

# hardwood floors

THE MAGAZINE OF THE NATIONAL WOOD FLOORING ASSOCIATION

OCT/NOV 2023

## INDUSTRY OUTLOOK

— 2024 —



EXTENDED CONTENT

# Industry Outlook

By Shannon Gayton and Kyle Toruta

## GUARDED OPTIMISM

Less than a fifth of the wood flooring industry is optimistic for strong growth in 2024, with 15 percent of respondents in our annual NWFA Industry Outlook survey expecting sales to be up significantly (8 percent or more). About a third expect sales to be up somewhat (3 percent to 7 percent). And close to a third expect sales to be the same in 2024 as in 2023.

The threat of a recession is looming over their forecasts, with some respondents to the annual survey saying consumers are eyeing conditions closely:

- “The interest rate will continue to have a bearing on home starts and sales for several months.”
- “Inflation is causing people to hold onto cash. Plus, they are using up their credit lines just to live by paying higher prices. Less discretionary money.”
- “Homeowners are skittish.”

The latest economic reports suggest that the industry does have some reason to worry – at least in the short-term. The Conference Board in August forecast that growth in many parts of the economy will “gradually buckle” under mounting headwinds later this year, leading to what they called a “very short and shallow recession.” They expect real GDP growth to slow to 0.5 percent in 2024. But they do expect consumption to expand again later in the year.

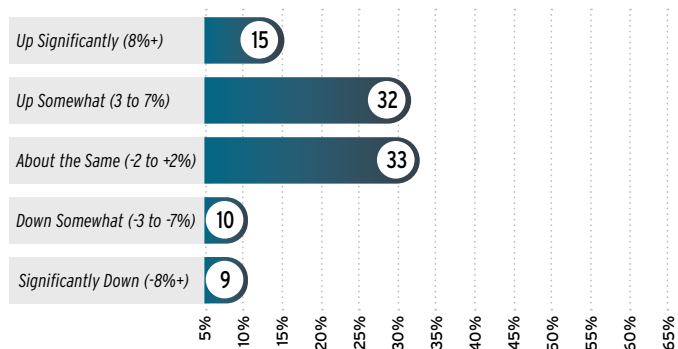
The latest Leading Indicator of Remodeling Activity report from the Joint Center for Housing Studies of Harvard University, released in July, forecast that annual expenditures for improvements and repairs to owner-occupied homes are expected to decline through the first half of 2024. The cause? High interest rates, softening house-price appreciation, and sluggish home sales.

Data from the National Association of Home Builders (NAHB) Home Building Geography Index (HBGI) confirms that single-family home building has slowed significantly in some markets from pandemic-fueled highs due to higher interest rates and construction costs. However, multifamily market growth remains strong.

One NWFA member said that while interest rates and inflation may affect new builds or home purchases, many homeowners still are looking to spruce up what they have and give their homes that “wow” factor.



## 2024 SALES OUTLOOK



One NWFA member said that while interest rates and inflation may affect new builds or home purchases, many homeowners are still looking to spruce up what they have and give their homes that “wow” factor.

## A STRONGER SHIFT TO NATURAL WOOD COLORS AND FINISHES

NWFA members expect increased demand for cleaner, more natural wood colors with matte sheens. White oak also has become a dominant selection by consumers and builders alike.

Several respondents said consumers are demanding:

- Longer, wider boards
- Less texture
- Matte or satin finishes
- Natural wood colors
- Engineered wood flooring

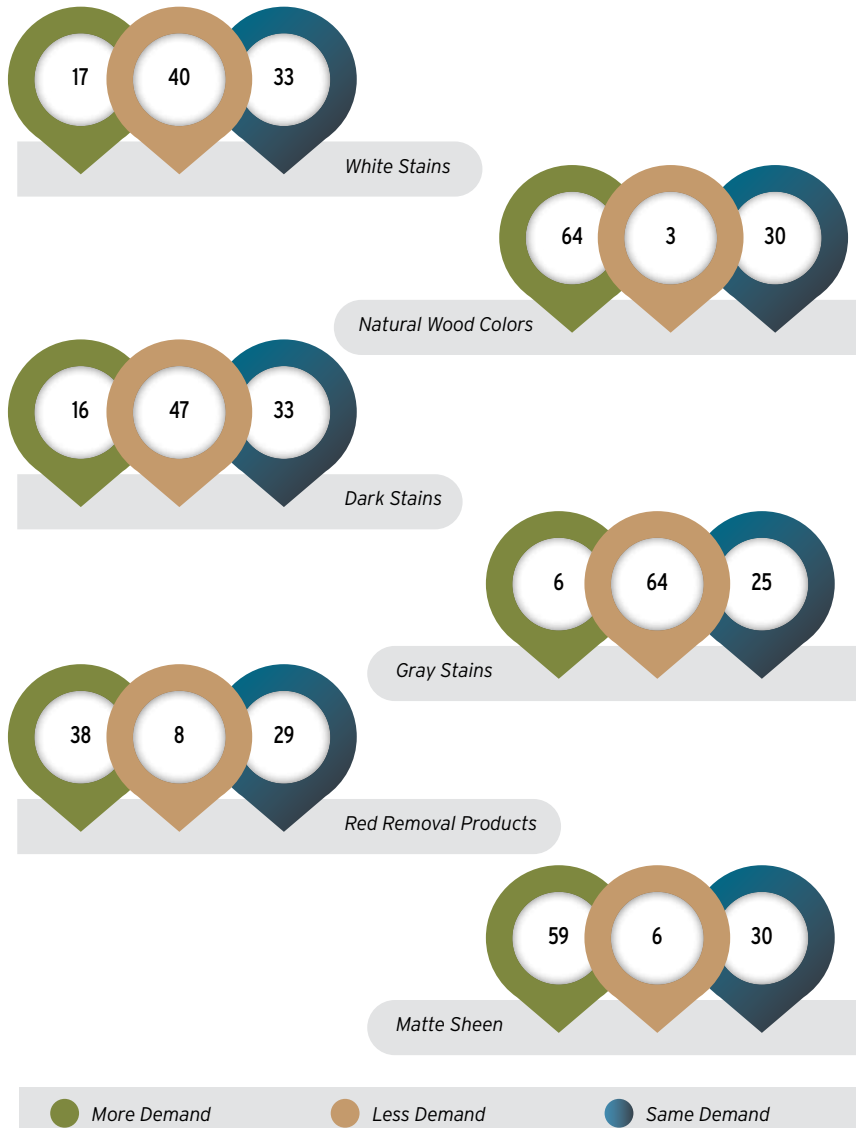
“The trend I am seeing that has been on par for the past two years is natural finish systems and classic mid-tone browns with regard to color and finish. Matte sheen is increasing. Continuity in flooring throughout the home. Clean, streamlined natural environments,” a respondent to NWFA’s survey said.

Survey respondents said that consumers have been avoiding darker colors such as red and orange along with high-gloss finishes. To that end, one member said, “Red removal systems are all sold out.”

Additionally, some members report a shift from designers and buyers looking for more durable and lower maintenance floor finishes. “High-performance finishes where refinishing is never needed. Designers and building owners want these finishes for commercial projects so they don’t have to shut down their business and lose revenue.”

Another said: “Everyone wants the least maintenance, but also incredible durability and low cost – a unicorn. We help them decide what’s most important for them and guide them. UV cure is also on a lot of minds because it offers the closest to what’s desired, other than cost upfront.”

## EXPECTED DEMAND BY COLOR IN 2024



EDITOR'S NOTE: Charts reflect percentages. These charts may not add up to 100 percent because some respondents do not sell these products.

NWFA members expect increased demand for cleaner, more natural wood colors with matte sheens. White oak also has become a dominant selection by consumers and builders alike.

## RAPID-FIRE TRENDSETTING REACHES WOOD FLOORING INDUSTRY

The lifecycle of trends has gone into hyperdrive because of social media – in particular, TikTok and Instagram. Trends used to take five years to move across the country, giving manufacturers and distributors time to source and stock. Now trends are changing nationwide in a matter of days – shorter trend cycles, but production cycles have stayed the same.

These trends may require wood flooring professionals to re-evaluate their go-to-market strategy, according to Craig Dupra, president at Installers Warehouse and former chairman of the board for NWFAs.

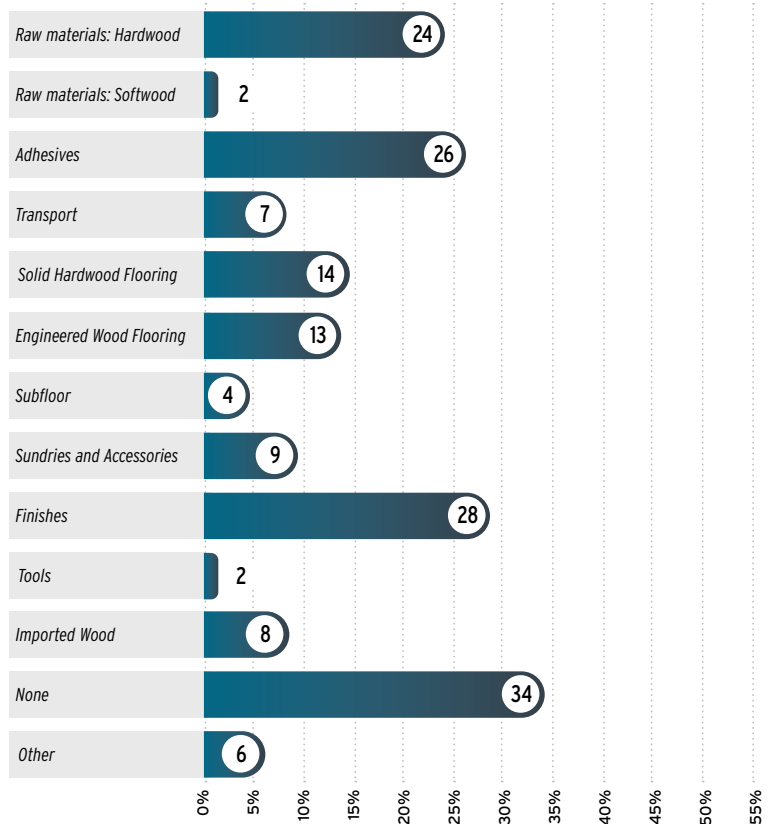
“We have a business that sells nationwide, and that exposes us to demand and market trends all over the country,” he said. “Traditionally, we saw trends change slowly, giving manufacturers and distributors time to build inventory. What was popular in California five years ago would slowly make its way to Pennsylvania. Today, people are asking for the same things everywhere at the same time. I’ve never had that happen in flooring. It seems Instagram is driving trends at the speed of light, and these trends can shift in a matter of 30 days. That makes it harder to predict and source materials, especially from overseas. People have to take a long look at their current business model and decide if it works in this new sales cycle.”

## WOOD-LOOK PRODUCTS CONTINUE TO POSE A THREAT

Competition from wood-look products such as LVT, WPC, and laminate continue to have a negative effect on real wood product sales for 67 percent of NWFAs members. Some say it is because wood-look is cheaper, and consumers aren’t being educated on why. Others say it is because wood-look products are marketed as “waterproof” and “indestructible.”

Higher-end wood flooring markets don’t appear to be as negatively affected by wood-look products as those with a lower cost of entry. One member said: “The term ‘waterproof laminate’ is appealing, but not possible. Lower-end hardwood has been cannibalized by various ‘waterproof’ products.”

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



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



Just about 72 percent of NFWA members reported LVT/WPC/SPC to be the biggest threat to real-wood products in 2023.

