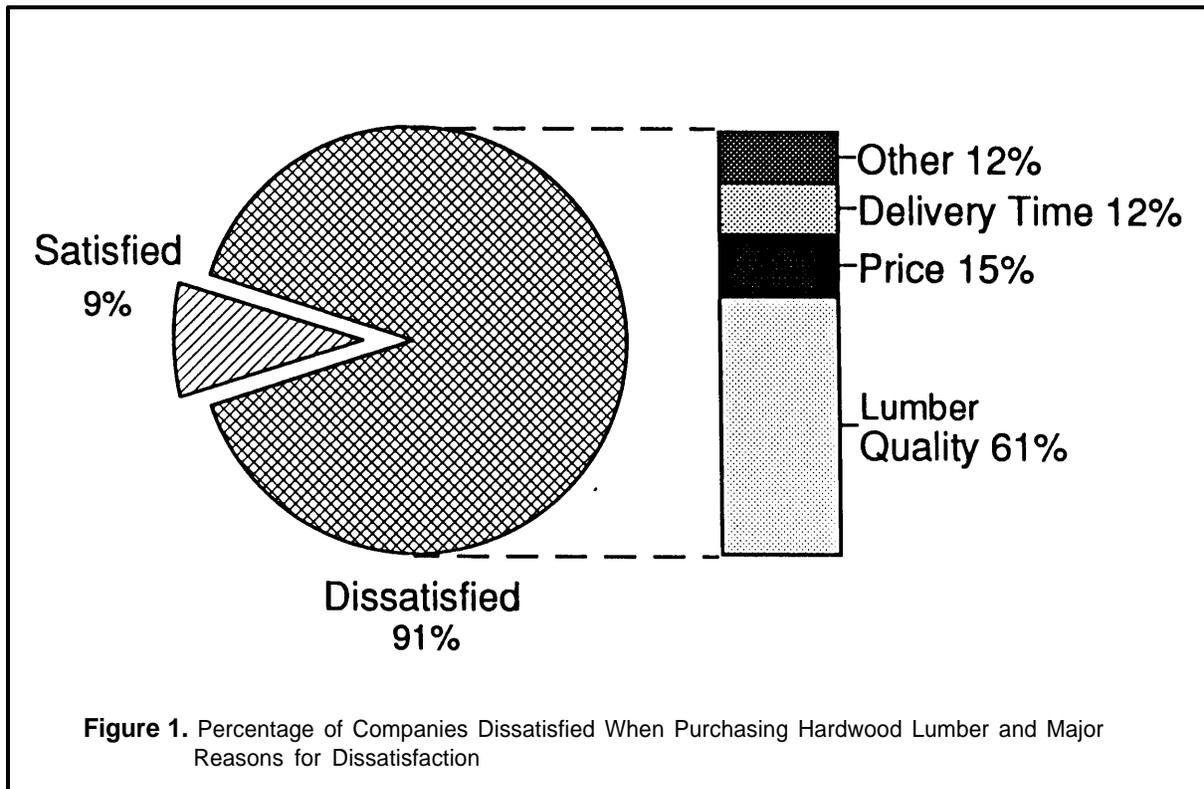


Matching Your Hardwood Lumber to Market Needs

By Robert J. Bush, Steven A Sinclair, and Philip A Araman



Editor's Note: In Part 1 (July, 1990 issue), we described a survey of buyers at companies that purchase hardwood lumber. The companies represented potential customers in five market segments: furniture, cabinet, dimension, flooring, and molding/millwork manufacturers. We also described the hardwood lumber purchasing characteristics of these companies. Part 2 discusses the reasons companies (buyers) are dissatisfied when purchasing hardwood lumber and the importance of various lumber and supplier characteristics.

What Makes Buyers Satisfied

As mentioned in Part 1, only 11 percent of the surveyed lumber buyers reported that they were satis-

fied with all aspects of purchasing hardwood lumber. In particular, none of the dimension stock manufacturers were satisfied. Figure 1 indicates the major reasons for dissatisfaction:

Although lumber buyers may complain about prices, we did not find that price was the major cause of dissatisfaction when purchasing hardwood lumber. By a wide margin, lumber buyers reported that they were most dissatisfied with the quality of the lumber they purchased. Delivery times caused as much dissatisfaction as did price. Less common reasons for dissatisfaction (included in the Other category in Figure 1) included credit terms and the availability of certain species.

