UNITED STATES TARIFF COMMISSION

WILTON, BRUSSELS, VELVET, AND TAPESTRY CARPETS AND RUGS

Report in Response to the President's
Request for Information
Supplemental to the Report
on Escape-Clause
Investigation No. 7-104

TC Publication 41

Washington
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UNITED STATES TARIFF COMMISSION

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U.S. Tariff Commission
December 1, 1961

REPORT IN RESPONSE TO THE PRESIDENT'S REQUEST FOR INFORMATION SUPPLEMENTAL TO THE REPORT ON ESCAPE-CLAUSE INVESTIGATION NO. 7-104 1/

Introduction

On August 3, 1961, the Tariff Commission submitted to the President its report on escape-clause investigation No. 7-104 concerning "Wilton carpets, rugs, and mats; Brussels carpets, rugs, and mats; velvet or tapestry carpets, rugs, and mats; and carpets, rugs, and mats of like character or description," in which the Commission recommended escape action. 2/ By letter dated September 30, 1961, the President requested

1/ Chairman Dorfman, who took office on November 2, did not participate in that investigation or in the decision thereon; Commissioner J. Allen Overton, because of illness, likewise did not participate in that investigation. Commissioner William E. Dowling participated in the investigation, but was unable to participate in the preparation of this report because of his attendance at a GATT conference in Geneva, Switzerland.

2/ See U.S. Tariff Commission, Wilton, Brussels, Velvet, and Tapestry Carpets and Rugs: Report to the President on Escape-Clause Investigation No. 7-104 . . ., 1961 (processed).

Commissioners Talbot, Schreiber, Sutton, and Overton wish to observe that the instant request is for greater detail regarding the competitive effect of tufted carpets and rugs than contained in the Commission's report of August 3. The competition of tufted floor coverings was recognized by the Commission in the latter report, but under the statute the Commission, while taking into account the various causal factors that contribute to serious injury or the threat thereof, is required to make a finding of serious injury or the threat thereof if increased imports of the articles under investigation have contributed substantially towards causing or threatening such injury to the domestic industry producing the like articles. This was the basis of the Commission's finding of serious injury in the investigation covering Wilton and velvet floor coverings.

Chairman Dorfman does not consider appropriate inclusion of the foregoing observations in this report, which is being submitted in response solely to the specific questions raised by the President in his letter of September 30, 1961.

the Commission to furnish certain additional information. This information, which the President requested be furnished on or before December 1, 1961, is as follows:

1. Data on production, sales, employment, imports and profits for as much of the calendar year 1961 as possible.

2. The competitive effect of the domestic production of machine tufted carpets and rugs on the production of Wilton and velvet carpeting.

The following parts of this report are addressed to those questions.

Part I

Production, Sales, Employment, Imports, and Profits

The Commission obtained data on production, sales, wages, man-hours, imports, and profits pertaining to Wilton and velvet carpet operations for the periods January-September 1960 and January-September 1961. With the exception of imports, which increased by 4 percent, the magnitude of each of these items was lower in the latter of the two periods. These decreases occurred during a time when industrial production for the domestic economy as a whole was increasing. U.S. industrial production was 11 percent greater in September 1961 than in January 1961; the production of textile mill products was about 20 percent greater.

U.S. production of Wilton and velvet carpets and rugs in the first 9 months of 1960 was about 24,627,000 square yards; in the corresponding period of 1961, it amounted to approximately 20,925,000 square yards, constituting a decrease of 15 percent (table 1, Appendix). Imports, on the other hand, were 6,200,000 square yards in January-September 1960 and

6,476,000 square yards in January-September 1961, increasing by about 4 percent. The ratio of imports to production increased from about 25 to 31 percent. Notwithstanding that imports were larger in the entire 9-month period of 1961 than in the corresponding period of 1960, imports in January-July 1961 were 8 percent less than in the corresponding period of 1960 (table 2). In both August and September of 1961, monthly imports exceeded 1 million square yards, compared with an average of about 740,000 square yards during the comparable months of 1960.

Net sales, and man-hours of employment and aggregate earnings of production and related workers each were about 13 percent lower in January-September 1961 than in the corresponding period of 1960.

Financial data for the 9-month period January-September 1961 and for the corresponding period of 1960 were obtained from each of the 18 domestic producers that submitted comparable data for the years 1957 through 1960 during the course of escape-clause investigation No. 7-104. In 1960 these 18 concerns accounted for 92 percent of the U.S. production of Wiltons and velvets and for 82 percent of the production of all machine-woven carpets and rugs (including Wiltons and velvets). In that year Wilton and velvet carpets and rugs accounted for 44 percent of the total net sales of these concerns.

