



Internet Business Opportunities in the Forest Products Industry



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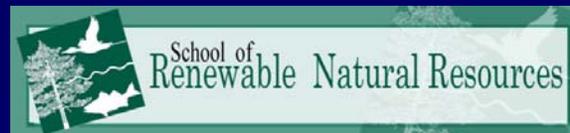
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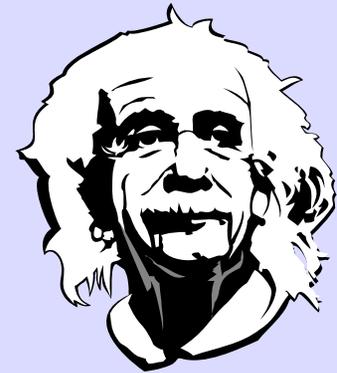
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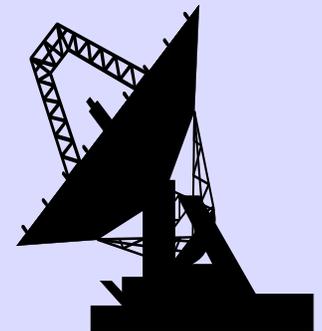
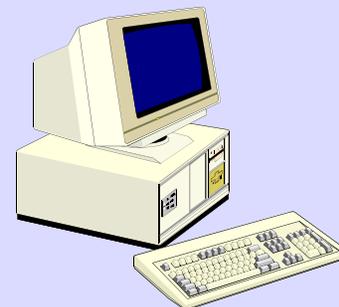
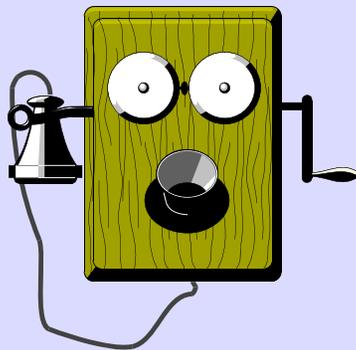


The Internet:

Evolution?



Revolution!



What am I Going to Talk About?

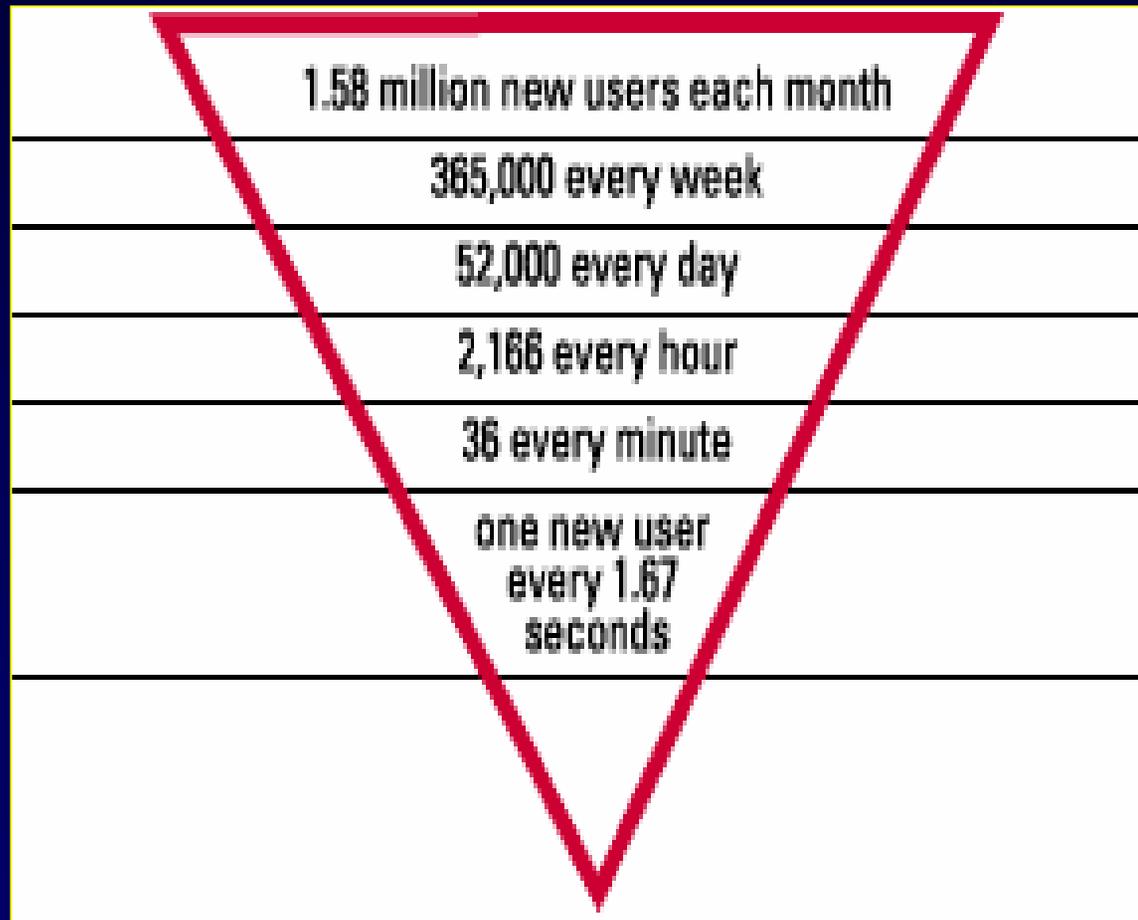
- eBusiness and Business Practices
- What's Going on in the Forest Sector??
- Strategies
- Some Final Thoughts

Most Important Market Forces Affecting Business

Pressure to reduce overall supply chain costs	59%
Pressure to compress total time to market/cycle time	41%
Pressure to collaborate more effectively with trading partners	33%
Unstable/unpredictable demand for products/services	23%
Movement toward a more global marketplace	22%
Proliferation of the Internet	21%

Internet Growth

- No slow down in sight
- 180 million people in U.S. are on-line
- Growing faster outside the U.S.



Top 10 Computer-Using Countries in 2001

RANK	COUNTRY	COMPUTERS (MILLIONS)	% SHARE
1	UNITED STATES	164.1	28%
2	JAPAN	49.9	9%
3	GERMANY	30.6	5%
4	UNITED KINGDOM	26.0	5%
5	FRANCE	21.8	4%
6	ITALY	17.5	3%
7	CANADA	16.0	3%
8	CHINA	15.9	3%
9	AUSTRALIA	10.6	2%
10	SOUTH KOREA	10.6	2%



Digital Africa



Pacific Islands

Internet Resources



Tokyo PC
Users Group

¿Qué quiere
usted
que sea la
Internet?

CHINA LINKS
中國文化網




eBusiness Exchange




Hamburg
newmedia.
net


TECHNOLOGY HUB OF ASIA
& TRANSFORMING THE INTERNET



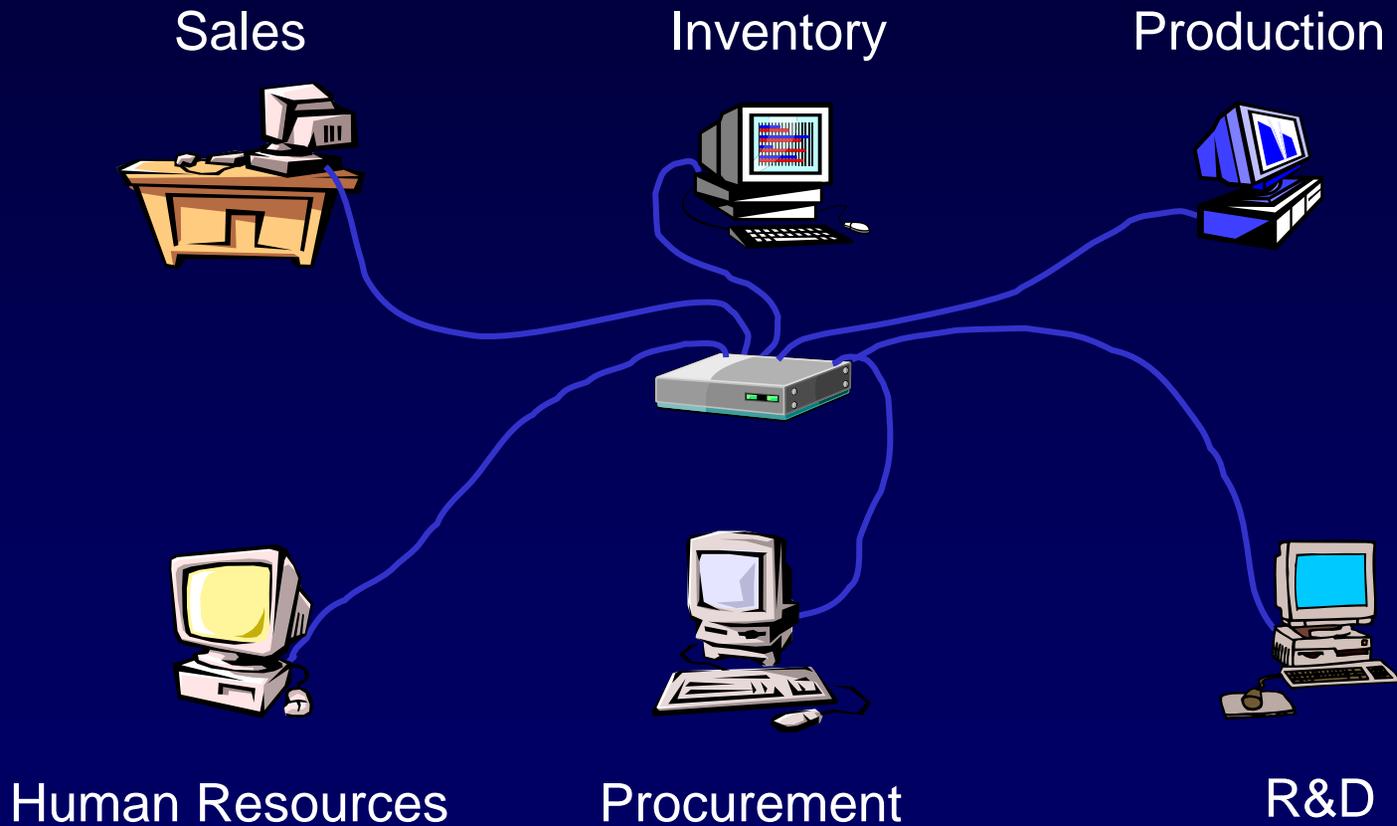
What is eBusiness?

