PREMIER FLOORING RETAILER

SEPTEMBER/OCTOBER 2015

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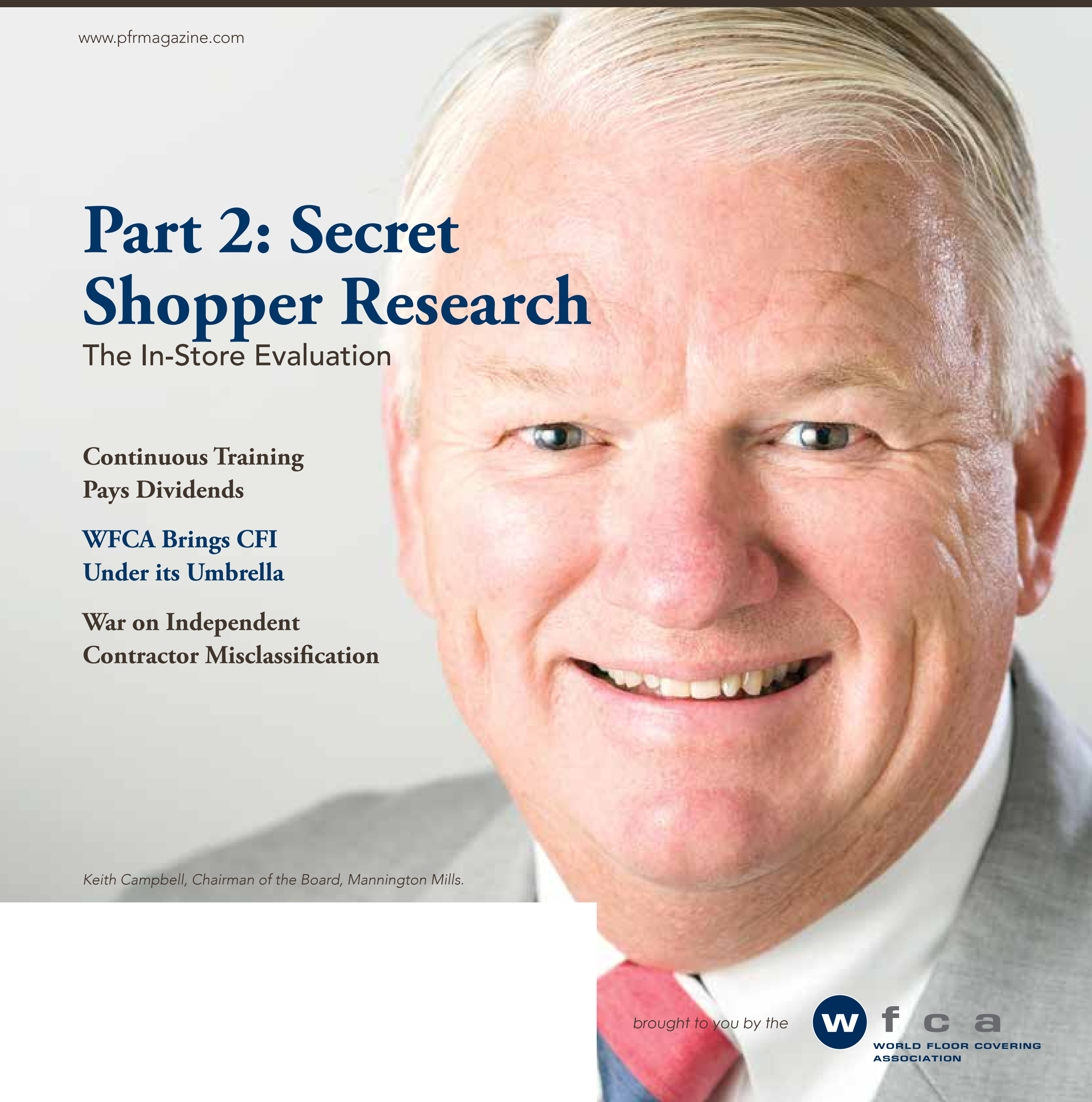

Part 2: Secret Shopper Research

The In-Store Evaluation

Continuous Training Pays Dividends

WFCA Brings CFI Under its Umbrella

War on Independent Contractor Misclassification

Keith Campbell, Chairman of the Board, Mannington Mills.

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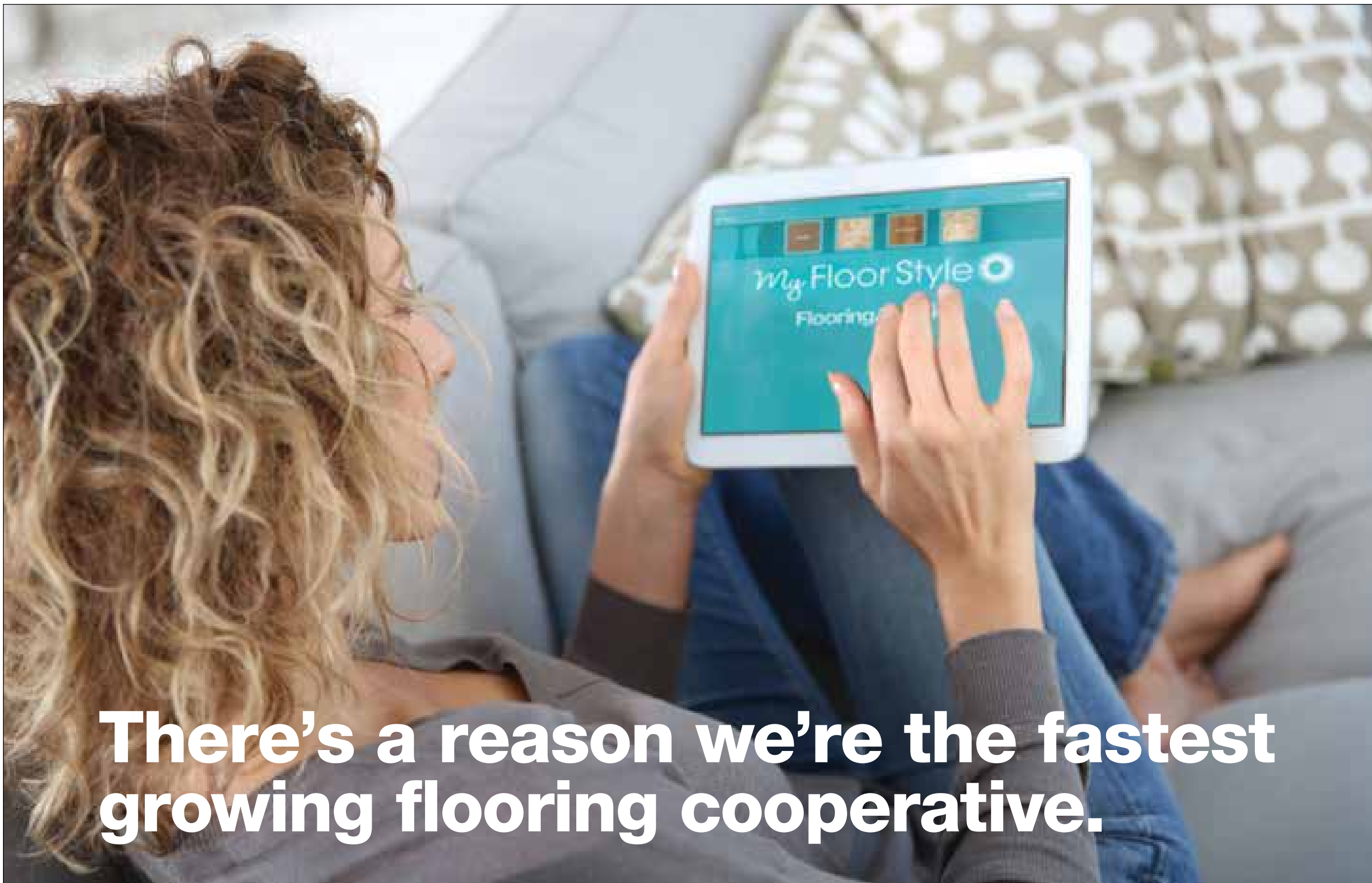
DEPARTMENTS

On the Cover: Keith Campbell, Mannington Mills chairman of the board is in the spotlight this issue as a 2015 WFCA Hall of Fame inductee. See the story on page 10.

CHANGE OF ADDRESS: In order to ensure uninterrupted delivery of *Premier Flooring Retailer*, notice of change should be made at least five weeks in advance. *Premier Flooring Retailer* is published bi-monthly (Jan/Feb, Mar/Apr, May/Jun, Jul/Aug, Sep/Oct, Nov/Dec) by the World Floor Covering Association, 2211 E. Howell Avenue, Anaheim, CA 92806. Application to Mail at the Periodicals Postage Prices is Pending at Anaheim, CA and at additional mailing offices. POSTMASTER: please send address changes to: Premier Flooring Retailer, 2211 E. Howell Avenue, Anaheim, CA 92806.



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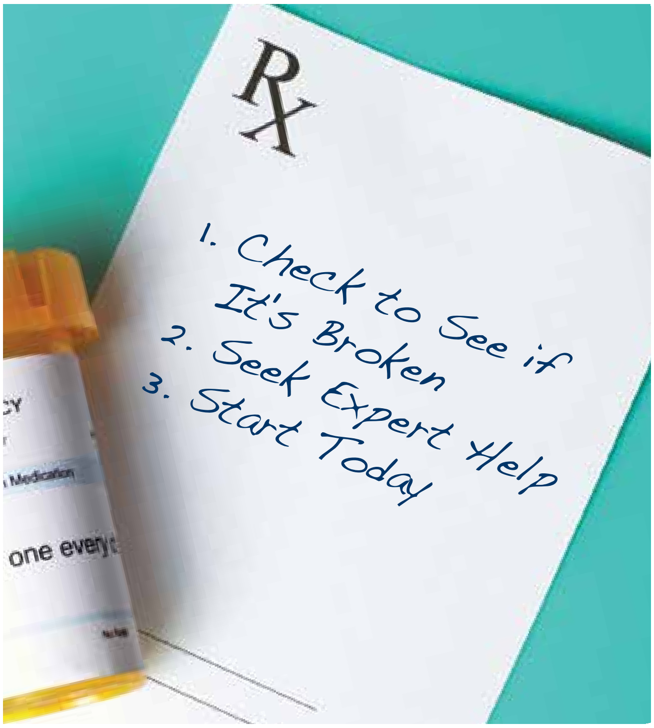
Health, Healthcare and Your Business

By Scott Humphrey, CEO, World Floor Covering Association

I recently went for my annual physical. At 52-years-old, my goal is to stay healthy so I can live life to its fullest for as long as possible. Based on my family tree, that could be a long time. My grandfather passed away at 98 years old of natural causes. All of his siblings were Nonagenarians (90+) with one of my great aunts living to be 103 years old. You could say that I have longevity in my DNA. Still, my grandfather did and my dad still does struggle with high blood pressure. Knowing that I too have a propensity for the same disease, and having no desire to live a long life that it isn't also a quality life, I exercise, pay attention to what I eat, take vitamins, and take advantage of annual checkups to evaluate how I am doing in my battle against time. Hopefully you do too.

It is likely that you have had the experience of going to a class reunion and noticed how people have changed. Hopefully, you are the one wondering where all of those old people came from. There is no doubt that we all age and some people seem to do so faster than others. You certainly can't fix what is out of your control, but shouldn't we address the things we can? Given the choice, we would all choose to be healthy. Yet, statistics show that great intentions don't necessarily equate to action.

The same is true for the health of your business. Here are three things you can do to ensure your business' quality of life, no matter how old it is:



1. **Check to see if it's broken** – Years ago, I noticed a close friend's son entering our church on crutches. I knew he wasn't on them the week before, so I asked what had happened. I was surprised to hear that his son had injured the leg weeks earlier, but they had not had it checked out. He didn't think it was anything serious. In the end, he went weeks in needless pain because he didn't know his leg was broken.

