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# About Us...



- Located in Staffordshire, England
- Grown steadily since founding in 2009 with 3 divisions:
- Smart Marketing Works is a full-service marketing agency, specialising in the building products market
- Smart Admin Works is a trade association management company. Clients include The Tile Association.
- Smart CPD Works is a division in partnership with NBS and RIBA specialising in CPD production for building product manufacturers

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# Kay Porter - Credentials

- Owner/founder of Smart Marketing Works
- CEO of The Tile Association
- Company Secretary of FeRFA
- Director of Build UK
- Freeman of the City of London and liveryman of The Worshipful Company of Tylers and Bricklayers
- 28 years' experience in the tiling and DIY sectors
- Pride in maintaining broad network in tiling and close contacts with BEIS, CITB, government, industry bodies and other specialist trade associations

# Meet Your Team...



**Kay Porter**  
Managing Director



**Catherine Spibey**  
Agency Account  
Director



**Ying McAllister**  
Marketing Analyst



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ASCER

Asociación Española  
de Fabricantes de Azulejos  
y Pavimentos Cerámicos

# UK Tile Market Report

## Executive Summary

November 2022

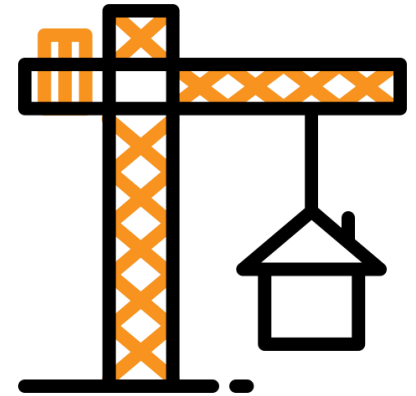
# 1. UK Construction Overview

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# UK Construction Sector Overview

- Construction output is more than £110b per annum
- Three main sectors:
  - Commercial and social – 45%
  - Residential – 40%
  - Infrastructure – 15%
- Approx. 60% new build, 40% repair, improvement and maintenance



*Statistical Source: Designing Buildings The Construction Wiki*

# UK Economic Outlook

- The UK economy is in recession.
- Higher energy costs, inflation, rising interest rates and squeezed household incomes

UK Economic Forecasts	2022	2023	2024	2025	2026	2027
GDP % change	4.2%	- 1.4%	1.3%	2.6%	2.7%	2.2%
Inflation	9.1%	7.4%	0.6%	-0.8%	0.2%	1.7%
Business Investment	4.9%	-2.1%	3.1%	8.2%	6.6%	4.8%

*Statistical Source: The Office for Budget Responsibilities (Autumn 2022)*



# UK Construction Outlook

- The post-pandemic recovery in project-starts has lost momentum.
- Material and labour supply issues have delayed work on-site.
- The poorer economic outlook has prompted some clients and developers to pause or scale back on planned investments

UK Construction Forecast	2022	2023	2024
Construction Output % change	2%	- 3.9%	1.5%

*Statistical Source: Construction Products Association Autumn 2022*

# Autumn Statement including

- New funding for a further £6.6bn for retrofitting buildings
- Launch of a new Energy Efficiency Taskforce
- Continued commitment to local infrastructure projects
- A nuclear power plant at Sizewell C subject to final approval
- Stamp duty cut ending on 31st March 2025

*Source: Glenigan*

# Autumn Statement including

- No cuts for the next two years on key national infrastructure projects
  - HS2 to Manchester
  - Northern Powerhouse Rail
  - East-West Rail
  - Gigabit broadband roll-out
  - Feasibility study of A75

*Source: Glenigan*

# Trends on Project Sectors

- Weakened private housing market
- Rise in office refurbishment work
- Tempered recovery in Hotel and Leisure sector
- Increased investment in Logistics sector
- Major boost in civil engineering projects
- Continued investment in public sector i.e. healthcare, education and local infrastructure

