

NZ FARM FORESTRY

RESEARCH FINDINGS

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METHOD

Once appointed by the NZFFA to look at how to grow demand from a marketing perspective, we quickly established that the people we need to speak to first were the current buyers. Yes, we did lots of research, read lots of reports and studied all sorts of facts and figures, but we quickly concluded that to get an authentic snapshot of the marketplace we'd need to get out amongst it and see what we could learn.

Over the course of 6 weeks we visited anyone in the timber trade who would talk to us, culminating in a 4000k road trip around the lower North and South Island. Turning up muddy on a motorbike seemed to open doors and break down barriers and the people we spoke to were remarkably open (and often candid!).

While each business was unique and had its own niche, there were a number of things that we heard over and over again. For this reason, and because of the large number of interviews (in excess of 20 business), we believe this is a truly authentic and reliable summary.

FINDINGS

This is a very high level summary of many pages of interview transcripts (yes, some of those timber folks love to talk about trees!). This is what your customers have to say...

Demand

Business is good, and demand is high. Some of the smaller, less well organised companies are just ticking along, but the good operators who have developed markets for themselves, are good at marketing their products, and have good reputations, are thriving. Some have reported having to turn down large projects because they simply couldn't source enough timber. For those who have developed their own niche products, the value added is such that the purchase price for the timber is less of a concern. Most sell nationally and don't have any geographical bias.

Current Supply

As mentioned above, sourcing appropriate trees can often be a problem. Some spoke of not being able to find a specific timber, while more often the problem is the quality of the supply.

We repeatedly heard that “90% of the trees we look at are no good”. While it’s in the buyer's best interests to tell the grower his trees are rubbish and try to get them cheap, it does seem that quality is what the market is demanding. It was a bit disturbing to hear one manufacturer say that he only uses NZ timber because it’s so cheap he can’t turn it down. At the other end of the scale, millers said they we’re prepared to pay top dollar for very good trees, and freight and distance isn’t an issue. To counter this, a log trader quipped that “of course freight isn’t an issue when you get trees so cheap”

So in conclusion, the market is sound, but getting the right trees in front of the right customers seems to be a bit hit and miss. This is entirely understandable given the geographic spread and remoteness of much of the stock. It’s hard to view, and often the buyers travel large distances only to find the trees aren't what they’re looking for. The ‘marketplace’ page on the NZFFA website was obviously an attempt to solve this problem, but it hasn’t really found favour and we didn’t hear many success stories.

Pricing

As mentioned above, the indication is that very good trees are in high demand, and should command high prices. Equally, poor quality trees are of very little value due to the cost of processing vs potential sale price/desirability. How trees are valued seems entirely unscientific and a bit random, and there seems to be a huge range. People hear of high prices being paid for trees and believe their trees must be worth the same. Others sell their trees too cheap and lower the benchmark. Even with this extensive research, it’s very hard to gauge prices and values and it seemed to come down to how the buyer assessed the trees, and what they were prepared to pay on the day, rather than any market precedent. I can’t help but think that if I’m the buyer negotiating a price for your trees, chances are I’m not going to tell you they’re fantastic...

[Pricing is outside our scope of work and we have a very limited understanding of how value is measured, or any historical data, so please take this as an observation.]

Future supply

Our understanding is that there’s plenty of good trees in the ground, and there are a number of people actively replanting. What is critical is that these trees are grown to be fit for purpose. The people we’ve met who are planting these new stands are commercial operators so it can be assumed that these trees are being very well looked after. What is harder to gauge is the shape of the NZFFA members supply, i.e. a forecast of what’s going to be available and when.

Marketing

There are two things to consider in the marketing realm. Firstly, the selling of trees to processors, and secondly the sale by the processor to the end user. It's very much a "pull" rather than a "push" - i.e. how much timber you can sell comes down to how well your chosen processor is marketing and selling their products. With this business model, the growers fate lies in the hands of a force they can't control. Fortunately, it turns out the majority of processors that we've met are very good at marketing their products. They're internet savvy, they sell well through their own websites, and they also use third party site like Trademe to drive sales. Most have well developed networks and their reputations are extensive. Simply put, the majority are doing a pretty good job. They're passionate people who love what they do who are absolutely superb advocates for locally grown timbers.

