

# Wood Products Marketing And Value-Added Opportunities In Latin America: A Focus on Brazil

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# The Situation

The global wood products industry:

- Primary products (lumber, plywood, etc.)
- Secondary (value-added) products (furniture, cabinets, millwork, etc).

Value can also be added through:

- Services
- Technology
  - \* Production
  - \* Communication
  - \* Logistics
  - \* Business applications

# The Situation

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**As global populations continue to grow, the demand for wood products will increase.**

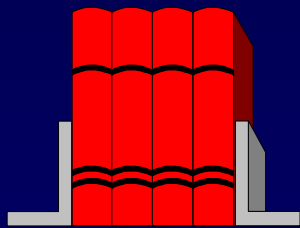
**Many countries are attempting to transition from primary production to value-added production.**

- Retain resource value**
- Employment**
- Economic development**
- Create options**

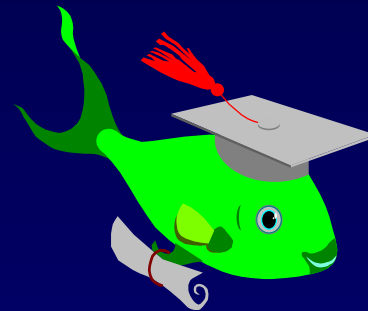
**Requires a Marketing Philosophy!**

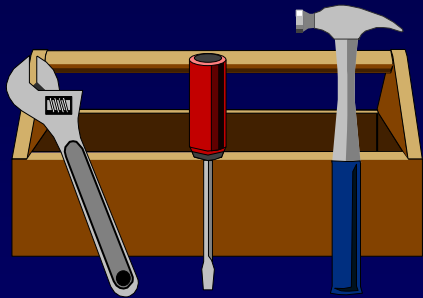


# **Some Thoughts on Marketing**



**Theory**





**Reality**





# What is Marketing?

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- Process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.
- More simply: Marketing is the delivery of customer satisfaction *at a profit.*



**Marketing ≠ Sales**

# Marketing Oriented

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**The key to profits lies in creating, marketing and selling products that satisfy customer needs.**

# Customer Oriented

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**Make all internal and external  
business decisions  
with the customer in mind  
and from his/her point of view.**

