Sticky situation

The astonishingly big US craft market comes under the spotlight with Lutz Muller this month, revealing a strong, traditional, market, which is struggling for growth due to changing demographics....

WITH RETAIL sales at the $30 billion level, the craft market in the US is big – moreso than toys or video games. It is also the largest craft market in the world. See figure one for how it broke out over the last year.

Also unlike the toy and video game markets, there are no main manufacturers dominating the craft market place. There are only two publicly-quoted companies active in this field – Mega Brands who bought RoseArt with its activity kits business which included Magnetix; and Action Products International which had bought Curiosity Kids (a small activity kit operation). The vast majority of the craft manufacturers are privately-owned and quite small.

The market is dominated by five retailers – Wal-Mart, Michaels, Jo-Ann, Hobby Lobby and AC Moore. The last two are regional chains – Hobby Lobby mainly in the South-West and AC Moore in the tri-State area on the North East coast. For Michaels, about seven per cent of their sales come from Canada.

Their estimated annual craft sales in 2008 are, at wholesale prices:

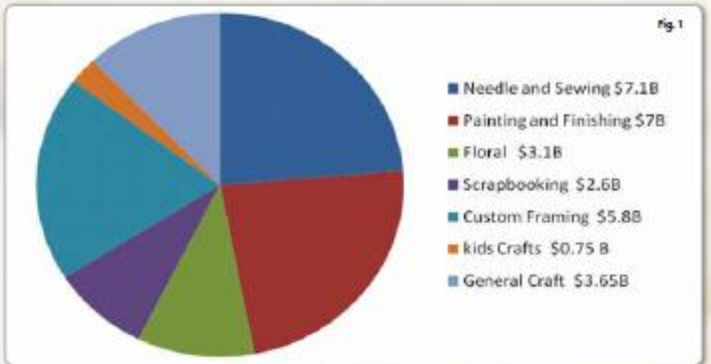
Michaels	**$ 3,85 billion**
Wal-Mart	**$ 3.00 billion**
Jo-Ann	**$ 1.95 billion**
Hobby Lobby	**$ 1.80 billion**
A C Moore	**$ 0.50 billion**

At retail prices, these retailers account for two-thirds of the market. The remaining 33 per cent are widely scattered – scrapbook stores, needle and sewing stores, etc. There is a continuous decline in their numbers and this is a trend, which appears to be accelerating.

Following fairly sharp growth between the beginning of 2000 and middle of 2005, the craft market has stagnated as is demonstrated by the moving annual totals of the three publicly quoted craft retailers (see figure two.)

This lack of market growth is further attested to by the fact that five

Fig. 1



> ***Unlike the toy and video game markets, there are no main manufacturers dominating the craft market place and there are only two publicly-quoted companies active in this field.***

Fig. 2

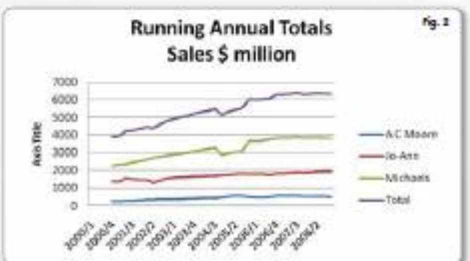
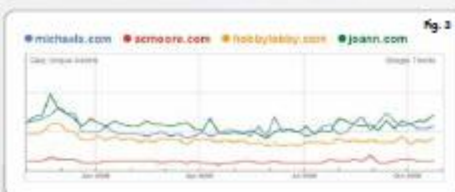


Fig. 3



of the lesser craft retailers – Ames, Garden Ridge, MJ Design, Rag Shops and Treasure Island - went Chapter 7 in the past few years.

I also looked at the extent consumers were searching for these companies on Google, again suggesting a stagnant picture (see figure three.)

The picture looks a little better if one considers the web traffic of these four craft retailers (see figure four.)

The craft market has always been characterised by fads. Macrame was followed by Tole painting, followed by Scrapbooking. The last was started in 1987 and has basically stagnated since 2004. Framing, which is another significant category, has grown marginally since 2005 but not enough to qualify for a fad. The only categories that show real growth are knitting and kid crafts but both are too small to make a real difference.

The blog metrics for the strongest three categories again suggest a static environment, as seen in figure 5.

Other than the absence of fads, there is another more insidious factor that could be responsible for the absence of growth – demographics of the consumer group. At least a number of national buyers at these retailers think that this is the case.

The craft consumer group is consistent between the four retailers. The numbers in figure six below indicate percentages of either the total US population or of the retailer's consumer group.

The absolutely overwhelming majority is female, white, and childless. Also, the age profile is older than the population at large – three out of the four retailers have 70 per cent of their consumers at over 35 years as opposed to an average of 51 per cent. Also, crafters are better educated than the average – over 50 per cent with college or higher versus the average of 30 per cent. Not so surprisingly, the crafter population is also better off – over 50 per cent make $60K and up versus the average of 33 per cent.

"The craft consumer group is consistent between the four major retailers."

This demographic data also at least partly explains why the craft industry is not growing. Caucasians as a percentage of the total population are declining. Childless females are not passing their hobbies on to their children. Older people have fewer years ahead of them to pursue crafts.

There is no indication these demographics are going to change and continued absence of growth is therefore a probable future scenario for the American craft industry.

Luc Muller is a Swiss who has lived on five continents. In the US, he was the CEO for four manufacturing companies, including two in the toy industry. Since 2002, he has provided competitive intelligence on the toy and video games market to manufacturers and financial institutions coast-to-coast. www.klosterstrading.com

Fig. 4

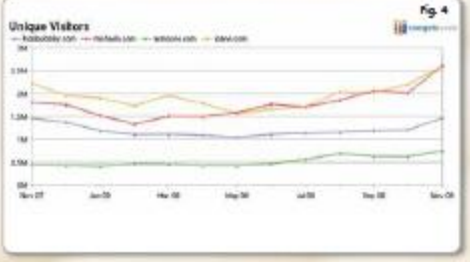


Fig. 5

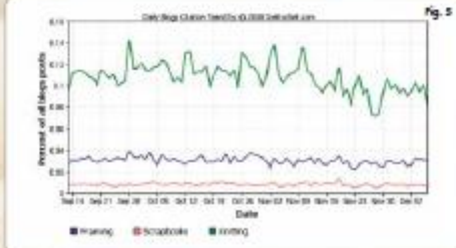


Fig. 6

CLASSIFICATION	US OVERALL	A C MOORE	JO-ANN	HOBBY LOBBY	MICHAELS
Female	75	96	91	75	88
Age					
3 – 17 years	15	4	3	11	6
18 – 34 years	21	24	25	28	41
35 – 49 years	23	35	28	25	31
50+ years	28	37	42	36	22
Caucasian	75	92	97	91	91
No children	54	79	81	71	69
Income					
$0 to 30 K	35	22	20	14	20
$30 to 60 K	32	24	28	36	29
$60 to 100 K	21	26	30	30	30
$100K+	12	28	22	20	21
Education					
No College	70	53	47	44	41
College	22	34	39	42	45
Grad School	8	13	14	14	14