Scoring Flooring Industry Stats for 2014

Total industry sales

(in billions of dollars)

$19.599 3.6%

(in billions of square feet)

17.956 1.8%

By the numbers

FCNews’ annual Statistical Issue defines the flooring industry in 2014 in terms of dollars and units sold.

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While the flooring industry continues its recovery from the prolonged recession, the satisfying gains it posted in 2013 in value and volume slowed somewhat in 2014. A harsh winter that greatly hindered first quarter sales, coupled with inconsistent new home construction throughout the year (single-family housing starts were 11% lower than initially forecasted), left the industry with growth of 3.6% in dollars and 1.8% in volume compared to the respective 5.5% and 3.8% growth in 2013.

When the dust settled, floor covering sales in 2014 totaled $19.599 billion and 17.956 billion square feet. While these numbers are well off 2006 highs of $24.715 billion and 26.36 billion square feet of flooring sold in the U.S., these figures represent the fifth consecutive year of dollar growth and third straight year of volume increases. On an even more positive note, the average price per square foot of all flooring was $1.09 in 2014, up about two cents from 2013. The average selling price is also up significantly from 2009, when it was $0.96.

To put things in further perspective, floor covering sales in 2014 were at its highest level since 2008’s $19.743 billion and were up 21.1% from 2009, when the industry bottomed out at $16.189 billion.

The good news doesn’t end there. More floor covering was sold last year in the U.S. than in any year since 2008. Unit growth is up 7.3% from 2011’s low point.

(EDITOR’S NOTE: FCNews does not include stone flooring in its aggregate total, nor does it include ceramic wall tile. In addition, rubber flooring numbers include sheet, tile, accessories and cove base. Some numbers from years past have been changed slightly to reflect updated information.)

Also for the third consecutive year, every floor covering category showed growth in both dollars and units with the resilient category continuing to be the locomotive powering the industry. Within resilient, luxury vinyl tile has been the catalyst for this explosive increase.

In 2014, resilient posted the largest percentage gain of any flooring category, rising 8.4% to $2.392 billion from $2.206 billion in 2013. Since 2009, the category has increased a stunning 36.6% and is now at its dollar high point in recent history.

Resilient now accounts for 12.2% of the total flooring market in dollars and 15.1% in volume after a 3.8% rise in units to 2.69 billion square feet. In 2013 resilient held an 11.7% share, up from 11.3% in 2012 and 10.8% in 2008. Interestingly, its market share in volume has stayed around 15% for the last seven years. That suggests resilient’s average price point increased by virtue of the migration from sheet to LVT.

FCNews research reveals how LVT is driving category growth. From nearly $750 million in 2012 to $948 million in 2013 and $1.142 billion in 2014, LVT rose 52.3% in two years. It also carries with it a premium price tag as it comprises 47.7% of the category’s dollars but only

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making sure your installer is skillful. If you’re expecting the flooring to be properly installed, then you can’t beat the installer up for the lowest price. Cheap does not buy quality. The installer has to know and have experience with the product he’s installing. The chance of a flooring installation failure increases exponentially as the price of installation decreases.

Lastly, what we find so often as the cause of a flooring failure is ignorance and lack of common sense about flooring. For example, wood flooring will expand and contract during seasonal changes, shrinking in the dry of winter and expanding in the humidity of summer. This is the same thing trees do in the forest. Wood also scratches and dents; that’s an inherent characteristic no matter how hard it is.

Each flooring material has its own inherent characteristics you must know, understand and be able to convey to the consumer. You can fix ignorance with education and learn common sense in the process.

The more you know about the products you sell, qualify the consumer and get the flooring materials properly installed by skilled installers, the fewer flooring failures you’ll have.

Lew Migliore has experience in the floor covering industry for over 44 years. Challenges, successes and opportunities led to his development of a unique business model in the technical and educational segment. He was the author and columnist of “The Claims File” for Floor Covering News and a regular contributor for other media outlets.
26.4% of its volume. To illustrate its growth, those numbers were 43% and 22.3% in 2013 and 37.4% and 20.6%, respectively, in 2012.

