

U.S. Wood Product Imports with an Emphasis on Forest Certification

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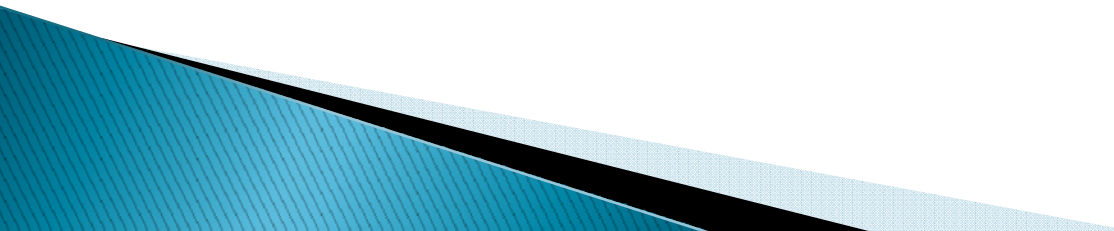
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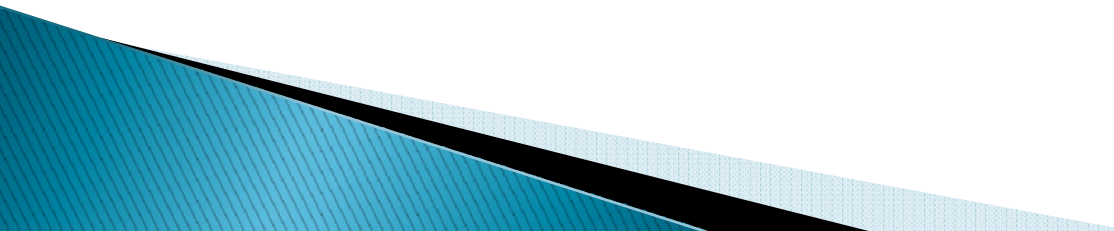
Outline

- ▶ Overview of U.S. Wood Product Imports
 - ▶ Study Objectives
 - ▶ Methodology
 - ▶ Results
 - ▶ Conclusion and Discussion
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Introduction

- ▶ Growing demand for wood has exerted pressure on global primary old growth forests.
 - ▶ Alternatives:
 - Secondary timber resources
 - Forest plantations
 - Imports
 - ▶ Rapid increase in domestic wood demand has driven some nations from being net exporters of wood to becoming net importers.
 - ▶ These global developments have intensified the need for cross-boundary trade of wood products.
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The U.S. wood product import market

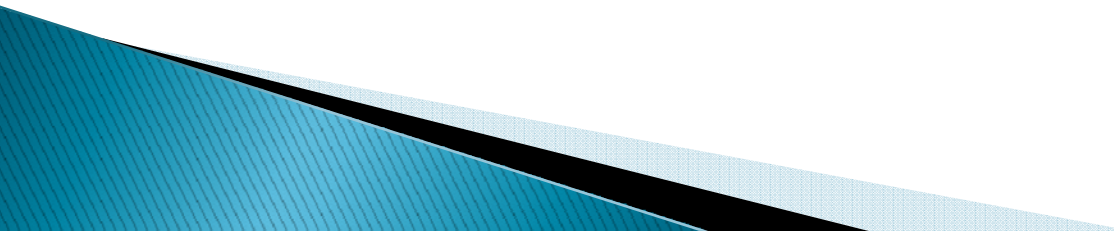
- ▶ Leading global wood product importer.
 - ▶ Currently a small consumer of tropical hardwoods.
 - ▶ Markets for tropical wood products will increase in the future.
 - ▶ The trend towards higher demand of pre-finished products will create opportunities for suppliers that can provide high quality tropical wood products.
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The U.S. wood product import market

- ▶ Tropical timber imports/trade in the U.S. is highly fragmented : Even small to medium scale export manufacturers can thrive on these opportunities.
- ▶ Design and quality of wood products are means of maintaining or increasing market share.



Objectives

1. Characterize the structure of the U.S. wood product import market.
 2. Explore demand factors and opportunities for international exporters selling into the U.S. market.
 3. Identify U.S. importer perceptions towards forest certification.
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U.S. wood product importers
Methodology-Mail Surveys
Tailored Design Method (Dillman 2000)

Pre-Testing Questionnaires



Revision



Pre-Notification Postcards



1st Mailing



Reminder Postcards



Second Mailing to Non-Respondents

U.S. wood product importers

Response rate

Sample frame:

Census of 158 US wood products importers listed in 2006 (Buyers and Sellers Directory of the Forest Products Industry, 2007)

