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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 sector
- 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
- Director of Build UK
- Freeman of the City of London and liveryman of The Worshipful Company of Tylers and Bricklayers
- 30 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



Mandy Searle
Technical Researcher
and Copywriter



UK Tile Market Report – Update

Executive Summary

November 2023

Pending updates

- Delayed publication of Mintel ceramic tile report 2023 (date TBC)
- Limited UK manufacturing impacts market data available
- UK Chancellors Autumn Statement to be delivered 22nd November 2023

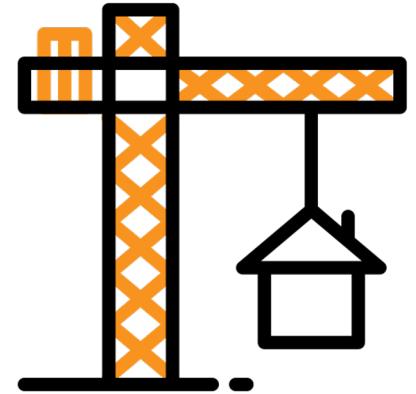
1. UK Construction Overview

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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% | - 0.6% (f) | 1.3% | 2.6% | 2.7% | 2.2% |
| Inflation | 9.1% | 2.9% (f) | 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

- Construction industry expected to experience an acute recession in 2023
- Double digit falls in private housing new-build and private housing RMI caused by high interest rates and withdrawal of 'Help-to-Buy' scheme
- 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% | - 6.8% | -0.3% |

Statistical Source: Construction Products Association Autumn 2022

Autumn Statement

- Autumn Statement scheduled for 22nd November
- One of the key financial events in the UK political calendar
- Update on finances and government tax and spending plans based on latest forecasts
- Already announced minimum wage increase - effective April 2024

Autumn Statement

- Key challenges facing the UK:
 - Inflation is still high
 - Growth has stalled
 - Government borrowing is still high

Autumn Statement

- Possible areas for inclusion in today's announcement :
 - Cuts to National Insurance
 - New rules for benefit claimants
 - Extension to business tax breaks
 - Potential reduction in tax allowance
 - Mortgage guarantee scheme
 - Stamp duty reduction

Trends on Project Sectors

- Weakened private housing market
- Higher construction costs have constrained Housing Association starts despite increased funding
- Economic uncertainty and high interest rates have disrupted starts in the industrial sector
- Interest rate rises sharply dented investors confidence leading to sharp fall in starts in the offices sector

Source: Glenigan

Trends on Project Sectors

- Retail project starts fell sharply due to weak economic growth and lower household budgets
- Strong performance in the education sector forecast to continue into 2024
- Industrial disputes and a focus on cutting waiting lists has delayed planned investment in the health sector
- Civil engineering sector hit by higher construction costs

Source: Glenigan

Housing Sector

| Housing Sector Forecasts % change | 2021 | 2022 | 2023 | 2024 |
|--------------------------------------|-------|-------|---------|-------|
| Private housing - new | 16.8% | 3.0% | - 19.0% | 0% |
| Public housing - new | 6.2% | -2.0% | -15.0% | -2.0% |
| Private housing – RMI | 21.2% | -4.0% | -11.0% | 0% |
| Public housing - RMI | 5.7% | 3.0% | 4.0% | 2.0% |

RMI – Repair, maintenance & improvement

Statistical Source: CPA Autumn 2023

Other Influencing Factors

- Strength of demand key concern for house sales due to weak UK economy
- Further updates to Building Safety Act introduced in 2023 to include buildings below 18 metres in height and higher risk buildings impose greater responsibilities on building owners
- “Golden Thread” means that building companies need to ensure full traceability of all products used in the building project from source throughout the supply chain
- Sustainability is to be one of the key drivers of the market

