Forbes | INSIGHTS

U.S. SMALL BUSINESS AND MIDDLE MARKET OUTLOOK 2010

# RETAILERS AND THEIR SUPPLIERS: SMARTER. LEANER. CAUTIOUSLY OPTIMISTIC.

IN ASSOCIATION WITH: CIT

# KEY FINDINGS

- **Retailers and their suppliers have had to work smarter and run leaner,** but they believe that the lessons learned during the recent recession will help position their companies for strong and sustained growth once the economy turns.

- **Middle market retailers remain cautiously optimistic** and guarded in their outlook. A sizable number have seen their revenues grow over the past year, and two thirds expect revenues to be higher in 2011, although sales may still be below the levels seen prior to the economic downturn.

- **Retail inventory levels are rising, but retailers are doing so carefully.** Nearly 60% say their current inventory is higher than it was a year ago. At the same time, they're quick to reduce prices to speed their inventory turns, and they're using technology to track demand and purchasing more closely.

- **Retailers' capital spending will be concentrated on technology;** many are looking to expand their Internet channels in lieu of additional brick-and-mortar outlets.

- **Small and middle market suppliers show a similarly positive but cautious outlook.** Most have recently experienced revenue growth, and many will drive future growth by investing in new product development.

- **Suppliers continue to look for ways to operate more efficiently** and manage their cash flow more effectively. While a third say it is easier to manage their cash flow today than it was a year ago, 39% say it is harder.

- **Financing conditions for suppliers appears to be getting better.** Two thirds indicate their ability to secure financing has improved over the past year.

# Retail's 2010 Watchword: Prudence

It has been a rocky two years for retailers and their suppliers. The 2008 recession and the resulting plummet in consumer spending sent the retail industry reeling, and the impact is still being felt 24 months later both by stores and the vendors that supply them. And while signs of recovery are appearing, the industry continues to maintain a conservative approach along the entire supply chain—cash is being conserved, inventories have been pared, staff levels are lean, and expansion plans are carefully examined.

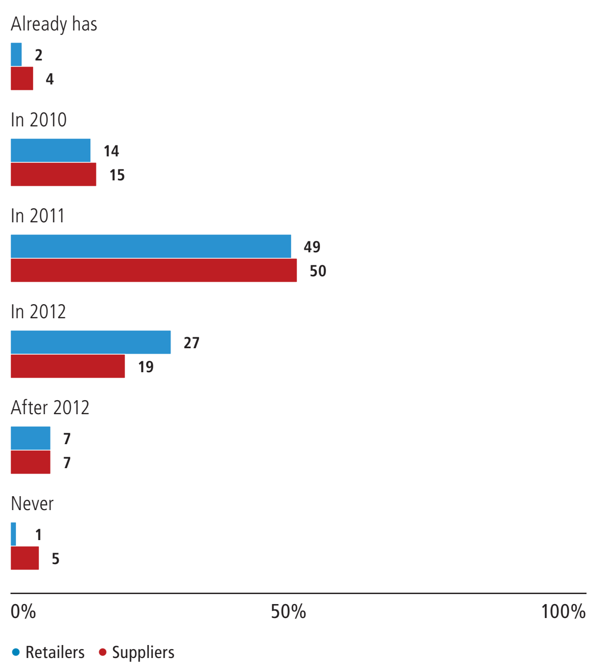
In this tougher market, retailers can no longer act as they did when consumer spending was stronger. Pre-recession, said Peter Gabbe, chief operating officer at women's intimate apparel maker Carole Hochman Design Group, "retailers did not put the same emphasis on inventory levels and turn rates. The attitude at many retailers had been if you flood the floor with product the customer will buy something. However, when the recession hit and sales plummeted, retailers found themselves heavily overstocked, including in their basic replenishment programs. This had an immediate effect on vendors holding inventory and feeding an inventory supply chain. Both retailers and vendors were forced to dump inventory to improve cash flow, and establish new tighter inventory models. The impact rippled back through the entire supply chain from raw material suppliers to factories and the entire service support industries of freight forwarding and domestic warehousing."

In response, retailers and suppliers have had to learn some hard lessons. To examine the current state of middle market retailers and their small/mid-sized vendors, Forbes Insights, in association with small business and middle market lender CIT, conducted two distinct yet complementary surveys. The first focused on financial decision makers at U.S. middle market retailers (those with annual revenues of $25 million to $1 billion), while the second surveyed small and middle market suppliers and manufacturers (with annual revenues from $2 million to $1 billion) that sell their goods through retail. Both follow up similar studies conducted in 2009.

In fact, many of the retailers and suppliers surveyed feel that brighter days are approaching. The vast majority indicated they believe consumer spending could return to 2007 levels by the end of next year. (Fig. 1) Yet they will approach this revived marketplace with a different, more cautious attitude.

Clearly, both retailers and their suppliers have had no choice but to learn how to work smarter, run leaner, and essentially do more with less. All manner of unneeded cost has been squeezed from operations. In particular, inventories are much more closely controlled. Not only are retailers stocking less of any given item, they're also far more particular about which items to stock. Moreover, both retailers and suppliers believe that the lessons learned during the current recession position their companies for strong and sustained growth once the economy turns.

**FIGURE 1:** When do you expect consumer spending to return to 2007 levels?



RETAILER OUTLOOK:
# Cautious Optimism, Guarded Growth

For retailers, the attitude today is one of cautious optimism. As John McPhee, chief operating officer at modern furniture retailer Design Within Reach, explained, "the worst appears to be over—and things are improving."