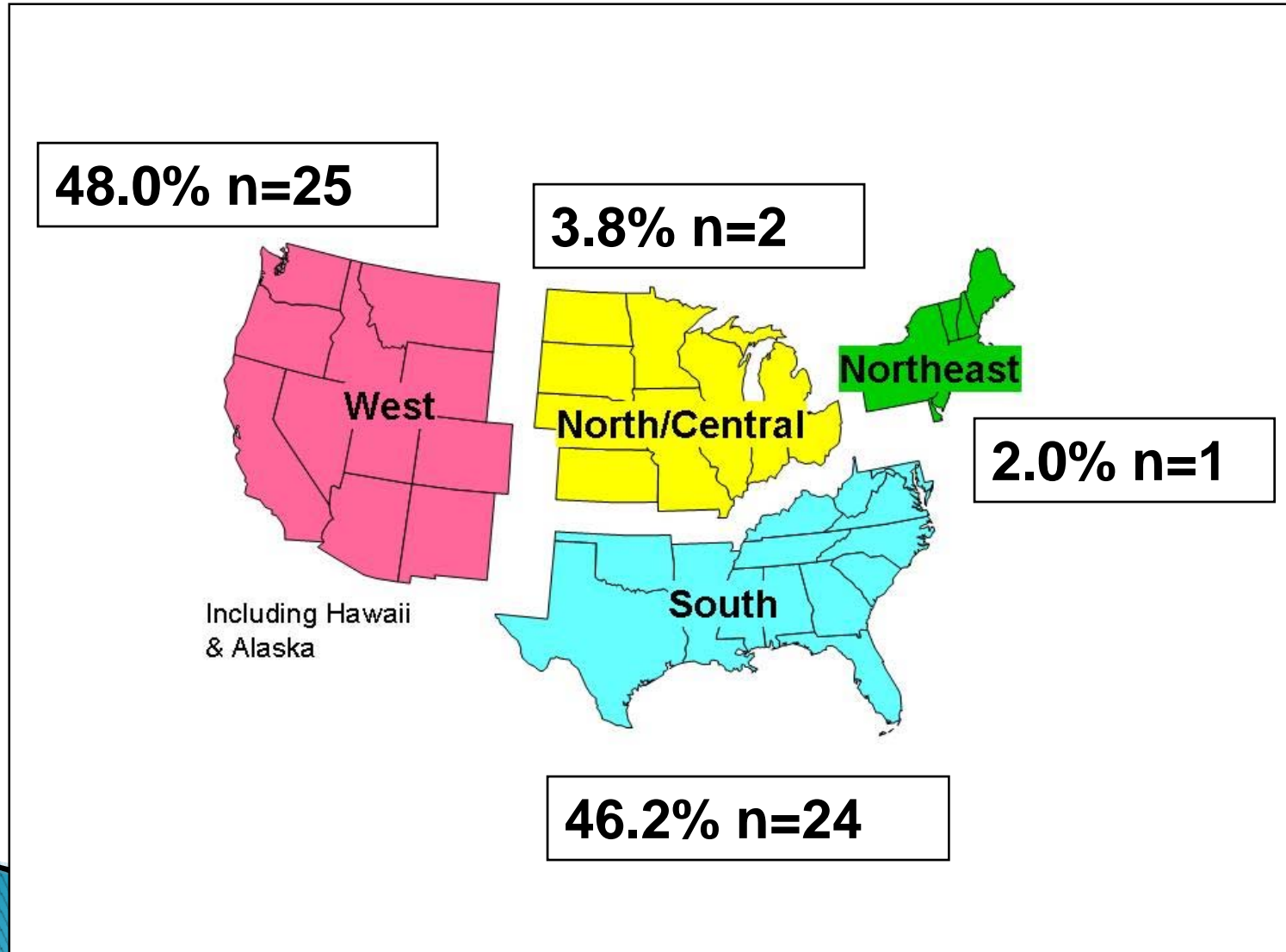
$$\text{Adjusted } R_{\text{rate}} = \frac{\text{Usable responses}}{\text{Total sample} - \left(\text{Undeliverable} + \text{nonusable responses} \right)}$$

$$\text{Adjusted } R_{\text{rate}} = 40.6 \%$$

U.S. wood product importers

Distribution of respondent corporate locations

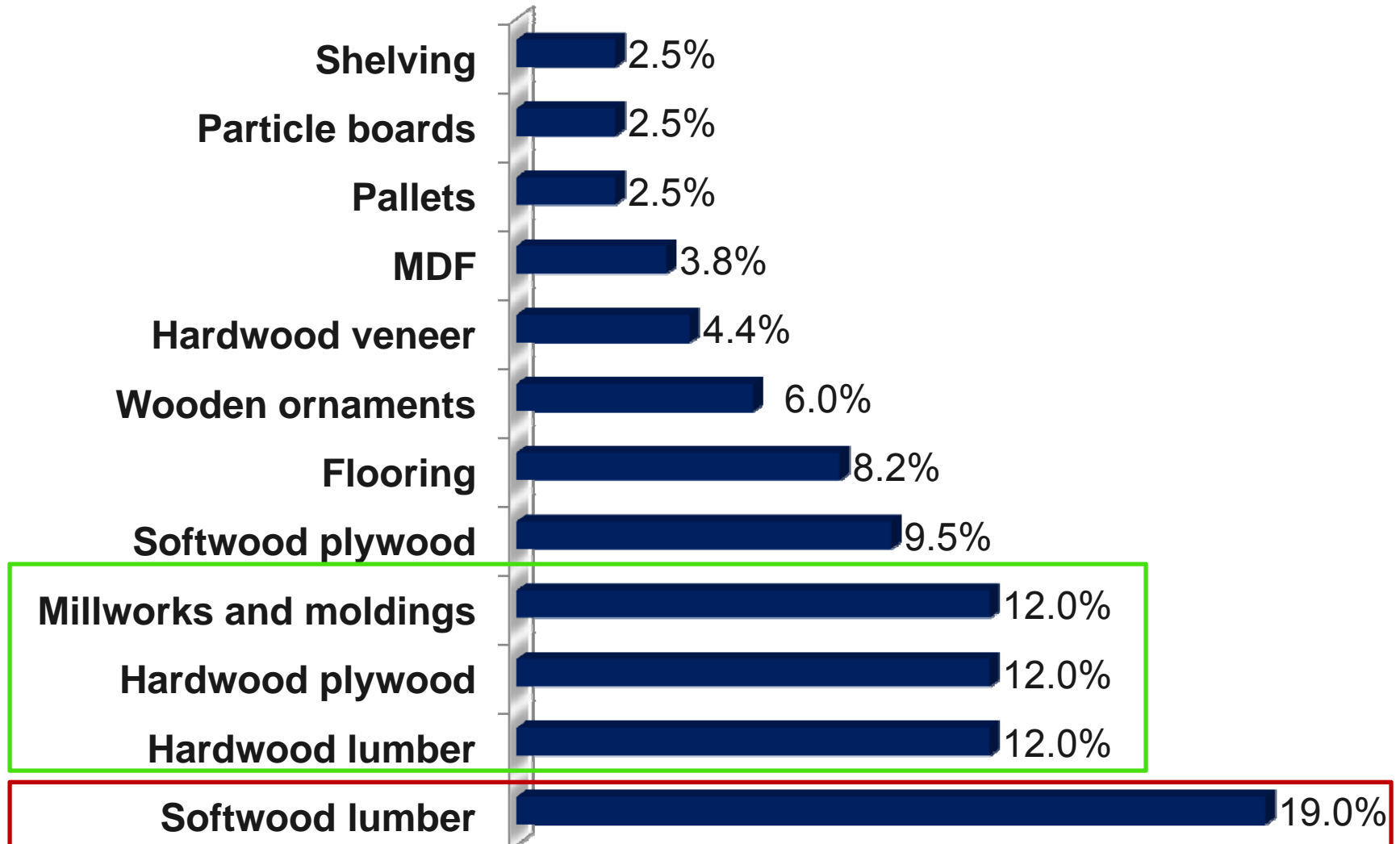
percent of respondents (n=52)



