

**Igor Pustylnick**

**Sourcing vs. Importing. Comparative Analysis  
Based on the Canadian Knitting Yarn Industry**



## Abstract

This paper explores the problem of choice between importing or sourcing based on the examples from the knitting yarn industry. Despite not being the one of the biggest or one of the most robust markets in the developed world yarn market has very interesting qualities, which may be useful for researching the stated problem. It has a large number of brands and the large number of products available for sales and distribution. At the same time this market has very limited number of sources both natural and handmade, which can be used for yarn production.

Based on the examples from yarn industry the paper draws conclusions on whether sourcing or importing of the product is a viable option. It discusses in depth various options available to the importers of the yarns and shows when and where one of the options is preferred over the others.

## Contents

1.	Introduction	4
2.	Background of Knitting Yarn Industry	4
3.	Sourcing and Import	5
4.	Canadian Yarn Industry Trends	6
4.1.	Local Producers	6
4.2.	Distributors of Yarns	6
4.3.	Importers of Yarns	7
5.	Models of Yarn Delivery to Consumer	7
5.1.	Repackaging and Rebranding	7
5.2.	Sourcing of the Complete Yarn Production	8
5.3.	Mixed Mode	8
6.	Marketing of the Yarns	9

6.1. Marketing of Imported Yarns	9
6.1.1. Expenses of Ready Yarn Import	9
6.2. Marketing of Sourced Yarns	10
6.2.1. Expenses for the Sourced Finished Yarns	10
6.2.2. Expenses of the Sourced Surrogate	11
6.3. Marketing of the Mixed Yarns	12
6.4. Marketing of the Relabeled Yarns	12
7. Analysis of Sourcing Countries	13
7.1. Systems of Measurement	13
7.2. Difference in Yarn Features	14
7.2.1. Eastern Europe and Russia	14
7.2.2. Italy and Turkey	14
8. Analysis and Conclusion	14
References	15

## 1. Introduction

The theory of specialization on the country level exists for at least 200 years. The main principles of this theory were formulated by British economist David Ricardo<sup>1</sup>, who formulated the theory of comparative advantage in trade. According to this theory countries with different climates and specialization would always be better at producing what comes out best and should be able to trade these goods freely with the other nations. In today's world some countries can offer know-how and capital required for production of certain goods, other can offer less expensive labor and willingness to produce these products on their territory thus employing larger number of people who would otherwise be unemployed.

In the economics of the specialized production companies of different sizes stand before the same question: is it more profitable to produce the product at home, to import it from the places where it is produced at lesser cost and face import tariffs at the homeland, or to design the product and source its production to the countries with the less expensive labor. With the first option practically out of question for many products the company must decide between the import of the readymade product of a different brand or the sourcing of the product, produced using own specifications and sold using own brand name.

This paper explores the problem of choice between importing or sourcing based on the examples from the knitting yarn industry. Despite not being the one of the biggest or one of the most robust markets in the developed world yarn market has very interesting qualities, which may be useful for researching the stated problem. It has a large number of brands and the large number of products available for sales and distribution. At the same time this market has very limited number of sources both natural and handmade, which can be used for yarn production. Localization of yarn manufacturing and sources of fleece make the choice of the mode of operation vital for the success in this market for manufacturers, importers and distributors of knitting yarn.

## 2. Background of Knitting Yarn Industry

Yarn or thread has many textile applications. Omitting such crafts as weaving and naalbinding<sup>2</sup> this paper concentrates on two applications of yarn, which were at the beginnings of the yarn production: silk textile and carpet making. Knitting of the silk threads was originated in China and carried by Arabs over the Silk Road to the Arabia and further through Constantinople to the Southern Mediterranean. This kind of knitting reached Europe via Spain and Italy and is still practiced in more than a few European Countries including England, France, Holland, etc.

The other source of yarn is carpet thread, spun from sheep wool and used in carpet weaving. The ends of the yarn, which were not suitable for carpet threading, were used in another ancient textile hand craft – crochet. Unlike the knitting, practitioners of crochet used one hook, which is similar to the hook used in carpet making<sup>3</sup>. There are not too many written sources of the evolution of knitting/crochet craft in the world. However, as we know today there are two distinct knitting styles in the world: Chinese (aka British) style based on holding the needle similar to the lower chopstick (Chinese cutlery) and Asian or Russian style, which was derived from crochet and carpet making.