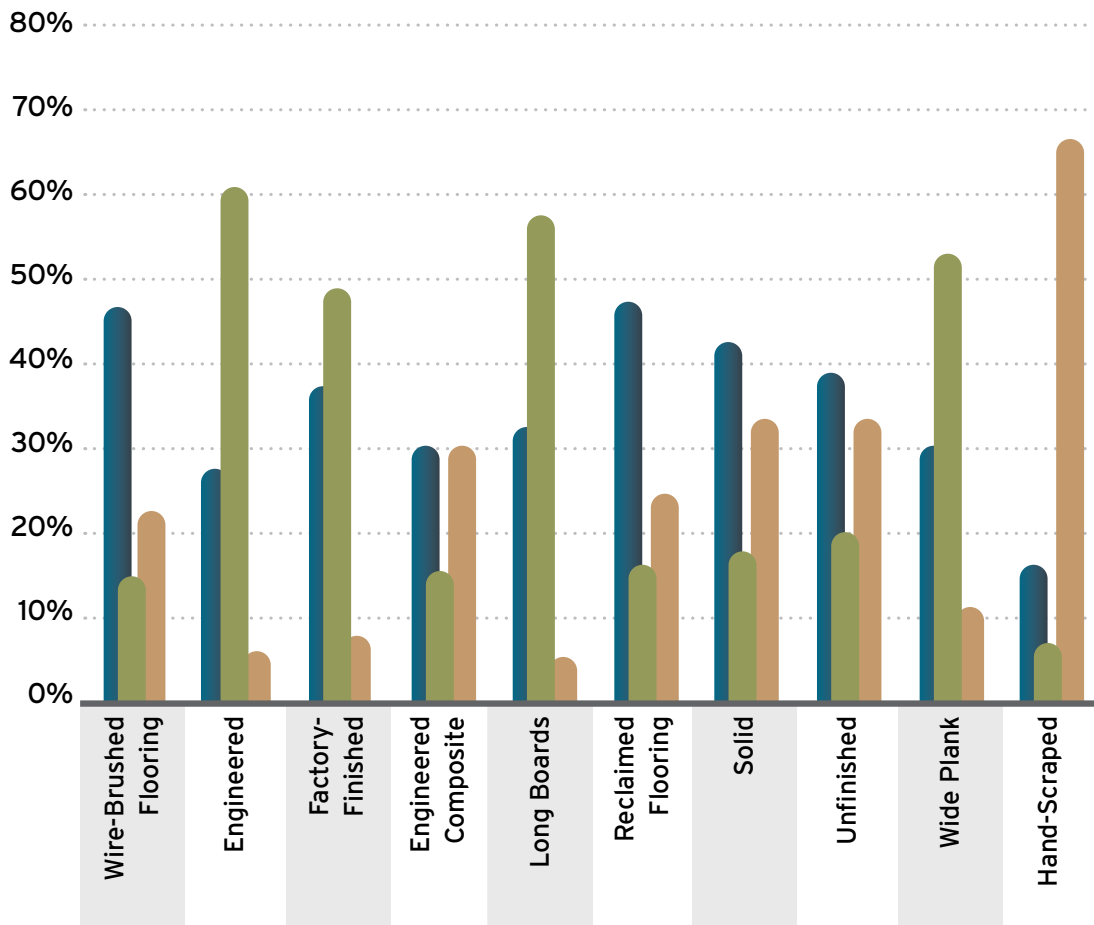
Price increases have been another obstacle in selling wood products for some NFWA members. Andy Anderson, president at Anderson Custom Flooring said: “We all saw price increases with COVID, and I don’t think they are going away. To overcome this, I sell customers on the value of my service and the flooring product. I educate them on the longevity and durability of the wood floors compared to LVP. Sure, I can put LVP in for a fraction of the price, but will they be happy with the color in seven years? I explain that with wood floors, I can re-sand them and refinish them when their needs change.”

However, one member foresees a shift in how consumers will begin to view wood-look products. “The public is becoming aware of the environmental ramifications of fake wood and longevity issues. Real wood is taking over the market in everything but multifamily. Even commercial projects are asking for the real thing now. Higher-end customers will always shy away from plastic. Younger A&D [architecture and design] professionals are especially cognizant of sourcing renewable flooring.”

Greg Blanke, president of Boardwalk Hardwood Floors, said it’s important to educate consumers on how real wood flooring can increase home values and protect the environment, compared to wood-look products.

● More Demand      ● Less Demand      ● Same Demand

### EXPECTED DEMAND BY TYPE IN 2024



“People want to do better for the environment. They will go to a coffee shop and order a coffee in a paper cup and a paper straw. Yet, they will go into a flooring store and buy a thousand square feet of LVT, not realizing it won’t degrade. If you explain to consumers that LVT will still be in that landfill a hundred years from now, that can change their opinion.”

Many NWFA members agree that education is the key to successfully promoting the wood flooring industry and gaining market share, including:

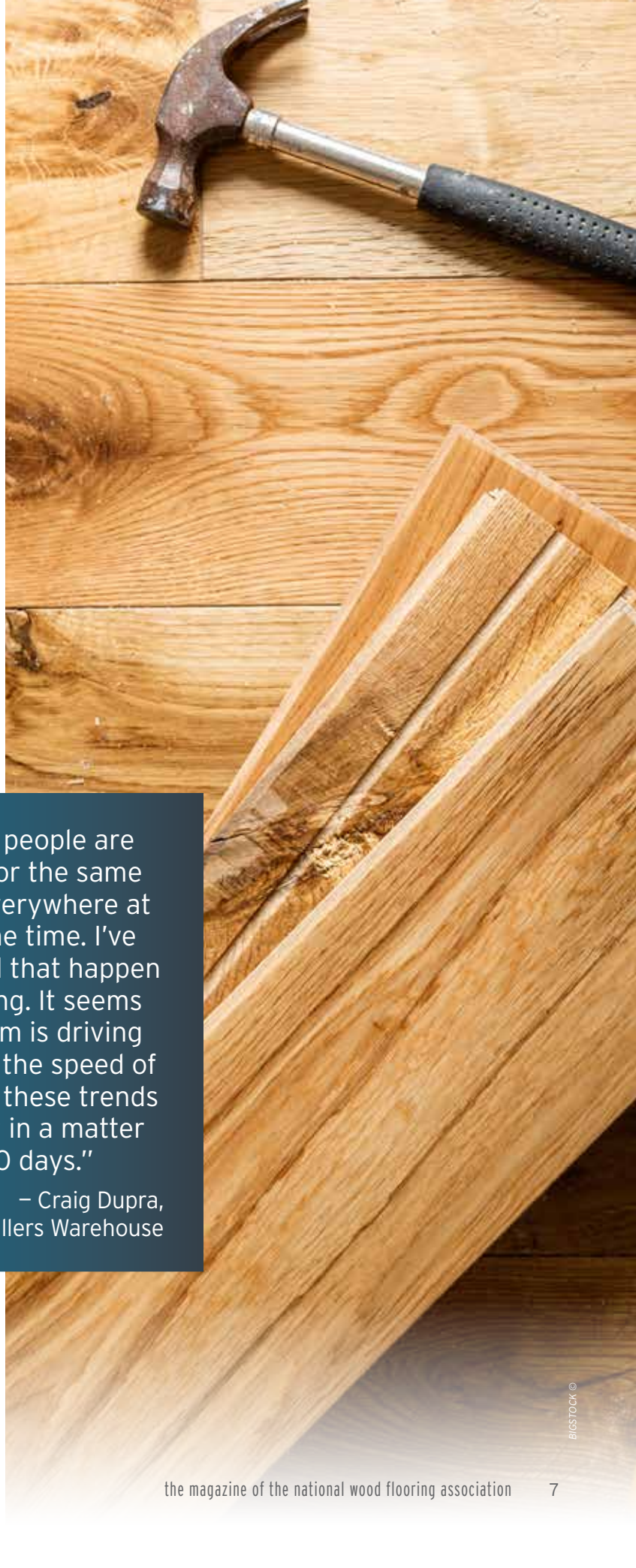
- Educating sales force and prospective buyers on the longevity and durability of wood products
- Helping retailers feel more comfortable selling wood products over laminate
- Increased media coverage on the environmental impact of LVP
- National ad campaigns focused on educating consumers

One member believes increased awareness will help buyers understand the ramifications of wood-look products, an area they believe needs improvement. “There is a lack of serious investment from the wood floor industry to effectively penetrate the mainstream media landscape on the evils of vinyl.”

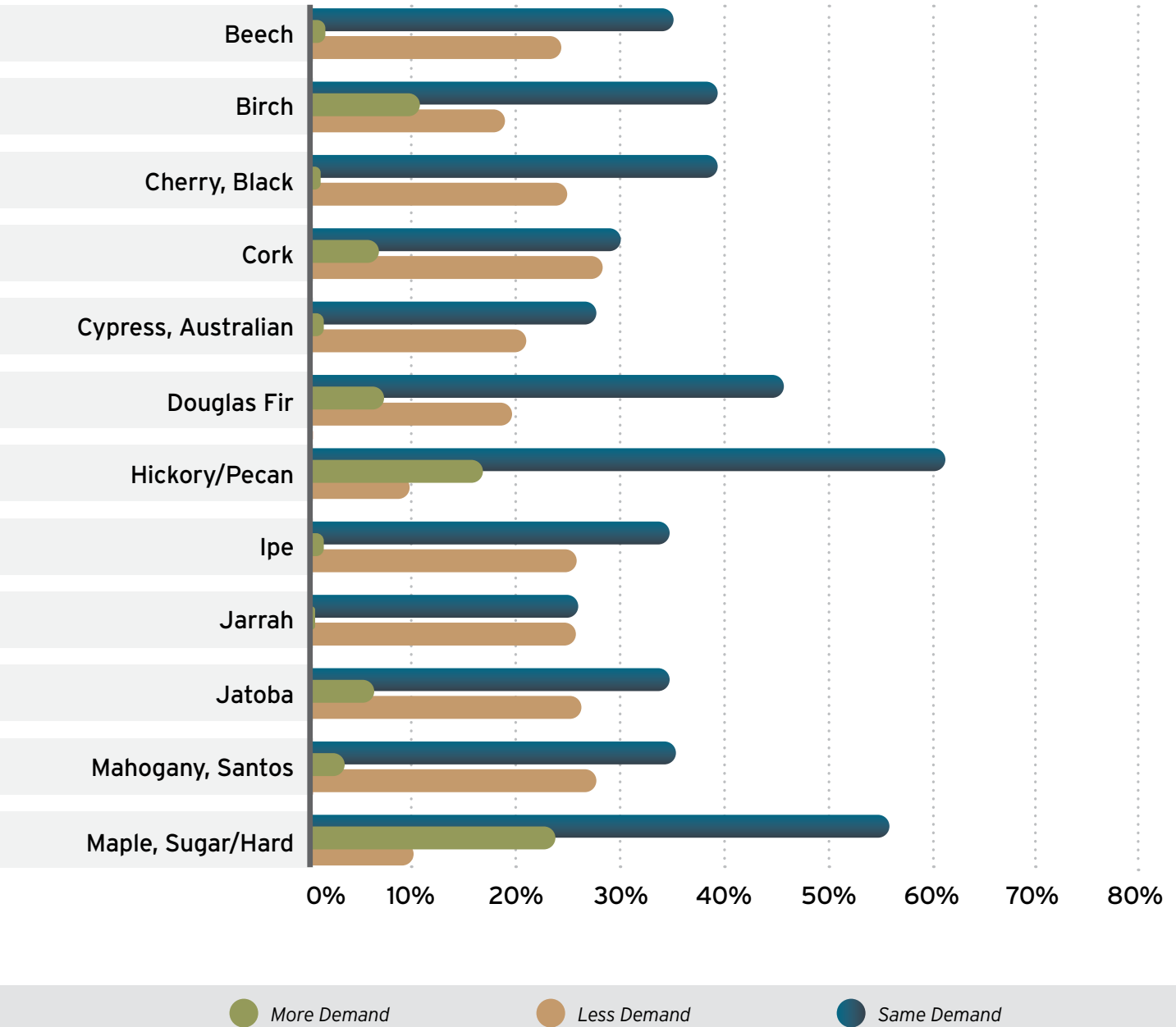
One member has taken a proactive approach. “The carbon footprint message the NWFA published a few weeks ago is sending a strong message. As a vice president of my company, we have created a message around the NWFA study to communicate to the A&D community the strong story relating to the lowest carbon footprint of all flooring categories. We also need to push that hardwood is the most desirable and visually appealing product.”

