



2012 CMA Cabinet Industry Benchmark Study

Annual Survey of Business
Trends and Best Practices

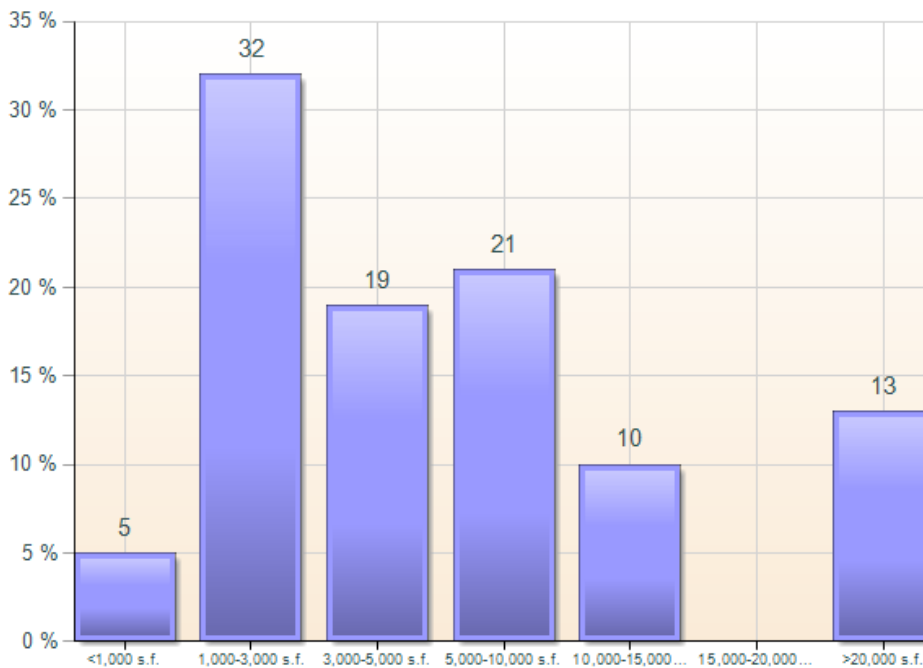
Overview

The goal of this study is to document industry practices and begin to lay the groundwork for a better understanding of what is (and is not) driving business growth among professional woodworkers. This first effort will be expanded upon in subsequent iterations as feedback is provided and the study attracts greater participation. Our hope is that this first effort will provide insights that participants can use to benchmark their own operations and potentially impact their decisions on areas such as sales and marketing, equipment and technology, staffing and more.

About the Respondents

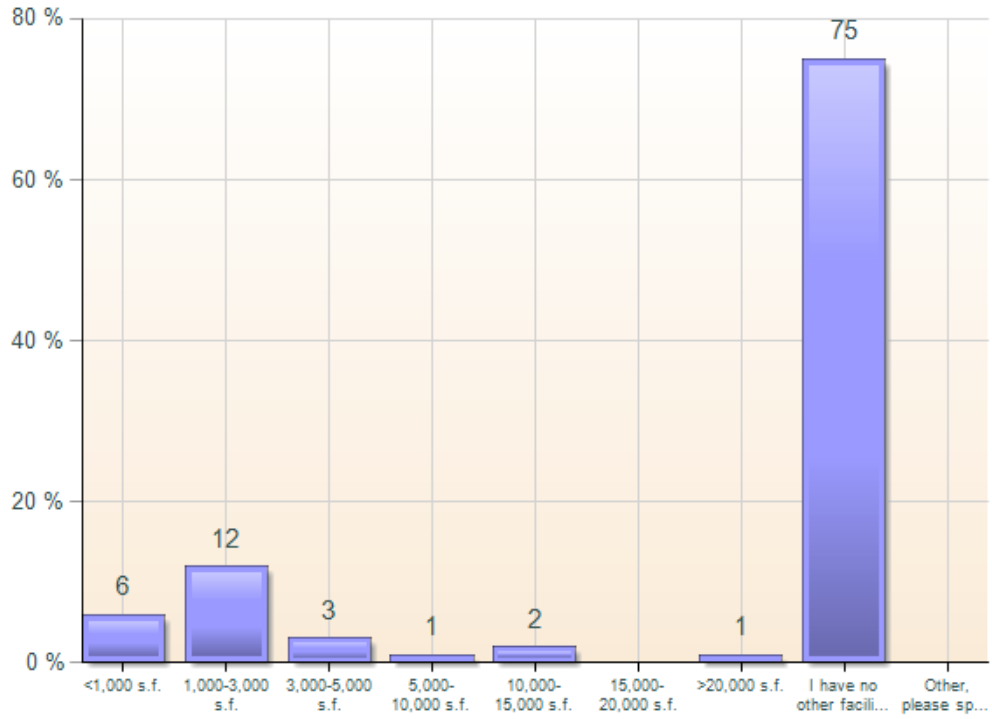
Survey participants were predominantly from smaller shops, with more than half (56%) representing shops with 5,000 s.f. or less of space, and a similar percentage (57%) reporting revenue of \$500,000 or less in 2011, while 28 percent reported revenues above \$1 million (including 14% over \$2.5 million). Most respondents (84%) are the founders of their businesses.

What is square footage of your primary facility?



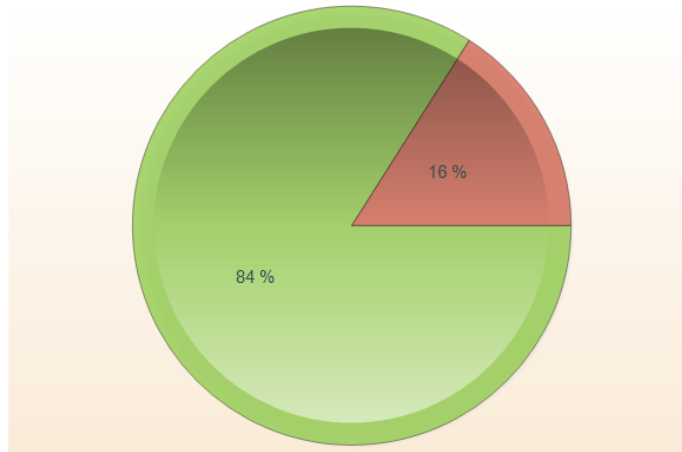
Most respondents (75%) have only one facility, and of those reporting additional facilities, the most common size is between 1,000-3,000 s.f.

What is square footage of your other facility(s), if any?

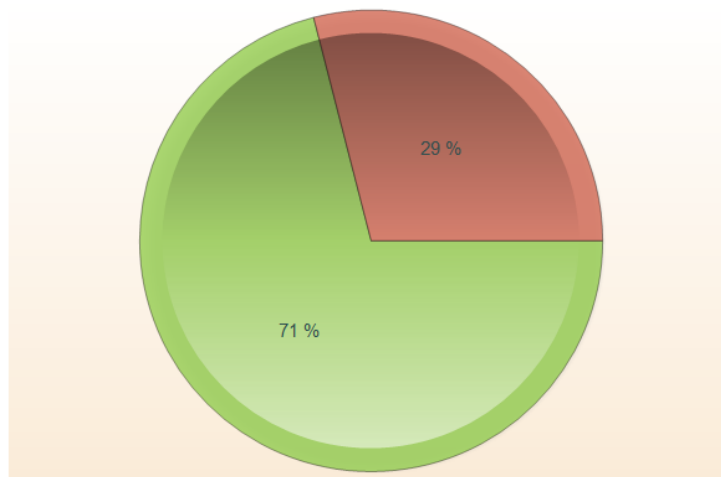


Most participants operate within a fairly large radius from their primary facility, with the largest percentage (42%) indicating that they handle projects 50 miles or further from their shops.

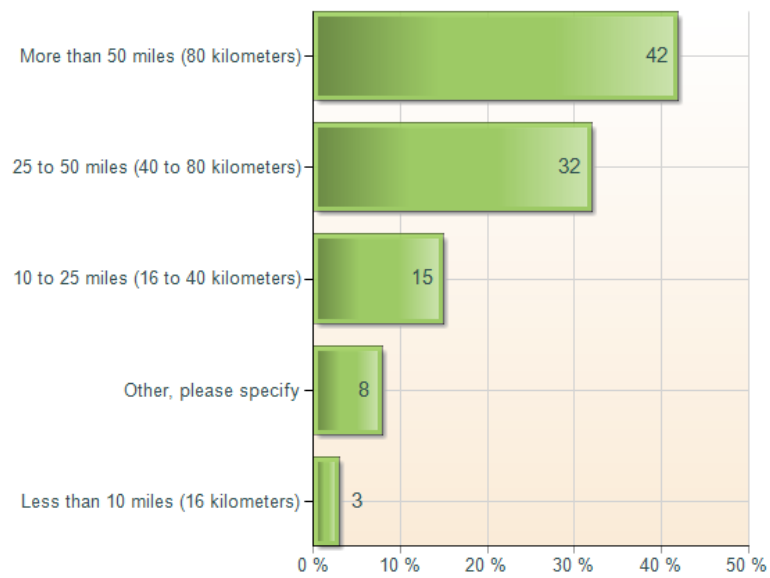
Is your facility located within your primary market area?
Yes No



Is your facility located in the center of your market area?
Yes No

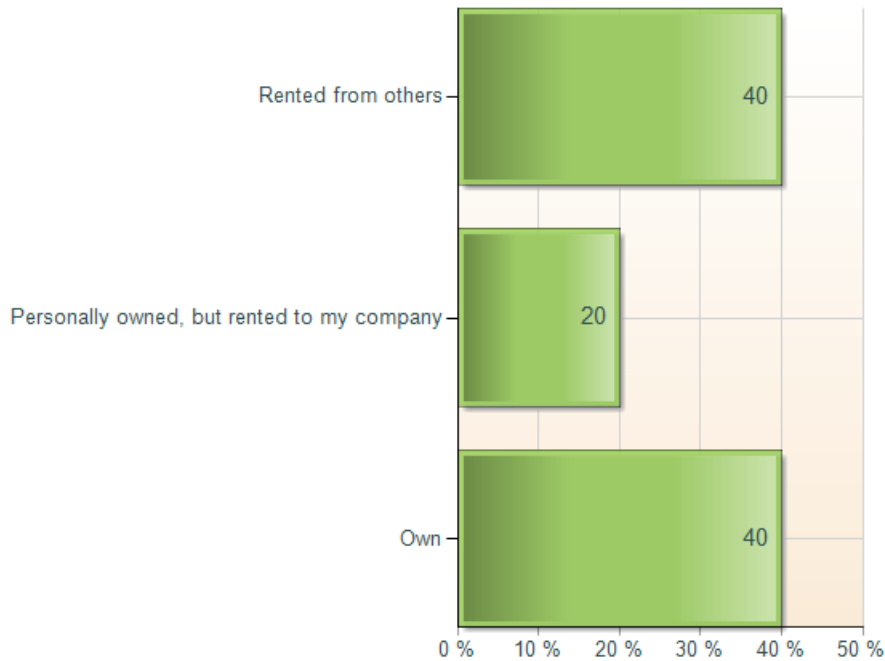


What radius do you serve from the center of your primary market area?

