

Wood Products Marketing And Value-Added Opportunities



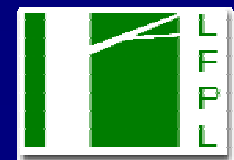
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Special Thanks to:



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The Situation

The global wood products industry:

- Primary products (lumber, plywood, etc.)
- Secondary (value-added) products (furniture, cabinets, millwork, etc).

Value can also be added through:

- Services
- Technology
 - * Production
 - * Communication
 - * Logistics
 - * Business applications

The Situation

As global populations continue to grow, the demand for wood products will increase.

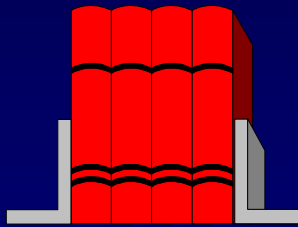
Many countries are attempting to transition from primary production to value-added production.

- Retain resource value
- Employment
- Economic development
- Create options

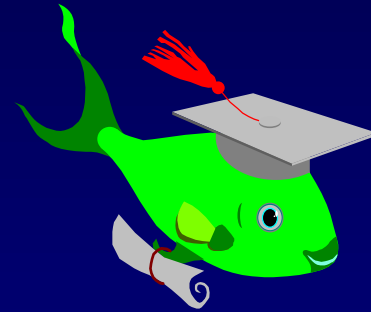
Requires a Marketing Philosophy!

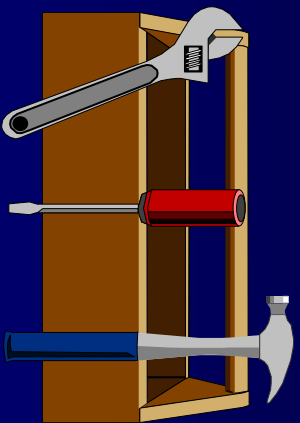


Some Thoughts on Marketing

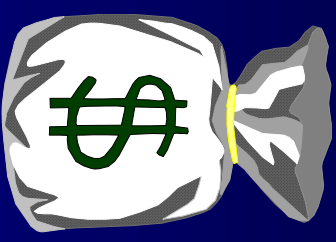


Theory





Reality



What is Marketing?

- Process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.
- More simply: Marketing is the delivery of customer satisfaction *at a profit.*

