THE UNIVERSITY OF AUCKLAND
BUSINESS SCHOOL

Champions Trophy Case Competition

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL
CHAMPIONS TROPHY CASE COMPETITION 2009

FISHER & PAYKEL APPLIANCES

31 January 2009

Case prepared by Mr Chris Jenkins, under the supervision of Mr Sunny Gu and Mr Brendon Potter, Director of Student Development, The University of Auckland Business School. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publicly available sources. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

All cover page images have been obtained from company annual reports and presentations.

Fisher&Paykel appliances

Warren Wallstreet

From: Warren Wallstreet
Sent: Saturday, 2 February 2009 7:52
To: * Fisher & Paykel Appliances Teams
CC: David Dollar; Benjamin Banker; John Jobs; Peter Partner
Subject: Fisher & Paykel Strategy Presentation

Good morning all,

Our final client is waiting.

Fisher & Paykel is ranked 12^{th} (by revenue) in the global household appliances industry – an industry driven by innovation and cost control. At its most fundamental level, appliances came into being to make everyday tasks easier. Globally, appliance manufacturers operate on profit margins of 2%-5%, and many are preparing for tough times ahead. Global sales are expected to decline by 3%-5% in the next 12 months, in the wake of a near-unprecedented economic downturn.

Fisher & Paykel was founded in the wake of the Great Depression by an enterprising accountant and salesman. Over the next 70 years it would grow into an iconic New Zealand brand, with a keen focus on fresh ideas, and a passion to succeed in the international market place.

They have undergone significant changes in that time. Just as New Zealand was transformed from a protectionist, insular economy in the late 1980s to an open economy, Fisher & Paykel began the process of shifting much of their manufacturing facilities overseas. This is in line with their overall strategy, which is to build a robust, competitive organisation with minimal costs, and to continue to offer tailored and innovative solutions to meet the needs of customers in an increasing variety of locations.

Arguably, these radical changes were necessary for the survival of Fisher & Paykel, which operates in an intensely competitive industry; Managing Director, John Bongard commenting that "You can't really be in the appliance industry in this world without enjoying a challenge. It's a tough business." Fluctuations in the exchange rate, high interest rates, and increasingly costly raw material prices have presented some difficulties for Fisher & Paykel in recent times.

John, as well as their Chairman, Gary Paykel, and other executives would like a presentation of no more than ten minutes to hear what you believe are the key issues facing the company, and what strategies you propose they employ to take Fisher & Paykel into their next stage of growth. This will be followed by a ten minute question and answer session. Information gathered by our research team is attached to this email.

Regards,

Warren Wallstreet,
President
SYG Consulting Group

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FISHER & PAYKEL APPLIANCES

OVERVIEW OF THE COMPANY

Note: NZD$1 = USD$0.54 = AUD$0.81 as at January 2009

Fisher&Paykel appliances

1.0 History[1]

Our heritage dates to the 1930s with the manufacture of designs made under licence. The pioneering spirit established by the founders encouraged a culture that challenged conventional appliance design and production systems.

By making appliances under licence we determined that we were only destined to make a more expensive version of others' products. We couldn't generate economies of scale so we had to find other ways of creating a point of difference in our markets.

The answer lay in technology. By developing plastic liners and insulation using polyurethane foam we were the first in the world to commercialise this technology.

Another major breakthrough came in the late 1960's when the Company saw the need to find a way of producing short runs of various models through common manufacturing machinery.

The idea of being able to make every model every day, just in time, had become reality and export opportunities opened up.

Learning to control flexible machinery lines during this phase had started to create another major advantage that was to come in the future.

Flexible machinery brought with it the notion of manufacturing cabinets using prepainted steel. In tandem with the Japanese steel mills appliance grade pre-painted steel was developed that enabled coiled steel to be processed through lines of machinery that could notch and pierce various sizes and shapes. The first product to incorporate this technology was the compact dryer. A ground-up design conceived by our own engineers.

This technology carried over into refrigerators and washing machines and is now standard across all of our appliance range.

1.1 Company Profile

Fisher & Paykel Appliances designs, manufactures and markets a range of innovative household appliances developed with a commitment to technology, design, user friendliness and environmental awareness.

It includes two wholly owned subsidiary companies Production Machinery Limited that builds production equipment, and Dynamic Cooking Systems Inc a company in the United States of America that manufactures indoor and outdoor cooking products.

Fisher & Paykel Finance offers financial solutions to individuals, families and businesses throughout New Zealand. It is an established provider of a diverse range of products including equipment finance, consumer finance and consumer insurance services.

The company has operations in a variety of locations, and is headquartered in Auckland, New Zealand.

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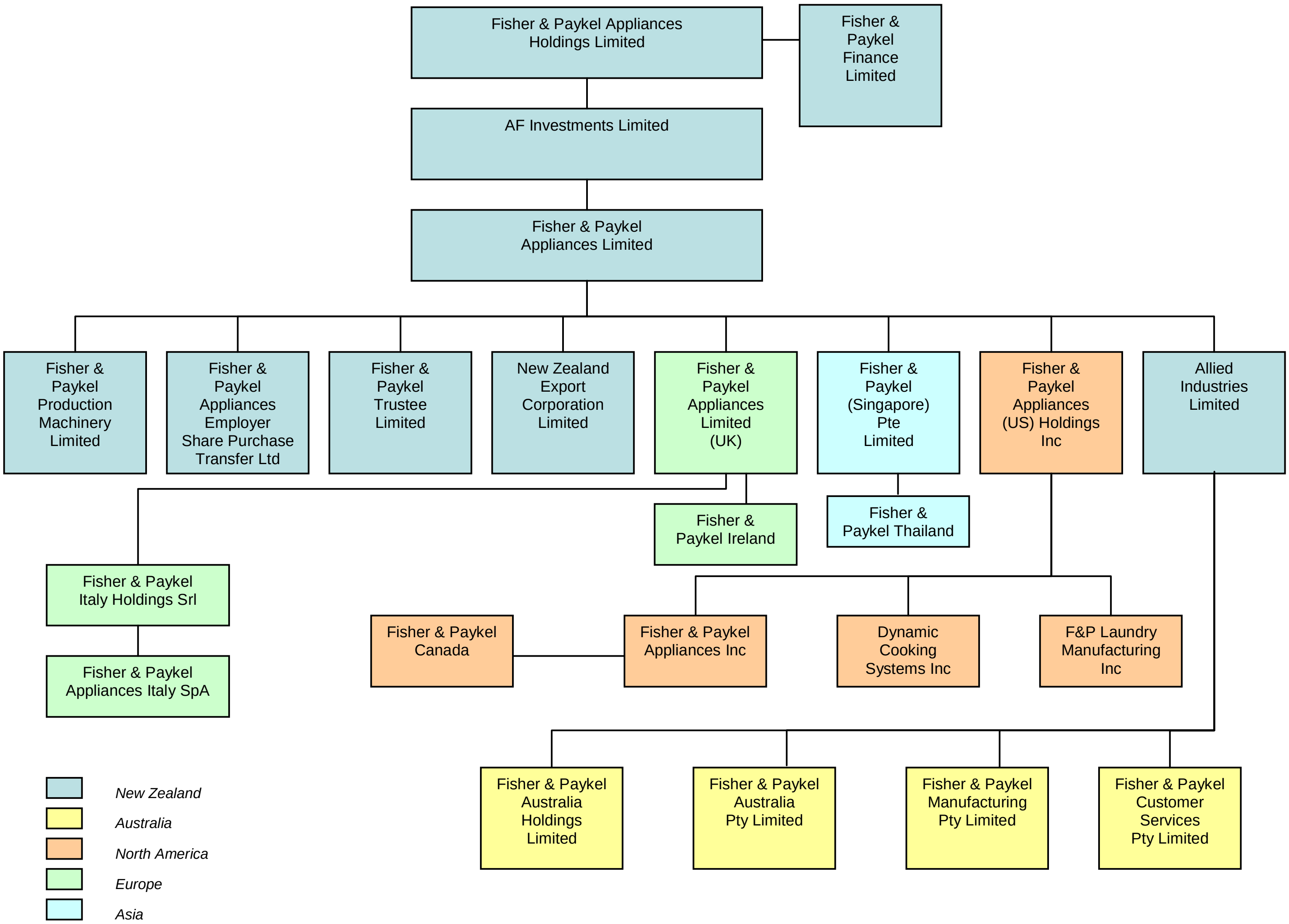
[1] Retrieved from http://www.fisherpaykel.co.nz/global/about-us/our-heritage.cfm and http://www.fpf.co.nz/fpfweb/about.htm
NB: In November 2001 Fisher & Paykel Industries split into Fisher & Paykel Appliances Holdings Ltd and Fisher & Paykel Healthcare Corporation Ltd (a leading designer, manufacturer and marketer of a range of innovative healthcare devices). These act independently and are both publically listed.

1.1.1 Company Structure[2]



[2] Casewriter, F&PA Annual Reports and related documentation.

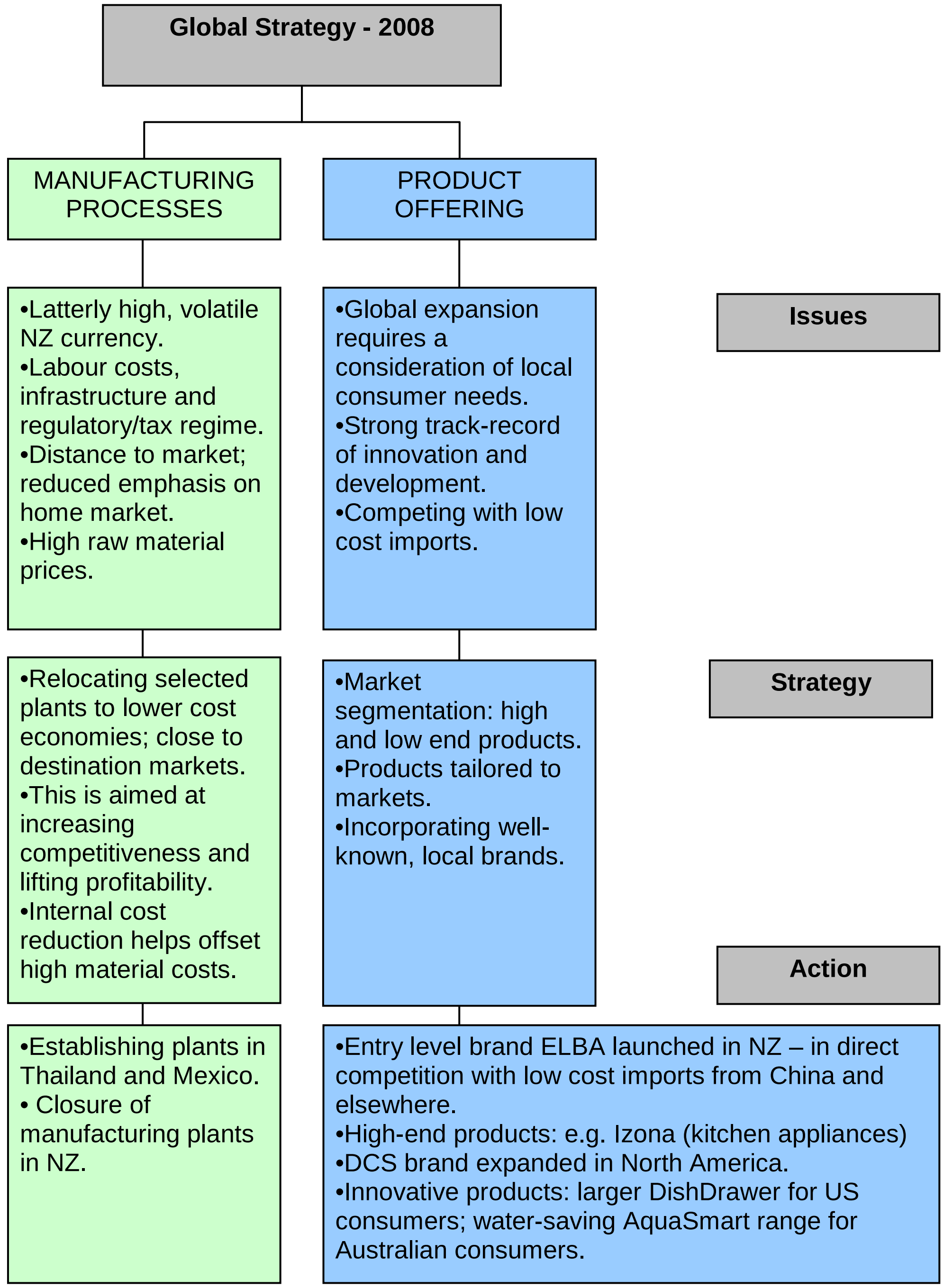
1.1.2 Global Operations[3]

Global Operations - 2008

Location / Tagline	North America *"Global Manufacturing Strategy"*	Thailand *"Relocation"*	New Zealand *"Base"*	Italy *"European Drive"*	Australia *"Precious Resources"*
Activities	•Ohio: Laundry and Motors •California: DCS Cooking •Mexico: will produce refrigerators, DCS products and DishDrawers.	•Current: Laundry (Dryers). •Planned: washers, dryers, DishDrawers, large refrigerators and electronics.	•Group management. •Product development. •Electronic, Refrigeration, Production machinery and Finance Company.	•Manufacturing: cooking •Serves European and RoW markets.	•Manufacturing: refrigeration.
Key Development	•Announcement of new DishDrawer production facility in North America. •Expanded product range offered to consumers. •Mexican manufactured products will be tailored to serve NA markets.	•Laundry factory relocation from New Zealand to Thailand; production of dryers commenced March 2008.	•Despite initial interest from outside parties, the finance business was withdrawn from sale in March, due to adverse market conditions. •ELBA (an entry-level brand) launched in March. •Closure of several plants.	•Entered into a strategic partnership with Arcelik A.S. of Turkey.	•Launch of full AquaSmart washer range (a water-saving product). •Release of higher-end products, such as the French Door refrigerator.
Performance	•Appliances sales revenue for the Fisher & Paykel brands in North America up 5.5%, in spite of deteriorating market conditions. •Strong growth in Canada, which now represents 10% of NA sales.	•Singapore and Hong Kong (serviced by the Thailand plant and others) showed consistent growth.	•Robust performance from Finance Business, with operating revenue up 4.9%; operating profit of NZ$28.9 million. •Market share maintained between 50-55%. •Revenue increased by 0.7%.	•Record appliance sales for Europe – up 18.4%. •Increased stainless steel prices have reduced margins for products manufactured in Italy.	•Record appliance sales for region – an increase of 11.3% from the previous year. •Market share in top-loader washers reached 40%. •Higher priced models have gained acceptance and are contributing to increased revenue.

