



**eBusiness:
Issues and Opportunities
for the Hardwood Lumber Industry**

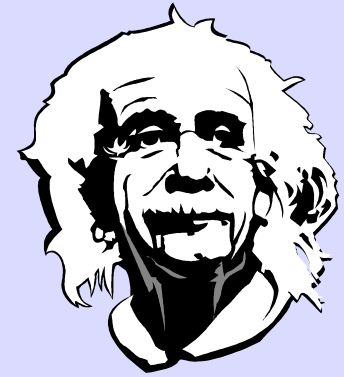


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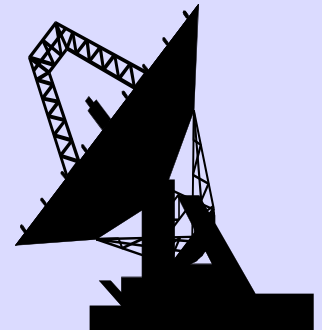
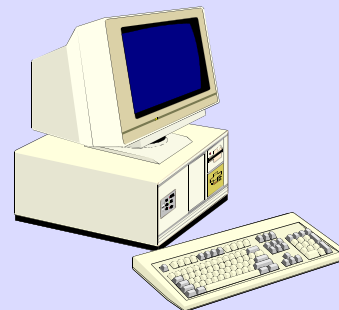
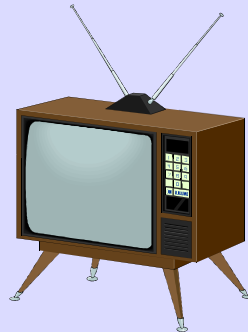
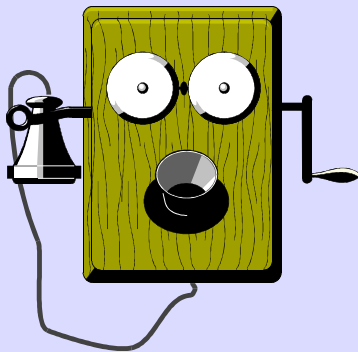


The Internet:

Evolution?



Revolution?



What is eBusiness?

- **eBusiness** is the application of Internet-based technologies for conducting business.
- It includes **eCommerce**, the actual transaction activities as well as other **business oriented applications** such as logistics, order entry, information sharing and transmission of information between exchange partners.

What is eBusiness?

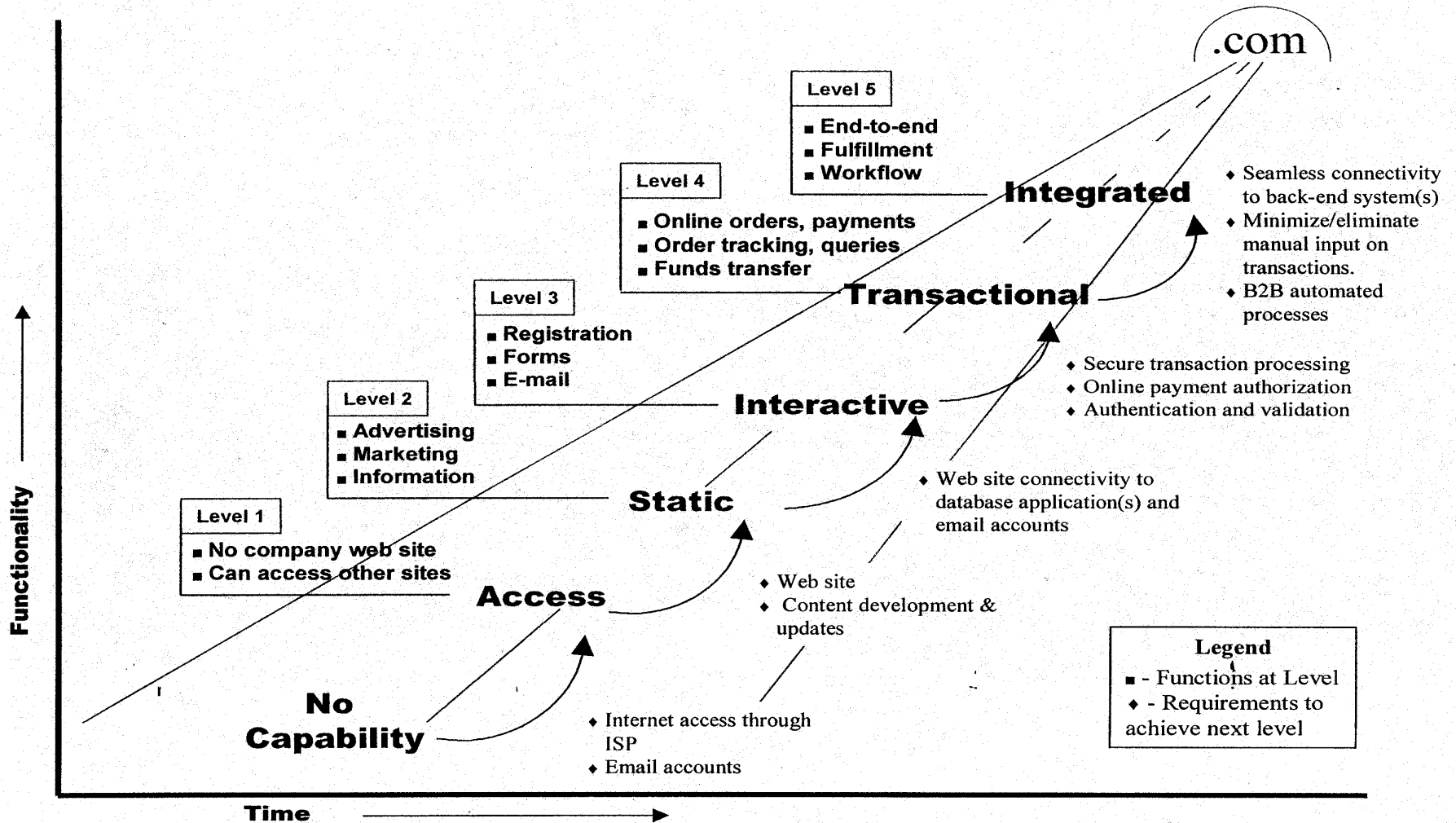
- First and foremost about business, not technology.
- Technology facilitates eBusiness.
- Challenge is managing the changes in business strategies and internal corporate processes.
- Can include intra-company networks (intranets) and Internet linkages with customers or suppliers (extranets).

e-Marketplaces

- Multiple integrated marketplace-types :
 - Business Exchange
 - Virtual Trade Show
 - Product Showcase
 - Auction
- e-Commerce services
 - Tools (Web,Catalog,Auction,Offers,Booth)
- Additional e-Commerce Support Services
 - Community Information & Support Services
 - Research and Business Due-Diligence tools

- Business-to-business **eCommerce will grow tremendously** in the next several years, bringing significant change to most industries.
- In 1999, global business-to-business eCommerce was \$149 billion and is projected to be **\$7.3 trillion by 2004** (Gartner Group).
- Increasing **competition** and **globalization** are two factors fueling eCommerce growth.

eBusiness Roadmap



The Studies

- In 2000, eBusiness was researched in the context of the forest products industry in the United States and Canada.
- Both solid and pulp/paper companies were surveyed.
- This presentation discusses the U.S. solid wood and U.S. hardwood lumber industries.

Objectives

- Examine the current and future uses of eBusiness in the industry.
- Identify how the forest products industry is investing in and leveraging eBusiness.

