

Decorators Find Success in Local Markets

By Kenna Simmons

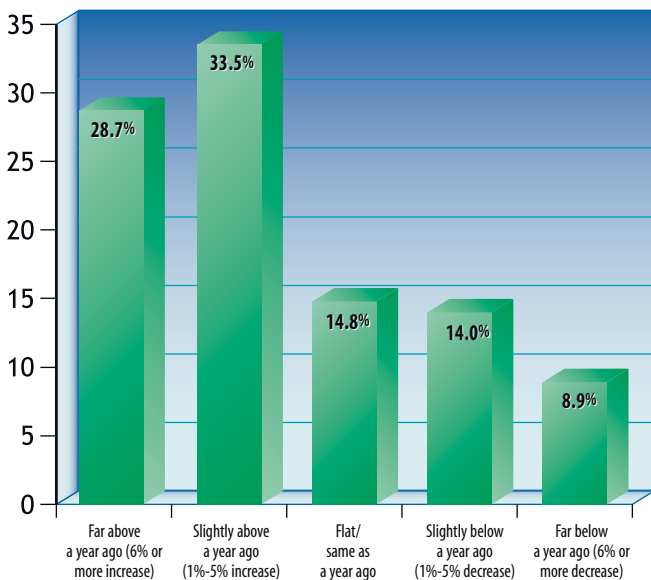
Embroiderers, screen printers and promotional products distributors reveal what it takes to overcome challenging economic conditions.

Recession? What recession?

That wasn't a question on the recent **Decorated Apparel Market**, a joint EMB/IMPRESSIONS industry survey made possible by a research grant from Fruit of the Loom, but it could have been an answer.

Before we get to the good news, here's a snapshot of what the respondents look like: out of some 956 who completed the survey, the majority (43.1%) identified their company as focused on embroidery. Screen printing was well-represented with 30.5% of respondents, while 18.9% said promotional products best fit what they do. The final category was other, with 7.4% choosing that answer.

Now for the economics — and unlike the headlines of late, this won't make you reach for the aspirin. In a year when many businesses would have been happy just to maintain sales, a reassuring (and impressive) 62.2% of those responding said their business had grown this year compared to 2001 — 28.7% rated revenues as far above a year ago (increasing 6% or higher), while 33.5% percent noted a slight 1-5% increase (**FIGURE 1**).



How Do Your Revenues So Far This Year Compare to 2001?

FIGURE 1: Despite recessionary economic conditions, a majority of apparel decorators reported growth during the first nine months of 2002.

What Factors Contributed to the Growth?

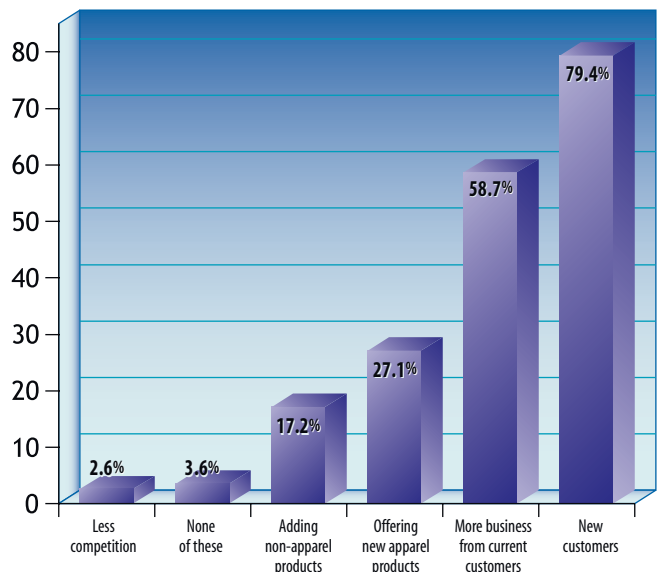


FIGURE 2: Decorators showing growth in 2002 did so mainly by bringing on new customers.

METHODOLOGY

The information contained in this report is based on an online survey hosted by Equation Research, October 17-24, 2002. Of the 7411 IMPRESSIONS and EMB subscribers queried, 956 participated, resulting in a 12.9% response rate. The survey results have a +/- 4% margin of error at a 95% confidence level.