- **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?

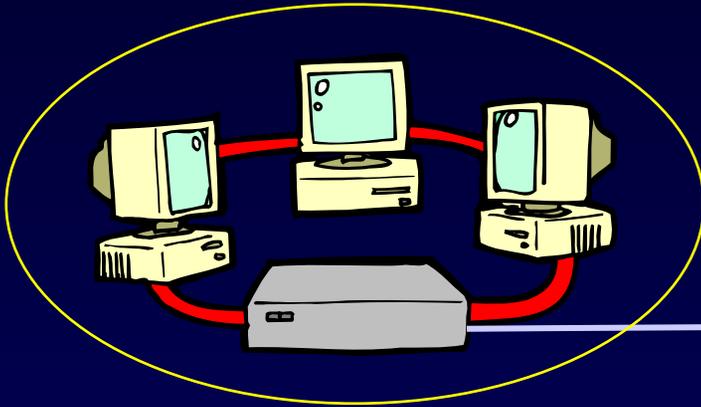
- First and foremost about business, not technology.
- Technology facilitates eBusiness.
- Challenge is managing the changes in business strategies and internal corporate processes.
- Can include intra-company networks (intranets) and Internet linkages with customers or suppliers (extranets).

An Intranet Network (self-contained in a company)

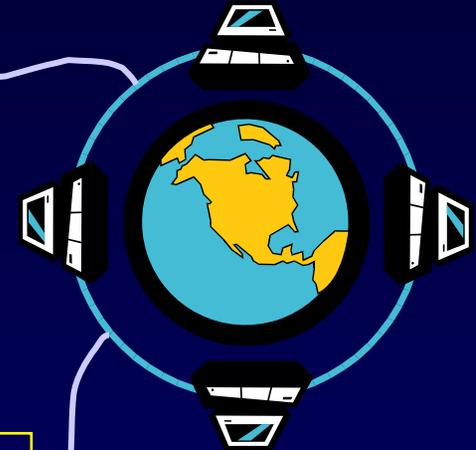
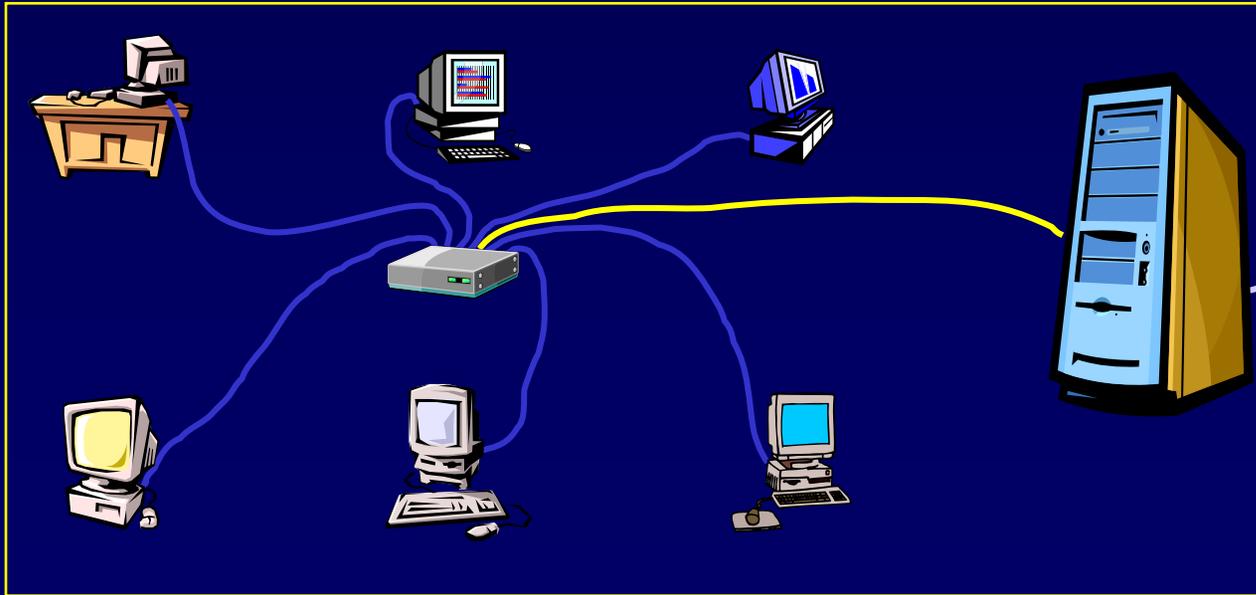


An Extranet (letting partners in...selectively!)

Your Company



Your Customer or Supplier



(From Michael & Punches 2000)

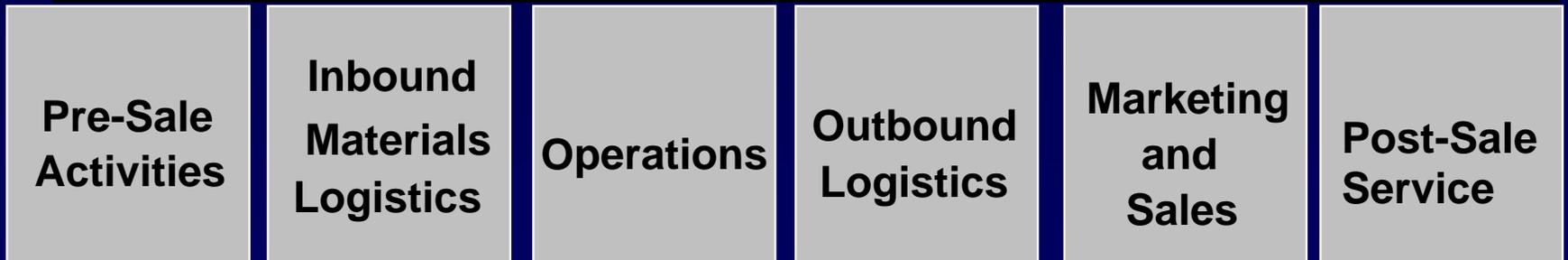
	INTERNET	INTRANETS	EXTRANETS
What is it?	The information superhighway.	The use of Internet technology within a company or organization.	A network that uses the Internet to link company Intranets in order to enhance business-to-business relationships.
Access	Open	Private	By agreement only
Users	Public	Organization members	Business partners
Information	General	Proprietary	Selective

eBusiness Can Impact the Whole Company

eBusiness Can Impact the Whole Value Chain

Company Activities

Back Office	Market Research
Human Resource Management	Finance
Technology Development	Distribution
Procurement	Information Systems

