

Pricing Strategies



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27th October 2011

Index

Gherzi Group

Pricing Strategies

Gherzi: Integrated consulting and engineering for the textile, garment & retail industry since 1929

Gherzi Offices: Zürich, Milano, Krefeld, Istanbul, Cairo, Mumbai

Management – Operations
Corporate Finance

Logistics

Engineering

Restructuring and
Turn-around

Strategy

Market Studies

M & A

Supply Chain

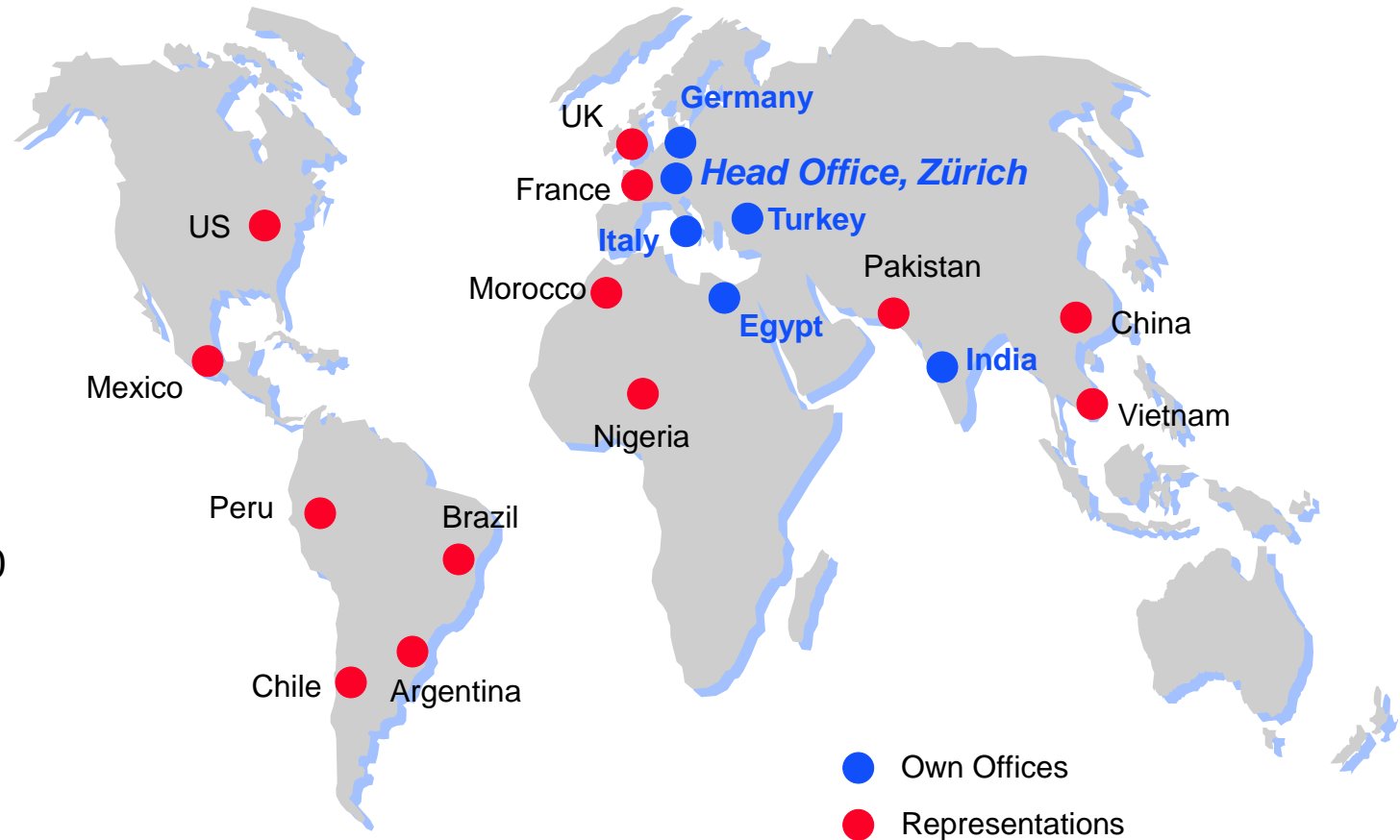
Operational
Improvement

Product Development



International presence

- ca. 600 fully employed professionals
- Partnership on a worldwide level
- 6 own HQ offices
- More than 5'000 completed projects
- Activities in more than 80 countries



