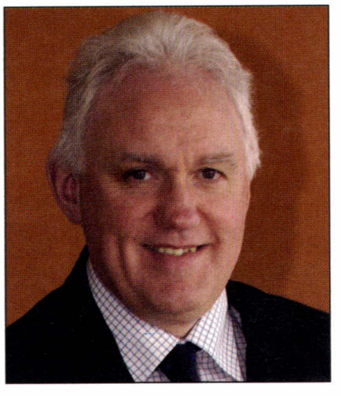
CERAMIC TILE VERSUS COMPETIVE PRODUCTS; WINNING GREATER MARKET SHARE



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Anthony Stock was educated in North London, England where he completed further studies in Marketing.

Anthony's career in the Tile Industry began in 1969 working for a leading fl ooring and ceramic tile wholesaler, Flooring Supplies (London) Ltd., which employed over 100 soft fl ooring and ceramic tiling contractors. Anthony was employed in the contracts department, initially working as a trainee estimator; eventually responsible for pricing and supervising all manner of domestic and commercial ceramic tiling projects including repairs and restoration work in Harrods Food Halls, Lincolns Inn Fields and No. 11 Downing Street.

Anthony owns two publishing companies: Australian Tile Publications, which publishes Tile Today, Discovering Stone and Creative Tiling. The second company Australian Trade Publications, produces Finishes & Surfaces a magazine which focuses on all the functional and decorative materials employed in our modern built environment.

Anthony's consumer publication Creative Tiling focuses on awards for creative use of tile in domestic interiors and exteriors. The awards are adjudicated by members of the Royal Australian Institute of Architects, the Stone Industry Association and the Australian Tile Council.

1. INTRODUCTION

During Qualicer 2002 one of the Round Table discussions was entitled 'The Ceramic Tile Sector of the 21st Century'. Many speakers concluded that the true threat to companies selling ceramic tiles does not come from businesses within their own sector. The chief threat comes from companies who manufacture competitive products, which occasionally imitate ceramic tile, in terms of appearance.

I am certain that we can all identify the most competitive products, which are timber, laminate fl ooring, vinyl, linoleum, glass, carpet and natural stone.

The last product mentioned is especially interesting. Of all the desirable products natural stone is perhaps the most imitated, particularly by the tile industry.

One of the stated objectives of Qualicer 2004 is the need to "progressively constrain these branches and increase our share of the fl ooring and wall cladding market."

The chief objectives of this paper are to put forward constructive ideas that relate to how ceramic tile manufacturers, importers and retailers might set about the task of securing greater market share for ceramic tile. We will also address some of the relative strengths and weaknesses of the prime competitive products, versus those of ceramic tile.

2. INTERNATIONAL TRENDS

In terms of consumption we could spend a considerable amount of time examining available statistics which relate to key markets. If we all agree that our goal is to increase consumption of tile at the expense of other materials, I believe that we gain little by simple examination of statistics, given that the popularity of certain products, in particular markets has often been determined by historical preferences, manufacturing cost and general availability of product and qualifi ed operatives, capable of completing satisfactory installation.

The products can be classifi ed under broad headings, which are relevant in established and developing markets.

For example in the year 2000 consumption of coverings materials in the United States were: (Figure 1)

Carpet	63.4%
Resilient Flooring	13.9%
Ceramic Tiles	10.6%
Hardwood	8.4%
Laminate	3.7%

Figure 1

A great deal of effort has been made by bodies like the Tile Council of America, Assopiastrelle and Ascer to open new avenues to market for ceramic tile, in the United States.

In an article in Ceramic World Review (issue no. 48) by Piergiorgio Burzacchini, the point is made that until "a few years ago tile was very little known in the United States and consumption was close to zero." During the 1970s four American architects in ten, admitted that they had never held a ceramic tile!

Relatively well travelled and well informed American consumers, are making decisions to select ceramic tile in preference to other fl oor coverings. The range and availability of modern ceramic tile in the United States, has been enhanced by the decision by many manufacturers and distributors of competitive products like carpet and vinyl, to manufacture ceramic tile under their own brand names (Shaw, Mohawk, Beaulieu, Witex etc.). The recent acquisition of U.S. tile company Dal-Tile by fl oor covering giant Mohawk is a case in point.

To some degree many of these, at face value, inspiring acquisitions of tile companies are concluded simply to come to grips with a product that is gaining market share from floor coverings traditionally marketed by U.S. majors.