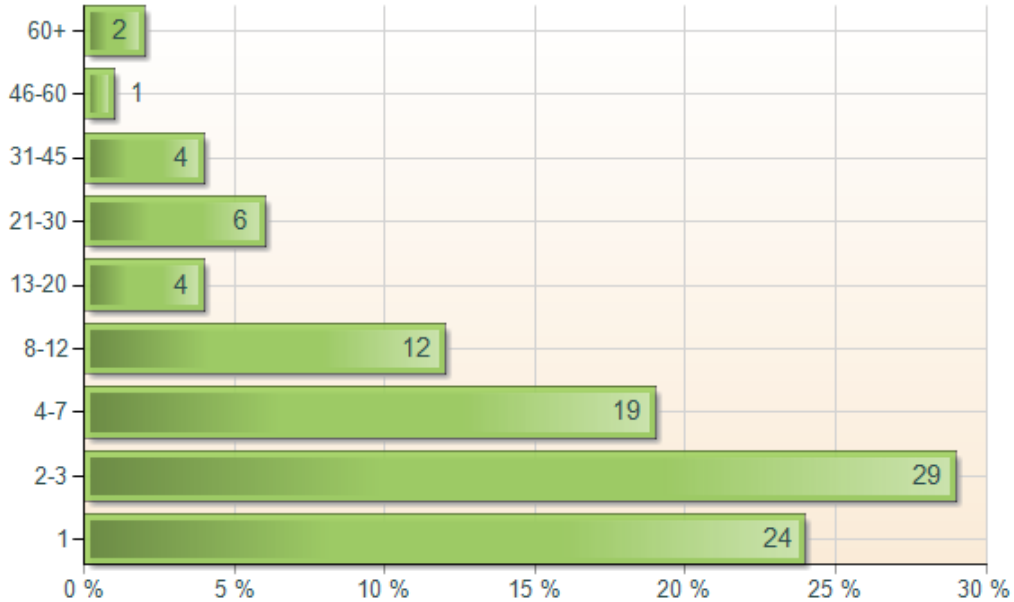


Six out of ten respondents (60%) own their facilities, with 40 percent owning them outright and 20 percent owning them personally and renting them to the company.

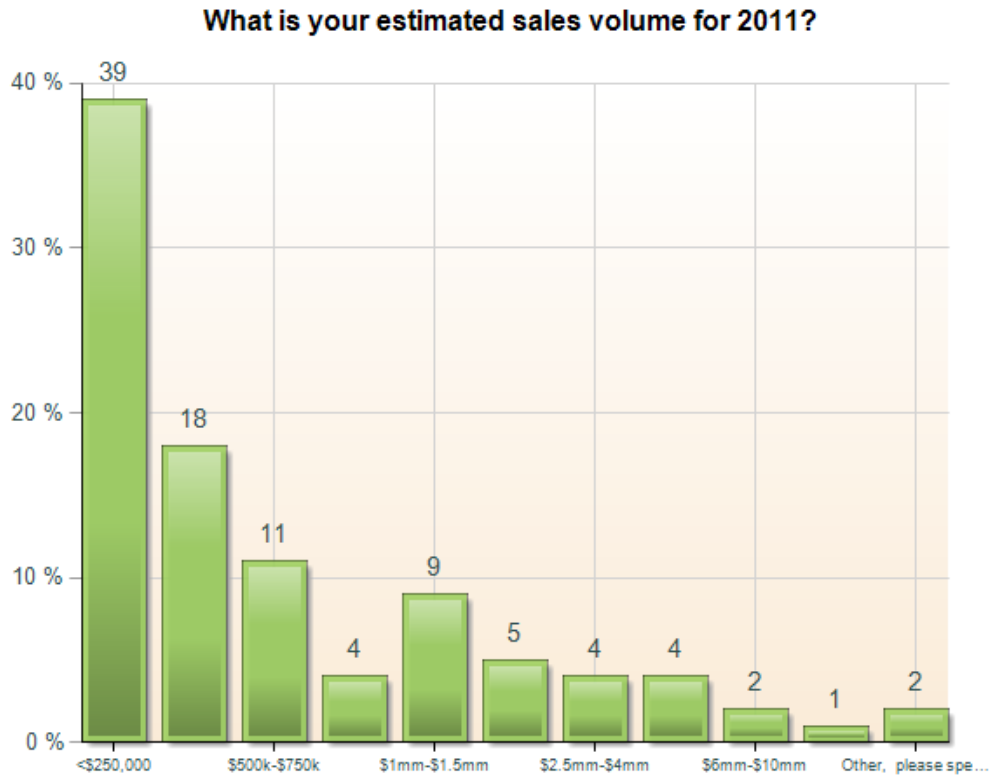
Do you own or rent your facility?



How many full time employees do you have (including yourself)? Please count part time employees as full time employees based on average number of weekly hours your part time employees spend at your business. For instance, 2 part time employees each with 20 hours per week would equal 1 full time employee.

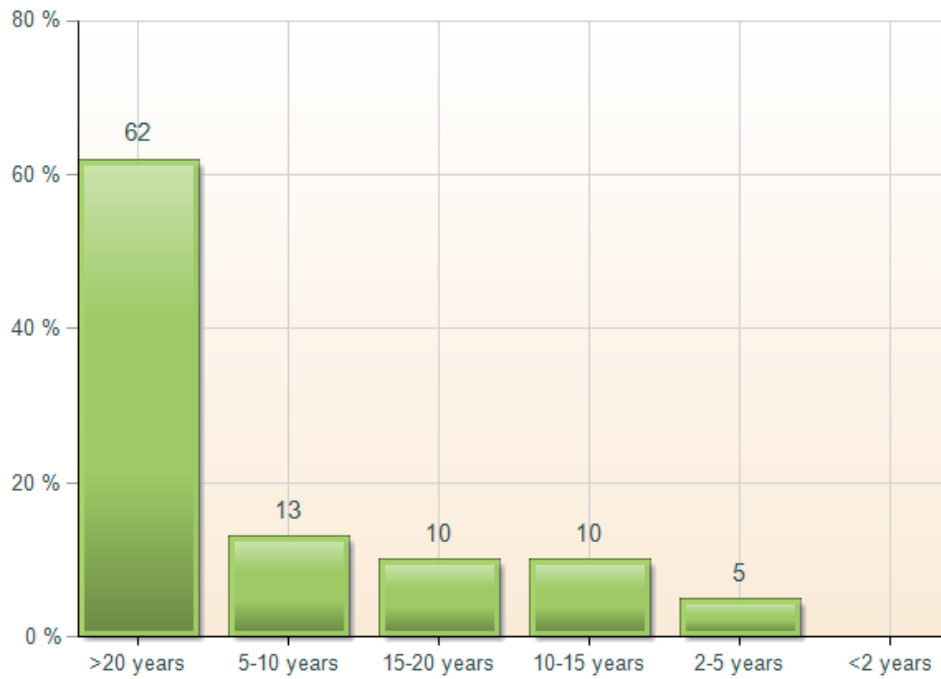


The vast majority – 84 percent – of respondents represent relatively smaller shops with 12 or fewer employees, with more than half of this group reporting 3 or fewer employees. This may or may not be representative nationally, but for this study, the apparent lack of manpower to devote to high-potential areas such as sales and marketing and business development may be a limiting factor in growing business. In other words, if companies are staffing based on existing workload vs. investing in resources to generate leads and close sales they may risk being caught in a vicious cycle. Said one respondent in the verbatims who is a one-man shop: “I’ve been at this for 10 years and I still don’t have a regular clientele.” More on this in Sales & Marketing section below.

