CINTRAFOR

FACT SHEET

Alaska Birch Craft and Gift Survey: Marketing Practices and Firm Demographics

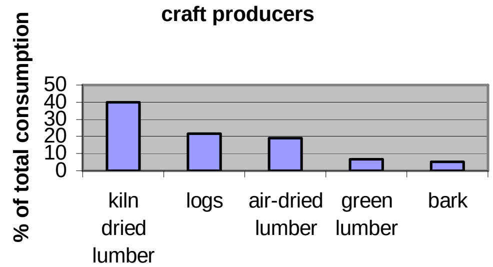
Alaska's domestic market for solid wood products, including lumber and timber, has been estimated to be between 90 and 100 million board ft. per year (McDowell Group, 1998). Although the birch gift and craft sector makes up only a small part of this total, it has the potential to create relatively high value products while utilizing waste materials from primary processors. A wide range of products are produced by more than 100 craftspeople in Alaska, including turned bowls, cutting boards, utensils, decorative items, and bark products. By studying the current marketing practices of craft firms this research sought to provide insights into future directions that could best benefit this sector of Alaska's wood products industry.

A mail survey was sent to birch craft producers in Alaska and data was collected from February to May 2002. Follow-up interviews were conducted with several of the larger or well established firms. The criteria for these interviews were: 1) in business for "several" years, 2) employ three or more employees, or 3) utilize more than 1,000 board feet of birch annually. Site visits to approximately eight firms in Fairbanks and Anchorage areas were conducted during July 2002.

A total of 69 firms responded to the survey from a total mailing of 109. Of the 69 surveys received, 27 of the firms indicated that they did not produce solid wood birch craft items, and so they were not evaluated. Therefore forty 42 usable surveys were obtained resulting in an effective response rate of 37.6 percent.

Responding firms had been in business from between 1 and 30 years, with a mean of 11 years in business. The number of full time equivalent (FTE) employees ranged from 1 to 15, yet the median was 1 employee and the mean was 6.28 employees. Twenty firm, or 48.8% of the survey group were operated solely by the proprietor. An additional eleven firms employed one person, and only two firms employed 12 or more FTE employees. Firms manufactured a wide range of products, including turned bowls, vases, boxes, cutting boards, kitchen utensils, toys, games, and ornaments.

Figure 1. Raw material type of Alaska birch craft producers



Firms utilized numerous types of raw materials, including kiln-dried lumber (40.1% of supply), followed by logs (21.8%), air-dried lumber (18.9%), green lumber (6.8%), bark (5.1%). Twenty eight firms (68% of respondents) obtained their birch from only one source. Twelve firms (29% of survey) obtained their raw material from two sources, and one firm obtained raw material from three sources. Firms have been using increasing amounts of birch over the past 3 years. The mean volume of birch used by respondents in 1999, 2000, and 2001, was 3,355 board feet, 4,000 board feet, and 4,778 board feet, respectively. Most of their supply (39.2% on average) was obtained from sawmills, and by harvesting it themselves (22.8%). However, supply issues are prominent. Firms reported inconsistent quality and quantity birch logs, either from their own harvests or from outside suppliers. Others reported that small-scale timber sales were not available, limiting their ability to obtain raw material in the amounts needed. Still others indicated that they could not compete with larger companies for limited supplies of birch logs.

Respondents were asked about recent trends in company sales as well as marketing methods and effectiveness. Of the 32 firms who responded to the question, 10 firms reported that their sales had stayed the same from the end of 1999 through 2001 five firms indicated that sales had declined, and 19 firms reported increased sales. Firms who reported increasing sales also indicated that from 1999 through 2001 total sales increased by an average of 56.7%.

Among firms that reported sales had declined, the average decline was 5.3%. Production capacity utilized by firm, however, varied widely, ranging from 13% to 100%, with an average of 69%.

Birch craft producers strongly believed that their customers are more willing to buy products made in Alaska as opposed to foreign made goods. On a scale of 1 to 7 with one being Strongly Disagree and 7 being Strongly Agree, firms rated customers' willingness to buy Alaska made products versus foreign products as 5.9. Twenty firms rated this willingness at 7 (the highest score possible).

Firms were also asked about their views on customer willingness to pay a premium for Alaska made craft products (also on a scale of 1 to 7). On average, firms rated customer willingness to pay a premium at 5.5. Thirty-nine percent of firms rated this willingness at 7, or "Strongly Agree".

Most birch craft and gift products produced in Alaska are also sold in Alaska. An average of 55% of sales were within the same town as the craft producer, 38% in other areas of Alaska, 5.9% in the Continental U.S., and .77% outside of the U.S. Ten firms reported sales outside of Alaska, 60% of which reported that between 5-1% of their sales were made to the Continental U.S.

Firms reported an average of 69.3% of their sales were through two channels: 1) gift stores within Alaska, and 2) gift and craft trade shows. An additional 17.1% of sales were made through self-owned outlets in Alaska. Although as a group, firms reported making 33% of their sales at gift or trade shows, making it the second most effective sales channel, those who did participate in trade shows attended relatively few each year (an average of four per year). Fourteen firms (34.1% of responses) did not participate in any trade shows; 12 firms (29.1% of responses) attended between 1 and 3 shows per year and five firms reported attending on average 4-6 shows annually. Other sales channels such as catalogs, Internet, and sales representatives, were relatively insignificant.

CONCLUSIONS

The birch craft industry has a strong presence in Alaska, as indicated by the total number of firms in business (more than 100), the average time in business (more than 13 years), and the recent increases in sales (56% average increase during a recent 3 year period). Positive trends in Alaska related to tourism, lumber drying, and secondary wood processing all bode well for the future success of the gift and craft industry. Several key issues could become increasingly important to producers.

Consistent quantity and quality of birch sawlogs is a key factor currently limiting production, and could greatly influence future opportunities for the craft industry. The possibility of small scale timber sales from Alaska's state forests could facilitate dependable log supplies to birch sawmills.

Lumber quality is particularly important since kiln-dried lumber was listed as the most important raw material type for birch craft producers. The number of dry kilns in Alaska is expected to more than double over the next few years, offering the opportunity for craft producers to focus more on production and marketing, rather than drying.

The influx of low-priced craft items from foreign producers that emulate Alaska birch items has the potential to reduce sales and market share. Efforts by Alaska producers to differentiate their products from foreign products, through the Made-in-Alaska seal or other efforts, could become increasingly important.

Selling birch crafts through large retail centers and other major distribution channels (such as television advertising), could greatly increase sales from Alaska producers. However, caution needed in managing and planning for growth so that other areas of the company are not impacted. Large, single orders could potentially disrupt a firms' long term business planning, while providing only short-term benefits.

1). McDowell Group. 1998. The Alaska Market for Value-Added Lumber Products. Final Report, prepared for The Forest Products Manufacturing Project.