

# NEW SHORES

It doesn't have to be just China. Many companies are well advised to consider other emerging countries for their procurement. Promising opportunities are opening up in these countries – including for some Hermes companies



**C**hina, China, China. Whether as a production location, procurement market or sales market, the Middle Kingdom is a top trading partner for German companies. And it will certainly remain so in the future. But it is also true that conditions will change. For example, labour costs in China are shooting up each year by 10–20%. Production locations are being moved from the coastal region to structurally weak inland areas, and new economic centres are growing. The exchange rate of the Renminbi, which has so far been kept low as a

political measure, might rise, Chinese goods might become more expensive and China's cost advantage might fall.

It is therefore for good reasons that companies are not only looking to China but are also active as buyers in other emerging countries. India, Turkey, Brazil or Thailand – these countries offer opportunities equal to and sometimes greater than the benefits offered by China – flexible production, regional proximity and also interesting export markets which can be opened up through purchasing. India, for example, has a large English-speaking, well educated

workforce. Labour costs are low, but the middle class and its consumption needs are growing. The situation is similar in Brazil. At first sight, the largest country in South America is primarily of interest to buyers of raw materials and foodstuffs; iron ore and oil make up around a quarter of exports, meat and sugar more than 6% each. At the same time, Brazil is developing into an important sales market for consumer goods of all kinds. Turkey has a strong industry, for example in the textiles sector, and is close to Europe. Experts attest to Thailand's technological competence.

For many emerging countries, Europe is considered one of the most important trading partners. But domestic and regional markets are becoming increasingly important in themselves – in Asia, for example. Hermes is adapting to this

Hermes is also present in emerging countries. It goes without saying: as a logistics operator and service provider that has traditionally been close to the retail sector, Hermes is there where its customers need services. For example, the 1,800 employees of Hermes-OTTO International (H-OI) seek premium products and reliable suppliers on the markets of the world. In addition to its head offices in Hamburg and Hong Kong, 29 regional offices make up a global network. H-OI does not just limit itself to opening up supply sources in the segments Fashion, Home & Living. The company also offers on-site inspection checks.

In the coming years, Hermes will expand its activities in China and other emerging countries. For example, in the medium term,

Hermes Hansecontrol plans to offer its procurement testing services in other Chinese economic centres apart from Dongguan in the south of the country. It also hopes to win business customers who produce goods in China for the Chinese market. "We will also gradually become involved in other procurement markets", says Lutz Lehmann, managing director of Hermes Hansecontrol.

Similar strategy considerations are also being pursued by Hermes Transport Logistics (HTL). The booming BRIC countries have huge domestic markets – and a poorly developed transport sector. HTL is currently represented via partners in Brazil, Russia, India and China. In future, the company might operate on its own behalf.

