Current status of the U.S. hardwood industry

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The Study

Number sent = 4,980

Usable responses = 395

Not usable = 337 (several were primary mfrs.)

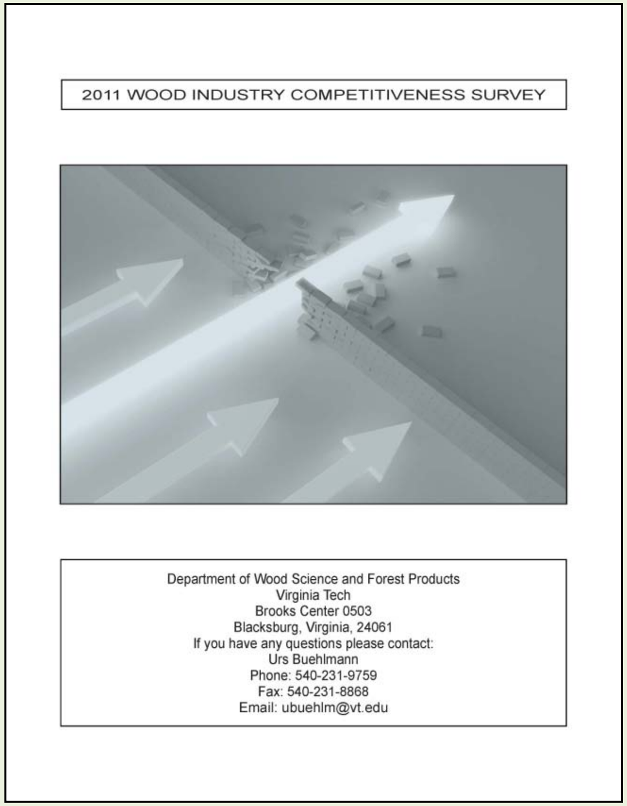
Adjusted response rate = 9%

State breakdown:

VA = 99, NC = 83, WI = 81, OH = 75,

WV = 21, TN = 12

Others = 12



2011 WOOD INDUSTRY COMPETITIVENESS SURVEY

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Background – Product type

- 22% - Kitchen/bath cabinets
- 16% - Architectural millwork/store fixtures
- 14% - Furniture (household, upholstered, instit.)
- 10% - Components
- 6% - Flooring
- 3% - Wood windows/doors
- 29% - Other, or combination of above

Background – Respondent position

- 53% - Owner
- 32% - Corporate or operating management
- 4% - Production management/engineering
- 3% - Marketing & sales/design
- 8% - Other/more than one category

Background – Firm size

- 1-4 employees – 28%
- 5-19 employees – 35%
- 20-99 employees – 24%
- 100-249 employees – 5%
- 250+ employees – 8%

- 81% of responses were from single-facility companies

Background – 2010 Sales

- Less than $250K – 21%
- $250K - $1M – 31%
- $1 - $5M – 25%
- $5M - $10M – 8%
- $10M - $250M – 13%
- More than $250M – 2%

Background –
Regular business regions

- Midwest – 49%
- Mid-Atlantic – 47%
- Southeast – 47%
- Northeast – 37%
- South – 26%
- Southwest – 18%
- Northwest – 16%
- California – 16%

- On average, respondents marked 2-3 regions where regular business was conducted

Background – Product characteristics

- Low price-point – 4%
- Low-to-medium – 12%
- Medium – 32%
- Medium-to-high – 43%
- High – 9%

- Mostly stock items – 16%
- Mostly semi-custom – 21%
- Mostly made-to-order – 61%
- (More than one type – 2%)

Made-to-order production
as a percent of product mix

- 0% - 7%
- 1 to 20% - 15%
- 21 to 40% - 6%
- 41 to 60% - 7%
- 61 to 80% - 15%
- 81 to 100% - 50%

Compared to 5 years ago, this made-to-order production now is:

- Smaller – 17%
- About the same – 66%
- Larger – 17%

Percentage of total cost of wood materials from:

Wood Material	Percent
Hardwood lumber	45
Softwood lumber	17
Dimension and components (HW & SW)	7
Composite & engineered products	27
Other	4

Domestic Focus

Over the last 5 years, have you increased the use of imports in your product line?