Results

U.S. Wood Products Industry

Reasons for Implementing Internet Capabilities

Ranked

1. part of corporate strategy
2. retain customers
3. customer request
4. increase accuracy of data
5. reduce errors
6. reduce cycle time
7. create a cost saving
8. implement JIT inventory

U.S. Wood Products Industry

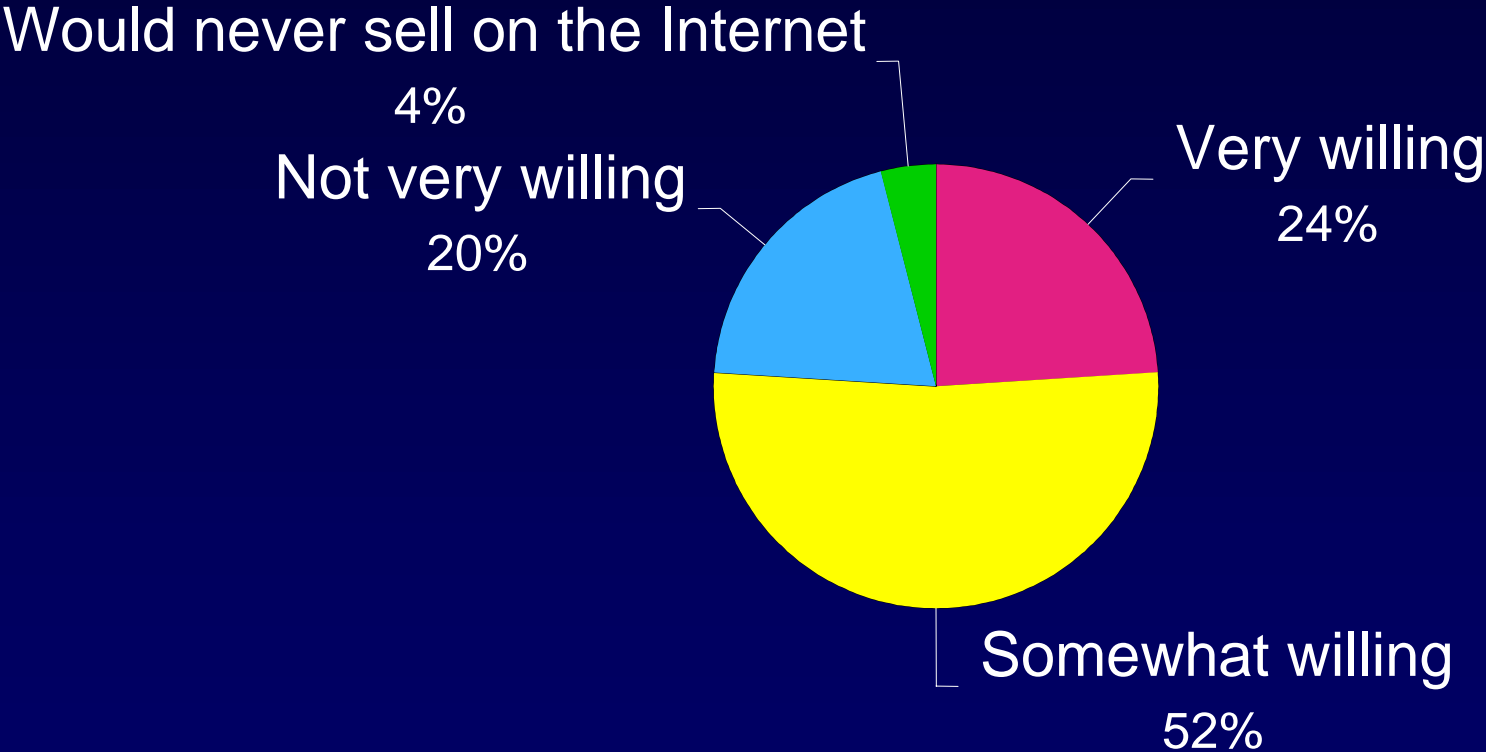
The Internet Offers our Company:

Scale: 1=strongly disagree to 5=strongly agree

Timeliness of information exchange	3.7
Greater exposure to potential customers	3.6
Greater access to vendors	3.5
Enhanced image of my organization	3.5
Increased sales for my company	3.3
Increased value to my customers	3.3
A lower cost to promote my company's products	3.2
Improved service to customers	3.2
Improved competitive position for my company	3.2
Increased customer retention	3.1
Lower costs of doing business	2.9
Faster delivery	2.8
A preferred way to sell products	2.8
Lower prices to customers	2.6

U.S. Wood Products Industry

Willingness to Sell Products via the Internet



Examples of How Respondents Benefit From eBusiness

- Faster response to customer inquiries.
- Quicker location of potential customers for our products.
- By advertising on a supply database we have obtained new customers.
- Customers can look up order and shipment status on-line reducing phone calls to reps and freeing them up to handle orders rather than inquiries.
- We have generated far more sales than could have been generated without an Internet presence.
- Prospect/customer can understand our company easier and get up-to-date product information.

Examples of How Respondents Benefit From eBusiness

- We have reduced inventory by broadcasting available stock to customers via the Internet.
- Better inventory control because of better information on inbound product locations and ETAs.
- We increased market share in large developing accounts by managing customers inventory on-line.
- Better & quicker service for customers.
- Faster, easier purchase of needed items from vendors.

Examples of How Respondents Benefit From eBusiness

- We put pictures on the Internet showing how we make our products better. Customers 1,000 miles away can take a "virtual tour" of our company and see who they are dealing with.
- Mass e-mail communications to customers and vendors has reduced our costs.
- Our website has helped is developed new customers.
- Time saved to communicate to headquarters overseas.
- Direct sales relating from WWW exposure.
- Shorter lead-time.

Examples of How Respondents Benefit From eBusiness

- Our truck line information system provides web browser accessible information to trucking line scheduled to ship our outbound finished product.
- We set up an inventory system at a customer's warehouse using the Internet.
- Insures mill spare parts inventory (categories with high rotation) by automatic re-order.
- Accessing information from suppliers greatly reduces lead-time as well as allowing better price shopping.
- Price list previously faxed at considerable expense is now on-line.

Impediments to Implementing Internet Capabilities

Impedes MOST

- **Lack of skilled IT staff**
 - **Lack of an understanding of benefits**
 - **Expense of development**
 - **Expense of hardware and software**
-

