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Autor: Furrer, Alfred J.
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The route to the present day

The group

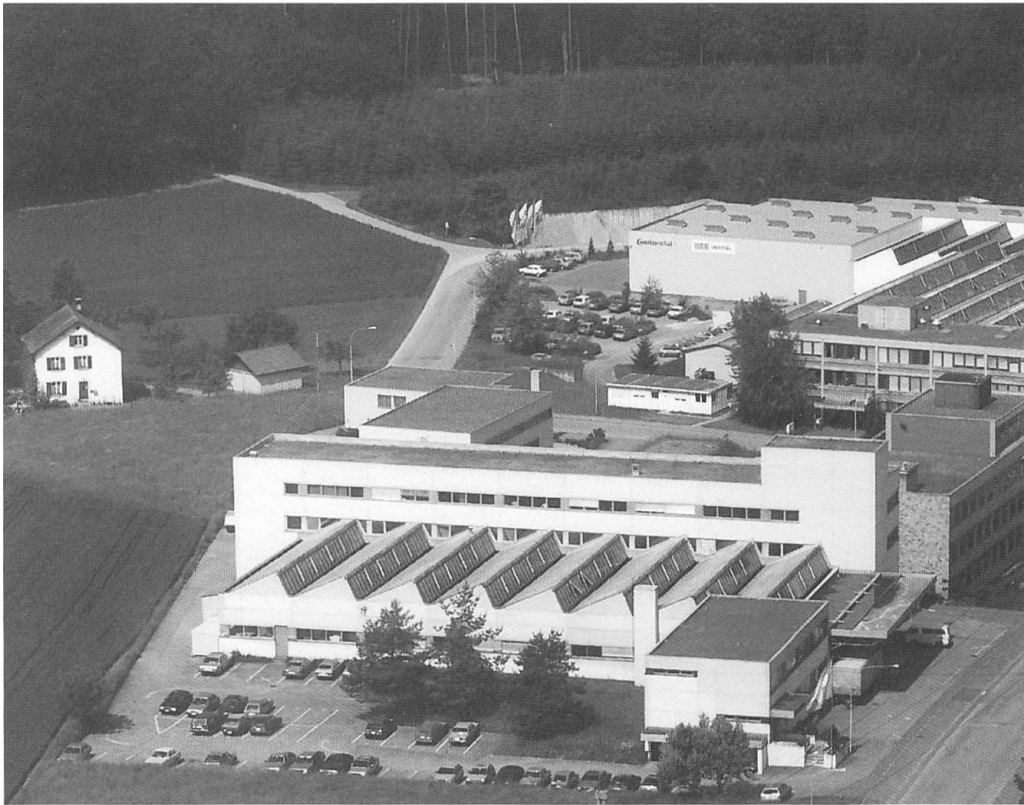
In the period after 1945, when the enormous backlog in demand filled order books to such an extent that at times they were almost impossible to cope with, Rieter was also induced to look around for favourable opportunities to expand output rapidly. This necessitated abandoning the principle of concentrating in-house manufacture on the workshops in Töss and attempting to establish a foothold outside the parent site in Switzerland and abroad. This amounted to the first step towards the creation of the group. However, there was no effort to diversify at that time; it was more a case of meeting the

needs of the company's own operations and endeavouring to achieve greater independence in obtaining the necessary semi-finished products.

These efforts were also precursors of the first steps towards modern 'make-or-buy' practices. In purchasing machine components, Rieter has always aimed either to manufacture advanced components itself or to have them made by associated companies, in order to make opportunities for abuse by spare parts pirates difficult at the least. The procurement of machine components and subassemblies has for years been based on the guiding principles of 'lean production'.

General view of the factory site in Obertöss





Schaltag AG in Effretikon; electronic machine controls are developed and produced here

The gauge factory of Gebrüder Mägerle GmbH in Effretikon, which was struggling due to lack of orders, was the first to be acquired in 1947 and converted to the manufacture of advanced spinning machinery components under the name of Maschinenfabrik Effretikon AG (MEFAG). Since 1987 it has served Schaltag AG as Rieter's production unit for electrical machine controls.

The Bertschinger machine works in Sirnach and Winterthur, acquired in the early fifties, builds combing machines and is involved in machine trading. In 1984 the Sirnach plant became part of the parent company as Maschinenfabrik Rieter AG, Sirnach works. The used machinery department of Bertschinger covers the entire spectrum of textile machines together with outside partners, and meets a genuine need.

