



The Commercial FLOORING REPORT

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For the Commercial Floor Covering Industry

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NeoCon 2007 and More

To say NEOCON was a rousing success would be an understatement. Of the carpet exhibitors we spoke to the traffic was voluminous. In the first day attendees far outpaced last years show, that is, there were as many people entering exhibit spaces on the first day as all three days of last year, 2006. Not only does this indicate an interest in flooring products it proves the contract market is still alive and well and booming. Talking with a number of contract flooring dealers and even contract furniture installation people; there are markets where the work is outpacing their ability to handle it all. There were also more people from all over the world and people that had never been to Neocon before who wondered why they hadn't, we know this because we spoke to them. This is just a capsulized commentary on the flooring participants at NEOCON 2007.

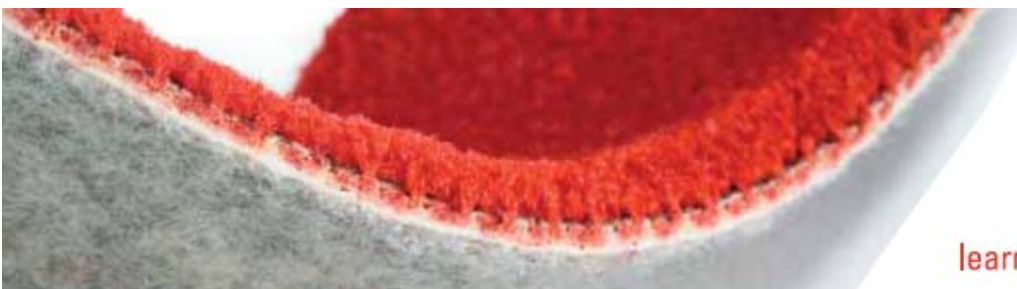
Being a 36 year veteran of the floor covering industry another observation that must not be taken for granted is the youthfulness of the attendees at this show. A new generation is rapidly coming on stream and we as an industry can't be oblivious to this. We have to keep teaching them about the products and at the same time continue to introduce cutting edge styling and technology. There is however a blend that must be reached because while the young folks are blending in, the seasoned

members of the commercial market are not ready to leave. The Baby Boomers meet Generation X'ers certainly a formula for great creative chemistry for another decade or so.



One thing I didn't like is the relaxed attire in many of the showrooms. NEOCON is a class market showcasing the most stylish, up to date offerings the commercial market has to offer. As such those working the showrooms should look as good as they want their products to - casual dressing down doesn't do that. It may be more comfortable and fit in with a more casual international society but it doesn't make a good impression on the customer, in my opinion. If your space and your products stand out, so should your people. Casual and class do not mix and there is a lot of class at Neocon.

As for the showrooms, well they continually improve and that is an understatement. The **Milliken** space was extraordinary; it had the effect of drawing you in. Strategically placed at the end of a corridor, giving the impression that it was still part of it, it had the depth and aura of a Rod Serling (The Twilight Zone) creation. Not ominous but mesmerizingly alluring. There were displays on every surface,




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including mirrors on the ceiling. Milliken coupled texture with their printing expertise to create a very different product for them.

BlueRidge carpets created a pattern, which graced the floor of the entry to their space that was hard to categorize. It was intriguing and captivating as a blend of styles that was hard to describe yet fascinating to imagine in a space that just had to make a unique statement. The type of styling that had an effect on everyone that saw it. Blue Ridge is a small manufacturer that gives the impression of being much larger – and they do a good job of that. There's lots of experience with these commercial guys who've done a great job growing and improving this company.

Mannington is the first flooring manufacturer to incorporate their new commercial wood floor in their space which also featured their new carpet and hard surface products. The deep rich color of the wood and it's being used in a very high volume space was proof to attendees that wood can indeed be used in commercial spaces effectively. Mannington also had carpet product that incorporated the nostalgic look of tie dyed fabric and organic patterning. This is another company with a strong heritage of leadership and quality products. And they cover the gamut with hard surface and carpet products.

Shaw Commercial continues to surprise. Most often one expects the smaller commercial manufacturers to have the best styling and design and the bigger manufacturers to have more utilitarian products but Shaw proves that this is not so. They too have found the handle on wild, unique design. Always one of the most crowded showrooms. In the marketplace Shaw gets the highest marks for the way they do business. As big as they are they do a great job at relationship building in the field. Obviously they have the interest of the design community that floods their showroom every year as they continually get more creative with product styling.

Mohawk too, and their divisions, **Durkan Commercial, Karastan Contract, Bigelow Commercial** and Mohawk Commercial continue to find ways with color and texture to improve on their products. There's always so much to see in their showroom with the new and improved designs and wonderful colorations. Mohawk is the only carpet exhibitor that takes advantage of Neocon to show, demonstrate and exhibit new technologies in their products with demonstrations and dedicated exhibits.