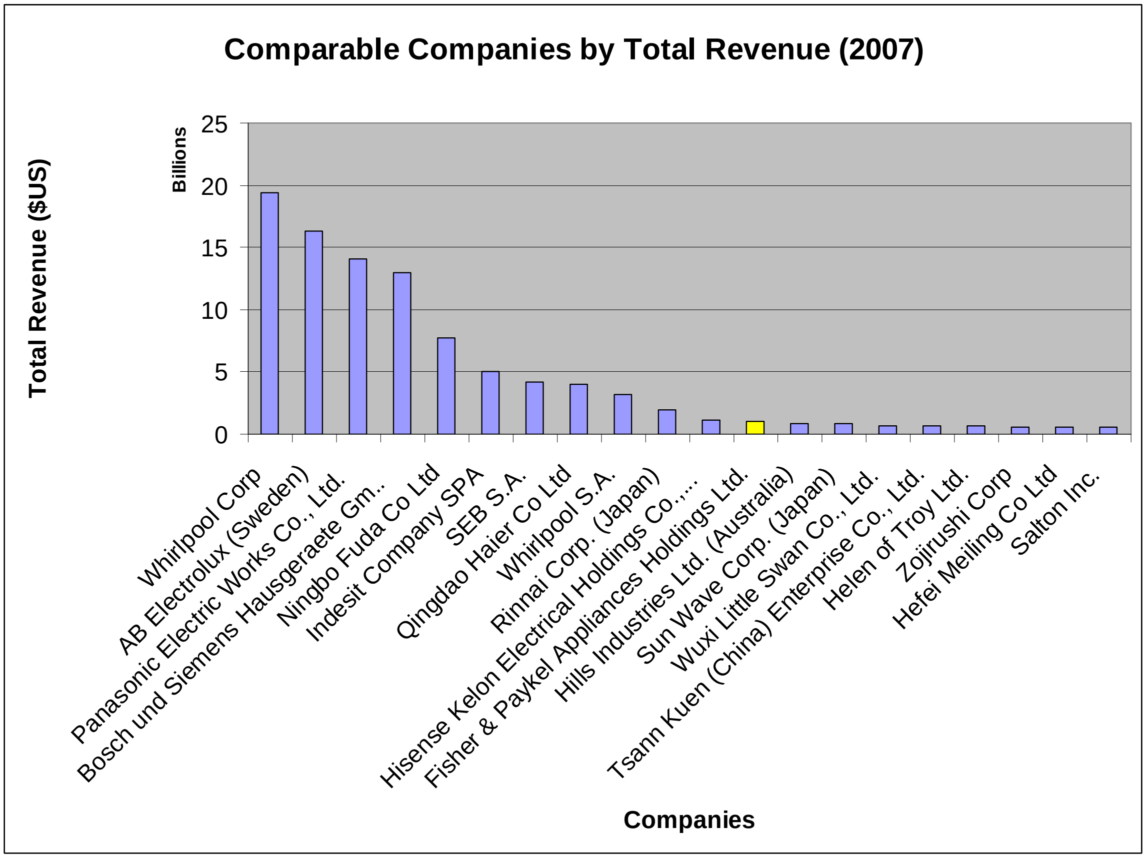
[3] Casewriter, F&PA AR2008, media articles.

1.1.3 Global Strategy[4]



[4] Casewriter; 2008 Annual Report; Press articles.

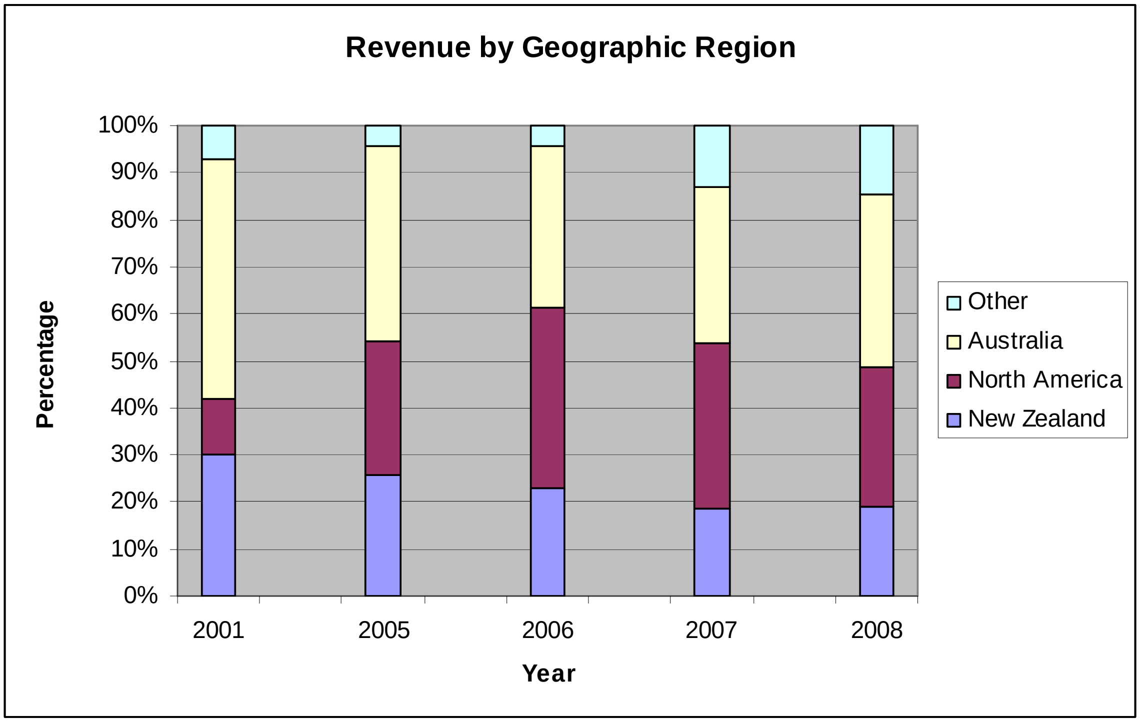
1.2 Size Relative to Competitors[5]



[5] Mergent online, ‘Household Appliances’ (NAIC 3352).

1.3 Revenue Split: Historical[6]

Fisher & Paykel: Sales (NZ$ 000)					
2003	*2004*	*2005*	*2006*	*2007*	*2008*
824,345	852,748	914,240	1,082,178	1,410,870	1,399,709



1.4 Lifecycle of a product[7]

"Making an appliance that was desirable was more than an indulgence; it was a necessity if the products were to make their way into high net worth homes."

Fisher & Paykel faced a big challenge. Theirs was a highly successful brand name at home, but on the global stage its iconic New Zealand reputation stood for little. The company needed a clear point of difference, and to enter new markets.

Compounding this challenge was increasing price-based competition from market newcomers, especially Korea, and the global trend towards outsourcing manufacture to low-wage countries. Against the backdrop of these threats, Fisher & Paykel saw an opportunity to make design a key point of difference. But more than skin deep; they wanted them to look different as a result of their products being very different, from the inside out.

For Fisher & Paykel, there is no better example of them creating customer value with design than the DishDrawer.

[6] IBIS World Report; AR 2004-2008, and related publications.
[7] Better by Design case study, 2004/5 [abridged]. Better by Design is a specialist group within New Zealand Trade and Enterprise, New Zealand's national economic development agency.

The Insights:

- *Meet like with like:* a fundamental change in the market cannot be met with incremental changes.
- *Consumers don't know what they want till they've got it:* the DishDrawer was built on a mixture of customer insight and common sense, rather than a reliance on consumer focus groups. Fisher & Paykel knew it would work, and only once the capability was developed to be able to prototype the DishDrawer was it time to extensively test it on the hearts and minds of consumers.
- *Cross-fertilise ideas:* the design team examined the way people used their kitchen – and took inspiration from an unrelated kitchen function – the drawer – and created a hybrid between the two.
- *See opportunities in product development inertia:* the dishwasher had changed little over a considerable period of time.
- *Consider the broader environment:* in designing the DishDrawer, Fisher & Paykel gave as much thought to the environment in which it would work as to the product itself. As a result, its functionality and fit with the kitchen is the key.

Designing the difference

Fisher & Paykel said the dishwasher needn't be a dishwasher; it could be a drawer that keeps your dishes clean. With the DishDrawer they did more than redesign the dishwasher; they redefined the way people saw the washing of dishes. In the past, running the dishwasher was an 'event' – and only when there were enough dishes to fill a large space. The DishDrawer was better suited to smaller households and families, who eat fewer home-cooked meals in a day. It was designed to make the dishwasher an extension of the storage systems in the kitchen.

The design team delivered a dishwasher that made considerably better use of space, gave easier access, allowed for smaller loads, used less water and detergent, was easier to open and had greater visibility – in short, they revolutionised a previously mundane klitchen appliance.

Industrial designer Phil Brace commented: "Fundamentally [dishwashers] were awful – we decided to design a good one."

The Insights:

- *You can't get too close to customers:* often the consumer has unnoticed problems they have learned to work around – it's important to look beneath their stated needs.
- *Live and breathe your brand:* Fisher & Paykel has its own labs where design teams cook, clean and wash to gain an insight into how people work in the kitchen. Products are also sent out to be tested in sites such as commercial kitchens, large family homes and design team members' own homes. "If it rattles and bangs we soon hear about it," says industrial designer Phil Brace. "It gets seen to straight away."
- *Time your feasibility study:* the design team was careful to rely on intuition as far as possible; it's easy to be talked out of an idea. Often you need to persevere, even if the numbers don't stack up early on.
- *Don't leave the technology till last:* viability must be assessed at an early stage - there's a close relationship between insight and the technology that enables it.

The design dividend

By revolutionising dishwashing in a range of areas, Fisher & Paykel have put distance between itself and its competitors on a number of fronts. The Dish Drawer has done several remarkable things:

- It helped position the company as innovative; acting as a platform for entering the UK, European and Middle Eastern markets. It also improved its market share at home, which was under considerable pressure from imported goods.

- The company's revenue from appliances increased, additional DishDrawer production and development increased, and there was a marked increase in profits overall. This was disproportionate to the increase in the total number of units produced, due in large part to the price premium products such as the Dish Drawer command.

With 19 patents in 27 countries, the Dish Drawer's uniqueness continues to be a strong competitive advantage, although there is constant re-evaluation in order to improve the product further.

The Insights:

- *Use your leading brand to open new markets:* the Dish Drawer has been the sharp edge of a wedge that has driven the company into key new markets, and positioned it at the top end of the lucrative US market.
- *Make your distributors your mouthpiece and feedback mechanisms:* the company invests heavily in their relationships with distributors and retailers through training, education and communications. These represent critical feedback mechanisms about product attributes and performance, and the differing needs of each market.
- *Value and protect your points of difference:* the DishDrawer is heavily patent-protected.
- *Put the power in your customers' hands:* customers can choose between single and double DishDrawer variants, giving them more freedom in the design of their kitchens.
- *Don't settle for a one dimensional change:* the company set out to make dish washing not only easier, but also more space and energy efficient, and ecologically sensitive.

<u>The design process</u>

What	How	Who
A new design idea or design improvement	• Customer observation – identify latent and tacit needs • Lifestyle research – understand trends in architecture/kitchen design • Product lifecycle – assess need to change/improve • Monitor appliance trends • Reviewing market intelligence/competitor activity	Management and project team
Design concept	• Design project is defined with timeframes, areas of critical success, resources, target cost and review process • Information recorded in Project Definition document • Design Team formed with members and stakeholders from areas across the company	Project team
Prototyping	• Prototypes are developed and tested both in-house and with consumers	Project team and markets
Design review	• Design reviewed against the Project Definition Paper to check if critical success factors have been achieved	Review team
Testing process	• Further rigorous testing of prototypes for function and reliability • Representative models built to check customer fit	Project team and markets
Design review	• Design reviewed against Project Definition Paper	Review team
Move to pre-production	• If successful prototypes move to design, tool and test stage	Project team

1.5 Products Showcase[8]

The products manufactured or sourced by Fisher & Paykel fall within the following categories:

Fisher & Paykel Products

- Cooking
  - •Built in ovens
  - •Drop in ovens
  - •Freestanding ranges
  - •Gas cooktops
  - •Ceramic cooktops
  - •Rangehoods*
  - •Splashbacks*
  - •Microwaves*
  - •Accessories*
- Dishwashing
  - •DishDrawers
  - •Dishwashers *
  - •Waste disposers*
- Laundry
  - •Washers
  - •Dryers*
- Refrigeration
  - •Refrigerators
  - •Compacts
  - •Pigeon pairs
  - •Chest freezers
  - •Side-by-sides
  - •Bar refrigerators*
- Outdoor
  - •Barbeques
  - •Barbeque accessories





* Some products are sourced from OEM and other manufacturers.

