we have over the years lost money.

week thing in 1999 in London, we took on an English agent, and he achieved some quite good international sales for us. And I mean a lot of that was in Japan, some in the US. It was a situation where he was showing a few brands at the same hotel that a couple of Australian girls and they continued to sell into Europe and Japan. I think things started to get tough for them and we were approache by an agency in Japan and so we ended up going with them, so they continued.

people thought Zambesi owned NOM*ed because they were the far bigger company and lived in Auckland and an actual fact, that wasn’t correct. I think the realization of showing in an international market made us very aware that we had to rebrand.

people like NZFW and NZTE who are the ones that actually funded us to NZ fashion week would love to have a really big presence of NZ in the international fashion market but there’s a few hurdles.” – Participant Five

“Not FINZ. Not where they’ve given us any grants or anything. It’s always been NZTE. FINZ I’ve got no
<table>
<thead>
<tr>
<th>Icebreaker Thematic Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>About What?</strong></td>
</tr>
<tr>
<td>European market</td>
</tr>
<tr>
<td><strong>Source</strong></td>
</tr>
<tr>
<td>Strategy Swiss contact</td>
</tr>
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<td></td>
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<tr>
<td><strong>Useful</strong></td>
</tr>
<tr>
<td><strong>Source trustworthy?</strong></td>
</tr>
<tr>
<td>Somewhat trustworthy</td>
</tr>
<tr>
<td><strong>Knowledge lacking</strong></td>
</tr>
<tr>
<td>Market knowledge</td>
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<tr>
<td></td>
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<tr>
<td><strong>How do these firms learn about what is important?</strong></td>
</tr>
<tr>
<td>Trust</td>
</tr>
<tr>
<td>By experience</td>
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<tr>
<td>Was in-line with</td>
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</table>
# Icebreaker Thematic Analysis

<table>
<thead>
<tr>
<th>ant or useful?</th>
<th>strategy</th>
<th>How do they learn to learn?</th>
<th>Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
<td></td>
<td>By experience</td>
<td>“Our first export success started in Europe in 1999, and it started in Switzerland and the Netherlands. And because that started to take off, that’s why I needed to move manufacturing in 2003.”</td>
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<td></td>
<td></td>
<td>By trusting firms</td>
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<tr>
<td></td>
<td></td>
<td>By networking</td>
<td>“In Canada, we had the wrong partner. We had a lot of potential in the market and we had partners that didn’t understand us, didn’t understand the brand and were kind of more fashion distributors rather than...”</td>
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<tr>
<td></td>
<td></td>
<td>By networking</td>
<td>“Yeah (we went into Australia) in 1998 and we failed there because it wasn’t cold enough. The market was very unsophisticated.”</td>
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<tr>
<td></td>
<td></td>
<td>By experience</td>
<td>“We were falling behind in making the product in New Zealand. In 2003, we shifted the manufacturing offshore. I looked all around the world for the best manufacturer for us, with the best technology and the best...”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By experience</td>
<td>“when I started the Internet didn’t exist. I didn’t have a website and I didn’t even have an email address. So, now online sales are about 10% of our global sales so about $20 million out of...”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By seeking experts</td>
<td>“NZTE had been reasonably helpful, in the early days providing a 50% subsidy of some of my R&amp;D costs.”</td>
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<td></td>
<td></td>
<td>Through explicit learning</td>
<td>“The first thing I did was lock myself in my bedroom in my flat in Wellington for three months and I wrote a business plan about my dream to build an international brand from New Zealand. I started with that goal and...”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By acquiring knowledge</td>
<td>“I worked out that businesses fail because they run out of money, don’t have enough expertise and don’t have a highly differentiate product, so I kind of aimed to address those three things.”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By acquiring knowledge</td>
<td>“We are a category creator. Most companies sell variations of existing products and we’ve created a new product category, merino outdoor clothing and built a company with a unique brand to create that...”</td>
</tr>
</tbody>
</table>
### Appendix H: The Coding Process