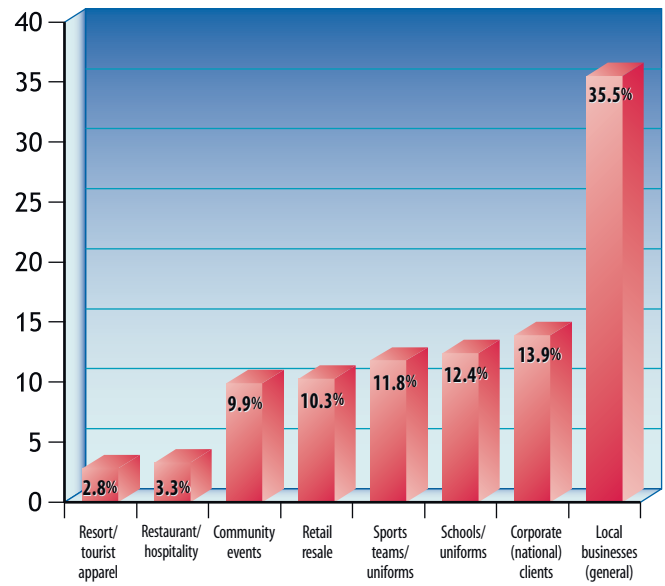
FIGURE 4:
Most decorators made their money by serving local businesses and other local markets.

Some (14.8%) said they were about where they were last year, with sales staying flat but not sliding. Only 22.9% said revenues were down. In that category, 14% reported a decrease of 1-5% and only 8.9% saw a decline of more than 6%.

In terms of categories, embroiderers appear to have fared best this year and promotional products distributors worse. Some 65% of embroiderers said business was up and only 18.6% said business was down. In contrast, 57.6% of promotional products distributors said business was up and nearly a third (29.9%) said business was down. Screen printers fared only slightly better, with 61.1% saying business was up and nearly a quarter (25.5%) saying business was down.

For those who saw an increase in sales, the money didn't come easy. We gave respondents a list of possible factors contributing to growth and asked them to indi-

What Markets Is Your Business In?



cate all that applied (FIGURE 2). Of those indicating revenues had increased, the top-ranked contributor to growth was business from new customers (79.4%). Second was getting more business from current customers, with 58.7%. Varying the product line to offer new apparel items came in third at 27.1%, and adding non-apparel products was fourth, at 17.2%. Other factors ranked 3.6% (respondents chose "none of the above"). Proving that even in an economic downturn the marketplace remains competitive, only 2.6% attributed the increase in sales to less competition.

Those who saw business decline chalked up the decrease to two major factors (FIGURE 3): the No. 1 reason was less business from current customers (72.5%) followed by fewer new customers (39.4%). Again proving the competitive nature of the business, more competition was cited as the third factor in declining sales (22%). Other reasons came in fourth (respondents chose "none of the above"), while offering fewer products was only a minor factor (2.3%).

What Factors Contributed to the Decline?

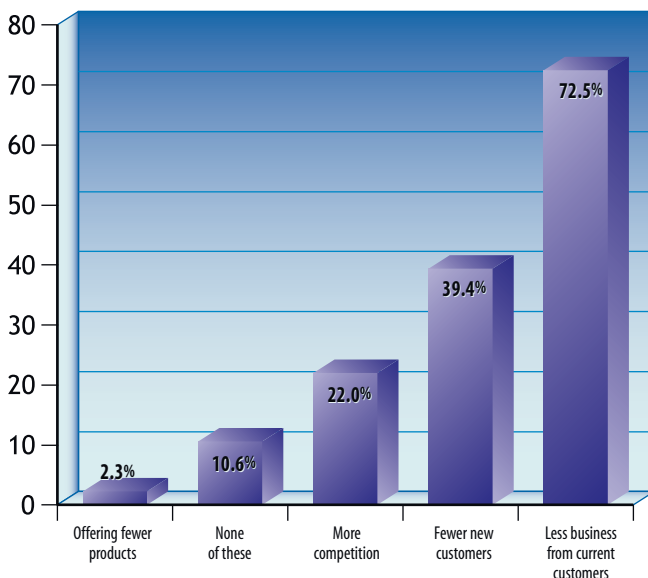


FIGURE 3: Decorators who relied heavily on current customers saw their revenues drop.

