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Top Start-up Opportunities

IBISWorld Announces High-Growth Sectors For Entrepreneurs & Investors

LOS ANGELES – Jun. 17, 2009 – There is still money to be made despite the economic climate according to industry research firm IBISWorld. The company identified the leading start-up opportunities for entrepreneurs and investors to potentially make a profit in 2009 and beyond. The high-growth sectors are identified below:

1. Landscaping Services

Revenue forecast	Average annual growth of 4.5 percent from 2011 onwards.
Start-up costs	\$1k - \$100k+ start up costs, with the upper end relating to the purchase of equipment

The aging population is driving demand in the landscaping sector, which is also benefiting from businesses, government and time-poor households outsourcing landscaping services.

Landscaping is an attractive start-up proposition because of low barriers to entry, as well as low initial capital requirements. “Many people can commence operations with equipment they already own, and there is no need for a formal office or additional staff,” noted Toon van Beeck, senior analyst with IBISWorld.

However competition is heating up for newer players to stand out, as established enterprises firmly plant their feet in the industry. All in all, strong growth will return around 2011, when income levels are expected to recover and job insecurity subsides. In order to stay competitive, investments—such as in earth-moving equipment—will likely be required, invariably driving up the cost to enter the industry.

2. Tutoring, Test Preparation, Driving Schools & Other Education

Revenue forecast	Average growth of 2.1 percent per year from 2011 onwards
Start-up costs	\$4K - \$75K start up costs, with the upper end relating to purchasing an existing tutoring business/operation from an established location

The popularity of online tutoring services is on the rise as families increasingly value low-cost, convenient applications they can use from home. Technology continues to evolve its way into the mainstream, and students are quickly adopting this integration into such online services. Growing consumer acceptance of tutoring and exam-preparation services is also moving this area forward. Online tutorial services were once relatively uncommon, however now they are an accepted – even sought-after – part of the education sector.

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“In the current market we may also see people looking to expand their product offering to include relatively simple, short courses such as in first-aid and self-defence,” van Beeck predicts.

The initial cost of establishing a business in this industry is low, with most operators being able to rent premises on an “as-required” basis. There is also minimal need for capital expenditure on specialized equipment for tutoring and exam-preparation providers, apart from computers or other technological training resources. Competition in this evolving industry is currently moderate.

3. **Fashion Design Services**

Revenue forecast	Annualized industry growth of 6.3 percent to 2013.
Start-up costs	\$5k - \$30k

While entrants require innovative design and creativity, demand for industry services from growing international markets, like China, will support this area in the long-run despite the current economic situation of 2009.

The beginning stages of any new fashion business will be challenging, but for the short-run IBISWorld expects a shift in designer focus towards producing fashionable yet affordable clothing, as budget-conscious consumers drive overall prices down.

IBISWorld anticipates an industry-wide recovery in the second half of 2010, with growth to ensue as consumer confidence is restored and fashionable clothing becomes more affordable. And while the sector has low-levels of concentration, competition is high and is increasing.

van Beeck advises new entrants to differentiate their services based on creative skills, quality, and witty self-marketing rather than through advertisement.

“In recent years, smaller, independent designers have been sprouting like never before and this has given the industry the ability to move forward despite the retail sector taking a big hit. This year won’t be easy, but we anticipate strong growth will return to the market and since entry barriers and start-up costs are relatively low - along with the growing popularity of online retail - we believe this industry warrants inclusion in the list,” said van Beeck.

4. **Community Food Services**

Revenue forecast	Annualized industry growth of 6.9 percent until 2011
Start-up costs	\$500- \$1,000 initial capital outlay, including gas and food supply

Historically high un-employment rates, combined with mass displacement and foreclosures, have seen a rapid rise in the need for emergency food supplies and community based food services. For new entrants, this \$5.3 billion industry provides some profitable opportunities. Characterized by low barriers to entry, minimal capital requirements, and excellent growth prospects until 2011, community food services are both a noble and lucrative industry to enter amidst the gloom.

5. **Vocational Rehabilitation Services**

Revenue forecast	Annualized industry growth of 6.2 percent to 2013.
Start-up costs	\$5k - \$50k

Rising unemployment and displaced professionals will spur demand for vocational rehabilitation services this year, as the workforce becomes starkly competitive with the increasing amount of Americans vying for work.

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“Getting people back to work will be a key priority for the government, so this industry will enjoy strong federal support for at least another year or so. Demand for industry services will be strongest in the regions most affected by the subprime crisis, particularly Calif. and Fla.,” advised van Beeck.

