



BLIND AND SHADE INDUSTRY SNAPSHOT

The Industry

Operators manufacture window coverings including blinds, shades, curtain and drapery rods and poles and other related fixtures.

After production, window furnishings are distributed to wholesalers, retailers, design independents and contract outfitters.

From there, they are sold to residential, commercial and institutional sectors.

Curtains and draperies are excluded from this industry snapshot.

The Industry primary activities are:

- Blinds (e.g., mini, venetian, vertical), all materials, manufacturing
- Curtain and drapery fixtures (e.g., poles, rods, rollers) manufacturing
- Curtain rods and fittings manufacturing
- Wood slat porch shades manufacturing
- Window shade pulls manufacturing
- Window shades (except awnings) manufacturing
- Venetian blinds manufacturing
- Window shade rollers and fittings manufacturing

Industry at a Glance

Blind and Shade Manufacturing

	2010	2011
Revenue	\$2.5bn	\$2.3 bn
Proj. Annual Growth 2006-11	-4.6%	-6.8%
Proj. Annual Growth 2011-16	4.9%	3.4%
Profits	\$115.3 m	\$155.3 m
Exports	\$56.9 m	\$42.4 m
Businesses	385	346
	-10% change in last year	

Of Note: 26% (598m) of revenue is drapery hardware & components;
blind and shade revenue totals 1.7 bn

INDUSTRY STRUCTURE	
Industry Life Stage	Mature
Revenue Volatility	Medium
Industry Assistance	Low
Technology Change	Medium
Barriers to Entry	Low
Competition Level	Medium

Source: IBISWorld

THE CURRENT INDUSTRY

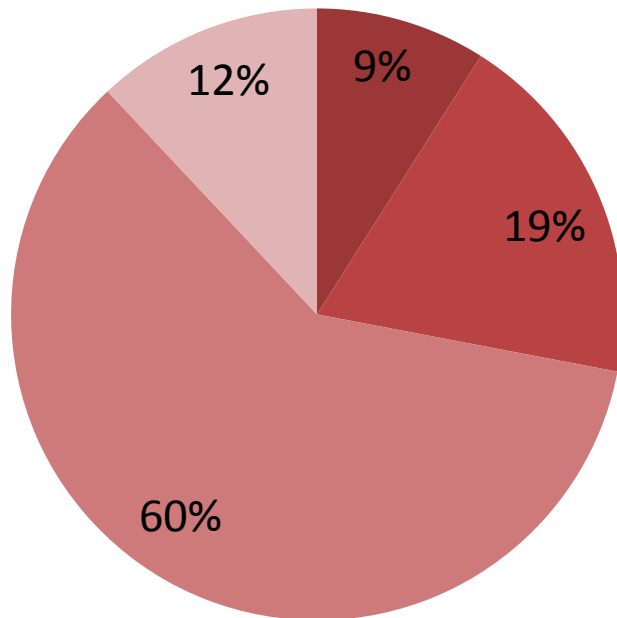
The subprime mortgage crisis, slowed construction, commodity pricing chaos and low consumer sentiment have caused window covering firms to:

1. Shift focus to contract market; most notable being Hunter Douglas. 25% industry revenues draw from commercial (excluding apartments)
2. Move production aboard
3. IBIS World expects industry revenues to increase 1.1% in 2011 as demand increases.

Who Buys Blinds and Shades?