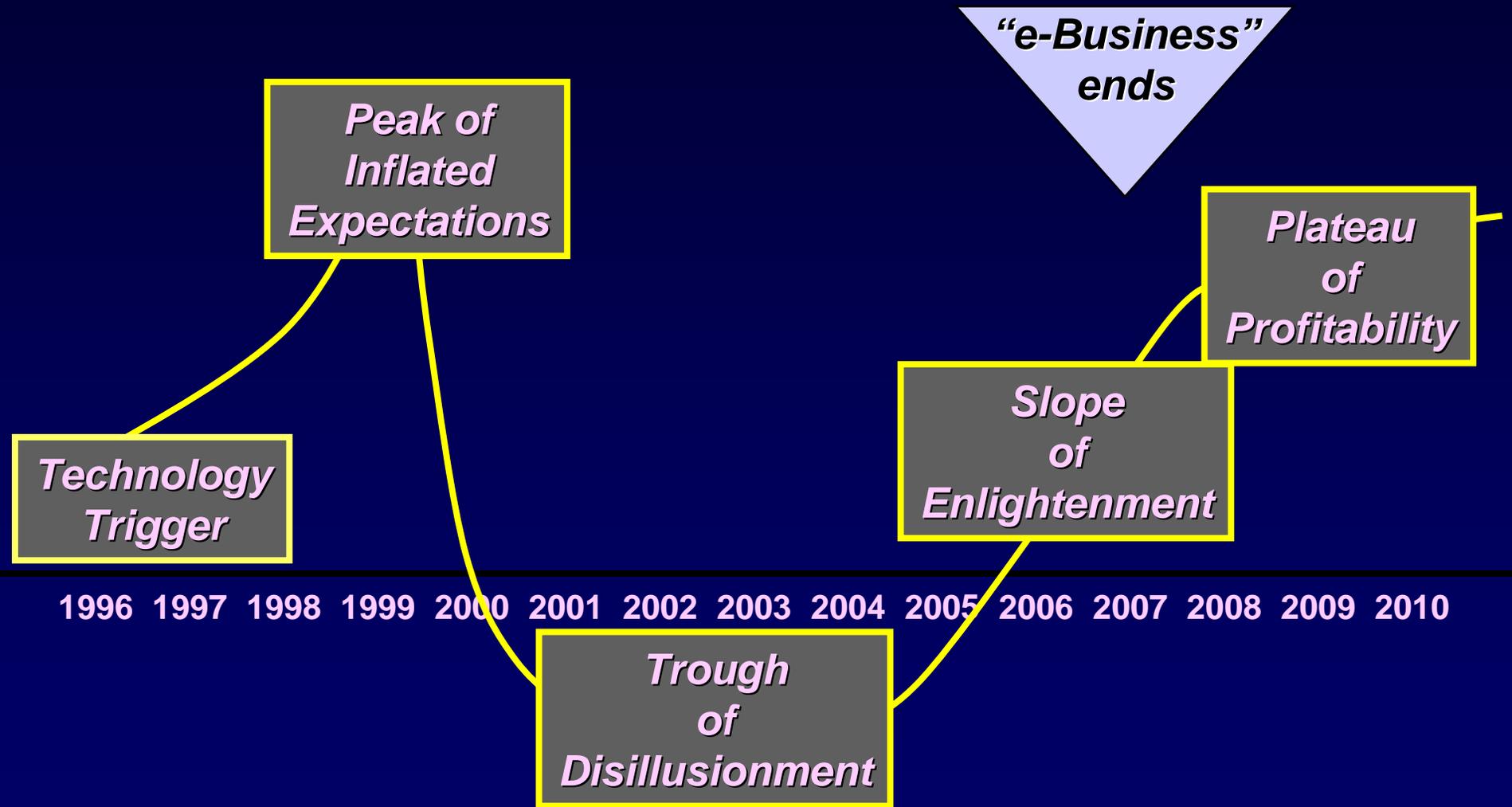


Value Chain Activities

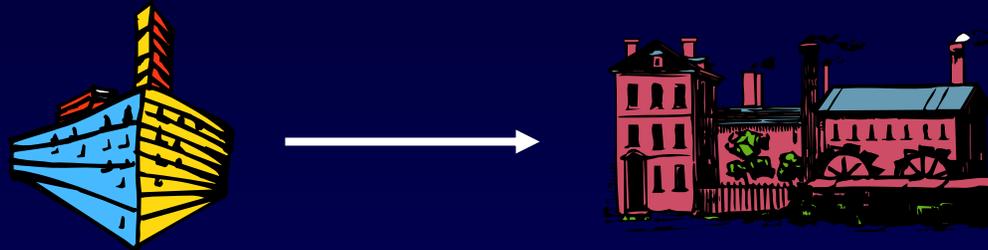


The Life Cycle of eBusiness

(Forrester Group, 1999)

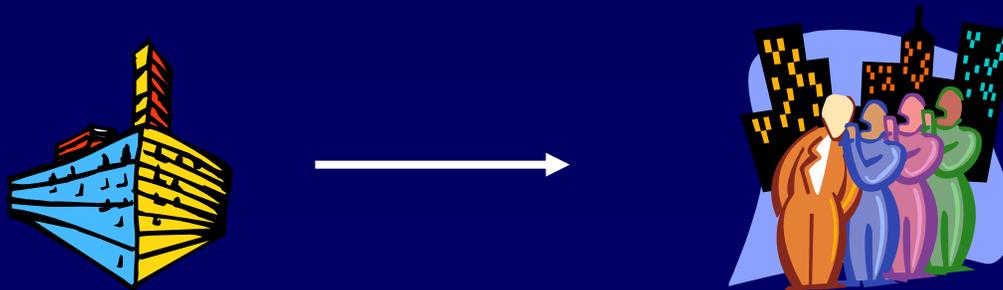


The Forest Products Industry is Business-to-Business (B2B)



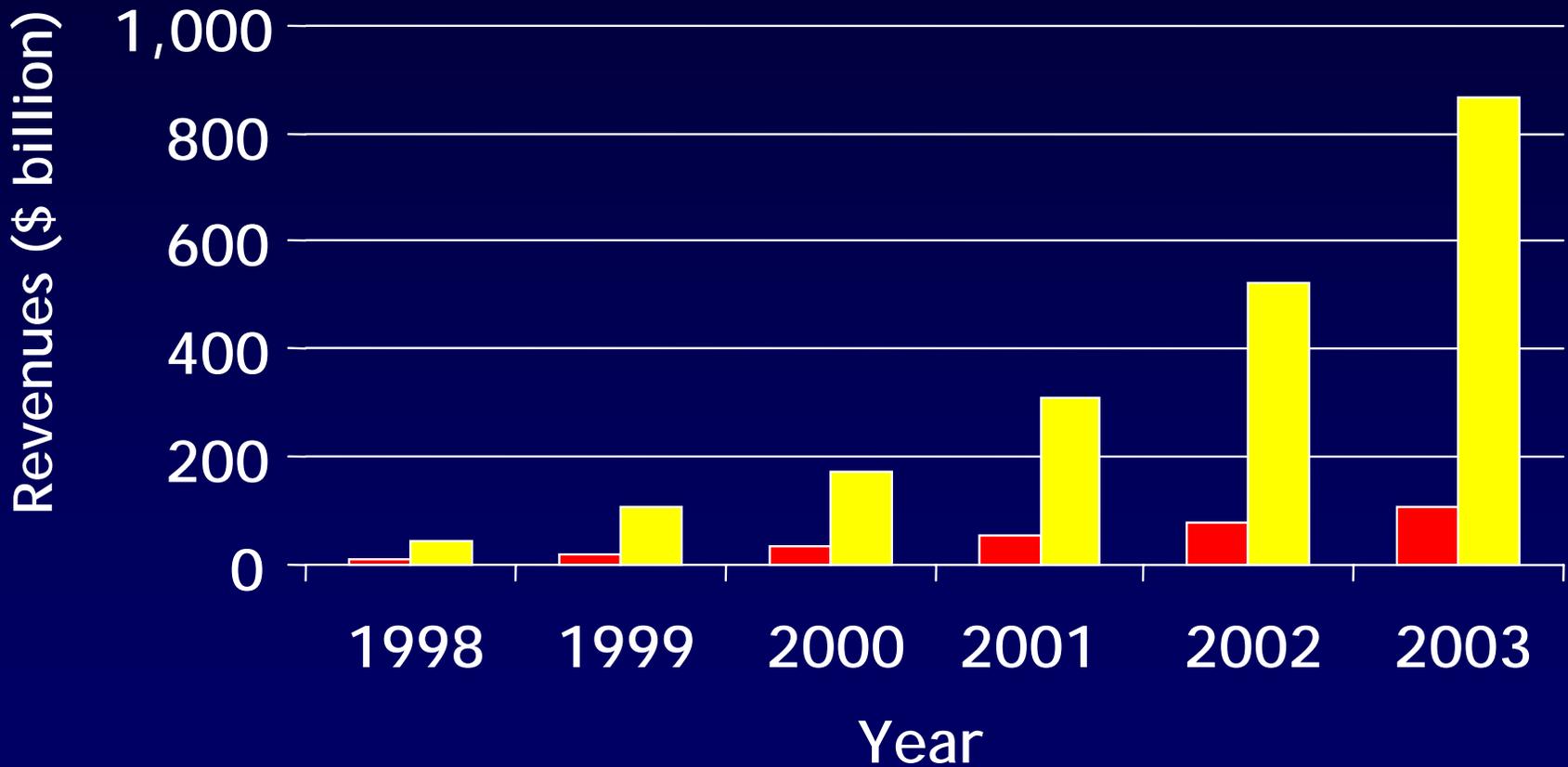
As opposed to

Business-to-Consumer (B2C)



- Business-to-business **eCommerce will grow tremendously** in the next several years, bringing significant change to most industries.
- Increasing **competition** and **globalization** are two factors fueling business-to-business eCommerce growth.

B2B eCommerce: The iceberg below the tip!



