

# **PRICING STRATEGY AUDITING FOR GARMENT MANUFACTURING COMPANIES IN SRI LANKA**

By

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A thesis submitted to University of Moratuwa  
for the Degree in Master of Science



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## ABSTRACT

The Sri Lankan garment manufacturing industry needs to become competitive in terms of pricing with the phasing out of the Multi Fibre Agreement and threat of losing the GSP+ advantage. However, it is difficult for the garment manufacturing companies to identify their weaknesses in pricing due to lack of information on competitor's prices and thus it is difficult to improve the pricing area.

This study focuses on Sri Lankan apparel manufacturing industry and it reviews the pricing practices in garment manufacturing industry. The current pricing process of the garment manufacturing industry was identified using literature review, interview, questionnaire and observational studies and discussed in the thesis. This also includes the analysed data of the questionnaire survey which was designed to identify the current pricing methods and it was concluded that the Sri Lankan garment manufacturers are using either purely cost plus pricing or a hybrid pricing system with cost plus pricing with slight market based approach.

Further this thesis includes a SWOT analysis which was used to identify the weaknesses and the possible improvement in existing pricing system, when developing the alternative pricing strategies. The study identifies some possible alternative pricing strategies in the forms of pricing models and some detailed cost estimation models to use with them. Further the study builds a pricing audit system which facilitates the garment manufacturing companies to identify their current pricing strategies and to identify the areas of improvement.

## ACKNOWLEDGMENT

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*S. M. Pathirana*

## DECLARATION

This thesis is a report of research carried out in the Department of Textile and Clothing Technology, University of Moratuwa, between April 2009 and October 2010. Except where references are made to other work, the contents of this thesis are original and have been carried out by the undersigned. The work has not been submitted in part or whole to any other university. This thesis contains 110 pages.

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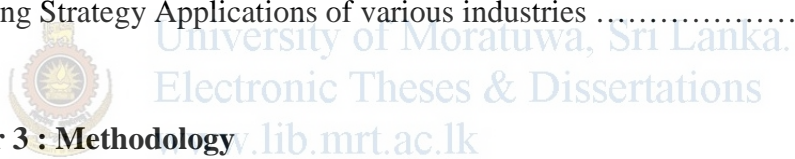
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## LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Description</b>
AHP	Analytical Hierachy Process
ANP	Analytical Network process
ATC	Agreement on Textile and Clothing
C	Competitor's Price
CIF	Cost, Insurance and Freight
CM	Cut and Make
CMT	Cut, Make and Trim
CP	Company Price
EU	European Union
EVA	Economic Value Analysis
EVC	Economic Value to the Customer
FOB	Free On Board
GDP	Gross Domestic Product
gsm	Grams per square meter
GSP plus	Generalized System of Preferences
JIT	Just In Time
LDP	Landed Duty Paid
MFA	Multi Fibre Agreement
PFD	Prepared For garment Dye
QP	Quoted Price
ROI	Return On Investment
SMV	Standard Minute Value
SWOT	Strengths, Weaknesses, Opportunities and Threats

TP	Target Price
US	United States
VAT	Value Added Tax
WS	Work Study
WTO	World Trade Organization
YY	Yardage Yield



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