*Source: Glenigan*

# Housing Sector

Housing Sector Forecasts % change	2021	2022	2023	2024
Private housing - new	16.8%	3.0%	- 9.0%	1.0%
Public housing - new	6.2%	-2.0%	-6.2%	2.0%
Private housing – RMI	21.2%	-4.0%	-9.0%	1.0%
Public housing - RMI	5.7%	3.0%	3.0%	4.0%

RMI – Repair, maintenance & improvement

*Statistical Source: CPA Autumn 2022*

# Other Influence Factors

- Building Safety Act and changes to fire safety laws since Grenfell
- In April the government announced a deal of min. £2 billion with house developers for remedial work, i.e. on buildings over 11m
- The construction industry has seen increased investments in renewable energy infrastructure
- Sustainability is to be one of the key drivers of the market

# Other Influence Factors

- The use of UKCA mark has been extended to 31<sup>st</sup> December 2024 with the exception of certain product categories.
- Different rules apply for construction products. Awaiting further clarification from government.
- For most tiles (under AVCP4), manufacturers can self-certify.

## 2. UK Floor & Wall Tile Market

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# Tile Market Overview

- The UK tile market is generally divided into three product categories:
  - Ceramic and porcelain tiles
  - Natural stone
  - Others such as glass, metal and cement
- Traditionally a mature market with demand driven from both residential and commercial sectors

*Statistical Source: AMA 2022*

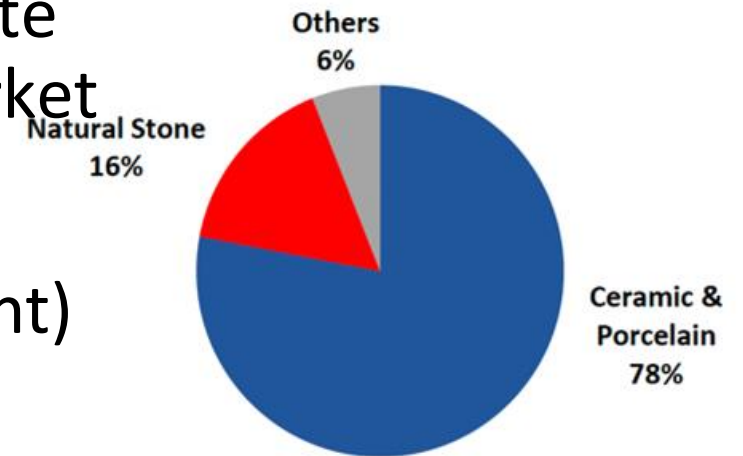
# Tile Market Overview

- The pandemic caused the tile market to decline 9% in 2020
- The market returned to growth in 2021 with an increase of 8%
- In general, weaker performance is anticipated over 2022 and 2023, in line with economic and construction outlooks
- Estimated return to minor growth around 1% in 2024

*Statistical Source: AMA 2022*

# Tile Market Overview

- Ceramic and porcelain tiles continue to dominate the product mix, accounting for 78% of the market
- Natural stone estimated at 16% share
- Other materials (such as glass, metal and cement) accounting for only 6%



