

hardwood floors

THE MAGAZINE OF THE NATIONAL WOOD FLOORING ASSOCIATION

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2022

INDUSTRY OUTLOOK

EXTENDED

Industry Outlook

By Shannon Gayton
and Lauren White

CAUTIOUSLY

PREPARING

**FOR GROWTH,
EXPANSION IN 2022**

The wood flooring industry is optimistic for 2022, with 55 percent of respondents in our annual NWFA Industry Outlook survey expecting sales to be up somewhat (3-7 percent) next year, and about a fifth expecting sales to be up significantly (8+ percent).

About the same number expect to end 2021 on a strong note, with three-quarters of respondents expecting an increase in sales.

While many members are cautiously optimistic about future business, uncertainty remains thanks to the ups and downs of the past 18 months.

Home sales and remodeling projects have skyrocketed as people continue to invest in more comfortable living and workspaces, but many members wonder how long that surge will last. Labor shortages and supply chain challenges are shading their optimism.



The COVID-19 pandemic has disrupted the supply chain, leading to longer lead times and higher prices for many NWFA survey respondents. One member said, “Prices have skyrocketed on flooring, and we are put in a situation where we have to bid a job without even knowing the final costs of material. It is a challenge to explain this to customers.”

“Now that everything is back open, we are having a tremendously difficult time sourcing product,” said Craig Dupra, president at Installers Warehouse and chairman of the board for NWFA. “We only pick a limited number of vendors and put an enormous amount of resources into developing that market. When the supply chain started to choke off, we didn’t have a large cadre of people to look to for product.”

Further adding to uncertainty, the National Association of Home Builders recently reported that higher building costs, long lead times, as well as declining labor, material, and lots are having an impact on the housing industry, resulting in a 6.6 percent reduction in new single-family home purchases, the lowest since April 2020.

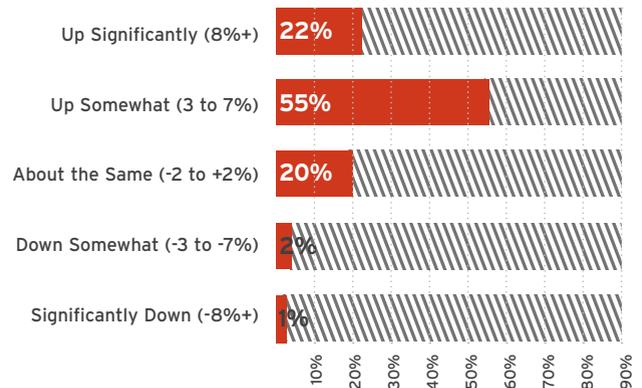
The uncertainty that started with the COVID-19 pandemic incentivized many NWFA members to change how they do business. Respondents to the NWFA annual survey reported plans to prioritize the following initiatives in the second half of 2021 and into 2022:

- Invest in or leverage existing technology for growth
- Improve processes to become more efficient
- Add new locations/expand geographically
- Add new product categories, lines, or services
- Add new team members

Some NWFA members looked toward automation and technology to streamline operations. One distributor is in the testing phase of a technology that would allow their retailers to transmit purchase orders automatically from their system to the distributor, reducing human errors, and eliminating a time-consuming step in the process. Other plans include:

- Improving operational infrastructure
- Updating computer systems
- Tracking inventory management

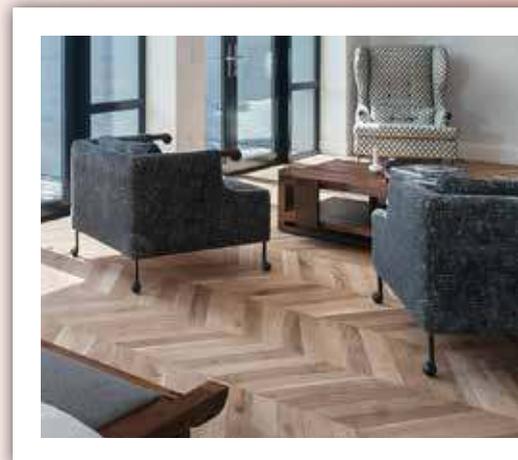
2022 EXPECTED SALES GROWTH



One manufacturer shared its plans for operational improvements later this year. In addition to rebuilding an older defect cutoff machine, the company invested in automated equipment that will allow it to eliminate manual requirements and reduce the personnel needed to bundle flooring to just one employee instead of three.

Enhanced social media marketing initiatives played a role in one company’s success throughout the pandemic. “We’ve started to do more social media marketing, and it has been impactful to our sales,” said Theresa Ridinger, customer relations manager at LW Flooring. “With retailers, a sales rep has to visit them repeatedly, and it doesn’t always lead to them agreeing to take our product into the showroom. But social media posts make them interested in our product, and they reach out to us. It’s an additional touchpoint to help in the sales process.”

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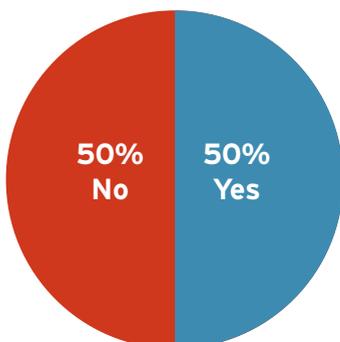
BUSINESS AS USUAL? COVID-19 TRIGGERED LONG-TERM OPERATIONAL CHANGES FOR SOME

The COVID-19 pandemic changed the way many NWEA members operated their business during the past 18 months. More than 50 percent of respondents reported increased health and sanitation measures to mitigate the impacts of the pandemic, and another 36 percent implemented remote-work options. As a result of COVID-19, some NWEA members reported other operational changes, including:

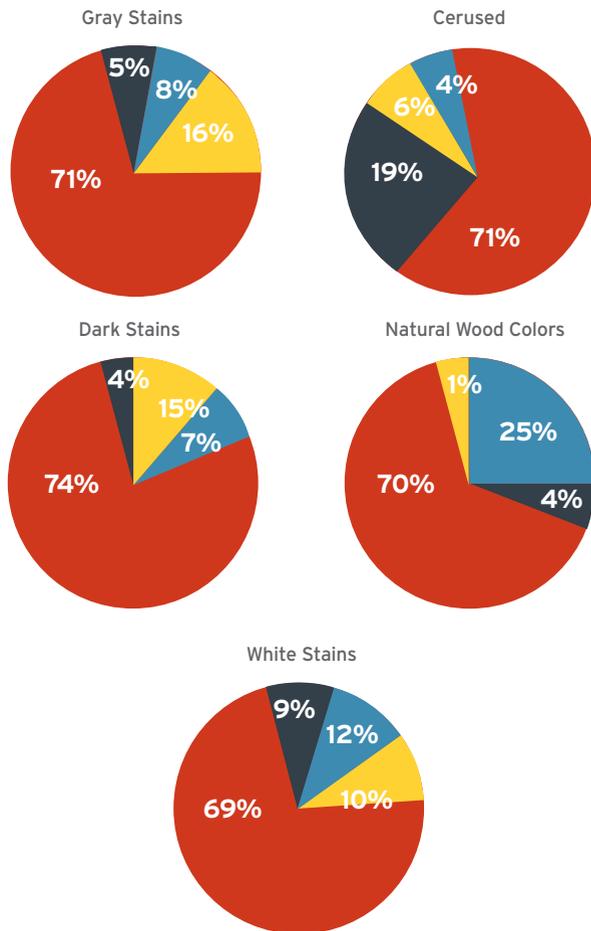
- Canceling or decreasing work travel
- Adding drive-thru supply pickups
- Staggering shifts
- Implementing virtual customer appointments
- Enacting layoffs

While many respondents plan to continue pandemic-related mitigation strategies into 2022, only 12 percent anticipate the need to cancel or decrease work travel.

HAVE YOU HAD PROBLEMS FINDING ADEQUATE SKILLED LABOR SO FAR THIS YEAR?



EXPECTED DEMAND BY COLOR IN 2022



More Demand Less Demand Same Demand Don't Know/Didn't Sell

MEMBERS SEEK RELIEF FROM LABOR SHORTAGE

For many respondents, finding employees for positions such as warehouse, shipping, production, general labor, and skilled labor like installation proved challenging amid the ongoing pandemic. Of those surveyed, half of NWEA members reported difficulty finding adequate skilled labor in 2021. One respondent said of hiring challenges, "There are no responses to advertised open positions. It seems that there is no interest in joining the trades by those entering or re-entering the workforce."

Some members speculate that government stimulus programs and unemployment assistance are affecting the current labor pool negatively. Other reasons include:

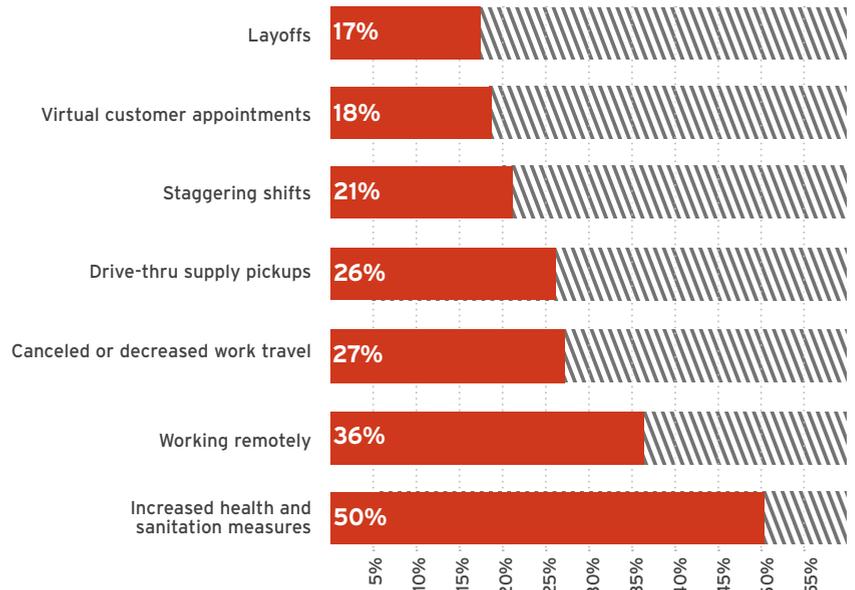
- Trade work is not the desired work sought by job seekers.

- Drivers and warehouse personnel are in high demand, and the cost of retaining these employees is rising.
- Candidates are looking for different working arrangements (permanent remote work, etc.).
- Wage rates for entry-level jobs are being pushed up.