In appraising the reliability of the financial data reported by the 18 concerns for the first 9 months of 1960 and of 1961, it should be borne in mind that no financial statements audited either by public accounting firms or by other outside accountants covering the specified periods were available for comparison with the data submitted by the carpet-producing firms. For this reason, it was not possible for the Commission to conduct the usual comprehensive office audit to determine the accuracy of the data.

During the first 9 months of 1960, the 18 concerns reported aggregate net operating profits on their overall operations (including the production and sales of Wiltons, velvets, and all other products) of nearly $16 million; during the corresponding months of 1961 their reported net operating profits on such operations were about $13 million, or some 20 percent lower. The ratio of net operating profits to net sales declined from 5.1 percent in the first 9 months of 1960 to 4.3 percent in the corresponding months of 1961 (table 3).

Data reported for the 18 concerns showed that their net operating profits on Wilton and velvet carpet-and-rug operations declined from $6 million for January-September 1960 to $1.6 million for the corresponding 9 months of 1961. As reported, the ratio of these net operating profits to net sales of Wilton and velvet carpets and rugs decreased from 4.4 percent in January-September 1960 to 1.3 percent in the corresponding months of 1961.

Although the aggregate operations of the 18 concerns were reported to be profitable in both periods, January-September 1960 and January-September 1961, 5 concerns reported losses on their overall operations and 6 concerns reported losses on their Wilton and velvet carpet-and-rug operations during the first 9 months of 1960; in the comparable period of 1961, 5 concerns reported losses on their overall operations and these 5, together with 3 others, reported losses on their operations producing Wiltons and velvets. These 8 concerns accounted in that period for about two-fifths of the total sales of domestically produced Wiltons and velvets. Of the 5 concerns reporting losses on their overall operations in January-September 1961, 4 had also reported losses in the first 9 months of 1960; similarly, of the 8 concerns reporting losses on Wiltons and velvets in 1961, 6 had also reported losses on such operations in January-September 1960.