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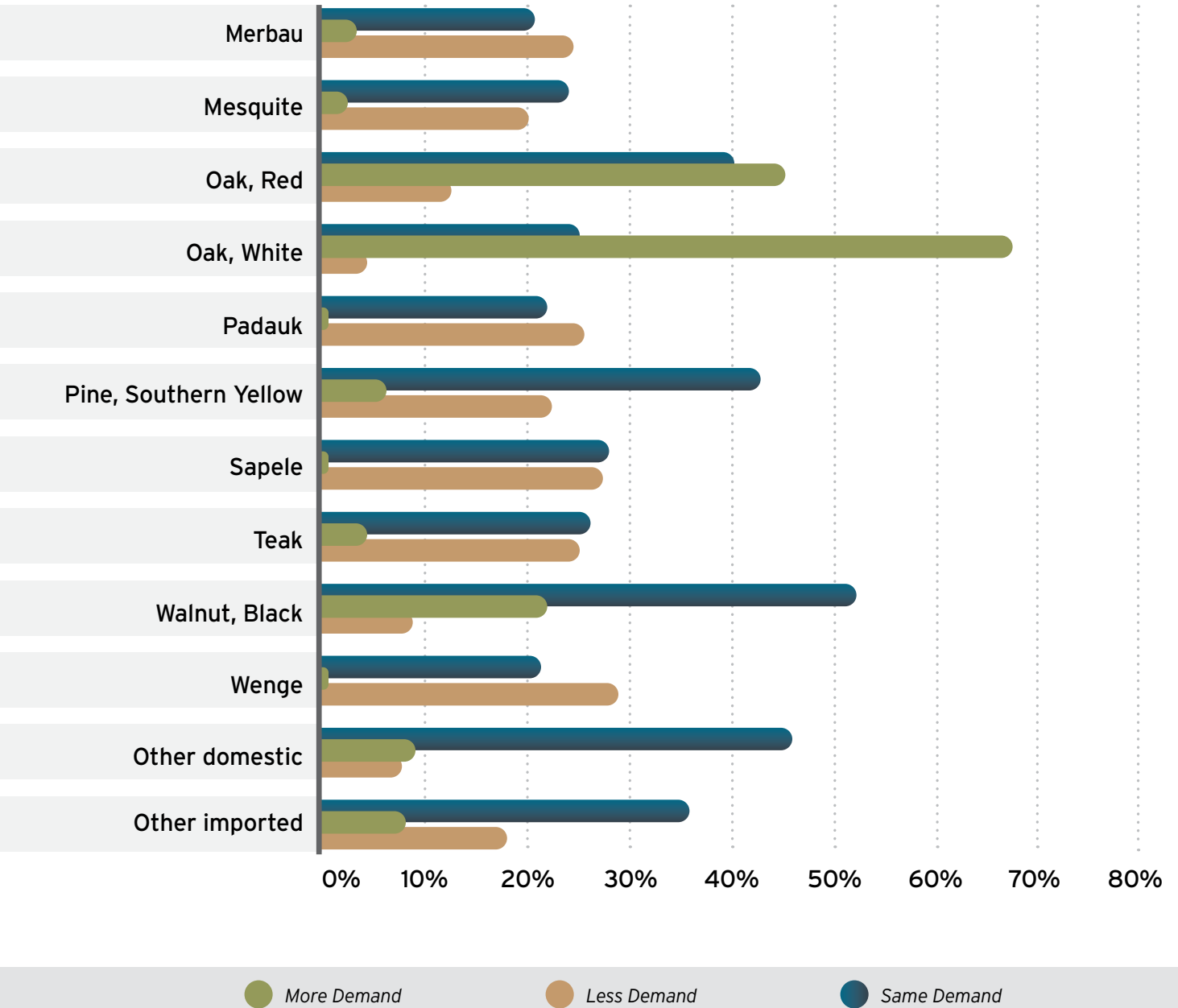


## EXPECTED DEMAND BY SPECIES IN 2024





## EXPECTED DEMAND BY SPECIES IN 2024



## REAL WOOD FLOORING VS. WOOD-LOOK PRODUCTS

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## SUPPLY CHAIN DISRUPTION EASING FOR SOME NWFA MEMBERS

Only 41 percent of NWFA members reported supply chain disruptions, while 59 percent said they weren't experiencing any challenges. These were improvements from last year's survey when more than 86 percent of all NWFA members reported continued disruption and negative business impacts from lost sales, extended lead times, increased inventory holdings, pricing, and backorders.

While the industry may be seeing improvements, some members are still experiencing extended lead times or unpredictable supply for raw materials: hardwood (24 percent), finishes (28 percent), and adhesives (26 percent). The areas least affected by supply chain hurdles were tools and softwood.

Members say the reasons for the remaining constraints include:

- Milling delays
- Higher demand and lower manufacturing output due to labor shortages
- Lack of raw materials for sealers, finishes, and adhesives
- Material delays at ports due to labor issues in China
- U.S. Customs holding materials at ports

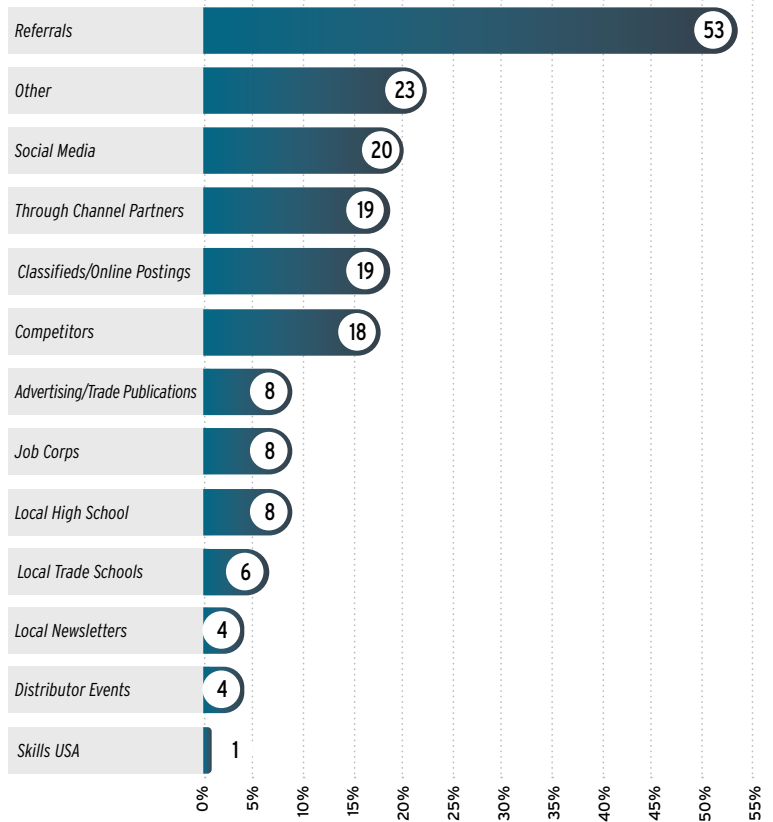
Another NWFA member said markets have begun to shift because of a supply chain affected by the pandemic. "I believe 'Buy American' is on the rise, and imports are down. Since COVID, imports have been a struggle and the ports have been tied up."

## SKILLED LABOR CHALLENGES REMAIN

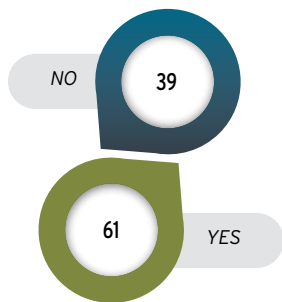
Filling critical positions remains a challenge for nearly 61 percent of NWFAs members. Most respondents said that the challenge is about the same as it was in 2022. Survey responses indicate that qualified installers and laborers were among the most challenging positions to fill due to the arduous nature of the work and lack of motivated candidates. Conversely, those who have found some success in finding labor have used:

- Referrals (by far the most-cited successful strategy)
- Social media
- Classifieds/online job listings
- Channel partners (suppliers, distributors, retailers, contractors)
- Competitors

## WHAT STRATEGIES HAVE WORKED FOR YOU TO FIND LABOR?



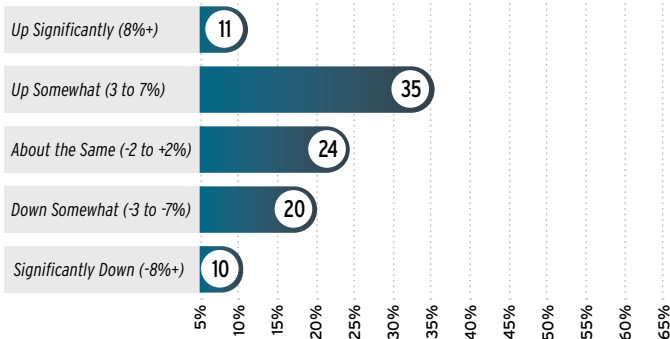
## HAVE YOU HAD PROBLEMS FINDING ADEQUATE SKILLED LABOR SO FAR THIS YEAR?



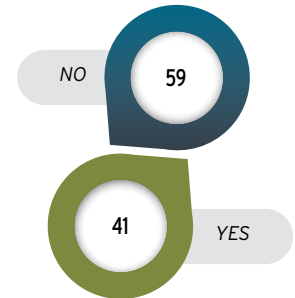
## ARE CHALLENGES ASSOCIATED WITH FINDING TALENT BETTER, THE SAME OR WORSE THAN LAST YEAR?



