eBusiness in the Forest Products Industry:
A Comparison of the United States & Canada
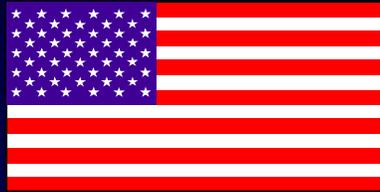
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- **eBusiness** is the application of Internet-based technologies for conducting business.

- It includes **eCommerce**, the actual transaction activities as well as other **business oriented applications** such as logistics, order entry, information sharing and transmission of information between exchange partners.

- Business-to-business eCommerce will grow tremendously in the next several years, bringing significant change to most industries.

- In 1999, global business-to-business eCommerce was $149 billion and is projected to be $7.3 trillion by 2004 (Gartner Group).

- Increasing competition and globalization are two factors fueling eCommerce growth.

A survey of senior executives of U.S. based businesses with revenues of at least $1 billion showed 87 percent of the companies now use the Internet for business purposes (Deloitte & Touche 1998).

Of these, 98 percent use the Internet to provide information about their business and 69 percent reportedly sell products or services via the Internet.

The Study

- In 1998, eBusiness was researched in the context of the forest products industry in the United States and Canada.

- Both solid and pulp/paper companies were surveyed.

- This presentation is on the solid wood industry.

Objectives

- Examine the current and future uses of eBusiness in the solid wood industry.

- Identify how the industry is investing in and leveraging eBusiness.

- Compare the United States & Canada.

# Results

All Respondents
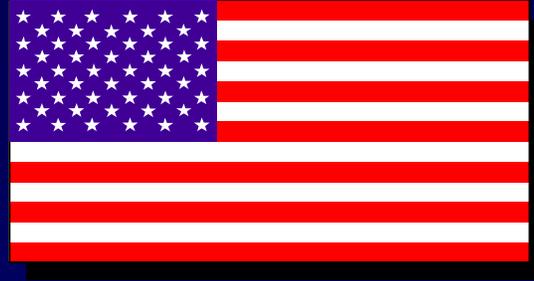
Responses by Geographic Region
(overall response rate=18%)

Central Canada
1 company
.05% of respondents

East Canada
22 companies
10% of respondents

West Canada
15 companies
7% of respondents

North/Central US
36 companies
17% of respondents

Northeast US
35 companies
17% of respondents

West US
34 companies
16% of respondents

**South US**
64 companies
30% of respondents
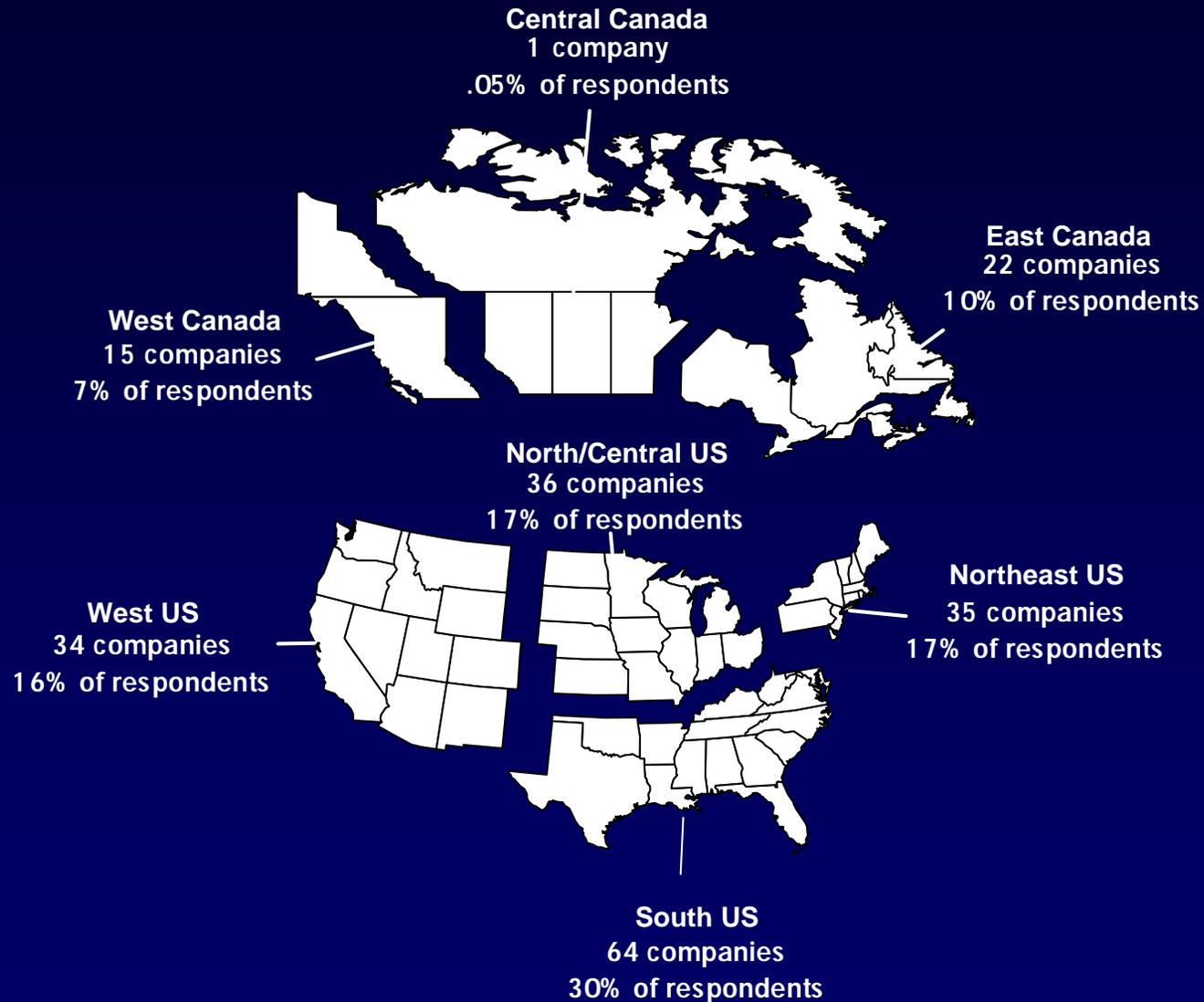
Respondent Major Product Categories - Pulp and Paper

US   Canada

| Product Category	US	Canada
Market pulp	12%	38%
Printing paper	10%	29%
Specialty paper	9%	23%
Packaging products	9%	18%
Office/commercial paper	8%	11%

