Dossenbach Associates, Inc.

Vermont Wood Products Sector
Strategic Plan Update

Prepared for

The Vermont Wood Products Marketing Council

2011

Table of Contents

I. EXECUTIVE SUMMARY

Ten years ago this firm was engaged to study the Vermont Secondary Wood Products Industry (VSWPI) and to develop strategies to strengthen it. After several months of research and critical thinking we produced the "Secondary Wood Products Industry Study & Strategic Plan" dated January 10, 2002 to serve as a roadmap to the future for the industry. The purpose of the strategies that were developed was to identify the change initiatives that were needed to strengthen this sector of the Vermont economy to enable it to not only survive, but also to grow during the first decade of the 21st Century and beyond.

The actions that were recommended were designed to help the Sector compete in the climate of rapid globalization that was expanding into the wood products industry at a blinding pace. It is important to remember that everyone involved in the Vermont Wood Products Sector (VWPS or Sector) then and now is affected by globalization – even if they only sell to local customers within the state or region. Wherever there is a choice to buy from competitors here in the U.S. or from producers in Canada, China, or elsewhere in the world, the competition is global in nature.

The Vermont Wood Products Marketing Council decided it was time to review and update the study and strategies developed a decade earlier. We were fortunate and pleased to be asked to take a fresh look at the Sector that includes value-added producers as well as the entire supporting supply chain.

As we enter this second decade of the 21st Century we must frame all of our future goals and objectives and our strategic planning with the realization that the world has forever changed and that the change process will be a never ending one. We must all adapt as the demands of the (global) marketplace continue to change.

Change and continuous improvement are the norm around the world today within forward thinking companies. They realize that Charles Darwin's words regarding evolution pertain to their businesses: *"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."*

The wood products industry around the world is maturing and efforts to export into this country will continue due to the size of the consumer market here. However, much of the competitive advantage that offshore producers have had is rapidly eroding, and the pendulum of change is swinging.

The American retail buyers and consumers have become weary of quality deficiencies, safety recalls, long lead times, and the inflexibility of overseas producers of furniture, toys, and other value-added wood products from Asia and elsewhere. As a slow economy and high unemployment continue in this country, there is an emerging trend to buy "Made in USA". Sophisticated end users in this country are also demanding "Green" or "Earth Friendly" wood products.

There are almost daily examples of furniture and wood products companies moving production from overseas back to this country as well as examples of new furniture and wood products manufacturers opening in this country. As this report was written, China's giant furniture manufacturer, Makor, announced it will move production of one of its U.S. acquisitions back to the United States from China.

As the economies in Chain, India, Brazil, and other developing countries grow, a sizable middle class consumer market will emerge and join the wealthy in demanding products from western countries to fill their growing requirements for “things” including value-added wood products such as furniture. Their consumer growth will outstrip their countries ability to satisfy all their requirements. It is estimated that 2/3 of the world’s middle class will be in Asia by the year 2030 while the combined share of North America and Europe will shrink to just 17 percent. (5) Export opportunities will abound for companies prepared to export from the Vermont Wood Products Sector.

Collectively, these trends offer Vermont value-added wood products producers and their suppliers (the Sector) an opportunity to increase their sales and grow their businesses. The question that looms is two-fold: *“What needs to be done now to facilitate growth during this decade of transition, and how can prosperity be made sustainable?”*

In order to determine the current state of the Sector, an analysis was made of its Strengths, Weaknesses, Opportunities, and Threats (Section IV, page 12.) This information was used in conjunction with the input from the Sector stakeholders present at the August symposium, as well as those interviewed during the project, in order to formulate the recommended goals and action steps in this report.

The strategies are designed to help all Sector stakeholders from the forest to the finished value-added wood products producers become more effective and prosperous during the changing times that lie ahead. The key to success will be for individual stakeholders throughout the Sector to embrace a Culture of Change and Continuous Improvement in order to adapt to the demands of the marketplace. In the broader sense, Sector companies, non-government organizations, and Vermont state agencies must work together to create an environment that will help facilitate sustainable growth and success for all of those willing to put forth the necessary effort. Only by this can the continuing viability of this sector of the Vermont Working Landscape be assured.

There are eight (8) goals containing a total of thirty-seven (37) action steps listed below. They are all found in more detail beginning in Section VII, page 32. These are starting points for Continuous Improvement through positive change. They are not the end solutions.

1. Implement Continuous Improvement in the Sector

a. The Vermont Wood Marketing Council should coordinate the implementation of these goals and action steps as well as other strategies developed for the Sector.
b. The council should hire a full-time Executive Director.
c. Continue to utilize outsourced services as needed.
d. Review the 2003 Vermont Forest Products Council’s Blueprint for Action.
e. Create and publish a shared vision for the Sector.

2. **Strengthen and Promote the Vermont Quality Wood Products Brand & Logo**
    a. Form a brand enhancement task force.
    b. Review the health of the Vermont Quality Wood Products Brand and revive it.
    c. Develop a methodology to tell the story of the Working Landscape and the Sector.
    d. Develop and enforce standards of use of the VQWP logo.
    e. Tie the Vermont Quality Wood Products Brand and Logo to "Made in the USA"

3. **Promote Value-Added Wood Products to New and Existing Markets**
    a. Form a Marketing Task Force reporting to the Board of Directors through the Executive Director.
    b. Update the Essential Buyers Guide at buyvermontwoodproducts.com as soon as possible.
    c. Interested companies should show in High Point.
    d. Promote the story of the working landscape in High Point and other markets.
    e. Work with the Vermont Department of Economic Development for assistance in exporting.
    f. Promote Vermont Wood Products as a Carbon Sink.

4. **Further Promote the Sector in Vermont and Surrounding Areas**
    a. Form a task force to develop local and regional promotional strategies
    b. Better capitalize on tourism in Vermont for additional sales
    c. Use authorized highway signage to promote the brand and logo.
    d. Cooperative store fronts should be encouraged and opened throughout Vermont.
    e. Open houses and festivals should be ongoing.

5. **Improve the Competitiveness of the Sector**
    a. Promote productivity improvement throughout the Sector
    b. Promote lean for small shops as well as larger plants
    c. Revitalize Vermont sawmills and kiln drying facilities
    d. Encourage the creation of more lumber suppliers for the small user
    e. Create strategic partnerships and cooperatives among sector players
    f. Use certified wood in all Vermont Quality Wood Products branded items

6. **Build a Viable Educational and Training System to Support this Sector of the Working Landscape**
    a. Form an Education and Training task force to review current and future needs and re-invent programs to serve Vermonters in the Sector
    b. Install an effective program in the primary and secondary public school system
    c. Build on existing education programs
    d. Provide continuing education and training for existing Sector companies

7. **Create a Wood Certification System for the Vermont's Wood Products Sector**
    a. Form a Vermont wood products certification task force to accomplish the goal
    b. Develop wide support and acceptance for the system created
    c. Use the certification scheme as a marketing tool and connect it to the brand

8. Create a Positive Business Climate for Economic Development in the Wood Products Sector

a. Form a task force to oversee a thorough analysis of the constraints perceived or real
b. Hold a forum on the topic focused on the Sector only
c. Develop action plans to negate or minimize the constraints that were discovered as real
d. Help in the development of a workable wood certifications system as mentioned in goal #7

As a whole, the Vermont Wood Products Sector stakeholders know what needs to be done to keep the Sector vital. The discussions and recommendations at each of the seven roundtables at the symposium held in Montpelier confirmed this. *It is the lack of solidarity and timely implementation with a sense of urgency that is lacking. The time to change that is now!*

Developing a successful strategic plan to help a diverse economic sector such as the Vermont Wood Products Industry requires relentless and unselfish participation by all of its stakeholders. This is a tall order but one that must be filled in order to realize sustainable growth throughout the Sector.

It is time for each stakeholder to make a commitment to the Sector worthy of its importance to the Vermont Economy and the working landscape. The goals and action points in this report are a starting point from which to launch an unparalleled effort to equip the Sector and its member companies to meet the challenges that lie ahead.

II. SCOPE & METHODOLOGY

The Council's goal in this project is, "to find the opportunities in branding, training, marketing, technology and anything else that we may be missing. What are we doing right, what are we doing wrong, and what should we be doing differently?" (1)

In preparing this report, the wood products industry has been considered in a broader context than just the value-added producers. As such, we looked at the Vermont Wood Products Industry as the Vermont Wood Products Sector (or just "Sector").

Vermont Wood Products Sector (VWPS) = Primary and Secondary Producers and Suppliers

This study and report consider the "Sector" as including the entire Vermont supply chain for the State's Wood Products Industry (VWPI) including the following segments:

- Landowners
- Forest Managers
- Loggers
- Sawmills
- Dry Kiln Operations
- The Lumber Distribution Channels
- Suppliers
- The Individual Artisans
- Small Shops
- Larger Manufacturers

However, the focus is on the value-added producers because if they are successful, the rest of the value chain will prosper. All levels of the VWPS are critical in the implementation of the strategies that are outlined in this report. Reference will be made to co-operative efforts and support that will be needed by the segments above that comprise the value chain.

We made four separate trips to Vermont and traveled over 1500 miles within the state from the North East in Essex and Orleans counties to Franklin County and Grand Isle in the North West. We traveled and visited stakeholders in every other county in the state including Bennington and Windham in Southern Vermont.

We talked with many different Vermonters in many different segments of the Sector including members of the Guild of Vermont Furniture Makers, Vermont WoodNet, and the Vermont Wood Manufacturers Association. In addition, we visited government officials, non-government organizations, educational institutions, industry association meetings, individual artisans, small wood products shops (with the owner and maybe one employee), and larger manufacturers. We also talked with landowners, forest management professionals, sawmill and dry kiln operators, lumber wholesalers and suppliers, and others in the wood products supply chain.

In addition to primary research, we conducted secondary research by reviewing dozens of documents and reports dating back to 2003 to discover what had been done during the past ten years.

We held a symposium in Montpelier on August 17, 2011 and invited all stakeholders with interest in the future of the Sector to attend and participate in developing updated strategies for the VWPS (Vermont Wood Products Sector). There were approximately 100 in attendance and a more detailed description of that day-long event and the results is located in Section V, page 20.