The question is, will the companies concerned do everything they can to maximise the sales potential of ceramic tile? The answer in the majority of cases is undoubtedly a resounding no!

If we glance again at Figure 1, carpet accounts for almost two-thirds of coverings consumption in the United States. To undermine and weaken the market for carpet, would be a simple task if the tile industry and those who have recently bought into the industry, were prepared to take the necessary steps.

In Australia, which has the highest incidence of asthmatic attacks in the developed world, the priority to reduce the number of life threatening and fatal asthma attacks was imperative.

The Asthma Foundation published the results of extensive research, which confi rmed that dust mite (Figure 2) a small organism which thrives in carpet, soft furniture and drapes, is a prime trigger of serious asthma attack. The campaign in the media has been conducted effectively over a prolonged period of time. At one point half a million leafl ets were circulated to pharmacies across the country stating, 'no carpet is a good carpet'.

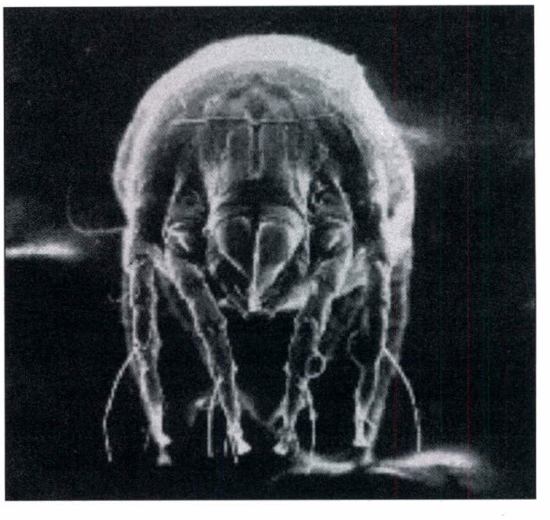


Figure 2

Carpet was compared unfavourably to hard, easy to clean surfaces like tile and timber. Specifiers began to select tile or timber for all rooms in the home, at the prime expense of carpet. Recent fi gures indicate that the total market for carpet has declined substantially in Australia. Consumption of locally manu-factured and imported carpet had fallen by 2001 to 52.9 million square metres. A fall of more than 15 per cent; the trend is still downwards.

A similar campaign in the United States would undoubtedly produce similar results. Is the collective will available, to put forward the acknowledged truth about these issues? As stated previously the answer is almost certainly no.

Will the bodies which represent the ceramic tile industry in the United States, take the necessary steps to promote the benefi ts of tile over carpet? If by doing so, they harm the prospects of some of their clients who have, so to speak, a foot in both camps.

If we are serious about expanding the market for tile, how far are we prepared to go?

Before we look at the positive and negative attributes of various competitive products, it's worth relating the good news about the global ceramic tile sector. While there is a surfeit of tile in many markets, we can report that the global market has grown substantially since 1980. In fact, it has effectively doubled each decade. (Figure 3.)

Global production	Mill. m^2 per day
1980	2.87
1990	7.21
2000	14.09

Figure 3

3. COMPETITIVE PRODUCTS

We have already stated that these products can be classified as follows:

3.1 CARPET (FIGURE 4)

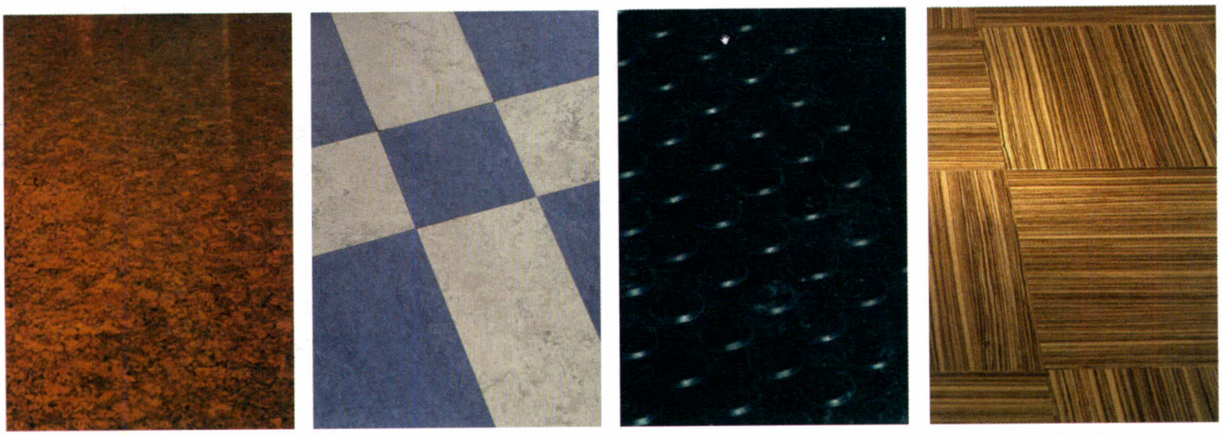
3.1.1. Positives

Affordability varies but is regarded in some economies as cheap, easy to lay, simple to replace, warm, comfortable underfoot.