Percent of total respondents from each country
(multiple responses possible)
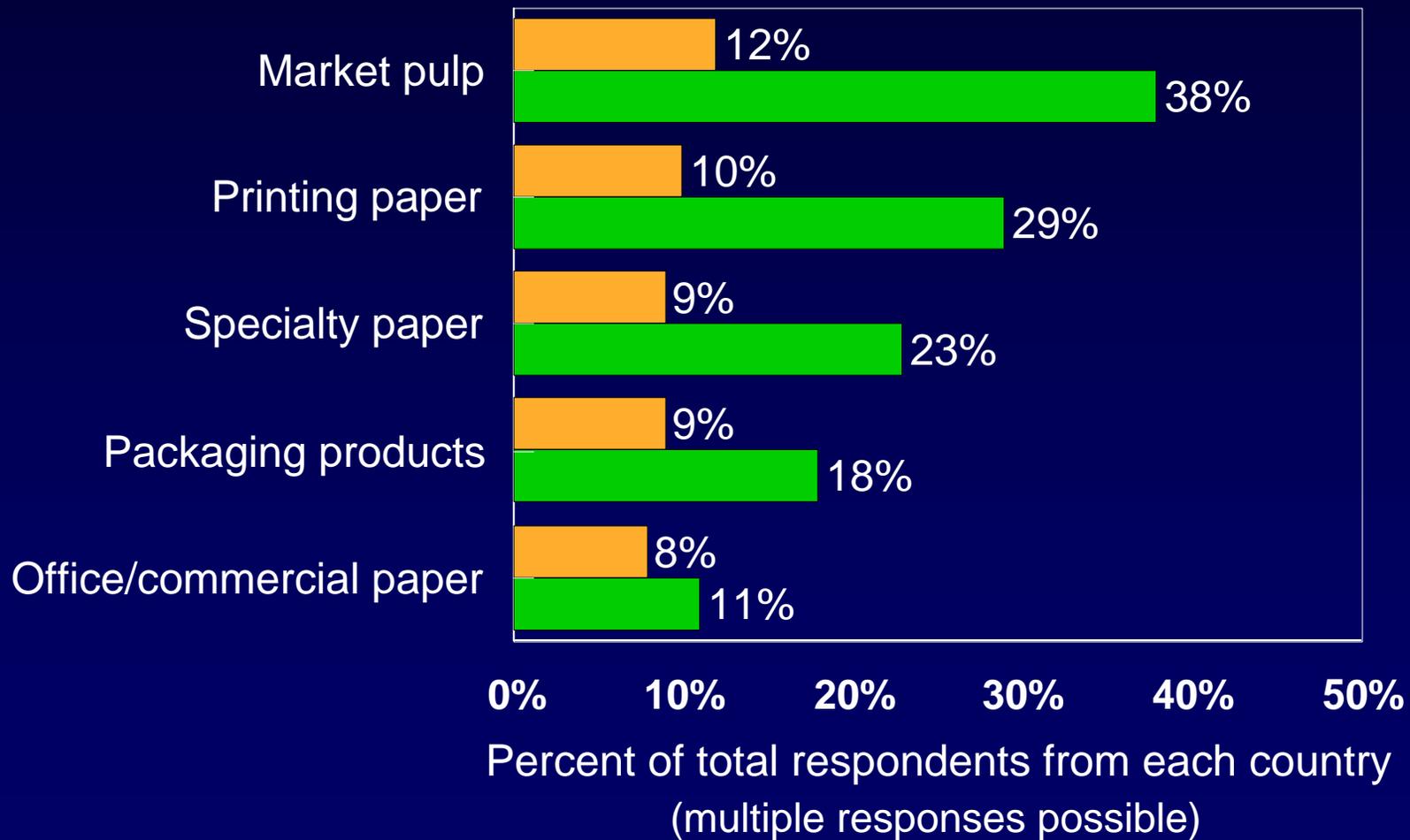
Respondent Major Product Categories - Solid Wood
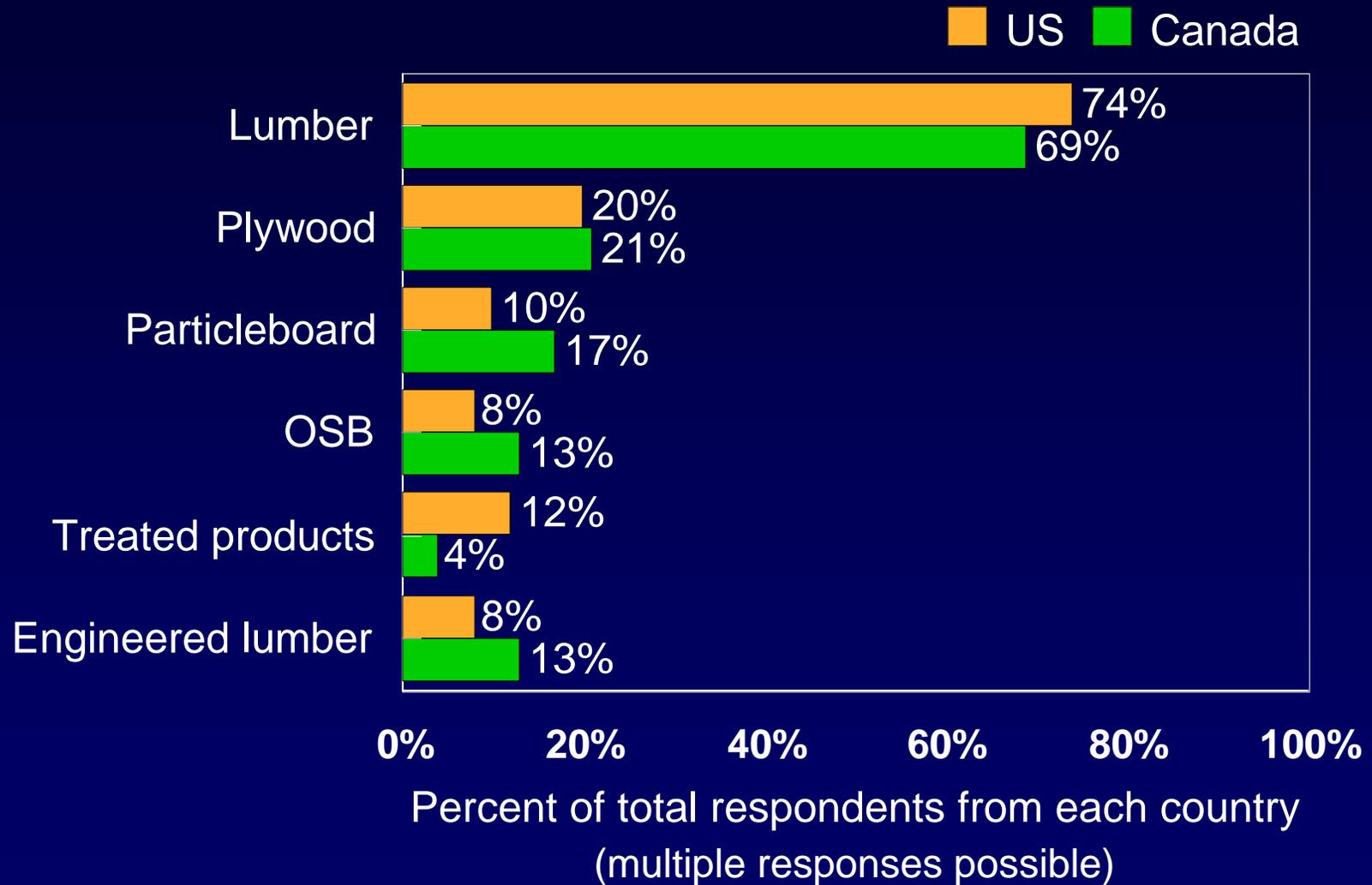
All Respondents

# Currently Use the Internet (1998)
by Company Size

Percent of Respondents by Sales Category
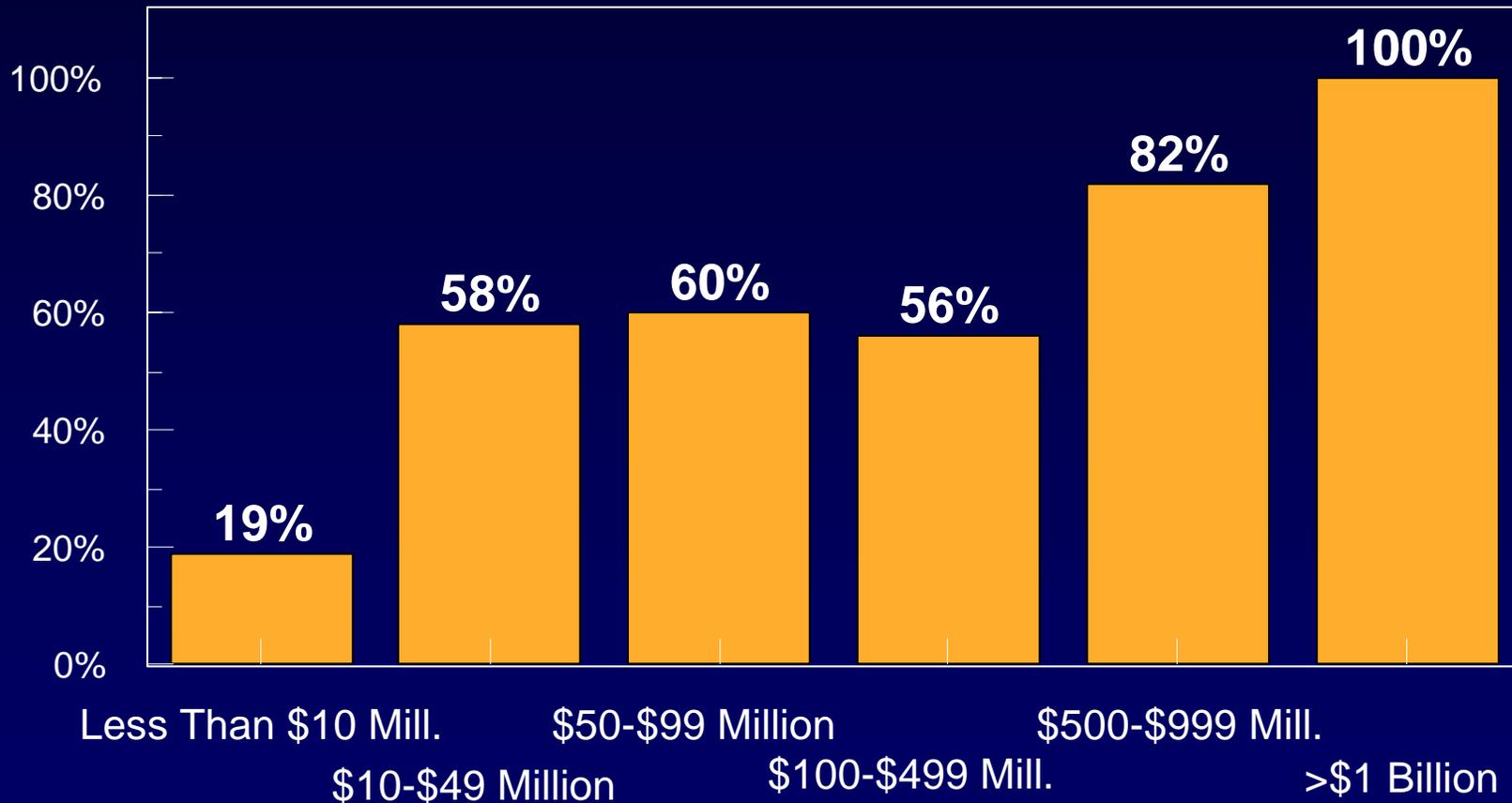
Results