   It sounds crazy, but I see professional flooring dealers go years without fixing what is broken; even when the break is obvious to those on the outside. They are so busy running their business that they never take the time to evaluate their current status. Financial benchmarking, offered by the WFCA, can be a great way to check the health of your business and get an opportunity to compare it to other similar establishments. Consider it an annual physical for your business and remain committed to this annual evaluation.

2. **Seek expert help** – During a recent basketball game, my youngest suffered a head injury in a collision with another player by an accidental head-butt. As much as I wanted to help her, it never crossed my mind to enter the court, have her mom hold her down, and ask if anyone had a needle and thread.

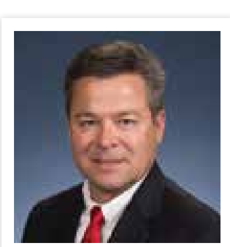
   There are some things I feel very competent addressing. Stitching up a gaping wound is not one of those things. Because of the location and depth of the cut, and based on advice from a doctor whose child also plays on her team, we sought out an expert in dealing with facial injuries. He came highly recommended by all with whom we came in contact. Because he did, it never occurred to me to question his credentials or tell him how to do his job. I was there because I needed his expertise.

   My point is that there are experts who know how to mend the body and administer stitches, as well as experts who know how to fix the ailments in your business. Many of them are available to WFCA members and require little to no investment. The key is to be willing to seek them out, listen, and act on their advice. Why attempt to fix something when you are not qualified. At a recent Visioning Summit, Paul Johnson, immediate Past Chair of the WFCA shared that they have a saying at their house, "If something is broken and they can't find an expert to come and fix it, it doesn't need fixing." In other words, Paul relies on those who are experts rather than messing the problem up further by trying to fix it himself.

3. **Start today** – I have often heard Tom Jennings say that the best time to plant a tree is 20 years ago. The second best time is today. The same is true for evaluating and improving the health of your business. Identify your current status, determine what should be changed, and start today. Do not be satisfied with good. Evaluate the health of your business by asking: "Is this the best it can be?" If not, determine how to help your business be its best!

You may or may not be a fan of what our government is calling affordable healthcare. We all know that someone is paying for that "Free" healthcare. Here is a question worth pondering: "If you had access to free or reduced cost healthcare whenever you needed it, wouldn't you be crazy to go on being sick or to pay for healthcare somewhere else?" There are numerous resources available at low- or no-cost in this industry; resources that would address the challenges you face in your business. Many of these resources are identified or can be found in this publication. That's because the WFCA's purpose statement says: "We exist to ensure the success and profitability of the professional flooring dealer and to represent their common interest."

With that in mind, I ask you to consider this issue of *PFR* a part of your prescription to ensure that your company is reaching its full potential as a healthy and profitable business. In fact, I challenge you to digest the content of each issue and apply the solutions offered inside if you want your business to be its best. And don't forget to share the love with those around you. A recent survey revealed that the majority of *PFR* readers share each publication with others after reading. It's the gift that keeps on giving, just like the content you will find in these pages. As always, we at the WFCA wish you great success and standby ready to do all we can to help you reach your goals. ■



Scott Humphrey

Scott Humphrey
CEO of WFCA

Can You Afford to Save Any More Money?

By Tom Jennings, VP of Professional Development, World Floor Covering Association

While our industry has certainly improved over the last few years, no flooring business seems to be flush with money today. Competition is fierce and margins are squeezed. As with every budget in the business world, the need to watch expenses is very real. I get it! It's just that there are some areas of your business which may be poor places to attempt to save money. In fact, in order to actually grow your clientele, you may want to consider just the opposite.

What I don't get is why most flooring retailers I encounter seem to think installation can often be identified as an area of cost containment or reduction. Not only is service the only element of a sale that really differentiates us from our competition, it is most often where both profitability and customer relationships are either maximized or jeopardized. Too many retailers maintain that product alone differentiates them in the customer's eyes. I could not disagree more.

To illustrate, allow me to make a comparison to the restaurant business. Every morning, a food supplier makes the rounds to various restaurants in a trade area. Whether it's a carton of eggs or a sack of flour, essentially the same ingredients are available to all establishments. While the deliveries into the kitchen are very similar, the deliveries from the kitchen to the customer's table vary greatly. The ultimate success of the restaurant relies heavily on both the chef's abilities and the recipes used. A great chef using inspired recipes will create a wait for a table at which to be seated. However, a mediocre cook using bland recipes will eventually create a "For Rent" sign in the front window. Similar ingredients can produce very different results!

In many ways, this scenario is similar to our flooring industry. Our "food service" trucks carry names such as Shaw and Mohawk on side panels that act like moving billboards. These trucks essentially deliver the same ingredients to the docks of all flooring stores. It's only the efforts of those who can craft a beautiful bathroom from boxes of tile, for example, that differentiate a great place from which to buy flooring from a mediocre one.

For illustrative purposes, let's say an entrée had a price of $15. Ask yourself, if a restaurant added one dollar to the price of every item on its menu, then consistently delivered a great meal using more skilled cooks, what do you think the net results in their amount of business would be?

Now, consider the same question, but reduce prices by $1, and use a less skilled kitchen staff. Do you really think they would prosper by being a little cheaper at the expense of delivering a better meal? I sure don't!

The only difference between these industries is that as a whole, chefs have successfully placed a high value on their trade. There are ample schools where they can be trained. There is even a TV channel dedicated to their abilities. Good restaurants brag about their staff's skills. What are your customers hearing about your staff?

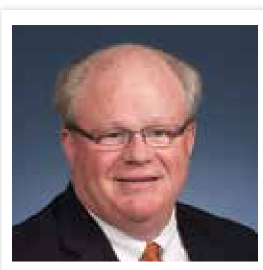
Further, at a restaurant, the meal is judged by its presentation along with its taste – not simply the ingredients themselves. Just as a "dollar menu" only appeals to some; not all flooring customers are looking for bargains when it comes to installation. The $1 illustration above represents a 6% price change. Have you ever gladly paid 6% more for something you really wanted? We all have. What could a 6% change do for your business?

We at the WFCA realize that wishing does not necessarily make it so. We are implementing major initiatives to certify and train both new and existing installers. Such programs are sorely needed and constantly requested, but cannot succeed without the support of both our members and vendor partners. This is not simply an industry problem needing an industry solution. You must recognize it is your problem and therefore, you must be a part of the solution.

There's a saying, "The best time to plant a tree was 20 years ago. The next best time is today." The same logic can be applied to our shortage of qualified installers.

My experience is that many customers will gladly pay a bit more to have a superior service experience. This is really nothing new. Nearly a century ago, Will Rogers stated, "It's not what you pay a man, but what he costs you that counts." It's still great wisdom today. Don't let low installation rates for questionable workmanship mislead you. Their real cost may prove to be quite high. ■

ABOUT THE AUTHOR



Tom Jennings is a lifelong member of the flooring business. Since selling his family's retail business in 2006, he has served the industry as an educator and speaker. He is a past-board chairman of the WFCA and is currently the board chairman of WFCA Services, Inc. and WFCA vice president of professional development. He may be reached at tjennings@wfca.org.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AFTER
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Hall of Fame Inductee Keith Campbell

World Floor Covering Association (WFCA) 2015 Hall of Fame inductee Keith Campbell is not only an industry standout for his business skills and the relationships he creates, but also for his compassionate heart.

Campbell has spent his entire career at Mannington Mills. Working from the ground up in various capacities, he was able to gain a better understanding and appreciation of the family business, the people who worked for the company and the importance of fostering good business practices. He was appointed to Mannington's Board of Directors in 1983, and is currently the company's Chairman of the Board.

Under his leadership, Mannington has experienced its greatest era of corporate growth, including two successful acquisitions – Burke Industries (2008) and Amtico International (2012).

Throughout his career, he has remained consistent in his commitment to Mannington's long-standing core corporate values – Care. Do the Right Thing. Work Hard/Play Hard and Control Your Own Destiny. These values, coupled with the corporate mission, "to be the best people to do business with in the flooring industry" have propelled Mannington into a global leader among flooring manufacturers.

In addition to his corporate duties, Campbell is extremely active in multiple industry organizations and initiatives designed to help the overall industry. He is currently Associate Director of the WFCA and serves on the Finance Committee – a position he has held since 1996. Among other involvements, he serves on the Board of Directors for the Floor Covering Industry Foundation (FCIF), an organization of which he is passionate about.

Further, his involvement in community activities is also vast. For more than 23 years, he has served as Trustee of the John B. Campbell Family Fitness Center of Salem County – a non-profit facility that provides a full array of community services to local residents. He also serves on the Board of Directors of South Jersey Industries, Inc., an organization dedicated to climate change solutions and conserving energy. In addition to his multitude of service and support roles at more than eight universities and educational institutions, he also serves on the boards of many charities, including United Way and Ranch Hope for Boys.

Campbell lives with his wife of 32 years, Shirley, in Salem, NJ. They have three children and three grandchildren. ■

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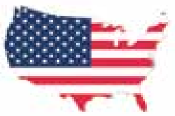

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Secret Shopper: How Consumers View Independent Flooring Retailers & Big Boxes, Part II - The In-Store Evaluation

By David Romano, Founder and Owner, Benchmarkinc

Editor's Note: *This is Part 2 of a four-part series presenting the results of a Secret Shopper case study going through the four steps of the flooring purchase process at 108 flooring stores, including independents and Big Boxes in six markets: Atlanta, Dallas, Kansas City, Los Angeles, Philadelphia and Phoenix. In each of the markets, metropolitan, suburban and rural stores were included.*

Starting off on the wrong foot with a customer is a misstep that even the most seasoned flooring sales associate will find very difficult to overcome. That first couple of minutes of building rapport, qualifying, and setting expectations is the foundation all good relationships are built on. Regardless of price, service, or selection – a poor in-store experience can kill a deal within minutes.

The big question is whether or not independent flooring stores do a better job connecting with customers and make a better impression in-store than the Big Boxes, like Home Depot, Lowe's, and Menards. The answer that the large majority, if not all, independents would shout is "absolutely." According to our case study in which 108 flooring stores, both independents and Big Box, across the United States were shopped in the second half of 2014, the quantifiable answer is "barely," as stated by the voice that really matters, the flooring customer.

Comparative Data			
Variable	Total Average	Big Box Average	Independent Average
Total Score	58.6	57.9	58.9
In-Store	61.8	58.2	63.8
Would You Purchase	62.8%	51.4%	58.0%
Would You Refer	68.1%	54.1%	63.8%
Average Quote	$1,642	$1,562	$1,685

During this study, the secret shoppers were asked to shop for either a carpet or wood product and that same choice must be shopped at all stores they visited in the market. They were asked to rate their in-store, in-home, and quote/follow up experience. This part of the article, Part II, will focus solely on what they experienced in-store. The next two articles will focus on the in-home and quote/follow up experiences, respectively.

During the in-store shopping process, the customers were required to rate their experience related to particular practices exhibited by the sales associate and how they perceived their surroundings. This is where this report becomes unique and quite groundbreaking. The ratings and/or responses as to how the customer felt about those 33 items were then analyzed to see the overall effect on:

1. The total score
2. The in-store score
3. Whether or not they would purchase a product from that retailer
4. Whether or not they would refer a friend to make a purchase from that retailer
5. The average amount quoted by the sales associate

We were able to understand what particular practices had a real effect on the customer's decision to buy or not buy from a certain retailer, something that has never been done until now. Each question was applied to a modeling tool to tabulate the affected score if that practice was done poorly or particularly well. We also looked at whether or not there was a difference if customers shopped for carpet or wood.

There were some interesting global observations. Shoppers felt as if the Big Box stores did a good job with product knowledge and believed that the sales associate was friendly and helpful. On the flip side, both groups - Big Box and independent retailers - failed to properly qualify customers and dropped the ball when it came to selling benefits, such as financing and price match guarantees.

