

## **Economic reviews of the Retail Environment (=Shopfitting) Industry in the USA.** **ISO Congress 2012, 16<sup>th</sup> March, Gulf of Finland.**

*The cooperation agreement between A.R.E, Association for Retail Environments, USA, and ISO offers among other benefits the opportunity to ISO Members to subscribe to the Digital A.R.E. News magazine.*

*For those ISO members who have not yet registered for the free reception of the A.R.E. News, here is a brief resume of the "End of 2011 report" by A.R.E. director and former ISO MC Member Klein Merriman:*

"The rebound in capital expenditures for retail environments from the depths of 2008 and 2009 is set to continue for a third straight year in 2012. Based on A.R.E's research, this rebound (the "new normal") has not equally affected all segments of the retail environments industry. The rebound in North America is different from that in China, just as it differs in U.S. regional markets such as the Dakotas compared to Las Vegas. Similarly, the recovery is different for luxury retailers versus mid-market stores, and it's very different for new store construction versus remodel activity. But all evidence indicates that the uneven recovery in capital expenditures taking hold in the retail environments industry will continue for a third year in 2012."

*A graph in the article shows that based on an index of 100 in year 2000, the Total Industry Revenue in the US are:*

2007, December tops with 140.1  
2009, June reach bottom with 101.6  
2010, 115.5  
2011, 127.0  
2012; Estimates to top with 139.7

*Variations in the number of new store construction (from a base line of "0") are:*

2007: +3.7%; 2008: -5.7%; 2009: -19.2%; 2010: -17.2%; 2011: -1.0%; estimate 2012: **+10.9%**

*Another interesting part of the report by Klein Merriman is the focus on, quote:*

### **"AREAS OF RAPID GROWTH**

While the growth in capital expenditures by retailers in North America is "not bad," the high-octane growth is coming from rapid expansion in emerging economies such as China and Brazil. To capitalize on this, the manufacturing component of the retail environments industry in North America is having some success participating in the faster growth rates on other continents. North American retailers are placing a greater emphasis on international expansion simply because that's where the growth is. And they are frequently looking to their North American vendors for assistance in expanding into these emerging markets. According to A.R.E. member research in August 2011, 33% of A.R.E. companies in North America reported that 10% or more of their sales now come from international projects. In a different survey, 67% of retailers reported that they prefer to work with their North American vendors in sourcing fixtures, displays, products, and other services for international locations. This is a logical extension of the trend of North American-based retail design firms doing more and more of their work for international projects."

*And a trend we all know:*

**“SHORTER AND SMALLER**

In general, the trend in retail environments might be characterized as “shorter and smaller”. “Shorter” as in ever-shorter lead times for vendors as retailers delay decisions until the last possible moment; “shorter” also in terms of shorter production runs. The “smaller” is easily seen in the smaller footprints many retailers are moving toward. While expenditures per square foot may be increasing, the smaller, “optimized” footprints mean decreased demand overall for retail environments products per store.”

*And last, but not least:*

**“NEW RETAILERS BRING OPPORTUNITIES**

There are definite bright spots in this otherwise modest recovery. New retailers and brands morphing into retailers enter the market almost non-stop.

And many luxury brands and retailers are continuing to invest heavily in both new locations and remodels.” “Recovery” is really about healing, and more healing is the prescription for the retail environment industry in 2012.”

*So the good news are:*

“In general, the retailers appear to have adequate cash to fund renovations and increased new store openings.” ‘And to date, the consumer appears to cooperate with increased spending, which bodes well for the future’

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*Read more in the A.R.E Digital Magazine, or on the web-site [www.retailenvironments.org](http://www.retailenvironments.org), such as the article in the same issue: “retailers Forecast Spending Increases”, or get envious over the table showing chain stores planning huge investments in new stores in 2012, topped by RITE AID (113,5 MIO USD), followed by Walmart (800 MIO) and Lowe’s (550 MIO), but also showing an interesting example of APPLE, planning to spend 4.6 MIO USD on 40 new “brick-and-mortar” stores, 75% outside the US!*

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