Market Share Demographics

■ Under 25 ■ 25-33 ■ 34-65 ■ Over 65

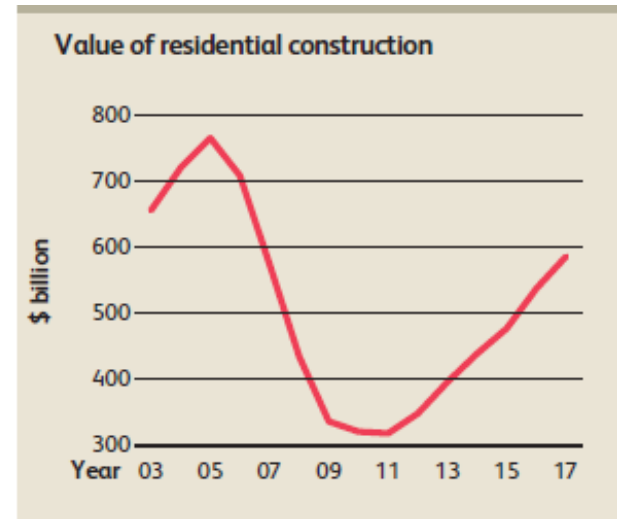


- Consumption for home furnishings including window coverings appears to be dominated by consumers between the ages of 35 and 64 accounting for over 60% of sales.
- It is estimated that those under the age of 25 account for the smallest share of window coverings, around 9.0% of the market.
- Adults over the age of 65 account for the second lowest share of purchases around 12.0% in 2010.

Key External Drivers

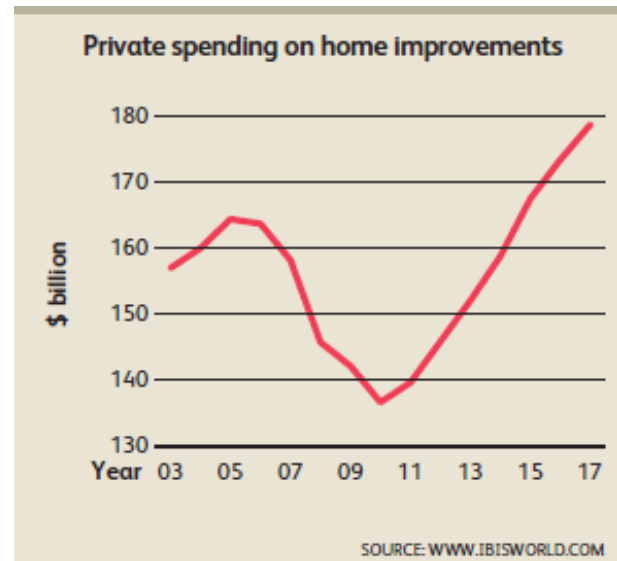
The Value of Residential Construction Housing

- The rate of housing starts indicates the level of construction activity. As more homes are built, the demand for window coverings increases. This driver is expected to increase over the next year and is a potential opportunity for the industry.



Private spending on home improvements

- The level that consumers spend on their home through home improvements, renovations and remodeling directly affectst window covering demand. This driver is expected to increase in 2012.



Key External Drivers

Commercial Construction

- The level of commercial construction affects window covering demand. Commercial construction is expected to decrease in 2012.

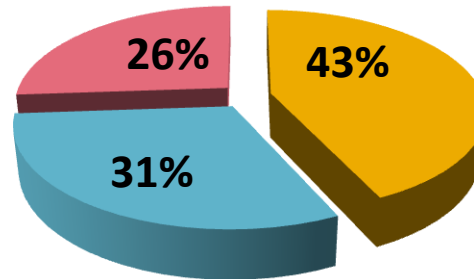
GDP growth of China

- With Chinese imports cheaper than American goods, the demand for American-made window coverings decreases. This driver is expected to increase in 2012 and this is a potential threat to U.S. manufacturers and regional fabricators. Look for *American Made* campaigns to start cropping up by U.S. window covering manufacturers to counteract this trend.