---

<sup>1</sup> [http://en.wikipedia.org/wiki/David\\_Ricardo](http://en.wikipedia.org/wiki/David_Ricardo)

<sup>2</sup> <http://www.stringpage.com/naal/naal.html>

<sup>3</sup> Vilensky, L., (2010), "From Carpets to Jourabs" available at <http://www.crochetinsider.com/article/carpet-jourabs>  
April 17, 2010

As the yarns and the knitting craft developed, it relied on two succinctly different sources of yarn fleece: animal fleece (sometimes mistakenly called wool regardless of origin) and other fleece (plant or silk). The differences in the sources of yarn have influenced all elements of the knitting craft from terminology to the items produced. Having the abundance of colorful threads carpet makers were engaged in producing colorful socks (jourabs) and belts. Having thinner and stringer silk yarns Arab and European knitters were engaged in producing very intricate socks and underwear. Different styles of knitting and demand for the different yarns created different habits which still influence both production and consumption of the knitting yarns.

Production of yarns and textiles had several turning points in history. One of them was the invention of the first man-made fiber in 1910, which was called Rayon and was produced out of cellulose pulp<sup>4</sup>. Following rayon acetate, nylon and acrylic fibers were subsequently introduced. With the introduction of the man-made fibers the production of threads and fabrics was no longer bound to the place and the availability of natural sources such as wool or silk. The fiber could be produced anywhere and transported to the textile mills as far as required.

In the modern world sources of raw materials in the form of natural and man-made fiber and the production of the yarns are remote from each other. South American wool<sup>5</sup> from Uruguay and Argentina is the main source of the fleece for the yarn makers of Italy and Turkey. Germany's Dolan GmbH<sup>6</sup>, is one of the largest producers of acrylic fibers, which are routinely mixed with the wool making yarns less expensive and more durable. The famous Australian and New Zealand Merino wool is sold now almost predominantly to China based on the insatiable demand and the proximity.

In the recent years other animal fibers have been gaining more popularity. Alpaca fleece came from almost total obscurity to be one of the most popular fibers for the yarn production in North America and Europe. New Zealand and Australia have almost as many alpacas at their farms as Peru and Bolivia. The number of alpacas in Canada and the USA is growing constantly. Many local alpaca farms in Ontario, such as Headwater Wool<sup>7</sup> produce and sell alpaca yarns<sup>8</sup>.

### 3. Sourcing and Import

Practical real world international trade would have a number of definitions for product sourcing. (Keegan, p 244) defines sourcing as goods for which the purchasing company has a last definitive word on design, manufacturing and packing of the final product. There are many flavors of sourcing, such as creating a final product, which would carry a brand of the purchasing company. It is also possible to source the surrogate product and put the final finishing touches to it in the country where it will be sold. In any case the sourced product is made by the specifications of the purchaser and adheres to the marketing plans of the purchaser only.

In order to be clear on the definitions it is important to mention that sourced product when brought to the country of purchase must pass through the same stages as the product which is simply imported. Both types of products must be cleared through the same customs procedures and are subjects to the imposition of tariffs based on the country of origin. Customs Canada makes a distinction between the products ready for retail sale and surrogates

---

<sup>4</sup> <http://www.fabriclink.com/university/history.cfm>

<sup>5</sup> Cardellino R et al, Wool and other animal fibers in South America, available at <ftp://ftp.fao.org/docrep/fao/011/i0709e/i0709e07.pdf>

<sup>6</sup> Anonymous(2008), Austria : Lenzing unit buys German fibre producer Dolan, [http://www.fibre2fashion.com/news/textiles-company-news/newsdetails.aspx?news\\_id=48056](http://www.fibre2fashion.com/news/textiles-company-news/newsdetails.aspx?news_id=48056)

<sup>7</sup> "Alpaca Yarns by Headwater Wool",

[http://www.headwaterwool.com/YarnLookup.aspx?FieldName=look\\_by\\_theme&FieldValue=19](http://www.headwaterwool.com/YarnLookup.aspx?FieldName=look_by_theme&FieldValue=19)

which have to be labeled and packaged before they are sold. For the purpose of this paper **sourcing** would be manufacturing and import of the products by the specifications of the importing company. **Import** would be the importing of the goods manufactured based on the specifications of the importer. Either finished products or surrogate products can be both sourced and imported.

## 4. Canadian Yarn Industry Trends

For the purpose of this paper it is possible to segregate three different sources of yarn, available for Canadian knitting yarn retail, namely

- Local producers of different sizes, who manufacture the yarns locally and sell them in Canada with quite limited exposure to the USA
- Distributors of the yarns, who would act as concentrators of different yarns, stocking them from the local and external suppliers practically from all over the world
- Importers of the yarns, who import them for their internal sales with limited distribution function.

### 4.1. Local Producers

Local producers of knitting yarns can vary by size and by the number of different yarns produced. One of the largest Canadian knitting yarns producers – Spinrite<sup>9</sup> with headquarters in Listowel, ON manufactures over 50 different labels of yarn with color palette of 20-100 colors. Being a dominant producer of yarns in Canada Spinrite has full spinning process for some of its yarns. For the other yarns, such as Patons<sup>10</sup> Cha-Cha the surrogate was imported from China or Turkey and rolled into the balls with Patons branding.