- 19% of the shoppers rated the **store impression** as poor for the independent compared to 0% for the Big Box retailers; 55% rated it excellent for independents versus 27% for the Big Box stores;
- 71% of the independents **greeted a customer in less than 1 minute** compared to only 27% of the Big Box store; 10% of the independents took over 5 minutes to greet a customer compared to 32% for Big Box stores;
- Both independents and Big Box stores scored well on whether or not the **sales associates seemed friendly and helpful:** 94% for independents and 92% for Big Box;
- 76% of **customers considered the sales associates knowledgeable** when shopping the Big Box store compared to 94% for the independents;
- 55% of the independent store shoppers rated the **overall impression of their sales associates** excellent, while the Big Box stores scored 51%; 24% for independents and 19% for Big Box stores were rated poor;

Continued

Secret Shopper, Continued

- The **overall shopping experience** took a bit longer when shopping the Big Box stores; 26.21 minutes versus 24.25 minutes for independents;
- 14% of the shoppers at independent stores were required to pay for a measure; with 100% paying for measures at the Big Boxes;
- Only 3% of the shoppers for both groups felt they were **properly qualified**;
- 13% of independents and 19% of Big Box stores offered **financing**; and
- Mention of a **price match guarantee** was rare; 10% for the independents and only 5% for the Big Box retailers.

The following tables show what happened to the score of both the independent and Big Box stores based on the treatment or perception of the shoppers.

Shopped For Carpet

1. Shopped for Carpet - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	64.7	6.8	12%
In-Store	61.8	58.2	68.2	9.9	17%
Would You Purchase	62.8%	51.4%	59.5%	8.1%	16%
Would You Refer	68.1%	54.1%	59.5%	5.4%	10%
Average Quote	$1,642	$1,562	$1,220	-$341.32	-22%

The data in Chart 1 and Chart 2 illustrates that Big Box stores rated better with consumers when they were looking to purchase carpet. In comparison the Independents rated lower when consumers came in to shop for carpet. The average transaction was lower for both groups due to the lower average price/cost of carpet versus the average of carpet and wood.

Shopped For Wood

As seen in Charts 3 and 4, shoppers rated their in-store experience when shopping for wood in the Big Box stores much lower than both the overall average and when shopping for carpet. Independent retailers rated a bit higher than their overall average. However, both groups scored poorly when it came down to the consumers desire to purchase or offer a referral to a friend.

2. Shopped for Carpet - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	60.7	1.8	3%
In-Store	61.8	63.8	63.9	0.1	0%
Would You Purchase	62.8%	58.0%	50.7%	-7.2%	-13%
Would You Refer	68.1%	63.8%	50.7%	-13.0%	-20%
Average Quote	$1,642	$1,685	$1,166	-$519.28	-31%

3. Shopped for Wood - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	48.3	-9.6	-17%
In-Store	61.8	58.2	40.9	-17.3	-30%
Would You Purchase	62.8%	51.4%	10.8%	-40.5%	-79%
Would You Refer	68.1%	54.1%	10.8%	-43.2%	-80%
Average Quote	$1,642	$1,562	$2,049	$487.01	31%

4. Shopped for Wood - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	59.4	0.5	1%
In-Store	61.8	63.8	64.5	0.7	1%
Would You Purchase	62.8%	58.0%	15.9%	-42.0%	-73%
Would You Refer	68.1%	63.8%	15.9%	-47.8%	-75%
Average Quote	$1,642	$1,685	$2,534	$849.26	50%

Continued

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Secret Shopper, Continued

Seemed Friendly and Helpful

5. Friendly & Helpful - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	59.0	1.1	2%
In-Store	61.8	58.2	60.4	2.2	4%
Would You Purchase	62.8%	51.4%	91.9%	40.5%	79%
Would You Refer	68.1%	54.1%	91.9%	37.8%	70%
Average Quote	$1,642	$1,562	$1,518	-$43.25	-3%

6. Friendly & Helpful - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	59.5	0.6	1%
In-Store	61.8	63.8	64.8	1.0	2%
Would You Purchase	62.8%	58.0%	94.2%	36.2%	63%
Would You Refer	68.1%	63.8%	94.2%	30.4%	48%
Average Quote	$1,642	$1,685	$1,642	-$43.04	-3%

When the shoppers believed that the sales associate was friendly and helpful the affected score increased dramatically for both groups.

Didn't Explain Next Steps/Set Expectations

This practice, as shown on Charts 7 and 8, had the most dramatic effect of all. Regardless of the type of store shopped, when the shoppers were not explained next steps or were not given clear expectations, consumers were less like to buy or refer a friend and they rated their in-store experience much lower.

Did Explain Next Steps/Set Expectations

As with charts 9 and 10, when the next steps were explained to the customer and clear expectations were set, both groups received a higher in-store score and consumers were more likely to purchase and refer to friends.

7. Didn't Explain Steps - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	37.6	-20.3	-35%
In-Store	61.8	58.2	30.2	-28.0	-48%
Would You Purchase	62.8%	51.4%	8.1%	-43.2%	-84%
Would You Refer	68.1%	54.1%	8.1%	-45.9%	-85%
Average Quote	$1,642	$1,562	$1,643	$81.01	5%

8. Didn't Explain Steps - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	50.3	-8.6	-15%
In-Store	61.8	63.8	49.1	-14.7	-23%
Would You Purchase	62.8%	58.0%	7.2%	-50.7%	-88%
Would You Refer	68.1%	63.8%	7.2%	-56.5%	-89%
Average Quote	$1,642	$1,685	$907	-$777.65	-46%

9. Did Explain Steps - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	59.7	1.8	3%
In-Store	61.8	58.2	60.7	2.5	4%
Would You Purchase	62.8%	51.4%	91.9%	40.5%	79%
Would You Refer	68.1%	54.1%	91.9%	37.8%	70%
Average Quote	$1,642	$1,562	$1,558	-$3.38	0%

> We were able to understand what particular practices had a real effect on the customer's decision to buy or not buy from a certain retailer, something that has never been done until now.

Secret Shopper, Continued

10. Did Explain Steps - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	59.6	0.7	1%
In-Store	61.8	63.8	64.9	1.1	2%
Would You Purchase	62.8%	58.0%	92.8%	34.8%	60%
Would You Refer	68.1%	63.8%	92.8%	29.0%	45%
Average Quote	$1,642	$1,685	$1,739	$54.25	3%

Had to Pay for the Measure

11. Pay for Measure - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	58.7	0.8	1%
In-Store	61.8	58.2	60.2	2.0	3%
Would You Purchase	62.8%	51.4%	64.9%	13.5%	26%
Would You Refer	68.1%	54.1%	64.9%	10.8%	20%
Average Quote	$1,642	$1,562	$1,554	-$7.28	0%

12. Pay for Measure - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	54.7	-4.2	-7%
In-Store	61.8	63.8	60.0	-3.8	-6%
Would You Purchase	62.8%	58.0%	14.5%	-43.5%	-75%
Would You Refer	68.1%	63.8%	14.5%	-49.3%	-77%
Average Quote	$1,642	$1,685	$1,260	-$424.80	-25%

Average measure fees for Big Box Stores ranged from $35 to $50, while the range for Independents was $50 to $200. As shown in Chart 11, the score of the Big Box stores was not affected negatively when the shoppers were required to pay for a measure. However, when the Independents charged for the measure the in-store score was lower and the shoppers were unlikely to both, purchase from that retailer or refer to a friend.

13. Pay for Measure - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	61.7	2.8	5%
In-Store	61.8	63.8	66.7	3.0	5%
Would You Purchase	62.8%	58.0%	76.8%	18.8%	33%
Would You Refer	68.1%	63.8%	76.8%	13.0%	20%
Average Quote	$1,642	$1,685	$1,811	$125.90	7%

When the independents did not charge for the measure, as shown in Chart 13, every affected score increased -- some quite significantly.

14. Didn't Ask About Budget - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	57.8	-0.1	0%
In-Store	61.8	58.2	57.3	-1.0	-2%
Would You Purchase	62.8%	51.4%	81.1%	29.7%	58%
Would You Refer	68.1%	54.1%	81.1%	27.0%	50%
Average Quote	$1,642	$1,562	$1,773	$211.11	14%

Didn't Ask If Shopper Had a Budget

When the sales associates did not discuss budget with the shoppers the average transaction increased significantly for both groups and the affected score for desire to purchase or offer a referral increased in tandem.

Sales Associate Was Knowledgeable

When the sales associates were deemed knowledgeable the desire to purchase or refer was much higher for both groups. (See Charts 16 and 17)

15. Didn't Ask About Budget - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	55.9	-3.0	-5%
In-Store	61.8	63.8	59.6	-4.2	-7%
Would You Purchase	62.8%	58.0%	65.2%	7.2%	13%
Would You Refer	68.1%	63.8%	65.2%	1.4%	2%
Average Quote	$1,642	$1,685	$1,855	$169.86	10%

16. Associate Knowledgeable - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	59.1	1.2	2%
In-Store	61.8	58.2	60.7	2.5	4%
Would You Purchase	62.8%	51.4%	75.7%	24.3%	47%
Would You Refer	68.1%	54.1%	75.7%	21.6%	40%
Average Quote	$1,642	$1,562	$1,529	-$32.90	-2%

17. Associate Knowledgeable - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	59.3	0.4	1%
In-Store	61.8	63.8	64.8	1.0	2%
Would You Purchase	62.8%	58.0%	94.2%	36.2%	63%
Would You Refer	68.1%	63.8%	94.2%	30.4%	48%
Average Quote	$1,642	$1,685	$1,613	-$71.87	-4%

Sales Associate Was Not Knowledgeable

Ironically, the shoppers held the independents at a higher standard when it came to the knowledge of a sales associate. When an independent sales associate was considered not knowledgeable the affected scores related to their desire to purchase, refer a friend, and the in-store score was highly affected. As you will see the negative effect for the Big Box stores was less dramatic. (See Charts 18 and 19)

This report may raise a lot of question, but according to our secret shoppers two things are evident: in-store experience

18. Associate Not Knowledgeable - Big Box Stores					
Variable	Average All	Big Box Average	Affected Score	Real Change	% Change
Total Score	58.6	57.9	54.3	-3.6	-6%
In-Store	61.8	58.2	50.5	-7.7	-13%
Would You Purchase	62.8%	51.4%	24.3%	-27.0%	-53%
Would You Refer	68.1%	54.1%	24.3%	-29.7%	-55%
Average Quote	$1,642	$1,562	$1,646	$84.60	5%

19. Associate Not Knowledgeable - Independent Retailers					
Variable	Average All	Ind. Retailer Average	Affected Score	Real Change	% Change
Total Score	58.6	58.9	53.0	-5.9	-10%
In-Store	61.8	63.8	47.7	-16.0	-25%
Would You Purchase	62.8%	58.0%	5.8%	-52.2%	-90%
Would You Refer	68.1%	63.8%	5.8%	-58.0%	-91%
Average Quote	$1,642	$1,685	$2,715	$1,030.07	61%

gap between the independents and Big Box stores is narrow and both groups have a lot to work on.

As illustrated in the tables and points previously mentioned, the difference between providing an exceptional and forgetful experience lies in the details and professionalism of the sales team. This one thing is certain; whoever can figure this out first sure has a lot to gain as well as a substantial increase in sales. The advertising dollars spent to drive traffic through the doors without the ability to properly qualify, bond with customers, and close sales could be better spent with a charity that could really benefit from that donation. ■

ABOUT THE AUTHOR

David Romano is founder and owner of Benchmarkinc and its predecessor, Romano Consulting Group. David's professional career spans nearly 20 years of management experience in the retail, restaurant and consulting industries. His companies have been providing consulting, benchmarking, and recruiting services for nearly a decade exclusively for the flooring and restoration industries.

Update: The Affordable Care Act for Business

By Stacy Eickhoff, Senior Vice President, Willis Insurance Services of California

Despite a rocky start and continued challenges, the Patient Protection and Affordable Care Act (ACA) is here to stay. The June 25, 2015 decision by the Supreme Court for the matter King vs. Burwell has removed a potentially fatal obstacle. Open enrollment begins again October 1, 2015 for coverage in 2016 and the Employer Mandate reporting requirement for the 2015 will be due beginning January 1, 2016.

King vs. Burwell called into question whether potential tax credits were available to those individuals who purchased insurance through the Federal Exchange, alleging that the credits applied only to those who qualified and purchased coverage through a state-established exchange. A decision in favor of the plaintiffs would have been a major blow to the sustainability of the ACA. As of June 25, only 16 states and the District of Columbia have established an exchange; the other 34 rely on the Federal Exchange, www.HealthCare.gov.