Marketing ≠ Sales

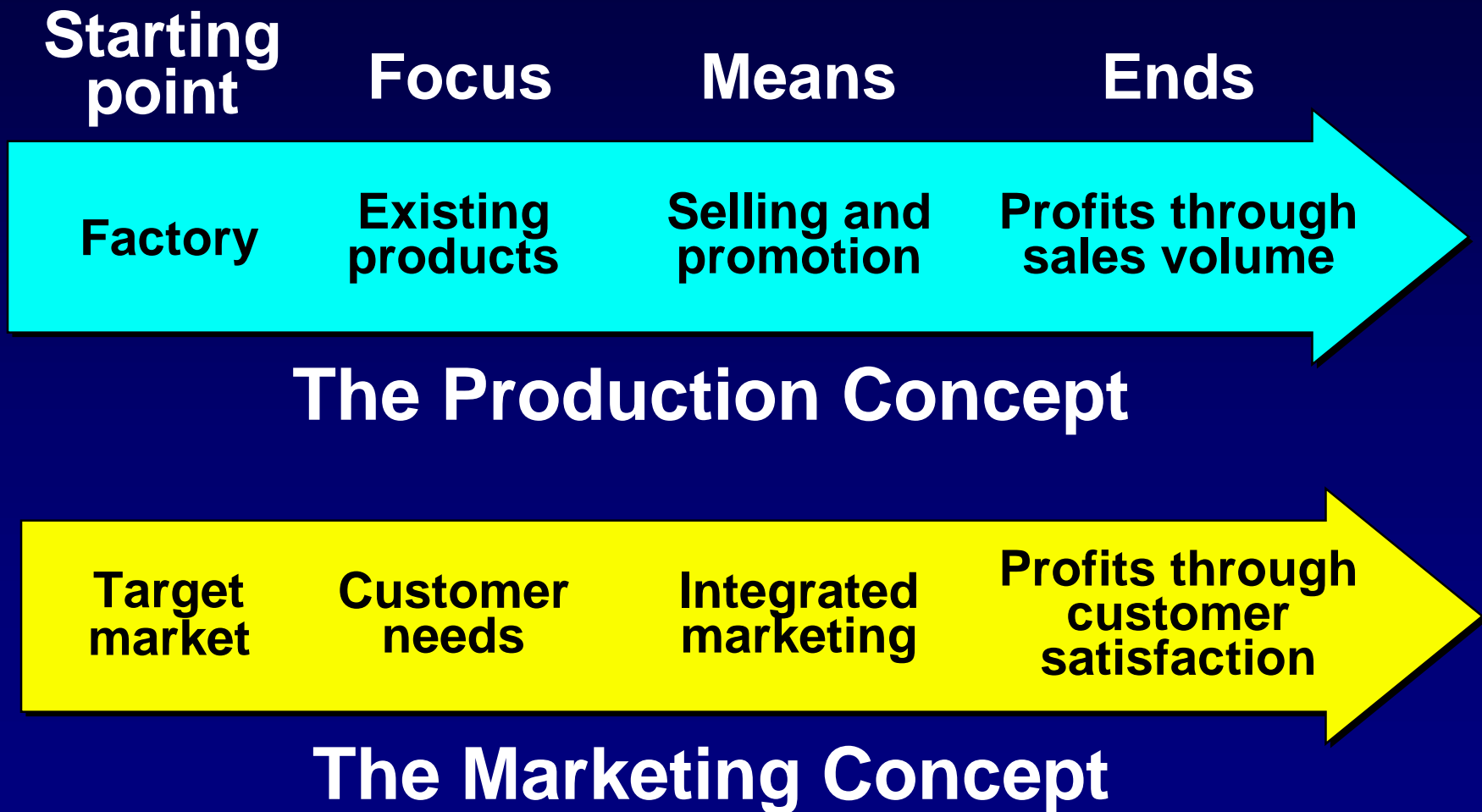
Marketing Oriented

The key to profits lies in creating, marketing and selling products that satisfy customer needs.

Customer Oriented