There are very few small knitting yarn factories left in Canada. One of these companies Briggs and Little<sup>11</sup>, located in the province of New Brunswick purchases yarns from the local sheep farmers and manufacturers their own yarn. Some other companies, such as Philosopher's Wool<sup>12</sup> from Inverhuron, ON work in cooperation with Briggs and Little and use them for production of their own yarn based on the local sheep fleece.

### 4.2. Distributors of Yarns

The increase in demand of the knitting yarns has created and nurtured the group of companies, which specialize predominantly in the import of fine yarns and resale them to the local yarn stores. The concentrated import and purchase of the large quantities at a time allow these companies to achieve very significant economy of scale. Many local stores rely solely on distributors of yarns for replenishing of their inventory.

For a long period of time distribution companies, such as SR Kertzer<sup>13</sup> and Diamond Yarn<sup>14</sup> relied predominantly on the brand name yarns as their major sources of distribution. In the recent years they started to import the yarns

<sup>9</sup> “Welcome to Spinrite”, <http://www.spinriteyarns.com/>

<sup>10</sup> One of the main Spinrite brands

<sup>11</sup> “Briggs and Little Main Page”, <http://www.briggsandlittle.com/wool/>

<sup>12</sup> “Welcome to Philosopher's Wool” <http://www.philosopherswool.com/>

<sup>13</sup> “SR Kertzer Home”, <http://www.kertzer.com/>

<sup>14</sup> “Welcome to Diamond Yarn” <http://www.diamondyarn.com/>

under their own labels. These yarns became exclusive offerings of the mentioned companies, providing a new brand identity and differentiation from the competition. Many of these “brands” were originally made in Italy and Turkey for the local retail and were later sold to the distributors on the non-retail cones. However in the recent years Diamond Yarn started manufacturing its own yarns, such as Diamond Yarn Baby Alpaca Lace or Diamond Yarn Edo. These yarns are manufactured for the company and based on the company’s specification which would make it a sourcing rather than a plain import approach.

### 4.3. Importers of Yarns

Unlike the distributors the importers of yarn bring the yarns from the overseas mainly for its own retail operations. One of the larger importers in Canada is Internet yarn retailer Elann<sup>15</sup>, which operates in the mixed retail mode. Some of the yarns are purchased from the distributors in bulk and some of the yarns are brought directly from China and South America to be sold under the Elann brand. As we can see Elann uses relabeling of the yarns but as much of manufacturing.

Smaller retailers, such as internet retailer Camilla Valley Farm<sup>16</sup> (CVF) and Headwater Wool import the yarns from the European yarn mills. CVF imports Jamieson yarns from Ireland and Headwater Wool imports BBB and Titan Wool brands from Italy. The import of readymade brand name yarns requires importers to keep packaging of the yarns intact and to sell them under the original brand name.

Headwater Wool also sources the yarns from the small company in Latvia. The yarns are made by the exclusive specifications of Headwater Wool and brought to Canada labeled with Headwater Wool trademark. Although the factory was producing yarns before striking agreement with Headwater Wool the specifications of the yarns were significantly different from the ones used for the yarns made by Headwater Wool specs. The company called Sweater Kits from Sharon, ON uses the similar approach when working with the wool mill located in Italy. The yarns produced for Sweater Kits use distinct specifications different from the ones the mill uses for its own production. Unlike Headwater Wool, Sweater Kits get the surrogate yarns from Italy and dyes them locally using hand dyeing processes, which make factory spun yarns more lucrative.

## 5. Models of Yarn Delivery to Consumer

From the description of the yarn production modes presented in the previous paragraphs it can be seen that for the purpose of this research one can see three different models of yarn delivery to consumer, which are based on the cooperation with the suppliers of yarns or surrogates from another country.

- Repackaging and rebranding of the readymade yarns.
- Sourcing of complete yarn production to the extraneous supplier.
- Mixed mode where readymade yarns are enhanced and then rebranded and repackaged.

### 5.1. Repackaging and Rebranding

Repackaging and rebranding of the yarns is a very common method of delivery of the popular but slightly outdated yarns to the lagging markets, where the demand for these yarns may be stronger than in the country of origin.

<sup>15</sup> “Elanne Home”, <http://www.elann.com/Commerce.Web/>

<sup>16</sup> “Welcome to Camilla Valley Farm”, <http://www.camillavalleyfarm.com/>

Leading European mills in Germany or Italy usually have a surplus of the outdated products, which must be realized practically at or below cost. Canadian market usually lags a year behind from the European yarn fashion trends. Hence this method of delivery is used quite often by the Canadian Distributors especially Diamond Yarn. Diamond Yarn usually uses piggyback approach to marketing of the rebranded yarns because they are usually 20-30% cheaper than the yarns sold under the original brands. During the piggyback marketing campaign the rebranded yarn A is represented as “exactly the same as original brand B, but less expensive”. This approach allows marketing the rebranded yarns with limited or practically no collateral expenses.