References

Fibers



OEM



Textile



Brands/ Retail



Index

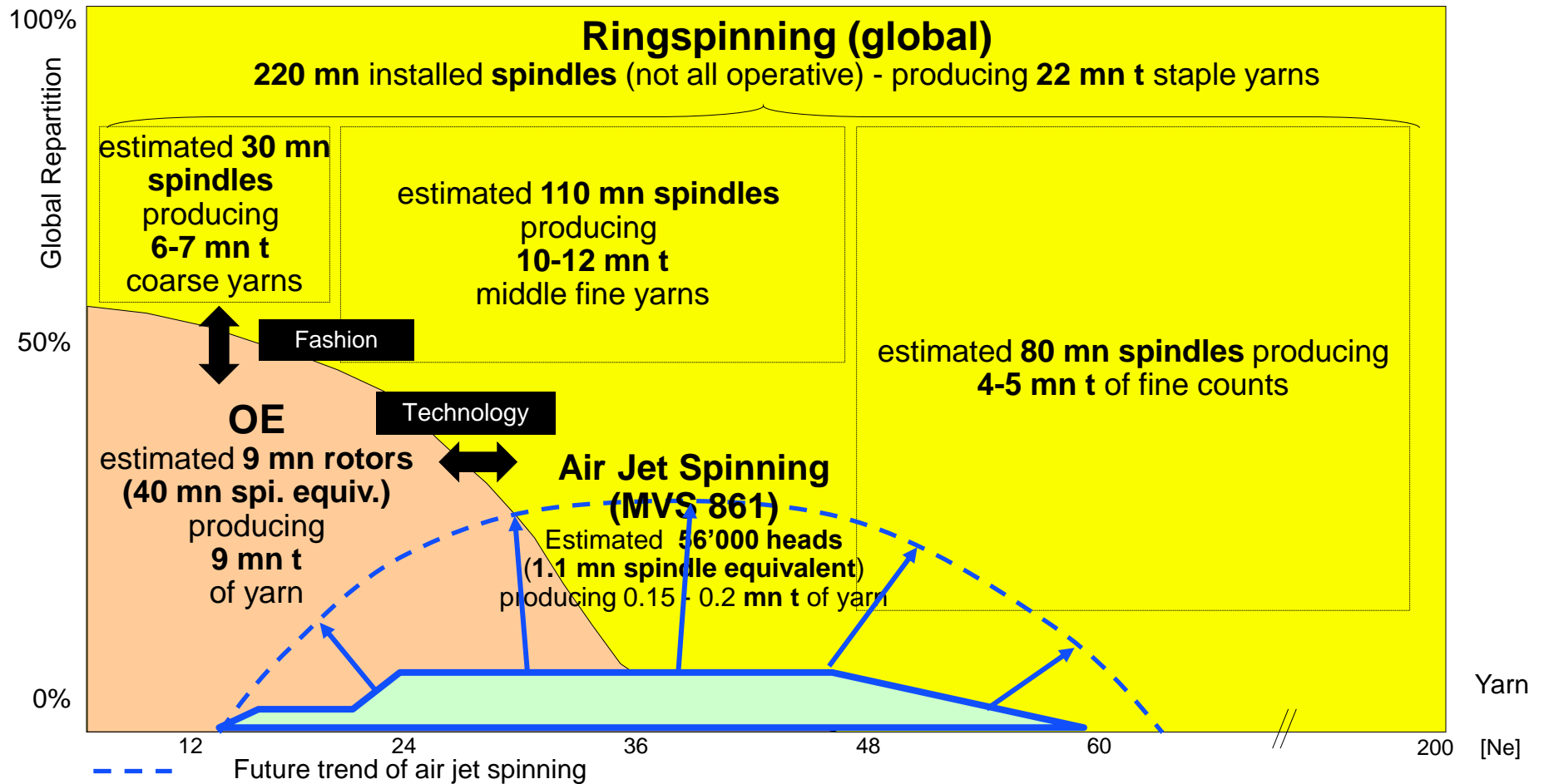
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Pricing Strategies