- Finished products – 14%
- Components or lumber – 21%

Over the last 5 years, have you increased the export of your products (outside the U.S.)?

- Yes – 16%
- No – 81%
- Uncertain – 3%

Results

“Indicate the factors listed below (check four) that you perceive to be among the most important to the success of your business:”

	Manufacturing capabilities (e.g., ability to make profitable products, quality control, efficiency)	63%
E	General economic conditions	57%
E	Cost of raw material and energy inputs	43%
	Marketing activities (e.g., reaching new customers, good customer service, effective product promotion)	36%
	Human resources management (e.g., organizational efficiency, ability to hire good people, employee morale)	32%
	Individual characteristics of owners/managers (e.g., hard work, ethics, knowledge, dedication)	30%

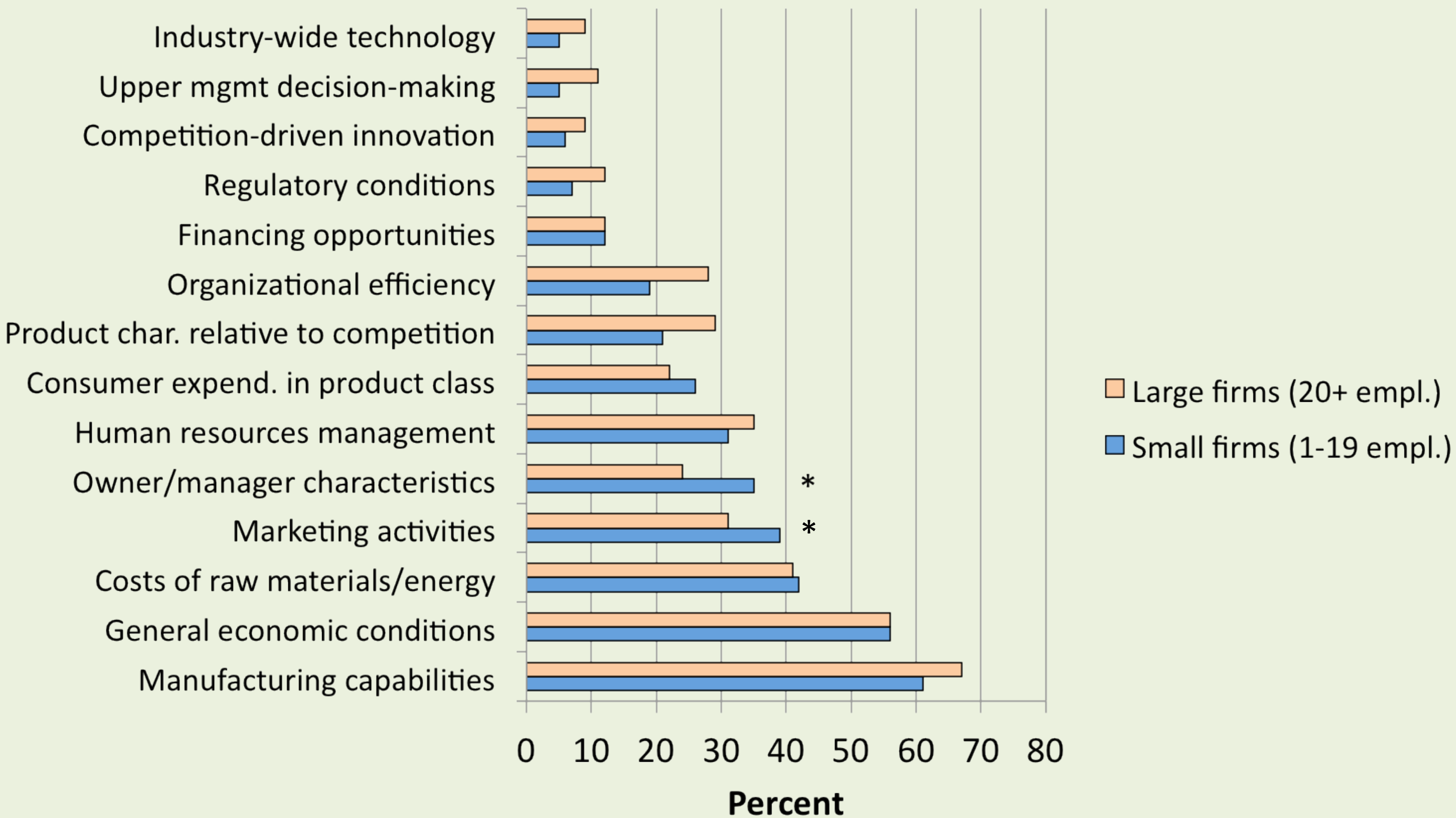
E = external factors

Most important success factors, cont.