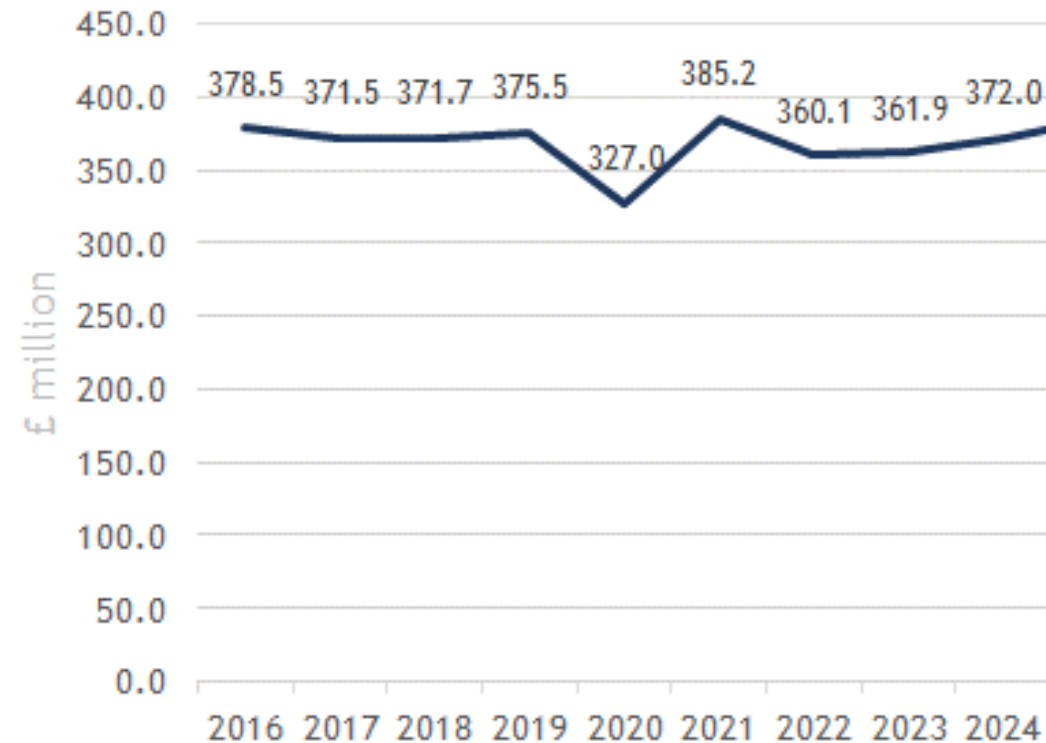
*Statistical Source: AMA 2022*

# Ceramic & Porcelain Tile Market

UK Ceramic & Porcelain Tile Market (£m)

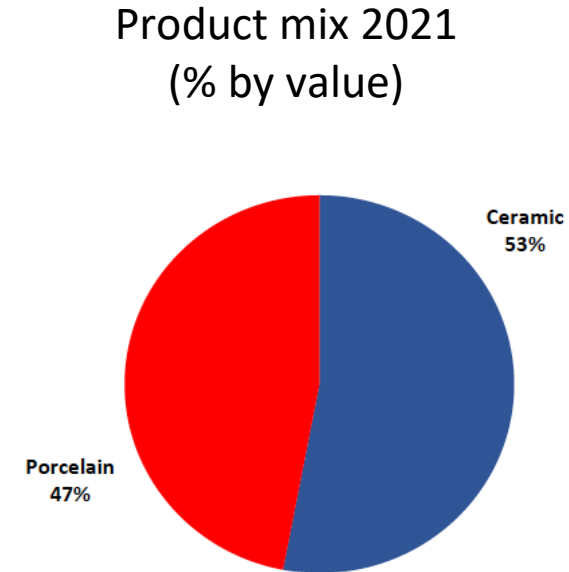
\*In the near term, growth is likely to be driven by material cost inflation rather than volume increase.

*Graph Source: Mintel*



# Ceramic & Porcelain Tile Market

- The porcelain sector continued to take market share from the ceramic tiles, accounting for an estimated 53% in 2021.

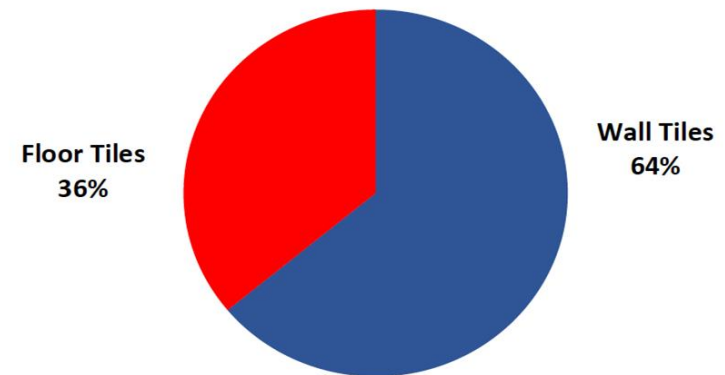


Source: AMA 2022

# Ceramic & Porcelain Tile Market

- Wall application continued to dominate the mix with an estimated 64% share in 2021, however having lost share from 79% since 2000.