Pricing strategies

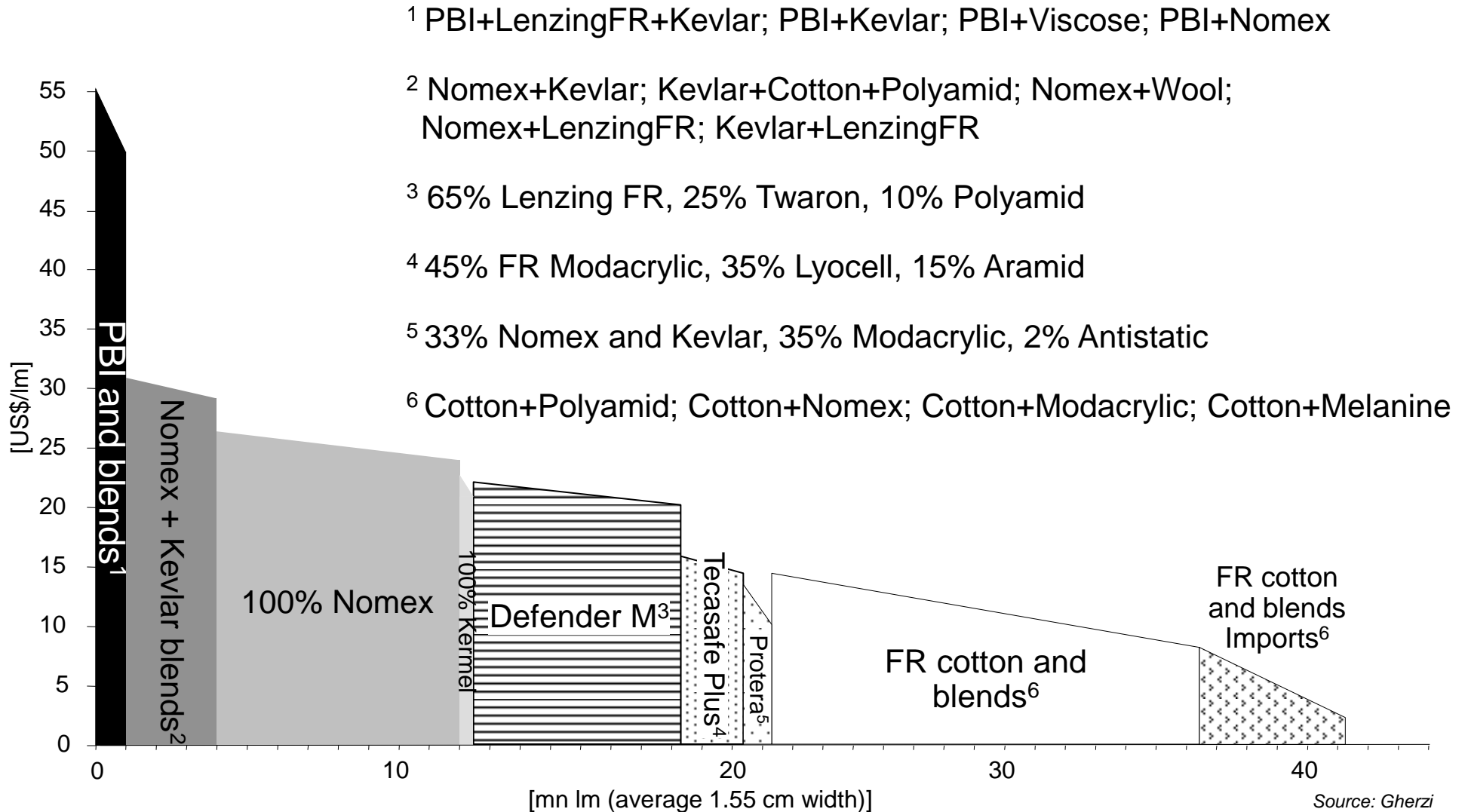
Pricing Strategy		Description		Example
1	Market Skimming	High price \leftrightarrow Low volume	<ul style="list-style-type: none"> • Skim the profit from the market • Products with limited life cycles or which will face competition in the future (e.g. with patents) 	Introduction of air jet
2	Penetration Pricing	Low price \leftrightarrow High volume	<ul style="list-style-type: none"> • Products with long life cycles • Useful if launching into a new market 	Tecasafe Plus
3	Value Pricing	Price based on consumer perception	<ul style="list-style-type: none"> • Price set in accordance with Customer perceptions about the value of the product/service • e.g. status products/exclusive products 	Printed / Embossed PU for LVMH
4	Loss leader	Sell at low margins - Generate margins elsewhere	<ul style="list-style-type: none"> • Purchases of other products/services more than covers 'loss' on item sold 	Leasing in combination with laundry
5	Price Discrimination	Different prices for same product in different markets	<ul style="list-style-type: none"> • Requires each market to be impenetrable • Requires different price elasticity of demand in each market! 	PES in India
6	Destroyer Pricing/ Predatory Pricing	Aims to force out competitors	<ul style="list-style-type: none"> • Deliberate price cutting to force rivals (normally smaller and weaker) out of business or prevent new entrants • Anti-competitive and illegal if it can be proved 	China - Antidumping
7	Cost-Plus Pricing	Cost + mark up open books "unbundling"	<ul style="list-style-type: none"> • In depth analysis of the costs (raw material and added value) 	Automotive: Tier 1 suppliers to OEM
8	Tender Pricing	"bundling"	<ul style="list-style-type: none"> • Some contracts awarded on a tender basis • Firm (or firms) submit their price • Buyer chooses which represents best value 	US / EU protective fabric market