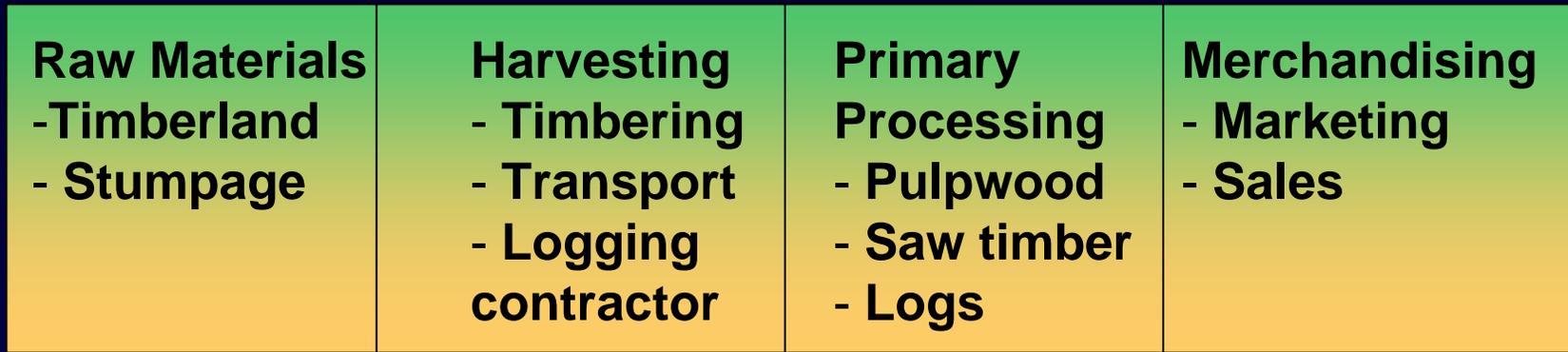
■ B2C e-Commerce
■ B2B e-Commerce

Source: Forrester Research

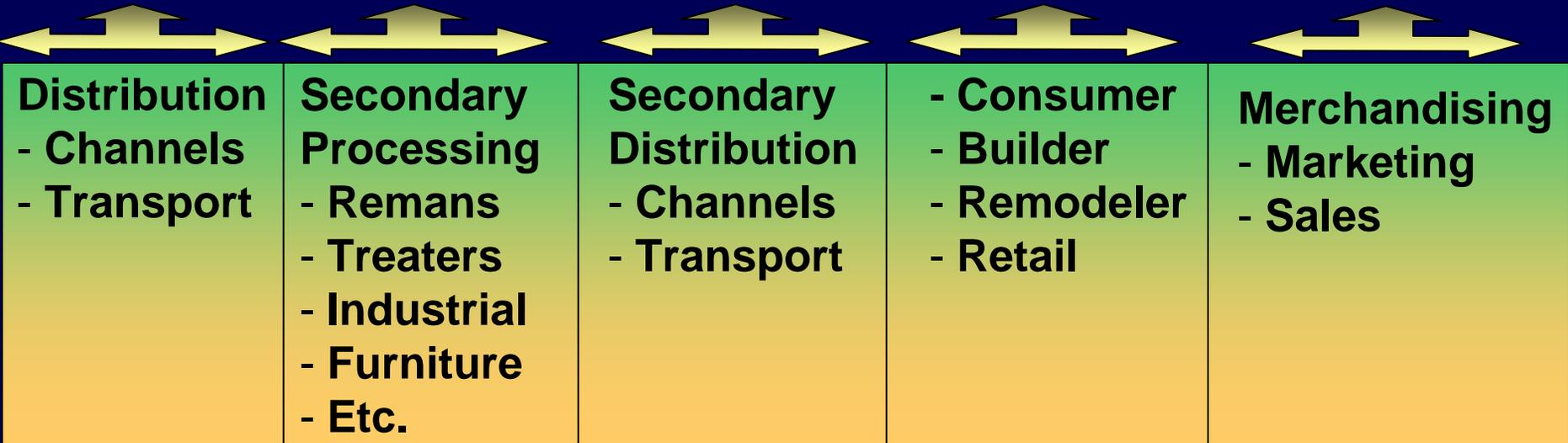
What's Going On in the Forest Products Industry???



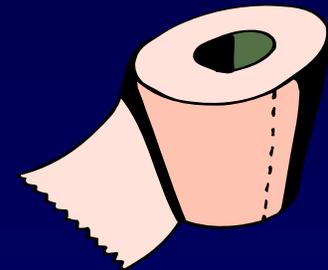
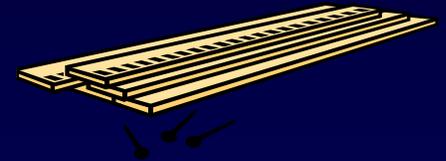
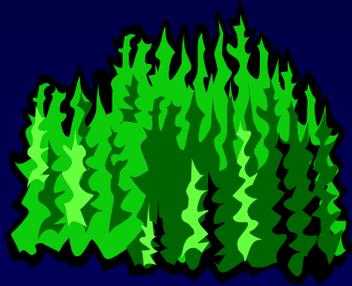
The Traditional Forest Products Value Chain