End use application mix 2021 (% by value)



Source: AMA 2022

# End Use Sectors

- Domestic sector accounting for 57% and the contract sector 43%
- Kitchens and bathrooms are the key application areas
- Growth of wall application is becoming more dependent on the non-residential sector.
- Contract sector benefits from new build and refurbishment in key sectors

*Statistical Source: AMA 2022*

# Manufacture & Supply

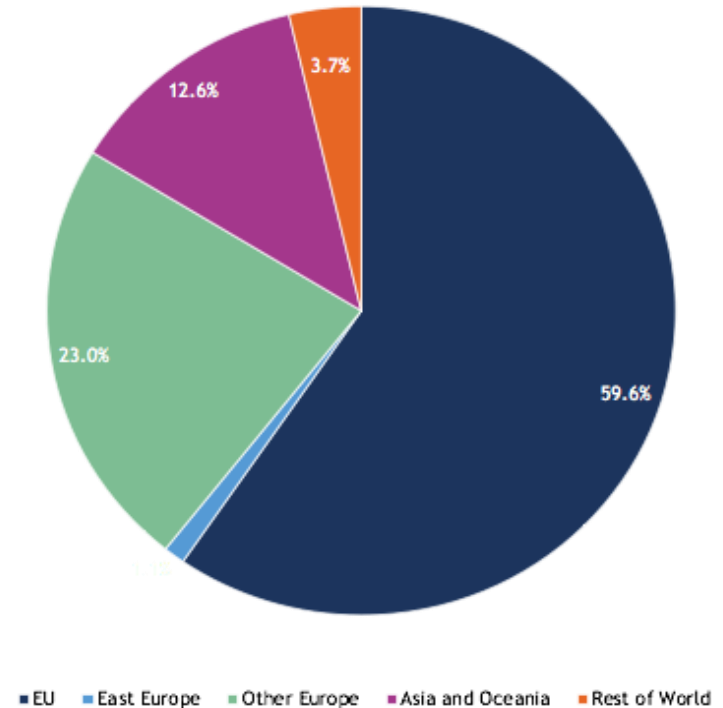
- The supply structure is highly fragmented and complex
- With the administration of British Ceramic Tiles in 2019, Johnson Tiles became the sole volume producer in the UK
- Imports account for approx. 90% in the market
- EU is a major source of ceramic tiles to the UK
- There's growth in supply from further East such as Turkey and India

*Statistical Source: AMA 2022*



# Tile Imports

- Spain and Italy are the main sources of tile imports from the EU, with imports from Spain reaching £98.2m in 2020 (33%), while imports from Italy at £46.1m (16%)



Source: HMRC 2021 & AMA

# 3. UK Tile Distribution

# Distribution Sectors

- Domestic sector – more complex, including tile specialists, home improvement multiples and builder's merchants
- Contract sector – Distribution is generally direct from manufacturers or distributors/housebuilders

# Distribution Channels

- Tile wholesalers/distributors (i.e. CTD and N&C)
- Tile specialist retail multiples – serving both trade fixers and the public (i.e. Topps)
- Builder's merchants – Mainly used by tile fixers, plumbers & builders (i.e. Travis Perkins)
- DIY multiples - primarily serving the DIY enthusiast, some fixers and builders (i.e. B&Q)
- Online distribution (i.e. Tile Mountain)

# Domestic Distribution

- In the domestic sector, the distribution structure is more complex.