United States & Canada
Solid Wood Manufacturers

Respondent Distribution by 1997 Sales Revenue

US (n=142)   **Canada (n=38)**

Revenue	US	Canada
Less than $10 Mill.	30%	17%
$10-$49 Million	36%	29%
$50-$99 Million	18%	25%
$100-$249 Million	7%	17%
$250-$499 Million	4%	8%
$500 Million - $1 Bill.	5%	4%

0%   10%   20%   30%   40%

Percentage of respondents from each country
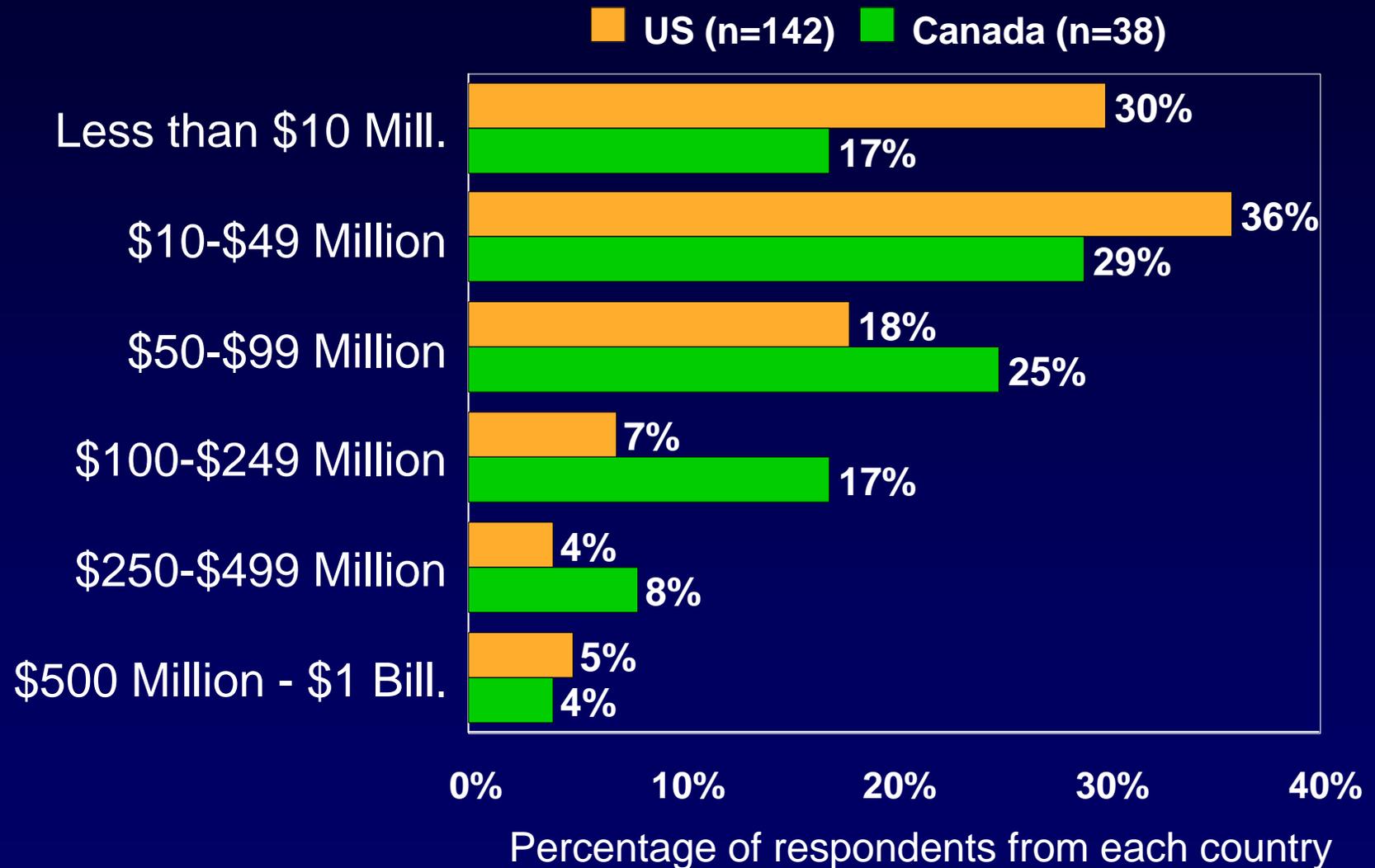
Distribution of Respondent Companies by Spending in Information Technologies in 1997
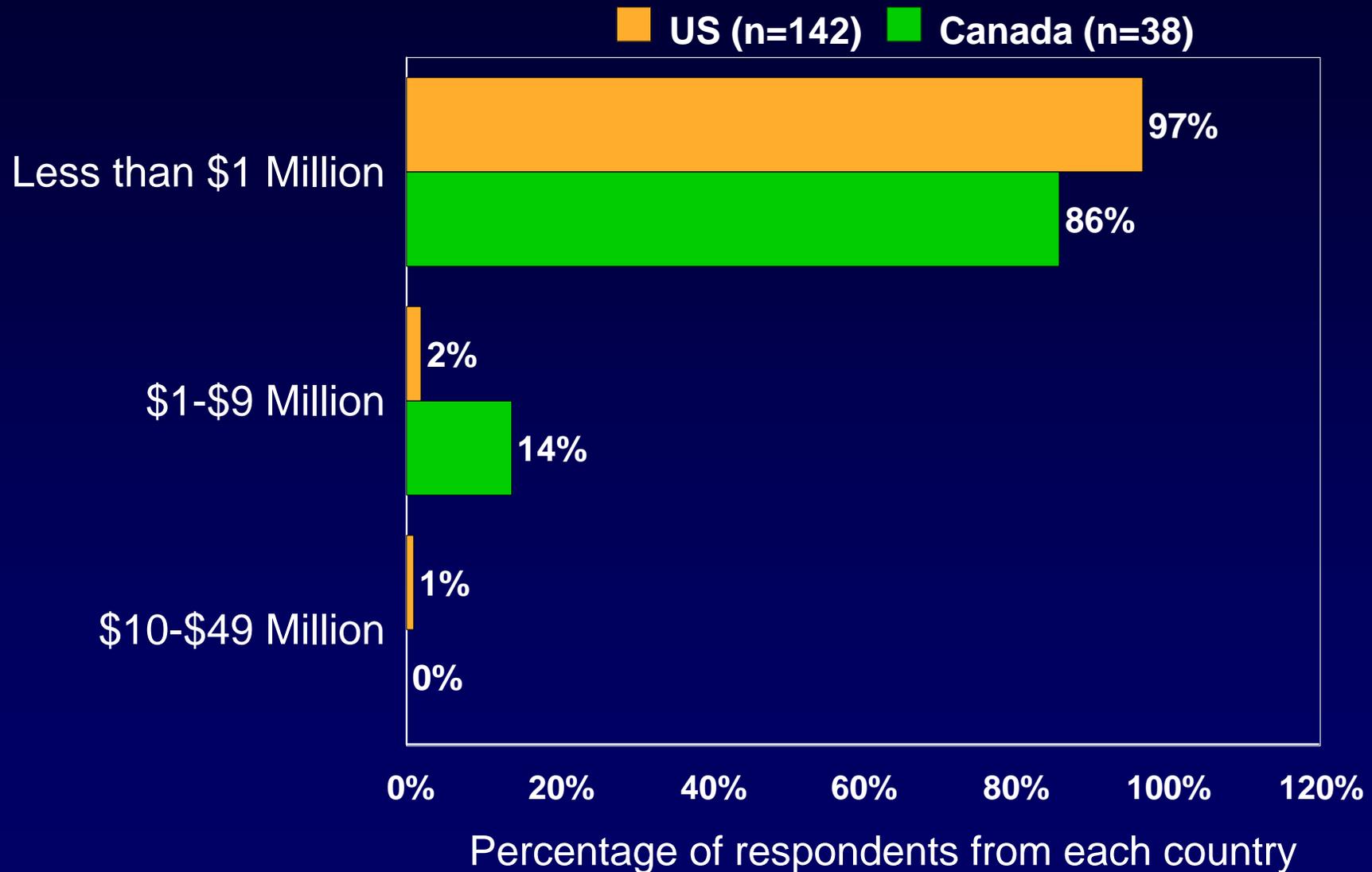
**Perceived Benefits of Reaching Customers via the Internet**

Scale: 1=strongly disagree to 5=strongly agree

US (n=142) Canada (n=38)

is a competitive advantage — US: 3.4, Canada: 3.5

will attract new customers — US: 3.5, Canada: 3.5

will make the company more responsive to customers — US: 3.2, Canada: 3.3

1   2   3   4   5

**Perceived Benefits of Reaching Customers via the Internet**

Scale: 1=strongly disagree to 5=strongly agree

US (n=142) Canada (n=38)

