



Who cares about kitchen
cabinet manufacturers?
WE DO!



2021 Moving Forward

Survey results for the Canadian kitchen cabinet industry

An in-depth look at how the industry is
adapting.

Ready to hear what's going on out there?

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**What the industry is thinking.
What the industry is planning.
What the industry is doing!**



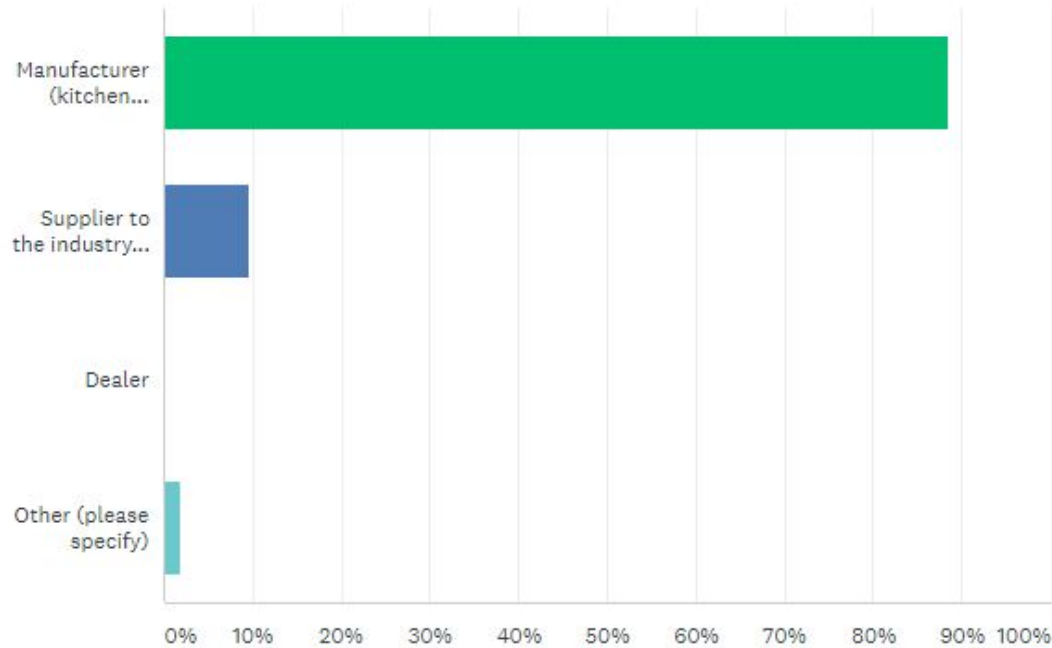
Industry data



- The kitchen cabinet industry generates an estimated \$1.5 billion in annual sales and employs more than 25,000 Canadians in an estimated 4,000 SMEs (small to medium sized enterprises) with the largest of companies employing more than 1,500 employees and the smallest to just 1 employee.
- Kitchen cabinet manufacturers are proud to be part of Canada's economy driving 52% of the GDP in the business sector!
- Approximately 70% of companies employ less than 50 employees.
- This survey is an indication of what's happening in our industry at this time based on responses we get.

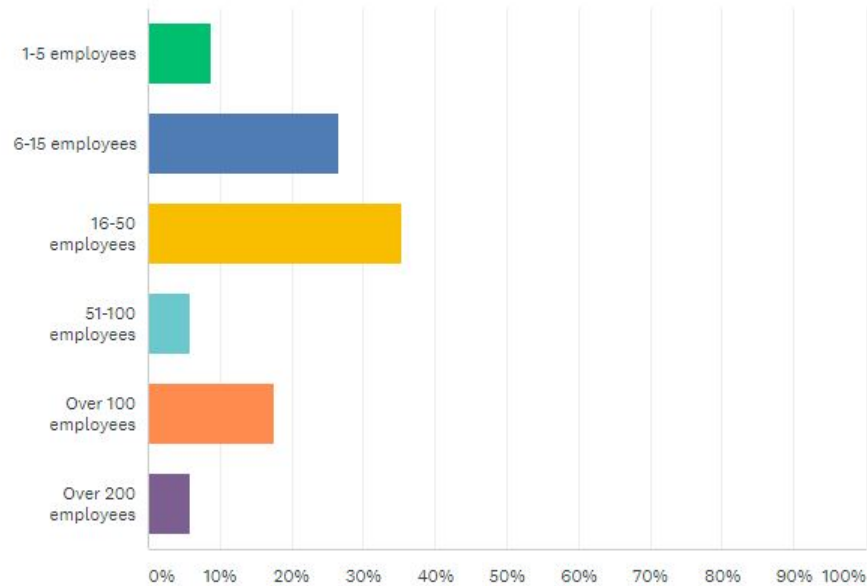
Who responded to survey?