U.S. wood product importers

Wood products imported by respondents

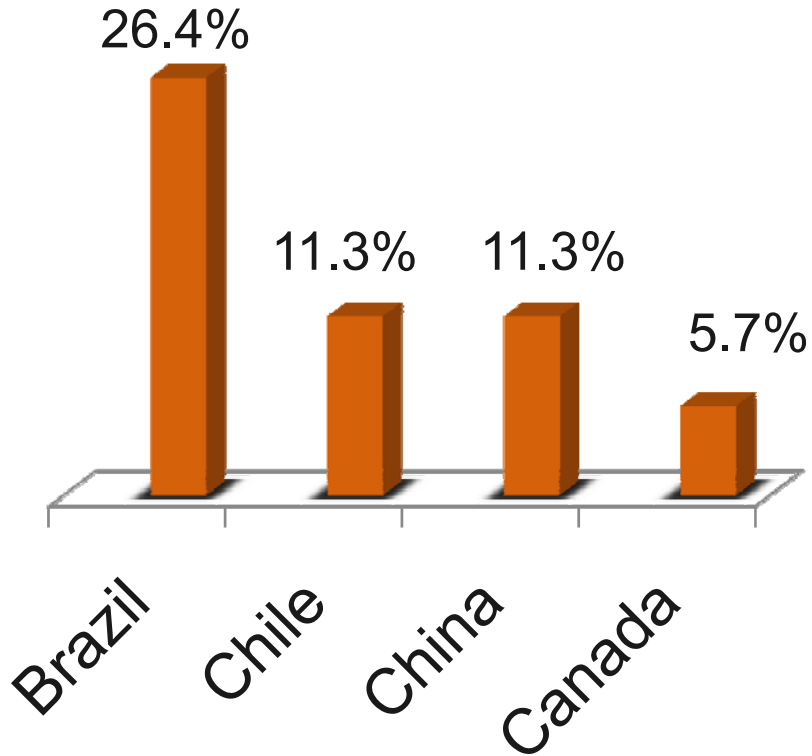
percent of respondents (n=54) (multiple responses possible)



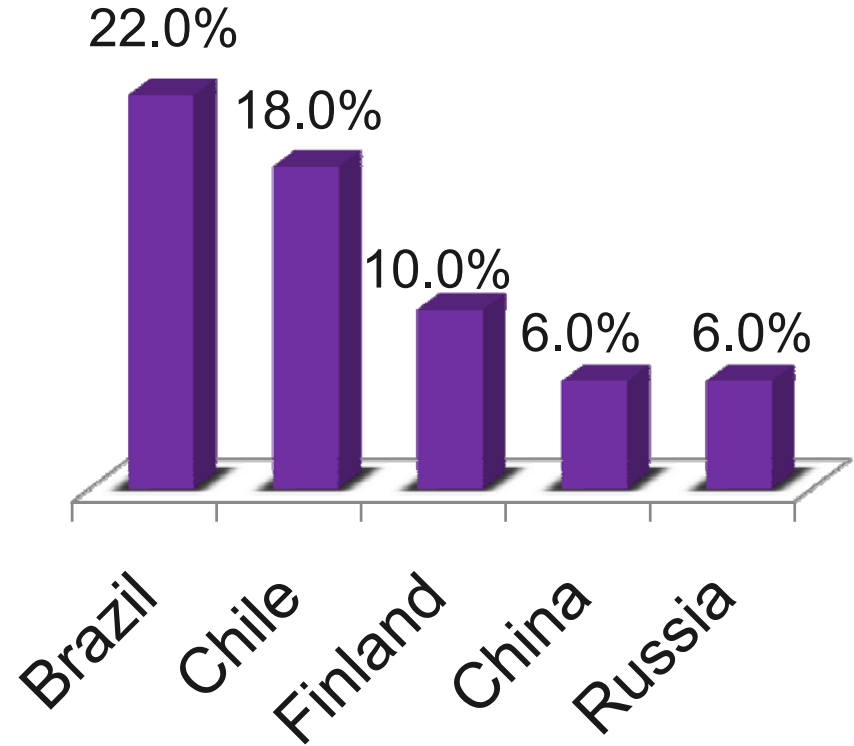
U.S. wood product importers

Major export partner countries (2006)

percent of respondents (n=54)



By purchase value



By product quality

U.S. wood product importers

Grouping of Respondent Companies (Cluster analysis)

Variable	Scale	Minimum	Maximum
Total number of employees	1- 6	1-10 employees	More than 500 employees
Total gross sales	1- 9	\$0-\$5 million	More than \$ 1 billion
Number of containers imported	1- 4	1-25 containers	More than 10 containers
Percentage of sales from imports	1- 10	1%-9%	90-100%

U.S. wood product importers

Grouping of Respondent Companies (Cluster analysis)

Group		Number of employees	Total gross sales	Number of containers imported	Percent of sales from imports
1	Mean	1.31	1.46	2.23	3.69
	N	13	13	13	13
2	Mean	4.29	5.21	3.57	3.14
	N	14	14	14	14
3	Mean	1.32	2.08	3	9.4
	N	25	25	25	25