* is a superior way of doing business — US: 2.9, Canada: 3.3

*will increase customer retention — US: 3.0, Canada: 2.6

will increase shareholder value — US: 2.9, Canada: 2.9

will lower SG&A costs — US: 2.9, Canada: 2.9

1   2   3   4   5
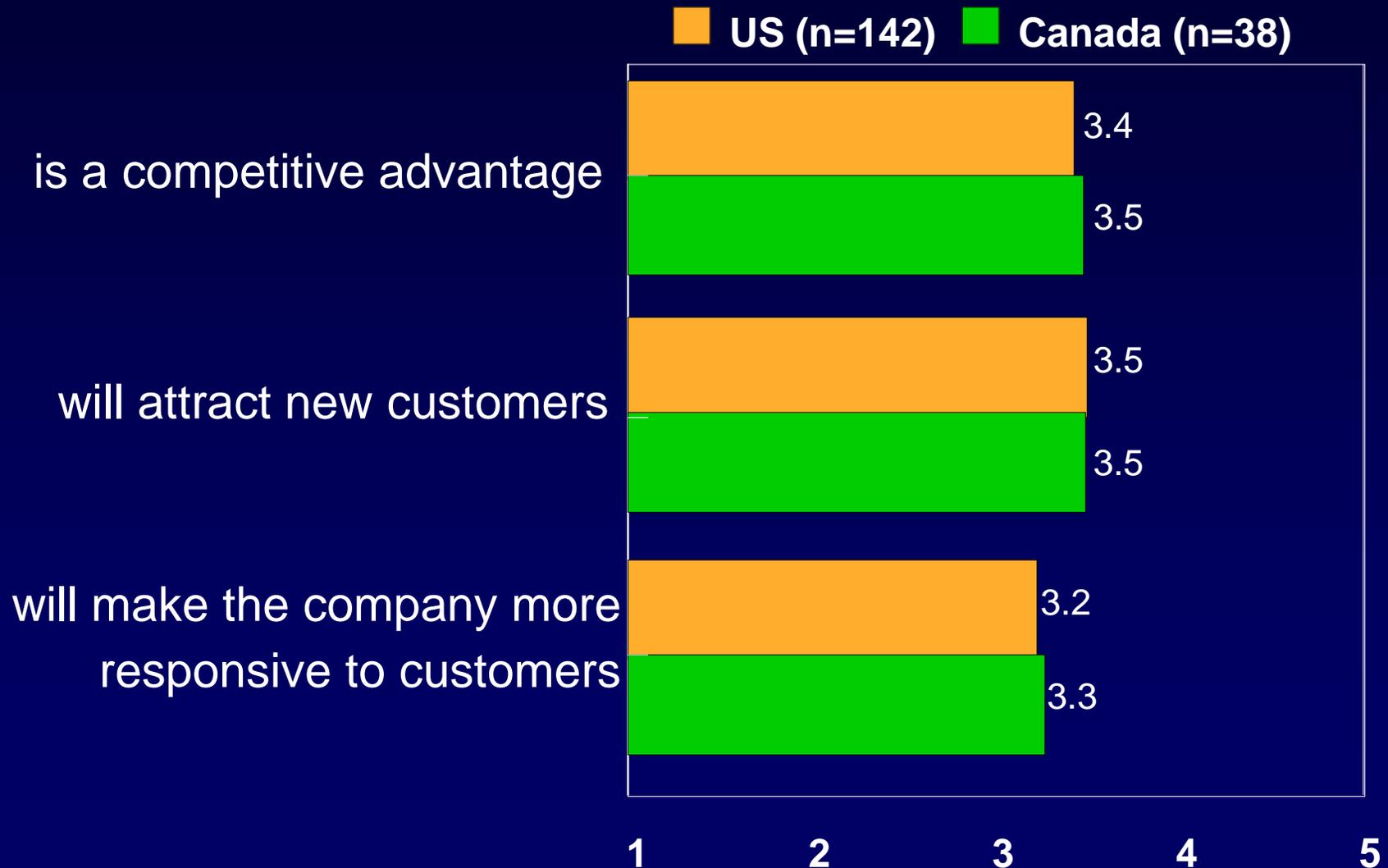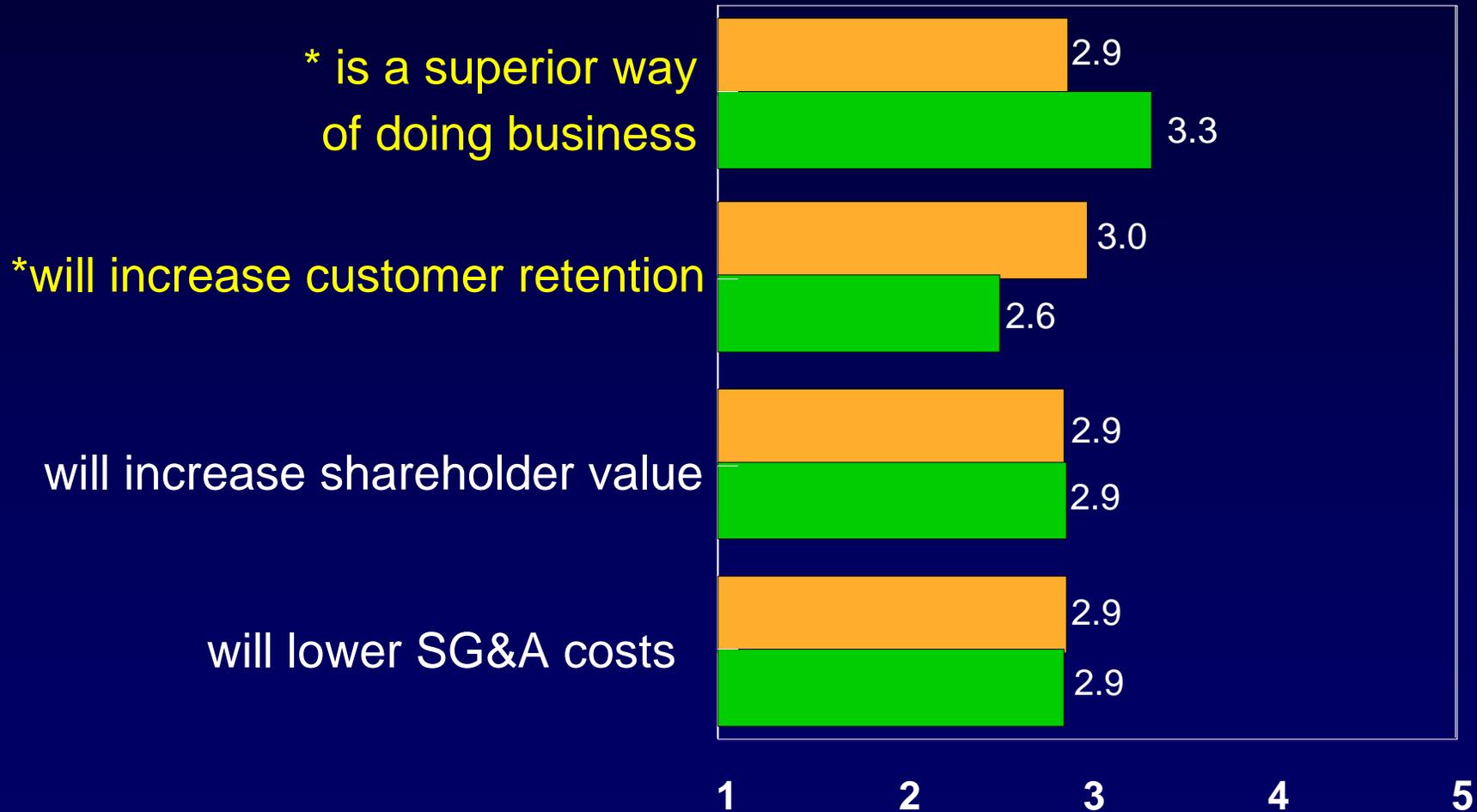
* - difference is statistically significant for alpha=5%
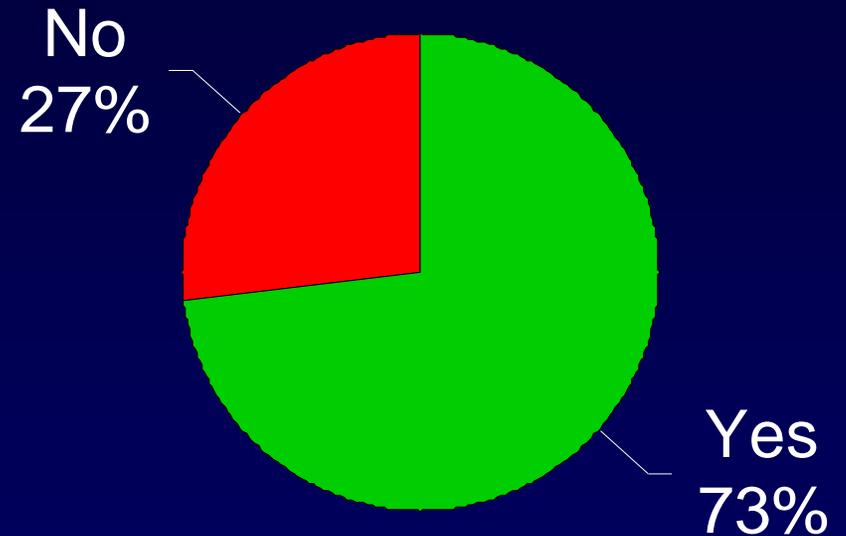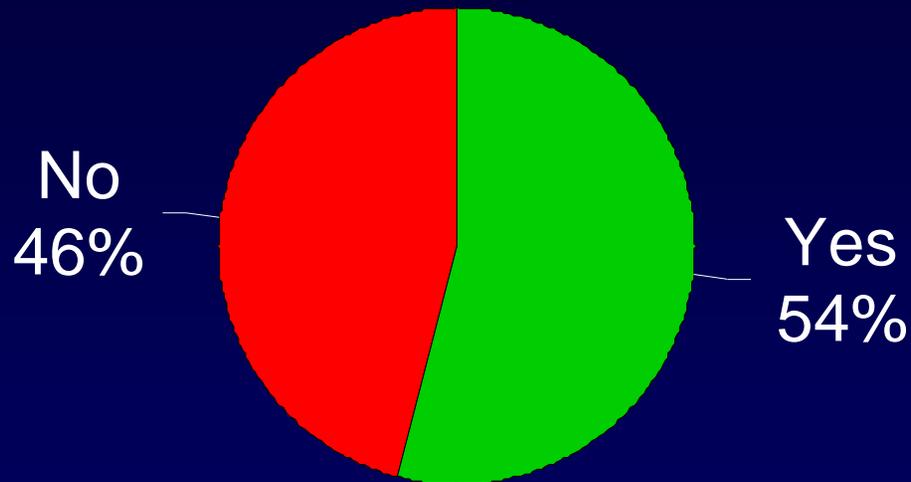
If Not, Plan Internet Capabilities in the Future?

