

FCW

FLOOR COVERING WEEKLY

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Kermit Baker

Housing to increase
in 2013



Breaking free from the downturn

Empowered by 2012 growth, next year looks good

By Amy Joyce Rush

The momentum that built slowly in 2012 is expected to push the flooring industry into a stronger growth mode for 2013. And business, said industry executives, will be quite good by 2014.

“Our Commercial business continues to see strong growth and we expect to continue this momentum into 2013,” said Randy Merritt, president, Shaw. On the residential side, he remains cautiously optimistic but does expect housing demand and price levels to continue to improve. “Builder and multi-family business is benefiting from new construction and is starting to grow. The residential replacement market continues to be weak, but is expected to improve as the new home market improves. This bodes well for future flooring activity,” he said.

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Outlook 2013

NAHB to DC: Don't derail recovery

By Mallory Cruise

The National Association of Home Builders (NAHB) is keeping a close watch on post-election Washington, D.C., and readying itself for potential changes in legislation/policy that could affect housing in 2013. Additionally, NAHB is aggressively asking the government to avoid derailing an economic recovery.

Right now, according to Jerry Howard, CEO of NAHB, NAHB's policy is very firm — it wants the 2001-2003 tax cuts extended; it does not want change to mortgage interest deductions; and, does not want tax rates to increase. The housing industry has been in a state of

depression for four years, Howard said, and as one facet of the economy that is beginning to see recovery, it shouldn't take any more hits.

“We're in very interesting times and the NAHB needs to be at its most active and all members engaged as much as they can be. As soon as we get through this lame duck session and Congress gets back in earnest, it will have the biggest influence on the bottom line,” said Howard.

NAHB held a webinar on Tuesday Dec. 2 to address the current political environment in post-election Washington. Alongside Jerry Howard, Jim Tobin, chief lobbyist for NAHB, and David Crowe, chief economist

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Retail planning for increase

By Janet Herlihy

Most retailers told *FCW* that they saw significant improvement in 2012 and are expecting even better sales in 2013, but are hesitant about how events in the economy might affect business.

“I was surprised that 2012 was still up and down, but we are fortunate and have been ahead,” said Peter Messner, president of Messner Carpet, Pittsford, a suburb of Rochester, N.Y. “Some of our competitors haven't been able to invest in their showrooms, giving us an advantage.”

For 2013, Messner has set a goal of a 6 to 8 percent increase and is pursuing that by attracting a younger market. “We are re-developing our website to reach the 35 plus year-olds. By the end of the year, it will have a young, fresh look. We are also getting involved with social media and changing our product mix in showroom,” Messner explained. “We will be selling more

PET carpet and will show it at the front of the store. We will still have the best offering at the higher end of the market, but will move that farther into the showroom,” he added.

Aaron Pirner, owner and CEO of CAP Carpet, is very optimistic. CAP, a CCA Global

partner, operates 16 locations housing 19 business units (all flooring related) in and around Wichita, Kansas. “We have had a good growth year. When the market went down in '07 and '08, we started making investments — better people, better systems, locations, training,” Pirner said. “When things started to improve, we were in a great position.

We've taken market share, starting in 2011. And 2012 was great, with success mainly in our wholesale and commercial businesses. Residential remodel has been OK too.”

He expects increases across all areas — commercial, new housing and remodeling. “I think 2013 will be good because consumer savings

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Retailers pick flooring winners for 2013

When every sale is significant, knowing what is working at retail is essential. Most floor covering retailers agreed that the strength is currently at higher end or entry-level goods, soft carpet is hot, and luxury vinyl tile (LVT) is the “go to” product across the country.

Soft carpet is popular coast-to-coast. “Soft is going to be even bigger in 2013, with everybody jumping on the wagon,” noted Jerry Butler, co-owner, Fred’s CarpetsPlus in Torrance, Calif., which added a location this past spring. “Silk (SmartStrand Silk with DuPont Sorona) is still huge for us. Mohawk added two multi-color cut-piles and are about to add several LCLs. Karastan will add three products soon,” he said. “We also feel Shaw’s large Anso Color Wall is very well designed and will be a nice addition to our South store.”

Peter Messner, president of Messner Carpet, Pittsford, N.Y., agreed, saying, “Soft is big and we have had some luck with Silk. Masland’s (Stainmaster) TruSoft was late to market, but we have it now and customers love it. Tuftex has some great LCLs and a color wall that is doing very well for us.”

Carpet accounts for 65 percent of sales at Rick Warman’s Flooring America, which operates two stores in Chicago. “I sell a lot of unusual carpet — Kane broadloom and Stanton runners,” he said, adding, “People like the soft carpets and I think TruSoft will be important.”

SVT/LVT leads hard surface

“The hottest product in years is SVT (solid vinyl tile) and LVT,” Messner said. “Armstrong has a home run in Alterna. Our vinyl business is up 24 percent. The



Mohawk rolled out new styles in its SmartStrand Silk including textured fleck and LCL products.

new sheet vinyl products are a better product than wood or CT (ceramic tile) in many areas of the home,” he added.

“We are finding that people are interested in the vinyl click products and they seem to be working. We recently finished an 18,000 square foot install of click. I am happy with both the look and feel. Now we will see how it performs,” he noted.

“Laminate is dead,” Messner judged. “If the SVT folks don’t pay attention they will go the same route,” he warned.

California likes LVT, too. “It (LVT) is going up dramatically, mainly for commercial work,” Butler said. “We are selling Reward from Galleher distributors, as well as products from Shaw and Mohawk.”

Wendy Werner, president of Carpet Town, a Stainmaster Flooring Center in West Allis, Wis., said, “LVT has become the go to product that can look like wood or ceramic and is easier to maintain and easier on budgets,” she said.

— Janet Herlihy

Karndean opens in Dallas

[IRVING, TEXAS] Karndean Designflooring announced the opening of a new 54,000 square foot distribution center/showroom in Irving, just outside of Dallas.

The new facility, in combination with its Export, Pa. headquarters and an existing distribution center/showroom in Las Vegas, will allow Karndean Designflooring to guarantee two-day deliveries throughout the continental U.S., according to Michael Lang, senior marketing manager.

“We were real close to being able to offer deliveries within two business days before but now with the third facility we will definitely be able to,” said Lang. “We will be putting that guarantee in writing and selling it officially as a benefit to our customers.”

The new facility, which will service the “central corridor” of the nation, was needed due to increasing demand, according to Lang.

“Our Las Vegas facility has been at 125 percent capacity for a number of months. We were faced with expanding our existing locations or opening a new facility and our research showed a company of our size would really benefit from a third, centrally located facility in Dallas,” said Lang. “With our business continuing to grow this Dallas facility was a strategic and necessary addition.”

Karndean Designflooring will host a grand opening ceremony at the new location Jan. 9.

— Raymond Pina

Paul Murfin named co-CEO of IVC US

[Dalton] IVC US, a leading manufacturer of fiberglass-backed sheet vinyl, based here, has promoted Paul Murfin to co-CEO.

“Xavier and I have developed a great working partnership. I could not be happier to have this arrangement formalized and now look forward to working with him to help take IVC US to the next level,” said Murfin.

Murfin was hired as IVC US president in September 2011 and will now share responsibilities with Xavier Steyaert, who has acted as IVC US’s sole CEO since 2006. In this unique arrangement, Murfin will focus on growing IVC’s market share in North America, while Steyaert will oversee operational, financial and industrial developments.



Paul Murfin

Both Steyaert and Murfin have been issued shares in IVC US as a means of capturing their long-term commitment, according to Jan Vergote, CEO, IVC Group, which owns a majority position in the company.

“As IVC increases its North American footprint, we have seen the benefit of adding local expertise to the company,” said Vergote. “In the last 16 months, we have seen the strong and complementary partnership of Xavier and Paul. The move to have both act as co-CEOs is an exciting one that takes advantage of their mutual skills with the continued aim of doubling our position as soon as possible.”

NAHB

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for NAHB, took on topics such as policymaking, government regulations, the housing industry and tax rates.

According to Tobin, the implementation of major regulations coming out of the Dodd-Frank Bill is expected shortly. The regulations affect how banks will help provide capital for mortgages and will have major implications on the housing sector moving forward.

“We are in the mother of all lame ducks, and are facing the daunting task of dealing with the fiscal cliff. We will use all our allies to do something sooner rather than later to have the housing economy begin to recover. There are over 1,000 regulations in the Dodd-Frank bill that have not been promulgated that could have a seriously chilling effect on the financial services segment,” said Tobin.

Government Sponsored Enterprise (GSE) reform is another hot-button issue, according to Howard. He believes the American people want Congress to compromise over GSE reform.

“Over the last 4 to 5 years, no single issue has illustrated the stalemate and gridlock of Congress more than the GSE reform issue. Now, I happen to think Congress is extremely polarized, both parties will see the importance of recovery and will finally see movement in GSE reform at some point in this Congress. Movement maybe in late spring, early fall and will run off into next year,” said Howard.

The housing industry is beginning to show signs of improvement, according to David Crowe, and the U.S. is on a decent path towards recovery. However, despite an

increase in home sales, the path to achieving recovery is still treacherous.