*Differences between clusters are significant at $\alpha = 0.05$ significance level

U.S. wood product importers

Cluster profile: Market segments

Cluster 1 : Small to medium scale but moderate
importers

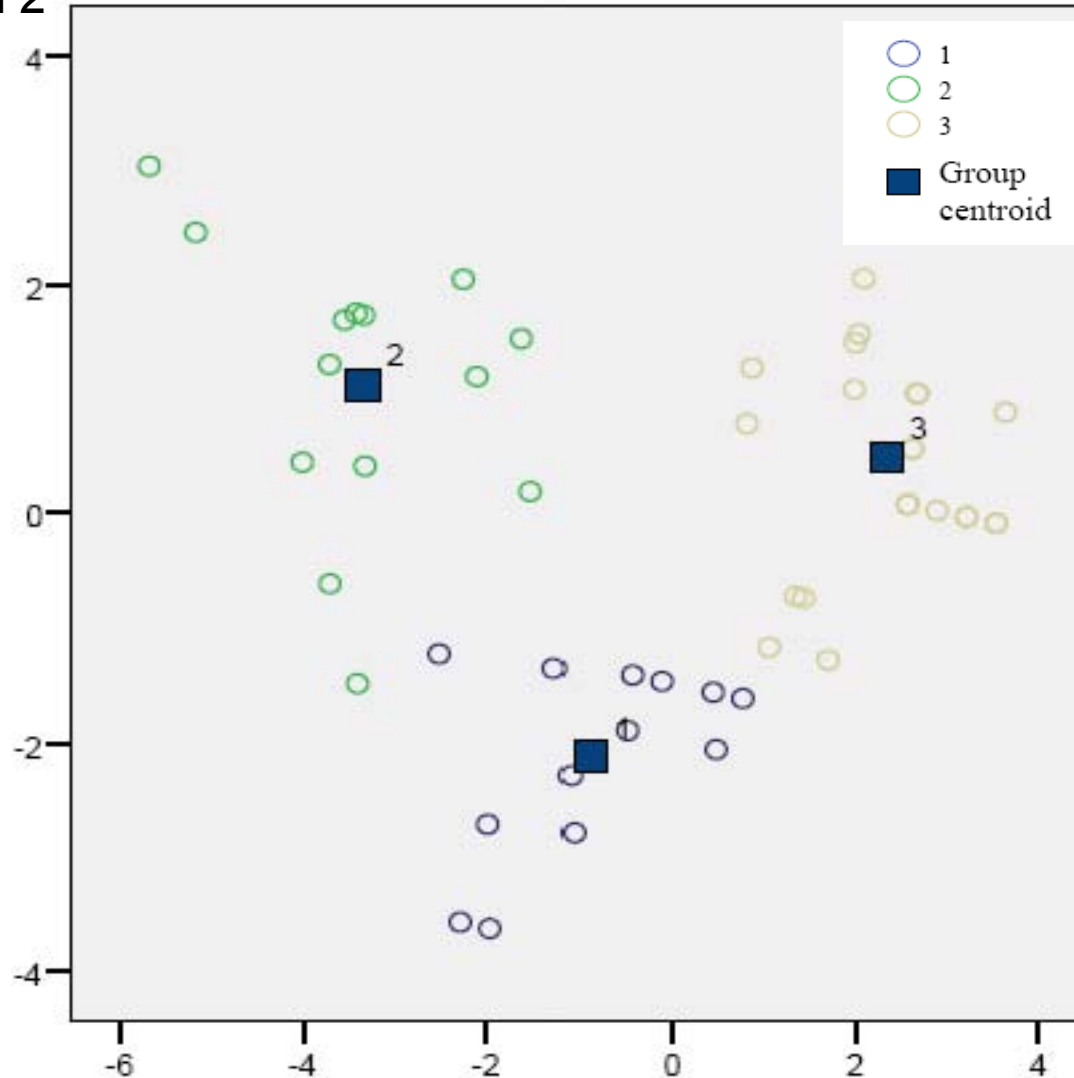
Cluster 2: Medium to large scale but minor
importers