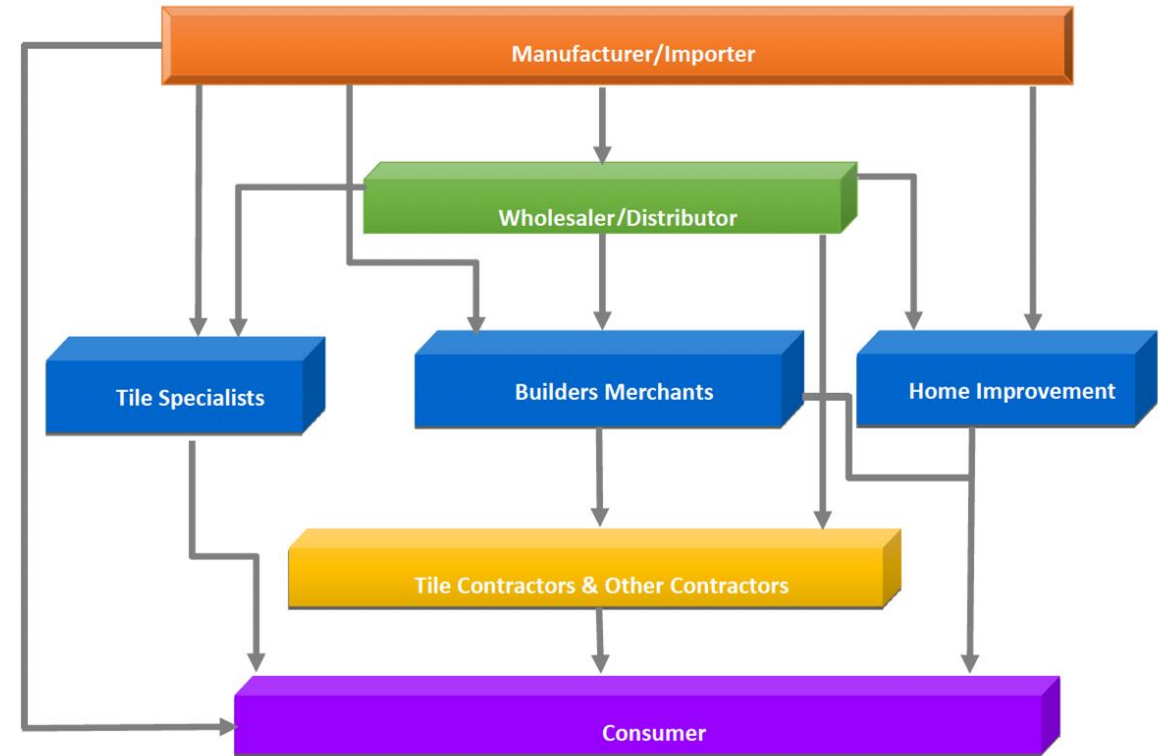


Diagram Source: AMA 2022

# Contract Distribution

- Larger projects – typically supplied by direct route or via distributors or builders' merchants
- Smaller projects – tend to have a wider distribution structure

