State of the Industry Dinner Lays Bare Challenges for Retailers

The CFA welcomed Santiago Montero, Publisher and Editor in Chief of Floor Covering Weekly, as the keynote speaker on October 14, 2015, for the 2015 State of the Industry Dinner. In a talk titled “Forces of Change”, Mr. Montero spelled out the challenges that the flooring industry is facing.

The flooring industry, he noted, is the only major retail segment still dominated by independent specialty retailers. Other segments, like furniture, electronics, book stores and appliances, have all succumbed to national brands and online retailers. Against a backdrop of increasing competition and the declining number of independent flooring retailers, Mr. Montero brought to the forefront the external challenges that independent specialty retailers are up against for survival.

The recession brought its own changes. Home centers continued their penetration into the flooring industry. Manufacturers and distributors consolidated. Newer challenges, like Angie’s List, allow consumers to find their own installers. Consumers are changing as well. While Baby Boomers still wield the most money to spend, they are aging and could possibly be purchasing their last floor for their homes. Latinos, the fastest growing group in the US, provide a newer area for business and marketing. Technology also plays an increasing role, as 85% of consumers check online before they make a purchase.

While Mr. Montero did not offer solutions to these challenges, it was very helpful to step back and look at flooring’s place in the economy in order to find solutions that would work for a specific local demographic.

He stated early on that much of what he would lay out would upset people, but many attendees took his talk in the spirit in which it was intended. The crowd of over 160 was comprised mostly of CFA retail members, many of whom shared their thoughts with High Traffic afterwards.

A member from DeSitter Flooring noted that the talk was “one of the best State of the Industry talks yet, despite being like a hit between the eyes”. Another CFA member commented that the talk was “a gut check, but the type of long look that many people do not take the time to analyze”.

The CFA would like to also thank the State Of The Industry Committee for their diligent work in preparing this well-attended and highly informative event.
Illinois Senator Convenes Special Group

Prepared by Georgina W Sikorski
On behalf of the Illinois Carpet Recovery Stakeholder Group

Introduction to the Illinois Carpet Recovery Stakeholder Group:
As a strong proponent of the environment and of economic growth in Illinois, State Senator Melinda Bush convened a multi-stakeholder group in April 2015. Senator Bush challenged this group to focus on the opportunity to maximize the economic and environmental benefits of post consumer carpet recycling. Approximately 25-30 people, representing state and local governments, carpet recycling, carpet manufacturing, non-governmental organizations, and other interested parties, have stepped up to the challenge.

Objectives and Scope of the Team’s Work:
The key objectives of the Stakeholder Group are (1) reducing the amount of post consumer carpet discarded in Illinois landfills, (2) raising awareness of commercially available products with post consumer recycled content, (3) identifying new products and markets for post consumer carpet recycled content, and (4) supporting and encouraging carpet recyclers and manufacturing businesses, which use post consumer carpet recycled content, to locate and/or grow their businesses in Illinois. Through this initiative, and with the cooperation of the members of the Stakeholder Group, Illinois has the opportunity to become one of the leaders in driving market-based approaches to carpet recycling, and serve as a model for other states, as well as for other product categories.

Carpet America Recovery Effort (CARE) and the Illinois Carpet Recovery Stakeholder Group
Members of CARE are active participants in, and supporters of, the Illinois Carpet Recovery Stakeholder Group. The objectives of the Stakeholder Group are consistent with what CARE is doing nationwide. CARE is a non-profit 501(c) 3 organization, with over 475 members nationwide. CARE’s mission is to promote market-based solutions that reduce the amount of post consumer carpet put in landfills, and increases its recycling and reuse.

The Process of Carpet Recycling
In order to put this initiative in perspective for the reader who may not be familiar with carpet recycling, here are some important points about post consumer carpet and the challenges and opportunities it presents to those in the business of carpet recycling:

- Post consumer carpet recycling businesses may do one or more of the following: Collect and/or sort post consumer broadloom carpet, separate the fiber from the carpet backing, process the fiber, and sell the processed fiber to a manufacturer who incorporates the processed material into finished products.
- There are differences in the value of the polymers used to make the carpet fiber, i.e. Nylon 6 and Nylon 6,6 may have higher value today, compared to other polymer types. The demand and supply dynamics can and have changed over time and are closely monitored by carpet recycling businesses.
- Carpet fiber is about 30-35% of the total composition, by weight, of the carpet.
- The remaining 65-70% of the weight of the carpet has very low or no value in the marketplace.
- Thus, the total opportunity for carpet recycling is a function of the components of the carpet, their ability to be processed and their value in the market.
- Today, it is estimated that up to 25-35% of carpet, by weight, can be cost-effectively recycled. The remaining material may have little or no value in the market.
- There is also strong demand for post consumer carpet tiles, which can be processed back into carpet tile backing, at a yield approaching 100%.