## 5.2. Sourcing of the Complete Yarn Production

When the production of yarns is sourced to the external factory, the company, which sources the new production, may pursue two different goals:

- The yarns may be produced from the different material but designed to piggyback on existing yarns. Headwater Wool used this approach to create Headwater Wool Daina and Headwater Wool Marupe brands, which were created out of 100% wool as compared to the original yarns Patons Shetland Chunky and Patons Décor, which were predominantly acrylic. Headwater Wool produced these yarns to cater to the group of consumers, who wanted to work on the specific projects but did not like the recommended Patons Yarns
- The yarns may be succinctly different from the rest of the offering on the marketplace. Headwater Wool came out with very thin 100% Ilga brand to cater to those consumers, who wanted to work on the shawls and stoles, but could not find any yarns, which would fit the project.

## 5.3. Mixed Mode

In the mixed mode the new yarns, such as Patons Twister are created by using two or more existing yarns, which together give a new effect when knitted. This mode of delivery was widespread in Canada. European knitters are usually more creative and mix the yarns as needed. Canadian and English knitters are more conservative. In order to create new offerings on the relatively scarce yarn market of the late 90s and early 2000s Patons was using the approach of mixing yarns together. The approach was very short-lived but it has to be mentioned in order to create the full picture of the delivery modes.

Another successfully used approach of working in the mixed mode is used by the companies, which order surrogate yarns, which serve as a base of creating the new offering. These surrogate yarns are usually dyed by importer, which creates a succinctly different brand of yarns. Sometimes thinner yarns of different colors are twisted together to produce a mélange effect on the thicker yarn, which is sold under the enhancer’s brand name.

## 6. Marketing of the Yarns

This paper will look at the marketing of the yarns from the Canadian perspective. It must be noted that marketing of the yarns in the other countries can differ significantly in details and offerings but the main elements are quite similar from one country to another. Yarns are marketed to knitters as the quintessential element of the knitting craft. Hence the major offering is not the yarn of its own but the yarn from which a certain project (garment and/or accessory can be created). Therefore when yarn is marketed it is presented in the variety of colors and projects.

One of the major elements of the North American yarn market is the pattern, which is a description of a certain project. This pattern matches the yarn, the suitable knitting needles and the description of the project. The creation of patterns is the industry in its own rights. There are multiple designers all over the world, who make and describe patterns for living. Major yarn producing companies create their own designs, which work with their own yarns. The creation of patterns enhances knitting customer experience and is widely believed to be selling the yarns themselves.

### 6.1. Marketing of Imported Yarns

Based on the previous paragraph, the marketing of the existing yarns is relatively easy. The manufacturer of the yarns commissions the pattern designers to create the patterns, which are created for or can be matched with the marketed yarns. Spinrite used to give the simple patterns away for free by printing them on the yarn labels. Big yarn labels, such as BBB<sup>17</sup> produce their own fashion magazine featuring the yarns and the models made out of them.

The rest of the manufacturers of the readymade yarns such as Sirdar<sup>18</sup> produce their patterns, which feature one or two projects per pattern booklet together with the descriptions and the matching yarns. The patterns are sold by the distributors of the yarns together with the patterns. Sometimes they can be also sold separately, which creates a ground for the successful piggybacking.

#### 6.1.1. Expenses of Ready Yarn Import

Import of a readymade yarn can encounter the following expenses:

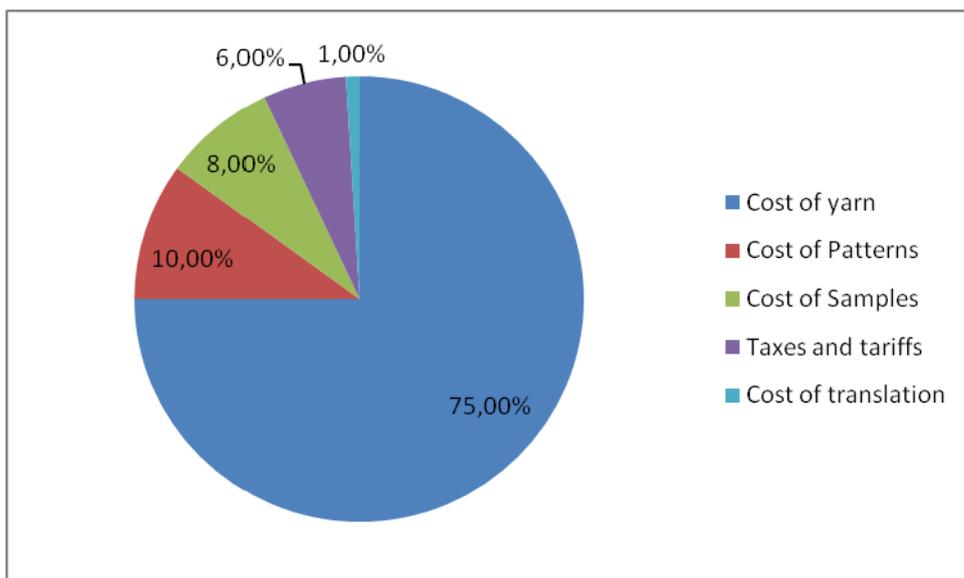
- Import tariffs for the yarn, comprising of 8% of the total yarn price
- Translation of the patterns and labels if they are not printed in English. The process is different from relabeling and rebranding. Only contents and origin of the yarn need to be translated.
- Cost of pattern brochures as they are created in the yarn producing country.
- Cost of the knitted samples if they are available as a part of the yarn marketing