The Italian subsidiary FAMATEX in Garbagnate near Milan, founded in 1948, switched production from lathes to ring spinning frames and drafting systems after its acquisition by Rieter.

This southern outpost was directly related to Italian licensing and patent practices. Legislative changes in Italy induced Rieter to liquidate the company in 1981.

The surgical dressings machine works at Neuhausen Rhine Falls, set up in 1962 together with the well-known Internationale Verbandstoffabrik (IVF), developed and produced systems for bonded fibres and non-wovens until 1979.

Rieter secured a foothold on the American continent as early as 1951, when subsidiary American Rieter Company (ARC) was formed initially in Arlington with its own offices, stores and service department, before moving to West Caldwell (N.J.). In 1963 the operation moved to Spartanburg (S.C.), occupying new premises in the heart of the North American cotton region.

In January 1966, an Indian spinning machinery works, Lakshmi Machine Works Ltd., was founded with Rieter's assistance in Coimbatore, and the Winterthur company has continued to

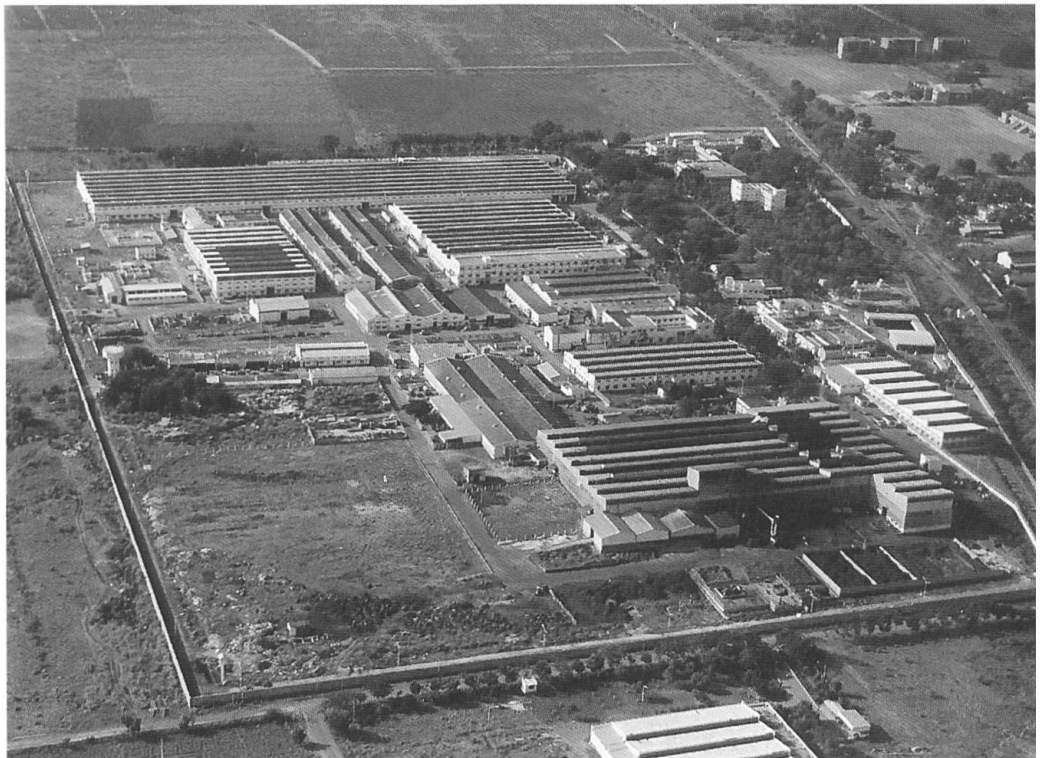
*Rieter Corporation, the
US subsidiary based in
Spartanburg, South
Carolina*



be associated with it since then through licensing agreements and an equity interest. The investment in Talleres Coghlan SA in Buenos Aires in 1969 was also intended as a means to overcome local import restrictions through manufacture under licence. In contrast to the Indian company, the

partnership with Coghlan SA was terminated in 1980 on market policy grounds. A joint venture with Geilinger Stahlbau AG in Elgg (1967–1986) also failed to enjoy long-term success. At the beginning of the nineteen-seventies Maschinenfabrik Remlingen GmbH in Marem (Germany) joined

*Lakshmi Machine Works
Ltd. in Coimbatore,
India*



the Rieter Group. It was integrated as a wholly-owned subsidiary in 1973 and sold in 1993. Schaltag AG in Effretikon, in which Rieter took a stake in 1970 and which has been a wholly-owned subsidiary since 1972, has also become a reliable partner. This company specializes in the manufacture of electrical controls for textile machines and entire installations. It employs a team of experts who also perform work for third parties in sectors other than textiles. Reference can also be made to the Gretener company, with which Rieter manufactured textile tubes in Cham and – using the precision tubes produced – also bicycles in Sursee between 1971 and 1983. This temporary cooperative venture fell victim to the renewed concentration on mechanical engineering.