III. GLOBAL OVERVIEW

Exports to the US

The global market in the wood products industry has been in a state of evolution during the last decade, not the least of which is the transformation of China as not only an exporter of wood products, but one of the largest importers in the world as well. In 2008 China was the largest wood furniture exporter in the world at an estimated $7.1 billion. During the same year, it was the 3rd largest wood products exporter at $9.2 billion, and at the same time the 3rd largest wood products importer at $8.2 billion. The furniture industry was the single largest lumber and panel user in China with new home construction second. (2)

With a rising demand for more highly skilled workers in China and elsewhere in Asia, value-added wood manufacturers are paying higher wages to attract and retain employees. This is contributing to higher overall costs of furniture and other wood products made in Asia.

With the addition of anti-dumping tariffs imposed on bedroom furniture imported to the US from China, Vietnam has emerged as a major supplier of this category – taking business from China. State-of-the-art factories in huge industrial parks have sprung up around Ho Chi Minh City and are supplying most of the larger manufacturing and retail players in the U.S. industry. Many of these plants are run by experienced Taiwanese entrepreneurs and in most cases the quality levels have reached global expectations for mass produced product.

The best definition of quality is: "Meeting the customer's expectations!"

When looking at actual performance in fulfilling this definition, many exporters to the furniture market in the U.S. still face a myriad of quality issues that leave them vulnerable and subject to losing customers in this country. These constraints to meeting the demands (or expectations) of customers include:

-Poor or Illegal Finish	-Safety Recalls
-Inferior Appearance	-Inadequate Customer Service
-Inferior Durability	-Inflexibility – No Customization
-Long Lead Times	-Unreliable Delivery Dates
-Not "Green or Earth Friendly"	-Not Made in the USA*

*(An emerging "quality issue" in this country that is discussed further on page 9)

In addition, off-shore manufacturing costs are rising and continue to create opportunities for manufacturers in Vermont to capture some of the current import market. Exporters around the world are not immune to rising costs. In addition to labor, these include:

Rising Materials Costs	Rising Production Costs
Rising Transportation Costs	Rising Distribution Costs

These are all conditions that combine to offer domestic manufacturers in the U.S. an opportunity to develop competitive advantages, create new market niches, and increase sales and production – all leading to new jobs.

Bringing Jobs Back Home

As a results of the quality and cost issues above, US companies are beginning to move offshore production back to this country. Stanley Furniture has been consolidating all of its juvenile furniture production back to this country, and is just one example of the many wood products companies that are building new facilities or expanding existing manufacturing capacity within this country to better serve their customers. Our firm has seen this trend emerging for several years and it continues to gain momentum. New start-ups are part of the trend as exemplified by the opening of Lincolnton Furniture this year in a 350,000 square foot furniture plant that once was the home of another furniture manufacturer.

On the other hand, some producers like Ethan Allen are opening manufacturing plants in Central and South America – further demonstrating the continuing evolution and globalization of the wood products industry.

The Boston Consulting Group has projected that 2 to 3 million U.S. jobs will be created during the next 5 years within seven manufacturing sectors – one of which is the furniture industry. Such a prediction is another confirmation that the global playing field in the wood products industry is becoming more level.

Integration of State-of-the-Art Technology

As developing wood products manufacturing clusters mature, their plants are investing in automated equipment and the newest manufacturing and marketing strategies in order to compete with lower cost producers. This trend is enabling them to minimize or remove some of the quality constraints mentioned above. Some new plants in developing countries are the most modern in the world – even though they would have relatively low labor costs without automation.

The new company start-ups and expansions in this country mentioned above will be utilizing higher technology machinery and equipment in order to compete globally.

One of the most powerful technologies that has evolved during the past ten years is the internet and its use as a marketing tool. This has allowed wood products producers here in Vermont and around the world to access the same markets. This is a challenge, but offers opportunities to use this tool as an offensive and a defensive marketing strategy.

The perception that the wood products industry is an old, outdated, dangerous, and dirty career is usually held by those who have never seen a 21st Century plant in Vermont or the well organized smaller shops of other Vermont producers who are an integral part of the Vermont Working Landscape. The world of wood processing and marketing is changing, and the trend of utilizing state-of-the-art technologies is spreading throughout developing countries as it has in more developed Western countries.

Emerging Markets – Asia and Elsewhere

It is estimated that within the next thirty years China and India will become the first and third largest economies in the world. Their middle classes are growing rapidly and already represent a large consumer market. The continued growth in imports of approximately 18% per year since 1992 will serve to increase their demand for imports four-fold in real consumer spending over the next twenty years. (3)

India's demand for imported furniture will be driven by the lack of skilled domestic producers available to supply the increasing demand for quality western style furniture by the emerging middle class in that country. (4)

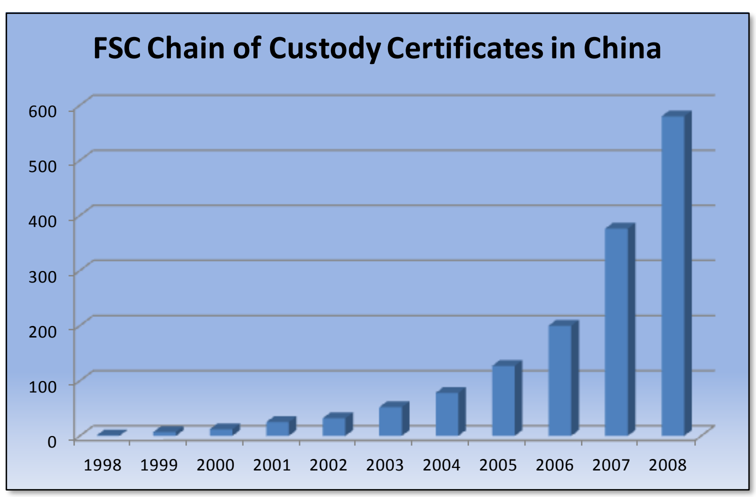
The market opportunities in these two giant economies and in other emerging markets (such as Brazil) will be in scattered economic clusters where growth is robust.

There are over 500 million middle class consumers in Asia today, with ¼ of those in Japan. It is estimated that by 2030 there could be a six-fold increase to 3.2 billion middle class consumers in Asia (or 2/3 of the global middle class) while North America and Europe would see their combined share drop from 54 to just 17 percent. (5)

An encouraging sign is that emerging middle class households in China and India are becoming *brand conscious* as they aspire to achieve higher standards of living by purchasing world class goods and services of the developed countries of the world. Nike, Coca-Cola, and McDonalds are just three examples. Exporting to emerging countries seems an alien idea for the Vermont value-added wood products producer and it is true that it will not be easy. However, exporting offers tremendous opportunity for those larger companies that have the entrepreneurial spirit and the drive to pursue this avenue in order to grow their business.

Globalization of "Green"

While the demand for "Green" or "Earth Friendly" products and the protection of the earth's natural resources has been growing in Europe and North America during the past decade, it is now spreading around the world. There are still countries (such as Indonesia) that are struggling with illegal logging and other environmental issues. However, the pressure from today's major markets is mounting exponentially and developing countries are realizing the importance of producing environmentally and socially responsible wood products within their borders.



Much like the trend in this country ten years ago, China is rushing to catch up with the demand for Chain-Of-Custody Certification of its own wood products. The data (2) in the chart here shows a trend suggesting that China will one day be able to compete with "Green" wood products producers from the developed world as it sheds its current tarnished image. This trend will be repeated in developing countries around the world as they realize the necessity in order to compete globally.

Meanwhile, the demand for "Earth Friendly" products by consumers in the USA is growing. Statistics are not necessary to demonstrate how retail outlets and big box stores such as Lowes and Wal-Mart have been pushing toward 100% "Earth Friendly" wood and other products for a decade or more. This is a good opportunity to use the expression: "if you snooze, you lose". The perceived competitive advantage of US manufacturers as being greener than those in developing countries is slipping away. Unless "green" becomes a standard component of a wood products company's culture and brand, and is a constant component of its marketing strategy - it will lose market share.

US Consumers - Buying "Made in USA"

One of the most powerful brand representations in this country today is "Made in America" or "Made in the USA"! With the weak economy dragging on and on, and the unemployment rate extremely high, consumers in this country are finally beginning to understand that many of the jobs unfilled are now offshore. There will be no quick turnaround, but more and more citizens are realizing that we need to be spending money on products made here in this country where jobs will be created.

This thesis is now promoted on television newscasts and in national advertising and is the conversation on main street, USA. Vermont value-added producers of all sizes need to recognize this trend and capitalize on it. A small furniture retailer in North Carolina has indicated that he has an increasing number of customers coming into his store asking for products made in the U.S.A. He indicated that this was a growing trend in this small middleclass community and that he was going to the October Furniture Market in High Point, NC and ask every vendor he visits if they have products made in this country. He reasoned that if his customers are asking for "Made in the USA", he must do the same of his suppliers.

The Vermont Quality Wood Products brand offers a Unique Promise of Value: ***Heirloom Quality*** – **Made in Vermont** (Made in the USA). The opportunity to capitalize on this trend right here at home with Vermont value-added wood products cannot be overstated!

As mentioned above, emerging markets in developing countries will include consumers who are brand conscious. To own furniture "Made in USA" will become a status symbol to some in the middle class and the wealthy in these countries, and this demand will create opportunities for those larger members of the Sector interested in exporting Vermont wood products.

IV. THE VERMONT WOOD PRODUCTS SECTOR – CURRENT STATE

Diversity

The Vermont Secondary Wood Products Industry continues to have a wide variety of viable wood products producers of various sizes engaged in full-time pursuit of their vocations in order to support their families. Furniture, kitchenware, wood parts and components, toys, and other wood products combine to form a diverse industry that provides a wide variety of opportunities to create jobs and to contribute to the Vermont GDP.

There are many individual artisans that work alone or with one helper in very small shops sometimes with less than 400 square feet. These pride themselves in their hand work that is essentially done with simple power machines, and some hand tools. We refer to these as *small shops* in this report and most are members of the Guild of Vermont Furniture Makers.

The second group of producers may have three to ten workers and are looking to produce more volume with additional investment in machinery and space. These are equipped to manufacture a wider variety of products quicker as their shops are capable of higher through-put. These are considered in Vermont as *medium size shops* and utilize more modern and heaver machinery and most are members of Vermont WoodNet and/or the Vermont Wood Manufacturers Association.