The current law states if the cost of an individual's health insurance premium less any tax credits exceeds 8% of a person's income, then they are exempt from the coverage mandate. The decision upholds the argument that the tax credits may be available through both types of exchange, further solidifying the ACA and the need to be compliant with upcoming deadlines. What does this mean for you?

Large employers or employers that maintain 50 or more full-time employees (or equivalents) had a slight reprieve in 2014 with the mandatory requirement for employer and insurer reporting being been pushed back until January 1, 2015. Employer shared responsibility payment provisions were also delayed. To help with the transition, employers with over 100 employees were subject to the employer responsibility provisions in 2015 and must offer coverage to at least 70% of full-time employees, increasing to 95% in 2016. Additional consideration was given to employers with at least 50 but less than 100 full-time or full-time equivalent employees by pushing the deadline out another year to 2016 as long as appropriate certification is maintained.

Businesses with an employee count of less than 50 employees are usually not affected by the Employer Shared Responsibility rule, and according to the Small Business Administration this represents 96% of all businesses. This means that these smaller employees will not be penalized for failing to offer coverage or their employees receive premium tax credits through the exchange system.

In order to avoid penalties beginning 2015, qualifying *large employers* must *offer* their full-time employees *minimum essential coverage* or coverage that meets the individual responsibility requirement under the ACA. This same coverage must also be available to employee dependents. With respect to the employee's coverage only, the *minimum essential coverage* must be both *affordable* (less than 9.5% of the full-time employee's household income) and *minimum value* (the coverage will provide benefits that pay 60% or more of average costs for covered items).

The 2015 plan year penalty for not offering coverage is $2,000 per full time employee after the first 80 employees. The penalty increases in 2016 by reducing the 80 employee exclusion to 30. If coverage is provided and does not meet the minimum value or is not affordable for the 2015 plan year, the penalty is $3,000 per-full time employee receiving a premium

Continued


Our family business started
from the ground up. Literally.
Family-owned for five generations.
100 Years of beautiful floors.

Affordable Care Act, Continued

subsidy or $2,000 per full-time employee after the first 80. This penalty also increases in 2016 by reducing the 80 employee rule to 30 that can be excluded when calculating the penalty.

Many employers are finding coverage meeting the standard for *minimum essential coverage* is not as costly as they originally anticipated because it is less generous than many of the plans currently offered by employers.

To clarify and eliminate some potential confusion, here are some common questions (with answers) about the new healthcare program.

What does *offering* coverage mean? An employer must extend an *effective opportunity* to accept (or decline) coverage at least once during each plan year. The determination of whether an employee has had an effective opportunity to accept or decline coverage is based on the notice provided regarding the enrollment opportunity, how long the individual had to accept or decline, and any other conditions that apply.

What is a full-time employee? Identifying full-time employees is tricky. It is by far the most difficult administrative issue for employers. Generally, a full-time employee is one who has an average of at least 30 hours of service per week during a calendar month. The determination of hours of service and full-time or part-time status is made on an employee-by-employee basis, using actual hours of service.

An employer's classification of an individual employee as full-time, part-time, seasonal, temporary, etc., has almost no influence on whether the employee is defined as full-time for the purposes of ACA. Any employee may be considered full-time based solely on hours of service and all employees' hours of service must be measured to reliably identify the number of full-time employees the employer has. **Warning:** Just because you do not have employees that work more than 30 hours per week does not mean you are exempt.

You may have a combination of employees who work less than 30 hours per week on average during a calendar month but whose hours (up to 130 hours per employee), when combined, meet the 50 employee threshold. This is determined by totaling the hours worked for the month for all employees who individually worked less than 30 hours per week and dividing by 120. In addition, many entrepreneurs have more than one business and, dependent on the ownership structure, may be required to combine the employees from all of their businesses to determine if they meet the minimum 50. The current regulations allow you two options for measurement: the month-to-month measurement method or the look-back measurement method.

For the *month-to-month* measurement method, the employer measures each employee's service during each calendar month to identify status for that month only in order to determine which employees must be treated as full-time employees.

Depending on the employer's workforce and employment patterns, it could be difficult for an employer to use this method to clearly identify which employees maintain full-time status. Consequently, use of this method may result in penalties.

The *look-back measurement method* measures each employee's average hours of service over a previous period, between three and 12 months long, to assign each employee full-time or part-time status. Once the employee's status has been determined, it will continue for the same length of time used to determine their status; employers who "look back" 12 months establish the employee's status for the next 12 months. This is called the stability period.

The employer may have an administration period of up to 90 days to assess each employee, to determine if the employee is classified as a full-time and to notify them of their eligibility. Otherwise, the stability period must start immediately after the measurement period.

The employer chooses the length of the measurement, administration and stability periods, as well as the dates on which these periods begin and end, subject to a number of restrictions. There are also restrictions on changes to the measurement, administration and stability periods. The current regulations specify that an employer may not change a measurement period nor its associated stability period once the measurement period has started.

Rules for Current and New Employees

As part of the new healthcare act, separate rules have been implemented for ongoing and new employees. There are many exceptions, special rules and options making coordinating waiting periods and the *look back measurement* particularly treacherous.

An employer group health plan can no longer apply a waiting period longer than 90 days. In California, the rule is 60 days. New employees that are not *variable hour* or *seasonal* must be offered health coverage within the first three calendar months

Warning: Just because you do not have employees that work more than 30 service hours per week does not mean you automatically are exempt.

of employment to prevent penalty (the *look back method* does not apply). The employer, if using the *look back method* for ongoing employees must apply this measurement standard to new variable hour and/or new seasonal employees. The *month to month* measurement applies the full-time employee definition on a more current basis. Both are time consuming and pose their own challenges.

The Individual Mandate

The individual mandate, which applies to everyone, requires that each individual maintain *minimum essential coverage* for themselves and their dependents. This requirement took effect 1/1/2014. These penalties may be capped, reduced or waived due to the household income, or age of each participant. For each uninsured under 18, the penalty is cut in half; and other allowable exceptions are available. The penalties increase every year until 2017 when the penalties will be tied to the annual cost of living adjustment.

The penalty for not having coverage in 2015 is the higher of 2% of your yearly household income or $325 per person for the year ($162.50 per child under 18). The maximum penalty per family using this method is $975. The new penalties represent a dramatic increase over the 2014 year penalties. The penalties for 2016 continue to climb, the penalty per adult rises to $695 and the per child penalty will be $347.50. The total penalties will be the higher of $2,085 per family or 2.5% of the yearly household income.

The ACA requires employers to provide a notice of available health insurance to all employees regardless of whether they participate in the employer's existing health plan or whether they are full-time or part-time employees.

The ACA also requires that employers who provide health insurance to their employees provide an easy to understand summary of benefits and coverage.

Individual health plans are available through a variety of options including private health insurance or insurance via the exchange system. In addition to the federal exchange, currently 16 states have launched their own exchanges. Access points include the internet, private e-commerce platforms and insurance brokers.

King vs. Burwell also confirmed the credits apply to both federal and state changes. To simplify the shopping process and provide consistency in the marketplace, insurance plans have been standardized with the basic plan being named Bronze; the intermediate plan, Silver; and the top-shelf plan, Gold. Premiums vary by plan and region. There are provisions in the Affordable Care Act to provide premium tax credits for those who may have difficulty paying their monthly premiums. In order to qualify for premium tax credits, coverage must be purchased through the exchanges.

Who is a full-time employee?

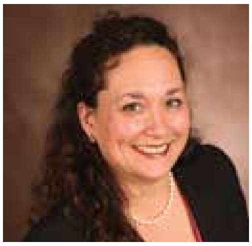
An employer identifies its full-time employees based on each employee's hours of service. For purposes of the Employer Shared Responsibility provisions, an employee is a full-time employee for a calendar month if he or she averages at least 30 hours of service per week. Under the final regulations, for purposes of determining full-time employee status, 130 hours of service in a calendar month is treated as the monthly equivalent of at least 30 hours of service per week.

An employer's classification of an individual employee as full-time, part-time, seasonal, temporary, etc., has almost no influence on whether the employee is defined as full-time for the purposes of ACA.

Through the Small Business Health Options Program, tax credits are available to small business owners who offer health insurance coverage. In order to qualify for the credit, a specific criterion must be met, including an employee count of 25 or less with average annual wages of less than $50,000 per year. Consult with your tax advisor regarding any potential penalties and/or tax credits.

Whether you are a large employer, small business owner or an individual; your only option is to become educated about the Patient Protection and Affordable Care Act and how it applies to you. The information included in this article is only a summary of the current guidelines. We urge you to seek assistance from your insurance broker and tax advisor. ■

ABOUT THE AUTHOR



Stacy Eickhoff is senior vice president for Willis Insurance Services of California Inc. She has worked in the insurance industry over 15 years with a focus on property and casualty within the floor covering and construction industries. Willis Insurance is the endorsed provider for the World Floor Covering Association.

ALLWOOD

Hardwood Flooring — The Hidden Quality Exposed!

When selecting hardwood flooring as designers or purchasing it as consumers, we tend to forget that wood, as a natural living product, is very different from other flooring materials. Wood flooring has characteristics that need to be understood to appreciate the true value of the finished product. Quite simply, the underlying quality of the finished product sample we see in the store is determined by far more criteria than simply the look and color of the product on the display. But how do you convey this "unseen" quality story to the unwary decision maker?

Hung Chen, a wood scientist (University of Minnesota) and president of Allwood Group in Portland, OR, is quick to point out that "What we see is not necessarily what we get." The process that moves the wood from the forest to the floor is many faceted, and any compromise along the way will affect the quality of the finished product. The season in which some woods are harvested and the schedule under which the wood is dried can determine whether the wood is under stress prior to production. Then, in production, milling the product in a manner solely to save material and thereby lower cost can build inherent stress in the finished product. The result is a product that may look great but that will not stand up as well to day-to-day and eventually decade-to-decade life as a product that is produced with care and commitment to optimize quality. The product will react more aggressively to a catastrophic event (large spill, dramatic moisture level changes) than the quality product.

Above: Forest harvesting; right: Flooring production.