“We’re enjoying pent up demand right now, with a lot of that going to renting but we are finally seeing some increase in numbers of homeowners once they find availability. There’s a pent up normal flow of homeowners who have been wanting to move and decided now is the time to get a different home. As we see pick up in both overall economy and comfort level with jobs, we see additional existing home sales and remodel continue to uptick but at a modest rate,” said Crowe. “As demand comes forward and interest rates stay low and housing prices improve it’ll combine to give some punch in housing. However, we’re still only talking about a little over 800,000 starts, should be around 1.5 million a year.”

But, he warns, there are still a number of cautionary trends such as tight credit conditions that could have a significant impact on housing recovery — even federal mortgages are harder to get because it is necessary to have a high credit score.

“We continue to have high rates of foreclosures. The real crisis is in a relatively small handful of states, and will be worked off on a gradual basis,” said Crowe.

During the webinar, Tobin placed an important emphasis on grassroots efforts, adding that NAHB relies on its members and affiliates to continue carrying the housing message to legislators from wherever they live.

“When you see members of Congress and senators, tell them what you’re seeing on the ground and the need for a return to normal home building conditions and economic conditions. Now is not the time for Congress to monkey with anything that could derail that recovery,” said Tobin. **FCW**



Beyond the numbers

BY KERMIT BAKER

Outlook 2013: More improvement in the residential markets

Preliminary estimates are that housing starts increased more than 25 percent this past year, while home improvement spending grew by around 7.5 percent. With growth rates like that, in normal times, we'd be dancing in the streets. However, with all the ups and downs we've seen in the residential sector over the past several years, it's easy to be overcautious. After all, we've still got almost 2 million homes in foreclosure nationally, house prices are well below their level of five years ago, an impending federal budget and deficit stalemate threatens to send the economy into a new recession, and a European debt problem puts the international economy at risk.

Not to worry. In spite of all these challenges, there are a lot of reasons why home building and spending on home improvements will be among the strongest sectors in our economy next year.

Consumer confidence: A strong stock market and an improving labor market have consumers much more optimistic about their

economic situation. The University of Michigan's consumer sentiment index is up 35 percent from a year ago, posting its strongest reading since late 2007. Not to be outdone, the Conference Board's consumer confidence index has seen even stronger growth recently.

Home sales: With rising confidence, households are getting back into the housing market. We likely had well over 4 million sales of existing homes this past year, a level that we haven't seen since 2007. Growth in sales of existing homes spurs home building activity, as well as home improvement spending since the period immediately after buying an existing home is when households spend the most on remodeling activity.

Financing costs: Even though banks are more restrictive with their mortgage lending, households that qualify are seeing historically low mortgage rates. Record low rates of 2011 have gone even lower this past year. Coupled with low house prices, in many areas across the country it's less expensive to own a home than it is to rent a comparable unit.

Household growth: The housing market

has been weak because there has been little demand. Adult age children were moving back in with their parents after their home was foreclosed, or when they couldn't find a job. Immigration — a traditional source of housing demand — has been weak. As a result, the number of net household formations — where every extra household means another housing unit is needed — dropped from just under 1.4 million per year on average from 2000 to 2006 to less than 600,000 on average between 2007 and 2011. This past year, they have spiked back up, and may reach 1 million for the year.

These positives for the residential outlook should more than offset the residual problems. In fact, the consensus among leading housing forecasters is that we'll see close to a million housing starts in 2013, which would be an increase of more than 25 percent over the estimated totals for this past year. And further gains are projected. Given the expected levels of household formations, replacements of homes lost to the inventory, vacation homes, second homes, time-shares

and other units that don't have a full-time occupant, our economy can support construction levels in the 1.6 million to 1.7 million units a year range.

Home improvement spending likewise has not yet peaked. As of 2011, home improvement spending was somewhere between 15 percent and 20 percent below its long-term trend. This past year probably made up only about half of that gap. Moving forward, increases in the number of homes and increases in the amount owners need to spend to maintain and improve these homes should produce growth in home improvement spending of about 5 percent per year. So, in a pleasant reversal from recent years, look for more stories over the coming year about how the revived housing sector is producing stronger growth in our economy.

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Breaking free

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At Armstrong, Kevin Biedermann, senior vice president, residential flooring, noted that 2012 was up and that market indicators bode well for a healthy 2013. "We think 2013 is going to be up by about five percent," he said. "Again, there will be a mix — builder market will continue in the 10 to 15 percent range, and hopefully, remodel will be up slightly, perhaps one, maybe two, three, four percent — in a blend that all-in will be at 5 percent instead of 3 percent — so up for the year. Our hope is that the remodel market comes back in 2013."

Brian Carson, president of Mohawk, added, "We are seeing signs of improvement in the fourth quarter so we're optimistic that in 2013 we'll get a little more market help. Also, we are extremely optimistic about the products we are launching now."

Indeed, one of the key factors in driving growth into 2013 and beyond, for many companies, is a focus on new products.

Carson said that there will be additions to SmartStrand Silk and Wear-Dated Embrace, for example, launched throughout 2013.

"The emphasis we started late last year, this innovation cycle, really served us well this year. We were able to work against the tide and help our retail partners generate excitement in carpet and improve their margins by

trading up consumers," he said.

From a product perspective, Armstrong will continue to build on its Alterna platform. Alterna Reserve was launched last year and for 2013, the company will add Shapes and Sizes that will give the consumer even more custom options. "Not all stone is 15 x 15," said Biedermann. "We are adding multiple shapes and sizes that offer differentiation and meet folk's design inspiration ambitions." The collection will include square and rectangles in a number of sizes.

Armstrong will also update its laminate collection with new technology. "The end result is stunning, beautiful products that mimic the real thing, with even better performance and at price points that are considerably less than the real thing. It's a terrific engineered solution. Plus, we have the ability to create looks that would be impossible or impractical in real life. The ability to sell the features and values will be the winning formula," he said.

The company will also be rolling out its American Scrape hardwood collection, which has had regional exposure, across the country in the first quarter of 2013. Both solid and engineered handscraped products are made in the U.S.

Mannington as well will launch a number of new products at Surfaces in January to fuel growth for the coming year. But, said Russell Grizzle, CEO, it was the things they did during the downturn that helped the com-

pany come out of it in good shape. "We will continue to watch investments and costs. We will continue to grow and expand. We have a lot to offer the marketplace," he noted.

Shaw's Merritt explained, "Continuing a strategic focus on efficiency at the plant level is helping improve operations. Introducing innovative new sustainability practices that help us reduce waste, introduce eco-friendly product and decrease use of fossil fuels is a constant goal for our teams. We believe that fundamental sustainability commitments along with continuously improving our product's performance and aesthetic will drive our success in 2013.

"Our goal is always to be the leader in design, performance, innovation, sustainability, quality and service in the flooring industry, introducing the best carpet, hardwood, laminate, tile and stone, resilient and area rugs to our customers throughout the world. We do this while continuing to focus on our greatest asset: our people," continued Merritt.

Armstrong's Biedermann said that he believes there is a good amount of pent up demand and that the consumer is becoming more positive.

"They are looking for solutions that have value — beyond price point — such as style, quality and performance. You want to get either the intrinsic value or the actual invested value. We think it starts with educating consumers. For us, that's Armstrong.com. We get over four million

unique qualified folks visiting every year. Our whole purpose is to educate; let folks know what is out there from design, performance, installation, everything else; help them through the selection process and send them to one of our retail partners to close. That's where we think we will be winning — a line of products with features and benefits for a variety of solutions, whether they are design, performance, construction — all of the above usually — that's an all-in value that is second to none."

Global reach has been a clear focus in the last couple of years for a number of suppliers and that is another area that executives expect to remain a growth driver. "In 2013, you will also see our global strategy begin to come to life, with the opening of our Nantong, China facility to service the carpet tile market in Asia Pacific," said Merritt.