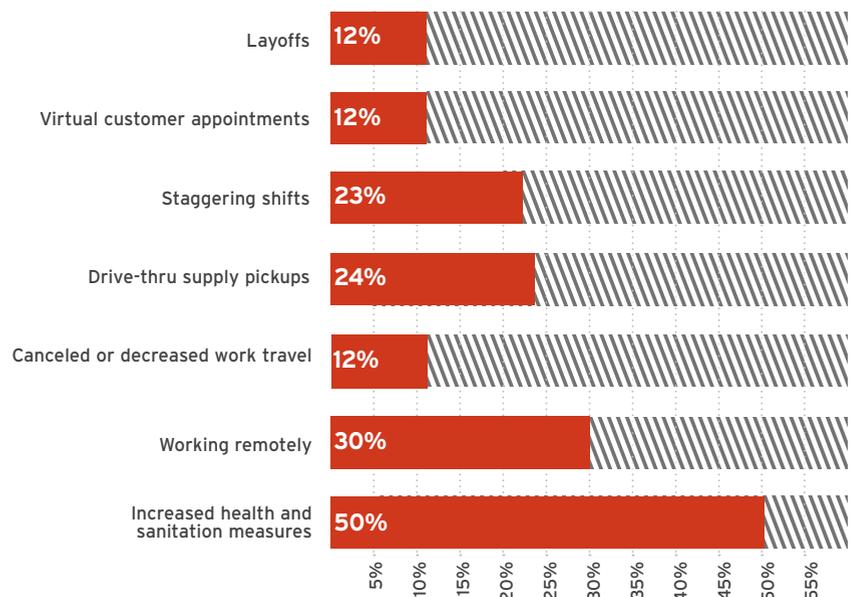
“In my opinion, the labor market will not stabilize. There’s a generation of people retiring from cutting trees, skidding logs, and driving trucks,” said Kent Barnes, co-owner of Hardwood Floors of Hillsboro. “Demand is at a record high, prices are following that trend, and the labor situation is what’s driving it. There needs to be a new generation of people to do that work.”

A recent article published in *Industrial Distribution* discussed other potential factors cited by large public distributors as the global economy rebounds from 2020 shutdowns. Lack of childcare, school closures, and degrees of societal openness or closures have led to significant gender disparities. “Our female applications are down about a third from what we’ve seen in recent years,” said Dan Florness, chief executive officer of Fastenal. “And we’ve seen worse than historical patterns as far as turnover in an environment where society is shut down, and a lot of schools and daycares closed. We’ve seen a dramatic impact. And that has fallen largely on the female portion of our employee base and potential employee base.”

IN WHAT WAYS HAS THE COVID-19 PANDEMIC CHANGED HOW YOU OPERATE YOUR BUSINESS?



WHICH OF THESE CHANGES TO YOUR BUSINESS DO YOU EXPECT TO CONTINUE IN 2022?



“There are no responses to advertised open positions. It seems that there is no interest in joining the trades by those entering or re-entering the workforce.”

- One respondent said of hiring challenges

NWFA members have worked to overcome hiring challenges through recruitment strategies such as:

- Staffing agencies
- Word-of-mouth
- Job boards
- Attendance bonuses
- Higher wages
- Flexible hours
- Referral bonus programs

One NWFA member has turned to existing staff members to find new candidates. “I’ve been recruiting in this industry for 10 years, and the hiring challenge has always been there, but it’s certainly more prevalent now,” said Ridinger. “We’re offering existing employees referral bonuses. We know our existing staff are the best people to understand what it takes to do the job. They’re more likely to know people who would do a good job.”

Another member said they’ve adapted their hiring strategies to cast a broader net. “In some cases, we are hiring bright, young talent and investing in training. Historically, our focus has been on employees with technical and industry knowledge.”

For some respondents, not being able to find the right candidates for the job has led to increased turnover. Lenny Hall, president at Endurance Floor Company, said to combat high turnover from new hires in his contracting business, he is candid about the demands and responsibilities of the job. “Decide on a pay rate, but let them know there will be a default for two to three days in the field to prove they have the skills they say they do. Have an employee manual that lays out these expectations clearly.”

LONGER, WIDER BOARDS IN NATURAL COLORS CONTINUE TO TREND

Trends for wood flooring products are expected to remain largely the same in 2022, including categories such as wire-brushed, reclaimed flooring, unfinished, solid, engineered, and factory-finished. Demand for gray stains, dark stains, and hand-scraped textures are expected to decrease, while natural wood colors, wide plank, and engineered flooring are expected to increase. Reasons for the shift include:

- “Trends are moving toward traditional ‘real’ looking floors. Grays and reactive colors can look too much like vinyl now.”
- “People are wanting longer, wider boards in more natural, lighter colors.”
- “Lights and naturals are the trends. The widths will continue to go wider, and engineered is the way to go.”

The majority of respondents expect demand for certain species of wood flooring products to remain the same in 2022 compared to 2021. Nearly 32 percent of respondents forecast increased demand for white oak and around 15 percent expect increased demand for red oak. Almost 20 percent of respondents expect the demand for bamboo to decrease based on current trends.

One respondent said, “Currently we are seeing demand spike for white oak, followed by red oak, and reclaimed flooring has been unexpectedly requested in a larger share of estimates.”

One member believes consumers have become domestically oriented since COVID-19 and feel

differently about imported products. Another respondent looks to availability constraints as a main driver for the shift: “The freight issues that currently are being experienced by manufacturers shipping from the Far East likely will continue through the first half of 2022. Customers based in the U.S. will be looking inside their own borders for more product sources, as well as available supply from South America and Canada.”

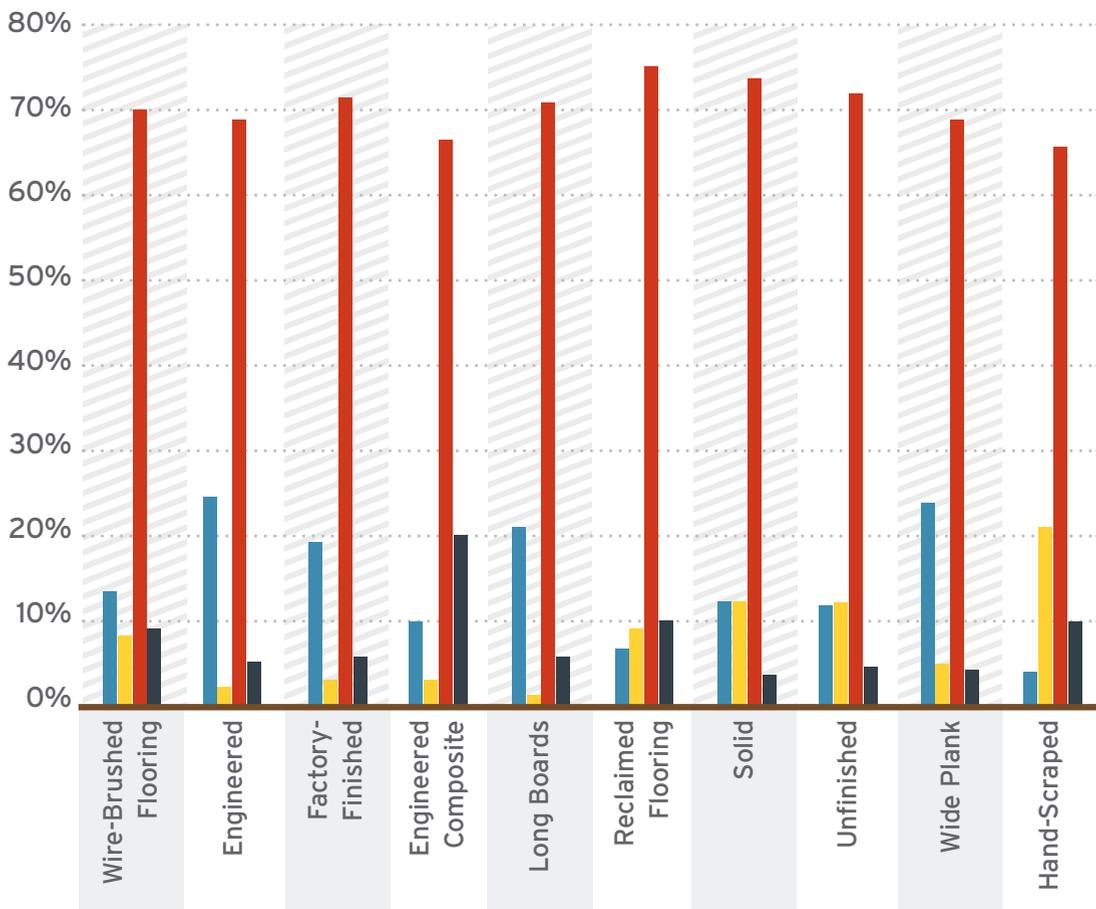
Another member said, “Customers want material that will perform and be trouble-free and easy-to-maintain, less exotics.”

REAL WOOD REBOUNDS, LOOK-ALIKE THREAT SUBSIDES

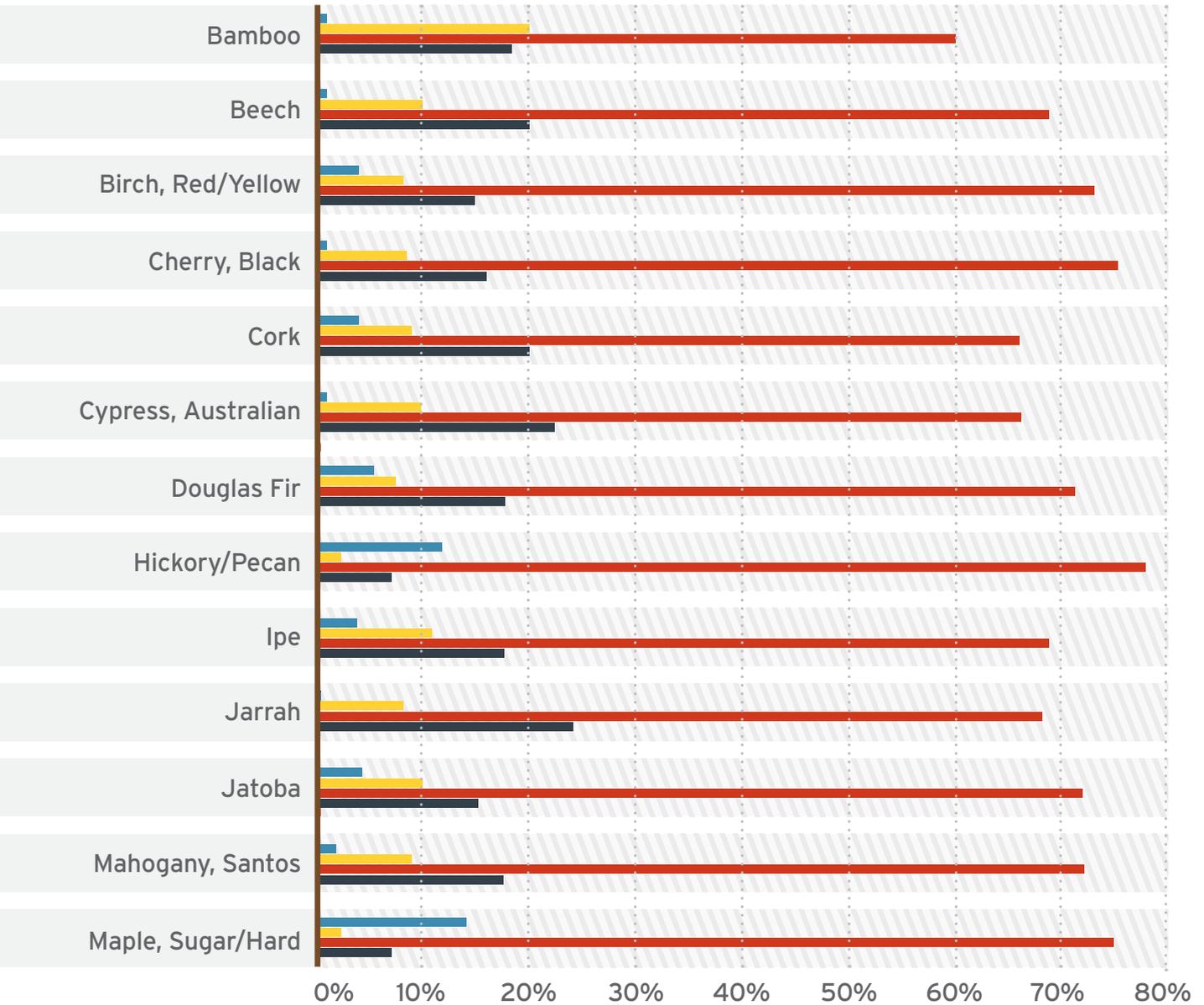
In previous years, luxury vinyl tile (LVT), wood plastic composite (WPC), and laminate have been considered the biggest long-term threat to real-wood products. In the 2020 Industry Outlook, 57 percent of respondents reported wood-look products having a negative impact on real-wood sales. Big projects like high-rise developments, hotels, condos, and commercial buildings looking for lower material pricing and lower-maintenance flooring options were cited as reasons for the impact. When asked what products were considered to be the biggest threat to real wood products going forward, almost 53 percent reported laminate to be their biggest threat, with an additional 32 percent citing LVT.

