



RICHARD AFKARI
WEAVER FASCINATION • RUGS IN NYC

MARKET RESEARCH AND BUSINESS CONSULTING REPORT

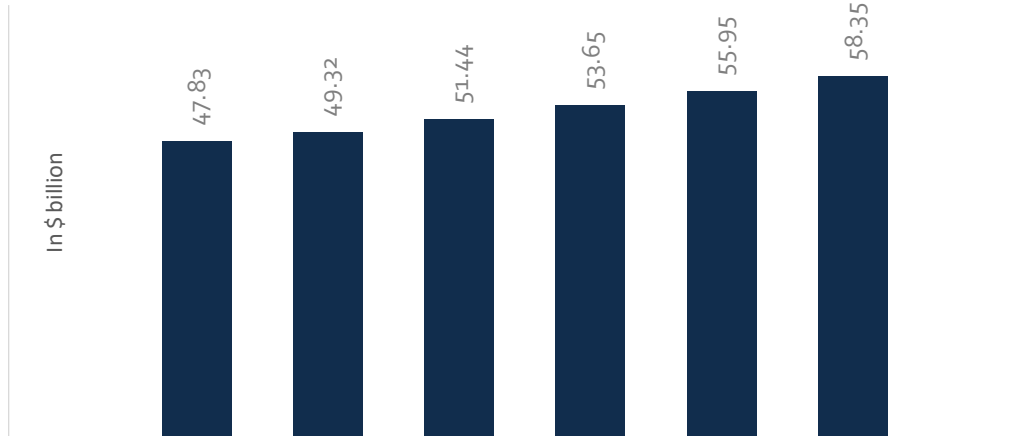
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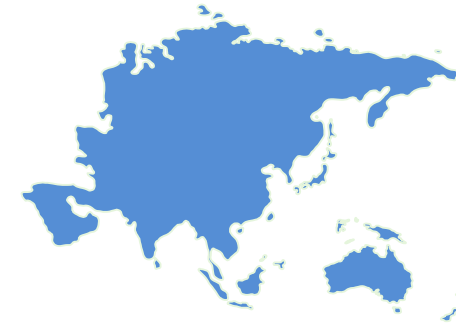
Industry Analysis

Markets are shaped by factors like consumer preferences, confidence, spending on durable goods, interest rates, inflation, credit availability, housing turnover, and economic strength

Global Carpets and Rugs Market (2023-2028F)

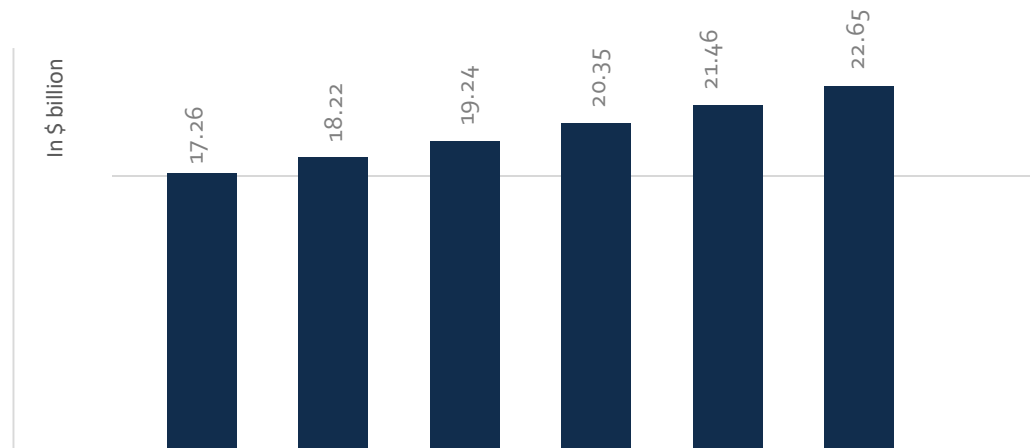


Carpets and Rugs market, by Geography



- North America holds the largest market share and is expected to retain the same owing to the rapid expansion of the construction and housing activities & high consumer interest in interior decoration
- The APAC market held the second-largest market share in 2022 and is expected to grow at a significant CAGR during 2023-2028, due to increasing construction activities in commercial and residential areas and growth in disposable income.
- India is the largest exporter of this market

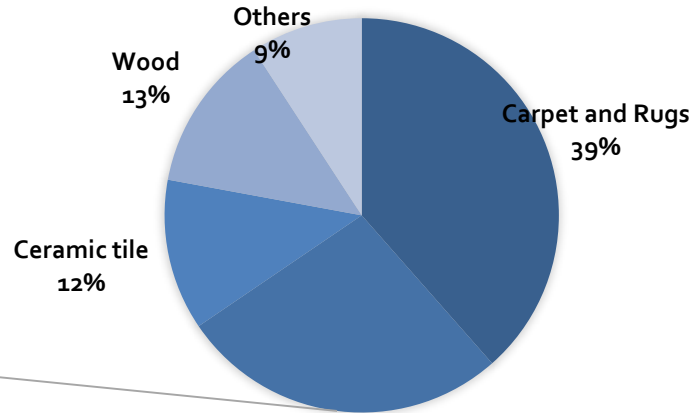
US Carpets and Rugs Market (2023-2028F)



- The Global Carpets and Rugs market is valued at \$47.83 billion and is expected to reach \$58.35 billion in 2028 at a CAGR of 4.29% during 2023-2028, owing to the increasing demand of carpets & rugs worldwide, with the rising disposable income of consumers
- Globally, US is the most revenue generating market
- An average per person revenue of \$6.23 have been generated till now, in 2023 globally
- The US Carpets and Rugs market is valued at \$17.26 billion in 2023 and is forecasted to reach \$22.65 billion in 2028 at a CAGR of 5.60% during 2023-2028
- US generated a per person revenue of \$54.11 in 2023

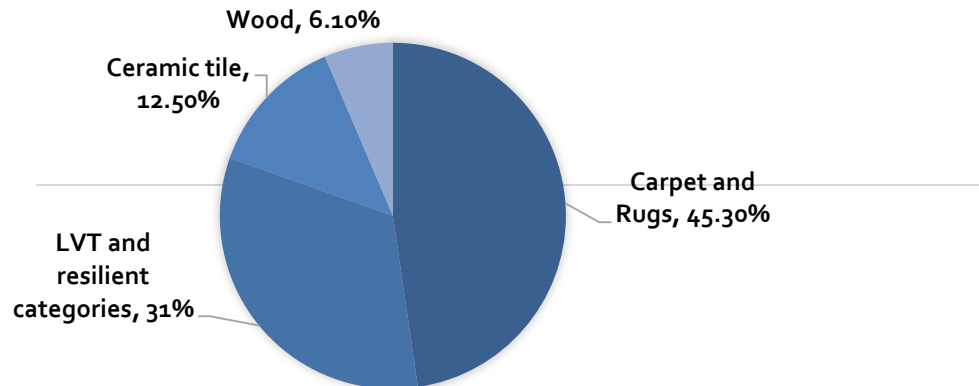
With production value of \$7.7 billion, the US accounts for 97.6% of the North America total in 2021; the state of Georgia alone accounts for over 45% of the world's carpet supply