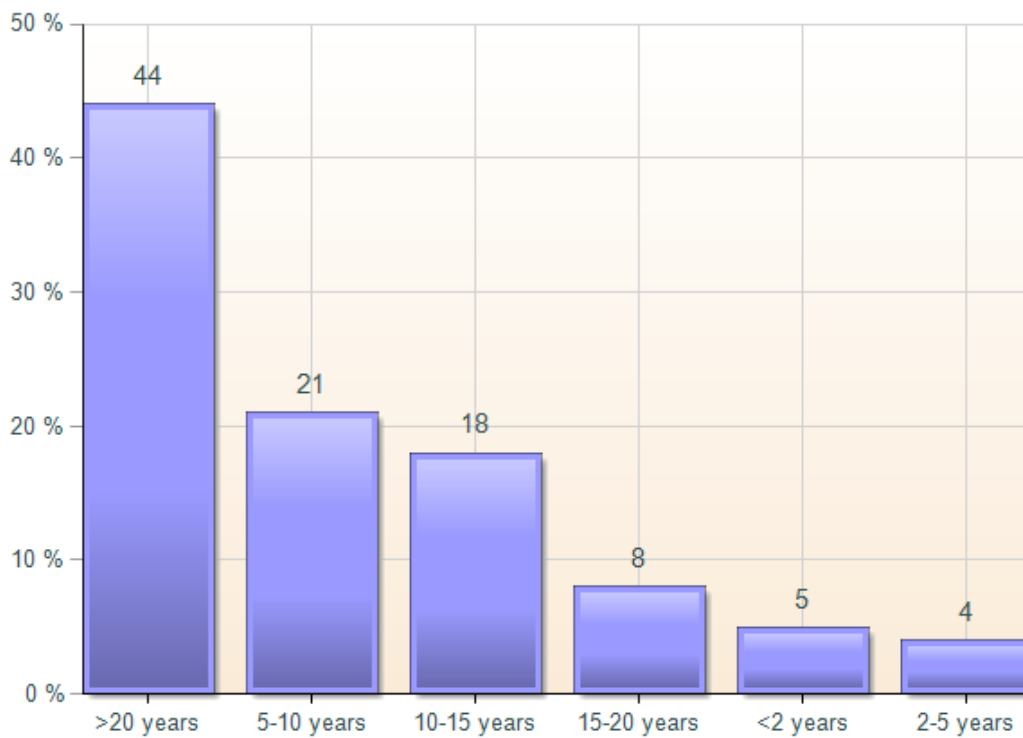


Again, the bulk of respondents (72%) are generating less than \$1 million in annual revenue. Yet most are industry veterans, with 95 percent claiming more than 5 years of experience (44% clocking in with 20+ years of experience; 21% with 5-10 years in the business; and 18% with 10-15 years of experience).

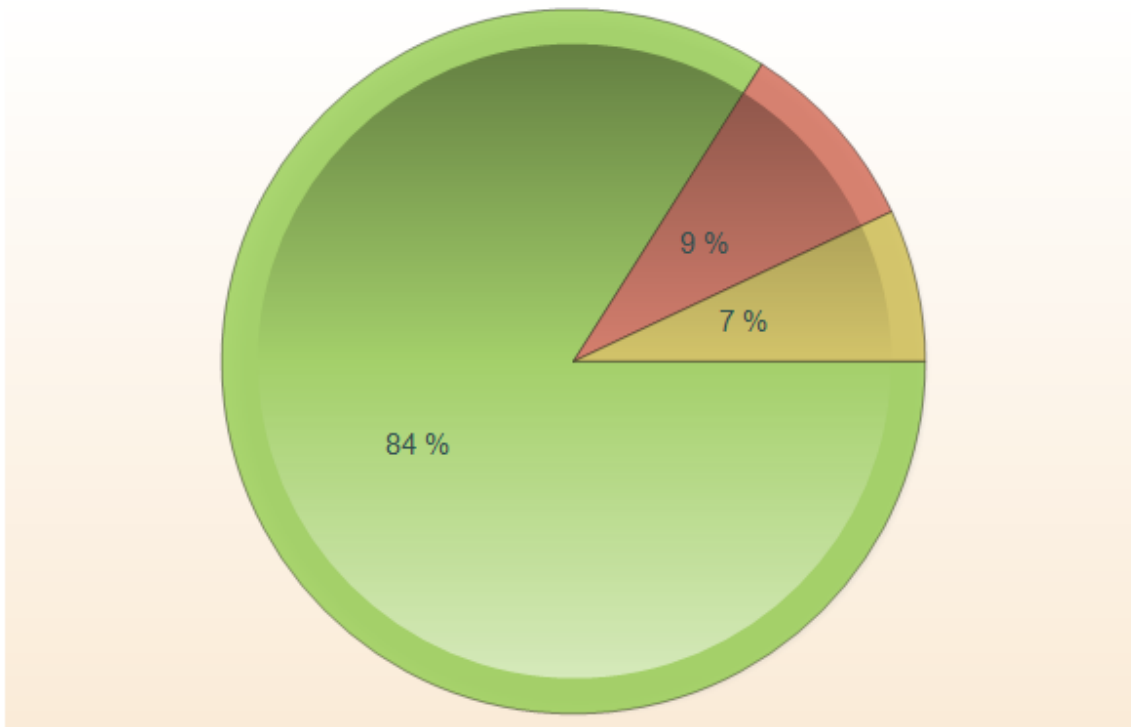
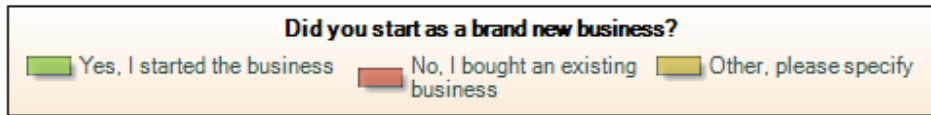
How much industry experience you personally have?



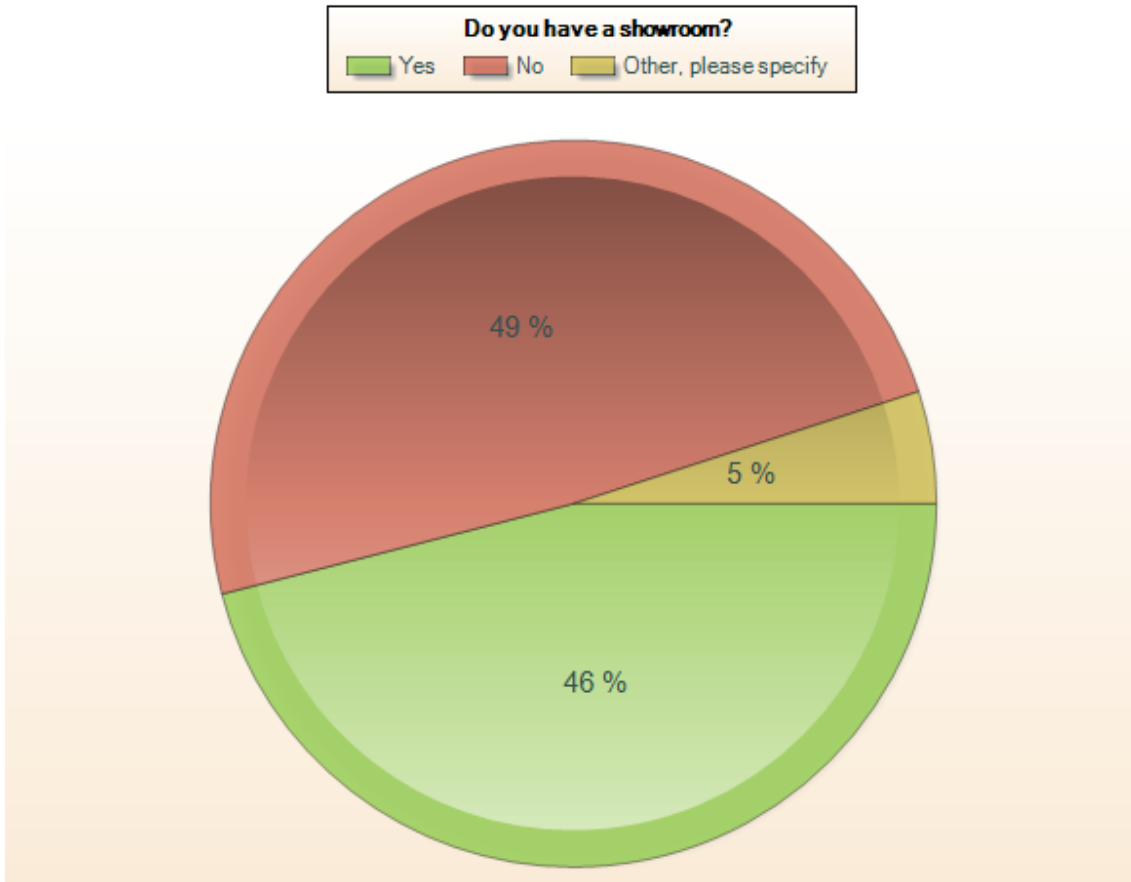
How long has your company been in business?



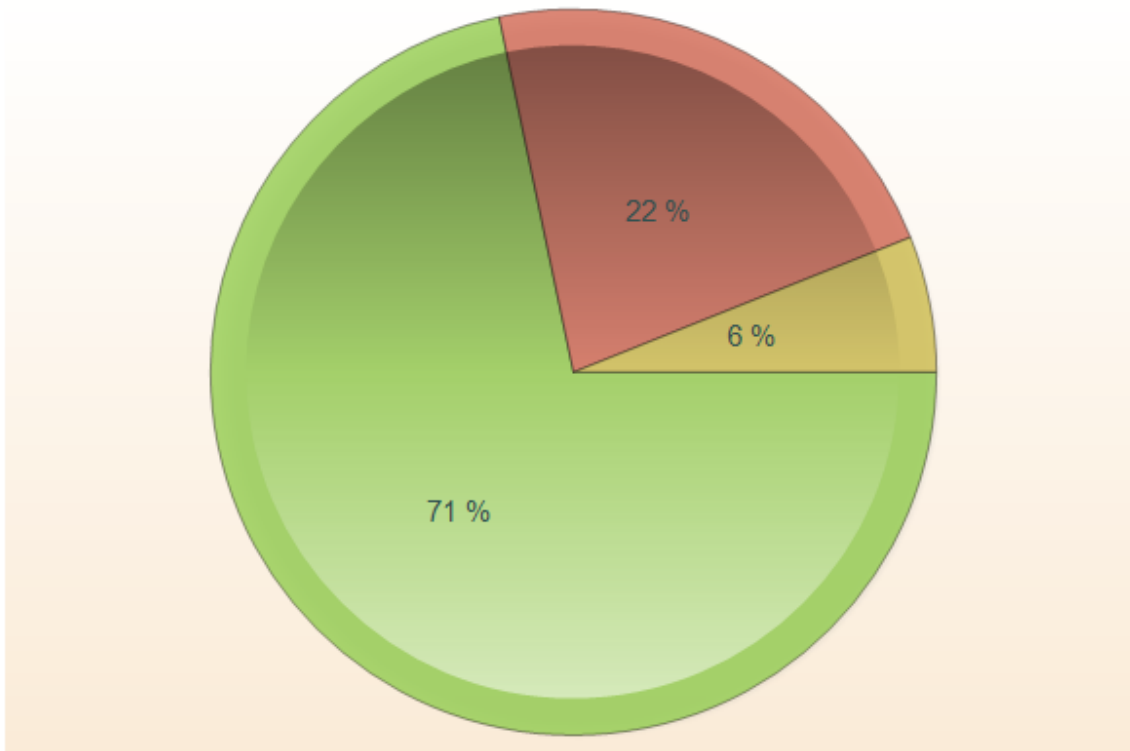
This is an entrepreneurial group, with eight of ten respondents (82%) having started their businesses. The bulk of those selecting “other” took over or inherited the business via a family transaction.