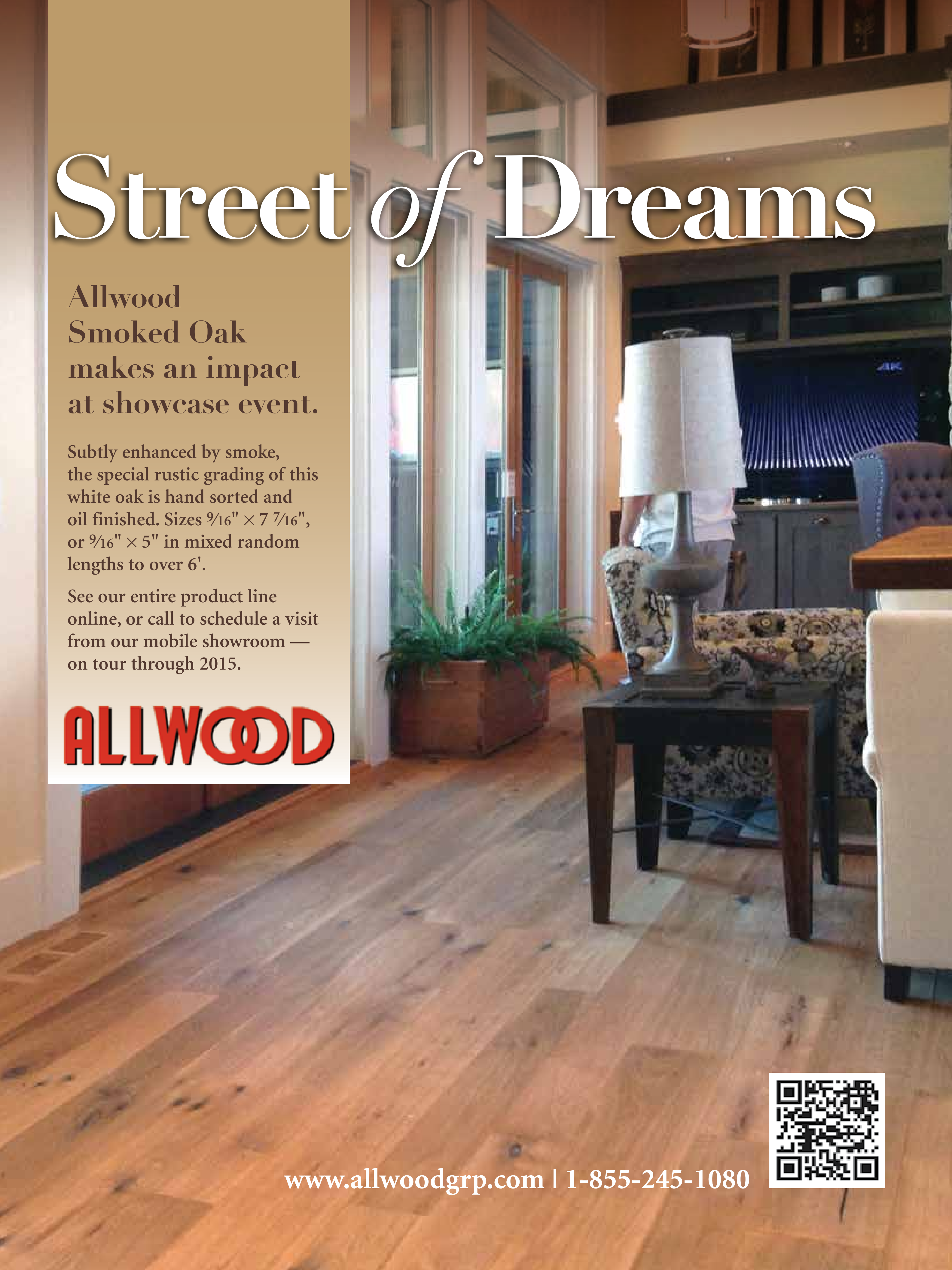
● But how do you tell the difference?

Well, therein lies the conundrum! You simply can't! And when the product breaks down after a number of months or years, or overreacts to a catastrophic event, how do you determine what truly caused it? Frankly, you don't.

● So what's the solution?

Mrs. Chen suggests you simply don't compromise the purchase. In a typical room in the home, the difference between a good-quality hardwood floor and a compromise is perhaps $2.00 per square foot for the flooring or $300 for a typical room. Installation and all associated costs don't change. A consumer will pay that for a small area rug, a nice cocktail table, curtains, a few lamps — all of which will most likely be gone in 7 to 10 years. The flooring will still be there and should typically be there for decades. So why would we want to compromise it? The "bottom line" is this: Buy your hardwood flooring from a reputable flooring dealer that has professional staff and carries quality products from reputable companies which specialize in hardwood flooring. ■

Quality Control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Independent Contractor Update:
The War on Independent Contractor Misclassification

By Jeffrey King, General Counsel for the WFCA

On July 15, 2015, the Wage and Hour Division of the Department of Labor (DOL) issued an aggressive interpretation of who qualifies as an independent contractor that will likely limit significantly the number of workers that meet the criteria. The interpretation reflects the DOL's view that independent contractor status is very narrow and many employees are misclassified. In fact, the new interpretation concludes that "most workers are employees" and independent contractor status is limited to the few individuals who are truly in business for themselves.

The potential impact is significant as the DOL oversees the minimum salary and overtime requirement under the Fair Labor Standards Act (FLSA). Accordingly, this new interpretation can potentially result in substantial liability for back overtime pay if a contractor is determined to be an employee of the company. Since most flooring dealers do not keep track of the hours its independent contractors work, the dealer will be at the mercy of what hours the contractor claims he or she worked.

Compounding the problem is DOL's program, in coordination with the Internal Revenue Service (IRS), to share information with states. Under this program, the states will report to DOL and the IRS any potential misclassification and visa versa. So far, 25 states (Alabama, Alaska, California, Colorado, Connecticut, Florida, Hawaii, Idaho, Illinois, Iowa, Kentucky, Louisiana, Massachusetts, Maryland, Minnesota, Montana, Missouri, New Hampshire, New York, Rhode Island, Texas, Utah, Washington, Wisconsin, and Wyoming) have agreed to share the information and signed the memorandum. As a result, DOL's reclassifying contractors as employees will be passed on to the IRS and states, which may conduct their own investigations that could expose the employer to tax liability, unemployment insurance and workers' compensation claims.

The Economic Realities Test

The DOL Wage and Hour Division uses the Economic Realities Test to determine whether a contactor is independent or an employee. This test focuses on the contractor and its business, rather than on the employer. The first consideration is whether the contractor's work is an integral part of dealer's business. For example, truck drivers are integral to a shipping company's business and have been found to be employees rather than independent contractors. The second factor is whether the contractor has an opportunity to earn a profit and risks a loss is considered. Employees generally work for an hourly wage or salary, while independent contractors control their profits and risk a loss. Third, whether the contractor invested in its business will be evaluated. To be independent, the contractor must have the indicia of establishing an independent business. The fourth factor is whether the contractors' work requires special skills. Whether the contractor controls the work is the fifth factor. This is similar to the control test, but focuses more on the contractor. The sixth and final factor is a review of the contractor and dealer's relationship. The prime factors are whether there is a contract, how long the contractor has done work for the employer and whether the contractors can work for other dealers.

Although DOL claims it has not created a new test or added any additional factors, it gives significant, if not dispositive, weight to some factors, while giving little or no weight to others. As explained below, DOL has effectively reduced the test to evaluating the investment made by the contractor, how his or her work relates to the employer's business and whether the contactor has established a true independent company.

Is the Work an Integral Part of the Employer's Business?

Whether a contractor performs work integral to an employer's business has always been considered in determining whether a contractor was properly classified as independent. Under the new DOL interpretation, however, this factor is almost decisive of whether the contractor is independent or an employee. More troubling is that DOL will greatly expand its interpretation of what is integral to the employer's business. In the past, a significant factor showing independence was whether a contractor worked off premises out of the constant supervision of the employer. Now, under DOL's interpretation, work "performed away from the employer's premises, at the worker's home, or on the premises of the employer's customers" can still be considered integral to the employer's business and not independent.

Can a Contractor Make a Profit or Incur a Loss?

The opportunity for the contractor to earn a profit or incur a loss was a standard consideration under the Economic Realities Test. Under the new interpretation, however, a "worker's ability to work more hours" and the worker's substantive "skills" have no bearing on the analysis of the profit or loss opportunity. Rather, DOL will only consider whether the contractor's "managerial skill" can affect his or her profit or loss. Accordingly, it is not simply the opportunity for profit or loss, but whether the individual's skill in running his or her business can drive the profit or cause the loss, such as hire others, purchase materials and equipment, advertise, and renting an office and/or work facilities.

Continued

"No longer will buying installation tools and a truck be sufficient to make an installer independent."

Independent Contractor, Continued

Does the Contractor Make an Investment in His Business?

A contractor's investment in his or her business was always considered, but under the DOL interpretation the investment must be compared to the employer's investment in its business. Accordingly, if the contractor's investment is relatively minor compared with that of the employer, the contractor is more likely an employee. Moreover, "investing in tools and equipment is not necessarily a business investment or a capital expenditure that indicates that the worker is an independent contractor." No longer will buying installation tools and a truck be sufficient to make an installer independent.

Does the Contractor Have Technical or Special Skills?

A contractor's technical skills have traditionally been considered a sign of independence. Under the new DOL interpretation, however, the mere fact that the contractor has technical skills will no longer be used in determining whether a contractor is independent. Under DOL's interpretation, "the technical skills of cable installers, carpenters, construction workers, and electricians, for example, even assuming that they are special, are not themselves indicative of any independence or business initiative." Rather, the contractor has to have "business skills, judgment, or initiative" in running his or her business. Thus the carpet installer may not be considered independent, but an installer that specializes in unique installations may be independent because he or she uses "business skills" to carve out a niche business.

Does the Contractor Control the Means and Manner of Performance?

DOL rejects the traditional reliance on the whether the employer exercises control over a contractor. DOL specifically noted that "no one factor (particularly the control factor) is determinative of whether a worker is an employee." Rather, under its new interpretation, the analysis is "to determine whether the worker is economically dependent on the employer (and thus its employee), or is really in business for him or herself (and thus its independent contractor)."

Can the Contractor Work for Others and Refuse Work?

The courts and enforcing agencies have always considered whether the independent contractor works exclusively or near exclusively for the dealer, and whether the dealer uses multiple contractors. If the contractor worked exclusively for the flooring dealer over a long period of time, then he or she was more likely to be considered an employee. Under the DOL interpretation, simply working for others may no longer be enough. Rather, DOL will consider "a working relationship [that] lasts weeks or months instead of years" to be sufficient to find a contractor is an employee. DOL specifically noted that "an independent contractor … typically works one project for an employer and does not necessarily work continuously or repeatedly for an employer."

Conclusion

DOL's interpretation ignores decades of legal precedent concerning the classification of employees and independent contractors. For installers to remain independent contractors, they will need to establish businesses, have an office or facility, invest in more than tools and a truck and may even need to have employees of their own. It may also be virtually impossible for a single installer that shows up at a retailer with his tools and truck each day to claim to be independent under DOL's interpretation. Moreover, a flooring retailer that uses both employees and independent contractors to install flooring will find it very difficult under the DOL new interpretation to

Continued

> The mere fact that the contractor has technical skills will no longer be used in determining whether a contractor is independent.

Independent Contractor, Continued

claim installation is not an integral part of their business and that the contractors are therefore independent.

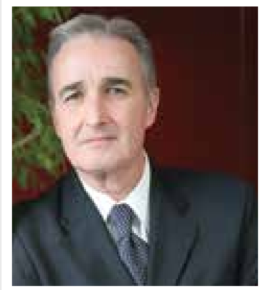
It is not certain if the courts will accept the DOL's new interpretation. Moreover, the other federal agencies, such as the Internal Revenue Service, the Equal Employment Opportunity Commission and Immigration and Customs Enforcement and the various States have their own standards and it is uncertain whether the DOL's new interpretation will impact those standards and test. There is no doubt, however, that independent contractor relationships are under fire.

Now is the time to review any independent contractor relationships you may have and take steps to minimize the risk of them being reclassified as employees.

Be sure to get a copy of the World Floor Covering Association's book, "*The Independent Contractor: Understanding The Rules And a Model Contract.*" The book provides a model independent contractor contract and explains the various issues regarding independent contractors. Association members can order this book at: www.wfca-pro.org. ■

ABOUT THE AUTHOR

Jeffrey King has more than 35 years' experience in complex litigation with a focus on contracts, employment, construction, antitrust, intellectual property and health care. He serves as general counsel for WFCA and other trade associations, and is a LEED Accredited Professional. For more information, contact him at (561) 278-0035 or jeffw@jkingesq.com.



The WFCA is Accepting Nominations for Annual Gold Standard Award

Entries for the World Floor Covering Association's (WFCA) coveted annual Gold Standard Award are now being accepted. The Gold Standard Award is presented each year to one WFCA member retailer who exemplifies the standards of a WFCA member and has created an outstanding retail experience for customers.

To receive the award, retailers are reviewed and judged on:

- **Knowledge** – A knowledgeable and well-managed staff who remain actively informed on their own inventory, as well as news and issues affecting the industry
- **Customer Service** – Providing courteous service and customer assistance throughout the selection, purchase and post-purchase processes
- **Quality of Store Image** – A clean, professional, well-maintained store
- **Code of Conduct** – Adherence to the WFCA Code of Conduct

In addition, companies must also: be WFCA members; have been in business for at least three years; and have favorable Better Business Bureau reports. The winner of this year's award will receive a $5,000 check, a Gold Standard Trophy, press recognition and a customized WFCA seal for their store entrance.

To enter, applicants must complete the submission form and present multimedia marketing materials and other documents as part of the review process. The deadline for submissions is December 31, 2015. Companies interested in entering or nominating an entrant for the 2015 Gold Standard Award can visit www.wfca-pro.org or call (800) 624-6880 for more details. Note: All entry material will be treated with complete confidentiality and will be reviewed only by the judging panel.