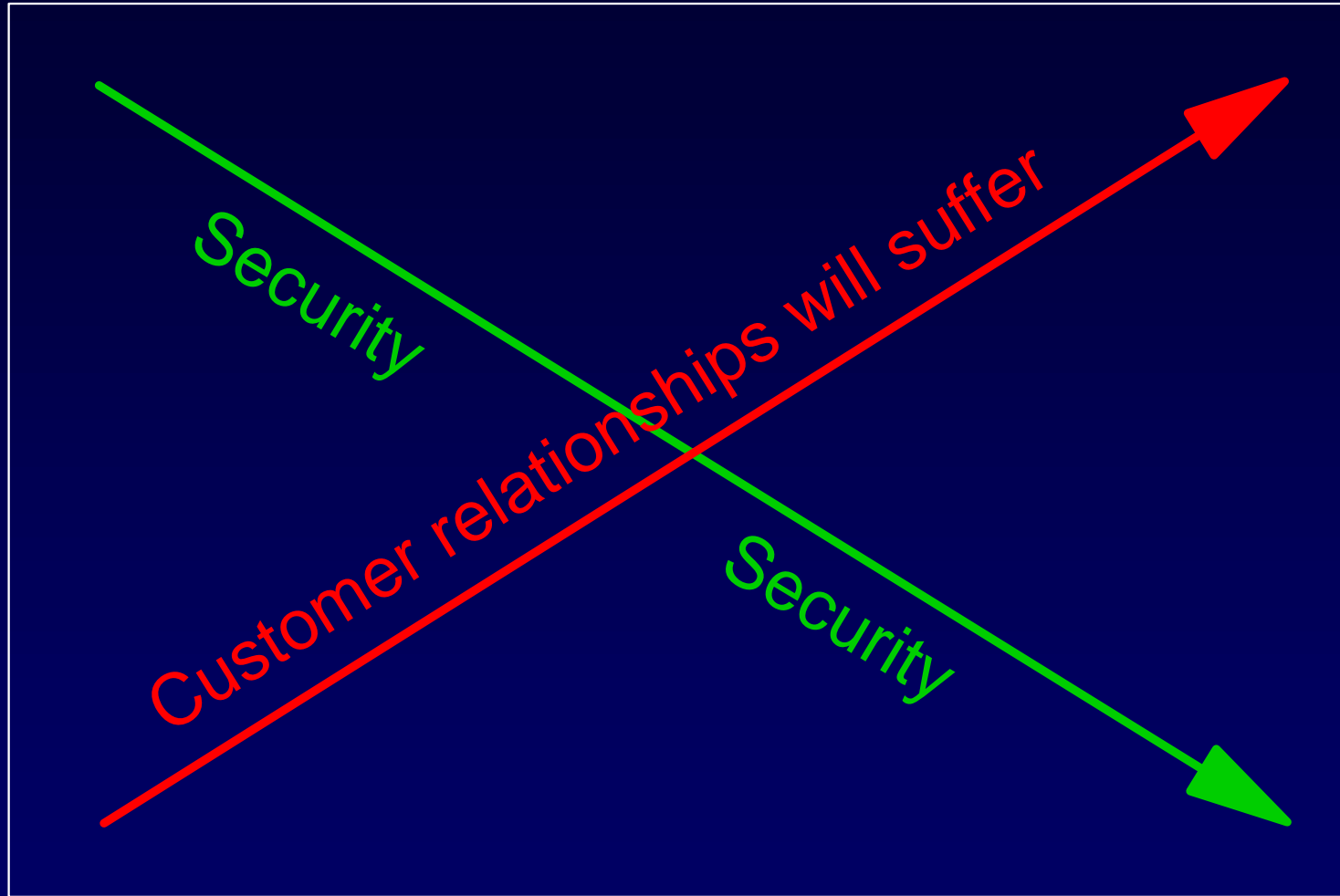
• **Inadequate application tools**

• **Lack of technology infrastructure
(TCP/IP, networks, firewalls, security)**

Impedes LEAST

• **Customer resistance**

#1 Concerns about Using the Internet



1995

2000

Where is the Forest Products Industry in eBusiness Adoption?

Adoption

U.S. Industry

Forest Products Sector

Develop-
ment

Introduction

Growth

Maturity

What
next?

