

# Ivent Solutions Market Trend Update

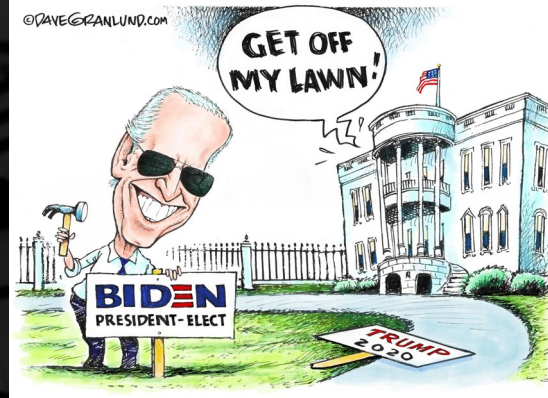
## February 2021



### Pressure Continues on Pricing and Leadtimes

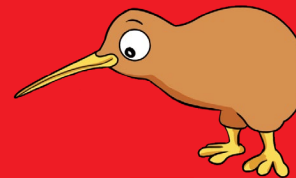
Ivent is continuing to receive ongoing notifications from its supplier base around the increasing cost of labour and raw materials in China. This has been compounded by a number of manufacturers pointing towards the ongoing trade war and exchange rate pressures as causations for the price increases. One manufacturer has even refused to accept production orders placed prior to Chinese New Year until after the offices/factories re-open due to the price volatility. Ivent is doing everything it can to maintain price stability in these uncertain times but we are certainly seeing a consistent trend from all Asian based manufacturers of increasing pricing. Leadtimes are also still increasing but at a lesser rate, and even though leadtimes are still quite long with some industry sectors they seem reasonably stable. The more destabilizing effect on the supply chain is certainly the struggle that freight companies are having both from an air-freight and sea-freight perspective. Bookings on ships are difficult to obtain and even once “firmly” booked can still be changed/delayed. From an Ivent perspective we are investing in higher stock levels in our Auckland distribution centre to try and smooth out these issues, especially with Chinese New Year upon us.

### What Does a Biden Presidency Mean for the Tech Industry?



After a drawn-out painful election process, Joe Biden is now the 46<sup>th</sup> President of the United States. Trump’s presidency has been somewhat turbulent for the tech industry, with the former president taking aim at local Big Tech as well as Chinese tech companies such as Huawei and TikTok. Although the ongoing response to the COVID-19 pandemic and climate crisis will likely dominate the first few months of the Biden administration, the tech industry will be watching closely to observe what the change in

administration will entail. Although light on tech detail, Biden’s election manifesto included several commitments designed to encourage innovation in the US, largely focused on clean energy technologies, such as battery storage, negative emissions technologies, investment in the micro-mobility, and agri-tech (yay!). Biden also pledged to make a \$300bn investment in R&D and “breakthrough technologies”, as well as plans to direct federal investment into new technology hubs. He has also made a commitment to rolling out “broadband, or wireless broadband via 5G, to every American”. In the run-up to the election, Big Tech, predominantly social media, faced increased scrutiny over its response to election misinformation. Trump has also butted heads with social media platforms at an increasing frequency, accusing Facebook and Twitter of censorship and of “suppressing the corruption of Joe Biden”. Biden has not yet laid out concrete plans for Big Tech, so far remaining less vocal on the issue than other Democratic candidates such as Elizabeth Warren, whose promise to “break up Big Tech” was a cornerstone of her campaign. Biden is yet to endorse a similar stance so the tech industry is simply watching on at this stage...



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### A Simple Guide To Planning for Chinese New Year

As New Zealand businesses most of us have some relationship and reliance on China. Therefore we are all quite familiar with the Chinese New Year (CNY) – which is well known to be the largest annual mass migration on the planet. For those not aware, CNY creates two to four weeks of “radio silence” from an entire country, including our suppliers, contract manufacturers, and business partners. During this time, almost everything shuts down, including the government and factories, whilst the ports and customs agencies usually operate with a skeleton staff focusing only on perishable and priority items.

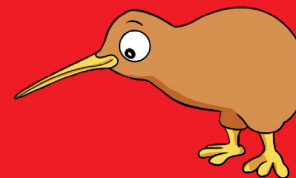
#### The effect on the internal Chinese supply chain

The most important part of CNY is the family reunion. As most elderly parents live in rural villages and their children work in the cities, the “chunyun” (spring migration) is the biggest mass movement of people in the world. If this isn’t enough of an impact on the logistics infrastructure, just add the increased movements of goods, products, food, and drink that must be planned for and distributed to the rural areas to handle this unimaginable surge in demand.

#### The effect on the global supply chain

So how is the global supply chain impacted when 1.5+ billion people go on vacation at the same time? Although CNY is only for one week, many factories and businesses shut down up to 10 days before and several days after to allow time for the mass exodus of workers. Since China is the leader in the global exporting industry, the effects of CNY can ripple around the world – and if you haven’t planned for it, this ripple could turn into a tsunami. An additional issue that Ivent has seen for many years now, and a trend that is increasing, is that many workers do not actually return to the factories after CNY is finished. The previously lower socioeconomic towns and villages, are starting to become wealthier and more inhabitable, thus making them much more attractive for the young Chinese workers to stay in. Infrastructure and industry are also further expanding into these regions providing more incentive for workers who previously travelled hundreds or thousands of kilometres to find work, to stay within their towns and regions.