■ More Demand
 ■ Less Demand
 ■ Same Demand
 ■ Don't Know/Didn't Sell

EXPECTED DEMAND BY TYPE IN 2022

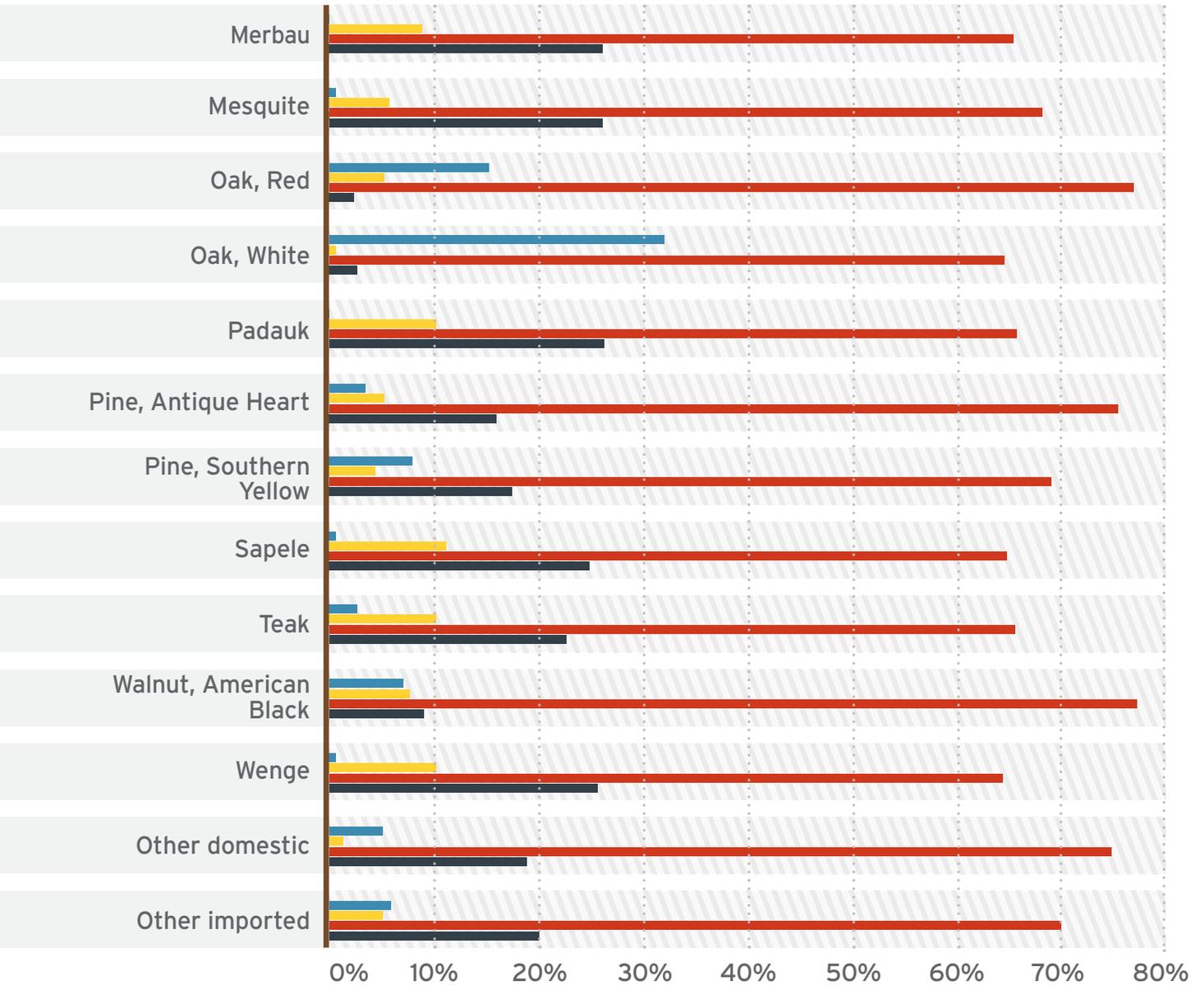


EXPECTED DEMAND BY SPECIES IN 2022



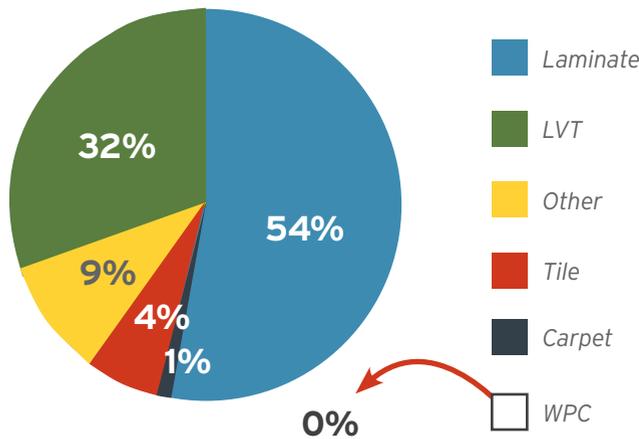
■ More Demand
 ■ Less Demand
 ■ Same Demand
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EXPECTED DEMAND BY SPECIES IN 2022

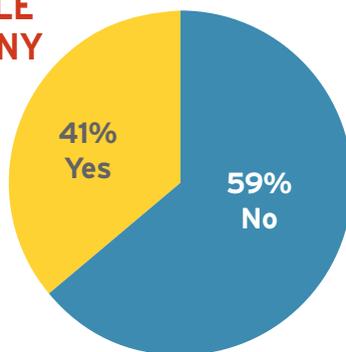


■ More Demand
 ■ Less Demand
 ■ Same Demand
 ■ Don't Know/Didn't Sell

WHICH PRODUCT DO YOU SEE AS THE BIGGEST LONG-TERM THREAT TO REAL WOOD PRODUCTS?



ARE YOU EXPERIENCING UNUSUALLY EXTENDED LEAD TIMES AND UNPREDICTABLE SUPPLY FOR ANY PRODUCT?



- “Most people want real wood. Consumers are realizing plastic flooring is awful for the environment and doesn’t last nearly as long.”
- “We have ever-increasing demand for real wood, while the LVT market is for low-end homes that will be back in five years wanting real wood.”

For some respondents, wood-look products remain a threat, however: “Some homeowners are drawn to wood-look products that are waterproof, especially if they have small children or pets.”

When asked if “waterproof” wood-flooring products were having an impact on business, only 11 percent of respondents answered “Yes.” One member said, “I believe we will continue to be impacted to some degree as a result of how these products are marketed. However, we are seeing a large number of our customers that have returned to wood as a result of real-life performance issues related to these alternate options.”

One manufacturer noted, “We have not seen a large movement toward that technology, and we continue to work with those products in testing to see how we can innovate and help grow the category.”

For the majority of NWFA members who answered either “No” or “Unsure,” the minimal impact may be a result of high demand for flooring products overall at the time of the survey. One member said, “With demand on all hard-surface products, we actually do not feel the shift at this time.”

This year’s results, however, indicate a shift in customer demand from previous years. Just under 15 percent of NWFA members surveyed reported experiencing a negative effect on real-wood product sales as a result of competition from wood-look products. Almost 21 percent reported no negative effect, and nearly 65 percent were unsure if there had been a negative impact at all. Reasons for the shift included:

- “Alternative products were having a negative impact until recently. We are seeing a rebound in our wood volume as the LVT/WPC/SPC categories have matured and their limitations become better understood.”

FOR WHICH PRODUCT AREAS ARE YOU EXPERIENCING EXTENDED LEAD TIMES OR UNPREDICTABLE SUPPLY?

Another member reported that their “waterproof” products were growing at a rapid pace, but not at the expense of other categories.

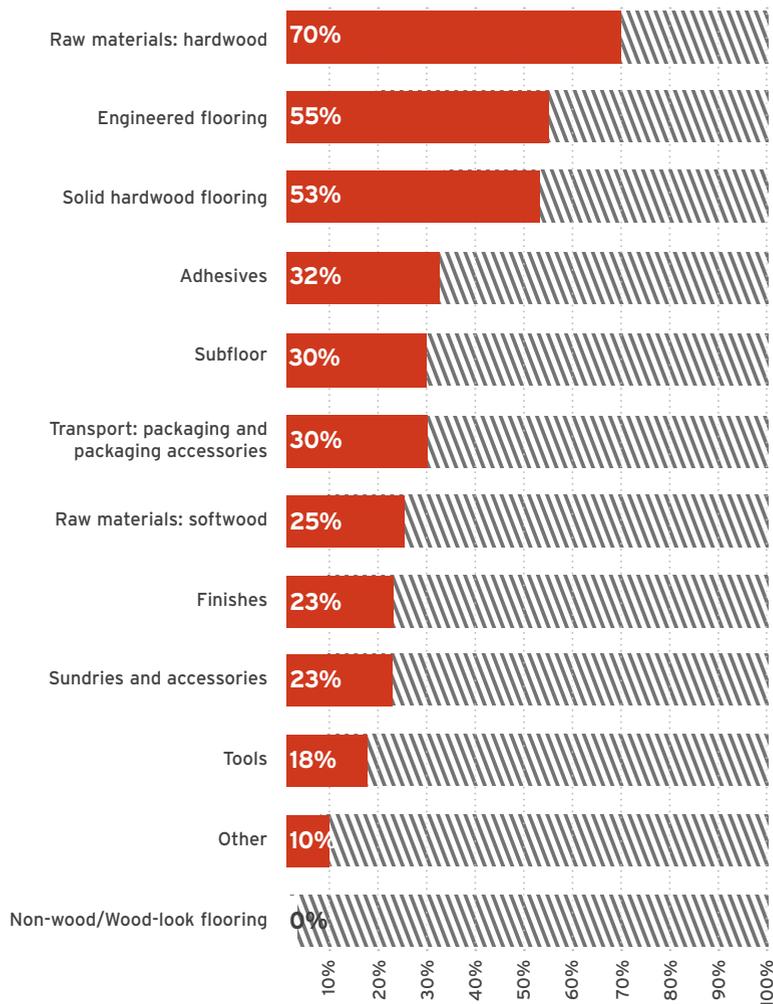
THE VALUE OF EDUCATION IN WOOD FLOORING MARKETS

We asked members to share their thoughts on what would be most helpful to businesses looking to promote real wood floors over look-alike products.

