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Equipment Dealers Brace for Challenges, Seize Opportunities

Although dealers are predicting decreases in new equipment sales for 2009, they also appear to be broadly optimistic for product support sales.

Oak Brook, Ill. – In its annual Business Outlook survey, *Construction Equipment Distribution* magazine, the official publication of AED, found that equipment dealers widely anticipate decreased sales and sales margins in 2009. CED conducted the Business Outlook survey in November, asking its 712 dealer members (U.S. and Canadian) to assess their business status as they closed out 2008 and identify their expectations for 2009. The survey received a 13.3 response as 95 dealer executives completed an online questionnaire, many of whom also added written remarks about their regional conditions.

Summing up the year they were ending in comparison to year-end 2007, 36.4 percent of dealers indicated that their 2008 total revenues would finish at more than 10 percent below the previous year's; 20.5 percent said 2008 would end at an increase of more than 5 percent, while 20.5 percent also said the year would tally at a 6 to 10 percent decrease in revenues. A 1 to 5 percent decrease was reported by 11.4 percent of dealers, and 4.5 said '08 revenues would end flat compared to '07.

As they looked into the future, dealers predicted the following 2009 outcome for the various divisions of their companies:

- **New equipment sales:** 72.3 percent of respondents expect a decrease, 19.1 percent expect no change, and 8.5 percent forecast an increase.
- **Used equipment sales:** 62.4 percent said decrease, 26.9 percent said flat, and 10.8 percent anticipate increase.
- **Rental revenue:** 44 percent said decrease, 39.6 percent expect flat, and 17.6 percent look for increase.
- **Parts sales:** 45.2 percent expect flat sales, 29 percent expect decrease, and 26.9 percent see an increase on the horizon.
- **Service sales:** 45.7 percent said flat, and the rest were nearly tied for their positive and negative predictions on repair and maintenance: 28.3 percent expect a decrease and 27.2 percent said they'll see an increase.

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Regionally, the predictions of dealer executives are:

- All regions universally indicated heavy majorities of expected new equipment sales declines for 2009, though notably the Southeast region offered some contrast with a 40 percent prediction of flat sales.
- For rental, the regions expecting biggest decreases were Rocky Mountain and the West, tied at 66.7 percent, while the South Central region had the most responses for rental revenue increases – 41.7 percent.
- Dealers appear to be broadly optimistic for flat product support sales in 2009, though clearly many still anticipate declines. Nevertheless, 60 percent of Canadian dealers said parts sales will increase, followed by 50 percent of South Central dealers making a similar forecast. Those two regions also lead in predictions for increased service sales. A majority of dealers from the West (66.7 percent) and 50 percent from the Northeast predict flat service business.

The complete report can be found in the January 2009 issue of *Construction Equipment Distribution* magazine, or online at www.cedmag.com.

About AED

AED is an association of independent distributors, manufacturers and other organizations involved in the distribution of construction equipment and related products and services in North America and throughout the world. AED members sell, service and rent equipment to markets that include heavy and light construction, mining, agriculture, forestry, aggregates, engines and industrial.

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