[8] Casewriter; F&PA reports, website and related documentation; retailers' websites.
NB: Original Equipment Manufacturers (OEM), typically use components made by a second company in their own product, or sell the products of the second company under their own brand.

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FISHER & PAYKEL APPLIANCES

INTERIM REPORT 2008/2009: FINANCIAL RESULTS

Note: NZD$1 = USD$0.54 = AUD$0.81 as at January 2009

Fisher&Paykel appliances

Results

Normalised Group Profit after Taxation for the six months ended 30 September 2008 was $22.395 million, which was ahead of market consensus of $16.11 million.

After one-off costs of $29.742 million after tax ($41.198 million pre tax) associated with implementing Appliances' Global Manufacturing Strategy, the Group reported a loss of $7.347 million after tax compared to a profit of $29.290 million after tax for the previous corresponding period.

Before one-off items, Normalised Group Operating Profit before Interest and Taxation at $44.755 million was down 20.4% on the previous corresponding period.

For Appliances, increased sales revenue in Australia offset lower sales in New Zealand, North America and Rest of World. This resulted in overall revenue being similar to the previous corresponding period. Increased costs for raw materials, combined with volatile currency exchange rates and ongoing competition in our major markets, resulted in Appliances' operating margin declining to 5.3%. In local currency terms, sales in Australia continued to grow to record first half levels, notwithstanding a slowing market. New Zealand and North America experienced reduced revenues reflecting market conditions.

The Finance business delivered a satisfactory first half result especially given the uncertainty within the New Zealand economy. New term funding facilities have been secured and retail debenture reinvestment rates continue at encouraging levels.

The Group has made good progress over the past 6 months in implementing Appliances' Global Manufacturing Strategy and responding to the challenging economic conditions. These include:

- Successfully implementing the relocation of the Laundry manufacturing to Thailand. This was completed on time and within budget. The majority of the DCS lines have been relocated to Mexico.
- Managing a major stock build to facilitate the relocation processes.
- Improved Working Capital efficiencies.
- Significantly improved Cash Flow.
- Successfully introducing new product platforms.
- Managing significant increases in raw material pricing.
- Continued progress in the Cost Out Programme.
- Successfully refinancing Fisher & Paykel Finance with longer term facilities.

These initiatives have positioned the Company well to manage its way through the current turbulent times and improve its long term prospects.

FINANCIAL PERFORMANCE

	Unaudited 6 Months 30 Sep 2008 NZ$000	Unaudited 6 Months 30 Sep 2007 NZ$000	Year 31 Mar 2008 NZ$000
Normalised Operating Profit Before Interest and Taxation			
– Appliances Business	33,183	42,878	83,264
– Finance Business	11,572	13,371	26,888
	44,755	56,249	110,152
One Off Relocation Costs (Global Manufacturing Strategy)			
– Appliances Business	(41,198)	(11,377)	(18,263)
One Off Costs Associated with the Proposed Sale of the Finance Business			
– Appliances Business	-	-	(1,590)
– Finance Business	-	-	(745)
Profit on Sale of Land & Buildings			
– Appliances Business	-	5,021	5,021
Earnings before Interest & Taxation	3,557	49,893	94,575
Interest, excluding Finance Business Operating Interest	(13,154)	(10,413)	(21,566)
Operating Profit/(Loss) before Taxation	(9,597)	39,480	73,009
Taxation	2,250	(10,190)	(18,797)
Group Profit/(Loss) after Taxation	(7,347)	29,290	54,212
Normalised Group Profit after Taxation	**22,395**	**32,305**	**65,545**

Revenue

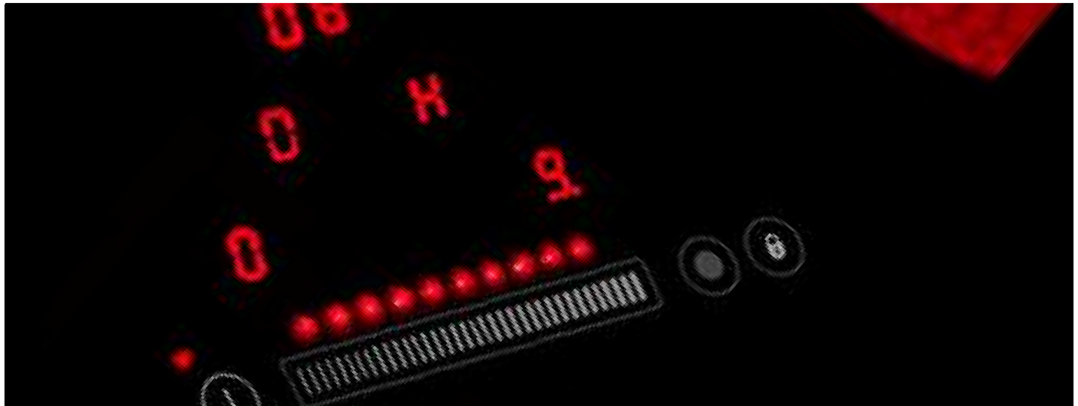
In New Zealand dollar terms, Total Revenue and Other Income increased by $4.0 million (+0.6%) to $697.1 million for the half-year.

Appliances Operating Revenue at $627.8 million was down $0.3 million. Growth in Australia resulted in overall Appliances revenues matching the first half last year.

Finance Operating Revenue increased by 15.1% compared to the corresponding half last year. This was a direct result of higher interest rates and the introduction of card fees.

REVENUE

	Unaudited 6 Months 30 Sep 2008 NZ$000	Unaudited 6 Months 30 Sep 2007 NZ$000	Year 31 Mar 2008 NZ$000
Appliances Business			
– New Zealand	112,024	121,701	242,987
– Australia	233,811	208,760	466,808
– North America	191,336	205,892	378,980
– Europe	55,720	54,496	112,284
– Rest of World (including Singapore)	34,885	37,244	74,757
	627,776	628,093	1,275,816
Finance Business	68,252	59,294	123,893
Other Income	1,042	5,687	6,636
Total Revenue & Other Income	**697,070**	**693,074**	**1,406,345**



CERAMIC COOKTOP: New ceramic cooktop with slider control

Dividend

The Directors have approved a final dividend of 5 cents per share (9 cents for the previous corresponding period).

The dividend will carry a partial imputation credit of 0.667 cents per share for New Zealand tax residents and be fully franked for Australian tax residents. Qualifying non-resident shareholders will receive a supplementary dividend of 0.275 cents per share.

Due to the lower normalised result for the half, together with substantial costs associated with implementing Appliances' Global Manufacturing Strategy, the Directors considered it prudent to reduce the interim dividend.

The dividend will be paid on 19 December 2008, with a record date of 28 November 2008. The ex-dividend dates will be 24 November 2008 for the ASX and 1 December for the NZSX.

The Company operates a Dividend Reinvestment Plan (DRP) under which eligible New Zealand and Australian shareholders can elect to apply some or all of their dividend payments to acquire additional ordinary shares.

Shareholders who have previously elected to participate in the DRP, will continue to do so for this dividend unless they complete a Variation Form. Additional Variation Forms can be obtained from the Company's Share Registrar and must be returned by 28 November 2008.

Shareholders who wish to elect to participate in the DRP for this dividend can obtain a copy of the Company's Dividend Reinvestment Plan Offer Document and Participation Form from the Company's Share Registrar. Participation Forms must be returned to the Company's Registrar before 28 November 2008.

The share price used to determine entitlements under the DRP is 97.5% (representing a 2.5% discount) of the average of the volume weighted average sales price of all "price setting trades" of shares which take place through the NZSX and the ASX over a period of 10 days commencing on the third business day after the shares trade ex-dividend on the NZSX.

Appliances Business

The Appliances business segmented result for the six months ended 30 September 2008, has been shown in the table on the next page.

The ongoing drive towards high-end product sales contributed markedly to offset declining global markets.

Global Manufacturing Strategy

One-off relocation costs associated with Appliances' Global Manufacturing Strategy amounted to $41.198 million before tax during the half.

Costs for completing the East Tamaki Laundry factory shift and the relocation of the Electronics facility accounted for approximately $11 million. This first stage of the Thailand shift has now been substantially completed within budget and on time.

The relocation of the DCS cooking factory from California, USA to our new site in Reynosa, Mexico, which was acquired in April 2008, was largely completed during the half. After modification, the side by side refrigerator line on that site commenced production in August 2008.

Production of the North American styled DishDrawer® Tall dishwasher is scheduled to commence in December 2008 in Reynosa. This facility will have the capability of manufacturing all versions of DishDrawer® dishwasher for global markets including New Zealand and Australia as well as Europe, for which Mexico has a Free Trade Agreement with the European Union. Built-in oven and cooking production will also be transferred from the Dunedin, New Zealand factory to our Italy cooking factory in December.

Construction of a new factory has commenced on our Thailand site to house the Brisbane (Australia) refrigerator plant which will be relocated next calendar year. The remaining DishDrawer® dishwasher equipment, currently located in Dunedin, has a number of off-shore commercial options, which are currently under review.

The manufacturing relocations to date have been successfully completed without significant disruption to supply. The relocation timetable and required stock build levels have both been met resulting in the projects coming in on time and within budget. This gives the Company confidence heading into the next set of manufacturing relocations next year.

APPLIANCES BUSINESS FINANCIAL PERFORMANCE

	Unaudited 6 Months 30 Sep 2008 NZ$000	Unaudited 6 Months 30 Sep 2007 NZ$000	Year 31 Mar 2008 NZ$000
Operating Revenue	627,776	628,093	1,275,816
Normalised Operating Profit before Interest and Taxation	33,183	42,878	83,264
– One Off Relocation Costs	(41,198)	(11,377)	(18,263)
– One Off Costs Associated with the Proposed Sale of the Finance Business	-	-	(1,590)
– Profit on Sale of Land & Buildings	-	5,021	5,021
Reported Operating Profit before Interest and Taxation	(8,015)	36,522	68,432
Assets Employed	1,231,016	1,045,120	1,051,612
Operating Margin *	5.3%	6.8%	6.5%

** Normalised Operating Profit before Interest and Taxation to Operating Revenue*

To date indications are that the previously announced cost savings, resulting from the manufacturing relocations, will be exceeded. Manufacturing overheads along with reduced local vendor costs have come in lower than budgeted contributing to better than expected savings.

The sale of surplus land and buildings is progressing well given the current market conditions. Vacant land at the back of East Tamaki site in Auckland has been sold. The Range & Dishwasher facility in Dunedin, New Zealand has been conditionally sold to the Fonterra Co-operative Group. A detailed announcement on this is due shortly. The Fisher & Paykel Production Machinery Limited building situated in East Tamaki, Auckland, has been conditionally sold under a sale and lease back arrangement. The Cleveland refrigeration site in Brisbane, Australia is presently being marketed.

Market Review

Appliances' revenue, by geographic region and local currency, for the half has been compared to the previous corresponding period in the table below.

New Zealand sales declined 8.0% in the first half. This is reflective of the market which is contracting. The release of the Izona range of products reinforced Fisher & Paykel as a top-end, high profile brand in its home market. The launch of the Elba brand to New Zealand consumers was successfully completed during the first half for entry point and mid market products. This brand now commands a strong percentage of New Zealand sales.

Australian revenue was up 2.9% in local currency terms. Increased sales in high-end products such as the French Door and the Ice and Water refrigeration product ranges helped push first half revenue to a record level. This lift in sales slowed towards the latter part of the first half in line with general market conditions.

Total North American revenues were down 6.9% in local currency terms. This compares favourably with industry statistics showing a decline in total market size of between 11%-16%. The Fisher & Paykel and DCS brands continue to make market share gains. Revenue for those two brands was down 3.4% in the aggregate on the previous corresponding period.

European sales revenue decreased by 9.4% in the first half. Depressed market conditions in the United Kingdom and Ireland combined with a declining Euro-Sterling currency cross rate contributed to this. European sales represented 8.9% of global sales.

REVENUE ANALYSIS IN LOCAL CURRENCY

		Unaudited 6 Months 30 Sep 2008 $000	Unaudited 6 Months 30 Sep 2007 $000	Year 31 Mar 2008 $000	%
Appliances					
– New Zealand	NZD	112,024	121,701	242,987	(8.0)
– Australia	AUD	189,955	184,531	407,907	2.9
– North America	USD	142,232	152,723	287,282	(6.9)
– Europe	EUR	26,991	29,780	60,224	(9.4)
– Rest of World (incl. Singapore)	NZD	34,885	37,244	74,757	(6.3)

Finance Business

The Finance business delivered a satisfactory, above budget Operating Profit before Interest and Taxation of $11.572 million for the six months to 30 September 2008, despite lower net interest margins and higher bad debts. Funding costs have increased significantly due to the impact of the global credit crunch, while increased financial pressure on New Zealand households has resulted in higher bad debts.

However growth in revenue and improved gross yields, together with a continued focus on cost containment has reduced the full impact of the higher funding costs and the additional bad debts.

New term funding facilities of $335 million over 1, 2 and 3 year terms were secured during the period and this has further strengthened liquidity and provided longer term committed funding. Funding for the securitisation programme has been complemented by bank standby facilities when the Commercial Paper market has experienced volatility. Retail debentures have maintained a steady reinvestment rate of funding within a 50%-70% range over the last six months. Cash flow from customers for the period exceeded $300 million.

Receivables have remained flat since March 2008 due to lower lending volumes which reflected tighter credit policies and weaker retail consumer spending.