The **Lees** space, also a division of Mohawk was mobbed, as it always is, as one of the perennial favorites of NEOCON. Every year they introduce something interesting and



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this year was no different with their Progressives Collection – a high tech design that is really unique.

Burtco reminds me of the little engine that could. Small and unassuming, Burtco makes some of the best quality carpet in the industry. Led by Bob Kokoszka, Burtco is the master of CYP (computer yarn placement) patterned carpet. And they just got two new tufting machines, an Infinity machine and a MLCL (multilevel cut and loop) machine which gives them more design capability than ever. Virtually any pattern or style one can conceive can be achieved with Burtcos capability.

Centiva Luxury Vinyl is just that, in my opinion the leader in this category hands down because of Thomas Trissl who is brilliant, passionate and consumed with being the best he can be at what he does with this great product. Always the show stopper of the category with magnificent design, colors, and styling, they continue to push the envelope. Centiva has proven that vinyl flooring is

not taking a back seat to any flooring material.

Chilewich, on one of the most high profile corners in the show, had a product display that made you put the brakes on. Chilewich is one of a kind and as a youngster in our industry they have learned well. Sandy Chilewich is one of the most creative and talented “inventive” designers anywhere. Creating and taking a product unknown to the flooring industry she and her husband Joe Sultan have captivated the market with Plynyl. This particular display was their new tile pattern. In addition Chilewich’s products are also high fashion in women’s handbags, placemats - you name it. Chilewich products are an ingenious creation for a material with crossover appeal in multiple markets. That’s creativity.

Pacificrest Mills had, in my opinion, one of the nicest looking spaces with some beautiful carpet. This is a class operation lead by class people that emphasizes style and fashion with a presentation and display that mimics a high end clothing store. Their display was an ingenious way to showcase a quality product by putting it in a setting that says what it is.

Patcraft Commercial Carpet keeps improving the styling of their products with new tiles and broadloom offerings. This is a division of Shaw, and as we said, Shaw continues to improve on their commercial styling year after year.

Bentley Prince Street, was one of the most crowded showroom spaces at Neocon, it looked like a party going on with people pouring over samples while engaged in productive conversations. The president of Bentley Prince Street, Anthony Minite, has done a masterful job of orchestrating the march back to prominence with the design community. This venerable company is once again exhibiting products that generate excitement and enthusiasm – you could feel that energy in their showroom. Wonderful styling that’s rich and elegant, great quality and products that again inspire are the Hallmark of BPS. The momentum for Bentley keeps building and should continue to do so with the dynamic efforts being made – one of the real shining stars of the industry in my opinion.

Interface Inc. the parent of Bentley was itself a beehive of activity. The industry leader in carpet tile, Interface says that the amazing thing about modular



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carpet is that there is no limit to the beautiful designs that can be created. They proved this with the endless possibilities they offer for creative design in their new product lineup. Sharp, crisp, blending, contrasting, bold and vibrant are some of the adjectives that can be used to describe the new Interface styles.

Beaulieu Commercial including **Bolyu Contract** and **Cambridge Commercial** shared a newly renovated space featuring concave and convex form and a unique aura of design to feature their new product line. Sideways, a patterned cut and loop and Balance, a tip sheared loop were two new broadloom products shown. This company continues to grow into the commercial market with innovative technologies and different products. Each year they improve on their styling and this year was no exception.

Fortune Contract Carpet introduced two new styles at Neocon, Pie in the Sky and Acadia. Pie in the Sky is a linear cut/uncut pattern with subtle color variations and a sophisticated look. Acadia consists of two patterns a tip shear and a cut/uncut both with a lustrous shimmer. This small manufacturer prides itself on the quality of its products and there's no question they do a great job of that.

King of the Hill for styling and design, in my opinion, and certainly in the opinion of many others in the design community and the industry is **Atlas Carpet Mills**. No matter what they make it will wow you. Entering their showroom at Neocon is an experience; simply extraordinary is all you can say when viewing their large product displays.

No one in the industry makes better looking textured patterned carpet than Atlas. Every year they raise the bar on the competition. As far as styling is concerned, Atlas is in a league of their own, no matter what they make.

One of my favorite things about attending Neocon every year is seeing how far the floor covering industry is willing to push the design envelope.

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There are no signs of being conservative at Neocon. The showrooms change every year and so do the products being offered. Understand that this is a designers market and designers challenge the industry to exert their creative juices. They want products they can get excited about, that make their job easier, that give them choice and a full palette that will allow them to create a variety of unique environments. Every year it is obvious to see how the flooring industry responds to the challenge by developing new styles and fashion.