Automatic operating systems for open-end rotor spinning machines

were developed and manufactured in partnership with Maschinenfabrik Schweizer in Horgen. Rieter Automatik emerged from this association in 1985, became Rieter Elektronik in 1989, and was finally integrated in the parent company's engineering operations in 1993.

Rieter expanded significantly in 1982 with the establishment of its subsidiary Rieter-Scragg Ltd. in Langley, Cheshire (UK). This decisively strengthened Rieter's position in machinery for producing man-made filaments (fibres and yarns). The existing Scragg company had made a name for itself worldwide in the development and manufacture of fine texturing machines for synthetic, continuous filaments, which was now added to the excellent reputation enjoyed by Rieter as a machine manufacturer. Over the years, the filament



*Rieter-Scragg Ltd. in
Langley, Macclesfield,
England*



Rieter Ingolstadt Spinnereimaschinenbau AG in Ingolstadt, Germany, successor to Schubert & Salzer

machinery sector has joined the staple fibre machines as an important new branch of Rieter's production operations. Appropriate new premises and extensions in Langley have developed the manufacturing facilities there into a modern European textile machinery plant since the takeover. In the course of a restructuring programme in 1985, responsibility for the two textile machinery sectors was divided into two segments, for staple fibres and continuous filaments. Out of these finally emerged the two textile divisions of spinning systems (staple fibers) and chemical fibers.

1987 started with a bang with Rieter Holding's acquisition of a majority shareholding in Schubert & Salzer Maschinenfabrik AG in Ingolstadt, one of its main German competitors. This company had been hit much harder than Rieter by the crisis in the sta-

ple fibre textile machinery sector in the eighties. The rising cost of research and development made cooperation with a company in a related field seem appropriate. This was also coupled with the conviction that the combined potential of the two companies would have greater prospects of success in facing the challenges of the market and the competition. This cooperative undertaking was thus launched to good purpose under the guiding principle of '1 + 1 = 3', creating a first-class supplier of entire spinning installations under the new corporate heading of 'Rieter Spinning Systems'. In a further move to concentrate resources, the castings and fittings operations which previously formed part of Schubert & Salzer Maschinenfabrik AG in Ingolstadt were sold to management at the end of 1991.

In 1992 Rieter acquired a new sub-



subsidiary, Automatik-Apparate-Maschinenbau GmbH in Grossostheim (Germany), which – as ‘Rieter-Automatik’ – substantially strengthened the Chemical Fiber Systems Division. Highly promising prospects for the future have thus been opened up for this division with its main sectors of automation, pelletizing, man-made fiber machinery and texturing.

At the beginning of 1994 Rieter took an equity stake in Walter Bräcker AG to protect its interest in ring traveller systems for high-performance ring spinning frames.

Finally Rieter purchased in 1994 the

Firth Furnishing Ltd. (UK) to support and round out the Unikeller division. With the 1994 acquisition of Elitex, Usti nad Orlici in Czechia, Rieter utilized the market advantages and the joint venture agreement with Jingwei brought the Company closer to the Chinese customers.

The momentum of acquisition and disposal of companies has been accompanied by active steps on the sales and service front in order to maintain close contacts with the market. Wholly-owned Rieter companies have therefore been established in major centres of population.

Diversification

After registering sharp declines in sales and earnings in the mid-seventies as a result of the economic crisis following the so-called 'oil shock', Rieter management decided to diversify and expand the manufacturing programme in order to find a way out of the recession. The focus was on maintaining and reinforcing the spinning sector while strengthening the company's sales base with an additional, unrelated production sector.

The global slowdown in demand for textiles had a negative impact on the textile machinery business. The unwillingness of Rieter's customers to invest, coupled with a glut of good-quality second-hand machines, resulted in excess capacity in textile machinery manufacture throughout the world. The higher performance of new textile machines also intensified competition. In order to cope with this unwelcome situation, numerous defensive moves such as price concessions, increased production for stock and widespread economy measures – including the closure of the two foreign manufacturing subsidiaries in Italy and Argentina – had to be coordinated with offensive action. This included strengthening the global sales organization, intensifying research and development efforts, enhancing market presence – especially in the USA with the establishment of our own manufacturing facilities in Aiken (S. C.) – and developing service centres for filament systems in Spartanburg (S. C.) and Shanghai (People's Republic of China), to name only a few of the most important moves.