**Make all internal and external
business decisions
with the customer in mind
and from his/her point of view.**

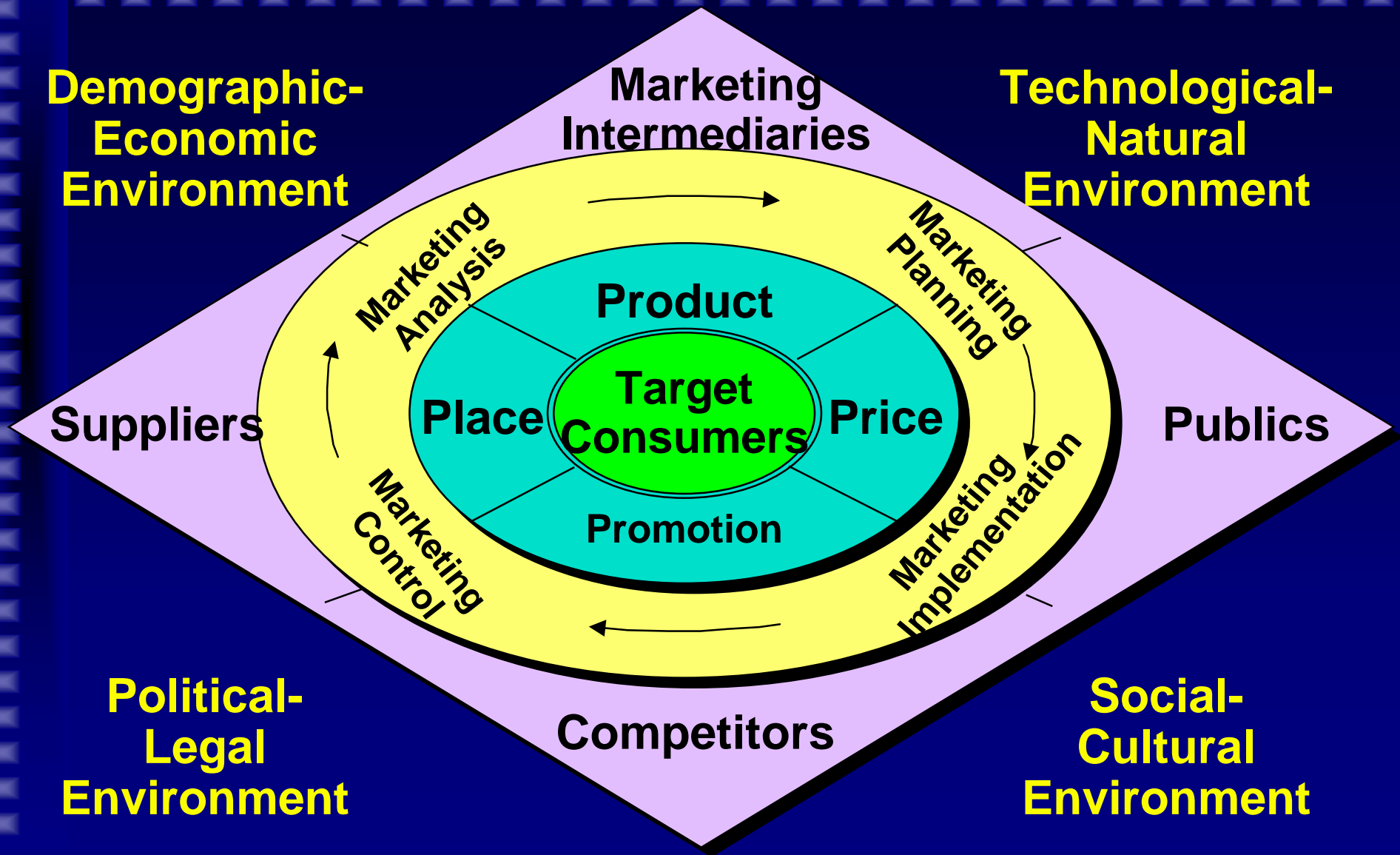
Production and Marketing Concepts Contrasted