E	Overall consumer expenditures in our company's product class	25%
	Product characteristics relative to competition	24%
	Organizational efficiency (e.g., ability to make quick decisions, ease of implementation)	22%
E	Financing opportunities (e.g., loan availability)	13%
E	Regulatory conditions	9%
	Upper management decision-making (e.g., investments, expansions)	7%
E	Competition-driven innovation	7%
E	Industry-wide technology advancements that improve efficiency/product capabilities	6%

E = external factors

Success factor comparisons
small firms vs. large firms



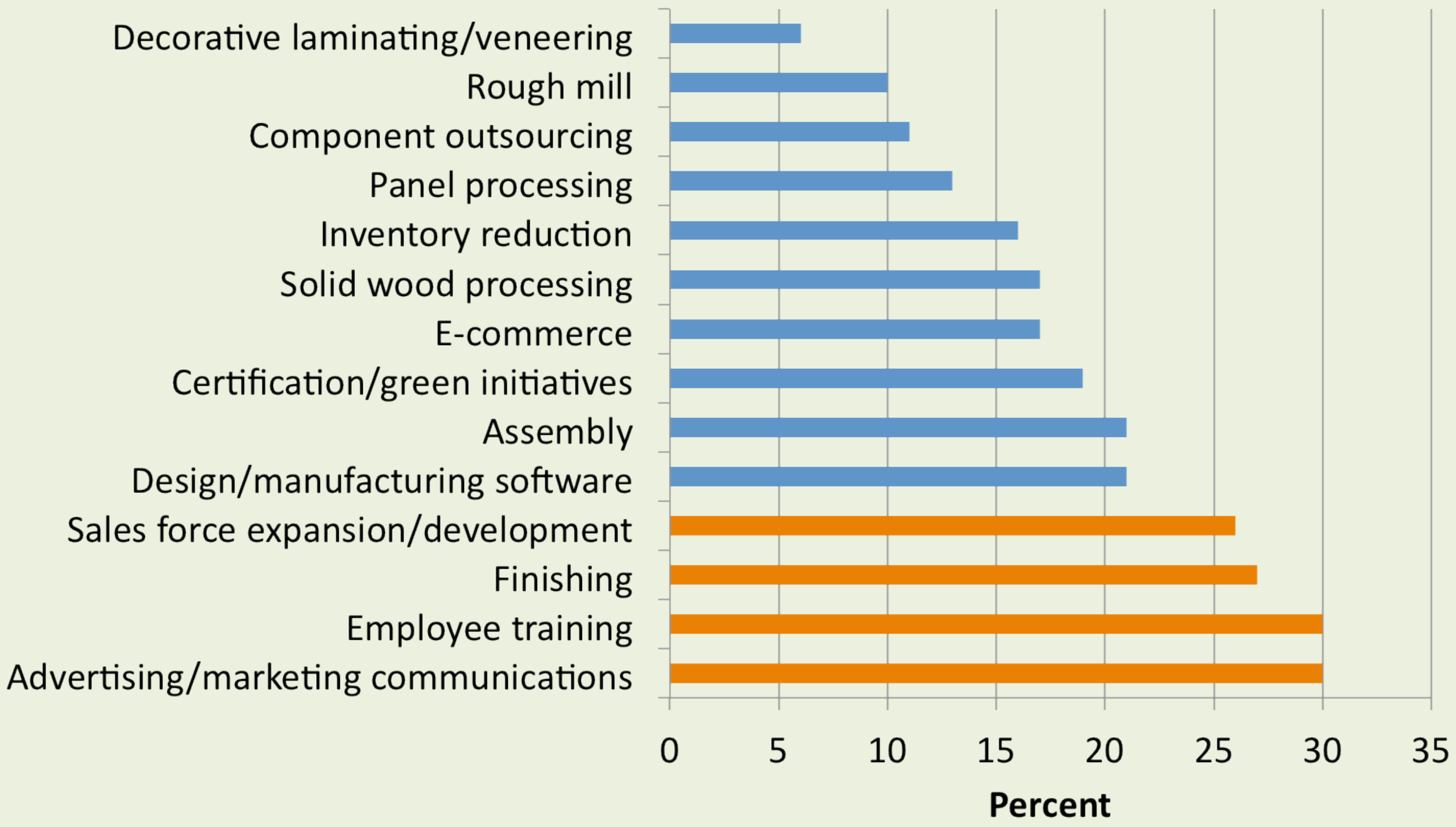
Small vs. large firms – success factors

- Manufacturing capabilities, economic conditions, and costs ranked as Top 3 for both groups

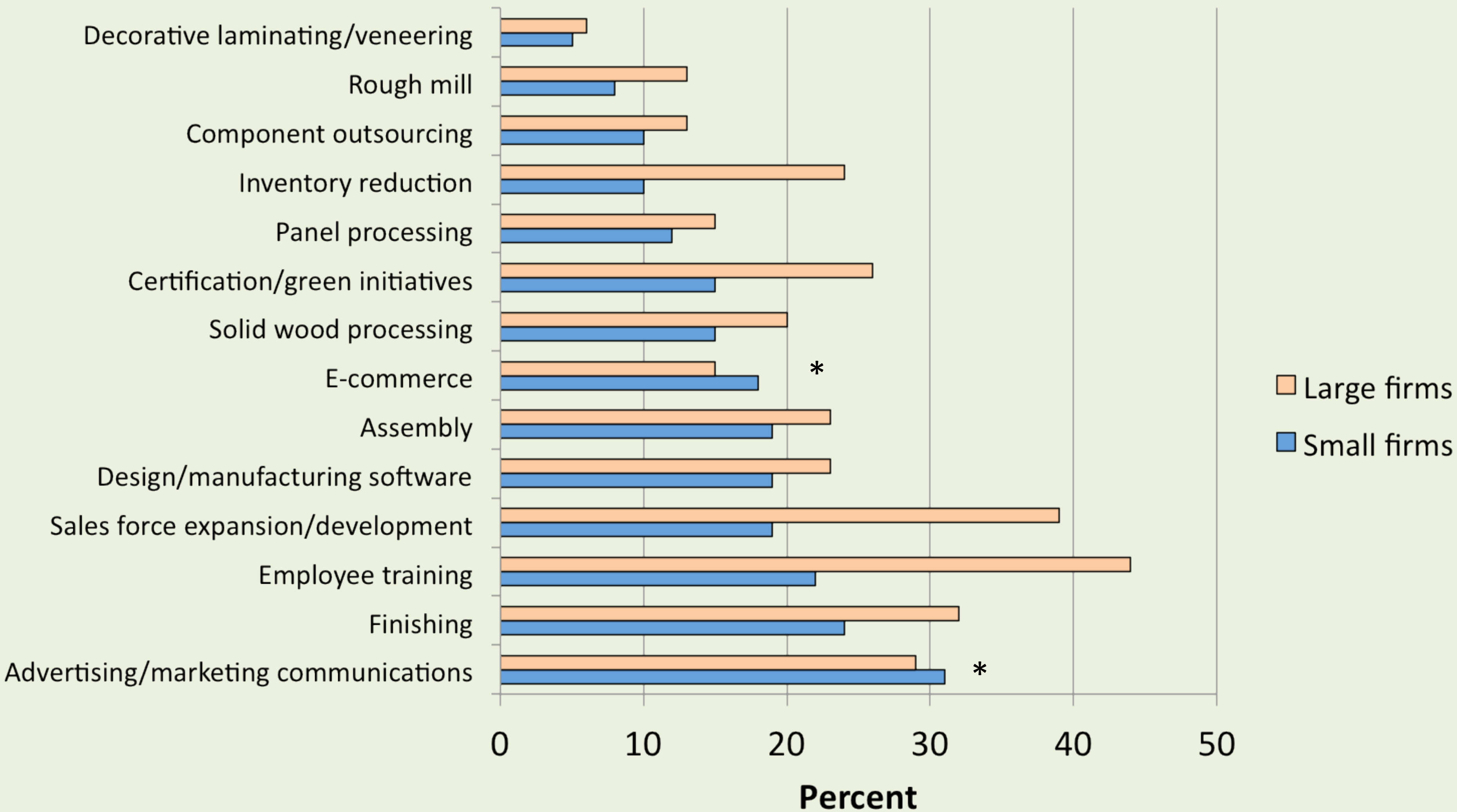
- For small firms, marketing activities and owner/manager characteristics were especially important