Cluster 3: Small to medium scale but major
importers

U.S. wood product importers

Distinct market segments

Function 2



Function 1

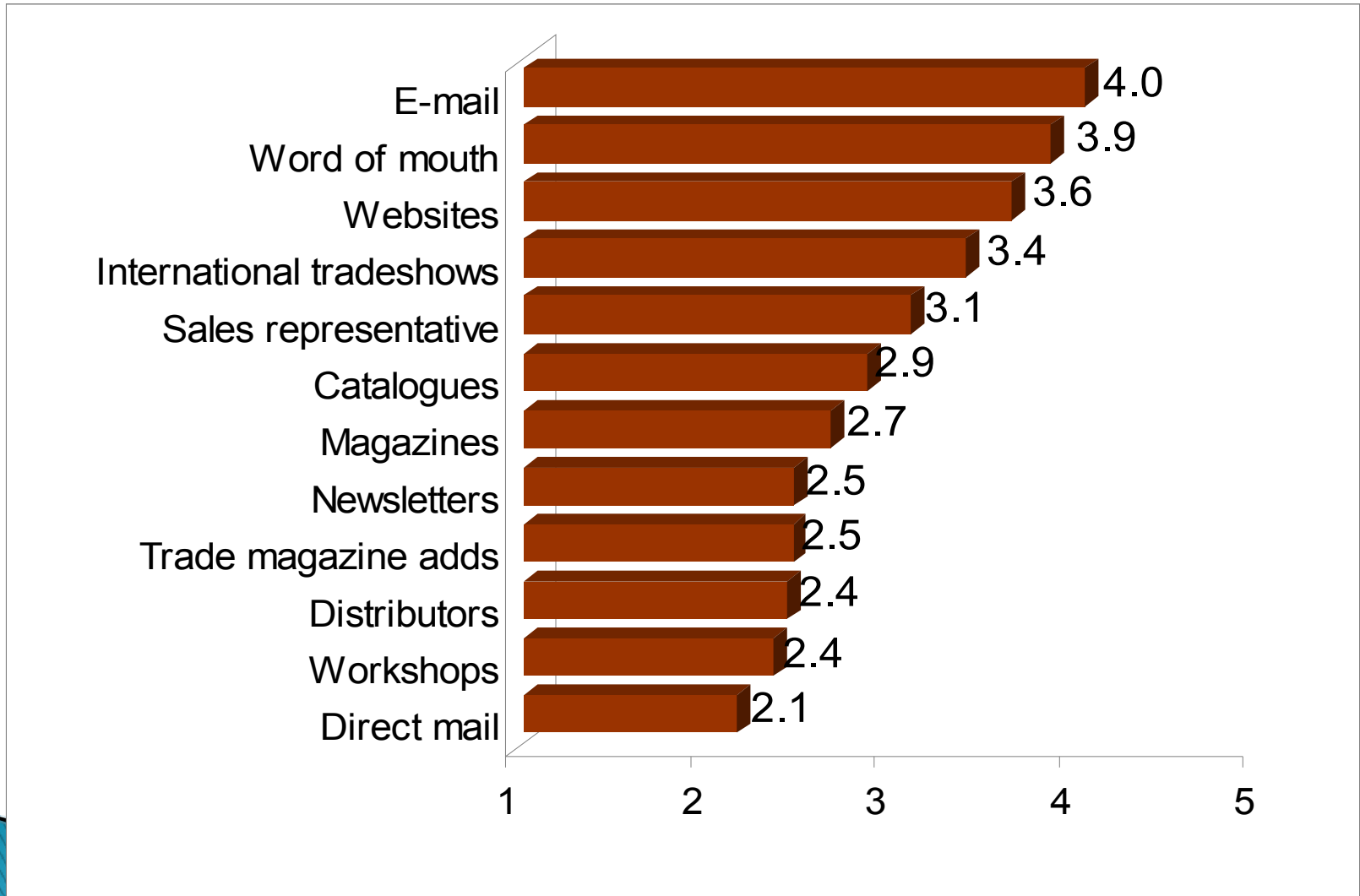
Function 1: percentage of sales from imports

Function 2: total gross sales, number of employee, number of containers import

U.S. wood product importers

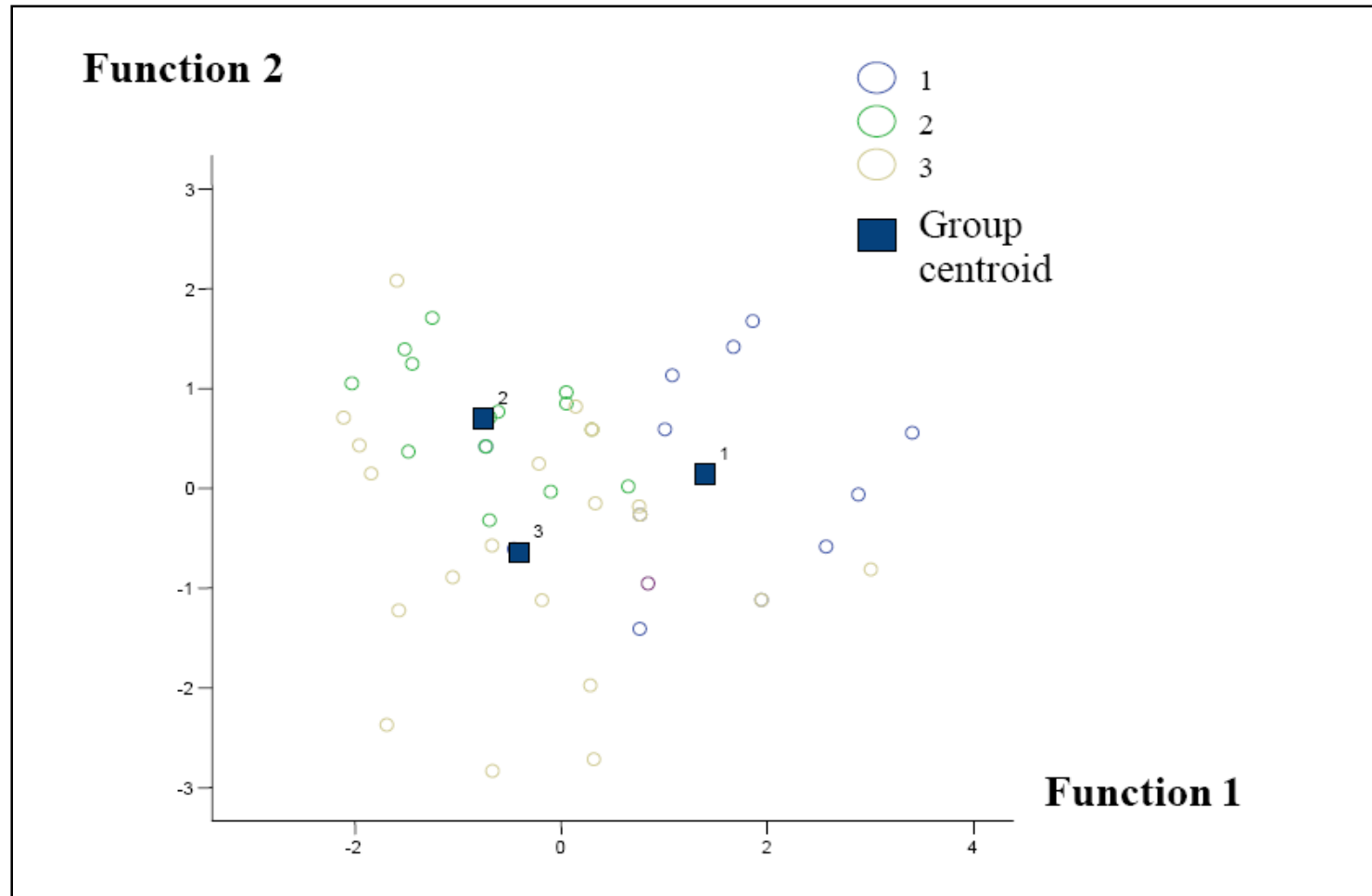
Sources of information

Scale: 1=not important at all; 3=somewhat important; 5=very important, (n=54)



