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**Latest Group Outlook Survey from Prime Advantage Indicates Manufacturers Becoming Optimistic About Economy**

*Almost 40 Percent Predicting Revenue Increase in Last Half of 2009*

CHICAGO, September 2, 2009 - Prime Advantage, the leading buying consortium for midsized industrial manufacturers, announced the findings of its fourth *Prime Advantage Group Outlook (GO) Survey*, revealing the top economic concerns of midsized industrial manufacturers for the remainder of 2009. The study results reflect a growing sense of optimism returning to the manufacturing sector, in terms of improved revenues, customer demand and hiring expectations.

Among the highlights of the survey findings, 80 percent of respondents indicated that they expected revenue for the second half of 2009 to either stay the same or increase. This is a dramatic turnaround from the February *GO Survey* in which only 38 percent were predicting revenues to either stay the same as 2008 or increase. Also, just 31 percent said that capital spending would likely decrease from the first half of 2009, whereas the February *GO Survey* results found 66 percent of respondents indicating that capital spending would decrease from 2008 levels.

This turnaround is reflective of US Commerce Department data showing durable goods orders increased nearly five percent in July, and that they have steadily increased over the past few months. In addition, the ISM's PMI for August is also at its highest level in more than a year, and has reached a growth mode for the first time in 20 months.

Survey data was collected in August from 96 representatives of industrial manufacturing companies, including business owners, vice presidents of procurement and purchasing professionals. The survey polled respondents on their projections for the next six months of the year, in comparison to the past six months.

"The results of the latest *Group Outlook Survey* show that small and midsized industrial manufacturers, across many sectors, are seeing new orders materialize after many months of slow activity due to challenging financial and economic conditions, as they capitalize on new product development and new market penetration" said Louise O'Sullivan, president and founder of Prime Advantage. "With inventories lean, and reflective of demand, many manufacturers waited to replenish stock until as late as possible, but these results indicate that the recovery is starting to gain traction across a broad spectrum of our economy and that new orders are coming in."

**Economic Outlook**

Forty-three percent of respondents expect revenues to stay the same as the first half of 2009, up from the 26 percent that projected no increase from 2008 levels in the February *GO Survey*. Meanwhile, 25 percent expect revenue to increase *up to* ten percent and 12 percent are predicting an increase of *more than* ten percent for the rest of 2009.

In total, 80 percent are now expecting revenues in the last half of 2009 to either stay the same or increase, as opposed to just 37 percent of respondents believing revenues would stay the same or increase from 2008 when they responded to this question in February.

In addition, 86 percent of respondents indicated that capital spending for their US locations would either stay the same (55 percent) or decrease (31 percent) from the first half of 2009.

Yet, just 12 percent said they have seen an increase in business this year stemming from the American Recovery and Reinvestment Act, while 33 percent said they expected to see an increase in 2010 or later from the ARRA economic stimulus program.

Top sourcing concerns for the second half of 2009 are an ability to focus on business process issues, such as cost savings and efficiency measurement, with 36 percent in agreement, followed by an ability to manage costs of raw materials (32 percent) and the costs of components (31 percent).

### **Top Expected Cost Pressures for Second Half of 2009**

For the fourth *GO Survey* in a row, raw material costs (such as metals and plastics) are the top cost pressure concern, as cited by 53 percent. However, this has come down from the past two surveys, when 67 percent (Feb. 2009) and 93 percent (July 2008) mentioned it as the top cost pressure concern.

Overhead costs again ranked as the second greatest cost pressure at 24 percent (and down 26 percent from the February 2009 *GO Survey*, when it was cited by 50 percent of respondents). Logistics/supply chain costs continue to rank among the top three concerns, with 40 percent in agreement.

The top external concern facing small and midsized manufacturers is customer demand at 58 percent. This can be seen as an encouraging sign, since 83 percent indicated customer demand was their greatest concern in the February *GO Survey*. The second greatest concern was the state of credit markets and interest rates at 21 percent, followed by the 'cost of non-fuel commodities' at 16 percent.

### **Purchasing and Sourcing Strategy**

All sectors of the economy have had to make concessions in 2009, and purchasing professionals are no different. Asked about what critical tasks have become lower priorities due to limited resources, 46 percent said the need to reduce or control costs on low volume items had been put on the back burner, while 42 percent said that the need to identify alternative and back-up suppliers and the need to implement a supplier evaluation system had been de-emphasized.

"Survey results indicating that procurement professionals have less time to implement supplier evaluation programs reinforces the confidence our members have in our ability to provide these services for them," said O'Sullivan. "It is at times like this when we are proud to be able to provide our members with a supplier network that is both pre-qualified and regularly audited, enabling our Manufacturer Members to have confidence in any Prime Advantage Supplier they would choose as a partner."

Eighty percent of survey respondents agreed that the level of direct goods they purchase from US-based vendors over the next 12 months would either stay the same (52 percent) or rise (28 percent).

Also, for non-US based vendor purchases, 66 percent said they would look to China as their low cost country of choice, while 14 percent said they would look to Mexico, 5 percent said they would look to India, and 15 percent said they would look outside these three locations.

### **Planning for the Future**

Study results reveal that inflation is also a concern for small and midsized manufacturers, with 90 percent saying that they have seen or expect to see rising prices on raw materials over the next six months. In addition, 57 percent indicated the same belief for energy costs and 56 percent indicated this for the cost of components.

However, 82 percent said they believe their employment ranks will either stay the same or increase by the end of 2009.

And for the first time, respondents provided some insight into their marketing priorities, with 87 percent of respondents indicating that they allocate less than 25 percent of their overall marketing budgets to online marketing activities.

*Methodology:* In August, Prime Advantage surveyed executives and purchasing professionals that represent durable goods manufacturing firms, with annual revenues ranging between \$10 million and \$10 billion, of which the majority ranges between \$20 million and \$500 million. The survey received an 18% percent response rate from 528 professionals representing US-based manufacturers in more than 25 different industries, including commercial foodservice, packaging, truck and trailer, material handling, food processing and construction.

Since its inception, Prime Advantage has returned more than \$82 million in rebates and discounts to its members. These real savings are helping U.S. manufacturers gain a powerful competitive advantage in the face of economic instability.

*\*Graphics available upon request*

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#### **About Prime Advantage**

Founded in 1997, Prime Advantage is a buying consortium for industrial manufacturers with more than 600 members and more than 110 endorsed suppliers. For more information on Prime Advantage, visit the website at [www.primeadvantage.com](http://www.primeadvantage.com).