Overview and Impact of Current Market Environment
Like many other recycled products, post consumer carpet is subject to market cycles that impact both the cost of processing and the value of recycled content versus competitive virgin materials.

Currently, global market conditions have negatively impacted both the supply of and demand for post consumer carpet. Low oil prices make recycled content materials less attractive than the relatively lower priced virgin materials. And virgin materials are seen to be more consistent, and therefore a lower manufacturing risk than recycled content materials.

Processing costs for harvesting and processing post consumer carpet are relatively high, which means that margins are squeezed when market prices are lowered. Further, international demand has been down which also impacts both the demand and pricing for post consumer carpet.

It is the opinion of CARE that we have not yet seen the bottom of this down cycle and it will likely be mid-2016 before markets improve.

In spite of these current challenges, entrepreneurs in the Illinois carpet recycling industry, and members of the Illinois Carpet Recovery Stakeholder Group, continue to be committed to the overall objectives of this initiative. Members are adjusting their strategies in light of the current environment, to focus on long term opportunities, such as procurement, outreach, and new product/new market development.

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Illinois Carpet Recovery Stakeholder Group Key Projects

Under the direction of State Senator Bush, the Stakeholder Group is managing several projects to meet the team’s overall objectives.

The team recently completed the first ever Illinois Carpet Recycling Survey. This survey covered post consumer carpet recycling activity and results for 2014. The purpose of this survey was to quantify and qualify the amount of post consumer carpet that was generated, recycled and disposed of in Illinois landfills. This survey provides a baseline from which the Stakeholder Group can measure progress in future years.

2014 Illinois Carpet Recycling Survey Results

Illinois is home to several members of the carpet recycling value chain. These entrepreneurs actively divert and recycle post consumer carpet from Illinois landfills. The Stakeholder Group recently completed a survey of the carpet recycling value chain. The survey found:

1. About **187 million lbs.** of carpet was sold into Illinois in 2014.

2. Approximately **175 million lbs.** of post consumer carpet was generated.

3. **14** businesses collected, sorted and/or processed post consumer carpet from Illinois in 2014.

4. About **13.4 lbs.** of post consumer carpet was generated per capita. This compares to a national average of about **10.9 lbs.**

5. Approximately **8 million lbs.** of post consumer carpet was collected, for a gross collection rate of **5%.**

6. About **3 Million lbs.** of post consumer carpet became recycled output (2%).
   a. **70%** Engineered Resins for automotive, transportation, construction and home and garden industries.
   b. **19%** Carpet Tile Backing
   c. **11%** Carpet Fiber

7. Some of the post consumer carpet was reportedly reused, although not quantified.

8. A small amount (~ 50,000 lbs.) went to a Waste to Energy (WTE) facility.

9. The remainder was disposed of in landfills. There is significant landfill capacity in Illinois.

In addition to the Carpet Recycling Survey, members of the Stakeholder Group are also actively involved in raising awareness of recycled content products among Procurement Managers, educating architects and designers about carpet recycling and commercial products made with post consumer carpet recycled content, and finally, identifying market development opportunities for companies wishing to relocate and/or grow their businesses in Illinois.

Illinois Carpet Recovery Stakeholder Group Meetings

Since its inception in April 2015, team members have met three times. The latest meeting was in October 2015, at the Carpet Landfill Elimination and Recycling (CLEAR) facility in Zion, IL, where the team reviewed Survey results and project progress. The Stakeholder Group plans to reconvene in early 2016.

More Information

For more information about the Illinois Carpet Recovery Stakeholder Group, and the recently completed Illinois Carpet Recycling Survey, please go to www.carpetrecovery.org/states/illinois. For more information about CARE, please contact Bob Peoples, Executive Director, CARE, at bpeoples@carpetrecovery.org.