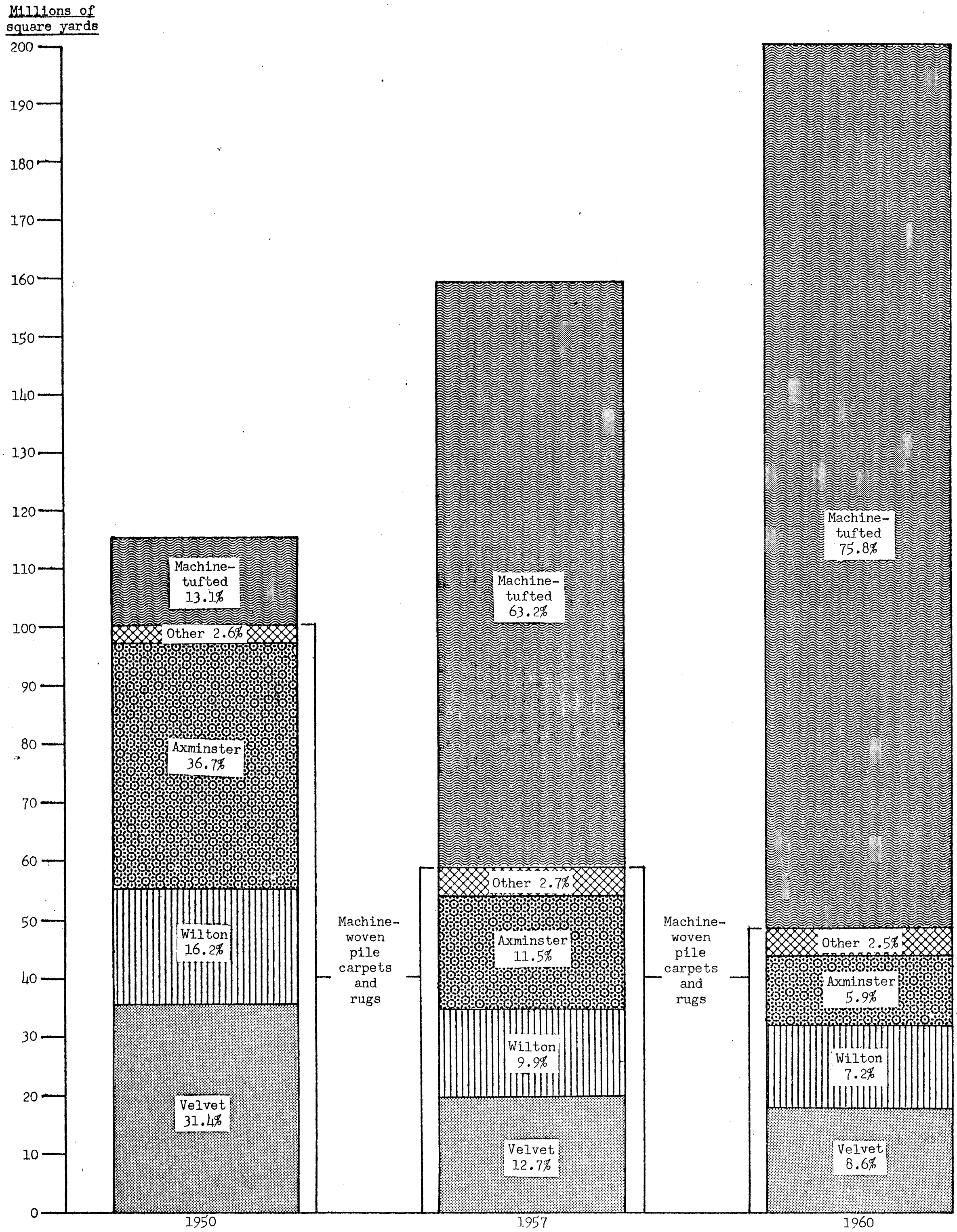
Part II

The Competitive Effect of the Domestic Production of Machine-Tufted Carpets and Rugs on the Production of Wilton and Velvet Carpeting

Wilton, velvet, and tufted carpets and rugs were described in detail in the Commission's two escape-clause reports. Together, these three types of carpeting accounted in 1960 for about 90 percent of the U.S. total production of machine-made pile floor coverings 1/ and for about 80 percent of the production of "broadloom" floor coverings. As described in the earlier reports, Wiltons and velvets are machine (loom)-woven products; tufted carpets and rugs, also machine-made, are not produced on a loom but on different and newer types of machines. Other types of machine (loom)-woven pile carpets and rugs include Axminster, chenille, Smyrna, and sheen; in the aggregate these types (of which Axminster is by far the most important) account for only about half as much yardage in domestic production as do Wiltons and velvets combined. Another, and still newer, type of pile-surfaced carpets and

1/ Fig. 1.

Machine-woven pile carpets and rugs (by types) and machine-tufted pile carpets and rugs: 1/ U.S. production, 1950, 1957, and 1960



1/ Not including machine-knitted pile carpets and rugs.

Note.--This chart is a reproduction of the chart contained in the appendix to the Tariff Commission's report on escape-clause investigation No.67, with data for 1960 added.

Figure 1

rugs currently being sold in commercial quantities is the machine-knitted, which accounts for less than 3 percent of the U.S. production of machine-made pile carpets and rugs.

In responding to the present request, it is necessary to distinguish Wiltons and velvets from tufted carpets and rugs. In so doing, it serves a useful purpose to point out both the similarities and the differences in appearance, composition, and end use. All three types have much in common. They are all soft-surface floor coverings. All three are pile surfaced, having rows of tufts compacted together to provide the desired surface. Each is available in types having pile surfaces composed of either wool, nylon, acrylic, rayon, or other fibers. All three are produced predominantly to supply the current demand for "broadloom" and wall-to-wall carpeting. They are distributed largely by the manufacturer in standard rolls (usually in widths of 9, 12, and 15 feet); nevertheless, rugs either cut-to-dimension, or made-to-dimension are available. All three are commonly installed in conjunction with an undercushion. At the retail level they are regularly displayed side by side as alternate choices available to the same consumer clientele. At this level the prospective purchaser is given little encouragement to distinguish between the woven and tufted types. Each is purchased in substantial commercial quantities in the "contract" trade, being used widely by motels, hotels, bowling alleys, office buildings, and apartment developments. In the automobile trade, however, tufted carpeting has almost completely replaced woven-carpet installations in recent years.

Once a consumer has decided to purchase a soft-surface pile floor covering, he is confronted with a myriad of alternate choices of color, pattern, fiber surface, pile depth, pile density, fabric construction, price, dealer reputation, terms of sale, manufacturer or advertising appeal, and the like. One domestic producer, whose firm manufactures not only Wiltons and velvets but also tufted carpets, informed the Commission that his concern alone produces "over 400 separate items in our line to appeal to the vast mass of the public taste. Why a woman . . . chooses one out of that group over another, I wish I . . . knew the answer to it." 1/ To answer this and other questions, Elmo Roper & Associates conducted a survey under the auspices of the American Carpet Institute (formerly the Carpet Institute, Inc.). 2/ The survey report, based on interviews with several thousand consumers to appraise their buying habits, identified the more important factors causing customers to choose the types of rugs they do. The relative importance of the

