

# OutdoorLiving|08

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Trendspotting is an important tool in enabling manufacturers to be proactive rather than reactive in their businesses. This year we tracked trends in the window, door, cabinet, and outdoor projects segments. A multidisciplinary team from marketing, design, and industry advising pulled together a list of trends that are currently or imminently going to affect these sectors. Trends revolved around demographics, new materials, alternative species, sustainability, the economy, and other factors. For each trend, potential implications to manufacturers are listed as business opportunities and threats. Four separate trend reports resulted from this effort. This document outlines trends pertaining to the outdoor living wood products sector.

Some of the trends in this document are already established while others are in their infancy. As a manufacturer it is up to you to pick and choose the trends and opportunities that best suit your manufacturing, marketing, and customer profile. We hope this document can tip you off to new opportunities, alert you to some pitfalls, and inspire your product lines. Good luck!

# Do More with Less

*Smaller inside living spaces will continue to give outdoor living spaces importance.*



**Trend:** House sizes are starting to stagnate and even decrease while lot sizes have been declining for the last 15 years.

## Discussion

After decades of increasing average home size in the US and Canada, demographics, economic conditions, and sustainability concerns are projected to halt and even reverse growth in house size.

At the same time, the average lot size for new homes has decreased from 10,000 square feet in 1990 to 8,500 square feet today. (National Home Builders Association, 2007)

The likely implication of these trends for producers of outdoor products is that the demand for their products will shift to lower volume but higher quality. Smaller inside living spaces will continue to give outdoor living spaces importance.

## Opportunities

- Begin to introduce products that appeal to a higher-end market. Consider:
  - o radius edges
  - o sanding parts that come in to contact with people
  - o designing in features that add to durability, ease of installation, user-friendliness

## Threats

- Consumers may choose higher cost plastics for decks, fencing and furniture as their dollar stretches further in a smaller yard.

# Canadians Abandon the American Dream

**Trend:** Over the past decade, multi-family housing has grown from 37% to 47% of Canadian new starts. This shift will have serious implications for the outdoor products market.

## Discussion

Canadians are making a marked shift towards multi-family housing such as condominiums and townhouses.

In 2006, 47% of housing starts were multi-family in Canada as compared to 18.5% for the US. Just a decade earlier these statistics were 37% for Canada and 21.5% for the US. While a detached home with a lawn and garage continues to be a strong component of the American Dream, Canadians appear to be gravitating towards the European reality of multi-family homes.

Reasons cited are:

- **Affordability:** Young families and first time buyers can't afford houses in many urban centres.
- **Convenience:** Dual income households have no time for home and garden maintenance or choose leisure in their time off.
- **Demographics:** Baby boomers are downsizing and downloading responsibilities.
- **Urban density:** some major centres have few if any new building lots close to the city core.
- **Sustainability:** Knowledge of environmental impact of single-family homes and lifestyles (i.e. commuting) is becoming more readily available, so this trend will likely continue.



*In 2006, 47% of housing starts were multi-family in Canada as compared to 18.5% for the US.*



*Over the past decade, multi-family housing has grown from 37% to 47% of Canadian new starts.*



The characteristics of multi-family construction that differ from detached housing with respect to outdoor products are that;

- small yards and balconies constitute outdoor space for condo and townhouse dwellers,
- many people living in multi-family units are renters and therefore more mobile,
- common areas (like balconies) are subject to strata rules and regulations,
- some developments have communal outdoor areas like courtyards and playgrounds,
- material choices are made by the developer or strata councils and are heavily influenced by price and maintenance costs.

### **The GVRD Case**

*The trend toward a greater percentage of multi-family dwellings is more prominent in larger urban centres like Vancouver where the percentage of new multi-family dwelling starts doubled between 1991 and 2001. In fact, multi-family represented over 80% of the total new house starts in 2007.*

According to one study, townhouse owners have a strong preference for naturally durable, and radius edge decking. (Thomas, Fell and Hansen, 2003)

### **Opportunities**

- Consider developing products specifically for balconies and patios. These products need to be compact, freestanding, multi-functional and possibly even mobile. They may also need to be customizable to fit in with strata rules.
- Consider developing higher-quality fence panels, decking, trellis, planters and deck furniture to fit in to small town-house style lots.
- Consider developing products that work in the common areas of multi-family developments (playground equipment, seating, pergolas, gazebos). These need to be safe, low-maintenance and very durable.