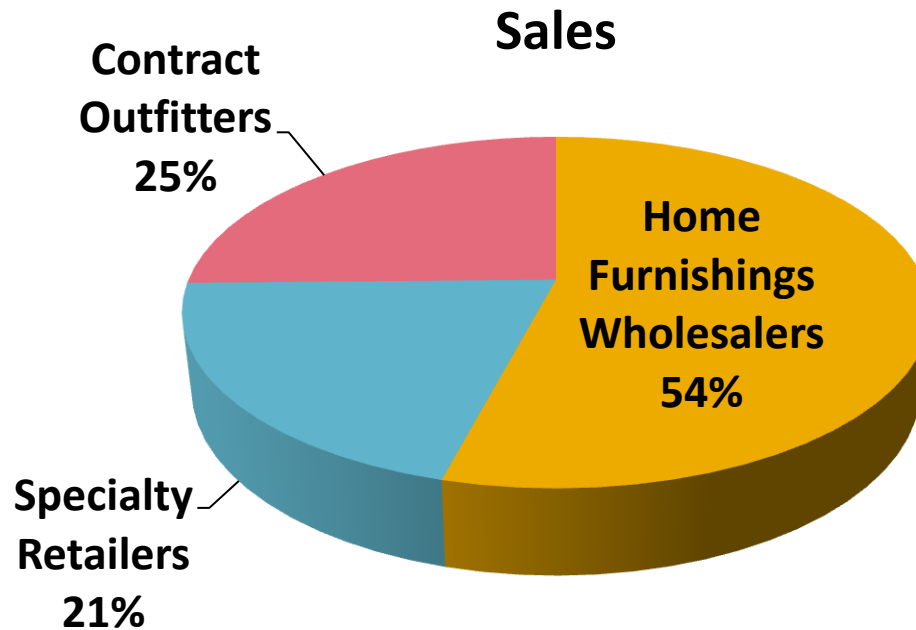
Sales

■ Blinds ■ Shades ■ Hardware and Fittings



Products and Services Market Share

- The largest product segment for this industry is blinds (Venetian, Roman, vertical, mini blinds) accounting for an estimated 43.1% (\$991.3 million) of the industry's revenue. (Showing popularity in commercial building). This segment has declined due to the decrease in commercial building construction, the largest purchasers of blinds.
- The next largest segment is shades (porch shades, shading systems, shade pulls, and window roller shades)which accounts for 30.8% (\$708.4 million) of the industry's revenue.
- The third segment, fixtures and fittings,(curtain and drapery rods, poles, rollers, as well as plastic and metal clasps) account for 26.1% (\$598 million) of the industry's product segmentation
- Market share is unchanged since 2009



Market Segmentation

- The major market segment is home furnishing wholesalers; accounts for approximately 54.1% of sales.
- The remaining 45.9% encompasses direct sales to contract outfitters and specialty blind and shade retailers. There is a growing trend for manufacturers to supply directly to customers.
- Contract outfitters create contracts with builders, designers and architects agreeing to supply window coverings once the structure built and buy directly from manufacturers. This segment accounts for 25.3% of sales and has grown in the past five years.
- Specialty Retailers account for 20.6% of the total market.