Time



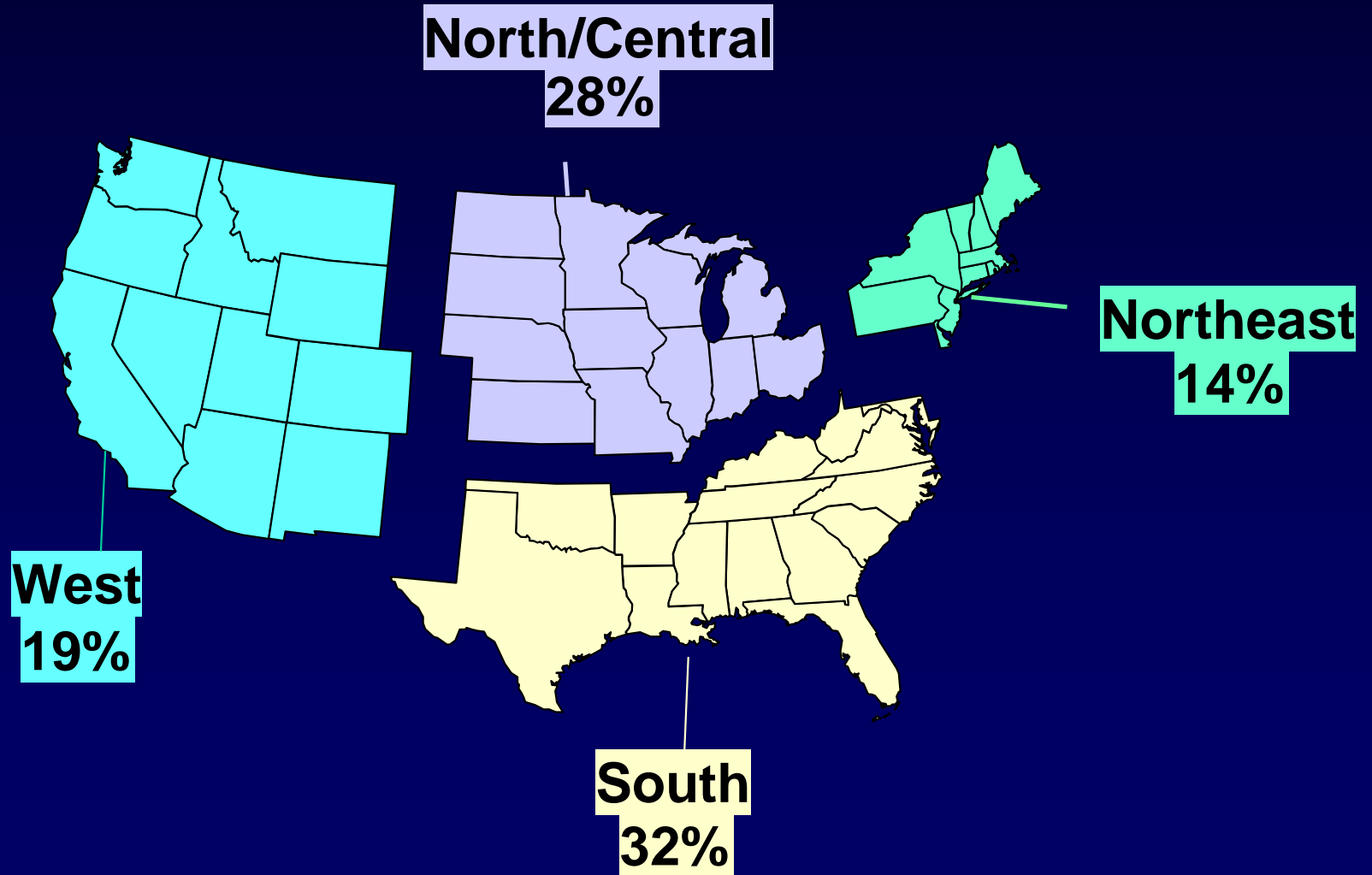
Results

U.S. Hardwood Lumber Industry

Hardwood Lumber Producers

% of Respondents by Geographic Region

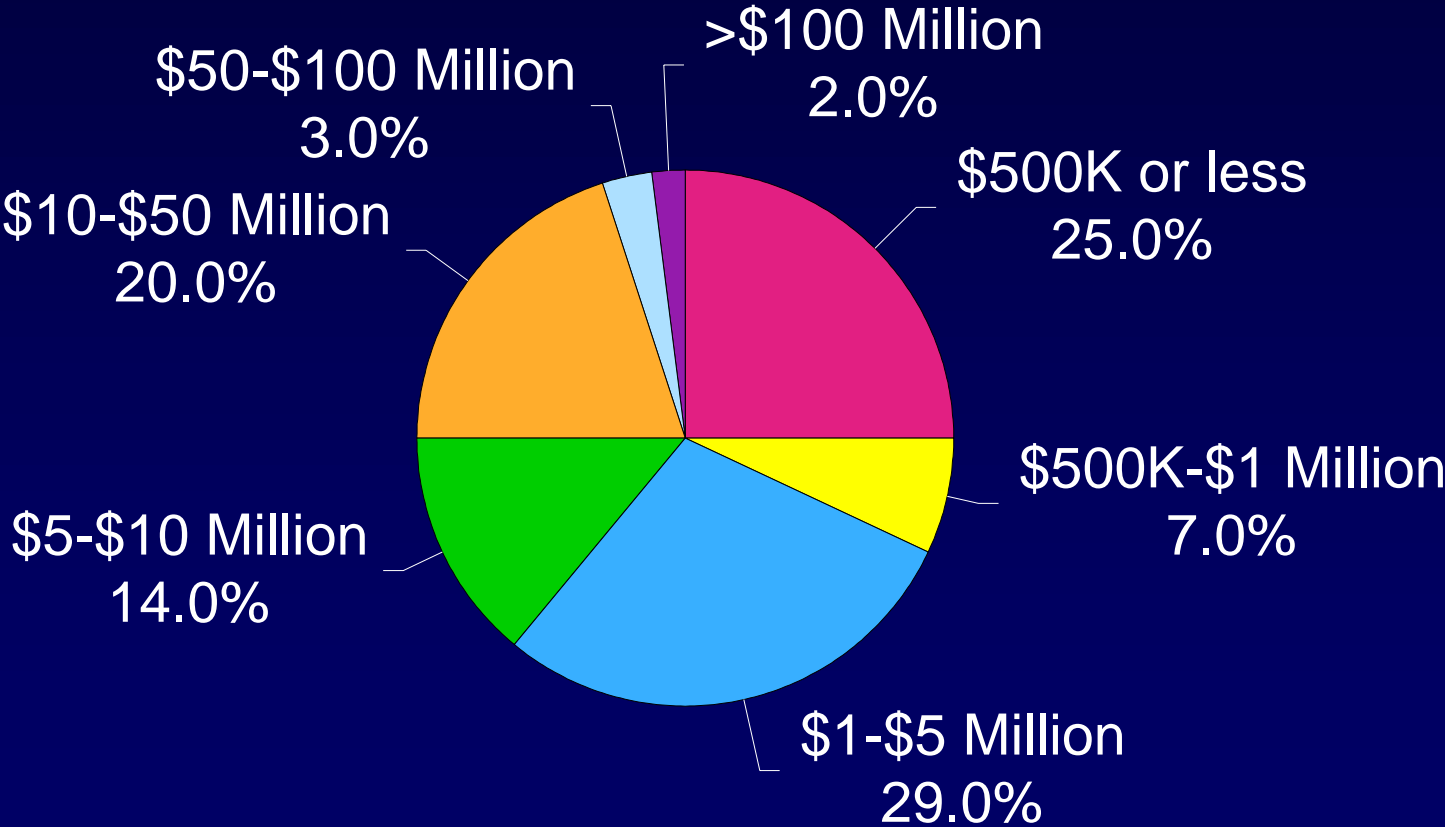
170 Companies



Hardwood Lumber Producers

Respondent Size 2000 Sales

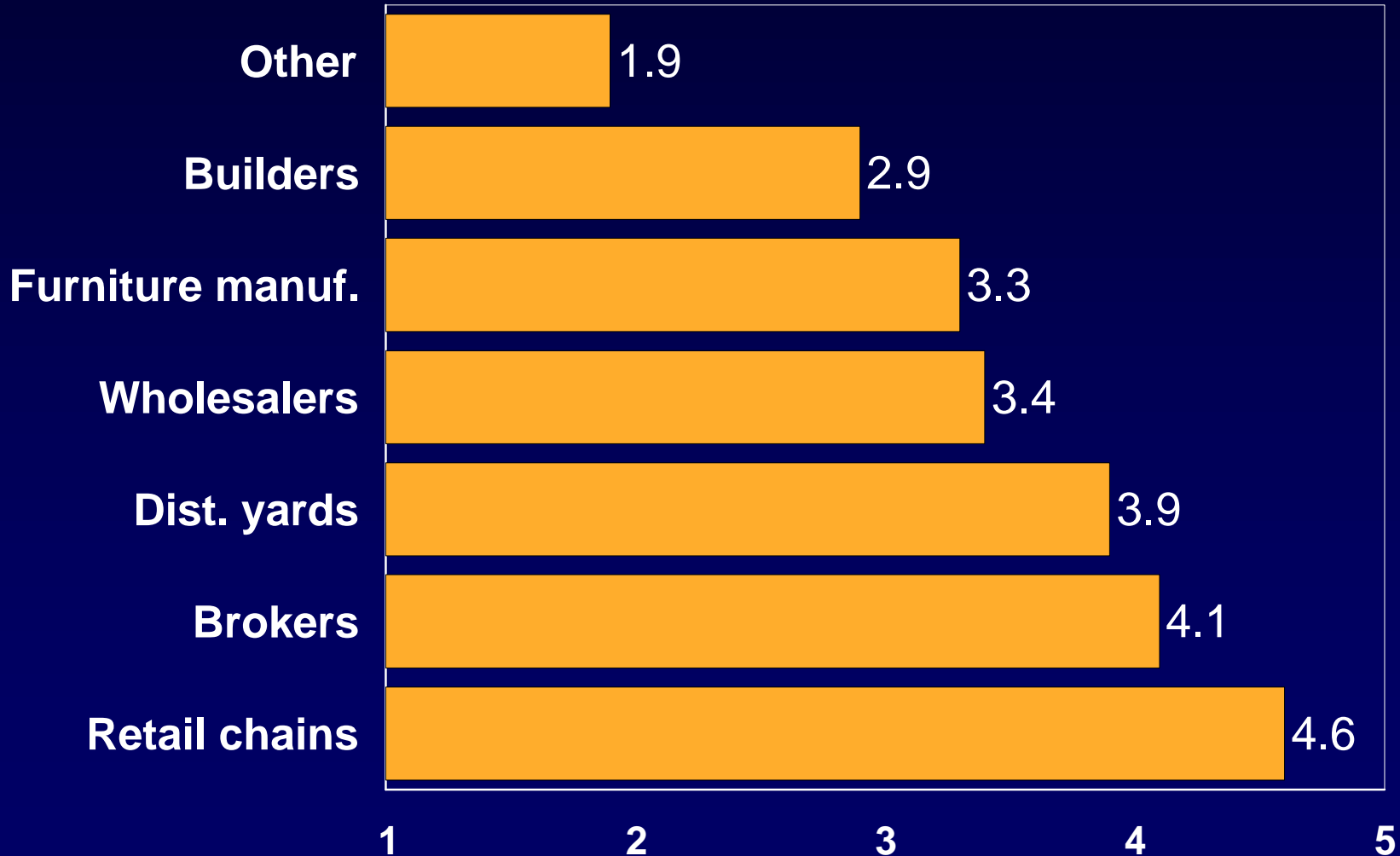
(n=170)



Hardwood Lumber Producers

Respondent Sales Distribution Channels

(Average Ranking: 1=Most important based on 1999 sales)