- For large firms, organizational efficiency and product characteristics relative to the competition were especially important

Planned investment areas for the next 5 years



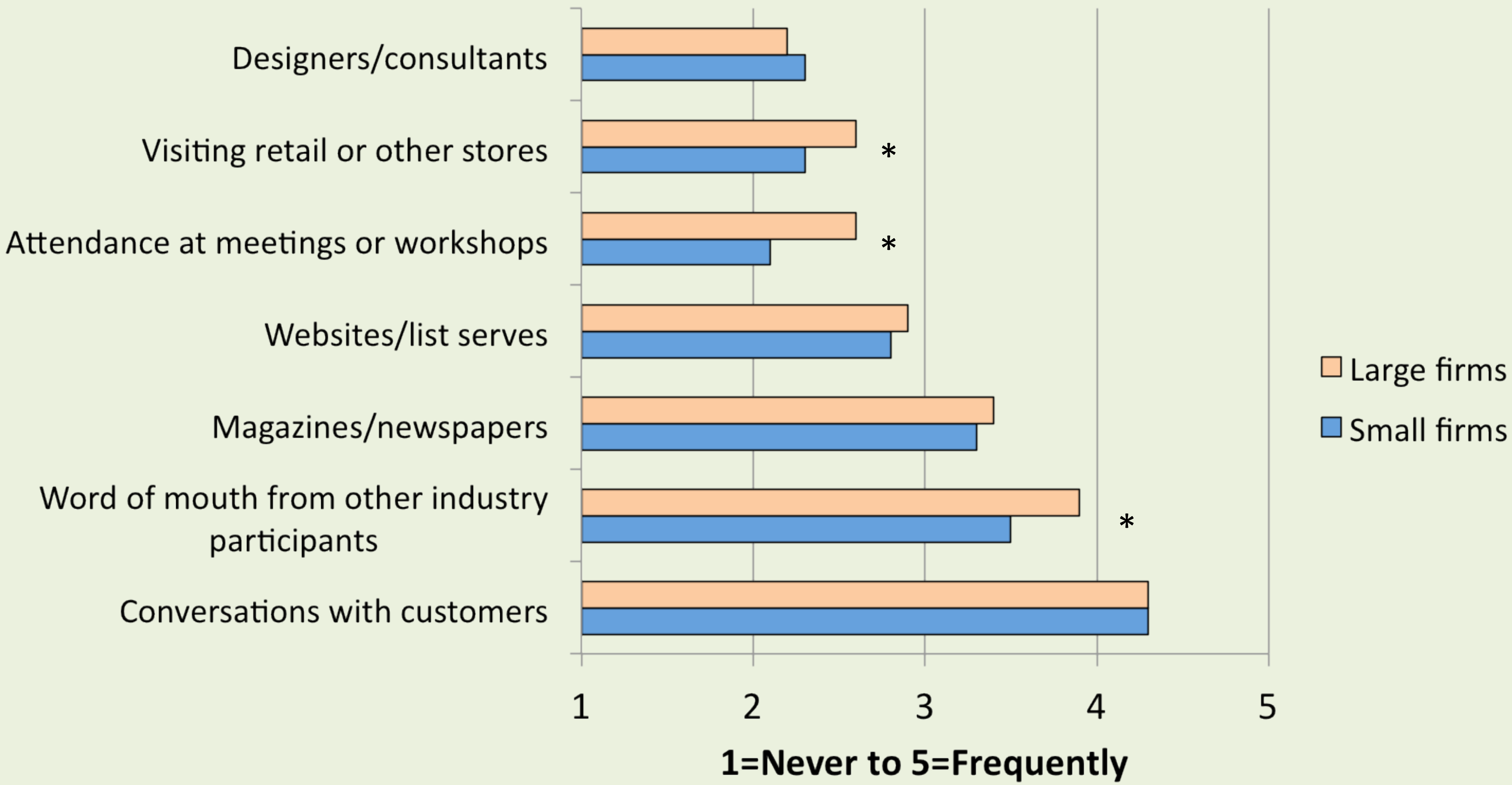
Within the next 5 years, in which areas will your company invest significantly to improve productivity or capabilities?