Marketing and Production

- **Symbiotic relationship**
- **Requires communication, coordination and cooperation**
- **Joint decision making**
- **Common goals**

The Marketing Environment



Why is Marketing Important?

- Cyclical nature of economies
- Rapidly emerging production technologies
- Aggressive foreign and domestic competitiveness

Why is Marketing Important?

- **Changing customer behavior and expectations**
- **Competing products and substitutes**
- **Unpredictable legislative and political factors**

Marketing Segmentation

- Segmenting markets helps meet or beat competition by uncovering the segments with the greatest market potential.
- Segmentation helps to identify additional markets for existing products.

Emerging Marketing Challenges in Forest Products



International Marketing Spans Differences in:

Language

Economies

**Politics/
Law**

Cultures

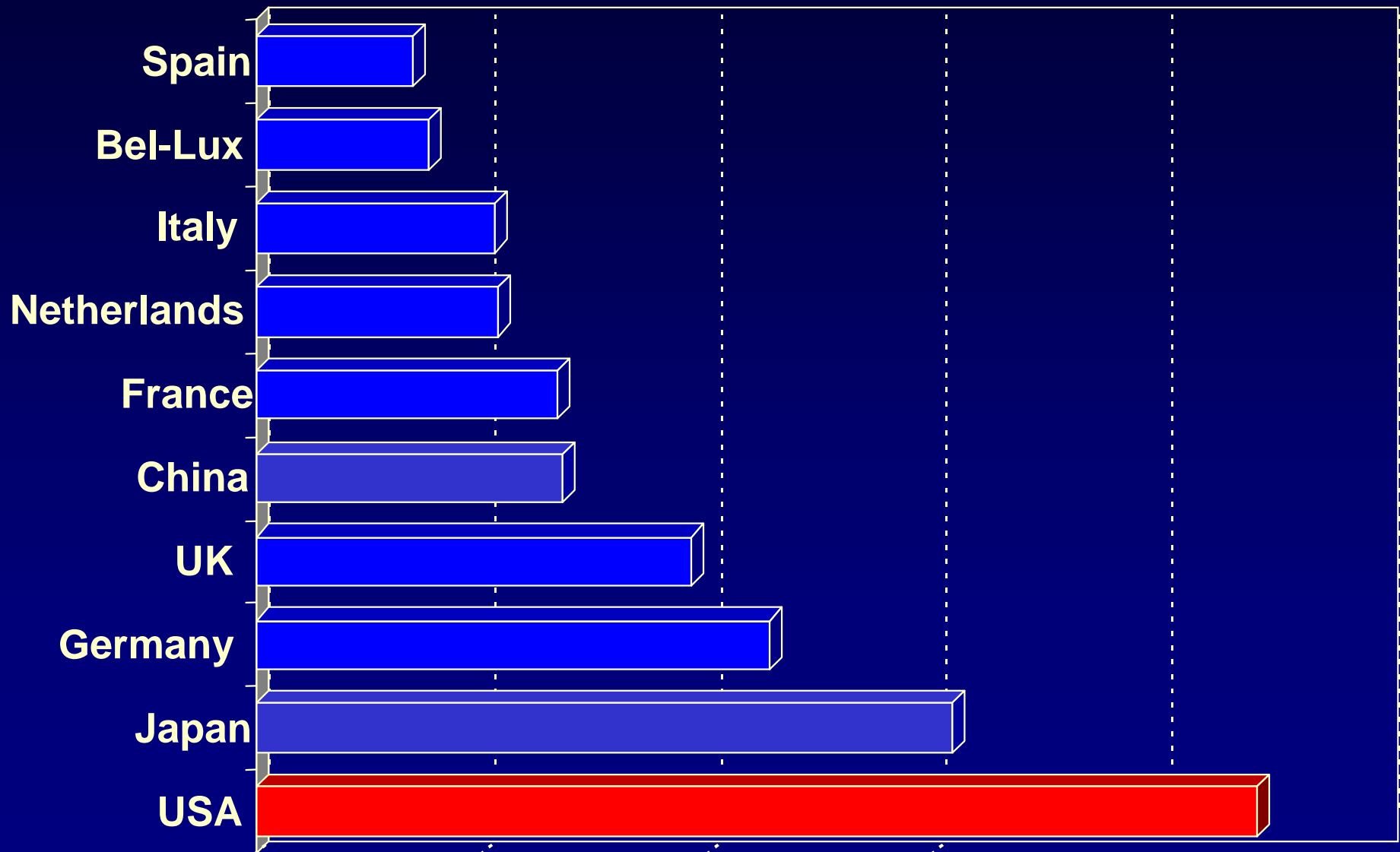
**Technology
Infrastructure**

Markets



Demand: Overall Climate

The World's Top 10 Forest Products Importers

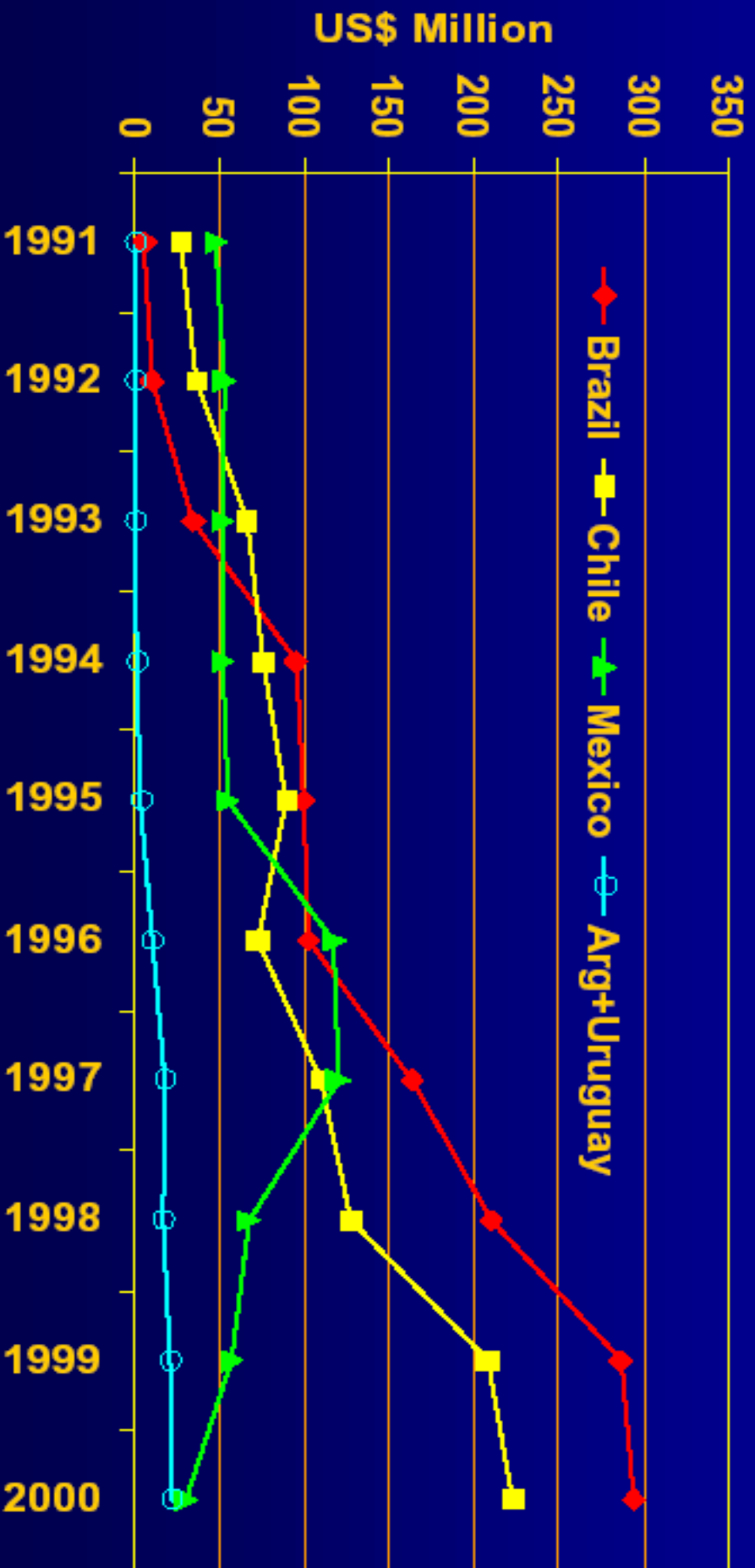


US Imports of Solidwood Products from Latin America



Excludes Mexico

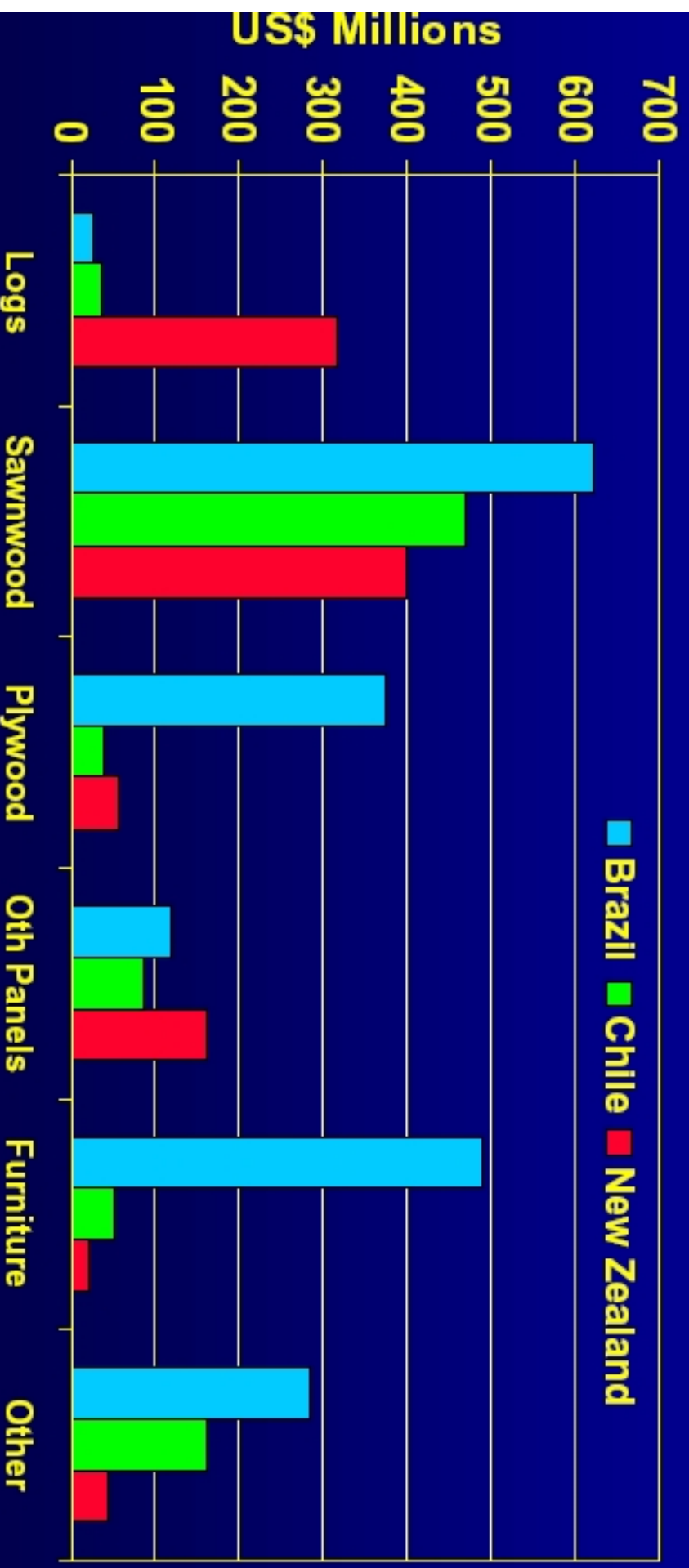
US Imports of Softwood Lumber, from Mexico and South America



