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PRESS RELEASE

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Skyrocketing Costs of Steel and Other Materials Affect Retail Environments

Hollywood, Fla. (June 16, 2008)—A.R.E.'s member companies are being hit with skyrocketing costs for a variety of materials and services that go into the manufacture of store fixtures, visual presentation products, and other materials for retail environments. Companies that work with steel are being particularly hard hit. Following several years of increasing steel prices, costs for a variety of types of steel have skyrocketed in 2008, with increases of 40 to 75 percent. Many experts expect to see additional price increases, reduced availability, delays, and allocations take effect in the second half of this year.

Tight supplies and increased costs have spread to a number of other important manufacturing materials used in fixtures and retail environments products, including steel wire, MDF, particleboard, aluminum, glass, plastics, acrylic, and packaging materials. Member companies have experienced cost increases of 10 to 15 percent for glass and 5 to 15 percent for composite board products including particleboard and MDF. Hardwood prices are rising in some parts of the country due to fewer sources of dimensional lumber. Plastics, packaging, and other petroleum-based products also are experiencing dramatic price increases. Some finishes are also affected; the rising cost of nickel has made both nickel- and chrome-plated finishes more expensive to produce.

Klein Merriman, executive director of A.R.E., said, "Growing global demand for raw materials, spiraling fuel prices, and a weaker dollar have together created what some of our member manufacturing companies are calling a 'perfect storm.'" Increases in petroleum and natural gas fuels contribute to increased energy costs in the making of a wide variety of raw materials, finished goods, and transportation of both materials and finished goods. At the same time, the cost of goods imported from Asia is increasing.

For a \$10 steel bracket, material costs alone have jumped 50 percent from \$4.52 at the beginning of the year to perhaps \$6.78 in June, Merriman added. "This would wipe out an average pre-tax profit of 46 cents many times over. Unfortunately, companies that are forced to absorb these cost increases on their own will soon be out of business," he says.

About A.R.E.

Members of the Association for Retail Environments (formerly NASFM) are retail environments professionals and proven industry leaders—companies that are well known for excellent craftsmanship, topflight service, and cutting-edge innovation. More than 800 member companies offer a full range of products and services for retail environments, and include store fixture suppliers, retail design firms, suppliers of visual merchandising products, and suppliers of materials and equipment for the retail environments industry. Member capabilities include importing, exporting, consolidating, installing, project management, engineering, design, and more.



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