In all its diversification moves, Rieter had always borne in mind the cyclical behaviour of new business sectors. Similarities with the company's history in the 19th century were by no means overlooked. However, very dif-

Rieter service worldwide

Founded	Company
1951	Rieter Corporation USA
1955	Rieter Italiana
1970–1993	Rieter France
1993	Successor: Sofrinter AG
1974	Rieter Far East Hongkong and Beijing
1977	Rieter Germany
1978	Rieter Vienna
1986	Rieter Far East Taiwan
1994	Rieter Shanghai Service and Maintenance Center

There are other service units, for example in Greece, Turkey, Pakistan, India, Morocco, South Korea, Mexico, South America (e. g. Venezuela).

ferent overall conditions gave few opportunities for transposing earlier lessons directly into the present day. In any event, concentration on existing strengths was again confirmed in full.

Unikeller was acquired on the basis of these considerations. This purchase made a restructuring of the company essential, as the group had now come a step closer to its target of strengthening earnings structures through concentration on three systems suppliers – Spinning Systems, Chemical Fiber Systems and the new Unikeller group with its noise control and thermal insulation systems. These group activities were therefore brought together under the umbrella of Rieter Holding Ltd. and management was entrusted to a group executive committee. Once again with a view to deliberately streamlining operations, Keller's structural metalwork operations were sold in 1986 and its paints and plaster interests in 1988. In the meantime Chemiegesellschaft Gun-



derhausen in Germany and its subsidiaries joined Unikeller in 1988, complementing the traditional fibre mat technology for noise control and thermal insulation with its foamed plastics technology, and making a significant contribution to strengthening this systems group.

From a monocultural parent company to an internationally diversified group

Looking ahead to Rieter's bicentenary in 1995, it is worth reviewing the group's present position. Compared with the earlier single-sector spinning machinery manufacturer, Rieter is now a diversified industrial group with a multinational structure and the three basic divisions of 'Textile machinery and systems for staple fibers', 'Textile machinery and systems for man-made fibers', and 'Systems for noise control and thermal insulation'. At the start of this expansion process, which ended almost ten years of stag-

nation, in the early seventies the company had gross sales of 290 million Swiss francs, cash flow of 14 million Swiss francs, net profits of one million Swiss francs, and 3400 employees.

More recent key figures reflect the resumption of growth:

	1987	1992	1993
	Sfr. m.	Sfr. m.	Sfr. m.
Gross sales	1340	1693	1655
Cash flow	104	115	133
Net profit	42	33	40.5
Employees	9000	8815	7934

The Rieter Spinning Systems Division consists essentially of the staple fibre machinery operations. As an all-round supplier in this field, Rieter is a worldwide leader with the ability to supply, service and further develop machines and integrated systems.

Meanwhile, the Chemical Fiber Systems Division supplies systems and machines for man-made fibers and

The head office of the Unikeller Division is at Brüttisellen, Switzerland.

continuous synthetic filaments. In this field, Rieter has only recently expanded from an out-and-out specialist to an all-round supplier.

The textile machinery divisions sell their products on a global scale. The proportion of sales booked in Switzerland is usually less than 5%. Their main production facilities are in Switzerland, Germany and England.

The Unikeller Division mainly produces equipment for noise control and thermal insulation in means of transport, especially in motor vehicles. It thus promotes acoustic comfort and also enhances safety. Despite its status as a supplier, it maintains its own product development facilities and strives to market its structural elements with integrated accessories consisting of modular units to the relevant industrial sector. Its most important customers are in Europe, where the division ope-

rates its own plants in virtually all countries in which motor vehicles are manufactured. Head office and the main R&D facilities are in Switzerland. Good relations are maintained with non-European markets via licensees.

During the expansion of the group, the success of diversification efforts was based in particular on the rigorous selection of acquisitions and the definition of their objectives within the strategic concept. Purchases were never made with opportunistic motives, but as systematic additions which had to satisfy specified criteria. An intact management team at the companies acquired was always an essential feature, since Rieter has never held executives in reserve for such assignments. Personal confidence in the quality of the new acquisitions was therefore very important.