Finally, the Sector has some producers that can be considered *large manufacturers* (by Vermont standards) that have over ten employees including a few over 50. Most of these larger ones are quite sophisticated and are capable of competing regionally, nationally, and potentially internationally. We visited one Vermont manufacturer that was in what we believe to be the top10% of woodworking factories in the world with regard to systems and technology used. Most of the larger producers in this group are members of the Vermont Wood Manufacturers Association.

This diversity has its advantages in offering a variety of jobs for those interested in producing value-added forest products. The mix offers opportunities for the smaller producers to learn from the larger ones and potentially form strategic alliances within the Sector. Some of the smaller producers can become suppliers to others as a means for growth. Others can work together to better serve market niches with cooperative efforts.

However, this diversity creates a fragmented group that presents challenges in creating solidarity in strategic thinking and working together for the common good of the entire Sector. The goals and objectives of individuals can be so varied that educators and industry associations have difficulty forming consensus and focusing on effective programs to help move the Sector and its members forward.

With the exception of one plant of a large furniture manufacturer in Vermont, all of the companies in the Sector are small by industry standards. In the global environment we compete in today, all members of the Sector must work together to improve their collective *and* their individual abilities to compete with fierce producers all over North America and around the world.

Economic Impact

According to the Economic Impact study for the Vermont Wood Manufacturers Association in 2007 by Economic & Policy Resources, Inc., the value-added segment of the Sector supported 13,807 direct and indirect jobs in Vermont during 2006 and generated $486 million in personal income. The direct employment figures for four of the groups that made up the Sector in 2006 were reported by EPR as shown above.

Forestry and Logging	1919
Forestry Support Activities	110
Wood Products Manufacturing	2859
Furniture Manufacturing	2036

These numbers are significant in a state as small as Vermont. But they do not tell the whole story as the Sector has become interwoven in the Working Landscape over the years. It is hard to imagine a Vermont without a vibrant value-added wood products industry with its variety of suppliers and producers.

Even tourism would not be the same if there were no shops and factories to see on the Vermont Woodshop & Forest Tours. There are maps with routes and shop locations clearly marked to direct tourists all over the state to see this marvelous industry. This program has been implemented during the past few years and is a very effective way to promote large and small producers along with the Vermont Brand - highlighting this part of the Working Landscape in Vermont.

SWOT Analysis

One of the important exercises used in determining the current state of the Vermont Wood Products Sector was to conduct an analysis of its current Strengths, Weaknesses, Opportunities, and Threats.

Strengths are considered positive attributes or conditions that can and should be leveraged to propel the Sector (and the companies within) forward. Usually these contain the elements that can be used to form a competitive advantage in the marketplace.

Weaknesses are conditions that leave the Sector and its players vulnerable to competition and can ultimately lead to decline and failure. They are those areas that competition can use to develop a competitive advantage. However, weaknesses always offer opportunities for positive change and innovation.

Opportunities offer the prospect of success if positive action and change initiatives are implemented in a timely manner to capitalize on the possibilities. Opportunities are a chance for improvement but obviously require action. Weaknesses and threats always present opportunities to re-engineer a company and its strategies.

Threats are the dangers and risks that can destroy a company or even an entire Sector. These can be controversial, but they must be treated as serious warnings. They require positive action resulting in positive change designed to effectively negate or minimize the threat.

The analysis below is based on the dozens of visits and interviews over a four-month period from May through August, from the symposium round table discussions, and are framed by the global nature of today's competition and by relevant trends in the furniture and wood products industry around the world.

The top recommendation of Table #1 at the symposium was: "Need to consider who we are: Strengths, Weaknesses, the value of all member of the Sector."

STRENGTHS –

- **Quality Minded Sector Members –**
  The skills of the Vermont value-added wood products producers and their dedication to apply those skills to produce quality and craftsmanship with superior service are pillars of the Sector and underpin all else. Everyone that makes wood products claims to make quality, but Vermont Quality Wood Products are a cut above. This is framed by the perception of the Vermont Brand as representing quality and excellence – meeting the expectations of Vermont's customers and visitors.

- **The "Vermont Brand" –**
  The impression and perceptions of the Vermont brand have proven it to be a positive marketing tool for any sector in the state as verified in several excellent marketing studies and reports including Imagining Vermont commissioned by the Council of the Future of Vermont and "Branding the Industry" by Kenmuir & Company (2002). This perception of Vermont as a place of quality, craftsmanship, integrity, authenticity, and earth friendly provides immediate creditability to any and all branding initiatives in the Vermont Wood Products Sector (VWPS). The strength of "The Vermont Brand" is unparalleled in any other state and can and should be leveraged to help propel the Sector forward.

- **The "Vermont Quality Wood Products Brand" –**
  The Sector has developed a brand represented by the logo at the right. The fact that there is broad acceptance of and support of this brand and logo within the Sector hopefully is an indication of an emerging solidarity that is much needed to successfully propel the VWPS forward. One of the most impressive DVDs we have ever seen is <u>Applying the Vermont Brand to Your Woodworking Business and Your Wood Products</u> produced by the Vermont Wood Products Marketing Council. This is powerful, practical, and on target. It should be viewed over and over again throughout the Sector and the ideas implemented by companies of all sizes.

- **The Working Landscape –**
  This lifestyle and powerful heritage of the Working Landscape is another unique asset in the state of Vermont and is one that cannot be duplicated elsewhere as far as promoting wood products. The long-time continuous commitment of this concept that is deeply rooted in the hearts of Vermonters can and must be leveraged into a competitive advantage in the furniture market in this country and eventually beyond. The marketing stories told in the Naked Table project of Shackleton Thomas and in the Relationship Marketing Model of Green Mountain Coffee - both Vermont companies - are excellent examples of ways to tell the story of the Vermont Wood Products Sector and its role in the working landscape.

- **The Vermont Wood Products Marketing Council –**
  The VWPMC was formed in 2002 and has served to bring the different Sector groups together in order to have a coordinated marketing effort in the industry. The board of directors consists of a representative from each of the following organizations and agencies: Vermont Department of Forests, Parks & Recreation, Vermont Forests Products Association, Vermont Department of Economic Development, Vermont WoodNet, the Guild of Vermont

Furniture Makers, the Vermont Wood Manufacturers Association, and the Vermont Woodlands Association. In addition, three other members are appointed to assure broad representation in the Sector.

According to the Bylaws of the organization: *"The purposes of the Corporation shall be to promote the quality and craftsmanship of Vermont wood products, so that residents and nonresidents may increase their awareness of the outstanding design of the products, and environmental sensitivity of the manufacturers, and their commitment to customer satisfaction."*

It is inspiring to see representatives of these groups working together with the common goal of strengthening the entire wood products industry (Sector) in Vermont. The future of the Sector from the forest to the finished product would not be as bright without the dedicated representatives that have served on the council. Thus, we count this organization (working in harmony) as a major strength by providing one voice to speak for the Sector when needed.

- **Sector Leaders –**
  The Sector has small, medium, and larger wood products shops and factories (as defined within Vermont) that include some owners in each category that are continually thinking outside the box and striving to re-engineer or re-invent themselves in order to compete successfully and to grow their business. These visionary entrepreneurs can be found in every link of the Sector Supply Chain and should be used as examples to inspire others. These are likely to be the same men and women that are leading the associations and support groups in the Sector.

  Some of the larger companies in the Sector set good examples from which the smaller shops can learn. Fortunately, there is a willingness to share information within and between the various Sector associations.

- **Location –**
  The VSWPS is located in the northern hardwood forest where there are many prized wood species for value-added wood products such as furniture and tableware. Lumber from this region is considered some of the very best quality by the global industry. Being located in Vermont is an additional strength due to the ability to market local species from the local forests and woodlands. The closer the manufacturer is to its raw material, the "greener" the company and its products are.

  The proximity to a multi-billion dollar furniture market in the Northeastern states is also a strength that should be leveraged. In addition, Vermont prominently fits into the growing market of "Made in the USA".

WEAKNESSES

- **Lack of a Shared Vision –**
  It is difficult to develop a consensus on important issues in a group where there is such a diverse mix of company sizes and the wide range of products manufactured. Since this is the case within the Vermont wood products Sector, it has been extremely difficult to generate a shared vision for the Sector's future and then to sustain efforts necessary to achieve that vision. Working together with forward thinking throughout the Sector in not optional but is essential to meet the challenges in today's market.

- **Lack of Strategic Planning** –
  Many wood products companies we talked to did not have a strategic plan with goals and objectives beyond just surviving. In these unusually hard times this is somewhat understandable, but without planning **-** success is left to chance. Members of the Sector are less likely to survive hard times with no plan that is designed to meet the challenges ahead for their unique company.

- **Lack of Marketing Expertise** –
  It is evident that the majority of the smaller producers in the Sector do not know how to effectively use the internet and other methods of marketing to promote their company and its products for additional sales. Training resources have been available to all, but some have not taken advantage of the programs offered and as a result are at a competitive disadvantage.

- **Lack of Innovation –**
  There is a lot of pride in the Sector in the fact that all but the largest producers still "hand make" their furniture. Almost all of the smaller shops want to be known for their individual handiwork. This is understandable when promoting "hand-made" products, but too many of Vermont wood products producers have distanced themselves from modern manufacturing and marketing techniques leaving themselves at a competitive disadvantage.

  Innovation can be defined as a new idea, change, or continuous improvement and is essential today in companies of all sizes located around the world in order for them to remain competitive. Even the Amish (with a long tradition as excellent woodworking artisans) are beginning to use CNC equipment and embracing lean manufacturing as essential tools to reduce waste and become more competitive. Unfortunately in Vermont too many have the misconception that Lean is for larger shops only.

  The reality is that the absence of a lean program will automatically put a producer of any size at a competitive disadvantage due to its competition using lean to eliminate waste, optimize productivity, and thus be able to either increase profitability and/or have the option of reducing prices.

OPPORTUNITIES

- **Build on Strengths –**
  Every area of strength in this SWOT analysis represents an opportunity to leverage it into a competitive advantage. If they are not leveraged, they cease to be strengths. Thus, areas of strength must be utilized in any effort to strengthen individual companies and the Sector as a whole. Those advantages included above are:

  - Quality Minded Sector Members
  - The Vermont Brand
  - The Vermont Quality Wood Products Brand
  - The Working Landscape
  - The Vermont Wood Products Marketing Council
  - Sector Leaders
  - Location

- **Capitalize on the Vermont Brand –**
  The Vermont Brand and all it represents is acknowledged by Vermonters as a powerful marketing tool that offers a tremendous opportunity. It continues to be one of the greatest assets to the Sector because it represents the people who make up the Vermont Wood Products Industry and the unique Working Landscape environment in Vermont. The basic marketing tools are in place due to the work over the past ten years. Now, the Sector must leverage it for all it is worth – transforming this opportunity into a competitive advantage!