### **Threats**

- Fewer backyards mean less volume of commodity type outdoor products like standard fence paneling and decking.

## Sustainability on the Mind

**Trend:** In the last year consumers have reached a tipping point of concern over environmental issues. The outdoor product industry is starting to respond to this demand and will need to continue to do so since environmental concerns will only continue to grow in the future and further enter the mainstream marketplace.

### Discussion

While the general population has shown concern for the environment in the past, studies indicate that consumers have been reluctant to pay the price premiums charged for green products. In the past few years the green trend has gained momentum and the environment is finally beginning to trump the North American pocketbook. Consumers are beginning to show their concern for environmental sustainability through their willingness to pay the price premiums required for environmentally friendly consumer products. Sustainability, health, and the environment are now becoming key purchasing decision factors.

This trend has been fueled by massive media interest. It will be a challenge for companies to stay abreast of what is happening in their particular industry and market. The information regarding green practices for products, production processes and shipping is complex and subject to constant evolution. Companies that are not addressing sustainable practices risk brand and sales impacts. It will be critical for manufacturers to match actual business practices to the marketing message, as green washing can be fatal to a business. Builders, designers and architects are well aware of the growing demand for healthful products and are a strong driving force for this movement.

Within the area of landscaping, this trend has led to the development of the 'Sustainable Sites



Initiative' in the U.S. which is a new rating system of sustainable landscape design developed by The American Society of Landscape Architects (ASLA). This system measures the sustainability of designed landscapes of all types including public, commercial and residential projects. The US Green Building Council is supporting this project and plans to adopt the Sustainable Sites metrics into its LEED system once they are finished.

Both homeowners and developers are interested in environmental choices that reduce maintenance costs like reduced lawn space or investing in water-saving irrigation systems. There is some movement toward incorporating more native and drought-resistance plants, a

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*Several countries are attempting to eliminate the sale of wood products that are from illegal and destructive sources*

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growing awareness of certified wood sources and last but not least, the desire to buy local. The outdoor furniture market is being affected by the importation of furniture made from the illegal logging of rainforests. Most of this wood is coming from Indonesia where forests are being logged faster than any other forested nation. A lot of lumber is transported to furniture makers located far from the original source of the lumber, making it hard to track the actual supply country or region. Several countries are attempting to eliminate the sale of wood products that are from illegal and destructive sources.

### **Opportunities**

- Consider marketing your product as domestic.
- Consider using wood from a certified wood source.

- Consider marketing naturally durable species into markets where products will come into contact with food or humans.
- Pressure-treated producers should be prepared to switch to carbon-based treatments in the not too distant future.

### **Threats**

- Producers of wood/plastic composite outdoor products have done a good job of promoting their products as environmentally friendly and easy to maintain.

# Housing Boom Hangover: The Outdoor Cure

**Trend:** There has been strong consumer interest in outdoor living for the past 5 years. Since outdoor expenditures are tied to housing starts there has been a lull in the market since 2007. However, the current consumer interest in outdoor living will provide some buffer to this sector of the wood products industry.

## Discussion

Of all building related industries, outdoor products have been least affected by the economic slump in the US. This may be due to the fact that investment in decks tends to happen within a 2-5 year lag after home purchase. It may also be that many homeowners are improving instead of moving.

These are a few points that indicate the impact of this trend:

- big-box stores like Rona, Home Depot and Lowe's are paying serious attention to the trend to outdoor living,
- residential indoor furniture manufacturers are developing product lines for the outdoors,
- the range of outdoor furniture available is becoming increasingly vast, varied and design-oriented,
- 48% of upscale home owners are opting for decks, porches and patios instead of the traditional large lawns,
- builders are quoting outdoor spaces as extra square footage called 'non-heated' square footage.

Having the most disposable income of any other generation, baby boomers are at the forefront of the outdoor living trend.