Other Influencing Factors

- Government intends to publish Future Homes Standard in 2024 which will be brought into force in 2025
- Gradual recovery in private housing starts from 2024 after the sharp falls seen this year, as housing affordability improves and economic outlook brightens
- The December 2024 deadline had been scrapped for 18 regulations that fall under the Department for Business and Trade
- The intention to move to UKCA marking by 30th June 2025 remains for construction products but no legislation has yet been passed for this
- 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 and metal
- Traditionally a mature market with demand driven from both residential and commercial sectors

Statistical Source: AMA 2022

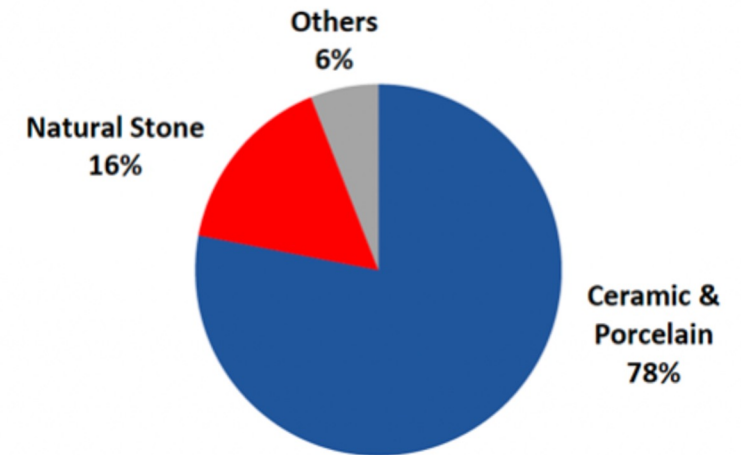
Tile Market Overview

- Strong start in Q1 and Q2 of 2022 despite mounting inflation
- Impacted by conditions deteriorating in the housing RMI sector
- Prospects further impacted by September 2022 mini budget
- Predicted fall in sales in 2023 – 2024
- Expected growth in nominal sales in 2025 – 2027 although anticipated to struggle to match change in Consumer Price Index over relevant period

Statistical Source: AMA 2022

Tile Market Overview

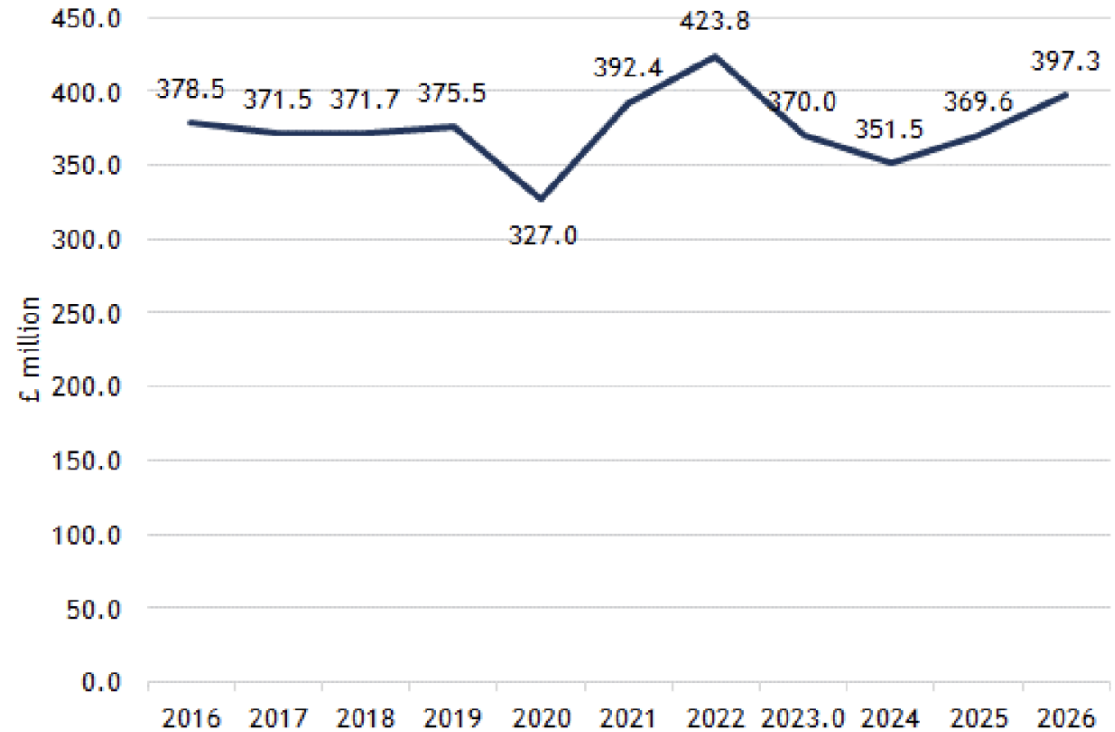
- Ceramic and porcelain tiles continue to dominate the product mix, accounting for 78% of the market
- Natural stone estimated at 16% share
- Other materials (such as glass, metal and cement) accounting for only 6%