Hot Markets

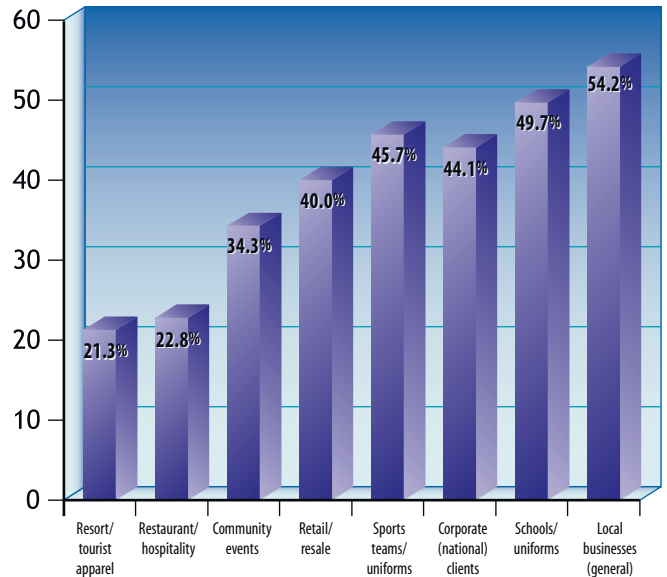
So where is the business coming from? Well, most of it is from other local businesses (35.5%), suggesting that respondents find their best customers close to home (FIGURE 4). Business from corporate (national) clients, schools/uniforms and sports teams/uniforms each accounted for a little

In Which Markets Are Your Sales Growing?

FIGURE 5: Most of the growth in the decorated apparel market is occurring at the local level, with decorators reporting growth in the areas of local businesses, school uniforms, team sports uniforms, retail/resale and community events.

more than a tenth of sales — national clients were responsible for 13.9% of sales, schools 12.4% and sports teams 11.8%. Retail resale and community events came in at 10.3% and 9.9%, respectively. Far down the list were sales to restaurants (3.3%) and sales of resort and tourist apparel (2.8%).

In fact, resort and tourist apparel showed the biggest decline of any area, reflecting both the economic downturn and the continuing reluctance of people to travel. Respondents were asked to rate each area of business in terms of growing, stable and declining sales (FIGURE 5). While overall, again, our survey-takers indicated business was good, sales to resorts and tourists took the biggest hit, with 22.6% saying sales were dropping and 56.1% saying they were flat (FIGURE 6). Sales are growing in three main areas — local businesses (54.2% said sales were up in this category, while a scant 8.2% reported a drop), corporate clients (44.1% reported increases here) and schools (49.7% said they were doing more business with schools, while 40.1% said sales to schools were about the same as last year). Sales stayed about the same for the majority of respondents in the areas of



restaurant/hospitality, community events, sports teams and retail/resale.

Drilling down a bit, we wanted to know which products in each category were selling the best (FIGURE 7). Knit sports shirts were tops among corporate clients (73.7% upped sales in this category), local businesses (67.6%) and restaurants/hospitality (62.7%). T-shirts still reign supreme with sports teams, schools, community events, resort and tourist apparel, and retail/resale. Corporate clients also showed a marked preference for woven sport shirts (44.2% said they were selling more of these items to corporate clients), while sweats were strong choices in the retail/resale area and among sports teams and schools.

What Products in Each Segment Are Fueling Growth?