The amount of dissatisfaction caused by quality suggests that there is a need for hardwood lumber suppliers that can do a better job in this regard. However, quality is difficult to define. Consequently, we investigated the importance of characteristics of lumber and suppliers that can contribute to quality.

Which Lumber Characteristics Are Important

Many lumber characteristics can influence the quality of hardwood lumber. However, some characteristics are likely to have a large effect on quality (i.e., they are very important) while others may have little effect. By understanding which characteristics are important, a hardwood lumber producer can most efficiently improve buyer satisfaction.

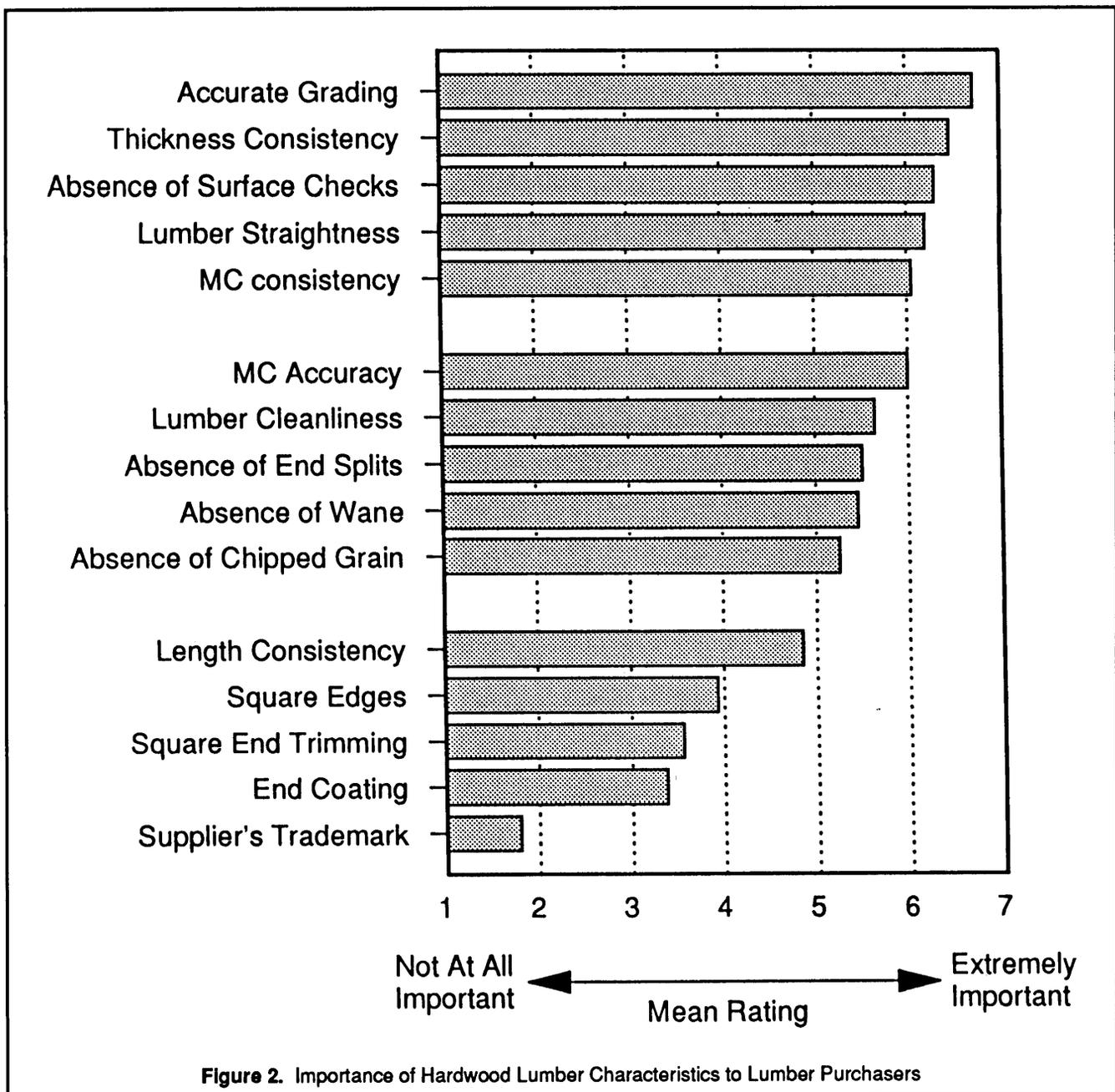
In order to determine which characteristics are most important to quality, lumber buyers were asked to indicate the importance of a variety of lumber characteristics. Accurate grading was found to be the most

important lumber characteristic. Also importance was thickness consistency, the absence of surface checks, and lumber straightness. Among the least important characteristics were the supplier's trademark or log, end coating, and square end trimming. Figure 2 provides the average Importance rating for each of the lumber characteristics.