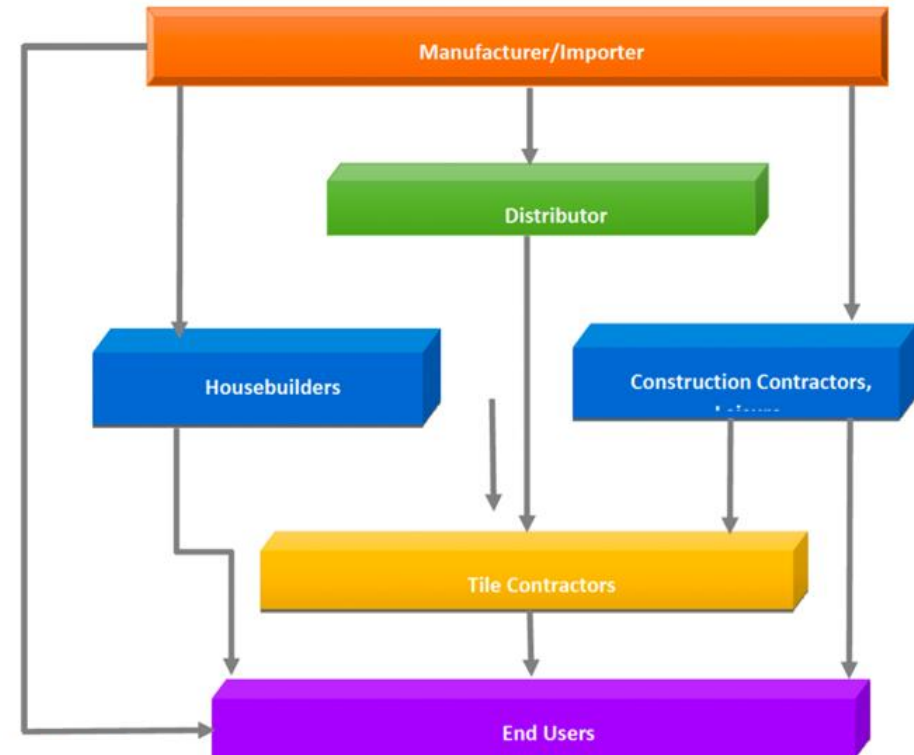


Diagram Source: AMA 2022

# Key Trends

- Cross-over between the domestic and contract sectors continues with many distributors setting up showrooms focusing on retail as well as trade customers
- The trend is drifting towards GSI (getting someone in) as opposed to DIY (do it yourself)
- Online sales have experienced a boom

# 4. Competitive Materials



# Competitive Materials

- Product substitution remains a key feature of the tile market
- Floorcoverings such as vinyl flooring and wood flooring
- Waterproof panels
- Cost & speed of installation, time to bring a room into service and maintenance etc.

# UK Flooring Markets

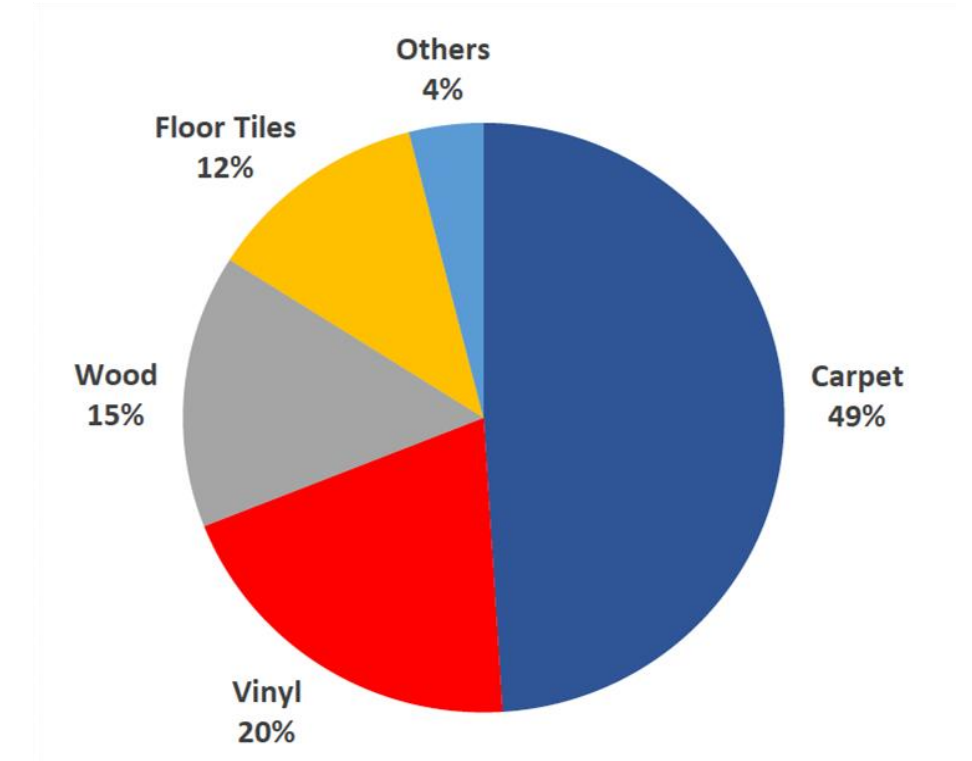
- UK domestic and commercial flooring markets are estimated at approximately £2b
- Contract flooring accounts for 49% share; domestic 51%

*Statistical Source: AMA 2022*

# Contract Flooring

- Over the last 2-3 years, carpet has lost share marginally to both vinyl and wood
- Floor tiles have benefited from recent trend for larger format tiles, in volume terms.