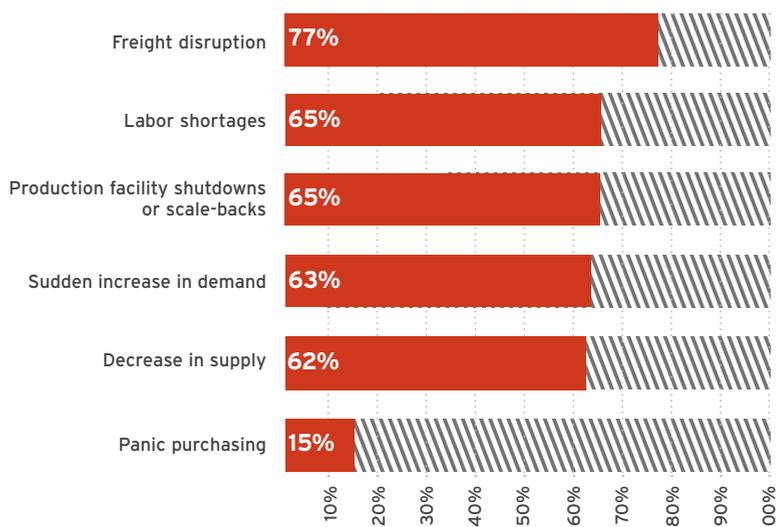
Responses included:

- Promotion of benefits and advantages in consumer magazines and e-news
- More general education in publications on the advantages of wood and disadvantages of vinyl
- High-quality images that show colors accurately and depict the true beauty of wood

Barnes believes more time should be spent educating consumers and members on what it takes to make a quality piece of wood flooring and why wood is a better option. “It’s an elaborate process and very labor-intensive. When the milling is better, there’s less sanding and finishing and less time spent on installation. Companies could speed up their crews by buying better products.” ■

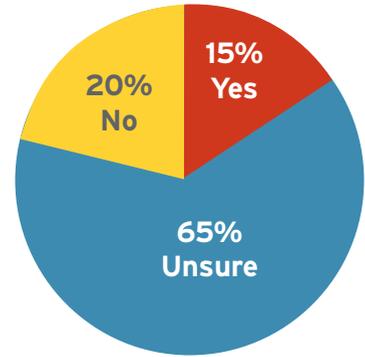
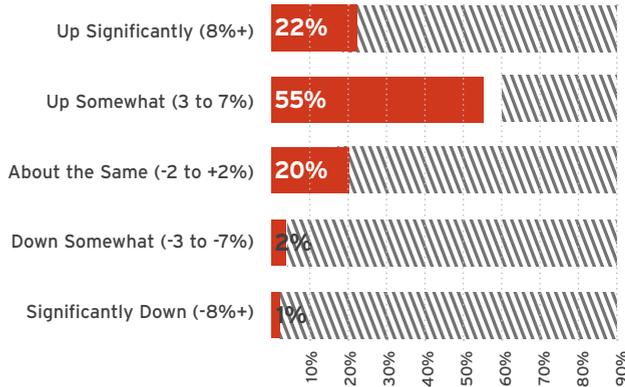


WHAT ARE THE PRIMARY CAUSES OF EXTENDED LEAD TIMES?

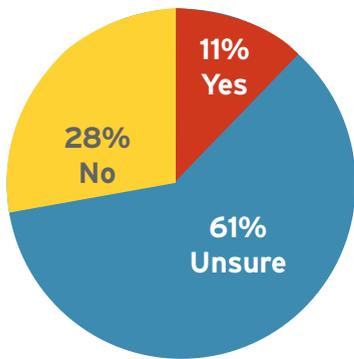


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2021 VS. 2022 EXPECTED SALES GROWTH

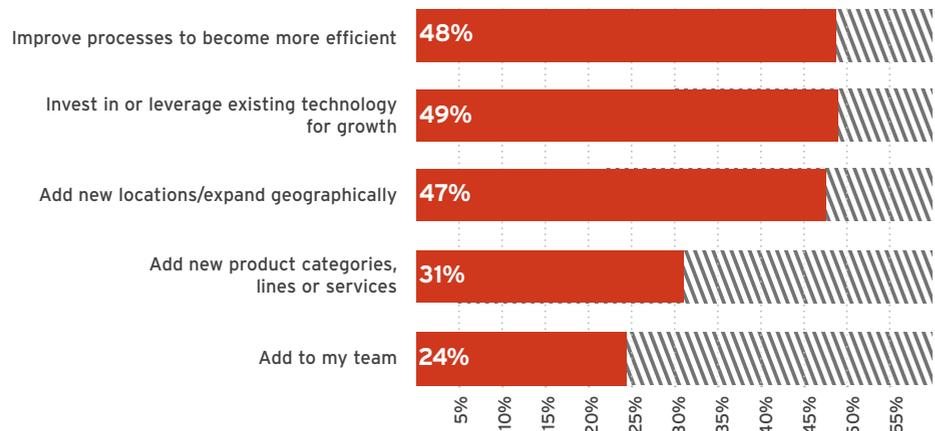


HAS COMPETITION FROM WOOD-LOOK PRODUCTS (SUCH AS LVT, WPC, LAMINATE) HAD A NEGATIVE EFFECT ON YOUR REAL-WOOD PRODUCT SALES?



ARE "WATERPROOF" WOOD FLOORING PRODUCTS HAVING A NEGATIVE IMPACT ON YOUR BUSINESS?

WHAT INITIATIVES WILL YOU IMPLEMENT IN THE SECOND HALF OF 2021 AND INTO 2022?



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CONTRACTORS

Of those surveyed, 47 percent of contractors reported a moderate increase in sales of wood flooring installation during 2020, and another 21 percent reported significant gains. Reasons for the gains included increased local building and remodeling, and higher demand for wood flooring in certain regions. Twenty-six percent of contractors reported sales to be about the same.

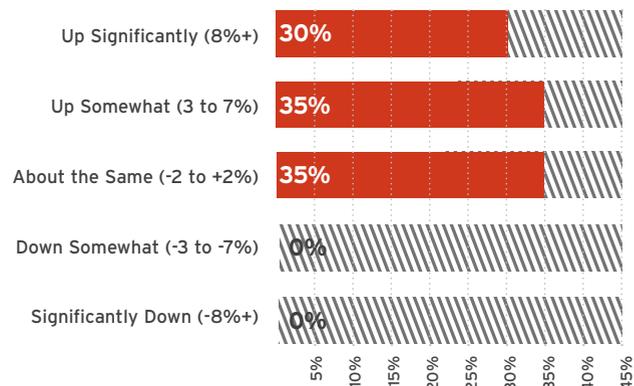
Looking ahead to 2022 wood flooring sales, contractors are optimistic. Around 35 percent of contractors anticipate a moderate increase in sales, while another 30 percent expect sales to be up significantly (8+ percent). Thirty-five percent expect sales to remain about the same. Reasons for anticipated growth included:

- Better economy
- Increased business through referrals
- Hot real estate market
- Larger projects that were delayed are now in the pipeline

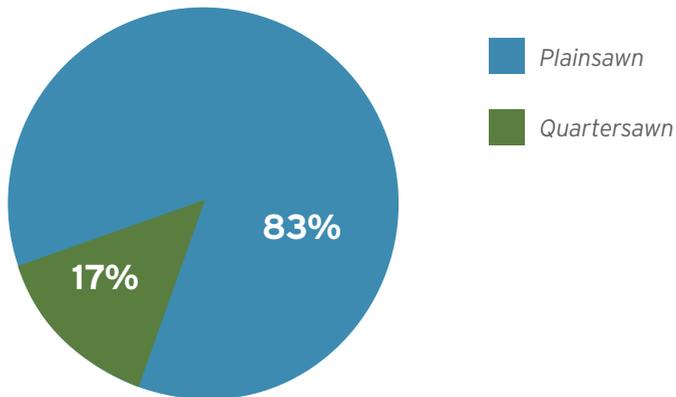
Most contractors installed wood flooring purchased from wood flooring distributors in 2020. The percentage of flooring purchased and supplied by the client rose from 29 percent in 2019 to 35 percent in 2020. Other sources included big box retailers (5 percent) and independent/specialized floor covering retailers (5 percent).

Plainsawn (83 percent) continues to be the most-common cut of flooring installed by contractors in 2021, and nail-down over wood subfloors is the most-common installation method.

2022 EXPECTED SALES GROWTH

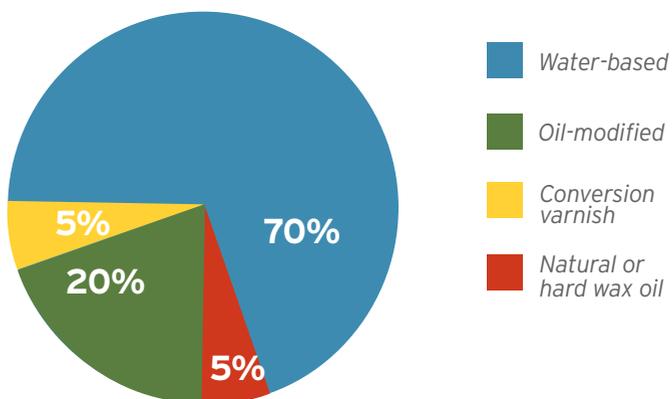


WHAT IS THE MOST COMMON CUT OF FLOORING YOU HAVE INSTALLED IN 2021?



The overwhelming majority of contractors reported experiencing unusually extended lead times and unpredictable supply for products including raw material: hardwood (72 percent), solid hardwood flooring (67 percent), and subfloors (56 percent). "Cost of supplies are constantly changing and availability is also an issue," said one contractor.

WHICH FINISH HAVE YOU USED MOST FREQUENTLY IN 2021?



CONTRACTORS

WHAT ARE YOUR TOP OPPORTUNITIES GOING INTO THE SECOND HALF OF 2021 AND INTO 2022?

1. Home remodeling
2. Custom work
3. Expand geographies
4. Repairs

WHAT ARE YOUR PLANS TO BECOME MORE COMPETITIVE MOVING INTO THE SECOND HALF OF 2021 AND INTO 2022?

1. Improve social media
2. Increase skills
3. Increase ad spending
4. Raise prices
5. Update showroom

When asked how the COVID-19 crisis affected business, Lenny Hall, president at Endurance Floor Company, said the pandemic came in stages. “When the pandemic was first recognized, it caused a shift in the logistics of the work we were doing. There were worksites that did not allow more than 10 people on a job. There was a steep learning curve,” said Hall. “However, nothing ever really stopped. More people were at home wanting to update their flooring. Projects started coming our way that customers had been putting off for two to five years down the road. Now, one of the issues is availability of materials.”