Chart below represents the distribution of expenses, connected to the import of the ready yarn.

---

<sup>17</sup> <http://www.bbbfilati.it/>

<sup>18</sup> “Sirdar Canada”, <http://www.diamondyarn.com/d/sirdar/>



## 6.2. Marketing of Sourced Yarns

As it was mentioned before sourcing of the yarns can serve two distinctly different purposes:

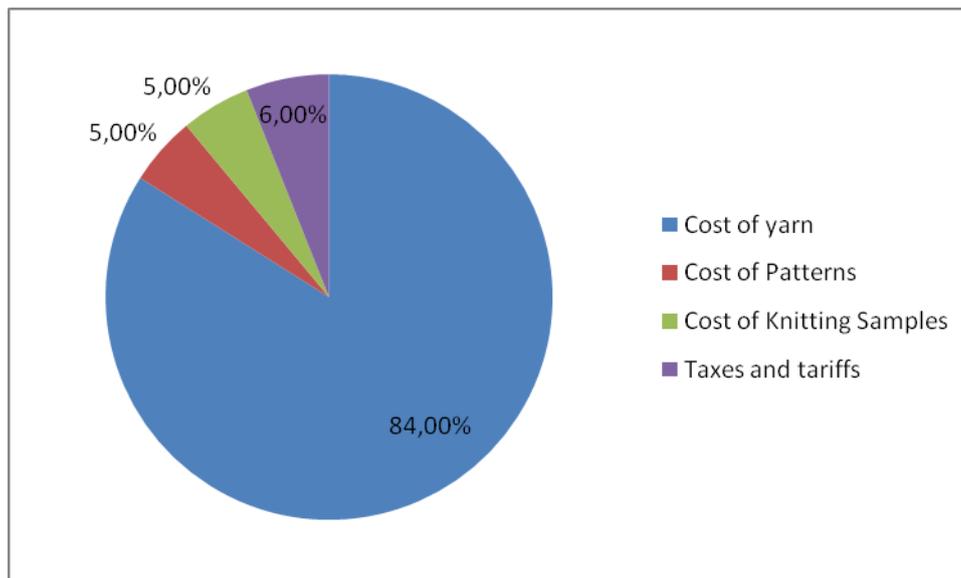
- Creation of the new yarns with the intent to sell them to the end consumer for the use in the knitting projects
- Creation of the new yarns with the intent to enhance them and make a completely new offering based on the sourced surrogates.

There are very different marketing approaches in both cases and they need to be discussed separately from each other.

### 6.2.1. Expenses for the Sourced Finished Yarns

Sourced finished yarns as mentioned previously can be marketed as two absolutely different offerings. They can be offered in the piggybacking mode when the seller of the yarns uses another yarn for the purpose of matching and comparison in the projects. In this case the seller does not have to produce the new patterns. However they still need to produce their own knitting samples as they do not any readymade samples since they do not purchase the yarn from the manufacturer or distributor

The chart below shows the distribution of expenses in the case of the piggybacking.



