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Ten Key Industries That Will Decline, Even After the Economy Revives
Toon Van Beeck, Senior Analyst, IBISWorld

While the U.S. economy is moving further into recovery, not every industry is performing well. Industries go through life cycles, and largely speaking, these are growth, maturity and decline. Even in a recovery, declining industries continue to underperform, and within IBISWorld's database of close to 700 industries, about 200 are in their decline phase. Of these 200, IBISWorld has identified 10 that may be on the verge of extinction in the United States.

Defining the Ten Dying Industries

To be chosen for IBISWorld's list of 10 dying industries, industries needed to be in the decline phase of their life cycle. Furthermore, during the 10 years from 2000 to 2010, the industries must have experienced a sizeable contraction in revenue and the number of establishments. Finally, to be on the list of 10, they needed to forecast further deterioration for revenue growth and establishments over the five years ending in 2016.

From these basic boundaries, 10 industries were standouts: manufactured home dealers; record stores; photofinishing; wired telecommunications carriers; apparel manufacturing; newspaper publishing; DVD, game and video rental; mills; and formal wear and costume rental. Apparel manufacturing includes a combination of three industries, comprising men's and boys' apparel manufacturing; women's and girls' apparel manufacturing; and costume, uniform, infant and other apparel manufacturing. Additionally, the mills sector groups together four industries: hosiery and sock mills; textile mills; apparel knitting mills; and carpet and rug mills.

Dying Industries Face One or More Detrimental Trends

Of the 10 chosen industries, all generally exhibit one or more of the following detrimental factors. Industries and companies that observe these conditions may be vulnerable to their own demise in the future. These factors include the following:

- **Damaging external competition**
  Particularly relevant to the manufacturing sector, major competition for items produced in the United States comes from imported products, especially low-cost items. Since labor costs and regulations are high domestically, many manufacturers send their production to foreign countries. Downward price pressure from domestic wholesalers, retailers and consumers forces U.S. producers to cut costs in order to offer a competitive price. American firms that cannot send their production activities out of the country face strong competition from imports; therefore, these businesses often fail.

- **Advancements in technology**
  While technological developments make life easier and more efficient, they often come at the demise of industries that rely on the old ways of life. Technology change occurs rapidly within many industries across the United States; as a result, it has spawned new industries and business opportunities. However, many traditional industries struggle to keep up and ultimately lose out in this new wave.

- **Industry stagnation**
  As competition becomes fiercer, due to the factors just mentioned, and other internal and external reasons, businesses often need to cut costs in all production areas to reduce prices and garner sales. However, it comes at the cost of implementing industry and product R&D. As a result, businesses often put off capital and technology investments, making it more difficult to improve production efficiencies, which ultimately cost them time and money. As a result of this vicious cycle, many industries end up stagnating and dying a slow death as others catch up, overtake and prosper.

Ranked in order of industry size at the end of 2010, the following table outlines the 10 dying industries. As indicated in the table, over the past decade, each industry has experienced a severe drop in revenue and a significant decline in the number of establishments. Additionally, these industries are also forecast to continue dwindling in size during the foreseeable future. While these industries are all facing negative numbers, it does not necessarily mean that the players that operate within them are also close to failing. Firms that protect their strength in certain market segments, focus on niche opportunities and capitalize on a declining number of competitors can often reap the greatest rewards as sole operators, obtaining market survival and profitability.