Respondents are as likely as not to have a showroom, with 46 percent reporting dedicated showroom space and 5 percent having some sort of display system within their shops to showcase their products. Not surprisingly, the larger the dollar volume, the more likely a shop is to have a showroom, with \$500,000 appearing to be the threshold for dedicating some sort of showroom space.



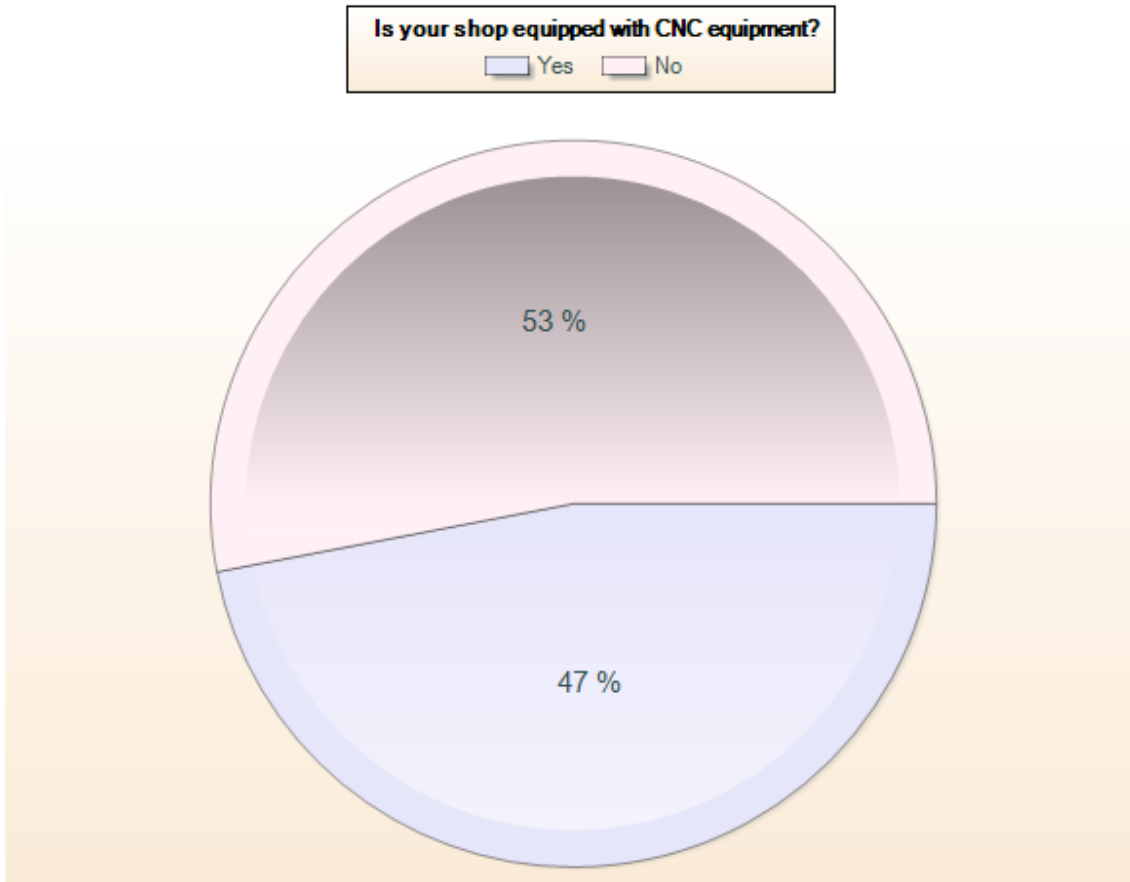
If yes, is your showroom located at the same location as your shop?
Yes No Other, please specify



Of those who participated in the survey, four of five (83.3%) shops reporting \$500,000 to \$750,000 in revenue have a showroom; 60 percent of those with \$1 million to \$1.5 million have one; two-thirds (66.7%) of those with revenues of \$1.5 million to \$2.5 million have one; and 80 percent of \$4 million-to-\$6 million shops have a showroom. Not surprisingly, shops with showrooms are more likely to have a full-time sales resource (64.3% vs. 28.6% of those without showrooms).

CNC Equipped

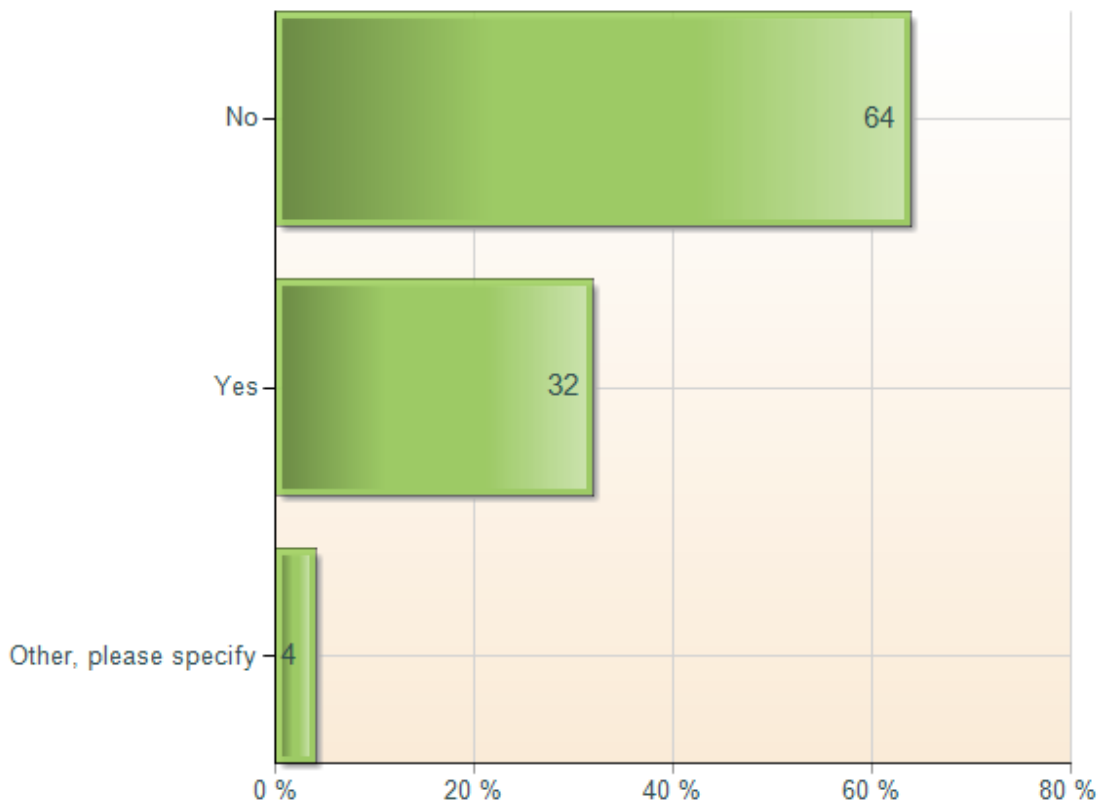
Respondents were split on the presence of CNC equipment, with 47 percent representing CNC shops and 53 percent without CNC equipment. There was no significant impact from the presence of CNC equipment on most areas covered in the survey, except for a slightly higher shop rate and fewer functions outsourced.