Statistical Source: AMA 2022

Ceramic & Porcelain Tile Market

UK Ceramic & Porcelain Tile Market (£m) Manufacturer's selling price 2016 - 2026

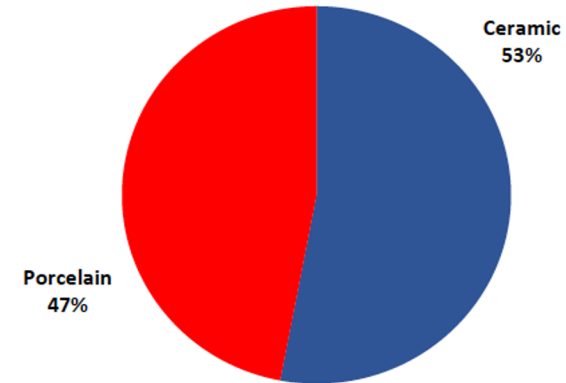


Graph Source: Mintel

Ceramic & Porcelain Tile Market

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

Product mix 2021
(% by value)

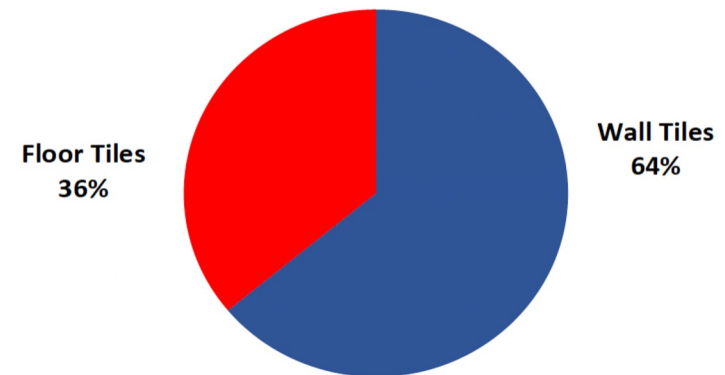


Source: AMA 2022

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

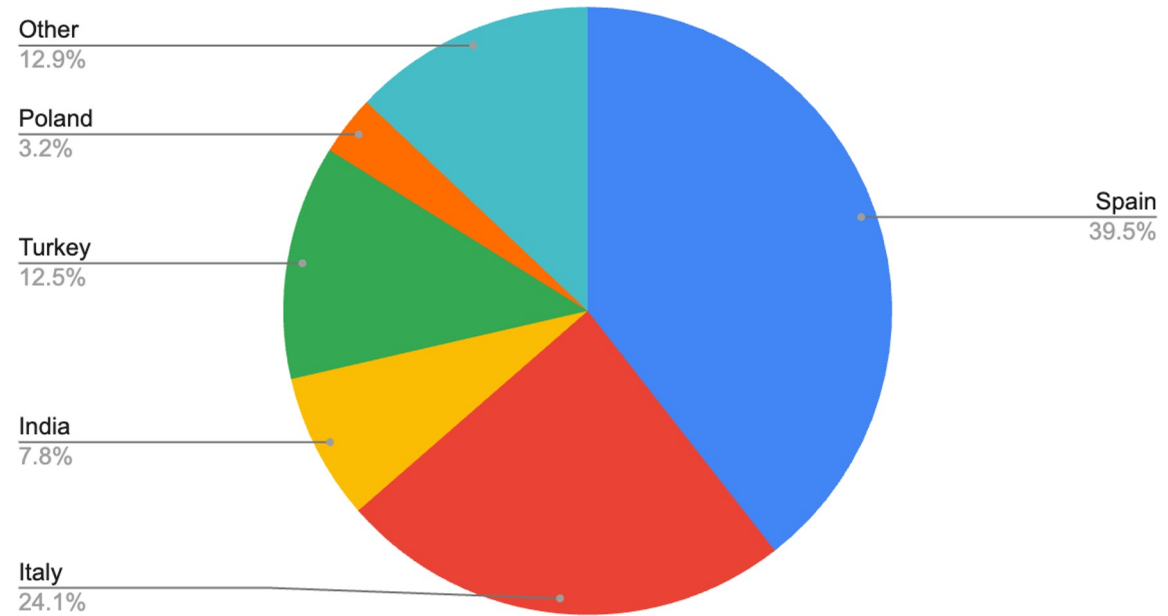
Manufacture & Supply

- 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
- Johnson Tiles continue to manufacture in the UK
- Imports account for approx. 90% in the market
- EU is still a major source of ceramic tiles to the UK
- EU anti-dumping measures imposed on imports from India and Turkey – making UK more attractive
- Growth in supply from further East such as Turkey and India

Tile Imports

- Spain and Italy are the main sources of tile imports from the EU
- Spain accounts for 39.5% of imports and Italy 24.1%
- Imports from Turkey account for 12.5% and India 7.8% of imports

2022 Tile Imports - Revenue



Source: OTS (Overseas Trade Statistics)

3. UK Tile Distribution

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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 & Topps Tile Warehouse)