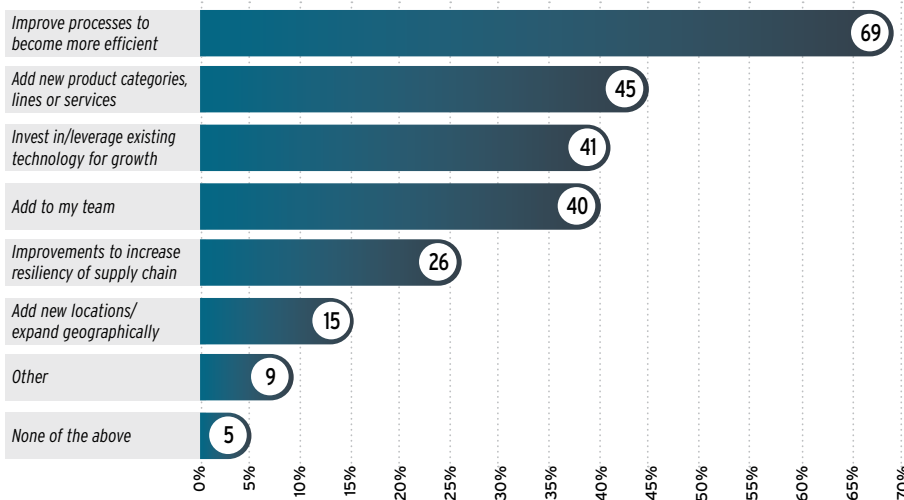
## 2023 EXPECTED SALES OUTLOOK



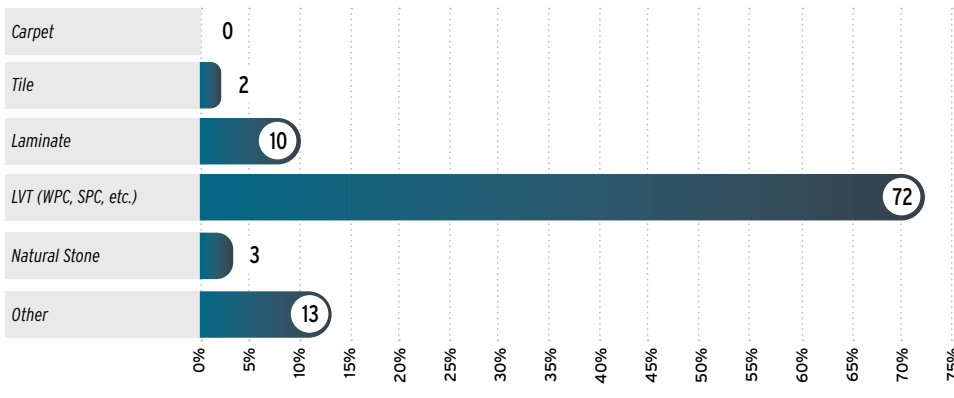
## ARE YOU EXPERIENCING SUPPLY CHAIN DISRUPTION FOR ANY PRODUCT?



## WHICH INITIATIVES WILL YOU IMPLEMENT IN THE SECOND HALF OF 2023 AND INTO 2024?



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



In addition to offering better wages and benefits, respondents suggested apprenticeships and increased training in high school and community colleges could mitigate challenges. One member suggested: “making it more attractive and providing reasons as the Army does by inspiring people with the real benefits of learning a trade. It’s building a legacy with your own hands, and there’s dignity in every part of the work.”

Anderson said contractors struggling with labor shortages could benefit from evaluating project needs before sending employees to jobsites. “I recommend spending more time at the front end mapping out projects to increase efficiency and reduce resources. With better planning, you can save on hourly rates, fuel, and time spent traveling to jobsites instead of employees backtracking to other jobs.” ■



# JOIN NWFA TODAY!

## ONE MEMBERSHIP MANY BENEFITS

Being a wood flooring professional has never been more complicated than it is today. However, one thing that remains certain is NWFA's commitment to its members and the hardwood flooring industry. From nationally recognized technical standards to savings programs on services you use regularly and everything in between, we've got you covered. Become a member today and achieve greater industry knowledge, networking, efficiency, and success.



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**A little more than half of contractors in the survey said wood flooring sales will be up in 2023. But many consumers are responding to talk of a pending recession in the form of delayed or canceled home projects and a greater focus on price. As a result, contractors in the survey expect sales to be flat in 2024, with about the same number (38 percent) expecting sales to grow.**

While supply chain issues are waning somewhat, contractors still are seeing some unpredictability. “It feels unpredictable and a little like 2020. You see some businesses stockpiling inventory again, and other items aren’t low on levels, but receiving them is unpredictable.”

Most contractor respondents identified pricing as their biggest hurdle in 2023. “Prices rose during COVID, but business hasn’t slowed down much post-COVID, and now companies and consumers are used to paying higher prices.”

Natural colors have been the most popular in the field both for factory-finished flooring and for refinishing existing flooring. “I’m seeing a trend back toward light or natural wood. We’ve been doing a lot of that work recently, and I don’t see that going away any time soon.”

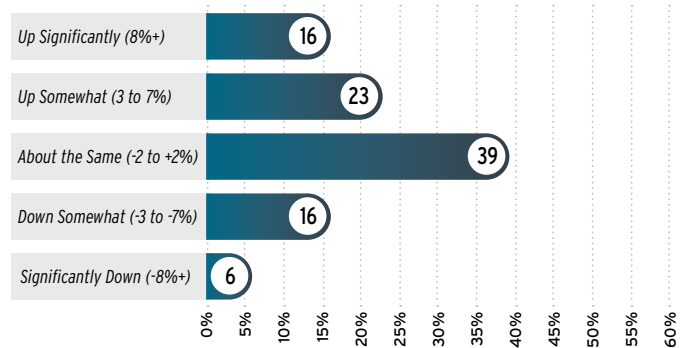
Most contractors said the following has been true of most installations in 2023:

- Standard straight-lay
- Nail down or nail with glue assist
- Greater than 5” (wide plank); 3” to 5” planks weren’t far behind in frequency
- Installed-over-wood-panel subfloor
- Water-based finishes

Top opportunities for contractors going into 2024 include:

- “More SEO action on my website”
- “New custom homes”
- “Site-finished engineered sales”
- “Expanding into adjacent cities”
- “More sand and refinishes due to pricing”
- “Book more gymnasium work”

## 2024 SALES OUTLOOK



### CONTRACTORS

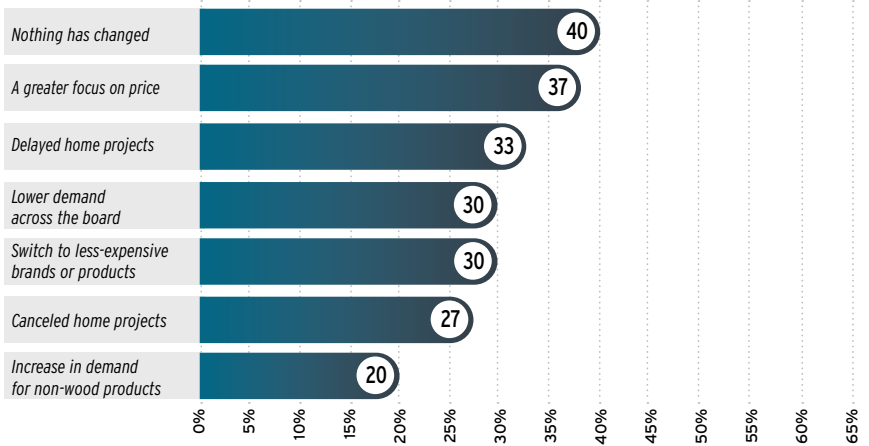
When refinishing existing flooring, what colors are your customers choosing?

1. Natural
2. Dark Colors
3. Greys

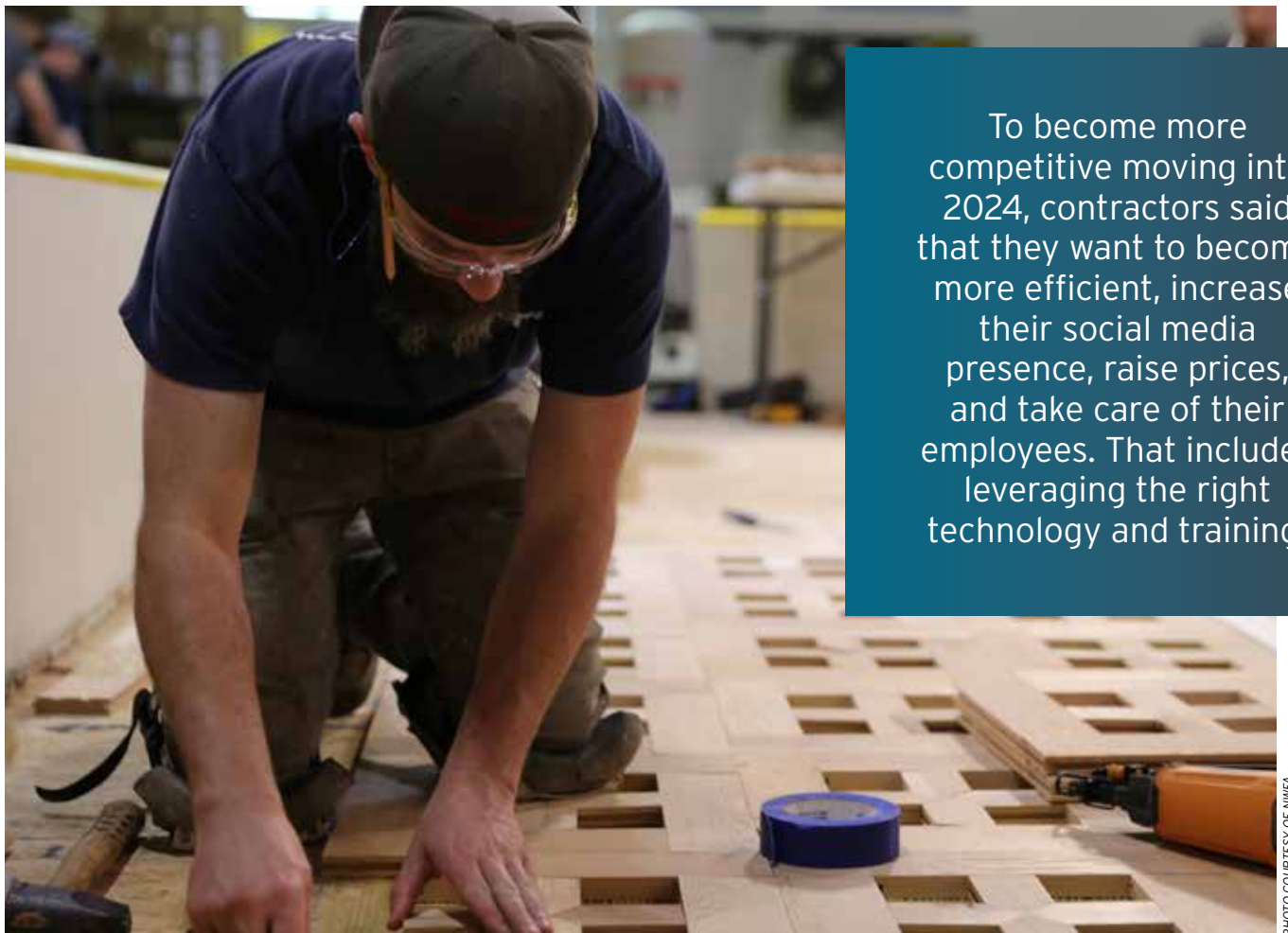
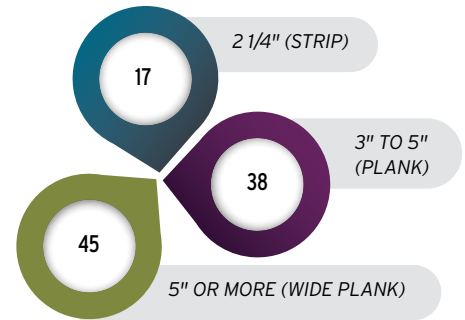
With custom installations, we have been selling more:

1. Parquet (Herringbone/chevron patterns)
2. Staircases
3. Textured finishes (Scraped, wire-brushed)

## HAVE YOU SEEN ANY CONSUMER BEHAVIORS IN RESPONSE TO TALK OF A PENDING RECESSION?



## WHAT IS THE AVERAGE WIDTH OF FLOORING YOU ARE INSTALLING?

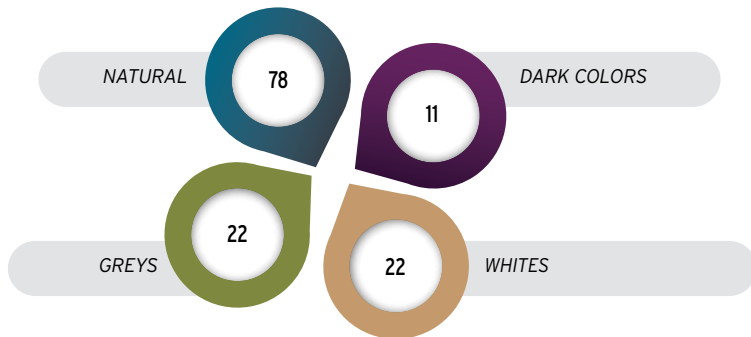


To become more competitive moving into 2024, contractors said that they want to become more efficient, increase their social media presence, raise prices, and take care of their employees. That includes leveraging the right technology and training.