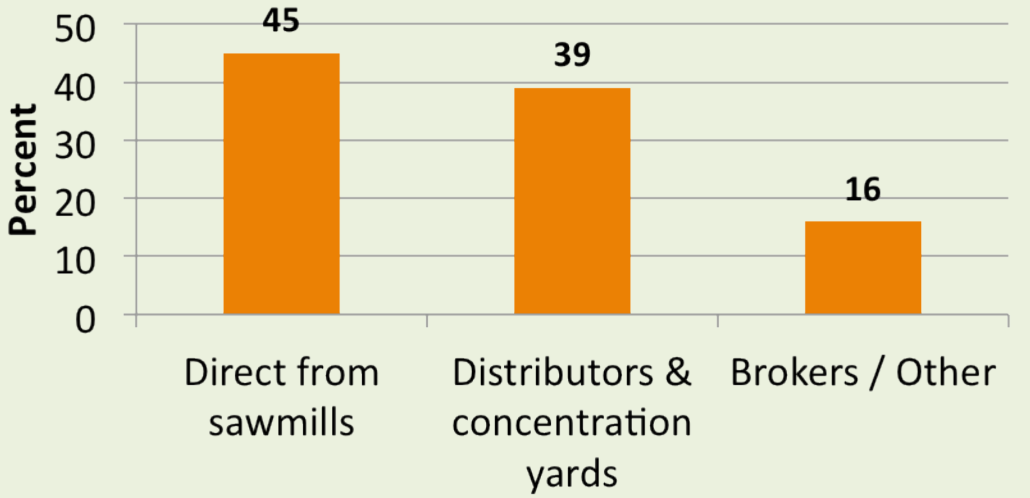
Small vs. large firms - investments

- In general, large firms planned more investment activity
- Sales force expansion/development and employee training especially important to larger firms
- Advertising/marketing and e-commerce especially important to smaller firms
- Finishing important to both groups

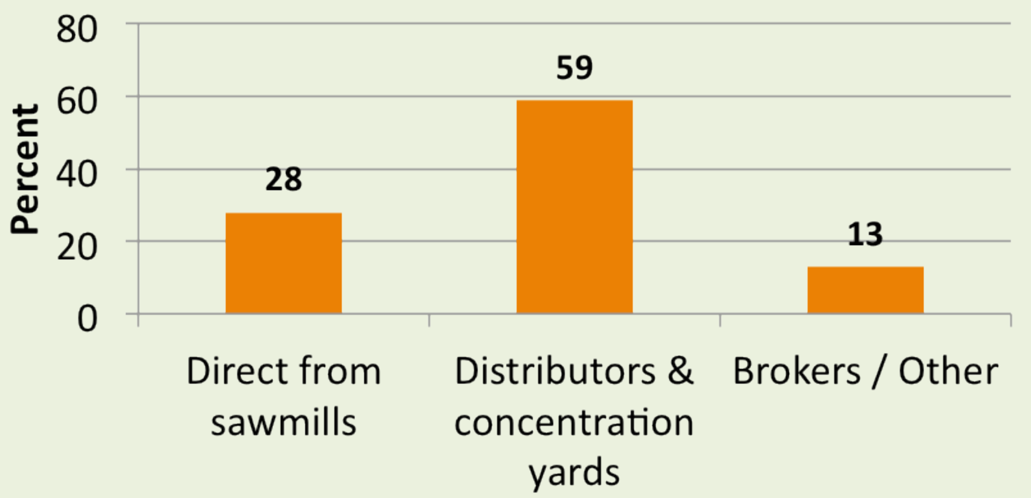
Information sources to learn of trends in the industry