US

Canada

Yes 34%

No 31%

No 66%

Yes 69%
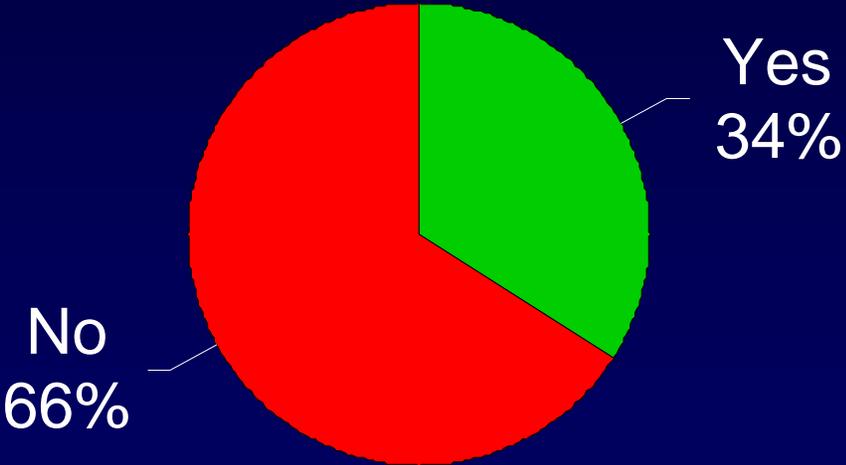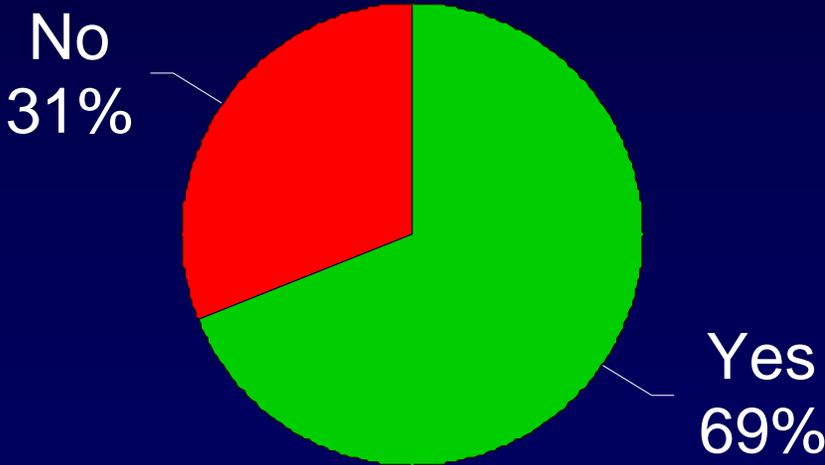
Percentage of respondents from each country

When Internet Capabilities Were First Developed

US (n=76) **Canada (n=28)**

	US	Canada
1998	31%	56%
1997	32%	25%
1996	22%	13%
1995	6%	3%
1994	9%	3%

0% 10% 20% 30% 40% 50% 60% 70%

Percentage of respondents from each country
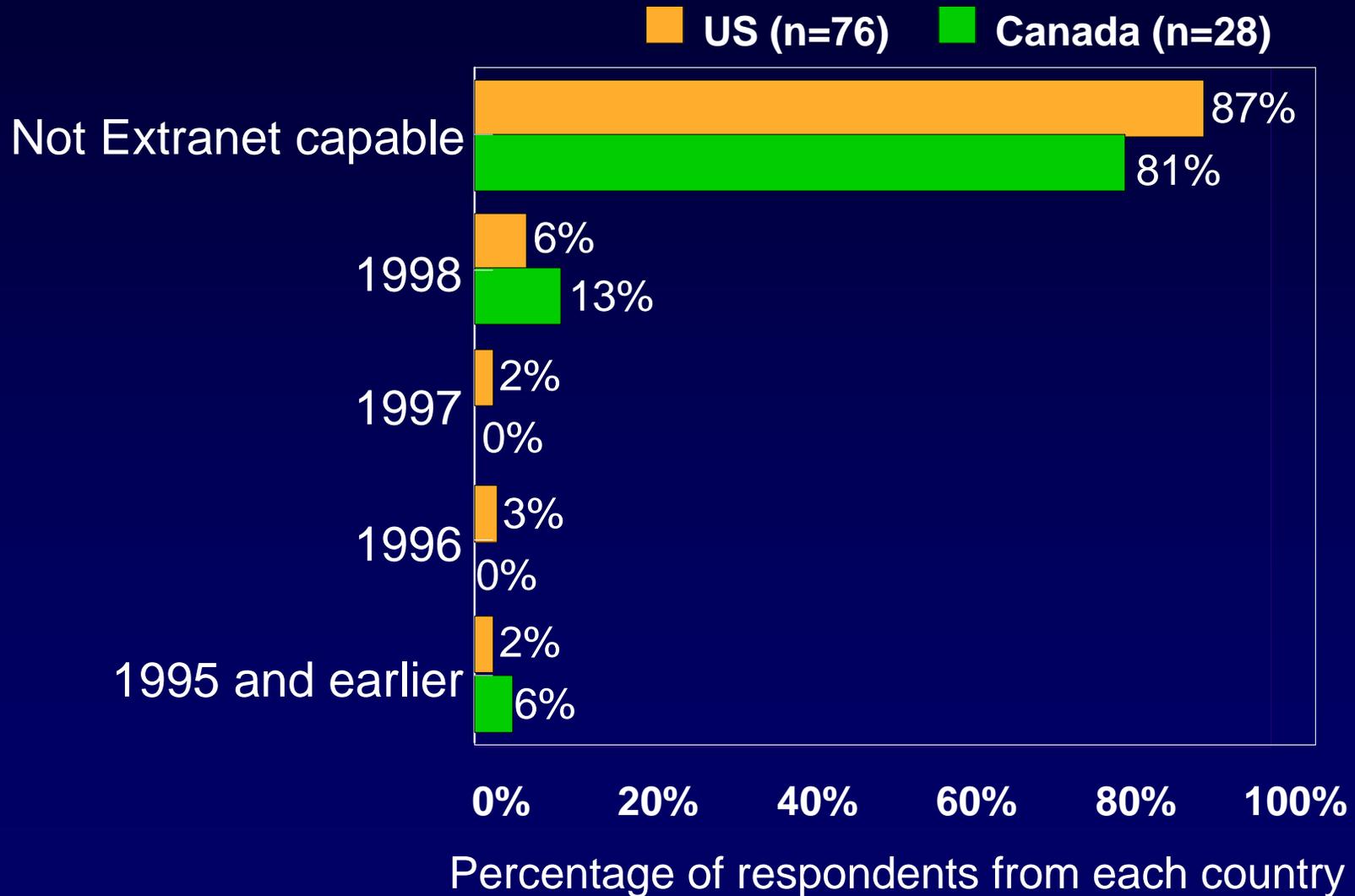
Investment Made to Date on Internet/Extranet Applications

Legend: US (n=76) ■ Canada (n=28) ■

Category	US	Canada
Less than $10,000	67%	31%
$10,000-$49,999	21%	56%
$50,000-$99,999	4%	6%
$100,000-$249,999	4%	6%
$250,000-$1 Million	4%	0%