#### The Coding Process - Beats

<table>
<thead>
<tr>
<th>Data Extract</th>
<th>Code Applied</th>
</tr>
</thead>
</table>
| I had dealt with heaps of banks and that just from my accounting background and have applied for loans for heaps of people before... I knew the whole process and I knew what they wanted to see. Then I actually got the guys from work to check it over too. | 1. Accounting background  
2. Dealt with banks before and had applied for loans for people  
3. Knew the bank loan process  
4. Colleagues looked over work |
| We researched the Chinese market online via blogs and by searching fabric markets at the bottom of China.                                             | 1. Researched supplier market online                                           |
| Initially we bought our fabric from a New Zealand fabric wholesaler but we had issues with ripped clothing and they didn’t have many menswear fabrics. Where else do you go? America was no cheaper. Australia was darer by far and they didn’t have what we wanted and neither did New Zealand. Even then, it’s still pretty dodgy. They only take cash and half of the suppliers we found, we can’t get in contact with again, they don’t have email. You’ve got no way of paying them and no way of contacting them. | 1. NZ fabric wholesaler not delivering – lack of menswear, poor quality  
2. China – cheapest  
3. Chinese suppliers poor communicators – no email  
4. Cash jobs - dodgy |
| We bought fabric in China but haven’t heard from them so now we get our fabrics from Hong Kong, which is more expensive but more reliable.            | 1. Communication issues with Chinese suppliers  
2. Buy from Hong Kong now as are more reliable                                |
| We didn’t know which way was the best way to make it ourselves and that’s why we’ve been switching back and forwards but never actually taking the time to get a reliable factory. You’d almost be better to stop what you’re doing right now and go and form a relationship. | 1. Lack of knowledge about how to do production  
2. Should form relationship right now                                        |
| In China, they want ongoing orders. The minute, you contact them they expect an order straight away and once you put that first one in, they expect a monthly commitment... If you haven’t put in the next order they’ll probably just turn around and not deliver. | 1. Chinese supplier want ongoing orders  
2. Cultural expectations  
3. Mistrust around delivery and order system                                   |
| We’d have to go there. You can’t tell by looking online. You can’t tell one from the other, they’ve just got a big Chinese name and it sounds the same. | 1. Would need to visit Chinese suppliers and meet face to face  
2. All sound the same                                                         |
<p>| He’s got a good customer base in Australia who are mainly New Zealanders living in Australia.                                                 | 1. Distributor/retailer has good customer                                    |</p>
<table>
<thead>
<tr>
<th>Statement</th>
<th>Base</th>
<th>2. Exposure led to online sales too</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through their marketing we’ve ended up with stockists and sales through our online store too.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>He knows his customers and his product well. He knows his customers a lot better than other people. He gets things in that we go, “does that really fit with our brand?” but he knows his customers in Brisbane and he knows exactly what they want so when he orders, he almost knows specifically.</td>
<td></td>
<td>1. Retailer – strong product knowledge 2. Retailer – strong market knowledge 3. Knows what he wants and what will sell</td>
</tr>
<tr>
<td>We went to see him and he went through half of our range and said, “my customers won’t buy that” straight away, whereas others look at your range and buy everything.</td>
<td></td>
<td>1. Retailer knows what market wants and will buy 2. Other retailers don’t have good market knowledge and buy everything</td>
</tr>
<tr>
<td>They do a lot of work for you, dealing with the customers for you. And you’re probably not going to make much money by setting up a store.</td>
<td></td>
<td>1. Retailers do a good job dealing with customers 2. Take away the cost of setting up a store</td>
</tr>
<tr>
<td>Backdoor has a full time buyer. We went into their Mt Maunganui store and spoke to a sales assistant there. He passed us on to their buyer and the buyer contacted us.</td>
<td></td>
<td>1. Sales assistant key in passing on information to buyers</td>
</tr>
<tr>
<td>We do a bit of people watching too and look at what other stores are around.</td>
<td></td>
<td>1. People watching important 2. Sales people report on customer feedback to firm</td>
</tr>
<tr>
<td>Our Melbourne customers ask our Melbourne salespeople, ‘OMG do you think anyone would wear this?’</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One of our retailers shared with us that one of our competitors is selling via Asos. A lot of what we’ve learned has come from the retailers, pretty much everything because you don’t get much from other brands. The retailers and sales assistants actually see everything and deal with these other brands. They know the most and they’re quite open with sharing things, which I don’t necessarily think is a good thing. That’s about the only way we’ve learned.</td>
<td></td>
<td>1. Retailers share information about competitors 2. A lot of learning has come from retailers 3. Retailers see everything and deal with customers and retailers regularly 4. Only way we’ve learned</td>
</tr>
<tr>
<td>All of our competitors produce in China. I’ve talked to a lady at Supplier A in Auckland that order from China. She said unless you’re as big as Kmart or The Warehouse then you’re wasting your time. She basically tried to talk us out of it. But I know for a fact that all of our competitors are made there so it must be do-able.</td>
<td></td>
<td>1. Knowledge that all competitors produce in China 2. NZ producers trying to talk firm out of producing in China (mistrust)</td>
</tr>
</tbody>
</table>
| We don’t really have any relationships with Dunedin designers… We haven’t really put ourselves in the Dunedin fashion circles… The streetwear market is very competitive. They’re almost your enemy. We were threatened by one of the labels once. | 1. Lack of relationships with Dunedin designers  
2. Streetwear market competitive  
3. ‘Almost your enemy’ |
|---|---|
| It’s almost like people have a theory in their head about there’s not enough to go around so you’ve got to compete against everyone else. Whereas in reality, in the fashion world, it’s a unique sort of product anyway. Your brand has its own unique values and you’ve never really going to have an identical brand or clothing are you? | 1. Perceived scarcity of resources  
2. Competing against everyone  
3. Brand differentiation |
| The lady at the DCC gave us some good contacts but we never followed through. It’s almost that dealing with other designers, seems like they wouldn’t want to help you. She gave us some contacts for manufacturing in China so when we’re ready for it we’ll use it. She was really helpful.  
Would you go back?  
Probably not. She gave us translators and things like that for if we go to China. which was really helpful. | 1. Government agency gave ‘good’ contacts  
2. GA gave contacts of other designers – who wouldn’t want to help you  
3. Will use contacts for Chinese manufacturing when ready for it  
4. Gave us translators for China which was helpful |
| We’ve seen grants you can get but most of them don’t fit our profile. They’re mostly R&D. We need the most help with marketing and graphic design… It’s just the marketing side of things. | 1. GA grants don’t fit our profile  
2. Mostly R&D grants  
3. Need help with marketing and graphic design |
### The Coding Process – Company A

<table>
<thead>
<tr>
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</table>
| We knew that if we wanted to do silk then we’d need to go to China so we just went over there. Mum and dad had been before me. They’d been to China on one trip before we found the supplier that I wanted. They’d gone looking for Company B suppliers and I think they found them on the internet. But when we went to China looking for Company B suppliers we just went to see what we could find at this tradeshow in Guangzhou, China. | 1. Knew silk supplier market was in China  
2. Parents had visited China before firm chose supplier  
3. Parents suppliers in China  
4. Visited tradeshow in Guangzhou, China |
| Participant Three studied a Bachelor of Clothing and Textiles degree – hence the technical knowledge regarding silk. | 1. Director studied a Bachelor of Clothing and Textiles  
2. Technical knowledge regarding silk |
| I’d never felt comfortable with the idea of importing things from a third world country. It seemed like an opportunistic thing to do and a cheap thing to do with my own social conscience but for whatever reason, I think I felt very comfortable with the people we were dealing with. They were just a family and a really nice couple so I ended up buying maybe 10 or more products from them. | 1. Ethics in dealing with third world country  
2. Formed good relationship with Chinese supplier |
| We still work with the distributors (suppliers) we met at that first tradeshow in Guangzhou. We built a really good relationship with them. I mean the factories have changed over the years but the agent we work with is the same one. We visit them every year to meet with them. It’s vital because it’s all about those relationships and going to the factory and meeting the general manager and his wife, and going to his father’s 80th birthday party. You just have more of a connection and it’s good for us to have more of a connection with them but also good for them to get to know us as well. | 1. Still work with Chinese suppliers today  
2. Key relationship with agent important  
3. Relationship and cultural understanding important |
| We ended up going to Shanghai after my wife Googled a site called MeetChina.com and stayed in the foreign quarters as an academic who had stayed at the University told us he stayed at the foreign quarters, because very few people from the area had area had been. | 1. Found out about Shanghai supplier market after Googling MeetChina.com  
2. University academic had been before |
| After Australia, we did think about starting to sell to the UK and in Europe as well as we knew that there was a good opportunity in Europe. | 1. Exported to Australia  
2. Then considered the UK and European |
There was an outdoor tradeshow, which was the big outdoor tradeshow in Europe. We found out about it from talking to our UK distributors. Everyone in the UK goes to this tradeshow. They explained it to us and we went for a visit to check it out before committing to showing product there.