His opinion squares with the views of Frank Badillo, senior economist at consultants Kantar Retail. "We're definitely seeing more growth this year than last," Badillo explained. "Our forecast for the fourth quarter 2010 year-on-year growth is in the vicinity of 3.5%."

Retailers as a group are guarded in their outlook, although executives are confident in their organizations' competitive postures. During the worst of the economic downturn, more than a few experienced a significant degree of contraction. The result is an industry that has pared its excess inventories and operating costs, and now stands positioned to fare well with whatever the future brings.

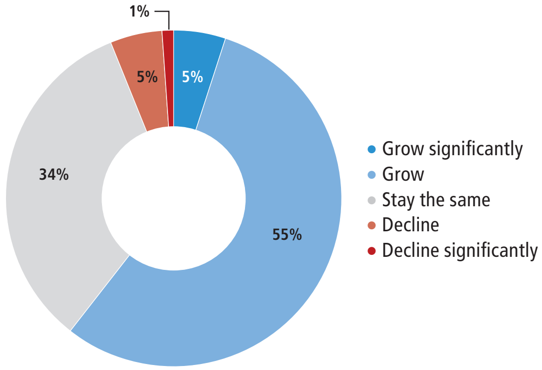
As for emphatic expectations, 60% of retailers said that over the past 12 months their revenues have grown (55%) or grown significantly (5%). (Fig. 2) Looking ahead to the next 12 months, 68% of retailers expect revenues to either grow (46%) or grow significantly (22%). Note, however, that the baseline for this growth is 2008-09 sales. In other words, sales expectations may still be below the levels seen prior to the downturn.

The overall outlook may be positive, but beneath these statistics lies a healthy dose of realism. Interviewees, for example, warned that the potential for a double-dip recession still looms. "The slowdown forced us to make a lot of changes," said an executive for a mid-sized food products retail chain in the Midwest. And going forward, "there are a lot of unknowns—there's talk of a double-dip recession—so customers are cautious and value-conscious." However, the executive explained, "whatever happens, we're in better shape now than before the downturn. We'll be here for our customers—we're in it together."

## PRESERVING PROFITS

If the downturn shifted the industry into survival mode, the recovery is now about squeezing out profits. Leaner operations often translate into higher margins, which retailers are learning can be enough to cover fixed costs and generate worthy returns across nearly any level of sales. But

**FIGURE 2:** Retail revenues
Over the past 12 months, did your company's revenues:




Over the next 12 months, do you expect your company's revenues to:

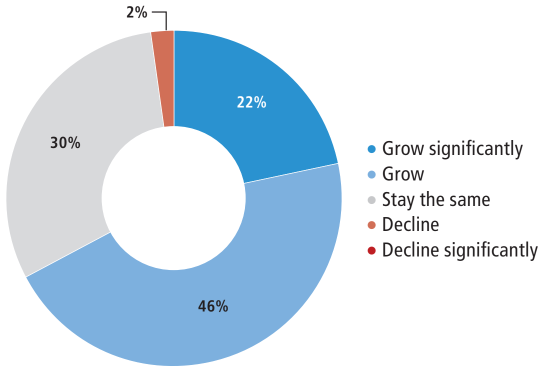
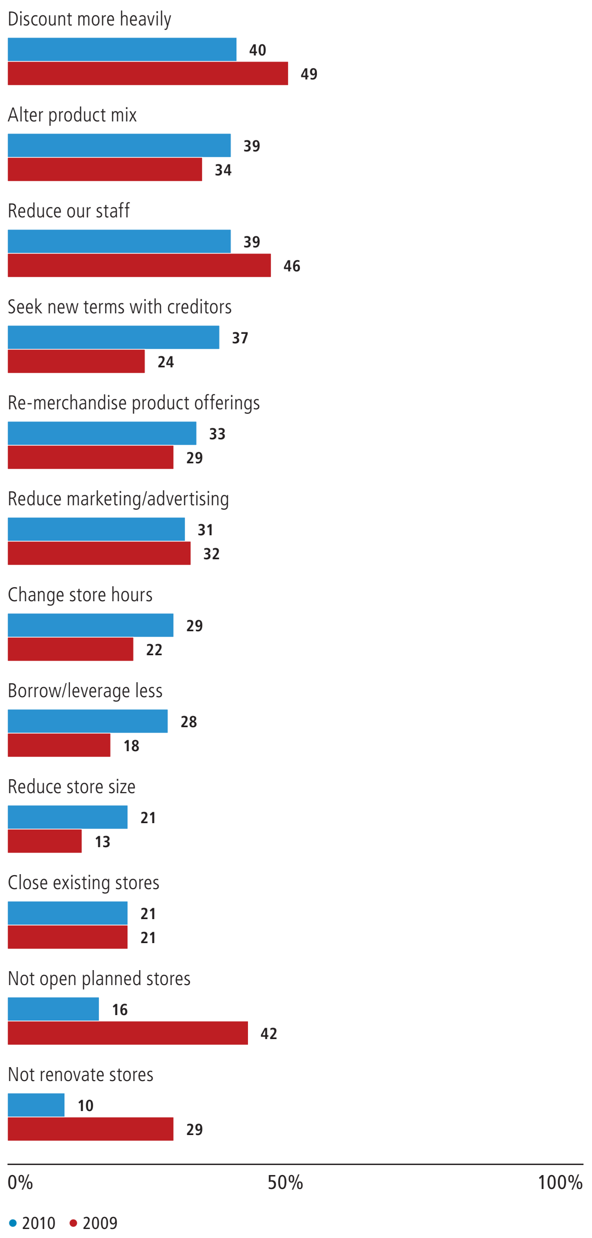


**FIGURE 3:** Did your company take any of the following steps in the past 12 months as a result of the economic downturn?