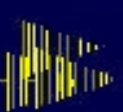
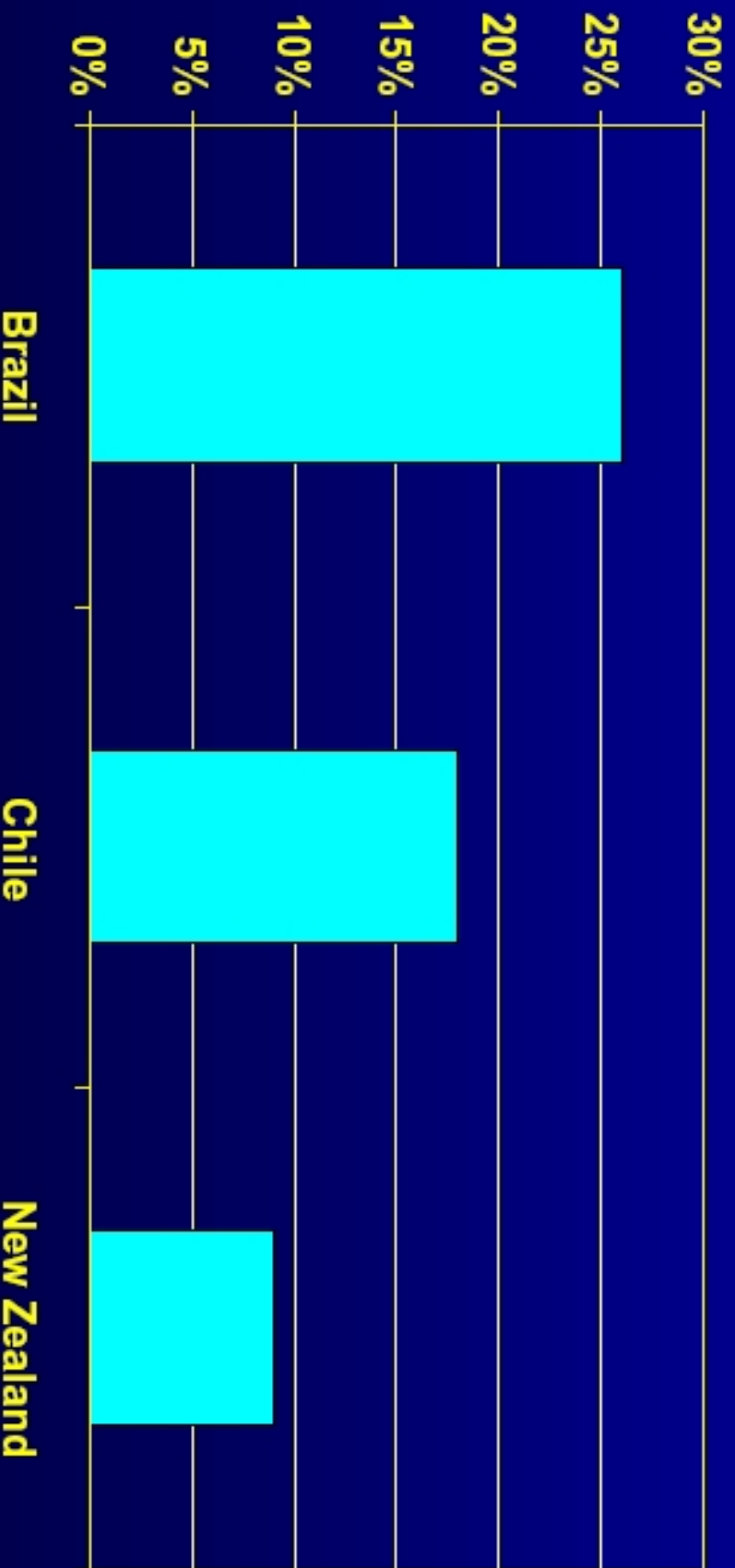
US Imports of Softwood Moulding, by Value, Major Suppliers



Value of Wood Product Exports by Product Type, 2000



Percent of Total Wood Products Exports Going to the US Market, 2000



Overall Demand Climate

- Markets for tropical wood products are predominantly `traditional' markets' (lumber, joinery, furniture).
- Main markets are Western Europe and North America.

Overall Demand Climate

- With regard to the supply chain, traditional tropical importers and traders primarily deal with exporters.
- There is a trend to shorten the supply chains and eCommerce is likely to facilitate this.
- The Internet and bar-coding technologies can improve effective supply chain management.



Competitive Issues

Competitive Issues-Latin America

- In terms of how primary tropical timber products compete against alternative materials, in general, the `natural' or technical properties are perceived to be their strongest attributes.
- Product specifications and issues of supply are seen to be weaknesses of tropical wood products.
- A steady reliable supply of quality tropical timber products can help to overcome these perceived weaknesses.

Competitive Issues-Latin America

- A perceived low level of technological sophistication in the solid wood sector.
- Unregulated forests with unsuitable raw material.
- Underdeveloped marketing efforts for new forest products and species.