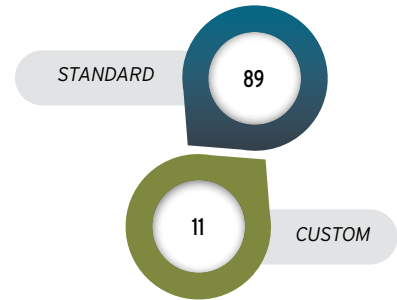
PHOTO COURTESY OF NWFA

# CONTRACTORS

## SPECIFIC TO FACTORY-FINISHED FLOORING, WHAT COLORS ARE YOU SELLING THE MOST OF?



## IN 2023, MORE INSTALLATIONS HAVE BEEN:



## DO YOU PROVIDE CLEANING PRODUCTS TO YOUR CUSTOMERS AFTER THE JOB IS COMPLETED?



Nearly 90 percent of contractors said they provide maintenance education to their customers. “I’ve developed a packet of my own information about cleaning, based on my experience,” said one, “leaving samples of floor protectors and showing mops.”

Another said they provide customers with a detailed cleaning process with the exact cleaner they recommend for that floor. “At this time, we also introduce the concept of needing to recoat or maintain the floor by a professional.” Less than half the contractors in the survey said they leave cleaning products with their customers.

To become more competitive moving into 2024, contractors said that they want to become more efficient, increase their social media presence, raise prices, and take care of their employees. That includes leveraging the right technology and training.

“I think it’s something that has to be on your mind as this type of business owner, ‘How do I get to the next layer of talent?’ Because it takes years of experience to get where these guys are, and they continue to get better and better and better over time,” said Heather Barbour of Hultman Flooring. “Having equipment that is easier to use and something that a younger student or an apprentice might be able to grasp onto is a smart choice.”

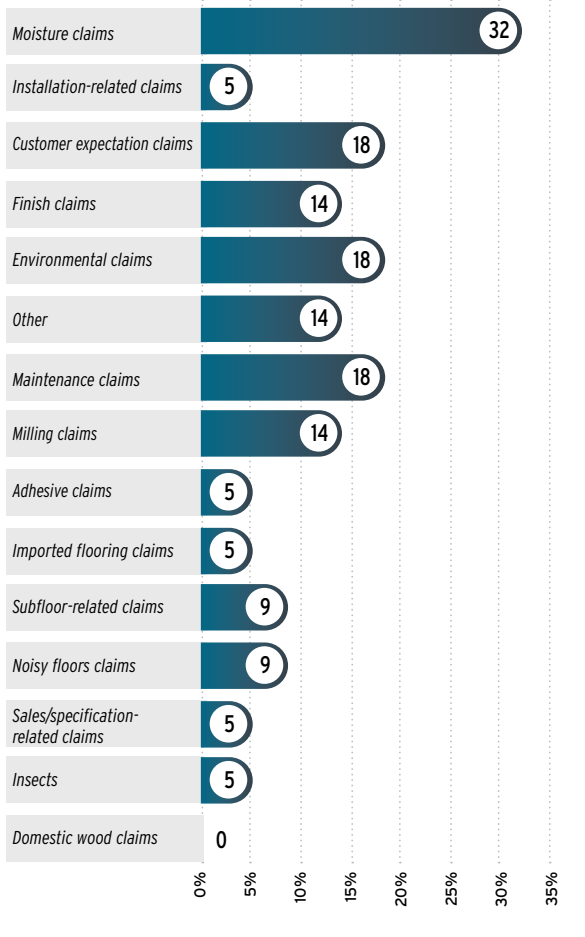
Contractors like the credibility NWFAs provides. One contractor said: “I’ve only been a part of NWFAs for six months now, but I have already benefited from it. ■

### EDUCATING CUSTOMERS ON MAINTENANCE

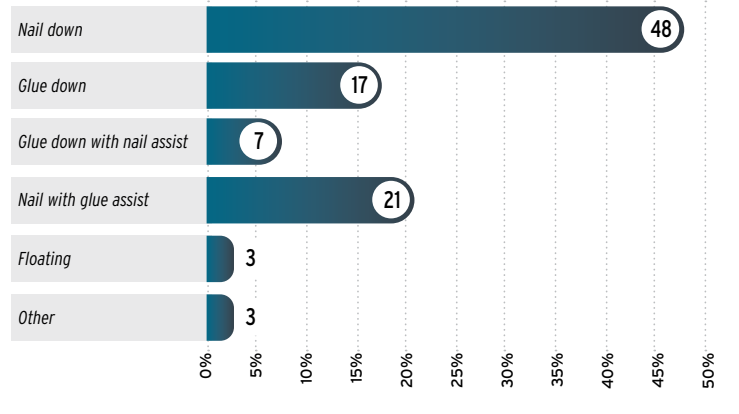
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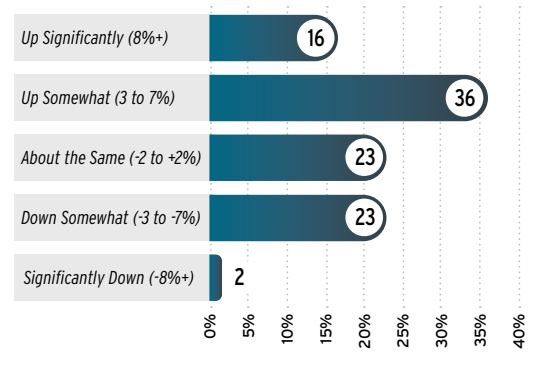
## WHAT ISSUES ARE YOU SEEING WITH CLAIMS?



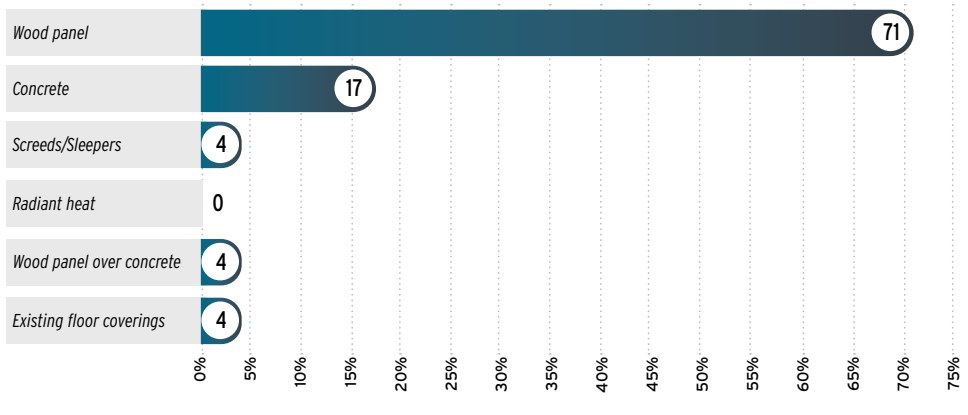
## WHAT IS THE MOST COMMON INSTALLATION METHOD?



## 2023 FULL YEAR EXPECTED SALES



## WHAT IS THE MOST COMMON SUBFLOOR YOU INSTALL OVER?



Contractors like the credibility NWFA provides. One contractor said: "I've only been a part of NWFA for six months now, but I have already benefited from it."

**About 29 percent of distributors reported company wood flooring sales in 2022 were up significantly (8 percent or more) compared to 2021. Moving into 2023, distributors have tempered optimism for wood flooring sales, with just 29 percent forecasting moderate gains in 2023.**

Nearly 36 percent expect sales to remain the same. Some distributors say their expectations this year are due to:

- Downward pricing pressure
- Lower consumer demand
- Loss of market share to LVP

Looking ahead, 57 percent of NAWFA distributors expect a moderate gain (3 percent to 7 percent) in wood flooring sales in 2024, while another 29 percent expect sales to remain about the same. Seven percent expect to experience a significant decline in wood flooring sales of more than 8 percent.

One distributor explained their optimistic projection: “I think the interest rates will start to come down, and things will start to level off, especially during an election year. If things are not going in the direction the sitting party needs to win an election, they will try jumpstarting the economy and doing things that will increase business.”

Alternatively, Matt Wadsworth, vice president at Compass Flooring, anticipates demand will erode as 2023 progresses due to continued talks of inflation and higher interest rates.

Distributors still are feeling some supply-chain pain. One distributor explained that changing regulations in China have delayed products at customs. The company plans to source products from locations closer to home to overcome these challenges.

Nearly 29 percent of NAWFA distributor members in the survey reported their wood flooring sales were growing more quickly than non-wood flooring sales. Conversely, nearly 36 percent said their wood flooring sales were growing more slowly. Some say the reason for slower growth in wood flooring can be attributed to how wood-look flooring has been advertised in the marketplace.

“The industry did a disservice in how wood-look products were marketed from the beginning,” said one distributor. “Calling it waterproof and making claims that have proven over time to be false. Both homeowners and retailers are starting to see that it’s not what it’s cracked up to be. We’re starting to see some blowback at the retail level, and some are reducing the number of vendors on products like SPC.”

Reportedly, trends are heading toward lighter, more natural looks that stand the test of time with grays and dark colors phasing out. Keeping up with changing consumer demands is a common challenge among distributors.

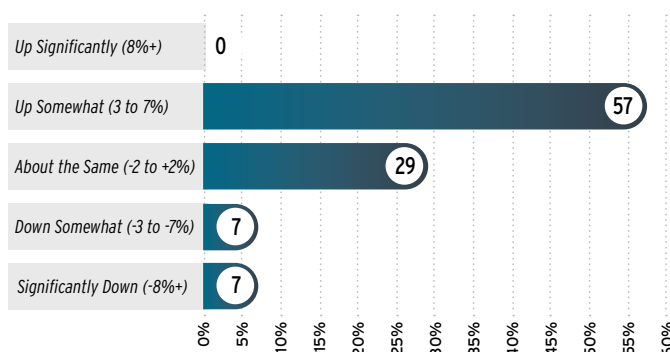
Training on the products they sell remains extremely important for more than half of NAWFA distributors responding to the survey, with 67 percent of members offering manufacturer training and another 58 percent offering virtual training.

Nearly 79 percent of distributors say their biggest concern going into 2024 is the economy. Other top concerns are:

- Inflation
- Political climate
- Competition from non-wood floor coverings

The top opportunities for distributors going into the second half of 2023 and into 2024 are operational improvements, followed by ecommerce and geographic expansion.

## 2024 SALES OUTLOOK



Plans for e-commerce expansion are interesting to note, as just more than 23 percent of distributors in the survey reported using e-commerce websites to sell online. One distributor plans to invest in higher-priced, specialized wood flooring sales in 2024. Other plans include:

- “Continue omnichannel growth strategy to gain more market share in our existing markets. Tighten up our product lineup to focus on the more profitable product lines and categories.”
- “Remain agile with competitive products at lower prices, marketing and being lean on staffing.”
- “Offer more selections of wood.”

