

## COVID-19 DISTRIBUTION CHANNEL WINNERS AND LOSERS

**Catalina Research** just completed the annual Floor Coverings Distribution Channel Report. Our in-depth analysis indicates the installed value of flooring spending could decline by 3.9% during 2020. Flooring spending is expected to outperform the gains in the U.S. economy since the housing market is rebounding at double-digit rates. The recovering housing market is important to flooring demand since builder and consumer spending represents over 60.0% of the total U.S. flooring market. The various players in the market, however, will find their experience differs from the industry average since there have been winners and losers during the 2020 COVID-19 pandemic.

- **Home centers are the big winners during 2020** since most were allowed to remain open as an essential business, while specialty floor coverings retailers and other channels were forced to close. Warehouse clubs and superstores were also allowed to remain open since they are important food sellers. Consumers, however, were able to purchase flooring and other household goods at these retailers.

- **Online sales outperformed brick-and-mortar purchases** as consumers turned to e-commerce sites while stay-in-place orders were in effect. Online sellers also upgraded their e-commerce platforms by adding room visualizers and other features so buyers could see how a new floor will look in their home. As a result, online sales from home centers and the leading hard surface flooring chains more than doubled in the second quarter of 2020.

- **Hard surface flooring continued to make inroads** since the upgraded e-commerce sites and the move to curbside delivery allowed buyers to shift to hard surface flooring for their flooring replacement project.

- **Flooring replacement projects were also more likely to be done as a do-it-yourself project** since homeowners were leery to have a professional installer enter their home. This gave a boost to flooring products that lend themselves to be used in DIY projects. Floorings that benefited from this trend includes luxury vinyl tile, prefinished engineered wood flooring, and laminate flooring. Conversely, wall-to-wall carpet and ceramic and stone tile, which need professional installation, have been hurt the most by the pandemic.

- **Residential is outperforming commercial installations.** New housing starts increased 22.1% in July and existing home sales rose by 10.6%. These are the key drivers of residential installations. Meanwhile, non-residential building construction spending continues to decline. In addition, personal income increased sharply since April despite the sharp rise in unemployment rates. This was due to the surge in government transfer payments. This gave a boost to flooring purchases of non-moving households that were tired to looking at their worn furnishings and flooring after spending months confined to their homes.

- **Housing demand is moving from multi-family to single-family units.** For example, existing single-family home sales could increase by 3.9% during 2020, while declining by 14.9% for existing multi-family housing units. A similar trend is seen in new construction. The increased preference for single-family homes will drive flooring sales since the average single-family home is more than twice the size of the average multi-family housing unit.

·**The growing preference for a single-family home is causing population to move to the suburbs** and out of the city center. Retailers located in suburban locations will see a bump in sales.

**You should analyze your own strategies to see if they align with the winners.**

See how the **Catalina Reports on Floor Coverings Distribution Channels, Regional and State Markets, and E-Commerce Sales Trends and Competitor Strategies** can provide insights on the actions needed to **outperform industry growth and increase market share**. Contact Stuart Hirschhorn to discuss the findings in these pertinent industry reports or visit our website [www.CatalinaReports.com](http://www.CatalinaReports.com), click on the title, and review the report's in-depth contents and analysis.