LVT increased significantly in both residential and commercial markets—dollars and square feet—in 2014. Residential LVT saw a 14.1% increase in square footage from 392.2 million in 2013 to 451.5 million, making up 55.2% of the LVT market in dollars and 63.7% in volume. The commercial market rose from 194 million square feet to 257 million, a 32.5% increase. While residential brought in more dollars—$30.5 million for $413.75 million in 2013 to $511.25 million in '14.

The versatility of luxury vinyl—tile or plank—makes it an ideal solution for any number of residential, commercial and project-oriented applications. This multi-tasking ability has allowed LVT to migrate into builder, multi-family and residential remodeling applications. The large space in which LVT operates, in turn, has afforded manufacturers the means of introducing differentiated products across a wider front, fueling the march toward commoditization.

Originally, LVT became popular as a water-resistant product. But in recent years this perception has changed.

"Consumers and retailers quickly understood that the product was a natural fit for wet areas because of its inherent water-resistant properties," said Ed Duncan, Manning's president of residential business, but they also started looking at LVT as a product that was easily moved into a lot of other spaces because of its various performance attributes. The ability to create a product that mimics virtually any hard surface type is what really drove LVT into more spaces.

Also driving the category are its floating options, be it non-skid backings, click or self-stick strips. However, traditional glue down is still a large part of the market because of the lower price points in addition to the hesitation of the commercial market of using a floating product.

As LVT grows, it is taking share from other resilient categories, especially vinyl composition tile (VCT), but sheet vinyl as well. Sheet vinyl—both residential and commercial—was down 4.5% in dollars in 2014 to $756 million from 2013’s $791 million. The commercial market took the hit, declining 13.9% in dollars from $254.24 million in 2013 to $219 million last year. The residential segment was flat at 9.8%.

Despite less than robust numbers, sheet vinyl remains a viable product within the resilient category. Some executives, including Paul Murfin, co-CEO of LVC US, call sheet tag associated with it. As he put it, "People don't know it is sheet vinyl, they just see a great looking floor."

Within sheet, glass-backed is growing at the expense of particularly in new home construction—than it is felt. Other factors driving fiberglass are cushioned comfort underfoot, ease of repair and affordable price.
Despite less than robust numbers, sheet vinyl remains a viable product within the resilient category. Some executives, including Paul Murfin, co-CEO of IVC US, call sheet "the single best value product in the industry."

Murfin said sheet provides a particularly compelling option for younger consumers who want the look of a really good floor without the price tag associated with it. As he put it, "People don't know it is sheet vinyl, they just see a great looking floor."

Within sheet, glass-backed is growing at the expense of felt, and that trend is expected to continue. Experts say some of the shift toward glass-backed is because of ease of installation, as it is demonstrably easier for floor layers to work with glass-backed sheet vinyl, especially in smaller areas—particularly in new home construction—than it is felt. Other factors driving fiberglass are cushioned comfort underfoot, ease of repair and affordable price points. FCNews analyses suggest fiberglass now constitutes more than 70% of the sheet vinyl market in terms of dollars and over 60% in terms of volume.

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As the overall flooring market pivots toward hard surfaces, resilient flooring is poised to reap a sizable portion of that shift because of its sheer size and for offering an incredible value through price and durability. That value proposition is further buttressed by the numerous design options that are available in different constructions. It all adds up to an exceptional product that provides residential and commercial customers with an ideal flooring solution that doesn’t break the bank.

Carpert
There may be no stopping the trend away from soft surface to hard surface flooring. Where carpet traditionally resided (hotels, bedrooms), LVT and other hard surface products are now being installed.

Some executives say it is because the carpet is not at highly desired as LVT, or is not the aspirational product hardwood is. There is tangible evidence of this shift in the numbers. As recent as 2010, carpet and rugs commanded 66.2% of the flooring market in volume; in 2014 that number was 62.15%.