# Production and Marketing Concepts Contrasted

**Starting point**

**Focus**

**Means**

**Ends**

**Factory**

**Existing products**

**Selling and promotion**

**Profits through sales volume**

**The Production Concept**

**Target market**

**Customer needs**

**Integrated marketing**

**Profits through customer satisfaction**

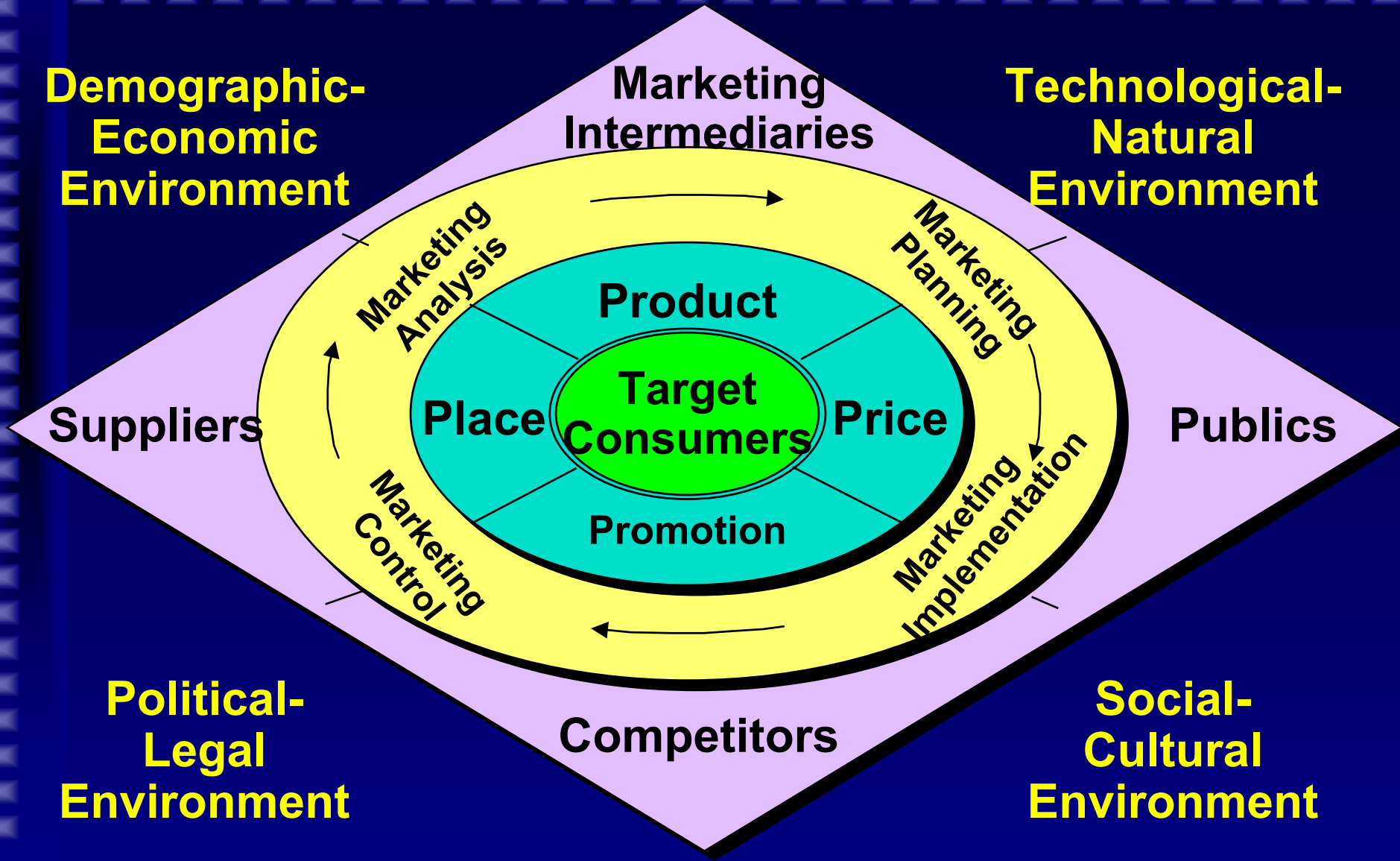
**The Marketing Concept**

# Marketing and Production

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- **Symbiotic relationship**
- **Requires communication, coordination and cooperation**
- **Joint decision making**
- **Common goals**

# The Marketing Environment



# Why is Marketing Important?

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- **Cyclical nature of economies**
- **Rapidly emerging production technologies**
- **Aggressive foreign and domestic competitiveness**



# Why is Marketing Important?

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- **Changing customer behavior and expectations**
- **Competing products and substitutes**
- **Unpredictable legislative and political factors**

# Marketing Segmentation

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- Segmenting markets helps meet or beat competition by uncovering the segments with the greatest market potential.
- Segmentation helps to identify additional markets for existing products.