Percentage of respondents from each country
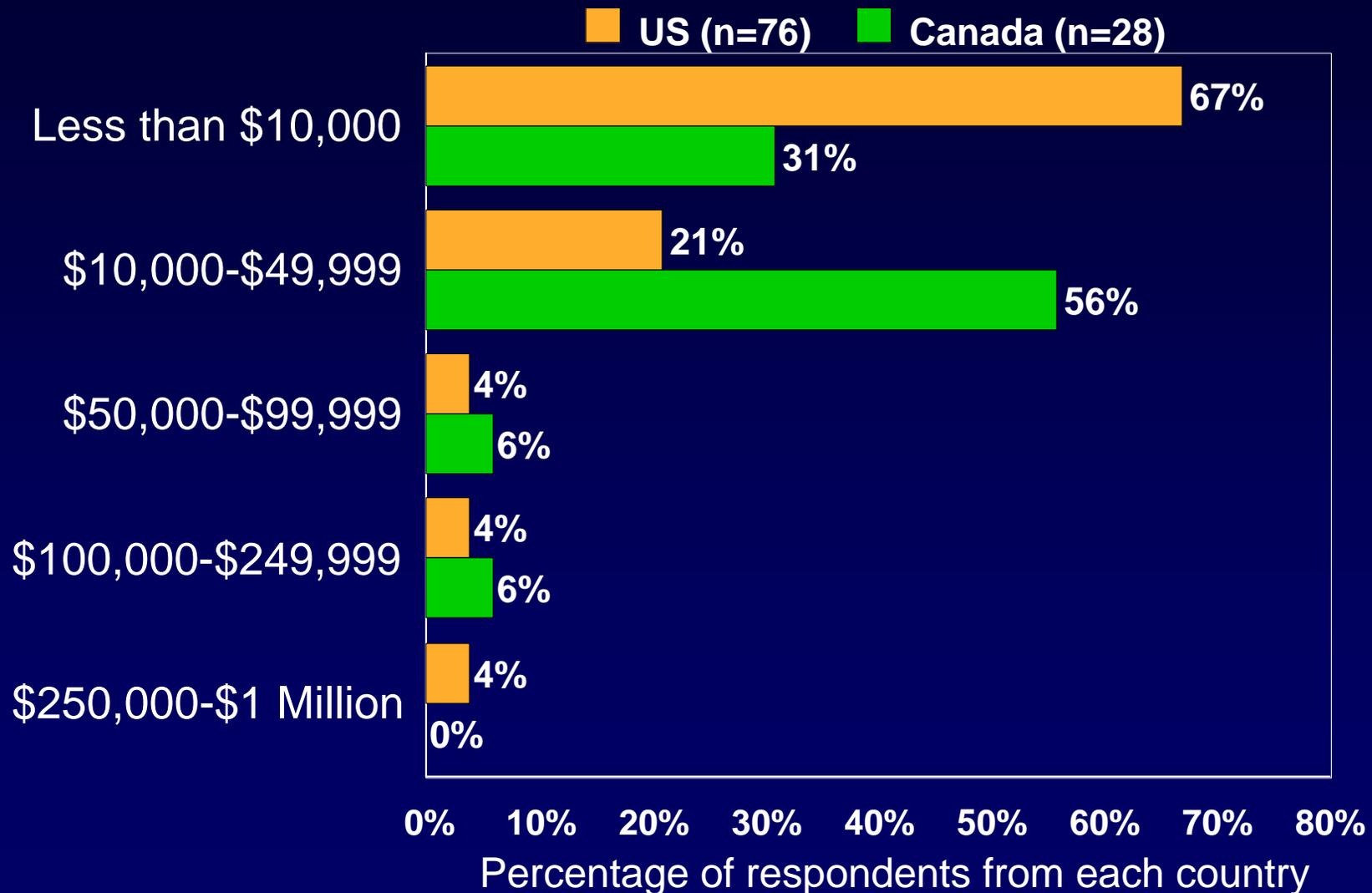
Reason for Implementing Internet and/or Extranet Capabilities

Scale: 1=strongly disagree to 5=strongly agree

US (n=76)　**Canada (n=28)**

Reason	US	Canada
part of corporate strategy	3.3	3.5
retain customers	3.2	3.3
customer request	2.8	2.9
increase accuracy of data	2.9	2.8
reduce errors	2.8	2.9
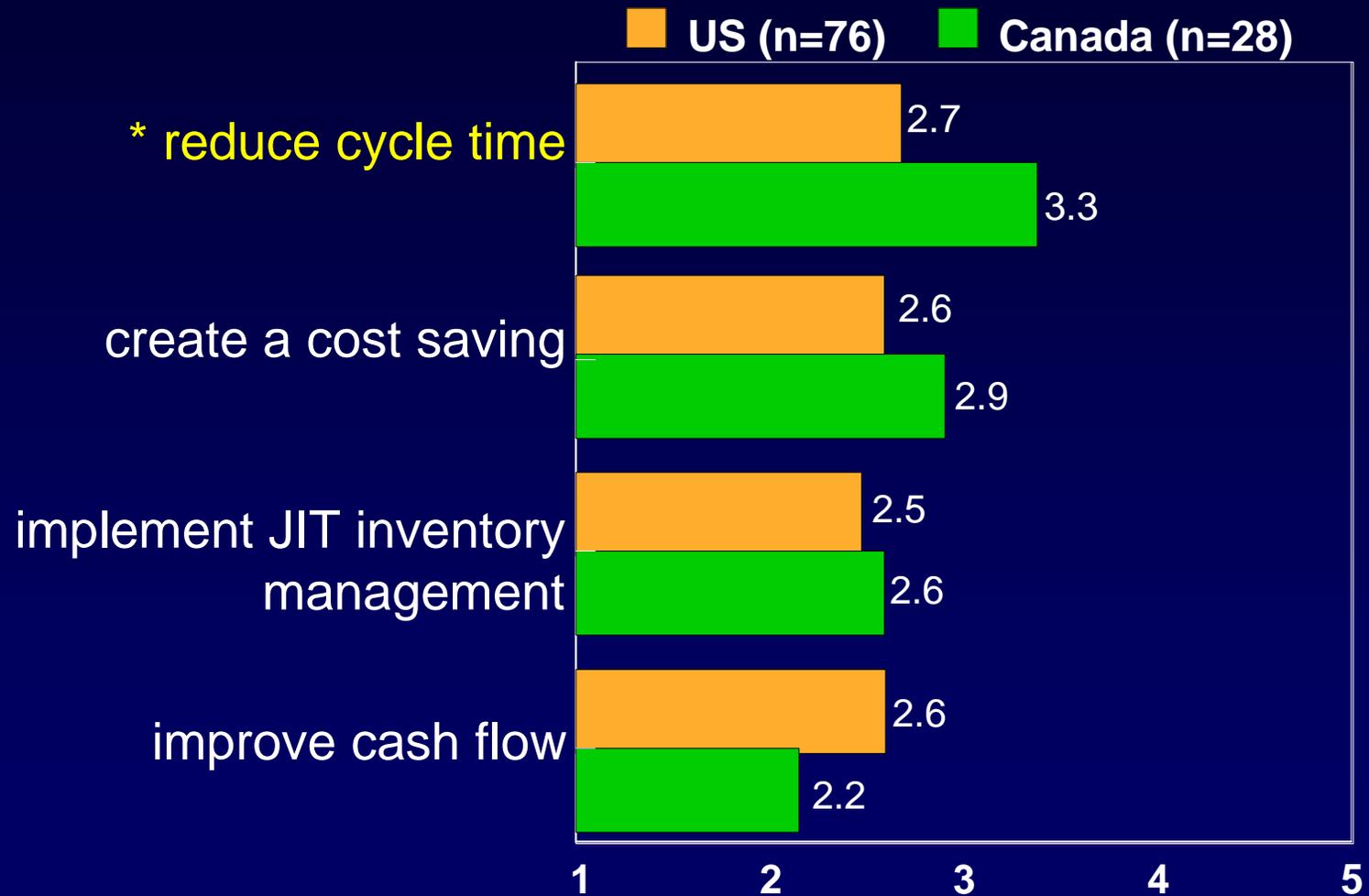
1　2　3　4　5

eBusiness Applications: 1998 and Planned in 1999

■ US (n=142)   ■ Canada (n=38)

Application	US	Canada
Customer Contacts	51%	24%
Marketing	46%	21%
Vendor Contacts	33%	18%
Product/Price Inquiry	32%	16%
Product Promotion	29%	29%
Sales	20%	18%
Purchases	18%	11%
Shipping Notices	15%	8%
Order Tracking	14%	13%
Order Status	13%	18%
Inventory Mgt.	13%	11%
Internet EDI	13%	11%
Logistics	9%	8%

