



# Wood Flooring Trends | 09

## What's Inside

North American Situation

Wood Species &  
Colour Trends

Engineered Wood  
Flooring

Complementary Services

Esthetic Trends

Wide Strips

Innovations in Finishing

The Green Revolution

Changes in Distribution  
Channels



*This report was produced as part of the Value to Wood Program, funded by Natural Resources Canada – Canadian Forest Service.*

Trendspotting is an important tool for enabling manufacturers to be proactive rather than reactive in their business. In this issue we track trends in the **Wood Flooring** segment. Trends revolve around offshore competition, new material supply, consumer preferences, the environment and other factors.

As a manufacturer it is up to you to pick and choose the trends and opportunities that best suit your manufacturing, marketing and customer profiles. We hope this document can tip you off to new opportunities, alert you to some pitfalls and inspire your product lines.

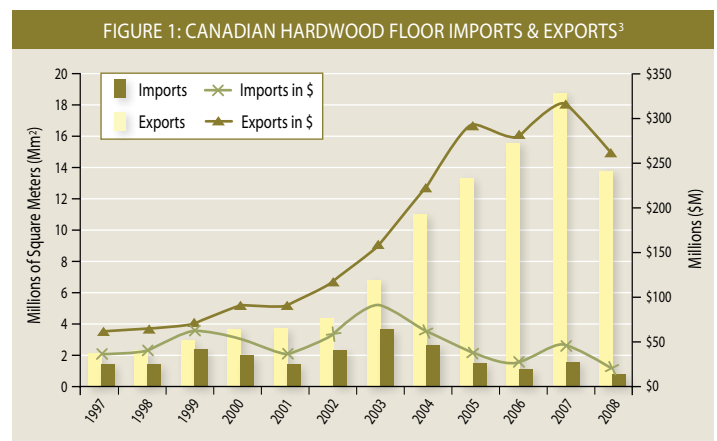
# Wood Flooring Strips — Market Trends

Canada is one of the world's six biggest producers of wood flooring strips, alongside China, Indonesia, Malaysia, Brazil and Russia. The major part of Canada's wood flooring production comes from some one hundred businesses based mainly in Québec (2/3) and Ontario (1/3). Canada's overall production in 2007 was approximately 400 million sq. ft. of which 75% was exported (90% to the USA).

As a leader in the wood flooring strip industry, the Canadian industry has had to face increased competition over recent years. Emerging countries (especially China) are lower-cost producers who have quickly positioned themselves in the Canadian and American markets, the latter being where most of Canada's production winds up. For example, American imports from China went from \$100 million in 2002 to over \$1 billion in 2007. China's worldwide exports quadrupled between 2002 and 2006 to over \$2 billion. This trend significantly impacted American flooring imports, which were assessed at \$2.7 billion in 2007 as compared with \$1.2 billion five years earlier. A similar situation occurred in the Canadian market when imports (Chinese and others) increased by 600% over the past decade (Figure 1).

Note that Chinese production, the main threat to North American producers, is mainly (75%) destined for domestic use within China. Engineered wood flooring, a product that sets the North

American industry apart from its rivals, is also undergoing tremendous growth. It now represents over half of China's production capacity, equal to 807 million sq. ft. (75 million m<sup>2</sup>). This means that engineered wood flooring strips comprise a greater proportion of products imported from China. The growth of China's engineered flooring strip industry is attributed to the difficulty of procuring enough hardwood to make solid flooring strips. Of China's exports, most goes to Europe (40%) followed by Canada (13%) and the United States (26%).



Source: Statistics Canada. CANSIM. 2009.

## North American Situation

Wood flooring strips are a high-end product with a 15 to 25% share of the North American floor covering market. In 2007, American sales for wood flooring strips was estimated to be \$5.2 billion.

Most hardwood floors sold in North America (60%) comes from four major manufacturers (Armstrong, Shaw, Mohawk and Mannington), who also produce other types of floor covering (e.g., carpeting). This means that these flooring industry giants are in a better position to offer a full line of products to distributors (including retailers) who then serve a clientele with varied needs. This provides them with a significant competitive edge over producers who do not have their distribution channels established.