Sales in US, by Category



- According to Euromonitor International, the market is dominated by domestic suppliers, as imports account for 29.9% of total market size in 2021
- **Households drive market demand, with household spending representing 73.2% of total demand in 2021**
- US has the largest market size for carpets and rugs across the top 20 developed countries; demand reaching \$25.4 billion in 2021
- Post-lockdown, environmental and social sustainability are the most significant trends worldwide
- In March 2022, FLOR, a design brand by Interface, launched its first-ever carbon-negative area rugs
- In March 2021, Carpets Inter launched eco friendly carpets, Ecosof

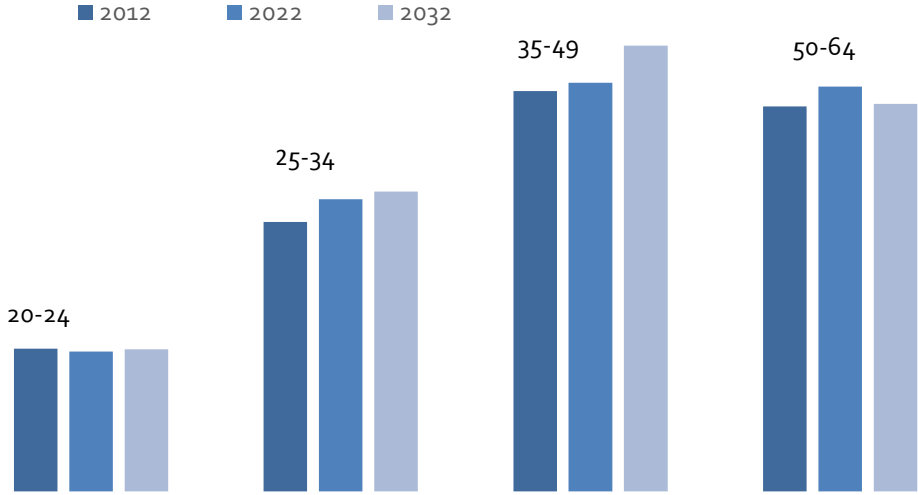
Sales in US, by Square feet sold



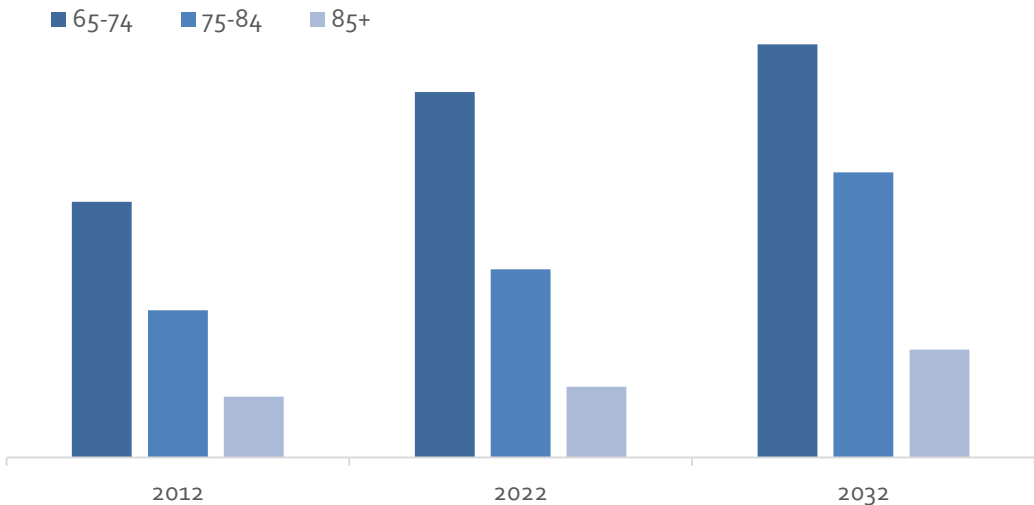
- In 2021, the U.S. floor covering industry reported \$33.7 billion in sales, up approximately 21.7% over 2020's sales of \$27.7 billion
- In 2021, the primary categories of flooring in the U.S., based on sales, were carpet and rugs (38.5%), resilient consisting of LVT, sheet vinyl and various other resilient categories (27.0%), wood (12.9%), ceramic tile (12.4%), stone (6.0%) and laminate (3.2%)
- In 2021, the primary categories of flooring in the U.S., based on square feet sold, were carpet and rugs (45.3%), resilient consisting of LVT, sheet vinyl and various other resilient categories (31.1%), ceramic tile (12.5%), wood (6.1%), laminate (3.5%) and stone (1.5%).
- Each of these categories is influenced by the residential and commercial construction and residential and commercial remodeling end-use markets
- Total number of companies increases in 2021, to 1,099 units

According to Facebook analysis, people in US have the highest passion for "Carpet" followed by UK and Thailand; the interest "Carpet" has 99,848,890 audiences on Facebook

US Customer Demographics Breakup (in millions)



US Elderly Customer Breakup (in millions)



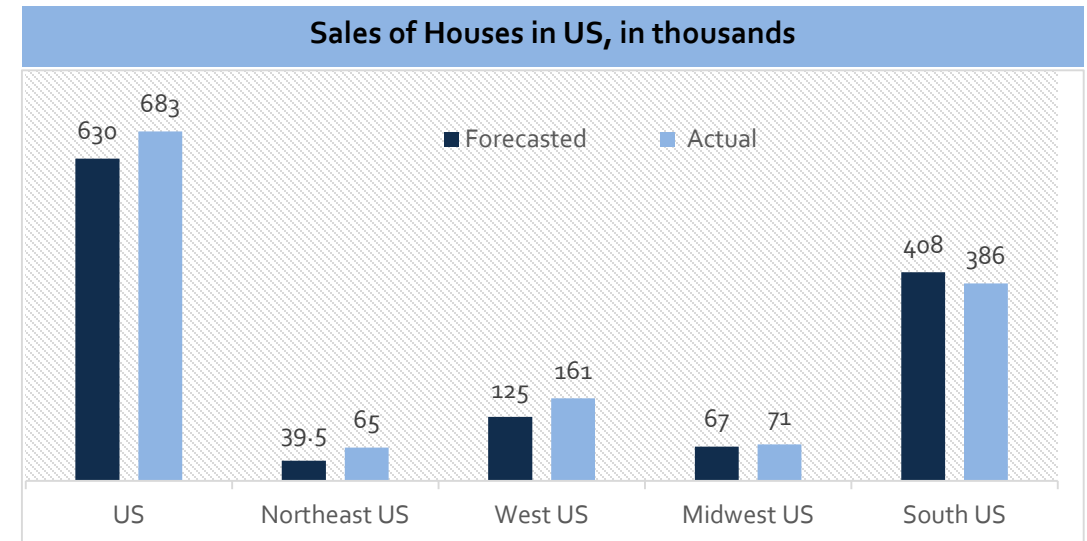
The interest "Carpet" has 99,848,890 audiences on Facebook