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<tr>
<td></td>
<td>1. European tradeshow - big outdoor tradeshow</td>
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<td></td>
<td>2. UK distributors go to tradeshow</td>
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<tr>
<td></td>
<td>3. Visited tradeshow before committing</td>
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We sell mostly online now so we’re selling to distributors and wholesalers as well, which we don’t do so much of now... We’ve still got product in the UK, Germany, Australia, Chile some in Poland but we don’t have any active distributors anymore because we’ve changed our model completely and our exports are all online. We’re still very much exporting but online, which is directly to the consumer instead of through distributors.

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<tbody>
<tr>
<td></td>
<td>1. Online business model now</td>
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<td></td>
<td>2. Distributors in UK, Germany, Australia, Chile and Poland</td>
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<tr>
<td></td>
<td>3. No active distributors</td>
</tr>
<tr>
<td></td>
<td>4. Focus online directly to consumers</td>
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<td></td>
<td>5. No back up marketing support</td>
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Do Dunedin designers work together? “Not really. We sold some silk fabric to NOM’d for knitwear but that was a one-off... I’m involved in GUILD, which is a society called Dunedin Design Incorporated. It’s all about showcasing Dunedin designers and working together to support one another to get ourselves out there.

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<td>1. Dunedin designers don’t work together</td>
</tr>
<tr>
<td></td>
<td>2. GUILD set up to get designers to work together, promote Dunedin design</td>
</tr>
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In terms of designers, generally not. no. I think people are fairly individualistic. I can’t say that we’ve worked together with anyone... Having said that. Participant Three has started GUILD – a cooperative and it’s working quite well but I think that’s unusual.

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<td>1. Dunedin fashion designers fairly individualistic</td>
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We’ve had the help of NZTE and other funding bodies like that so that’s been really good. Mostly with funding and contact with representatives in other markets such as the UK market and provide us with a meeting place to meet with distributors. They’ve definitely been helpful.

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<td></td>
<td>1. NZTE offered funding support</td>
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<td></td>
<td>2. NZTE also provided contact with reps in UK market and provided meeting places</td>
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The NZTE Marketing and Development grant provided us with 50% of the cost of going to a tradeshow (it cost approximately $60,000-$70,000 to attend). Unfortunately the government pulled the plug on funding, which was really annoying because we got to the point where we had distributors covering 10-20 countries (about 12 distributors) and we were covering Russia, Poland, UK, France everywhere in Europe and we haven’t targeted the States and Korea and other places.

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<td></td>
<td>1. NZTE Marketing and Development grant provided 50% subsidy for tradeshow</td>
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<tr>
<td></td>
<td>2. Grant no longer offered – difficult as were building more distributors</td>
</tr>
<tr>
<td>Even if they couldn’t give us direct assistance, the fact that we could ring NZTE in Germany was great.</td>
<td>1. NZTE provided contact to NZTE in foreign markets</td>
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<tr>
<td>It may have been good to get other help. Connecting more with NZ businesses already exporting to the same markets. General advice. It’s difficult for NZTE to do that – I think they have to stay neutral and can’t be seen to be favouring certain companies over others. They more try and give you information and contacts putting you in touch with advisors but not to go that step further. You need to pay for these services. They did have some reports on the general sectors – some were helpful but nothing specific.</td>
<td>1. NZTE could have connected to other NZ businesses exporting to same markets 2. In need of general advice – NZTE must stay neutral 3. Have to pay for advice 4. Some reports avail on general sectors – not specific however</td>
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<tr>
<td>There was some information on the outdoor market. Fashion not so much a focus at least not when we were talking with them. It didn’t seem like fashion was really a big export area that NZTE was focused on. There was general information on distributors available, which was really helpful and can be applied across multiple industries.</td>
<td>1. NZTE – some info on outdoor market 2. Fashion next to nothing – not a big area for them 3. General distributor info really helpful</td>
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<tr>
<td>FINZ – I’ve never had anything to do with them.</td>
<td>1. No relationship with FINZ</td>
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<tr>
<td>The DCC provided market entry grants for trade shows, which was really good and really helpful. These grants don’t exist anymore. We were really lucky, the economic climate has changed.</td>
<td>1. DCC provided market entry grants – v helpful 2. Grants no longer exist</td>
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<tr>
<td>The knowledge base about trading online is very thin. People claim that they know about Amazon and all those sorts of things but getting really good advice, cutting edge advice in that area is very thin. So I actually think there’s huge export potential and it’s taken NZTE a while to realize that this is actually a valid thing for New Zealand businesses to do that’s profitable and they need support. I feel that there is really a lack of expert support and I think there could be like an office or some people that we could consult that are really up with the play. Everything changes so quickly and anyone who tells me that they are an expert on... I’m very cautious about it because they’re generally not.</td>
<td>1. Knowledge base about trading online – v. thin 2. Cutting edge advice hard to get 3. Need expert support 4. Overseas office with experts needed 5. Wary of people who say they’re experts – generally not</td>
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## The Coding Process – NOM*d