Which is not to suggest carpet is going away any time soon or isn’t still a major segment of the industry; indeed, it still represents a majority of the market at 44.9%. In 2014 residential sales fell an estimated with increased urbanization trends and both residential and commercial flooring needs. That demand will continue to spur new development as well as the redevelopment of existing properties.

On the product side, carpet tile continues to grow as a percentage of the business and now accounts for 52% of the mix on the commercial side; in 2014 modular carpet trended toward higher priced products, which helped boost overall sales even while units were essentially flat.

From a design trend perspective, shapes other than the classic carpet tile square trended in 2014, with the introduction of hexagons, rectangles and facett or rhombus shapes, presenting endless opportunities for the A&D community.

In terms of fiber, nylon’s share in residential carpet has been trending down; it was estimated to be 40% in 2012, 31% in 2013 and around 29% in 2014, although some estimates are a bit higher. The strong growth in multi-family helped fuel the trend as facility managers opted for less expensive carpet since replacement cycles are 35% to 50% higher than those of single-family homes. PET’s biggest benefit, experts say, is its value proposition due to the lower raw material cost compared to nylon. As such, polyester continues to grow, especially the solution-dyed component.

An encouraging note for segment in 2014.

Hardwood
“Stabilization and regrowth” was the headline for the hardwood category in 2014. While not sexy like LVT, hardwood has been on a slow, steady growth path since ebbing in 2007 during the Great Recession. After hardwood sales reached its high in 2006, it took until 2013 for the market to recover to near 2008 levels.

And while 2014’s sales in hardwood flooring grew 7% to $1.943 billion, and 6.1% in units to about 770 million square feet, it was still the second best year since 2007 in terms of growth, trailing only last year’s 10.7% increase. More so than just the numbers, industry executives are pleased the segment is on firmer, more stable footing than it has been for some time.

Dollar growth outpaced units in 2014 largely because of price appreciation in solid wood driven by the run-up in lumber that led to multiple price increases. The industry continued to realize price appreciation for the first eight months of the year before leveling off. That would explain dollar growth outpacing units.

Stability in raw material costs, especially in the second half, was a major story in 2014. The availability of lumber and veneer improved considerably as the year progressed to the point where supply adequately met demand. With raw material costs in check, hardwood suppliers could turn their attention from raising prices to selling more products.

Were it not for a tough first quarter in 2014, largely attributed to the harsh winter weather, hardwood sales in percentage growth may have topped 2013’s numbers. Another deterrent was housing starts, which proved more sluggish than expected.

“Everyone was thinking about a breakout year, and that simply did not materialize affecting overall growth for the year,” said Luc Robitaille, vice president of marketing at Boa-Franc, makers of the Mirage brand.

As it was, the 7% increase in sales and 6.1% bump in units amid improving economic conditions gave executives reason to believe the recovery is here to stay.

Michael Martin, president and CEO of the National Wood Flooring Association (NWFA), said most of the important data was trending upward. “Single-family construction was pretty good. On the retail side, mid- to upper-end hardwood saw a resurgence in demand, and there is also still some pent-up demand out there that we saw in 2014.”

Hardwood suppliers that source domestically—including U.S. and Canadian manufacturers—are seeing the effects of the growing Made in the USA movement (for Mirage, Mercier and several others, the pull of Canadian quality). Executives are finding that not only do consumers feel more confident trusting products produced by American manufacturers under U.S. regulations, there has also been a renewed pride in purposefully supporting brands that provide American jobs.

In addition, most retailers and distributors are maintaining lower levels of inventory in response to the tightening overall economic conditions. These lower inventory levels require more rapid service; domestically made products are capable of filling those quick-turn requests better than most imports, and this trend continued during 2014.