- Among these audiences, men accounted for 33.5%, women accounted for 66.5%. The major age of Carpet audiences is 25-34, and they accounted for 32.71%
- Other age groups like 35-44 accounted for 23.77%; the people interested in "Carpet" between 45-54 accounted for 15%
- In 2018, Floor Focus reached out to a handful of area rug manufacturers to find out more about the industry:
 - ✓ One of the manufacturers in the interview quoted "Millennials are out of mom's basement. They now make up the majority of home buyers, which equates to about 36% of all buyers and about 66% of all first-time home buyers. The average Millennial home buyer's FICO score is 721. They tend to buy smaller homes, and they do not use revolving credit as much as other generational groups. This means that the people most likely to buy rugs are 37 or under, and they mirror the generation that came of age during the Great Depression-they are educated buyers that are intent on paying less than they can afford for their homes and the furnishings that go in them."
- Consumers are shifting towards eco-friendly shopping & living behavior. Millennials & Gen Z consider themselves with more Sustainable values than their older generation

Opportunities

Consumers invests in home decor and furnishings to enhance the aesthetics of their living spaces as they are useful, decorative, prevent moist flooring; plush carpets are popular among households for their living room decoration purpose

- Sales of new houses in the US unexpectedly jumped 9.3% month-over-month to a seasonally adjusted annualized rate of 683K in March of 2023, the highest in a year, and beating forecasts of 630K.
- Sales jumped 170.8% to 65K in the Northeast, 29.8% to 161K in the West and 6% to 71K in the Midwest but fell 5.4% to 386K in the South
- The median price of new houses sold was \$449,800 while the average sales price was \$562,400, compared to \$435,900 and \$511,800 respectively a year ago.
- There were 432K houses left to sell, the lowest since April of 2022, corresponding to 7.6 months of supply at the current sales rate.



Eco friendly and organic

- Rise in the trend for eco-friendly and organic carpet rugs to fuel the Carpets and Rugs industry: In recent days people are becoming more concerned about environmental factors and started adopting eco-friendly carpets and rugs to enhance the appearance of the interior at homes and commercial places. Increasing use of eco-friendly and organic carpets and rugs is a major factor responsible for Carpets and Rugs Market size growth in terms of revenue

Interior Designing

- Carpet rugs are majorly used by interior designers as the basic coverage of the floor, rugs are a key element in adding beauty to floors and generating thermal insulation to floors. It works as a protective layer during winters and defends feet from cold tiles. Carpet rugs are used to enhance the ambiance of the room and carpet rugs are exclusively designed by the artist for their premium customers to make a perfect combination of floors with the whole interior.

Technology

- The availability of technologically advanced products has increased significantly owing to trends like convenience, unique theme designs, and customizations in both residential and commercial sectors
 - ✓ In July 2021, Ruggable, a rugs manufacturer, launched a new collection of machine washable rugs
- Digital printing technology allows for custom designs and patterns to be printed on carpets and rugs, providing consumers with more options to choose from

Threats

01 High prices of raw materials and increasing duties by government

- ▶ The rapid fluctuations in the prices of raw materials such as crude oil, the main ingredient for producing nylon and polyester staple fiber. The fluctuation in the cost of crude oil increases the cost of nylon and other fibers, increasing the prices of raw materials required for manufacturing carpets and rugs which is restraining the market growth.
- ▶ Furthermore, high duties on trade and the dumping of carpets and rugs by several countries' governments also limit market growth.

02 Changing Consumer preferences

- ▶ Consumer preferences for rugs can change over time, with some customers preferring different materials, styles, and designs. Companies that fail to adapt to changing preferences may lose market share.

03 Competition from cheaper alternatives

- ▶ The rugs market faces competition from cheaper alternatives such as vinyl flooring, laminate flooring, and carpet tiles. These alternatives can be more cost-effective and easier to install, making them more attractive to some customers.

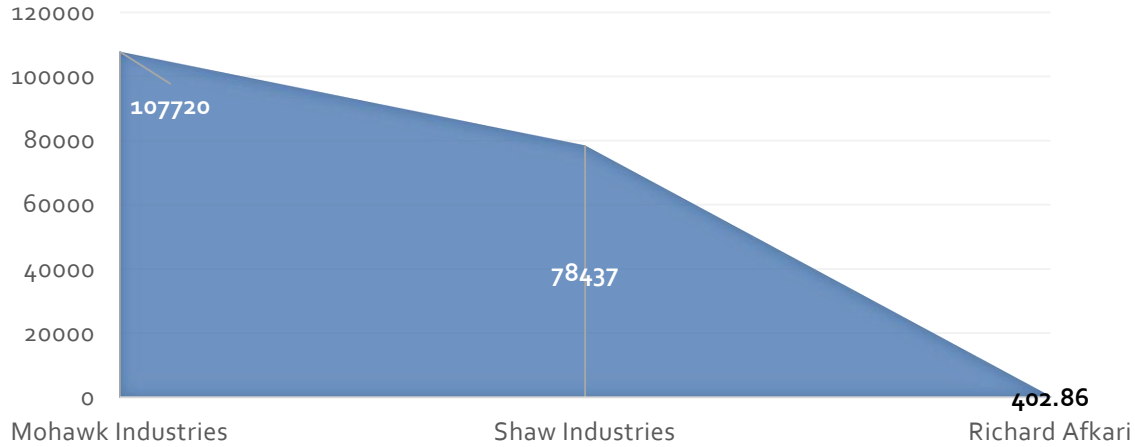
04 Economic Fluctuations

- ▶ Economic fluctuations, such as recessions or downturns, can impact the rugs market. During these periods, consumers may have less disposable income to spend on home decor, which can reduce demand for rugs.

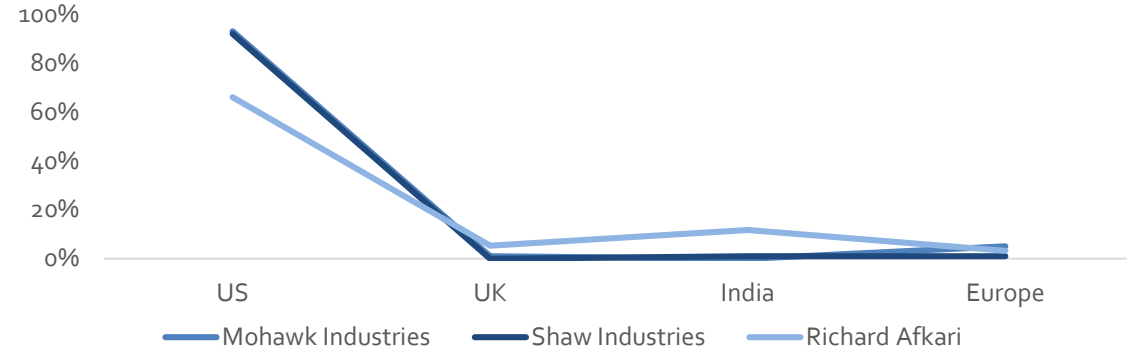
Competitive Intelligence – SEO Analysis

Shaw & Mohawk Industries are expected to spend around \$24.4 million & \$146.6 million, respectively on IT to drive more website traffic & conversions through SEO