The award winner will be announced at Surfaces in Las Vegas, NV in January, 2016 ■

Application for Regular Membership

WORLD FLOOR COVERING ASSOCIATION

JOIN NOW FOR 2015!

FOR THE PERIOD ENDING DECEMBER 31, 2015

The undersigned hereby applies for membership in the World Floor Covering Association, a non-profit trade association serving the floor covering industry.

For Renewal - WFCA Member Number ______________________________

Company Name ______________________________

Contact Name Title ______________________________

Physical Address (Primary Location) ______________________________

City ______________________ State __________ Zip __________

Mailing Address (If different from above) ______________________________

City ______________________ State __________ Zip __________

Telephone(s) (______) ______________ (______) ______________ FAX (______) ______________

E-mail ______________________ Website ______________________

Number of Store / Operation locations ______________________________

WFCA Membership Dues Investment is $295 valid through 12/31/15

Please submit payment with completed application & member profile to:
WORLD FLOOR COVERING ASSOCIATION
Mail to: 2211 East Howell Avenue • Anaheim, CA 92806
Or FAX to: (714) 978-6066 or submit via e-mail

If paying by credit card: ☐ MasterCard ☐ VISA ☐ AMEX ☐ Discover

V-Code (3 or 4 Digit Authorization #) ______________ Amount $ ______________

Card # ______________________________ Exp. Date ______________

Name on card ______________ Signature ______________

*Only US funds are accepted

World Floor Covering Association • 2211 East Howell Avenue, Anaheim, CA 92806 USA • (800) 624-6880
(714) 978-6440 • fax (714) 978-6066 • www.wfca.org • e-mail: wfca@wfca.org

Membership dues paid to the World Floor Covering Association are not tax deductible as charitable contributions. However, they may be tax deductible as ordinary business expenses. WFCA estimates that 12% of your dues are not deductible because of WFCA's lobbying activities on behalf of its membership. Your dues include a subscription to *Premier Flooring Retailer* magazine.

9.8.2015

WFCA Works on Largest Issue Affecting the Flooring Industry Today

WFCA, CFI Move Forward on Plans for National Expansion

By Leah Gross

Scott Humphrey, chief executive officer, WFCA, has announced that the organization will add the International Certified Floorcovering Installers Association, Inc. (CFI) under the WFCA umbrella and provide the infusion of capital necessary to continue and expand CFI's installation training and certification programs. The decision to make the investment and add CFI to WFCA was unanimously voted on by the WFCA Board and CFI Executive Committee at recent meetings."

At the WFCA, our main purpose is to ensure the success and profitability of the specialty flooring dealer," said Humphrey. "We recognize that it is our duty to identify and improve areas of our industry that touch the retailer and one vital way to do this is to ensure the future of professional installation."

WFCA and CFI are longtime partners with a relationship extending back more than two decades. Historically, the WFCA has helped spread awareness of CFI's training programs and has funded hundreds of installation classes and workshops across the country. Taking the organization under its wing at a critical time in its history was a natural move for WFCA.

"Where would we be without CFI and all of the blood, sweat and tears that the CFI leadership team and its members put into this vital field?" Humphrey asked. He explained that the evolving business environment and the critical shortage of certified installers made this the right time for CFI and its crucial programs to be brought front and center. "For decades, we as an industry have stood on the sidelines and watched all of the professionals at CFI work their magic," Humphrey said. "I can't begin to articulate my excitement about what we have in store with our new venture together with Robert Varden and his CFI team."

Humphrey said the CFI name will be retained and used for the expanded programs. Robert Varden, who recently agreed to act as CFI CEO, will take on the role of vice president of the CFI division, which will oversee the existing and expanded certification training programs.

To accommodate its growing divisions, WFCA has opened an office and training facility in Lenexa, KS that will house staff from both organizations, including Tom Jennings, WFCA's vice president of professional development and many CFI employees. "This new facility represents the first of many doors that will be opened in the field of installation," said Jennings. "Everyone at CFI should be very proud of their multiple contributions to the flooring industry. It is because of them that this initiative has been set in motion. It is a very exciting time in our industry and I am very proud to be a part of it."

"CFI was built on a solid foundation and through our new association with WFCA, we are now equipped to maximize our background and expertise and truly reach our potential while we work towards a solution to the installation issue faced by everyone in our industry," said Varden.

In addition to the new Lenexa facility, CFI will be opening a brand new 10,000 SF installation training facility in Dallas, TX that will be able to accommodate workshops and classes for all types and levels of installation training and certification. The school is slated to open its doors in late September. Students from as far away as Brazil are already enrolling in the school. The Dallas location is projected to be the first leg of a larger plan to bring CFI training and certification to other markets across the U.S.

In addition to expanding breadth and reach of training courses, which will also include classes for sales professionals, CFI will enhance focus on recruitment efforts from a number of sources. "We have an aging population of installers," Varden said. He explained that many younger workers and trainees fled the industry as the job market shrank during the recession. "We are tapping into targeted demographic groups, such as veterans and high school vocational groups who we feel would be great candidates for this field."

News regarding the upcoming CFI Convention, in cooperation with the upcoming TISE-EAST event in Orlando, is forthcoming. ■

Living Healthy With Laminate Floors

By Annette M. Callari, Allied ASID; CMG

Laminate floors have had their share of notoriety recently. Certain imported laminates manufactured in China were the feature story of a *60 Minutes* documentary—brought to the attention of the American public because they contained dangerously high levels of formaldehyde. This disclosure was necessary and served the public well. Every state has regulatory emission standards for flooring that must be met for the safety and wellbeing of consumers. When those standards are violated, not only is it illegal, but it is a disservice to the public and to honorable manufacturers who consistently *do* meet all U.S. standards.

With that said, laminate flooring is an important segment of our industry, and for very good reasons. It captures the very best aesthetic of hardwoods, ceramics, and stones at a fraction of the cost. Besides being an affordable flooring option, laminates offer low maintenance, great durability, scratch and stain resistance, and performance longevity. Here are some exemplary products, all of which meet or exceed regulatory standards, deserving some positive attention:

Armstrong – Take a look at their Woodland Reclaimed/Textured Timbers collection (features Armstrong's HydraCore Plus). The vintage good looks are described as Old Original/Old Character. Color variations simulate natural aged woods – a beautiful aesthetic that marries vintage to modern-day design. Armstrong offers a 50-year residential warranty on this stunning collection and a 10-year commercial warranty.

Armstrong
Reclaimed Textured Timbers Collection

Berry/Alloc – This company manufactures a high-tech laminate flooring system with a unique aluminum locking system. Their top of the line Prestige collection also features:

- The **SilentSystem underlay** which is an integral part of each board and will reduce room noise by about 50%.
- The **AquaResist HDF** board with its sealed edges provides optimum protection against moisture. The surface of the floor is a High Pressure Laminate; this is extremely resistant to wear and ensures that the floor will retain its visual qualities for a very long time. Also withstands most acids and alkaline solutions, lit cigarettes and even high impact blows.

Bruce – White is in demand, and especially white flooring with lots of character. Bruce's Architectural Salvage collection (L3100) fits the bill. The design of the floor incorporates historic elements, utilizing a "milk-paint" technique replication – very unique and historic in nature.

Inhaus Surfaces – Inhaus offers an extensive line of laminate flooring. The Urban Zone Collection struck a design chord. Just two offerings within the line, Positano and Foggia are more than enough to capture attention. Both products use an embossed-in-register wire-brush technology (ChromaGrain) to create beautiful graining so defined and realistic, that it rivals true hardwood floors.

IVC – IVC's Bayside Everwood (product #002) is a unique style that can satisfy designs from cottage chic to high-style contemporary. As part of the Metropolitan collection, Bayside has striking good looks with a European flavor.

IVC
Bayside Everwood

Laminate Floors, Continued

Kronoswiss – Contemporary designs often call for flooring in a satin gloss (not too shiny) true black. Kronoswiss to the rescue, since black is not easy to find in a laminate construction. Their Black Varnished Oak with a satin finish is the perfect underscore to high-contemporary interiors. It emphasizes minimalist styles perfectly and creates visual drama in its contrast to lighter interior finishes.

Kronotex USA – Honorable mention goes to Kronotex in their website response to the 60 Minutes program mentioned in my introduction. Here is what Travis E. Bass, executive director of sales and marketing had to say:

"All 57 decors in the *American Concepts laminate flooring* line are manufactured by KronotexUSA in our 750,000 sq. ft. factory located in Barnwell, SC. Our U.S. manufacturing practices are compliant with the California Air Resources Board's (CARB) Airborne Toxic Control Measure 93120 Title 17, California Code of Regulations, the most restrictive air control law in the United States. These are the same standards mentioned in the *60 minutes* segment, and our *American Concepts* products meet all CARB Phase 2 standards."

Mannington – Let's not forget that beautiful laminate floors are available in realistic stone styles. Mannington's Adirondack (style 38603) is a compilation of multi-sized stones in a large format floor tile (15 5/8" x 50 ¾"). With approximately 20 stones per plank and 5 unique planks per SKU, Adirondack has astounding variations within the series' visuals. Made in the USA and FloorScore Certified only add to the attraction.

Mohawk – A standout is Mohawk's Carrolton Grey Flannel Oak. Weathered grey looks are high in demand in flooring. It offers a timeless, neutral-toned aesthetic that fits well with many design styles. This oak floor is a mid-toned neutral gray that harmonizes with most color schemes.

Nuvelle – Off-the-charts creativity would best describe the Beach House Collection from Nuvelle. These laminate floors capture a windswept, ocean-weathered

> Besides being an affordable flooring option, laminates offer low maintenance, great durability, scratch and stain resistance, and performance longevity.


Mannington
Adirondack

look with high character planks in beach-toned colors and finishes. Picture a 100-year-old cottage in Cape Cod. The floors have been painted, stripped, repainted and then left to age gracefully. That's the look of the Beach House collection. Colors include Pebble Stone, Primal White, Lagoon, Native Rock, and Ocean Bed. This is a must-see series that makes a personal statement.

Quick-Step – I looked for something exceptional in Quick-Step's laminate line and I found it in their Sculptique Collection. A favorite is their Quicksilver Hickory Planks. Premium soft-scraped textures and longer plank lengths provide unique styling. Light and dark tonalities in the floor give it a true Americana look.


Mohawk
Grey Flannel Oak

Shaw – The Vintage Painted series (SL336) – made in America – is a standout. The color choices, as well as the weathered good looks, set it apart. Colors include Wine Barrel, Weathered Wall, Boardwalk and Ice House. Planks are a hefty 47.72" long and 5.43" wide, which adds to the vintage feel.


Shaw
Wine Barrel

Tarkett – LongBoards 932 is certainly worth Googling. Ranch style floor boards have taken a trendy twist with this collection. The oak and pine styles have an exclusive 3-D surface that brings a heritage feel to the floor. The planks are oversized which adds to the ranch style look and beveled on all sides. If acoustic properties are a concern, there is a separate acoustic underlayment available. Coordinated skirtings and profiles are also available.

Hopefully the above descriptions have captured or renewed your interest in laminate flooring. You can research each of these products online for a more in-depth view. Laminate floors have a lot to offer, aesthetically and performance-wise. There has never been a better time to consider quality laminate floors – and with certainty they meet all U.S. standards. ■

Correction: *In the July/August issue "Luxury Vinyl Floors: Still a Growing Market," we erroneously reported on the products offered by Novalis Innovative Flooring. The correct product line up for the company's NovaFloor brand is Lyndon, Casa, Birkdale, and Hartsfield. NovaClic Kempten is no longer part of that product line up. You can learn more about NovaFloor products by visiting NovaFloor.us.*

ABOUT THE AUTHOR

Annette Callari is an interior design expert with over 20 years of residential and commercial design experience. An allied member of the American Society of Interior Designers and a Chair Holder of the Color Marketing Group International, she is the Southern California commercial sales specialist for Karndean Design Flooring.