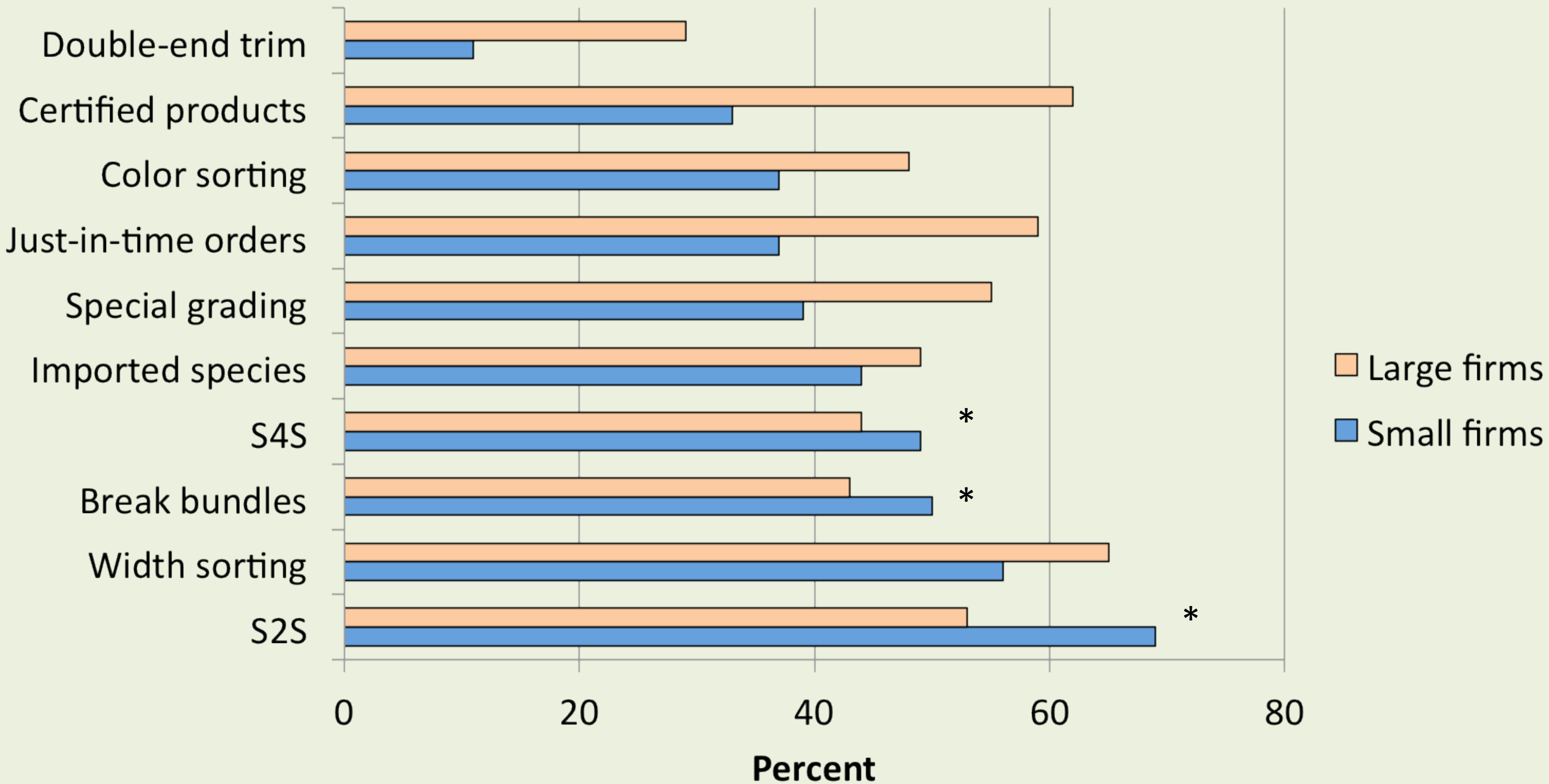
Sources of hardwood lumber (by volume) - Large firms



Sources of hardwood lumber (by volume) - Small firms



Services requested from hardwood lumber suppliers



Summary

- Manufacturing capabilities, economic conditions, and input costs the most factors for success in the current environment
- Overall, internal factors viewed as most important for success
- Investments will focus on marketing communications, finishing, and employee training
- Conversations with customers particularly important to information gathering
- Distributors & concentration yards important to hardwood lumber sourcing

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Questions?