Ensuring the longevity and lifespan of the wood flooring industry remains top of mind for most distributors. However, Craig Dupra of Installers Warehouse said NWFAs members are the more informed and qualified people in the industry so he doesn’t need to preach to the choir.

He said those outside the association may benefit from greater awareness, however. “You can throw a line out to catch a little four-inch fish, but it is a lot of work to clean and cook them. It’s not a satisfying meal. You throw them back. The path of least resistance (selling lower-priced hard-surface products) leads to lower margins and lower gross and net profits. You have to decide if the bite is worth the chew.”

Dupra added, “There will be people who take the easy sale despite all the claims with LVT. Wood flooring is a natural product with an extended lifecycle. The ones willing to invest in education and expertise are the ones that are going to win.” ■

DISTRIBUTORS

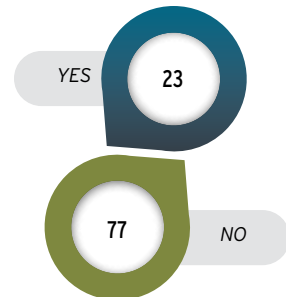
### What are your top opportunities for 2024?

1. Improvements to operations
2. Geographic expansion
3. E-commerce

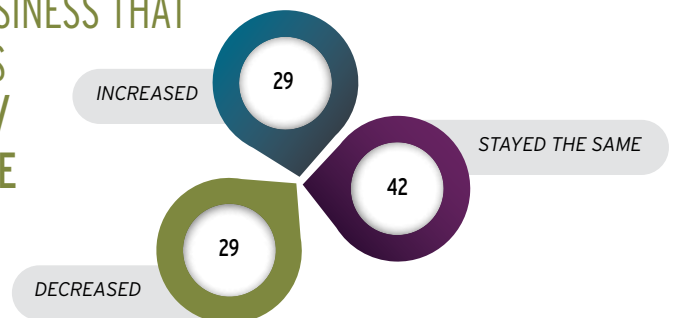
### What are you most worried about in 2024?

1. Economy
2. Inflation
3. Competition from non-wood floor coverings

### DO YOU SELL ONLINE THROUGH AN ECOMMERCE WEBSITE?



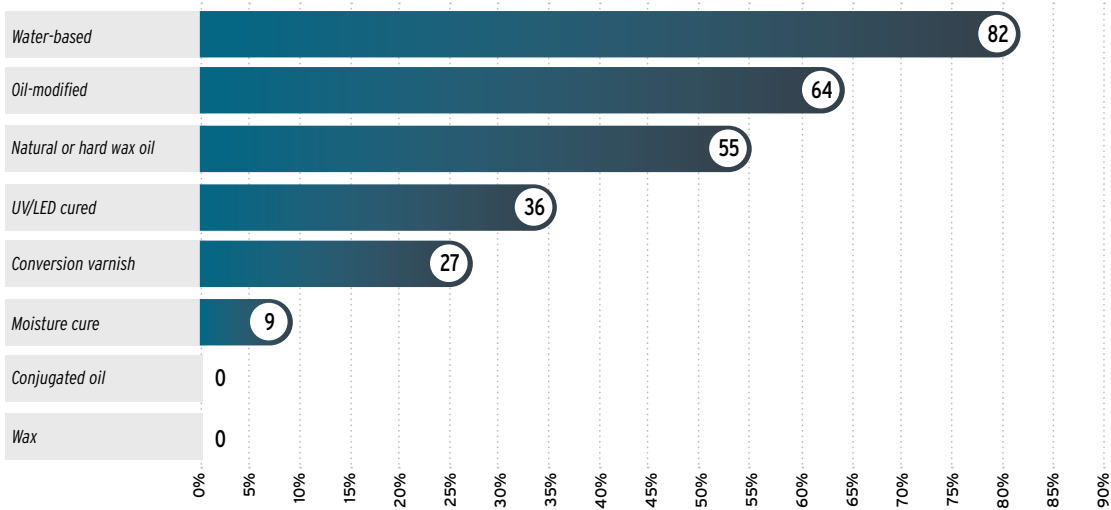
### WHERE DOES THE SHARE OF YOUR BUSINESS THAT INCLUDES LVT/WPC/LAMINATE STAND?



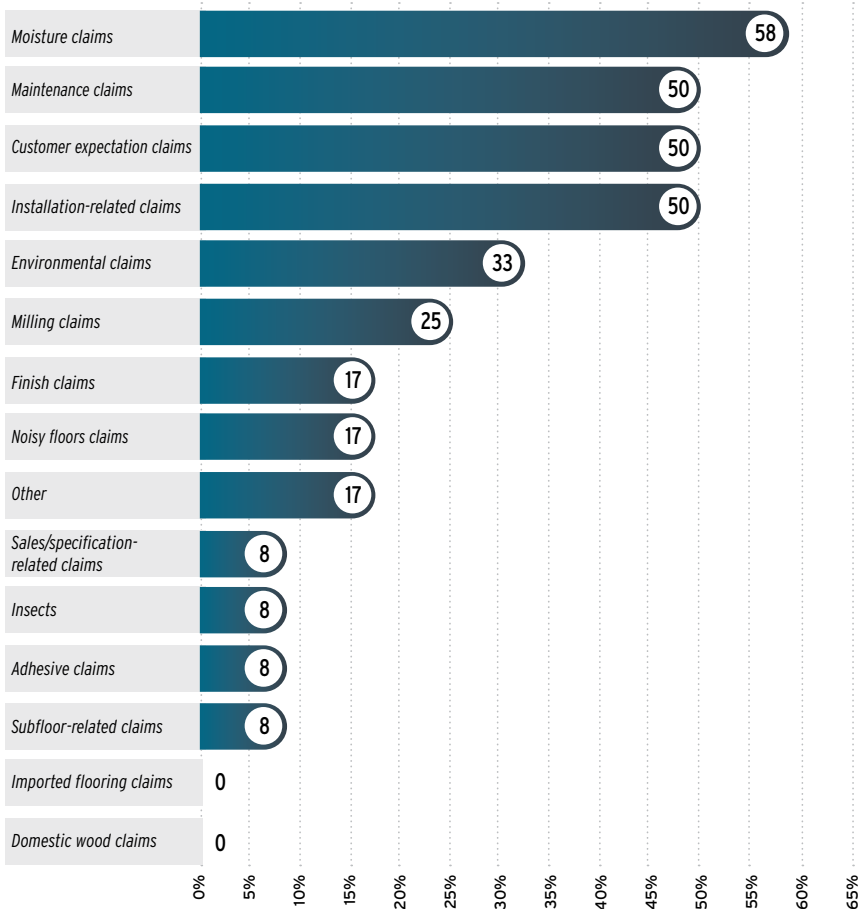
**2024 TRENDS REPORT**

Trends are heading toward lighter, more natural looks that stand the test of time with grays and dark colors phasing out. Keeping up with changing consumer demands is a common challenge among distributors.

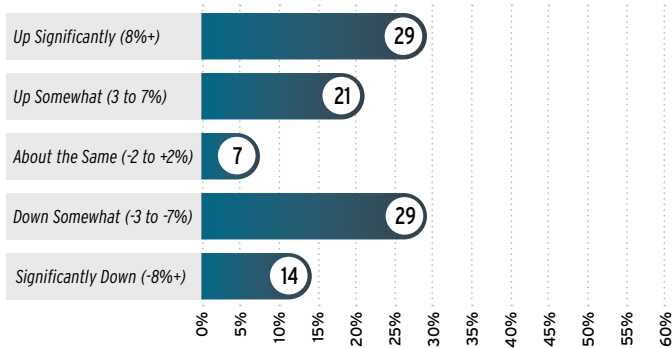
## IN 2023, WHAT FINISHES DOES YOUR PRODUCT MIX REPRESENT?



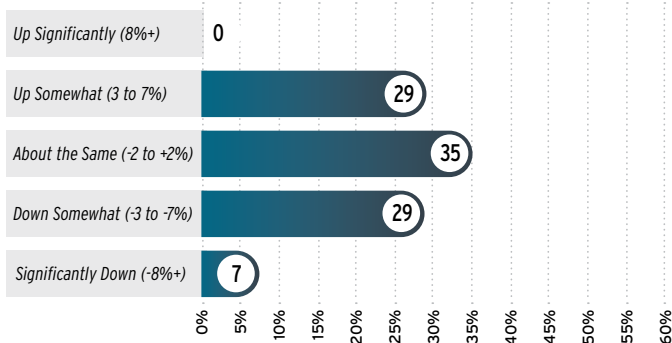
## WHAT ISSUES ARE YOU SEEING WITH CLAIMS?



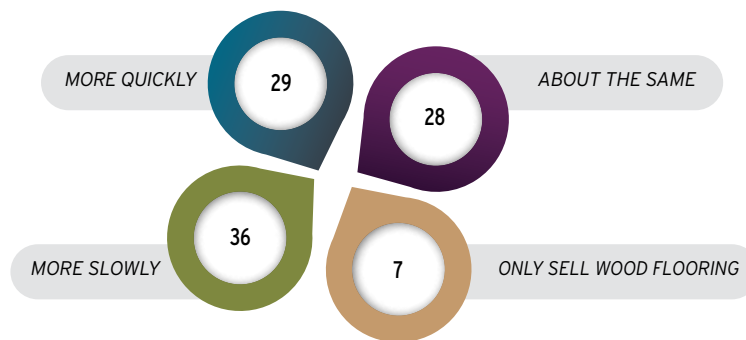
## SALES OF WOOD FLOORING PRODUCTS IN 2022 COMPARED TO 2021



## 2023 FULL YEAR EXPECTED SALES



## HOW QUICKLY ARE YOUR WOOD FLOORING SALES GROWING COMPARED WITH YOUR NON-WOOD FLOORING SALES IN 2023?



**Forty-one percent of manufacturers said they expected their 2024 sales of wood-floor products to be up somewhat (3 percent to 7 percent). About a fifth of manufacturers expect sales to increase significantly (8 percent+).**

“2021 was an anomaly year and everyone was buying,” one manufacturer said. “We are more back to where we were pre-COVID.”

Many manufacturers expect high-interest rates and low housing inventory to further dampen demand in 2024, however. The economy was by far the greatest worry cited in the survey.

“Remodel demand has become non-existent since the second half of 2022,” one said. “New home construction is the only thing keeping the business somewhat positive.”

Some manufacturers also are reporting that labor issues are affecting their business. “We’ve increased the minimum wage offering to factory employees, but that is just to maintain the same level of talent we were attracting previously.”

About 59 percent of respondents expect pricing for their products to remain the same in 2024, with an additional 34 percent saying their pricing will increase somewhat. Reasons included:

- Overhead costs
- Freight charges
- Raw material prices

One manufacturer said: “We’ve had cost pressures on our side because all of our product is made in Europe. Not only are we dealing with many of the European crises that are happening right now, but we’re also still weathering the freight costs. The freight cost from Europe to the United States is just now reaching the levels of where it was pre-pandemic.”

Another wrote: “Lumber has come down, but our overhead has increased.”

Forty-eight percent of manufacturers said raw materials prices have increased so far in 2023, down from 82 percent who said the same about 2022. More than half of respondents said they expect prices for raw materials to remain the same for 2024, with the other half expecting an increase next year.