Answered: 52 Skipped: 0



How many employees?

Answered: 34 Skipped: 18



What province?

ANSWER CHOICES	RESPONSES
▼ BC	17.31% 9
▼ AB	9.62% 5
▼ SK	1.92% 1
▼ MB	5.77% 3
▼ ON	51.92% 27
▼ QC	1.92% 1
▼ NB	5.77% 3
▼ NS	3.85% 2
▼ NLFD	0.00% 0
▼ PEI	1.92% 1
TOTAL	52

What's Happening?

A year+ in...

- Kitchen cabinet industry operational and resilient in “the new norm”, but it hasn’t been easy
- More people living/working in their homes and using their kitchens than ever before, food security (storage) increases.
- Feeling “Zoomed-out” but digital literacy made huge strides.
- Some say e-commerce surged 32% or more, others say on-line shopping more than doubled.
- Covid fatigue – vaccination rollout is slow, but brings hope, airline industries receiving massive bailouts, small business struggles with only 29% making normal sales and only 56% fully open.
- Now hitting a third wave of the pandemic, hospitals hitting capacity in some parts of Canada.
- Rapid testing – not rolling out very rapidly!
- Government spending deficit \$364 billion this year and \$121 billion next year.
- Health & Safety remains business priority with balancing act of remaining operational.
- “Perfect Storm” is by no means the “perfect new norm” with increased customer demand, increasing skilled labour shortages, shipping and supply challenges, sales/service difficulties, banks/insurance companies uncertain with low interest rates but increasing insurance costs.
- Speculation for future, some say “the roaring 20’s are headed our way”, others concerned the bubble will burst and we’re heading to a depression.
- Real estate explodes, national average sale priced posted 25% y-o-y gain, over past 20 years Canadian house prices have risen more than 1,680%, the highest rate of any [OECD country](#) (second highest is UK at 96%).

Staffing

Staffing

By comparison to pre-Covid staffing levels what percentage of staff are you currently working with?

Full compliment of staff	75%
75-99% of staff	21.5%
50-74% of staff	3.85%
Less than 50% of staff	0%

Comments:

- We replaced about 15 employees in different areas of the business due to pandemic reasons for not returning all related to pandemic
- Producing more cabinets with less people
- Everyone is on the schedule – if they show up that is a different story
- We are hiring even during the crisis
- Looking to add staff
- Laid staff off in the spring but brought everyone back last July

Have you hired more staff this year overall?

Yes	62%
No	38%

Comments:

- We have gone from 22 to 35 staff overall, business has been really busy!
- Hired an additional 2 full time employees and 1 full time designer to keep up with demand
- We had numerous staff doing cash jobs outside of our business during the pandemic while also receiving the stimulus chq provided by Govt. The combo of cash jobs with no taxes taken, the stimulus chq and ability to work personal hours, compounded a very difficult process of bringing back low/middle wage workers
- Need to hire additional staff to cover when employees have to self-isolate etc.
- Higher turnover in entry level jobs and employees within probationary period.
- Big turnaround in 2020, we hired, we remain with the same staff, but the people we lost were either changing careers, moved to a different city or went for Gov't aid. We need more people and hiring has been difficult. Certainly a shortage of skilled people in the trades.
- We hired another assistant for the office so our designer can focus more on designs and estimating.

Do you still have staff who will not return to work because of receiving Gov't subsidy?

Yes	23%
No	77%

Comments:

- Small business and we are like family. Guys wouldn't do that.
- We only had one person that decided to take the gov't aid and he no longer wants to work.
- Never had any laid off during Covid.