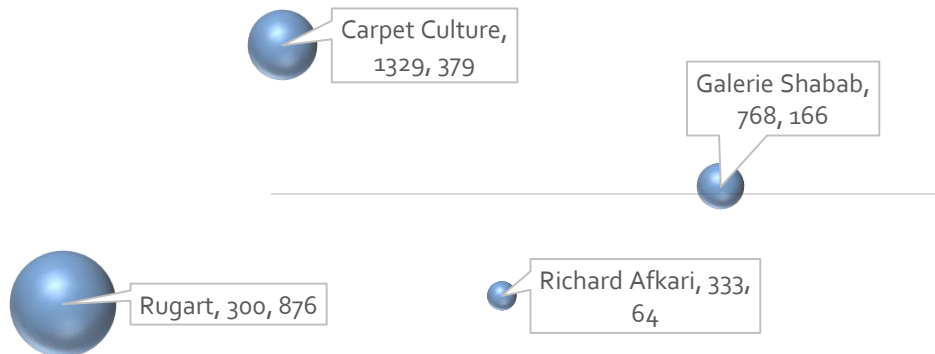
Monthly Visits(Web traffic)



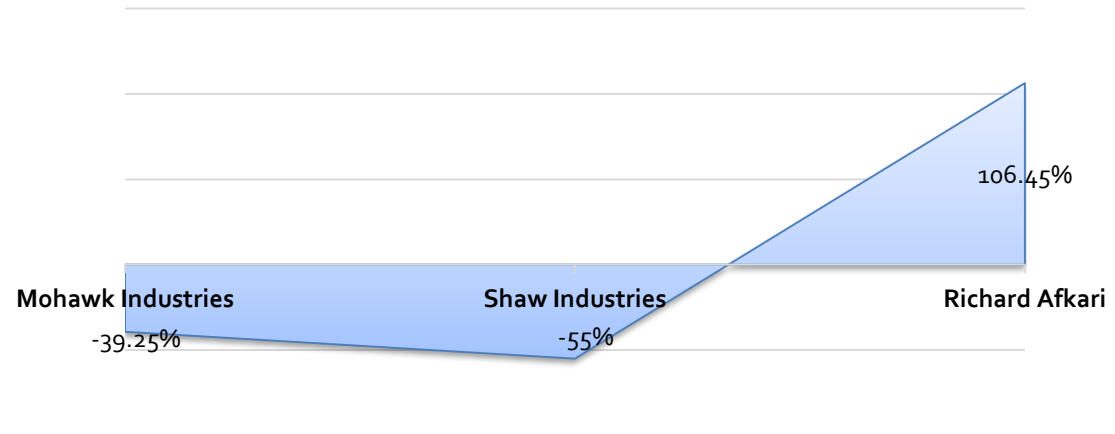
Website Traffic, by Country



Competitive Positioning Map (Website traffic)



Monthly Visits Growth on Website



Competitive Intelligence – Benchmarking

Competitors are offering features like BOPIS (Buy Online, Pick Up In Store) & Pay-in-Installments

Delivery


Ship 

Pick up 

Pickup locations

There is 1 store with stock close to your location

Salem Showroom (7,753 mi) **Free**
 63 Flint Street, Salem MA Usually ready in 24 hours



Moroccan Handwoven Tribal Rug,
J72229





\$8,150.00

Subtotal	\$8,150.00
Pickup	Free
Estimated taxes ⓘ	\$509.38
Total	USD \$8,659.38


Payment

All transactions are secure and encrypted.

Credit card





+4

shop Pay | Pay in full or in installments



Moroccan Handwoven Tribal Rug,
J72229

\$8,150.00

Subtotal	\$8,150.00
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Competitive Intelligence – Company Profile – Mohawk Industries