# Emerging Marketing Challenges in Forest Products



# International Marketing Spans Differences in:

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graph TD; A[International Marketing Spans Differences in:] --> B[Language]; A --> C[Economies]; A --> D[Politics/Law]; B --- E[Cultures]; C --- F[Technology Infrastructure]; D --- G[Markets];
```

**Language**

**Economies**

**Politics/  
Law**

**Cultures**

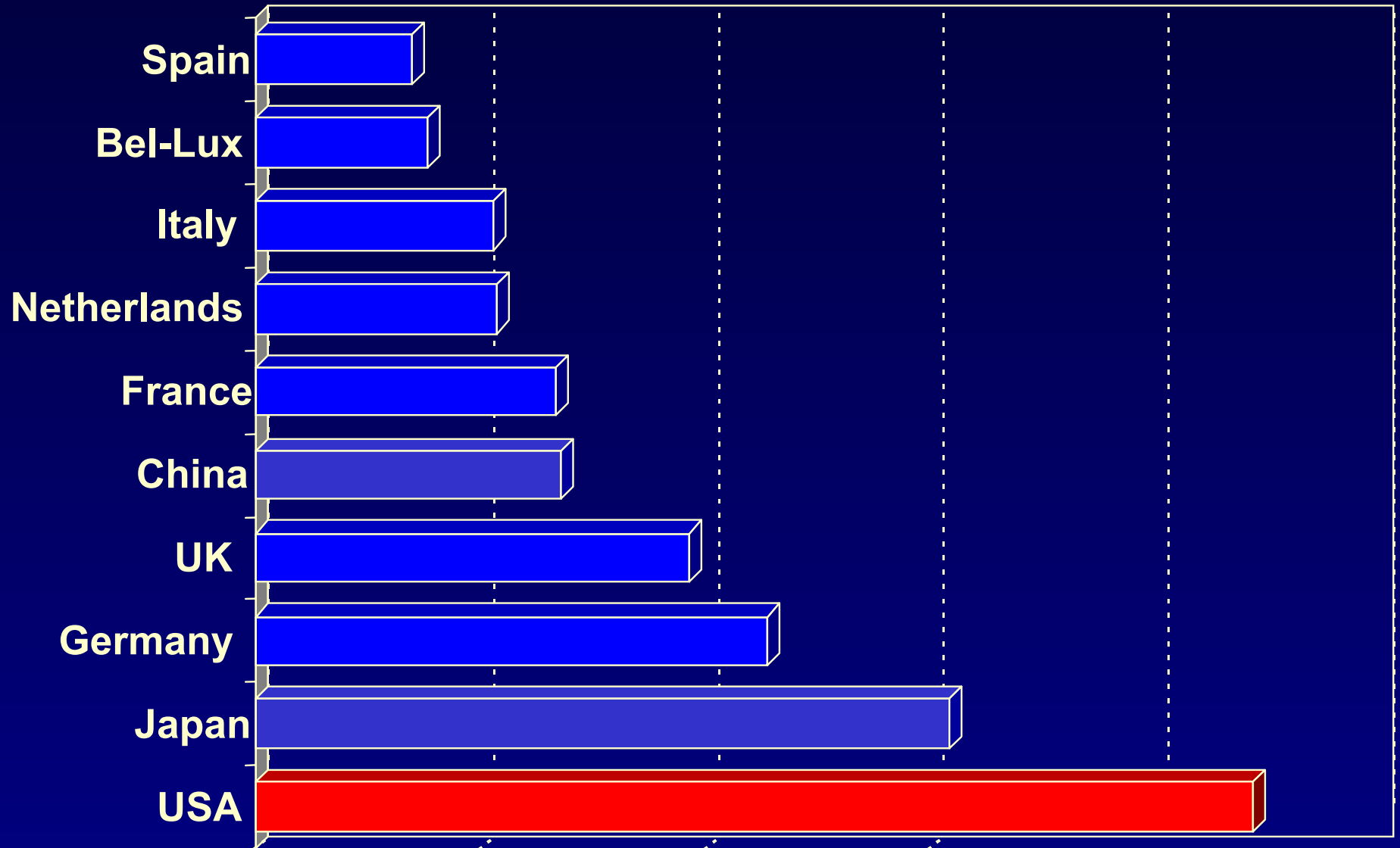
**Technology  
Infrastructure**

**Markets**

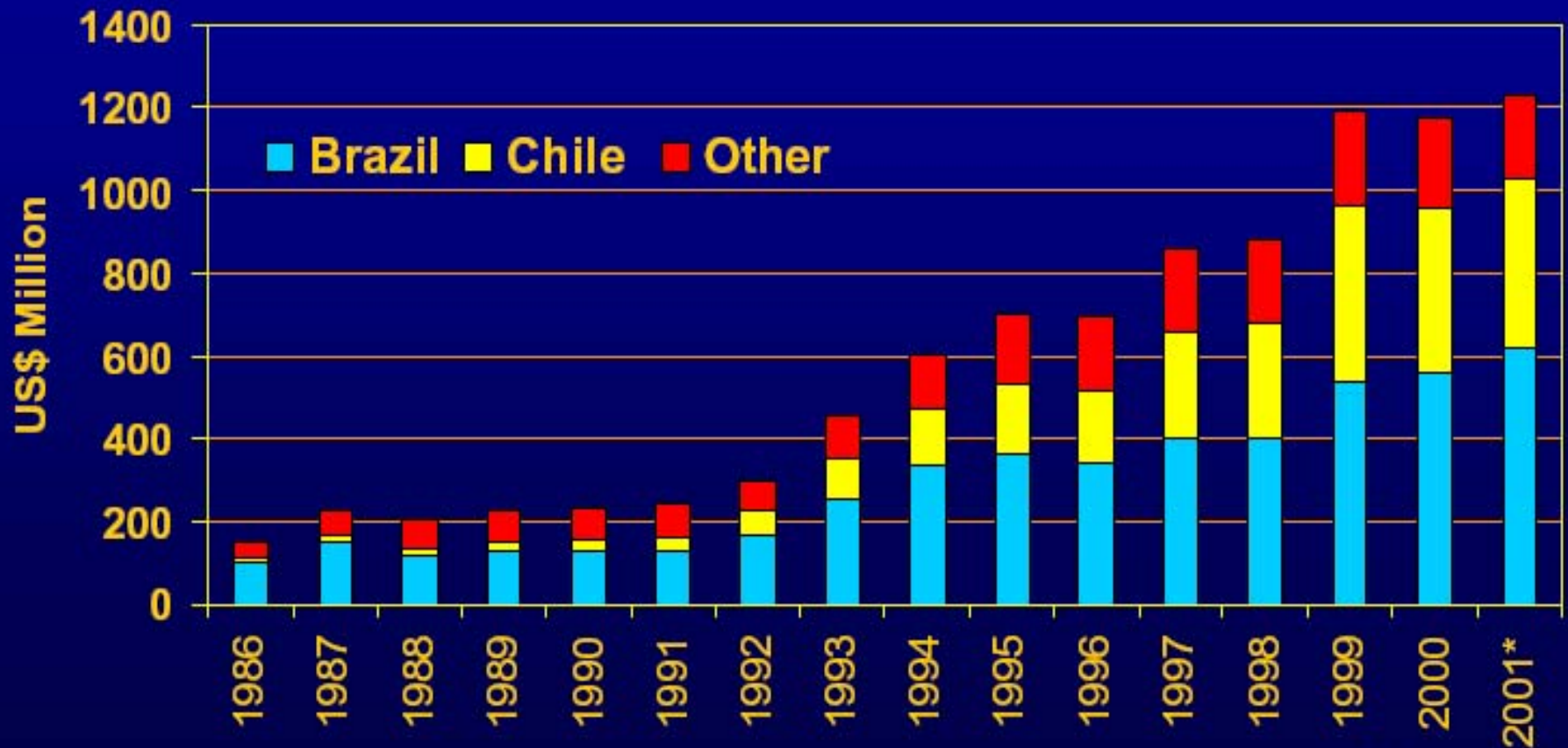


# **Demand: Overall Climate**

# The World's Top 10 Forest Products Importers



# US Imports of Solidwood Products from Latin America

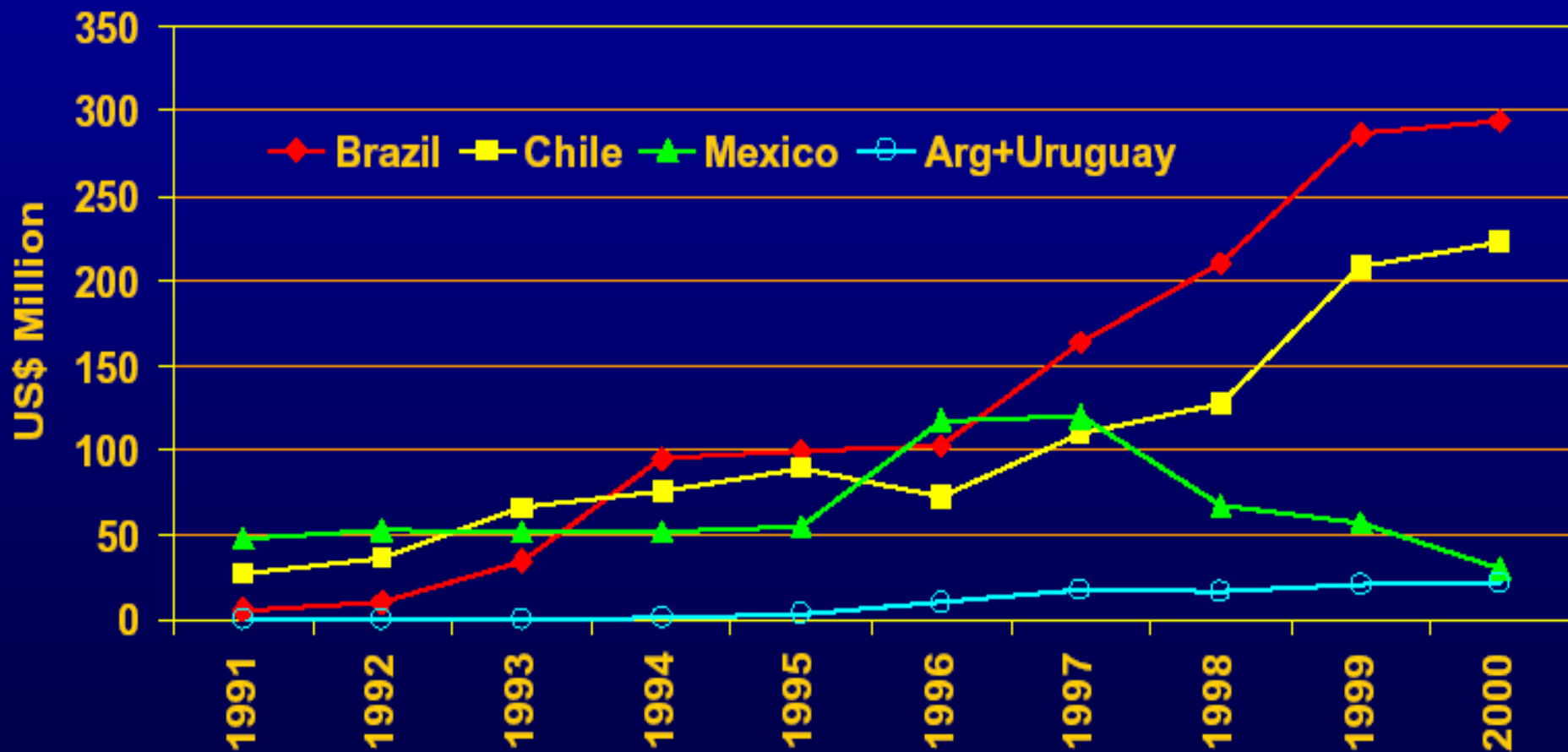


Excludes Mexico



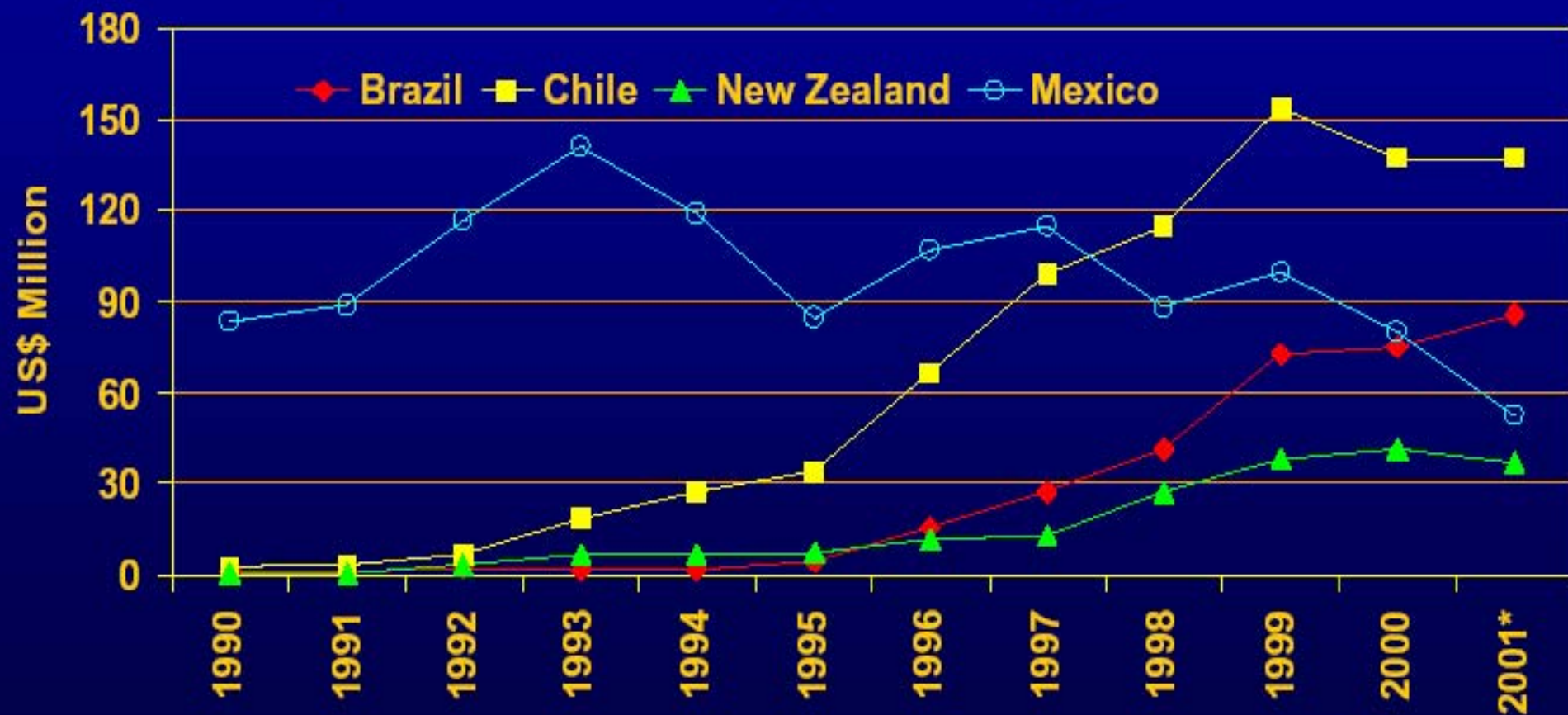
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# US Imports of Softwood Lumber, from Mexico and South America

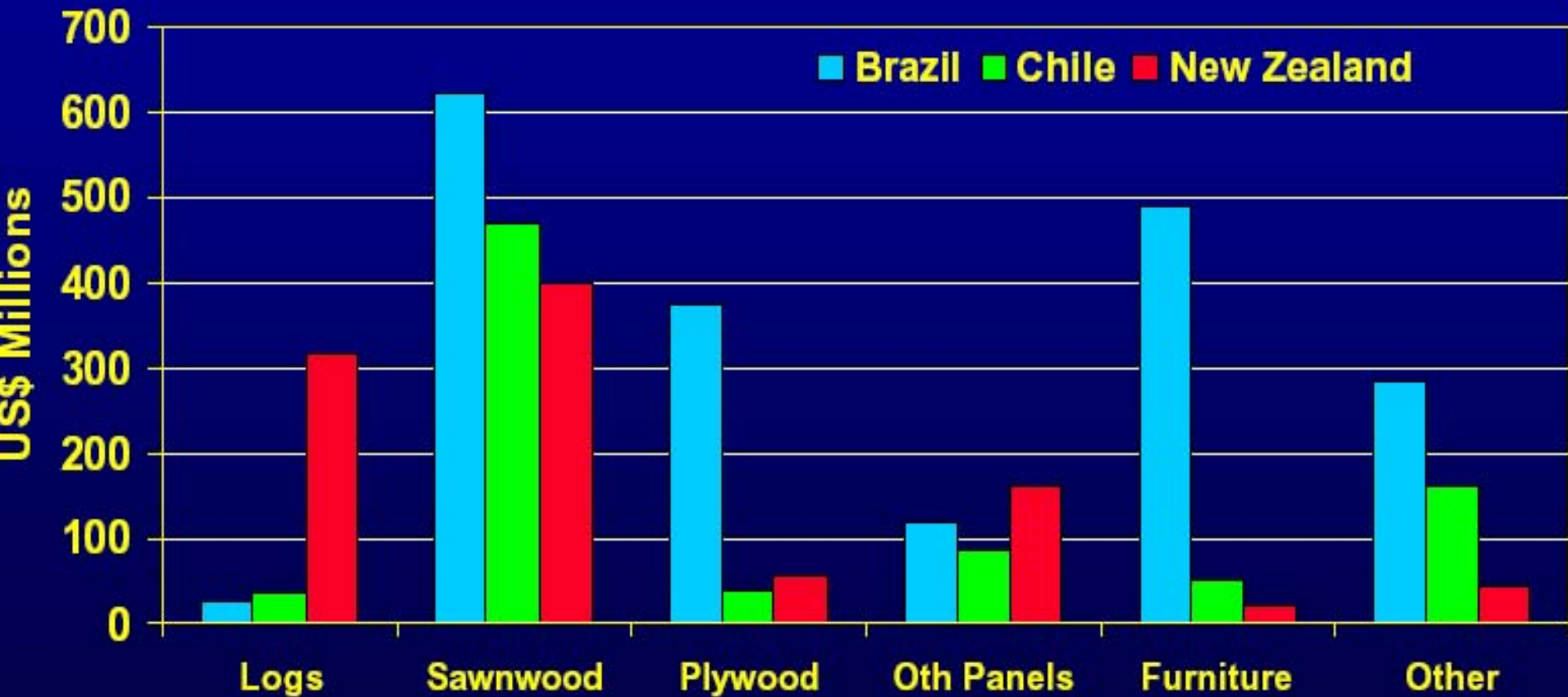




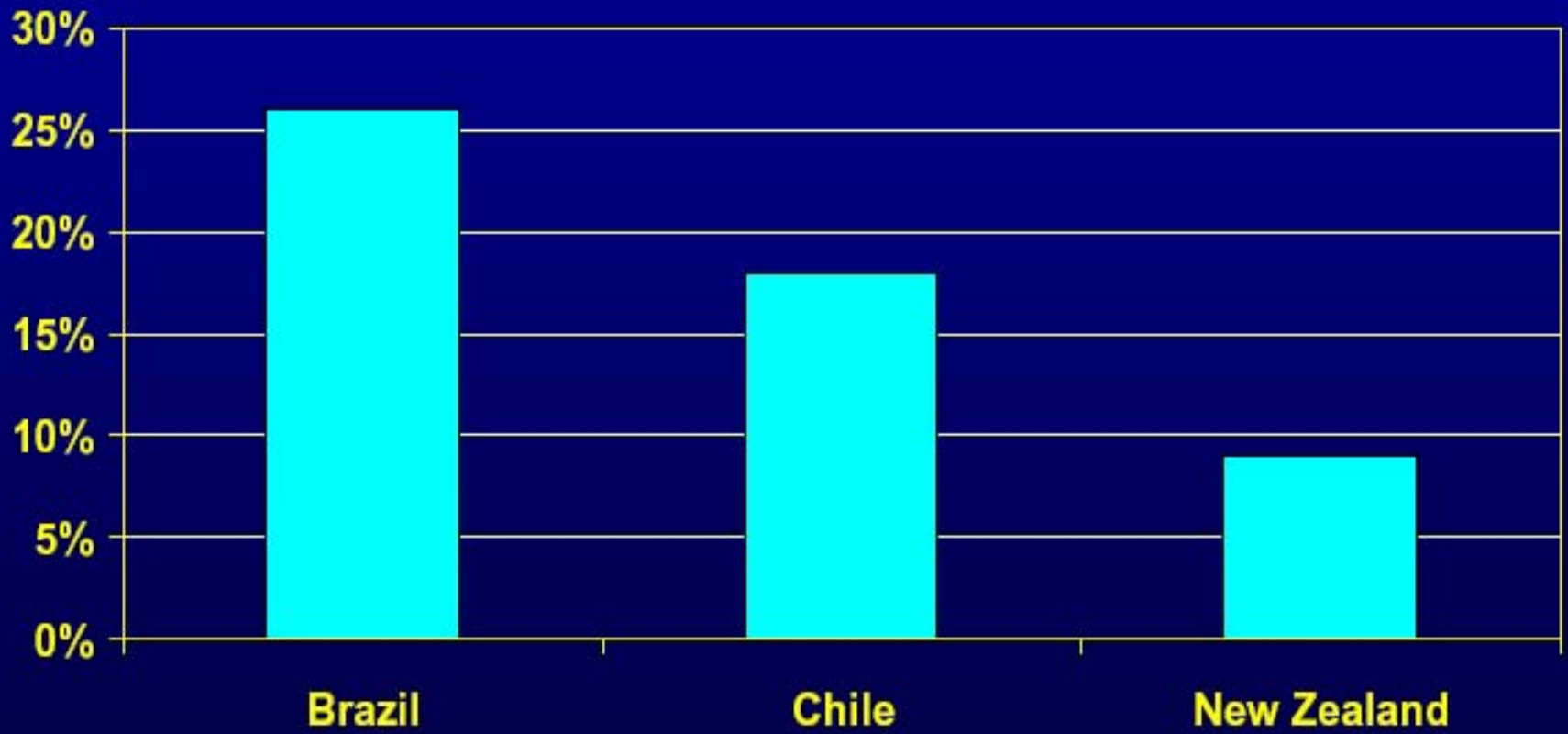