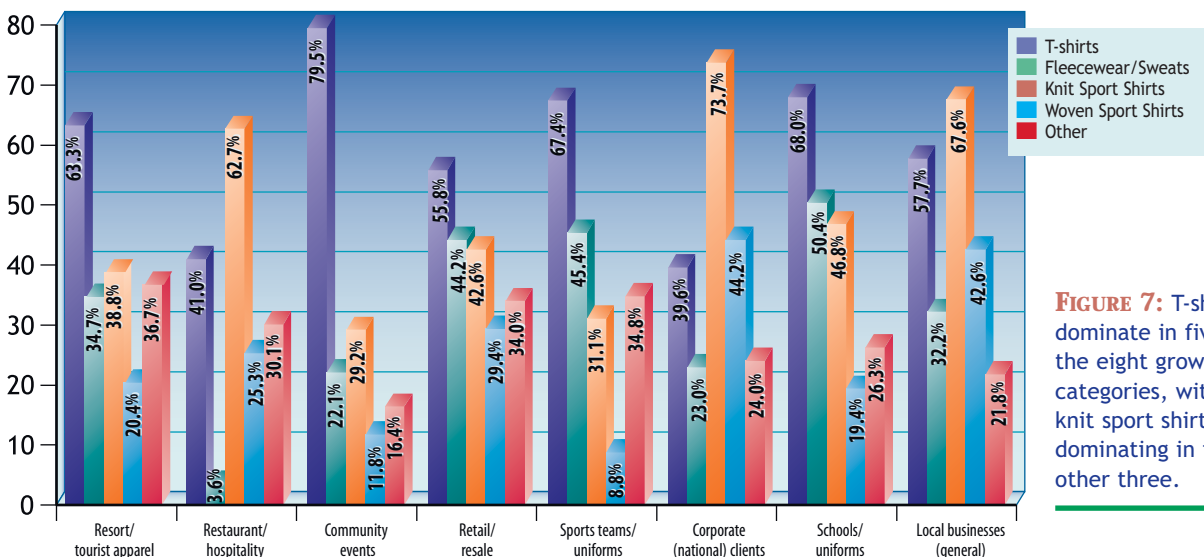
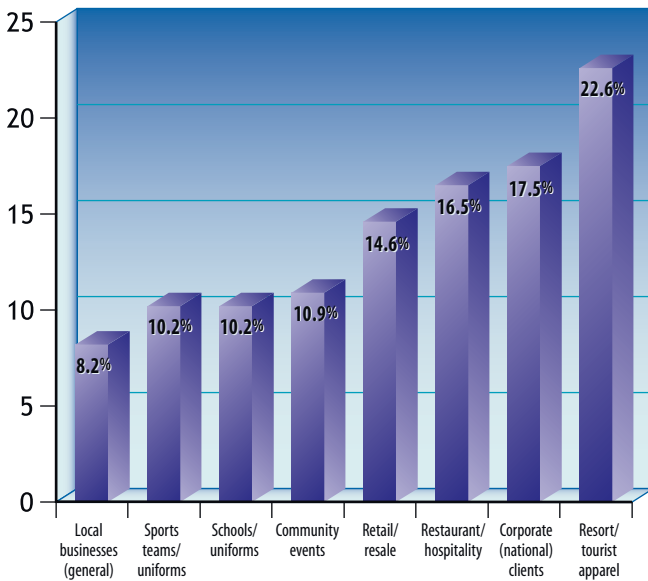


FIGURE 7: T-shirts dominate in five of the eight growth categories, with knit sport shirts dominating in the other three.



In Which Markets Are Your Sales Declining?

FIGURE 6: Most of the decline in decorated apparel sales is occurring in the resort/tourist market, which has suffered since Sept. 11, 2001, and in the corporate market, which has been affected by layoffs and spending cutbacks.

Sales of knit sports shirts to local businesses also dropped, but only 44.8% of respondents indicated this item accounted for the decline.