Beyond these people at the coalface who are championing the cause, there seems to be little awareness or activity based around the promotion of the "NZ Grown Specialty Timbers" category. Outside historic supply networks there is little, if any, recognition of the category, and awareness with general consumers is very low. Other than Rimu and Kauri, we didn't find much goodwill or allegiance towards NZ Grown timbers, and few consumers could actually name NZ grown woods other than Pine, Rimu and Kauri.

Given this, the conclusion is that there's very little "pull" from the general consumer market, but good activity around the processors networks.

Is there an opportunity to raise the profile of NZ Specialty Timbers and thus raise desirability/price? We think so. These products deserve to be well regarded and sought after.

So yes, marketing and brand building at a national level could increase sales quantities and potentially sell price, but there needs to be consideration around how we ensure the benefits of increased sales and higher prices filters down to growers.

Competition

There's no doubt imported timbers have a strong position in the marketplace, and many forms of laminates and composite/synthetic boards have become favoured over real wood products. Fit for purpose, look and budget are all purchase considerations, and often these manufactured/imported products are more suitable. Sometimes they're not, sometimes buyers want a product they feel good about, something that came from New Zealand and was grown and milled by artisans. Buyers choose the product that suits their purpose, and suits them, and they like to have choice. There is no competition; NZ Grown Specialty timbers owns

its own category. It's simply up to the NZFFA to present its products and selling story to the broadest possible market and let consumers make their choice.

Niche Opportunities

There seems to be opportunities around developing niche markets around specific timbers both domestically and internationally. These "special projects" require thorough research, a professional sales strategy and good execution to be realised. A lot of these niche projects are in premium sector, which is an area where the NZFFA should be looking to grow its presence. Our suggestion that these special projects be investigated following the implementation of our initial strategic recommendations.

Architectural Trends

We spoke to a number of high-end architects and interior designers who confirmed timber features are in high demand. The trend is for clears and the knotty timber that used to be more desirable when people were looking for a more "cottage" look isn't particularly popular. We only spoke to practitioners who work at the premium end of the market they're the ones who have customers that can afford solid wood and more handcrafted finishes. Once again, there was little awareness or access to NZ Speciality Timbers.

A lot of the owners of these executive type homes are interested in the origin and story behind the more glamorous features of their home which makes NZ Speciality Timbers a perfect fit. Being able to talk of the provenance of your solid timber panelled feature wall and benchtop makes great dinner party banter.

Our business is currently working with a long standing client in North America who specialises in high end natural stone and glass finishes. We're currently working with them on a new brand for their new range of timber finishes which is a complete departure from their traditional business. They've identified the trend and they're embracing it, and they're forecasting the timber side of their business to be as large as their stone business within 18 months. We've already had discussions with them about how a NZ wood range could be sold as a premium product and they agree it has much more appeal than their domestically sourced product.

So timber as a decorative finish in homes is big, and shows no signs of diminishing. Provenance has become the hot topic of food, art and design. NZ Specialty Timbers have the potential to sell well, and for good prices in this market.

IN A NUTSHELL

The current market

- Demand for speciality timbers is high
- Quality is in high demand
- Clients are prepared to pay well for good quality
- Clients have little or no use for below par quality
- Freight and distance isn't an issue if the product is fit for purpose
- Customers would like it to be easier to view/source niche/specialty timbers
- More accurate grading/descriptions would be helpful to purchasing

To develop and futureproof the sector

- Create market forces that have a positive effect on pricing/demand
- Make growing speciality timbers attractive
- Be able to supply products that meet the market's needs
- Create demand for current products
- Make it easy to source and purchase speciality timbers
- Build awareness and desirability for specialty timbers
- Recognise and develop new/niche markets for speciality timbers
- Self-regulate and control quality standards before the marketplace
- Develop and build a brand asset
- Build the organisations recognition and goodwill
- Ensure there's a net gain in tree numbers

PLAN OF ATTACK

Based on our findings, there are two distinct stages required. It would be an easy and more palatable pitch to recommend we go out and campaign to increase demand, but there's some groundwork to do first.

Stage 1 involves creating the framework and sales/marketing assets required to achieve the strategic objectives.

Stage 2 is promoting those assets.

S1: A BETTER MARKETPLACE

Selling more, for better prices comes down to creating a selling environment that has a positive effect on values. Trademe helps buyers achieve better prices for “in demand” products by presenting them visually to the biggest audience. How does a forest owner know he’s getting the best price for his trees if he only presents them to one buyer? Who’s setting the value? What if there was buyer in another location who would have paid more? Many forest farmers may not be getting fair price for their trees, as they’re relying on one local purchaser to critique and set the value of their trees.

