

## American Hardwood Manufacturers: Here's Why and How to Compete and Beat Hardwood Flooring Imports



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More than 90 hardwood flooring plants were built in China over the past decade or so. There are many others in Vietnam, Korea and other Pacific Rim countries. That's a lot of production capacity for countries that don't have a large middle class market to consume such an upgraded building product like hardwood flooring.

That amount of production also requires a great deal of raw materials. Why were all those plants built? The answer: To export hardwood flooring to the U.S., and to European markets where raw materials are less abundant and more expensive.

We made it easy for the Chinese and others to do this. Their labor is cheap and our dollar has been weak, making our abundant red oak, maple and other hardwoods commercially affordable to import. China was sitting on an abundant stand of northern white oak but had no effective way of getting the logs out of the forest. Eventually they made the investment required to build the infrastructure they lacked.

While this was going on, our prices crept higher and higher, as did our labor costs, and we stopped investing in new machinery, equipment, processes and engineering. Frankly, our hardwood flooring industry got fat, lazy and over-confident. It felt that with such an abundant supply of raw materials, it could keep making hardwood flooring the same old way with the same old machinery/methods, immune to foreign competition. Not so!

The Chinese and others manufacturers did their homework. They studied our market, our methods of distribution and actually asked our consumers what they really wanted. While they were doing that we simultaneously became complacent. This, after re-establishing a fallen post-war hardwood flooring industry from 1% of floor covering all the way up to 6-8% during the '80s and '90s. We accomplished this growth with new products,

manufacturing investments in finishing equipment and new finish technologies, and a ton of dynamic marketing programs.

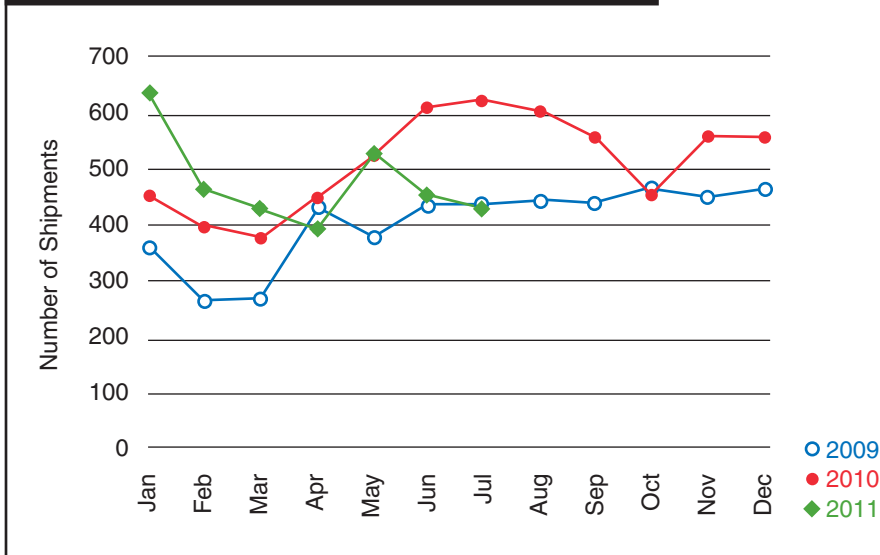
The Chinese manufacturers developed U.S. export and marketing partners and produced good quality sawn-faced engineered and solid hardwood flooring. They invested heavily in high-speed automated equipment and new state-of-the-art facilities. Their products were offered in finishes, colors and species that the American buying public wanted, and at the right price points for the new millennium.

More recently, U.S. manufacturers closed (and wrote off) dated production facilities, laid off loyal hardworking employees, and began importing products from abroad. A once teeming industry



America still has the greatest abundance of natural hardwood resources in the world. The industry needs to engineer better material yields in production and learn how to be lower-cost producers. Shown is Columbia Flooring's Berkshire. Photo courtesy Columbia Flooring.

## U.S. Wood Flooring Imports by Shipments



Above: Data courtesy Zepol Corporation, [www.zepol.com](http://www.zepol.com)

has been taken down.

What's more, after suffering from a housing drought for several years, a number of manufacturers cried wolf, saying the Chinese were dumping engineered hardwood flooring in the U.S. and countervailing. They simply got outplayed, out-marketed and out-produced.

I believe that today's consumer would prefer to buy American, but the products have to be of the quality and price that is being competitively offered. Rather than spend money on lawyers and anti-import efforts, the money would be better spent on investing in modern equipment and up-to-date product offerings – the right species, fashionable colors and higher quality products. It can still be done!

It is definitely difficult to invest in today's economy. But now is the time to do it. American manufacturers can't wait for things to turn around... at that point they will have missed the boat. A basic truism in business and especially of marketing is: "If you continue to do in the future what you've done in the past – the results will be the same."

Consumer preferences continue to change at a faster pace than ever. Fashion, style and colors always come and go. Remember when fingerblock parquet was the biggest thing in hardwood? How about pickled or white floors (during the "mauving" era)? By the time you see what's selling today, your product offering is already out of date.

Good old-fashion market research is vital now more than ever. It's the right time to make a new business plan, do our research, and make the right investment to take back the market share we've lost in America. Yankee ingenuity isn't dead...it's just dormant.

One thing is certain – hardwood flooring is still the number one preferred flooring upgrade in this country. It is hypo-allergenic, can be easily sanded and refinished many times over and lasts a lifetime. The finish technology and easy maintenance have made the product more consumer-friendly than ever. And the market will continue to grow relative to other flooring choices.

Consumers do want more choices in species, styles and colors. And there is a wave of patriotism today that favors "Buy American." It is the industry's job is to make sure the products that we offer tap into this sentiment and will be the next new rage.

And what about the Chinese imports? Well, China is developing a middle class which will grow at an exponential rate over the next two decades. The manufacturing plants in China will be making products for their own consumption and ultimately have less and less available for export to the U.S. and Europe. There is no better time to be savvy about this than now.

It's high time that American hardwood flooring manufacturers take off the gloves and kick it in gear, just like Ford and Cadillac have done in the automotive market. American auto manufacturers are regaining market share and making better quality automobiles than ever before.

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They learned the lesson the same way, but they ultimately turned things around.

We still have the greatest abundance of natural hardwood resources in the world. The American hardwood industry needs to stop exporting red oak and maple logs at such low prices. The industry needs to engineer better material yields in production and learn how to be lower-cost producers. If the industry follows through with these changes, it'll not only compete...it'll beat the pants off the competition! 