Domestic Distribution

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

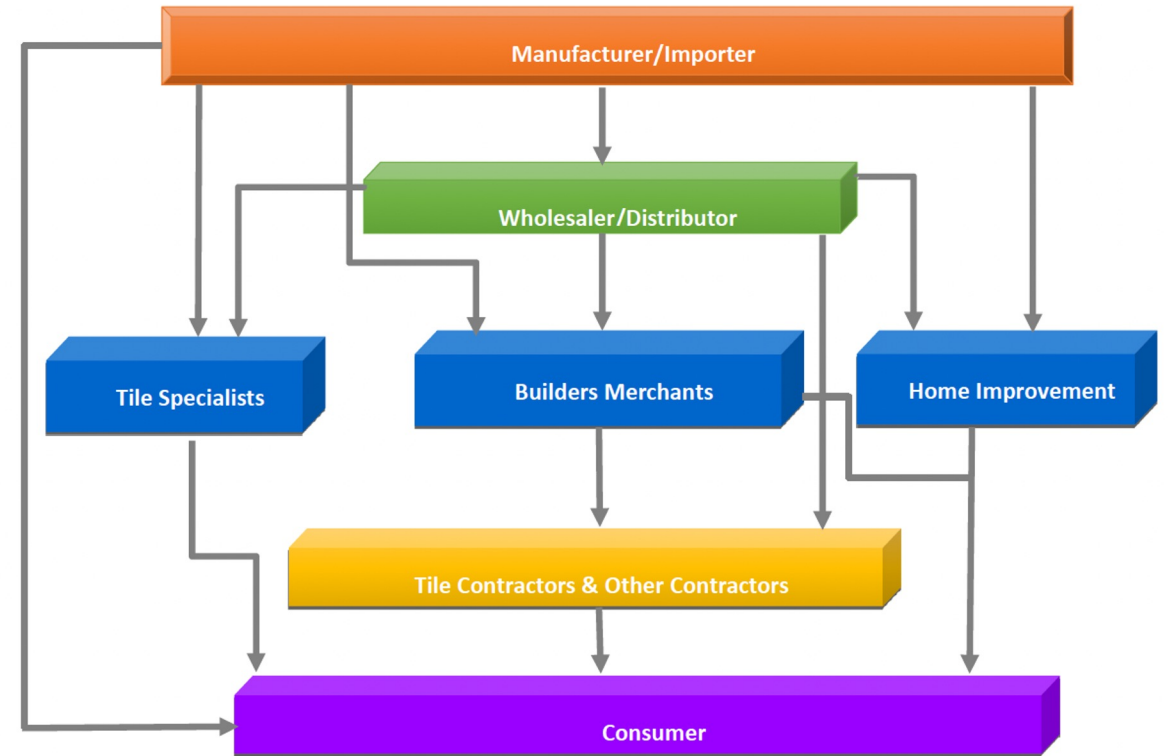


Diagram Source: AMA 2022

Contract Distribution

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

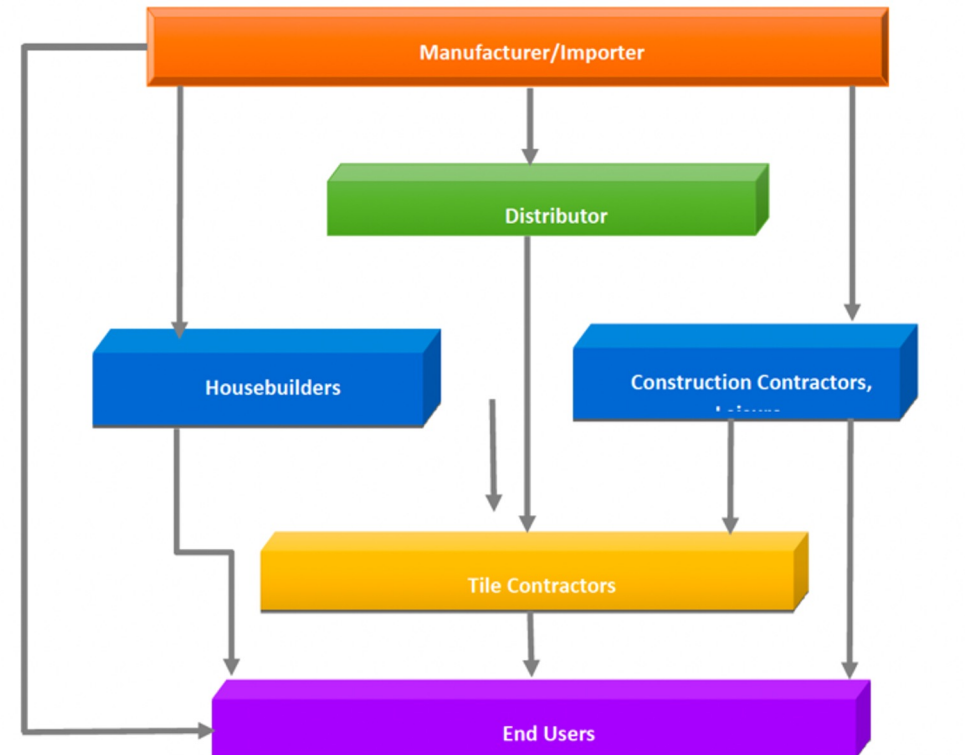