Another trend that continued was the movement toward

METHODOLOGY

The statistics presented in this study were derived from an extensive database of industry association, independent research, and other sources, such as China Wood International, the European Producer of Laminate Flooring, and was incorporated into the research to help arrive at the final results.
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Which is not to suggest carpet is going away any time soon or isn’t still a major segment of the industry; indeed, it still represents a majority of the market at 44.9%. In 2014 residential sales fell an estimated 0.6%; volume was down 0.2%. Estimates for commercial sales showed an increase of 3.5% in sales to $3.88 billion, or 44% of total carpet sales. Rugs helped the overall soft surface number with a 4% increase; carpet and rugs now comprise 47.2% of industry dollars vs. 61.2% in 2010.

On the contract side, the corporate segment—which accounts for 50% of specified commercial—experienced a strong second half. This was in part because of an improved jobs market, which meant more corporations and firms were investing in their workspaces to attract top talent.

A shift in demographics is also impacting carpet. Senior living, which can be classified as both health care and multifamily, is a particularly active segment that offers tremendous opportunity now and in the future as an aging population naturally prefers the softer flooring surface.

Mixed-use development also presents a prime opportunity for the foreseeable future as developers seek to attract different types of tenants. This includes not only traditional office and retail but also residential.

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METHODOLOGY

The statistics presented in this study were derived from an extensive research project undertaken by Floor Covering News. Figures were gathered from a variety of sources to develop the most plausible and credible results at the time of publishing.

Sources included, but were not limited to, published government records (both U.S. and foreign sources); filings from public companies; extensive and confidential interviews with top officials from all levels of the supply chain—manufacturer, distributor, retailer, installer, importer, agent, industry organization, buying group, etc.; historical trends and data; reports published by associations along with private conversations with directors; and previously published reports and stories in FCNews and other credible media sources.

Some of the data came from sources such as the National Wood Flooring Association, National Association of Home Builders, National Association of Realtors, National Association of Manufacturers, etc.

Floor Covering News also held numerous private conversations with high-ranking executives from many of the industry’s leading mills, groups and associations about the overall industry and their respective category(s) of business. While these discussions were off-the-record and confidential, the information gleaned from them was incorporated into the research to help arrive at the final figures.

These numbers do not include sundries or installation but represent goods sold at the key point of sale, meaning products that are private labeled from one mill to another are not counted twice. Also, in the case of the ceramic tile category, only sales of floor covering are included, which account for between 75% and 80% of the segment’s revenues and volume (the rest comes from wall tiles). In some cases percentages may not total 100 due to rounding. Unless noted otherwise, all graphs and charts were derived from FCNews’ research.

FCNews does not claim the numbers presented here to be exact and final. Governmental and company data is often revised—sometimes by more than 5% and as much as five years after being first published.

That said, these figures do represent what FCNews believes to be the best and most accurate account of what the flooring industry accomplished in 2014 in terms of sales, volume and other pertinent information.
engineered hardwood sold. Engineered picked up at least 1 percentage point—some would argue a bit more than that—and now commands about 54% of the market. Executives say engineered is growing in demand because it offers numerous options at affordable prices with a design aesthetic that resonates with consumers, including wide planks.

Hardwood flooring continues to trend toward wider, longer planks, playing into engineered’s wheelhouse. As Don Finkell, CEO of American OEM put it, “Solids don’t do wide well.”

Laminate
Although the category has been under pressure from LVT, industry experts agree the intensity of the threat has finally died down and laminate remained relatively flat throughout 2014. FCNews research revealed that laminate was relatively stable with slight increases in both volume and dollars.

For the third consecutive year, laminate showed gains—1.1% in sales to $1.135 billion from $1.123 billion in 2013; and 0.6% in units to 1.066 billion from 1.060 billion square feet in 2013. While 2013 results foreshadowed some price stability, last year’s results showed an increase in average selling price for the first time after years of decline to $1.06 per square foot—back to where it was in 2012.

The consensus among industry leaders is that the commoditization of laminate pricing has resulted in more of the business going to the home centers; where specialty retailers have made their mark is in the mid- to higher-end products that are 8 to 12 mil with distinctive wood-like characteristics and features. Specialty retail accounts for an estimated 30% of the laminate business, with the rest found in home centers and Lumber Liquidators.