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<td>We had a store in Melbourne for 7 years since 2007 and it closed in 2014. We didn't go out looking for a store in Australia, we had a client who had a store in Brisbane, that's where she lived, and she also had a store in Melbourne.</td>
<td>1. Started a store in Melbourne Australia through a NOM*d client with her own stores in Brisbane and Melbourne</td>
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<td>We might have had five stores that we were wholesaling but she decided it was hard for her to manage both stores out of her location and so we took over the lease of her store in Fitzroy.</td>
<td>1. Contact struggled with workload and NOM*d bought retail space off contact</td>
</tr>
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</table>
| Our biggest client base is in Perth. They pretty much took it straight away. They knew me and they knew Plume. The lady living in Perth is initially from Albany, which is a lot like the Dunedin of South Australia. Her daughter set up some stores in Perth and the one in Sydney, Retailer D, which we've stocked right from the beginning. We're also in Melbourne through Retailer D used to have a store in Sydney but they've since closed down. Australia isn't a healthy retail environment and sometimes you've just got to bite the bullet and say, let's pull out. | 1. Perth biggest customer base in Australia  
2. Personal contact  
3. Business contact through previous retail interaction  
4. Similar climate to Dunedin  
5. Australia not a healthy retail environment |
| Supplier 8 ended up going through so that was one of the major reasons for us starting to produce our own line I mean the retail environment that we had was quite unique in that they weren't mass produced brands that we carried and also it was more about my sort of personal style that was what we want reflected in store. It was things that I liked and felt like we could offer to people in Dunedin primarily. | 1. Started own production after supplier went under  
2. Retail environment at the time was unique – brands weren't mass produced  
3. Brand style reflected designer's personal preference |
| The Tikau manufacturers produced the same stuff season after season. They could do it with their eyes closed but the delivery was always late for the new things they would do so they were sort of in a rut. | 1. Tikau Manufacturers began to produce too late  
2. Good at what they did but late delivery |
| We had a situation where a manufacturer in Ashburton, Tikau knitwear, had some amazing old machinery; they closed down... at one stage they had some people looking at buying it, and one guy came to me and said I can get this product made for you in China for such and such. he was a New Zealander but obviously he had some dealings in China. Quality's great etc. | 1. Tikau Manufacturing closed down  
2. New contact approached NOM*d about producing in China  
3. New contact had experience dealing |
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<th>so we thought oh well, we'll give it a go.</th>
<th>with the Chinese</th>
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| I only met him because he was looking at buying Supplier A and the contract was between us and the Chinese. I mean he introduced us to the Chinese factory by way of email, that type of thing but there was never any face to face contact with the Chinese and really our contract was with the Chinese not with him. He just sort of, I don’t know whether he got a payoff from the Chinese or not. I mean there was no way that he was responsible for any of that and a good lesson for us delving off into overseas production. | 1. Margi did not know the man well  
2. Never had any face-to-face contact with Chinese suppliers  
3. Wasn't sure to what degree she trusts the man  
4. Man not responsible for the dealings with the Chinese suppliers  
5. ‘Learned our lesson about overseas production’ |
| We gave the Chinese the task of manufacturing five garments we had produced season in-season out, so we knew exactly how they should turn out. We thought that we'd use a yarn that wasn't NZ wool to see how they coped with the production. Silk and cashmere blend. There were a few communication problems in the beginning but in the end it sort of worked. | 1. Chinese suppliers given order  
2. Communication problems encountered but it worked well in the end |
| When the delivery was meant to be made, there was that warehouse scare where children’s pyjamas had phemeldehyde in it. So I sent everything to the drycleaners and was freaking out about what was going to happen. So we did all that and got it into store, it all looked great and everybody thought it was great and we were all very happy. Until about 1 month in, we started to get customers ringing us to say the sleeves had fallen off their jumper and so we got heaps of product back and mainly it was in the construction, something that’s not visible like if you were checking it with quality control, you wouldn’t know so when we sent it to out knitter in NZ. He said when you link yarn you usually used two ends of yarn, they'd only used one. It's got to be quite strong. When I made the payment, which was $60,000 or something, it was quite big. I held back. I don't know why, I just sometimes have these premonitions, so I held back $5,000 just in case, like I'll pay you that when we receive it and of course I never paid it. Then they also produced more than what we asked for and said, “we've got another 200 of these so what would you like us to do with them?” Which was pretty much like they | 1. Chemical scandal influenced perceptions about clothing made in China – Margi extremely concerned  
2. Took extra care to make sure clothing was chemical-free  
3. Customers had issues with flawed garments falling apart  
4. Not something noticeable during quality control  
5. Withdrew portion of the payment out of perceived mistrust  
6. Manufacturer overproduced agreed quantity and indicated they would either sell them to NOM’d or sell them to customers  
7. 15 years ago – 2000 – things may have changed since |
were going to sell them. Either we were going to have to buy them or they were going to sell them. We're probably talking 15 years ago and whether that's changed now. I don't know.

| From the fashion week thing in 1999 in London, we took on an English agent, and he achieved some quite good international sales for us. And I mean a lot of that was in Japan, some in the US. It was a situation where he was showing a few brands at the same hotel that we were staying in which was one of those things where you've got to talk so New Zealand Trade and Industry made a lot of contacts for you because obviously they were venturing into this whole fashion thing, it was a whole project for a couple of employees over there. So they were quite helpful in making contacts over there and were quite helpful. It was a woman who was the buyer for Liberty and she was also on the British Fashion Council. We still see her now when we go to Paris and have remained quite good friends but a lot of it is about contacts and being in the right place at the right time and we were in the right place at the right time back then. |
| 1. Through 1999 London Fashion week met English agent  
2. Agent performed well in Japan and US  
3. Met agent as he was showing several brands at the same hotel as NOM'd  
4. NZTE made contacts for NOM'd  
5. Met a contact who was the buyer for Liberty and on the British Fashion Council  
6. Remained good friends and see her when I go to Paris  
7. About being in the right place at the right time |

| We moved on from that agent in London to another one in London, there were a couple of Australian girls and they continued to sell into Europe and Japan. I think things started to get tough for them and we were approached by an agency in Japan and so we ended up going with them, so they continued to sell our product over there and support us in that way. We actually got into some quite big stores over there too. It's quite interesting because what sort of changed I think, in some ways, if you wanted to put things into time frames, the international fashion industry changed quite a lot with the twin towers, things seemed to just turn from then. And then I'd have to say the Japanese market sort of fell off after the tsunami. I don't know, just attitudes or something changed and the agents that we were working with thought that they wanted to go a bit more girly. You know with the Japanese, there is that market of sort of cutesy type thing and we're always quite dark. There we were in Isatan, a department store that had a great fashion store... |
| 1. Moved on from UK agent to another UK agent  
2. New agents continued to sell to Japan and Europe  
3. Japan agency then approached us and continued to sell our product  
4. International fashion industry changed with the twin towers and the Japanese market was affected by the tsunami – attitudes changed  
5. Japanese market's needs began to change to more girly style |

Then there was America through the English or 1. Sold to US through UK
| Japanese agents. Well basically I’d say Australia being southern hemisphere selling in the same season as us, and the America and Japan being northern hemisphere (London or whatever). What I found quite hard going with both the Japanese and second London-based agency. They charged a fee for PR and got commission on sales. PR fees – just designed to pay their rent and when I said we can’t really afford this PR, because we actually need to be able to achieve a certain percentage of sales in order to pay for PR. We can’t just be paying $2,000 a month and you haven’t brought in ‘x’ amount of sales there’s no profit in it. So once we pulled out of the PR sort of things they pretty much lost interest in selling for us. The London-based agency went under, and the Japanese agents still exist but sell totally different products to what they did now. They’ve changed their aesthetic. Because you also have to have someone that understands us.

At that time the NZD was strong so our garments became expensive in the northern hemisphere. We also had the whole Internet thing where everyone could see what’s going on in one second. The world just changed.

I think that what can happen with brands, as with anything, the fashion environment as far as academia or people like NZFW and NZTE who are the ones that actually funded us to NZ fashion week would love to have a really big presence of NZ in the international fashion market but there’s a few hurdles.

Not FINZ. Not where they’ve given us any grants or anything. It’s always been NZTE. FINZ I’ve got no idea. It’s a bit of an Auckland thing isn’t it? There’s so much that goes on in Auckland that maybe things that could be available for designers are more accessible up there. I’m not sure.