So from our findings, before the organisation can enter into any **marketing**, it should first address the **marketplace**, and the most viable marketplace is online.

The current online marketplace hasn’t found favour with buyers and very few have reported it as being a place they go to source trees. Part of the problem is that it’s buried on the NZFFA website, which is very much a ‘membership’ site rather than a pure ‘sales/marketplace’ site.

We propose NZFFA separates the sales function of their site from the membership function and creates a more sophisticated, well promoted and customer friendly online marketplace. This site should be extensive and carry inventory that is not only available now, but is coming available in the short/medium term. To work, members need to get as much product online as possible, and the marketplace needs to be constantly maintained and updated.

The opportunity in front of the NZFFA is to build and own the hub for all marketing of NZ Speciality Timbers in NZ. Many of the processors you supply have successful online business with few staff and modest budgets. An organisation of 1200 should be able to resource and ‘own’ the NZ web space. By this we mean being at the top of the google rankings for a wide variety of wood based searches, and producing the highest level of activity. We’re not looking at competing with processors who currently have active online markets, it should be viewed as a portal which as a function feeds their sites.

Key to the success of the site is also in the aesthetic appeal and presentation. Simply put, it has to look very, very appealing, and appeal to a new audience, an audience that are not members - consumers. Thus the outcome of the marketplace/website is twofold, a robust and bustling marketplace, and a beautiful and compelling sales tool for the mum and dad purchaser to be inspired into selecting timber finishes for their new home.

A best solution here to achieve these two vastly different objectives is to have the aspirational sales focussed website as the frontend, and have the marketplace as a member login area so we can manage who can enter. Purchasers would be supplied logins. (Thus in itself is a good marketing opportunity.)

It's proposed that marketplace has a comprehensive directory of all resellers, be they members selling trees, mills, national merchants, benchtop makers etc. Collaboration and promotion across the entire supply chain is what's required.

To successfully make this transition from 'internal' to 'customer' focus would require the development of a consumer facing brand...

THE VALUE OF BRAND

Zespri and Enza are good examples of customer facing brands. They have strong, clear identities and add perceived and achieved value to the product they represent. They're short and memorable and have strong logos that people can easily recognise.

Currently from the NZFFA website it's unclear if the organisation is called "Specialty Timbers NZ", "Farm Forestry Timbers" or the "New Zealand Farm Forestry Association". During our research and interviews the organisation was also referred to by many different names. For the purpose of the association and membership, this isn't a huge problem, but when we move into the marketing sphere, it's a major stumbling block.

To sell, and sell well, the NZFFA needs to put its mass behind the development of a brand that represents all NZ grown specialty timbers. The association itself is not what the consumer is buying - the consumer is buying a product that members of the association produce. These products need an identity. The elements of this brand include the name, the logo and the identity guidelines used by the NZFFA in all materials created to promote and sell its trees.

Brands add value to products, and gain commercial value in their own right. We believe NZFFA has the opportunity to develop and build a brand that encapsulates its' core values, and creates better connections with the marketplace and the end user. The goal is to have consumers not simply refer to "Blackwood" or "Macrocarpa" - but to refer to "<brand name> Blackwood" or "<brand name> Macrocarpa". Timber carrying the brand should be a customer's assurance of buying good product.

Consumer brands should be built to appeal to the consumer, not the seller. We start with the buyer and look at what appeals to them, what they like to see, what they need to hear and what they're hoping to achieve when they buy your product. This isn't done at the expense of the seller's ideals or beliefs, it's more of a process of finding the commonalities between the two parties and building the brand around those.

Once a brand is built, it requires management to ensure the brand is presented consistently and all usages follow the guidelines set out during its development.

S2: PROMOTION

What good is a new store if nobody knows where it is?

Websites don't accidentally get busy; they need to be promoted. Following the development of a new brand/website and marketplace there's a one-off opportunity to promote the launch of NZ's new marketplace for NZ Grown Specialty Timbers and its new brand to the industry. This should include extensive PR and media coverage, as well as direct mail, advertising and an online campaign to a purchased database of specifiers, architects, boat builders, mills etc. All these industry users should be sent their personal login details to give them access to the marketplace. From this database (and any supplied by NZFFA) we could then trigger regular mail outs and alerts to new stock being added.