Across all product categories, rising raw material prices remain a concern going into next year. "The only challenge I get concerned about is inflation. We are seeing that in wood — both solid and engineered. Most manufacturers have announced (price increases.) High energy prices, rising unit labor costs and pressure on supplies of key resources are lining up. As an industry, we are not great in realizing price increases. We need to go in and realize price increases and as an industry communicate a corresponding increase in value," explained Biedermann. **FCW**



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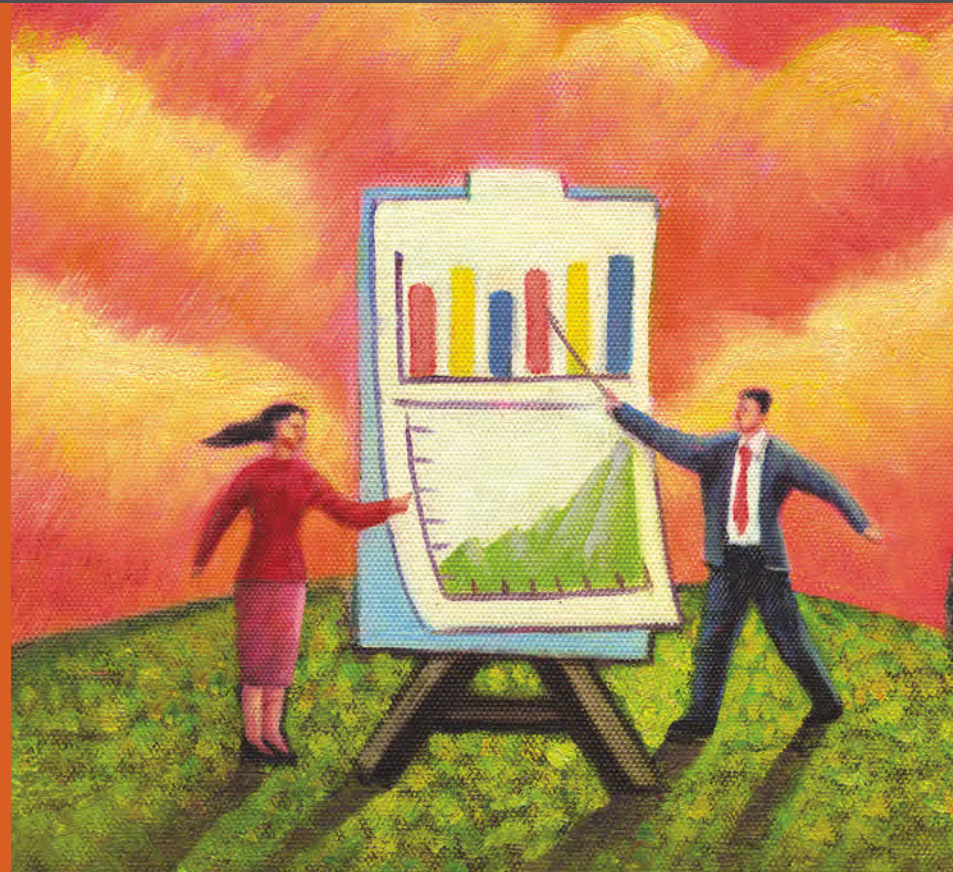
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February	6-7	Atlantic City, New Jersey



Laminate set for a rebound

By Raymond Pina

Industry executives said they expect the U.S. laminate floor market to post its first gains in three years during 2013. The key driver will be consumer demand for durable but differentiated products priced between \$2 and \$3 per square foot.

“As the economy starts to come back, we’ll see some normalcy and more people looking to improve their homes — that plays well for laminate,” said George Kelley, president and CEO, Kronotex USA. “Consumers will still want real wood and they’ll place carpeting upstairs but they’ll be putting more laminate in high-traffic areas. What was the middle-price point of the category will come back.”

Signs of improvement are already evident,



Sales of handscraped laminate, shown here on Shaw's Timberline River Valley, are carrying momentum into 2013.

said Kelley, noting a favorable fourth quarter. “Normally it’s pretty slow between November and January but order rates are staying very strong,” he said.

While laminate flooring’s reputation took a beating during the downturn while luxury vinyl tile (LVT) became the favored product, sales have remained flat since 2009 and industry insiders said the category is now poised for growth.

“There is a lot of pent up remodeling demand ready to break free if our government doesn’t derail the recovery by not dealing with the looming ‘fiscal cliff,’” said Roger Farabee, senior vice president of marketing, Unilin. “If a compromise is reached that allows the economy to continue growing, laminate flooring will benefit. There are opportunities for new residential and multi-family construction growth well beyond what we’re seeing today.”

However, laminate floors are expected to be more expensive in 2013, partly due to rising raw material costs but also as the result of an industry-wide shift away from commodity products, said insiders.

“Prices have to be based on costs, which have gone up and will continue to go up,” said Kelley. “Domestic suppliers have had to react to imported low-cost products but we have to discipline ourselves with pricing. We can’t go under water absorbing all of these costs.”

The challenge in 2013 falls on specialty

retailers who will have to communicate, justify and ultimately sell differentiated laminate products at a higher price point, according to Milton Goodwin, vice president of hardwood and laminate flooring, Armstrong.

“There are opportunities for specialty retail in mid- to high-end products that are differentiated by design, performance and ease of installation,” he said. “Dealers have to move away from ‘vanilla’ and head towards beautiful and unique.”

Scott Sandlin, vice president of business development, Shaw Hard Surfaces, said, “Handscraped and distressed wood visuals with beveled edging in the mid-price point range are currently the hottest sellers and will continue to be in 2013.”

LVT: laminate’s nemesis

For many dealers, the challenge in 2013 will be finding enthusiasm for laminate flooring — a category, as they see it, that has long been sold out to home centers.

“I used to be big into laminate but lost all of my excitement when Wilsonart exited the market,” said Ron Smith, owner of College Station, Texas-based Aggieland Carpet One. “I used to carry all the major laminate brands and now I have a nice Carpet One display that covers three suppliers. That’s it.”

One of Smith’s new favorite products: Armstrong’s upscale Alterna LVT. And he’s



Unique product like Armstrong’s multi-width Coastal Living will drive laminate sales in 2013, according to the company.

not alone in shifting his attention from laminate to the category that continues to grow by double-digits.

“Laminate has a couple things working against it,” said Deb DeGraaf, owner of Grand Rapids, Mich.-based DeGraaf Interiors. “Laminate sounds hollow and doesn’t deal well with water exposure. LVT has neither of those problems. Laminate just isn’t a big focus anymore.”

The recent push of upscale laminate products can reverse this sentiment, said Sean O’Rourke, vice president of hard surfaces at New Jersey-headquartered Avalon Carpet Tile and Flooring.

“If dealers take the time to help consumers compare a \$3 or \$4 hardwood with a similarly-priced laminate, nobody would choose the hardwood,” he said. “You get so much more style out of a \$3 laminate. And it won’t fade or scratch. That message has gotten lost in the LVT craze over the past couple of years. LVT is all over the place now. That’s the challenge facing laminate.” **FCW**

Kelley sees opportunity for category growth

[BARNWELL, S.C.] Kronotex USA president and CEO George Kelley has the unique position of overseeing the world’s newest laminate floor production line, installed here for \$45 million in 2010. Having served in the same role at Pergo between 2007 and 2010, Kelley is no stranger to the category’s historical hardships: declining price points, Chinese imports and channel conflict.

Taking the lead at Kronotex USA July 1, Kelley recently discussed his outlook for the category and his seasoned approach to managing these issues with *FCW* senior editor Raymond Pina.



George Kelley

What’s your outlook for laminate next year?

Kelley: Once you look at the numbers, laminate has held its market share pretty well. It hasn’t grown, but neither has the economy. There are certainly better days for laminate ahead. The doom and gloom has been greatly exaggerated. As housing stabilizes there will be opportunities across the whole spectrum of the category, from opening price points to the high end.

Why invest \$45 million in a new laminate line during the worst recession in nearly a century?

Kelley: It’s difficult to do a real return on investment calculation when you want to put in new equipment, because you don’t know what the market will do between the time you

place the order and the equipment is installed. The justification can blow up pretty quickly. But the new line was absolutely needed to round out our product portfolio; to be able to do attached pad, four sided bevels, handscraping and all the things you need to compete at the high end. Now we have that spectrum of product with features at each price point as the market begins to come back.

How do Chinese products fit in for 2013?

Kelley: When I look at the competition within laminate, China is a huge portion of it. It has been a big piece of the overall pie and they have pricing that is extremely attractive. But so do domestic producers like ourselves and our products are as good or superior. Domes-

tic also offers huge advantages in regard to lead times and stability against container and shipping costs. We need to promote our domestic industry better because when distributors buy domestic, they are helping their own customer base. We employ more than 150 people here in Barnwell. We need to keep those jobs viable. They’re good jobs.

Can NALFA help get that message out?

Kelley: It’s one of the things I’d like to see NALFA do but it’s difficult to do on a national scale. We don’t have the money to do that. But there are lots of different ways to skin that cat with the next generation of laminate buyers. We can reach them with social media. We don’t have to spend a fortune.

Is there anything you learned at Pergo that you’re applying to Kronotex USA?

Kelley: It’s not dissimilar from getting traded from one team to another: the same issues but a different uniform. You have to utilize your plants with the proper mix; keep your customers happy across the entire product spectrum range. That’s the fundamental issue for all domestic manufacturers.

Managing Pergo was a little different, though, because it was mostly about managing that brand between channels and its difficult and expensive. We have the Formica and Kronotex brands but they don’t command the same financial commitment.

How do you manage both brands to avoid channel conflict?

Kelley: Formica is an important part of how we address specialty retail. It’s a recognizable brand and the products feature all of the latest advancements. With Kronotex, we have to think about promoting that brand not just as a product but also as a producer. We do a lot of private labeling and that’s becoming a big part of the home center channel. They’re trying to create some in-store brands. So it’s about promoting Kronotex as a high quality producer from boards to paper to finished product.

What do you think about LVT?

