FINDING OPPORTUNITIES FOR GROWING SALES AND PROFITABILITY IN THE US HARDWOOD INDUSTRY

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Harry Watt
North Carolina State University
and
US Forest Service’s Wood Education and Resource Center

web www.cnr.ncsu.edu/usalocalwood

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Opportunities for Large and Small Mills

Opportunities exist for both categories of businesses-

- **Large mills and factories**: higher volume, greater geographical coverage, often limits variety

- **Small mills and shops**: lower volume, smaller geographical coverage, may offer lots of variety, may offer customization
Whole Industry is About Niches

- Niches = LVHV = low volume & high variety
- Loggers sell a tract to many log buyers to get top $ 
- Sawmills with great sorting capabilities support niche markets 
- Value added factories have lots of design and color options 
- Make to order without finished goods inventory is popular
Lots of Opportunity for Local

- Can start out small—may be more successful local than national
- Think of how to gain annual sales of $100,000 to $100,000/employee
- Use local woods and themes
- Lots of low cost marketing methods available
- Look at supply, demand and prices for opportunities
- Consider nearby metro cities for concentration of buyers
Most of the Time the Industry Can Earn “Ordinary Profits” Based on Good Management

- Very competitive throughout the industry-limits potential profits
- High margins only available in small niche markets, commodities and volume businesses work on tighter margins
- Modest profit margins for the majority of the industry
- Actually, our industry operates with lower than average profit margins that manufacturers of electronics, steel and plastics due to a higher level of competition and a lower level of applied good management techniques. Many owners who start wood businesses have limited capital resources.
US Hardwoods—Should Be the Target for a World Needing Wood

- Legal ownership problems will drive buyers to US hardwoods
- Sustainability and productive forest management are US advantages
- Asia turning away from exporting finished goods made with US hardwoods as their domestic markets grow
- Lots of problems in Africa, Asia and Latin America as alternative sources to US hardwoods
- US population added 60 million since 1970 and still is growing—lots of immigration pressure
“Woulda/Coulda/Shoulda” Build a Real Industry

• We need to create a full set of marketing options that offer profitability to US businesses-focus on what will make us money-look for gaps in markets

• Incorporate sustainability, certification and full legality for US products = superiority

• Put the US hardwood industry at the top level of world competence and profitability

• Competence in forest management, processing, value added, selling
Housing Markets-US domestic

• Is suffering but is beginning to bottom out
• Will take years to become normal again
• The new normal will be different than in the past
• Multiple family housing will likely grow faster than single
• Remodeling will become more important as energy retrofits will grow in importance as energy prices rise and homes are repaired
• Growth will be earned by businesses that develop better products and engage customers better-product development will rule (better/faster/cheaper)
Learn From the Local Food Movement - let's grow demand

- Successful in the minds of US consumers, restaurants and groceries
- Growing sales significantly very month
- Lots of support from non-profits and all levels of government
- Has created thousands of new businesses in every community
Support-Government + Non Profits

• State branding is new and effective
• Government listens to those who yell the loudest
• Can connect to non-profits when interests overlap
  o Sustainability
  o Economic development
  o Jobs for US citizens
Looking at the Industry-Where Are the Opportunities-They Are Everywhere!

• World population growth/demands and wood sourcing problems will drive buyers to US hardwoods—adding a billion new souls every 12 years since 1950—supply and demand will rule the markets

• US businesses that make what domestic and export buyers want can be busy and profitable

• US buyers in housing need more species and customized products, standard sized hardwood lumber, better customer service

• US manufacturers need more species and customized products, standard width lumber, short lumber, wood components, better customer service,
Opportunities Are Everywhere!

- Furniture - lots of opportunity to sell to domestic retailers
- Business configurations - can create focused shops in metro cities with design/build shops for cabinets and furniture
- Can offer a full wooden home interior package - all products
- Exports - lots of opportunities - especially for lumber
  - Export lumber - more species, standard metric sizes
  - Export short lumber
  - Export value added products - cabinets, furniture, millwork, homes
- Should create new wooden homes with affordability, sustainability and low energy requirements
Opportunities-Networking and Relationship Marketing

• Few wood products business have enough contacts

• Few travel out enough to see customer’s problems/opportunities

• Few contribute to the good of the industry

• Need to get out more, contact more, host and attend more events, set up more cooperative business ventures

• We have been turtles = move too slow + won’t stick out our heads
Opportunities-Bigger Businesses

- Lumber-make lumber available locally as processing for other markets
- Lumber-consider short lumber programs as a way to reach new markets and convert industrial lumber to value-added markets
- Lumber-look at stock width program for local, regional, national and international markets-customers are looking for uniformity
- Lumber-look at setting up in metric sizes for stock widths-exports
- Got to be looking at new products-new and existing markets
- Got to be looking at new markets for existing products
Opportunities-

• Bring in new blood to the industry-look at the millennium generation
• Think of a focused factory or shop-see handout
• Schools and government contracts-get state and local governments to support our local industry
• Cooperate with upstream and downstream wood businesses
Opportunities-

• More hardwood species of high quality-bright, flat, white
• Stock widths-US domestic and export markets
• Export lumber and value added products
• Short lumber programs
Where Do We Go From Here?

- Find some existing association or organization to join, find a way to network, get out on some road trips
- Join multiple groups-be a joiner
- Participate in shows, expos, etc.
- Organize a county wide wood products networking group
- Work with the local networking group to approach governments to buy locally made wood products as an economic development tool
- Stage events at your businesses to catch the eye of the public