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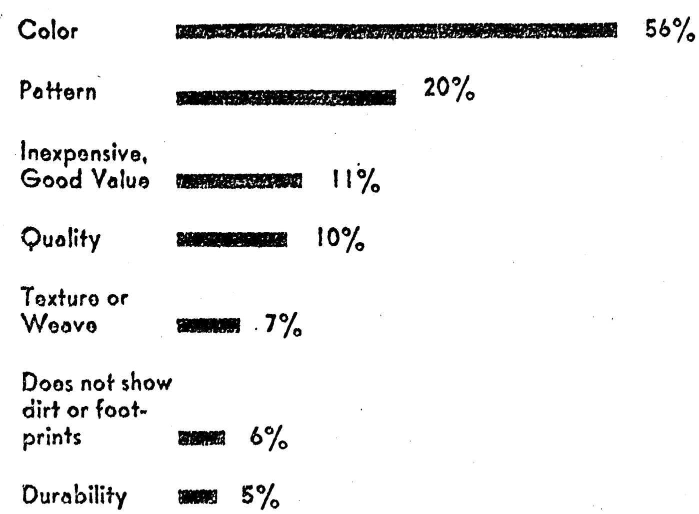
1/ Transcript of the hearing, p. 399. Wherever reference is herein made to statements or testimony at a hearing, unless otherwise indicated the reference is to the hearing in connection with investigation No. 7-104.

2/ Carpet Institute, Inc., Consumer Attitudes Toward Carpets and Rugs, A Summary of the Roper Survey, 1948, New York.

respective factors was determined to be as follows: 1/

REASONS FOR SELECTING PRESENT CARPET OR RUG*



* Total adds to more than 100% because some people gave more than one answer.

Figure 2

Color

The Roper survey revealed that "The right color in a rug or carpet is a major consideration"; in fact, "color was nearly 3 times as important as pattern, which was the second most important factor." 2/ This generalization was confirmed at the hearing by a witness who had once served as the floor-covering buyer for a large mail-order house and whose present firm not only manufactures tufted carpeting but also imports Wiltons.

1/ Ibid., p. 13.

2/ U.S. consumption of tufted rugs has increased substantially since 1948, when the Roper study was concluded. It is presumed that the percentages reported in fig. 2 are at least moderately different from those which would apply today. The substantial increase in sales of tufted rugs in recent years suggests that consumers may currently accord the third criterion--"inexpensive, good value"--higher priority than formerly.

Currently, solid-color or nearly solid-color fabrics have by far the greatest appeal. Wiltons and velvets, as well as tufted carpeting, are offered in a wide range of colors; one manufacturer of tufted carpeting testified that in one line alone his firm offered 34 colors. On the basis of color, therefore, there is little to distinguish the two machine-woven products (Wiltons and velvets) from the tufted. Indeed, the American Carpet Institute has made the following observation: "Good quality tufted rugs have a thick dense pile that feels luxurious and wears well . . . . All the favored carpet colors are offered and choice of designs and textures is constantly widening because of the many new developments and variations in this process of construction." 1/

Pattern

At the public hearing, spokesmen for the domestic producers of Wiltons and velvets ranked pattern (style) as the principal rather than the second most important determinant of consumer choice in buying a rug. 2/ Pattern in carpeting is achieved largely by producing variations in either the color or the surface of the fabric. The types of floor covering presently being marketed reflect current modes and consumer preferences and differ materially from those in vogue three decades ago. Then, rugs with complex color patterns were in mode; now, as already noted, solid-color fabrics have great appeal. The importance of the multicolored Wilton has declined and the preeminence of the Axminster has waned. With solid-color carpeting, nevertheless, many variations in

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1/ American Carpet Institute Inc., Basic Facts About the Carpet and Rug Industry, 1961 Edition, New York, p. 32.
2/ Transcript of the hearing, p. 218 ff.; see also p. 149.

surface contour or texture are common. A substantial share of the total output is produced with textured-surface effects (sculptured, frieze, pebbled, and the like) which are achieved by controlling the twist in the pile yarns employed, by varying the height of the pile, or by other means.

In the Wilton carpet, the Jacquard mechanism is used to achieve a textured or sculptured pattern in the surface. Additional effects are achieved by using the Jacquard in conjunction with other mechanisms auxiliary to the weaving process, e.g., variations in the types of wire used to control pile height, and use of position-control devices. In velvet carpets, textured effects are also achieved by a variety of methods. The ordinary plush surface is attained when straight yarns are used and the pile is cut. The pile may be woven at different heights to form a sculptured or textured surface. Tightly twisted yarns finished in cut pile provide a frieze surface. Uncut looped pile supplies a pebbly texture. Other results are obtained by combining cut and uncut pile in the surface.

Most of the tufted carpeting has been made in solid colors, largely because of the prevailing consumer choice, but partly because the processes of production had not developed to a point where they would permit flexibility of design and the use of multiple colors such as is possible in weaving Axminster and Wilton carpets. Technology in the tufting process has been developing rapidly, however, and new types of tufted carpeting are being introduced that offer many of the texture and decorative effects now popular in woven carpets.

