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Executive Forecast



DESPITE SOME UNCERTAINTY, 2016 TO SEE INCREASES

While 2016 is shaping up to be a year of uncertainty thanks to a slowly recovering housing market, the presidential election and unknown intensity of upcoming winter weather, most flooring executives are seemingly looking at the world through rose-colored glasses. Although percentage gains may be small overall, anticipated numbers indicate increases for next year's market. That "slow, steady growth" we've all heard about is officially coming to light.

FCNews' annual executive forecast is divided into individual flooring categories. Coverage begins on page 10.

Greenbuild

Focus on human health, more talk of climate change

By Jenna Lippin

WASHINGTON—Climate change may not typically come to mind when considering flooring, but it was certainly a topic of discussion at this year's Greenbuild International Conference &

Expo, held here Nov. 18 and 19. Exhibiting companies focused on products that positively impact human health in addition to manufacturing and reuse processes that ultimately affect global warming.

"You have to look at life cycle assessment and the terms of any type of manufacturing from raw materials," said George Bandy, vice president of sustainability for Interface. "When you pull something from the earth that's when you emit the most greenhouse gas. An average of 69% to 70% of a product's life cycle's greenhouse gas emissions comes from raw material extraction. If

you're eliminating that and using material that's already out



The 2016 Unity Home featured Cradle to Cradle-certified products from Shaw: Epic Plus engineered hardwood and Life Happens area rugs.

there you've reduced greenhouse gas emissions. You do this by using post-consumer recycled content and bringing materials back in."

Figures in the commercial arena like architects, designers, specifiers, etc., are, in fact, looking for safe and healthy products that have a reduced impact on climate change. "The safety and health of the building and the safety and health of the planet are totally interrelated," said John Stephens, vice president of marketing, Shaw Contract Group. "I do think here because of the Global Climate Summit and the relationship between the U.S. and China and the global climate agreement that [there is] opportunity in discussing the impact of climate

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RFCI advocates the safety and viability of vinyl

TACKLES PROP 95, GREEN CHEMISTRY INITIATIVE

By Steven Feldman

DALLAS—The resilient floor covering industry is in the midst of unprecedented growth, driven primarily by the popularity of the luxury vinyl category. Behind the scenes, the Resilient Floor Covering Institute (RFCI) has been doing its part to contribute to this growth while helping to sustain the long-term viability of the category.

While its manufacturer members continually introduce products that resonate with consumers and drive sales, it is through their collective resources that RFCI is able to work on advocacy issues that are

bigger than what any one company could tackle by itself. Examples of this include California Proposition 65 and the California Green Chemistry Initiative (CGCI), two areas in which RFCI has devoted considerable resources in 2015.

Commanding much of RFCI's focus over the last 10 months is a



RFCI leadership, from left: Bill Hall, outside counsel; Bart Rogers, immediate past chairman; Dean Thompson, president; and Bill Freeman, technical consultant.

phthalate plasticizer called DINP. Phthalates are used in building and construction applications,

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RESILIENT

Eyes on differentiation, stronger economy, the

By Jenna Lippin

The forecast is bright for resilient in 2016, with LVT remaining the category leader. The buzz surrounding new composite products will certainly continue into 2016, executives said, with uncertainty around just how much of it will sell. A major unknown is the status of new U.S. production sites. Overall, consumer confidence will be a key indicator of how healthy the market will be in 2016.



bob moran
President and CEO
Congoleum



russ rogg
President and CEO
Metroflor



john wu
President and CEO
Novalis Innovative Flooring



jonathan train
President and CEO
EarthWerks

What is your projection for category growth next year?

On balance, we are expecting that the category will see modest but steady growth.

I think overall the LVT category will grow greater than 5% but less than 10%. I am not sure that we can expect double-digit growth to continue as it may have in the past. In dollars the growth will be handsome.

We see LVT continuing to grow in 2016. It will be high single digits to low double digits.

LVT growth should be at 8%.

What segments and/or products will fuel this growth?

As the economy continues to gain momentum, the builder and multi-family segments are coming on strong. Felt-backed sheet and products like UltraTec-backed sheet along with luxury vinyl flooring will be the engine for market share growth in 2016.

Driving growth will be multi-family and residential remodel/replace-ment through traditional floor covering dealers and contract/commercial in segments such as health care, education and retail. The rigid-core LVT category (or composite/WPC products) will grow.

Main Street commercial is one of the key segments of growth. More commercially rated LVT is entering the market at the specialty retailer level, and dealers are taking LVT into all kinds of commercial applications. Residentially we see LVT gaining share in larger homes.

Glue down LVT and WPC/composite products will lead the way.

What is the predicted growth of your company in 2016?

2015 was a pivotal year for Congoleum. We invested significantly in product introductions. We also reinvigorated our flagship AirStep and DuraCeramic lines by investing several million dollars in retail merchandising displays. The results of both have and will be significant.

I think [Metroflor] will grow 12% to 15% in revenue next year, with Engage Genesis plus our maturing Aspecta brand making the most impact on our business.

Novalis has repeatedly outperformed the market. We are budgeting for low double-digit growth but believe we will beat that expectation.

I would say EarthWerks' growth is projected at about 12%.

What is the "X factor" that will impact business next year?

The economy and how world events affect consumer confidence. With a steady but slow recovery of the U.S. economy, consumer confidence is fragile; it is the single greatest driver in remodeling coupled with escalating wages and low unemployment.

The continued growth of structural LVT or LVT with a rigid core—whether it be a WPC core or our Isocore, which has no wood in the composition. The buzz among consumers is strong and growing with many investigating the new option.

Consumer confidence will be the key in 2016. Maintaining a low interest rate and low oil prices will continue to help the growth of all of our businesses.

Exchange rates will be a major factor. The dollar is expected to be very strong, so imports will continue to have an advantage. Also, U.S. production will be beneficial, but how quickly will the U.S. producers catch up to the technology and know-how of Europe and Asia?

Where do you see opportunities for next year? Challenges?

Innovation is the greatest opportunity and one of the most daunting challenges. Meaningful innovation comes from consumer and industry insights and must solve problems in new and exciting ways.

The big opportunity for Metroflor is the launch of Engage Genesis, revitalizing our Konecto brand and furthering momentum in Aspecta. The challenge with LVT continues; as it grows so does the competition. That's where experience will be more important.

We anticipate specified commercial and Main Street growth. We launched our AVA commercial line this year and it's already a winner for us. We are also launching Main Street lines under our NovaFloor brand that can cross over into residential.

We expect steady economic growth. The main challenge is identifying the companies that will be in the category for the long haul. Our industry saw the rise, fall and leveling out of players in laminate; LVT is headed for a similar path. However, we expect pricing to be more stable.

What are some of your biggest initiatives for 2016?

We are converting systems to SAP to improve service levels, drive greater efficiencies and understand all aspects of our business. Plus, we will be able to respond quickly to market dynamics.

The same as our opportunities: launching Engage Genesis, revitalizing Konecto and growing Aspecta.

Growth across the board is our next initiative, specifically adding more distribution in the U.S. and increasing our product offerings. We will also ramp up our marketing efforts.

We released new proprietary styles and designs in 2015 and are getting those into the marketplace. We are looking to launch our next wave of designs and remind the industry that we have been here for decades and plan to be here for many more.