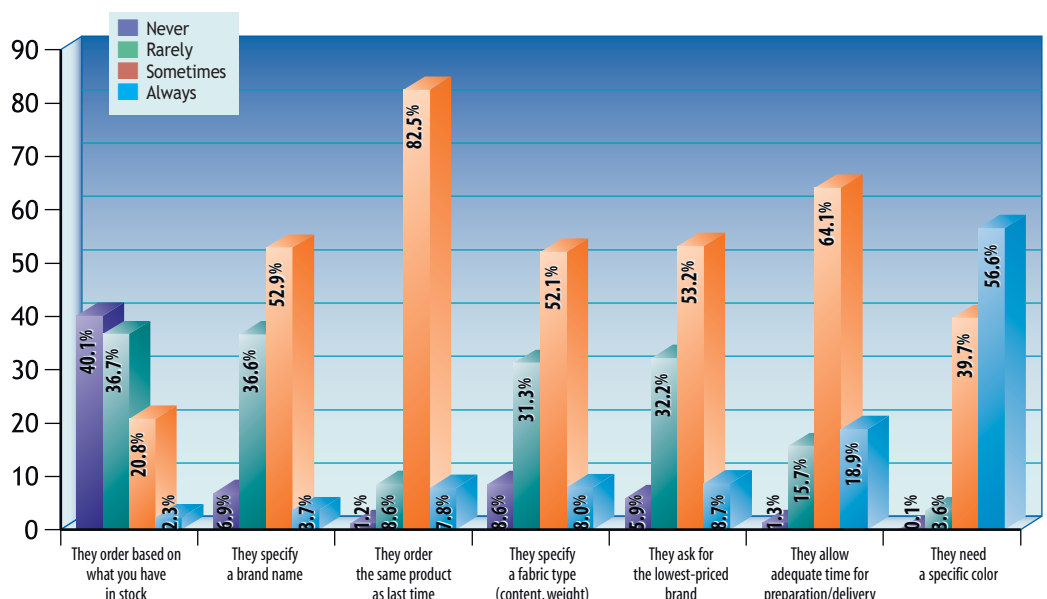
Customer Behavior

We also wanted to know how customers behave (FIGURE 8). Overall, our respondents were happy with their clientele: 83% said customers always or sometimes allowed adequate time for preparation and delivery of their items (only 1.3% had problem customers, saying their clients never allowed enough time). And while customers know what they want the item to look like, they don't always specify brand name or fabric type. Customers usually required a specific color item, but only sometimes (53.2%) asked for the lowest-priced brand (in fact, 38.1% reported customers rarely or never asked for a cheaper brand). A majority of respondents (52.9%) said customers sometimes specified a particular brand, while 36.6% said clients rarely did so. The numbers were similar for customers who ordered a particular fabric type — 52.1% percent said their clients sometimes made specific requests, while 31.3% said they rarely did.

We asked the same question of those who said that sales were down. The results mirrored the answers of those who said sales were up, indicating that it's not a product shift but a general sales slump affecting those with declining revenue. For those respondents who reported declining sales, most said the slump in corporate sales and restaurant/hospitality came in knit sports shirts (55.8% and 46.7%, respectively, reported a decline). T-shirt sales to sports teams, schools, community events, resort and tourist apparel, and retail/resale also declined. The only anomaly came in the area of local business. Respondents reporting declines in business said sales of T-shirts to local businesses dropped more than any other item (56.7%).

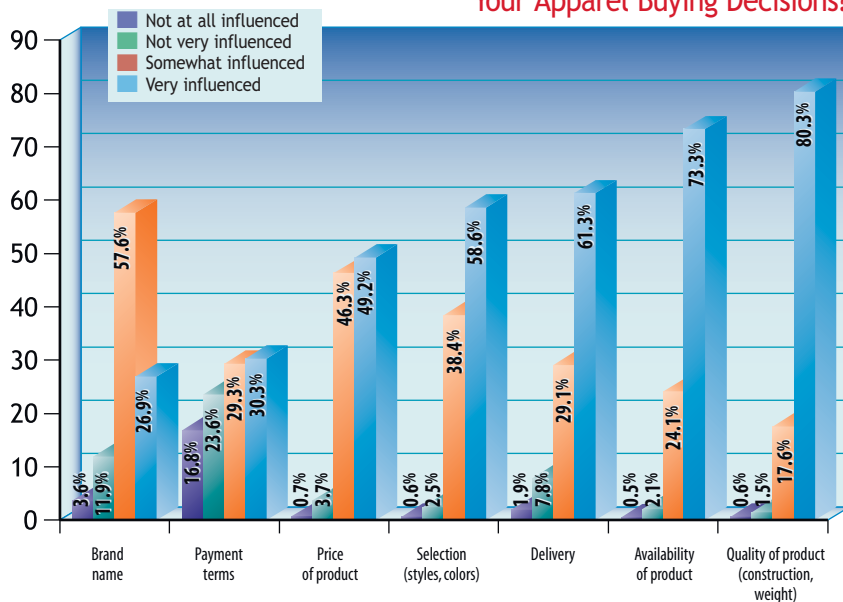
Which Best Describes Your Customers' Orders?