  The Vermont Quality Wood Products Brand (along with its logo) not only represents the value-added items made, but also represents all of those individuals in the supply chain that contribute to the process. This idea should be utilized throughout the Sector to promote Vermont value-added wood products as of ***Heirloom Quality*** from the Vermont Working Landscape!

- **Increase Sales Within The United States –**
  There is an opportunity for Sector producers to join together and market their Vermont Quality Wood Products to the designer and retail markets by showing in a pavilion at the High Point Furniture Market in the fall of 2012 and beyond. Those companies who want to grow should work together to penetrate markets throughout the country. This is a proven strategy dating back several decades when some Vermont manufacturers were able to increase sales and expand their factories and hire additional workers during the years following this exposure. Today, these companies have become leaders in the furniture sector in Vermont.

  While there is some product innovation among the furniture makers, there are few marketing their skills and ***Heirloom Quality*** to strong specialty market segments such as customized infant and children's furniture. Opportunities abound for those willing to be innovative.

- **Become a Leading Source of Certified Wood Products –**
  The chain-of-custody certification of wood products has become a necessity for today's forward thinking companies of all sizes due to the sophistication and demands of middle and upper class shoppers of today. The Sector members, under the leadership of the Council and the State of Vermont, must find a simple way to allow Vermont furniture or other wood products made with Vermont wood to be certified. This is important to give sawmills and lumber users in the Sector the opportunity to compete in the maturing "Earth Friendly" or "Green" Market. It is difficult at best for small shops and factories to find certified wood and this can put them at a competitive disadvantage.

  By incorporating Green into the brand, Vermont wood products producers of all sizes can help fill the growing requirement for earth friendly furniture and other wood products.

- **Exporting Value-Added Wood Products –**
  Niche markets will continue to open in the developing countries around the world with China, India, and Brazil leading the way. Opportunities will exist for finished furniture, and for parts, and sub-assemblies for furniture and other wood products using Vermont and Northern Hardwood species. Solid wood furniture and wooden tableware made from prized Northern Hard Maple, Cherry, and character woods offer opportunities for export to the upper-end markets in these and other more developed countries.

  The possibilities are limited only by the creativity and marketing skills of the entrepreneur as evidenced by Georgia Chopsticks – a company that is expected to be exporting 10 million chop sticks per day to China by the end of this year. They are utilizing local light colored poplar and sweet gum timber abundant in their area.

  The larger manufacturers in the Sector should be actively exploring the export market as a long-term component in their marketing strategy as new world markets continue to open at lightning speed.

THREATS

- **Complacency –**
  The lack of a sense of urgency by some companies and some individuals scattered throughout the Sector has led to intermittent improvements in the Sector as a whole as opposed to ten years of Rapid Continuous Improvement. This, coupled with the lack of solidarity within the Sector, remains a critical threat to the future vitality of the VSWPI and its suppliers. It will not be easy for the Sector to move ahead if it does not have a critical mass of members who are willing to put differences aside and work together for the betterment of all.

  A promising beginning is that some excellent work has been done in creating and promoting the Vermont Quality Wood Products brand and the creation of the Marketing Council to carry the torch forward.

- **Lack of a Culture of Change** –
  Closely related to the threat of complacency above, there is a resistance to change that is prevalent in many companies throughout the Sector. The changes necessary do not threaten the Vermont way of life, or the Working Landscape, or what the Vermont brand stands for. The changes necessary pertain to the approach *each company* takes in running their own business within the Sector to better their own success. Without embracing a culture of change, many producers of all sizes throughout the Sector will fade from the Working Landscape during this decade. Those companies that have continually embraced positive change have generated growth and a higher degree of prosperity for their companies. Change and Continuous Improvement are essential for success in any business.

- **Imports** –
  Imports continue to be a threat to the Sector companies as foreign competition has now become a permanent reality of the new world market of wood products. The Sector as a whole and individual companies need to develop and implement strategies to effectively compete with imports.

- **Over Dependence on External Funding –**
  Historically, the Vermont Secondary Wood Products Sector has relied heavily on funds from local, state, and federal sources to stimulate change and innovation. While this is an economic necessity due to the makeup of the Sector, in many ways it has served to constrain continuous improvement in the past.

  While we sense a change in the making, until recently most individual sector members have not been willing to put forth the assets nor the creative energy and physical effort necessary to capitalize on the work resulting from past grants. The implementation of strategic plans and ensuring the sustainability of programs are essential for continuous improvement and growth within the Sector. External funding will become scarcer as earmarks dwindle, and a "pay-to-play" philosophy to sustain some programs will be a necessity.

- **Inadequate Education and Training Programs –**
  As was the case in 2001, the education and training for the wood products sector (or industry) in Vermont is lacking. There is no coordinated educational program designed to stimulate interest in the Sector as a future career opportunity, to prepare job seekers for job opportunities in the Sector, or to train workers and managers that are currently in existing jobs within the Sector.

  Our perception is that the public and private educational institutions in Vermont have written the Sector off as irrelevant. At the same time, the Governor (as noted below) and state agencies believe the wood products industry is an important segment of the economy and an integral part of the Working Landscape. (6) (7)

  There is a serious disconnect somewhere that could be the greatest threat of all to the future of the Sector.

V. SYMPOSIUM FEEDBACK

As part of the research for this report, a symposium for Sector stakeholders was held on Wednesday, August 17th, 2011 in Montpelier. The purpose of this gathering was to present ideas in order to motivate the participants to "think outside the box" during the day and beyond as this report is published. The morning session began with an address by Vermont Governor Peter Shumlin wherein he confirmed the importance of the Sector as an essential part of the Vermont Working Landscape and the Vermont economy. In addition, his remarks motivated the approximately 100 in attendance to engage and participate during the rest of the day.

Gov. Shumlin's address was followed by a brief presentation by Tom Dossenbach on the need for a Culture of Change and Continuous Improvement, and then by three panels consisting of ten highly successful and influential Sector stakeholders – both government and non-government. The speakers were all effective in stimulating critical thinking that produced new ideas for effective marketing as well as for clarifying other issues in the Sector.

The afternoon session was centered around seven discussion groups that would each analyze one or two of the ten specific topics of interest assigned to the tables, then identify the critical issues, and finally to propose solutions. The primary objective of this exercise was to give every stakeholder the opportunity to be heard on the topic for discussion at the table of their choice. The goal was to receive input from each individual at each table and then to hear a summary from each group after they collectively arrived at their conclusions and suggestions.

Every group accomplished this and gave a verbal report to everyone at the symposium. Flip charts were used to record the ideas at each table and were kept and used in preparing the notes below and the strategies (goals and action steps) in this report. The reader is encouraged to review these notes as they represent the issues and ideas on the minds of those in the Vermont Wood Products Sector that are interested in seeing progress made as we move thru this decade.

These notes should be studied and further discussed during the review and implementation of the recommendations in this report. These are the thoughts and suggestions of some of the best minds of Sector stakeholders and none should be dismissed as irrelevant.

Close attention to the notes below will reveal that most of the recommendations in this report were first suggested at one or more of the seven round tables!

We did not edit or change the wording of these notes, but have recorded them below word-for-word to the best of our ability. All of these notes have been considered in the preparation of the recommendations in this report and are included in Sections VI and VII below.

Notes from Roundtable Discussions, August 17th 2011

Table #1:

Topic #1 - What have we done right and what have we done wrong during the last 10 years?

Topic #10 - What are the three most critical things the VSWPS (Vermont Secondary Wood Products Sector) can do to help itself?

- **Done Right**
    - Wood Products Show
    - Small Shop FSC Certification thru WoodNet Group Certification
    - WoodNet Gallery Store
    - Smalls collaborate and market for one another
    - Brand Logo
    - Building On-Line presence (#2 priority)
    - A few companies like Newport Furniture have used cutting edge technology
- **Done Wrong**
    - Getting products to customers and customers to us
    - Brand Logo not used enough
    - Haven't told "Local Grown, Local Made" Story
    - Not marketed to higher end market outside VT
    - Not looked at efficiency, technology, cost savings… VMEC can help
    - Tourists are major target market, but we do poor job
- **Things Sector Can Do!**
    - **#3** Share technology, software, and best technical processes, innovation, strategies
    - **#1** Need to consider who we are: Strengths, Weaknesses, the value of all members of the Sector.
    - Better use existing services, such as SBDC, workforce training, etc.
    - **#2** Sell the story in education: Primary to Secondary to Customers
    - **#3** "Buy Local Campaign" engaging youth

Table #2:

Topic #2 – What is the best strategy today for us to compete with imports?

- **Issues**
  - Low cost and pricing influence buyers
  - Can't compete
  - Competing with large buyers
  - Raw materials exported overseas
- **Strategies**
  - Market to local customers
  - Market to "green customers"
  - Shift to higher tech, higher value, higher quality product
  - Marketing to the younger buyers
  - Build loyal shoppers
  - Better Web presence: wholesale , retail
  - Safety, accountability
  - Availability – quick shipment (24 hours)
  - Made in USA
  - Custom items, low minimum quantities
  - Market advantages:
    - Large retail market
    - Local forests – wood
    - Fast delivery
  - Mass customization
  - Better marketing
  - Better production methods
  - Higher training skills of workforce

Table #3:

Topic #3 - How can we become exporters of Vermont Secondary (Value-Added) Wood Products?
Topic #4 - How can the Vermont Secondary Wood Products Sector expand its US and Canadian market?