The main challenges facing wood flooring strip manufacturers are to develop alternative durable coverings (49%), meet consumer demand (33%), develop new products (32%) and provide installation services (22%).

## Trends in Wood Species and Colours Used in Flooring Strip Manufacturing



A report by the American Commission on International Exchange claimed that trends for tropical wood, pre-finished products and engineered products have favoured foreign manufacturers who were better positioned than their North American competitors to meet the increasing demand. The greater purchasing power and better logistics

of major distribution chains favour concentrating purchases among a select few suppliers. This partly explains the emergence of larger foreign manufacturers. This situation has led North American manufacturers to consider purchasing foreign materials or components (via middlemen) to complete their product line.

## Engineered Wood Flooring Strips (multi-ply)

The popularity of engineered wood flooring strips in North America is expected to continually increase over the coming years to the point where this product will overtake the sales of solid hardwood flooring strips. Constructing multilayer or engineered flooring reduces the cost of production for the producer, lowers the purchase price for the consumer and limits problems related to installation. These products also offer the opportunity to diversify a product line (e.g., using exotic wood and non-traditional species).



## Complementary Services

Mohawk's association with GlobalFloorCare for maintenance is an example of a step toward the creation of an installation service able to serve a clientele of contractors and eventually, individuals. Major retailers have been partnering with installers for some time and it is conceivable that manufacturers will resort to this type of partnership more often to set themselves apart from foreign competition.

## Esthetic Trends in Raw Material



Over the past few years, consumers have been gradually moving away from products made from traditional species, such as Oak, toward exotic species such as Courbaril and Brazilian Walnut, non-traditional materials such as bamboo or a whole range of new products and treatments (such as the "distressed" style). In contrast,

France is undergoing the opposite trend. Its consumers are mainly interested in local species such as Oak, which represented nearly half the wood flooring purchased in 2006, and Pine species which made up more than 35% of the flooring purchased that year. Another observed trend is the application of patterns from other wood species or from other materials (ceramics, glass and others) applied to the floor covering.

## Wide Strips

There is a trend toward installing flooring strips which are as wide as 12 inches. These engineered products perform better in these sizes when the substrates used (usually plywood) help limit deformities and shrinkage due to changes in ambient conditions (e.g., relative humidity).

## Innovations in Finishing

Innovative finishing products have been a differentiating factor for flooring strip products over the past 25 years with research into the various properties of finishing products continuing. Recent notable developments include UV-protection finishing products; products that eliminate the discoloration of materials following extended exposure to the sun; and nanocomposite-reinforced finishing systems used mainly to make products harder and more durable.



## The Green Revolution

The positive environmental feature of wood puts it in a good position to take advantage of the Green revolution. However, manufacturers of carpets and other materials are also positioning themselves to benefit from this trend by providing products made from recycled PVC and offering to recover their product for recycling into other products (flooring and other).

Bamboo flooring continues to benefit from a positive environmental perception given its backing from the LEED system as well as popular consumer opinion. Consequently, it competes

with North American wood products made from resources that can also be shown to be managed responsibly.



Trade in illegal wood species affects the world price of wood, decreasing it by 7 to 16%. The USITC asserts that the incidence of illegally harvested wood is felt more strongly outside North America (where prices are pushed down by 2 to 4%). This

confers a greater advantage to emerging countries who purchase the illegal wood. Over the long term, it is conceivable that stricter environmental controls (e.g., traceability requirements) and especially the environmental concerns of consumers, could limit the advantages currently enjoyed by foreign producers. This phenomenon explains in large part the return to traditional species in the French marketplace.

## Changes in Distribution Channels

Canadian manufacturers are seriously affected by the fact that approximately 70% of the wood flooring strips sold in North America are distributed by about ten retail chains. This has a negative impact on Canadian producers as these retailers use distribution channels that differ from the more traditional distribution chain. New business models, such as the extensive use of the Internet, support the emergence of alternative strategies that could possibly be adapted to the behaviour of various demographic groups. Increased competition on a world scale has forced suppliers to demand more from their distributors. The producers must therefore increasingly offer exclusive products or related services (e.g., displays or product recovery). This trend is exacerbated by the fact that all types of retailers are seeking to limit their list of suppliers in order to increase their operational efficiency and profit from the advantages related to reducing the number of SKUs. Finally, it is important to emphasize the increased concentration of distribution under specialized outlets. These retailers are expected to achieve a market share of between 30 and 40% between 2007 and 2012.