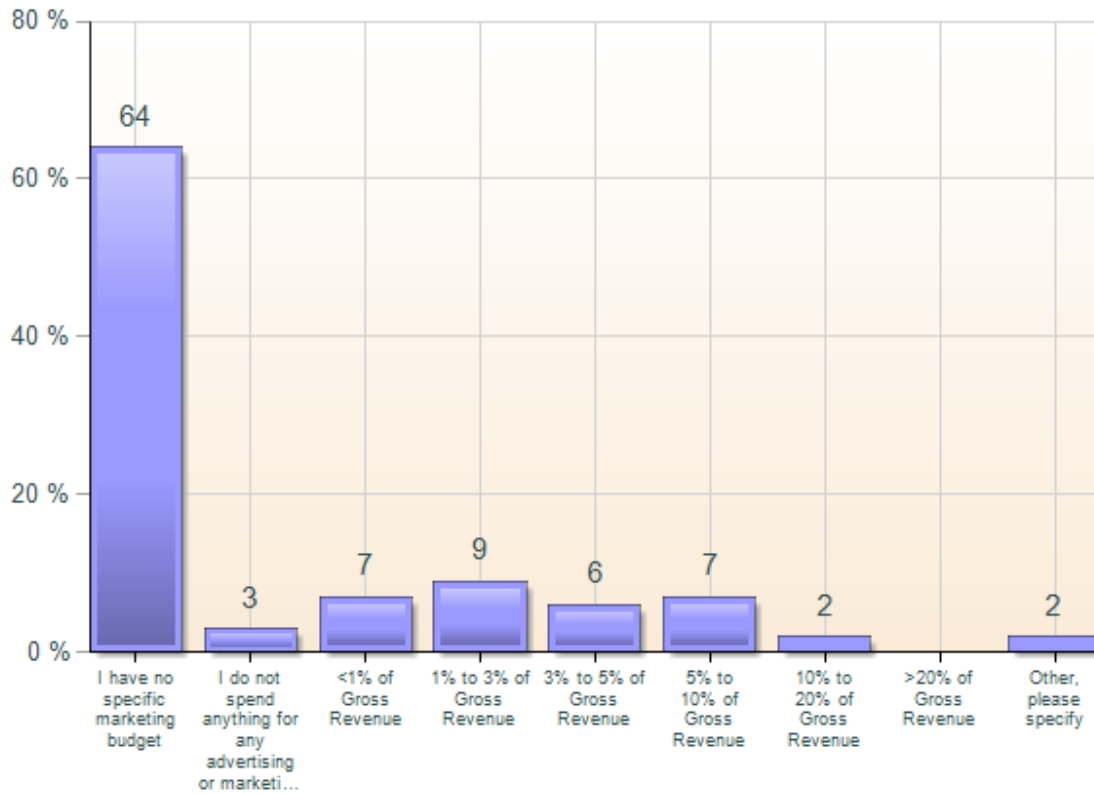
Sales and Marketing Strategies

Most (64%) shops have no dedicated marketing budget, instead relying on referrals from customers and business associates such as contractors and designers as their top source of qualified leads, mentioned by 89% of respondents.

Do you have a budget dedicated to marketing/business development?

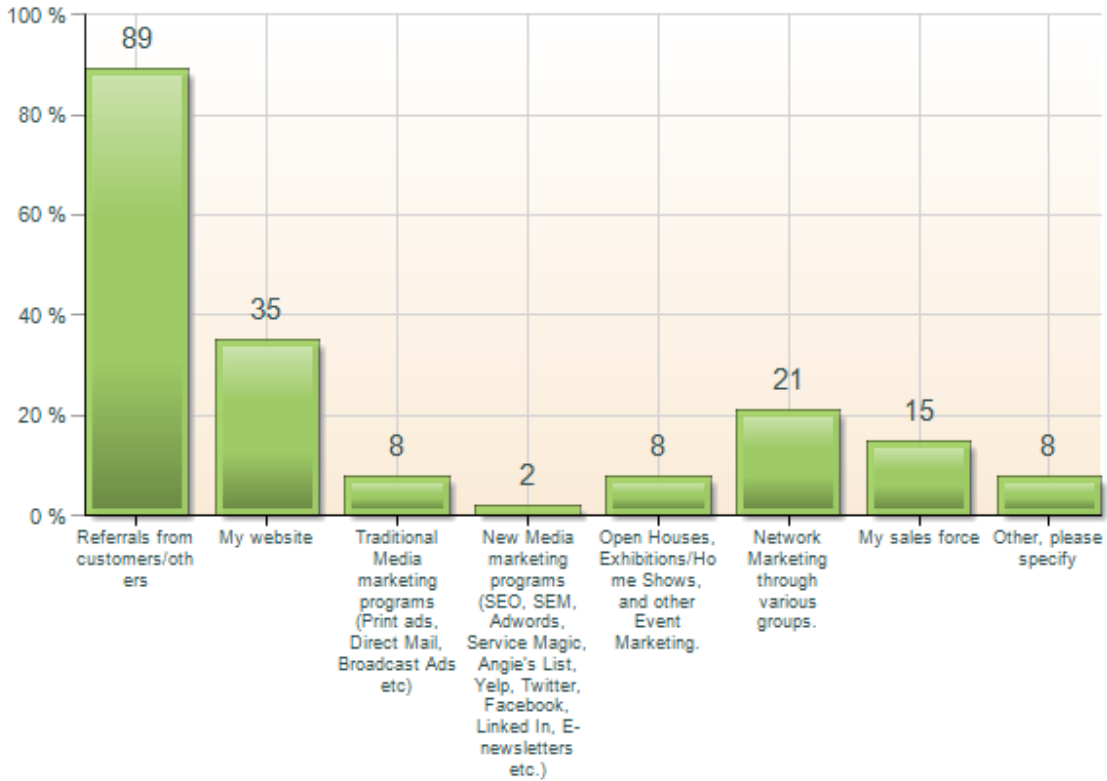


What is your marketing budget?



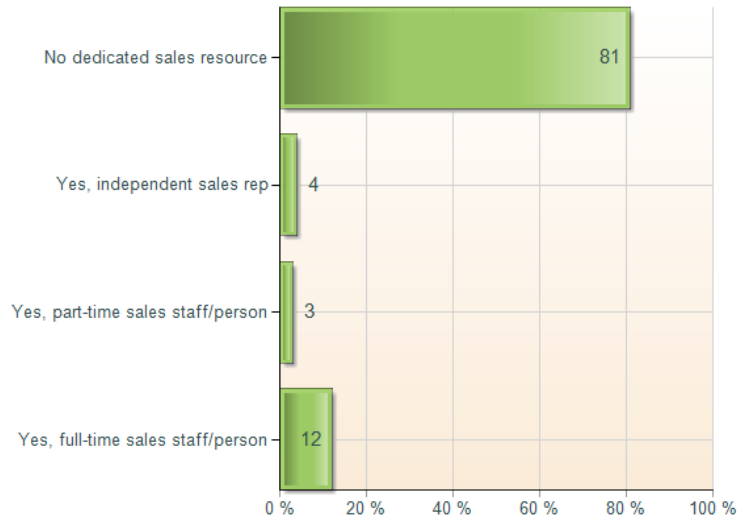
Of those reporting having a marketing budget, there is no consensus on budget size, with a range of between 1% and 5% of gross revenues accounting for the bulk of responses.

What are your top 2 sources of qualified business leads? (Pick only 2)



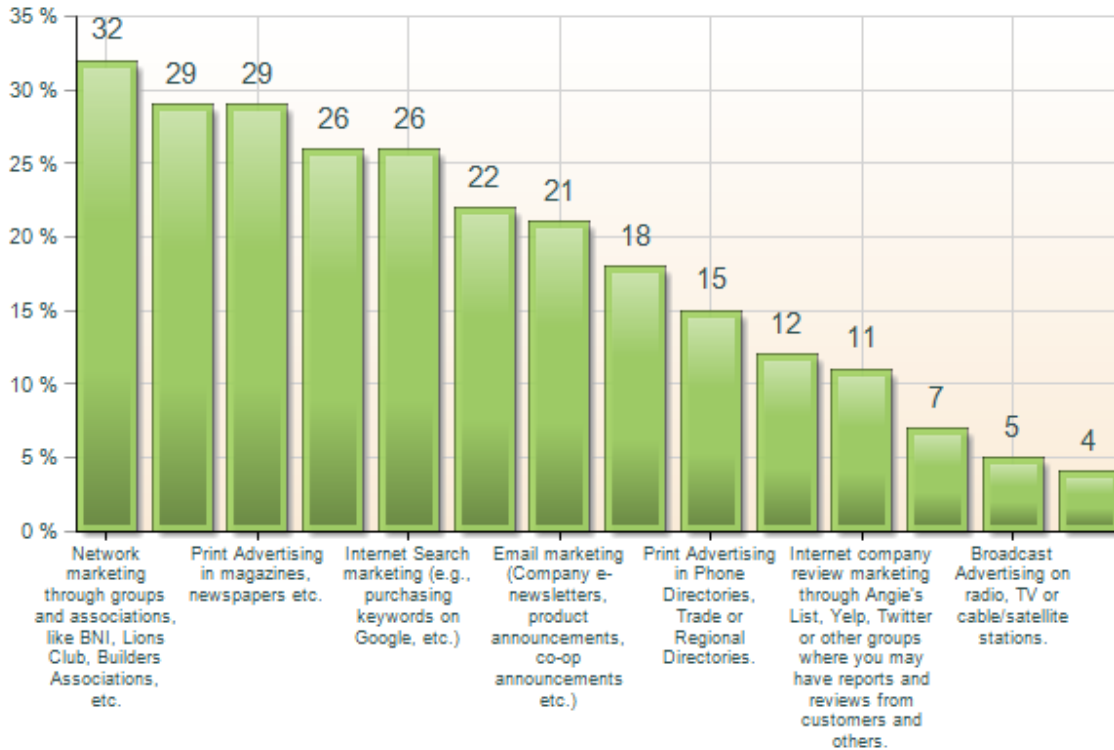
Referrals from existing customers as well as contractors and designers were by far the most common source of new business. The next most-mentioned lead source -- a distant second -- was “My Website”, mentioned by 35% of shop owners. It’s interesting that when asked what methods they use to generate new business, Internet marketing is mentioned third (26%), behind print ads (29%) and network marketing (32%). This may suggest that shop owners are missing an opportunity to exploit a key source of leads by optimizing their marketing activities to drive more traffic to their websites.

Do you have a resource dedicated to generating new business (not including yourself)?



Most reporting shops indicated no dedicated sales resources, which as mentioned earlier may be due to the high concentration of smaller shops participating in the survey. Those reporting dedicated resources tended to also have showrooms.