Kelley: I’m not going to dog LVT. It has a niche but I don’t think it’s the answer for everybody. When you put LVT side-by-side with laminate, depending where the consumer is looking to put it, laminate has a very good story to tell from a design, installation and environmental standpoint. **FCW**

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you how plush and soft it is. It lays perfectly and
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Sales surge to continue

Maintains market dominance in 2013

By Raymond Pina

Vinyl floor sales will continue to grow by double digits into 2013 and beyond, according to industry insiders. What's more, they said, as the economy improves and consumers increase discretionary spending, they are more likely to upgrade to higher-end vinyl products than return to real wood or ceramic flooring.

"In the past four years, the market has really acknowledged the level of affordable high design, easy installation and maintenance that modern vinyl offers," said Michael Lang, senior marketing manager, Karndean Designflooring. "That education is bearing fruit for those of us that specialize in the vinyl segment and that's absolutely going to continue."

While consumer confidence, housing starts and the stock market are posting slight gains, overall economic conditions will continue to favor vinyl flooring, according to David Sheehan, vice president of resilient business, Mannington.

"I don't see a recovery happening any time soon that is going to resemble a rocket ship," he said. "During this downturn, vinyl products have emerged as the premier growth category. Luxury vinyl tile (LVT) and fiberglass are outperforming every other category and that isn't going to change in 2013."

If anything, the success of vinyl flooring is gaining momentum as the category increases its market share in the commercial, builder, multi-family and residential sectors, said Lang.

"We're seeing growth in the commercial and builder channels but we've also recently seen a real bump in residential sales at specialty retail," he said. "There is a real and perceived value to the category that isn't going away."

When the economy does return to prosperity, end users will not only continue to choose vinyl flooring because it is waterproof, durable and easy to use, they will pay more for it, said Allen Cubell, vice president of resilient product management, Armstrong World Industries.

"We're going to see LVT and fiberglass

continue to win and win more," he said. "If people have more money to spend, they'll shift away from inexpensive sheet to more expensive LVT and upscale fiberglass. For a consumer that buys a floor every seven years, shelling out an additional 2 percent to 5 percent to improve the value and functionality of their home is not a decision breaker for them."

Challenges ahead

While the industry is bullish on vinyl flooring in 2013, there are concerns regarding increasing raw material costs and competition within the category.

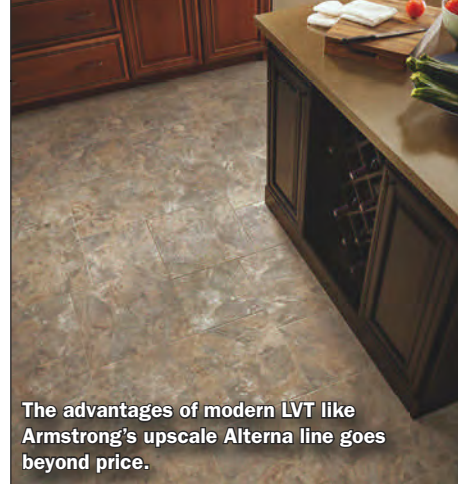
"We're at the mercy of raw material prices and there's more upwards pressure than downwards pressure right now," said Cubell.

The category's standout success has also attracted increased competition creating additional capacity that may result in price pressure, according to Bruce Ziegler, director of product management, residential, Tarkett.

"Additional capacity has definitely made manufacturers more aggressive in pricing," he said. "While this benefits dealers, one needs to make sure they're getting all the features and benefits from the category that can boost sales. The old saying that you get what you pay for definitely holds true in this category."

Another challenge is the perception by some consumers that vinyl is substandard, explained IVC US president Paul Murfin.

"The challenge continues to be the historically negative feelings that the category is a cheap alternative to the real thing," he said. "We need to do a better job educating retail sales associates and ultimately consumers that resilient flooring is a logical



The advantages of modern LVT like Armstrong's upscale Alterna line goes beyond price.

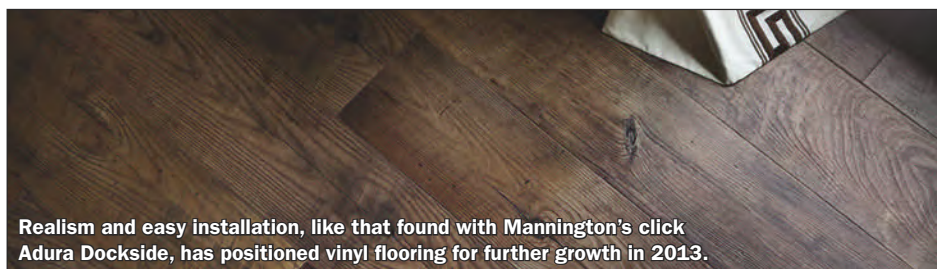
floor option and not just a cheap version of the real thing."

Innovations such as high-definition visuals, deep registered embossing and floating installation systems have already begun to counter some of those negatives, according to Sheehan.

"Through word of mouth, consumers are changing their minds and perceptions of vinyl," he said. "Vinyl isn't being viewed as cheap and inexpensive like it was 10 years ago. That's why the category is taking share."

Ultimately, vinyl flooring is positioned for ongoing success as long as suppliers don't cave into downward pricing and commoditize the category the way laminate flooring did, according to Dave Reichwein, president and CEO, FreeFit.

"As long as we as an industry control the quality of the product and keep giving the consumer a good value for their money, the category will grow," he said. "We can't cheapen the product with scrap material to save a buck or two. And we have to keep coming up with new designs that give distributors, retailers and end users real value for their money." **FCW**



Realism and easy installation, like that found with Mannington's click Adura Dockside, has positioned vinyl flooring for further growth in 2013.

Industry invests in future growth

By Raymond Pina

A number of recent acquisitions, new hires, patents and expansions confirm vinyl flooring's strength in the marketplace and could contribute to increases in 2013.

On March 5, 2012, New Jersey-based Mannington Mills acquired Amtico International and began diligently working to shift production of its luxury vinyl tile (LVT) portfolio to Amtico's ISO-certified facility in Georgia. The move will dramatically reduce lead times while increasing Mannington's quality control and domestic footprint, according to David Sheehan, vice president of resilient business, Mannington.

"Working together, Mannington and Amtico are growing their understanding of LVT," said Sheehan. "We're bringing more of our Asian production of LVT to North America and integrating our capabilities. Amtico's facili-

ties are state-of-the-art and will have a huge impact on our LVT business going forward."

Meanwhile, Congoleum's board of directors replaced longtime president and CEO Roger

Marcus with Bob Moran on Feb. 24. Since taking the helm of the company, Moran has increased sales by "high single digits" and hired veteran designer Dotty Horn. In addition, Congoleum will expand its DuraCeramic collection with new sizes and commercial introductions at Surfaces 2013. It recently launched AirStep Advantage, a thicker 110-mil version of its floating

alternative sheet flooring.

"Bob Moran has really stepped up and is positioning Congoleum to take back its leadership position," said Bill Morrissey, CEO of Michigan-based Bishop Distributing. "Congoleum has some new introductions coming out that are going to amaze the marketplace next year."

In October, FreeFit received U.S. patent

No. 8,298,650 covering the loose lay format of LVT that it introduced in 2010. Though FreeFit has not aggressively enforced its patent, that may change in 2013, according to president and CEO Dave Reichwein.

"We've been letting competitors help build the market but we have the intellectual property to provide our distributor and retail partners with legal protection when we decide to act," he said.

These investments in facilities, high-level personnel and intellectual property bode well for the entire category, according to Michael

Lang, senior marketing manager, Karndean Designflooring, which recently opened a new 54,000 square-foot distribution/showroom just outside of Dallas.