There are many reasons this trend is so strong;

- coming home to a resort-like setting each night makes up for the lack of time for a real holiday,

- people have a renewed interest in nature and the outdoors (in part because of the psychological benefits),
- the media has glamorized outdoor living,
- well-designed outdoor spaces provide a good return on investment for resale,
- the typical outdoor living space costs one-quarter of the average kitchen renovation,
- certain products like sheds and fences have a privacy and security value attached

*A qualitative survey conducted in Vancouver in 2006 regarding consumer preferences for outdoor wood products showed that the key drivers for purchasing decisions were as follows:*

- *Aesthetics/novelty/variety*
  - o *There was a perceived lack of options on the market today (gap between what is being shown in magazines and what is readily available)*
- *Privacy/security/safety*
  - o *Particularly important to those with children*
- *Low maintenance*
  - o *Requests for guarantees*
- *Flexibility and functional*
  - o *Portability was key*

## Opportunities

- Consider marketing products as the inexpensive renovation that adds living space and resale value.

## Threats

- If the economy in the US gets worse, this trend may not continue.

*Of all building related industries, outdoor products have been least affected by the economic slump in the U.S.*



# Not Just Backyards

*Developers of condominiums and townhouses are spending more on creating usable common areas.*



**Trend:** The trend toward increasing the quality and use of outdoor spaces has spread to various non-residential applications such as; hotels and spas, parks and playgrounds, restaurant patios and corporate and homeowner association common areas.

## Discussion

Developers of condominiums and townhouses are spending more on creating usable common areas. In many urban areas, the requirements for green space for these multi-family developments are increasing. The quality of these areas is increasing partly because of liability issues. Developers are willing to spend a great deal on structures that are extremely durable to ensure safety. Consumers, who are paying more and more for these ever decreasing in size units, are placing more value in the common areas.

Standard features include: walkways, gardens and seating. More upscale offerings include: outdoor grilling and dining areas, hot-tubs, swimming pools, water features, quiet lounging cabanas and fireplaces.

Hotels, spas, wineries and golf resorts are also developing elaborate outdoor spaces. The idea is to allow people to relax, commune and enjoy the outdoors. Restaurant patios are becoming more and more popular and wood trellis, fencing and pergola type structures are often used. Corporations are creating common areas for employees to eat and relax outside during breaks.

## Opportunities

- Consider marketing to non-residential markets.
- Consider creating products specifically for non-residential markets. These products would need to be safe and durable.

## Threats

- Metal is often the material specified for non-residential applications, so wood products may have less market appeal.



## When Wood is Plastic




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*Wood decking and railing has lost considerable market share to plastic / composites in the last few years.*

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**Trend:** Wood decking and railing has lost considerable market share to plastic/composites in the last few years.