Key Metrics

Year of establishment



Headquarter

Georgia, US

Ownership



CEO



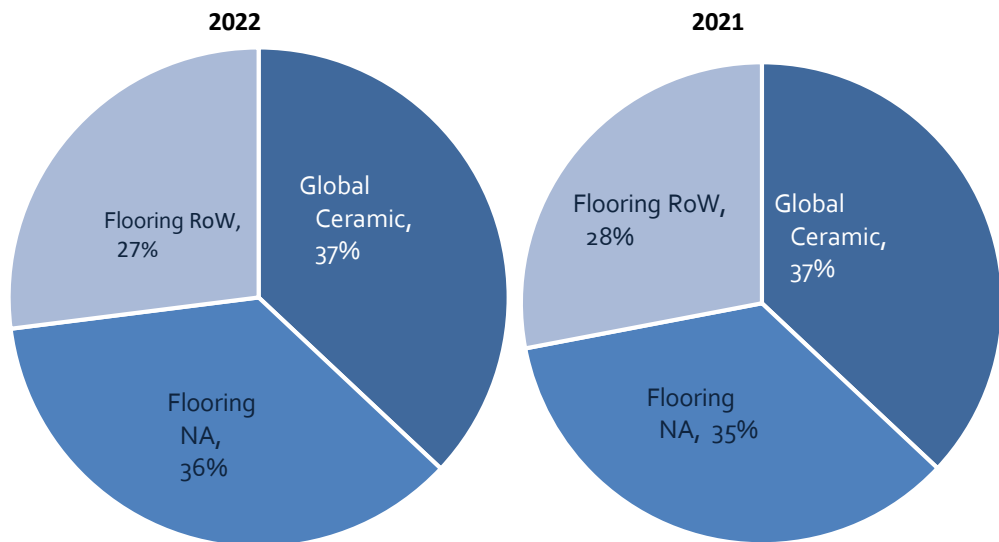
Revenue²⁰²²



Headcount



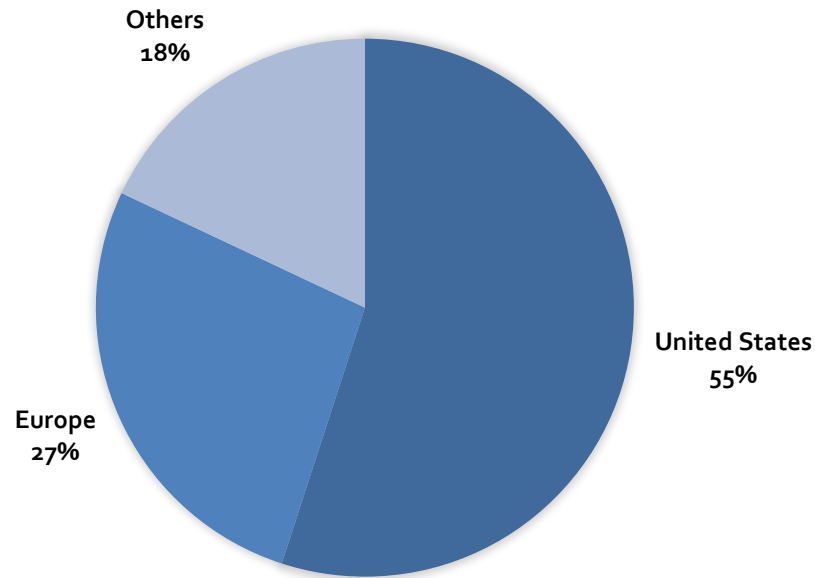
Revenue Break-up by Category



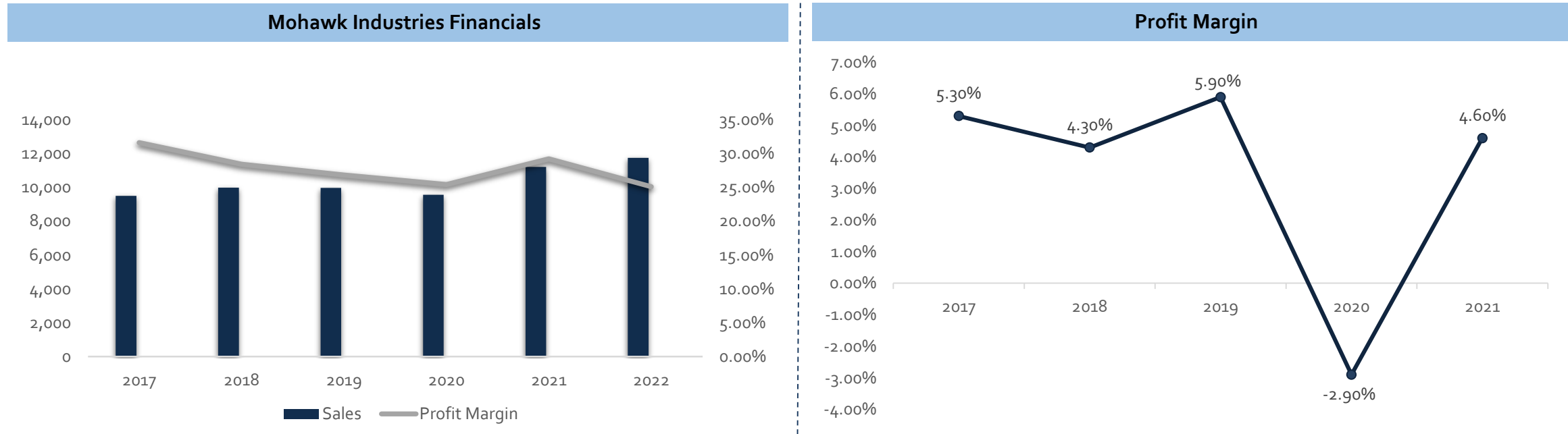
Supply Chain and Competition

- The floor covering industry is highly competitive and the company faces competition from a number of manufacturers and independent distributors
- Some of the Company’s competition is from companies located outside of the major markets in which the Company participates, and these competitors may benefit from lower input costs or state subsidies
- Maintaining the Company’s competitive position may require substantial investments in the Company’s product development efforts, manufacturing facilities, distribution network and sales and marketing activities
- Competitive pressures may also result in decreased demand for the Company’s products, force the Company to lower prices, prevent the Company from raising prices to keep up with inflation

Sales, by Geography



The industry's profitability increases and stands at 5.3% of production value in 2021, the 14th highest across the top 20 developed countries as the costs of the industry increase by 8.9% in 2021, largely driven by rising B2B costs



- Gross profit for 2022 was \$2,943.4 million (25.1% of net sales), a decrease of \$325.3 million or 10.0%, compared to gross profit of \$3,268.7 million (29.2% of net sales) for 2021. As a percentage of net sales, gross profit decreased 410 basis points. The decrease in gross profit dollars was primarily attributable to higher inflation of approximately \$1,365 million, lower sales volume of approximately \$204 million, the unfavorable impact of temporary plant shutdowns of approximately \$138 million, the unfavorable net impact of foreign exchange rates of approximately \$67 million and higher restructuring, acquisition and integration-related costs of approximately \$54 million

 - ✓ Net sales for 2022 were \$11,737.1 million, reflecting an increase of \$536.5 million, or 4.8%, from the \$11,200.6 million reported for 2021
 - ✓ Operating income for 2022 was \$244.2 million (2.1% of net sales) reflecting a decrease of \$1,090.8 million, or 81.7%, compared to operating income of \$1,335.0 million (11.9% of net sales) for 2021

Limited Housing Supply

- ▶ In US markets, housing supply has not kept pace with demand; two in five U.S. homeowners have no mortgages, and most homes purchased or refinanced in the past decade have fixed rates at or below 4%
- ▶ With a U.S. housing deficit of around 5 million units, single-family home construction should rebound when builder confidence increase.



Aging Housing Stock

- ▶ Half of U.S. homes are at least 50 years old, and more than 20 million others are between 20 and 40 years old, which is considered the peak remodeling period for most housing



Primed for Remodeling

- ▶ Almost half of flooring sales are residential replacement
- ▶ While many of these purchases were deferred during 2022, aging housing stock, retaining current homes and today's superior flooring options will stimulate remodeling investments
- ▶ People want homes that reflect their aspirations, and they will invest to improve their quality of life



Commercial Opportunities

- ▶ Commercial new construction and renovation remained solid throughout 2022 across our markets
- ▶ While the commercial sector experiences pressures from economic cycles much like residential, the two sectors have historically not reacted at the same time



Competitive Intelligence – Company Profile – Shaw Industries

Carpet industry today is essentially the domain of a few large firms, led by Shaw Industries, nation's largest carpet making firms

Business Highlights

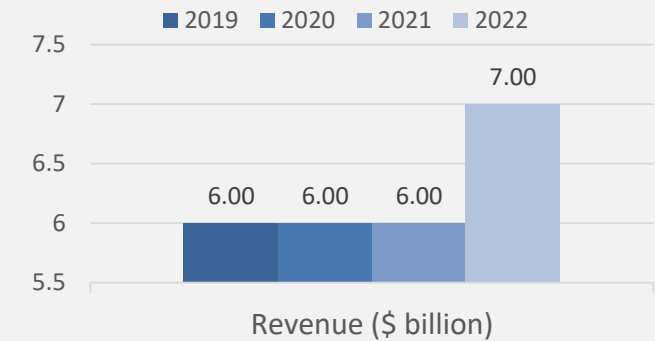
- ▶ Shaw Industries Group, Inc. supplies carpet, resilient, hardwood, tile and stone, synthetic turf and other specialty products to residential and commercial markets worldwide
- ▶ The company meets its diverse customer needs through an expansive portfolio of brands, including: Anderson Tuftex, COREtec, Patcraft, Philadelphia Commercial, Shaw Contract, Shaw Floors, Shaw Sports Turf, Shawgrass, Southwest Greens, Watershed Geo and more
- ▶ Shaw operates through 35 manufacturing facilities and 55 distribution facilities

Key Metrics (2022)

Year of establishment	Headquarter	Ownership
1946	Georgia, US	Berkshire Hathaway
CEO	Revenue²⁰²²	Headcount
Tim Baucom	\$7 Billion	20000+