So how do we plan for Chinese New Year?



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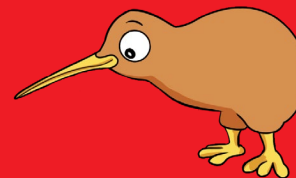


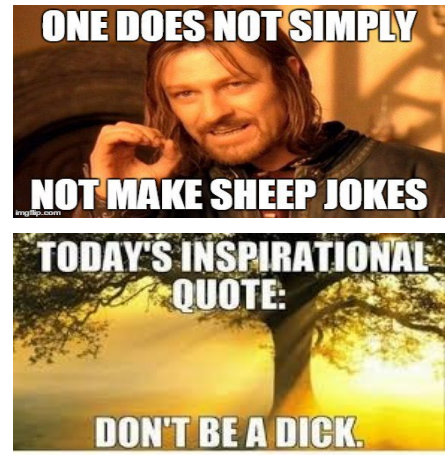
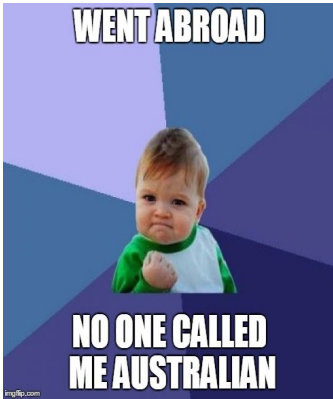
### Planning for Chinese New Year

As it occurs every year just like our Christmas and New Year holidays, there is no way of avoiding CNY. But unlike Christmas, the date varies from year to year in China. So advanced planning and awareness is required to ensure your business has the right products and materials well in advance to protect the supply chain.

Here are a few suggestions to plan and manage around Chinese New Year (or any other big holiday, for that matter):

- **Build strong relationships:** Strong relationships with your suppliers and contract manufacturers lead to collaboration and information sharing that can give you visibility into the status of orders in process. This tends to be by Zoom or Teams these days but is still a critical aspect.
- **Don't wait to the last minute:** If you wait until the last minute to place your order ahead of CNY, don't count on receiving your order in a timely manner. If you do get your order, there's a chance of downgraded quality due to rushed orders and high demand.
- **Optimize your inventory:** Build up inventory in the right locations around the world leveraging inventory optimization planning logic to map projected demand with projected supply.
- **Get the logistics right:** Manage logistics from your manufacturers to your door by planning, booking, and confirming transportation shipments well in advance of CNY. The closer you get to CNY, shipping costs increase while available shipping space shrinks.
- **Plan for other options:** Minimize or even mitigate risk altogether with alternate sourcing strategies that tap vendors outside of China. This can help during CNY and year-round as well.
- **Monitor production levels:** Plan to keep a close eye on production for the rest of the quarter after CNY, as it will take a while until production is back in full swing. It has been estimated that up to 30% of workers will not return after the new year celebrations.





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Raw Materials  
Rising

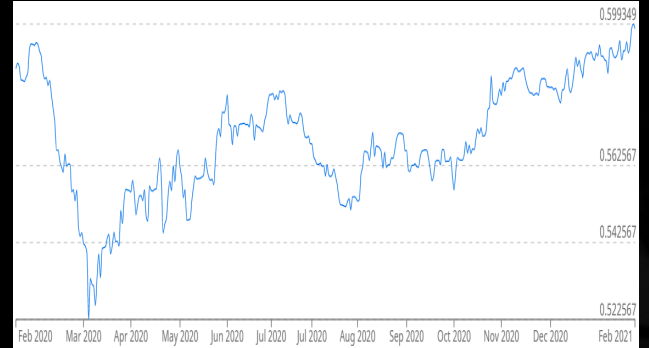
**NZD versus AUD - AU\$0.940 vs NZ\$1.00** ↓



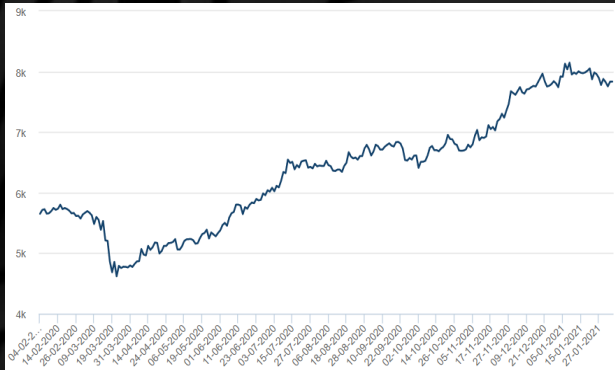
**NZD versus USD - US\$0.710 vs NZ\$1.00** ↑