Ten Key Dying Industries

Industry	Revenue 2010 ($ millions)	Decline 2000-10 (%)	Forecast Decline 2010-16 (%)	Establishments 2010	Decline 2000-10 (%)	Forecast Decline 2010-16 (%)
Wired Telecommunications Carriers	154,096	-54.9	-37.1	23,474	-10.5	-15.9
Mills	54,645	-50.2	-10.0	9,553	-23.6	-12.8
Newspaper Publishing	40,726	-35.9	-18.8	6,128	-28.6	-17.6
Apparel Manufacturing	12,800	- 77.1	-8.5	2,265	-60.5	-11.3
DVD, Game & Video Rental	7,839	-35.7	-19.3	17,369	-34.8	-11.2
Manufactured Home Dealers	4,538	-73.7	-62.0	3,968	-56.7	-58.7
Video Postproduction Services	4,276	-24.9	-10.7	1,789	-43.2	-37.8
Record Stores	1,804	-76.3	-39.7	2,916	-77.4	-11.6
Photofinishing	1,603	-69.1	-39.1	7,083	-59.3	-33.3
Formal Wear & Costume Rental	736	-35.0	-14.6	2,310	-28.5	-17.2

Manufacturing

Within the 10 dying industries, manufacturing is the first sector to be discussed. Here, the apparel manufacturing and milling industries are relevant. As noted above, these manufacturing sectors include the following industries: men’s and boys’ apparel; women’s and girls’ apparel; costume, uniform, infant and other apparel; hosiery and socks; textiles; carpeting; and apparel knitting mills.

When ranking the hardest hit industries over the past decade and for the foreseeable future, these seven industries (two sectors) were all scattered among the top 30 industries that were most in decline. Many of these industries were among the top 10. Largely speaking, apparel manufacturing and mills in the United States are affected by the first point made above, which is damaging external competition. Many U.S. manufacturers have moved their production activities overseas, where low wages help keep costs down. IBISWorld expects that the bulk of these transfers have already occurred, so within the next five years, fewer entrants will actually take the leap. Consequently, the projected declines in industry establishments for apparel manufacturing at 11.3 percent and mills at 12.8 percent will be due to competitors closing shop rather than moves to offshore locations. Generally speaking, new products can be made more cheaply overseas, cutting down the need for domestic mills and apparel manufacturers.

In this sector, U.S. producers have some competitive strength linked to strong apparel design, brand development and good textile and product quality. U.S. producers have significant technological competence; however, it is limited to a short time span because firms in developing economies will eventually implement similar technologies.

Furthermore, American-based operators possess advanced advertising and promotional skills and have access to a large consumer market. Specifically related to the textile industry, the non-woven fabrics segment holds some resistance to decline. Because of the advanced technologies used within the materials themselves, operators cannot move their businesses overseas. Many countries do not have the technology to produce flame-resistant or moisture-absorbing fabrics, which may represent a niche that is a key to survival and success. Berkshire Hathaway is a major player in the entire milling sector. Hanesbrands is a strong player in mills and apparel manufacturing.

Retail

While many people may think that the book stores industry would be a given in the dying retail space, the numbers do not point in that direction. Instead, the record stores and manufactured home dealers industries are also highlighted within IBISWorld's 10 dying industries. Just by looking at the recent and forecast numbers for revenue and establishments, it is evident that these two industries have endured great pain over the past decade, and this trend will likely continue in the coming years.

In particular, manufactured home dealers stand out from all industries in IBISWorld's database. They have observed some of the steepest declines in revenue and establishments over the past decade and the coming forecast period is demonstrating no signs of anything positive. The industry's demand is dwindling, while sustaining profit is very difficult. This industry exhibits the third point made above, which involves industry stagnation; during the past decade, operators have experienced very little product change. Manufacturers have made cosmetic changes to manufactured homes, but they have not been significant enough to alter their life cycle stage. Once again, Berkshire Hathaway has a presence here, since it is the industry's biggest player via its subsidiary Clayton Homes.

The record stores industry also falls within the retail space, so it is no surprise that it makes an entrance here. Record stores are affected by the second detrimental factor involving advancements in technology. Brick-and-mortar stores are getting burned from online music sales, and this technology has completely transformed the way people produce, distribute, buy and listen to music today. The record stores industry has felt the brunt of this, as reflected in the table, above. Industry exits have already occurred for many major players, including Virgin Entertainment Group and MTS Incorporated.