Financials

Global Revenue



Target Customers and Positioning

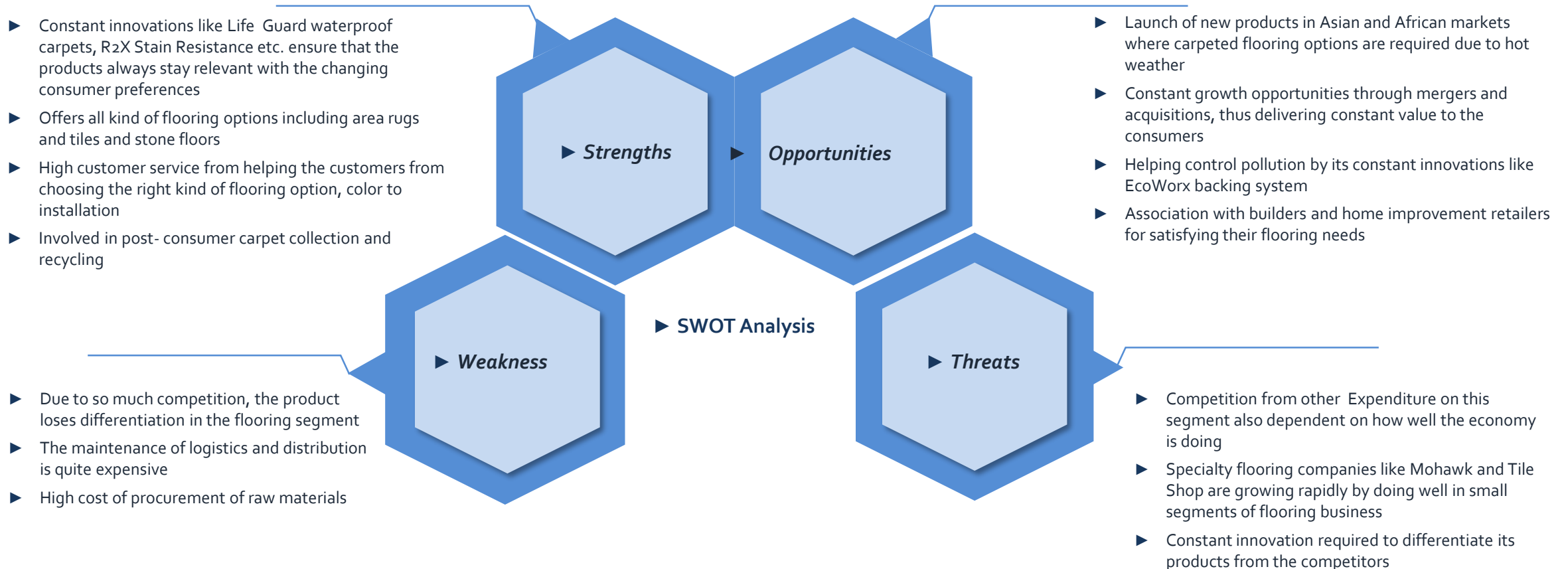


Seekers of flooring solutions for commercial and household purposes

Largest carpet with wide range of flooring options (carpet, hardwood, etc.)

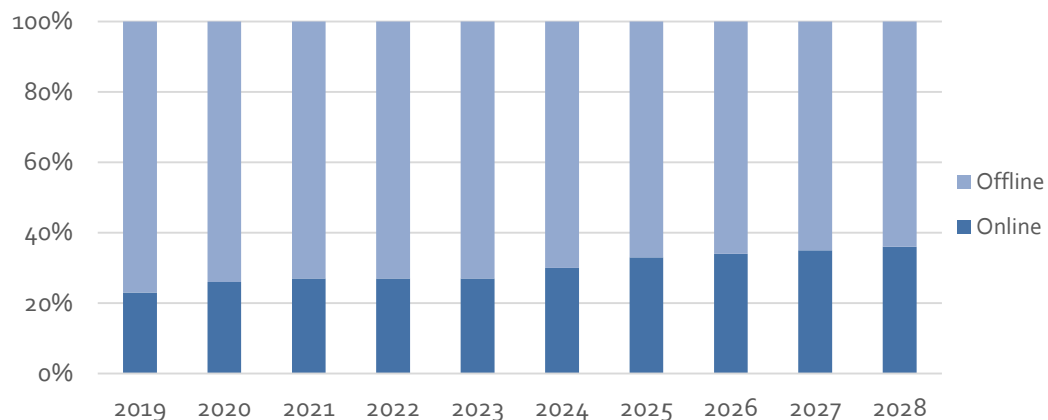
Shaw has partnered with Wells Fargo Retail Services, making Wells Fargo & Company its sole consumer financing provider to create greater competitive advantage for its retail partners

This partnership has assisted downstream retailers in attracting new customers and increase purchase volume by providing affordable financing options for customer home renovations; greater purchase volume at the retail level will likely drive retailers to demand more products wholesaled by Shaw



Shaw Floors launched its BOPIS platform *Floorigami*, as part of their e-commerce business to give consumers convenience of online ordering with free in-store pick up

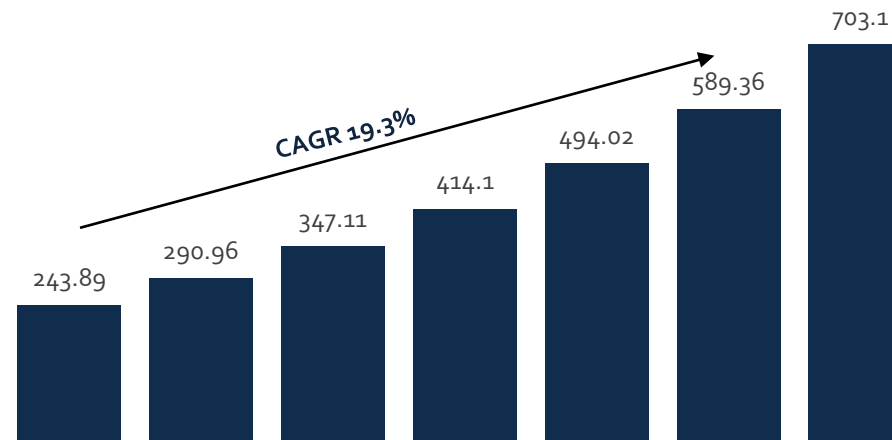
Sales Channel of Carpets and Rugs industry from 2019-2028



Growing Offline demand leading to adoption of BOPIS model

- **The offline segment held the largest market in 2022 due to the preference of consumers to touch and feel the product before making a purchase, and the same trend is expected during 2023-2028**
 - ✓ To leverage this offline trend, **competitors are adopting BOPIS (Buy Online and Pick up in-store) model** to cater to both the markets
 - ✓ The online segment is expected to grow at a significant pace during the forecast period due to the increasing penetration of e-commerce platforms and the convenience they offer
- BOPIS sales in the United States more than doubled from 2019 to 2020
- **As the costs of shipping continue to skyrocket, BOPIS offers an more affordable and immediate alternative for price-conscious consumers**
- In a survey, more than a third (35%) of shoppers said that the thing they liked most about BOPIS was not having to pay shipping fees, while an equal amount said they liked not having to wait for the item to ship
- As we see that supply chain cost is big threat to this industry, hence this model is being considered as best by the key players in the industry