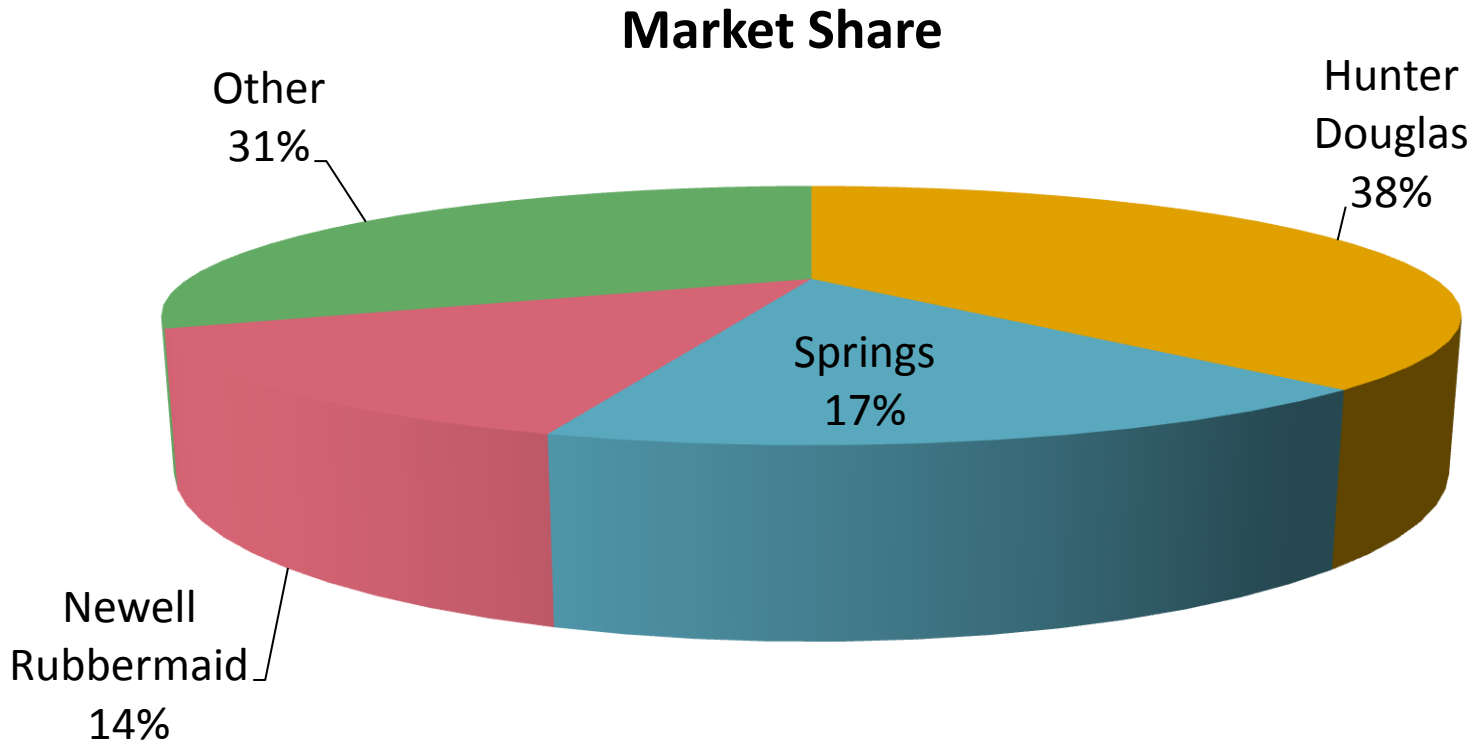
Source: IBIS WORLD

INDUSTRY PLAYERS

- The top two players account for an estimated 52.1% of market share.
- Hunter Douglas dominates with a 38.2% hold on the American manufacturing market, followed by Springs Window Fashions at 16.8% and Newell Rubbermaid (Kirsch) representing 13.9% of total industry revenue
- Hunter Douglas's dominance has come through a series of aggressive acquisitions. Hunter Douglas has lost market share falling from over 43% in 2007 to 38.2% in 2010
- Through 2016, Hunter Douglas and Springs Window Fashions are expected to acquire more companies, driving industry consolidation.

Source: IBIS WORLD

Market Share



The Runners Up

3 Day Blinds
Estimated market Share 3.4%

Somfy Systems
Estimated market share n/a

INDUSTRY PERFORMANCE

- Product saturation and general exhaustion of opportunities has created fierce competition
- The industry's contribution to overall economy is slower than GDP growth
- The industry is contracting and consolidating

THE INDUSTRY IS MATURE

- The industry is in the mature phase exemplified by high market concentration, product saturation, established technology and processes with little or no innovation, slow growth rate and rationalization of low margin products and brands.
- Industry members are also aging with 74.8% of practitioners over 50 years old.
- The industry is a highly competitive, characterized by two major players that hold a combined market share of 52.1%.
- The industry is affected by product saturation and total market acceptance of products and brands. While niche markets may exist within the industry, the range of products provided continues to remain static
- As a result, this industry is well defined and developed. The uptake of new technology has been confined to large manufacturers. Other enterprises have been trying to grow through consolidation.
- The industry's contribution to the economy is projected to decline at an annualized rate of 0.7% from 2006 to 2016, underperforming relative to the US economy's growth rate of 2.0%.

