

Executive Summary

SGIA conducted its second quarter industry survey in May 2019. The goal of the survey was to look at the industry's financial performance. A total of 443 respondents participated in the survey. The following report is based on the responses of 55 apparel decorators.

At least eight out of ten are U.S. companies (83.6%), 10.9% are international and 5.5% are Canadian. More than a third of the respondents (38.2%) serve more than one segment, with graphic and sign production (40.0%) as the most frequently cited. About half of the companies are in in-plant operations (42.8%). The respondents tend to serve businesses and consumers together (B2B and B2C) (58.0%), 28.0% focus on businesses only (B2B) and 14.0% serve customers only (B2C). The majority serve at the local (70.9%) and regional (63.6%) level, while slightly more than half (50.9%) are national and 16.4% are international companies. About two out of three companies (60.0%) serve at least two geographic areas. More than three-quarters (76.4%) of the companies are small with fewer than 20 employees.

Multi-technology is the top choice among the respondents (74.5%). Almost two-thirds of the companies (62.3%) offer finishing and post-production services, and they also tend to exchange services with one another. More than 50% of production capacity is used by 60.4% of the respondents.

Two out of three companies (66.7%) had increases in sales during the current year, and the median sales increase for the companies was 11.0%. The expectations for the future are even higher, as 78.7% expect their sales to grow. Almost every company (91.9%) expects at least a 10% sales increase. Why do they expect an increase? The strength of the current markets, new products and services, and marketing and sales support were mentioned the most.

The level of profitability increase is lower than the sales increase: 36.4% had a current increase in profits and 52.3% expect it for the future. The profit margin of 9% or higher was reported by about two out of three respondents (65.9%). The main drivers of profit growth are sales, more profitable work and increased efficiency in operations. The most frequently mentioned obstacles were shortage of skilled production labor and rising costs of labor and materials.

The analysis of the open-ended questions suggests that high-profit companies (profit margin of more than 8%) tend to overcome obstacles by focusing more attention on the employees (hiring and training processes), while low-profit companies (profit margins of 8% or less) focus more on sales and marketing. However, those are just preliminary findings and this topic needs to be explored further.

The average number of days of sales outstanding is 26. This number is slightly lower than the standard credit terms of 30 days or less identified by the majority of respondents (92.7%). The outstanding terms are not getting longer for 80.5% of the apparel decorators, with 53.7% having no change and 26.8% seeing them decrease. No past due 2018 account receivables were reported by 12.2% as of April 1, 2019, and more than half (51.2%) had no more than 10%.

In reviewing the financial ratios of the survey respondents, we found that outside purchases/sales and payroll/sales were lower for the more profitable group compared to the less profitable group. High-profit companies also had higher sales and value added per employee. This topic will need to be discovered further.