Did you have to lay off staff permanently in 2020?

Yes, prior to Covid	4%
Yes, when Covid hit	17%
No	79%

Comments:

- We gave staff the option to stay home in the spring, they did for about 2 weeks, but most staff realized we were in it for the long haul, and we were taking precautions.
- We had employees that did not fit our core values. We laid them off permanently when Covid hit.

Staffing

Any further plans to do more layoffs in 2021?

Yes

8%

No

91%

Comments:

- We're as busy as we've ever been
- We're so busy right now, it's all hands on deck

Do you have any staff still working from home?

Yes

37%

No

63%

Comments:

- We're as busy as we've ever been
- We're so busy right now with orders, we need to hire

Staffing

Do you still have staff working from home?	Yes	37%
	No	63%

Comments:

- Just one individual who is not comfortable with Covid situation
- Just the design team
- Some Customer Service and IT
- They are on a work from home rotation (few days at work, few days at home).
- Purchasing, sales, customer service coordinators, distribution sales support all work remotely from time to time to limit total number of individuals in office at a time
- Estimating and engineering
- Some people working from home pre-Covid (designer, cabinet vision engineer, bookkeeper) and still are
- Some staff work from home due to school closures
- Medical issues for some and commuters (i.e. local transit)
- Design/programming person working from home remotely and using Zoom conference. This works very well.

Staffing

Are you still hiring and finding people to work?

Yes hiring/finding people to work in our industry **19%**

Yes hiring/struggling to find people to work in industry **50%**

No not hiring, we are fine as-is **29%**

No not hiring, found new ways through machinery & tech **2%**

Comments:

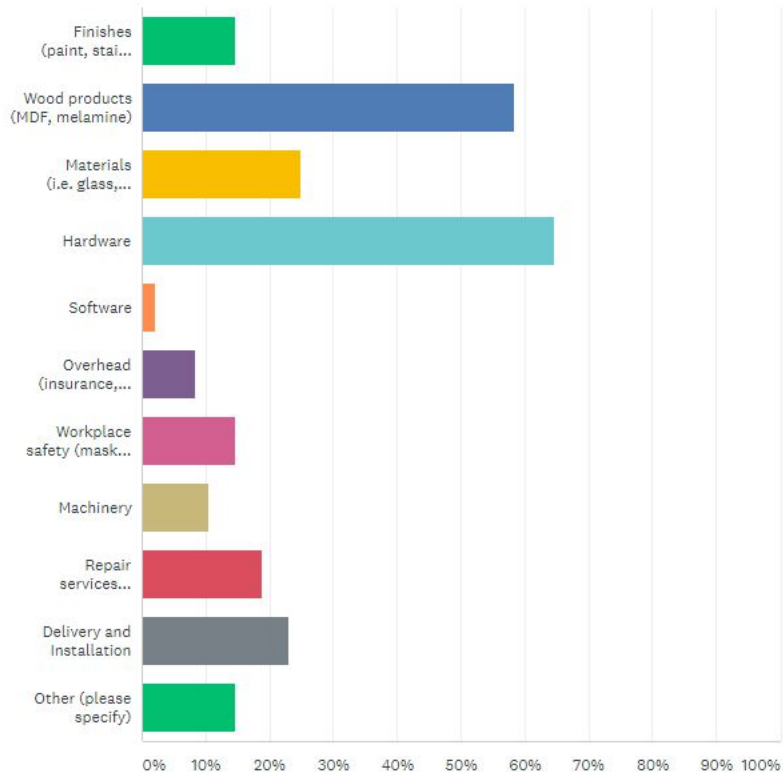
- Looking for a designer.
- The right fit or skill set is hard to find.
- More industry specific training is required. Particularly with engineering software.
- Cabinet finishers are just not out there!

Production

Production

In which categories are you experiencing supply chain issues?