## References

- <sup>1</sup>USITC. 2008. Average American production (87M ft<sup>2</sup>) is about twice that of Canadian plants (40M ft<sup>2</sup>).
- <sup>2</sup>USITC(2008) citing the GTIS Global Trade Atlas Database.
- <sup>3</sup>For the following SH codes: exports (44092011/44092911 and 44092019) and imports (44092011/44092010, 4409201910/4409209041 and 4409201990/4409209049).
- <sup>4</sup>USITC. 2008.
- <sup>5</sup>Floor Covering Weekly. July 21/28, 2008. Vol. 57. No. 29. Market share by value (retail). Market share by surface area is estimated to be 8%; 4% for pour solid-wood flooring and 4% for laminated flooring.
- <sup>6</sup>FPInnovations/NAHB Research Center. 2008. Wood Products Used in New Residential Construction (2006 data (Canada)). Includes engineered flooring, taking up a 5% market share (by surface area). The approx. 25% market share also applies to the repair and renovations segment.
- <sup>7</sup>USITC. 2008. Wood flooring and hardwood plywood: Competitive conditions affecting the U.S. industries.
- <sup>8</sup>National Floor Trends. 2005. Hardwood Flooring Market Study.
- <sup>9</sup>Generally classified among plywoods when trending imports/exports. Coded SH 44187200 (multi-ply panels) and 44187900 (wood panels). These two codes are not included in the data shown in Figure 1.
- <sup>10</sup>National Floor Trends. 2005. Hardwood Flooring Market Study. Evaluates engineered flooring market share at between 40% and 50%.
- <sup>11</sup>FPInnovations/IDE. 2008. This publication forecasts a 65% market share in 2012.
- <sup>12</sup>UFFEP. 2007. Le parquet en 2006; chiffres et tendances en France et en Europe. (Flooring in 2006; figures and trends in France and Europe.)
- <sup>13</sup>MRNF – CRIQ. 2007. Profil des produits forestiers de deuxième transformation; Parquets en bois massif, multicouche et stratifié. (Profile of secondary breakdown forest products; Solid, multi-ply and stratified wood flooring.)
- <sup>14</sup>FPInnovations/IDE. 2008.

"Market and Attribute Trends" is a series of fact sheets aimed at improving awareness and information on market trends that shape the demand for wood products. Markets and Attribute Trends is complemented by a "Facts on Wood" series that provides technical information on the various commercial wood species in Canada.

Through the Value to Wood program, Canadian wood product manufacturers have access to the expertise and information they need to extract greater value from wood resources. To download the Market and Attribute Trends, visit [www.valuetowood.ca](http://www.valuetowood.ca)

FPInnovations works towards optimizing the forest sector value chain. It capitalizes on Canada's fibre attributes and it develops new products and market opportunities within a framework of environmental sustainability. As a world-leading provider of technology development, application and knowledge transfer, the not-for-profit forest research institute helps implement innovative manufacturing solutions that provide the industry with long-term competitive advantage.

### How to contact us:

Roland Baumeister  
2665 East Mall, Vancouver, BC  
V6T 1W5  
Tel: 604 224-3221  
Fax: 604 222-2922

Gérald Beaulieu  
319, rue Franquet, Québec, QC  
G1P 4R4  
Tel: 418 659-2647  
Fax: 418 659-2922

[www.valuetowood.ca](http://www.valuetowood.ca)  
[www.solutionsforwood.ca](http://www.solutionsforwood.ca)  
[www.fpinnovations.ca](http://www.fpinnovations.ca)



<sup>TM</sup>FPInnovations, its logo, and Forintek are trademarks of FPInnovations.

Front cover image courtesy of:  
LAUZON, Distinctive Hardwood Flooring