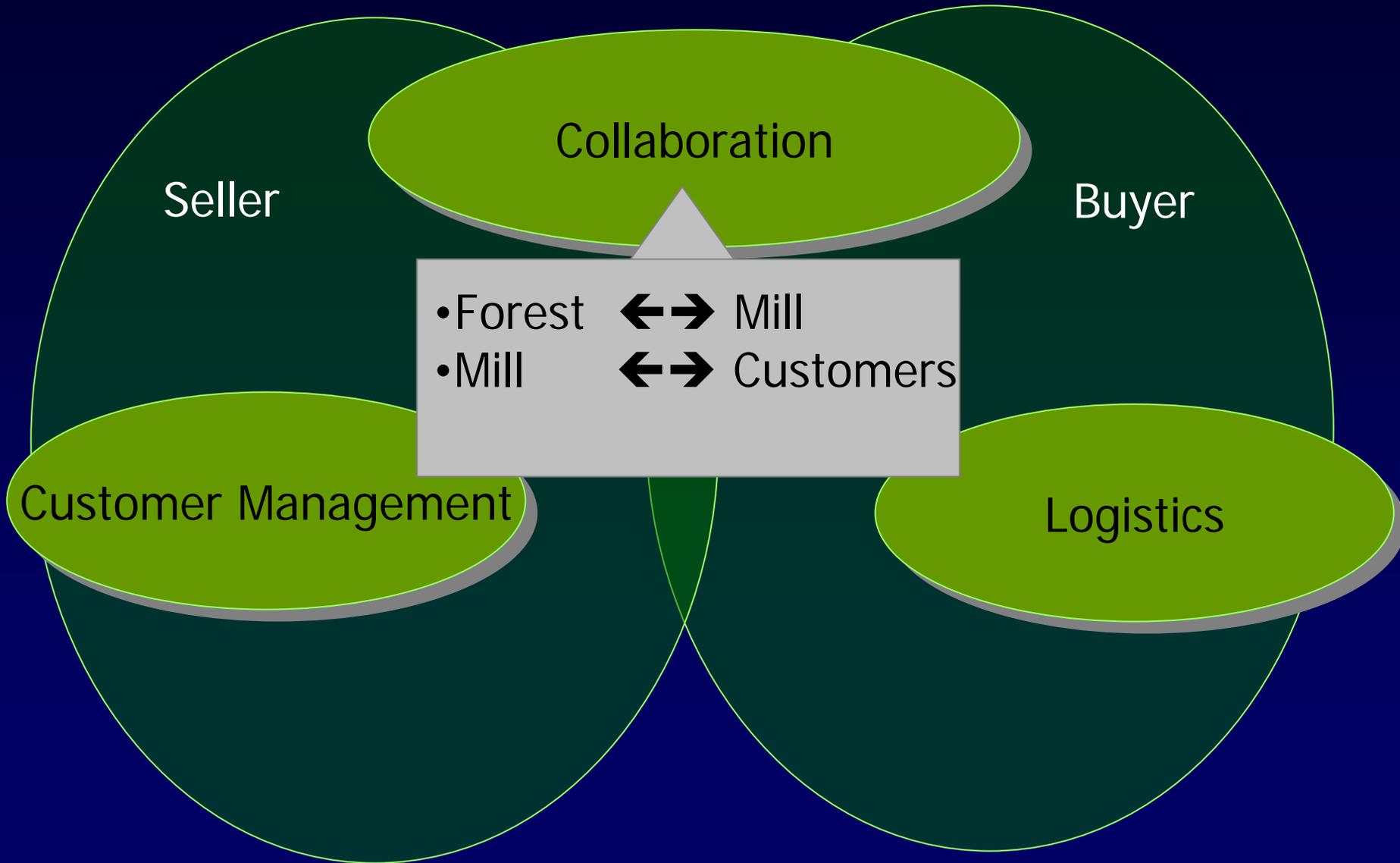
Information Interfaces



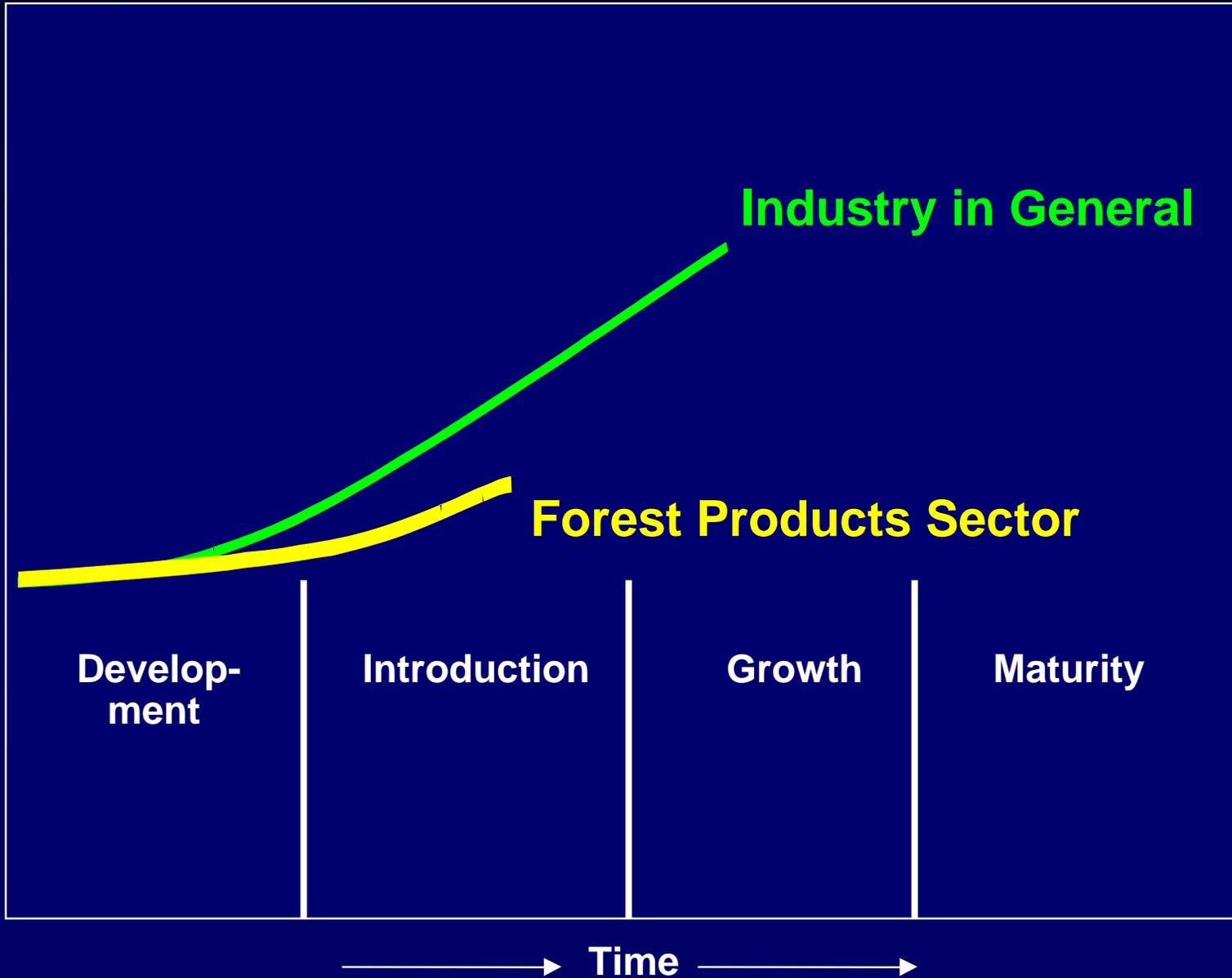
The Forest Products Market Chain



Buyer/Seller Interfaces



Where is the Forest Products Industry in eBusiness Adoption?



Where is the U.S. Forest Products Industry in eBusiness Adoption?

eCommerce %	Sector	Ship. Value (\$ Billion)	(% of Shipments)
1	Transportation Equip.	\$675	20.8%
2	Electrical Equip., Appliances	\$120	19.8%
3	Leather and Allied Products	\$10	18.3%
4	Apparel	\$63	18.1%
5	Textile Products	\$33	15.0%
14	Paper	\$157	8.5%
LAST	Wood Products	\$98	3.5%

Typical Internet Business Applications Being Used by the Forest Products Industry