Answered: 48 Skipped: 4



Comments:

- Deliveries very slow making it hard/more work to keep customers happy.
- Struggling with certain acrylic materials as well as door manufacturing partners.
- Serious delays in cabinet doors.
- Mostly specialty storage accessories. There are also delays on appliances. This doesn't affect us directly since we don't sell appliances, but the finish of projects is being delayed as a result.
- Promised delivery on new spraybooth, but very delayed getting it, delays getting CNC with extended delivery dates.
- Thermofoil and polyester doors have been 4 times the usual lead times
- Backlogs on container shortages at ports
- Looking to store completed kitchens due to backlog on construction projects with other delays
- Having to inventory items, hardware, to ensure we have them, can't send out kitchens incomplete, will lose too much money

Production

Where did you see a surge in work in 2020 overall?

ANSWER CHOICES	RESPONSES
▼ Work from home spaces	29.41%
▼ Kitchen renovations	74.51%
▼ Bathroom/laundry renovations	39.22%
▼ Home renovations (various millwork)	45.10%
▼ New home builds (i.e. semi-detached, detached etc.)	37.25%
▼ New Condos builds	17.65%
▼ Outdoor Kitchens	3.92%
▼ Other (i.e. institution etc.)	7.84%
▼ We haven't experienced any surge in work	5.88%

Production

By comparison to 2019, how did your year-to-date production outputs compare to Nov 2002?

ANSWER CHOICES	RESPONSES
▼ Better production outputs than this time last year (more than 40% or higher)	3.85%
▼ Better production outputs than this time last year (more than 20% or higher)	34.62%
▼ Slightly better production outputs than this time last year	11.54%
▼ Same production outputs compared to this time last year	36.54%
▼ Less than 80% production outputs compared to this time last year	11.54%
▼ Less than 60% production outputs compare to this time last year	1.92%

Comments:

- More complicated jobs are coming our way, bogs down production higher value jobs, slower production (evaluating cost benefit)
- This is with considerable employees on furlough, so yes comparatively on paper we are very close to last year but based on the additional hurdles presented in 2020 we did very well with our managing of the business, sales, production and volume during this time. More industry specific training is required. Particularly with engineering software.
- 20% down from Nov 2019

Financial

How do gross expenses (to Nov 2020) compare to Nov 2019?

ANSWER CHOICES	RESPONSES
▼ More than 40% higher than this time last year	3.92%
▼ 20-40% higher than this time last year	19.61%
▼ Slightly more than last year	41.18%
▼ Same compared to this time last year	27.45%
▼ Less than 80% compared to this time last year	7.84%
▼ Less than 60% compared to this time last year	0.00%

Comments:

- 9% increase
- Our gross expenses were down 10-20% year over year.
- Had to do a lot of retro fit to ensure our shop and showroom were Covid compliant. Extra cleaning supplies etc.
- Materials are more expensive as well as delays in getting materials and hardware are costly.

Where have you experienced cost increases in 2020 that are above the typical increases you see in a normal year?

ANSWER CHOICES	RESPONSES
▼ Finishes (paint, stain, primer)	38.30%
▼ Wood products (MDF, melamine)	72.34%
▼ Materials (i.e. glass, plastics etc.)	34.04%
▼ Hardware	44.68%
▼ Software	4.26%
▼ Shipping (freight)	46.81%
▼ Overhead (insurance, hydro, marketing etc.)	23.40%
▼ Workplace safety (masks, sanitizers, toiletries etc.)	55.32%
▼ Machinery	2.13%
▼ Repair Services (machinery, software support etc.)	14.89%
▼ Delivery and Installation Costs	29.79%
▼ Staffing (i.e. more sick days etc.)	48.94%
▼ Other	4.26%

Financial

In the first 3 months of 2021 did you consider a price increase of your products related to input costs?
Check all categories that apply.

Builders/contractors (i.e. dealers) **59%**

End customers **57%**

Not considering **31%**

If yes to above, what increase did you apply?

7% or higher **23%**

Less than 7% **68%**

Comments:

- 2-4% only if we have to, prefer not to
- Between 5-10%
- Not doing a price increase, customers getting hit hard in all other ways.

How did you budget for 2021?

Increase revenues and expenses	52%
Decrease revenues and expenses	10%
Same as 2020	38%

Comments:

- Trying to keep expenses down!

Did you have more difficulty collecting receivables in 2020 than normal years?

Yes	14%
Sometimes	23%
No	63%

Comments:

- Jobs taking longer to complete
- Really no difference, if anything it would have been easier
- Some delays

Have you received any government funding?