Global BOPIS Market (2021-2027F), in \$ billion

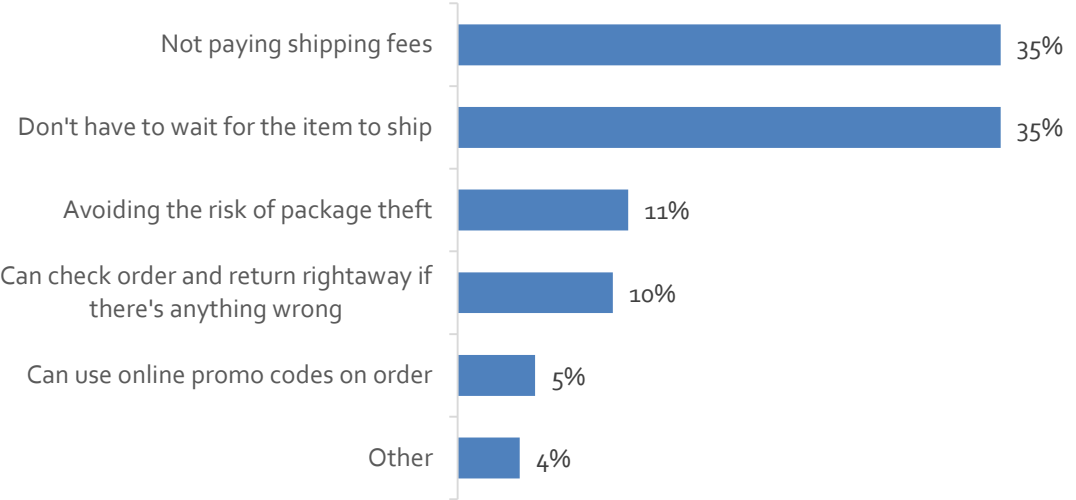


Competitive Analysis

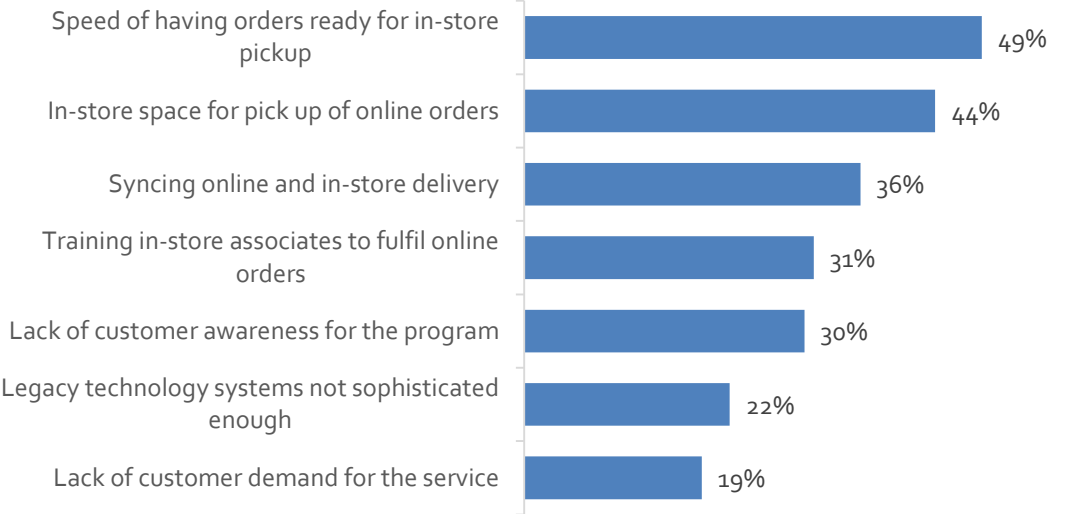
- In 2018, Home Depot (an ecommerce platform with carpets and rugs as one of their products) began a three-year plan to invest over \$11 billion dollars into improving its retail experience. A big part of this strategy was to better blend its physical and digital selling experiences
 - ✓ According to CEO Craig Menear, the strategy is paying off as he described 2019 as a record year for the company. Sales for the fiscal year 2019 were \$110.2 billion, up 3.5% from 2018's \$108.2 billion. He also went on to add that **its online customers choose to pick up their orders in stores more than half the time**
- In the 3rd quarter of 2019, Nordstrom (another ecommerce platform with carpets and rugs as one of their products) reported one half of its department store digital sales growth coming from order pickup; in Los Angeles, **two-thirds of digital sales growth came from in-store pickup**
- In the week before Christmas 2022, **U.S. companies that offered BOPIS grew their revenue nearly seven times faster** compared to businesses that didn't offer BOPIS