Relative Frequency

Customer Contacts —

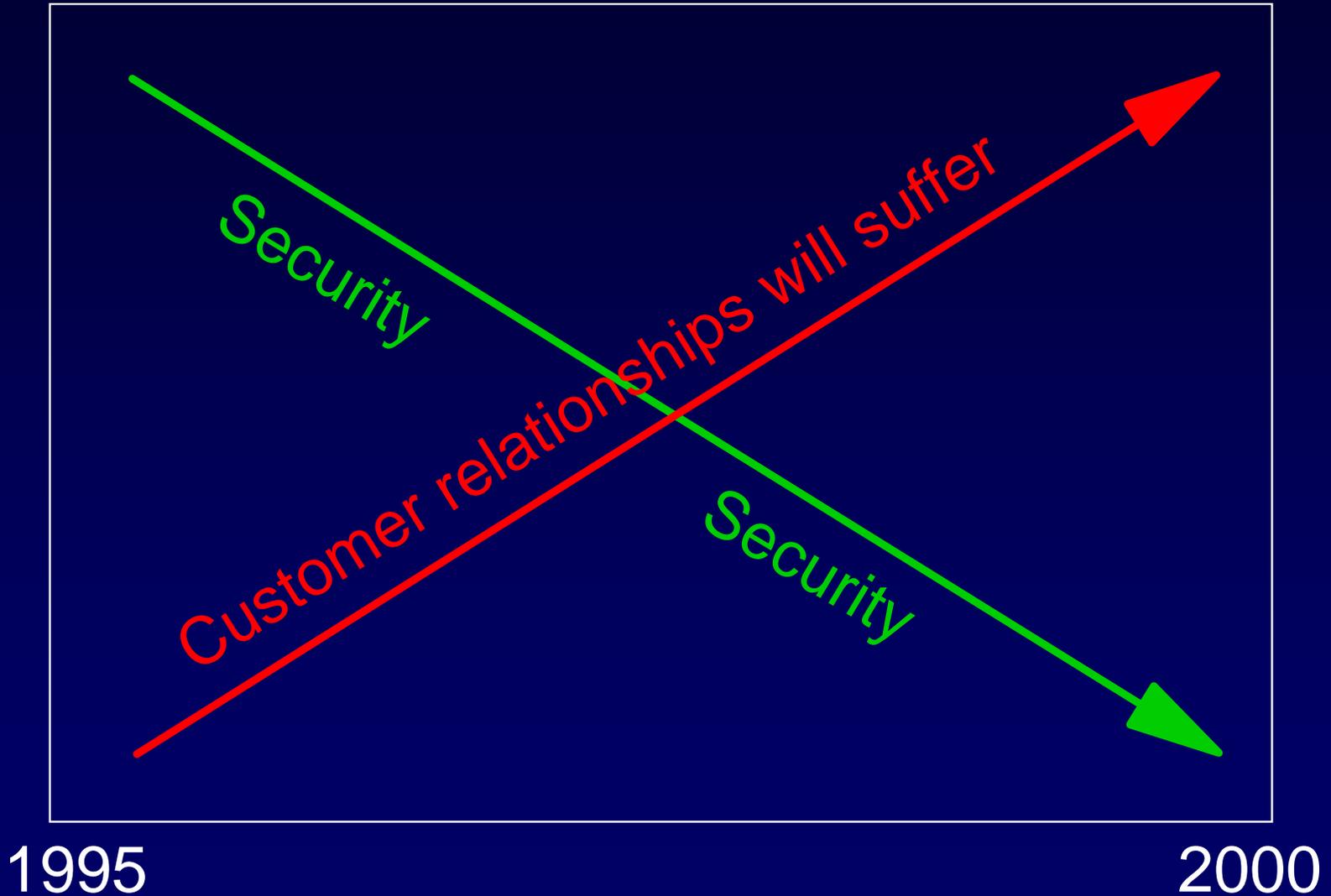
eCommunication

Product/Price Inquiry —

**eBusiness/
eCommerce**

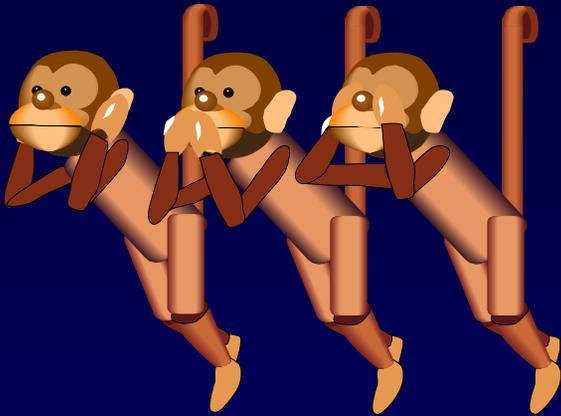
Logistics

#1 Concerns about Using the Internet

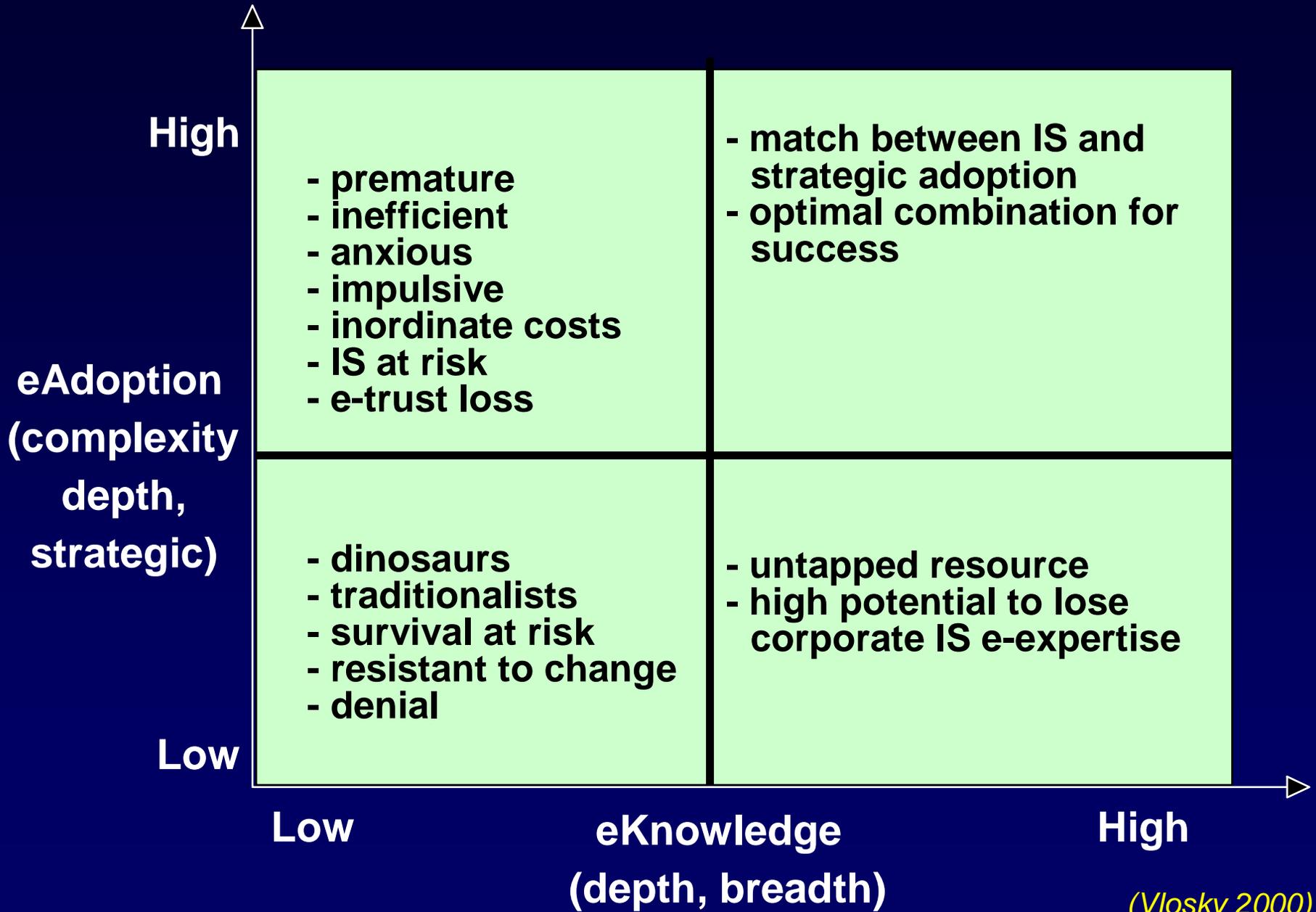


Why?

Information Technology Reactive industry

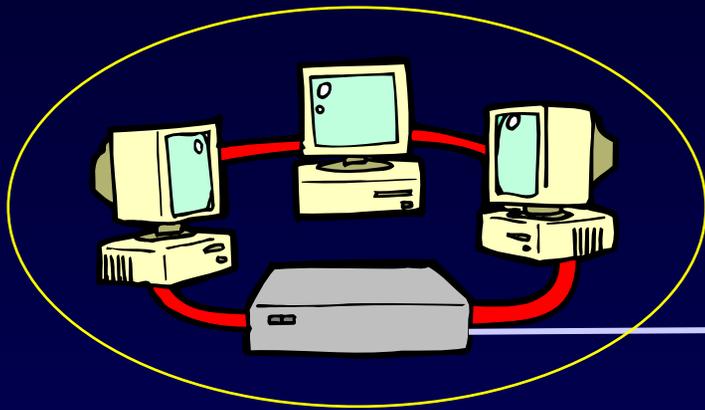


eBusiness Implementation/Success Matrix

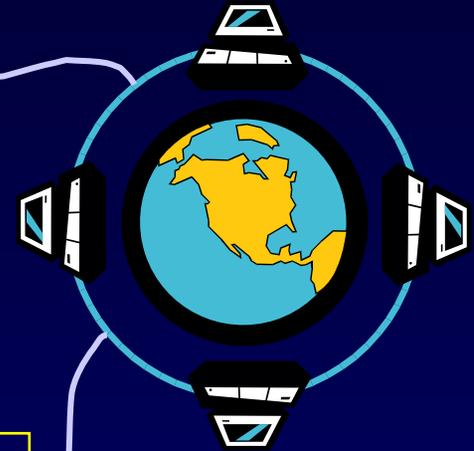


Options

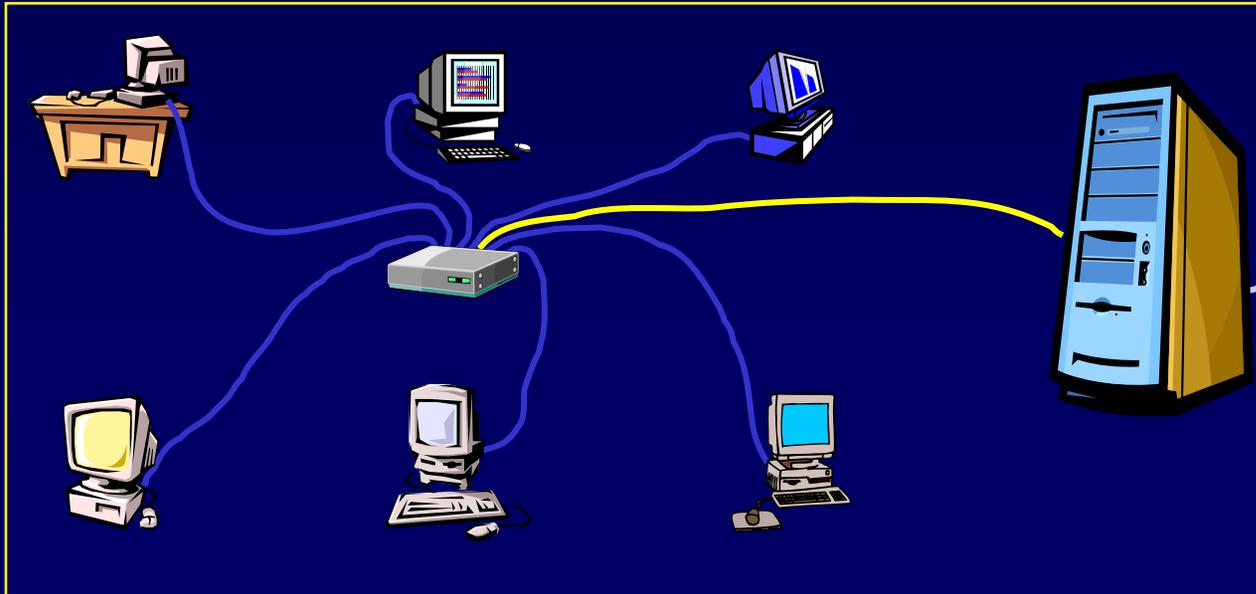
Your Company



Direct or Exchange



Your Customer or Supplier



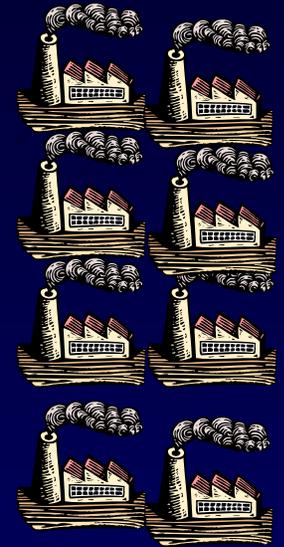
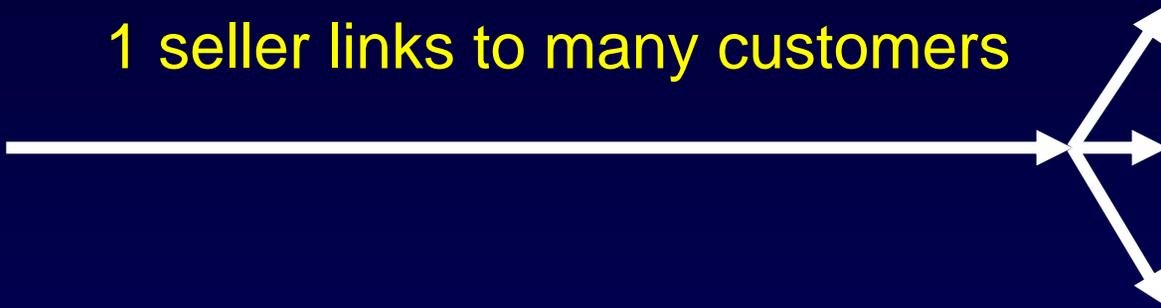
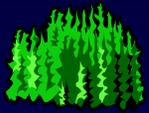
(From Michael & Punches 2000)