The recession will drive demand for training and return-to-work programs, and although the level of capital intensity is relatively low and industry assistance is high, it is a tougher field to penetrate than some of the other start-up options on this list. Industry contacts and counselling skills are particularly important.

6. eCommerce & Online Auctions

Revenue forecast	Annualized industry growth of 12.1 percent per year to 2013
Start-up costs	Online retailing start up costs at \$12k to \$260k

Americans are becoming thrifty with their wallets, and with the Internet offering an array of providers for every conceivable need, consumers are better able to research and compare more inexpensive options offering the greatest value.

This industry's phenomenal growth is expected to continue for the next few years, facilitated by relatively low operating costs that lead to higher profit margins for operators.

Technologically, the industry continues to evolve and improve. Secure payment systems such as PayPal and effective web-based self-service solutions are improving business-to-consumer relations while boosting confidence and convenience regarding online shopping.

"This industry has low entry barriers and the cost of purchasing, establishing, and maintaining a website is very low, making it an encouraging prospect for new entrants. However, people considering setting up shop in this field are advised to consider that the costs of establishing, and maintaining a more advanced e-commerce site - with enhanced functionality and features - is much more significant. Setting up and maintaining databases can require hefty initial capital investment, and maintenance costs are of course ongoing," van Beeck added.

7. Automobile Towing

Revenue forecast	Annualized industry growth of 2.7 percent to 2014
Start-up costs	\$20,000 - \$75,000 initial capital outlay

As consumers are cutting back on expenditures with their vehicles and putting off repairs, the number of breakdowns and volume of motorists needing emergency roadside assistance will increase, spurring demand for maintenance and servicing. Over the long-run, ageing fleets and high traffic volumes will invariably support the need for towing services, as commuters who opted to use public transport during tough economic times move back behind the wheel once the economic climate improves.

Further more, independent contractors are often able to provide better response times if they maintain a larger fleet of tow vehicles that can service a wider area. Public and private entities often find it more cost-effective to contract for services on a per-tow or per-repair basis, rather than maintaining a fleet of vehicles with the staff to operate them. This is becoming an even more attractive alternative, as the public and private sector attempt to reduce secondary labor costs - such as health insurance and pensions.

New entrants to the industry must become accredited by the state roads or transport authority, and pay regular license fees (combined cost of around \$3000), as well as complying with regulations including driver log books and environmental stipulations. The cost of a tow truck ranges from as low as \$20,000 for a used vehicle, to around \$60,000, and operators also need to invest in tracking and communications.

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8. Video Game Retail

Revenue forecast	Annualized industry growth of 11.4 percent to 2014
Start-up costs	\$200,000+ initial capital outlay, primarily including the cost of a shop front, stock and supplies

As a growth industry, video game retailing is a viable and lucrative business option in the current climate, as video games console a growing number of consumers spending more time at home. With low barriers to entry and

modest initial capital requirements, this industry is well suited for potential entrants. Further, the ability to secure contracts from game wholesalers is relatively easy to facilitate, and the only barrier for new entrants is the cost of securing stock for initial sale.

9. Elderly & Disabled Services

Revenue forecast	Annualized industry growth of 7.1 percent to 2013
Start-up costs	\$200k - \$1 million+
\$200k would be the absolute lowest – new entrants need to be willing to invest in nursing staff (who will need to work 24 hours), as well as considerable amounts of medical equipment and mobility-assistance machines, among other expenses, driving up costs. This can be recouped fairly swift as long as occupancy is high enough, but any entrant would need to be cashed-up or willing to borrow heavily in a tight credit market.	

Growth and demand is steadily rising in this field, and it is a trend IBISWorld expects to continue for the foreseeable future, as the baby boomer generation approaches retirement age – spurring renewed demand like never before for age-specific services.

“This is supported by the fact that establishment growth is considerably stronger among non-employers, with annualized growth of 8.3 percent over the current period, as opposed to 3.3 percent among employers,” explained van Beeck. Government grants could be drawn upon to establish new industry entities – bringing down start-up costs – which are still significant since operators need to invest in and often modify premises, hire qualified nursing and auxiliary staff, and seek specialized medical equipment.

“Rising federal government funding, the rise of age-related issues, and an emphasis on caring for people with disabilities (such as the New Freedom Initiative), make this industry highly prospective. Entry barriers are low, and tax concessions and rebates are available for non-profit organizations. Currently, 86 percent of industry players operate without having to pay taxes – a significant incentive.

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