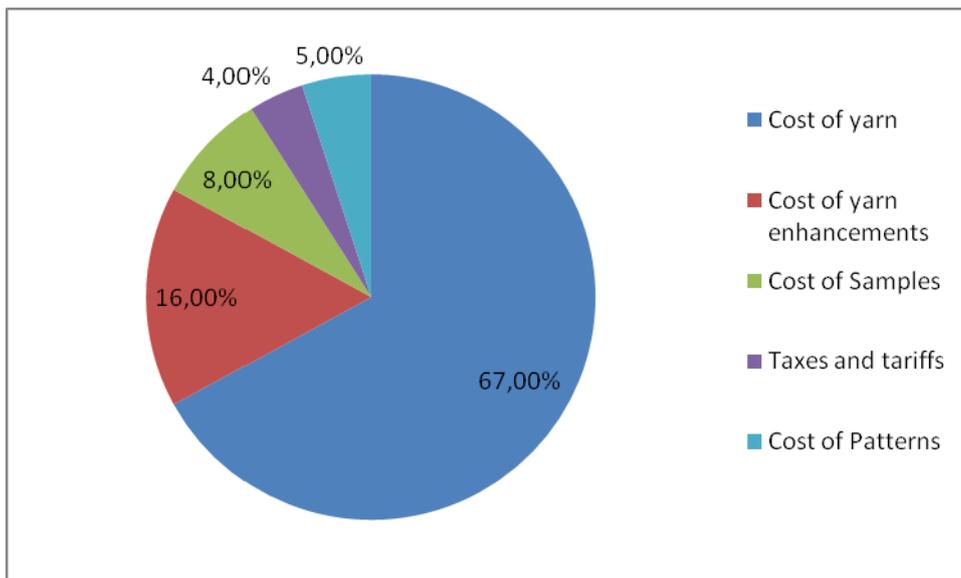
As we can see in this case the sourcing company does not have to translate the patterns as they are bought from the other source, usually from the distributor, who incurs the costs as described in 5.1. Subsequently the cost of patterns is less because the sourcing company operates in retail mode and not in the distribution mode. Hence it does not require as many pattern copies as would the distributor. The cost of knitting of the samples is also smaller in comparison to the overall cost of the yarn because the design work is no longer required. The number of samples knitted in this case is also much smaller because there is no distribution component in the operations.

### 6.2.2. Expenses of the Sourced Surrogate

Taking as an example the company called Sweater Kits, mentioned earlier we can reconstruct the distribution of costs for the company, sourcing the surrogate yarns. Operating in the fully independent mode Sweater Kits would incur the following expenses:

- Cost of importing the surrogate yarn
- Cost of additional production (enhancing of the yarn)
- Cost of creation of its own models (samples)
- Cost of printing collateral material (patterns, color charts, etc)

The following diagram shows the distribution of expenses in the case of the sourced surrogate yarns.



It can be seen that in this case the cost of the import including sourcing costs and tariffs are much smaller. The additional costs are incurred in the destination country by enhancing the yarns and creating the offering in the form of knitting kits, which include yarns and patterns. The samples are also produced by the company thus their cost include the cost of used yarn and the cost of labor incurred in their production.

### 6.3. Marketing of the Mixed Yarns

As mentioned previously mixed yarns are the yarns, which are created from more than one imported yarn or they are mixed by using together imported and local yarns. Although these yarns are represented as a new and unique offering, marketing expenses associated with these yarns are very similar in structure to the expenses incurred by importing and enhancing the surrogate yarns

- Cost of importing the yarn used in production (see surrogate)
- Cost of additional yarns and twisting (see enhancing the yarn)
- Cost of creation of its own models (samples)
- Cost of printing collateral material (patterns, color charts, etc)

The distribution of expenses is also very similar to the one presented in paragraph 5.2.2.

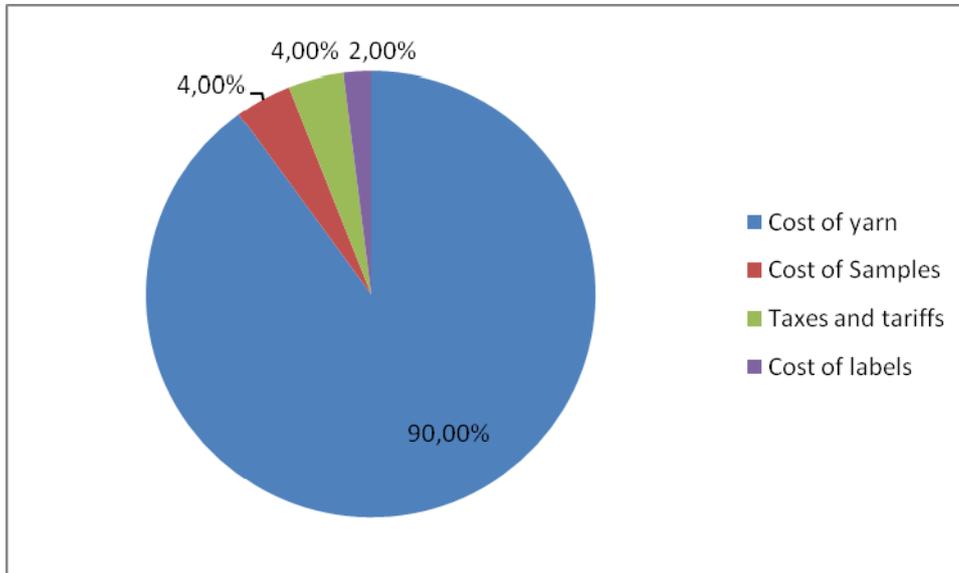
### 6.4. Marketing of the Relabeled Yarns

It was also mentioned previously that distributors may be able to bring so-called stock yarns, which are part of the stale manufacturer's inventory. These yarns are rolled into balls and labeled by the distributor as part of their own offering. The distributor also attempts to use piggyback approach in marketing these yarns via usage of the collateral material printed for a similar or identical brand name version of these yarns. In this process the manufacturer would incur the following expenses

- Import of the yarn in not for resale category
- Print the labels

- Pay taxes and tariffs
- Knit samples (optional)

The following chart shows the distribution of expenses for this import activity



As it can be seen in this case the cost of yarn becomes the prevalent expense. Since in many cases distributor sells the relabeled yarns to the same customers, who buy the original yarns, the knitted samples for the original yarns can be reused for demonstration.