The council did give us a very small amount of money when we were showing at NZFW because we’re from Dunedin. I mean the payback on that is that you have to do the school report afterwards. Even with NZTE and I think what happened was NZTE had made a
| Japanese and UK agencies began to charge PR fees that we couldn’t afford and didn’t see the value in
| We pulled out and the agents lost interest in us
| UK agency went under and Japanese agents changed their aesthetic
| Important to have someone who understands us
| NZD strong and garments became expensive in Northern hemisphere
| Internet meant transparency of operations worldwide – no more different pricing etc.

| 1. Pressure felt by NZTE, NZFW and academia to have big presence in international market
| 2. Many challenges presented to going international
| 3. Unaware of organization FINZ
| 4. DCG gave small grant for NZFW
| 5. NZFW supported NOM*d for two seasons following NZ Four
| 6. NZFW supported us at a tradeshow a few years later but we had established our own agents and market there too
| 7. Fashion firms always had to present as a
A couple of commitments because the whole thing really started off with London Fashion Week and the New Zealand Four, which they supported us for two seasons so we did a winter and a summer collection over there. A few years later, they also supported us to show at a tradeshow in Paris but in the meantime, we had established our own agents and market over there as well. But they did do that for 3 seasons showing at Translo but you always had to be a group. It’s not an individual support, they always have to go as a group of 4-5.

It can be a little bit hard to be truly individual if you’re in a group. It’s like showing at iD, you’re gonna have the same models, the same hair so you can’t really do your own thing whereas if we show at NZFW and we’ve got our own stand-alone show, they’re models we’ve chosen, hair and makeup just for us, you’re not sharing it with another 10 or whatever designers which is what happens at group shows.

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<td>8.</td>
<td>Difficult to be unique and different with the same models and same hairstyles</td>
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<td>9.</td>
<td>NZFW – own models, own look, not sharing it with another 10 designers which is what happens at group shows</td>
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# The Coding Process - Icebreaker

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<tr>
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<tr>
<td>Our first export success started in Europe in 1999, and it started in Switzerland and the Netherlands.</td>
<td>1. International success 4 years after inception</td>
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<td>And because that started to take off, that’s why we needed to move manufacturing in 2003.</td>
<td>2. Switzerland and Netherlands first successful international market</td>
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<td>In Canada, we had the wrong partner... We had partners that didn’t understand us, didn’t understand the brand, and were more fashion distributors than outdoor distributors so I had to undo that relationship and hire some of the key people in that market and put them into a company that we started.</td>
<td>1. Demand increased dramatically</td>
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<td>2. Shifted manufacturing overseas</td>
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<td>Because I did it in too much of a hurry, and didn’t understand Canadian law, that cost me $1 million dollars. So the process, the way I did it wasn’t right. I did it in too short of a time frame. I gave him 6 months notice of the transition... but I needed to give him 12 months.</td>
<td>1. Distributor relationships</td>
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<td>2. Partnership not beneficial</td>
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<td>3. Partner perceived brand as fashion brand rather than outdoor brand</td>
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<td></td>
<td>4. Jeremy had to undo relationship</td>
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<td></td>
<td>5. Hired key people from company and started own company</td>
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<td>We sent someone along to Canada and ended up making a decision that ended up being the wrong decision. I knew this person very well... But you know we were around 25 at the time and we just can’t dodge stuff by making it up. I make poor decisions as well sometimes, it’s part of life and just one thing leads to another, so you know, there is breakthroughs and breakdowns the whole time and it’s how you learn from your breakdowns and rebuild them as a breakthrough that’s the pulse of the business. That’s really what it’s all about.</td>
<td>1. Mistake made in Canadian market</td>
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<td>2. Didn’t know the Canadian law, broke the law</td>
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<td>3. Didn’t seek local law advice</td>
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<td>4. Cost $1 million dollars</td>
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<td></td>
<td>1. Sent someone he knew and trusted to Canadian market</td>
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<td></td>
<td>2. Made inaccurate decision</td>
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<td>3. Young and experienced mistake</td>
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<td>4. The company has learned from its mistakes</td>
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<td>5. Learning and mistakes is a process and is part of life</td>
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(We went into Australia in 1998 and we failed)

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<th>Reason</th>
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<td>there because it wasn’t cold enough. The market was very unsophisticated.</td>
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| We were falling behind in making the product in New Zealand. In 2003, we shifted the manufacturing offshore. I looked around the world for the best manufacturer for us. with the best technology and the best ethics, and the best quality was based in Shanghai with European companies that were based in China. | 1. Production slacking in NZ  
2. Needed to shift manufacturing offshore  
3. Judged best manufacturer on technology, ethics and quality  
4. Shanghai, China chosen to manufacture  
5. Worked with European companies based in China |

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| I set up a supply chain there that meant that we could... get access to better prices, trade in US dollars, improve quality, improve innovation and get access to bigger quantities and basically deliver on time. (I heard about it from) industry people that I knew. | 1. Set up supply chain in China  
2. Advantages: prices, trade in US currency, quality, innovation, access bigger quantities and deliver on time  
3. Found out from industry people known to him |

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| We call it narrow and deep. We have a small number of partners that we do big business with... We have long term relationships and I prefer... more powerful relationships with fewer people rather than lots of manufacturers because that creates more risk and it means its harder to control the environmental and social ethics. | 1. Small number of partnerships  
2. Long term partnerships worth a lot of money  
3. Too many relationships create risk to brand and company and risk is harder to control |

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| We never use agents because you lose visibility into practices. They kind of say, “yeah, yeah. I can get you that” and they show it to you and you don’t know if it’s been made by child labour or something like that... I was very scared of having any practices that weren’t true to the brand. | 1. Scared of risk to brand  
2. Doesn’t want to be associated with poor ethical decisions  
3. Doesn’t use agents due to lesser control over risk and visibility |