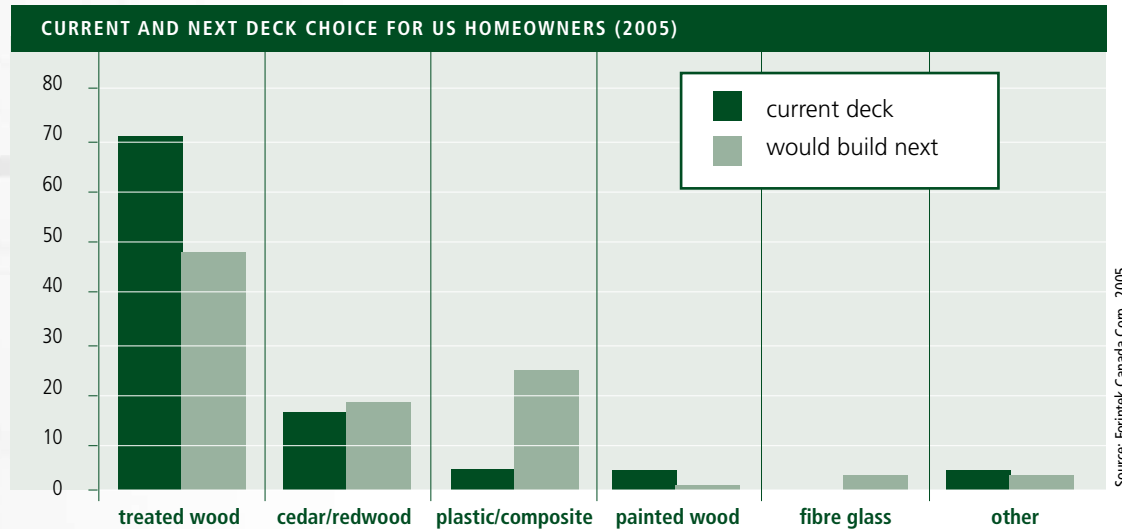
### **Discussion**

While deck projects have been very high on homeowners' renovation list for many years, the choice of decking material has changed dramatically. In a 2001 study, treated wood was of almost equal preference to naturally durable wood, with wood plastic composites being viewed negatively. When the study was repeated

three years later treated wood had a negative perception, and wood plastic was perceived positively in all but one of the study cities. In fact, between 2003 and 2005, composite decking market share nearly tripled in the U.S.

The figure below illustrates what US consumers would choose for their next deck. The study was performed in 2005 when over 25% of consumers would choose a wood/plastic composite deck. This has become a market reality with wood/plastic decking market share often estimated to be between 20-30%.

*...between 2003  
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This rapid shift is partly due to the huge marketing efforts of plastic/composite companies that promote their product as low-maintenance and environmentally friendly. Earlier studies confirm that consumers are willing to pay more for a longer lasting deck product. (Thomas, Fell and Hansen, 2003). In addition, these products are packaged as entire systems and offer the consumer a range of complimentary products like railing systems, benches and planters. While plastic/composite decks are more expensive, they provide a lower return on investment at home resale. (Remodelling Cost vs Value Report 2007, [www.costvsvalue.com](http://www.costvsvalue.com))

### Opportunities

- Market wood as renewable, naturally aesthetic, and 'comfortable' (wood reduces heat transfer for decks).
- Include specific maintenance instructions in marketing material and portray maintenance as a more positive experience
- The cost of plastic materials will increase as the price of oil increases.

### Threats

- The wood fencing market may experience a similar decrease in demand due to consumer shift to plastic composite fences in the future.

	PRESSURE-TREATED WOOD			COMPOSITE		
	Homeowner Cost	Resale Value	Percent Recouped	Homeowner Cost	Resale Value	Percent Recouped
Average Cost and Resale of a 16 x 20 Deck	\$10,347	\$8,835	85.4%	\$15,039	\$11,672	77.6%

# Made Cheaper Offshore

**Trend:** In recent years there has been a proliferation of outdoor furniture made from hardwood species from countries such as Vietnam, Thailand, Indonesia and Brazil.

## Discussion

In the flurry of satisfying the huge demand for outdoor hardwood furniture, much of this furniture is produced with little consideration given to the wood species or its durability. Often the name of the actual wood species is not displayed or simply described as “manufactured from durable hardwood species”. In addition, a lot of lumber is transported to furniture makers located far from the original source of the lumber, making it even harder to track the actual supply country or region. To make matters more complicated, sometimes a wood species is quoted which is virtually unknown outside its country of origin and data on its durability or other properties is either nonexistent or extremely difficult to locate. Illegal harvesting is a large concern with respect to many of these wood species. Confusion as to species name and origin is often a result of illegal wood supply.

Thus there is often no guarantee that the furniture, which looks fine in the showroom, will survive the rigors of outdoor use. Durability is only one issue; some species are durable but are prone to twisting, warping and cracking under adverse climatic conditions.

## Opportunities

Manufacturers of cedar outdoor furniture should focus on higher-end markets where quality and durability are important. Improve product design by;

- Improving joint technology,
- Consider using metal components for strength,



- Use larger stock to improve strength,
- Improving aesthetics, consumers are ready for new cedar furniture designs,
- Manufacturers could consider offshore manufacturing while maintaining control over design, marketing and distribution.

## Threats

- If Asian manufacturers sort out their durability and legality issues, they will have few barriers to this growing market.
- Poor performing products threaten the reputation of all wood products in the category.

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# The Natural Choice is Wood



*The consumer is motivated by the natural look and feel of wood as well as its environmental benefits.*

**Trend:** To some consumers wood is still the “real” and “natural” product regardless of the properties offered by non-wood substitutes.