Please select the methods you use to generate business (check all that apply)

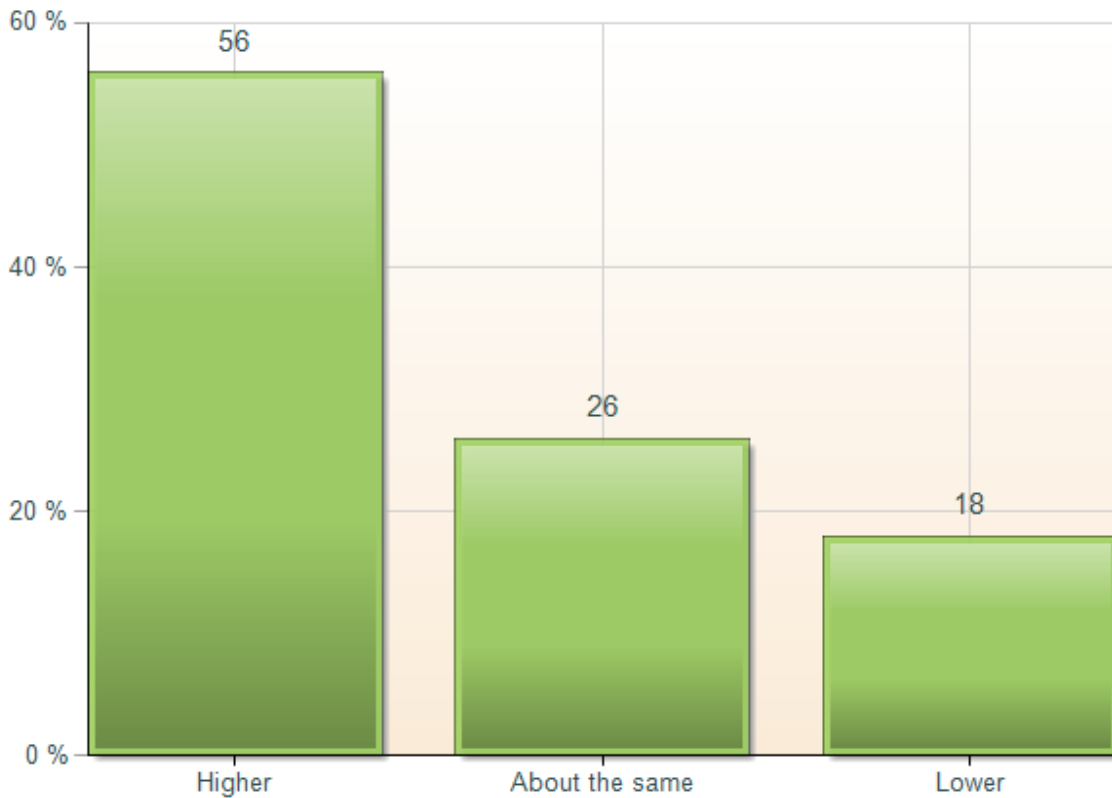


Size Matters

Smaller shops – those with 1-3 full-time employees – were most likely to report sales declines in 2011, accounting for 60% of those reporting reduced sales this year. Those with CNCs were slightly more likely to have seen growth in 2011 (52.4% vs. 47.6%), while non-CNC shops were more than twice as likely to report decreased sales, accounting for 70% of those reporting decreased sales in 2011.

Overall, more than half (56%) reported that their business grew in 2011, and of those, 29 percent reported growth of 20% or more. Half (50%) of those reporting sales declines this year were from smaller shops, however, these shops are also the most optimistic about 2012, accounting for 37.1 percent of those who anticipate growth next year.

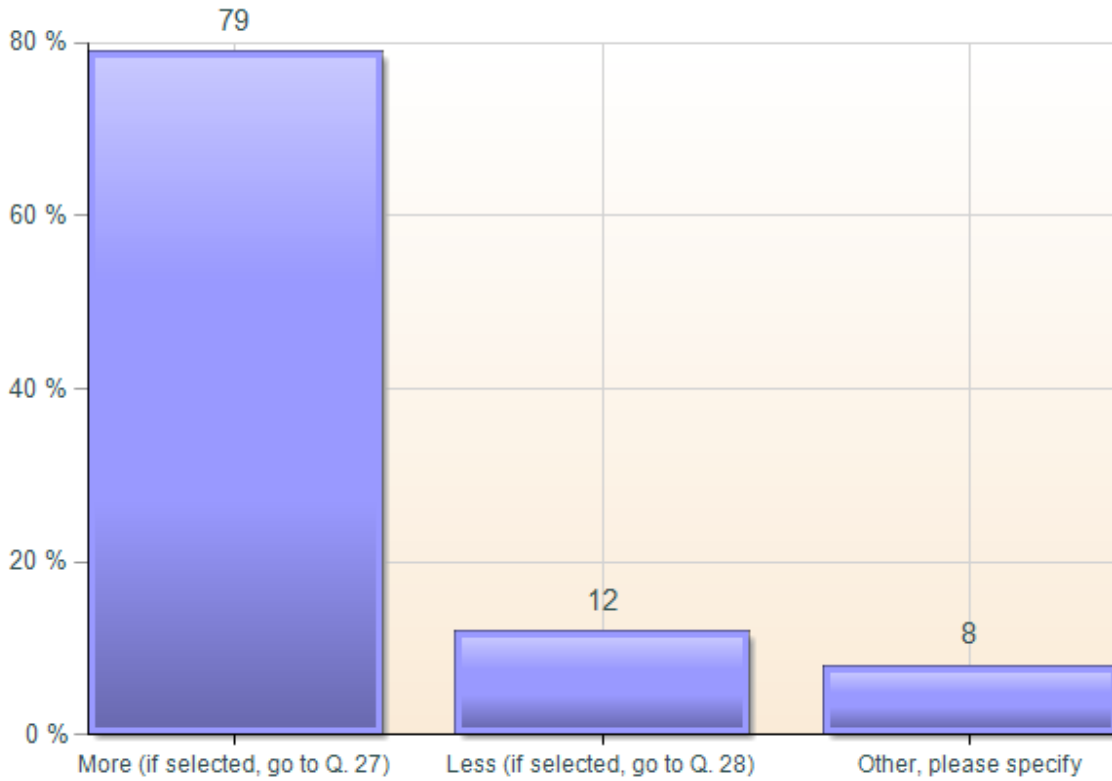
How does your 2011 sales volume compare to 2010?



It’s interesting to note that these smaller shops accounted for the largest share of respondents who attribute their optimism about this year to investments made in new equipment and/or services, with 29.7 percent reporting “We’ve added new services/equipment that make us more competitive,”

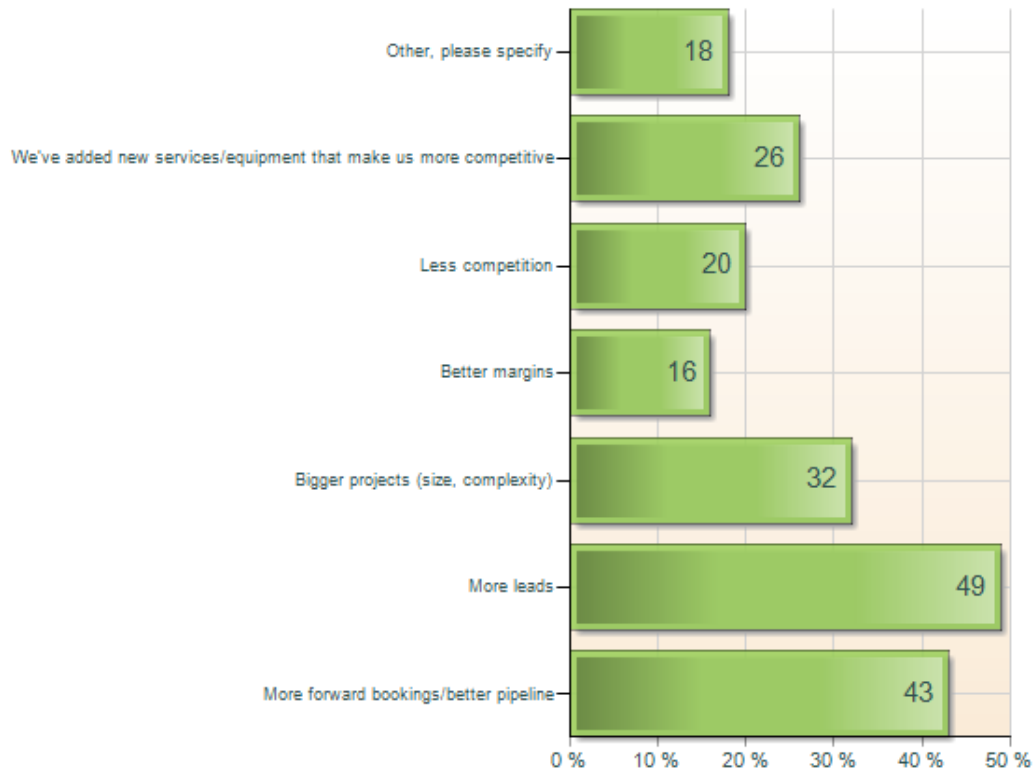
compared to 16.7 percent of shops with 10,000- 15,000 s.f. who feel the same way. For these larger shops, “better margins” (26.7%) and “bigger projects” (16.7%) are what’s making them feel bullish about 2012.

Looking ahead to 2012, are you feeling more/less optimistic about your revenue growth?