## 7. Analysis of Sourcing Countries

In the industries, which produce the ready made goods sourcing is customarily done in the countries, which would allow the ordering company achieving better financial results. In the other words sourcing is an attempt to utilize the lower labor costs to keep the overall cost of the products lower. In the knitting craft the yarn is used as a source of the craft and not as an ultimate product. At the earlier times the person, who was spinning the thread was the same person, who would be later utilizing the same thread for producing a garment. The proximity of the source of knitting and the knitters themselves have created a situation where the yarn demand and the yarn offerings differ greatly from one part of the world to another. The different sources of yarns and different applications of the knitting skills also contributed to the fact that the yarn production outcome differs significantly in different countries.

### 7.1. Systems of Measurement

With the variety of applications for the knitting yarns the newly invented machinery could produce the variety of different yarns. At the early days of yarn spinning the spinners were producing the threads, which were convenient to make with their equipment (spinning wheels, drop spindles, etc). The longer was the hair of the animal or the plant fiber the thinner was the produced yarn. The person then could adjust the knitting process accordingly to the thickness of the spun yarn. With the advent of both spinning and knitting machines there came a need for standardizing the yarn production. The yarn, produced today is measured in yards per pound (ypp) of outcome in the

imperial system and in kilometers in kilograms (Nm) in the metric system. The common nomenclature for the yarns is the measurement of one thread times the number of threads produced.

Alternatively the yarns sold in the store are measured in what is called sometimes a yarn weight. The yarns are divided into several categories, starting from lace weight and ending with super bulky weight. The weights are assigned based on the measurement of the number of stitches knitted in 10x10cm piece of fabric on the matching needles<sup>19</sup>. Needless to say, that this division does not match any production yarn weights. Different knitting habits and techniques also distort this system. However, this system is practically universally accepted in North America and any company attempting to source or import the yarn from the other parts of the world must adhere to it. Hence the mentioned factors would play a role in the selection of the sourcing companies.

## 7.2. Difference in Yarn Features

The production of yarns is usually a function of the existing equipment, local demand and local knitting habits. As it was described earlier, sources of yarn and its core application influenced the knitting habits of different people around the world. These factors must be taken into consideration in the sourcing process. This paper will show the mentioned differences based on two regions, which embody them.

### 7.2.1. Eastern Europe and Russia

Headwater Wool uses a small factory in Latvia for sourcing of some of its brands of yarn. The main application for the yarns, produced at the factory is weaving blankets, light rugs and the fabric for the ethnic costumes. Some of the remaining yarn is also used for knitting socks, mittens and hats. It can be seen that the applications do not require uniformity of the yarn weight and color. In fact the uniqueness of the outcome is appreciated because it makes the final products unique as well. The factory uses old Befama<sup>20</sup> equipment which has limitations on the weights of yarns it can produce. As a result sourced yarns often bear the same traits as the yarns produced for a local consumption. They may not have the same weight and can differ in color from the previous batch. The yarns are coveted for their price and their uniqueness but cannot be used in any serial manner.

### 7.2.2. Italy and Turkey

These countries are at the other end of the production spectrum. The majority of the yarns are produced for the industrial applications. They are highly standardized along the industrial yarns weights, usually in the metric system. The yarns of different knitting weights are produced by combining the number of original threads into a strongly twisted braid. The super thick yarns, such as bulky or super bulky are produced on the different equipment, which is also heavily standardized. These yarns are coveted by the knitters, using western knitting system. Many North American companies, such as Needful, KnitPicks, and Sweater Kits sourced yarn from these yarn producers in the ready or surrogate format. The yarns are well accepted in North America because they are easily adapted for many knitting projects because of their uniformity.

## 8. Analysis and Conclusion

Sourcing and importing of yarns are both used by the North American companies. There are several criteria by which the delivery of yarns to the Canadian knitting yarn market can be judged:

---

<sup>19</sup> "Standard Yarn Weight System", <http://www.craftyarnCouncil.com/weight.html>

<sup>20</sup> "Befama Ltd", <http://www.polishbusiness.net/firms/87/index.html>

- Innovation of offering, which can be achieved via importing the new yarns or sourcing the creation of the new yarns to the factories outside of Canada
- Ability to save costs by piggybacking on the marketing campaign of the existing or obsolete yarns
- Adherence to the knitting tradition and knitting tastes of the Canadian consumers

Based on the cost distribution presented in the paper, distributors of the imported yarns would benefit the most from delivering and relabeling of the obsolete stocks from the factories thus creating a new offering without incurring extra costs.