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| I’ve got 20 people over there (in China) but I go to China once a year, you just kind of have to for a day or two...It’s important to maintain high | 1. Local people on the ground in China  
2. Visits China once per |
<table>
<thead>
<tr>
<th>Level relationships.</th>
<th>Year to maintain high level relationship</th>
</tr>
</thead>
</table>
| When I started the Internet didn’t exist. I didn’t have a website and I didn’t even have an email address. Now online sales are 10% of our global sales so about $20 million out of $200 million... And obviously social media’s huge. (The Internet) It’s changed everything. | 1. Internet not available during firm’s inception  
2. No email address  
3. Online sales an important contribution of total sales (10%)  
4. Social media is also huge  
5. Internet has changed everything |
| The thing that really impacted on us initially was email. We could communicate faster and we didn’t need faxes. We got a website in about 2000 and more people started going to our website than our catalogues, it was just disruptive... We started selling online in about 2008 and now it’s a really big part of our business. | 1. Email biggest disruptive force  
2. Email enabled faster communication  
3. More customers turning to online website than going through catalogues  
4. Online important part of firm’s business |
| NZTE had been reasonably helpful in the early days, providing a 50% subsidy for some of my R&D costs. One thing that was really good was that they got me into a conference of apparel executives in the USA and they’d paid for that. That was really, really helpful in terms of building contacts in the US market. | 1. NZTE provided 50% subsidy for R&D  
2. NZTE set-up conference for IB to participate in involving US apparel execs  
3. Helpful for building US contacts |
| Other than that they mainly assisted with some design funding when we were just starting off and also some market and development funding. | 1. NZTE provided design funding and market and development funding |
| I re-wrote the business plan every single year and every year we re-write the business plan... It’s kind of a 3 year forward business plan that keeps us in a forward space as opposed to just looking backwards. | 1. Adapted the business plan frequently (every year)  
2. 3-year forward looking business plan to avoid looking backwards |
| You’ve got to be ambitious. You’ve got to want internationalization to be central to your business. It’s not the old days where you make a bit of stuff and try and flog it off overseas. The goal and the ambition has to be to build an international brand. | 1. Ambition important  
2. Internationalisation must be central focus of business  
3. Not good practice to create and then sell to market  
4. Must strive to be an international brand |
| We’ve got 500 people. 100 of them are in New Zealand, 400 are in the northern hemisphere. 80% of our income is from the northern hemisphere, so you build the company in the shape of the kind of dream of what you’re trying to build not just hire a few people and hope that it sells overseas. | 1. Biggest market
Northern Hemisphere
2. Local people working on the ground
3. Do what it takes to build an international brand |
| --- |
| It’s like when you buy a Toyota you don’t expect someone from Tokyo to fly over and sell it to you, you go to your local Toyota dealer. You know people think Hilux’s are created by Farmers but no it’s not, it’s created by a whole lot of guys in Japan. But they’ve done a really good job of marketing their brand and making it local. So it’s called glocalisising. It’s taking a global idea and making it local so you adapt that through the expertise of the people you’ve got on the ground. | 1. Local dealerships important
2. Glocalisation: taking a global idea and making it local
3. Adapt brand to the market expertise of the local people |
| We don’t see ourselves as a fashion company, and our goal is not to be a New Zealand fashion company but to be an international brand from New Zealand. | 1. Not a fashion brand
2. Not a New Zealand company
3. An outdoor brand
4. An international brand from NZ |
| People won’t buy the product just because it’s from New Zealand. They buy it because it’s a great product and a great brand story. But being from New Zealand makes us more authentic. People love New Zealand and want to go here and it’s the home of adventure and nature and is associated with sheep. Adventure, nature and sheep are the things we’re famous for so it helps a lot but people aren’t going to buy a brand just because it’s from New Zealand. | 1. Value in product
2. Value in brand story
3. NZ label makes story more authentic
4. NZ’s association with adventure, nature and sheep – core part of brand story |
| I worked out that businesses fail because they run out of money, don’t have enough expertise and don’t have a highly differentiated product, so I kind of aimed to address those three things | 1. Reasons why businesses fail: lack of money, lack of expertise, lack of highly-differentiated product |
| I rang friends who I went to varsity with at Otago and they introduced me to their parents and I got some mentors and they helped me write the business plan. One guy used to run the BNZ, another guy was the director of Todd Corporation, a big business and they helped me to write the business plan. And they were directors of the | 1. Contacts from University important
2. Parents of Uni friends helped with business plan
3. Had help of others with prior business experience |
<table>
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<tr>
<th><strong>company for 18 years.</strong>”</th>
<th>4. Then acquired that knowledge by hiring them in own company</th>
</tr>
</thead>
</table>
| I used that business plan to raise $200,000 so I had some capital... and invested that capital in branding and product design and development. I invested about half of it so I had a really fresh, different idea. | 1. Raised capital from business plan  
2. Invested majority of capital in R&D  
3. Emphasises importance of unique offering |
| During the early days I hired a lot of people I had a friendship with, which is really good because you build a really strong work culture but I would have brought in people from the industry who were experts earlier because the problem with me is that the only business I’ve ever run is Icebreaker and I’ve only learned on the job and every year is kind of new so bringing in expertise earlier is what I would have done differently | 1. Hired friends initially  
2. Built strong work culture  
3. Advises against hiring friends, hire experts  
4. Lacked managerial experience and international experience due to IB being first business |
| Surround yourself with experts is my advice and understand what it takes to win in each market and not spread yourself too thin across too many markets | 1. Highly recommends getting expert advice and hiring experts  
2. Focus on key markets |
| We are a category creator. Most companies sell variations of existing products and we’ve created a new product category, merino outdoor clothing and built a company with a unique brand to create that category, which is about focusing on the three things New Zealand is famous for: adventure, nature and sheep | 1. Category creator with technical focus  
2. Created merino outdoor clothing  
3. Created unique brand story around technology – adventure, nature and sheep |
Appendix I: List of Codes

List of Codes

Market knowledge  
Relationship value  
Agent issues  
Importance of brand  
Internet – transparent world, no longer different pricing strategies  
Government agency pressure  
No support from industry body – WHO?  
Funding help  
Agents  
Relationships  
Market knowledge  
Networks  
Strong desire to be a unique brand  
Supplier knowledge  
Visit before commitment  
Explicit knowledge  
Prior entrepreneurial knowledge  
Relationships key  
Brand important (must protect)  
Relationships  
Agents  
Suppliers  
Culture  
Explicit knowledge – researched  
Supplier market beforehand  
Psychic distance  
Regional  
Born global  

Distributors  
Explicit knowledge  
Acquire knowledge from partner  
Visit before commitment  
Internet  
Online strategy  
Business model online  
No active distributors  
De-internationalisation of distributors  
De-internationalisation  
Market knowledge  
Market support  
Market promotion  
Lack of Information sharing  
Collaboration  
NZTE funding  
NZTE contacts  
Market knowledge  
Lack of funding  
Affected network relationships  
Market knowledge  
More internationalization information sharing needed  
More collaboration  
Expert advice  
Free advice  
Specific advice  
Limited specific information available  