INDUSTRY COMPETITION

- Manufacturers in this industry set themselves apart from their internal competitors on the basis of their product quality, design, diversification, price, and service.
- Used and operated every day, product durability and quality is important for the company's reputation.
- Blind and Shade manufacturers need to focus on product design because their products are subject to fashion trends like all other home furnishings.
- The increasing popularity of home renovation shows has particularly spurred on consumer interest in do-it-yourself fittings, including blinds and shades.
- This renewed interest has seen a surge of new fashions and trends that industry players don't seem to recognize.

INDUSTRY EXTERNAL COMPETITION

Profitability Case for Shade Control

- Avg. Installation Time = Post learning curve - 30 minutes to 2 hours or more
- Avg. Installation Price (with variables for type of shade, power, etc.) = Installed cost for high-end roller shade install approximately \$1200-\$1500 installed, but varies by installation complexity, shade size, and shade style
- Equipment Markup = Varies by installer
- Total Gross Margin = Shades offer one of the highest GM returns of any product you install. Many dealers sell product at list price and earn 40% or more in this category.
- Battery powered shades change everything and start at \$299.00 list price
 - Simple measure and simple install = minutes versus hours
 - Simple to activate and program = minutes
- You can create a very large profitable business model around selling controllable shade systems into existing homes at redecorating and interior design phases
 - Every year, 5% of window treatments get replaced in residential homes
 - Based on 400,000,000 available windows to sell into = 20,000,000 windows annually



1. Curtain & Draperies
2. Home Automation

Example of window covering sales training for home automation pros

THE INDUSTRY OUTLOOK

- The industry has experienced volatile performance due to the impact of the changing real estate market.
- Because of this, industry revenues are expected to decline an average annual rate of 6.8% to a total of 2.3 Billion ending 2011.
- In addition to the unstable real estate market, blind and shade manufacturers will weather volatile oil, aluminum and plastic prices, which have caused high unexpected costs.
- To compensate, firms have increased their international production to ease costs.



Industry Outlook

Key Factors	Projections
Housing Recovery	Housing starts expected to increase an estimated +30%; industry revenues expected to increase 4.6% 2013 and 3.6% in 2014.
Aging Population and Renovation	Home renovations including window coverings are expected to increase as age bracket grows, Consumer wants to age in place and has disposable income. Gen Y/ Millennials will have more disposable income and are stuck in their home.
Commodity Prices	Less volatility will make it easier for firms to anticipate spending.
Imports	Expansion continues abroad. China is the wild card. If they devalue currency; production will rise. If it appreciates; window covering manufacturers will move to Mexico, Thailand, Taiwan.
Consolidation	Major firms expected to pounce on struggling firms. Businesses are expected to decline 2.3% per year through 2016 to around 300 firms.
Demographics	Consumers between 35 and 64 account for 60% of sales. With only 12% over 65 buying window

KEY SUCCESS FACTORS

Ability to alter goods and services produced in favor of market conditions

- Blinds and shades are often made to measure, and it is necessary for manufacturers to be able to adjust the standard product to suit individual requirements. This is particularly important given that fashion tastes can change in a short period of time. Manufacturers and fabricators need to put their innovation and fashion cycles for products in high gear.

Production of goods currently favored by the market

- Custom products are premium goods; they should offer high quality, value and uniqueness otherwise they face a slippery slope of becoming a commodity only differentiated by price.

Having contacts within key markets

- Established links with a number of customers, including wholesalers, contractors and retailers, are important. Manufacturers will often offer discounts to retailers if they agree to purchase 100% of their goods from one manufacturer. A practice often frowned upon by independents and window covering entrepreneurs.

Guaranteed supply of key inputs

- Access to high-quality, low-cost materials ensures that production of window coverings is not disrupted. Established links with suppliers assists a steady flow of key inputs and can also provide cost savings that arise from bulk purchases.

Highly trained workforce

- Staff is required to assemble shades and blinds efficiently and provide quality workmanship. Training would include workmanship as well as the ability to operate specific machinery.

Statistics compiled from IBISWorld and Deb Barrett
Conclusions drawn from these statistics are personal opinion of Deb Barrett
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