

VISION for the INDUSTRY

A Report from **ORCON CORPORATION**

February 1997

To the Reader...

In 1994, faced with an increasing concern over the health and viability of the carpet industry in which it participates, Orcon Corporation set out to learn more about forces and factors at work affecting the industry's profitability. At the conclusion of a nine-month study, Orcon released a report detailing several concerns--most notably an undervaluation of the importance of installation and its role in customer satisfaction.

Troubled by the findings of this preliminary research, Orcon commissioned the Gallup Organization to conduct an extensive nationwide study of carpet retailers. The Gallup study focused on the importance of installation and revealed a number of disturbing trends. A summary of the Gallup findings were detailed in, "The Carpet Installation Crisis," a special report issued by Orcon in September 1995.

Among the findings in the survey were:

1. Retailers were losing carpet sales and delaying installations because quality installers weren't readily available.
2. The pool of qualified installers was continuing to shrink.
3. Installation-related problems were having a significant impact on retailer and carpet mill profitability.
4. Installation-related problems were being compounded by an increasing number of manufacturing defects in the carpet dealers received from the mills.
5. Carpet mills and retailers were missing a major opportunity to capitalize on the customer's desire for quality installation.

Upon the release of the Gallup findings, many within the industry questioned our motives for publishing this information. But our actions have always been driven by the simple truth that most of the problems faced by the industry are the result of decisions being made on bad information--or worse yet--on no information at all.

As a participant in the carpet industry, the health and viability of Orcon as a company is directly tied to the health and viability of that industry. Therefore, any condition that threatens the profitability of carpet mills, retailers, and installers will ultimately have a negative impact on our business unless action is taken to correct these problems.

By the industry's own admission, 1996 was a year of dramatic change:

1. We saw a major mill move into the retail side of the business.
2. We saw the acquisition and consolidation of commercial installation operations.
3. And we saw the industry collectively agree that action must be taken to reposition carpet in the minds of the consumers.

But many questions remain to be answered. For example: how have these changes impacted the problems Orcon identified in its research? And even more importantly, what action still needs to be taken to assure the continued health and vitality of the carpet industry?

While Orcon applauds those within the industry who have taken action in response to the information contained in its reports, it is apparent that these actions alone will do little to address the installation-related problems identified in our research.

Orcon Corporation has made a major investment in collecting this information and making it readily available to industry participants.

But we realize that no company by itself has the resources to do what must be done to resolve the problems still facing us today. Nonetheless, we also are aware that others within the industry share our vision and are genuinely committed to doing what must be done to ensure the continued viability of the carpet industry.

Toward that end, Orcon is committed to continuing its effort to provide these individuals and groups with information and technical support that will help focus much needed attention on installation and its importance to ultimate consumer satisfaction and to the profitability of carpet mills and retailers. At Orcon, we realize that the best way to invest in our future is to invest in the future of the industry, and we intend to continue to invest our resources in doing what we can to make the carpet industry profitable for everyone who participates in it.

[Len DiGiovanni](#)

Vice President & General Manager
Floor Covering Installation Systems Division
Orcon Corporation

The Installation Crisis Revisited

The major conclusion to be drawn from Orcon's initial research was that the carpet industry was indeed facing a crisis when it came to installation. Retailers everywhere reported that it was getting difficult to find enough qualified installers and that installation-related problems were dramatically affecting mill and retailer profitability.

Moreover, it became clear to Orcon that a long-term solution to the problem will require each segment of the industry to shoulder its fair share of the responsibility. Orcon believes that what's needed is a multi-faceted effort in which all industry participants work to change the destructive operating practices that threaten the profitability of carpet mills, retailers, installers, and companies like Orcon that supply them.

Following is a capsulized view of the actions that major industry participants must undertake if a long-term solution to the industry's woes is to be achieved.

Carpet Mills' Role

Recently, the major carpet mills, through the efforts of CRI, have concluded that more money must be spent on product advertising to spur consumer demand for carpet. The mills' recognition of the role of advertising is commendable even if somewhat late in coming.

Unfortunately, the mills have yet to make progress on perhaps the most important issue faced by carpet manufacturers--the need to achieve improved and consistent quality in the products they make.

Every day, installers are confronted by a host of problems related to manufacturing defects--delamination, side match problems, and the like. Installers also are routinely faced with a general lack of information regarding the proper methods for installing specific carpet products. As a result, carpet mills must assume greater responsibility for sharing information with the installation community regarding the makeup and characteristics of the carpets they produce.

Retailers' Role

Perhaps the greatest recent change within the industry has occurred at the retail level with the venture into retailing by the industry's largest carpet manufacturer. In Orcon's view, this action is designed to reduce costs for the manufacturer by eliminating waste and inefficiencies with respect to the sales, distribution, and installation of the carpet sold by the mill. While perhaps beneficial for the mill, this move may also serve to raise operational standards within the retail community.

From Orcon's perspective, the retail community represents "where the action is" with respect to resolving many of the problems facing the industry today. If positive change is to occur, retailers must focus on marketing and selling carpet as an "installed good," rather than as a "commodity." Retailers must recognize the fact that customers derive no satisfaction from the purchase of their wares until they're installed to the consumer's satisfaction. In other words, the retail community must get in sync with the consumer's needs and expectations.

Toward that end, retailers also must work to improve the level of understanding and appreciation that they and their salespeople have for the services provided by installers. In Orcon's view, the importance of installers to consumer satisfaction must not be overlooked. Retailers therefore must also be willing to compensate installers accordingly. Without adequate compensation, installers will not be motivated to acquire the knowledge and skills necessary to achieve the highest levels of consumer satisfaction.

Installers' Role

Many within the industry look toward expanded installer training and certification as the solution to the installation crisis. Unfortunately, as revealed in the Gallup data, installer training facilities and programs are not readily available to the majority of retailers and installers.

Additionally, while there is no doubt considerable room for improvement exists when it comes to improving installer skills and professionalism, it is Orcon's view that the solution to improving installer competence requires much more than merely expanding the number and scope of available installer training and/or certification programs.

Specifically, installers must see a direct relationship between acquiring additional skills training and receiving higher levels of compensation. Currently, relatively few retailers appear willing to raise installer compensation for those installers completing additional training or achieving certification. Unfortunately, without a direct link between training and compensation, installers will continue to have little incentive to improve their skills. And many carpet customers will continue to be shortchanged on the installation services they receive.

Orcon's Commitment

Along with other participants in the carpet industry, Orcon Corporation believes it, too, has a responsibility to do what's necessary to assure the industry's long-term health and viability. Orcon takes its responsibility seriously and has given its commitment to the industry real and practical meaning by investing in the collection and sharing of much-needed information.

In addition to financing major industry research and disseminating the findings of that research, Orcon has to date developed, produced, and distributed--free of charge--more than 30,000 copies of the [Orcon Solution Series™](#)--a video cassette series designed to provide information regarding installation techniques to installers and retailers nationwide. Orcon also has produced and distributed more than 60,000 copies of its [Solutions](#) newsletter to further boost retailers' and installers' respective knowledge and skills levels, as well as 20,000 audio cassettes.

Rapid and dramatic changes will continue to occur within our industry as participants respond to market conditions and the actions of others within the industry. Orcon Corporation believes that the long-term health and viability of everyone who participates in this industry will improve only when participants:

1. Stop treating carpet as a commodity;
2. Start marketing and selling carpet as an installed good;
3. Focus on consumer satisfaction;
4. Understand and value the installation process; and
5. Respect and value installers for their role in achieving consumer satisfaction.

[Return to Download Page](#)