

**BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

In The Matter Of :

Certain Woven Electric Blankets
From The People's Republic of China

Investigation No.
731-TA-1163 (Final)

Testimony of Mike Fretwell

Good morning, my name is Mike Fretwell, and I am a Vice President of Marketing at Jarden Consumer Solutions. I have been in this position since 2009. I have over 10 years of experience in sales & marketing within the consumer products industry. My responsibilities are centered on the seasonal businesses such as heaters, fans, humidifiers, and heated electric bedding, including woven electric blankets.

Woven electric blankets are winter seasonal products, typically sold to consumers from September through the end of January annually. Jarden sells virtually all of its woven electric blankets directly to large retail chains. Given the nature of the retail landscape in the U.S., this means that the customer base is relatively limited and each customer buys a large volume.

The retail environment is an extremely challenging environment, and for a seasonal product such as woven electric blankets we have only one opportunity per

year to sell our product. In our industry, the woven electric blanket sales process starts with what is called a line review. The line review season runs concurrent to the woven electric blanket sales season which is from October through December. During a line review the retailer will review the current product assortment and evaluate products and pricing. This process takes place a full year in advance of the actual product being shipped to the retailer and sold by the retailer to the consumer. During the line review, we work with the retailer to predict fashion, consumer trends, rate of sales, projected retail growth, and even the weather.

Normally, the retailer will finalize their selection by January or early February and “award” the business for the entire upcoming season and provide us with a forecast. The forecast details the expected volume, assortment, and deliver dates which allows us to develop a production plan and begin purchasing component inventory. Many of the components that make up electric blankets require up to a 6 month lead time and necessitate our advanced purchase of these components to ensure product availability during the peak production season.

This forecast is not a binding purchase order. Final confirmed purchase orders are received just before shipment. However, the forecast generally does not change in terms of the overall volume, price and assortment for the season. Most importantly, once the retailer awards the business through the forecast, the decision is final for the entire season. This means if we lose an account in a line review, we

have lost the customer for the entire year. We will not be able to try to get the customer back until the next line review season for the following year.

As I mentioned, the line review takes into account factors like product assortment that will hopefully enhance retail sales for our customers. However, by far, the most important point of negotiation during the line review process is price.

In addition to the base price, an important part of the pricing is the retail incentive programs. The incentive programs include volume rebates, cooperative advertising allowances, guaranteed returns, markdown dollars, and incremental trade spending such as holiday promotions each of which can be negotiated individually. Depending on the customer, the incentive programs can reflect up to about 20% discount on top of the base price.

As I said price is the key factor in a purchase decision. Retailers are now making decisions solely on price and price will outweigh other factors that in the past were important to retailers and consumers alike. For example, the price of an electric woven blanket will trump the brand and performance in a retailers decision to purchase. Traditionally, the brand of a product was a key factor in almost any consumer purchase because it reinforces the performance and safety of the product, and Sunbeam is a brand that has over 97% consumer awareness. We also have over 50 years of experience in producing heated electric blankets in Waynesboro. Now the price of the WEBs makes the brand of little importance.

It is on pricing that the dumped Chinese imports have been able to beat us. Over the last few years, Chinese imports have undercut our prices by a significant margin and have taken away our customers one by one. It is noteworthy that the Chinese imports have been able to sell below our prices that include the discounts we grant our customers for the various incentive programs. As a result, we have to either lower our base prices even more or offer more extensive price incentive programs. The result is the same: we cannot compete with the Chinese or if we do, we do it at a loss.

[**SLIDE 2**] Let me show the impact of incentive programs can have on our bottom line. Here we have two different quotes for the same product. Both have the same base price. For customer B, the incentive programs are at a low range, resulting in a profit. For customer C, the incentive programs have been driven up to match the aggressive pricing offered by the Chinese imports, resulting in a loss. In fact, while we have used hypothetical numbers, this is an example from an actual quote that we made to a customer this year. Despite offering a price that was at a loss, the imports came in with an even lower price and we still lost the customer.

The compounded effect of loss of volume and reduced profit has hurt Sunbeam to a point where the survival of our woven electric blanket business is threatened. The loss of even one customer has the additional negative effect of

increased product cost because of the loss of production volume, inability to absorb overhead and further depressed sales.

In addition, the dumped imports have caused uncertainties in the market by extending the line review process. Today, retailers delay making decisions on which product to purchase due to the extremely aggressive pricing of the dumped imports repeatedly offered to retailers to secure the business at any cost. Retailers have learned that the importers and Jarden will continue to offer richer and richer incentive programs so they are now incentivized to delay making their decisions. Delays in forecasts mean that we are not able to plan out our production for the year until later. This delay further compounds our operational and manufacturing challenges.

In the preliminary hearing it was mentioned that product performance and product differentiation were the keys to the competitions ability to compete. We offer a great range of products and adapt the assortment to meet the particular needs of each customer.

[SLIDE 3] We currently offer 15 different colors in 4 different fabric choices. We have 5 different edge treatments which allow us to provide a number of different customer options. We have continued to expand our fabric and color offerings each year to respond to customer needs and trends.

[SLIDE 4] We also offer 8 customized controller assortments.

[**SLIDE 5**] Where requested by the customers, we have done co-branding where another brand is featured alongside Sunbeam in addition we have produced exclusive branded products.

[**SLIDE 6**] We have also offered private branded products, as shown here.

[**SLIDE 7**] Ultimately we use all these options to customize the product assortment for each customer with different colors, fabric, binding, controller, packaging and brand which allows the retailers to differentiate one from the next and appeal to different types of consumers.

Again during the preliminary hearing product performance was brought up as an example of how they are offering a superior product. However, we at Sunbeam utilize a patented wiring technology that not only is safer but also performs better as well.

[**SLIDE 8**] As Mr. Sullivan mentioned, we continue to improve our products. This year, due to improvements in our wire technology we have reduced the heat up time by approximately 10% and provided a blanket that is almost 20% warmer.

[**SLIDE 9**] Lastly, this slide shows the heating areas of the competitive blankets. Biddeford blankets in the center are hand-wired, which results in uneven heating and causes hot spots where the wire touches. The Sunbeam product is produced using our patented Auto-wire machines that eliminate manufacturing

defects and produces a product that provides a wider heating area.

As you can see, we have a product that is better and has superior performance and yet, retailers have been willing to sacrifice performance in exchange for lower price.

The loss of business due to the unfairly dumped Chinese imports is also limiting our ability to invest in advertising which would drive category awareness and retail sales; it is severely limiting our ability to spend on R&D, which would allow us to bring meaningful innovation such as new fabrics and features.

It is for these reasons that we ask the International Trade Commission help us to protect our factory and return this market place to an environment where competition is on an equal footing.

Thank you.