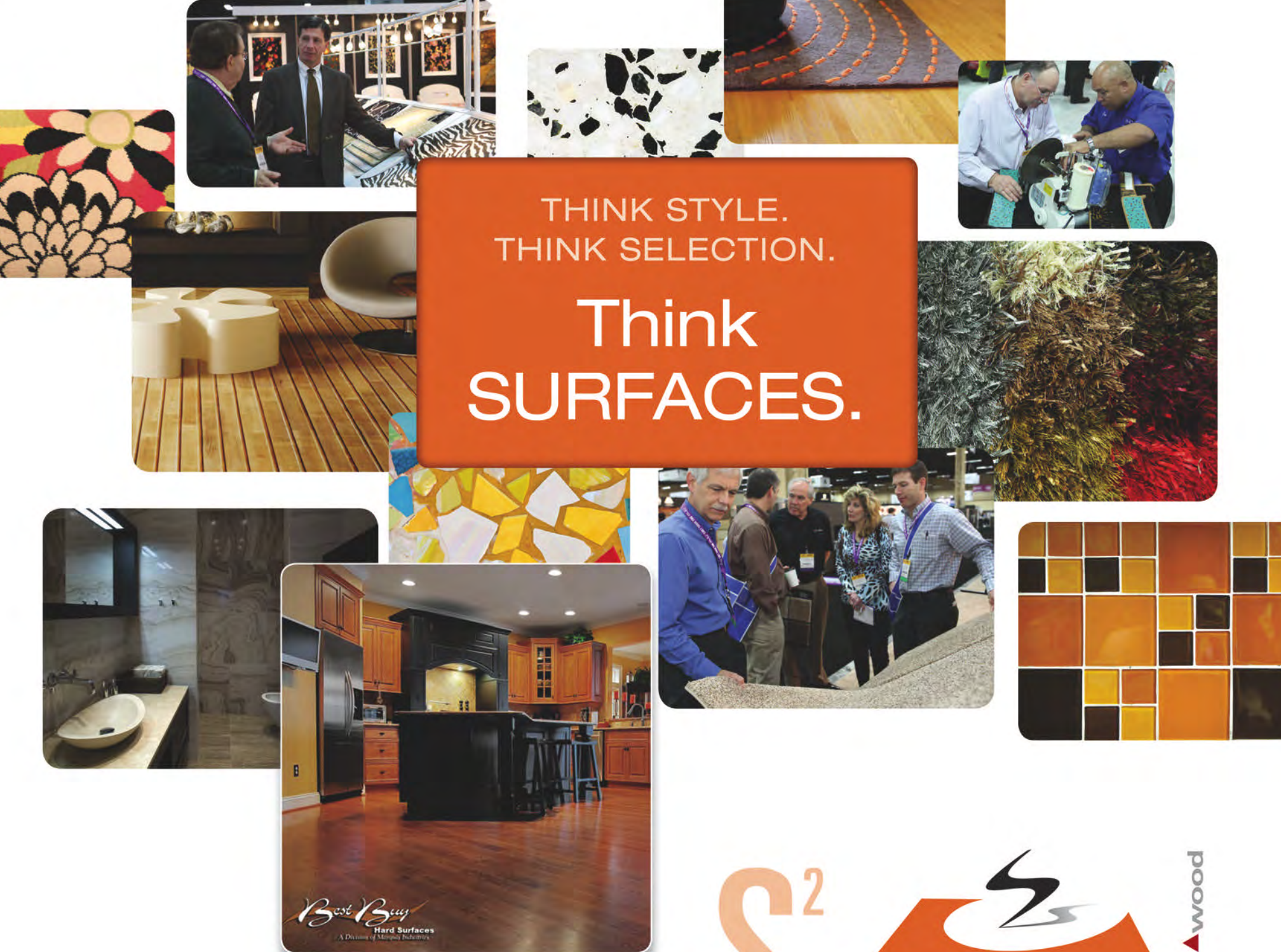
"Vinyl flooring has evolved to the point where commercial specifiers, retail store owners and consumers understand it's a different category today," said Lang. "That level of awareness allows us to take LVT to the next level and communicate the added value of our highly-customizable product. All the innovation and investments going on are good for the category but also good for us. We have unique floors and all the excitement only makes it easier to communicate that message." **FCW**



FreeFit can enforce its patent on loose-lay LVT in 2013.



Mannington is shifting production of its LVT from Asia to Amtico's Georgia facility, which it acquired earlier this year.



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Carpet to make small gains in 2013

By Janet Herlihy

Coming off 2012, where the overall carpet and rug industry in the U.S. is expected to be up slightly in dollars but down slightly in units, industry leaders are generally optimistic about real growth potential in 2013, even as they caution that forces outside the industry might slow recovery.

"We believe 2013 will be a year of growth and recovery in the flooring industry with all segments growing," said Randy Merritt, Shaw president. "We believe carpet will grow in retail/remodel, in builder/multi-family, and in commercial."

Merritt acknowledged potential problems, saying, "It probably will not be double digit growth but it should reflect growth across the board and this will be healthy. Of course, there are a lot of unknowns as we head into year end. If higher taxes are imposed on all families and businesses, it will make the market more difficult. We will be prepared to react in either direction."

Industry veteran of many economic ups and downs, Bob Shaw, founder and CEO of Engineered Floors, is more optimistic. "Everybody is waiting to see what the government is going to do, but I don't think it will make much difference to soft flooring in 2013. I think it will be pretty good year," Shaw stated.

He sees signs of growth continuing to increase based on construction trends, saying, "The apartment vacancy rate is less than 5 percent and I suspect that new home construction will be somewhat better. With housing turnovers, I expect the carpet industry overall to catch up with more than 5 percent to low double digit growth in both units and dollars."

Tom Lape, president of Mohawk residential pointed out that all the major metrics indicate that 2013 will be an OK year for the carpet industry with a slight increase in dollar growth. "The big questions are: How do we solve the fiscal cliff issue? How will large project commercial perform?"

As the fiber supplier for Stainmaster nylon, Invista Surfaces has a unique perspective on the residential carpet market. "The soft floor covering industry continues to be volatile with periods of solid demand, offset by periods of lower demand," observed Dan Haycock, executive vice president, Invista Surfaces. "We expect that to gradually improve as we push through 2013," Haycock stated.

Some see a more uncertain year coming. "We thought recovery would happen in 2010 and again in 2011 and, while the carpet industry was up slightly in 2012, it wasn't what we expected," noted Ralph Boe, CEO of the Beaulieu Group. "There are lots of positive signs and some negative ones," he said. "Now, consumer debt is down, and consumer confidence is up. We do still have concerns about unemployment and the fiscal cliff issue and the consumer is keeping her purse strings tight for big-ticket items. Housing prices are moving up but getting a new mortgage is still difficult," he explained. "We expect our business to be slow in the first half and pick up in the second half. We are budgeting for a slight increase in sales."

Jack Ganley, president of Mannington Commercial, commented, "With the elections behind us, we would like to think that 2013 will see more stability and be a year of economic recovery. However, a more cautious outlook is that 2013 will be more of a rebuilding year."



Randy Merritt



Tom Lape



Dan Haycock



Ralph Boe

Alex Peykar, Nourison principal, agreed that 2013 is not a sure thing. "We do not expect any miracles," Peykar said. "We still understand that our entire economy is still under a lot of pressure and uncertainties."

Residential shifts to soft and better goods

Carpet suppliers are determined to have what consumers want in 2013. Shaw is answering consumer demand for soft. "As it relates to carpet, we are refining and enhancing our selection of softer products," said Merritt. "The consumer has certainly 'voted' that they want their carpet selections soft and we will be expanding our soft offerings across the spectrum. We are also committed to servicing our customers as the business upturns. This means having product on the shelf and credit available," he stressed.

"It is the race to soft and Mohawk's goal is to lead the race," stressed Lape. "We have launched soft carpet in triexta, nylon and will be in soft polyester too. The major

goods," he added.

Invista is ready for recovery. "We continue to invest in our business, which allows us to continue to create more value and differentiation for our customers," Haycock said. "The industry will continue to see a steady stream of innovations from Invista in 2013."

"Invista has invested substantially in market-back research for both commercial and residential segments over the past three years," he added. "In particular, the needs of the residential consumer and the way she purchases floor covering have changed substantially. In response to her needs, we've expanded, but at the same time have focused and simplified our product and marketing efforts, which are receiving rave reviews to date," Haycock stated. "We'll continue to build that momentum in 2013."

Commercial market in growth mode

Interface is optimistic about 2013. "We're very positive about opportunities for continued growth in spite of the challenged U.S. macro economy," said John Wells, president and CEO of Interface Americas. "Interface carpet tile will continue to take share in a tough but improving economy," Wells predicted. "We'll continue to bring a regular stream of new products, ideas, and innovations to various

commercial segments. We'll also continue to focus on great design and performance advantages Interface carpet tile brings to our customers," Wells said.

Mannington is cautious about the greater economy but optimistic about its own future, according to Ganley. "As a result of continued economic uncertainty in the market, we expect to see only modest growth in 2013," Ganley said. "We hope to meet or exceed that market growth with a continued emphasis on our carpet tile business and performance broadloom. Our projections for 2013 are for mid to high single digit growth in our commercial carpet business," he predicted.

Mannington has had strong growth over the past several years. Ganley said, "We feel like our Choices that Work strategy

Continued on page 14



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movement for all things carpet at Mohawk is toward soft," he said. "SmartStrand Silk, Wear-Dated Embrace, Karastan SmartStrand Silk — it's about changing the consumer experience. More retailers are able to up-sell Silk. It's a net good for Mohawk," he reported.

Mohawk has also adjusted its residential carpet program for 2013 to have very strong value-based products and more mid-to-upper end goods, according to Lape. "That consumer (for higher-end products) is still buying," he said.

For growth in 2013, Beaulieu will launch a new carpet line under the Bliss banner and continue with incentive programs for retail sales associates that were successful in 2012, according to Boe. "We have adjusted our product mix to more better goods and our sales focus is on those better

Tomorrow's carpet stars

Manufacturers pick their favorites for success in 2013

It's the time of year when carpet design centers are working overtime to get new products ready for winter markets. Despite economic challenges, manufacturers have lined up a wide range of products designed to entice consumers back to soft flooring. Here is what a few companies think will win sales in 2013.

► Beaulieu said it expects its Bliss Healthy Touch, EverClean and Magic Fresh — to continue to grow and is adding new styles to each collection. Beaulieu will launch a new Bliss line for 2013.