All three types of carpeting--Wiltons, velvets, and tufted--are now offered to consumers in a wide variety of surface patterns--even though all three are sold predominantly in solid-color fabrics. Some surface textures are more readily achieved by one method of manufacture than by either of the others. Wilton (and Axminster) constructions, for example, are best suited for providing so-called traditional or conventional patterns. Tufted carpeting, on the other hand, is readily adapted, and overwhelmingly produced, in contemporary patterns suitable to modern decor. Nevertheless, carpeting produced to satisfy this style trend currently constitutes the great bulk of the domestic output of both Wiltons and velvets. Thus, if surface pattern were the sole criterion of consumers in choosing carpets, their desire either for variety or for the opportunity of choosing a given configuration or texture (cut pile, loop pile, cut and loop pile, sculptured, twist, random sheared, serrated, high and low pile, tweed, carved, plush type, or frieze) can generally be met by either Wiltons and velvets or tufted. On the basis of surface pattern, few buyers, if any, at the retail level have either the desire or the ability, to distinguish Wiltons and velvets from tufted carpets. Indeed, even the more expert and experienced tradesmen would have little success, by careful scrutiny of the surface pattern only, in identifying the basic method of manufacture.

Price

The Roper study indicated that the third most important criterion influencing buyers was whether a given carpet is "inexpensive" or constituted a "good value." To many who are economy minded, or whose resources are limited, price is the prime consideration. At the public hearing, a spokesman for the domestic producers of Wiltons and velvets said: "If (the housewife) has two items that fill the same style trend, the same color, and one is the same value at a lesser price, she is smart enough to pick that one." 1/

Two facts are quickly manifest when one compares prices at which Wiltons and velvets are sold with the prices of tufted carpeting: (1) Both types are offered in a wide and, in the main, overlapping range of prices, with price categories designed to accommodate buyers at all economic levels; and (2) tufted carpeting meeting given specifications for pile-surface fiber, pile height, pile density, pattern, and so forth, usually sells at prices some 15 to 20 percent lower than do Wiltons and velvets meeting comparable specifications.

Cost relationships.--The great bulk of the carpeting merchandised at retail--whether Wilton, velvet, or tufted--is offered at prices ranging from $3 to $20 per square yard. Some tufted carpeting, however, is offered at prices below this range and some velvets and Wiltons are offered at higher prices. A domestic producer testified at the hearing that in 1960 the average U.S. price for domestically produced Wiltons and velvets at the manufacturers' level was $7 per square yard and the average price of tufted carpeting was $3.36 per square yard. 2/ The latter average, however, is based on data which include substantial quantities of throw rugs and cotton rugs having unit values much lower

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1/ Transcript of the hearing, pp. 400-401.
2/ About $9.95 and $4.95 per square yard, respectively, at the retail level. See transcript of the hearing, p. 26.

than those of the types of tufted broadloom rugs (wool, and so forth) more directly competitive with Wiltons and velvets. The data reported via questionnaire by 10 domestic manufacturers of Wiltons and velvets, which also produced tufted carpets and rugs, indicated that in 1960 the wholesale selling prices for their tufted carpeting averaged $5.45 per square yard. 1/ Significantly, among their three best selling types of tufted carpeting most of these firms reported that in 1960 their best-selling type was the highest priced line.

When produced to fairly identical specifications, tufted carpets generally undersell Wiltons and velvets at the retail level by some 15 to 20 percent. 2/ The lower prices of the tufted carpets reflect largely their lower cost of manufacturing. At the public hearing a leading manufacturer, whose firm produces not only Wiltons and velvets but also tufted carpeting, testified that the typical tufting machine operates some 16 times as fast as the looms on which Wiltons and velvets are woven. Such rapidity of manufacturing is reflected, of course, in both the labor cost and capital cost of production.

1/ Equivalent to about $7.95 per square yard at the retail level.

2/ Not always, however, does such a price relationship obtain. Currently, in a leading mail-order catalog a velvet and a tufted rug are featured side by side, each having the same shipping weight per square yard, each surfaced with 501 nylon pile, and each made of high and low loop pile. Although neither is specifically identified in the catalog as a velvet or tufted rug, both have now been identified as to construction; the velvet is offered at $7.95 per square yard and the tufted at $8.50. At a Washington retail store, operated by the same firm, the two products are offered at identical prices.

<u>Market reaction to cost relationships</u>.--The lower price of tufted carpeting has had a three-fold effect at the consumer level; it has (1) in the aggregate encouraged wider utilization of soft-surface floor coverings than would otherwise have prevailed; (2) supplied some of the expanded market for soft-surface floor coverings resulting from increases in both the national population and per capita incomes that could otherwise have been supplied only by products of the woven carpeting industry (e.g. Wiltons and velvets); and (3) made important inroads into the established market for woven carpets themselves.