0%   10%   20%   30%   40%   50%   60%

Percentage of respondents from each country
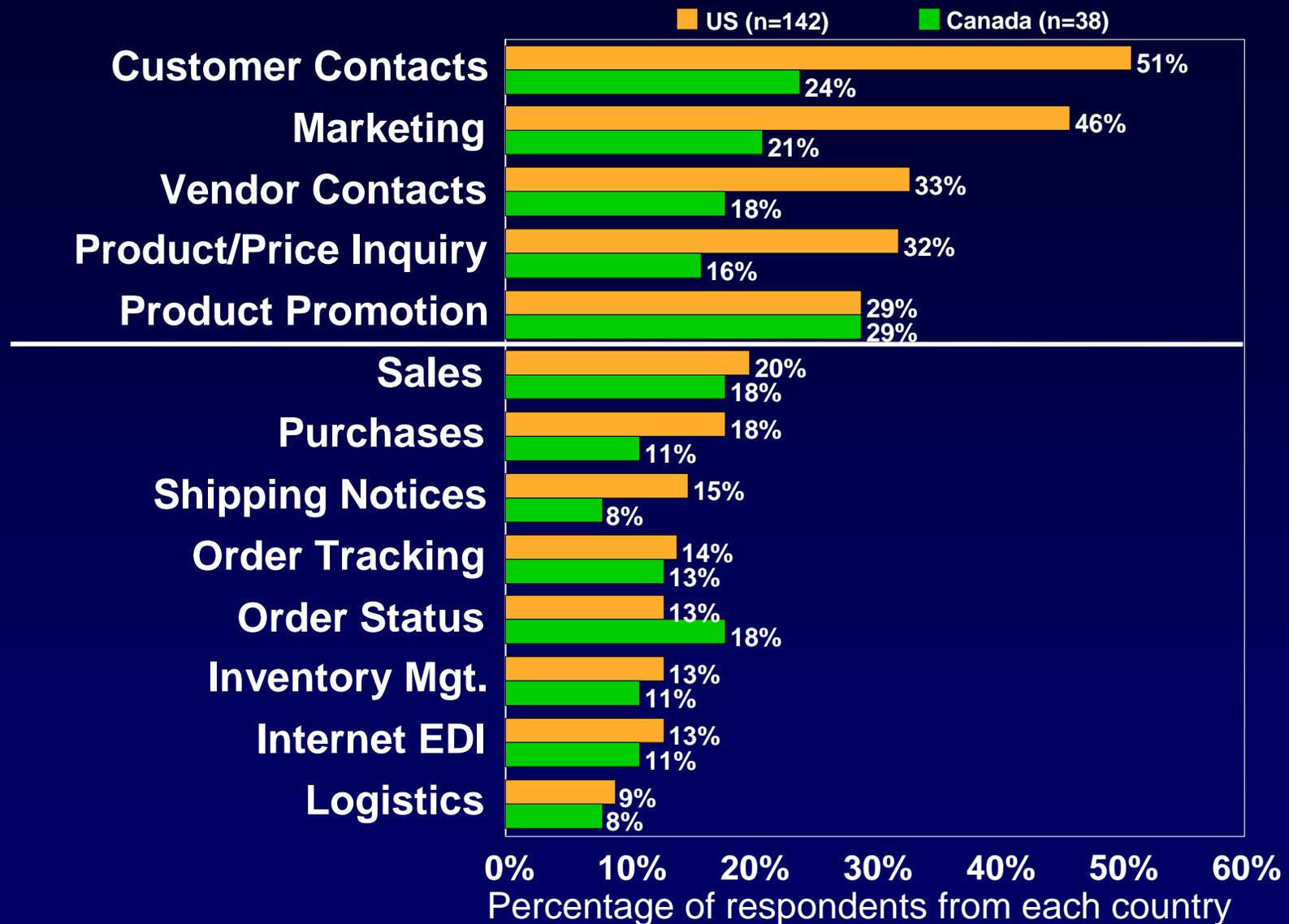
Is your company where it wants to be in implementing Internet capabilities?

US

Yes
38%

No
62%

Canada

No
50%

Yes
50%
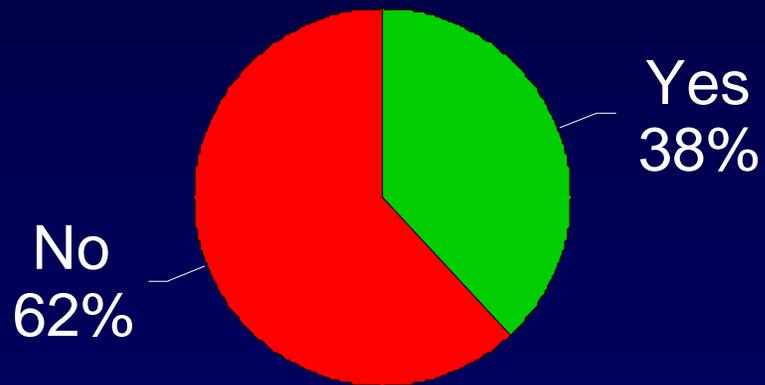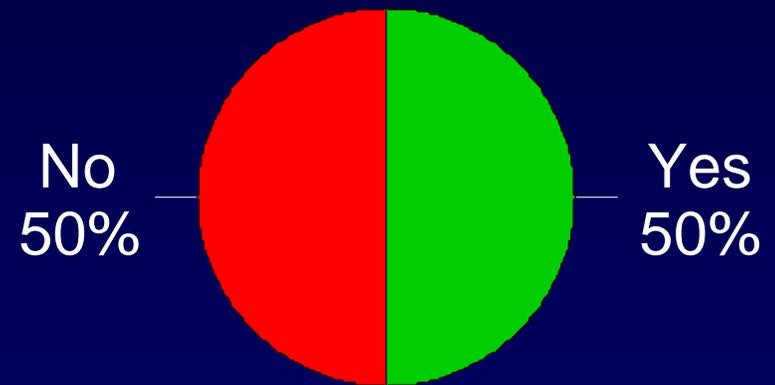
Percentage of respondents from each country

If your company has an Internet capability, have the desired benefits been received?

US

Yes
30%

No
70%

Canada

Yes
36%

No
64%
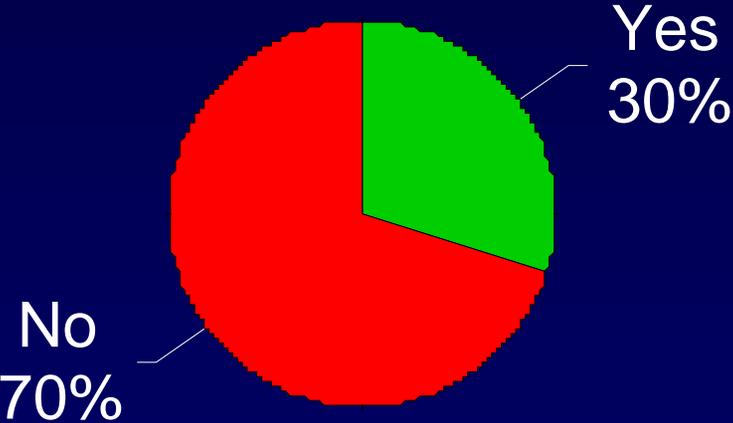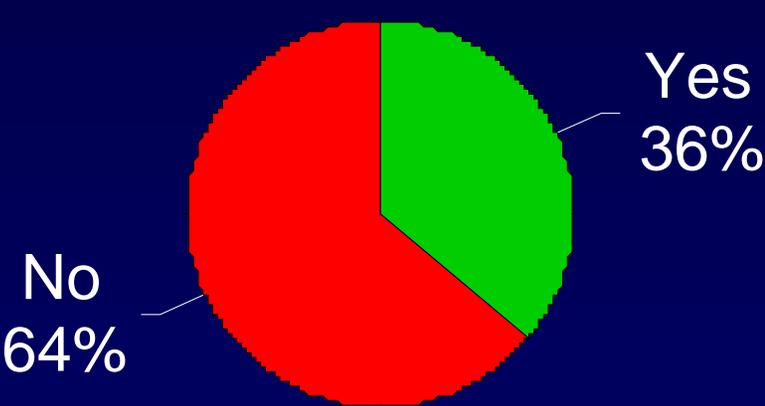
Percentage of respondents from each country

Impediments to Implementing Internet and/or Extranet Capabilities

Scale: 1=strongly disagree to 5=strongly agree

■ US (n=76)   ■ Canada (n=28)