Competitive Issues-Latin America

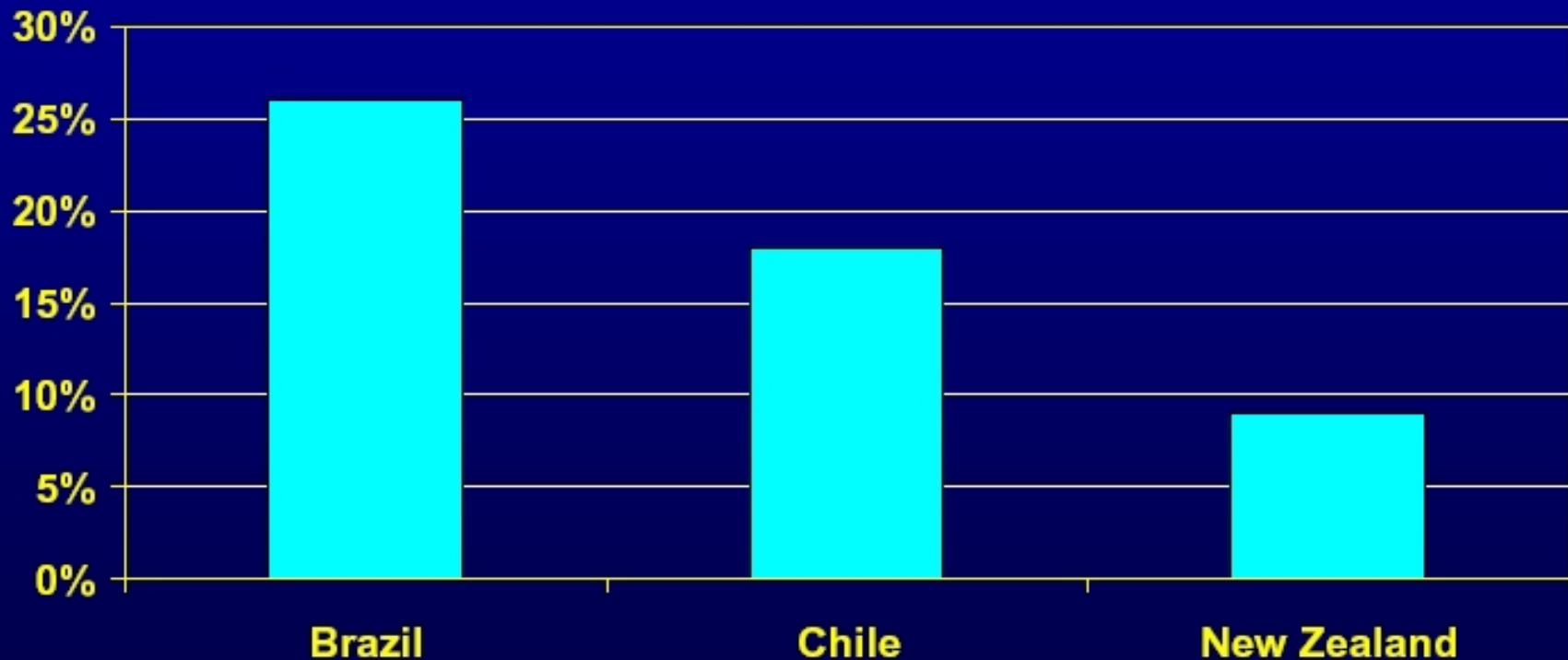
- A historic lack of investment and confidence from the local sector, including solid wood industries.
- Lack of industry incentives and subsidies.
- Poor or unenforced forest and environmental policies.
- Lack of inclusion of forest sector in economic plans.

Competitive Issues-Latin America

- A shortage of timber in many Asian countries has created a market for species from Latin America.
- Asian companies are now moving into Latin America and harvesting tropical timber, selling locally and exporting.
- Annual sales to the United States, for example, amounted to \$500 million in 2000.