- **Challenges**
    - Marketing
        - Our higher cost of exports and thus higher selling price
        - Public Awareness / Education of Consumers
        - Is there demand?
        - Need Market Research
        - What do consumers want?
    - Scalability
        - Potential for growth
        - Regulations
        - Customs
        - Transportation
    - Establishing appropriate Contacts
    - Cultural Considerations
    - Time
    - Incentive/Motivation
    - Logistics
        - Shipping for various products
        - Pricing Structure
    - Outside Support? Who is responsible?
        - Individual Company
        - Trade Organizations
        - State/Federal Gov
- **Solutions**
    - Market Research
        - Networking
        - Other Businesses
        - Academia
- Trade Organizations
- Google
- Purchase Research
    - Marketing
        - Build Brand Identity - Individual Co - State/Groups
        - Customize (adapt product) to meet the market requirements
        - Establish communications mechanism
        - Establish contacts in the target market(s)
    - Scalability (facilitating demand and growth)
        - Strategic Planning – Goals, objectives, business plan, marketing strategy
        - Flexible capitalization
        - Appropriate Material/supply chain
        - Qualified, well trained manpower
    - Logistics
        - Identify Services available
            - Freight consolidators, forwarders, State Government, Federal Gov.
            - Local RDC, Import/Export Financing

Table #4:

Topic #5 – How can we leverage and capitalize on the Vermont Brand to enhance the VSWP brand?

- Logo identification on products and components
- "Story" behind logo 125 Biz signed up; only 20 using
  - Quality
  - Criteria for use!
    - Validation
    - End user assurances
  - Education of supply chain
  - Toolkit of materials
  - Educate consumer
  - Own Logo Story
- Increase visibility of controlled use of Logo
  - Websites
  - Collateral forms
  - Product Signature
- Develop Working Landscape Story and Supply Chain
- Define what criteria is for logo application
- Discovery of VT Wood from Vermontvacation.com
- Partner with VSAA or Resorts
- Value added tag
- Road info signage – with incentive
- Validate # woodworkers per capita
- Web Stories... Bloggers
- Open studio weekend / Maple Festival Weekend
- On Premise Signage using Logo
- Tier Logo use…
  - Wood from VT
  - Value Added from VT
- **Three Top Issues**
  - #1 Solutions for all wood community
    - Mill, Woodworker
    - Wholesale, Retail
    - Woodworker per capita
  - #2 Logo Meaning
    - Education
    - Criteria
    - Validation, Future Goals, Heritage
    - Marketing to End Consumer
  - #3 Visibility
    - Signage: Biz Signs, VTRAN Program
    - Collateral – Forms, Hang Tags, Brochures
    - Web site – Stories, Blogs, Product Lifespan
    - On product signage
    - Partnerships-Ski Areas, Private Sector
    - Events Strategies

Table #5:

Topic #6 – What can be done to strengthen the supply chain in the Vermont Wood Products Sector (from forest to finished product)?

Topic #7 - How can we develop an easier way to "certify" Wood from Vermont Forests as sustainably managed?

- **Challenges**
  - Critical Mass – wood volume, loss of mills
  - Knowledge of supply chain
  - Knowledge of volume
  - Long supply chain – logistics
  - Lack of landowner power/influence
  - Tracking and Administrative Overhead
  - Lack of Consumer Knowledge /Sophistication
  - Established Relationships
  - Variety of Modes of Buying and Selling
  - Lack of predictable supply of logs
  - Lack of uniform management standard
  - Lots of small landowners / harvests
  - Time sensitive issues –difficulty in committing
  - Lack of premium price
  - Commodity market dynamics
- **Solutions**
  - Increase demand for product
  - Develop specialized supply chain
  - Develop new and/or strengthen existing businesses in small pilots
  - Develop Vermont Brand
  - Unified Certification System / Standards
  - Sell your story:
    - Certification
    - People
    - ETC

Table # 6:

Topic #8 – What kinds of education and training programs are needed to benefit the VSWPS?

- **Challenges**
  - Student motivation
  - Workforce motivation
  - Finance their education
  - Lack of opportunities / guarantees of employment
  - Lack of appeal to trade jobs
  - High School programs being restricted in schools!
  - Training current workforce with new technologies, social media, etc. (no time and finances)
  - Needing to re-educate where public system has failed.
  - Lack of understanding of what training is needed
  - Locating interested individuals
  - Administering, hiring, training program
  - Current systems have restrictive qualities
- **Solutions for Students**
  - Parent tours of woodshops
  - Success stories
  - Put faces to woodworkers
  - Educate Guidance Counselors
  - Promote appeal of technology (CNC, etc)
  - Promote internships for students to gauge/create interest
- **Solutions for Current Workforce**
  - Offer sales and internet marketing training for no cost and little time
  - Gain funding; continue educational seminars/webinars Support SFF &RWS
  - Make further connections with government, industry, schools to make sure mission & goals & opportunities are heard
  - Identify current workforce needs and directly go to schools
- **TOP FIVE (5)**
  - Industry and Education Collaboration
    - To educate the identified next generation with soft and hard skills
    - Woodwork Passport Model
  - Educating the trade organization members with skills for success
  - Work to increase appeal of jobs in the industry
    - Highlight success stories; educate parents; guidance counselors
  - Obtain funding to continue educational seminars and webinars in industry
  - NEA convention booth to inform educations about opportunities in field

Table #7:

Topic #9 - What are three things the State of Vermont (agencies, organizations, legislature, etc.) could do to help the Primary and Secondary Wood Products Sector?

- Affordable 3rd party (FSC) Certification
- State-wide FSC Certification of all state lands
- Chain-of-custody certification
- Active support from the State Staff technical outreach support. Proactive Vs. Reactive – Check In Process.
- Marketing Expertise
  - Grant opportunities
  - Support for Investment opportunities
- Promote buy local and buy green
- Utilizing woodworking/craftsmanship in iconic imaging
- Marketing campaign around craftsmen
- More collaboration with state agencies
- Possibility of too many certifications being cumbersome on lumber yards, loggers, etc.
- Remove list of certification program in Farm Bill
- Need for State run FSC Program
- Retention of forests – policies; programs to keep forests as forests
- Tax stabilization program for landowners
- Use of different models to duplicate – cheese, maple, ski industry, etc.
- Convener
- Vermont website for portal to VT products
- Marketing assistance for export opportunities.
- Access to state images – upload of business images

Summary/Priorities

- Marketing
  - Expertise
  - Images
  - Financial Support
  - State wide messaging
- FSC Certification
  - Facilitate and Financial Support for Private Lands
  - Chain of Custody
- Centralized point for education / learning / info exchange

VI. STRATEGY SUMMARY

There are several areas of focus below that generated eight recommended goals – each with two to six specific action steps. These frame the overall strategy of the report.

The Council has asked, "What are we doing right, what are we doing wrong, and what should we be doing differently?"

In looking at the current state of the Sector, the question regarding what has worked and what has not proved to be an important exercise. Much has been accomplished by the industry associations and many government and non-government support groups, but much still remains to be done.

The highlight of those accomplishments in the Sector during the past decade has been the recognition by stakeholders that the Vermont brand is the most powerful marketing tool for the industry. This led to the formation of the Vermont Wood Products Marketing Council, further demonstrating the importance of the marketing efforts in the Sector. Ten years ago we felt that branding must be the foundation of any sustainable strategic efforts to strengthen the value-added industry, and that remains true today.

To their credit, the Sector stakeholders have created the Quality Vermont Wood Products brand and logo to represent the entire Sector and have promoted the brand throughout the industry and the state of Vermont. Several valuable marketing tools have been produced during the past ten years including the Vermont Wood Products Catalog (or Resource Manual) as part of the Cornerstone Project and the Essential Buyers Guide on a web site produced for the Sector by Cabot. Many other initiatives are mentioned throughout this report.

One of the main objectives of the Symposium was to have stakeholders sit around a table in the afternoon session and discuss a topic assigned to that table. Most participants had chosen their table topic when they sent in their registration.

Table number one was assigned two topics that were:

- *What have we done right and what have we done wrong during the last 10 years?*
- *What are the three most critical things the VSWPS (the Sector) can do to help itself?*

We have placed another copy of the summary of work this discussion group did below because these words came directly from Vermont stakeholders!

What Have We Done Right and What Have We Done Wrong During the Last 10 Years?

- Done Right
    - Wood Products Show
    - Small Shop FSC Certification thru WoodNet Group Certification
    - WoodNet Gallery Store
    - Smalls collaborate and market for one another
    - Brand Logo
    - Building On-Line presence (#2 priority)
    - A few companies like Newport Furniture have used cutting edge technology

- Done Wrong
    - Getting products to customers and customers to us
    - Brand Logo not used enough
    - Haven't told "Local Grown, Local Made" Story
    - Not marketed to higher end market outside VT
    - Not looked at efficiency, technology, cost savings… VMEC can help
    - Tourists are major target market, but we do poor job

What are the Three Most Critical Things the VSWPS (Sector) Can Do to Help Itself?

- Things Sector Can Do!
    - #1 Need to consider who we are: Strengths, Weaknesses, the value of all members of the Sector.
    - #2 Sell the story in education: Primary to Secondary to Customers
    - #3 "Buy Local Campaign" engaging youth
    - #3 Share technology, software, and best technical processes, innovation, strategies
    - Better use existing services, such as SBDC , workforce training, etc.

As previously mentioned, the comments above were helpful in developing the goals and action steps in Section VII.

Innovative marketing in today's competitive environment is a central theme within this report. The globalization of the furniture industry has occurred as projected ten years ago with China and Vietnam in command of the largest market share. However, there are many other dynamics in play that are creating new opportunities (with new challenges) for Vermont value-added wood products producers.

With the cost of importing furniture from Asia on the rise and the long lead times necessary for consumers to get exactly what they want remaining in the 8-12 week range, an increasing number of companies in the U.S. and Europe are looking at alternatives to imports from Asia. The options include bringing some or all of the manufacturing back home closer to their customers.

New and untapped markets for Vermont wood products are out there to be found in this country and around the world - with more opening every year. Sector members of all sizes need to embrace a culture of change and apply it to their own product design and development and to their marketing strategies.

Most Vermont companies will want to increase sales by first focusing on expanding sales in the Eastern U.S. and Canada, and then throughout the rest of this country. Some will also want to look offshore and prepare to produce for customers in both developed markets and emerging markets. Increasing the effectiveness of marketing activities in order to gain new business is an essential strategy today.

There is no substitute for smart marketing in any business sector today. During our interviews we developed a strong perception that many small producers just did not know how to generate additional sales. Others do not want to grow beyond generating the income necessary to support their own families. However, they do need to generate more business at times to reach that level of sales.

During visits to producers around the state, many wanted to know how to increase sales to the tourists that come to Vermont. Others already had the answer by using signage, the internet, and convenient showrooms. Still others tried similar strategies and failed. Some did not understand the internet or how to use social networking or search engine optimization to lead potential customers to their web sites or to their shops.