> "We've implemented a lot of changes, but the common theme is an emphasis on each location performing profitably."
>
> **—CFO,** middle market lifestyle clothing retailer

to get their organizations on that track, retailers have had to implement a wide range of initiatives.

This begins with the basics. Indeed, the 2009 iteration of this study showed that retailers were taking all manner of actions to strengthen their businesses during a rough downturn. Now in 2010, many of those same actions are still taking place—though often with less severity or frequency. (Fig. 3)

For example, in the 2009 survey, 49% of retailers said that they were discounting more heavily and 46% were taking steps to reduce their staff. These approaches remain prevalent, but in 2010 the figures have declined to 40% for discounts and 39% for staff reductions. Other containment measures are far less common. Fewer retailers appear to be scaling back expansion plans. In 2009, 42% said they would not open the number of stores originally planned. In 2010, that figure drops significantly to 16%.

Retailers also appear willing to be tougher with their suppliers and creditors. Only 24% of retailers in the 2009 survey said they had sought new terms with creditors in the prior 12 months. However, in 2010 that figure rises to 37%. Similarly, 18% said they were borrowing less in 2009, but 28% said they were leveraging less in 2010.

## HOLIDAY SHOPPING SEASON 2010:
# A FOCUS ON PROFITABILITY, NOT JUST SALES

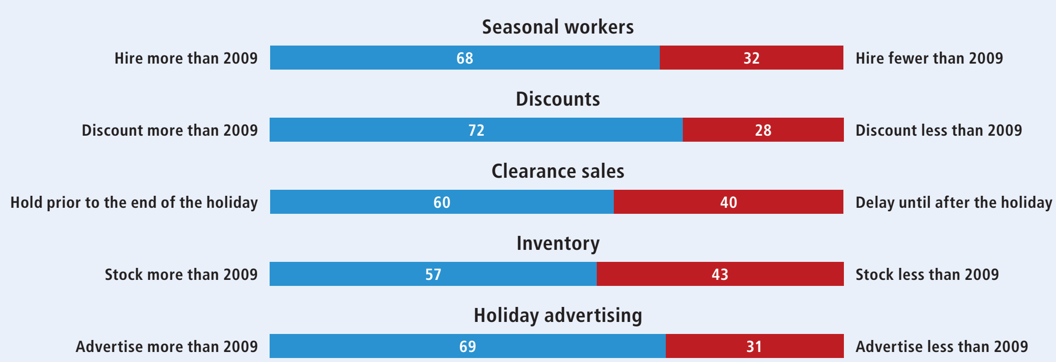
For the coming holidays, anecdotal evidence suggests that retailers are planning for growth—but they are not taking any chances. For example, the CFO of a middle market clothing retailer is "planning on sales that are 3-5% higher than 2009." However, the objective remains: to avoid missteps. As such, said the CFO, "we're running a conservative, more flexible model that can be profitable under most scenarios. Whether our holiday season customers are out in force or whether they're watching their nickels, we'll be okay."

As for statistical insight into retailers' overall outlooks, certain evidence suggests most are looking for an uptick in 2010. (Fig. 4) For example, over two thirds (68%) will be hiring more seasonal workers in 2010 than in 2009. In addition, over half (57%) said they will stock more inventory than in 2009, and over two thirds (69%) said they will advertise more aggressively.

It is important to note, however, that significant minorities are heading in a different direction—43% expect to stock less inventory than in 2009 and 31% will advertise less. However, this could also be interpreted as mere recalibration; perhaps some of these businesses overstocked and over-advertised in 2009.

Other findings demonstrate the cautious and conservative attitude of retailers for holiday season 2010. Just shy of three quarters (72%) of retailers expect they will need to discount more this year than last. But as the above-mentioned CFO explained, this is probably less a function of expected economic conditions than it is one of responding to competitor actions. "Everyone in retail (knows) that consumers are very value-focused right now," said the executive. "So this year, we all expect everyone else to be saying 'sale' here, 'sale' there, 'two-for-one'." If you're not having a sale this year, the executive predicted, "you'll be the only one."

**FIGURE 4:** Looking ahead to the 2010 holiday shopping season, which of the following do you expect to do?



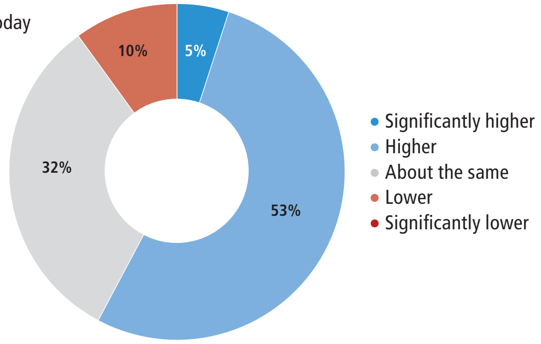
## WATCHFUL EYES ON INVENTORY

Beyond these basic defensive measures, retailers will be taking extreme care with their inventory. Many were surprised by the sudden drop in consumer spending at the end of 2008, and they were caught off guard with large amounts of slow-moving inventory. In 2009, they reacted by reducing inventory levels. Today, they are getting ready to replenish their shelves…but they'll be doing so carefully, with a vigilant eye on any shifts in demand.