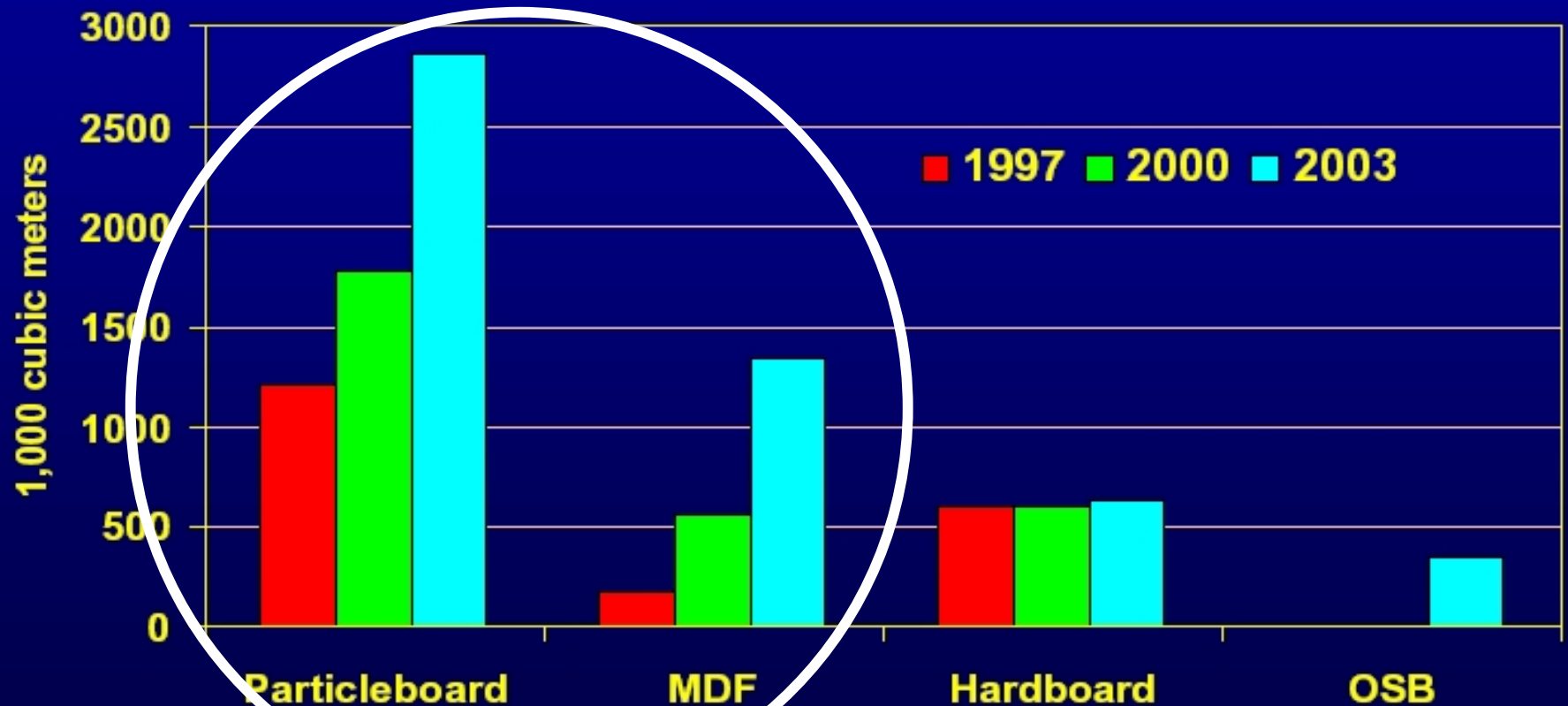
Competitive Issues-Brazil

Percent of Total Wood Products Exports Going to the US Market, 2000



Competitive Issues-Brazil

Brazil's Composite Wood Panel Capacity, 1997 - 2003





Market Opportunities

Brazil Market Opportunities



Market Opportunities

-From Plantations to Value-Added-

- Increased use in plantation pine and eucalyptus edge-glued panels for use in the furniture sector-exports to Europe and US.
- Pine substitute for Ponderosa pine; moulding?
- The opportunities for eucalyptus are still in the early development, but it is a beautiful wood if it can be dried properly.
- High quality hardwood plywood.



Market Opportunities -Lesser Known Species-

- Opportunities lie in product development and by adding value through the manufacture of secondary processed products.
- Needs to be marketed and promoted effectively.
- Environmentally appealing.
- Promotes sustainability.



Market Opportunities -Certification-

- FSC certified products (95 companies have obtained chain of custody certification until January 2002).
- Products vary: charcoal for barbecue, pencils, cellulose, furniture, household objects, timber products for building and other industrial uses, musical instruments, fiber hammocks, etc.....
- Certified tropical timber was less than 1% of the US market in 2000, but is estimated to be increasing at 25% per year.
- Marketing and market research are the keys to success.



Market Opportunities

-MDF-

- The first MDF plant started up four years ago and now there are 3 or 4, so furniture based on MDF production is another huge opportunity.
- MDF is without doubt the substrate of choice for exotic wood veneer layup. Pressing veneer on MDF will give the most defect-free, flat and smooth surface.
- There is no quality sacrificed because the quality of the finished product is superior.



Developing a Marketing Strategy



Recommendations

- Limited data on end-uses and niche market demand are available. *Market research* should, therefore, be undertaken by wood product suppliers, associations and governments.
- High value *niche markets* are high success markets for high quality hardwood (and certified) tropical timbers.
- Highly targeted *promotional campaigns* aimed at developing market share in niche sectors.

Recommendations

- Develop core *competencies* and defend them!!
- Develop *relationships* with the sustainable forestry community sector.
- Develop a targeted promotional campaign for the country's *certified forest product offering* geared to U.S. and Europe.
- Domestic/Regional *market development*.

Recommendations

- ***Education campaigns***, highlighting the benefits of tropical species, which target architects and builders' merchants (and any others involved in *recommending/specifying materials*) should be launched.
- Tropical timber must be considered to be synonymous with *quality*. Accordingly, manufacturing must adhere to strict quality control measures.

Summary

- **Brazil faces similar economic opportunities and challenges as other Latin American countries with respect to supply/demand for wood products.**
- **Brazil can take advantage of increased demand for tropical value-added products in a variety of ways, including utilizing plantations, adding value, and marketing certification.**



Questions?

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