FINANCE BUSINESS FINANCIAL PERFORMANCE

	Unaudited 6 Months 30 Sep 2008 NZ$000	Unaudited 6 Months 30 Sep 2007 NZ$000	Year 31 Mar 2008 NZ$000
Operating Revenue	68,252	59,294	123,893
Normalised Operating Profit before Interest and Taxation	11,572	13,371	26,888
– One Off Costs Associated with the Proposed Sale of the Finance Business	-	-	(745)
Reported Operating Profit before Interest and Taxation	11,572	13,371	26,143
Finance Receivables	582,008	526,502	584,931

Outlook

The outlook for the remainder of the financial year remains uncertain with no market exempt from the global economic fallout. In response to the economic climate, the Group continues to focus on cost efficiencies and restructuring opportunities. An expected decline in raw material pricing and the anticipated cost savings associated with the Global Manufacturing Strategy will benefit earnings in the second half.

Appliances

We expect the New Zealand market to remain soft. A slight lift in sales is anticipated following the New Zealand general election and in response to the reduction in interest rates and personal income taxes. The recent price increase in August/September has now been implemented into the market.

Market growth in Australia is not expected to continue in the second half as that market slows. Market conditions are tightening with consumer confidence falling against a weaker economic outlook. However the Company expects to increase its market share.

Some competitors in New Zealand and Australia have already increased prices and others are expected to follow in response to the depreciated New Zealand and Australian dollars.

Market conditions in North America are expected to remain in decline with no immediate recovery foreseen. The Fisher & Paykel and DCS brands continue to make market share gains notwithstanding the slowing market. New product introductions planned for the second half, including the Izona range and the new North American DishDrawer® Tall dishwasher, should see these gains maintained.

Rest of World and European sales revenues are expected to slow in response to deteriorating economic conditions. Arcelik, our strategic partner in Europe, has recently started distributing the Fisher & Paykel brand in Eastern Europe and DishDrawer® dishwasher product under their brand in Turkey. Asian markets remain steady.

There are strong indications that raw material pricing is declining due to the global economic slow down. Steel prices have started to reduce significantly in the wake of slowing global demand. These reductions are likely to be reflected in shipments in the first calendar quarter of 2009. Likewise oil based plastics, chemicals and copper prices have fallen and are being reflected in current new pricing.

The Company continues to develop its stable of new and refreshed products. The imminent release of the DishDrawer® Tall dishwasher to the North American market will be supplemented with a new range of cooking product for all markets. The present side-by-side refrigerator model range will be extended progressively over the coming months. These will also be available for sale in all markets.

Fisher & Paykel Production Machinery Limited, a subsidiary of Appliances, has recently won a contract to supply new machinery to an offshore client. The $15 million project is likely to start prior to Christmas and is expected to take 12 months to complete.

Appliances remains on target with the manufacturing relocation projects currently in progress. The transfer of the DCS plant from California (USA) to Reynosa (Mexico) will be finished by late November.

The new North American DishDrawer® Tall dishwasher line is on track to begin producing products in December. The production line, designed and configured specifically for the North American market, is currently being commissioned. Management is excited with the potential this product has for this market. It is expected to be released in February 2009.

Good progress has been made in the establishment of the Customer Call centre in Dunedin. A limited number of staff are currently taking calls in the existing Mosgiel facility. This team will be expanded and amalgamated with the global cooking and dishwasher engineering team next year and housed in a new leased facility in Dunedin.

Finance

The Finance business has access to a diverse range of funding options and is well placed with strong cash flows to manage the business during these times of economic uncertainty. Application has been made to Treasury to participate in the Government Deposit Guarantee Scheme for retail deposits. This status will likely strengthen the level of retail investments from new and existing debenture holders.

Prudent lending criteria and balance sheet management of receivables is expected to lessen the impact of tighter liquidity whilst cost containment and improving yields will assist to maintain a satisfactory level of earnings. Some households will continue to experience financial difficulties which will likely result in further bad debt provisioning being required.

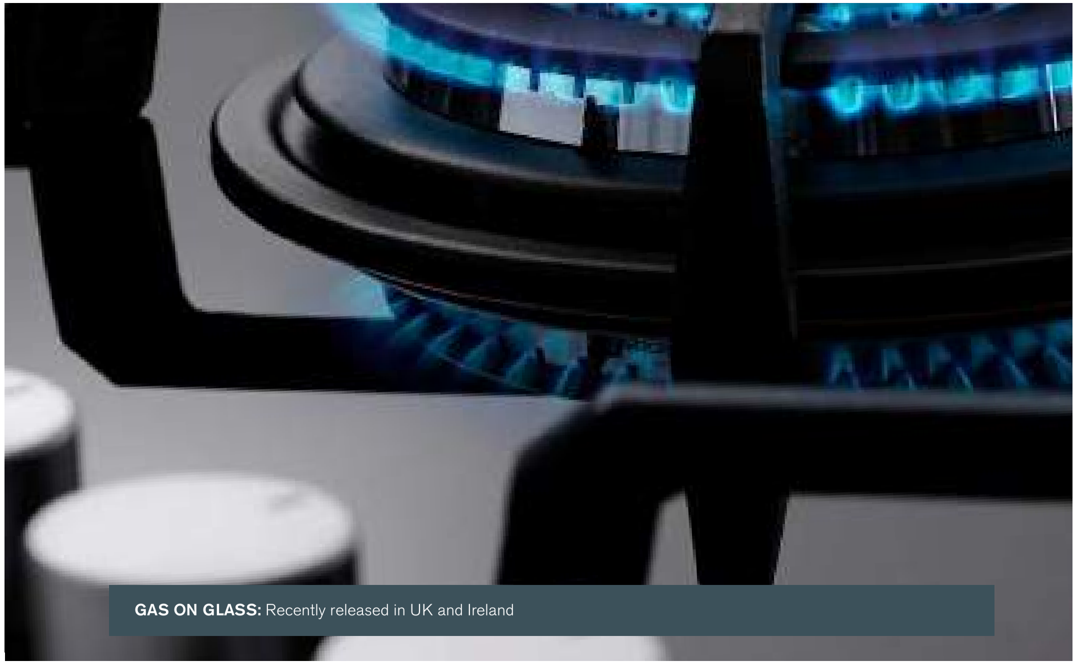
Underlying interest rates have reduced recently and further falls are expected. This trend will provide the opportunity to assist in restoring margins.

Group

Given the uncertainty in all markets, the Directors have decided against giving guidance on the Group result for the full financial year.

G A Paykel
Chairman

13 November 2008



GAS ON GLASS: Recently released in UK and Ireland

INCOME STATEMENT

For the 6 months ended 30 September 2008 (Unaudited)

		CONSOLIDATED		
	Notes	**30 September 2008 $'000**	30 September 2007 $'000	31 March 2008 $'000
Revenue				
Operating revenue	4	**696,028**	687,387	1,399,709
Other income	4	**1,042**	5,687	6,636
Total revenue and other income		**697,070**	693,074	1,406,345
Operating profit		**3,557**	49,893	94,575
Finance costs		**(13,154)**	(10,413)	(21,566)
(Loss)/Profit before income tax		**(9,597)**	39,480	73,009
Income tax expense		**2,250**	(10,190)	(18,797)
(Loss)/Profit for the period		**(7,347)**	29,290	54,212
Earnings per share for profit attributable to the ordinary equity holders of the Company during the year:		**Cents**	Cents	Cents
Basic earnings per share		**(2.6)**	10.3	19.1
Diluted earnings per share		**(2.5)**	10.1	18.7

The above Income Statement should be read in conjunction with the accompanying Notes.

As at 30 September 2008 (Unaudited)

	Notes	CONSOLIDATED			APPLIANCES BUSINESS*			FINANCE BUSINESS		
		As at 30 Sep 08	As at 30 Sep 07	As at 31 Mar 08	**As at 30 Sep 08**	As at 30 Sep 07	As at 31 Mar 08	**As at 30 Sep 08**	As at 30 Sep 07	As at 31 Mar 08
		$'000	$'000	$'000	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Assets										
Current assets										
Cash and cash equivalents		**90,230**	55,426	95,468	**59,406**	23,993	47,269	**30,824**	31,433	48,199
Debtors and other current assets		**183,123**	189,452	166,594	**177,271**	185,917	161,029	**5,852**	3,535	5,565
Finance receivables		**384,704**	387,616	393,139	**-**	-	-	**384,704**	387,616	393,139
Inventories		**312,613**	286,054	277,379	**312,613**	286,054	277,379	**-**	-	-
Non-current assets classified as held for sale	5	**46,520**	-	-	**46,520**	-	-	**-**	-	-
Derivative financial instruments		**10,737**	1,037	2,117	**10,684**	77	1,532	**53**	960	585
Current tax receivables		**7,886**	6,680	8,561	**6,992**	6,680	7,612	**894**	-	949
Future taxation benefit		**958**	1,006	1,104	**958**	1,006	1,104	**-**	-	-
Total current assets		**1,036,771**	927,271	944,362	**614,444**	503,727	495,925	**422,327**	423,544	448,437
Non-current assets										
Property, plant & equipment		**358,556**	321,208	331,002	**356,909**	319,455	329,463	**1,647**	1,753	1,539
Investment in Finance business					**181,047**	183,474	189,917			
Other non-current assets		**2,358**	1,905	2,062	**1,322**	909	1,053	**1,036**	996	1,009
Finance receivables		**197,304**	159,055	191,792	**-**	-	-	**197,304**	159,055	191,792
Intangible assets		**345,156**	328,546	331,308	**212,023**	189,660	195,473	**133,133**	138,886	135,835
Derivative financial instruments		**792**	484	156	**792**	484	156	**-**	-	-
Future taxation benefit		**7,682**	-	-	**7,682**	-	-	**-**	-	-
Deferred taxation		**37,844**	30,885	29,542	**37,844**	30,885	29,542	**-**	-	-
Total non-current assets		**949,692**	842,083	885,862	**797,619**	724,867	745,604	**333,120**	300,690	330,175
Total assets		**1,986,463**	1,769,354	1,830,224	**1,412,063**	1,228,594	1,241,529	**755,447**	724,234	778,612
Liabilities										
Current liabilities										
Bank overdrafts		**363**	1,722	1,474	**363**	1,722	1,474	**-**	-	-
Current borrowings	6	**140,968**	-	-	**140,968**	-	-	**-**	-	-
Current finance leases		**2,009**	1,991	3,341	**2,009**	1,991	3,341	**-**	-	-
Trade creditors		**156,046**	127,009	119,408	**156,046**	127,009	119,408	**-**	-	-
Provisions	7	**51,166**	20,232	28,682	**51,166**	20,232	28,682	**-**	-	-
Finance borrowings	8	**410,581**	484,813	534,976	**-**	-	-	**410,581**	484,813	534,976
Derivative financial instruments		**3,225**	2,010	3,288	**2,666**	2,010	3,258	**559**	-	30
Current tax liabilities		**5,263**	4,539	1,837	**5,263**	3,454	1,837	**-**	1,085	-
Other current liabilities		**87,656**	75,088	82,139	**69,471**	56,185	61,668	**18,185**	18,903	20,471
Total current liabilities		**857,277**	717,404	775,145	**427,952**	212,603	219,668	**429,325**	504,801	555,477
Non-current liabilities										
Non-current borrowings	6	**267,923**	325,327	337,615	**267,923**	325,327	337,615	**-**	-	-
Non-current finance leases		**720**	2,552	866	**720**	2,552	866	**-**	-	-
Provisions	7	**25,501**	24,656	23,830	**25,501**	24,656	23,359	**-**	-	471
Finance borrowings	8	**122,690**	10,155	9,199	**-**	-	-	**122,690**	10,155	9,199
Other non-current liabilities		**28,665**	4,878	3,728	**28,665**	4,188	3,728	**-**	690	-
Derivative financial instruments		**-**	253	-	**-**	253	-	**-**	-	-
Deferred taxation		**31,329**	35,456	33,393	**8,944**	10,342	9,845	**22,385**	25,114	23,548
Total non-current liabilities		**476,828**	403,277	408,631	**331,753**	367,318	375,413	**145,075**	35,959	33,218
Total Liabilities		**1,334,105**	1,120,681	1,183,776	**759,705**	579,921	595,081	**574,400**	540,760	588,695
Shareholders' equity										
Contributed equity	9	**648,229**	642,082	642,082	**648,229**	642,082	642,082			
(Accumulated losses) / Retained earnings	10(a)	**(14,339)**	19,316	18,623	**(14,339)**	19,316	18,623			
Reserves	10(b)	**18,468**	(12,725)	(14,257)	**18,468**	(12,725)	(14,257)			
Investment in Finance business								**181,047**	183,474	189,917
Total shareholders' equity		**652,358**	648,673	646,448	**652,358**	648,673	646,448	**181,047**	183,474	189,917
Total liabilities and shareholders' equity		**1,986,463**	1,769,354	1,830,224	**1,412,063**	1,228,594	1,241,529	**755,447**	724,234	778,612

** For Balance Sheet disclosure purposes, the Appliances business includes both the Parent entity and AF Investments Limited*

The above Balance Sheet should be read in conjunction with the accompanying Notes.

