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Results of a 1990 Survey of US Millwork Industry Characteristics and Attitudes

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Executive Summary

A national survey of US millwork producers was conducted during late 1991. Exactly 500 respondents, an 18.2% response rate, provided data on 1990 characteristics of their establishments. The survey differs from the US Department of Commerce Census of Manufacturers by including all producers of millwork, not just those for which millwork is the principal activity.

Establishments are relatively small.

- 19.9% had 1990 sales of less than $250,000, 51.0% had sales less than $1 million, and only 6.6% had sales exceeding $15 million.
- 60.5% had less than 20 employees, only 7.9% had 100 or more employees.

The typical respondent

❖ Total sales	$4.5 million	millwork plus non-millwork products
	$3.7 million	millwork only (82.2% of total)
❖ Ownership	Private corporations (68.7%) and sole proprietorships (24.3%) predominate. Private corporations accounted for at least 70% of respondents in each size class except the smallest (< $250,000), which were 62.6% sole proprietorships.	
❖ Employment	36.2	total, of which 76.5% were direct labor;
	3.3	direct employees per administrative employee
❖ Utilization of capacity	68.8%	
❖ Replacement cost	$1.5 million;	
	$41,000 per employee;	
	$2.99 sales per dollar of replacement cost	
❖ Costs	36.7% wood raw materials; 11.1% other materials; 31.7% labor; 17.1% administrative overhead; 4.3% research & development	
❖ Market geography	92.2%	participate in local markets
	64.6%	participate in regional markets
	25.8%	participate in national markets
	10.8%	participate in international markets

Projections from responses to estimates of national totals for all millwork producers

	Survey (1990)	US Dept of Commerce (1990)
❖ Number of establishments	3324-3683	2829
❖ Total sales		
All products	$12.3 billion	$9.5 billion
Millwork only	$ 9.9 billion	$9.4 billion
❖ Employment	103,000	90,500

Product mix

- ❖ 55.8% of respondents were involved in manufacturing a non-millwork product, either as the principal or as a secondary product. Cabinets were the most common non-millwork product.
- ❖ 17.5% of respondents who produce millwork indicated that a non-millwork product was the main or principal business.
- ❖ Non-millwork products represent about 17.8% of total sales of all respondents.
- ❖ Of the millwork products,
  - Moldings: Moldings were dominant in terms of frequency of being listed as a product (Table 26), frequency of being listed as the principal product line of a respondent (Table 25), and as a percent of total sales (Table 33). This contrasts with the US Department of Commerce Census, which lists moldings as only 11.8% of millwork industry sales. Part of this difference may be that many molding producers reached by the survey may be classified as sawmills and planing mills by the Census.
  - Doors: Doors ranked second in product frequency, principal product line, and share of sales.
  - Windows and Stairs: Windows and stairs were essentially tied for third place in share of sales, but stairs were much less frequently listed as the principal product line.

Product attributes

- ❖ 97.1% of respondents produce custom products, 84.6% produce specialty products, and 41.6% produce commodity products.
- ❖ Large establishments are more likely to produce commodity products.
- ❖ When asked to rank the importance of 25 factors that could influence product success, the 11 factors rated very to extremely important. Several of these can be summarized as the ability and willingness to work with the customer and produce and deliver what is needed when it is needed. Other important factors involve various aspects of product quality (accurate dimensions, attractiveness, etc.). All of these combine to affect the company reputation, which received the top ranking. Factors such as gathering market information, advertising, brand name, etc., were in the bottom half of the 25 factors.

Investment

- ❖ Product development is typically done on an occasional basis (45% of respondents); 32% have continuous product development (most commonly among larger establishments); and 23% do not engage in product development.
- ❖ Compared to 1990 levels of spending, 26% plant to increase spending on plant capacity during the next five years, 30% plan to increase spending on used equipment, and 36% plan to increase spending on new equipment.

Exports

- ❖ 10.8% of respondents exported in 1990; exports averaged 5.2% of total sales of these exporters.
- ❖ In terms of total sales of all respondents, exports were 1.2%.
- ❖ Extrapolation suggests 1990 total millwork exports were about $120 million. This is in reasonable agreement with US Department of Commerce trade statistics, which indicate $143 million exports of millwork products in 1990.
- ❖ Moldings and doors are the most commonly exported products. This agrees with US Department of Commerce trade statistics: 51.3% of 1990 export sales were moldings and 19.5% were doors.
- ❖ Larger establishments are much more involved in exporting.

- ❖ Both exporters and non-exporters were asked to rank a list of factors that affect export success. Those who do not export cite their domestic marketing focus, small size, and inability to contact foreign customers as leading factors for not exporting. In contrast, the exporters rated competition in foreign markets, financing terms, and inability to contact foreign customers as the top factors affecting success.
- ❖ When respondents were asked how export sales contacts originate, the leading methods cited were reactive (foreign customer or agent contacted the establishment). Pro-active methods, such as traveling to foreign countries to seek customers or participating in international trade shows, are not commonly used.

Factors affecting business operations

- ❖ Of 17 factors rated by respondents, labor skill and education, environmental regulations (pollution), labor costs, availability of capital, and cost of capital were the top five overall.
- ❖ Distance from the source of raw material was of higher concern than distance to product markets. This seems consistent with the tendency of millwork producers to locate near population centers and focus on local/regional markets.
- ❖ Supply of raw material ranked eighth overall. However, concern with this factor increased with size of establishment and it was the top concern of the largest.
- ❖ When asked to respond to statements regarding the effect of reduced harvesting on federal lands, respondents indicated that it will be more difficult to obtain wood of the quality needed and that they would shift to substitute species. They were less inclined to agree that they would increase use of non-wood materials or change manufacturing methods.
- ❖ Respondents agreed that competition from non-wood materials will greatly increase. Interestingly, responses to other questions suggest that they are not inclined to adopt use of these materials, hence they may lose market share to outside competitors.
- ❖ Respondents disagreed with the suggestion that reduced demand for tropical hardwoods (boycotts, etc.) will improve demand for their products. This may reflect the very low incidence of use of tropical hardwoods by respondents.

Raw material consumption

- ❖ Extrapolation suggests production of millwork products consumed:
  - 24 million board feet of roundwood
  - 2.6 billion board feet of softwood lumber
  - 0.9 billion board feet of hardwood lumber
  - 173 million square feet of veneer
  - 96 million square feet of plywood
  - 133 million square feet of particleboard
  - 68 million square feet of medium density fiberboard
  - 45 million square feet of hardboard
  - 19 million square feet of OSB/waferboard
  - 3 million square feet of miscellaneous reconstituted panel products
- ❖ The relative proportions of these volumes are in reasonable agreement with expenditure data in US Department of Commerce Census of Manufacturers reports.
- ❖ When asked to indicate anticipated use of wood raw materials over the next five years, all materials received average scores, suggesting some increase. However, five western softwoods and one

western hardwood (alder), all affected by reduced federal harvests, received the lowest average growth ratings.

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