Hardwood Lumber Producers

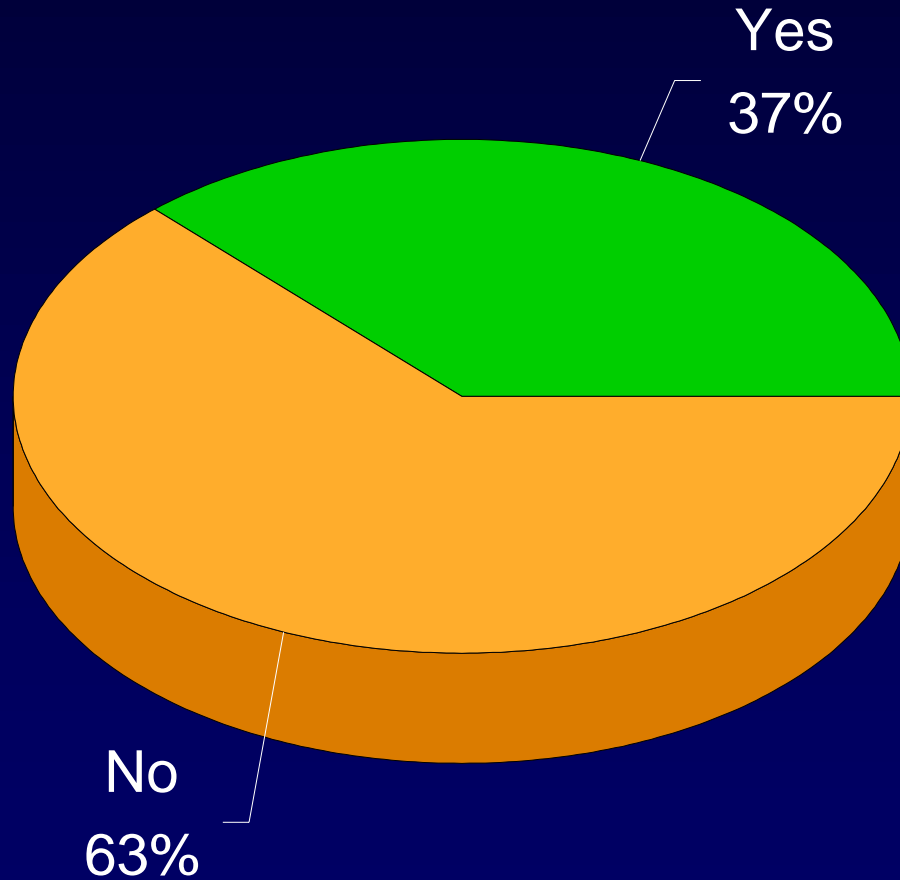
Distribution- "Other" Category Examples

- ARCHITECTS-DESIGNERS
- ARCHITECTS
- ARCHITECTS
- ARTISTS
- BUYERS GROUP
- CABINET MANUFACTURERS
- CASKET MAKER
- COMMERCIAL/INDUSTRIAL
- CONSUMERS
- CONTRACTOR LUMBER YARDS
- CUSTOM FURNITURE
- DECORATORS & DESIGN SHOPS
- FARMERS-FENCE POSTS &BLDG
- FLOOR CONTRACTORS
- FLOORING MFRS
- FLOORING WHOLESALER
- GENERAL CONTRACTORS
- GENERAL MANUFACTURERS
- GOVERNMENT
- HOMEOWNERS
- IND. BUILDING SUPPLY CENTER
- IND. RETAIL YARDS
- IND. LUMBER DEALERS
- INDUSTRIAL ACCOUNTS
- INDUSTRIAL APPLICATORS
- LOG HOME CONSTRUCTION
- MARINE/GOV'T
- MILLWORK DISTRIBUTORS
- PACKAGING AND CRATING
- PALLETS
- WINDOW AND DOOR MFG.

Hardwood Lumber Producers

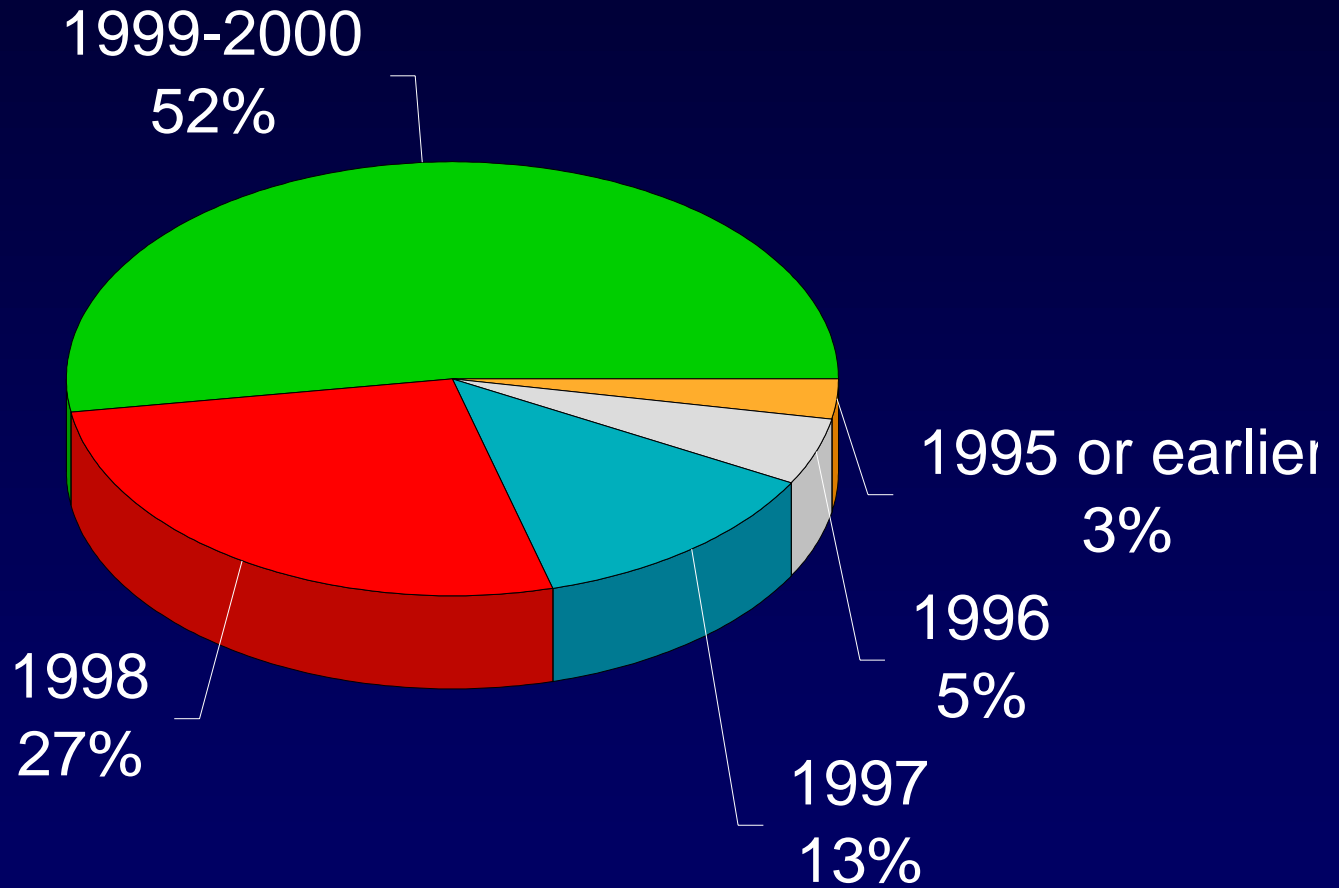
Does Your Company Have a Web Site?

