LEADERSHIP IS THE KEY FOR IMPROVING THE US HARDWOOD INDUSTRY

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Promoting the Industry is About Changing Minds

- Check out the YouTube Video = “Thank You Wood” at www.youtube.com or take the direct link

- Direct Link = http://www.youtube.com/watch?feature=endscreen&NR=1&v=oQNoHINEOpA.

- Message = wood is special and we should be grateful for it

- For us to grab the public and buyers we need to appreciate how having a good story and emotional links will help us to grow an branding effect for our industry
Understanding How the Industry Works

Framework for insights-

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

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

- Niches = LVHV or 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.
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.
Success Formula for Most Forest and Wood Products Businesses

- Owners work in the business on a daily basis and undertake a key management role—operations, marketing or finance—replace a hired employee
- Owners closely monitor expenses
- Business focuses on areas of interest of the owners = love something of the segment the business involves
- But transition to later generations is a problem
Primary Purpose of Business is to Create Wealth for Owners!

- Salary for owner and family owners who serve important positions
- Bottom line profitability goes to the owners
- Growth of wealth can be taken out when business is sold
- Most value is created by operating profits-$\text{$$$$}$!
- Success limited by management abilities and competition
Leaders Are Needed to Show the Way to Better Times

• Our industry has very little visibility—most businesses are isolated and with small profiles—must see prospects and customers up close so they can see us

• We need leadership to advance our cause in the public eye and on the political front

• Too many current business owners and managers follow a “Copy Cat” business strategy, so innovations are scarce and customers are wooed away by more aggressive alternatives use of their money

• Copy Cats = Movie Forest Gump’ saying = “Stupid Is as Stupid Does”
Direction of Vision is Important

- Windshield = see ahead and avoid potholes
- Rear view mirror = will never get ahead
- Too many in our industry prefer waiting things out until past good times return-will not happen-have to move in a new direction
- At times industry leaders have to get ahead of the customer-remember what Henry Ford said “if I asked by customers what they wanted they would have said “a faster horse”
“Forest to Buyer Problem” - for US Hardwoods

- Almost never good full set of markets for what is out in the forest
- We don’t have an organized effort to improve the situation
- Industry is working as thousands of isolated businesses
- Cooperation is at a small scale outside of limited industry trade associations, state forestry departments, and those of universities and non-profits
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
“Woulda/Coulda/Shoulnda” Build a Real Industry

- Realize the world will be coming for US hardwoods

- We need to create a full set of marketing options that offer profitability to US businesses-focus on what will make us money

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

- Put the US hardwood industry at the top level of world competence and profitability
Change and Leadership Potential

• System wide change will work while working in isolation will fail-need a rising lake to raise our boat

• Should coordinate an industry wide effort via hundreds of organizations and thousands of businesses-cannot be centralized but can be coordinated

• Every area can support an organized forestry and wood products support network to review resources and opportunities and to promote the industry to US domestic buyers and export markets
Leadership

• Leadership = Vision + Action

• Process is simple = Study/Plan/Act/Succeed
Learn From the Local Food Movement

- 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
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 will be busy and profitable

• US buyers in housing need more species and customized products, standard width 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
Where Do We Go From Here?

• Find some existing association or organization to join, find a way to network

• Join multiple groups-be a joiner

• Can ask trade associations to create a group membership cost schedule so companies can afford to join multiple associations

• 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 businesses to catch the eye of the public
Upcoming Workshops at WERC-2012

Thursday, September 27th Date-Profitable Firewood Processing-Not Finalized Yet
• Equipment-processing, dry kilns, packaging
• Marketing
• Insect quarantines

IWF Atlanta Show, August 22\textsuperscript{nd} to 25\textsuperscript{th}
• Hosting a Local Wood Products Marketing Education Session-fee required
• Will have an exhibit booth in the section for non-profits