

Top Performing SMB Industries for 2011

By Toon van Beeck, IBISWorld senior industry analyst

These six SMB-dominated industries will head into a profitable new year thanks to economic improvements and changing consumer preferences

Increasing environmental awareness and regulation have pushed Environmental Consulting to the top of the list

Out of the 711 industries in its database, IBISWorld identified six top performers for the year to come. Each falls under the banner of industries centered around small and medium businesses (SMBs), which means they have below-average levels of employees per business, revenue per business, establishments per business (or simply less concentrated) as well as low barriers to entry or levels of capital intensity.

Environmental Consulting

This industry stands out as a top SMB industry over 2011 for many reasons; however, it's really the strong growth the industry has experienced over the past several years that makes it a top performer—2011 will be no exception. Growth has been driven by increasing levels of environmental regulations. In addition, many of the industry's services are not discretionary, meaning firms must comply, which has enhanced demand. Increasing construction activity as a result of economic improvements will help push demand into 2011, and consultants will be needed to conduct audits to ensure buildings and the underlying land are environmentally safe. It's not only the business sector that is demanding environmental

consulting services; there is also growing demand from households that are looking to be more environmentally friendly. This trend helps all facets of the industry's performance, and with low entry barriers and capital intensity levels, Environmental Consulting is expected to be the number-one SMB industry for 2011.

Real Estate Appraisers

Operators within this industry estimate the fair market value of real estate assets by researching a property or development to determine the characteristics pertinent to its market value. After being adversely impacted by a contraction in the volume of residential developments and declining home value over the past few years, the industry's performance is set to improve drastically in 2011, with revenue expanding 8.8% and value added growing by 6.5%. A return to housing demand, which will result in price growth due to consumer confidence and disposable income improvements, will help the industry. Subsiding fears about buying into a falling market and sustained low interest rates will also prove beneficial for the industry. Similar improvements in the commercial markets are expected to follow as corporate spending and

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Key statistics for the top performers

| Rank | Industry | 2011 Revenue Growth (%) | 2011 Value Added Growth (%) | 2011 Employment Growth (%) | Current Profit Level (%) | Entry Barrier | Intensity Level |
|------|------------------------------------|-------------------------|-----------------------------|----------------------------|--------------------------|---------------|-----------------|
| 1 | Environmental consulting | 7.5 | 11.7 | 7.2 | 5.6 | Low | Low |
| 2 | Real estate appraisal | 8.8 | 6.5 | 3.8 | 11.2 | Low | Low |
| 3 | E-commerce and online auctions | 11.4 | 5.1 | 6.1 | 2.3 | Low | Medium |
| 4 | Debt collection agencies | 4.1 | 11.9 | 0.5 | 5.9 | Low | Medium |
| 5 | Advertising agencies | 3.5 | 9.2 | 3.9 | 3.9 | Medium | Low |
| 6 | Job training and career counseling | 3.4 | 7.9 | 2.1 | 2.0 | Medium | Low |

SOURCE: WWW.IBISWORLD.COM

employment begin to recover from recessionary lows. Once this demand increases, residential and commercial transaction activity will begin to pick up and increased demand for appraisal services will follow. The vast majority of companies that operate in this industry are single-owner operators or small independent firms with few employees, so it is these SMBs that will experience the majority of the improvements in industry performance.

E-Commerce and Online Auctions

Coming as no surprise, the online industry has been experiencing phenomenal growth year over year, and every year more consumers are looking toward the e-commerce sector for their retail purchases. E-tailers have a tremendous opportunity to target household consumers and businesses to sell their products or services. Clothing, footwear, accessories and jewelry are some of the most popular items to purchase off the web; other popular products include toys, hobby goods, sporting goods, books, cosmetics, furniture, home appliances and electronics. The ability to eliminate

numerous costs associated with a brick-and-mortar store by simply having an online store presents greater benefit, and it is relatively easy for a small proprietor to set up a website. The low level of difficulty is enabling penetration into the market; however, as in all retail sectors, the right product at the right price will help alleviate competition.

Debt Collection Agencies

This industry makes the list because of the strong growth it has experienced over the past few years and is forecast to experience into 2011. It's the strong industry value-added growth, however, that really makes it stand out. As unemployment rates decline and the housing market recovers, the ability to pay back outstanding loans will increase recovery ratios, which is expected to help improve profit margins for the Debt Collection Agencies industry. Currently, the average business generates a profit margin of about 5.9%; however, the first signs of improvement in this area are forecast for 2011, and by 2015 the average margin will grow to 10.0%. Given the difficulties in debt recovery over the past few years, debt collectors

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will have greater opportunities to expand their businesses and purchase more debt with the aim of increasing revenue and productivity.

Advertising Agencies

In the coming year, IBISWorld expects market conditions to change in favor of this industry, with media expenditure, disposable income, consumer sentiment and corporate profits all projected to improve. Firms that can adapt the fastest and most efficiently to the changes that the industry is facing will likely experience above-average growth and expansion. The industry is shifting away from traditional media advertising in line with changes in the way people consume media. A greater focus on client demands and return on investment will force agencies to develop better targeting methods, and the importance of digital technology development will also become more apparent as cash-strapped companies look for cheaper targeted advertising. In the short and medium terms, client demands for improved measurement and targeting will hasten the move toward online advertising. Furthermore, the fragmentation of consumer markets will cause more agencies to focus on integrated campaigns across a variety of media in

order to reach a mass audience. The businesses that head in this direction are likely to perform admirably.

Job Training and Career Counseling

Although IBISWorld is expecting economic recovery in 2011, the unemployment rate is still forecast to remain high, at 8.9% over the year. As a result, there will still be a need for job trainers and career counselors. Government funding toward the industry will be a major contributor to the industry's growth, and the unemployed will demand this industry's services for improving job skills, career planning, job search assistance and even income support. Although IBISWorld expects 2011 to be a strong year, the vast majority of industry growth will take place in 2012 and 2013 as the immediate impact of government spending takes hold. New programs are set to be implemented, with the focus of bringing the unemployed back into the workforce and creating jobs in the economy (as opposed to reducing layoffs). The funding will be directed at growing industries and job-training centers to help the unemployed gain new skills, and that's where this industry will benefit. Businesses that expand in 2011 will, therefore, be set for even better performance going into 2012 and 2013.

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