WEBINAR #7-PREVIEW OF THE LEADERSHIP CONFERENCE FOR LOCAL WOOD PRODUCTS

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Wood Products Extension

Since 1950 has supported the wood products industry in North Carolina in the areas of wood education, training, troubleshooting problems, research and overall assistance in making a large variety of wood products.

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Website = www.ces.ncsu.edu/nreos/wood
Wood Education and Resource Center

- Is the focus of the US Forest Service effort of support of the hardwood forest industry in the states east of the Great Plains
- Our WERC projects websites = www.cnr.ncsu.edu/woodworkshops and www.cnr.ncsu.edu/usalocalwood

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WERC Local Wood Products Grant

- WERC funds grants to promote the improved utilization and marketing of hardwoods
- Goal is to promote the growth of locally made wood products made with US woods in the USA
- Want to recreate markets lost to imports to support growth of jobs and economic activity
- Want to provide better markets for minor hardwood species
Other Supporters of WERC Grants to NC State Wood Products Extension

- Independent Sawmill and Woodlot Magazine
- WoodShop News Magazine
- IWF 2012 in Atlanta-booth and lecture session
- Shows-NC Home Builders Association, Kentucky Wood Expo, Paul Bunyan Show, Richmond Logging Show
Local Wood Products Marketing Geography Lesson

- Local
- Regional
- National
- International

Every area of the US can support local wood products businesses
Promoting the Industry is About Changing Minds

• Check out the YouTube Video = “Thank You Wood” at www.youtube.com or take the direct link
  http://www.youtube.com/watch?feature=endscreen&NR=1&v=oQNoHINEOpA.

• 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-$$$$!
- 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/Shoulda” 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
WERC Grant Project-Phase I Metro Marketing-2010/2011

• Worked in Charleston, WV, Charlotte, NC and Atlanta, GA

• Studied production and sales of locally made value added wood products = cabinets, furniture and millwork

• About one third of total # shops closed in the last five years

• Those remaining ran at reduced staff levels and hours

• Little marketing effort put out as owners and managers focused on being the General Manager and not the Sales Manager = little marketing effort and little results
Phase I Metro Marketing-continued

- Good opportunity to supply retailers, builders and homeowners by proactive wood products businesses

- Local wood products businesses did little to network or cooperate with other businesses-manufacturers, distributors or retailers

- Little or no outreach efforts to buyers in form of events like open houses, connections to home tours, etc.
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
**Housing Markets**

- 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
- Growth will be earned by businesses that develop better products and engage customers better - product development will rule
History of US Economic Recoveries

Percent Job Losses in Post WWII Recessions, aligned at maximum job losses

- 200,000 Jobs added per Month

- 125,000 Jobs added per Month

http://www.calculatedriskblog.com/
Report-National Association of State Foresters-Forests Marketing Committee

- Now cutting roughly half of 2000 hardwood volumes
- Higher volumes possible if work hard on domestic and export markets
- Writing a White Paper on how to regrow US share of roundwood production to the 25% traditional share of world production
- Focus on growing markets for US roundwood to grow forest based jobs and provide economic stability through use of sustainable forest management practices
- www.stateforesters.org
NASF Focus Areas

- Reduce harmful government policies-EPA “waters” definition, other definitions that affect biomass and biopreferred programs
- Green Building LEED system, FSC certification
- Regrowing markets back to 25% of world’s roundwood production
- Economic development yields jobs and wealth
Success Story-Tidewater Lumber,
Greer, South Carolina

• Louie Vorhees-owner

• Recession did drop revenues, Louie took action to help

• Traditional millwork shop-mouldings, flooring, etc.

• Aggressive in marketing to builders and homeowners

• Advice-quick to get out quotes

• Advice-have an Internet presence
Success Story-Sawmill, LTD, Iron Station, North Carolina

- Kyle Edwards-owner
- Started part time and now runs full time
- Focuses on thick slabs and specialty wood components for builders, homeowners, woodcrafters, woodturners
- Strong Internet presence, can collect credit card purchases via his Smartphone
- Has two small sawmills and an dry kiln
Success Story-Stanley Furniture Company, Robbinsville, North Carolina

- Sent $50+ million youth bedroom line overseas then brought it back to make in the US

- Heavy capital spending for flexibility and CNC machinery

- Greatly raising labor productivity

- Lots of style and color options for customers

- Using standard part dimensions to streamline production
Success Story-Millwork Manufacturer Uses Overpowering Marketing Efforts to Maintain Sales

- 60 employee traditional millwork business has 6 salesmen = 10% of workforce
- Uses a regional marketing approach with a salesman covering one or more regional metro markets
- Focuses on building strong relationships with builders, project managers, designers and architects
Success Story-Domestic Hardwood Plywood Manufacturer-Columbia Forest Products

• Leads the US domestic hardwood plywood industry while imports make up 50% of US hardwood plywood consumption

• Developed plywood without formaldehyde glue to support green building standards and sustainability

• Purchased supporting knocked down cabinet manufacturer to gain expertise in distribution of value added products

• Shows can fight imports with superior products and strong marketing
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
State Wood Products Branding

- State branding is new and effective
- Virginia has launched its “Virginia Grown” in 2012
- Vermont may have the strongest wood branding effort in the US
- Branding is a marketing strategy that builds up over time and creates customer loyalty to repeat buy and recommend buying to others
Financing—Lots of Problems But May Be Getting Better—Joe Blouse of the Conservation Fund

- Options for large and small forest and wood businesses
- Discussion of Local Economic Development Agencies
- Discussion of assistance from State Agencies
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
Past Webinars Recordings Available

Recordings (search “Local Wood” at http://elluminate.wolfware.ncsu.edu/recordings.html

Search By Date and “Local Wood Products” and “Webinars” or visit the project website at www.cnr.ncsu.edu/usalocalwood, then the menu to webinears

Slide shows are also available in pdf format at project website
Come to Next Week’s Leadership Conference for Local Wood Products

- Date = Thursday, August 2nd, 2012
- Location = Wood Education and Resource Center, Princeton, WV, at Exit 14 on I-77
- Time = 9 am to 4 pm
- 5.5 Hours of Forestry Education Credits
- Cost = $35 per person
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 22nd to 25th
- Hosting a Local Wood Products Marketing Education Session-fee required
- Will have an exhibit booth in the section for non-profits