For the 6 months ended 30 September 2008 (Unaudited)

	Notes	CONSOLIDATED		
		30 September 2008	30 September 2007	31 March 2008
		$'000	$'000	$'000
Cash flows from operating activities				
Receipts from customers		**610,922**	640,024	1,305,914
Financing interest and fee receipts		**66,226**	56,833	122,551
Interest received		**625**	783	805
Payments to suppliers and employees		**(593,440)**	(654,769)	(1,254,365)
Income taxes paid		**(9,721)**	(13,125)	(27,892)
Interest paid		**(37,816)**	(29,261)	(63,341)
		36,796	485	83,672
Principal on loans repaid by Finance business customers		**306,198**	304,108	607,292
New loans to Finance business customers		**(312,534)**	(321,787)	(670,942)
Net cash inflow / (outflow) from operating activities	15	**30,460**	(17,194)	20,022
Cash flows from investing activities				
Sale of property, plant & equipment		**26**	9,777	9,815
Purchase of property, plant & equipment		**(38,094)**	(14,506)	(40,084)
Capitalisation of intangible assets		**(3,156)**	(1,915)	(6,840)
Acquisition of Mexico Operations - Instalment 1	13	**(9,049)**	-	-
Net cash inflow / (outflow) from investing activities		**(50,273)**	(6,644)	(37,109)
Cash flows from financing activities				
New non-current borrowings		**68,459**	26,853	44,258
New Finance business borrowings		**289,745**	141,133	173,554
Repayment of non-current borrowings		**(30,943)**	(3,738)	(10,289)
Repayment of Finance business borrowings		**(298,912)**	(134,147)	(117,811)
Lease liability payments		**(46)**	-	(721)
Issue of share capital		**-**	2,619	2,619
Dividends paid		**(19,468)**	(25,555)	(51,170)
Net cash inflow / (outflow) from financing activities		**8,835**	7,165	40,440
Net increase (decrease) in cash and cash equivalents		**(10,978)**	(16,673)	23,353
Cash and cash equivalents at the beginning of the period		**93,994**	71,502	71,502
Cash obtained from acquisitions		**1,767**	-	-
Effects of foreign exchange rate changes on cash and cash equivalents		**5,084**	(1,125)	(861)
Cash and cash equivalents at end of the half-year		**89,867**	53,704	93,994

The above Cash Flow Statement should be read in conjunction with the accompanying Notes.

(b) Segmental analysis

For the period ended 30 September 2008

	APPLIANCES BUSINESS $'000	FINANCE BUSINESS $'000	CONSOLIDATED OPERATIONS $'000
External operating revenue	627,776	68,252	696,028
Other income	1,003	39	1,042
Total revenue and other income	628,779	68,291	697,070
Cost of goods sold	(446,422)		
Gross margin	182,357		
Administration expenses	(116,024)		
Selling, marketing and distribution expenses	(74,348)		
Impairment charge for credit losses		(8,284)	
Interest expenses and similar charges		(26,784)	
Other Finance business expenses		(21,651)	
Operating (loss) / profit before amortisation	(2,480)	15,116	12,636
Operating (loss) / profit	(8,015)	11,572	3,557
Depreciation expense	(18,734)	(375)	(19,109)
Impairment loss	(593)	-	(593)
Amortisation expense	(5,535)	(3,544)	(9,079)
Employee benefits expense	(151,619)	(8,363)	(159,982)
[1] One-off costs of implementing Appliances' Global Manufacturing Strategy*	(41,198)	-	(41,198)
Total assets	1,231,016	755,447	1,986,463

* Includes staff redundancy costs of $20.0 million also reported as part of employee benefits expense.

[1] These costs represent staff redundancies and other costs associated with implementing Appliances' Global Manufacturing Strategy.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 September 2007

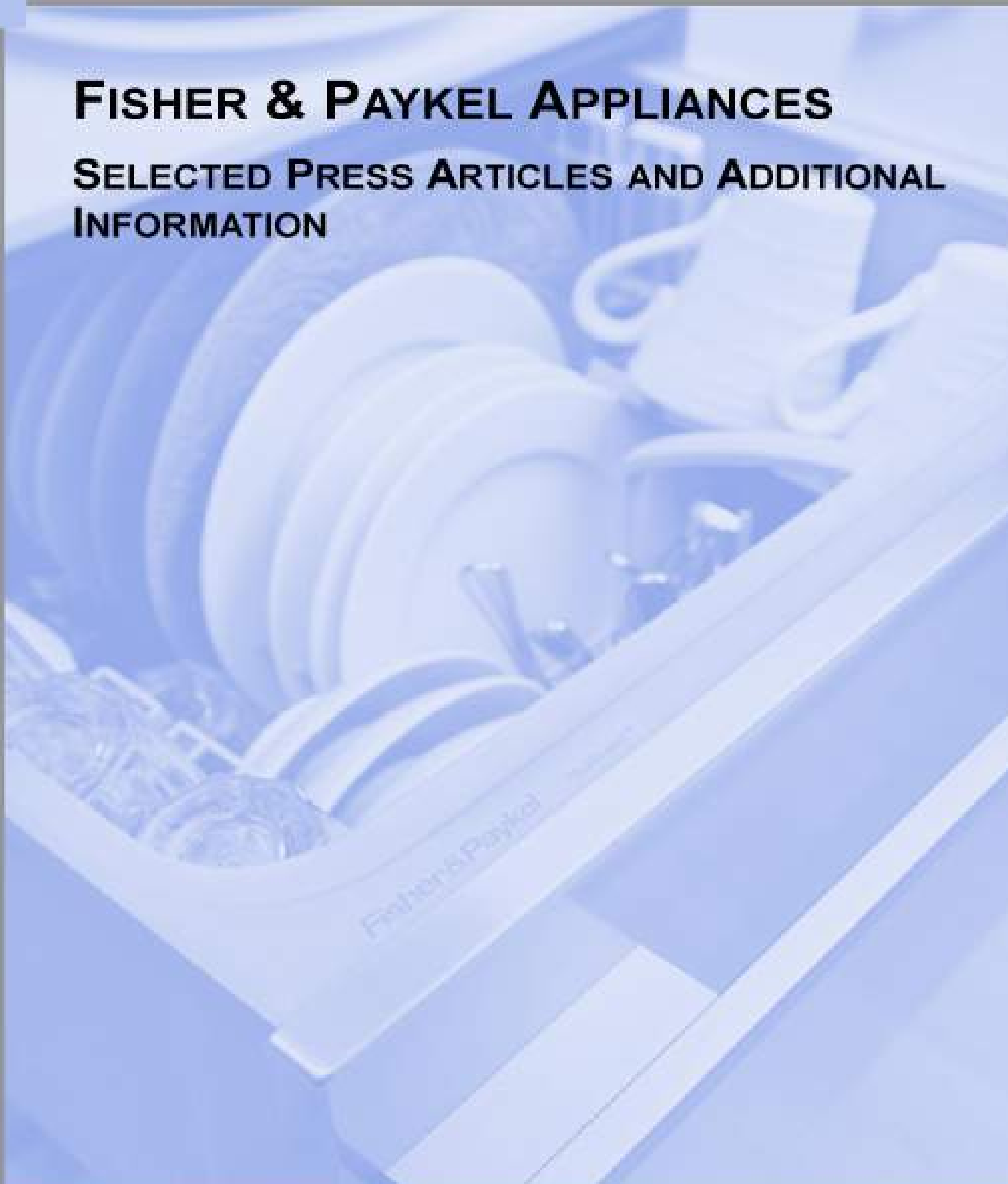
	APPLIANCES BUSINESS $'000	FINANCE BUSINESS $'000	CONSOLIDATED OPERATIONS $'000
External operating revenue	628,093	59,294	687,387
Other income	5,656	31	5,687
Total revenue and other income	633,749	59,325	693,074
Cost of goods sold	(436,080)		
Gross margin	197,669		
Administration expenses	(81,441)		
Selling, marketing and distribution expenses	(79,706)		
Impairment charge for credit losses		(6,239)	
Interest expenses and similar charges		(19,814)	
Other Finance business expenses		(19,901)	
Operating profit before amortisation	39,710	16,885	56,595
Operating profit	36,522	13,371	49,893
Depreciation expense	(19,407)	(438)	(19,845)
Amortisation expense	(3,188)	(3,514)	(6,702)
Employee benefits expense	(146,371)	(8,204)	(154,575)
[1] One-off costs of Factory Relocation to Thailand*	(11,377)	-	(11,377)
Total assets	1,045,120	724,234	1,769,354

* Includes staff redundancy costs of $8.6 million also reported as part of employee benefits expense.

[1] These costs represent staff redundancies and other costs associated with implementing Appliances' Global Manufacturing Strategy.

The University of Auckland Business School

Champions Trophy Case Competition



Fisher & Paykel Appliances

Selected Press Articles and Additional Information

The University of Auckland Business School
Champions Trophy Case Competition 2009

The following has been obtained from the press as indicated.

Fisher&Paykel appliances

Dollar not to blame for economic woes

Tim HUNTER
2 November 2008
Sunday Star-Times

AS THE Kiwi dollar fluctuates wildly amid cries of pain from businesses and talk of intervention by the Reserve Bank, economists say the injuries are unlikely to be serious. On Monday the dollar fell below US54c for the first time in more than five years in a precipitous drop from its highs above US80c just six months earlier. Meanwhile, against the Aussie dollar the kiwi has gained about A10c in just three months.

Although this causes difficulty for traders in the short-term, said Auckland University economics professor Debasis Bandyopadhyay, there is no data to show it damages the economy. "I read in the newspaper that when the currency appreciates traders are suffering, but that's not the case," he said.

"When you look at New Zealand exports, they've actually increased and most of the growth came from exports during the period when the New Zealand dollar appreciated.

"Similarly, even if the dollar is depreciating you would not find a sudden huge growth in exports.

"Although people will say that's good news, you don't see that because the real sectors don't adjust that quickly and do not actually respond to a short- run fluctuation in exchange rates."

Currency consultant Anthony Byett said although the huge ups and downs in exchange rates did not help exporters, other factors had a bigger impact. "They will be encouraged by the level of the exchange rate now," he said, "but the common feedback I'm getting is they're struggling to get orders right now.

"They're hopeful that in maybe 18 months to two years, when they believe the orders will come through again, the currency's still at these sorts of levels, but at the moment it's a long way away from being any comfort to them."

The cause of the huge exchange rate shift is not clear, with some attributing it purely to changing interest rate differentials and others pointing to overseas investors pulling money out because they need cash at home.

Bandyopadhyay said the dollar had been kept artificially high by the Reserve Bank's interest rate policy, which had increased demand for our dollars overseas. The falling cash rate simply unwound that effect, he said.

"So this volatility is largely policy-induced, it's not the fault of the speculators.

"If there's a crisis and people think the New Zealand economy's going to collapse people might take their money and run, that could also cause a currency plunge.

"But that's not happening now.

"I think what is happening is just reaction to the interest cut and prospects of future cuts in rates.

"So this is going to be just a short-term thing."

Byett said the financial crisis was likely to lead to a period of lower volatility. "The markets will probably have a lot less movement of currency in the next five years than they've had in the past 20 years, anyway. So investors are not going to be so keen to be moving money so quickly."

Costs force F&P Appliances to slash dividend

Kris HALL
14 November 2008
The Press (Christchurch)

Fisher & Paykel Appliances has slashed its interim dividend by nearly half, after big moving costs and unprecedented rises in raw material costs.
The costs contributed to a $7.3 million half-year loss for the whiteware-appliance maker. It posted a normalised net profit of $22.4 million for the six months to September 30, more than the $16.11 million market consensus but down on the $32.3 million recorded for the same period last year.
One-off pre-tax moving costs of $41.2 million chewed through the company's interim bottom line, although the result came in at the low end of the $7 million to $10 million loss predicted at F&P's annual meeting in August.
The interim dividend has been cut from 9c to 5c a share, with 0.6667c imputation credits, payable on December 19.
"Overall, it's a positive half," managing director John Bongard said. "We've managed our way through what has been a very difficult time. But we're sure that the moves we've put in place will improve our long- term prospects and we're very well positioned so that when global economies improve we'll come out of this recessionary time very, very strong," Bongard said.
F&P has shifted production from New Zealand, Australia and the United States to Thailand and Mexico as part of a move to slash wage, freight and raw material costs and combat the impact on earnings of the volatile kiwi dollar.

F&P keeps whiteware spinning

14 November 2008
Bay of Plenty Times

Fisher & Paykel Appliances expects a boost in earnings in its second-half results, despite subdued demand globally for whiteware.

While the global economic climate meant the outlook remained uncertain, the company said the expected decline in raw material pricing, and cost savings from the relocation of its factories, would improve its next half-yearly bottom line. It yesterday reported a $7.3 million loss for the six months to September 30, after incurring one-off after-tax costs of $29.7 million for its factory relocations.

If expenses from the shifting of factories to Mexico and Thailand were excluded, profit after tax would be $22.4 million - ahead of analysts' expectations of $16.1 million. Before one-off items, normalised group operating profit before interest and tax was $44.8 million, down 20.4 per cent on the previous corresponding period.

Chief executive John Bongard said it was a ``pleasing'' result, given the difficult trading conditions the company had endured over the past two to three years.

Total revenue increased 0.6 per cent to $697.1 million. The Australian whiteware market was the standout, with sales rising 12 per cent. Increased sales in Australia offset declines in New Zealand and North America.
- APN News & Media

Local manufacturers feel under threat from China FTA

Tuesday Apr 08, 2008
New Zealand Herald
By Errol Kiong

Fisher & Paykel say they are losers in the agreement as they can't compete with a third world country.

One of New Zealand's biggest manufacturing companies sees little benefit in the Free Trade Agreement with China.

Fisher & Paykel Appliances said a five-year phased elimination of tariffs on Chinese whiteware coming to New Zealand would severely threaten its domestic business, which makes up a fifth of its income. Under the FTA signed yesterday, tariffs on Chinese whiteware, which currently incur up to seven per cent in tariff duties, would be phased out by 2013.

"People in the Government don't seem to think that that's much of a hardship, but when you've got a business that really only returns an EBIT level of six to seven per cent, that's a huge impost on the business," said chief executive John Bongard.

He said Chinese whiteware brands such as Haier already come in cheaply, and competing manufacturers which get their products made in China, such as Bosch, stand to gain from the tariff reduction. The Chinese market has no value for them as manufacturers there already have the market cornered. Apart from some niche areas, he could not see positives in the deal for many manufacturers.