Diagram Source: AMA 2022

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

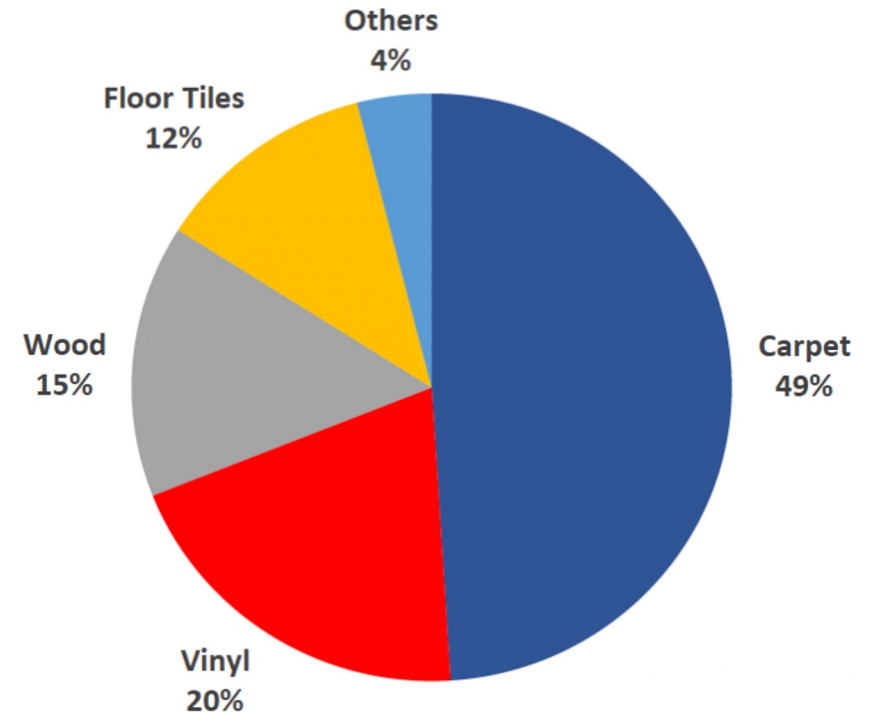
- UK domestic and commercial flooring markets are estimated at approximately £2b
- Contract flooring accounts for 49% share; domestic 51%