Some value-added producers are selling direct to end-users through their own promotional efforts on the internet and other means. Some are selling to retail stores, while others have their own retail outlets. *All of these are demonstrating that it is their own creative energy and innovation in their businesses that will make them more successful.*

There are many existing programs in Vermont that teach the basic tools needed to design marketing strategies and schemes. From time to time workshops have been offered to members of the Sector. Those who avail themselves of these services and learn how to make positive changes in their current sales and marketing efforts - and implement those changes – will become more successful.

Those who either don't know about the programs or don't choose to participate will continue to fall behind within the Sector. Each Sector member must have the desire to do what is necessary to improve the effectiveness of their sales and marketing efforts. The tremendous challenge to educators, associations, and others when trying to serve the entire Sector, is to create the desire to learn and then to provide the education and training necessary.

This leads to the critical issue that Continuous Improvement is essential in today's competitive environment!

The goal of this study is to strengthen the Sector - *"to find the opportunities in branding, training, marketing, technology, and anything else that we may be missing*. (1) Strength and growth go hand-in-hand in today's marketplace.

We have looked briefly at the global landscape in the wood products industry and the trends that are driving new markets. We have portrayed a dynamic global marketplace with many opportunities to increase sales within the Vermont Secondary Wood Products industry and thus the entire Sector as it is defined on page 5. All of this calls for change.

Vermont shops and factories have an opportunity to gain new business by becoming more cost effective in their production methods and to increase thru-put in order to shorten their lead times. This is necessary to make custom or semi-custom furniture within days or just a few weeks as the market dictates.

Wood products companies around the globe are embracing change in product design and engineering and in manufacturing technology in an attempt to gain a competitive advantage and market share. Successful companies are continually making adjustments and continuous improvements in their methods of operations – from the forest to the retail store.

"It is not the strongest of the species that survives, nor the most intelligent that survives.

It is the one that is the most adaptable to change."

Charles Darwin

The world and its wood products markets are in a state of continual change and Charles Darwin's words above have proven to be applicable to this and other industries!

It is important that the leadership of each individual company within the Sector be motivated to make the changes necessary to accomplish their own goals and objectives – their own strategies in light of a changing marketplace.

It will be essential for stakeholders in a position of leadership in Vermont and in the Sector to take the lead in an effort to encourage those who have not done so to embrace a Culture of Change. Too many reports have been written with suggested solutions that we all know will work. However, too few recommendations are ever implemented to the degree necessary to generate Continuous Improvement and measurable results due to a resistance to change.

The recommendations that follow are designed to provide the tools needed for motivated members of the Vermont Wood Products Industry (Sector) to prosper in the years ahead.

The recommendations (Goals and Action Plans) that follow formulate a strategy to empower Vermont Wood Products artisans, shops, and factories to become more competitive in the markets of their choosing, and to successfully pursue those markets for growth and stability! Positive actions resulting in Continuous Improvement in all areas will be essential for success as was clearly implied by the observations and recommendations of Vermont stakeholders during the Sector Symposium.

Sustainability of the efforts resulting from this report will be essential!

VII. GOALS & ACTION PLANS

There are eight (8) recommended goals containing 37 action steps below. The order of the goals and action steps do not represent their relative importance aside from the obvious. All eight goals are important and most if not all should be implemented simultaneously in order to assure effective continuous improvement. Some efforts will take years to completely implement. Therefore, we suggest forming task forces to manage the action plans. These should have rotating memberships in order to keep a flow of new ideas and maintain the creative energy within the group while remaining focused on the assigned task.

1. <u>Implement Continuous Improvement in the Sector</u>

Continuous improvement relies on a Culture of Change that is strong enough to sustain the initiatives and programs needed to move the Sector forward. This includes the recommendations in this report. This Culture of Change must begin at the top of the Sector with the Vermont Wood Marketing Council. *[There are five (5) action items for this goal.]*

a. The Vermont Wood Marketing Council should coordinate the implementation of these goals and action steps as well as other strategies developed for the Sector.

The Council should embrace a Culture of Change and Rapid Continuous Improvement in the Sector as critical, and do all that is possible to promote this culture in each segment represented by its board members. This must begin by setting an example of solidarity without conflict and by decisive follow-through by implementing these - or more effective - recommendations.

It is suggested that the Council form a specific task force to do the research and to evaluate each goal and facilitate the implementation process. The membership of each task force can be determined by a method agreed to by the Council (which may include delegating this task of member selection to another group).

b. The council should hire a full-time Executive Director.

This position may be a full time or a part-time position (less than 40 hours per week) for a retired person experienced in the value-added segment of the industry and knowledgeable with the other segments. This position should be the only job this person has as it is critical to have someone that has this Sector as his or her only focus. This is a critical recommendation in order to maintain Rapid Continuous Improvement throughout the implementation of the recommendations in this report as well as other initiatives that will be adopted.

The job description of the Executive Director should be developed by the Council Board of Directors and should be written in such a way as to give the appropriate authority to the Director to make decisions necessary to carry out council's mandates. This includes working with committees, task force groups, and stakeholders without having to obtain approval from the council on every detail. This position is impartial to the segments of the Sector, but is created to assure rapid continuous improvement and the sustainability of programs throughout the Sector.

c. Continue to utilize outsourced support services as needed.

The Executive Director of the Council should utilize the expertise of Vermont companies, agencies, and contractors to help organize and hold special events and meetings as necessary. Their expertise in producing promotional materials and other services will continue to be essential to rapid continuous improvement and the future of the Sector. Their past performance of such contractors and government agencies illustrates their continuing value to the Sector through their involvement with the implementation of these strategies as deemed appropriate.

d. Review the Vermont Forest Products Council's Blueprint for Action.

This report, produced by the Vermont Council on Rural Development in 2003, contains 24 action steps - most of which remain relevant. The document is worthy of review and used as a timeless document containing excellent ideas and action plans for continuous improvement in the Sector.

e. Create and publish a shared vision for the Sector incorporating the desired long-term effects of the initiatives resulting from this report and other deliberations.

It will be important for the Sector to have a shared vision so there will be consensus throughout the continuous improvement process. This vision must be cast without prejudice and not be influenced by any individual's own goals and objectives. This should be a vision of the Sector looking five to ten years from now.

2. Strengthen and Promote the Vermont Quality Wood Products Brand & Logo

The Vermont Quality Wood Products Brand and Logo were developed with external funding and outstanding efforts during the past ten years. However, the brand has hit a plateau in its effective use. No standards for use have been published or any serious attempt to promote the brand to the consumer. It is time to re-energize the brand and sustain its momentum in the marketplace as suggested at Symposium Table #4, Page 24. *[There are five (5) action items for this goal.]*

a. Form a brand enhancement task force.

This is a huge project that will take time to complete. Therefore it is a good opportunity to use a group of interested stakeholders to form a task force to review the brand and what needs to be done to take it to the next level of effectiveness. The task force would work under the Marketing Council's direction through the Executive Director to keep the project moving on track. This group would coordinate all of the recommendations regarding the brand and logo use.

b. Review the health of the Vermont Quality Wood Products (VQWP) Brand and revive it.

There should be an assessment of the current state and effectiveness of the Vermont Quality Wood Products brand today. There should be a review of everything that has been done (in chronological order) to promote the brand and determine what has been effective to this point and what has not and make corrections. The Sector must then develop effective methods to tell the Vermont Brand and Working Landscape Story so that it promotes value-added wood products as Earth Friendly and of Heirloom Quality!

The wood products story should attract consumers in a similar way as the innovative marketing approaches by Shackleton Thomas' Naked Table and Green Mountain Coffee's Relationship Marketing have done.

The State of Vermont may have the talent and resources to conduct this exercise with the task force.

c. Develop a methodology to tell the story of the Working Landscape & the Sector.

The working landscape is understood by Vermonters and can be understood by others by reading reports and studies. However, some reports depict the forest products role in the working landscape as forestry and logging but rarely include information or photographs depicting value added products such as furniture, toys, parts, wood tableware, etc. On the other hand, when promoting the dairy sector of the working landscape, reports and promotional materials highlight cheese and other value-added products from the farm. Maple syrup is more often highlighted than wood building materials or furniture as a value-added product from the forest.

Producing value-added products from sustainably managed hardwood forests is at the heart of the Sector's role in the working landscape. This message needs to be prominently shared.

The consumer needs a simple explanation of what the working landscape is and why it is relevant in making a decision to purchase. An effective tool that can be used for this purpose must be developed and focused on Ms. Homeowner - the buyer of furniture and other wood products for the home.

Producing images or materials that will accomplish this will be an important assignment for this task force. This recommendation is related to recommendations #2.b above and #5.f and #7a, #7b, and #7c below.

d. Develop and enforce standards of use of the VQWP logo.

When the brand logo was approved, funding was made available to produce numerous materials for producers to use in their advertising, catalogs, web sites, and handouts. Unfortunately, little thought was given to making the availability of these materials sustainable by a "pay-for-service" policy. Thus, when the funding ran out brand innovation ceased.

Standards of use for the brand and logo should be developed including who can use the logo, when, where, and how. Once a year, each user should be visited by an area representative on behalf of the Council to review the image of the company and the quality of its products.

A "pay-for-service" policy should be adopted.

e. Tie the Vermont Quality Wood Products Brand and logo to "Made in the USA"

Even though Vermont is known to be in the U.S. it will pay dividends to tie the brand to the emerging trend of buying goods Made in the U.S.A. Customers should be reminded that it is *fashionably patriotic* to buy Vermont made products no matter where in the United States the customer resides.

3. Promote Value-Added Wood Products to New and Existing Markets

We have tried to demonstrate that there are additional business opportunities available in new and existing markets. While it should be up to the individual company to pursue these on their own, the Sector can work together to promote the industry as a whole. Companies who enthusiastically embrace and help pay for the initiatives will be the ones with the greatest promise for success. [See solutions of symposium table #2 and #3 page 22 and 23.] *There are six (6) action items for this goal.*

a. Form a Marketing Task Force reporting to the Board of Directors through the Executive Director.

Again, this initiative will be an ongoing effort and a committee or task force should be appointed to work on it. Since it may remain active for several years, a rotation of members can be utilized. Note: Do not overload one person with more than one task force assignment or they will risk being too spread out and ineffective on all groups they serve.

b. Update the Essential Buyer Guide at buyvermontwoodproducts.com as soon as possible.