Installed spindles and production of short staple yarn 2010



Source: ITMF, Gherzi

US consumption [2008 – value & volumes] of specific FR woven textiles



Source: Gherzi



1. Womenswear:

Fabrics and accessories (foulards, scarves) for the luxury fashion industry

2. Menswear:

Fabrics and accessories (ties, scarves) for the luxury fashion industry

3. Fashion:

Womenswear and beachwear fabrics for the fast fashion segment

4. Licenses and Distribution:

Distribution of women and men accessories made under license

CK CHRISTIAN
LACROIX

Vivienne
Westwood

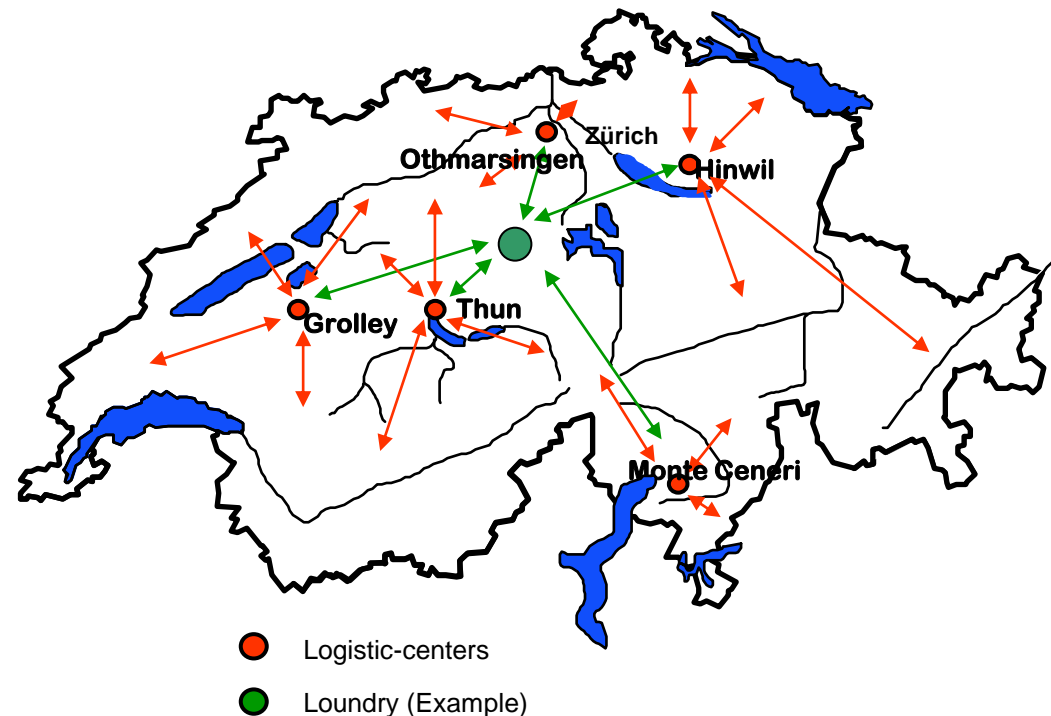
KENZO

EMILIO PUCCI



Swiss Army

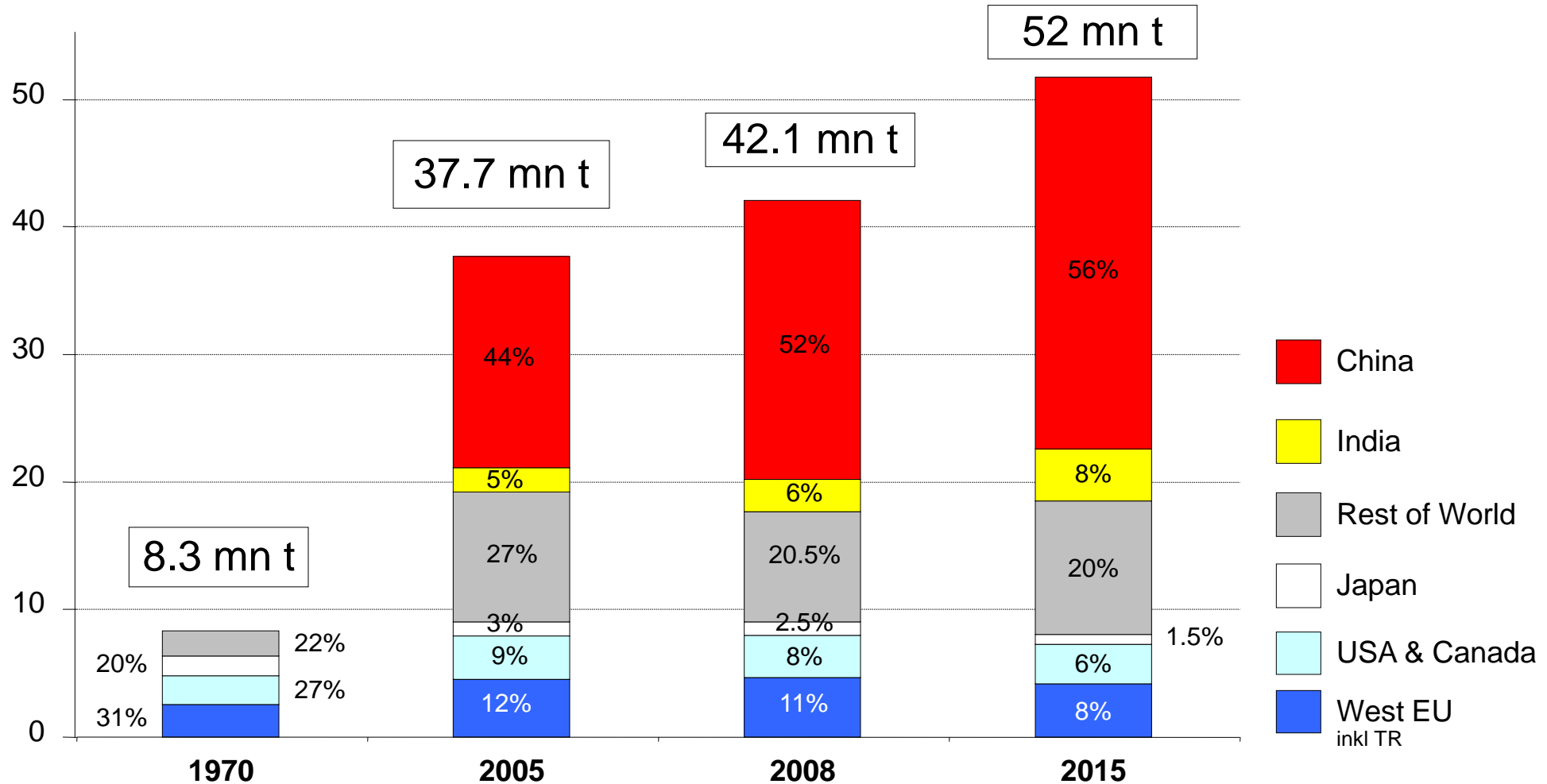
Founded:	1872
Turn Over:	~ 30 mn CHF
Employees:	150
Activity:	Production, sale, leasing and laundry of high added value textiles for hotels
Weaving:	Burgdorf (CH)
Loundries.	Arlesheim, Niederuzwil, Olten (all CH)