# US Imports of Softwood Moulding, by Value, Major Suppliers



# Value of Wood Product Exports by Product Type, 2000



# Percent of Total Wood Products Exports Going to the US Market, 2000



# Overall Demand Climate

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- **Markets for tropical wood products are predominantly `traditional' markets' (lumber, joinery, furniture).**
- **Main markets are Western Europe and North America.**

# Overall Demand Climate

- With regard to the supply chain, traditional tropical importers and traders primarily deal with exporters.
- There is a trend to shorten the supply chains and eCommerce is likely to facilitate this.
- The Internet and bar-coding technologies can improve effective supply chain management.



# Competitive Issues

# Competitive Issues-Latin America

- In terms of how primary tropical timber products compete against alternative materials, in general, the `natural' or technical properties are perceived to be their strongest attributes.
- Product specifications and issues of supply are seen to be weaknesses of tropical wood products.
- A steady reliable supply of quality tropical timber products can help to overcome these perceived weaknesses.

# Competitive Issues-Latin America

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- A perceived low level of technological sophistication in the solid wood sector.
- Unregulated forests with unsuitable raw material.
- Underdeveloped marketing efforts for new forest products and species.



# Competitive Issues-Latin America

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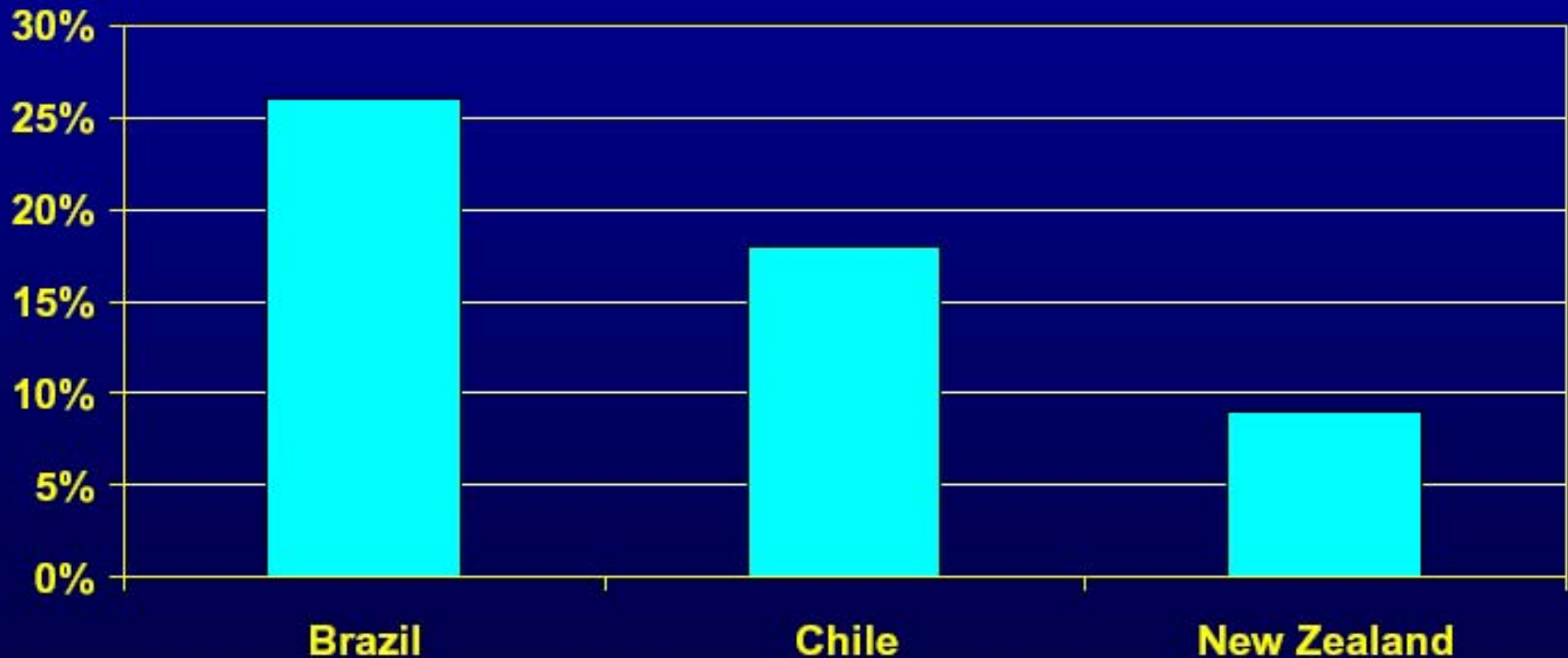
- A historic lack of investment and confidence from the local sector, including solid wood industries.
- Lack of industry incentives and subsidies.
- Poor or unenforced forest and environmental policies.
- Lack of inclusion of forest sector in economic plans.

# Competitive Issues-Latin America

- A shortage of timber in many Asian countries has created a market for species from Latin America.
- Asian companies are now moving into Latin America and harvesting tropical timber, selling locally and exporting.
- Annual sales to the United States, for example, amounted to \$500 million in 2000.

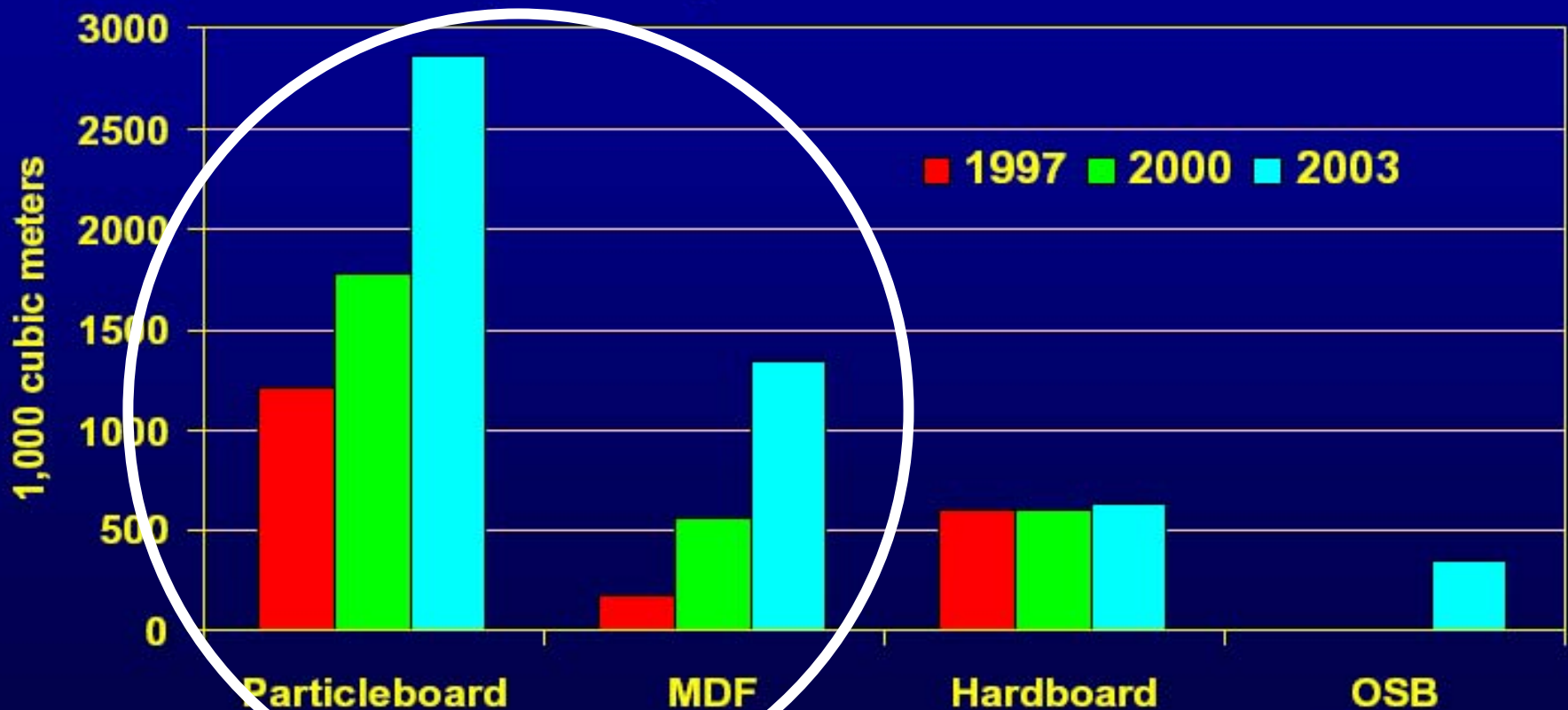