Contract Flooring Product Mix % by Value

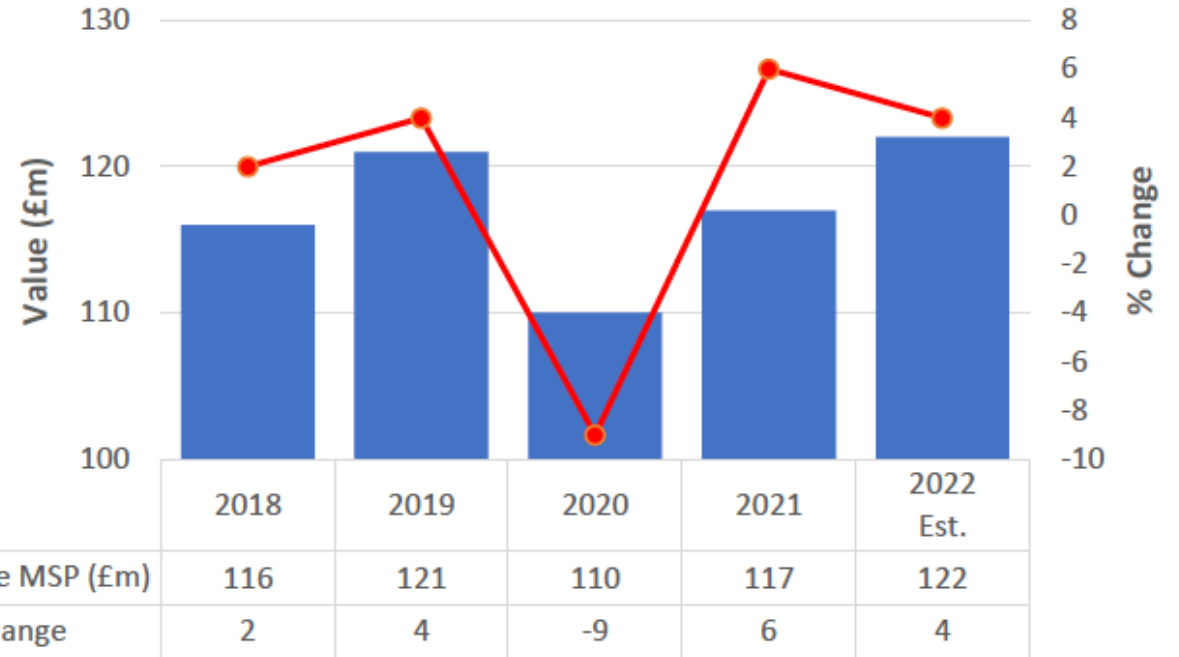


Source: AMA 2022

# Contract Flooring

UK Contract Floor Tiles Market  
(£m at MSP)

Source: AMA 2022



# Vinyl Floor Covering

- One of the fastest growing segments, consisting of vinyl sheets and LVT
- Quick to recover post pandemic, achieving 8% growth in 2021 at £195m
- LVT expected to remain the most popular product type in this category
- LVT currently accounts for 25% of the commercial flooring sector and 35% of the domestic sector in revenue

*Statistical Source: AMA & CFJ*

# Wood Flooring

- Solid wood, engineered wood & laminates
- Wood flooring accounts for 16-17% flooring market share
- Engineered wood demand is expected to remain high
- Solid wood and engineered wood account for 8% of the contract flooring sector in revenue