## Discussion

Wood is highly valued by a small percentage of the market. This market is uncompromising and is not swayed by plastic/composites that try to look like wood. This consumer is motivated by the natural look and feel of wood as well as its environmental benefits. This trend is quite strong among architects and landscape designers and these influencers will have an eventual impact on the choices that consumers make.

## Opportunities

Now that plastic/composites have paved the way to laying out more money for deck and outdoor projects, there is room to add design and performance features to outdoor wood products while keeping prices within consumer expectation. Cedar and high performance treated wood can be elevated through design and quality.

The opportunity for pressure-treated producers is to switch to more environmentally friendly preservatives even if they may be more costly.

## Advances in Treating Technologies

*Carbon-based preservatives are seen to be the way of the future for residential applications. The first generation of carbon-based (or organic preservatives) is for above ground use only and do not contain copper or other metals. The greatest advantage of these preservatives is that they are biodegradable under the right conditions and can be recycled into pulp, compost, energy and possibly composites. They can be clear so the natural look of wood can be maintained. These preservatives are currently starting to be commercialized in the US (since September 2007) and will likely be approved and on the market in Canada in a few years.*

*There are also new ways to improve the appearance of pressure treated wood. The following are new ways to reduce the appearance of splitting and cracking with pressure treated decking;*

- *Hidden fastening systems*
  - o *Allow for wood movement (better than face nailing/screwing)*
- *Surface profiling*
  - o *Grooves not only create a non-slip surface but reduce and mask the appearance of cracks*

*Thermally treated wood is used quite extensively in Europe for decking and other outdoor products. Thermally treated wood is exposed to a high temperature to modify its chemical structure. It results in darker coloration, improved dimensional stability, fungal resistance and some loss of structural capability. It does not improve termite resistance but this is not a major issue in most of Canada. This product is primarily produced in Quebec at the time of writing and is worth keeping an eye on as the market develops.*

*Acetylation is a process used for wood treatment in Europe. Wood is reacted with acetic anhydride, which comes from acetic acid (vinegar). When the free hydroxyl group is transformed to an acetyl group, the ability of the wood to adsorb water is greatly reduced, rendering the wood more dimensionally stable and, because it is no longer digestible, extremely durable. It is currently available in Europe but not yet widely available in North America. The potential end uses will likely be limited by the very high treatment cost.*

# The Design Factor



*As an extension of the home, these spaces are becoming more personal and the desire for unique products is growing.*

Product innovation has become an important element for manufacturers of outdoor products. Both Dealers and consumers are hungry for new ideas in this fast moving category from furniture to structures and fencing. The following discussion describes two major trends in this market.

## **“Outdoor Rooms”**

**The consumer’s increasing inclination to view the garden as another room in their home is a chief factor influencing the increased demand for garden products.**

### **Discussion**

Now that the yard is considered a living space for relaxation, leisure, eating and entertaining, the trends influencing this market have become more akin to those one would expect inside the house.

As an extension of the home, these spaces are becoming more personal and the desire for unique products is growing. Where once there was a patio or deck with a table and chairs, the outdoor room often includes the following elements:

- Structures: pergolas, arbors, trellis or other hardscaping
- Food preparation: from grills to full-blown outdoor kitchens
- Dining areas: benches, bistro tables and chair at an island or tables
- Socializing areas: lounge chairs or outdoor sofas
- Lighting: both task and ambient lighting are being used (solar powered lighting provides new opportunities)
- Entertainment elements: fireplaces, fire pits, outdoor TV’s, portable outdoor projections screens for movies, outdoor or marine-grade stereo systems, spas or pools.

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*Outdoor kitchens and outdoor living rooms have recently become one and the same in the most recent trend for outdoor great rooms.*

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Outdoor kitchens and outdoor living rooms have recently become one and the same in the most recent trend for outdoor great rooms. This trend has led to many retailers and even contractors packaging a group of products that are sold as integrated great rooms. They include things like: a cooking grill, a pergola and furniture and are linked by a common aesthetic. These same companies are starting to use 3D modeling software to illustrate to consumers what these 'rooms' could look like since the showroom space required to do actual displays would be huge. Outdoor kitchens are becoming a standard feature for builders to include in higher-end new home plans.