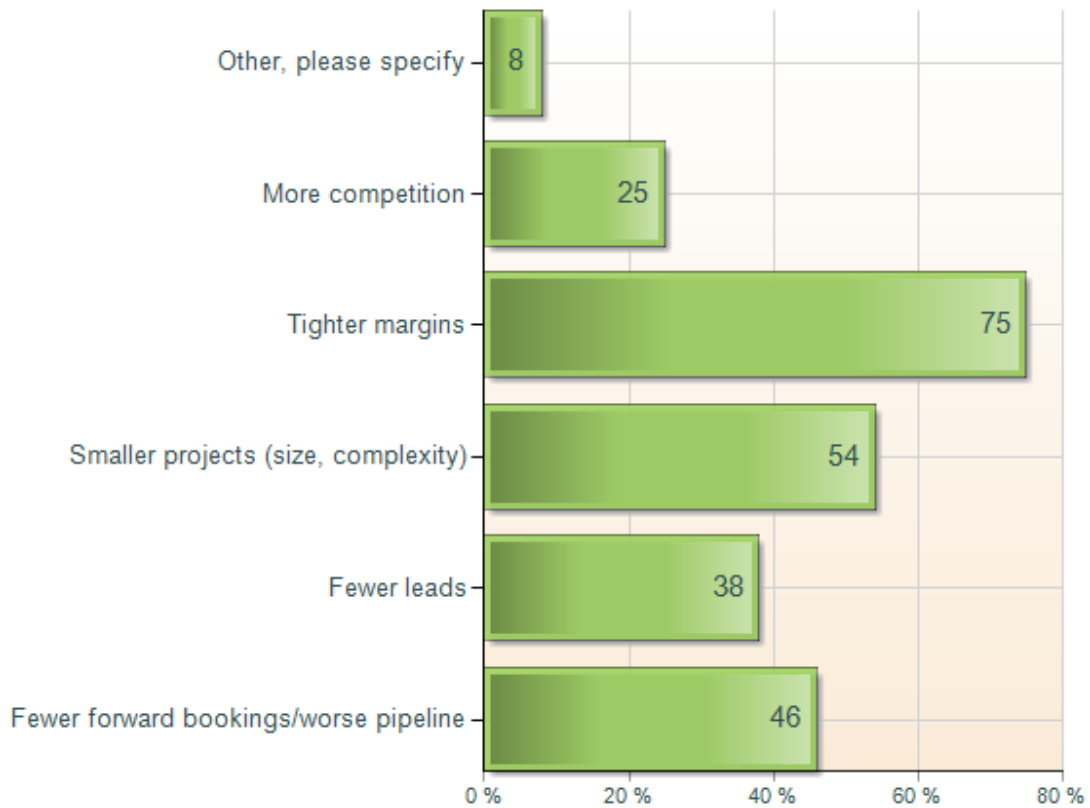
Looking to 2012, nearly four of five respondents (79%) are optimistic that business will be better, with “more leads” (49%) and “more forward bookings” (43%) the top-two cited reasons.

Why do you feel more optimistic? (Select up to 3)



Those feeling optimistic about 2012 cite more leads and more forward bookings. This group is also most likely to indicate having a marketing budget.

Why do you feel less optimistic? (Select all that apply)



Those who are pessimistic about 2012 cited “tighter margins”, “smaller projects” and “fewer forward bookings” as their biggest concerns, which is the opposite of what the optimists are anticipating. Again the presence/absence of a marketing/new business strategy appears to be tied to whether someone is expecting growth or decline this year.

Wages and Rates

The survey attempted to identify wage trends across common functional areas within most cabinet shops. While wages and rates will vary by geography, market area, presence of competition and other factors, the sample size was not large enough to provide a geographic analysis to the broad averages. Nevertheless, these findings can be helpful in comparing a shop's rates and wages to the sample averages.

We examined different functional areas based on levels of experience to help members benchmark based on the experience level of those they hire, or plan to hire.

Key findings

The figures below represent the bulk of the respondents for each functional area. Where there were "clusters" we have indicated a range.

Designers

- 5 years or less experience = \$13-\$17/hour
- 5-10 years = \$18-\$25/hour
- 10+ years = \$18-\$25/hour (11%); and \$25-40/hour (9%)

Estimators

- 5 years or less experience = \$13-\$17/hour
- 5-10 years = \$18-\$25/hour
- 10+ years = \$18-\$25/hour ; and \$25-40/hour

Foreman

- 5 years or less = \$18-\$25/hour (12%)and \$13-\$17/hour (11%)
- 5-10 years = \$18-\$25/hour
- 10+ years = \$25-\$40/hour

Note: the functional areas listed above had the fewest respondents, which may be explained by the small size of the shops participating in the survey, as these functions tend exist at larger firms. The functions below showed the largest participation among respondents.

Cabinet Maker

- 5 years or less = tied \$10-\$12/hour and \$13-17/hour (24% each)
- 5-10 years = \$18-\$25/hour (28%); and \$13-17/hour (21%)
- 10+ years = \$18-\$25/hour (27%); and \$25-\$40/hour (12%)

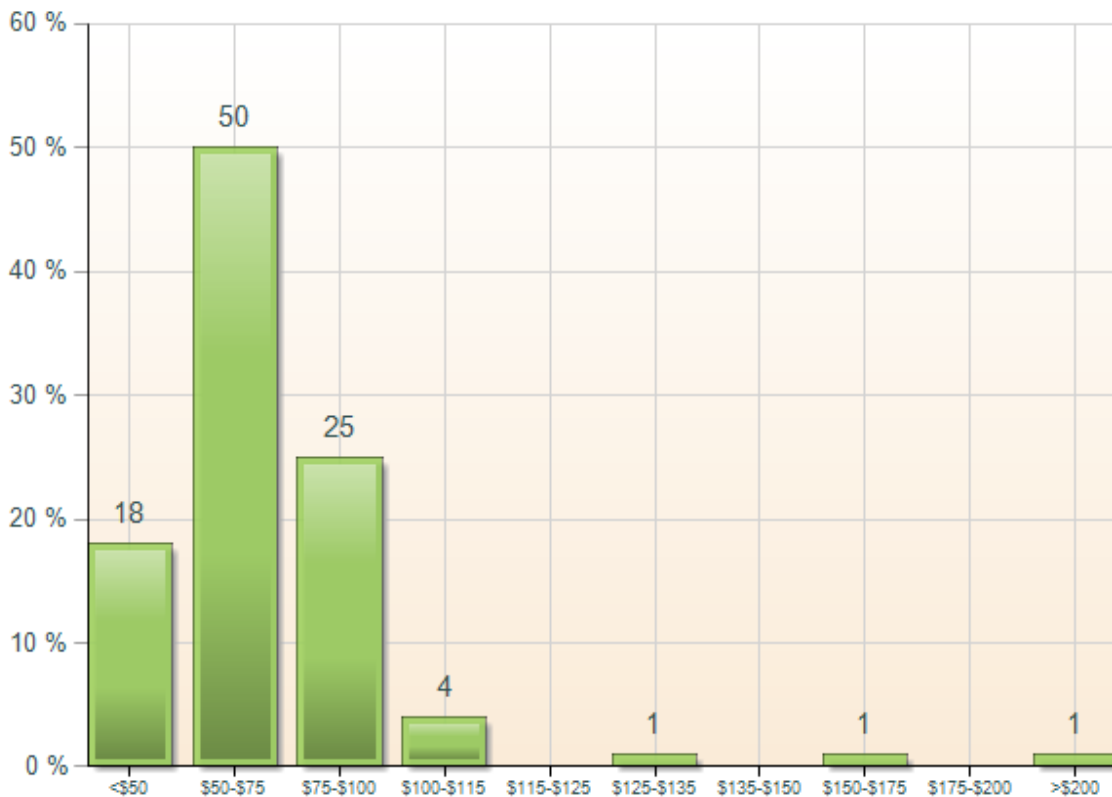
Finisher

- 5 years or less = \$13-\$27 (18%); \$10-\$12/hour (16%)
- 5-10 years = tied \$13-\$17/hour and \$18-25/hour (17%)
- 10+ years = \$18-\$25/hour (17%); \$25-\$40/hour (11%) and \$13-17 (9%)

Installer

- 5 years or less = \$13-\$17/hour (19%); \$10-\$12/hour (13%); and \$18-25 (12%)
- 5-10 years = \$18-\$25/hour (28%), and a tie at 9% each at \$13-\$17/hour and \$25-\$40/hour
- 10+ years = \$18-\$25/hour (22%); \$25-\$40/hour (12%); and \$41+/hour (6%)

What is your average hourly shop rate?

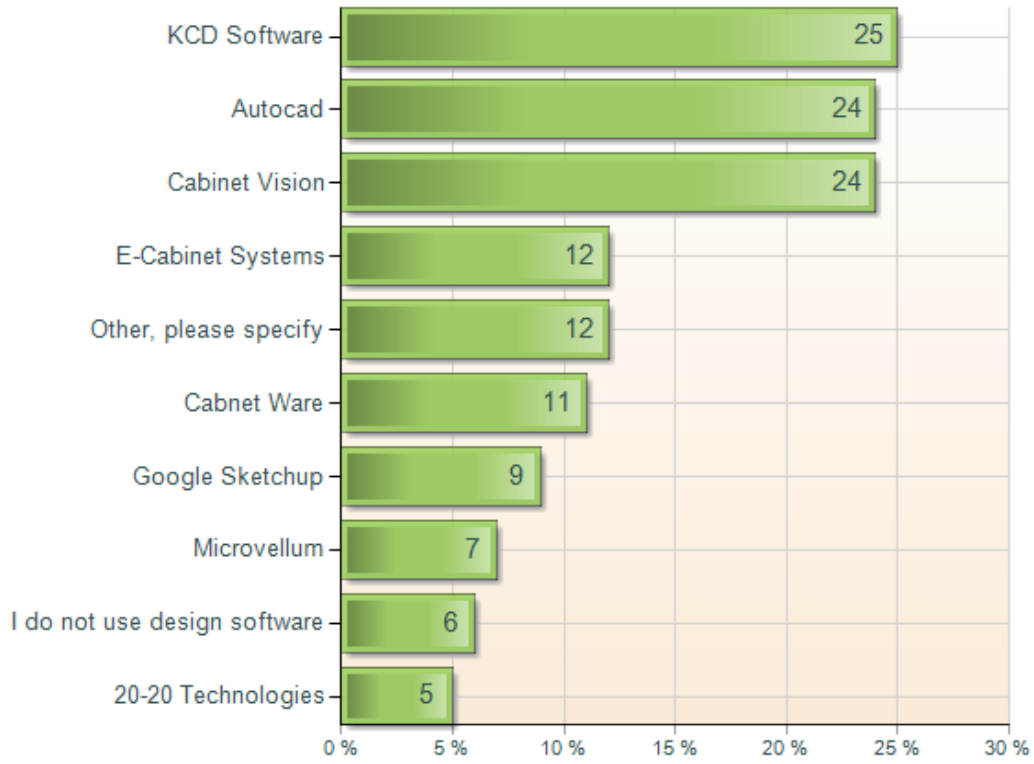


Shop rates charged fall overwhelmingly in the \$50-\$75/hour range, with CNC shops accounting for most of the \$75-\$100/hour rates.