One contractor indicated some hesitancy on what the future has in store. “I think we are in a bubble buoyed by people being stuck at home, stimulus checks, and low interest rates. This will slow down.”

Regarding social distancing guidelines, 79 percent of contractors reported that it had not affected their business, with the exception of longer inspection periods or customers who preferred not to have people in their homes outside of emergencies.

The overwhelming majority of contractors reported experiencing unusually extended lead times and unpredictable supply for products including raw material: hardwood (72 percent), solid hardwood flooring (67 percent), and subfloors (56 percent). “Cost of supplies are constantly changing and availability is also an issue,” said one contractor.

Almost 81 percent of contractors reported difficulty finding adequate skilled labor this year, especially experienced installers, sanders, and finishers. “People are being paid to stay home,” said one contractor. “When you do find someone, they don’t know anything and yet still want what I make as a fully skilled tech to start out. The fully skilled folks currently are employed if they want to be.”

Despite labor shortages and supply constraints, contractors have plans to become more competitive moving into the second half of 2021 and into 2022. Plans include:

- Improving social media presence
- Increasing number of suppliers
- Updating showrooms
- Increasing advertising budget
- Continuing to expand skills and flooring knowledge
- Increasing training

Education remained top-of-mind for contractors this year. Eighty-five percent of respondents reported being proactive in providing leave-behind information and discussing proper maintenance with customers. Examples of educational materials include:

- Printed literature from specific finish manufacturers or mills of prefinished flooring when installed
- Manufacturer cleaning kits and instructions (printed and online)
- Access to NWEA consumer site
- Written care instructions

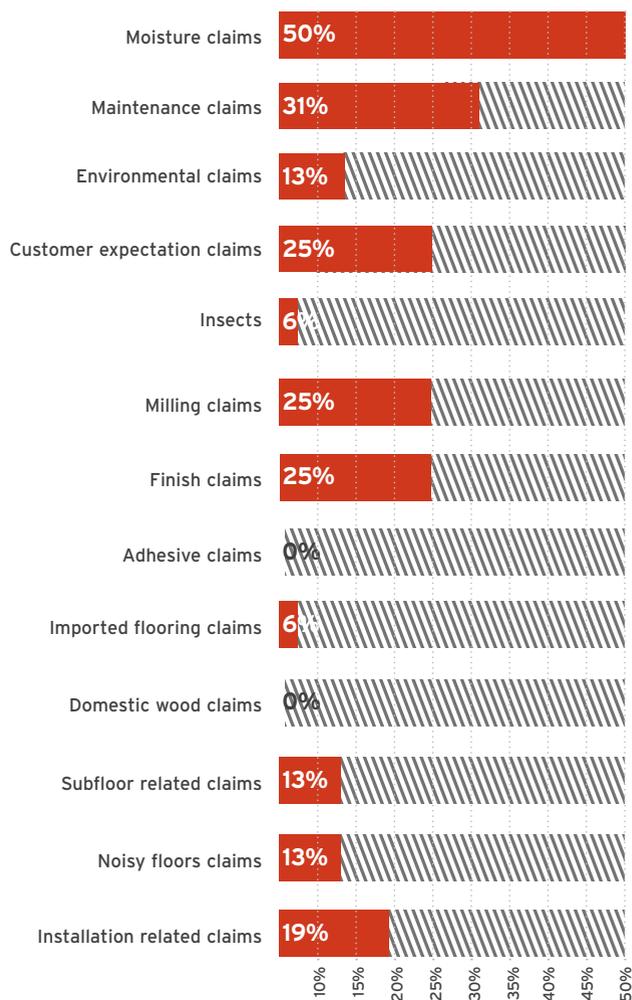
Educating the public on the value of wood flooring remains an important, but challenging aspect of selling wood flooring. Contractors reported obstacles in selling wood flooring such as “LVT being overmarketed as waterproof” or “dealing with the self-researcher who has been misguided by floor stores and manufacturers about using real solid hardwood products.” Higher material prices and lower availability of materials leading to longer lead times were reported to hamper wood flooring sales.

One wood flooring contractor believes overzealously marketed products have a tendency to guide consumer desire toward waterproof floor technology or engineered floors. “Education is difficult because there are too many players involved, and all of them are telling a different story for their own benefit, not the client’s.”

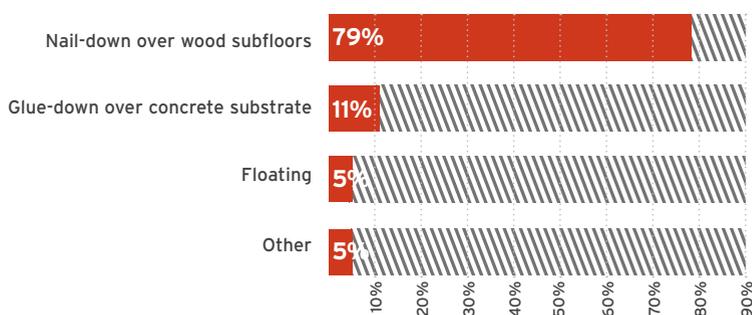
To that end, some contractors believe further education is key to the future success of wood flooring and offered suggestions that included:

- “Let customers know wood flooring is a good value and has a longer useful life than other flooring choices.”
- “Promote that it is a natural product that won’t stay in landfills forever.”
- “Perform a study that demonstrates the long environmental impact of LVT’s lifecycle and other petroleum-based flooring products.” ■

WHAT ISSUES ARE YOU SEEING WITH CLAIMS?

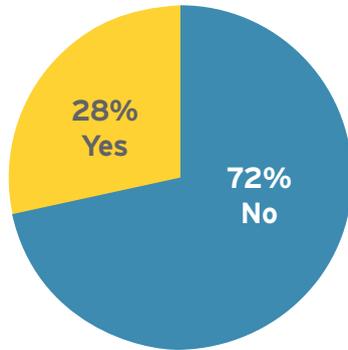


MOST COMMON INSTALLATION METHOD

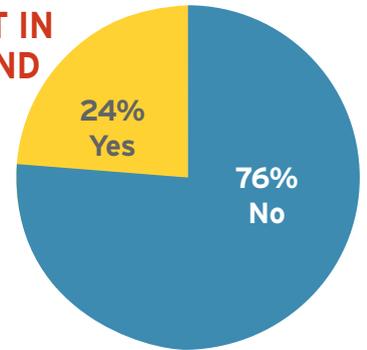


CONTRACTORS

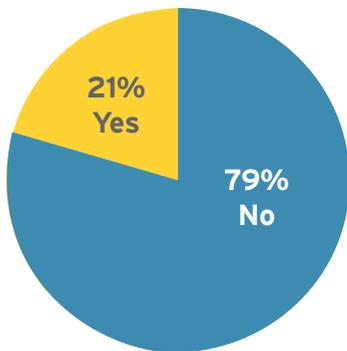
DO YOU ANTICIPATE YOUR BUYING HABITS (BY CHANNEL) WILL CHANGE?



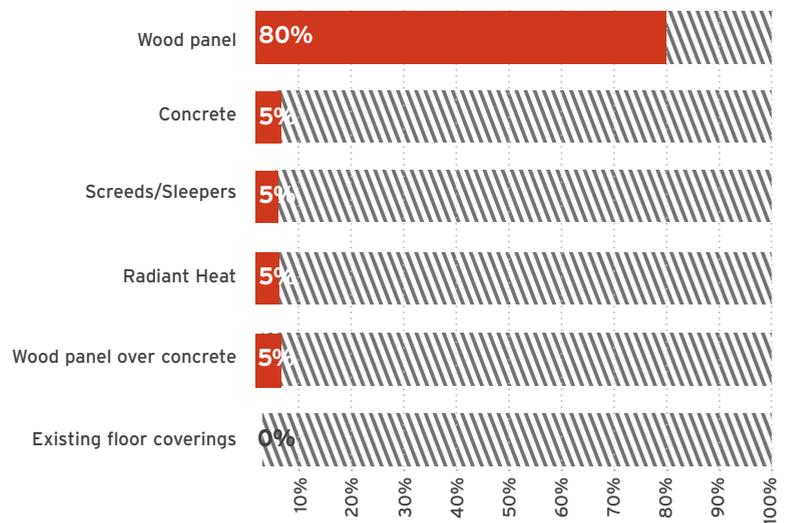
DO YOU EXPECT YOUR END-MARKET MIX TO SHIFT IN LATE 2021 AND INTO 2022?



HAVE SOCIAL DISTANCING GUIDELINES CONTINUED TO AFFECT YOUR BUSINESS?



WHAT IS THE MOST COMMON SUBFLOOR YOU INSTALL OVER?





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About 12 percent of distributors reported company sales of wood flooring in 2020 were up significantly (8 percent or more), compared to 2019.

An additional 40 percent reported a moderate increase (3-7 percent). Reasons for the increase included:

- Improved market share
- Pandemic-led building boom
- Homeowners using money for improvements that may have otherwise been used for travel
- Higher demand

Looking ahead, 66 percent of distributors remain optimistic, forecasting a moderate increase for 2022 sales, with another 18 percent anticipating significant gains of 8 percent or more.

Conversely, 12 percent expect sales to remain the same, and about 4 percent expect sales to decrease in 2022. One distributor said,

“With the current supply chain and lead time challenges, we feel it is going to put pressure on supply. Although demand is forecasted to be significant, available supply is going to strain it.”

“COVID-19 played into our built-in ability to reach out and supply samples and products to people through the internet during closures,” said Craig Dupra, president at Installers Warehouse and chairman of the board for NWFA.

The pandemic changed the way many distributors did business, with 43 percent increasing health and sanitation measures, and 41 percent opting for remote work environments. Thirty-seven percent of distributors limited customer exposure with drive-thru supply pickups. Many

distributors anticipate those initiatives continuing in 2022, along with staggered shifts to limit exposure.

One distributor said of plans, “We still want to be the final destination, but with more people at home doing research online, having a stronger website and better room scenes with more accurate colors goes a long way.”

Regarding supply-chain challenges, 83 percent of distributors said they were not experiencing unusually extended lead times and unpredictable supply for any product. Distributors that did experience supply-chain delays named adhesives (73 percent) and engineered flooring (73 percent) as the product areas most affected by unpredictable supply. Other products included:

- Solid hardwood flooring
- Sundries and accessories
- Finishes
- Raw materials: hardwood

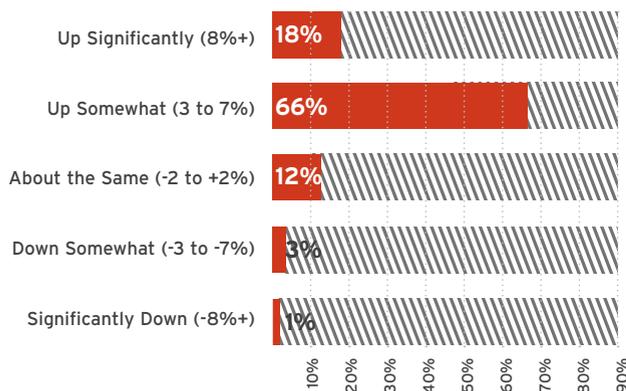
For distributors that have experienced extended lead times, freight disruption, sudden increase in demand, and labor shortages were offered as the top reasons for delays. “With the congested ports, lack of available containers, and challenges with mills getting raw materials, it is adding significant transportation time and time in ports,” said one distributor.