Although the share of the total national income spent for soft-surface floor coverings has not altered materially since 1950, the volume of carpets and rugs 1/ purchased has increased markedly. There is, therefore, considerable basis for the following statement by a domestic producer whose firm manufactures all three types of rugs: " . . . most of this phenomenal growth in tufting has been the creation and exploitation of a mass market for low cost floor coverings, ..." 2/ Whereas the national population increased by only 15 percent between 1950 and 1960, the number of square yards of soft-surface pile floor coverings sold in the United States increased by 75 percent. More specifically, over the 1950-60 period the average per capita sales of soft-surface floor coverings increased nearly 50 percent. Sales of Wiltons and velvets, including imports, failing to keep pace with the increase in national population, declined significantly over the period. Meanwhile, U.S. sales of tufted carpeting increased 1,000 percent and sales of such carpeting in broadloom widths, more than 3,000 percent.

1/ In terms of square yards.
2/ Transcript of the hearing, p. 26

That new markets for carpeting were tapped is manifest. The availability of low-cost carpeting has enabled many householders who would not otherwise have elected to do so to install carpeting. Housing developers have found advantages--in the installation of tufted carpets--enabling them to reduce building costs. Moreover, with the rise of tufting, the use of carpeting in newly manufactured automobiles has increased. Wall-to-wall installations in motels and bowling alleys are currently more common than they were a decade ago. A comparable trend has been manifest regarding installations of floor coverings in hotels, office buildings, and other commercial establishments.

It is unrealistic to presume that the rapidly expanding sales of tufted floor coverings in recent years were made exclusively to buyers covering floors that would have remained uncarpeted if woven carpets and rugs only had been available. The availability of large quantities of low-cost tufted carpeting enabled such products to displace Wiltons and velvets in installations where price was the most important consideration. A striking illustration of such displacement has been the virtual substitution in recent years of tufted carpeting for woven in the automobile trade. In this connection, the Commission made the following observation in its report of August 3, 1961: 1/

> Tufted carpets are produced in a wide range of qualities and prices. In recent years they have made rapid inroads into the market that was formerly supplied almost exclusively by machine-woven products. Moreover, there appears to be general agreement in the trade that the rapidly expanding output of tufted carpeting has not yet reached a point where it will cease to make further inroads into the market for pile floor coverings.

1/ U.S. Tariff Commission report on escape-clause investigation No. 7-104, p. 9.

Quality 1/

The Roper survey identified "quality" as ranking fourth among the determinants of consumer action. Although it would be possible to buy and sell carpeting according to precise specifications, neither consumers at the retail level, purchasing agents for retail stores, manufacturers' selling agents, nor manufacturers' brochures customarily do so. 2/ Buyers at the wholesale and retail level generally appraise quality upon the basis of the appearance and feel of the carpet. This approach is recommended by one manufacturer in the following advice: 3/

> But do take time to make sure of wear. You've probably fingered a thousand fabrics, and you've learned to know from the substance of the material in your hand, how it will wear. You can feel substance in carpet fabric, too: how deep the pile is, how tightly the face yarns are packed together, how strong and stable the backing is.

A brochure published by the Carpet Institute, Inc., 4/ makes the following observation on the question of "how to judge good quality":

> . . . it is important that you have some knowledge of those factors which determine carpet quality. Bear in mind that it is difficult for even an expert to evaluate the relative merits of two similar pieces of carpet with complete accuracy.

1/ Method of manufacture (e.g., woven or tufted), which was treated separately in the Roper study, will be discussed later.

2/ If called upon, manufacturers can supply, for each type and grade of carpeting, data respecting the physical properties of the product, including weight of the pile fiber per square yard; measures of pile density, including number of wires and pitch; pile height; properties of the backing, including number of shots, materials used, etc. Government purchase contracts generally utilize such specifications.

3/ Sales brochure: [James Lees & Sons Co.] What Goes With What, [1961], p. 1.

4/ How to Buy Your Rugs and Carpets Wisely, n.d., p. 8.

In recommending a carpet to you, your dealer has taken into consideration the balance of these factors which affect the quality of a rug or carpet.

1. The types and grades of fiber used.
2. The construction of the yarn.
3. The depth and density of the pile . . . that is, the total amount of yarn that is woven or tufted into the surface of the carpet.

Wilton and velvet carpets and rugs manufactured domestically use wool predominantly as pile-surface fiber. Ranking next in importance are nylon and acrylic fibers; there has been a slight upward trend in use of such fibers in the production of Wiltons and velvets. Tufted carpets and rugs made of these three fibers as well as of blends of wool with other fibers are available in commercial quantities. Moreover, there has been a marked upward trend in the use of wool in the manufacture of tufted carpets in recent years. In 1957, 8 percent of the pile yarns consumed in the manufacture of tufted carpeting were of wool; in 1960, 20 percent were of wool. If this trend should continue, in a relatively short period of time more wool will be consumed in the manufacture of tufted carpets and rugs than in the manufacture of Wiltons and velvets. The volume of manmade fibers consumed in the production of pile yarns for tufted floor coverings is many times larger than that consumed in the production of pile yarns for Wilton and velvet floor coverings.