ANSWER CHOICES	RESPONSES
▼ CERB (Covid employee subsidy)	23.53%
▼ CEWS (Covid wage subsidy)	60.78%
▼ CEBA (Covid loan)	45.10%
▼ CECRA (Covid rent subsidy)	1.96%
▼ We did not apply for any Covid funding	11.76%
▼ We applied and received other industry funding not related to Covid	9.80%

Comments:

- Guys took CERB for 2 weeks in April 2020, we have taken the CEBA loan but have not yet had to use it
- We are receiving Level 1 Continuous Improvement Awareness implementation training and from FP Innovations. Got 75% of the costs covered.
- We took the CEBA because it would be foolish not to and invested in new equipment and hire a new employee.

With the changes coming into effect around subsidies, how do you think this will impact your business?

Comments:

- Cash flow is key for survival.
- We may have a slight decrease in sales, but for the most part we should remain the same.
- Unknown at this time.
- Extended wage subsidy helps with bottom line.
- Price of certain items may go up, but overall with more continued support for Canadian manufacturers, we may see price decreases or shorter lead times.

- Currently it won't as we are very busy.
- Well we were also in the middle of a move, completely renovating our 10,000 sq. ft warehouse together with half a mil on machinery upgrades.
- We will continue but it will impact our costs.
- None, we are back at full staff level and in normal operation.
- Many also commented they saw no impact.

Timelines

Timelines

How is scheduling jobs going?

Ahead of schedule	6%
Holding stead on our schedule	44%
Behind on schedule	44%
Way behind our schedule	6%

Comments:

- Shipping/receiving is a nightmare, so many delays.
- Clients are pushing out their timeline which is affecting our scheduling.
- Schedules are worse in Covid. Lots of changes and hard to keep on top of all the job sites.
- Booking a lot further in the future than pre-Covid.
- More work has meant longer lead times which is my main focus to reduce.

Timelines

Are you see a lot of delays from builders and other clients due to Covid that are now impacting you?

Yes, seeing lots of delays **41%**

Some delays but nothing out of the norm **52%**

Not seeing any delays **7%**

Comments:

- At this point everyone is feeling the shipping delays.
- Large commercial projects.
- Adjusting as they come, people are understanding if these delays are Covid related.
- Delays are mostly due to restrictions of having multiple trades on site.
- Lots of last-minute changes.
- Not only delays but schedules that are all messed up.
- On the contractor side, closings are taking longer.
- Just need to reschedule accordingly, and hope everyone understands why.
- Delays from April/May/June impacted industry later in 2020
- Unexpected delays due to Covid are inconvenient, we are constantly changing the schedule to adapt. This time around with the shutdowns, no one is canceling orders so the consumer is not as scared and will allow us into their homes.

Timelines

Are you being asked to produce kitchens and other products faster with shorter timelines than normal?

Yes	28%
Sometimes	44%
No	28%

Comments:

- Everyone is always in a rush.
- Typical builders.
- Yes, but not always possible.
- It's getting ridiculous.

Management

What do you think you did well in 2020 in your business that really helped you be resilient to all the challenges you faced?

Comments:

- We put Covid-19 as our priority to maintain safety first and work through the stresses as a group.
- We handled the shutdowns with ease. Communicated well to all our partners.
- We marketed ourselves well and we hired skilled employees to fill all positions.
- We hired additional IT employees that helped with speeding up the production.
- Initiated safety protocols in our showroom as well as in our shop, to minimize the chance of employees getting sick.

- Came together as a team. Switched to better communication platforms between clients and staff, less in person meetings.
- Constantly planning – daily, weekly and communications to all staff were increased.
- We stayed open and made sure to take care of our clients as best we could.
- Nothing changed from previous year.
- Just kept moving forward and keeping a positive attitude!
- Being flexible with our teams and their accommodations from work from home. Increased communications internally to stay on top of fast paced changes.

What do you think you did well in 2020 in your business that really helped you be resilient to all the challenges you faced (continued)

Comments:

- Excellent staff and communication and more patience and understanding of each person.
- We were able to scale our capacity quickly to demand. A couple of key capital investments allowed our team to be significantly more efficient in manufacturing.
- Kept expenses under control. Took advantage of CEWS. Implemented Covid procedures to prevent spread of virus among staff.
- Implementing Covid 19 protocols from day 1. We were constantly up to date with Government recommendations and pro-active with implementing Covid 19 policies.
- Worked long and hard when work came back.