BOPIS Market

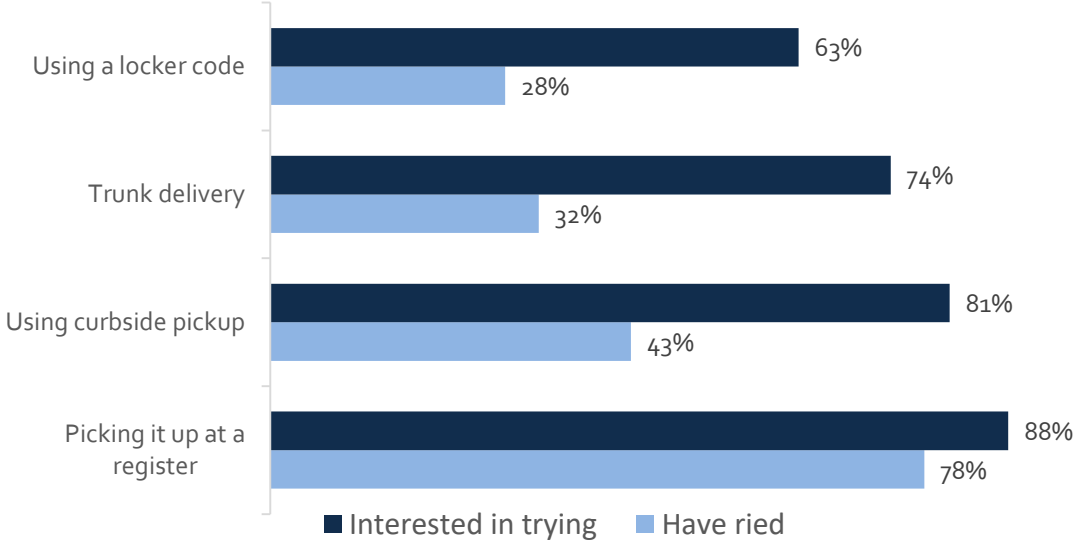
BOPIS benefits



BOPIS Challenges



Survey conducted by National Retail Federation

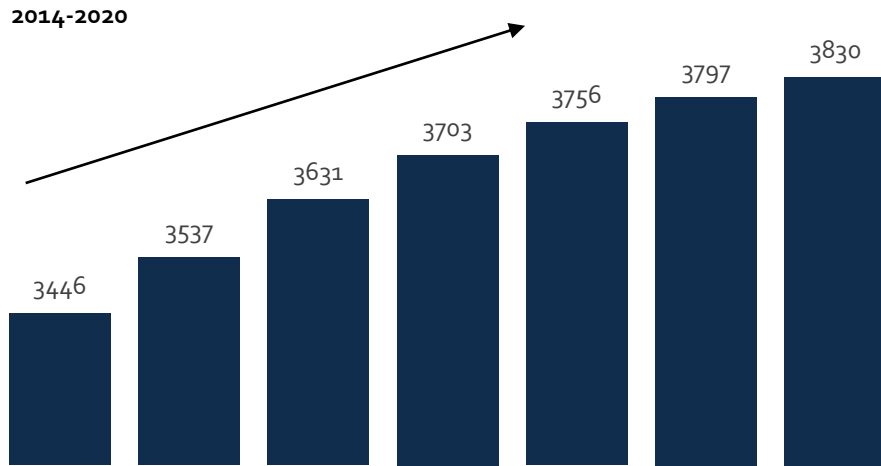


BOPIS Statistics and Trends

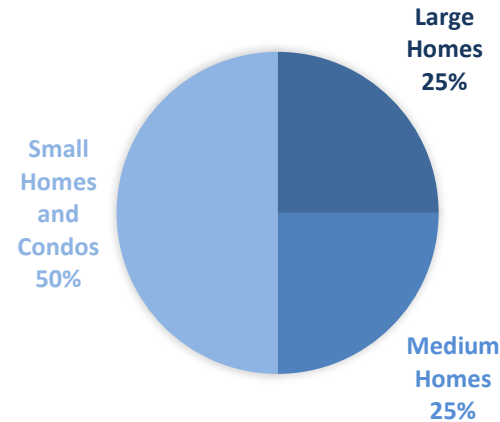
- At the end of 2019, an estimated 66% of retailers offered buy online, pickup in-store (BOPIS) options but within 6 months, the adoption of BOPIS services increased to 76%
- **Adobe found that consumers are 20% more likely to purchase from retailers that offer BOPIS than those that don't**
- Data suggests that use of BOPIS has declined somewhat with the return to in-person shopping. However, it also shows that BOPIS continues to comprise a major share of online purchases
- **67% of BOPIS users buy additional items from that retailer when picking up their original orders in store**
- **BOPIS buyers will increase from 143.8 million in 2020 to over 160 million in 2024**
- **BOPIS also delivers profits to retailers both through increased sales and reduced costs**
- Eighty-five percent of consumers who have used BOPIS say they have made additional unplanned in-store purchases when picking up orders. BOPIS also solves the retailer's problem of last-mile costs of delivery

Carpet Cleaning Services Market

Revenue of Carpet Cleaning Services in US (in \$ million)



Target Customer Segmentation (Residential)



- Customers in this industry are segmented into – Residences and Businesses
- Residences require a higher level of customer support, pay higher rates on average, and often include additional opportunities to sell related services to homeowners
- Businesses require less customer support and service, pay lower rates on average, generally seek ongoing services which can repeat the same tasks with no room for upselling

Industry Overview

- According to IBIS World, the carpet cleaning industry in the United States generates an average of \$5 billion in revenues annually market size of the Carpet Cleaning industry in the US increased faster than the economy overall
 - ✓ North America was the largest market for carpet cleaners in 2021, followed by Europe and APAC

The offline channel dominates the carpet cleaner market in terms of distribution channels. However, the shift toward digitalization & the increasing internet penetration in emerging economies expect demand growth from websites
- The need to care for carpets through cleaning is very clear. More than 43 million tons of dust falls over U.S. each year, with indoor air receiving 2/3. That amount of dust allows for up to 2,000 dust mites on one ounce of carpet dust
- U.S. loses up to 55% of its total customer base annually & the top two reasons are poor quality of work and a refusal to show up for a booked appointment.

Competitive Analysis

- According to Market data Enterprises, the U.S. carpet industry is rather mature and has 40,000 businesses, the most of which are small. Despite the existence of numerous sizable franchised businesses, only 22% of the market is represented by the top 10 franchises
 - ✓ These top competitors include Sears, Stanley Steemer, Chem-Dry, ServiceMaster Clean, ServPro, Duraclean, Heaven’s Best, Rainbow Intl., MilliCare Commercial Carpet Care, and Professional Carpet Systems
- Customers compare these rival brands based on pricing, brand recognition, and endorsements from reliable sources (such as friends, family, and coworkers as well as review websites like yelp.com)
- Cleaning businesses do not compete only on price, though franchises do so occasionally as few customers value brand recognition & positive word-of-mouth
- Services are generally ordered by phone - For large homes, on-site consultations are given to develop some online ordering, mostly small businesses rely on phone

Recommendations

Recommendations

Focus on Carpet Cleaning Services

- Given the declining profit margins in the carpets and rugs sales segment of the industry, we strongly advise Richard Afkari to strategically shift focus towards its ancillary services, particularly carpet cleaning
- Our analysis indicates that the profit margins in the carpet cleaning sector can reach an impressive 95%, significantly outperforming the average profit margin of 4% observed in the carpets and rugs industry, as the carpets and rugs industry has been experiencing a concerning decline in profit margins
- By capitalizing on this high-profit margin service and diversifying business, Richard Afkari can enhance overall profitability and achieve sustainable growth in the challenging market landscape.

Implement BOPIS model

- As demonstrated in our research, offline sales currently dominate the sales channel and are projected to maintain their dominance until 2028. By implementing BOPIS, Richard Afkari can strategically bridge the gap between online and offline customer experiences, effectively channeling online customers to the physical store
- This seamless integration will not only enhance customer engagement but also drive increased footfall, translating to potential cross-selling and up-selling opportunities. Leveraging the advantages of the BOPIS model, Richard Afkari can position itself as a customer-centric industry leader, capturing a larger share of the offline market and ensuring sustained growth and success in the Carpets and Rugs industry

SEO Improvement

- Our analysis indicates that there is a lot of scope in terms of SEO and a robust SEO strategy can significantly boost online visibility, organic traffic, and ultimately, customer acquisition. By implementing effective SEO practices, Richard Afkari can optimize its website to rank higher in search engine results, thereby attracting a larger audience of potential customers actively seeking carpets and rugs services
- We recommend allocating resources and collaborating with SEO experts to optimize website content, improve keyword rankings, and establish the brand as a prominent player in the digital landscape

Enhanced focus on Facebook marketing

- Given the significant presence of the target customer segment (aged between 25-44) on Facebook and their active engagement in searching for carpets, it is essential for Richard Afkari to prioritize and revamp its Facebook marketing strategy

“Pay in Installments” feature

- Since the products are priced on the higher side and are considered high-ticket items, adding EMI and financing options would significantly benefit, a strategy that competitors are also adopting which the competitors are also adopting or doing