The number one concern on the minds of distributors going into 2022 is competition from local liquidators, followed by competition from non-wood floor coverings and government regulations.

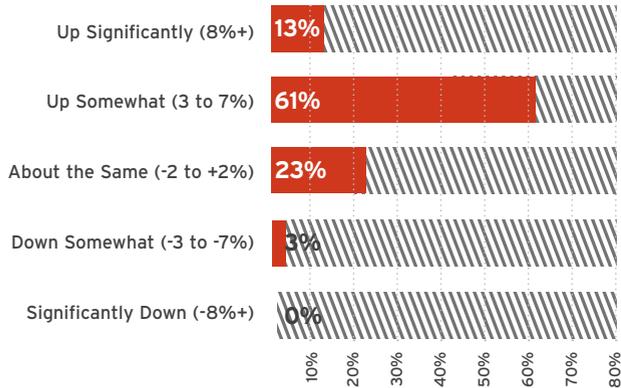
The top two opportunities for distributors going into the second half of 2021 and into 2022 are end-market diversification and geographic expansion.

Other plans distributors shared for becoming competitive include focusing on luxury wood products, pushing for better supply availability, educating customers about longer lead times, building

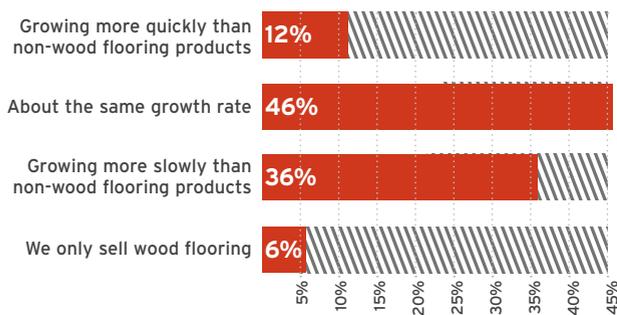
2022 EXPECTED SALES GROWTH



HALFWAY THROUGH 2021, WHAT IS YOUR EXPECTATION FOR FULL-YEAR REVENUES FOR WOOD FLOORING COMPARED WITH 2020 LEVELS?



IF YOU SELL NON-WOOD FLOORING PRODUCTS, HOW QUICKLY ARE YOUR WOOD FLOORING SALES GROWING COMPARED WITH YOUR NON-WOOD FLOORING SALES IN 2021?



WHAT ARE YOUR TOP OPPORTUNITIES GOING INTO THE SECOND HALF OF 2021 AND 2022?

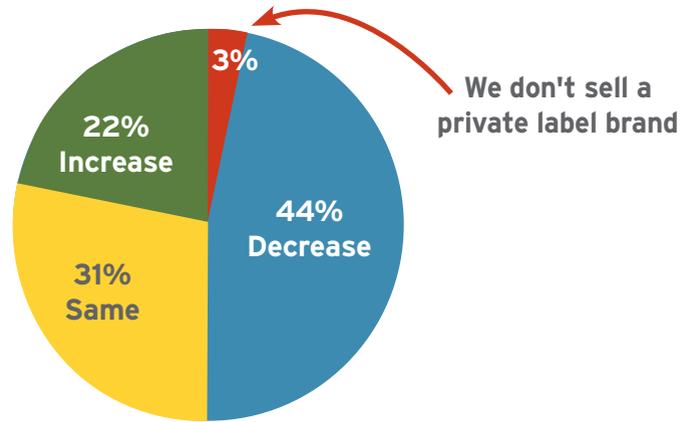
1. End-market diversification
2. Geographic expansion
3. E-commerce

relationships with more suppliers, maintaining low overhead, and increasing sales team presence at retail locations. Distributors also are focused on improving inventory efficiency and product mix.

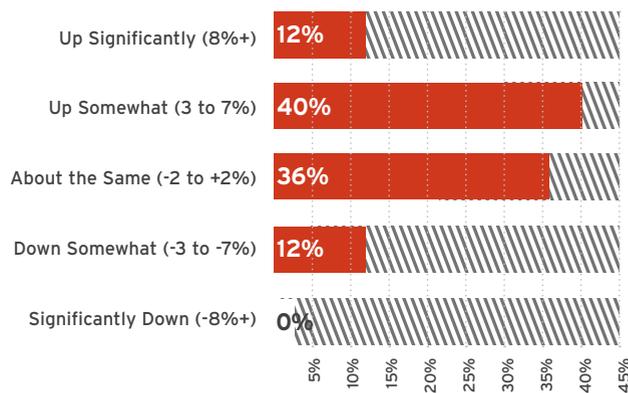
Training customers on products remains important to distributors, with 22 percent of distributor members hosting schools every year. Forty-two percent of distributor members have hosted and plan to host schools in the future. Almost 58 percent of training offered by distributor members is training through NWFPA. Other kinds of training include:

- Manufacturer training
- Virtual training
- Sales training
- Product technical training
- On-site customer training ■

WILL THE PERCENTAGE OF YOUR SALES FROM PRIVATE LABEL PRODUCTS INCREASE, DECREASE OR STAY THE SAME IN 2022?



IN 2020, HOW WERE YOUR SALES OF WOOD FLOORING COMPARED WITH 2019?



IMPROVING FOREST SUSTAINABILITY FOR FUTURE GENERATIONS



The **NWFA's Responsible Procurement Program (RPP)** is a joint initiative

between environmental groups and manufacturers committed to producing and promoting wood floors that come only from environmentally responsible sources.

The program is unique from ALL other certification programs in that it encompasses ALL manufacturers' raw materials.

RPP products are recognized by several residential green building programs, including:

- NAHB's National Green Building Standard – more than 100,000 dwelling units certified
- Earth Advantage – more than 27,000 dwelling units certified
- Build It Green – more than 20,000 homes certified
- Collaborative for High-Performance Schools – more than 200 schools certified



VERIFIED: FROM U.S. RENEWING FORESTS

NWFA member companies certified under RPP

AHF Products

Anderson Tuftex

Mullican Flooring

Shaw Hardwoods

Sheoga Hardwood Flooring & Paneling

To learn more about the RPP Program, visit nwfa.org/manufacturing.



MANUFACTURERS

More than half of NWFA manufacturers reported sales were up significantly from 2019 to 2020. Nine percent of manufacturers said sales were up somewhat (3-7 percent). About 68 percent said they increased prices significantly (more than 8 percent) in 2021, and about a third expect to increase prices significantly in 2022, with another 33 percent planning to increase pricing somewhat (3-7 percent).

Nearly 61 percent of manufacturers surveyed reported they expect sales to be up significantly in 2021, and 13 percent expect sales will be up somewhat. This year, nearly 24 percent of manufacturers said their primary sales channel was online. Many manufacturers said both demand and prices are high, but they're concerned about sourcing labor and materials to capture that demand. Several respondents report having maxed out their production capacity.

Going into 2022, manufacturers are optimistic that sales will continue to increase. Around 30 percent expect sales to be up significantly (more than 8 percent), and nearly 35 percent expect sales to be up somewhat (3-7 percent).

"We believe higher prices are going to stay, which will artificially raise the top-line sales figures," one manufacturer said. Another said, "Inflation will be much higher than normal in the coming months."

"The average piece of wood flooring gets touched probably 25, 30 times and trucked probably a half a dozen

times," said Kent Barnes, co-owner of Hardwood Floors of Hillsboro. "There's a lot of labor involved in that process. You might see prices recede some, but they're not going to go back to where they were pre-COVID. There's too much fixed cost in there."

Nearly 91 percent of manufacturers surveyed said their raw materials cost increased in 2021, and half expect those costs to continue to increase.

Top opportunities for manufacturers in the second half of 2021 into 2022 include:

- Improvements to operations
- Product diversification
- End-market diversification
- Geographic expansion
- E-commerce
- Value-added services
- New distribution channels

When asked how the pandemic changed their business operations, many manufacturers reported that they canceled or decreased work travel, increased health and sanitation measures, shifted to working remotely, and offered virtual customer appointments. Most plan to continue with increased health and sanitation measures, 40 percent plan to continue

with remote work, and 32 percent plan to continue offering virtual customer appointments.

The majority of manufacturers reported experiencing unusually extended lead times and unpredictable supply for products. "Every week, there seems to be a new shortage of something," one manufacturer said. "Ocean shipping is a nightmare," another reported.

Most also reported problems finding adequate skilled labor this year. Many deployed the same strategies as the rest of the industry, including using recruiters and increasing pay. One manufacturer said they're looking outside of their own industry, "looking for character traits rather than industry experience."

Going into 2022, manufacturers are most worried about:

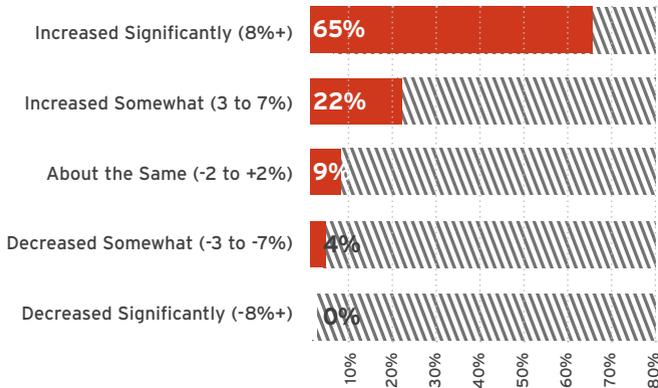
- Potential housing bubble collapse
- Supply chain challenges
- Labor shortage

To become more competitive in the second half of 2021 and into 2022, manufacturers said they would be staying the course, expanding their business into new markets, products, and channels, introducing automation, and optimizing their inventory. ■

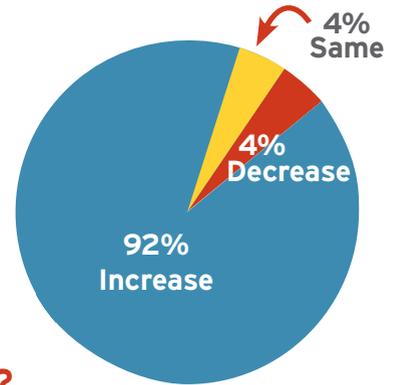
WHAT ARE YOU MOST WORRIED ABOUT GOING INTO 2022?