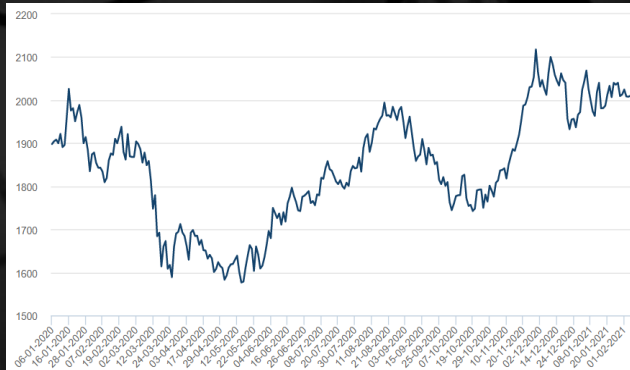
**NZD versus EUR - EU\$0.590 vs. NZ\$1.00** ↑



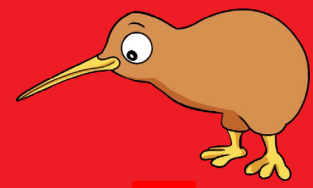
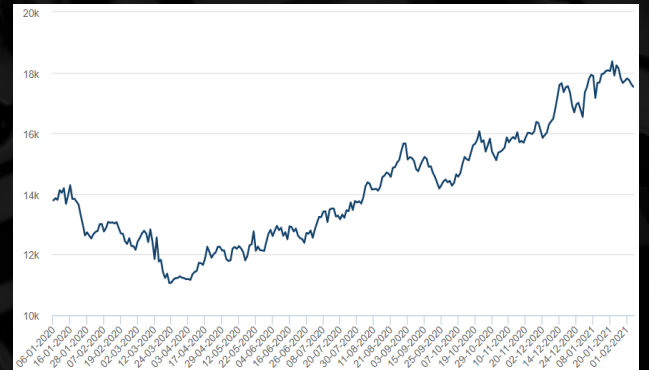
**Copper - USD7835 / tonne** ↑



**Lead - USD2000 / tonne** —



**Nickel - USD17500 / tonne** ↑



# This Month in Tech History...



February 14, 1876 – Alexander Graham Bell applies for a patent on his telephone apparatus, the “speaking telegraph,” less than three hours before Elisha Gray files a caveat at the Patent Office for a similar device. The patent will be granted three weeks later, on March 3rd. After a long legal battle, the United States Supreme Court will eventually uphold Bell’s patent, leaving him the official inventor of the telephone.

February 1, 1893 – Thomas Edison completes the construction of the first motion picture studio, the Black Maria. Formally called the Kinetographic Theater, it was later nicknamed “The Black Maria,” the slang term for the dark, cramped, and uncomfortable police wagons with which Edison’s staff compared the simple studio.

February 28, 1956 – Jay Forrester of MIT is awarded a patent for his magnetic core memory. It became the standard for computer memory until it was supplanted by solid state RAM in the mid-seventies. It has continued to be used, however, in special environments (e.g., on the space shuttle), because its content was not lost when the power was shut off.

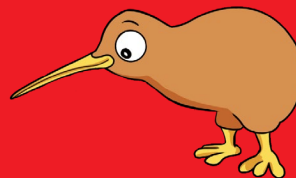
February 7, 1958 – In response to the launch of the Soviet Union’s Sputnik 1 four months earlier, the U.S. Department of Defense issues Directive 5105.15, establishing the Advanced Research Projects Agency (ARPA). The agency, later renamed DARPA, went on to instigate “technological innovations that have fundamentally reshaped much of the technological landscape, with breakthrough advances in information technologies, sensors, and materials that have had pervasive economic and societal benefits”. One of these innovations was the ARPANET, the forerunner of the Internet.

February 6, 1959 – Jack Kilby of Texas Instruments (TI) files for a patent on the integrated circuit. For this invention he received the 2000 Nobel Prize for Physics.

February 4, 2004 – Social network Facebook is launched when “thefacebook.com” goes live. Its home screen read, says David Kirkpatrick in The Facebook Effect, “Thefacebook is an online directory that connects people through social networks at colleges.” Zuckerberg’s classmate Andrew McCollum designed a log using an image of Al Pacino he found online that he covered with a fog of ones and zeros. Four days after the launch, more than 650 students had registered and by the end of May, it was operating in 34 schools and had almost 100,000 users. “The nature of the site,” Zuckerberg told the Harvard Crimson on February 9, “is such that each user’s experience improves if they can get their friends to join in.” In December 2015, Facebook had 1.04 billion daily active users, on average.

February 25, 2007 – Netflix announces it has delivered 1 billion DVDs. 13 years later it is the largest media streaming company in the world and no longer delivers DVD’s!

HAPPY  
WAITANGI  
DAY



DON'T FORGET THE CHINESE NEW YEAR DATES:  
**12TH FEBRUARY TO 26TH FEBRUARY**

新年快乐  
HAPPY CHINESE NEW YEAR  
**2021**  
YEAR OF THE OX