Percent of Respondents



Highly Correlated to Company Size

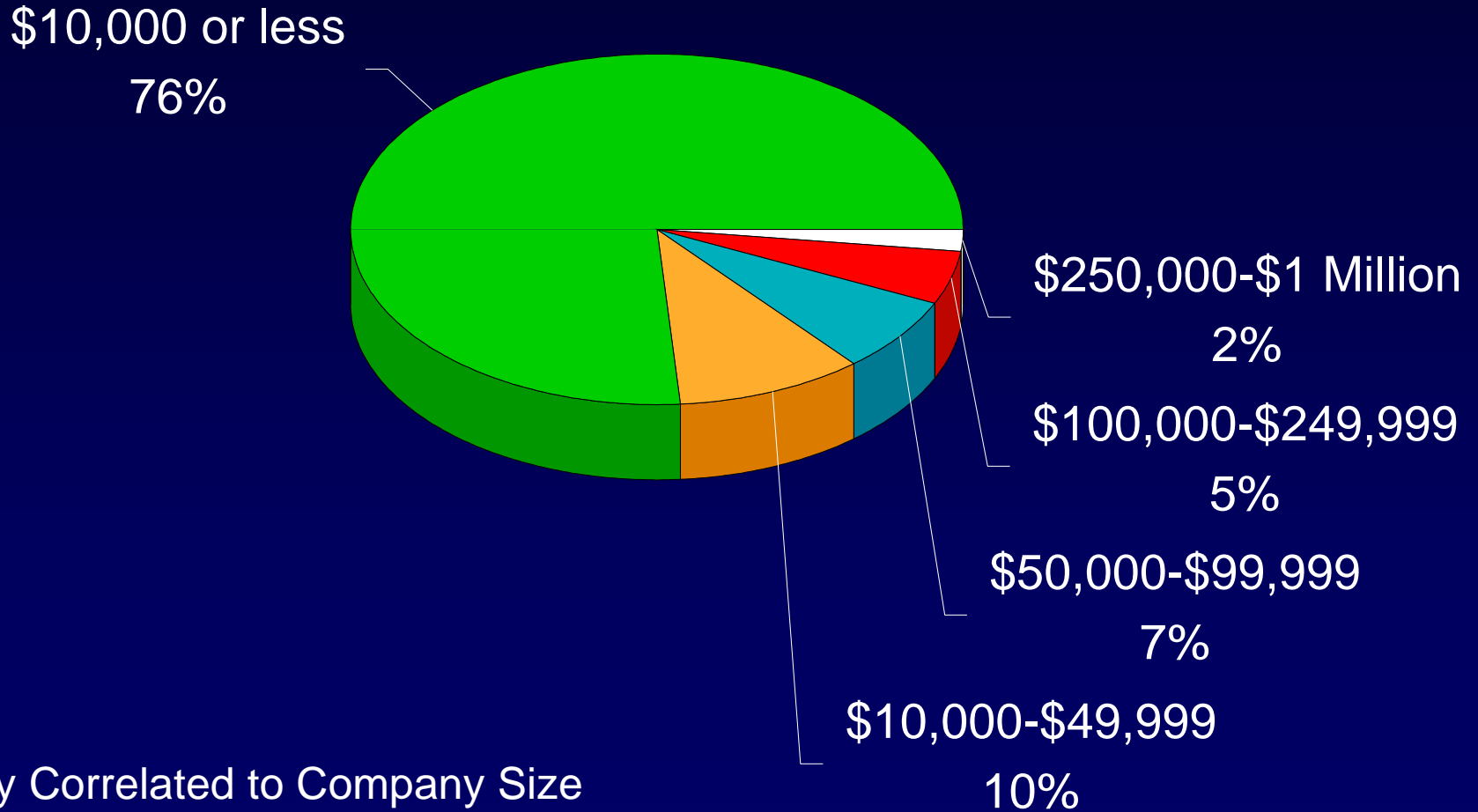
Hardwood Lumber Producers
When Web Site Was Developed
Percent of Respondents