"There will be winners and there will be losers. We just have to be a loser with this one, whereas with [the Closer Economic Relations with Australia] we were a winner because we did a free trade deal with a like economy with a similar cost-base. We can compete under those circumstances, but we cannot compete with a third world country." Bongard said the industry will have to adapt, as his company had by moving some production to Thailand.

But the industry body, the Employers and Manufacturers Association, remains positive on the FTA. Manufacturing division manager Bruce Goldsworthy said: "I sort of wonder at times, what would our businesses be saying if we had been given the opportunity of signing a free trade arrangement with potentially the largest single trading block in the fastest growing market in the world, and we'd said 'no thanks'?" Goldsworthy said for local manufacturers, movements in exchange rates were more critical than tariff reductions on imported goods.
"New Zealand is heading towards becoming a free trading nation ... Even recognising the differences in the economies, like the costs, we're not necessarily getting like for like but we are getting an opportunity of getting merchandise into that market with a margin of preference over our other competitors and that has got to be a plus.

"At the end of day, I guess we've got to look at what is in the greater good for the whole country, and if we can export our dairy products and our food into that market in much bigger licks than we are now, that's actually in the greater good long term because it's a much bigger share of our total export receipts."

"Now that doesn't help the man who's still making washing machines - I understand that - but I'm not sure that the FTA on its own would have changed that anyway."

The deal for manufacturing	
Exporting to China	**Imports from China**
• Tariffs on all non-agricultural goods to China will be phased out by 2013, with most duty free by 2012. Examples of current tariffs: - fridge-freezer units (tariffs between 9-30%) - air conditioners (tariffs of up to 20 per cent) - carpets (tariffs up to 14 per cent) • The only exceptions are milking machines, which will have the tariff phased out over nine years, and certain wood and paper products, which account for around 4 per cent of New Zealand's current exports to China. Zero tariff on logs and sawn timber - representing around 80 per cent of New Zealand's wood exports to China - remain under the FTA. • Before the FTA, China's average tariff on industrial goods was higher than New Zealand's - 9.5 per cent compared with an average New Zealand tariff of 4.4 per cent.	• Tariffs on all products of Chinese origin will be eliminated, with phase-out programmes for import-sensitive manufacturing sectors such as textiles, clothing, footwear and carpets. • Tariffs on most textile, apparel, footwear and carpet products (which incur the highest tariff duties of 7.5 to 15 per cent) will be phased to zero by 2016. Tariffs on the most heavily traded items in the area of clothing and footwear, such as cotton dresses and sports footwear, will be phased out by 2016. Less traded items, such as suits and carpet, will be phased out by 2014. • Tariffs for all other products (including steel, whiteware, plastics and furniture), in the range 6-12.5, will be phased out by 2013, with most eliminated by 2012. New Zealand has retained a slower initial tariff phase-out profile for particular steel and whiteware products to ensure that tariff reductions under the FTA go no faster than under the unilateral tariff reduction programme through to 2009.

Source: Ministry of Foreign Affairs and Trade (NZ Government)

Fisher & Paykel move 'damages iconic brand'

Apr 17, 2008
New Zealand Herald

The iconic Fisher & Paykel brand will be damaged by the decision to move most of its manufacturing overseas, the EPMU union has said.

An announcement today 430 jobs are set to go at Fisher & Paykel Appliances' Dunedin factory, virtually spells the end of the line for whiteware production in New Zealand. F&P is following the lead of New Zealand garment manufacturer Icebreaker which does design and research in New Zealand but manufactures in low-cost China.
EPMU national secretary Andrew Little said the company's decision would adversely effect its branding in New Zealand. "The issue is for Fisher & Paykel, an iconic New Zealand company, is what standards and practices does it operate by? If it's just low cost labour then people are entitled to look at that and look askance as a result," Mr Little said.

He said F&P's decision showed the company was not interested in the local community and only focusing on the bottom line.

F&P chief executive John Bongard said today the company's new global manufacturing strategy would see three manufacturing facilities moved from New Zealand, Australia and the US to Thailand, Italy and Mexico.

[...]

ABN Amro analyst Dennis Lee said F&P was simply following the world trend set by global companies such as Sweden's Electrolux. "They are moving their production to low-cost countries. It's a world-wide trend.
"The indication is quite clear. They have to find the place that can provide them with the lowest cost production," Mr Lee said.

Today's move has been part of an ongoing trend for F&P since 1984 when the then Labour government moved to open the economy up to the outside world in what was known as Rogernomics[9]. Mr Bongard said the writing was on the wall as soon as New Zealand opened its borders to manufacturers that paid workers Third World wages.

He said there were almost no imported whiteware products in this country not made in China, Thailand and India.

F&P took anti-dumping cases against Korean and Chinese companies but despite winning battles it was losing the war.

Mr Lee did not believe the FTA with China was the straw that broke the camel's back. He said there were a myriad of cost factors but the main factor was manufacturers had to have low labour costs close to where they sold their products. The company has already moved much of its manufacturing offshore, not just to low cost regions, but to the United States where it increasingly sells its washing machines and dishwashers.

After the closures announced today, the company will have just two manufacturing plants in New Zealand with 350 staff making fridges in Auckland and 70 making production machinery also in Auckland. Last year, the company closed two operations in this country with the loss of nearly 450 jobs. Today's announcement affected the Range & DishDrawer Dunedin plant, as well as the refrigerator plant in Brisbane, where 310 staff will be laid off, and a cookware factory in California, where another 330 will lose their jobs.

Mr Bongard said all would be relocated over the next 12 to 18 months, with pre-tax financial benefits expected to be about $50 million a year at a one-off cost of $50 million. Capital expenditure was estimated at about $100 million.

Remaining production facilities in Auckland, Ohio, and Italy, along with their respective engineering and design teams, would continue operations.

[9] NB: Rogernomics ≈ Reaganomics.

Mr Bongard said it was an emotional day for the company. "We have been a substantial manufacturer in New Zealand for almost 70 years and a producer in Australia for nearly 20 years.

"Everyone at Fisher & Paykel prides themselves on the culture the company has developed and we operate within very close family values." Mr Bongard cited manufacturing cost escalations, particularly in Australasia, as the main reason for relocating production.

He said high interest and exchange rates had been "unhelpful" while the recently completed Free Trade Agreement with China, much trumpeted by the Government, also created a playing field that the company couldn't compete on.

In November, Mr Bongard said the company's supply philosophy was to have small, efficient, manufacturing plants, in, or close to, the markets it participates in. Last August, the company announced it was relocating its electronics factory from Auckland to Thailand with the loss of 96 jobs. That followed an announcement in April that 350 jobs were to go in Auckland with a decision to move the company's laundry plant, also to Thailand.

Earlier this year, 28 staff were laid off from Mosgiel due to the slack housing market both here and abroad. In December 2005, the company cut 65 jobs when it moved production of its SmartLoad Dryers from Auckland to the United States.

F&P Appliances has prided itself on having small, efficient, highly-automated plants where labour content was lower than for some of its larger competitors. But with more and more of its sales originating overseas, that strategy may no longer be applicable. Mr Bongard said two years ago ultimate location decisions would be driven by freight and storage costs.

Dunedin City has helped fund F&P's expansion of manufacturing in Dunedin. It lent $4.2m from its "industrial loan fund" to encourage F&P to locate manufacturing in Dunedin and then later put in another $2m-$3m when the Dishdrawer plant was expanded. Mr Bongard said it was not a hand-out but a "genuine lease-back arrangement at commercial rates".

Across the Tasman there was discontent among union representatives. AMWU Queensland secretary Andrew Dettmer said the union believed the company was strong and could keep its Brisbane plant open.

[...]

"The trade union movement deals in hope, and that's what we'll be seeking to do." He said workers were disappointed the company had not discussed its plans earlier, telling the AMWU only an hour before its official announcement.

Shareholders celebrated today's move by lifting F&P's share price 11 per cent.
- NZPA, AAP, additional reporting by NZHERALD STAFF

F&P Sale to go Ahead

7 December 2007
The Press (Christchurch)

Fisher & Paykel Appliances says continuing turmoil in the finance industry will not damage its planned sale of F&P Finance, the country's biggest consumer finance group. Managing director John Bongard said an information memorandum would be available to potential bidders by the end of next week. F&P expected indicative bids by late January or early February with any sale finalised as soon as late March.

Last week, Capital & Merchant Finance became the 13th finance company to collapse within 18 months.

Fisher & Paykel Appliances to retail finance arm

Fisher & Paykel Appliances Holdings Limited
FPA Stock Exchange Release ASX/NZX 27 March 2008

The Board of Directors of Fisher & Paykel Appliances Holdings Limited (FPA) decided today to retain the Group's Finance Company after assessing interest from bidders who conducted due diligence on the business.

"We said at the beginning of this process, that FPA would only divest the Finance business if value exceeded our internal valuation. This disciplined approach has not resulted in a sale and is a decision that we are very comfortable with" said John Bongard, CEO and Managing Director.

"We are comfortable retaining this business and it is very much business as usual. The business has exciting growth prospects and we will continue the existing business plan to grow the Q Card and Farmers Card products. The business is currently performing well and is strongly positioned to take advantage of the opportunities resulting from the reducing number of participants in the finance sector."

Sound the warning: cruise boat captain goes to battle stations

Kimberley VILLARI
4 December 2008
The Independent Financial Review

John Bongard tells Kimberley Villari he is aware that Fisher & Paykel Appliances' image has been tarnished by plant closures, but he hopes its culture of "inclusiveness" can be exported to the overseas operations.
After 35 years with Fisher & Paykel, managing director John Bongard has seen a great deal of change within the company, but never more so than this year.

In April Fisher & Paykel Appliances announced that it would be closing its 22-year-old manufacturing plant in Dunedin, with the loss of 430 jobs. The first of the job cuts will be this month, and the final layoffs will occur in May 2009, when the company completes the relocation of its manufacturing operations to Mexico, Italy and Thailand.

"We're right in the middle of probably the biggest single change the company's endured in its almost 80 years." Bongard says Fisher & Paykel has always prided itself on its treatment of its workers, and he admits that the plant's closure will have a negative impact on the company's culture. "I never thought that part of what I would have to do would be to announce closures of some of the iconic buildings or plants that we have around New Zealand.

"That changes the culture of a business as well -- not positively, unfortunately," the 54-year old says. "It's inevitable and quite understandable that people do get upset. It increases uncertainty, which is regrettable and, unfortunately, was unavoidable."

In addition, relocating to foreign climes means that the company culture is further diluted, as it adapts to suit the norms of local employer-employee relations. "The way business is conducted in the United States is a lot harder, a lot tougher than the way we would have run a business down here in New Zealand. But nonetheless, it's the market norm and you have to adjust your behaviour to that."

Fisher & Paykel is also finding differences in attitudes to the way that workers are treated in Thailand, Mexico and Italy. "I would hope that the underlying values and culture that Fisher & Paykel is well known for with its employees continues in all those countries."

Bongard has held the role of managing director since 2001, and says there have been a lot of things in his career he wishes he had done better. "Obviously, as you go through a career there are plenty of times when, in reflection, you think: 'Oh gosh, I wish I hadn't done that'." However, he says, he honestly couldn't regret any move the company has made.

Bongard describes his leadership style as inclusive, although he places equal importance on being decisive. "Overall, companies that are quick to react and nimble on their feet are ones that are going to ultimately end up being successful and come out of what we're currently going through stronger."

An analogy he gives for his management style is that of a cruise-boat captain and a battleship captain. "There are places and environments for both," he says. "If things are running smoothly and things are going according to plan, there is a different style required versus when times are tough."

Bongard says 99% of what he has learnt during his career won't be found in any management book. "From time to time, some of the theories that you learn are applicable, but I don't think you can write a book to cover what you encounter on a day-to-day basis as a chief executive. I like to treat people as I would like to be treated myself.

"If you asked people's views on the way that I conduct myself, I hope that a consistency would be that I was personable and respectful in dealing with the situations that we encounter."

After a lifetime's employment with New Zealand's leading whiteware manufacturer, Bongard says he has no intention of moving on to another industry.

"I don't see myself as being that mobile. I really enjoy what I'm doing.

"I really enjoy the people I work with -- the customer interface."

In addition, Bongard relishes the demands of operating in an intensely competitive industry, he says.

"You can't really be in the appliance industry in this world without enjoying a challenge. It's a tough business."

Business leaders of the year

Dec 06 2008
Brian Fallow
New Zealand Herald

[Excerpt]

John Bongard – Fisher & Paykel Appliances Managing Director

Being a leader sometimes means having to make the hard decisions - and what a hard call John Bongard had to make in April when he told his employees that 1000 of them were going to lose their jobs.

The closure of manufacturing operations in Dunedin, Brisbane and California in favour of sites in Thailand, Italy and Mexico was a culmination of the prolonged difficult environment the iconic whiteware maker found itself in. The acrimony that ensued was understandable; some had spent their working lives at the Mosgiel factory.
But Bongard needed to make that call in order to keep the company he joined as a 19-year-old purchasing cadet in 1973 an integral part of the New Zealand landscape.

Under his leadership, the whiteware maker has posted record profits as it expanded to markets beyond Australasia.

But high interest rates, the strong kiwi, and increasingly costly raw material prices have hurt it in more recent times.

Rivals like LG and Maytag were already manufacturing in places like Mexico - where labour costs are around a sixth of New Zealand's - and free-trade agreements with China and Thailand have simply made a New Zealand manufacturing base so much more uneconomical.

The tough times are unlikely to go away anytime soon - if at all - but in making that hard call in April, Bongard might have helped ensure Fisher & Paykel remains an iconic New Zealand company for at least a few more generations.