This web site (sponsored by Cabot) is a great low-cost way for a Vermont wood products manufacturer to be found when shopping on line. The site should be current and every company posted should either update their page every 6 months, or pay to have it done. If any companies are unwilling to do this, they should not be allowed on the site. (The term "Essential Buyers Guide" carries no meaning and is confusing. A new title is needed such as The Vermont Wood Products Buyers Guide.) *Note: The issues in this action step were being addressed at the time of this writing.*

c. Interested companies should show in High Point.

It is time for a group of furniture makers (manufacturers) *that want to grow* to go to North Carolina and exhibit at the High Point Furniture Market in October of 2012 and continue for several years. Some in the sector went to Las Vegas a few years ago to the Home Furnishings Show there and were disappointed. The High Point show is on the East Coast and is better attended by interior designers, retailers, and other buyers from Eastern and Northeastern USA which are Sector target markets.

First, interested companies should attend the April 2012 show as guests to better understand its workings. After that, they should develop a strategy to go and exhibit with a well defined "Made in Vermont U.S.A." brand marketing plan. Small manufacturers and shops can join together in a strategic partnership (not necessarily a financial partnership) to enable each to handle greater volume with shorter lead times. Go prepared to promote customization and quick delivery of ***Green Heirloom Quality*** furniture!

All participants must help pay their share of the space and should budget promotional advertising leading up to the markets and pick a good showroom location(s).

d. Promote the story of the working landscape in High Point and in other established markets.

The working landscape is a romantic story that will sell furniture and value-added wood products. In turn, this will have a trickle-down effect through the Sector including increased sales of certified timber from Vermont woodlands. The story must be told in such a way that a casual observer can understand it and get emotionally attached. Create a DVD for wide distribution by members of the Sector and require pay-for-service to make the effort sustainable. (See 2.b and 2.c above)

e. **Work with the Vermont Department of Economic Development for assistance in exporting.**

The Sector needs to begin learning how to increase exports of value-added product to markets outside the U.S. The first target could be increasing exports to Canada in nearby Quebec markets. Recent inquiries in the Sector from Europe indicate a potential market there, and it is not too early to look at emerging markets in developing countries. An exporters club could be formed so those who are interested in the subject can learn together and share experiences.

The Vermont Department of Economic Development should be contacted and discussions begun to explore ways they can help those in the wood products industry that are interested in exporting to capitalize on current and future export opportunities for value-added products. This was discussed in the symposium at table #3, page 23.

f. Promote Vermont Wood Products as a Carbon Sink.

We shared a video at the symposium that was produced in Europe stating that if you want to help prevent global warming, use more wood from sustainably managed forests and woodlands. A similar message is being promoted by the National Hardwood Lumber Association, the Architectural Woodwork Institute, and others in this country.

In other words, “Buy wood furniture from Vermont forests because it has removed and stored carbon dioxide from the atmosphere within its sustainably produced wood, and it will remain there as long as this Heirloom Quality Furniture is in use.” Use this as a marketing tool to generate sales to the environmentally conscious consumer.

Vermont stakeholders at the highest level need to discuss this emerging marketing strategy and do what is necessary to make it a credible story that is understood and supported by Vermonters.

4. <u>Further Promote the Sector in the State of Vermont and Surrounding Area</u>

The local market includes Vermonters, tourists, skiers, second-home owners, and visitors of all kinds. They all have an appreciation of the Vermont Brand and what it stands for. The artisans and larger producers of value-added wood products can all market to these customers. Vermonters need to understand the importance of the Sector to the local economy and the working landscape. *[There are five (5) action items for this goal.]*

a. Form a task force to develop local and regional promotional strategies.

This initiative is not just for artisans or the very small producers, therefore the task force membership should include a cross section of all producers. This will be an ongoing project and will require a group dedicated for the long-term.

b. Better capitalize on tourism in Vermont for additional sales.

The Vermont Woodshop & Forest Tours is an excellent program utilizing a professional guidebook and map for visiting motorists. Unfortunately, the distribution of these pamphlets is random at best. We stopped at two welcome stations on interstates and discovered there were none on display, and the attendants were not aware they existed. The Sector has great programs and materials (or has had them in the recent past), but there is limited follow-up and sustainability! A program such as this one needs to have someone continually monitoring it to make sure that it is working.

The executive director of the council and this task force should work closely with the Department of Tourism and Marketing to find innovative ways to work together.

c. Use authorized road signage to promote the brand and logo.

The state of Vermont allows small road signs promoting businesses ahead on highways – giving the mileage before you reach the business. We saw one Sector member's sign that had the Vermont Quality Wood Products logo on it. This use of the logo should be encouraged and promoted in order to create a brand identity with tourists and others driving the highways in Vermont.

d. Cooperative store fronts should be encouraged and opened throughout Vermont.

Some artisans in the Sector have created cooperatives and have opened galleries to showcase their diverse value-added wood products. One example of this is EPOCH located on Main Street in Manchester Center. There are many different ways that a producer can market his or her products, and sometimes it is by joining others so that a critical mass is reached that enables individual companies to participate in a venture too large to do alone. Careful study and business planning will be needed, but this is an opportunity that should not be overlooked. There are hundreds of small cafes and country stores scattered throughout Vermont that could offer wood products for sale on consignment.

e. Open houses and festivals should be ongoing.

The 8th annual Vermont Fine Furniture and Woodworking Festival was held this year. Twenty-seven artisans from Southern Vermont held an Open Studio Weekend in May where their studios and shops were open to the public. A map was included in the promotional material showing the locations of the studios. These types of regional cooperative marketing efforts are exemplary and should be continued and duplicated wherever possible. This task force should encourage members in the Sector to emulate this wherever appropriate.

5. Improve the Competitiveness of the Sector

In order for members of the Vermont Wood Products Sector to prosper, they will need to be competitive with other regional firms as well as other competition throughout the U.S. and in developing countries in Asia and elsewhere. There is more to being competitive than just price, and we have covered this earlier. There are a few very important elements of competitiveness that merit repeating including those strategies discussed at the symposium at table #2, #3, and #4 (see pages 22-24). *[There are six (6) action items for this goal.]*

a. Promote productivity improvement throughout the Sector.

Productivity is a measure of the ratio of input of materials, labor, time, and money to the amount of output. The less input required for the same output – the greater the productivity. Every artisan, shop, and factory needs to understand this and to increase its productivity in order to reduce costs and improve profitability. Every company in the Sector needs training to learn the tools of productivity. This requirement for training needs to be acknowledged by the Sector and educators and programs presented to teach the basic techniques of improving productivity in the wood products industry. (This is covered in Goal #6)

The Sector associations and leaders should promote productivity improvement as a goal for all producers. The stronger each becomes, the stronger the Sector will become.

b. Promote lean for small shops and larger plants.

Lean manufacturing is not for large factories only. Every artisan, shop, and factory can utilize some of the tools of lean manufacturing to eliminate waste in their shops and thus reduce costs. This will allow them to reduce prices and/or increase profits. Lean workshops are continually being provided by Sustainable Forest Futures and other competent providers. All members of the Sector need to be exposed to the lean tools available and how to use them. The results will always be reduced waste of time, materials, money, and other benefits that generate savings that can be used to grow the business. The process time saved shortens the lead time required to fill orders and will reduce the amount of floor space required and thus allow greater thru-put in the same space. These results will actually shorten lead times and lead to additional orders.

c. Revitalize sawmills and kiln drying facilities throughout Vermont.

In order to compete effectively, wood products manufacturers need to have ready access to kiln dried lumber of the grade required available Just In Time. Vermont continues to lose sawmills and kiln operations around the state. Generally speaking, these are larger operations that require a lot of volume to keep them full and running. The energy required in order to run a large operation is significant. Cutting and/or drying small quantities of mixed wood of different species and thickness can be difficult and costly in a large facility. Such conditions slow down the operation and increases costs.

When business is robust and there is a strong demand for kiln dried lumber, large sawmills and kiln operations are able to survive. With more automated systems coming on line and a weak global economy, the capacity of this segment of the Sector is greater than the demand.

Sector sawmills and kiln operations need to re-think their link in the supply chain and consider forming co-operatives and find other means to invest in smaller sawmills and vacuum kilns suitable to cut and dry small lots of mixed species. This strategy may offer a solution to the cracking and warpage of beech in a conventional drying environment. If this is the case, it is possible to create a demand for this and other underutilized species found in the woodlands of Vermont.

Small quantities of mixed hardwoods dried in a shorter time span, should bode well for most lumber users in the value-added segments of the Sector since they are relatively small. Currently, there are value-added plants that have idle conventional kiln capacity and yard storage. They too may be a source for smaller kiln charges of different species.

The time may be right for a paradigm shift in the Vermont Sector that smaller is better. This might be the only way to generate a continuous supply of certified wood covered in Goal #7, page 48 below.

d. Encourage the creation of more lumber suppliers for the small user.

We heard around the state that it was becoming more difficult for small shops and artisans to get small quantities of lumber required for a project when they need it. Again, cooperatives and strategic partnerships can be formed to help solve this issue. It is likely that the JIT (Just In Time) demands of the marketplace will create the motivation to produce a solution to this problem – real or perceived.

In the meantime, the Sector stakeholders concerned with this issue should begin discussions with suppliers on possible solutions to this while they are working together to solve the sawmill, kiln drying, and certified wood issues.

e. Create strategic partnerships and cooperatives among sector players.

While visiting a small shop run by a talented Vermont artisan, she said that she often needed help in her shop but could not find the experienced craftsmen she required when she needed them. After a brief conversation, she agreed that she could outsource some of the work that would free her up to complete the order sooner and allow her to start on another order. She correctly reasoned that by creating a strategic partnership with other artisans or shops, she could increase her thru-put and raise her revenue to a level sufficient to re-coup the cost of the "outsourced" work.

This can be a win-win strategy and can work for some producers in the Sector.

f. Use certified wood in all Vermont Quality Wood Products branded items as soon as practicable.

If Vermont value-added producers can ship 100% certified wood products, *the competitive advantage will be huge!* This issue of wood certification is mentioned again here because of its importance in its ability to raise the level of competitiveness of the VSWP Sector. The issue is covered in more detail in recommendation #7, page 48 below.

6. Build a Viable Educational and Training System to Support this Sector of the Working Landscape

Our Perception is that the Sector has been abandoned by the Vermont school system and left to educate itself. In some states, fine woodworking programs have been cut back because factories have closed. However, there are several examples of state supported programs that are still vibrant – working to keep their furniture and wood products manufacturing sectors alive and well in their state.