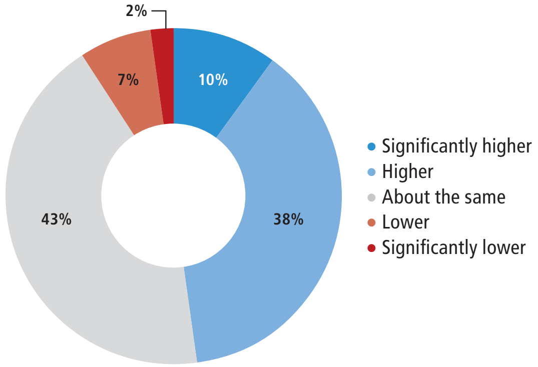
In the 2010 survey, nearly 60% of retail respondents said their current inventory is higher than it was a year ago. (Fig. 5) Just 10% said it is lower. And looking ahead 12 months, almost half expect these levels to be higher than they currently are.

**FIGURE 5:** How do your current inventory levels compare to what they were 12 months ago? Where will they be 12 months from now?

Today




12 months from now




## TUESDAY MORNING: TARGETING TODAY'S THRIFTY CONSUMER

For a retailer specializing in housewares and furnishings, a down economy and a weak housing market could spell trouble. But Tuesday Morning saw its second quarter 2010 sales rise 6.4%, and, said president and CEO Kathleen Mason, "we're showing strong profitability." Indeed, the company anticipates diluted earnings for fiscal year 2010 in the range of 24-26 cents per share—up from zero cents in 2009.

What's the recipe for this success? "It's having the right products at the right prices," said Mason. Tuesday Morning may be ideally positioned for today's economy; it buys top-quality closeouts then offers the products at steep discounts. "That's a model that works well in any economy," said Mason, but it seems to be working especially well among "today's thriftier customers."

Mason attributed the retailer's increased profitability to a focus on efficiency. "We put the pedal to the metal," said Mason, asking the entire organization to boost sales while keeping a lid on costs. The company is also running "with less inventory," said Mason, an initiative supported by new software systems designed to deliver greater visibility up and down the supply chain.

Overall, leaner inventories, lower operating costs, and improved sales are adding up "to stronger earnings and significantly improved cash flow," said Mason. "We've got further to go, but that doesn't mean we're not pleased with the results."

### DESIGN WITHIN REACH: PRIVATE EQUITY TO THE RESCUE

Rebounding furniture and decor chain Design Within Reach was a retailer in distress when it accepted a cash infusion from Glenhill Capital Management a year ago. Enter John McPhee, installed as chief operating officer in January 2010, and charged with finding ways to help turn things around. "To get from losing money to at some point making money, you've got to turn over every rock," said McPhee. And the rock in this case, he added, "is inventory management."

Inventory management had long been a sore spot for the retailer. The problem in the past was that planners were spending so much time trying to piece together the demand picture that there was very little time left over for analysis. Moreover, the data was often inaccurate, outdated, or incomplete.

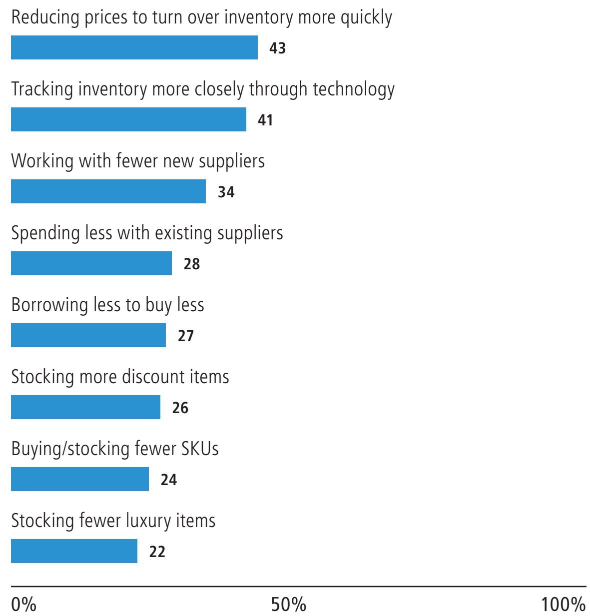
McPhee knew the company needed better technology. So after speaking with other retailers such as Restoration Hardware and Levi Strauss, the company chose a new software solution from JustEnough. "It's an inventory control and demand forecasting package with very high levels of built-in logic," said McPhee.

Using the system, the company can operate not only with fewer planners, but with those remaining able to focus "on higher value-added analysis," said McPhee. Now, DWR can "can increase our turns, carry less inventory in the warehouses—and avoid markdowns."

Next on the radar is a close look at suppliers. "Our best suppliers work with us and we all share information." But today, the company is hoping for even more. As DWR becomes more sophisticated in managing its own inventory, "any supplier that can supply us in a week or two will move up in relative importance." Today, said McPhee, "speed counts."

And at the same time, the retailer is doing what it can to better service its own customers. "We're using salesforce.com to load up our customer histories into a database," said McPhee. "It's all accessible through a BlackBerry. So when a customer comes in or sends an email, we know who they are and what they've done with us in the past. It will really improve our customer service."

**FIGURE 6:** Over the past 12 months, which of the following actions were your top priorities to gain greater control over your inventory?