► Interface reported that excitement is building around its commercial Carpet Planks for 2013. Walk the Plank and other select modular styles are available in rectangular sizes as well as squares.

► Invista Surfaces expects innovations launched in 2012, including Stainmaster TruSoft, SolarMax, Essentials and Active Family, combined with its new approach at retail, to be very successful. "In 2013, we think we'll start to see many results from that rebuild period as we continue to create value and differentiation for our aligned retail network and create a much more engaging and simplified engagement with consumers at retail," said, Dan Haycook, executive vice president of Invista Surfaces.

► Mannington Commercial is looking for its Connected Collection to be a success in 2013. A modular collection featuring five patterns with complex, layered textures and patterns, Connected is ideal for today's corporate open plan environments. The changes in pattern, texture, and color act as cues to delineate space.

► The best way for carpet to take back market share of flooring sales is to get consumers excited about new features and fashion, according to Tom Lape, president of Mohawk Residential. SmartStrand Silk has had great success and is expected to continue to ride a wave of consumer demand for soft in 2013.

Mohawk said it expects similar success with Wear-Dated Embrace, a new collection of branded soft nylon products rolling out in 2013 to reach a different consumer. Wear-Dated Embrace is launching with 11 styles in three good-better-best platforms.

► Nourison has great expectations for its Nepal Collection, available in rugs and broadloom. Nepal features transitional designs in exotic hues and hand-carved accents for texture and dimension. The Collection is power loomed in premium wool with faux silk highlights to replicate the traditional hand woven rugs of the Himalayan region.

► OW will continue to bring the latest in color and design to its dealers, according to Jonathan Witt, vice president of Oriental Weavers USA/Sphinx. "We are in the fashion business so we are continually evaluating fashion trends and working with our dealers to get feedback on what fashion

and price points their consumers want and need," Witt said. "We will also continue to expand our product offering so we can be all things to all people."

Kaleidoscope by Sphinx is a new machine-woven collection of textured polypropylene rugs with contemporary

designs, in bright, vibrant colors.

► Shaw expects great things from its Anso Caress luxury line of soft nylon and its Anso Soft Shades nylon. "The two will represent outstanding soft choices for any type of consumer," said Randy Merritt, president of Shaw. Incorporating the soft nylon fiber and featuring up to fifty beautiful colors in 27 different styles, the Anso Caress line offers the feel consumers want in a wide range of stylish patterns, solid colors and textured accents.

— Janet Herlihy



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Housing, products drive wood in 2013

By Mallory Cruise

Hardwood suppliers have their eyes on the prize for 2013, expecting to experience continued growth in the category by strengthening dealer and distributor relationships and debuting new products. Other forces fueling growth next year, they said, will be development of PKs and sales training.

Improvement in the housing industry is another good sign, executives said, that the wood business is primed for growth in the coming year.

According to Keith Ruggieri, director of floorcovering, Sherwin-Williams in Cleveland, the housing industry is seeing substantial growth, specifically in the multifamily housing segment. And, he said, this growth is expected to continue into 2013, with 2014 set to be particularly strong.

"We're continuing to see a growth in permits in the multifamily segment. I just saw a report that said multifamily permits have increased year-over-year by 50 percent. Looking to late 2013, many of those permits are going into [housing] starts, with a boom in 2014," he said.

Harry Bogner, senior vice president of hardwood, Unilin Flooring (A Mohawk Industries Company), said that what will be key to recovery within the hardwood industry is that housing starts were up in 2012. "Projections indicate 2013 will also show year-over-year growth in housing starts," said Bogner.

Dan Natkin, director of wood and laminate business at Mannington, said his projections for 2013 call for a continued subtle recovery within the hardwood industry. Reviews of the International Trade Commission's (ITC) case regarding imported engineered wood from China will set the stage for the end of 2013 into 2014, he said.

"I don't think it will be a hockey stick recovery, it'll be a continued slow growth," said Natkin. "Also, the first annual review in the ITC case kicks off in December of this

year with preliminary judgment hearings mid-year in 2013 and a final judgment hearing by the end of 2013."

The continued improvement in housing will give the builder segment a boost, according to Don Finkell, CEO, of Anderson Hardwoods, who also said the housing industry is beginning to see foreclosures work their way out of the market, a positive sign for the housing industry in 2013.

"I think you'll see a general lift in builder business and remodel, and once people are



Don Finkell



Milton Goodwin

able to buy new homes, there'll be less activity in the remodel segment. I think 2013 will be good, better than 2012, and 2014 will be strong," said Finkell.

Ruggieri of Sherwin-Williams Floorcoverings said the industry is already seeing signs of a strengthening remodel/renovation sector. "We're seeing more capital in improvement work; we hadn't seen that in past years. We're also seeing the renovation of full units, that's been a strong trend," Ruggieri said.

Milton Goodwin, vice president of product management hardwood at Armstrong, noted that issues of concern are raw material prices and where new housing will stand in 2013.

"The profitability of the wood industry can be negatively affected by rising raw material prices so we continue to monitor that every day. Hopefully it subsides and we don't see any additional increases," said Goodwin.

According to Drew Hash, vice president of product, hard surface at Shaw, Anderson

Hardwood's rebranding efforts will help propel the company into 2013. Additionally, the company will continue to build upon its ScufResist Platinum finish.

"The rebranding of Anderson in 2012 positions us well to take advantage of the remodel/replacement upturn that normally follows growth in single family new home construction," Hash said.

While 2012 saw a growth in domestic production, there will still be a significant portion of the market that continues to belong to



Brian Greenwell



Dan Natkin

imports, according to Natkin of Mannington.

"There will always be some level of imported product; price is definitely the core function of it. As long as there are still unfairly traded imports, I think you will continue to see a flood of products coming out of China. I think as market pricing rationalizes and there is some relief from the Commerce Department in the ITC case, there will be some flow back to domestics but there will always be imports, whether it's exotics out of Africa or Brazil or other product not traditionally made in the U.S.," said Natkin.

Goals for growth

Growth in 2012 brought confidence to suppliers who began to take the necessary steps to better position themselves within the industry. Through investments, training programs to help RSAs and company reorganization, many companies reported that they are in a better position leading into 2013.

Mannington laid the groundwork for growth in 2013 by making investments at its plant in High Point N.C., solidifying distributor and dealer relationships and developing the right products, explained Natkin. In addition, the company also developed merchandising solutions to help the company gain market share.

"Our goal is for steady growth into 2013 and to continue to grow the product we make here domestically. We've made significant investments in plants here to develop

value oriented mid-price point products with differentiated visuals. When you purchase a hardwood floor, you're looking for a statement in the home while still looking at value," Natkin said.

In 2012, Mullican opened its first domestic engineered manufacturing facility in Johnson City, Tenn. enabling the company to be more competitive in the engineered market, according to Brian Greenwell, vice president of sales and marketing at Mullican.

Having a local production facility, Greenwell said, gives the company flexibility in filling orders, reduces lead times and offers the opportunity to develop more 3/8-inch engineered floors. Mullican is also introducing a new display system in 2013 and has enhanced its Gold Dealer program to reward its local floor-covering retailers.

"2013 will be the year that the floor covering market finally starts to grow again after years of decline. We believe that we have positioned ourselves well to take advantage of this growth," said Greenwell.

Finkell at Anderson said the company is looking to consolidate its production capacity, and to reduce costs. "We've been going through a lot of reorganization with manufacturing to make plants more efficient, while saving money and adding more value without sacrificing the quality of design. That will be a major focus," he said.

Wade Bondrowski director of sales USA at Mercier said the company will continue to work hard on the distribution side to add more partners to its network. "We're going to work hard to get good, smart placement in the wood market. Instead of a scattered approach, we're taking on a more bullet approach and target retailers to grow business. Our focus right now is revolved around 2013 introductions," said Bondrowski.

Philip Key, vice president of sales and marketing at CFS, said the company will continue to focus on delivering unique products at value oriented price points. In an attempt to incentivize its sales force, the company will be offering trips and sales events for customers throughout the year.

"We fully expect another double digit growth year. CFS truly believes the hardwood industry will continue to grow as we enhance product offerings and retail sales knowledge of the true value hardwood adds to the home," Key said, adding that the company is placing significant importance on the value of training programs in 2013. **FCW**

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Correction

This photo was incorrectly identified as Expanko's XCR4 in FCW's Commercial Supplement in the November 19/26 issue. The correct product is Expanko's Prestige Cork.



New products to meet 2013 consumer demand

Suppliers are jumping feet first into 2013 with new product introductions, display systems and marketing initiatives, many of which will debut at Surfaces in January 2013.

Anderson has a number of products that will be introduced in 2013, explained Don Finkell, CEO of Anderson Hardwoods, including a wider, longer product called Bastille.

Inspired by the French Renaissance, Anderson's Bastille is an engineered product offered in both hickory and maple with a 6 1/4 inch width and 1/2 inch thickness — it also includes a new 5-inch board length. Bastille highlights time-worn visuals, worm holes and antique distressing.

Anderson is also introducing a new product called Urban Loft, an engineered hickory floor that employs a unique wire-brushing technique.