Source: www.schwob.ch

Source: www.lba.admin.ch

Worldwide production of synthetics fibers (incl. Cellulose)

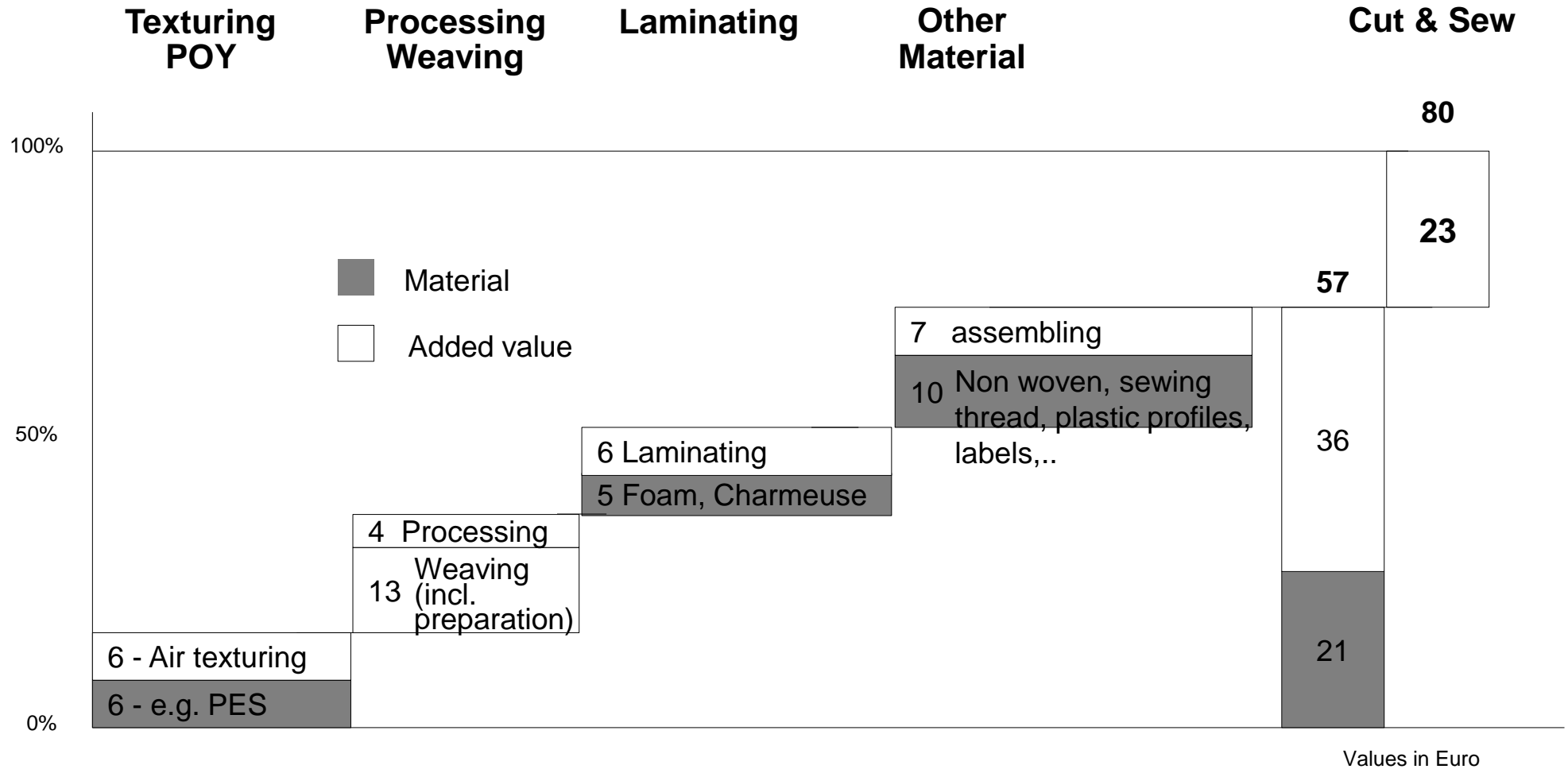


incl. Filament, Stapel and Cellulose

Source: CIRFS, Oerlikon Fiber Year, IVC, Trevira, Gherzi estimates

- China was the target of the most antidumping investigations since 2005. The country was also the target of the most anti-subsidy cases
- From 2008 to the first half of 2011 trade partners launched 313 trade remedy cases against China, of which 11 percent were in the textile sector.
- "China's trade frictions with emerging nations such as India, Brazil and Peru will rise in the future, while those with the United States, Europe and Japan will fizzle out," [Caijing.com quoted Gao Yong, deputy director of the China Textile Industry Association 2011-09-08]
- "Cases concerning antidumping and anti subsidy will be replaced by those related to technical standards and technical barriers." [Caijing.com quoted Gao Yong, deputy director of the China Textile Industry Association 2011-09-08]
- e.g. in 2005, findings confirmed that all Chinese exporting producers of finished polyester filament fabrics were selling the product concerned to the EU at a price lower than on their domestic market

Automotive seat cover fabric [€]