No information on fashion industry – NZTE  
General info on distributors helpful  
No support from industry body – WHO?  
Financial help no longer exists NZTE  
Lack of online knowledge  
Lack of expert advice  
Expert support  
Trading online  
Needs to be accessible overseas  
Wary of those who say they’re online experts  
International focus  
Psychic distance  
Demand made production shift overseas  
Agent issues  
Importance of brand  
Control  
Market knowledge  
Glocalise  
Foreign law  
Too much of a hurry  
Didn’t glocalise  
Lack of market knowledge  
Trust  
Attitude towards learning  
Psychic distance  
Lack of market knowledge  
Demand made production go overseas
<table>
<thead>
<tr>
<th>NZTE funding</th>
<th>NZTE networks</th>
<th>Technology advantage</th>
<th>Category creator – innovation</th>
<th>Brand story</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ production slacking</td>
<td>Sought manufacturer in line with brand</td>
<td>Production advantages from China: price, trading in US dollars, quality, innovation, quantity, time</td>
<td>Industry people I knew advised me to Values long term relationships</td>
<td>Deals with few manufacturers Increase in relationships creates risk for brand</td>
</tr>
<tr>
<td>Brand valuable asset</td>
<td>Doesn't use agents Fears may lose visibility and control with agents Compensates for lack of market knowledge with local people Own team for brand control Importance of high level relationships</td>
<td>Internet – began without it, no email, used fax Online market big for us Social media huge Email disruptive for us Meant faster communication More customers going online than catalogues</td>
<td>Prior entrepreneurial experience and knowledge of others Acquires knowledge and experience Values experts Business plan spent on R&amp;D Learned from experience Would hire experts Entrepreneurs with prior experience Get expert advice Focus on key markets Technology advantage</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix J: Overall Findings Table

<table>
<thead>
<tr>
<th>Theme</th>
<th>Data</th>
<th>Theory</th>
<th>Finding</th>
</tr>
</thead>
</table>
| 1. *What different forms of knowledge do these firms acquire?*       | Long-term supplier relationships are an important source of relationship-specific knowledge and market knowledge for New Zealand SME fashion firms. | Relationship-specific knowledge is a form of tacit knowledge that conceals knowledge which may prove useful in dealing with current dilemmas and determining future expectations (Ballantyne, 2004). While this knowledge is based on past relational experiences, it is co-created and constantly updated in interaction by new experiences. Relationship-specific knowledge may also bring participants closer to one another over time, or it may lead to separation (Ballantyne, 2004). | The literature highlights the formation of relationship-specific knowledge between firms and their stakeholders. The findings of the data show support for the literature in the context of firms and their suppliers. Relationship-specific knowledge is a form of tacit knowledge that conceals knowledge which may prove useful in dealing with current dilemmas and determining future expectations (Ballantyne, 2004). Therefore as relationship-specific knowledge grows, through iterations of interaction through dialogue, mutual trust may develop between two or more participants. This is illustrated by the following examples: **Icebreaker**

“We have a small number of partners that we do big business” |
| 2. *Which sources do these firms acquire knowledge from?*             |                                                                      |                                                                        |                                                                                                                                         |
| 3. *How do these forms of knowledge evolve?*                         |                                                                      |                                                                        |                                                                                                                                         |
widely shared. Therefore as relationship-specific knowledge grows, through iterations of interaction through dialogue, mutual trust may develop between two or more participants (Ballantyne, 2004).

A lack of market knowledge results in uncertainty and risk in internationalisation. It concerns institutional knowledge of government, institutional frameworks, rules and norms, knowledge of local conditions and opportunities, and business knowledge of the resources, capabilities and market behaviours of suppliers, competitors, and local clients and their customers (Fletcher & Harris, 2012).

with. We have long-term relationships... I prefer... more powerful relationships with fewer people rather than lots of manufacturers because that creates more risk and it means it’s harder to control the environmental and social ethics”

**Company A**

“We still work with the distributors (suppliers) that we met at that first tradeshow in Guangzhou. We built a really good relationship with them... (Our) relationship with our supplier and agent at the least in China is really important. Because we are a small player it’s good to have their support. Even though our orders have been small or big, they’ve supported us all the way through... They’ve always seen the potential. They always see any relationship as a long-term relationship, I think. I think they don’t think as short term as other businesses and other NZ businesses and we’ve nurtured
1. **Which sources do these firms acquire knowledge from?**

   **New Zealand SME fashion firms** chose their preferred suppliers based on different values, decisions which may be attributed to what they do know, rather than with the strategic objective to develop what they do not know.

2. **How do these forms of** Mistrust was a major communication barrier restricting relationship knowledge shared between New Zealand SME fashion firms and their suppliers. Where face-to-face

   **A major obstacle to developing relationship-specific knowledge** is that participants do not always communicate clearly. It is therefore the receiving participant’s objective to

   **The literature highlights the importance of clear communication between the parties when sharing information in developing relationship-specific knowledge. The literature also**
| Knowledge evolve? | Communication was either non-existent or scarce, this led to mistrust, communication issues, and mistakes being made. | Challenges the underlying assumptions behind the decisions of other participants otherwise participants may fail to reach shared understanding of the meaning of particular events (Ballantyne, 2004) | Suggests that the parties should challenge the underlying assumptions behind the decision-making of the other firm in attempt to reach a shared understanding of events. Where this is not the case, the parties may fail to reach a shared understanding which threatens the creation of relationship-specific knowledge (Ballantyne, 2004).

The findings of the data show support for the literature in the context of firms and their suppliers. This is illustrated by the following examples:

Communication problems hindered the creation of relationship-specific knowledge and led to mistakes and mistrust.

Intention to meet?
Serendipitous meeting?

NOM*d

“I only met him because he was
looking at buying Tikau Knitwear and the contract was between us and the Chinese. I mean, he introduced us to the Chinese factory by the way of email... but there was never any face-to-face contact with the Chinese, and really our contract was with the Chinese, not with him... I don’t know whether he got a payoff from the Chinese or not. I mean there was no way that he was responsible for any of that, and a good lesson for us delving off into overseas production”

“When I made the payment, which was $60,000 or something, it was quite big, I held back. I don’t know why, I just sometimes have these premonitions, so I held back $5,000 just in case, like I’ll pay you when I receive it and of course I never paid it”

“They also produced more than what we asked for and said, ‘We’ve got another 200 of these, so what would you like us to do with them?’ which was pretty
| 1. What different forms of knowledge do these firms acquire? | The disadvantage of New Zealand SME fashion firms lacking market knowledge can be overcome by employing agents, distributors/retailers or local | A lack of market knowledge results in uncertainty and risk in internationalisation. It concerns institutional knowledge of government, institutional | The literature suggests that a lack of market knowledge results in uncertainty and risk in internationalisation. Theory supports findings of empirical |
| 2. Which sources do these firms acquire knowledge from? | People in foreign markets. | Frameworks, rules and norms, knowledge of local conditions and opportunities, and business knowledge of the resources, capabilities and market behaviours of suppliers, competitors, and local clients and their customers (Fletcher & Harris, 2012).