Direct-Go It Alone

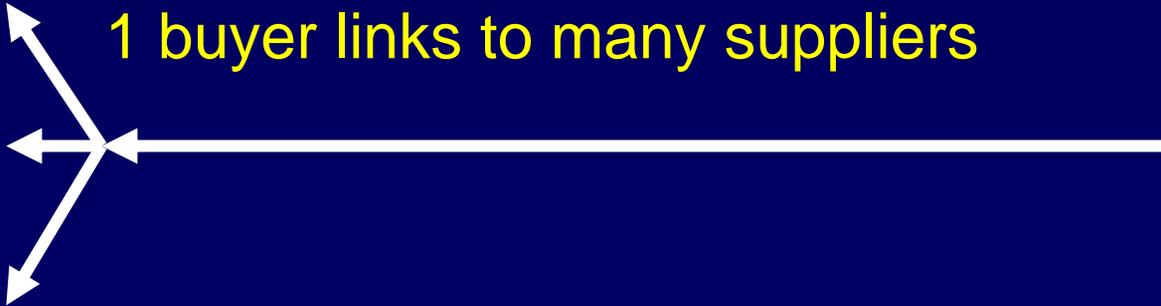
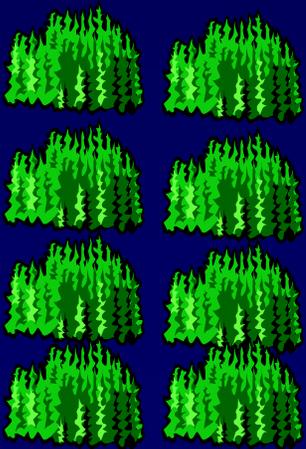
Timber

Mill

1 seller links to many customers

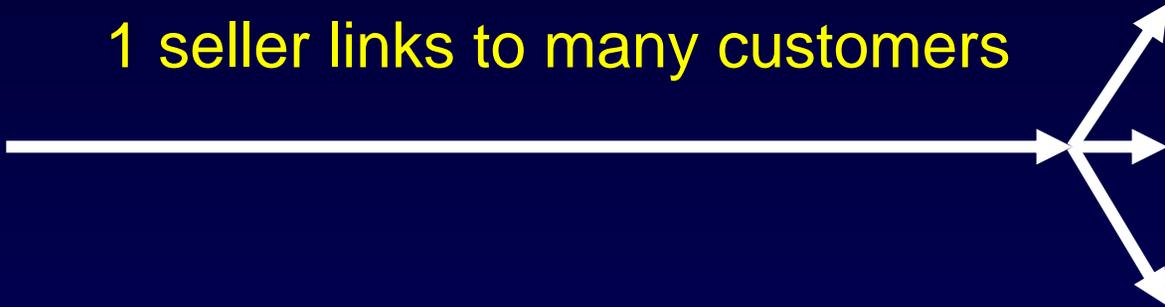


1 buyer links to many suppliers

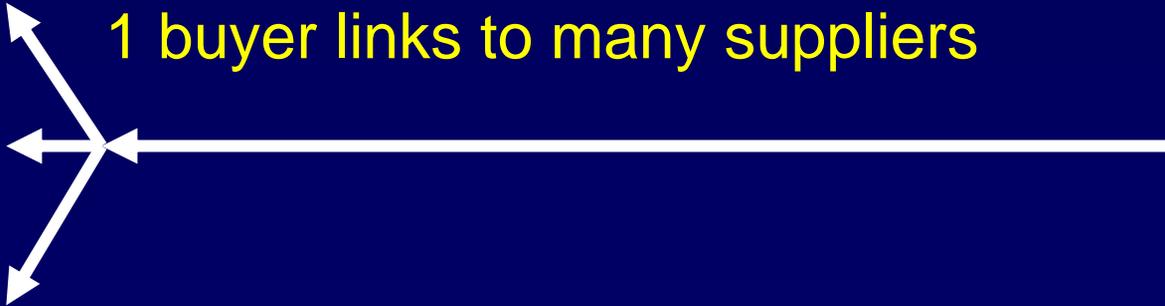
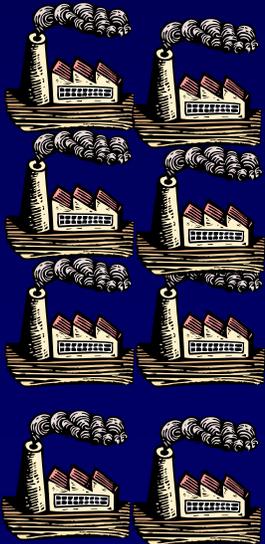


Supplier **Direct-Go It Alone** Customer

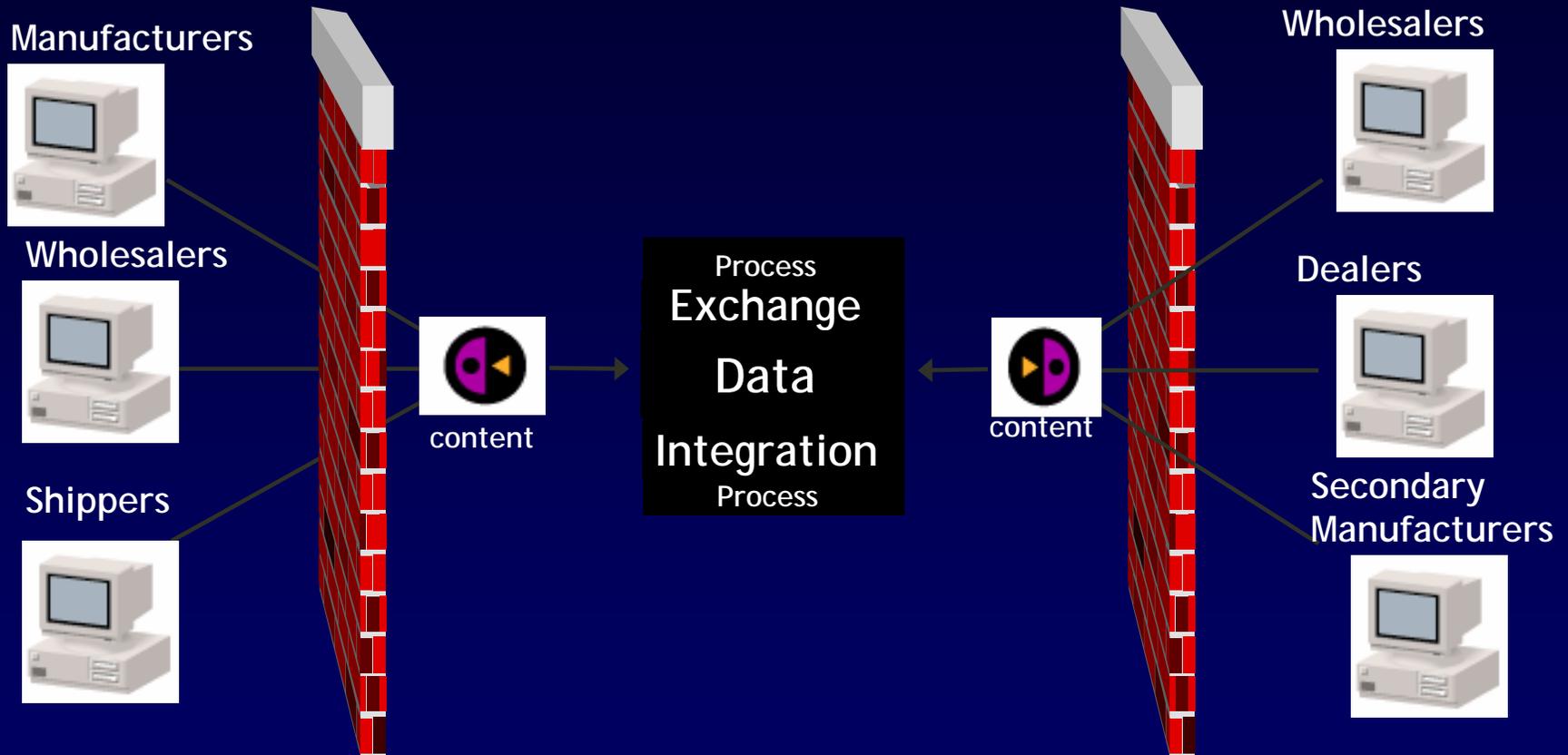
1 seller links to many customers



1 buyer links to many suppliers



Exchanges Connect Customers



1. Communicate Between Disparate Systems - Documents, Electronic File Formats and Product Attributes
2. Exchange Information Between Trading Partners
3. Collaborate Throughout Supply Chain

Exchanges Can Create Opportunities

- Third-party exchanges (TPE) create a market space or *additional* market channel where buyers and sellers can transact and facilitate business.
- TPEs can lower transaction costs, shorten cycle-time, and increase supply-chain efficiency.