U.S. wood product importers

Foreign supplier selection criteria by company grouping



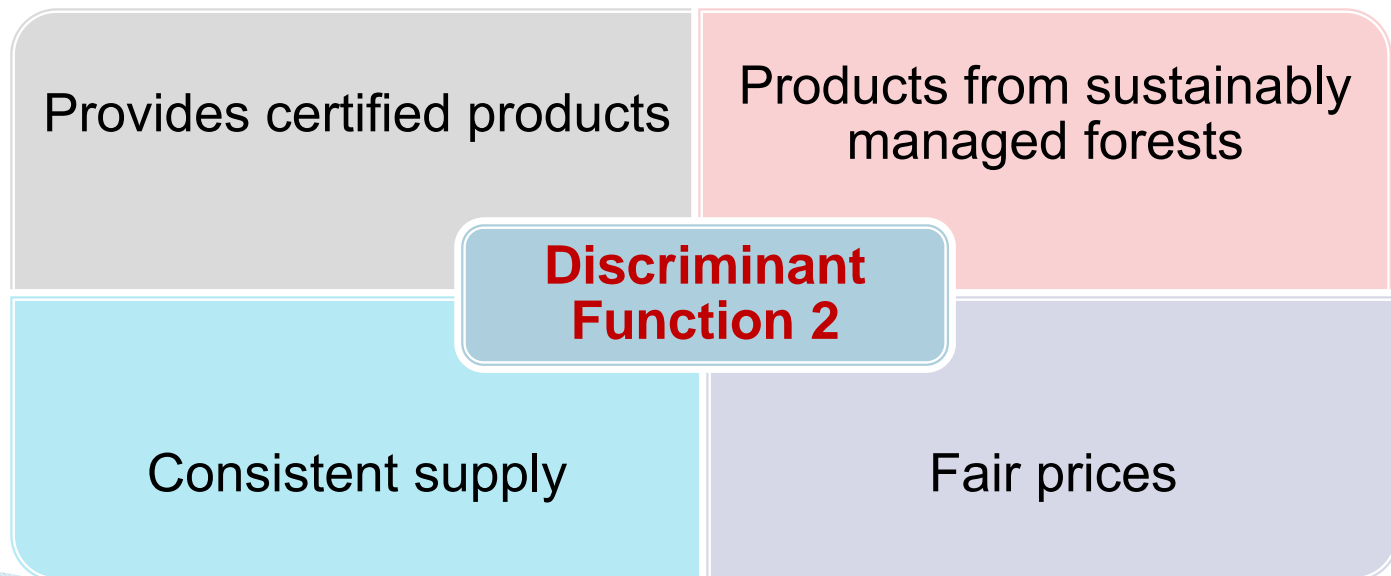
Function 1:supplier speaks English, knowledgeable sales people

Function 2:provides certified products, products from sustainable managed forests, consistent supply, fair prices

U.S. wood product importers

Foreign supplier selection criteria by company grouping

Function 2 separates group 1 (small to medium scale but moderate importers) from group 2 (medium to large scale but minor importers) & group 3 (small to medium scale but major importers).



U.S. Wood product importers
Foreign supplier selection factors
(Factor analysis)



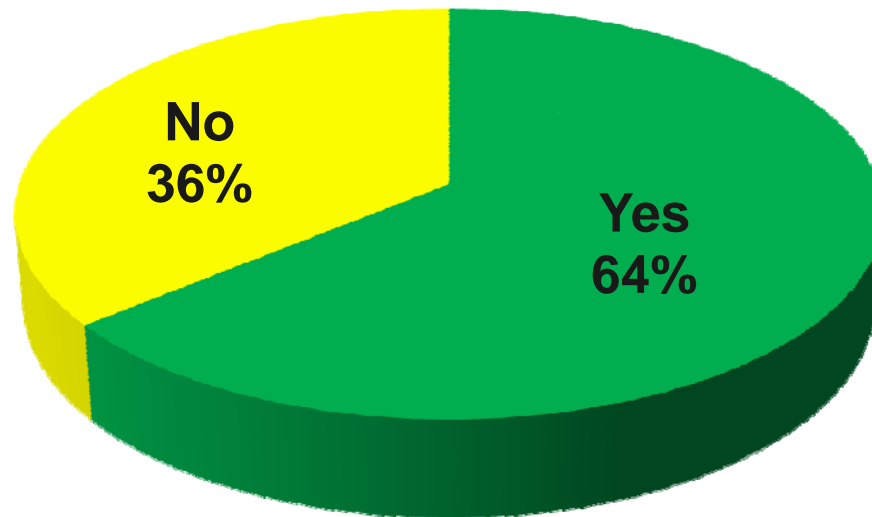
Variable	Factor				
	Certification and marketing	Product attributes	Client contact	Quality / product supply	Timber species and supplier reputation
Products from sustainable managed forests	0.893	-0.041	0.089	0.151	0.058
Ability to provide certified products	0.837	0.263	-0.029	-0.018	-0.002
Uniqueness	0.614	0.365	0.446	-0.055	0.273
Distribution capabilities	0.555	0.445	0.269	0.178	0.162
Marketing skills	0.508	0.434	0.504	-0.029	0.147
Warranty	0.096	0.852	0.034	0.160	-0.003
Design	0.300	0.712	0.062	-0.058	0.330
Fast delivery	0.330	0.546	0.168	0.362	0.071
Supplier speaks English	0.024	0.089	0.844	-0.156	0.086
Long term customer relationship	-0.007	-0.356	0.738	0.154	0.290
Computer capabilities	0.262	0.277	0.713	0.178	0.055
On time delivery	0.000	0.110	0.052	0.897	-0.043
Quality	0.235	-0.031	-0.124	0.730	0.330
Consistent supply	-0.033	0.184	0.214	0.625	0.139
Products from traditional species	0.054	-0.085	0.273	0.012	0.820
Supplier reputation	-0.026	0.163	-0.088	0.288	0.644
Products from lesser used species	0.142	0.296	0.372	-0.046	0.579
Fast response to my inquiries	0.187	0.323	0.007	0.260	0.540