FIGURE 8: When it comes to anticipating customer needs, decorators indicate that their customers almost always need a specific color and often order the same product as last time.



What Factors Most Influence Your Apparel Buying Decisions?

FIGURE 9: Wholesalers take note: When it comes to purchasing, decorators say product quality, availability and delivery are the most important factors.



According to the survey-takers, customers almost never order based upon what's in stock (40.1% said never, and 36.7% said rarely). The vast majority (82.5%) of customers sometimes order the same product as last time, suggesting they're happy with the items they receive. Slightly more than half of respondents said that customers rarely or never supply the garments to be decorated, indicating clients look to decorators to provide a range of choices to select from.

Apparel Selection Factors

So how do you decide which brands, fabrics and items to offer to customers? Well, those who responded to the survey rated the quality of the product as the No. 1 factor that influenced their purchase (80.3% said they were very influenced by quality) with the availability of the product coming in a close second (73.3%). Delivery, a good selection of styles and colors, and price ranked third, fourth and fifth. Only 26.9% said they were very influenced by brand name, but 57.6% said a brand name had some influence on their purchase. Payment terms were a strong factor for 30.3% (FIGURE 9).

When it comes to stocking inventory, respondents were about evenly split on whether wholesalers' sale prices had much effect — 51.1% said they sometimes or always used the occasion to stock up, while 48.9% said such sale prices rarely or never had an effect (FIGURE 10). Slightly more said that special offers or pricing from wholesalers made an impact on choosing a brand, with 65.6% indicating they sometimes or always took advantage of such offers.

Smaller, "fashion apparel" manufacturers haven't made much of an impact on buying trends, at least not yet. Only 24.6% said they

How Often Do Each of the Following Statements Apply to Your Business?

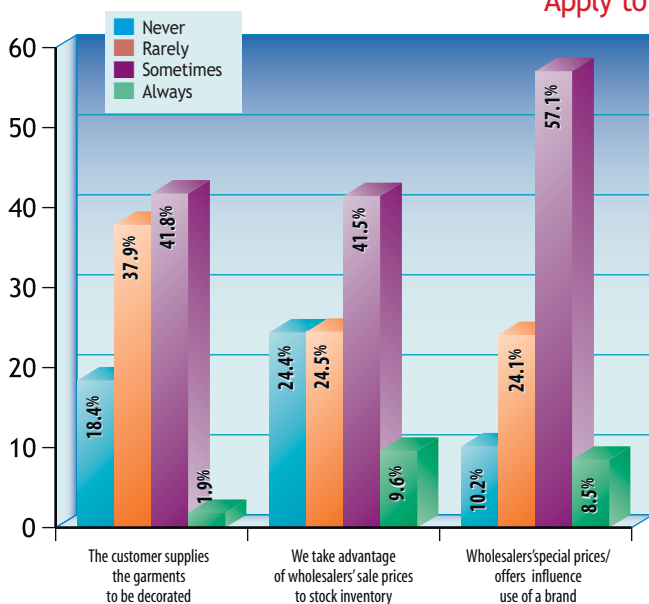
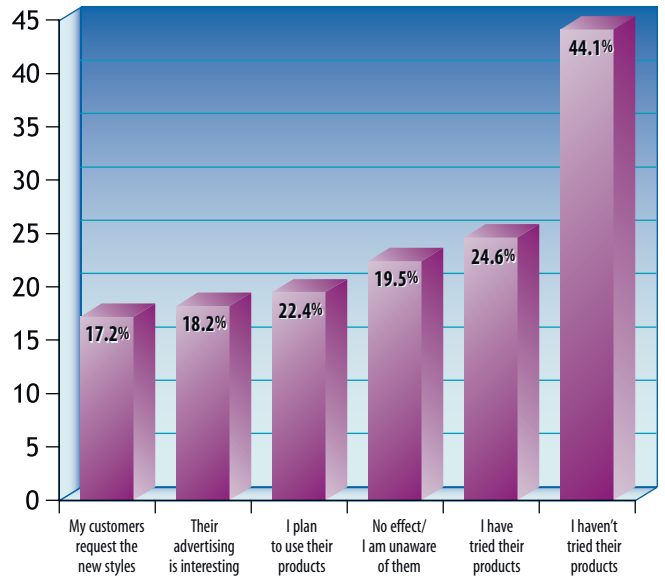