Let Your Working Capital Work to Expand Your Business

By Trent Ogden, QFloors

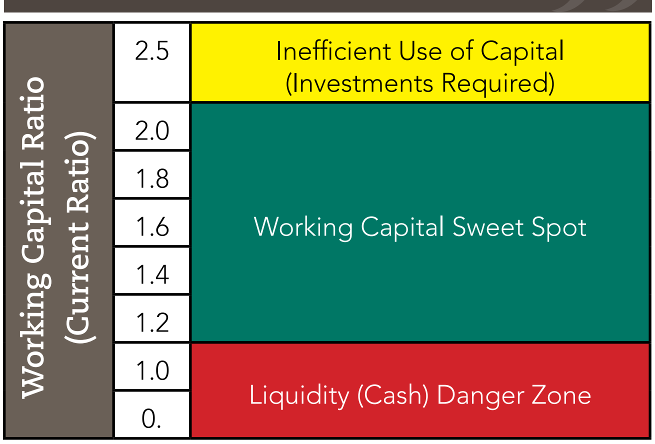
I have noticed that questions from the dealers that I advise have changed over the past few years. Instead of asking what they should do to survive – a common question during the recession - they have started to ask me how to deal with their success:

- "What should I do with my profits?"
- "My business is growing, sales and profits are increasing. What should I do next and when should I do it?"
- "What should I do with my extra cash?"

How do I respond to these questions? It depends on what your goals are. Most owners want to expand and make their business more valuable, either for themselves or to sell to someone else. Prior to embarking on either route, make sure you have built a solid foundation. Here's how:

- Pay yourself and your employees the raises, bonuses and benefits that you may have delayed during the recession. Finding and keeping good employees, especially sales managers and salespeople, is the most critical success factor in our businesses.
- Prepare your business to survive the next downturn by paying off or getting out of bad loans. Bad loans and too much debt contributed to the failure of roughly 25% of floor covering businesses in the last recession. Get out of bad debt while the getting is good. What's a bad loan? It's any loan with high interest rates or variable interest rates. Credit card debt is the worst kind. You should be paying your credit cards off every month. Moving forward the Fed has already confirmed that interest rates will only be going up.
- Pay down your credit lines (they have variable rates), and pay them off completely if you can. You'll need room on the credit line if/when the next recession hits. You can't assume sales volume and profit margins will stay the same or get better indefinitely.
- Consider paying off equipment and car loans. Use cash to pay for the new ones if possible, while avoiding leases. The lower your monthly payments, the more flexibility you will have to effectively use your working capital to safely and methodically expand your business.

> "Pay yourself and your employees the raises, bonuses and benefits that you may have delayed during the recession."



Don't skip these steps. This is the necessary foundation you need from which to launch your expansion. If it takes several more years to find and train the right people and get rid of the bad loans, then use whatever time it takes.

Now, look at your current ratio (sometimes called *working capital ratio*) on your balance sheet. This is calculated by taking total current assets and dividing that by total current liabilities (current assets/current liabilities). An efficient business should be somewhere between 1.2 to 2.0.

If it's lower than 1, it means your current assets are lower than your current liabilities and you're probably struggling to pay your immediate bills, let alone having the cash to make important investments in order to expand. If your ratio is over 2, then you're not using your available working capital effectively and you certainly should be expanding/investing faster than you are.

On the other hand, if your ratio is slightly above 1.2, you can't go out and buy anything you want. You should only consider investing in things that, after the investment, don't drop your ratio significantly below 1.2. Remember, when you invest in equipment, software, real estate etc., you are converting cash (a current asset) to a fixed asset. This will lower your current ratio immediately. Any working capital ratio above 1.5 means you're definitely ready to expand--if that is your goal.

Next, evaluate and upgrade the assets/equipment that will help you run efficiently. Items such as computers and

> Having **healthy levels of working capital** will give your business **financial stability** while providing **expansion options...**

software, cutting machines and forklifts, delivery trucks and trailers would fall into this category. Can you increase your capacity with the assets you already have in place or do you need upgrades in this area? Again, avoid borrowing and try to pay cash for these things if you can. If your current ratio is 1.5 or more, then you should have plenty of cash to buy the necessary equipment needed. If you don't have enough cash, then you probably have a receivables problem and/or an inventory problem.

Here are some of the other areas of expansion that owners usually focus on, often prematurely. All store owners want to sell more and make more profit, right? Most try to do this by getting business from sources that don't necessarily physically walk into their stores (think builders, property managers, commercial). These categories of additional business revenue will increase profit dollars, but they will also use a lot of cash by way of higher receivables. Remember the role bad receivables played on business failure in the last recession? Make sure that no customer – should they not pay their bill – has the ability to cripple your business.

Another enticing expansion investment for owners is inventory, for its ability to increase both profit margins and product volume. While it's true there are great deals out there if you buy rolls, truckloads, and containers; however, by doing so, you're gobbling up the cash you need for other expansion investments. The industry average for inventory turnover in 2014 (annual sales/average inventory) was 6.6. If your operation is below this level, then you probably have too much inventory.

If and when you: 1) feel like you have the right people (human capital); 2) have eliminated your bad/unnecessary loans; and 3) your working capital ratio is above 1.2 and you have extra cash, then you may be ready to expand your business by adding locations. Using a similar model to the one that made you successful in your current location can work in another. It should be especially profitable with the management and back office economies of scale you gain with more locations.

Moreover, with a balance sheet such as I have described, you can obtain financing to purchase real estate (instead of just renting) if you so choose. Over the long run, it's better to own than to rent. A down payment on real estate will require 20% of the total price, so plan your cash outlay so as not to make your current ratio too low. You can get a Small Business Association (SBA) loan with only 10% down, but keep in mind that a big part of the SBA loan (the bank's portion) will likely be subject to variable interest rates. So, be careful with these.

Finally, having healthy levels of working capital will give your business financial stability while providing expansion options to take advantage of specific opportunities, such as necessary equipment, inventory, or real estate. Don't take short cuts. If you do, you put your planned expansion and your business itself at risk. ■

ABOUT THE AUTHOR

Trent Ogden grew up in the flooring industry, and has a depth of understanding fostered by years of working experience. He is an owner, founder, and CFO of Flooring Technologies (dba QFloors). Trent holds an MBA, and a BS in Accounting. He is an expert on how accounting and tax issues relate specifically to the flooring industry. Contact Trent at trent@qfloors.com or 801-563-0140.

The Produce Aisle Isn't the Only Place Where 'Fresh' Matters

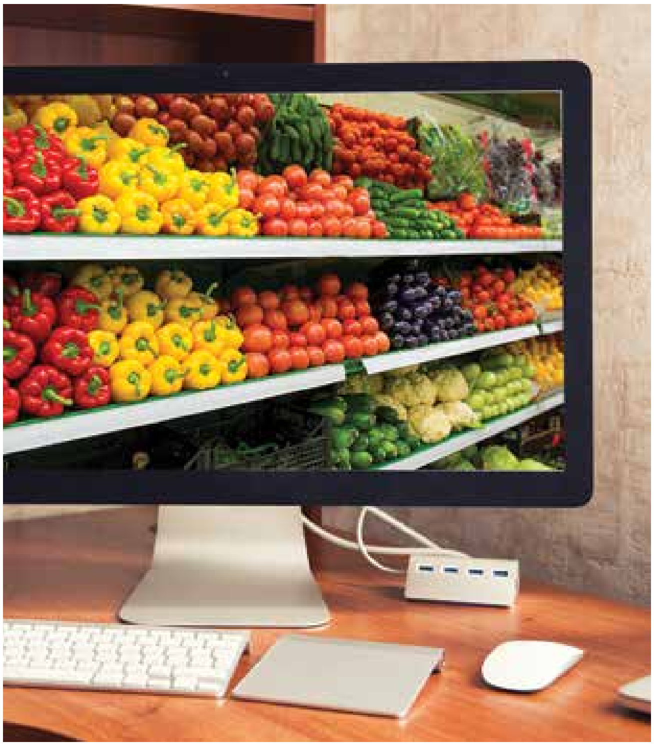
By Josh McGinnis, Owner, Unlock Your Biz

A grocery store is often judged by the quality of its produce – the fresher the produce, the better the value. Your customers are doing the same with your website. Make sure to update the part of your website that your customers can see and other internal areas. Both areas are important and both need updating!

I recently sat down with veteran website developer and SEO expert Will Wilkinson, principal, Lift Media Group in Chattanooga, TN, to discuss why a well-maintained website with fresh content is such an important investment. Today, the freshness of your website is just as essential to attracting customers and enhancing the perceived value of your company.

Q. We hear a lot about the importance of a business or organization keeping its website fresh and up-to-date. Why is this so important, and do websites really need to change that often?

LMG: The number one reason for keeping your website fresh and up-to-date is to be found by today's search engines. Besides word of mouth, search engines are the number one way potential customers find your company. Search engines are constantly tweaking their algorithms to deliver the best possible search results to their users. Thousands of criteria are used to return search request results in a fraction of a second.



Business owners need to do everything possible to help the search engines see your website as the most relevant site to display based on the search terms entered. Fresh, well-written content is how you get found. An outdated website will get overlooked by search engines whose algorithms have changed.

Q. Are you saying fresh content is important to being found online? I thought all a website needed was good SEO (Search Engine Optimization).

LMG: Yes, fresh, well-written content is king. Search engines like Google and Bing are in the business of providing users with the most relevant content available based on the search terms entered into the search bar. Search engines want to direct you to content that other users found fresh and interesting. So, if your website does not have quality written content, searchers will not find it relevant or interesting, which means the search engines will not find it relevant or interesting either. The less relevant a search engine thinks your website is, the lower in the rankings your page will appear. That is why fresh quality content that interests the reader is so important.

Q. What do you mean by fresh, quality content?

LMG: Content should be written for people, not just search engines. Search engines may be the tool being used to find your content, but potential customers will be the ones reading your content. High quality, relevant content is the secret to success with search engines. You want to make your content informative and entertaining, while keeping in mind that you should use relevant, key phrases users may type into a search bar to find a company such as yours. This is where a SEO professional can be really helpful. You want your content to resonate with the audience reading it, but you also want to make sure you have adequately addressed the needs of the search engines.

Q: How does a search engine know if your website has quality content?

LMG: When you are consistently producing high quality content, it will be easier for you to cross-link key phrases from one page of your website to another page that contains more detailed information about a subject. These internal cross-links boost the quality of your content by showing search engines your website has a lot of information about a specific subject or search term. You may also want to provide your audience with links to other websites that may have a specific expertise, or to web-based tools that can help them solve their real-world problems.

Q: Why is it important to keep your content fresh?

> Search engines may be the tool being used to find your content, but humans will be the ones reading your content. High quality, relevant content is the secret to success with search engines.

LMG: Fresh content keeps your audience hungry for more. If your website is consistently feeding your audience's need for information, your audience will reward you by returning again and again to your website, and by sharing your content with others. This will cause your page rankings to rise in search engines. The less frequently you add new content, the less frequently your audience will return, and the less frequently they will share your content, which will cause your page to fall in the rankings.

Q. What sort of fresh content should business owners provide their audience?

LMG: Search engines use a variety of factors to determine the importance of a piece of content, so not all content is treated equally. Some search engines, like Google, know that people enjoy videos, so if you have a video on your page related to the search request, the search engine is more likely to display that particular page higher in the search results. So it's good to update your videos periodically. Other types of content that will help to keep your website fresh and improve search engine rankings are: related images, news articles, fresh testimonials, regular blog posts and an occasional user poll.

Q. The average corporate website is five-years old. Does the age of a website hurt a company's search engine ranking?

LMG: It's not so much the age of the website as is the age of the content and structure of a website that may impact a company's rankings in search engines. If the content on the site is five-years old, then, yes, there is a problem. When content becomes stagnant, search engines see little reason to place your site high in search results.

Older websites often lack the structure needed to stay relevant to the search engines. As I mentioned earlier, search engine algorithms are constantly changing. In April, Google released a mobile-friendly update to their search algorithm, which means websites that are mobile-friendly or mobile responsive will appear higher in Google search results initiated from a mobile device like a tablet or a smartphone. That is a significant change because it is estimated that 46% of all online searches start on a mobile device, and 60% of all online traffic comes from a mobile device. So, it's easy to see how not making this one change could be impacting your business.