Yet They Can Be Threatening

Fear they will Restructure the Value Chain

- Force Businesses “out of business”
- Realign the existing Balance of Power

Concern that they will Destroy Existing Customer Relationships

- Remove the Personal Touch
- 100% Focus on Cost Competitiveness

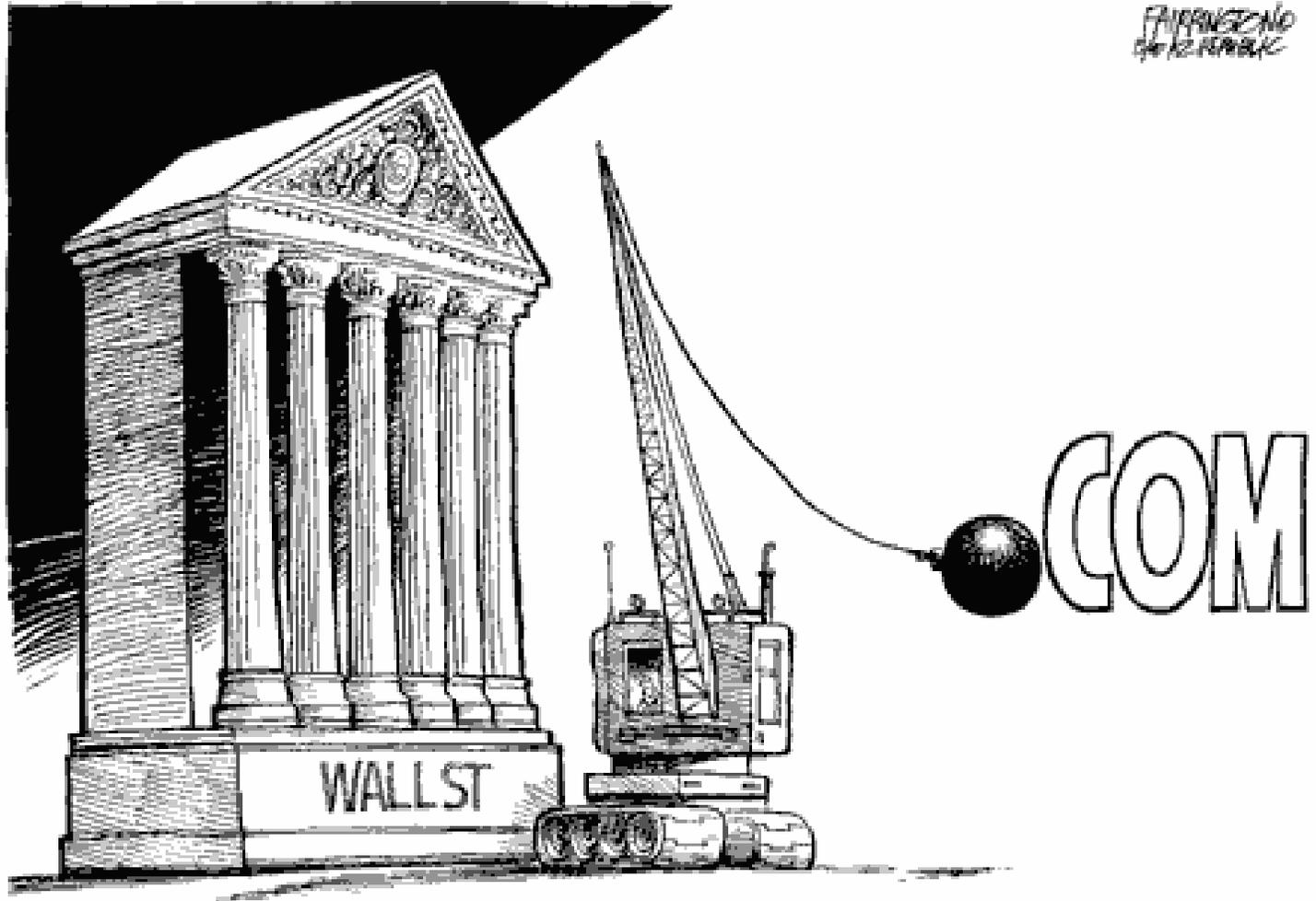
Expected to Threaten Peoples Jobs

- Machines will Replace People

Forest Industry Exchanges-1999



FANPINEZANO
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Gmail: kirk@bassobda.com

KIRK

Forest Industry Exchanges Have Crashed



Where's the Value in eBusiness?

- We shifted 70% of order status phone calls to real-time Website extranets (*electronic equipment OEM*).
- Order transaction costs (*IBM/Keen Consulting*):
 - Telephone: \$25-\$50
 - EDI: \$1.25
 - Internet: \$0.30
- Incoming error rates dropped from 6% to <1% (*IBM*).
- Manual entry results in 100% more errors than Internet (*Healthcare Products Mart*).

Where's the Value in eBusiness? Forest Sector Examples

- Faster response to customer inquiries.
- Obtain new customers through Web promotion.
- 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.
- Generate far more sales than could have been generated without the Internet.
- Faster, easier purchase of needed items from vendors.

Where's the Value in eBusiness?

Forest Sector Examples

- Inventory reduction by broadcasting available stock to customers via the Internet.
- Better inventory control because of better information on inbound product locations and ETAs.
- Increased market share in large accounts by managing customer inventories on-line.
- Track all rail and truck orders for all customers and make the information accessible on a Website.

Some Thoughts on eBusiness Strategy



**Websites:
A Primary eCommunication Tool**

Websites

- More web pages in the world than human beings
- 3 Kinds of websites:
 - Those that do not say much of anything.
 - Those that speak at you.
 - ✓ Those that **Speak To You!**

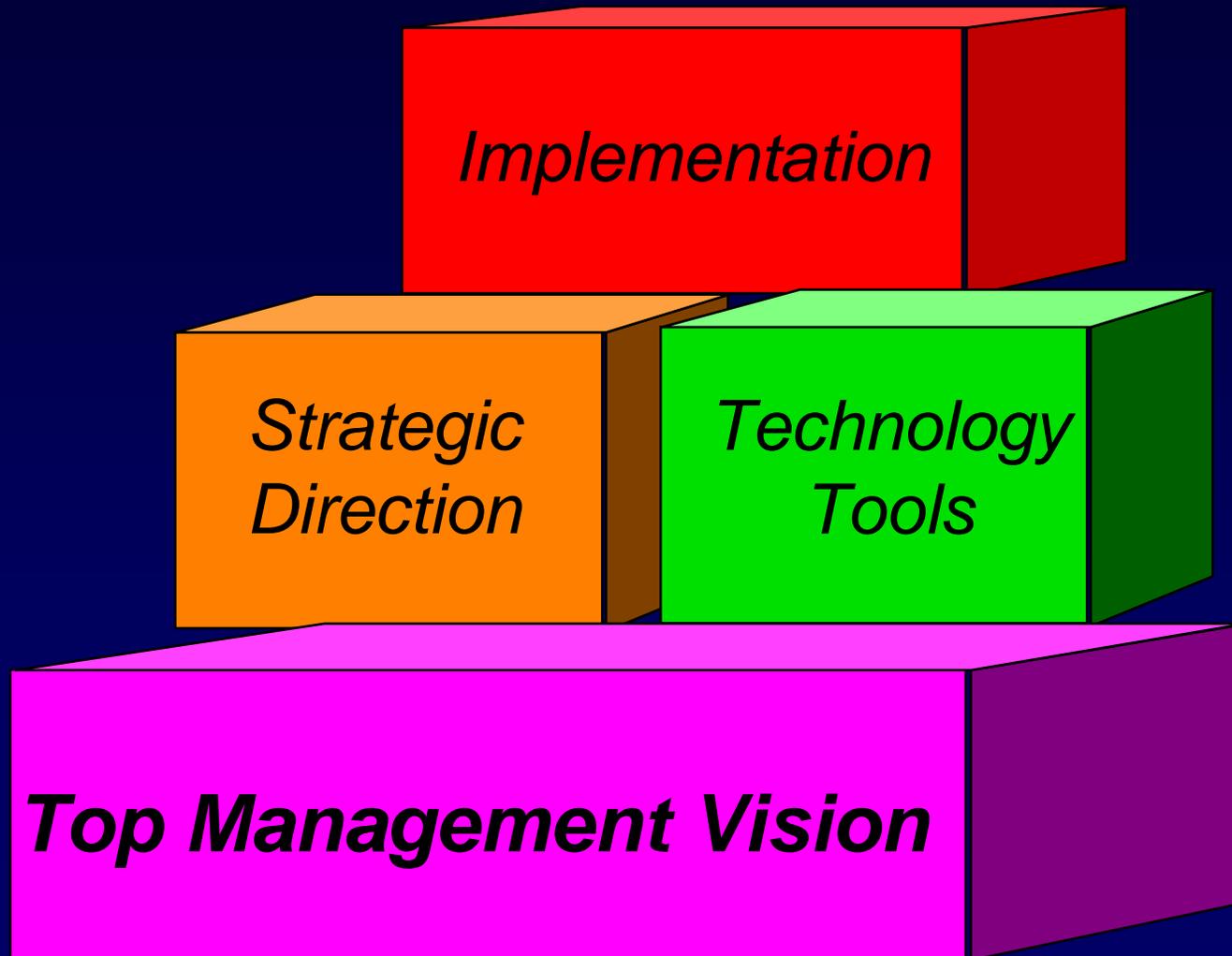
Websites

- Who is the audience? Remember the Web is “open to all”.
- What are the objectives? Is intent to inform, convince, defend, etc.?
- Does the Web site achieve these objectives?
- Are materials and website interesting?
- Is the message credible and honest?
- Is there a Web-based evaluation mechanism?

eBusiness Strategy Characteristics



eBusiness Building Blocks



It's About:

Change the way we go to market...

Open new markets with an outside in perspective...

Optimizing position in the value chain...

Link customers, markets, partners and suppliers...

Fundamentally rethinking business models...

Leverage core processes...

Getting Started

Getting Started

- Think strategically

Getting Started

- Think strategically
- Embrace fundamental changes

Getting Started

- Think strategically
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- Secure top management support

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Getting Started

- Think strategically
- Embrace fundamental changes
- Secure top management support
- Get educated
- Choose technology partners carefully
- Sell concept to suppliers and customers
- Just do it!

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?

- eBusiness/eCommerce has proven benefits to the forest sector as shown by years of research and real life applications.
- I strongly believe that the companies that really look at the opportunities that fit their company will benefit greatly.
- I remain optimistic and will continue to spread the eBusiness message.





*Where will your
company be?*



Or.....





Questions?

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