Market knowledge accumulates with increased commitment in specific markets (Johanson & Vahlne, 1977, 2003; 2009). |

...research.

The findings of the data show support for the literature in the context of firms and their suppliers.

In the case of Icebreaker, the firm experienced an initial lack of market knowledge as evidenced by market failure in Canada and Australia however went on to achieve great success in that market by learning how to acquire market knowledge in the Canadian market.

This is illustrated by the following examples: “In Canada we had the wrong partner... We had partners that didn’t understand us, didn’t understand the brand, and were more fashion distributors than outdoor distributors so I had to undo that relationship and hire some of the key people in that market and put them into a company that we started” |
“Because I did it in too much of a hurry, and didn’t understand Canadian law, that cost me $1 million dollars. So the process, the way I did it wasn’t right. I did it in too short of a time frame. I gave him 6 months’ notice of the transition... but I needed to give him 12 months”

“We’ve got 500 people. 100 of them are in New Zealand, 400 are in the northern hemisphere. 80% of our income is from the northern hemisphere, so you build the company in the shape of the kind of dream of what you’re trying to build, not just hire a few people and hope that it sells overseas”

“It’s called glocalising. It’s taking a global idea and making it local, so you adapt it through the expertise of people you’ve got on the ground”

The literature argues that market knowledge accumulates with increased commitment in specific
1. **What different forms of knowledge do these firms acquire?**

   **Expert/internationalisation knowledge** is sourced from government agencies, consultants and by employing entrepreneurs with specialist expertise.

   Internationalisation knowledge involves the exchange of knowledge between the providers of the knowledge (which may include: suppliers, networks, government agencies, consultants etc.) and the

   The literature supports the findings of the data that suggest that internationalisation knowledge is acquired from government agencies.

2. **Which sources do these firms acquire knowledge**

   "I had to undo that relationship and hire some of the key people in that market and put them into a company that we started”

   “It's called glocalising. It's taking a global idea and making it local, so you adapt it through the expertise of people you've got on the ground”
| from? | recipients of the knowledge, the senior managers of the SME. While networks are considered to be important sources of technological and market information for firms, Fletcher & Harris (2012) pose that other networks have neither sufficient knowledge of the firm’s capabilities and resources, nor the time for interaction with the firm in order to provide internationalisation knowledge to the firm. Therefore the pair argue that this knowledge is instead provided by external consultants and government agencies (Fletcher & Harris, 2012) | knowledge
Specialised knowledge (explicit)
Entrepreneurial knowledge (tacit)
Employing entrepreneurs – gained knowledge
Icebreaker only example of firm that has employed entrepreneurs |
| --- | --- | --- |
| **1. What different forms of knowledge do these firms acquire?**
2. Which sources do these firms acquire knowledge from? | **Important sources of market knowledge and relationship-specific knowledge for New Zealand SME fashion firms may be lost through de-internationalisation.** | Depending on the reactions of the participants involved, this initial dialogue may lead to a single transaction, or it may lead to the co-creation of mutual value, which develops over a period of time. According to Ballantyne (2004) trust developed between co-participants as a result of interaction through dialogue supports the generation of new business knowledge, and |
|  |  | Theory supports that the generation of new business knowledge occurs over time and helps to diffuse the acceptance of existing knowledge
To withdraw from learning means to potentially lose knowledge – it is to lose this resource/accessibility |
<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which sources do these firms acquire knowledge from?</td>
<td>The findings of the four firms studied suggest that these New Zealand SME fashion firms require more assistance from government agencies such as NZTE, NZFW and local councils to acquire expert and internationalisation knowledge.</td>
<td>Potential sources of knowledge that refuse to share knowledge</td>
</tr>
<tr>
<td>Which different forms of knowledge do these firms acquire?</td>
<td>Fletcher &amp; Harris (2012) pose that other networks have neither sufficient knowledge of the firm's capabilities and resources, nor the time for interaction with the firm in order to provide internationalisation knowledge to the firm. Therefore the pair argue</td>
<td>Is this industry-specific?</td>
</tr>
<tr>
<td></td>
<td>Theory supports that internationalisation knowledge is best captured from government agencies. Empirical research however only shows one example of a firm that has acquired substantial</td>
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<tr>
<td>3. How do other actors (e.g. network partners, staff, investors, trade development organisations) help the owners and senior managers of these firms to overcome a lack of internationalisation knowledge?</td>
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<tr>
<td>That this knowledge is instead provided by external consultants and government agencies (Fletcher &amp; Harris, 2012)</td>
<td></td>
<td></td>
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<tr>
<td>Internationalisation/expert knowledge.</td>
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Appendix K: Initial Thematic Map
Appendix L: Six Markets Model

(Christopher, Payne & Ballantyne, 2005)
Appendix M: Extended Model derived from the research

<table>
<thead>
<tr>
<th>Form of Knowledge Sought</th>
<th>Source of Knowledge</th>
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<tbody>
<tr>
<td>Export knowledge</td>
<td>Internal Markets</td>
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<tr>
<td></td>
<td>Referral Markets</td>
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<tr>
<td></td>
<td>Influence Markets</td>
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<td></td>
<td>Recruitment Markets</td>
</tr>
<tr>
<td>Relationship-specific knowledge</td>
<td>Referral Markets</td>
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<td></td>
<td>Influence Markets</td>
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<tr>
<td></td>
<td>Recruitment Markets</td>
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<tr>
<td></td>
<td>Supplier/Alliance Markets</td>
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<tr>
<td></td>
<td>Customer Markets</td>
</tr>
<tr>
<td>Internationalisation knowledge</td>
<td>Internal Markets</td>
</tr>
<tr>
<td></td>
<td>Referral Markets</td>
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<td></td>
<td>Influence Markets</td>
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<tr>
<td>Market knowledge</td>
<td>Customer Markets</td>
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<tr>
<td></td>
<td>Supplier/Alliance Markets</td>
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<td></td>
<td>Recruitment Markets</td>
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<tr>
<td>Macro-environmental changes</td>
<td>Influence Markets</td>
</tr>
<tr>
<td>De-internationalisation</td>
<td>Supplier/Alliance Markets</td>
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<tr>
<td></td>
<td>Referral Markets</td>
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<tr>
<td></td>
<td>Recruitment Markets</td>
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</tbody>
</table>