Information

The information sector is characterized by rapid technological change. Of the 29 industry reports covered by IBISWorld within the information sector, most are in decline, largely because of rapid technological change. Of course there are exceptions to this trend, including software publishing, VoIP, Internet service providers and search engines (which are some of the innovators behind this change). Still, other than those technologically advanced industries, most have very difficult operating conditions. The wired telecommunication carriers, newspaper publishing and video postproduction services industries are suffering the most.

Of the 10 chosen industries that are dying, wired telecommunication carriers is by far the largest, at $154.0 billion in turnover. While this number may sound sizeable, it's considerably smaller than the $341.8 billion at the end of 2000. Since then, this industry has declined in every year, and it is now close to 55 percent smaller than it was at its peak; with an additional decline of 37.1 percent expected in the next six years. While major players like AT&T and Verizon continue to dominate the industry, they are generating lower returns each year as consumers switch to VoIP and wireless products.

Video postproduction is the second notable information industry that is exhibiting steep declines. Technological advances, particularly involving the widespread adoption of digital media has adversely affected the industry's range of services, from editing and animation to archiving and format transfer. While the use of this technology is becoming widespread, it is undercutting the industry's services since production companies can now do much of the work in-house.

Finally, the newspaper publishing industry is fading, and this trend should not be news to many. The industry has clearly been affected by technology; while part of the industry and companies may have benefited from it, the overall business model is struggling to survive. In particular, advertising dollars have shifted dramatically away from newspaper publishers and moved toward the Web, which has greatly reduced revenue streams. As a result, operators are also subject to forms of industry stagnation.

Other

This final category includes the industries of DVD, game and video rental; formal wear and costume rental; and photofinishing. Many people know the story of Blockbuster. In 2000, Blockbuster was a thriving business and the most dominant player in the $12.2 billion video and game rental industry. Today, Blockbuster is bankrupt, and the industry is 35.7 percent smaller than it was a decade ago. While demand for DVDs, games and videos remain, the industry has been taken over by the Internet, postal-linked services, digital cable and satellite providers and big box retailers. External competition and technological advancements have been the death of this industry. Price-based competition and ease of access has transformed the once-a-week Sunday night family movie session into an everyday possibility. However, the industry will soon be without a traditional major player as it has been on the end of significant structural change.

The formal wear and costume rental industry has also been affected by external competition, and it has been struggling for years. Personal disposable income levels steadily increased over the last decade, even during the recession, which pulled consumers away from the rental sector and toward the retail sector. To add fuel to the fire, low-priced suit and costume imports have grown, which has increased competition for rentals. As a result, consumers are more inclined to pay a marginally higher price to own their formal wear rather than rent it for each occasion.

Finally, the photofinishing industry is also becoming extinct. While Eastman Kodak, Fujifilm and Ritz Camera were once major and prominent companies, they are just a splash of what they were in their heyday. By all measures, developing or printing photographic images is in drastic decline, and consumers have less need to print images given online storage products and PC capacities. Digital cameras have hit the industry's traditional line of business, which is photographic film processing, and technology continues to evolve. Digital cameras are becoming cheaper, opening up the market to more potential consumers. Overall, the total number of prints made in the United States has fallen at an annualized rate of 3.5 percent over the past five years, and the financial performance of the industry's major players evidence these changes.

The Future of Dying Industries

While much of this discussion may not be forward looking, it certainly opens an eye to some of the industries that are struggling to survive. The DVD, game and video rental and newspaper publishing industries may be obvious, but there are many others of which some are unaware. Furthermore, each and every one of these industries has been impacted by one or more of the three detrimental industry factors, including external competition, advances in technology and industry stagnation. It should also be noted that while these industries all have negative numbers, it does not mean that the players that operate within them are also about to succumb. Industry operators that protect their strengths in certain market segments, focus on niche opportunities and capitalize on the dwindling number of competitors often reap the strongest rewards of sole operation, market survival and profitability. An example of this trend is Berkshire Hathaway, which holds a prominent position in one of the top dying industries: textile mills.

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