*lack of skilled IT staff
US: 3.5
Canada: 2.9

lack of an understanding of benefits
US: 3.1
Canada: 3.0

expense of development
US: 2.9
Canada: 2.9

* inadequate application tools
US: 2.9
Canada: 2.1

* lack of technology infrastructure
US: 3.0
Canada: 2.3

expense of hardware and software
US: 2.7
Canada: 2.4

customer resistance
US: 1.7
Canada: 1.9

1   2   3   4   5
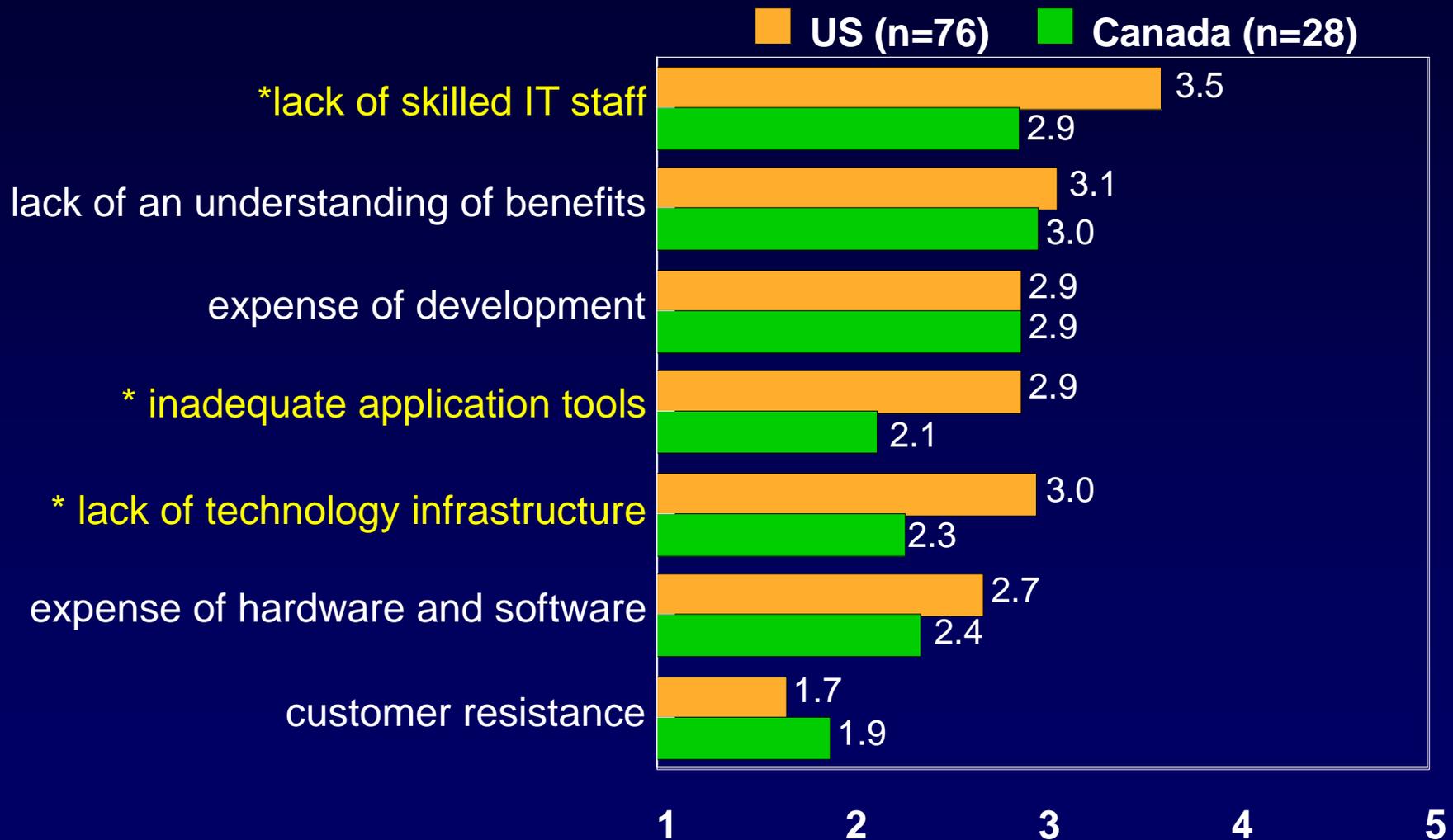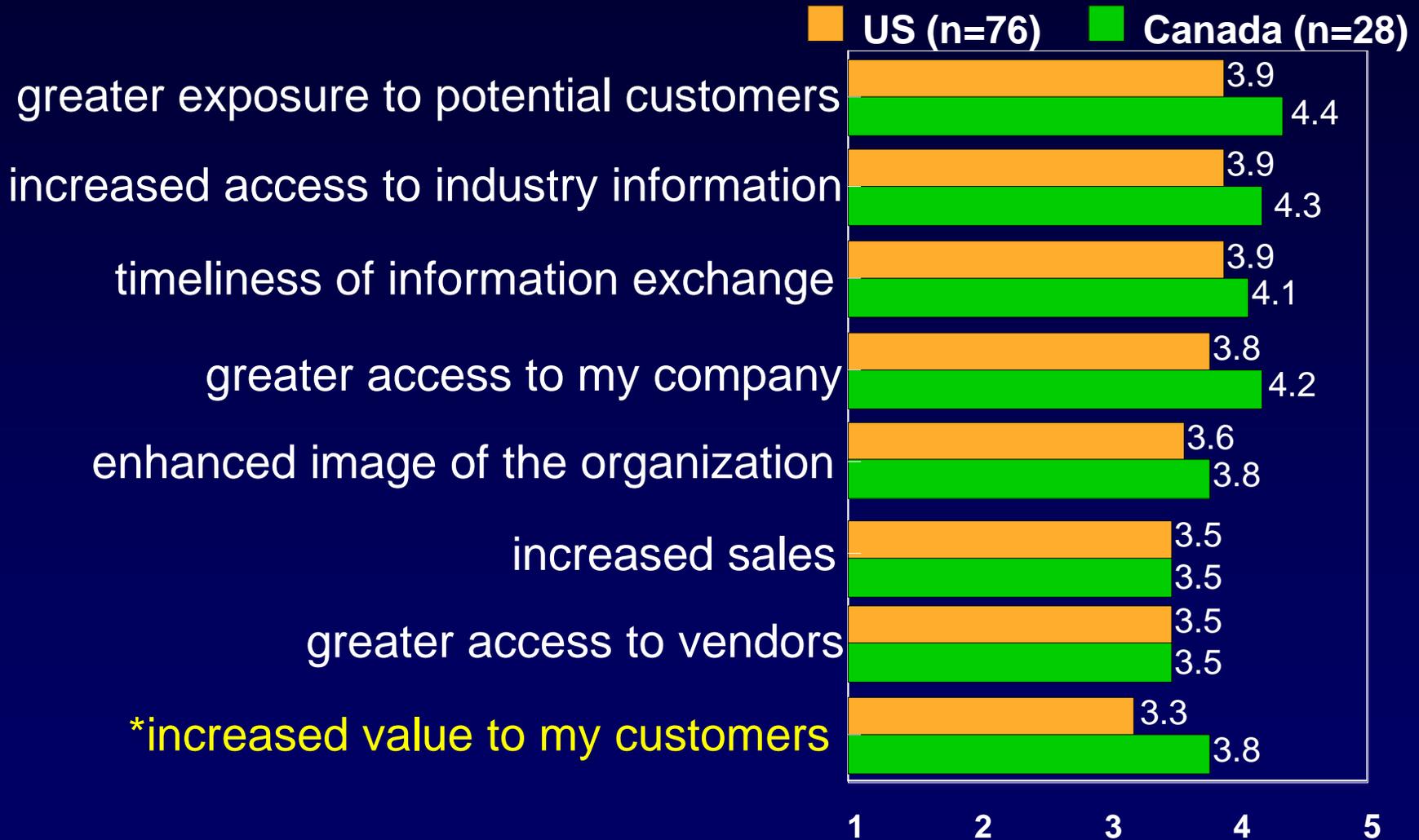
* difference is statistically significant for alpha=5%

Concerns about Using the Internet

Scale: 1=not a concern to 5=is a major concern

Concerns about Using the Internet

Scale: 1=not a concern to 5=is a major concern

US (n=76)   Canada (n=28)

competition can too easily track — 3.1 / 2.8

loss of contact with customers — 3.2 / 3.0

less contact from the sales force — 2.9 / 2.8

*it won't be profitable — 2.7 / 2.3

need to restructure the sales dept. — 2.6 / 2.3

*it is a passing fad — 2.2 / 1.7

1   2   3   4   5

*difference is statistically significant for alpha=5%

Specific Examples of How Respondents Benefit From eBusiness

- Faster response to customer inquiries.

- We have obtained new customers.

- Customers can look up order and shipment status on-line reducing phone calls to reps and freeing them up to handle orders rather than inquiries.

- We have generated far more sales than could have been generated without an Internet presence.

- Faster, easier purchase of needed items from vendors.

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Specific Examples of How Respondents Benefit From eBusiness

- We have reduced inventory by broadcasting available stock to customers via the Internet.
- Better inventory control because of better information on inbound product locations and ETAs.
- We increased market share in large accounts by managing customer inventories on-line.

Specific Examples of How
Respondents Benefit From eBusiness

- We put pictures on the Internet showing how we make our products better. Customers 1,000 miles away can take a "virtual tour" of our company and see who they are dealing with.

- Savings on overseas long distance charges.

- Shorter lead-time.

Summary

- No significant differences in perceived benefits of reaching customers via the Internet.
- No significant differences in reasons for Internet implementation.

- 35% more Canadian respondents were Internet capable in 1998.
- Of those not Internet capable in 1998, 102% more Canadian respondents planned Internet capability in 1999.

- Canadian respondents were further along in where they wanted to be in Internet implementation.
- More Canadian respondents feel they have received desired benefits from Internet implementation.

Summary

- Overall, respondents are not using the Internet for "higher order" business practices.
- U.S respondents are using the Internet for "lower order" applications with twice the frequency as Canadian respondents.

- Canadian respondents perceive greater Internet advantages to their company.
- Canadian respondents perceive fewer impediments to implementation.
- Canadian respondents have fewer concerns about using the Internet.