1. Supply chain challenges
2. Potential housing bubble collapse
3. Labor shortage
4. Non-wood flooring competition

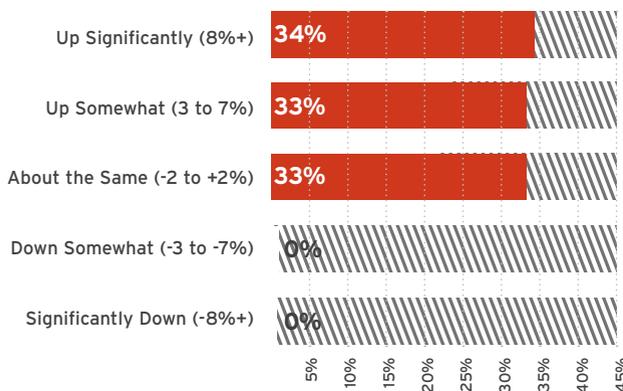
IN 2021 SO FAR, PRICING FOR THE PRODUCTS I SELL HAS:



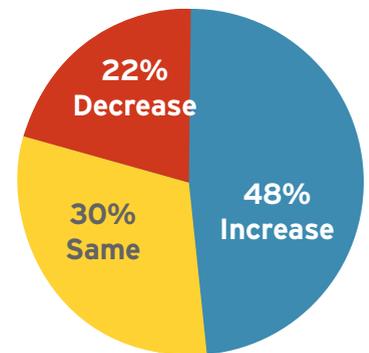
IN 2021 HAVE RAW MATERIAL COSTS IN GENERAL INCREASED, STAYED THE SAME OR DECREASED?



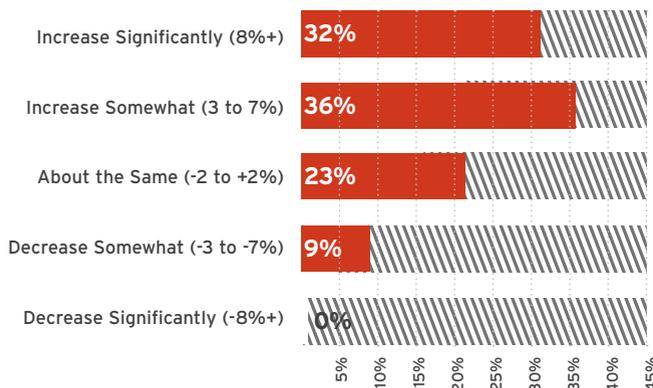
2022 EXPECTED SALES GROWTH



2022 EXPECTED RAW MATERIALS COSTS



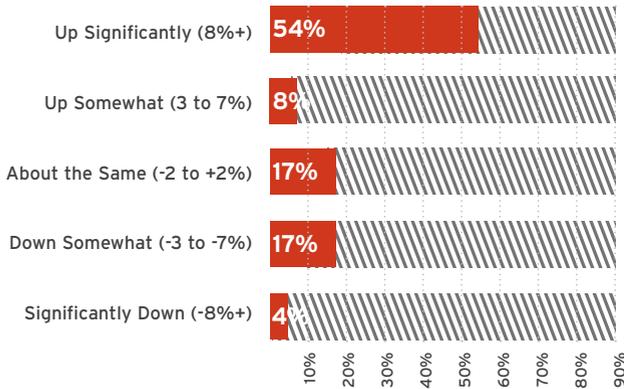
2022 EXPECTED PRICING



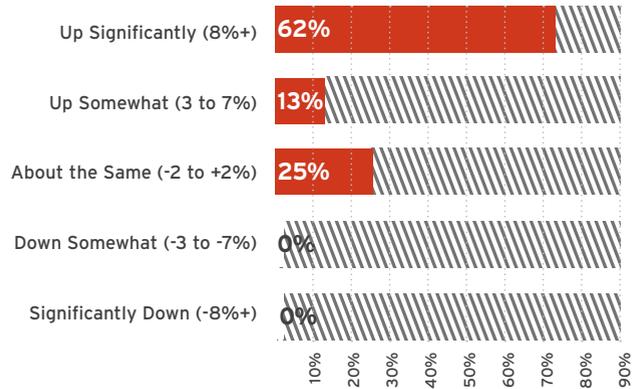
"The average piece of wood flooring gets touched probably 25, 30 times and trucked probably a half a dozen times ... There's a lot of labor involved in that process. You might see prices recede some, but they're not going to go back to where they were pre-COVID. There's too much fixed cost in there."

- Kent Barnes,
Hardwood Floors of Hillsboro

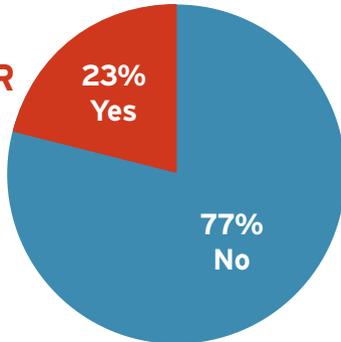
COMPARED WITH 2019, SALES OF WOOD FLOORING PRODUCTS IN 2020 WERE:



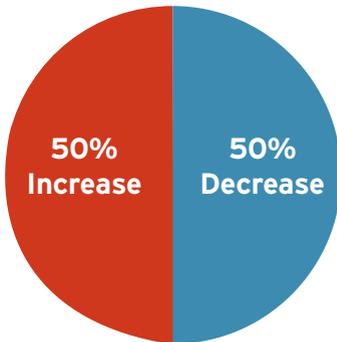
WHAT IS YOUR EXPECTATION FOR FULL-YEAR 2021 SALES RESULTS?



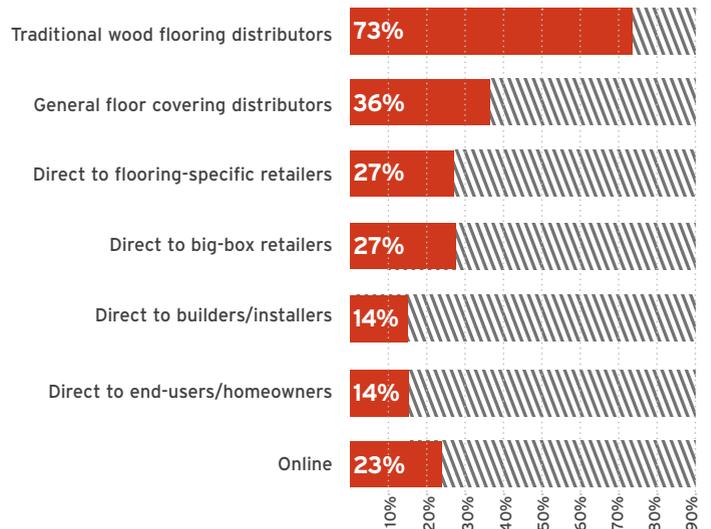
DO YOU EXPECT TO SHIFT BUSINESS AMONG YOUR CHANNELS IN 2022?



HAVE CLAIMS INCREASED, DECREASED OR STAYED THE SAME IN 2021?



BY WHICH SALES CHANNELS DO YOU GO TO MARKET?





RETAILERS

In 2020, around 43 percent of retailers surveyed reported sales of wood flooring were up somewhat (3 percent to 7 percent) compared to 2019. Around 30 percent reported sales were about the same.

WHAT ARE YOU MOST WORRIED ABOUT GOING INTO 2022?

1. Economy
2. Manufacturers selling direct
3. Competition from local liquidators

WHAT ARE YOUR TOP OPPORTUNITIES GOING INTO THE SECOND HALF OF 2021 AND INTO 2022?

1. E-commerce
2. End-market diversification
3. Geographic expansion
4. New talent

Halfway through 2021, nearly 48 percent of respondents expect full-year revenues to be up somewhat (3 percent to 7 percent), and about a fifth expect revenues to be up significantly (more than 8 percent).

Looking toward 2022, nearly 61 percent of the retailers expect sales of wood flooring to be up somewhat, and 17 percent expect sales to be up significantly.

“Many homeowners are renovating and building due to the pandemic,” one retailer said.

Going into the second half of 2021 and 2022, retailers see their top opportunities in:

- E-commerce
- End-market diversification
- Geographic expansion
- New talent

NWFA retailers report their top concerns going into 2022 are the economy, manufacturers selling direct, competition from local liquidators, competition from big-box stores, and commodity-level pricing.

Retailers are unsure whether competition from wood-look products such as LVT, SPC, and laminate have had a negative effect on their real wood product sales. “Consumers reference more water-resistant, more scratch-resistant,” one retailer said. Another said: “We sell LVT as well as real wood flooring, so it is part of our line.”

When asked how the pandemic has changed business operations, retailers said they increased health and sanitation measures, offered drive-thru pickups, worked remotely, and had to conduct layoffs and staggered shifts. Retailers surveyed expect to continue with all these changes.

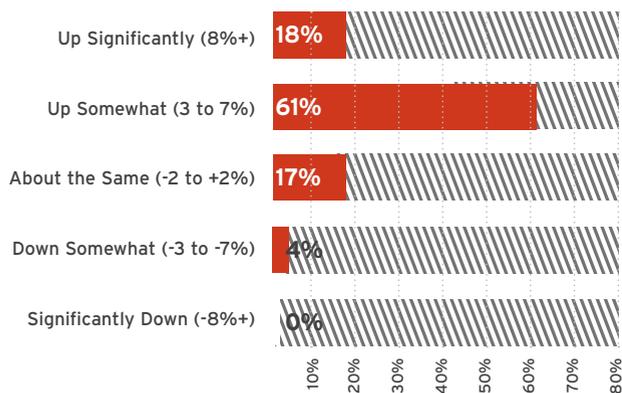
Nearly three-quarters said they haven’t had problems finding adequate skilled labor.

“We did not close the business through COVID-19,” said Winston Zheng, founder and chief executive officer of Unique Wood Floors. “We took some actions, and everybody is still at work. We were down a little bit last April, but the rest of the months, we’ve managed pretty well. Last year we were ahead of 2019, so we didn’t have to move anybody for any reason.”

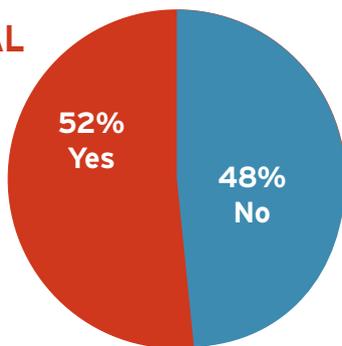
A large majority of retailers said they aren’t experiencing extended lead times and unpredictable supply for products. The 29 percent that did were having the most difficulty with engineered flooring, solid hardwood flooring, and raw hardwood materials. They cited lack of stock, logistics issues, labor shortages, price increases, and shipping costs as top reasons for shortages and delays. And the primary cause of extended lead times is freight disruption, followed by production facility shutdowns or scale-backs.