F&P now prestige overseas brand, NZ gets 'Elba'

May 12, 2008
By John Drinnan
New Zealand Herald

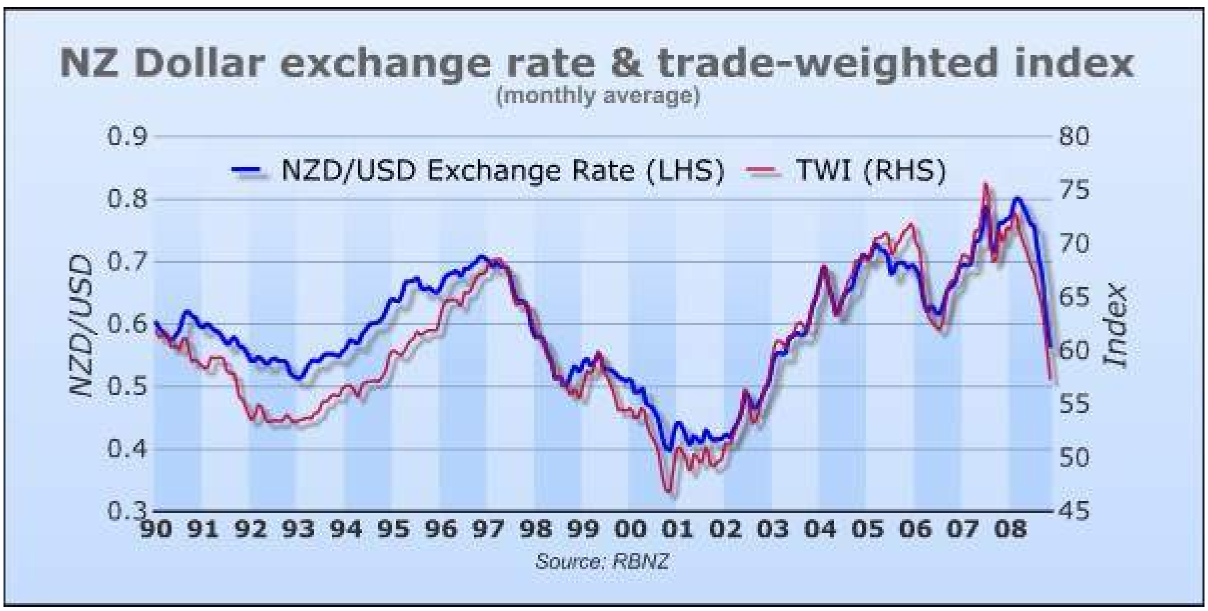
Fisher & Paykel has stepped onto a marketing tightrope, rebranding a big part of its New Zealand output as "Elba" while preserving the old Fisher & Paykel brand for top-end products. Those products - including top-of-the-line washing machines and dishwashers - make up the bulk of the overseas sales planned to be a big part of the firm's growth strategy. Standard or "everyday" products are focused on New Zealand.

The company says the transition is necessary because the Fisher & Paykel brand was being required to cover too many products and brand values. The Elba-branded products have the additional tagline "by Fisher and Paykel". The change is unlikely to have much impact on overseas sales, but it is significant for this country where Fisher & Paykel has been named New Zealand's third-most-trusted brand.

Elba is being positioned as a "genuine and honest brand" but separate from the quality branding of Fisher & Paykel, while retaining customer service and after-sales service. Shoppers will find that while stainless steel and other top-end products retain the Fisher and Paykel badge, other products will be branded as Elba by Fisher and Paykel.
[...]
The company says some of the Elba products were actually made by other manufacturers, as has been the case when all products were marketed under the F&P brand. A company spokesman said outsourcing material was common in whiteware and there were no issues for people who bought products because of their Fisher & Paykel branding.
[...]
Market researcher Jonathan Dodd of Synovate said the dual branding made sense and had been done before - one example being Lexus as the premium brand for Toyota.

The brand transition is complicated with Elba already an established whiteware brand for cookers in European and Asian markets. Fisher & Paykel bought the Italian whiteware company three years ago.

2.0 NZ Exchange Rate (1990 – Present)[10]



The US Dollar cross rate should be interpreted as one New Zealand dollar buying x US dollars. The TWI (Trade-weighted index) is the nominal NZ dollar exchange rate weighted 50/50 by New Zealand's trade with its major trading partners and the nominal GDPs (in US dollars) of those countries. The graph shows monthly averages. Over the year 2000 the New Zealand dollar dropped to record lows, dropping below 40 cents per NZ dollar in October 2000. However, after 2002, the currency strengthened considerably reflecting a strong domestic economy, rising export commodity prices and a softening US dollar. In the last few years New Zealand's comparatively high interest rates have been a factor supporting the NZ dollar, along with relatively high commodity prices. The New Zealand dollar has fallen over 2006, with overseas interest rates moving higher and signs that economic activity is cooling.

[10] Reserve Bank of New Zealand.

THE UNIVERSITY OF AUCKLAND
BUSINESS SCHOOL

Champions Trophy Case Competition

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL
CHAMPIONS TROPHY CASE COMPETITION 2009

FISHER & PAYKEL APPLIANCES

INDUSTRY AND MARKET OVERVIEW

Fisher&Paykel
appliances

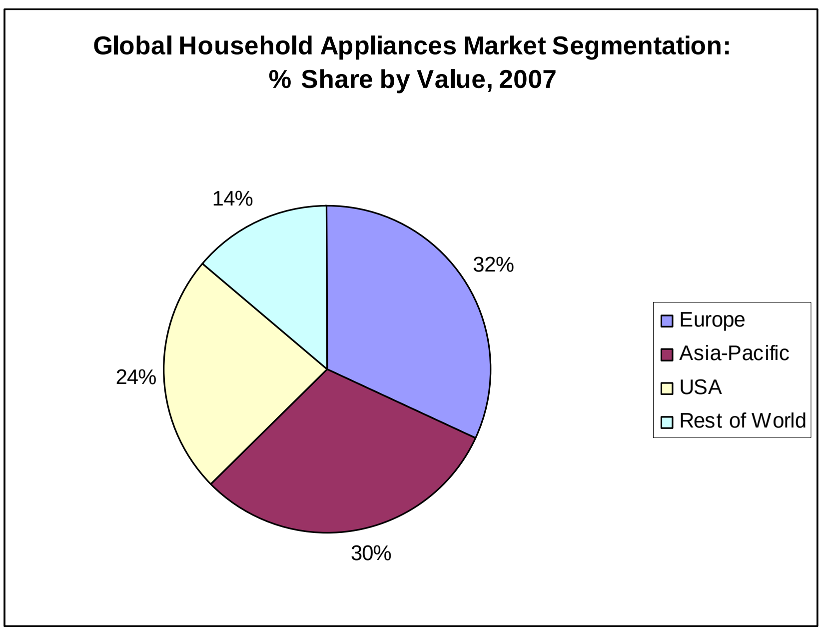
3.0 Global Household Appliances Industry / Market Overview[11]

Global Household Appliances Market Value: $ million, 2003-2007		
Year	*US$ Million*	*% Growth*
2003	108,748.50	
2004	114,191.10	5.00%
2005	117,884.80	3.20%
2006	121,266.20	2.90%
2007	124,998.20	3.10%
CAGR, 2003-2007[12]:		**3.50%**

In 2012 the market is forecast to have a value of US$147,318 million.

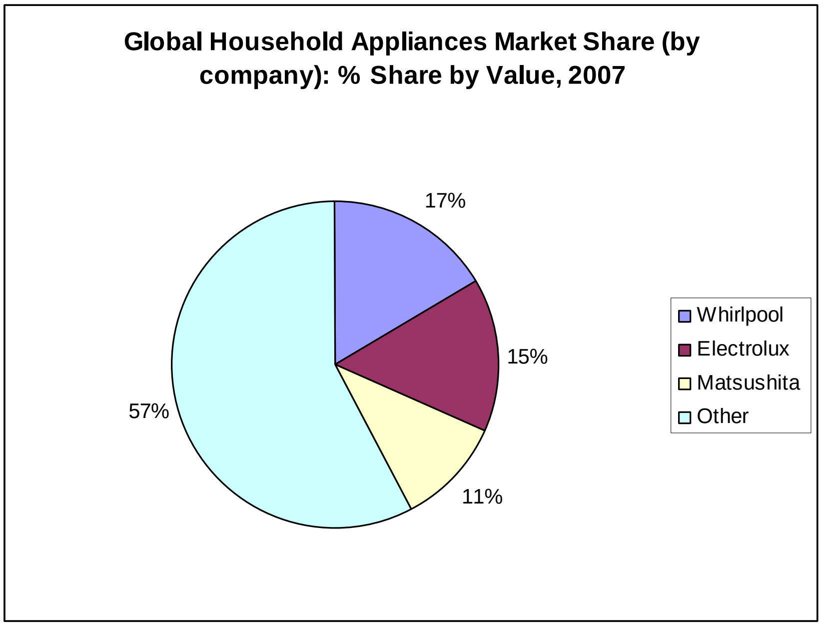
Global Household Appliances Market Volume: Units thousand, 2003-2007		
Year	*US$ Million*	*% Growth*
2003	564,511.00	
2004	591,927.30	4.90%
2005	611,860.00	3.40%
2006	634,065.50	3.60%
2007	658,309.40	3.80%
CAGR, 2003-2007:		**3.90%**

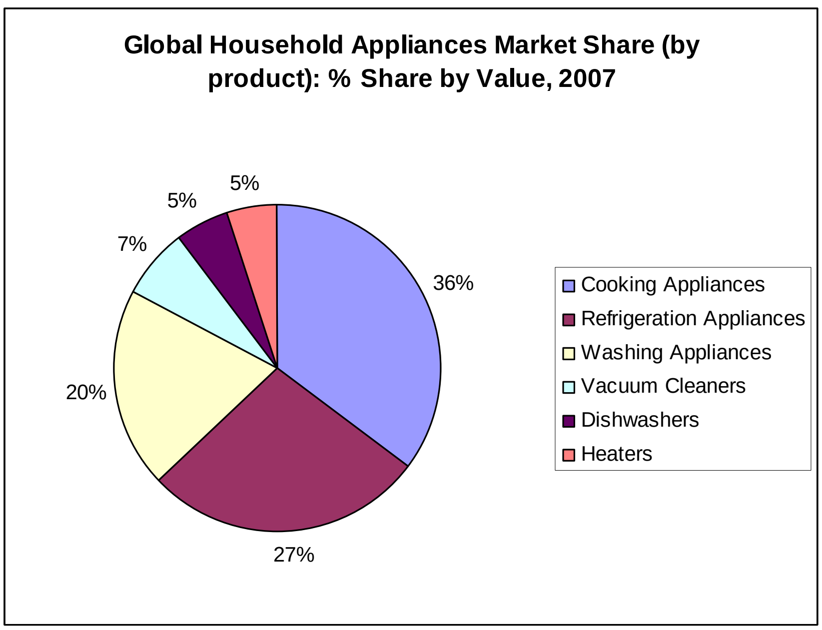
In 2012 the market is forecast to have a volume of 805.4 million units.



[11] The household appliances market covers six key product sectors: cooking appliances (including cookers, microwaves, ovens, cooker hoods, food processors and toasters), refrigeration appliances (including fridges, freezers and fridge freezers), heaters (which include space heaters and water heaters), washing appliances (including washing machines, clothes dryers and washer-dryers), vacuum cleaners, and dishwashers.
[12] Compound Annual Growth Rate.

Source: Datamonitor; Casewriter


Global Household Appliances Market Share (by company): % Share by Value, 2007
17%
15%
11%
57%
Whirlpool
Electrolux
Matsushita
Other


Global Household Appliances Market Share (by product): % Share by Value, 2007
5%
5%
7%
36%
20%
27%
Cooking Appliances
Refrigeration Appliances
Washing Appliances
Vacuum Cleaners
Dishwashers
Heaters

3.1 Global Household Appliances Industry[13]

Household Durables

<table>
<tr><th></th><th>MANUFACTURERS</th><th>RETAILERS</th></tr>
<tr><td>Industry Composition</td><td>•Several large players.
•Moderately fragmented: top three players have <45% market share.
•Moderate consolidation activity as part of international expansion.
•High concentration in mature markets.</td><td>•Fragmented.
•Traditional retail outlets (e.g. department stores, multiband furniture and appliance stores) are the primary sales medium.
•Non-traditional distribution channels (e.g. home improvement chains) are gaining market share.</td></tr>
<tr><td>Product Characteristics</td><td colspan="2">•Production processes intensive in machinery, energy and raw materials; key inputs include plastics, electronic components, aluminium, copper and steel (the final three typically contribute to 50% total costs for appliances). Firms facing increasing costs here.
•Moderate barriers to entry: the high fixed costs of new facilities, production and distribution would make it difficult for a new company to compete profitably unless it achieved a major technological breakthrough; there are also high costs associated with capacity increases.
•Fairly labour intensive production processes, resulting in many production facilities being established in low-wage regions; in many cases these are close to markets due to increasing transportation costs.
•Although there is a reasonable amount of brand loyalty, overall there are low switching costs for what are largely similar products.
•Competition is based on a wide variety of factors, including local production capabilities, product features, price, product quality, and performance.</td></tr>
<tr><td>Industry Characteristics</td><td>•Economies of scale (e.g. bulk purchasing of resources) favours larger companies, and is important in ensuring profitability.
•Moderate costs of compliance to environmental regulations; most of these are aimed at reducing energy consumption by new appliances at the design stage, and reduce pollution during production.
•Few examples of vertical integration.</td><td>•Traditional stores usually sell at the RRP and have large inventory and full service; these stores have a volume generating advantage and have more negotiating power.
•Non-traditional retailers often discount the RRP at the expense of inventory and service.
•Pricing in the appliance industry is very competitive; average prices for undifferentiated appliances have declined in the past decade.</td></tr>
<tr><td>Industry Developments</td><td>•Worldwide appliance sales expected to decline 3-5% in 2008; Latin America and Asia-Pacific are notable exceptions.
•Volume is expected to rise to 805.4 million units by the end of 2012, representing a CAGR of 4.1% in the period 2007- 2012.
•The performance of the market is forecast to follow suit, with an anticipated CAGR of 3.3% for 2007-2012, reaching a value of $147.3 billion by the end of 2012.
•Many appliance companies are investing heavily in R&D to offer more innovative products, in order to differentiate their products; shifting production overseas; and selling products through new channels.
•Global economic liberalisation; the reduction of trade barriers and protective tariffs and the proliferation of free trade agreements and their implications.</td><td>•The Internet is becoming an increasingly popular distribution channel, although these are usually extensions of traditional retailers.
•With competition squeezing profit margins and little differentiation among appliances, the number of retailers and outlets is likely to decline in the long term.
•There is increasing incidence of niche retailers (e.g. specialising in kitchen remodelling and luxury brand appliances).</td></tr>
</table>

[13] Casewriter, Datamonitor, Standard & Poor’s Industry Survey.