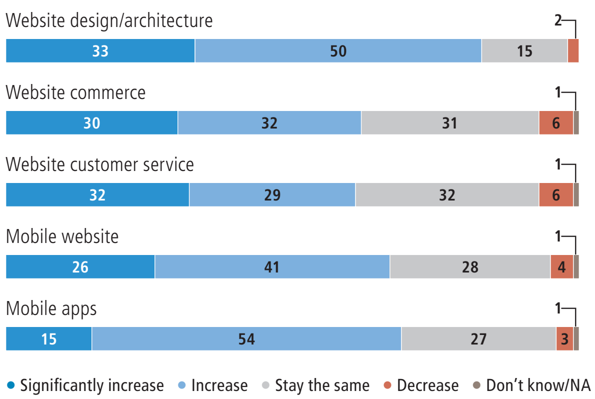



One area of particular focus is inventory management—using technology to track demand and stock more closely. Here, as the survey reveals, retailers have been quick to reduce prices to speed their inventory turns (43%). (Fig. 6) Just as importantly, 41% said they have been deploying technology to help achieve greater inventory efficiency—a move illustrated by the actions of Design Within Reach (See sidebar, left).

Largely owing to such control measures, many retailers are again reporting profits. For example, the CFO of a middle market lifestyle clothing retailer explained, "our sales are up from 2009, just not by much." But owing to shifts such as leaner inventories and streamlined costs, the company is posting consistent store-by-store profits. "We've implemented a lot of changes, but the common theme is an emphasis on each location performing profitably. Today, that's happening—and that's the end result of working harder and smarter," he said.

**FIGURE 7:** Looking ahead to the next 12 months, what will be your priorities in terms of capital expenditures?


**FIGURE 8:** Regarding your digital strategy, how will your spending change in the following areas over the next 12 months:




In terms of inventories, the company has been relying on smaller, but more frequent purchases as a way of keeping its turns in check. This strategy has required the chain to work more closely with its suppliers. "We're sharing more sales information with suppliers, letting them know what we'll probably want more of, so as to try and shorten the lead times as much as we can," said the CFO.

## HARNESSING TECHNOLOGY

Even while maintaining a conservative posture, retailers also expect to make capital expenditures. But much of that spending will be geared toward using technology to help them gain greater control over both their customer-facing and back-end operations. For example, while pre-recession expansion often focused on adding stores, post-recession, retailers are looking to boost their Internet presence and more fully integrate their online operations with their brick-and-mortar outlets.

In fact, when asked about their capital spending for the next 12 months, retailers chose technology-focused initiatives in three of the top four spots, with nearly half (47%) expecting to invest in expanding their Internet channels. (Fig. 7) Clearly, retailers are embracing both Internet and mobile technologies to expand customer reach and interaction. Retailers also are moving quickly to implement technologies to streamline inventory management and related processes.

Specifically, over the next 12 months, 83% of retailers expect investments in their website architectures to either increase (50%) or significantly increase (33%). (Fig. 8) Meanwhile, 69% will increase their investments in mobile applications, 67% will spend more on their mobile websites, and 66% will increase spending for integration between in-store and technology-enabled channels.

## SUPPLIER OUTLOOK:
# Buoyed by Buying, But Uncertainty Looms

Suppliers and manufacturers to the retail industry display sentiments similar to those of their customers. Their mood is positive but decidedly cautious. As Jeffrey Siegel, chairman and CEO of housewares maker Lifetime Brands, explained, "things are better than last year, and certainly much better than the year before, but there's still a good deal of uncertainty."

And, like retailers themselves, suppliers and manufacturers are finding they need to work harder and smarter. As Gabbe of apparel supplier Carole Hochman Design Group explained, "retailers have always demanded a lot from their suppliers—but those demands are greater today than ever before." Margins, said Gabbe, "are being squeezed as never before." Consequently, "if you don't get smarter and more efficient, you've got a serious problem."

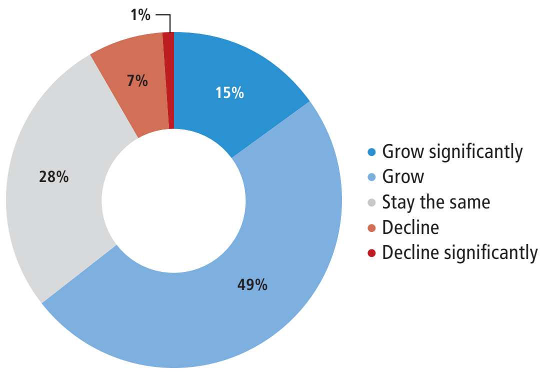
### A GROWTH AGENDA

Overall, the outlook is strongly positive. Looking back to the past year, almost two thirds of suppliers saw their revenues grow. (Fig. 9) Over the next 12 months, the outlook is even brighter, as 74% of suppliers anticipate growth. In this instance, Lifetime Brands is an example of a company in the latter category. As Siegel explained, "based on current order flow, we expect 4% to 8% growth over 2009."

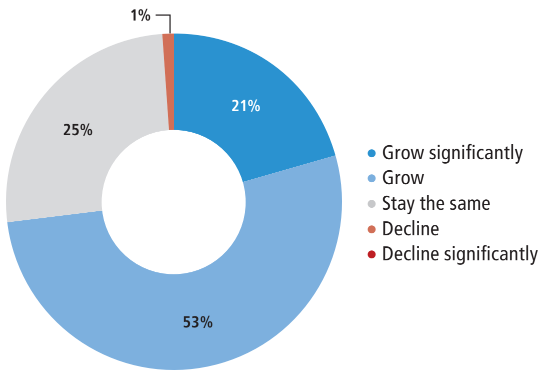
Interestingly, while operating more efficiently is still crucial to revenue improvement, suppliers appear ready to loosen their purse strings a bit and look to new product

**FIGURE 9:** Supplier revenues

Over the past 12 months, did your company's revenues:




Over the next 12 months, do you expect your company's revenues to:

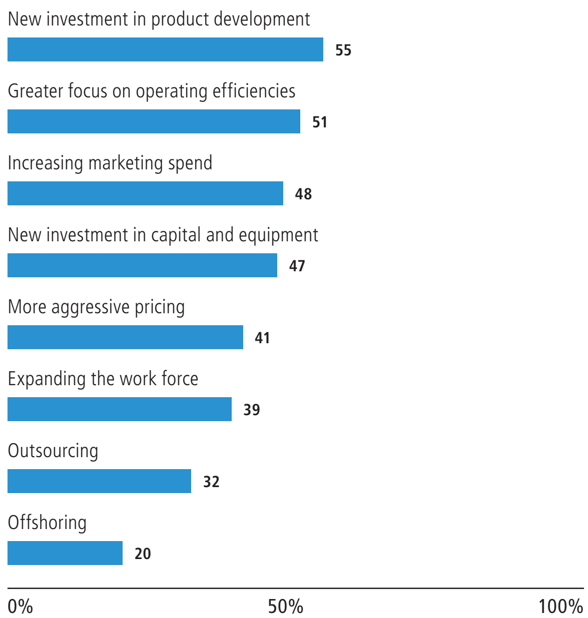



### LIFETIME BRANDS: IT'S A NEW PLAYING FIELD

According to Lifetime Brand's chairman and CEO Jeffrey Siegel, retailers "have fundamentally changed their business practices." For example, said the executive of the housewares manufacturer, "they're carrying much less weeks on hand." And though these and other changes were introduced during an economic downturn, "we fully expect it to continue for the long term—which means we had to change how we work too."

Addressing inventory, the company faced a steep challenge in managing 15,000 SKUs and more than a thousand retail customers. So a key step was implementing a comprehensive inventory management software package. But even more important, said Siegel, "was training our sales force and our planners to work more closely with retailers." Some retailers, when so engaged, "are wonderful at sharing demand information," said Siegel. "That makes it so much easier to fulfill and reduces costs for everyone." Overall, said Siegel, "technology is essential, but you also need cooperation."

**FIGURE 10:** What additional steps will your company take to achieve/support this growth?



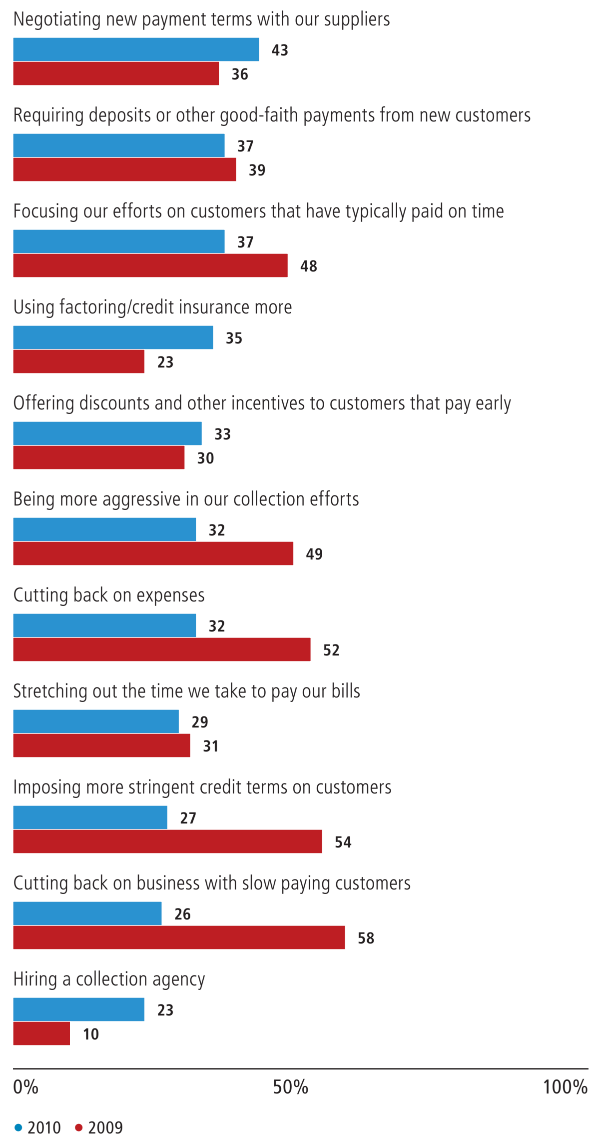

lines to boost revenue. In fact, investment in product development is the top strategy many of these companies will use to grow their revenues. (Fig. 10)

Companies are also looking to make their operations more efficient. Noted Lifetime Brands' Siegel, "we've eliminated some excesses." Specifically, the company closed a cash-consuming division and closed two of its three warehouses in California. "They were pretty much within walking distance of one another," said Siegel, a consequence of various acquisitions over the years.

## FEWER DRASTIC STEPS

The 2010 survey also shows that many of the more drastic measures manufacturers imposed in 2009 are now being eased. For example, in 2009 58% of suppliers said they had cut back on slow paying customers. But in 2010, the figure declined to 26%. (Fig. 11) Similarly, in 2009, 54% said they had imposed more stringent credit terms on retail buyers. But in 2010, that figure declined to only 27%.

**FIGURE 11:** What are you doing today, that you did not do 12 months ago, to manage your company's cash flow?



## GOLD MEDAL INTERNATIONAL: SOMETHING'S GOT TO GIVE

In a down economy, it pays to "be in the business of selling basics," said Paul Rotstein, president and CEO of hosiery and accessory maker Gold Medal International (GMI). "Selling socks and accessories, some branded and some private label goods, we're anti-cyclical. So we're doing quite well, and we expect sales will be up around 10% this year."