U.S. Wood Product Importers
Perceptions on Forest Certification



U.S. Wood product importers
Forest certification

Does your company currently import certified wood products?



Q1: Certified products can help my company reach diversified markets.

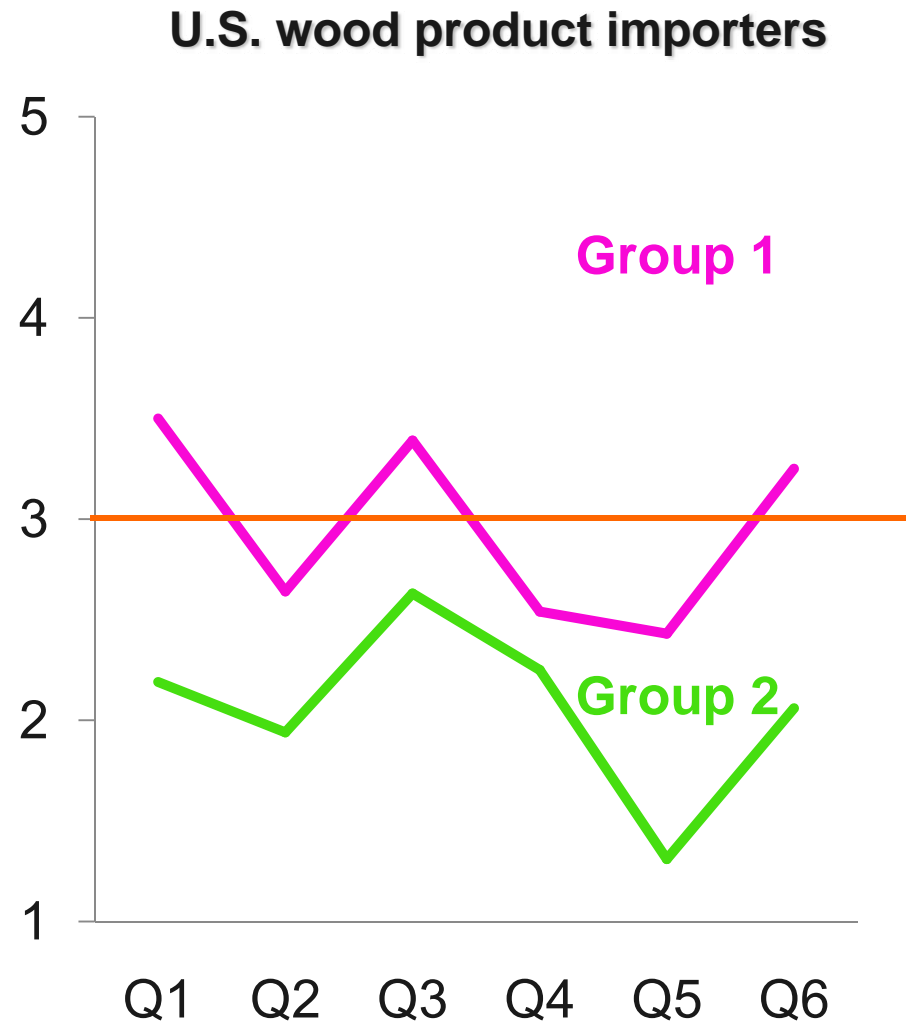
Q2: Certified products can capture price premiums.

Q3: Certified products help to protect the environment.

Q4: I would like to get information about certification.

Q5: I would pay a premium for certified products.

Q6: If available, I would seek out certified wood products.



Group 1: Certified wood product importers

Group 2: Non-certified wood product importers

U.S. wood product importers

Comparison of perceptions towards forest certification between Group 1 and Group 2

*Q1: Certified products can help my company reach diversified markets.

*Q2: Certified products can capture price premiums.

*Q3: Certified products help to protect the environment.

Q4: I would like to get information about certification.

*Q5: I would pay a premium for certified products.