*Statistical Source: AMA 2022*

# Waterproof Panels

- Estimated worth £60-70m market revenue
- Popular substitute for wall tiles in the home
- A popular choice for modular PODs (prefabricated volumetric units), used more in projects for hotels, hospitals, prisons, nursing homes and student accommodations

*Statistical Source: MRA Research*

# 5. Opportunities



# Product Trends

- Increased focus on sustainable manufacturing techniques and more initiatives to reduce the environmental impact
- The market is more dependent on the bathroom sector
- Underfloor heating has generated demand for tiling in other living areas
- Growing momentum for the use of external grade 20mm porcelain tiles for internal and external areas

# Product Trends

- Growing awareness of porcelain facades as non-combustible cladding
- Increasing competition from other materials such as LVT, laminates, kitchen splash-backs and waterproof panels

# Design Trends

- At the lower end, white and single colour tiles remain a core product
- In the mid to upper segments, natural effect tiles are continuing to gain in popularity
- Neutral colours have continued to dominate overall décor trends
- Bolder, optimistic colours are forecast to become more popular
- Texture has also remained an important feature, i.e. concrete effect

# Project Sectors

- Offices and retail sector forecast to perform less positively
- A boom in the warehouse sub-sector due to increased online shopping activities
- HS2 project should provide opportunities with station facilities

# Project Sectors

- Continued demand in the educational & social sectors
- Government schemes to build or refurbish a number of hospitals before 2030

# Exhibitions

- The Tiling Show (TTA)
- Clerkenwell Design Week
- Design London
- Surface Design Show
- Grand Designs
- UK Construction Week
- The Flooring Show
- HIX
- Homebuilding & Renovating
- Ideal Home
- The Landscaping Show
- KBB
- Spatex
- London Build
- The Landscaping Show

# 6. Logistic Challenges

# Challenges

- Brexit added fresh layers of complexity and bureaucracy to the import of ceramic tiles
- Covid added further issues i.e. staff shortages and unplanned delays
- The war in Ukraine adds spiraling fuel costs
- Increasing shipping costs and delays
- Shortage of HGV drivers



# Major Ports

- Felixstowe
- Southampton
- London
- Immingham
- Liverpool

Transport cost, port charges , port efficiency , geographic location, infrastructure, inland and maritime transit time and frequency of maritime services as some of the main criteria for shippers' and freight-forwarders' port choice decisions.

# 7. E-Commerce

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# Online Market Trends

- Growth in the online market has continued since the pandemic
- Some specialist online tile retailers acquiring large UK distributors recently (i.e. Tile Mountain)
- Within the retail sector 'click and collect' sales are increasing
- Most channels including distributors, home improvement multiples and retail multiples operate an omni-channel approach (i.e. Topps Tiles)

# 8. Interview Summary

# Key Points

- 15 in-depth interviews conducted
- Interviewees consisted of senior level personnel from tile manufacturers, tile distributors, retail multiples, internet traders, tile agents and freight companies.

# Key Points

- Sales have been going strong, although expected to slow down in Q4 due to volatility with energy and haulage costs.
- Moving forward a slower performance is predicted in 2023.

# Key Points

- 20mm porcelain has been gaining vast popularity with landscapers and is likely to hold out its growth in 2023. Price gap is closing between Indian stone and porcelain.
- Recent growth is reported in 25x25 Victorian style, botanical ranges and 60x120 wallpaper design. Marble is still on trend with Terrazzo breaking into fashion.

# Key Points

- Online activity has increased as a result of the Covid pandemic and the trend continues but stores still see most transactions taking place.
- Significant cost inflation due to energy surcharges continues, however there has been inconsistency between Spain and Italy.
- Distributors and retailers are stocking waterproof panels and other hard floorcoverings such as LVT (even Johnson Tiles)



# Key Points

- Shipping lines have improved but longer lead times such as 4-5 weeks are still the norm. Less diversion issues are present but delays are mainly caused by extended off-loading time due to staff shortage.
- Both sea and road freights are used by importers. Ports are selected mainly subject to destination cities.



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# Thank you!

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