



U.S. CERAMIC MARKET

Price increases and increased commercial activity offset flagging residential sales in the back half of last year.

■ By Jennifer Bardoner

Daltile's Volume 1.0, which recently added nature-inspired colors.

Outpacing all other flooring categories, ceramic tile grew 14.2% in dollars in 2022 though overall units dipped slightly. The majority of the U.S.' tile supply is imported from Europe, where energy costs have soared and container shipping rates have remained high, driving up costs. Domestic manufacturers experienced a similar situation with raw material cost increases and labor costs pushing up prices. Imports jumped 17.5% and U.S. mill shipments grew by nearly 9% in terms of value in 2022. Ceramic was buoyed by commercial sales, which helped carry the category as residential sales slowed in the latter part of the year. While domestic manufacturers increased output as import volume fell, they slipped around 2% in terms of their share of the overall market.

MARKET CONDITIONS

2022 started off on a high note, riding the unprecedented wave of demand spurred by the pandemic as consumers funneled discretionary spending into home improvements. Homebuilding also picked up steam as existing inventory tightened and new markets emerged amid a migration of Americans in search of a home that would afford them the space and/or price point they desired.

Inflation and interest rates started tamping down demand in those residential arenas around the middle of last year, leading to soft fourth-quarter results for ceramic suppliers. Still, the year overall was a strong one thanks to the relative strength of

the remodel market and the passing along of price increases, despite some costs being absorbed by suppliers.

Additionally, the commercial sector, which stalled during the pandemic, started regaining traction again in the second half of 2021, and demand has been steady throughout 2022 and into 2023. Multifamily has seen tremendous activity, and hospitality is on track to be above pre-pandemic levels by 2024. Education and healthcare remain strong as well.

The builder market is expected to struggle this year as interest rates keep many people put, but historically, that bodes well for remodel business. With the pandemic having pushed some of that renovation activity forward, category leaders are

anticipating demand to be relatively flat but remain positive overall. The first quarter of 2023 has yielded early indicators of consumer-based activity through increased foot traffic and sample ordering.

SUPPLY CHAIN

Roughly 70% of the tile sold in the U.S. is imported, primarily from Spain, Italy, Mexico, India and Turkey. As sourcing of low-cost options has shifted from China amid tariffs and supply chain challenges, India has gained a large chunk of that share. The concentration of products coming across the Atlantic has increased as suppliers of all kinds sought relief from the well-publicized delays and price hikes on routes from Asia. As such, container prices remain well above pre-pandemic levels, though they are starting to stabilize.

Raw material prices have also increased as supplies shifted in light of the war in Ukraine, a preferred provider of high-quality white clay. Many companies reformulated their recipes in order to compensate for the differing properties of more widely available options, but with raw materials inherently limited, the increased demand led to competitive pricing, pushed even higher by global inflation. While material is again flowing from Ukraine—though at a premium—many raw material costs remain elevated, especially as demand grows alongside tile consumption around the world.

Manufacturing tile is an energy-intensive process, which added another wrinkle to cost structures as natural gas prices climbed amid dwindling supplies from Russia following its attack on Ukraine. With Europe heavily dependent on Russia for its energy, related costs there far outpaced those in America, giving domestic manufacturers an edge.

With the volatility of supply chains laid bare, more companies have turned to local supply, wherever “local” happens to be.

Interceramic, a top North American producer headquartered in Mexico, announced it would be closing its U.S. operations this year, presumably to focus its concentration more on its home market. And downstream entities have written more domestic sourcing into their business strategies. But with supply chain challenges and prices beginning to stabilize, mindsets could start to shift again, especially as demand slows.

THE TOP FIVE

A global leader in ceramic, **Dal-Tile**'s sales outperformed many of parent company Mohawk's other categories in the fourth quarter, with increased domestic ceramic sales helping to offset losses in other markets.