# Competitive Issues-Brazil

## Percent of Total Wood Products Exports Going to the US Market, 2000



# Competitive Issues-Brazil

## Brazil's Composite Wood Panel Capacity, 1997 - 2003





# Market Opportunities

# Brazil Market Opportunities



# Market Opportunities

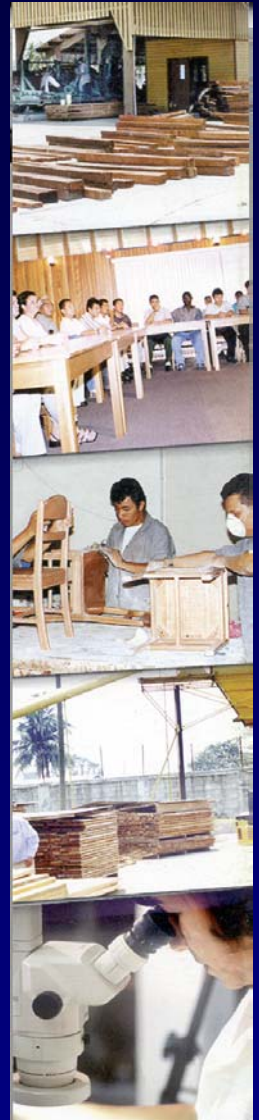
## -From Plantations to Value-Added-

- Increased use in plantation pine and eucalyptus edge-glued panels for use in the furniture sector-exports to Europe and US.
- Pine substitute for Ponderosa pine; moulding?
- The opportunities for eucalyptus are still in the early development, but it is a beautiful wood if it can be dried properly.
- High quality hardwood plywood.



# Market Opportunities -Lesser Known Species-

- Opportunities lie in product development and by adding value through the manufacture of secondary processed products.
- Needs to be marketed and promoted effectively.
- Environmentally appealing.
- Promotes sustainability.





# Market Opportunities

## -Certification-

- FSC certified products (95 companies have obtained chain of custody certification until January 2002).
- Products vary: charcoal for barbecue, pencils, cellulose, furniture, household objects, timber products for building and other industrial uses, musical instruments, fiber hammocks, etc.....