Mannington will be enhancing its marketing strategies and has developed a new merchandising program that is aimed at targeting specific areas of the country, according to Dan Natkin, director of wood and laminate business.

"We've created a very regionalized program, using larger format samples and some key products that we make here in the U.S. It allows us to be more competitive in our approach to the market and grow nicely. We've also done quite a bit to develop new generations of visuals at Surfaces," Natkin said.

Wade Bondrowski, director of sales, U.S.A. at Mercier, said that with housing starts beginning to make moves, the company is prepping for 2013 by introducing 37 new styles. Bondrowski said he hopes to see the retail sector grow stronger in 2013.

"We're geared up to add 37 new SKUs into our Nature Series. We're putting out product in 2013 that consumers are demanding. We've done our research. We're diversifying ourselves into other segments with the Nature Series," he said.

For Armstrong, 2013 will be marked by new product and merchandising initiatives set to roll out at Surfaces in January. This includes augmenting its Performance Plus program according to Goodwin.

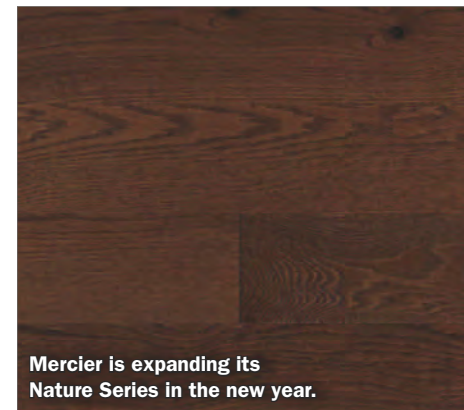
"Armstrong's goal is to outpace the marketplace in terms of growth and do it profitably. We are going to try to hold onto our existing business and build upon that with product and merchandising initiatives," Goodwin said. Armstrong has also recently introduced its American Scrape Collection. Available in hickory, Armstrong's American Scrape is made in the U.S.A. and offers a handscraped look.

Mohawk's big push in new products

centers around the expansion of its Armor-Max finish with Scotchguard Protector which has been applied to its entire Rockford Collection. Rockford includes both solid and engineered products in hickory, maple and oak. **FCW**



Anderson's Bastille is expected to be a hit in 2013, according to the company.



Mercier is expanding its Nature Series in the new year.



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Primed for future growth

By Tanja Kern

Positive signs in the housing market as well as unemployment rates are giving the tile industry reason to believe that 2013 will bring more growth for the category.

"It seems pretty promising," said Stefano Rabaioli, vice president sales and marketing, Florim. "We are hearing that there will be about a 9 percent increase in consumption from new home construction and 5 percent on remodeling."

Executives are encouraged by homebuilders' expectations that they will build more homes. "If the trend continues, we could see an annualized number in the 850,000 to 900,000 homes built in 2013," noted Hector Narvaez, vice president of sales and marketing, Marazzi.

Mark Shannon, executive vice president, Crossville, agreed: "We're poised for growth next year based on market indicators and knowledge of what's happening in our distributors' regions."

"We anticipate the market to modestly grow 3 to 5 percent, similar to 2012," said Brandon Dahlbo, president of Vitromex USA. "However, if consumer confidence increases and unemployment continues to decline, both new residential and commercial activity could grow, supporting a larger increase."

On the flip side, the political uncertainty of the "fiscal cliff" and the continued tight constraints on mortgage lending are factors that could impede growth in the market and should be considered when viewing potential growth in the United States.

"I am not too crazy still about the builder market; it will be more or less what we've seen, and transportation costs are constantly rising," said Sean Cilona, marketing director, Florida Tile.

Dahlbo added, "Price pressure will continue on commodity and mid-range products, as new residential and multifamily construction are the primary drivers of these categories. Given that capacity in other nations is greater than demand, imports into the United States

are likely to increase in these categories."

Digital printing will continue to make an impact on the market. According to Lori Kirk-Rolley, senior marketing director, Daltile, "Manufacturers of digital printing machines will continue to find ways to combine other printing technologies with their machines in order to create even more sophisticated products that closely emulate not only natural stone looks, but also textiles, woods and other visuals that benefit from depth of color and sophisticated graphics."

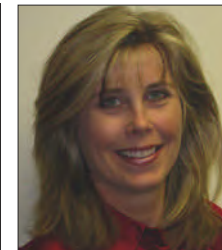
Cilona said Florida Tile is "hitting it hard" in terms of capacity and new product development. "We will continue to push our commercial program. We are adding sales reps that are dedicated to architects and designers and are continuing to develop more technical porcelain products specifically for the commercial market. But, we are not going to abandon the residential market. There is still a huge remodeling market and we will have seven or eight introductions for the next year."



Hector Navarez



Sean Cilona



Lori Kirk-Rolley

In terms of trends, the industry will continue to see larger tile sizes being used, as manufacturing capabilities become even more sophisticated. At the same time, there may also be resurgence in smaller tiles, a favorable design staple as homes get smaller.

"We're also looking forward to leading trends in tile design next year, as we've been closely studying the priorities of product specifiers to understand the looks they want to see," Shannon said. "Our new product introductions next year will offer a few surprise turns style-wise, and that's going to be very fun to bring to market."

"We anticipate the various shapes of tile will continue to evolve," Kirk-Rolley added. "First we had squares, followed by planks, which raises the question of what's next?" **FCW**

CTDA recruits new members

The Ceramic Tile Distributors Association (CTDA) is making a targeted effort to recruit more members, and they are looking to manufacturers to help them do it.

"As the economy stumbled the last few years, the organization saw a shift of focus, with fewer distributors coming on board," said Frank Donahue, owner of Best Tile in Raleigh, N.C. and vice president of CTDA. "People cut every expense that they could. People who survived the last four years developed a single focus of survival, and that's what their pursuit has been." Now, with the economy making its turnaround, Donahue said many distributors are ready to put energy toward larger industry



Frank Donahue

issues, and more collaboration is necessary in today's competitive marketplace.

"The reality is that we are facing threats from other surfaces that would like to take square footage that we are competing for as well," he said. "We are seeing a tremendous increase of vinyl and synthetic cast materials in hotels, and these would have been great projects for the tile industry. We suspect that it's happening largely because of inferior materials for installation being used."

With new technologies on the rise — like thin tile, extra large format, and exterior cladding — it is becoming more important that the distributor become a more vocal contrib-

utor to industry standards for installations, and to help promote proper techniques to people working in the field. The conversation goes both ways, however; a distributor may have 100 to 300 contractor customers at each branch location, and those contacts provide direct feedback about what products and specifications create successful installations and which ones do not.

"Distributors are able to talk about potential pitfalls and together work a plan with manufacturers and setting material manufacturers where everyone is in the same room," Donahue said. "Having the mass of professional information at one table is fuel."



The CTDA is asking manufacturers to help with its membership drive. "Our effort to recruit our competitors has not been that successful," Donahue said. "These guys are very independent and in some cases they did want to interact in any way with their competitors."

Although recruitment plans are still in the early planning stages, the CTDA committees plan to put a marketing piece in the manufacturers that would enable them to promote the benefits of joining the CTDA to their distributor customers.

"We are enlisting the support of our manufacturer partners because they can make the best argument for why you should participate in your trade association," Donahue said. **FCW**

Carpet & Area Rugs

Small gains

Continued from page 10

(offering every flooring solution through one point of contact) is effective and proving successful in the market; therefore, we foresee no major changes with the way we go to market."

Beaulieu is also optimistic about its commercial business. "On the commercial side of the business, we expect hospitality to continue to be good as national compa-

nies are bullish on continued remodeling in 2013," Boe said. "The corporate market slowed in the second half of 2012 and we expect it to pick up in 2013."

Along with continued growth of carpet tile, Bolyu introduced a line of commercial LVT in 2012, which is expected to continue to do well in 2013.

Area rugs

Oriental Weavers USA/Sphinx is looking for consumer confidence to continue to grow as it did in 2012, said Jonathan Witt, vice president. "Our company has seen an

increase in business over the past three years, and see no reason why that should not continue going into 2013," Witt said. "Our mid-level price points have especially led the growth trend."

Peykar is confident that Nourison is ready with rugs, runners and broadloom. "In our very small world, Nourison has created foundations and product lines that should give us another modest increase on our road to overall recovery," he said.

Nourison will follow its traditional marketing strategies, according to Peykar. "We have put heavy emphasis on product knowl-

edge to our sales team," he said. He expects that information will help build dealer confidence in Nourison's 2013 introductions.

Nourison projects a modest increase in its overall residential business, but a better year for its commercial operations. "Our commercial and hospitality (businesses) are expected to have a much better performance due to our investments that have increased capacity in our Axminster weaving operations. We also have established new state of the art printing capabilities that will be used in our wool and wool blend products as well as nylon goods," he noted. **FCW**

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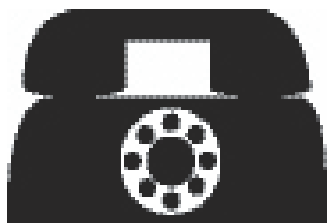
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Retail

Continued from page 1

are up, a lot of debt has been paid down, housing is coming back and the consumer has 'frugal fatigue,'" Pirner explained. "Interest rates are low and there's a lot of pent up demand.