2022 EXPECTED SALES GROWTH

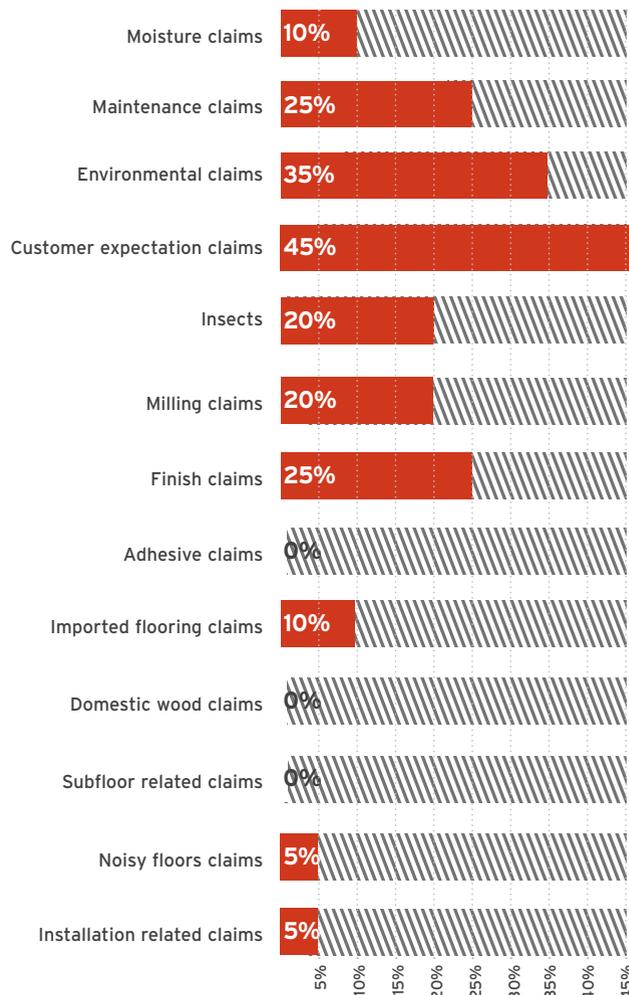


ARE YOU EXPERIENCING ANY CHALLENGES IN EDUCATING CONSUMERS ON THE DIFFERENCES BETWEEN REAL WOOD AND WOOD-LOOK FLOOR-COVERING PRODUCTS/MATERIALS?



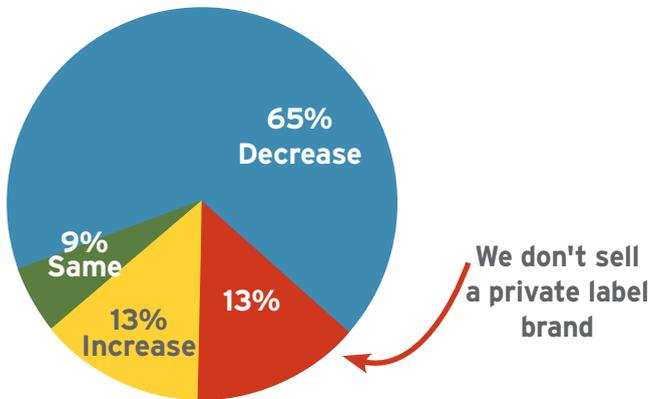
“We try to work to see if (customers) can put in the down payment so we can take their order and lock the products,” said Zheng. “Since we have a warehouse, we can bring their order in early. We

WHAT ISSUES ARE YOU SEEING WITH CLAIMS?



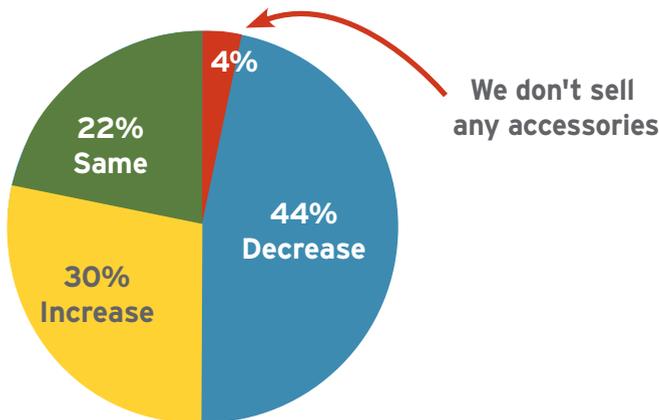
don't sell many different floor coverings. We're very specialized in wood floors. That helped us a lot. I think the stock position helped us greatly with the shortage of material.” ■

WILL THE PERCENTAGE OF YOUR SALES ATTRIBUTED TO PRIVATE LABEL INCREASE, DECREASE OR STAY THE SAME IN 2022?

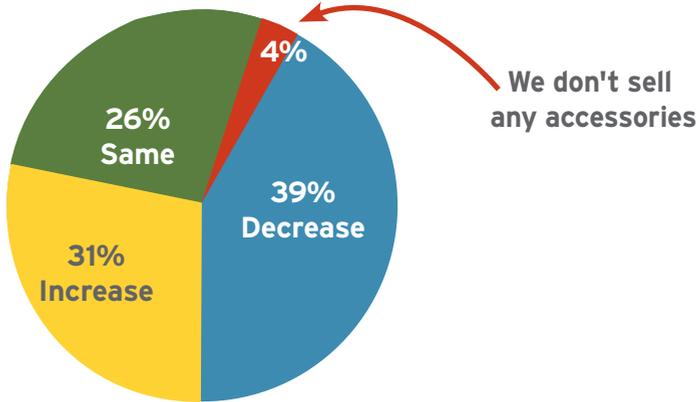


NWFA retailers report their top concerns going into 2022 are the economy, manufacturers selling direct, competition from local liquidators, competition from big-box stores, and commodity-level pricing.

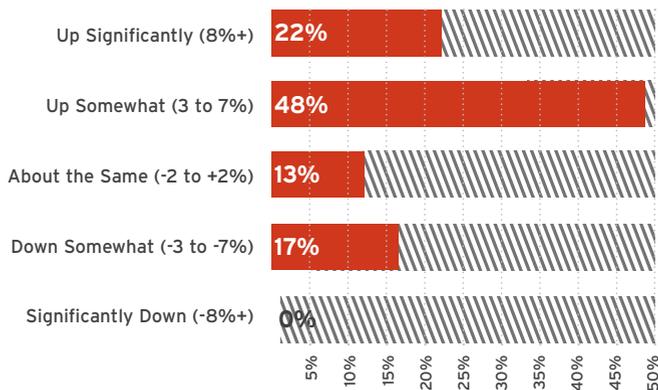
WILL THE PERCENTAGE OF YOUR SALES ATTRIBUTED TO SERVICES (INSTALL, REFINISHING, DESIGN, TRAINING, ETC.) INCREASE, DECREASE OR STAY THE SAME IN 2022?



WILL THE PERCENTAGE OF YOUR SALES ATTRIBUTED TO ACCESSORIES (MAINTENANCE PRODUCTS, SUNDRIES, ACCESSORIES, UPGRADES, ETC.) INCREASE, DECREASE OR STAY THE SAME IN 2022?



WHAT IS YOUR EXPECTATION FOR 2021 FULL-YEAR REVENUES FOR WOOD FLOORING COMPARED WITH 2020 LEVELS?



SUPPLY-CHAIN
CONSTRAINTS WARRANT
STRONG LANGUAGE:

"UNBELIEVABLE"

"NIGHTMARE"

"DISASTER"

NWFA members report supply-chain constraints and extended lead times have been a major challenge for the industry. They've experienced high prices for shipping and materials, limited supply, delays and long lead times, and difficulty booking ocean freight.

"We're having delays unlike anything else we've ever seen in our history with products," one distributor noted.

At the time of the Industry Outlook survey, 41 percent of NWFA members reported unusually extended lead times and unpredictable supply, primarily in raw materials like hardwood, engineered flooring, solid hardwood flooring, adhesives, subfloor, and transport items like packaging and packaging accessories. In addition to material shortages, supply constraints also have caused delays in securing repair parts for machinery.

Reasons include freight disruption, production facility shutdowns or scale-backs, labor shortages, decrease in supply, and a sudden increase in demand. Some respondents used words like "unbelievable," "nightmare," and "disaster" to describe the overall experience.

"The supply chain saw a complete disruption due to the pandemic," one respondent said. "Longer lead times and higher prices are the result."

Respondents report that ports are strained and they're having difficulty with freight prices and availability. "With the congested ports, lack of available containers, and challenges with mills getting raw materials, it is adding significant time to transportation as well as time in ports," one said.



“There’s simply not enough freight space or container space on the boats,” another said. “In some cases, there are 20 containers waiting to be loaded, and they’re getting a spot for one or two. Some of that has to do with the labor in the ports, when they’ve had to work from home or if they were shut down for being sick. That has created major congestion. Add to that the Suez Canal boat that was sideways. It being stuck for a couple of days had an effect.”

Along with this, freight and shipping prices significantly have increased. “We’ve done quite a bit of importing in the past 18 years in business,” said Winston Zheng, founder and chief executive

officer of Unique Wood Floors. “The ocean shipping costs have gone up four times. So not only are you dealing with the two to three times price increases on the products, but you’re also incurring additional freight charges domestically.”

Disruption at the production level also has been a major factor. “Raw materials on the hardwood side at the sawmills or veneer suppliers have backed up production,” a survey respondent said. Part of this is due to limited supply, but it’s also due to supply chain-wide labor shortages.

“We import the bulk of our product from overseas,” said Theresa Ridinger, customer relations manager at LW Flooring. “The supply chain has been challenging because we’re not the only country dealing with the COVID-19 pandemic. Sometimes plants were closed for a week or two weeks, and production would get behind. Sometimes they can’t get the raw material. The ports are slower to process containers so there are delays. That’s probably attributed primarily to a staffing shortage at the ports. Then, ocean freight rates are through the roof and that’s causing significant pricing pressures.”

To buffer their stock against the shortage, many in the industry turned to overstocking when possible. “We’re forced to carry way more inventory of certain things

“We’ve done quite a bit of importing in the past 18 years in business. The ocean shipping costs have gone up four times. So not only are you dealing with the two to three times price increases on the products, but you’re also incurring additional freight charges domestically.”

- Winston Zheng,
Unique Wood Floors

simply because you buy them when you can get them,” said Craig Dupra, president at Installers Warehouse and chairman of the board for NWEA. “We’re scavenging every minute. We’re hunting.”

Derek Swegle, founder of Habitat Hardwood Flooring, was already in a tough position in terms of supply in his region. “There’s no distributor within 250 miles of where we live, so everything we buy has to be shipped into us,” Swegle said. “We try to stock as much as we can. That has been a challenge lately because a lot was backordered. I had to order double because the more you order the higher on the priority list you get.”

“I saw a lot of this coming a year ago,” said Kent Barnes, co-owner of Hardwood Floors of Hillsboro. “Everybody had been home, and nobody was cutting trees or skidding logs, doing all the things it takes to make a piece of hardwood flooring. So, we stocked up a large quantity, as much as we can hold. That helped us.”

“We try to keep everything in stock as much as we can,” Zheng said. “And that’s weathered us through the short supply and long lead times very well for the past eight to nine months.”

Still, there’s the challenge of keeping customers happy when supply is delayed or unavailable. Lenny Hall, president at Endurance Floor Company, said, “We contacted clients ahead of time on their projects and required them to formalize the project. That deposit gets materials ordered well in advance of when they might have the project done. They were very cooperative because they understood; they were listening to the same news we listened to.”

“There’s a sense among customers who are doing their home remodeling that things get delayed,” said Zheng. “Not just from our industry, from the construction industry overall, so they’re prepared.” ■

Shannon Gayton and Lauren White are senior content managers for 3 Aspens Media, which conducted this online survey of NWEA members and Hardwood Floors magazine readers, analyzed results, and produced this report. Contact info@3aspensmedia.com with questions.

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