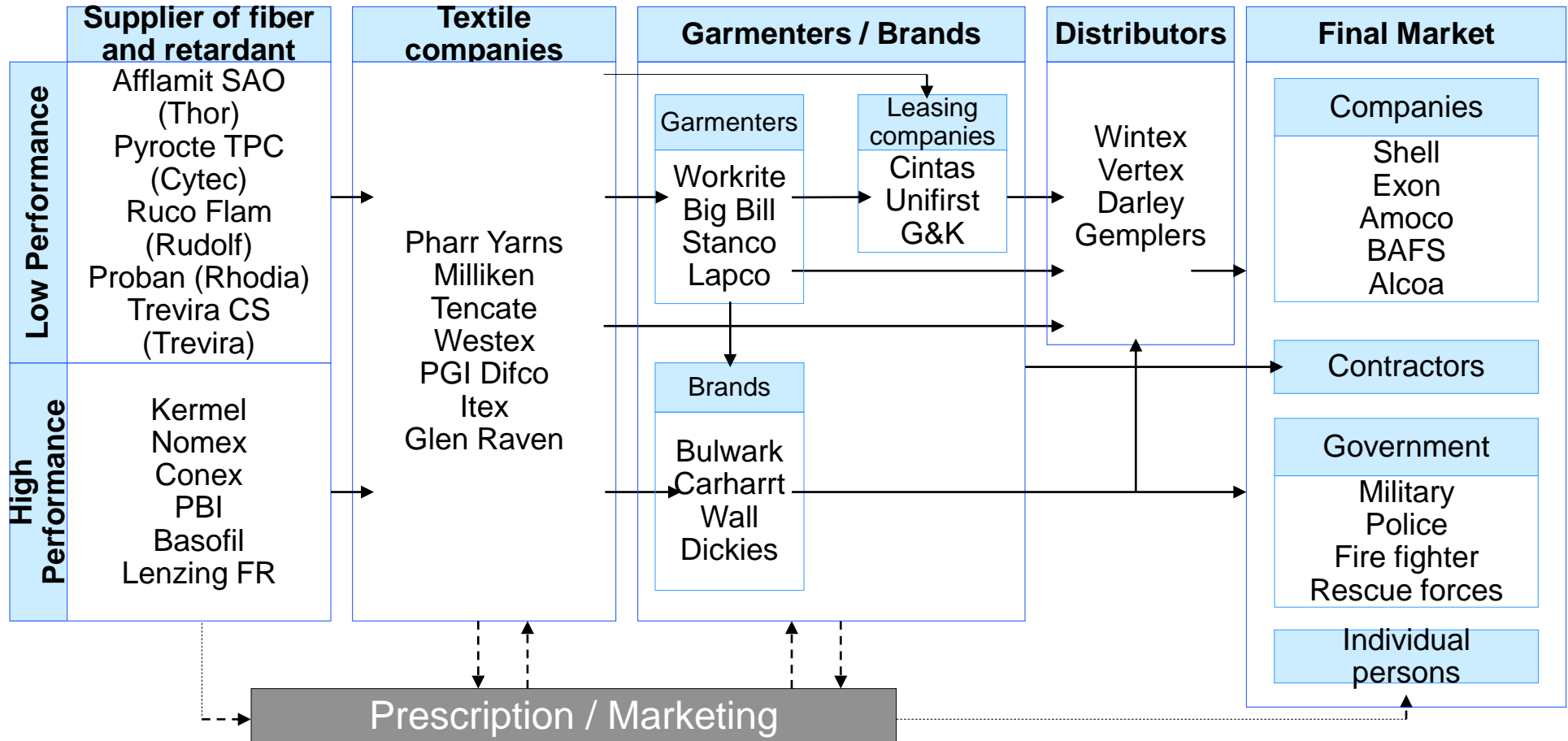
Source: Industry, Gherzi research

Kneitz: Key financial data

	2008	2009	2010
Sales (M€)	31.9	28.9	35.7
Gross margin (M€)	9.2	7.55	10.4
% o.s.	29%	26%	29%
Personnel costs (M€)	6.7	5.9	6.6
Other cash costs (M€)	0.8	0.65	0.9
EBITDA (M€)	1.6	1.0	2.9
% of sales	5%	3.5%	8%
% of gross margin	17%	13%	28%
EBIT (M€)	0.75	0.1	1.8
EBT (M€)	0.7	0.0	1.75

Source: Unternehmensregister, Gherzi analysis

The general structure of the US FR textile market



Source: Gherzi research, Industry

Lessons to be learned

- Pricing starts with the product development & key market definition and includes services
- In order to be able to choose strategies your product needs some USP's
- A must is the full understanding of:
 - customer expectations (product & services)
 - added value for the customer
 - product costs (raw material & added value)
- Sometimes the combination of 2 strategies is an option
- Personal customer relationship nevertheless remains a major aspect