The secondary area of promotion is to the general public/consumer. The desired outcome is to expose them to the brand and to get them visiting the website to experience the selling story. Typical mechanisms here include online advertising and selecting campaign media such as magazines, billboards and press. The limiting factor here is budget, the more you spend, the faster you go.

Our recommendation is to set a budget for the website launch, as it's a fixed one-off cost, and then address the public/consumer promotion separately, as it's potentially an ongoing expense.

DEALING WITH ENQUIRY

One issue worth raising is customer service and enquiry. Customer service and satisfaction is critical, and we're not sure the first enquiry from a website sales lead is best taken by one of the forest growers. What if they're on holiday or can't take the call - is the customer supposed to wait for a week to hear back? Worse still, what if they don't reply at all - is that how we want customers to think we operate? It's hard to create continuity in an organisation if it has 1200 receptionists... It may not be feasible, but in an ideal world sales enquiries would initially come through a single desk to someone who had good knowledge of all the buyers' options and liaise with the foresters. This person should ideally have knowledge of the whole supply chain and be able to offer the caller a comprehensive solution - quickly.

This may be moving too closely to a single-desk sales approach which may not find favour with members, but from a customer's point of view it means a higher, more attentive level of service. The marketing and brand initiative we're proposing will get the phone ringing, we should discuss how that sales process works and what the best option is. (We don't know enough about the admin structure to know whether the organisation is setup to manage sales or manage the website content/enquiry.)

THE TIP OF THE ICEBERG

From our time working on this project, we've gained an ever greater love of timber and can see the potential for NZ Grown Specialty Timbers to do well in the New Zealand market. However, what needs to happen to achieve this is not as simple as a one off marketing or advertising campaign. Brand building and awareness takes structure, money and a time. We're talking about a process of mass awareness and changing people's perception and attitudes towards NZ Grown Specialty Timbers.

The website and brand project we're looking at is the foundation for that process, but to truly succeed there needs to be a willingness to commit to the long term nurturing of the brand. It would be very easy as a marketing expert to sell the organisation a dream and make elaborate promises to secure the next phase of work, but with 25 years' experience in the industry I know true change takes time.

COSTINGS

At the very highest level, we can estimate that a comprehensive branding project would cost in the region of \$15,000, and the website and marketplace is around \$30k depending on

functionality requirements. Without specifying the website in detail and agreeing to the functionality we can't be any more specific than that. Additional assets such as professional photography and copywriting would be required and again, these can't be quoted until a more detailed specification is created.

The initial marketing for the launch of the marketplace is estimated to cost \$5,500.00.

Ongoing marketing and brand work to be addressed separately, but we'd suggest a yearly budget of \$20,000 would be a minimum requirement. Typically for this type of project we'd be recommending \$60-80,000 in the first 12 months as a marketing budget to gain national recognition and media coverage.

Process

As discussed, the biggest driver of how long it will take to develop and how much it will cost is functionality. What the site is capable of and how you want it to work for consumers and members can make a huge difference. As such it is really hard to accurately quote without understanding the role and functionality of the site, but we have some work to do to even get to that point.

Below is an indication of the process we'd be looking to run from this point;

Scoping

- Scoping – this involves delving into how the website will operate and the purpose and function it will play. This is key and can shape how the following steps play out.

Functionality

- Specify and define the functionality of the site
- Agree on functionality
- Create sitemap

Design

- Create preliminary website designs
- Start developing copy/content
- Commence photography
- Supply for evaluation and feedback (3 rounds of amends)
- Refine design and, on approval, design all other pages
- Supply for evaluation and feedback
- Update and finalise design and functionality for all individual pages

Build

- On approval of all pages, commence website build
- Build website to agreed specifications

- Conduct website testing to iron out potential bugs
- Once approved go live

All these elements take a varied amount of time and have both fixed and time-dependant costs associated. After scoping we can provide a more accurate idea of the cost and timeline for the following elements. Until we have scoped it, it's all a stab in the dark and potentially misleading to provide an estimate.

NEXT STEPS

Our initial work was at an agreed budget of \$15,000. With the field work and associated expenses, we overran the allocated budget by around \$3,500. We will be billing the agreed budget.

The branding project is relatively straightforward and simply needs to be commissioned and started. The web project however is more complex and requires a lot more scoping work to get to the point of having a final pricing schedule. Because of the amount of time involved, and the potential that the work doesn't proceed, we'd need to charge out the time involved in the final scoping and quoting the site. There are many ways to fund sites like this and potential income streams would be something that would be addressed in this scope.