One of the reasons for growth in a down economy is the company's advanced inventory management capability. According to Rotstein, GMI has been ahead in this area for nearly a decade and continuously refines its software and systems. "This is a weekly replenishment business," said Rotstein, "and we're very sophisticated—we know what to ask, what information to collect to build an accurate forecast." So now that retailers are more focused on leaner inventories, "we've been able to gain business because of our capabilities in forecasting and fulfillment."

Nonetheless, Rotstein sees competition in retail heating up. For example, "brands are getting more competitive—they're promoting heavily." And at the same time, retailers "are doing all they can to roll back prices." However, Rotstein believes the industry has reached its limits. "If you looked at supply six to eight years ago, yes, there was still a bit of fat in the system," the executive explained. However, today, "there's not much more suppliers can do. Costs are just about as low as they can go."

Consequently, Rotstein said, the apparel industry is about to experience inflation. "Apparel cannot remain deflationary forever," he explained. And while higher prices for retailers and ultimately consumers may not hit this holiday season, according to the executive, "they will soon enough. The fact is, something's got to give. The only question is when."

Of course, this may indicate that the harshest measures already were implemented in 2009, meaning less action was needed in 2010. For example, in the 2010 survey, only 32% said they are cutting back on their expenses, down from 52% in 2009. "The bulk of the cost cutting took place a year or more ago," said Carole Hochman Design Group's Gabbe. "Today, it's much more a case of cost consciousness/awareness."

There are many examples of companies expanding their use of a range of tools and techniques for managing cash flow in challenging circumstances. For example, the number of suppliers that said they have begun to use factoring or credit insurance rose from 23% in 2009 to 35% in 2010. Similarly, the number of suppliers that have hired a collection agency rose from 10% in 2009 to 23% in 2010.

**FIGURE 12:** Is it easier or harder today to manage your company's cash flow than it was 12 months ago?

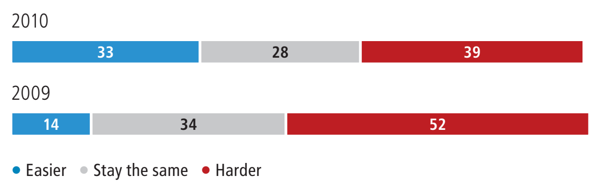



**FIGURE 13:** Over the next 12 months, do you expect your company's financing needs to:

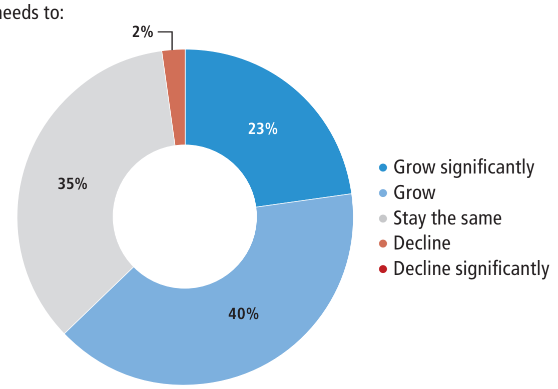


**FIGURE 14:** If you plan to seek financing over the next 12 months, what will you use it for?

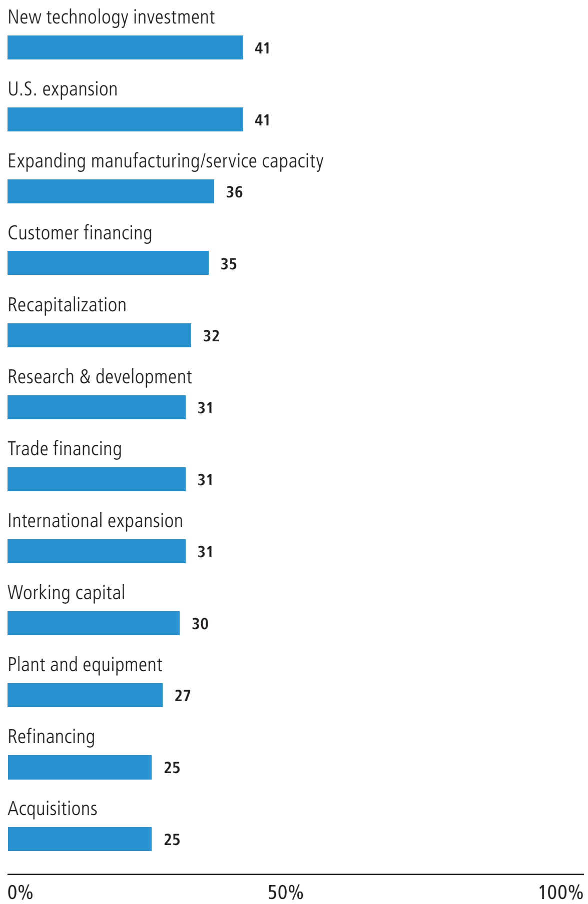
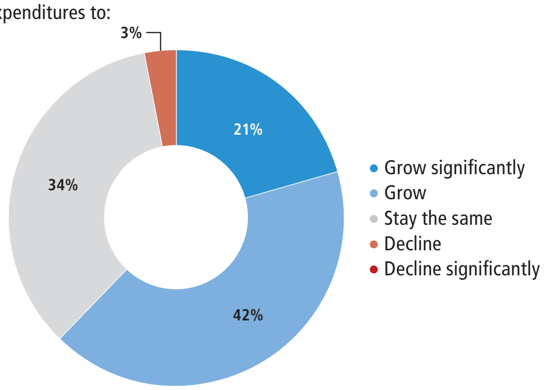



**FIGURE 15:** Over the next 12 months, do you expect your company's capital expenditures to:




However, suppliers don't feel they are out of the woods yet. For example, 33% said that cash flow management is easier now than in the 12 months prior. (Fig. 12) But at the same time, 39% said cash flow management is harder than in the prior 12 months. It is important to place such findings in perspective. The numbers here are healthier than what was observed in the 2009 survey when only 14% said cash flow management was easier and 53% described matters as more difficult.