FIGURE 10: Decorators say they are strongly influenced by the wholesalers' special offers in choosing a particular brand.

How Has the Appearance of the New "Fashion Apparel" Manufacturers Affected Your Buying?

FIGURE 11: While only a fourth of decorators have tried the products of the new "Fashion Apparel" manufacturers, a fifth say they plan to use their products in the future.



had tried these products, while 44.1% have not and 22.4% percent said these manufacturers either had no effect on buying patterns or they were unaware of them (FIGURE 11). However, those numbers could change in the coming year — 19.5% reported they planned to use products from smaller fashion apparel manufacturers, and 17.2% indicated customers were requesting these new styles. Advertising by manufacturers is having some effect: 18.2% percent were aware of these manufacturers' ads and found them interesting.

Marketing Methods

We were curious what methods decorators are using to get the word out about their business, and which ones they found to be the best (FIGURE 12). Catalogs and product samples ruled the roost, with 88.3 percent of respondents saying that wholesalers' cat-

alogs were an effective way of marketing, and 79.3% indicating manufacturers' catalogs also worked well. Product samples got a positive vote from 87.5%. Reflecting the growing impact technology has on the screen printing and embroidery business, 60.6% said their web sites were good marketing tools, while 72% gave a nod to product showrooms.

Advertising was seen as effective, too: An ad in the Yellow Pages worked well for 49%. About the same number of you felt that local print advertising and direct mail were good means of marketing (40.1% and 40%, respectively). And the tried-and-true method of sponsoring a team or event was effective for 46.1% of respondents. ■

Which Marketing Methods Do You Find Most Effective?

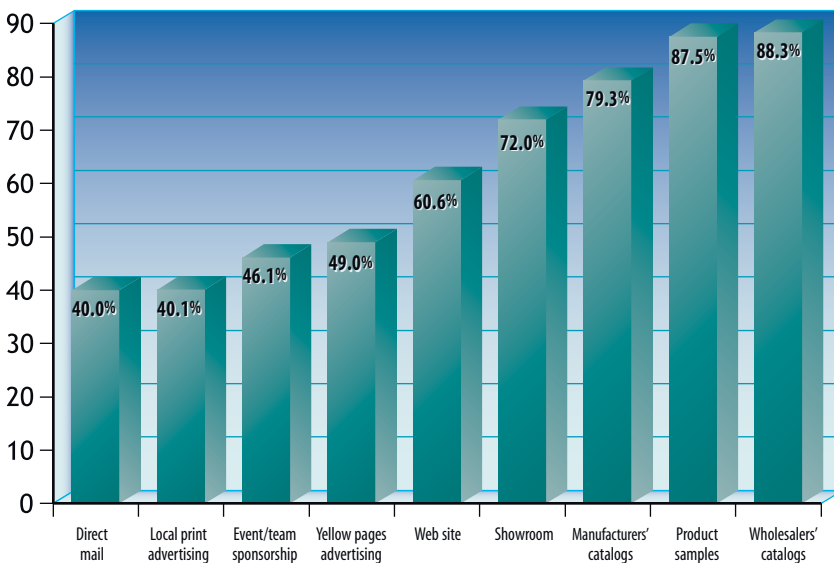


FIGURE 12: Decorators indicate a high degree of effectiveness (% positive = % good + % excellent) in several key marketing areas, including wholesalers' catalogs, product samples and manufacturers' catalogs.