There was no question the industry and the commercial marketplace were alive and well at Neocon 2007.

The commercial market overall is booming and it's the saving grace right now for the industry which has seen sales drop in proportion to the builder market. That being said, commercial manufacturers who do little to no business in the builder market are not affected. The commercial manufacturers who also produce high end to luxury residential carpet are reaping the benefits from two market segments that are still very strong.

We've taken the opportunity to share the following two charts from **FloorFocus** magazine regarding whose where in the scheme of the business.

TOP 10 U.S. FLOORING MANUFACTURERS 2006

Firms ranked by U.S. Flooring Sales

| | U.S. Flooring Sales | N. American Flooring Sales | Foreign Flooring Sales | Total Flooring Sales | Total Non-Floor Sales | Total Company Sales* |
|---|---------------------|----------------------------|------------------------|----------------------|-----------------------|----------------------|
| 1. MOHAWK ¹ | 5,934 | 6,021 | 405 | 6,426 | 1,495 | 7,921 |
| 2. SHAW ² | 5,140 | 5,192 | — | 5,192 | 642 | 5,834 |
| 3. ARMSTRONG ³ | 1,543 | 1,624 | 360 | 1,984 | 1,442 | 3,426 |
| 4. BEAULIEU OF AMERICA ⁴ | 1,103 | 1,157 | — | 1,157 | 80 | 1,237 |
| 5. TARKETT ^{5,6} | 730 | 761 | 1,539 | 2,300 | — | 2,300 |
| 6. MANNINGTON ⁷ | 696 | 711 | — | 711 | 15 | 726 |
| 7. INTERFACE ⁸ | 561 | 592 | 249 | 841 | 174 | 1,015 |
| 8. THE DIXIE GROUP | 315 | 315 | — | 315 | 16 | 331 |
| 9. PFLEIDERER ⁹ | 272 | 344 | 155 | 499 | 1,671 | 2,170 |
| 10. C&A FLOORCOVERINGS ^{10,11} | 267 | 303 | — | 303 | 27 | 330 |

* All sales are in millions of dollars. Data compiled by Market Insights/Torcivia and Floor Focus Magazine

Here's a look at total 2006 for the ten largest U.S. floorcovering manufacturers, broken down according to where their products are sold. Total company sales may not be the same as reported sales, due to acquisitions and divestitures, both of which are included or deducted for the full year 2006.

For a breakdown of sales according to product type, see the chart on page 38. Below are explanations for the footnotes next to the company names:

¹Mohawk's non-flooring sales include ceramic wall tile, textiles, cleaning accessories, fiber, etc.
²Shaw's non-flooring sales include Spectra contract service/installation, and fiber/yarn sales.
³Armstrong's non-flooring sales include ceiling components, cabinets and flooring accessories.
⁴Beaulieu's non-flooring sales include fibers and chemicals.
⁵Tarkett's sales include Sommer, Domco, Tarkett, Johnsonite, FieldTurf, and Tarkett Wood.
⁶Tarkett's sales include FieldTurf sales for full year 2006;
 FieldTurf sports flooring acquired September 2005.
⁷Mannington's non-flooring sales include ceramic wall tiles and flooring accessories.
⁸Interface's non-flooring sales include revenues from its contract flooring network, Re:Source Americas, and fabrics.
⁹Pfleiderer's sales include Uniboard and Pergo sales for the full year 2006; Pergo acquired March 2007.
¹⁰C&A's sales based on year-to-date results through third quarter projected to the full year.
¹¹C&A's non-flooring sales include extruded yarn.

THE CARPET LEADERS

The three largest carpet producers all showed a decline in sales last year, while all the commercial specialists showed increases. Kraus, which is headquartered in Ontario, had total sales of more than \$340 million for the year.

| | 2006 | | 2005 | |
|-----------|---------------|-------------|---------------|-------------|
| | \$\$ millions | Marketshare | \$\$ millions | Marketshare |
| SHAW | \$4,566 | 39.2% | \$4,735 * | 38.4% |
| MOHAWK | \$3,477 | 29.7% | \$3,590 | 29.1% |
| BEAULIEU | \$1,103 | 9.5% | \$1,125 | 9.1% |
| INTERFACE | \$561 | 4.8% | \$505 | 4.1% |
| DIXIE | \$315 | 2.7% | \$306 | 2.5% |
| TANDUS | \$286 | 2.5% | \$260 | 2.1% |
| ROYALTY | \$260 | 2.2% | \$260 * | 2.4% |
| MILLIKEN | \$207 | 1.8% | \$198 | 1.6% |
| GULISTAN | \$156 | 1.3% | \$153 | 1.2% |
| KRAUS | \$126 | 1.1% | \$107 | 0.9% |

* Revised estimate

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