The sourcing options can incur the most cost especially when the companies source the creation of the surrogate yarns rather than a creation of the final product. However the sourcing with the initial design and R&D made in Canada can create the new offerings which are geared the best towards the local consumers. The sourcing of the complete new products albeit being expensive can also give the sourcing company an ability to piggyback on the existing yarn offerings thus saving some of the design and R&D costs

Knitting as a craft is very localized and tied to the habits of the local consumers. The sourcing company must be aware of these trends and gear the new yarns towards them. From the other hand the influx of immigration in the country like Canada can change the demand and create new demand for the yarns, to which the customers were used to in their countries of origin. For instance the arrival of the large number of immigrants from Eastern Europe and Russia has created a demand for the yarns, which were previously rejected by the “local” knitters.

Overall importing of the yarns is much cheaper, cleaner and cost effecting than sourcing. While sourcing the yarn production the ordering company must have a sufficient expertise in both manufacturing of yarns and in design of knitting garments. The possession of these skills would make this company positioned for the unique and successful sourcing offering.

## References

- Atkinson W. (2010, January). Buyers find creative solutions to inventory challenges. *Purchasing*, 139(1), 10. Retrieved April 17, 2010, from ABI/INFORM Global. (Document ID: 1942664771).
- Birou LM, Fawcett SE, (2006), “International Purchasing: Benefits, Requirements, and Challenges”, retrieved on 04/17/2010 from <http://www3.interscience.wiley.com/journal/119982578/abstract?CRETRY=1&SRETRY=0>
- Cateora PR, Graham JL, (2001), “International Marketing. Eleventh Edition”, McGraw-Hill Irwin, 2001
- Corbman BP, (1983), “Textiles Fiber to Fabric. Sixth Edition”, McGraw-Hill, 1983
- Gutierrez, G J. (2009). "Errata for “A robustness approach to international sourcing” by G.J. Gutierrez and P. Kouvelis, *Annals of Operations Research* 59 (1995) 165–193". *Annals of operations research* (0254-5330), 172 (1), p. 463.
- Gutierrez GJ, Kouvelis P., (2005), “A robustness approach to international sourcing”, retrieved on 04/15/2010 from <http://www.springerlink.com/content/r81733wh77374050/>
- Haried, P., & Ramamurthy, K. (2009). Evaluating the Success in International Sourcing of Information Technology Projects: The Need for a Relational Client-Vendor Approach. *Project Management Journal*, 40(3), 56-71. Retrieved April 17, 2010, from ABI/INFORM Global. (Document ID: 1944501821).

- Keegan, WJ, (2001), "Global marketing Management. Seventh Edition", Pearson Publishing
- Neureiter, M., & Nunnenkamp, P. (2009). Modes of International Sourcing and the Competitiveness of Firms: An Analysis of European Survey Data. *Aussenwirtschaft*, 64(4), 419-429,440. Retrieved April 17, 2010, from ABI/INFORM Global. (Document ID: 2004041131).
- Pagano, A (2009). "The role of relational capabilities in the organization of international sourcing activities: A literature review". *Industrial marketing management* (0019-8501), 38 (8), p. 903.
- Phillips, J. (2010, January). 2010: Optimism Abounds. *Textile World*, 160(1), 14-15. Retrieved April 17, 2010, from ABI/INFORM Global. (Document ID: 1972233191).
- Pustylnick I, (2006), "Hand Knitting Yarn Industry with Reference to Unique Sources of Supply from Canada.", available at <http://library.athabascau.ca/drr/download.php?filename=mba-06/open/igorpustylnickProject.pdf>
- Research register: Izmir, Turkey. (2004). *International Journal of Clothing Science and Technology*, 16(6), 97-100. Retrieved April 17, 2010, from ABI/INFORM Global. (Document ID: 773797571).
- Rupp, J. (2008, September). efficient Yarn Production. *Textile World*, 158(5), 42-45. Retrieved April 17, 2010, from ABI/INFORM Global. (Document ID: 1575669521).
- Swoboda, B (2009). "Exploring how garment firms choose international sourcing- and sales-country markets". *Journal of fashion marketing and management* (1361-2026), 13 (3), p. 406.
- Vickery SK, (1989) *International sourcing: implications for just-in-time manufacturing*, Production and Inventory Management Journal, 1989
- Vilensky, L., Pustylnick, I., (2009), "The Book of Russian knitting. Second Edition", Headwater Wool Publishing, 2009