“In 2022, both our builder and residential remodel businesses had a robust year, while commercial strengthened as the year progressed,” reports senior vice president of sales Scott Maslowski.

Dal-Tile did an estimated \$1.538 billion in U.S. ceramic sales last year between its three brands—Daltile, American Olean, which celebrated its 100th anniversary in 2022, and Italian sister company Marazzi—up from an estimated \$1.465 billion.

On the fourth-quarter earnings call, global ceramic president and COO Christopher Wellborn cited premium product offerings, including larger sizes, unique finishes and specialized structures and shapes, as well as a growing countertop business, as strong performers.

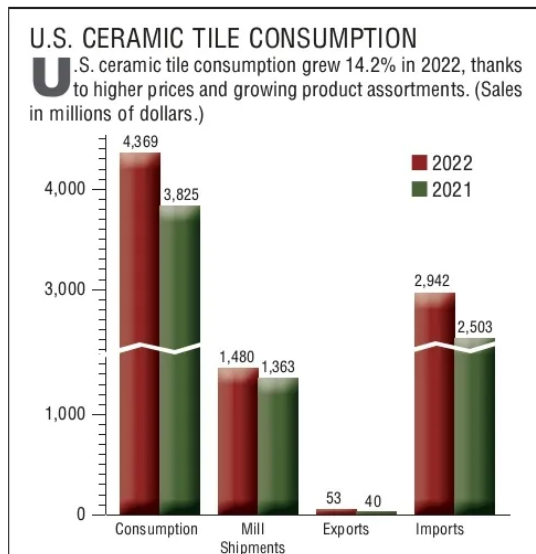
To support such sales, Dal-Tile is continuing to add capacity in various plants for sizes larger than 24"x24" and will double capacity in its quartz countertop plant in Dickson, Tennessee by early 2024. Maslowski notes that the Dickson plant is now producing 2cm porcelain pavers, as well.

In another effort to bolster sales, Wellborn said that the company is increasing sales efforts in growing markets, including healthcare, hospitality, fitness, multifamily and build-for-rent homes. This spring, the company launched an “OnDemand” quick-ship program targeting commercial.

To differentiate its product offering, Dal-Tile has continued to expand its lineup of collections featuring StepWise, offering 50% greater slip resistance; Defend with Microban, which eliminates 99% of the bacteria on the tile surface; and click-together RevoTile. Additionally, Dal-Tile's new “Our Promise” sustainability campaign will become a featured marketing tool at every step in the shopping process.

Daltile, American Olean and Marazzi recently launched visualizers on their websites. Maslowski notes that Daltile's Stylizer takes the increasingly important retail sales tool a step further by linking to curated sets of floor, wall and mosaic tiles, and countertops, making consumers “more likely to want the entire package,” he says.

With its unparalleled capacity, including at sister facilities around the world—Elizabeth Revestimentos in Brazil and Vitromex in Mexico were acquired last year—Dal-Tile does a “significant” amount of OEM business, but most of the company's sales are branded, says Maslowski. Dal-Tile services home centers, distributors, dealers and national accounts. Most



of the products are made in North America, with over half a billion square feet of annual capacity in the U.S. alone, allowing the company to “better meet the quick-to-market turn times that are now standard in the industry,” he notes.

Anatolia saw nearly 25% growth last year, bringing it up to an estimated \$516 million, a record for the ceramic and stone supplier. While it grew its footprint, adding 25 countries to its export list aside from the U.S. and Canada, the U.S. still accounts for a large majority of the Canada-based company’s sales volume.

Anatolia primarily serves the residential market, but its new production facility in Turkey will allow for more of a focus on the commercial market. The 2.1-million-square-foot plant is expected to come online by this summer with a line dedicated to gauged porcelain slabs (63”x63”), a new product offering for the company. Two additional lines focused on 48”x48” formats are expected to be operational by the end of the year.