Business Operations and Management Tools

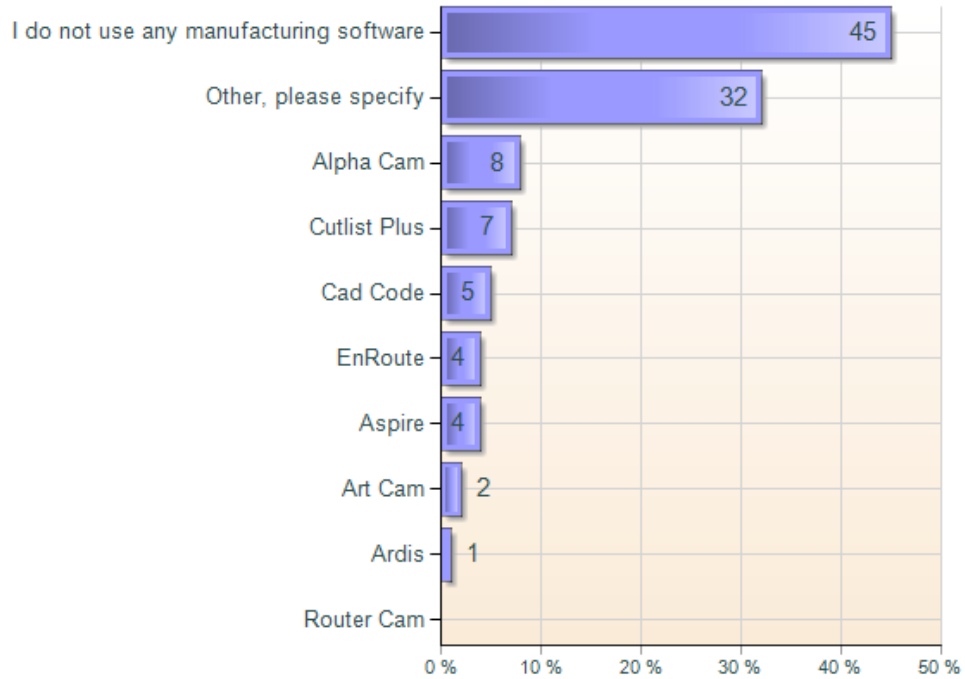
KCD Software, CabinetVision and Autocad were the clear winners in terms of design software used by most shops, with all others mentioned half as frequently.

What DESIGN software do you use to run/manage your business?



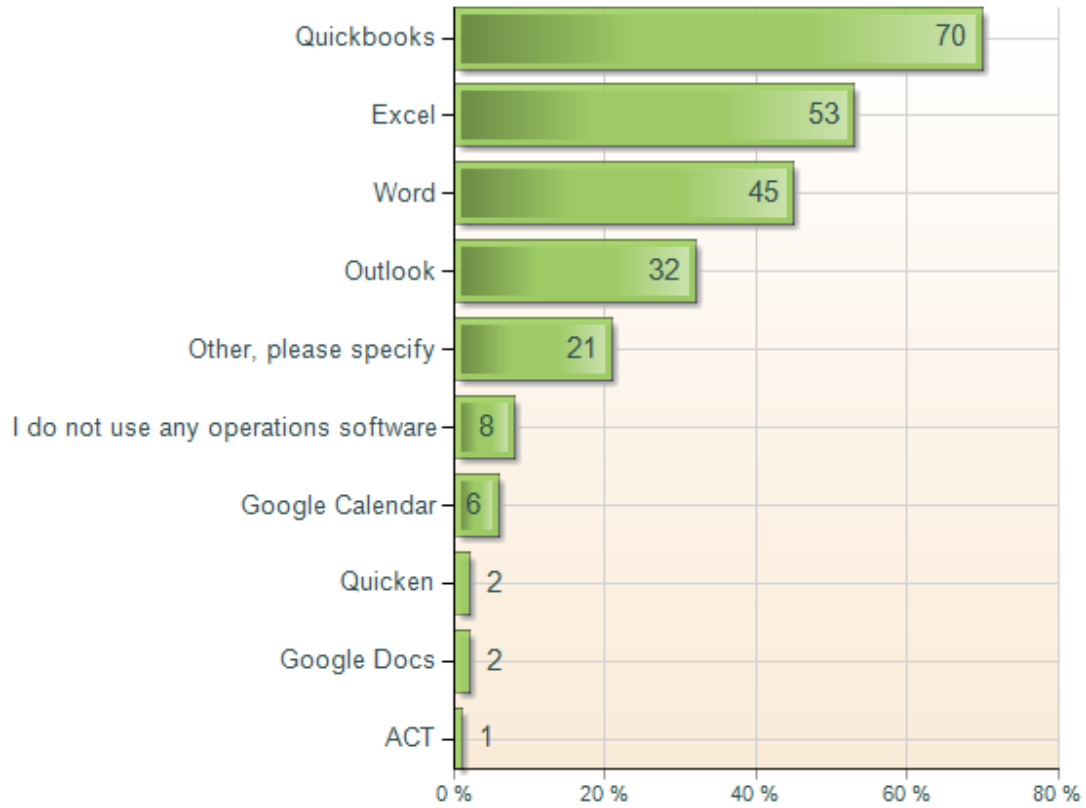
In terms of software used to aid in the manufacturing of products, nearly half (45%) use no software, and no clear consensus on any “go-to” solution.

What MANUFACTURING software do you use to run/manage your business?



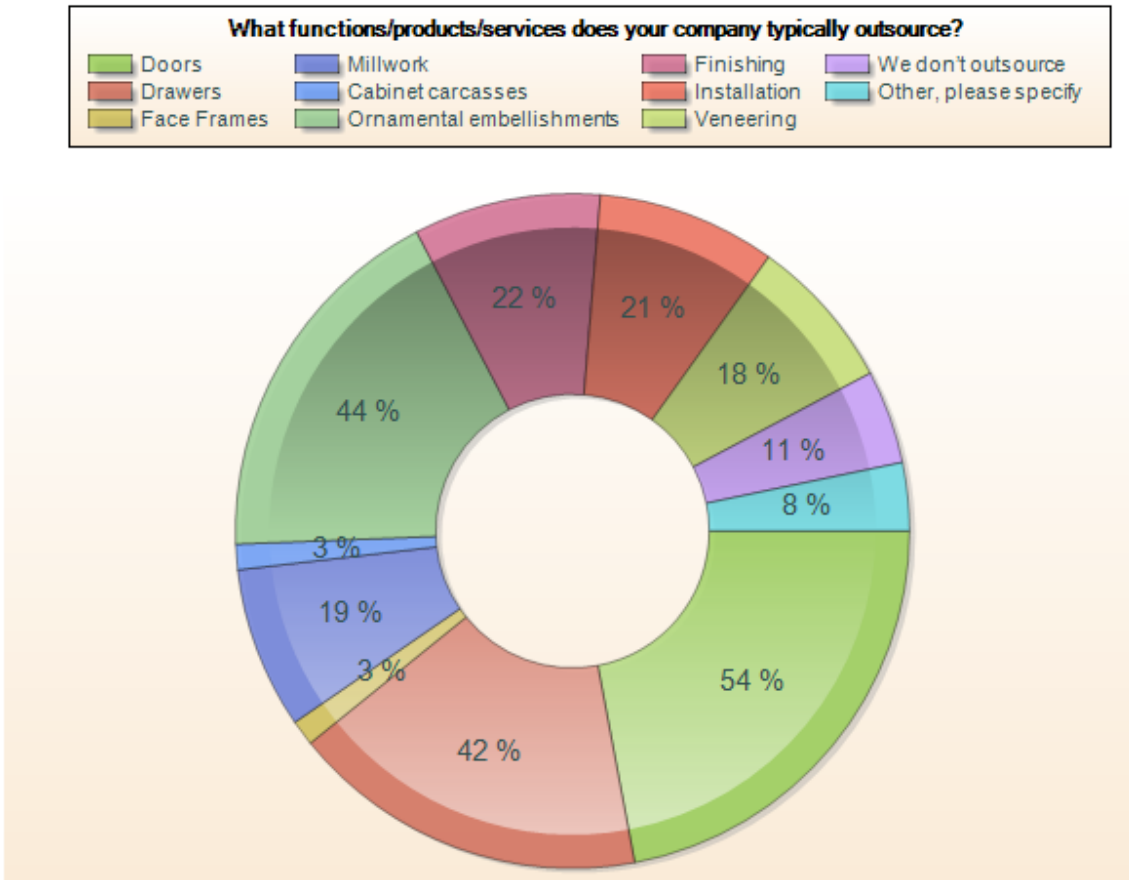
When it comes to operations software tools Quickbooks appears to be the “go-to” resource for accounting and billing, with Microsoft’s tools (Excel, Word, Outlook) the most popular day-to-day software solutions for communications and business operations.

What OPERATIONS software do you use to run/manage your business?



Outsourcing

Those who don't create everything in-house are most likely to outsource veneering, ornamental embellishments (corbels, turnings, etc.); and drawers. Other outsourced functions that were commonly mentioned are finishing and installation.



About the Survey

The CMA Cabinet Industry Benchmarking Survey was fielded electronically to CMA members and non-members during the month of November 2011. Completed surveys were received from 112 qualified woodworking professionals representing a cross section of business sizes. Half (50%) respondents were CMA members.

For more information about the CMA, visit www.cabinetmakers.org or e-mail us at director@cabinetmakers.org