Cotton and rayon, the principal fibers used in the production of pile yarns for tufted carpets and rugs, constituted about 55 percent of the total fibers used for this purpose in 1960. Tufted floor coverings utilizing such pile yarns, however, consist largely of sizes and types believed to be less directly competitive with Wiltons and velvets than are the tufted carpets surfaced with wool, nylon, and acrylic fibers.

Pile density in a rug is determined by the weight of yarn used and the compactness with which the rows of tufts are arranged in the face. Compactness contributes to wearing quality. Wiltons and velvets, as well as tufted carpeting, are each available in a wide selection of densities. Most of those sold are of medium density. Density and pile height (depth) largely determine the weight of the fiber used in the face of the carpet. Wiltons and velvets, as well as tufted carpeting, are available in a variety of pile heights. Hence, either Wiltons, velvets, or tufted carpeting may be had in a range of qualities determined by the weight of fiber in the pile. 1/

In overall quality therefore, Wilton, velvet, and tufted carpeting are all available in high-quality, medium-quality, and low-quality products. As a spokesman for one large producer at the hearing said: ". . . there is a broader assortment of tufted than ever before, ... We have some /tufted carpets/ that are better quality /than the Wiltons and velvets that we produce/ and some that are less." 2/

Weave

The term "weave" is used herein to identify the manner by which the carpet is manufactured--i.e., whether it is a Wilton, a velvet, an Axminster, or some other type. Tufting will also be considered in the

1/ Ranging for the most part from 1.3 to 2.4 pounds per square yard for tufted carpeting; 1.3 to 3.8 pounds for velvets; and 1.3 to 5 pounds for Wiltons.
2/ Transcript of the hearing, p. 227.

discussion which follows. The Roper survey used the word "texture" to include "weave" in its analysis of the factors motivating consumer choice. 1/ Even with this inclusion, "texture or weave" ranked low among the criteria influencing buyers in their selection of carpeting.

A few years ago, after some of the more important weavers of Wiltons and velvets had undertaken to produce tufted carpets and rugs, promotional literature distributed by their trade association, the American Carpet Institute, advised potential buyers as follows: 2/

> Experts agree that you should not be unduly concerned as to what construction process was used in making your carpet. Because of many new technical developments, construction can no longer be considered the determining factor of quality, as was apt to be the case in the past. Today, rugs and carpets of almost all grades are produced in each construction method--Axminster, velvet, Wilton, and tufted.
>
> For this reason, pick your carpet on the basis of its appearance . . . its color, texture and feel--and the factors of construction detailed on page 8. And ask your retailer's advice on the resilience and durability of its fiber content. Most carpet labels give valuable information on these points also. No matter what process was used in its production, if other factors are in proper balance, your carpet will give you good satisfaction.

Although spokesmen for the association tempered the above view at the public hearing, the Commission has found that it accords generally with current selling practices. On the whole, prospective buyers appear to be uninformed and unconcerned with regard to differences between Wilton, velvet, and tufted constructions. Moreover, there is little

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1/ According to the American Carpet Institute "texture" refers to "the surface of carpet. Unique textures may be created by sculpturing, by varying the length of pile . . . or by the use of tightly twisted yarns." This attribute of carpeting was discussed in the earlier section on pattern.

2/ <u>How to Buy Your Rugs and Carpets Wisely</u>, n.d., p. 11.

endeavor on the part of either manufacturers or retailers, through advertising or sales promotion, to acquaint buyers with these differences or to overcome their indifference. In the following comment, a leading consumer-rating organization 1/ echoes the foregoing generalization by the Carpet Institute:

> Weave no longer is important. About half the carpets sold today /1958/ are "tufted" . . . rather than woven, and there is less adherence to the tradition that used to link quality with weave. Today's widespread preference for solid colors and simple tweed effects further reduces the significance of weaves, since a big distinction among them is simply that different designs are possible with each.

In their advertising policy, retailers endeavoring to attract potential buyers generally disregard weave, or construction, in their copy. To test the validity of certain exhibits offered at the two public hearings, the Commission's staff analyzed advertising copy that had been inserted in newspapers of four metropolitan cities 2/ by leading retailers of carpets just prior to and immediately after the time of the last public hearing. In these advertisements, retailers gave first, and predominant, emphasis to price. The type of fibers used in individual carpets was stressed next. The order of precedence given 3/ by retail advertisers to the major appeals that they deemed to be effective was as follows: Price, "broadloom," fiber, color, durability, and construction (Wilton, velvet, tufted, and so forth). For only about 10 percent of the individual types of carpets advertised did the retailer deem it

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1/ Consumer Reports, vol. 23, November 1958, p. 559.
2/ New York, Baltimore, Washington, and Chicago.
3/ As measured by size of type used, frequency of mention, position assigned, extent of repetition, etc..

significant to identify the product as Wilton, velvet, or tufted. The foregoing generalizations, based on an analysis of these advertisements, are in accord with the conclusions derived from parallel studies reported to the Commission during the course of its two investigations. 1/ The Commission's staff also examined numerous advertisements by manufacturers (rather than retailers) in mass-circulation family-oriented periodicals. The results of this examination are comparable to those reported above. In less than 5 percent of the advertisements did the manufacturer use the opportunity to inform the public whether the products illustrated were Wiltons, velvets, or tufted carpeting.