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

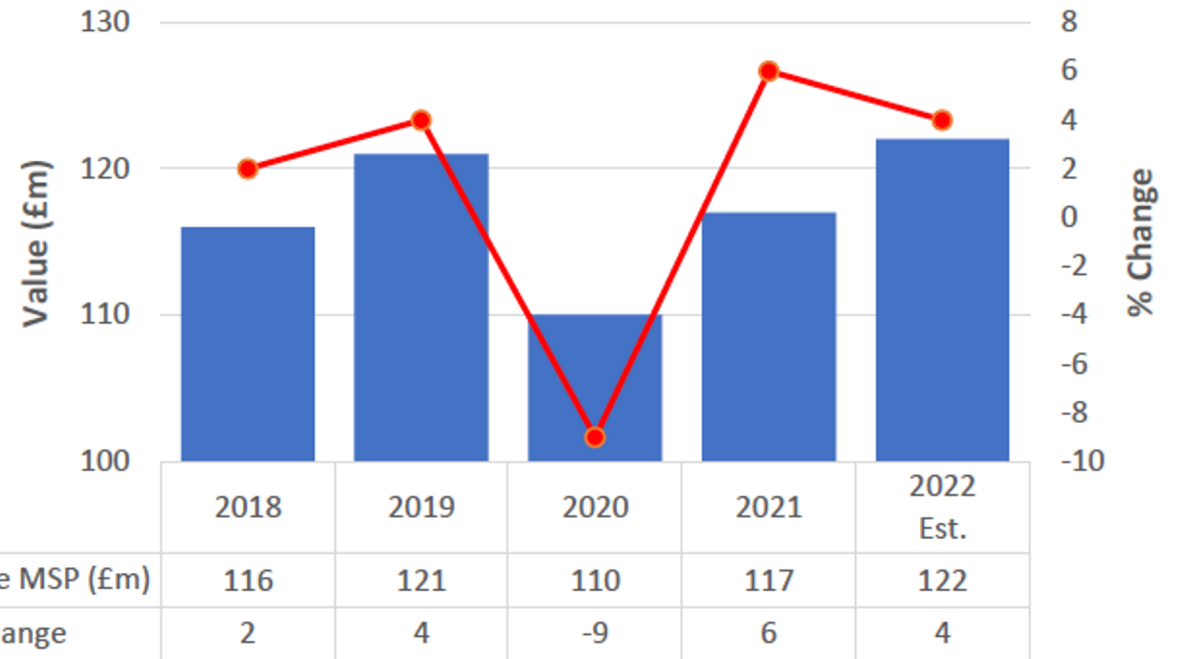


Source: AMA 2022

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

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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
- Continued growth 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
- Large format slabs – used to create countertops, sinks and furniture

Design Trends

- Sustainability is key, with a real focus on “circular design” that carefully considers the life cycle of materials used in the manufacturing process
- Natural effects and textures continue with a move towards more refined looks
- Bold marbles in hues of blue, green, black and neutrals
- Wood effect – including reclaimed – tiles continue to be popular
- Warmer tones and Mediterranean design influences such as terracotta effect floor tiles
- High gloss finger tiles in strong colours as feature walls, especially in bathrooms
- Bevelled metro tiles remain a solid, popular choice

Design Trends

- White and single colour tiles remain a core product (lower end of the market)
- In the mid to upper segments, natural effect tiles continue to gain in popularity
 - advances in technology have assisted this
- Neutral colours continue to dominate overall décor trends – bolder, optimistic colours and patterns are becoming more popular
- Terrazzo
- Texture remains an important feature to add contrast and interest
- Seamless transition between indoor/outdoor surfaces

Project Sectors

- Offices and retail sector starts fell in 2023 however improvement is forecast in 2024
- A boom in the warehouse sub-sector due to online shopping activities however, weak domestic and overseas demand are expected to dampen manufacturing investment in new capacity and facilities over the forecast period
- The scrapping of phase 2 of HS2 will have a major impact on the construction industry

Project Sectors

- Continued demand in the educational & social sectors although this will be vulnerable due to post-election public spending review