3.1.2. Negatives - in comparison to tile

Can be burnt by cigarettes. Harbours and triggers known allergens, for example dust mite, which cause onset of asthma attacks and other allergic reactions. Cannot in many instances be effectively cleaned. Constant foot traffi c will wear carpet out much more rapidly than tile. Lift the corner of an in situ carpet, inevitably there is a collection of dirt and grit. In warm, moist localities, like northern New South Wales and Queensland in Australia, carpet can literally rot. Limited areas of potential use.

Figure 4



Cork *Linoleum* *Rubber* *Vinyl*

Figure 5

3.2. RESILIENT FLOORING (Figure 5)

3.2.1 Positives

Products categorised as vinyl, linoleum, cork and rubber.

All soft fl ooring materials that are very useful in areas where fi nished fl oor levels need to be kept to a minimum height. Generally described as quiet underfoot and relatively easy to lay, products like Amtico vinyl and Forbo Krommenie linoleum can be laid in numerous intricate designs, courtesy of aqua jet cutting processes.

3.2.2 Negatives

Again these products with the exception of rubber, are limited to interior use only. In general terms a more rigorous maintenance and cleaning program is required. This frequently leads to use of products which emit volatile organic compounds (VOCs). These products will burn and are more prone to scuffing.

Surprisingly the most attractive resilient floor coverings are frequently more expensive than tile. Those products which are cheaper than tile, may not last as long and will invariably cost more to maintain.

3.3. TIMBER (Figure 6)

3.3.1. Positives

Like tile and dimension stone regarded as an authentic natural product, which has benefi ted from a decline, in some markets, in interest in carpet. Available in a variety of timber types and two prime design alternatives - fl owing strip fl ooring of various lengths and widths, and parquetry fl ooring which often features contrasting light and dark colours of timber. Can be used externally as decking.

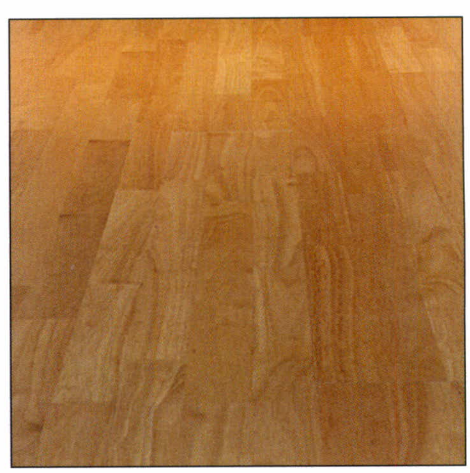


Figure 6

3.3.2. *Negatives*

Not easy to lay well. Needs to be sanded back and polished, which may require further attention. As the fl oor ages like many forms of resilient fl ooring, the polishes and cleaning materials may emit VOCs, which are potentially harmful.

The biggest drawback relates to impact damage, which may be very evident in a short space of time, in commercial or domestic locations subjected to high levels of foot traffic. This is especially the case where users wear stiletto heels. Even tough Australian timbers can be damaged by relatively light falls of objects like telephone receivers. Repairs which can be expensive and time consuming are generally carried out by a professional. Like carpet and many resilient fl oor coverings, signs of wear and fading can appear at a very early stage.

3.4. LAMINATE FLOORING (Figure 7)

3.4.1. *Positives*

Laminated fl oated fl ooring is extremely popular in many countries. It is an inexpensive product that comprises of a core material like high density fi breboard (HDF), a decorative layer (often an image of timber or stone) and a layer of laminate surface overlay. Does not fade when exposed to sunlight; can be easily installed. Generally laid over an underlay, which is designed to reduce noise and the transmission of sounds.