Which Supplier Characteristics Are Important

Most lumber producers are aware of the Total Product concept. This concept states that the "product" offered to a customer (the total product) is not just the physical product (the lumber), but also includes less tangible aspects such as the supplier's reputation, supplier's relationship with the customer, and the supplier's ability to provide products in addition to lumber (i.e., a wide product line).

Lumber buyers were asked to indicate the importance of a variety of these supplier characteristics. We



found that the most important supplier characteristic was the willingness to provide firm price quotations (Figure 3). Competitive pricing and a supplier's reputation were also considered to be quite important. As suggested by the question concerning buyer satisfaction, rapid delivery was also relatively important.

The least important supplier characteristics were the supplier's ability to provide both dimension stock and lumber and the supplier's ability to provide set width lumber.

Differences Among Market Segments

Up to now, we have discussed results based on all the companies that provided information. However, it is useful to look at differences among the market segments in terms of the importance of various characteristics. Such differences can provide the basis for a total product that is tailored to a particular market segment.

A particularly interesting finding is the difference between cabinet manufacturers and companies in the

other four market segments. Cabinet manufacturers reported that moisture content related characteristics (moisture content accuracy and consistency) were particularly important. Conversely, lumber thickness consistency and surface checks were less important to cabinet manufacturers than to companies in the remaining market segments.

In terms of supplier characteristics, cabinet manufacturers appeared to value a supplier that could provide lumber with various types of additional processing. They gave more importance to a supplier's ability to provide kiln dried and planed lumber than did companies in the remaining segments. Cabinet manufacturers also appeared to be less concerned with the supplier's reputation.

Molding/Millwork manufacturers were most similar to cabinet manufacturers in terms of the characteristics they felt were important. However, they placed more importance on lumber straightness than other market segments.