- Pipeline projects for new hospital schemes have begun to be approved but there are concerns about how quickly the New Hospital Programme will come through due to persistent delays and cost overruns on previous hospital projects

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
- FutureScape

6. Logistic Challenges

Challenges

- HGV driver shortages reduced from 100,000 in January 2022 to 60,000 in March 2023
- Cancellation of Phase 2 of HS2 harms development of the national logistics network
- The war in Ukraine adds spiraling fuel costs although 5p/ litre fuel duty cut extended by further 12 months in March 2022 and petrol and diesel prices now falling
- A reduction in demand for freight services has led to a decrease in backlogs, providing an opportunity for shipping costs to level out

Major Ports

- Felixstowe – the 14-day average shipment volume increased by 15% from April to May 2023, and again by 14% from May to June.
- Southampton – 60% rise in average shipment volume from July 2022 to June 2023.
- London – second largest port in the UK and lays claim to some of the best rail, road and sea links to the rest of the UK.. In 2020, London handled the most tonnage: 47.4 million tonnes. By 2035, the port expects a flow of cargo from its river lane routes to grow to up to 80 million tons.
- Immingham – Grimsby & Immingham in Yorkshire and the Humber was the second largest sea freight port, with roughly 11.7 million metric tons of cargo moved.
- Liverpool – average shipment volume for the Port of Liverpool fell by around 30% from July 2022.

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
- Some specialist online tile retailers acquiring large UK distributors recently (i.e. Tile Mountain)
- Tile Mountain Group (Tile Mountain, Bathroom Mountain and Walls & Floors) now has 9 showrooms - announced that pre-tax profits increased from £2.58 million to £3.94 million
- 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)
- Topps Tiles launched Tile Warehouse in May 2022



Thank you!

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If you have any questions regarding this presentation, please email:

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