While traditional wood-flooring distributors are still how most manufacturers go to market (79 percent), 45 percent of manufacturers in the survey say they expect to make some changes in their channel strategies. In addition to a desire for general channel

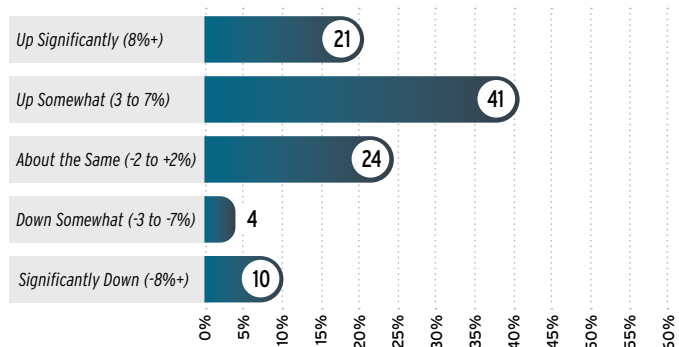
diversification, some noted two focus areas for 2024:

- Direct to flooring retailers
- Online direct-to-consumer

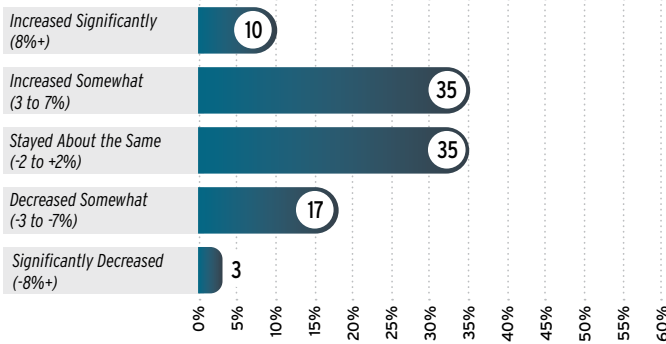
Attracting top talent is a priority. “We’re focused on making sure we’re developing our employees, showing them a career path that they could take inside the company to continue to grow,” said Rick Loomis of Amorim Cork Composites. He said that the talent challenge isn’t necessarily just direct. He sees impacts down the chain; if an installer, for example, isn’t trained well, then that affects the manufacturer in the form of claims and the cost to respond to those claims.

To stay competitive in 2024, manufacturers plan to invest in automation and other technology to offset labor shortages. “We’ve installed new manufacturing equipment, which has made us more efficient,” one manufacturer said. Being more selective about who they do business with is also top of mind for many manufacturers going into 2024. ■

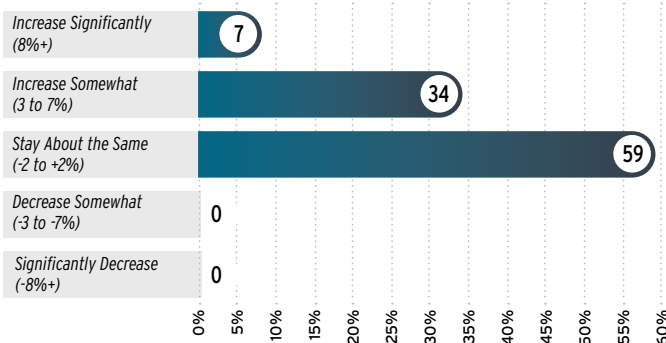
## 2024 SALES OUTLOOK



## IN 2023, PRICING FOR THE PRODUCTS I SELL HAS:



## IN 2024, WHAT DO YOU EXPECT YOUR PRICING WILL DO?



## IN 2023, RAW MATERIAL COSTS HAVE:



### MANUFACTURERS

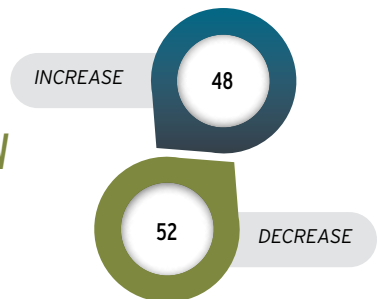
## What are your top opportunities for 2024?

1. New distribution channels
2. Product diversification
3. Improvements to operations

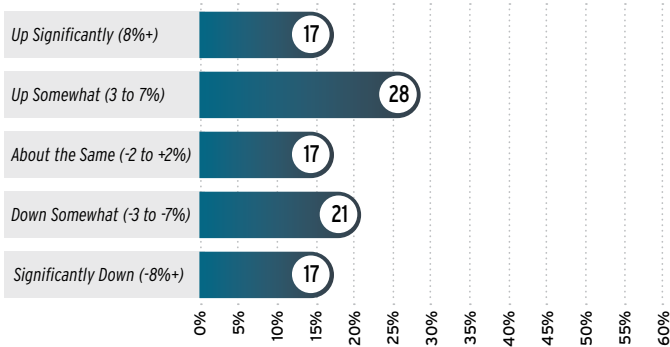
## What are you most worried about in 2024?

1. Economy
2. Labor shortage
3. Political climate

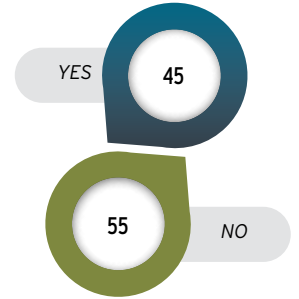
## IN 2024, DO YOU EXPECT RAW MATERIAL COSTS TO:



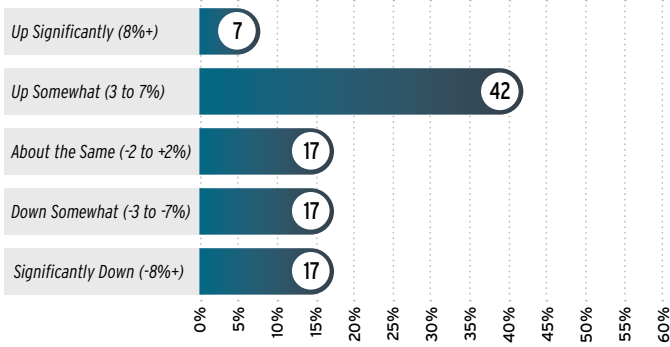
## SALES OF WOOD FLOORING PRODUCTS IN 2022 COMPARED TO 2021



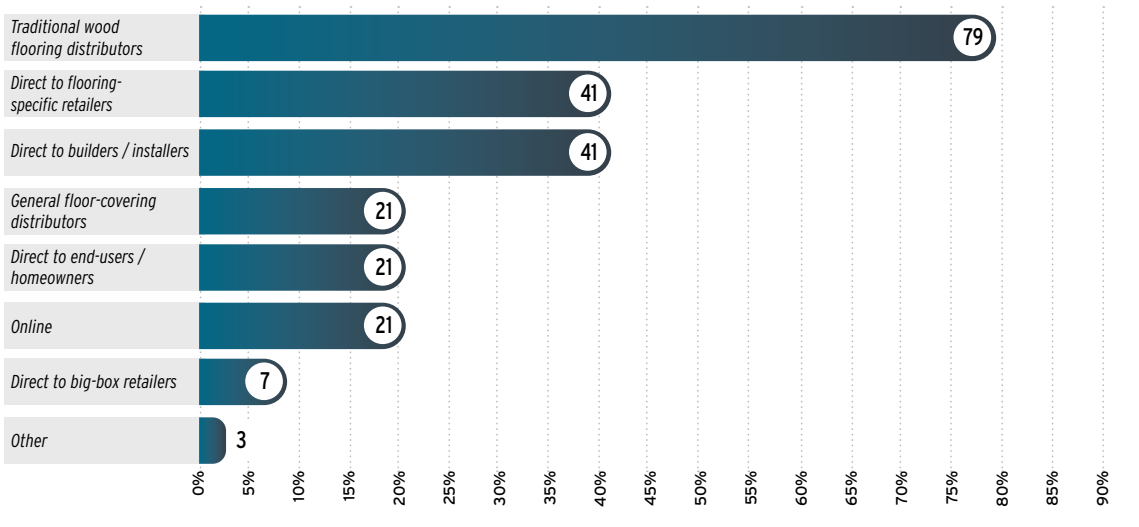
DO YOU EXPECT TO SHIFT BUSINESS AMONG YOUR CHANNELS IN 2023?



## 2023 FULL YEAR EXPECTED SALES

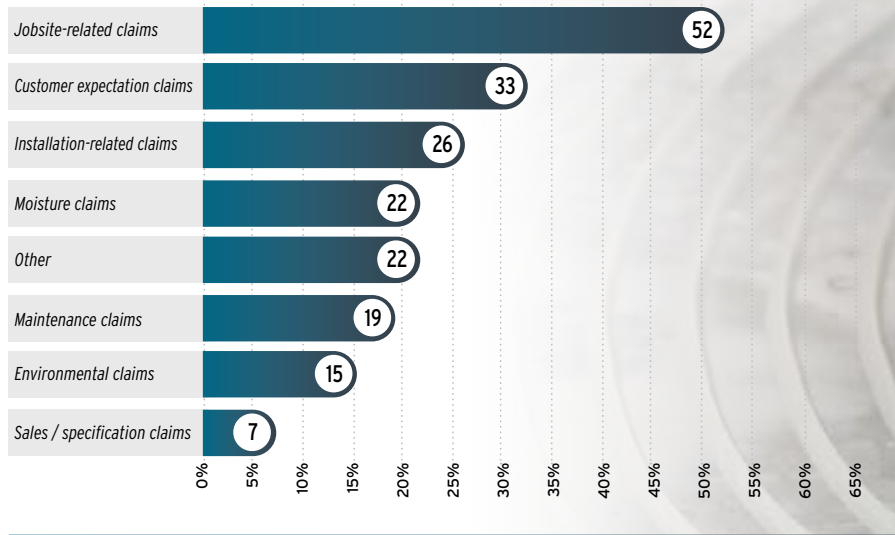


## BY WHICH SALES CHANNELS DO YOU GO TO MARKET?

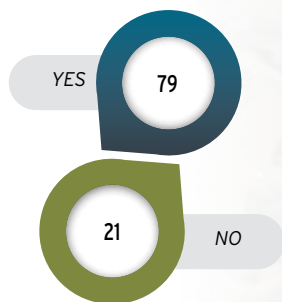




## WHAT ISSUES ARE YOU SEEING WITH CLAIMS?



## DO YOU SEE VALUE IN SPECIFYING CERTIFIED PROFESSIONALS USING YOUR PRODUCTS?



Forty-eight percent of manufacturers said raw materials prices have increased so far in 2023, down from 82 percent who said the same about 2022. More than half of respondents said they expect prices for raw materials to remain the same for 2024, with the other half expecting an increase next year.

Wood flooring sales were up for the majority of NWFA retailers in 2022. Only 23 percent experienced a decline in sales. One retailer echoed the thoughts of many of the respondents to this year's survey: "2021 was an all-time year for many companies. 2022 was bound to be slower."

Halfway through 2023, a third of NWFA retailers in the survey expect full-year revenues for wood flooring to remain similar to 2022 levels. One retailer said: "We are already up 15 percent over last year, with no signs of slowing down."

For those who expect sales to drop, reasons included a soft builder market, interest rates, and new big box stores.

Looking ahead, less than half of the retailers in the survey expect wood flooring sales to remain the same in 2024. Just more than 15 percent expect significant growth next year. A potential housing bubble collapse weighs heavily on the minds of some retailers.

Retailers in the survey reported that the product that has experienced the most dramatic increase in demand so far in 2023 was factory-finished engineered, followed by parquet, herringbone, and chevron patterns. The product type that has experienced the biggest decrease in demand was unfinished solid.

Greg Blanke, president of Boardwalk Hardwood Floors, said of the shifting trends: "We don't sell a lot of dark colors. Exotics are dead. That has been slowly happening over the last three to four years. Most exotics have a heavy red base, and people don't want red tones. White oak is popular now, compared to 10 years ago when red oak was in demand.