This trend for treating outdoor spaces like rooms has created a greater demand for outdoor structures like arbors, trellis, pergolas and gazebos. These structures are used to:

- delineate functional spaces,
- provide places to mount lighting, fans or other electronic equipment, and
- provide privacy, shade or a break from the wind.

There is significant market demand for a range of outdoor kitchen products from the very simple barbeque island to elaborate outdoor kitchens. At the high-end, outdoor kitchens are usually built-in to existing patios, decks, and pool areas and use materials such as brick or stone for the

base stand and polymer cabinetry. This marine grade polymer is made from solid, high-density polyethylene and won't absorb moisture, crack, split, rot or swell. They are usually designed to look like painted wood cabinets. At the low to medium-end, outdoor kitchens are often freestanding components. Barbeque islands which are basically barbeques with more elaborate storage and work areas are popular. Some of these use some wood components like cutting boards or door fronts and are made from naturally durable species like cedar or teak.

The outdoor furniture market is heavily influenced by imports from Asia. Both wicker and metal are strong in the market today. The wood imports are often poorly made and deteriorate quickly so those unknown tropical species will soon lose their appeal. Styles range widely but contemporary styles have gained interest in the last few years. Outdoor furniture is becoming more comfortable with deep sofas, ottomans and cushioning.

These outdoor rooms have lead to a plethora of specialty supporting products like;

- Outdoor carpeting that looks and feels like indoor carpeting,
- Cooling misters for hot climates and infrared heaters for colder climates to increase the season these 'rooms' are usable, and outdoor upholstery fabrics that are as comfortable as indoor fabrics.

## Opportunities

Develop creative merchandising displays that demonstrate how products can be used to create a 'room'.

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## European Influence

**As with many other product categories, Europe leads the way in terms of innovative product ideas. Trends in Europe are starting to influence the outdoor living market in North America.**

## Discussion

Consumers take their inspiration from wherever to find it and the internet allows ideas to spread quickly. Some of the trends in Europe worth watching include;



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*European manufacturers of outdoor products are constantly developing new products to energize the market.*

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- Ripple decking
- L-shaped garden structures that fit better in to smaller yards to maximize space
- Simple, contemporary designs to fit in with contemporary homes (lots of horizontal slatting)
- Picnic tables designed for wheelchair accessibility
- Smokers huts for outside non-smoking businesses
- Mixing of materials, particularly wood and metal used in the same structure. Examples of mixed material products are; pergolas and arches that combine aluminum uprights with wood rafters, deck railing with wood rails and spindles but use visible steel connectors, and hardwood deck tiles with stone inlay
- Product offerings involve customizable systems that the consumer can select from rather than stand-alone products
- Product lines that go beyond the standard trellis and fence panel to include things like; carports, lampposts, sandboxes etc.
- Lifestyle marketing strategies. Many European companies have segmented their potential market into groups and have developed distinct product lines for each. These segments usually cover contemporary, traditional and country cottage styles.

European manufacturers of outdoor products are constantly developing new products to energize the market.

Distribution for outdoor products has reached a more mature stage than in North America. In Europe, there are many DIY stores and specialty gardening stores which provide an outlet for more unique and varied products. Even supermarkets are getting involved in this market. In North America there is a decided gap between the big box market and the few garden stores.

However there are signs that this is changing with growth in specialty garden stores and stores like Superstore having some interest in outdoor living products.

### **Opportunities**

- Consider creating a line of products instead of stand-alone items.
- Create display areas/promotional materials that demonstrate how your products can be used to create rooms to inspire customers. Use 3D CAD renderings to help sell ideas.
- Consider non-big box outlets like furniture stores, garden stores and online sales.
  - o Outdoor furniture manufacturers would benefit from following trends for interiors in terms of colours, materials and styles since that market directly influences future directions for outdoor furniture.

### **Threats**

It is possible that European manufacturers of outdoor products will enter the North American market and capture the higher-end of the market. Rona is already importing pressure-treated pine fence panels and trellis from Poland and this product program has experienced steady growth in sales for the last three years.

