

Rebuttal to Bremworth submission to the Commerce Commission

Response to Bremworth submission dated 11 February 2026

1. Introduction

This submission responds to statements made in Bremworth's 11 February 2026 submission to the Commerce Commission regarding competition in the New Zealand carpet market.

Based on our experience operating nationally across the flooring industry, we consider that several key assertions in that submission do not reflect the commercial realities of the market, particularly in relation to:

- the competitive constraint posed by imported wool carpet
- the ability of retailers to switch suppliers or establish import programs
- Bremworth's financial position and future prospects
- the level of competitive pressure that would remain post-acquisition

At a practical level, these are not theoretical questions. They reflect day-to-day commercial decisions made by retailers, suppliers, and ultimately consumers. For that reason, we have focused this submission on real-world outcomes and behaviour we have observed in the market.

2. Importance of the wool carpet market

Wool carpet remains a meaningful and distinct segment of residential flooring in New Zealand, particularly in new builds and mid-to-premium renovations.

Each year, a significant number of homes are built or refurbished, and flooring is a core component of that investment. Within this, wool carpet represents a considered purchase, often driven by styles, deep, strong colours, perceived comfort, insulation, acoustic performance, and a preference for natural fibres.

Based on our experience as a national flooring retailer, we estimate that approximately **10,000 households per year** install Bremworth wool carpet.

These are not incidental purchases. They are deliberate, often higher-value decisions, where consumers expect durability, consistency, and a premium product and experience. Any reduction in competition in this segment therefore has a direct and tangible impact on a large number of New Zealand households.

3. December 2025 financial results indicate Bremworth is not a failing firm

Bremworth's financial results for the six months ending December 2025 show a **material and rapid improvement in operating performance**:

- Sales of \$29.8m (vs \$30.2m prior period)
- Distribution costs reduced to 15.2% of sales (from 20.2%)
- Administration costs reduced to 10.5% (from 14.4%)
- Operating losses reduced by approximately **90%**

This scale of improvement is significant and not consistent with a business in structural decline.

Importantly, this recovery occurred while Bremworth was still working through the consequences of earlier operational disruption. During this period, the business faced limited availability of first-quality carpet, reduced sampling in the market, weakened retailer confidence, and disruption to normal sales momentum.

From a retailer's perspective, recovery in the carpet industry is not immediate. It follows a sequential rebuilding process: first restoring yarn and product quality, then producing first-grade carpet, re-establishing samples in the market, rebuilding stock levels, re-engaging retailers and sales teams, and only then converting into consumer sales.

Despite this lag, Bremworth has already achieved a substantial reduction in operating losses. This strongly indicates a business that is recovering and stabilising, rather than failing.

4. Impact of imported yarn on Bremworth's operations

Bremworth's disastrous experience with imported wool yarn provides a clear, real-world example of the challenges associated with offshore supply in wool carpet manufacturing.

Following Cyclone Gabrielle, Bremworth adopted a hybrid supply model involving imported wool yarn. In practice, this created a range of operational and commercial issues:

- materially higher input costs (industry estimates suggest up to 40% higher than wool yarn produced at Bremworth's Napier plant)
- colour inconsistencies between samples with retailers and delivered and installed carpet
- dramatically increased levels of second-grade carpet
- stock shortages and extended lead times for products to be supplied and installers for consumers
- reduced retailer confidence in selling Bremworth products

From a retailer's perspective, this translated into hesitation to promote Bremworth products, a increased risk of supply and quality issues after selling Bremworth carpet, and in some cases the need to manage customer dissatisfaction where product did not match expectations.

The cumulative effect was a loss of momentum for Bremworth products in the market.

The subsequent quick decision by Bremworth's new management to restore yarn production at the Napier plant reflects a recognition that the imported model was not sustainable.

5. Imported wool carpet is not a credible competitive constraint

Bremworth's submission suggests that imported wool carpet provides a meaningful competitive constraint. Our experience indicates this is not the case.

Wool carpet manufacturing is inherently complex and difficult to replicate offshore at consistent quality and cost. Bremworth's own experience with imported yarn demonstrates how challenging it is to maintain quality, manage costs, and meet retailer and consumer expectations.

No major New Zealand retailer currently operates a stocking import program for machine-tufted broadloom wool carpet. If such a model were commercially viable, it would already be established in the market given the recent problems with Bremworth and limited supply options ex Australia.

6. Retailers have limited ability to establish alternative supply

While it may appear theoretically possible for retailers to import carpet, our experience demonstrates that this is neither straightforward nor commercially neutral.

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This experience is relevant because it demonstrates two key points:

First, retailers do not move to imports easily. It is typically a last resort driven by sustained pricing pressure and lack of alternatives.

Second, where supplier concentration exists, there is potential for pricing and commercial leverage to be exercised in ways that constrain retailer options.

7. Consumer behaviour and substitution

Consumer purchasing behaviour does not support the view that hard flooring is a strong substitute for wool carpet.

Consumers typically make a primary decision between carpet and hard flooring, followed by a secondary decision between wool and synthetic carpet.

Those who actively seek wool carpet may do so for superior styles, deep strong colours, perceived comfort, insulation, acoustic performance, and natural fibre characteristics. These drivers are not easily substituted.

In our experience, consumers rarely switch from wool carpet to hard flooring once that preference is established. This indicates that wool carpet operates as a relatively distinct segment.

8. Loss of a potential future competitor

Recent developments suggest Bremworth is in the early stages of recovery, with improvements in product quality, stock availability, and retailer engagement.

Given the lag between operational improvement and sales performance, the full impact of this recovery is unlikely to yet be reflected in Bremworth's sales.

If this trajectory continues, Bremworth is likely to re-emerge as a meaningful competitor and regain market share. The proposed acquisition would remove this returning constraint.

9. Market concentration following the acquisition

If the acquisition proceeds, market concentration in wool carpet supply would increase materially.

Our experience prior to establishing a synthetic import programme demonstrates the impact of limited supplier competition. Sustained price increases, limited commercial flexibility, and the need to resort to imports are consistent with a market where competitive tension is reduced.

The removal of Bremworth as an independent supplier would further increase this risk.

10. Areas the Commission may wish to investigate

The Commission may wish to examine:

- the operational and financial impact of Bremworth's imported wool yarn programme
- cost and quality differences between imported and domestically produced wool yarn
- retailer experiences regarding pricing and supplier behaviour
- the feasibility of establishing import programmes
- Bremworth's trading performance through Jan to May 2026 vs Jan-May 2025
- evidence of recovery in market share

Conclusion

Based on industry experience and available evidence:

- Bremworth does not exhibit the characteristics of a failing firm (Although it definitely did prior to the major strategy changes in mid 2025.)
- imported wool carpet is not a credible competitive constraint
- retailers have limited ability to establish an alternative supply
- wool carpet functions as a distinct product segment
- Bremworth is showing good early signs of operational and market share recovery

Our direct experience also demonstrates that where supplier concentration exists, pricing pressure and commercial leverage can materially impact retailer behaviour.

If Bremworth continues its recovery, it is likely to re-emerge as a meaningful competitive force. The proposed acquisition would remove this constraint in a market where alternative sources of competition are limited.

For these reasons, the Commission should carefully assess the competitive implications of the transaction.

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