"Additionally, there is a lot of emphasis on protecting species coming out of Brazil. That has affected pricing and driven it to a place where exotics aren't as affordable. People are switching to more domestic species. Standard prefinished products up to 8 feet in length are what we typically sell."

According to NWFA retailers, the top three features customers shop for when looking for a new floor are attractiveness, durability, and price. Blanke says new wood-look products come after wood flooring every five to 10 years because people want the look of wood flooring. He tells consumers, "Look at a structure that is 100 years old. The original wood floor is still there. The only constant that continues to perform year after year is wood. Wood-look just mimics it."

## RETAILERS

### What are your top opportunities for 2024?

1. Improvements to operations
2. Value-added services
3. Product diversification

### What are you most worried about in 2024?

1. Economy
2. Competition from non-wood and wood-look floor coverings
3. Online sales

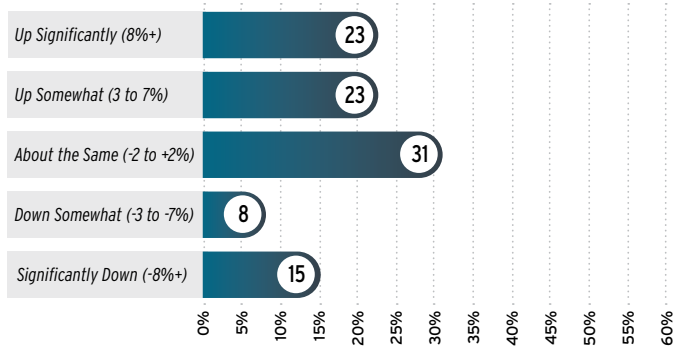
### What are the top features customers shop for when looking for flooring?

1. Attractiveness
2. Durability
3. Price

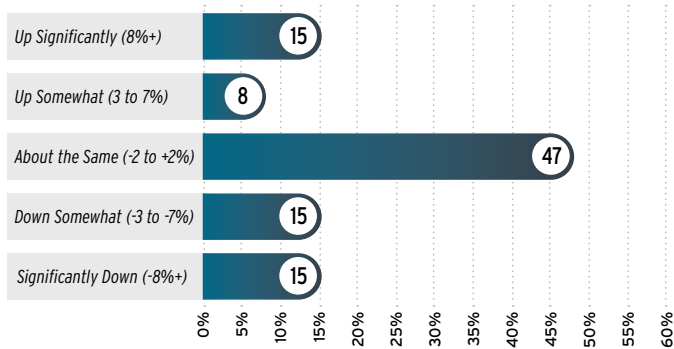
#### WHERE IS THE DEMAND?

Retailers in the survey reported that the product that has experienced the most dramatic increase in demand so far in 2023 was factory-finished engineered, followed by parquet, herringbone, and chevron patterns.

## 2023 FULL YEAR EXPECTED SALES



## 2024 SALES OUTLOOK



Going into the second half of 2023 and first half of 2024, retailers see their top opportunities in operational improvements and value-added services. Other opportunities heading into 2024 include product diversification and finding new talent. The economy is the top concern for most NWEA retailers, followed by online sales and competition from non-wood and wood-look floor coverings.

Some retailers have experienced fewer supply chain challenges since the end of the pandemic. “During the last 12 months, we have seen improvements in the supply chain and manufacturers getting caught up on production,” said Blanke. “The most dramatic change is the container surcharge on imported products. Surcharges have come down significantly from 18 months ago. Now, people are trying to figure out what to do with over-cost inventory because those surcharges disappeared overnight.”

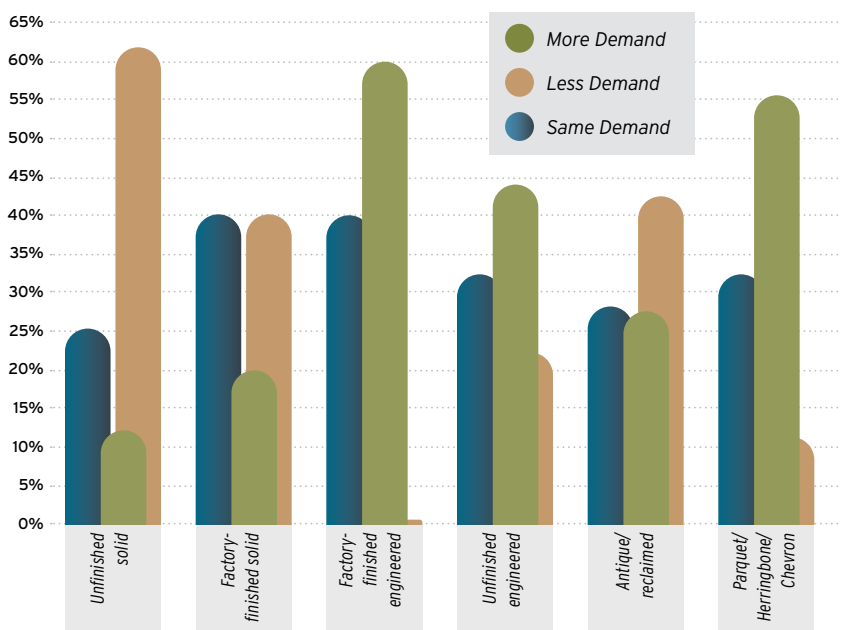
The labor shortage is another concern for some retailers. “Fewer people are looking to learn a trade,” said George Braica, operations manager at Artisan Wood Floor. “To overcome this, I’m looking to put a training program in place to attract raw talent and find people willing to start from the beginning and grow into a trade.”

To become more competitive moving into the second half of 2023 and first half of 2024, retailers reported plans that include:

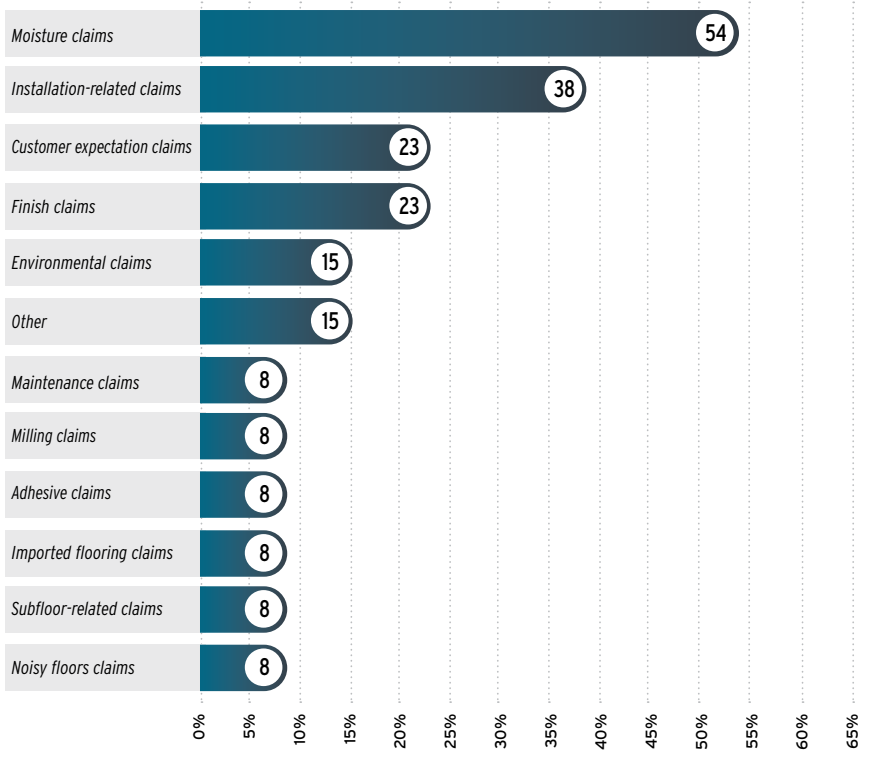
- Streamline suppliers
- Continue to buy at a lower level than competitors
- Expand in other industries to offer customers more options
- Invest in sales staff, turn inventory, and close out non-performing lines
- Reduce price/increase efficiencies while providing more value
- Focus on value for price paid (products/service/installation/warranty)

One retailer said they have focused on bringing more value-added services to the forefront of their business. In addition to installation services, they offer demolition, leveling and grinding, tool selection, and protective floor coverings. ■

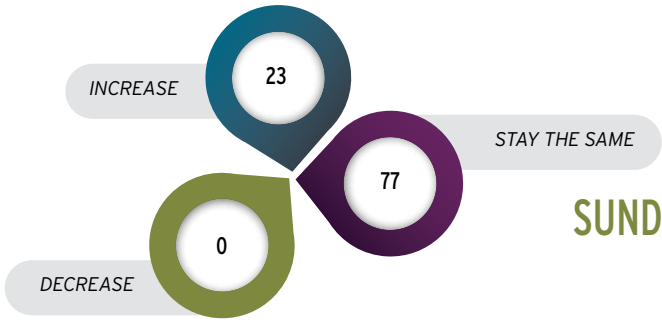
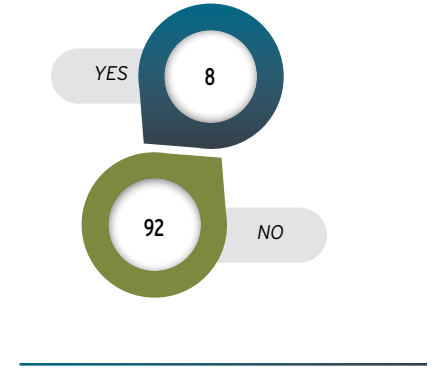
## WHICH PRODUCTS HAVE SEEN A SHIFT IN DEMAND IN 2023?



## WHAT ISSUES ARE YOU SEEING WITH CLAIMS?



## DO YOU SELL ONLINE THROUGH AN ECOMMERCE WEBSITE?



WILL THE PERCENTAGE OF SALES ATTRIBUTED TO ACCESSORIES (MAINTENANCE, UPGRADES, SUNDRIES, ETC.) INCREASE, DECREASE OR STAY THE SAME IN 2024?

WILL THE PERCENTAGE OF SALES ATTRIBUTED TO SERVICES (INSTALL, REFINISHING, DESIGN, TRAINING, ETC.) INCREASE, DECREASE OR STAY THE SAME IN 2024?



# LOOKING FORWARD

## PREPARING FOR UNPREDICTABLE ECONOMIC CONDITIONS

To prepare for evolving and somewhat unpredictable economic conditions, 69 percent of NWEA members reported an increased focus on improving processes for efficiency. Forty-five percent plan to add new product categories, lines, or services in 2024.

Other initiatives, in rank order, include:

- Invest in or leverage existing technology for growth
- Addition of team members
- Increase the resiliency of the supply chain

“We will add some wholesale kitchen products to stimulate more showroom activity,” said a member. “We have done that in the past and get many free sales with no floor advertising.”

Matt Wadsworth, vice president at Compass Flooring, said his company’s plans to remain competitive into 2024 include improved product offerings and revised pricing to match market conditions. “We’re constantly looking at design trends. This year is a big year for us revamping existing collections, changing colors, and launching new hardwood flooring collections.”

Another NWEA member sees an opportunity for the industry to more broadly share the message that wood is the most desirable flooring product. “We’ve got a great story, but it never reaches the consumer. Does the average homeowner know who to call to install a wood floor? Does the average homeowner know the advantages of wood?” ■

*Shannon Gayton and Kyle Toruta are part of the team at 3 Aspens Media. In partnership with NWEA, 3 Aspens Media conducted an online survey of NWEA members and Hardwood Floors magazine readers, interviewed respondents, analyzed results, and produced this report. Contact [info@3aspensmedia.com](mailto:info@3aspensmedia.com) with questions.*

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# hardwood floors

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