Large formats have yet to gain the same traction in the U.S. as abroad, but Anatolia co-CEO Cengiz Elmaagacli believes that’s because they are more premium products that have traditionally been imported from high-cost providers. “It does increase the risk of carrying inventory, and it does make it more costly to be able to promote them to the market,” he explains, noting that he will keep stock on hand in the com-

pany’s North American warehouses. “If we can ease some of those challenges, we believe the market will be more willing, focused, engaged, encouraged and incentivized to promote the products.”

The plant was built with the ability to triple overall capacity and features “the latest technology that exists in the world today, including many first-in-the-world technologies in production,” he says. The company is also investing in technology for its North American distribution centers, where it is automating inventory management. The largest such center, a one-million-square-foot facility in Savannah, Georgia, should be fully upgraded by this summer, with the other two—another in Savannah and one in Toronto, where Anatolia is headquartered—complete by the end of the year.

Amid the shipping challenges of the past few years, Anatolia bought its own ocean vessel, which it is primarily using to transport raw materials across the Mediterranean, chartering the vessel to the previous owner for trips back across the Mediterranean or the Atlantic. While trans-Atlantic shipping conditions have stabilized, routes are still at elevated costs, says Elmaagacli, who is beginning to look further east as Pacific-U.S. routes see massive improvement.

Anatolia goes to market through independent distributors and national retailers, with a fairly even mix. Amid the current softening of the market, Elmaagacli says he will continue looking for opportunities where he can. The company added natural stone products to its lineup last year, as well as a self-adhesive protective floorcovering called Guardia that he says has been “wildly successful.”

The cost and subsequent price increases of the past year propelled **Emser** to its highest sales volume in the company’s 55-year history. It did an estimated \$491 million in U.S. ceramic sales last year, up 8% from an estimated \$455 million in 2021.

As the builder market has slowed, Emser—which has strong partnerships with some of the nation’s biggest homebuilders—has seen business shift to remodel, and the company is honing its focus on the commercial market with the hiring of Tim Enright as vice president of commercial sales last October.

“We’re supporting that with new product,” says Rich Rose, vice president of sales support and special projects, referencing Emser’s growing commercial business. “Our objective is to have a fully balanced business, but we’re not quite at that level yet.”

Rose also notes growth in the wall and outdoor living categories over the past year, “partly due to trends and partly because that’s where we focused our attention.” He adds, “We expect more of that in 2023.”

With its foothold in the builder market, Emser has begun diversifying its offerings to provide a full complement of products, including LVT, which it introduced last year. The category is growing for the company, as are countertops, and Rose reports that both lineups may be expanded. This year, Emser debuted a new shower system, called Empervious. The comprehensive kit offers waterproof foam panels and curbs, pre-formed niches, pans and drains, along with setting materials and grout.



Anatolia’s Aspen marquetry mosaic in Paper Birch.



Emser's Calacatta on wall, Radiant in the shower and a wood look on the floor.

Emser works with manufacturing partners in 20 countries, including the U.S., to execute its product designs. Faced with drastic cost increases anchored by container rates, the California-based tile supplier implemented a 5% surcharge, which is now being evaluated on a case-by-case basis.

Its products go to market through a hub-and-spoke model. The company has four distribution centers and 80 branch locations that cater to installers. Emser is working to streamline its operations through a new warehouse management system. The company has hired an industrial engineer to recommend layout changes, automated equipment and other enhancements for its distribution centers. It is also looking at a new PL management system to offer greater visibility and flexibility.

By the end of the second quarter, a new testing lab is scheduled to be up and running at one of its distribution centers, offering validation of ANSI standards. "It is a good selling tool when meeting with new customers," Rose says. "In addition to this huge [internal] process we've got to verify quality, we've even got this additional step that guarantees it."

Having helped scale their parents' company

to a multibillion-dollar enterprise, brothers Raj and Rup Shah officially took over operations for **MSI Surfaces** earlier this year. Though it remains rooted in the tile business, the company's growth strategy has brought it into other categories, most recently artificial turf but perhaps most notably LVT, the industry's—and company's—fastest-growing floorcovering.