Obviously, dimension manufacturers placed little

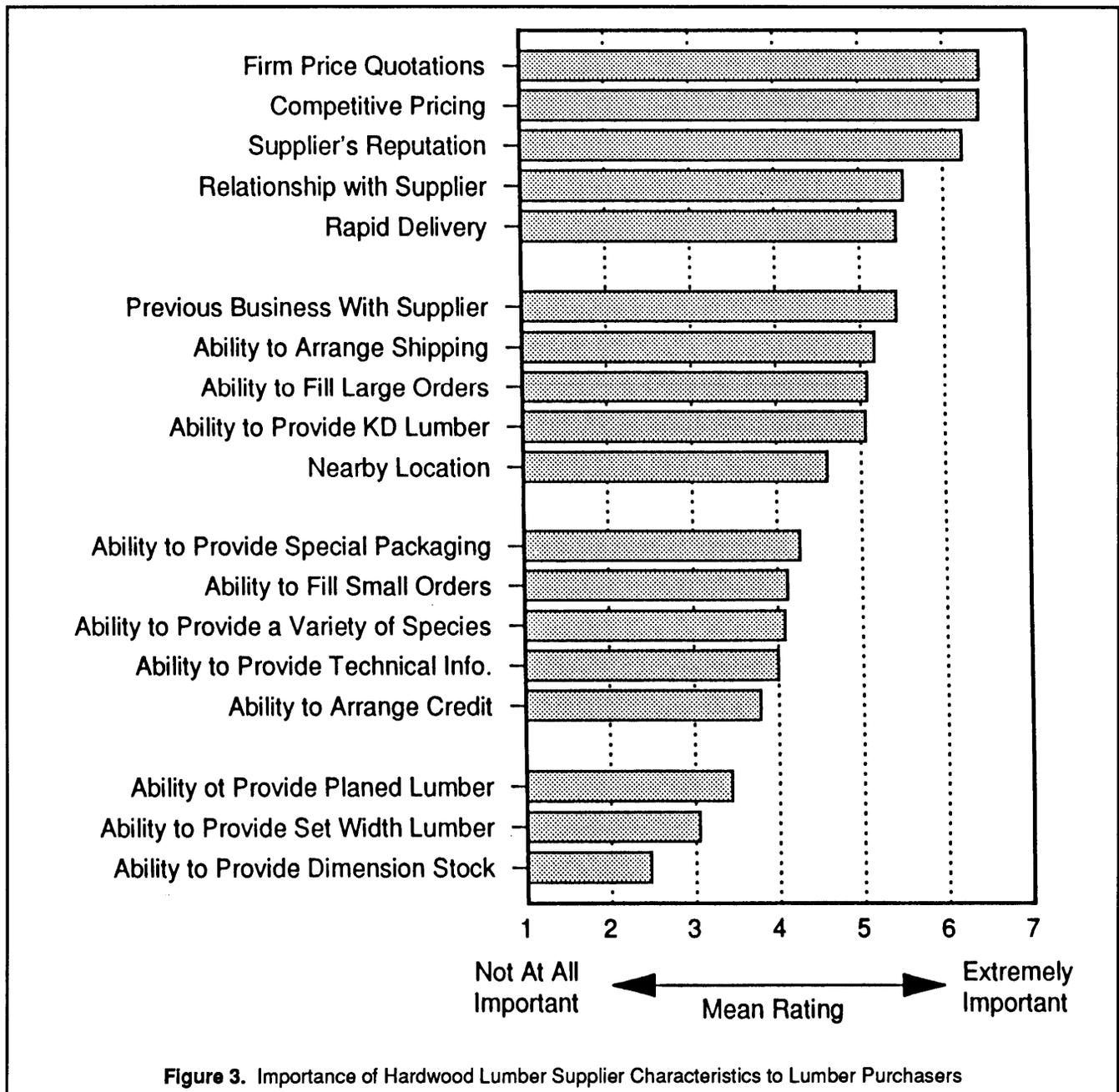


Figure 3. Importance of Hardwood Lumber Supplier Characteristics to Lumber Purchasers

importance on a supplier's ability to provide dimension stock as well as lumber. With this exception, the remaining three segments (dimension stock, flooring, and furniture manufacturers) rated the characteristics quite similarly.

Recommendations to the Producer

The most important finding of the study is that buyers consider quality to be the major cause of dissatisfaction when purchasing hardwood lumber. However, not all lumber and supplier characteristics that can affect quality are equally important. Some characteristics (end coating and the supplier's trademark, for example) that are commonly considered important in export markets are relatively unimportant when serving the five domestic markets that were studied.

Obviously, accurate grading is absolutely necessary to effectively serve any of the market segments and is good business policy. Many lumber buyers are willing to pay the price if they can depend on the lumber characteristics that are important to lumber buyers but are not addressed by NHLA rules to the extent that buyers desire. Surface checks and lumber straightness are examples of this type of characteristic.

When focusing on a particular market segment, we must note differences in characteristic importance. Characteristics that are critical in one segment may not be the best use of limited resources in another segment. For example, offering a wide product line (both kiln dried and green lumber, both lumber and dimension stock, both random and set width lumber) may not be a large advantage when serving the dimension, flooring, and furniture segments because of their specialized needs. However, molding/millwork and cabinet producers appear to value this service and providing it may afford the supplier a competitive advantage.

We have two general recommendations for hardwood lumber producers. First, commit your company to producing quality lumber—the market is asking for quality. One of the best ways to improve quality may be to ensure that your lumber is graded accurately and consistently.

Our second recommendation involves the characteristics of you—the hardwood lumber supplier. Many lumber buyers place considerable importance on a supplier's reputation. Consequently, a long-term commitment aimed at developing a reputation for quality and service is worth making and is likely to pay off.

Dissatisfaction Over Lumber—Is It Over Quality or Price?

As mentioned in the main portion of this article, quality is a major cause of dissatisfaction among hardwood buyers. Do hardwood lumber producers understand this dissatisfaction with quality? In order to find out, we asked lumber producers what they thought was

the main reason that lumber buyers were dissatisfied. The results were somewhat surprising.

Executives at 100 of the largest hardwood lumber producers in the U.S. were surveyed. Approximately 19 percent of the lumber producers indicated that their customers were satisfied with all aspects of purchasing hardwood lumber. Among companies that indicated some customer dissatisfaction, the most common reason given was the availability of a certain species (29 percent of responding companies). Price was the second most commonly listed reason (25 percent) and lumber quality was listed by approximately 19 percent of the companies. Delivery times, credit terms, and the "Other" category accounted for the remainder of the companies.

While the results represent only a relatively small number of companies, they do suggest that lumber producers may have underestimated the importance of quality to their customers and overestimated the importance of price.

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