- Certified tropical timber was less than 1% of the US market in 2000, but is estimated to be increasing at 25% per year.
- Marketing and market research are the keys to success.



# Market Opportunities

## -MDF-

- The first MDF plant started up four years ago and now there are 3 or 4, so furniture based on MDF production is another huge opportunity.
- MDF is without doubt the substrate of choice for exotic wood veneer layup. Pressing veneer on MDF will give the most defect-free, flat and smooth surface.
- There is no quality sacrificed because the quality of the finished product is superior.



# Developing a Marketing Strategy



# Recommendations

- Limited data on end-uses and niche market demand are available. *Market research* should, therefore, be undertaken by wood product suppliers, associations and governments.
- High value *niche markets* are high success markets for high quality hardwood (and certified) tropical timbers.
- Highly targeted *promotional campaigns* aimed at developing market share in niche sectors.

# Recommendations

- Develop core *competencies* and defend them!!
- Develop *relationships* with the sustainable forestry community sector.
- Develop a targeted promotional campaign for the country's *certified forest product offering* geared to U.S. and Europe.
- Domestic/Regional *market development*.

# Recommendations

- *Education campaigns*, highlighting the benefits of tropical species, which target architects and builders' merchants (and any others involved in *recommending/specifying materials*) should be launched.
- Tropical timber must be considered to be synonymous with *quality*. Accordingly, manufacturing must adhere to strict quality control measures.

# Summary

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- **Brazil faces similar economic opportunities and challenges as other Latin American countries with respect to supply/demand for wood products.**
- **Brazil can take advantage of increased demand for tropical value-added products in a variety of ways, including utilizing plantations, adding value, and marketing certification.**



**Questions?**

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