

Report from ARE to ISO
Forget 2009; 2010 will be Better

The 92 companies that responded to A.R.E.'s Revenue Trends Survey in March of 2010 would just as soon forget 2009. According to our survey the median company experienced a sales decline of 25 percent in 2009—far and away the worst year for our industry overall since we started tracking industry performance. The good news is that A.R.E. members are expecting improvement in 2010, with a predicted median increase of ten percent.

The mood at GlobalShop in Las Vegas the 2nd week of March seemed clearly to reflect the improving outlook. If you think back to GlobalShop in 2009, our industry seemed shell-shocked. In contrast, this year the mood was decidedly more upbeat. While there weren't many who were expecting any quick return to the boom times, there was a decidedly more optimistic outlook overall this year.

Before we completely forget 2009, let's look at a few more statistics that illustrate just how bad the year was for our industry. For example, only 15 of the 92 responding companies had a sales increase in 2009. In contrast, eight of the 92 had sales drop by 50 percent or more! Our research does not indicate that any segment of our industry did appreciably better than other segments. Retail designer firms, visual merchandising providers, point-of-purchase companies, and store fixture manufacturers all saw double-digit declines in 2009—and all are projecting a return to growth in 2010.

The few bits of good news in 2009 included those companies doing refits and remodels in the discount mass merchandising channel, some segments of grocery, and point-of-purchase work for private-label brands. For retail design firms, many of the opportunities were in international work. As always, if your major customer was doing better than average, you probably were as well.

Our semi-annual Revenue Trends Surveys also highlight how industry participants have been lowering their expectations since the fall of 2007. In September 2007 our member companies were projecting 10 percent growth for 2008. By the spring of 2008, they had lowered their expectations for the year to 3 percent growth. As it turns out, the industry declined by 3.4 percent that year. Similarly, their September 2008 projection of 6 percent growth in 2009 shriveled to a projection for a 15 percent decline by February 2009. Our current estimate is that the industry declined by 25 percent last year.

But the point here is to forget 2009. 2010 appears likely to be significantly better. The prediction for a 10 percent growth in sales is the most optimistic forecast we have seen from our members in four years. The optimism is widespread with all of our industry segments forecasting growth.

But be patient. Capital expenditure programs by chain retailers at this point are less than robust. And we know that our industry tends to lag behind the economic cycle. During the last cycle, when much of the economy was growing strongly in 2003, our industry grew just 1.8 percent—before recording a strong 12.5 percent rebound in 2004. So a 10 percent increase in 2010, even off the lows of 2009, would be a welcome change in direction.