Q. What are some initial steps a business owner should take to start updating a site that falls into this five-year-old category?

LMG: First, ask yourself, "Does my website reflect who we are as a company?" What I mean by that is, does the website match your current branding, also referred to as the look and feel. If the website does not match your branding, it could be hurting your company image and causing potential audience members and customers to get the impression you are behind the times.

Second, make sure the site is using current design and technology standards. For instance, several years ago FLASH technology was all the rage for creating great websites, but FLASH is not accessible by Apple devices. Making sure you site is mobile-responsive is really important, especially with the new mobile-friendly update to Google's algorithm implemented in April.

Finally, keep your content fresh! Adding new, relevant content is a great way to start improving your page rankings. This is not a silver bullet, but consistently adding new content over time will improve your page rankings with search engines.

In today's connected world, people are turning more and more to their cell phones and the mobile web to find the information they need to help them make purchasing decisions. So, it is important for small business owners to understanding that a modern website with highly relevant content can set you apart as a knowledge broker for the 21st century. That outdated website with stale content and broken links can paint you as a relic of a bygone era. Just think about what you want to see when you go to a website for information or service; your customers are no different. To improve your website, make sure you use a quality company. But whatever you do, keep your site updated! ■

ABOUT THE AUTHOR

Josh McGinnis is in the top 5% of business coaches worldwide. He specializes in fixing marketing, sales, and people problems so his clients can maximize their growth potential. His clients routinely outperform the national average for their individual industries. This is part of the reason he has doubled his own business by word of mouth and referrals each year for the last four years.

WFCA Members Seeing Great Opportunities

LVT Leads Sales Increase, Carpet Tops Profit Margin

By Jeff Golden, Editor

The Q2 Market Trends survey results highlight the growing business climate for WFCA members. Mentioned as the greatest opportunities for the industry are the tremendous pent up demand due to postponement of major purchases; a rebirth of USA products; taking market share from the Big Boxes and unprepared competitors; a strengthening economy; an emphasis on profitability; the continued growth of the luxury vinyl segment; and a dedication to filling the need for quality installation.

A key part of the increased opportunities, according to a survey panelist is the use of current technology for sales: website, Facebook, Yelp, Angie's List. Others on the panel mentioned add-on sales of area rug for hardwoods and window coverings, increased efforts in providing first rate customer service, and taking steps in setting yourself apart from other retailers.

Editor's Note: The World Floor Covering Association and *Premier Flooring Retailer* have partnered with BOWE Company, Inc. to deliver the most in-depth market research available in the floor covering industry. The research has been conducted at quarterly intervals throughout the year to provide an accurate analysis of the data. We saw solid participation of retailer members in the Midwest section of the U.S. With this study, the area tallied 25% of the respondents. The survey information was compiled on August 7, 2015 using responses of 163 panelists.

EarthWerks
Aurora Collection

> The category producing the greatest sales volume growth continues to be luxury vinyl tile...

"Higher style and more unique products offer greater opportunities to increased margins while meeting budget requirements. Obviously, achieving those margins requires more skilled and better-trained sales team members and installers," said another respondent.

"We service what we sell. Installation makes independent retailers relevant and it is a competitive advantage over boxes or chain stores," said another respondent.

Installation training and bringing more installers into the industry is another concern of the survey panelists.

The Q2 2015 survey continued with growth in the residential segment with 76% of respondents realizing growth. Most (36%) had a sales uptick between 1-10% from the same quarter in 2014; 27% saw an increase of between 10-20%; and 13% had sales growth over 20%. **(Chart 1)**

1.

Same	Down > 20%	Down 10% - 20%	Down 1% - 10%	Up 1% - 10%	Up 10% - 20%	Up > 20%
13%	1%	3%	7%	36%	27%	13%

The category producing the greatest sales volume growth continues to be luxury vinyl tile as reported by 51% of the panel, followed by hardwood, 22%; carpet, 13%; tile/stone, 5%; laminate and resilient, 3% each; and other, 3%.

The commercial segment was also up in Q2 compared to the same period in 2014 with 30% of the survey group realizing an

A key part of the **increased opportunities**, according to a survey panelist, is the **use of current technology** for sales: website, Facebook, Yelp, Angie's List.

2.						
Same	Down > 20%	Down 10% - 20%	Down 1% - 10%	Up 1% - 10%	Up 10% - 20%	Up > 20%
29%	2%	2%	8%	30%	18%	11%

increase of between 1-10%. An additional 18% of the panel saw their commercial sales rise between 10-20%, and 11% had increased sales of over 20%. Twenty-nine percent said their commercial sales were the same as Q2 last year. **(Chart 2)**

In the builder segment, 56% are seeing an increase in sales with most in the 1-10% range, another 34% say their sales are comparable to the same period in 2014. Ten percent report sales in the category are dropping.

The laminate category continues with the slowest volume growth in the Q2 2015 for 38% of the panel. Resilient was next at 20%; followed by tile/stone and 15%; carpet, 12%; hardwood, 9%; luxury vinyl tile, 5%; and other, 1%.

Carpet was the product segment producing the highest profit margin for 50% of the survey panel. **(Chart 3)** Comparatively, 36% of our respondents said the hardwood segment produced

3. Product Segment Producing the Highest Profit Margin in Q2 2015			
Carpet	Hardwood	Laminate	LVT
50%	15%	1%	13%
Resilient	Tile/Stone		Other
9%	11%		1%

the lowest profit margin in Q2 2015 due to competition/price erosion and/or increased production costs. Other segments producing low profit margins were: tile/stone, 21%; laminate, 19%; resilient, 11%; carpet, 8%; luxury vinyl tile, 4%; and other, 1%.

All product categories increased or remained the same compared to the same period in 2014 with luxury vinyl tile leading the way for 83% of respondents; carpet with an uptick for 63% of the panel; and hardwood, up for 55% of the survey group. Even the laminate category showed growth for 19% of the respondents; 30% said sales were unchanged from Q1 2014, while 45% reported a sales decrease. **(Chart 4)**

4. Sales by Product Category in Q2/2015 Compared to Q2/2014?	Sales Increased	No Change	Sales Decreased
Carpet	63%	25%	12%
Hardwood	55%	34%	11%
Laminate	19%	34%	47%
Luxury Vinyl Tile	83%	15%	2%
Resilient	23%	51%	26%
Tile/Stone	39%	46%	15%
Other	26%	64%	10%

These are just some of the findings from the Q2 2015 Market Trend Survey. A complete report is available to current World Floor Covering Association members. For your report, please email Jeff Golden, *Premier Flooring Retailer* editor, jeff@pfrmagazine.com. ■

Continuous Training Pays Dividends

By Michael Vickers, Executive Director, Summit Learning Systems

As I travel throughout North America speaking to many of today's leading companies representing myriads of industries, I routinely ask: "What is your company's most important asset?" The standard answer I receive is, "Our people." I then challenge and follow that response with "How much do you invest in your people on an annual basis?"

The truth is many companies put a higher priority on their marketing, operations, facilities, etc. than they do on their people. What are your company's priorities?

I'm sure we can all agree that training is important and has its place in our industry. Why then do we hesitate to invest in our people? To have an effective training program, time and money are needed. Unfortunately, many business owners see these expenses as hard costs without direct and tangible benefits.

Is Training Your People Really a Good Investment?

Studies repeatedly show that employee development is one of the top reasons employees leave one job for another. So a good adage here is: If your people are learning, they aren't leaving. And if you plan on attracting some Millennials into your organization, then a well-outlined training program is a must. That means your people have a clear understanding of your company's mission, culture and success metrics; and the employee's objectives and how to meet them along with clearly defined rewards.

I am often asked, "What happens if we invest in our people and train them and then they leave us?" I respond with, "What if you don't train them and you keep them?"

Given how challenging it is in this marketplace to find qualified employees, why not try to keep the ones you have? You invest in new equipment, store improvements, advertising, systems and processes. What about your most important asset? Your people.

Does Training Your People Really Have an ROI?

There are countless studies that indicate employee training can improve productivity by as much as 200% or more. What would increased productivity by 25-50% do for your company? If you have 10 employees and improve their productivity by just 10%, you just got a free employee. That sounds like a great return to me. If you approach company training from an investment perspective, then you should expect a return from that investment.

Training at Every Level is Essential

There is no question basic business principles are still the same, however everything else has changed and changed dramatically. Every department in your company has gone through a significant evolution. Are you using the latest accounting software? What customer management software are you using? Are you protecting your customer and employee data effectively? How are you managing your logistics? In other words, what you learned in the good old days isn't the same today. The skills that may not have been required years ago are now an essential requirement.

For instance, your people today need to be trained and made aware of the latest sales and service practices, obtaining referrals, social media execution and how your business makes money. Most salespeople for instance don't fully understand what a 5-10% discount on an order can do to the bottom line and they are happy to give it to the customer instead of contributing to the company's profits.

The Most Effective Way to Train

Not all training is equal so choosing the right platform for learning is important. The reality is that your training programs will have multiple forms of content delivery.

Online learning has gained recent prominence and it has its place in business. It is a great way to train large numbers of employees on simple content. It can be a good refresher for sales, customer service, product knowledge, safety, etc.

> **You invest in** new equipment, store improvements, advertising, **systems and processes.** What about **your most important asset? Your people.**

and can boost the skills of all employees while holding them accountable for the learning with detailed reporting and testing.

In-person training is still effective though usually more expensive. It does allow you to get deeper into the material and answer questions directly. It also exposes your people to industry experts that you might not be able to afford on a full-time basis.

Last but not least is self-managed training. Many progressive companies understand the value of training and allow their people to choose the courses and programs they are interested in. Business owners create training budgets for their people and allow them to determine their learning priorities. Starbucks for example allow their employees to complete their undergraduate degrees with the Starbucks College Achievement Plan.

The bottom line is this: If you want to stay relevant in today's ever-changing marketplace and compete effectively, then you need to make training a priority and become a learning based organization filled with learning based people. Or another way of saying it is, "If you want to earn more…learn more!" ■

ABOUT THE AUTHOR

Michael Vickers is executive director of Summit Learning Systems, a provider of customized in-house training and e-learning programs; and author of the best-selling book, Becoming Preferred – How to Outsell Your Competition. Contact Michael at: www.michaelvickers.com.

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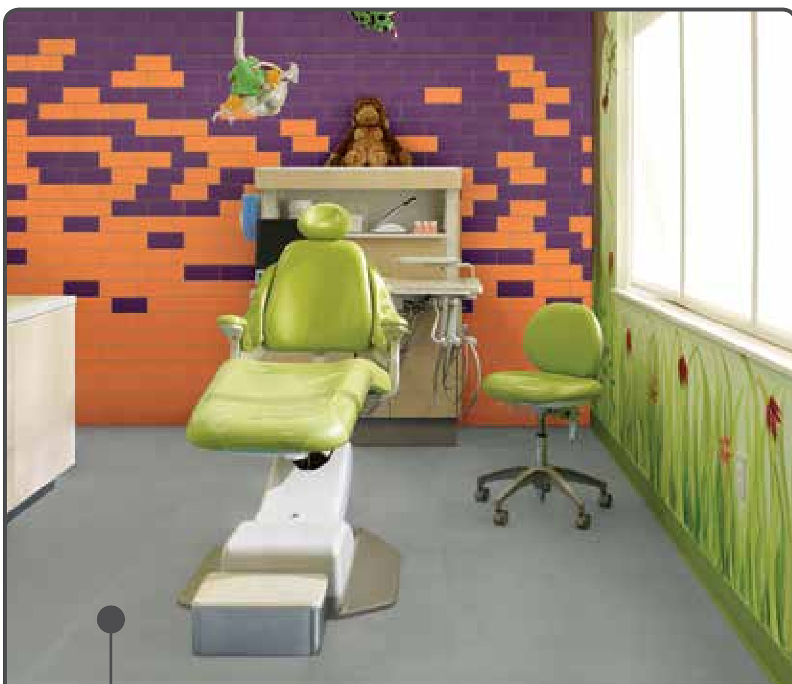

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