"Our goal is to continue to grow," Pirner noted. "We will continue to invest in the basics. We are working on a new CAP website for 2013 so people will be able to know better who we are and what we do," he stressed.

Fred's CarpetsPlus in Torrance, Calif. had a fairly good year in 2012 and Jerry Butler, co-owner of the two-location operation, is hoping it continues in 2013. While concerned with "the extremely negative political climate in Washington and Sacramento," Butler said, "We expect gradual increases in both our residential and commercial businesses."

The second location, acquired in May 2012, has had a positive influence on retail sales growth, Butler reported. Aiming to reach more consumers and increase store traffic, Fred's has upgraded its website, joined Facebook and started a steady program of advertising twice a week for both locations in the local paper.

"2012 was good, probably the third best year in 23 years of business in sales," said Jim Hillman, president and co-owner of Hillman Flooring & Design, Sugar Hill, Ga. "Profitability is more important and it was the second best year for profits," he stated.

But Hillman is cautious about 2013. "Right now, I see construction continuing a slow rebound in the first quarter of 2013. It's the second, third and fourth quarters that are in question," he said. "Builders are slow to pay and, being a higher end store, we have a customer base that is somewhat limited. They will not be spending unless the economic concerns are answered."

Still, Hillman decided to expand his showroom and expects the work to be complete by mid-January. Catherine Hillman, vice president and co-owner, said, "We have stayed open throughout the process of adding about 3,000 square feet of space and raising the ceilings. We have added new employees and joined Abbey Carpet & Floor, so we now have access to private label programs. In 2013, we're going to have a new website and do more marketing through Abbey," she added.

Rick Warman's Flooring America includes stores in Chicago suburbs, Frankford and Posen, Ill. and is adding a third in nearby Indiana by the end of the year. "I'm guardedly



The ceramic tile department is shaping up at Hillman Flooring & Design.

optimistic about 2013," said Rick Warman, president of the retail operation. "I think we'll do at least a 10 percent increase once we get into March (because winters are cold for shopping). I expect a slow, steady recovery with some bumps in the road. I think the government will avoid the fiscal cliff and even if it doesn't, it won't make much difference," Warman said.

Warman is confident that his new store, also branded Flooring America, will be successful even though another flooring store failed nearby. "I will make it neat and clean and when a customer walks in, she will want to buy something," he stressed. "My stores are full of product, neatly arranged, so there's something for everybody."

Warman isn't planning any major changes. "I'm constantly looking at my product mix and am willing to get rid of a line, if it isn't working. I private label everything," he said.

Wendy Werner, president of Carpet Town, a Stainmaster Flooring Center in West Allis, Wis., is also feeling more positive about 2013. "We just had one of the best weekends ever without advertising. I think if we can get past the fiscal cliff and not just postpone the issue, people are going to feel better about spending money on their homes," Werner said.

For 2013, Carpet Town is updating its showroom and planning on doing more advertising.

Still, there are places that recovery has not reached. For Mike Jurkovich, managing partner of Eureka Floor Carpet One, in Eureka, Calif., 2013 is looking highly uncertain. "Historically, we went after new residential construction, residential remodeling and commercial," Jurkovich noted. "The new home market here (about 300 miles north of San Francisco) is abysmal and residential remodeling is almost as bad. This has been our first profitable year in four years, but that is only because we have had several large multi-family projects that all, to some degree, had government support. My fear is that the government segment will be curtailed too in 2013. I don't expect significant recovery in homes and remodeling. Over the past three years, I've cut costs to the bone. I am working harder and longer but that's the only way to stay profitable." **FCW**



Hillman's carpet department now includes private label programs from Abbey.



New changes for 2013

Whether 2013 is going to be the turnaround year everyone is hoping for remains to be seen. What we do expect is that it will be a year of opportunity for those who chase it.

At *Floor Covering Weekly* we're allowing that positive vision of the future to drive our coverage of the industry going forward and to help you capitalize by identifying new opportunities along the way.

For example, we've added more and ongoing coverage of Internet marketing. In discussing this topic with some of the leading web providers, this is an area that will only grow in value and importance. It is also an area where the industry is considerably lacking. There will come a time — if it isn't already here — when not having a robust Internet site will brand your business as being woefully out of touch, out of date and probably soon out of business.

We're going to try and shed some light on what it takes to succeed in this now mission critical aspect of your business. Knowing that Lumber Liquidators and Empire Carpet are both planning to expand, how can flooring retailers match the online presence and effectively compete in that space against companies that drive tremendous amounts of traffic among shoppers, that regularly post prices and specials and updates, that actively manage their sites for leads, and that hire the expertise to win the search engine optimiza-

tion battle in local markets?

We've also turned our attention to stone. Everywhere I look, I see stone in kitchens and bathrooms and I see more outdoor paving and landscaping products made of natural stone than ever before. These higher-end goods are making their way to the homes and backyards of the middle class as well. We also realize that many flooring retailers have little knowledge of how to properly present and sell stone. We intend to focus our coverage on giving you the fundamentals of what it takes to succeed and sell natural stone with the hope that some of you will find a new growth path for your business.

We also plan more executive and retailer profiles as we sit down face-to-face with industry leaders to talk about their business and yours: from manufacturing executives that can share with you their vision of the future to retail executives who are willing to share their strategies for success and growth.

It's all part and parcel of what is already your most trusted editorial advisor in the industry — *Floor Covering Weekly*. Coming off of our 60th Anniversary year, we approach 2013 with an eye toward the future and what value we can bring to help keep our community of readers informed and thriving.

There will be sales increases, there will be recovering markets, there will be more builder activity and sales of existing homes, and there will also be more consolidation in distribution and manufacturing. And at *Floor Covering Weekly*, we plan on remaining at your side to keep you informed and up-to-date as we have done for the past 60 years.

— Santiago Montero

Getting back to basics

Facing challenges in any relationship often reveals its strengths and its weaknesses. Weathering a downturn together like this industry has just done, puts a magnifying glass to the relationships between manufacturers, distributors and dealers. These partnerships in the flooring industry are perhaps more important today than ever before.

Just one month ago at the NAFCD conference, we heard about relationships that had become fractured over the last several years — loss of trust, service and support — and ones that became stronger as well.

The message at Mohawk's Solutions convention this month focused on bringing value and support to its aligned dealers at every turn — be it product innovation, merchandising, marketing, training or sales execution. Key to a value-add relationship is really listening to your partner. Here too, Mohawk has excelled, according to members of its advisory council. They told us that issues brought to the table are addressed — directly and specifically with change, whether it is a display unit redo or a refreshed annual sale program.

Neither the company nor its retail partners are claiming bliss. They admit that issues have come up and likely will again. But it is how the company responds to the issues that helps strengthen the partnership — access to top-line decision-makers and problems solved.

Another piece of wisdom from this year's Solutions convention came from keynote speaker John Petz. He talked about small but significant moments of engagement — it

could be a store's signage, the welcome at the door — all the little personal, meaningful things that can't be done by a big box store.

Shortly after Petz spoke, I headed to the Orlando airport where I stopped for a quick bite at the Outback Outpost — just a half step up, I thought, from the neighboring Burger King. At the front, I was greeted and asked my flight time and then ushered to a table where I would be served quickly.

My server Tim greeted me as though I was sitting in a fine dining establishment. He checked on me regularly, offered me a refill to go when I asked for the check. He addressed me as Ms. Rush, asking if there was anything else he could help me with before my departure. Then he wished me a safe flight.

At the end of days on the road, days on my feet, what I thought was a quick stop for sustenance transformed into a lovely dining experience — a small but significant moment that redefined my opinion of the airport quick-service model.

Listening to your partner, offering support, giving attention to the small moments — these are all very basic concepts. With all our gadgets and gizmos; iPads, iPhones, iTouches, iPods, Facebook, Twitter, Pinterest, LinkedIn — all the things that grab our attention so easily and are meant to connect us — let's remember these very simple, yet significant, concepts and moments that are likely what put your business in business many years ago.

— Amy Joyce Rush



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Floor Covering Weekly (ISSN-0015-3761) is published two times per month by Hearst Business Communications, Inc./FCW Division, 50 Charles Lindbergh Blvd., Suite 100, Uniondale, NY 11553. Periodicals postage paid at Uniondale, NY, and additional mailing offices. Subscription rates: Domestic: \$25 per year; \$48 two years; Canada: \$60 per year, \$110 two years. Sales Agreement No. 40012807. Foreign: \$174 airmail. Single copy \$4.00, Canada \$6.00. Printed in the U.S.A. POSTMASTER: Send address changes to FLOOR COVERING WEEKLY, 50 Charles Lindbergh Blvd., Suite 100, Uniondale, NY 11553.

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Happy Holidays

Floor Covering Weekly wishes you and your families much happiness this holiday season, and throughout the coming year. May the season bring you good cheer and good fortune!

— The staff at *Floor Covering Weekly*



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