Laminate remains very much a residential replacement product, however the category did see some growth in the new construction market, coming in at 10%, up from 8% in 2013. With the help of advanced digital printing, manufacturers have been able to develop laminate products that provide realistic, at times exotic, visuals and replicate natural textures of hardwood. This small strides in penetrating the builder segment; thicker, premium (namely 12 mil) products have become a more appealing alternative to higher priced hardwood flooring.

At its core, laminate offers numerous performance benefits, and as long as it does so it will remain an enduring presence in the floor covering market. “Laminate is still the most scratch-resistant flooring surface outside of concrete,” Mannington’s Natinke said. “Secondly, NALFA certified are some of the greenest products there are. The one Achilles heel is moisture, and we’re working on that. The laminate category has good long-term viability.”

Ceramic tile
As much as any category, ceramic is tied to housing starts, which did not match 2013’s 18% increase, the best year for builders since 2007. In addition, ceramic is closely tied to new home sales, which also did not live up to 2013’s highest level since 2008.

Still, ceramic sales in dollars were up 6.2% in 2014 to $2.38 billion, although volume was relatively flat, up 0.5% from 1.98 billion square feet to 1.99 billion square feet. Ceramic now commands a 12.1% market share in terms of dollars and an 11.2% share in volume. This is up from 9.8% and 7.6% in 2009.

However, ceramic’s leap comes with a caveat. Nearly 70% of all ceramic tile sold in the U.S. is imported, and the product’s value is calculated at point of entry into the U.S. In other words, it is recorded when it lands on U.S. soil. So, much of ceramic tile’s increase was attributed to suppliers beefing up their inventory levels and not reaching first point of sale.

Italy, China, and Mexico—in that order—represent more than 75% of the dollar value of ceramic tile imports into the U.S. in terms of dollars. Because of the many types of ceramic tile, nearly all U.S. manufacturers import product to supplement their domestically produced product. In terms of units, Mexico and China lead the way as much of the lower-priced products come from sources of the border.
Rise in housing starts drives continued recovery

By Ken Ryan

What some executives had hoped would be a breakout year for the hardwood segment—following double-digit growth in 2013-2014 instead turned out to be a solid year of steady progress.

The most significant positive factor in 2014 was continued recovery in the overall economy, which created consumer confidence and an uptick in housing starts, executives said. Housing starts for both single- and multi-family units were instrumental in driving gains in square footage sold. Meanwhile, higher lumber costs resulted in higher selling prices of solid wood, helping to drive dollar gains. Engineered hardwood sales outpaced total solid wood.

"Overall, 2014 was not a bad year," said Dan Natkin, senior director of hard surface products for Mannington. "I will take slow, steady growth any day of the week."

All told, 2014 proved better than any year following the recession, with the exception of 2013. FCNews found hardwood sales in 2014 increased 7% to roughly $1.943 billion while units increased 6.1% to about 770 million square feet.

That translates to 9.9% of the overall flooring industry's market share in terms of dollars.

A dollar volume of $2.101 billion. However, since the category dipped to a low of $1.539 billion in 2010, it is up 26.3% over these last four years.

Most executives said it took until the second half of 2014 for the hardwood business to regain its footing. In addition to the weather that hurt first-quarter sales, raw material cost increases continued to impact the selling prices.

"Raw material costs and the unpredictability of pricing continued to impact the industry in 2014," said Drew Hash, vice president of hardwood for Armstrong.

Improvement in home building was the biggest driver in 2014. "We've been under-building for years, and now it is starting to catch up. Wood very closely follows new construction. You can lag new home starts for eight months and wood will almost exactly parallel that."