## FINANCING PRESSURES EASE

But if views in other areas are mixed, when it comes to financing, the message is clear: conditions are much improved. As evidence, 67% of survey participants said their ability to secure financing improved—8% saying significantly so. Conditions worsened for only 6% of the sample while remaining the same for 25%.

Closely related, in 2009, only 58% of suppliers and manufacturers indicated they were satisfied with their access to financing. However, in 2010, a full 77% said they were satisfied. Similar improvements occurred in attitudes toward the cost of financing and variety of financing alternatives available.

Improved banking and capital market conditions are especially good news given the industry's expectations for future financing needs. Nearly two-thirds of suppliers and manufacturers said they expect their financing needs over the next 12 months to grow (40%) or grow significantly (23%). (Fig. 13)

Among those who will seek additional financing in 2010, the most frequently cited applications include new technology (41%), U.S. expansion (41%), capacity expansion (36%), customer financing (35%), and recapitalization (32%). (Fig. 14) And closely related, 63% of suppliers expect capital expenditures to either grow (42%) or grow significantly (21%). (Fig. 15)

# 5 Lessons for a Leaner, Meaner Value Chain

What all of this points to is an industry, comprised of retailers and suppliers/manufacturers, that is transforming top to bottom. Though each company and every segment of retail or supply features its own nuance, the lessons learned in the current downturn are driving a range of new behaviors and initiatives.

> "It can't be business as usual in retail. Things are a lot more competitive."
>
> **—John McPhee,** Design Within Reach

### CASH FLOW IS KING

Prior to the downturn, retailers didn't always look at their spending efficiently. For example, many confused profitability with expansion and thus committed too much capital to new store openings. Similarly many retailers carried excess inventory or merely allowed their headquarters operations to become bloated. Today, all eyes are on cash flow, or in other words, more astute working capital management. That means leaner inventories and tighter controls regarding expenses and spending.

### PROFITS CAN BE BUILT THROUGH FLEXIBILITY

In the past, both retailers and suppliers grew their footprints in lockstep with what later proved to be overheated demand. Now, the recognition is settling in: business models should build a degree of flexibility into capacity so companies are able to operate profitably given a range of sales volumes.

### EFFICIENCY POWERS GROWTH

The focus on profitability and capital conservation leads retailers and suppliers alike to take a closer look at how they can get more from existing operations. Retailers have taken steps such as providing better training to sales associates and better managing the product and pricing mix to boost individual store sales and profitability. Similarly, they are making incremental investments in highly efficient and profitable channels such as Internet and mobile commerce—essentially getting more from these existing but underutilized vehicles. Suppliers, meanwhile, are taking steps such as consolidating warehouses or turning to more flexible outsourced or contract-based manufacturing.

### USE TOOLS TO MAKE SMARTER DECISIONS

Both retailers and suppliers are investing in inventory management software to help them make informed decisions about purchasing and demand. They are using these programs to improve forecasting, optimize inventories, organize procurement, and manage production.

### COOPERATION YIELDS MUTUAL BENEFITS

The downturn has proved to be a powerful reminder that the fates of retailers and suppliers are inextricably linked. Any fat in the supply chain has been cut—meaning retailers will not be able to replicate the cost reductions achieved in prior years. Meanwhile, sharing forecasted and actual demand information throughout the supply chain has been shown to result in lower overall costs and stronger performance. In general, retailers and suppliers have ample incentive to cooperate more effectively.

As DWR's McPhee noted, "it can't be business as usual in retail. Things are a lot more competitive. You can't allow inefficiency at any point. You have to expect more from your suppliers. And you have be smarter and more responsive to your own customers."

## METHODOLOGY

The information in this report is based on the results of two surveys and a series of one-on-one interviews conducted by Forbes Insights in July and August 2010.

In the first survey, Forbes Insights, in association with CIT, surveyed 111 executives and financial decision makers at middle market retailers. All companies had revenues of $25 million to $1 billion. Respondents represent a broad range of retail segments including specialty apparel, consumer electronics, appliances, sporting goods, convenience stores, housewares, and discount chains. All those surveyed had senior-level titles (including CEO, COO, CFO, VP) and functional responsibility for finance, strategy and business development, or general management.

In a second, related survey, Forbes Insights, again in association with CIT, surveyed an additional 150 executives and financial decision makers at suppliers to the middle market retailer sector. Here, revenue ranges were from $2 million to $1 billion with 27% coming in at under $100 million. These suppliers represent a broad range of segments including apparel and accessories, consumer electronics, housewares, footwear, home furnishings, and other consumer product industries. All surveyed had senior-level titles (including CEO, COO, CFO, VP) and/or functional responsibility for a business unit or department. Nearly two-thirds were either a CEO or owner. Companies surveyed were not necessarily clients of CIT.

Additional notes:

- Figures in parentheses represent specific survey findings, detailing the percent of respondents that selected a particular response. They are not meant to indicate negative results.
- References to 2009 results come from *U.S. Small and Middle Market Outlook 2009: Retailers and Suppliers Take Stock of Economic Downturn*. This complete study can be viewed at: www.forbes.com/forbesinsights/CITretail09

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