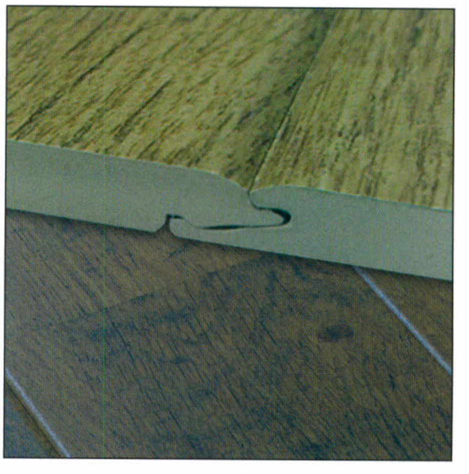


Figure 7

3.4.2. *Negatives*

Many manufacturers of carpet (Shaw) are moving into production of this product type in a big way. While the product's low cost is an attraction, the echoing noise that occurs under constant foot traffi c can be a distinct distraction. Furthermore, laminate fl ooring frequently fails to accurately and convincingly replicate products like natural stone. Many of the cheaper and median priced products wear rapidly and are particularly poor in regards to impact and abrasion, making the product a risky choice in commercial locations.

3.5. DIMENSION STONE (Figure 8)

3.5.1. *Positives*

An established favourite with specifi ers who are attracted to its complete naturalness and availability as a cladding, fl oor or wall fi nishing material. Widely available, the fact that the product is quite unique and frequently imitated, adds to its charm and mystique. The advent of new sealing and maintenance materials enhances the possibilities of using stone in a wide variety of locations. Development of these materials has encouraged users to use marble in preference to granite, as a kitchen bench top material.

Figure 8

3.5.2. *Negatives*

By comparison all of the aforementioned competitive products have been largely ignored, in terms of targeting by the ceramic tile sector. Tile manufacturers have focused on dimension stones generally high porosity values, tendency to scratch, its high cost and the need for careful and prolonged maintenance programs. Stone is expensive to lay and cannot be regarded as a D.I.Y. product.

3.6. ENGINEERED STONE (Figure 9)

3.6.1. *Positives*

This product which was primarily developed as a bench top material, consists of elements of natural materials and plastic resins. These materials are held together by a resin binder. Quartz is generally one of the prime fi ller materials while metal and glass contribute to the fi nished surface aesthetic.

Engineered stone is available in slab and tile form and is frequently specifi ed as bench or counter top material, together with matching floor / wall tiles. Employed in residential and commercial locations, this relatively new material is claimed to offer enhanced porosity, colour consistency, abrasion and scratch resistance values.

3.6.2. *Negatives*

While this material may be constructed as competing primarily with natural stone, its availability in tile form and similar characteristics to porcelain ensure that ceramic tile manufacturers should regard it as a competitive material.

Figure 9

Research indicates that the product does indeed scratch and in some circumstances its porosity values are questionable. The product's biggest drawback is that it fades rapidly when exposed to sunlight and therefore cannot be used externally. From a health perspective, extensive testing is being carried out in Australia to verify claims made about the material's composition. While stonemasons fi nd it easier to cut and shape than natural stone, elements within some engineered stones may emit VOCs.

4. WINNING THE MARKETING BATTLE

We have looked at how the market pie is sliced in the United States and we have acknowledged that each country is different because of traditional values, market tendencies, structural and climatic variations. Nevertheless the challenge remains the same. Those responsible for marketing tile in each global market, need to focus on the advantages that ceramic tile has over competitive products.

As the market for decorative fl oor and wall coverings becomes more globalised, the truly major players are availing themselves of opportunities to acquire tile production facilities, retail chains or the rights to select products. This is a positive step, only so long as it is controlled by companies or individuals who are sincere about the industry's future. To adequately market tile in an environment which houses many competitive floor coverings, the owners of that business need to ensure that staff are trained to sell all the products on their merits. It is an established fact that sales staff sell products they like and understand, which provide the highest rate of commission when a sale is concluded.

There are abundant opportunities to sell the real benefi ts of tile versus those of its competitors. In a highly synchronised and globalised market with fewer major players, the question has to be asked, will those responsible sell the benefi ts of tile at the expense of products which they have a greater investment in?

To achieve global success there is a need for clear objectives, like increasing the number of tile fi xers and their skill levels.

A concerted approach by leading associations and industry groups is required, if we are going to win the marketing battle. In reality it appears that at the highest level, a compromise will be sought.

Enlightened manufacturers like Graniti Fiandre are creating their own pathway to market by establishing Geologica shops in major cities around the globe.