"We will continue to add product categories as long as our customers keep requesting it," says new co-CEO Raj Shah, noting the efficiencies associated with diversified suppliers. "Overall, we have been able to disrupt many of these industries as we bring volume to the product and use our trend and design expertise across product categories."



MSI's Arabescato Venato in White Argyle.



JobRunner

ERP Software for the Commercial Flooring Industry

The only full featured project management system written exclusively for the commercial flooring contractor. Finally, an ERP system that integrates Sales, Operations, Accounting and Inventory into a single solution. Contains true WIP reporting, percentage of completion revenue recognition and drill down financials.

Visit pacific-solutions.com/jobrunner for more details




Quartz countertops are another growing category for the company, which has patented technology that produces natural-looking veining. To support increasing sales, MSI is expanding capacity at its quartz facility in Latta, South Carolina, which began production in early 2020.

All told, MSI did an estimated \$450 million in U.S. ceramic sales last year, up 12.5% from an estimated \$400 million. Its assortment of ceramic products is sourced from 37 countries, produced to the company's specifications and utilizing its designs. Virtually all of the products are branded, going direct to market through home centers, retailers and a growing network of company-owned showrooms.

Last year, MSI grew its footprint with the opening of ten new showrooms and distribution centers in major cities throughout the Southeast and Northeast, a focus it is continuing this year.

With **Crossville's** new segment marketing leader, Leslie Baker, firmly in place after being hired in October 2021, the Tennessee-based producer grew more residentially last year than commercially—its historical focus—bringing the two more in line in terms of the company's overall sales. "That was partly by strategy and partly by the fact that the [residential] market was stronger up until the end of the year," president Greg Mather says, noting a reversal in the concentration of market activity between residential and commercial.

Overall, it was a year of growth for Crossville, which went from an estimated \$200 million in domestic ceramic sales to \$225 million for 2022.

With the industry anticipating challenges ahead due to inflation and rising interest rates, Mather says the company has positioned itself well from both an availability and customer service standpoint.

A service center in Miami is due to be up and running in the

coming months, opening up a new market for the company. And around the end of this year, Mather expects a new ball mill for the processing of clay to come online at the Tennessee plant as it works to grow capacity. "We have sped up our process to the point where we need the ball mill capacity," he says. "We have the next bottleneck scoped out for the following year to make another investment."

Crossville recently announced its goal of achieving a 30% reduction in manufacturing embodied carbon by 2030. In the short term, it hopes to achieve an additional 10% reduction by 2024 as compared to its 2019 measurements.

In keeping with this focus, Crossville announced its first carbon-neutral collections: Civilization and Native Metal, which are suitable for both commercial and residential applications.

Crossville domestically produces 75% of what it sells, augmenting its mix with a small assortment of imported products, primarily gauged panels. While that ratio has not really changed for the company, Mather says the market for panels is healthy, and he notes strength in wall tiles as well. ■



Native Metal in Champagne Gold from Crossville.

THE CERAMIC LEADERS

With our reports now focusing on the top U.S. suppliers, rather than producers, importers have knocked out domestic manufacturers Stonepeak, Florim and Florida Tile and remain a strong force in the market.

	2022		2021	
	\$\$ millions	Marketshare	\$\$ millions	Marketshare
DAL-TILE	\$1,538	35.2%	\$1,465	38.3%
ANATOLIA	\$516	11.8%	\$413	10.8%
EMSER	\$491	11.2%	\$455	11.9%
MSI	\$450	10.3%	\$400	10.5%
CROSSVILLE	\$225	5.1%	\$200	5.2%

*revised

Be the first to know when the next issue is free online for 24 hours by subscribing to our daily newsletter!

SUBSCRIBE

FREE at FloorDaily.net