No Correlation to Company Size

Hardwood Lumber Producers

Investment Made to Date on Internet/Web Site Percent of Respondents

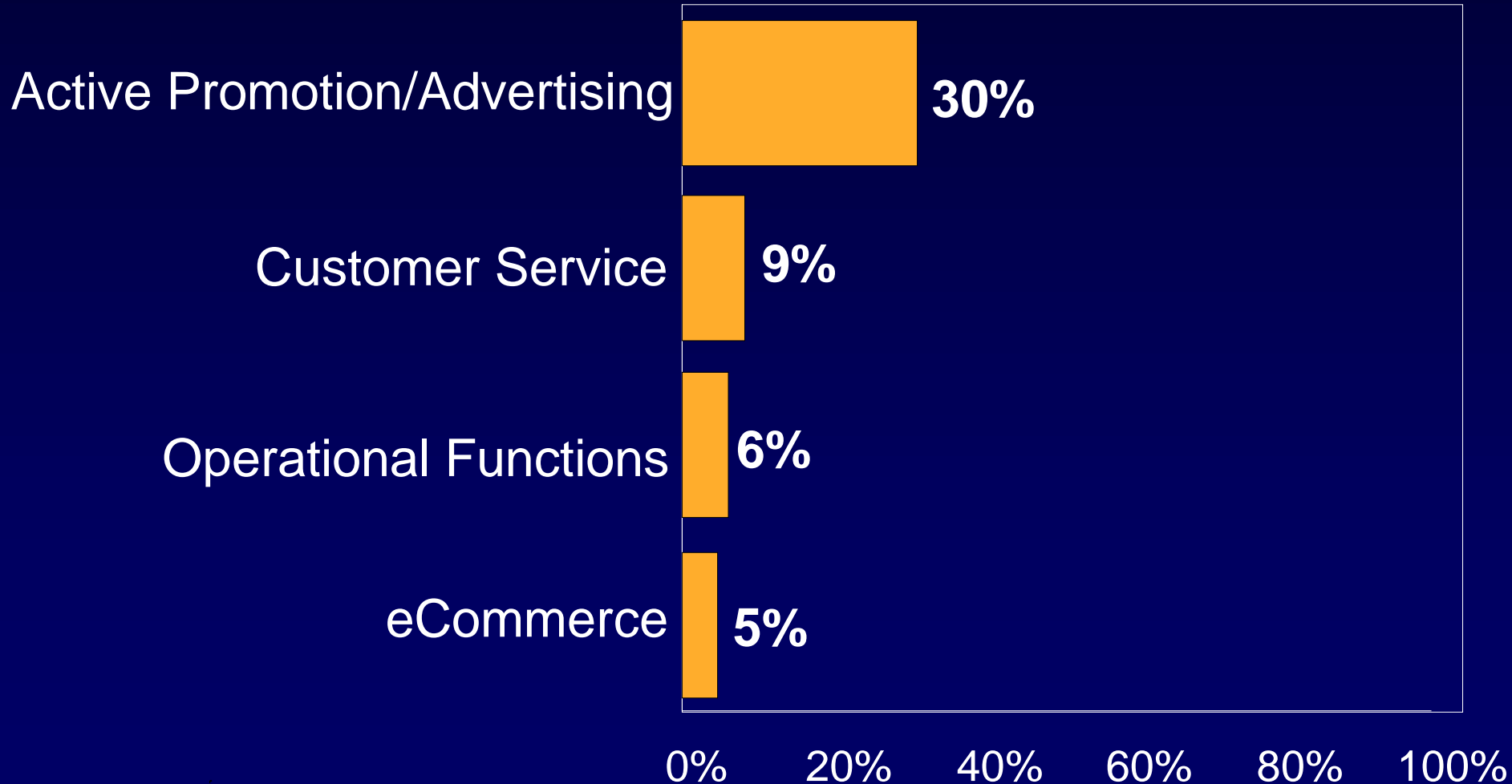


Highly Correlated to Company Size

Hardwood Lumber Producers

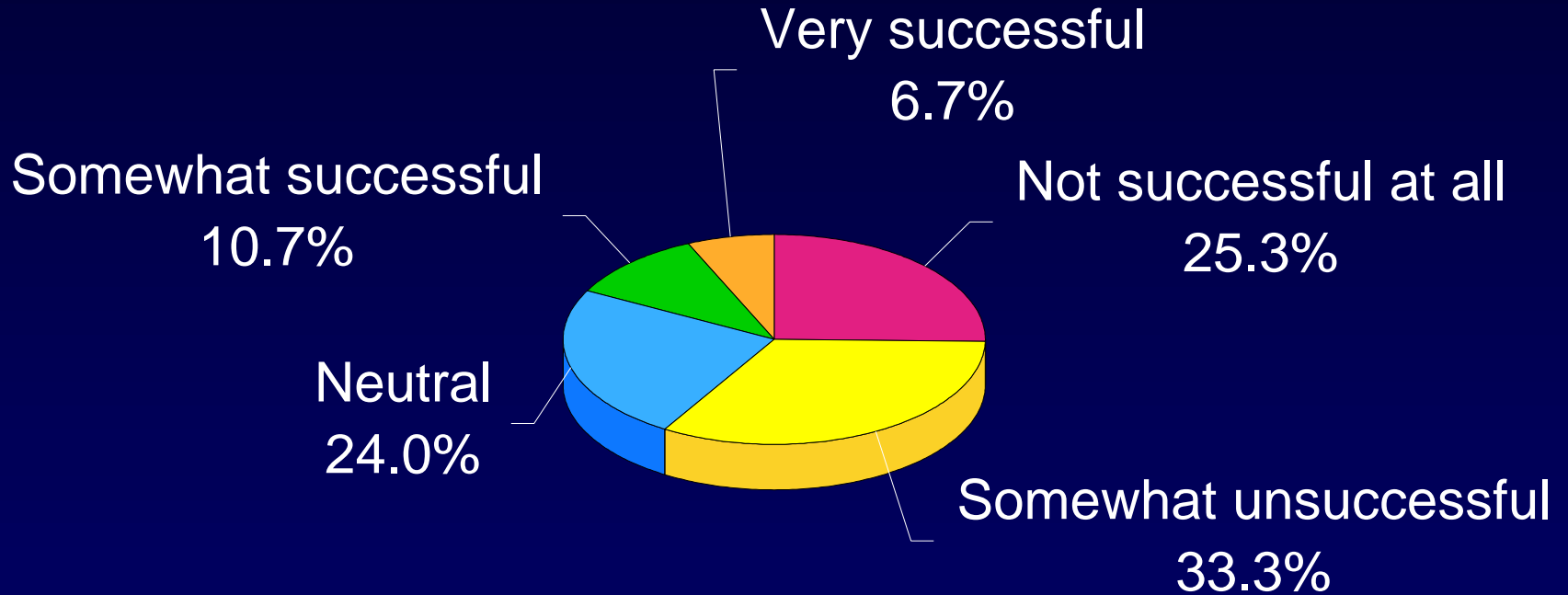
Respondent Web Site Functions

Percent of Respondents with Web Sites Indicating "Yes"
(Multiple responses possible)



Hardwood Lumber Producers

Success of Web Site Meeting Objectives



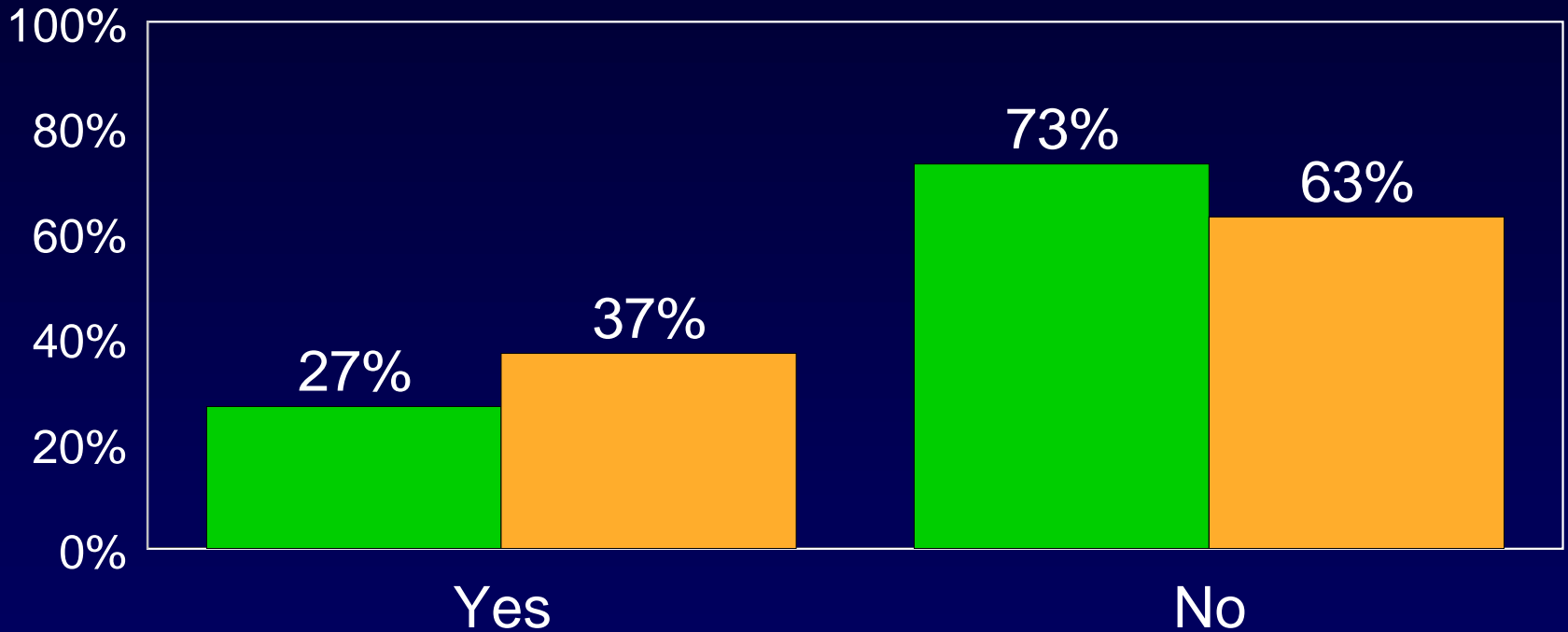
No Correlation to Company Size

Results

U.S. Wood Products Industry/
U.S. Hardwood Lumber Industry
Comparisons

Does Your Company Have a Web Site?