3.2 Demand[14]

<table>
<tr><th colspan="6">Factors Influencing Demand</th></tr>
<tr><th></th><th>Replacement</th><th>Housing Starts</th><th>Economic Conditions</th><th>Saturation</th><th>Seasonality</th></tr>
<tr><td>Discussion</td>
<td>•The most powerful driver of appliance sales, accounting for about three-quarters of all appliance purchases.
•A certain level of replacement demand is essentially guaranteed, due to limited life spans.
•Remodeling and existing home sales also have an impact on replacement demand.
•Homeowners who embark on home makeovers often target the kitchen, which includes upgrading appliances (e.g. around one-third of all cook tops and wall ovens are purchased in this way).</td>
<td>•The residential construction market is the second-most important source of demand for appliances, accounting for about one-quarter of all appliance shipments.
•Each new housing start represents four or five appliance units, including a refrigerator, a dishwasher, an oven and cook top (or a range), and laundry equipment.</td>
<td>•A strong economy, a high degree of consumer confidence, and a favorable interest-rate can encourage consumers to become first-time homeowners or to move into a larger home, and therefore purchase home appliances.</td>
<td>•This refers to the percentage of households that own a particular item.
•The US and NZ markets are fairly saturated for most appliances, which means that demand arising from first-time purchases in existing households is generally limited, while demand in the new home and replacement markets prevails.
•Saturation levels for many appliances are much lower in other regions, such as Asia, Latin America, and Eastern Europe.
•Marketing is a major driver in saturated, Western countries, while cost is more important in less saturated, developing countries.</td>
<td>•Sales of certain appliance products are seasonal: e.g. in Europe, clothes dryers are generally purchased in winter, while in Asia, refrigerators sell best in the summer months.
•Overall, sales do not fluctuate significantly for major appliance manufacturers with well-diversified global operations.</td></tr>
<tr><td>Developments</td>
<td>•Home improvements and renovations, which stimulate spending on new appliances, are expected to fall by 2% (by sales of related products and services) in the US.</td>
<td>•Housing downturn in USA (estimated 25% reduction in activity) and elsewhere (including Australia and NZ).
•Housing activity in Latin America, Eastern Europe and SE Asia is less affected.</td>
<td>•The economic downturn has led to widespread uncertainty, as well as loss in job confidence, causing consumers to be more discerning with their discretionary spending, especially on larger items.</td>
<td colspan="2">•China and India have a burgeoning middle class which has the disposable income to spend on household appliances; for example, 300 million Chinese residents are said to have entered the middle class in terms of income.
•By 2030, the number of East Asians earning between $4,000 and $17,000 a year will rise to more than 600 million, from about 110 million at present.</td></tr>
</table>

[14] Casewriter, Datamonitor, Standard & Poor's Industry Survey, World Bank.

3.3 International Developments

Industry Trends

Innovative Products

•**Differentiation:**
•Consumers are willing to pay more for perceived luxury and good-design.
•Increase in the number of “smart” appliances — sophisticated home appliances capable of automatically tailoring functions to the tasks at hand.
•Superior functionality will always motivate demand
•Whirlpool, an international leader in household appliances, generated more than $1.5 billion in revenue from products with new technologies in 2007, and has 246 new products under development in 2008, representing another $4 billion in sales.
•Product replacement cycles have shortened significantly in due to demand for innovative products; this may increase the cost of repairs – and retailers have encouraged customers to sign extended warranty contracts as a result.
•New products must be introduced for a company’s offering to remain competitive in otherwise undifferentiated markets, meaning R&D can only be suspended in the short run.

Overseas Expansion

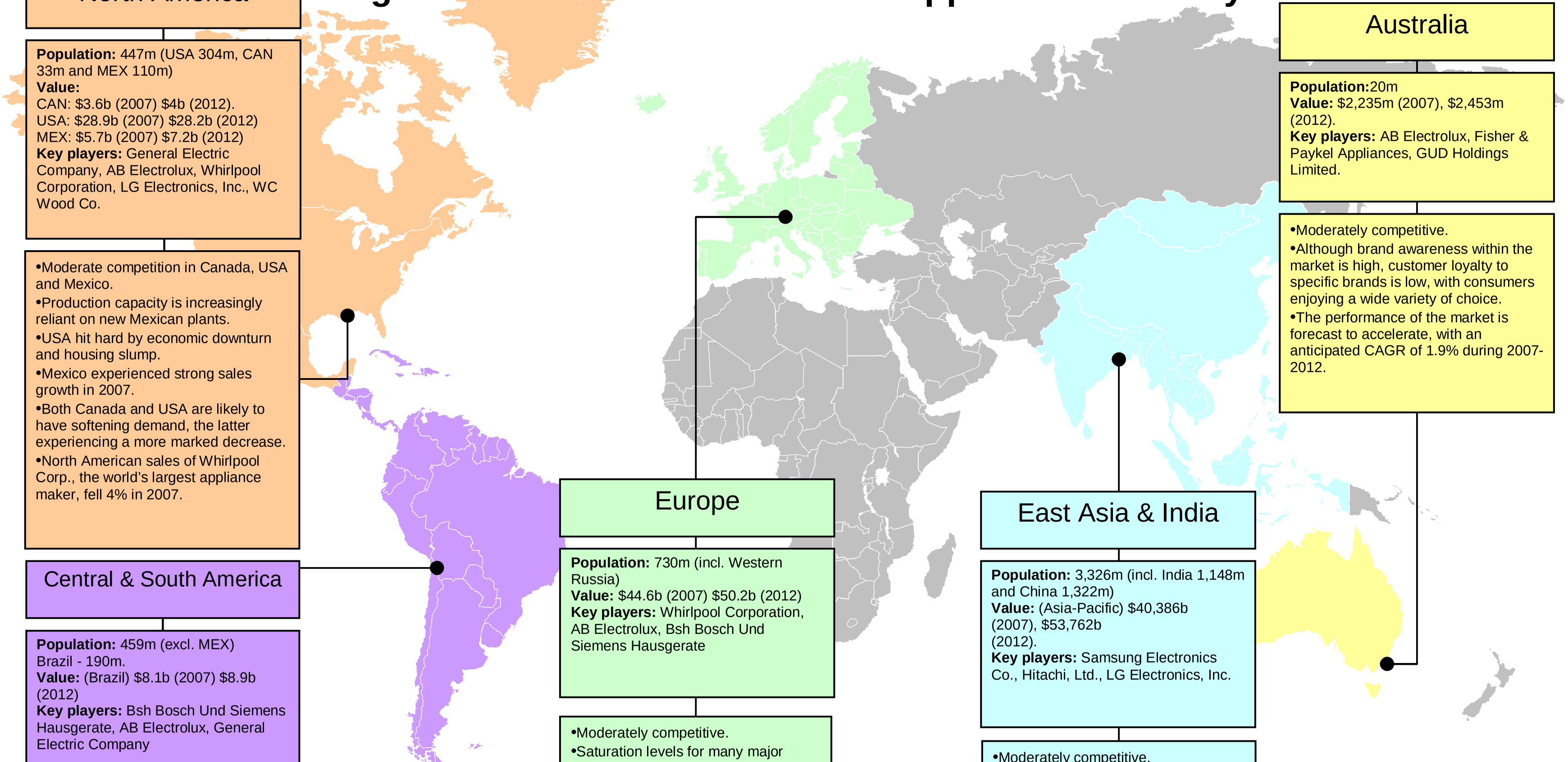
•**Cost cutting:**
•Appliance factories in Western markets are closed in favour of new manufacturing capacity in less developed economies.
•In 2007, Whirlpool shut down operations in Ohio. Other companies, including Fisher & Paykel have shifted operations to Mexico.
•AB Electrolux has closed or made plans to shut down plants in Australia, Germany, Italy, France, and Sweden. The company opened new plants in Mexico, Poland, and Thailand.
•Appliance manufacturing in the US has lost more than 150,000 jobs in the past 10 years.
•**In search of new markets:**
•Manufacturers are looking to major developing countries for new revenue growth as developed markets in North America and Europe have high penetration rates for major appliances.
•There are market opportunities for the leading global appliance manufacturers to gain market share from smaller suppliers that may only have a country or regional presence.

New Retail & Distribution Channels

•Finished appliances are usually shipped to regionally based warehouses and then trucked to retailers.
•Major retailers often receive shipments directly from the manufacturing facility to their own warehouses.
•Consumers purchase most appliances from retail outlets.
•These can provide professional delivery and installation.
•Customers typically wish to inspect major appliances in person before purchasing.
•The Internet is becoming increasingly popular distribution channel; after viewing the product in-store, some customers then place their order on a well-known retailer’s Web site.
•Prices can be easily compared on standard models via the Internet.
•There has been a shift in appliance retailing to larger stores from smaller independent retailers (these sometimes move into niche segments, for instance, marketing luxury brand models).

Source: Casewriter, Datamonitor, Standard & Poor’s Industry Survey, F&PA AR 2008.

Regional Breakdown: Household Appliances Industry



North America

Population: 447m (USA 304m, CAN 33m and MEX 110m)
Value:
CAN: $3.6b (2007) $4b (2012).
USA: $28.9b (2007) $28.2b (2012)
MEX: $5.7b (2007) $7.2b (2012)
Key players: General Electric Company, AB Electrolux, Whirlpool Corporation, LG Electronics, Inc., WC Wood Co.

- Moderate competition in Canada, USA and Mexico.
- Production capacity is increasingly reliant on new Mexican plants.
- USA hit hard by economic downturn and housing slump.
- Mexico experienced strong sales growth in 2007.
- Both Canada and USA are likely to have softening demand, the latter experiencing a more marked decrease.
- North American sales of Whirlpool Corp., the world's largest appliance maker, fell 4% in 2007.

Central & South America

Population: 459m (excl. MEX)
Brazil - 190m.
Value: (Brazil) $8.1b (2007) $8.9b (2012)
Key players: Bsh Bosch Und Siemens Hausgerate, AB Electrolux, General Electric Company

- Moderately competitive.
- Experienced strong sales growth in 2007 (esp. Brazil).
- In 2008, Whirlpool posted 22% higher sales in this region, which outpaced a 9% sales gain in Asia.
- The housing industry and economic outlook remains strong for this region, though as a manufacturing base, rising energy costs make it less desirable.
- Fragmented, with about 25 home appliance manufacturers.
- Whirlpool and its majority-owned subsidiaries have more than a one-third share, far more than its closest rivals.

Europe

Population: 730m (incl. Western Russia)
Value: $44.6b (2007) $50.2b (2012)
Key players: Whirlpool Corporation, AB Electrolux, Bsh Bosch Und Siemens Hausgerate

- Moderately competitive.
- Saturation levels for many major appliances are half of what they are in the United States.
- Industry is beginning to resemble the US industry, with some consolidation of the 20 companies that make major home appliances.
- Most make a limited range of products for a specific geographic region.
- Top four manufacturers hold 25% of the market.
- Western and Central European economies are facing minimal growth or recession in 2009; growth of 5.2% is forecast for Eastern Europe in 2009.

East Asia & India

Population: 3,326m (incl. India 1,148m and China 1,322m)
Value: (Asia-Pacific) $40,386b (2007), $53,762b (2012).
Key players: Samsung Electronics Co., Hitachi, Ltd., LG Electronics, Inc.

- Moderately competitive.
- In terms of population and potential spending power, Asia is the world's largest consumer market.
- Whirlpool controls about one-third of the Indian market and is the market share leader for washing machines in Hong Kong.
- Whirlpool's Asia business sees 5% to 8% unit volume growth in 2008.
- In 2007, Arcelik acquired Changzhou Casa Shinco Electrical Appliances Co. Ltd. as part of its strategy to expand in China.
- Chinese and Japanese markets will grow with CAGRs of 7.7% and 0.5% during 2007-2012, reaching respective values of $29.8b and $7.3b in 2012.

Australia

Population:20m
Value: $2,235m (2007), $2,453m (2012).
Key players: AB Electrolux, Fisher & Paykel Appliances, GUD Holdings Limited.

- Moderately competitive.
- Although brand awareness within the market is high, customer loyalty to specific brands is low, with consumers enjoying a wide variety of choice.
- The performance of the market is forecast to accelerate, with an anticipated CAGR of 1.9% during 2007-2012.

NB: 'value' means the value of the Household Appliances market.
'Asia-Pacific' comprises Australia, China, Japan, India, Singapore, South Korea and Taiwan.
Values are quoted in US$

Source: Casewriter, IMF, World Bank, Datamonitor, Euromonitor.