This permits them to control exposure to specifi ers and act as wholesalers to willing local retailers. Other companies are moving manufacturing plants to countries where they feel that the environment is right. Every producer is looking for a pathway to market. For many the best avenue may be the one that affords them the most control over their own destiny, where product is presented properly, staff are suffi ciently trained and competitive products can be assessed on their merits not their relevance to the store owner, or their bottom line contribution in terms of profit.

5. CONCLUSION

Of course tile is frequently used in conjunction with competitive materials. Therefore it is probably better to avoid being unnecessarily dismissive of competitive products. Instead where possible, the emphasis should be fi rmly placed on determining why tile is a better choice, because of its potential for extended interior/exterior use in all manner of locations, including commercial facades, bedroom and garage fl oors, external steps and patios, entertainment areas and pool surrounds. We should stress the product's inherent strengths: durability, performance characteristics and ease of maintenance.

We should, in my opinion, avoid moving too far away from those inherent benefi ts, in an effort to make the product more like something, that it is not truly capable of being, in the strict sense of the word. By pursuing the look of natural stone, we have developed porcelain products that may be almost indistinguishable from the authentic stone, yet cost almost as much.

To sell more tiles, we need to focus on the product's simple virtues, not our capacity to imitate. If we have the best product, why are we trying to make minimalist replications of concrete.

Minimalism is a fashion, fashions change and the tile industry has to evolve. In the Sydney suburb of Paddington, Marble Industries (a stone retailer) recently changed many of their sanitaryware and kitchen displays, without changing the walls and fl oors which were tiled in stone. The owner announced, "limestone was the same 15 years ago, so why change." That is the nature of stone. By all means sell the benefi ts of tile in comparison to stone but without seeking to sell the soul of the product.

A few short years ago monocottura products made by a plethora of tile manufacturers offered 10, 20 and 30 year guarantees against wear.

My local shopping centre in Chadstone, Melbourne is visited by 16 million consumers per annum. The fl oor which was laid over 15 years is a monocottura tile by Ricchetti. This tile is virtually indestructible. Wherever one walks throughout the shopping centre, it is hard to fi nd any evidence of wear.

So why are we so determined to largely abandon this material? I am not anti progress, I respect the huge advances that have been made, particularly the technical processes that have made it possible to introduce revolutionary products like glazed porcelain, and the technologies that permit us to produce fabulous imitations of natural stone.

Sadly the trend to porcelain has ushered in a wide variety of products which are diffi cult to cut; require higher levels of ability by the tradesman; are almost as expensive in some instances as stone; and if experience in Australia is anything to go by, frequently require sealing.

The need to seal product has been recognised by some manufacturers who have introduced pre-sealing processes at the factory. Confusion over which products require sealing has prompted Australia's leading retailer to label all full body porcelain products - 'This is a porcelain tile, it requires sealing'.

Problems like this are playing right into our competitors' hands. If we want to sell more tiles we surely need to concentrate on ceramic tiles historic benefi ts - relative low cost, minimal maintenance and cleaning.

During conversations with members of Assopiastrelle which took place at Cersaie 2003, I was given to understand that the impetus to produce highly technical porcelain products, was created by a need to differentiate Italian products from those who seek to imitate. Everyone knows that whichever direction Italian tile producers take, others will attempt to follow.

My sources were confi dent that much of what was available at Cersaie could not easily be copied. When questioned as to who was going to buy these products, one official respondee remarked, "Our investigations reveal that 70 per cent of global construction relates to residential building, the remaining 30 per cent is purely commercial. Italian tile is historically well represented in residential building, but has minimal presence in commercial construction. Even here in Bologna, stone is employed on the majority of floors of distinction. Therefore we need to gain a presence in this market. By producing highly technical, superior porcelain products we hope to achieve this goal."

The need to gain greater market share, at the expense of competitive products is every tile manufacturer's dream. However there is bound to be a cost and that needs to be analysed.

Fortunately many modern firing lines can be swiftly adapted from glazed porcelain production to output of monocottura. Exports of Italian tile to Australia have declined in recent years by 3.5 million square metres; imports from China have increased by almost the same figure.

To effectively compete against the products we have examined, I believe that we should pay attention to the need to offer a broad range of products at a variety of prices.

We should not forget that much of the dynamic growth experienced by producers of tile during the 1990s was associated with monocottura, which can now be regarded as a traditional product.

Producing product to simply outpace a competitor is one thing, to surrender a part of the industry's heritage is quite another.

We should recognise that there is strength in many of the original products, and we must be very sure, before we abandon them completely.