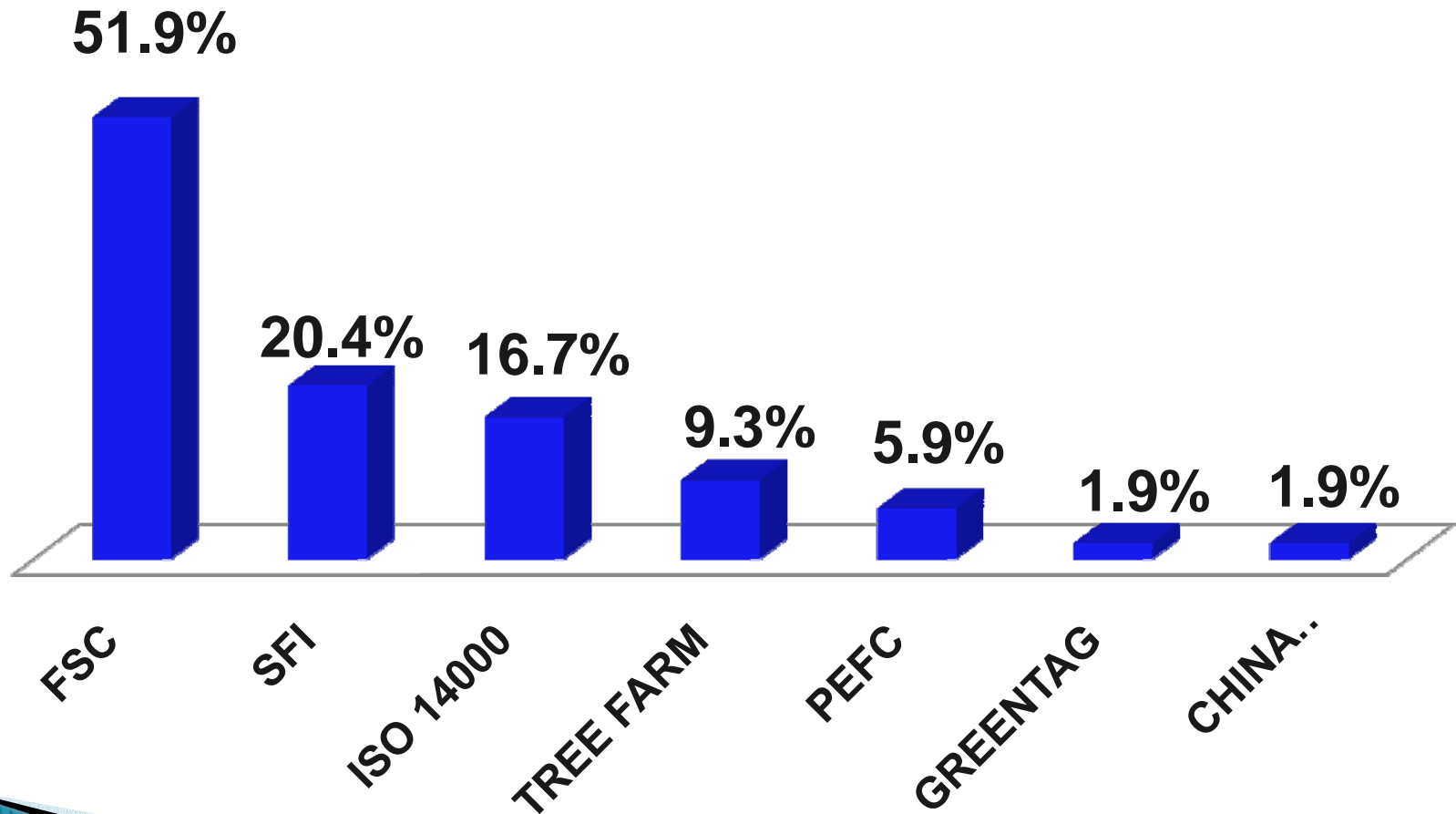
*Q6: If available, I would seek out certified wood products.

* Mann Whitney statistics : P-value is significant at $\alpha=0.05$ significance

U.S. wood product importers

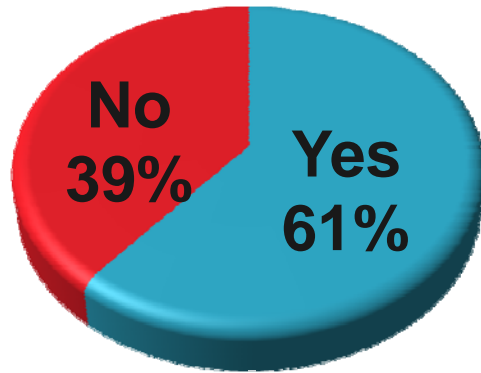
Accepted certification programs

percent of respondents (n=54) (multiple responses possible)

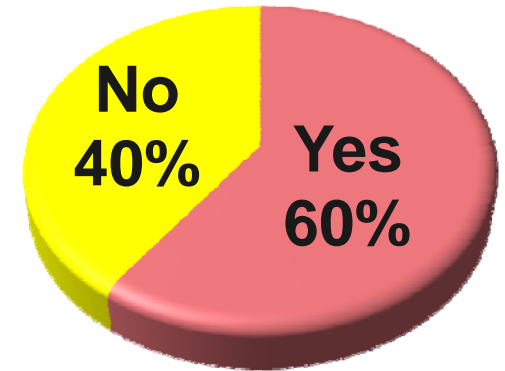


U.S. Wood product importers
Opportunities for tropical exporters

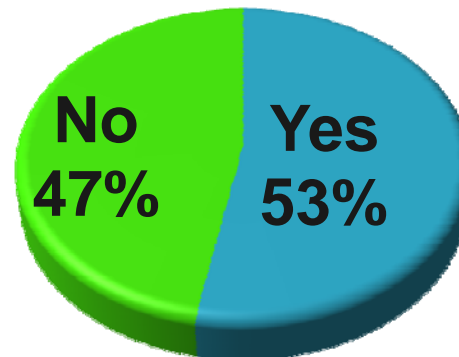
Would you like to receive information about tropical wood products?



Are you seeking new suppliers?



Do you plan to diversify the wood products you import in the next 5 years?



Conclusion and Discussion

Conclusion and Discussion

- ▶ Three market segments in U.S.:
 - Small to medium scale but moderate importers
 - Medium to large scale but minor importers
 - Small to medium scale but major importers

Exporters can tailor marketing strategies and plans to target market segments.

- ▶ Most important buyer selection factors for U.S. wood product importers: Certification and marketing, product attributes, client contact, quality products supply, and timber species and supplier reputation

Exporters should focus on selected factors to penetrate or maintain presence in the U.S. market.

Conclusion and Discussion

- ▶ Word of mouth, e-mail, and web sites are the most used sources of information for U.S. importers.

Suppliers should take develop relationships and use Internet technologies to effectively convey product information to U.S buyers/importers.

- ▶ Most popular certification programs for U.S. importers are FSC, SFI, and ISO 14000.

If wood products exporters wish to exploit U.S. certified wood products markets, they should gain an understanding of these programs.



Questions?