Don Finkell, founder and CEO of American OEM, said that while new home construction and remodeling driven by existing home sales have fueled demand, obtaining credit remains an issue for many consumers. "There is still some drag on home sales from excessive banking regulations, making both the manufacturing side and the consumption side regarding imported products. The Made in the USA movement is continuing to gain strength among retailers and consumers who are looking for products they are certain will meet federal regulations and are sourced from sustainable practices."

Neil Poland, CEO of Mullican Flooring, said consumers in general are placing a greater emphasis on buying American-made products. "This is due to increased awareness among consumers of the importance of sustainable, eco-friendly products."

Consumers also trust American-made products and are more skeptical of foreign-made goods. CEOs are also becoming skeptical.

According to Natkin, domestic vs. import "has been a tale of two cities. On the solid hardwood side, domestic production is king and is fairly healthy. On the engineered side, one out of every two square feet is imported. In engineered, China is the largest importer at 60%, followed by Southeast Asia, Canada and Europe."

Michael Martin, president and CEO of the National Wood Flooring Association (NWFA), said domestic is the clear leader and is capturing more market share due in large part to enforcement of the Lacey Act, along with the general desire...

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How wood is sold

By species

- Maple 7%
- Brazilian cherry 2.5%
- Other exotics 4%
- Other domestics (includes Hickory) 18%
- White oak 19%
take slow, steady growth any day of the week."

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That translates to 9.9% of the overall flooring industry market share in terms of dollars and 4.3% in volume, up from 9.6% and 4.1%, respectively. This marks the fourth consecutive year of dollar growth for the hardwood segment and its highest amount since 2008 when FCNews research revealed...
Wood
Continued from page 18

for products made in the U.S. “In addition, the growing middle class in other countries has a desire for U.S. products, including U.S. wood flooring species. U.S. manufacturers have strict regulations they must adhere to, so consumers are gravitating toward domestic products as opposed to those that don’t fall under U.S. manufacturing laws.”

Some executives say price remains the primary driver of imports, which allows foreign products to continue to represent a large portion of overall sales. On the other hand, Bill Schollmeyer, CEO of Johnson Hardwood, an importer, explained that while manufacturing and distributing imported floors continues to be a challenge, it’s no longer just about price. “If the consumer or dealer doesn’t feel safe or comfortable with the importer, they’ll select another product.”

Ultimately, all signs point to domestic grabbing more of the market share. “There is a definite move to domestic-made product,” Finkell said. “Some of this is a market preference for Made in America and some of it is driven by fear of unknown consequences of buying overseas.”

Engineered vs. solid
One of the biggest trends that shaped 2014 was the continued, steady rise in the percentage of engineered sales, which is predicted to carry on. Engineered now commands about 54% of the hardwood market, up 1% over 2013. “The growth of engineered is still closely related to new construction and remodeling growth in the Sunbelt areas, a greater percentage of new homes using concrete slab foundations, high-rise apartments and basement remodeling,” Poland said. “Installations of engineered hardwood over concrete slabs are really the driver of overall engineered growth.”

Finkell added the trend of wider and longer boards also favors engineered. “Solids don’t do wide well.”

According to Hash, engineered hardwood is growing in demand largely because it offers numerous options at affordable prices with a design aesthetic that consumers appreciate, including those particularly wide planks and a tremendous variety of visuals.

Trends
2014 saw a continuation of wider planks, longer board lengths, more character in wood based on species, gray stains and finishes, and darker options.

Natkin said the trend toward wider/longer would continue for a little while longer and then likely end, with more diversification in the board lengths. “While there are companies that come out with 14-foot boards, those boards can be difficult to maneuver inside a home and are niche oriented,” he explained. “The wheelhouse is the 7.5- to 8-inch wide by 8-foot long planks.”

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Finkell said character over clear and lower gloss over shiny trended in 2014. In colors, grays, muted and visually rich tones, and combinations were in play. "Texture is still king, but [specifically] sophisticated texture. The market is not going back to smooth any time soon but the handscraped looks are more subtle and less dramatic. And you can't help but notice all the herringbone showing up on social media. It's coming."