The first example is the Franklin Furniture Institute at Mississippi State. Their promotional materials state: “The institute builds on a long history of wood-product research, technical assistance and continuing education that the university has provided to the state and region. Through research that aids in the design, production, marketing, and distribution of high quality products that meet the changing needs of families and businesses here and abroad, faculty and staff offer technical support to deliver new technologies, methods, and findings to industry, help to ensure a high quality workforce, and educate future managers and leaders for the industry.” Their mission is “To help sustain and increase the competiveness of the furniture and related industries in Mississippi and beyond.” This program has been instrumental in building a very strong upholstery furniture cluster in Mississippi.

Another excellent example is the Furniture Manufacturing and Management Center within the Edward P. Fitts Department of Industrial & Systems Engineering at North Carolina State University. The furniture program has been ongoing since the 1950s. An updated center was created in 1991 providing applied research and technical assistance to furniture manufacturers in the state and surrounding areas. This department offers a degree in Industrial Engineering, Furniture Manufacturing Option for students interested in a career in the furniture industry.

The final example we present is also located in North Carolina – in the western part of the state in Catawba County. The Catawba Valley Community College is located in an area where there is an upholstery furniture manufacturing cluster as well as other furniture producers. Even though much of the wood furniture plants have closed and production moved off shore, this community college remains dedicated to preparing students with the skills to fill the upholstery jobs in the sector from making wooden frames to the final upholstery including cutting and sewing. The program is offered in the early evening hours in order to meet the needs of those already working. This is a certificate program of just 1 ½ semesters. In addition, the college provides testing of furniture for compliance with ANSI / BIFMA 5.1-2011 furniture standards.

In Vermont the value-added wood products manufacturers are scattered in every corner of the state. However, aside from special seminars and training from time-to-time, there is no program that meets the need for education and training in order to better prepare Vermont wood products companies of all sizes for an increasingly global competitive environment. In addition, education and training are needed to motivate and prepare young people for a career in the Sector. Without this coordinated support, the Sector will begin to crumble as the current generation of woodworkers retires. *[There are four (4) action items for this goal.]*

a. Form an Education and Training Task Force to review the current and future needs in the Sector and re-invent programs to serve Vermonters.

The issue of education and training for the Sector has been recognized as a serious one for over a decade. A blue-ribbon panel or task force needs to be appointed by the Marketing Council (or other entity) to work on this issue until a sustainable plan is developed and in place for Vermont wood products manufacturers of all sizes. This will be a long process, but one that must begin immediately.

b. Install an effective program in the primary and secondary public school system.

We must motivate young people to join this important segment of the Vermont economy. This should start in the elementary schools by demonstrating the Wood Products Sector's essential contribution to the Working Landscape and making that presentation attractive and intriguing explaining that hand tools as well as computerized equipment are utilized by a highly trained workforce. The task force should talk with WoodLINKS USA and others to identify a program right for Vermont. This recommendation was made ten years ago because this is a proven program that can potentially meet the needs of motivating our youth to enter this Sector.

The current public school programs are essentially limited to carpentry and need to incorporate value-added wood processing as well. There should be a sense of urgency to begin sowing seeds now to ensure a harvest of woodworkers in the future.

c. Build on existing education programs.

There is an excellent educational facility in the Fairfax countryside that has an excellent staff teaching woodworking and furniture making skills to those interested in the industry. The Vermont Woodworking School is (as they state) education in the apprenticeship tradition. It is an effective program teaching a very limited number of students due to its physical limitations.

It is especially effective in training in the traditions of artisanship, using hand tools as well as simple modern machinery. The success of this <u>and any other current program</u> should be evaluated as to how it can better meet the needs of the entire Sector.

Rather than begin anew, we recommend first looking at expanding the roll of the Vermont Woodworking School that is currently affiliated with Burlington College. The school is trying to be visionary and expand its reach, but is hindered at its current location and by limited resources. We suggest Burlington College as one option to become the center of education and outreach for the Sector due to its existing course offerings and proximity to a cluster of manufacturers that could provide jobs for on-the-job training during the summer months.

However, this institution is just one possibility!

The Community College of Vermont has twelve campuses across the state. One or more of these could offer the programs needed to support the Wood Products Sector much like that done at Catawba Valley, N.C. and Mississippi State University. The CCV Hospitality & Tourism program goals and objectives for that industry are largely applicable to the wood products industry and could serve as a proven model for the Sector.

This recommendation includes the following components at a Vermont campus:

- Design the curriculum and the size of the shop to include training and the use of modern manufacturing methods and machinery including at least a CNC router and CNC panel saw. (Some machinery manufacturers may “loan” these machines or lease them for a token amount.)

- Offer classroom instruction on the skills needed to run a wood products business of any size including but not limited to:
    1. The importance of the sector in the Vermont Working Landscape, and the Vermont Brand
    2. Basic wood technology
    3. CAD Product design and development
    4. Principals of lean manufacturing & manufacturing management
    5. Acquiring skills needed for factory floor management
    6. Basic strategic planning and business management
    7. Marketing - as a business plan and a tool
    8. Other basic business skills needed to successfully run a business

- Offer continuing education courses to existing Vermont wood products companies

- Possible inclusion of incubator space for start-ups (a common economic development tool) located near or attached to the teaching shop if practical

- Include education for sustainable forest management at this facility and offer training throughout the state through CCV

- Include training for the sawmill and kiln drying segments of the Sector

- Provide affordable student living space in the vicinity of the school(s)

d. Provide continuing education and training for existing Sector companies.

Existing employees in the Sector need continuing education and training in a variety of the areas mentioned above. The college and/or other organizations could offer instruction throughout the state on many of the same subjects as mentioned above through short courses that could be offered for employees of existing wood products companies (landowner to value-added factory) at various CCV campuses across the state.

There are many ways to attempt to rationalize that an educational program for the Sector is not needed or will not work - and evidently this has been the case for decades. If this Sector is indeed important to the Vermont Working Landscape and the Vermont economy, some serious forward thinking- outside of the box - is needed to develop an education and training program to help enable the success and sustainability of the Sector!

7. Create a Certification System for Vermont's Wood Products Sector

If Vermont value-added producers could ship 100% certified wood products, *the competitive advantage would be huge!* While this does not seem likely at times, the Sector must work closely to create such a system for producers if they are going to satisfy this growing requirement of the upper-end consumers across America. The Sector should build on the Cornerstone Project results and other initiatives underway to accomplish this goal.

This goal should receive high priority and will require a dedicated task force made up of all segments of the Sector to make this happen. The stakeholders that will be needed include the Vermont Department of Forests, Parks, and Recreation and other government and interested non-government organizations. One of the most critical players will be the small woodland owners in the state.

It will not be possible for Sector producers to make all value-added products out of Vermont grown timber. However, if the certification process is easier by using wood from Vermont woodlands, a greater number of producers will choose this option in order to capitalize on this competitive advantage. This will be good for woodland owners and for promoting healthy forests.

A very strong task force will need to work on this constantly to make this goal of the Sector a reality. See symposium table #5 on page 25. *[There are three (3) action items for this goal.]*

a. Form a Vermont wood products certification task force to accomplish the goal.

The objective should be to design a scheme incorporating acceptable forest and small woodland sustainability practices so that Vermont can have a simple, universal certification scheme acceptable in the marketplace. The task force must include all segments of the Sector including the woodlot owners. The membership must be structured to function for a year or two while work progresses.

b. Develop wide support and acceptance for the system created.

The scheme developed must have integrity and broad support in order to merit wide acceptance in the marketplace. The goal should be to make certification a given when someone sees the Vermont Quality Wood Products logo!

c. Use the certification scheme as a marketing tool and connect it to the brand.

Once the certification program is in place, it should become a prominent part of all promotional materials, ads, web sites, and showrooms, in order to make Earth Friendly understood as part of the Vermont Wood Products Brand and the working landscape.

8. Create a Positive Business Climate for Economic Development in the Wood Products Sector

The same business climate issues of ten years ago remain a concern to many in the Sector because they represent constraints to growth and success in the state. The Vermont Agency of Commerce & Community Development should review the relevant issues and make recommendations for solutions. See notes of symposium table #5 page 27. *[There are three (3) action items for this goal.]*

a. Form a task force to oversee a thorough analysis of the constraints perceived or real

Business owners throughout the Sector mention that Vermont is a difficult state in which to conduct their businesses. A high level group needs to look into this to determine if there are real issues that need to be corrected or if there are incorrect perceptions that need to be corrected. If the Sector is important to the Vermont economy, it is worth any effort to better facilitate growth through a positive business climate.

b. Hold a forum on the topic focused on the Sector.

Discuss the following specific issues that Sector members have mentioned.

- **High energy costs are a constraint to the sector due to the necessary consumption of electricity.**
- **Workers compensation costs remain high.**
  - Is a renewed focus on safety training needed in the Sector to reduce incidences, and is the system being abused?
- **There is a perceived lack of access to capital for modernization and expansion in the Sector.**
- **Runoff and erosion regulations are a growing expense.**
- **Other issues identified**

c. **Develop action plans to negate or minimize the constraints that were discovered as real and not just perceived.**

Any progress that can be made will add to the competitiveness of those in the sector and thus create a better climate of prosperity and growth.

d. **Help in the development of a workable wood certification system as mentioned in goal #7 above.**

The Sector will need continuing heavy involvement and support by the Department of Forests, Parks, and Recreation to achieve this goal.

We would like to thank all of those stakeholders who provided input during this project. Special recognition goes to those who participated in the symposium. It was their input that contributed most to the goals and action steps in this report.

Bibliography

(1) *Vermont Wood Products Marketing Council RFP 12/15/2010*
(2) *Jeff Cao, Center for International Trade in Forest Products, University of Washington, Seattle 2008*
(3) *Berr Economics Paper No. 5, 2009*
(4) *Indiamirror.com, Jan 2011*
(5) *Wolfensohn Center For Development at Brookings (2010)*
(6) *Imagining Vermont – Values and Vision for the Future, p.61*
(7) *Vermont's Working Landscape: Keeping it Vital, DVD Vermont Council on Rural Development*

Dossenbach Associates, Inc.

1805 Crepe Myrtle Drive
Sanford, NC 27330
919-775-5017
www.Dossenbach.com