- Developing and supporting our team members.
- Implemented Covid procedures ahead of the Gov't. Kept our team working throughout the pandemic. Adjusted to new timelines and flexibility.
- Stayed ahead of issues, transparent with our customers, took advantage of a growing renovation market.
- Diversified our revenue streams with new product lines. Managed expense and renegotiated with suppliers on pricing. Adapted marketing plans to reach customers during pandemic.

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What do you think you did well in 2020 in your business that really helped you be resilient to all the challenges you faced (continued)

Comments:

- We didn't compromise on pricing, even if we really wanted to.
- We really became more efficient. Focused on better hiring practices. Run two shifts due to being so busy.
- Analyzed every cost, process and procedure for efficiency and waste.
- Treat our guys well, we provided a safe environment.
- Educated ourselves and applied for CEWS and CEBA
- I think good reputation – so clients kept referring or wanting to come back. Lost a major client, who we cut for at least 30% of the time, (who got their own CNC, edgebander , etc: "; we supply cabinets parts to a lot of shops as well) but that void got filled right up, by more clients where we do complete kitchens and actually surprised us, point being, reputation saved us I think.
- Work harder and smarter
- We chose our jobs well. We have the attitude to work when we can.
- We hired a PR/HR Manager.
- We had zero debt before Covid, then because of the good financial condition we were in we invested heavily in machinery upgrades. Machine provider gave us 3 free payments, we got good interest rate and good prices on machines.

What are some of the strategies you've implemented to better prepare you this year as Covid continues?

Comments:

- Being flexible, staying very connected to our clients with any delays, we also re-wrote our contract to include a "force majeure" clause due to covid.
- Preparing for a depression after the buying surge ends. I fear that day when Canada and Ontario want their money back.
- Assumed more responsibility and accountability within our supply chain.
- Scheduling software. Developed more structured processes.
- Meeting more often around data.
- Prevention education, enhanced cleaning and safety protocols, increased screening for illness.

- Get really close to your vendors.
- We got more technologies.
- Keeping with the COVID protocols. Managing the schedule.
- More transparent with what state the organization is in and what is required from our teams.
- Flex hours and ability to work at home when possible. More staff involvement in decision making. Allowing each person to be heard and part of the team.

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What are some of the strategies you've implemented to better prepare you this year as Covid continues (continued)

Comments:

- Better visibility to KPI's.
- Price increase. Introduce new products. Update marketing materials and plan.
- Maintain strict Covid policies. Update those policies as required and provide consistent reminders to employees.
- Keep appropriate safety measures in place so that we can keep work.
- Hired new General Manager.
- Scheduling is a little different. Hire more people. Continue to wear masks at all times and cleaning protocols.
- Machinery purchases to streamline areas in the shop, software upgrades to make us more efficient, continued relationship building with our dealers despite their struggles. Move towards online purchasing, virtual design work. Everything will pay dividends this year.
- Comfortable working from home, have focused on better project planning. Last minute purchasing doesn't work. More communication.
- Keep expenses and receivables tight.
- Looking at new plant layout and more automation, larger inventory of raw goods.
- Maintaining a diverse cross-section of work i.e. Contractor, Retail and Restoration

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What are some of the strategies you've implemented to better prepare you this year as Covid continues? (Continued)

Comments:

- Increase staff installers and finishers, changes in the amount of product we stock to avoid backorders. Ordering earlier to allow for delays in turnaround.
- Keep going as is, watch costs and do a little more pricing for materials, rather than use one supplier and take for granted they always have the best price.
- We bought new edge banding, more efficient, buying a tracking program (webcam).
- Training of Continuous Awareness Implementation, Training on Cabinet Vision software so we have better presentations for our customers. We are doing all showroom visits by appointment, customers come in with a plan of what needs to be done now and everything is more efficient.
- Maintain Covid protocols. Increase advertising in project-rich regions. Target contractors/renovators more than homeowners.
- Automation, planning, forecasting
- Reduce fluctuation in production levels due to employees being off sick
- Keep doing what we are doing – really not much has changed for us from pre-Covid
- Business plan to expand operations into other cities and provinces. Improved shop processes and job flow.
- A fully planned out 2021 strategic plan that will help us stay focused should restrictions happen again.