In addition to the foregoing, a Commission staff member visited the rug departments of leading department stores and other important retail outlets for carpets and rugs. 2/ In these encounters the salesmen, in their endeavor to close a sale, generally stressed above other considerations the importance of the fiber content of the carpeting, its durability, the quality obtained at the price stipulated, and ease of maintenance. Singularly, only 2 salesmen out of the 10 visited employed either the word Wilton, velvet, or tufted. One store was featuring at the time a sale on a given line of Wiltons. The salesman in another store devoted considerable time to explaining the difference between woven and tufted rugs, but did not identify any given carpeting as a Wilton, velvet, or the like. He did volunteer, however, that the tufting process of manufacturing is less expensive and that of two given rugs of comparable

1/ Exhibits 76, 77, and 78, transcript of the hearing, June 13, 1958, pp. 768 ff, and brief submitted by Masaoka-Ishikawa and Associates, June 16, 1961, pp. 31 ff.

2/ In Baltimore, Md. and Washington, D.C.

quality--a woven rug and a tufted rug--the tufted rug will sell at a lower price. The term "velvet" went unmentioned in all 10 stores.

STATISTICAL APPENDIX

Table 1.--Wilton and velvet carpets and rugs: U.S. production, and imports for consumption (total and by specified sources), January-September 1960 and January-September 1961

Period	Production	Imports 1/				Ratio (percent) of imports to production
		Total	Belgium and Luxembourg	Japan	All other	
	1,000 sq. yd.	1,000 sq. yd.	1,000 sq. yd.	1,000 sq. yd.	1,000 sq. yd.	
January-September 1960	24,627	6,200	3,338	2,256	606	25.2
January-September 1961	20,925	6,476	3,415	2,467	594	30.9

1/ Import data are preliminary.

Source: Production, estimated by the U.S. Tariff Commission from data supplied by domestic producers; imports, compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Wilton, Brussels, and velvet or tapestry carpets, rugs, and mats, and carpets, rugs, and mats of like character or description: U.S. imports for consumption, January-September 1960 and January-September 1961

Month	1960 1/		1961 1/	
	Quantity	Foreign value	Quantity	Foreign value
	1,000 square yards	1,000 dollars	1,000 square yards	1,000 dollars
January	786	2,553	552	1,928
February	760	2,642	608	2,145
March	730	2,533	618	2,021
April	669	2,340	727	2,391
May	572	1,982	548	1,782
June	567	1,995	622	2,107
July	642	2,288	661	2,116
August	700	2,388	1,058	3,413
September	774	2,611	1,082	3,815
Total, January-September	6,200	21,332	6,476	21,718

1/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 3.--Carpets and rugs: Financial operations of 18 U.S. producers of Wilton and velvet floor coverings, January-September 1960 and January-September 1961

(Money figures in thousands of dollars)

Item	Jan.-Sept. 1960	Jan.-Sept. 1961
	All products	
Net sales	305,932	293,733
Cost of goods sold:		
Raw materials used	138,835	133,033
Labor, direct and indirect	52,029	47,636
Other expenses (including inventory adjustments)	57,862	60,341
Total cost of goods sold	248,726	241,010
Gross profit	57,206	52,723
Administrative and selling expense:		
Officers' salaries	2,456	2,485
Research and development expense	1,745	1,594
Other administrative expense	10,353	10,272
Selling expense	26,975	25,766
Total administrative and selling expense	41,529	40,117
Net operating profit	15,677	12,606
Ratio, net operating profit to net sales----percent	5.1	4.3
	Wilton and velvet carpets and rugs	
Net sales	137,500	119,766
Cost of goods sold:		
Raw materials used	62,113	55,749
Labor, direct and indirect	24,238	21,611
Other expenses (including inventory adjustments)	26,421	24,371
Total cost of goods sold	112,772	101,731
Gross profit	24,728	18,035
Administrative and selling expense:		
Officers' salaries	1,280	1,191
Research and development expense	641	601
Other administrative expense	4,839	4,377
Selling expense	11,859	10,307
Total administrative and selling expense	18,619	16,476
Net operating profit	6,109	1,559
Ratio, net operating profit to net sales----percent	4.4	1.3

Source: Compiled from data supplied the U.S. Tariff Commission by the same 18 domestic producers that submitted comparable data for the years 1957 through 1960 during the course of escape-clause investigation No. 7-104.