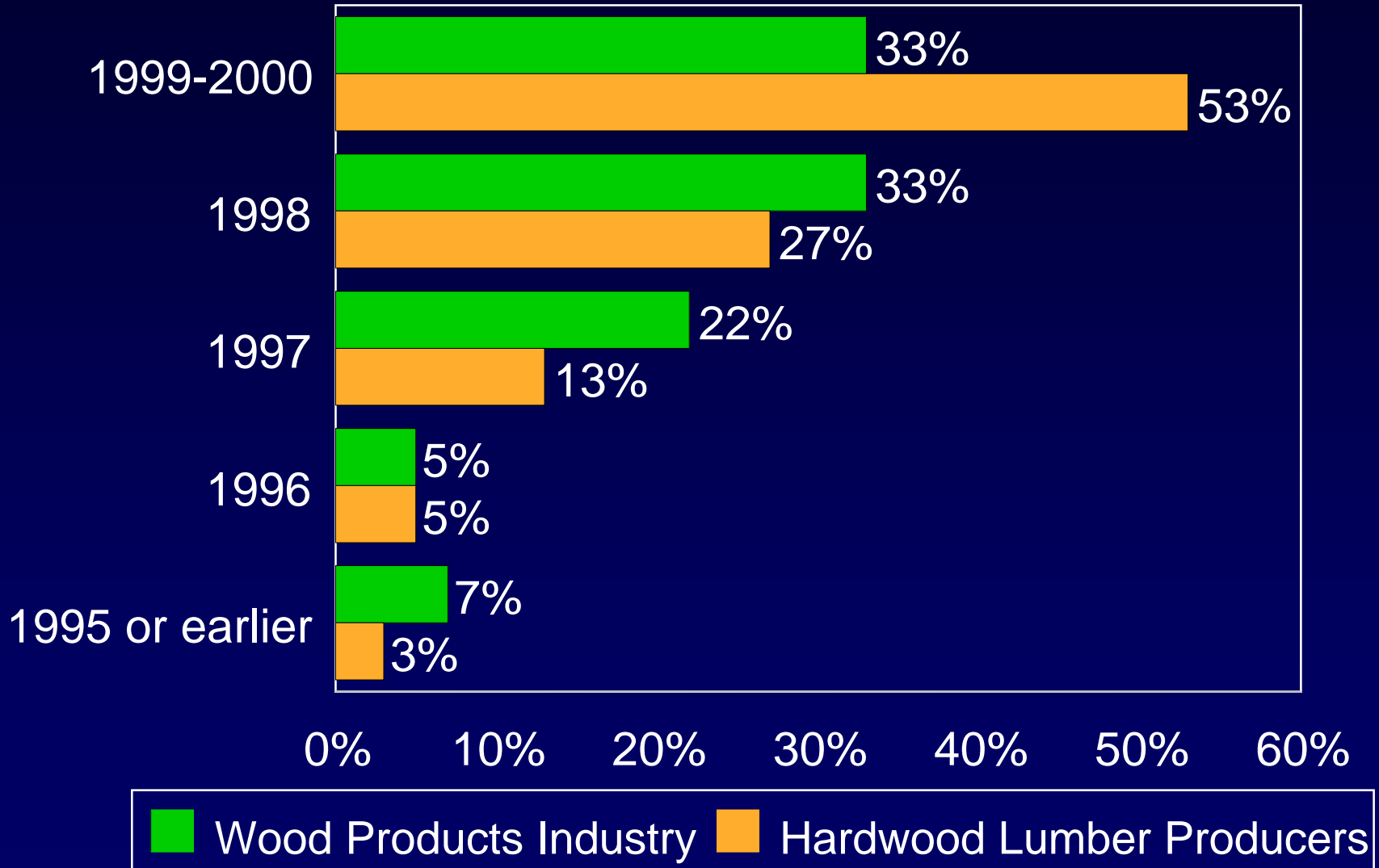
Percent of Respondents



 Wood Products Industry  Hardwood Lumber Producers

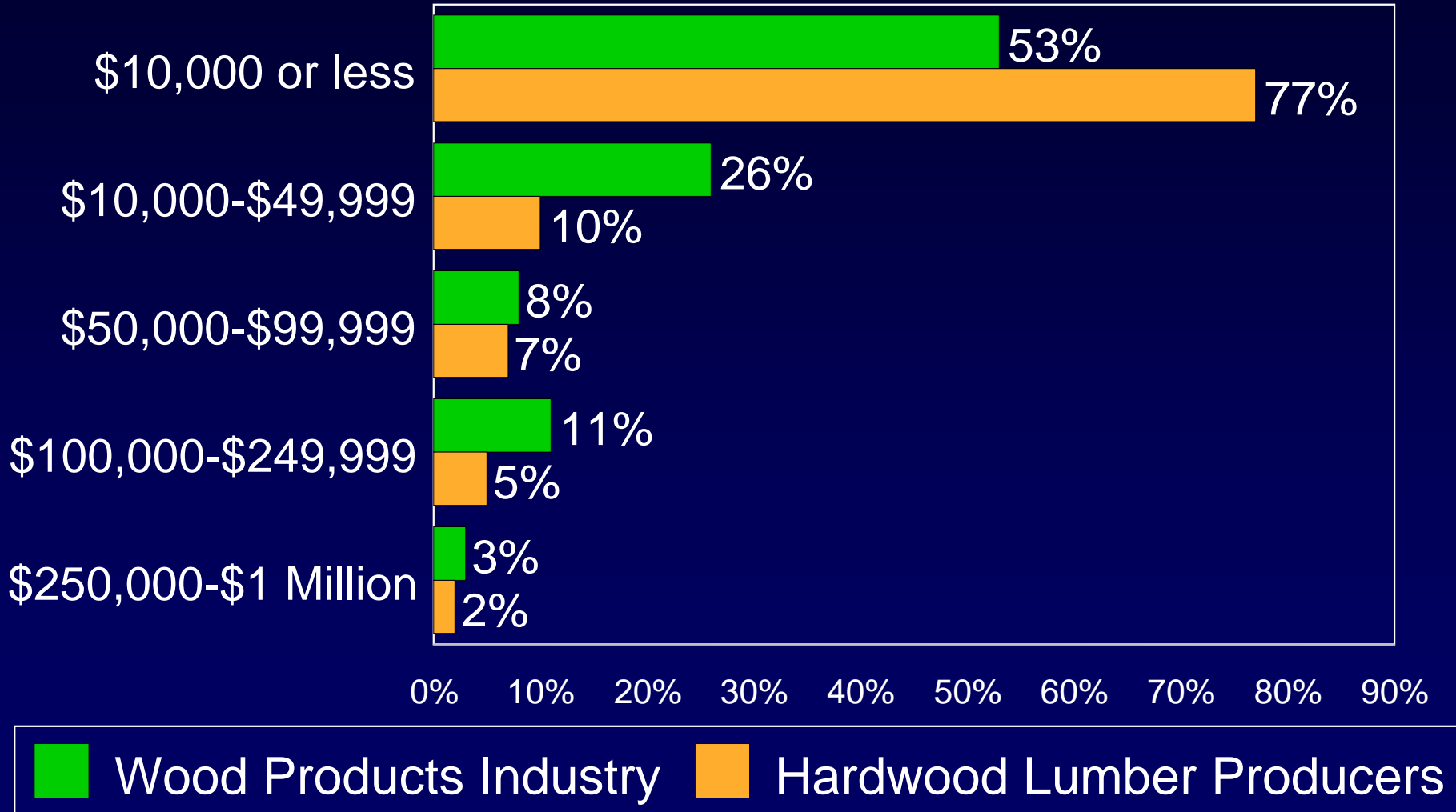
When Web Site Was Developed

Percent of Respondents



Investment Made to Date on Internet/Web Site

Percent of Respondents



Key Trends

- Business Market Space Will Be Ruthless
 - 10 Year Survival <30%
- Business Strategies Will Become More Dependent on Info. Technology
- I.T. Talent and Skills Will Drive Many Market Decisions
- Net Centric Technologies will Dominant

What's the Bottom Line?

- Companies seek products, processes, and technologies that **add value** to their offerings in an effort to **become or remain competitive** in the marketplace
- **eBusiness** is one means for developing such a **competitive advantage**.

What's the Bottom Line?

- The emergence of **cyberspace** as a significant place to do business is a **fundamental shaping force** that will transform **business** and **society**.
- Internet-based technologies offer **revolutionary** tools for business development and management.