



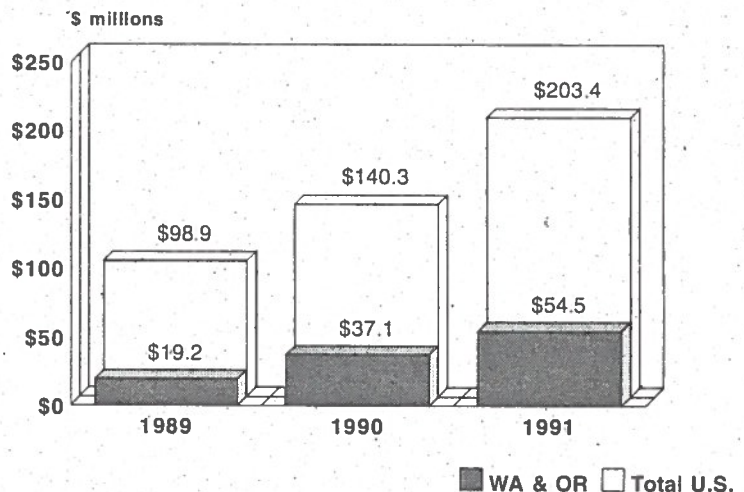
The U.S. Moulding and Millwork Industry: Factors Affecting Export Success

The forest products industry in the Pacific Northwest consists of many small and medium-sized firms that have traditionally followed a strategy emphasizing the production of low-cost and high-volume commodity products. However, the combination of raw material shortages and sagging demand within traditional markets has led companies to re-evaluate this strategic orientation. Some managers are now considering a strategy emphasizing the production of value-added products for both domestic and foreign markets. Despite this strategic shift, many firms think that they lack the managerial and financial resources necessary for developing and implementing a competitive strategy for entering and competing successfully in export markets.

Pacific Northwest Exports of Millwork Outpace the Nation

Moulding and millwork exports from the U.S. represent a value-added success story for the forest products industry. Exports of moulding and millwork products, primarily produced from softwood species, have increased dramatically in recent years. Between 1989 and 1991, U.S. exports of mouldings, wooden doors, and wooden windows have more than doubled, increasing from \$99 million to \$203 million. Over the same period, exports from Washington and Oregon have tripled in value from \$19.2 million to \$54.5 million. Even more impressive is the fact that the share of U.S. millwork exports from Washington and Oregon has increased from 19.4% to 26.8% in just three years. While the total value of wooden windows and hardwood moulding exports has remained stagnant, wooden doors and softwood moulding exports have increased substantially. From 1989 to 1991, exports of softwood moulding and wooden doors increased nationally by 251% and 147%, respectively, while Pacific Northwest exports of these products have increased by 272% and 213%. The primary markets for all of these products are Canada and Japan, although

U.S. Exports of Mouldings, Doors, and Windows



Source: U.S. Department of Commerce, 1992

Mexico is rapidly becoming an important market.

These statistics clearly indicate that the U.S. moulding and millwork industry is beginning to develop export markets for its products. Despite this success, a recent survey of the U.S. mould-

ing and millwork industry conducted by CINTRAFOR suggests that less than 10% of U.S. moulding and millwork firms are engaged in export activities. A study of the secondary wood processing industry in Washington State produced similar results.



Factors Influencing the Export Decision

Preliminary results of the national millwork survey show that most firms that are engaged in export activities have not developed export strategies. Rather, in most cases these firms have become involved in exporting in response to customer inquiries. In other words, most firms had become involved in export markets in a reactive manner rather than as part of a proactive strategy. Fully three-quarters of the exporting companies responding to the national survey indicated that they decided to export products in response to unsolicited orders received from foreign customers or export brokers.

The preliminary results of the survey indicate that five factors are thought by many managers to be keeping them from exporting:

- ▲ their company has decided to focus its attention exclusively on regional markets,
- ▲ their firm is too small to successfully engage in exporting,
- ▲ they have no way to identify and contact potential foreign customers,
- ▲ they lack the time to develop export markets, and
- ▲ their firms lack the necessary resources (both managerial and financial) to compete successfully in foreign markets.

Export Orders Can Lead to Profitable Business Relationships

A low percentage of U.S. millwork firms have developed foreign markets for millwork products. All too often, export orders are considered to be less profitable than domestic orders. As a result, export orders are frequently regarded as short-term supplements to domestic sales during periods of decreased domestic demand. Not unsurprisingly, many forest products managers have adopted a strategy of accepting export orders only when domestic demand is weak. By moving into and out of export markets in response to domestic economic activity, these producers are signaling their reluctance to commit to a stable export strategy.

Other producers recognize that export markets represent profitable outlets for value-added products because foreign importers are looking to develop long-term, stable trading relationships with U.S. companies. By taking advantage of such a relationship, millwork managers can diversify their customer base. Servicing export orders may require more effort, but this extra effort is usually offset by the fact that export orders can often provide a firm with the opportunity to earn higher profit margins.

For more information, contact
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