Looking into the future...but not too far

What are some of your concerns about business for 2021?

Comments:

- Online buying shift can push our industry to change how our customers buy from us.
- Slow down economically or demand for our product.
- Hopefully, we see consumer confidence increase, and possibly we receive more reno work, as well as new home sales.
- Absorbing growth
- Ongoing supply chain disruptions. Additional input cost increases.

- Another lockdown that will put me behind financially.
- We need our vendors to keep a steady supply coming our way.
- How this will impact us in the future.
- Steady timelines for delivery as we saw major pushback in 2020
- Suppliers able to fulfill orders and prices don't keep increasing.
- Fear of further shutdowns.
- More Covid cases in society may result in more drastic shut-downs. More cases means higher probability of those cases affecting staff, resulting in more absences.

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What are some of your concerns about business for 2021? (continued)

Comments:

- The ability to scale fast enough to meet demand.
- Hitting deadlines and getting materials in time. Usually delay requires us to go back to a job site that hasn't been completely finished because materials aren't in and subsequently we can't collect the final payment.
- Timelines being stretched out due to people choosing not to work because of government subsidy. Seems like employers are trying to hire around this.
- Recession is in the back of my mind.

- How long can we keep going at this pace and supply chain concerns?
- Will we be shut down? Will I miss out on Government funding?
- Finding good staff.
- Economic fallout after pandemic ends and government assistance stops.
- More lockdown, people not being able to work as normal, therefore, no money to send on what we do.
- Potential decrease in construction depending on Covid restrictions
- Ability to ramp up production fast enough to keep up with our current and anticipated demand

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What are some of your concerns about business for 2021? (Continued)

Comments:

- Lack of work
- Catching up with backlog, need some normalcy
- How long can we keep going at this pace and supply chain concerns?
- Will we be shut down? Will I miss out on Government funding?
- Finding good staff.

- Economic fallout after pandemic ends and government assistance stops.
- More lockdown, people not being able to work as normal, therefore, no money to spend on what we do.
- Potential decrease in construction depending on Covid restrictions
- Ability to ramp up production fast enough to keep up with our current and anticipated demand
- Will business fall off the edge?
- Catching up with backlog, need some normalcy back for the employees mental well-being.
- Just hope work keeps coming in – concerned about how all the money gov't handing out, how it will be repaid
- Economy seems fickle and we're unsure how long this reno boom is going to last, predictions hard these days
- Still waiting for overall longterm impact, more lockdowns and effect on consumer spending in homes.

Conclusions:

- Industry demonstrated resilience during a worldwide crisis that is being compared to WWII.
- Uncertainty at every level, even experts can only speculate - the finish line remains unclear.
- Political drivers such as “The Great Reset” remain highly controversial.
- While the pandemic has created much change, other issues still percolate – i.e. international trade. Canada’s relationship with China at a low point. Are retaliatory import tariffs a solution to prevent erosion or “dumbing down” of industry? Will political will always have the final say?
- More conversations around bringing manufacturing back to Canada, more federal support in the future that will help industry take further steps to automate and train. Need more “Made in Canada” incentives.
- “Elephant in the room” remains skilled labour shortage - systemic issue, no easy quick fix. Canadians dislodged from jobs due to Covid, Government subsidies have offered buffers. Perceptions about the wood industry generally unchanged, competition for skilled labour from other sectors heating up. Can’t discuss more manufacturing in Canada until more support for automation and labour issue gets resolved.

In spite of all the above, the kitchen cabinet industry has managed to thrive. It hasn’t been easy and it still isn’t. Our industry has adapted, worked to keep its workforce safe, improved efficiencies, adapted with more tech and automation, tightened fiscal management and remaining responsive to customers. Some call this learning and growth the “silver lining” of Covid. But the truth is we’re doing what the famous WWII mantra told us to do with one small change...

Keep Calm (Stay safe) and Carry On!



Professionalism – Quality - Innovation