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CONSUMER PREFERENCE IN TREATED WOOD

David Fell
FPInnovations 2665 East Mall, Vancouver, B.C. V6T 1W5

Summary

In this paper we discuss the prospect of shifting the treated wood industry from a commodity orientation to more of a consumer driven industry. Recent market developments and market research results are cited in making the case for a more market-oriented industry.
Treated wood is considered at three different levels in this presentation. First, the treated wood category is examined in isolation. Second, treated wood is discussed in relation to other competitive materials in the deck industry. Finally, the emerging outdoor living sector is considered.

1. Discussion

Decking is the primary application to discuss when considering consumer interaction with treated wood. Consumers mostly view treated wood as a single commodity product. Reinforcing this is the tendency for home centres to carry only one brand or treatment type on their shelves. Further, the marketing and education support given treated wood is low compared to other decking products, reinforcing the commodity perception for consumers. As they do not believe they have choices to evaluate within treated wood product offerings, consumers tend to know little about the product. Indeed, the most recent example of consumers becoming educated with respect to treated wood purchases was associated with the phase out of CCA preservatives, a negative news story for the product category.

We are now operating in a post-CCA environment where plastic-based decking is providing, for the first time, meaningful competition for treated wood. This era has brought about innovation and the exploration of options for treated wood companies and researchers. The technologies exist to market different products based on different consumer groups with different values. Products may focus on performance, format, colour, sustainability, or some other factor or combination of factors. They key is that the market is not homogenous and the creation of a homogenous product serves all, but serves none well.

Over the past eight years FPInnovations has performed several marketing studies on decking. In 2007 we collected treatment colour information from visitors at Vancouver's

Van Dusen garden show (Bell and Morris, 2008). Colours included natural, grey, and various shades of brown. The medium brown / yellow sample of decking and fencing was the overall favourite among respondents. Attributes associated with this colour were "casual", "classic", and "sustainable". The dark brown and grey colours were popular with consumers favouring a modern and formal look. Here we see evidence of two different consumer groups seeking two separate products. The medium brown / yellow decking product would provide a safe product for suburban installations while the dark brown and grey decking could be targeted to urban commercial spaces and modern townhouses.

In 2006, decking was also the topic of a Vancouver Home Show booth designed by FPInnovations. Consumer reactions to different colours and profiles were studied. In this study the brown coloured decking was again the most popular (McFarling et al., 2007). In this case the brown colour was achieved with an ACQ treatment followed by a coating. With respect to profile a ripple pattern with flat edges was most popular. Some differences were observed between men and women on their preferences but some type of profiling was almost always preferred over the flat profile currently on the market.

Moving beyond just treated wood to the decking market as whole, the effect of plastic-based decking products on the market in recent years is evident in market numbers as well as the consumer approach to the market. Plastic decking benefitted from incredible timing as it was just gaining a critical mass at the same time that CCA became a household word. The uncertainty and temporary aversion to treated decking helped catapult plastic decking markets share from under 5% in 2000 to closer to 25% in 2003 (Fell et al., 2005).

In 2000 and again in 2003, FPInnovations performed conjoint analysis on the deck industry (Fell and Gaston, 2001, Fell et al., 2004) Conjoint analysis a market research method that forces consumers to make tradeoffs in their product selections. In both years the deck material was the most important deck attribute. However, treated wood went from a highly positive attribute in 2000 to negative attribute in 2003. In other words, in 2000 treated wood added to consumer perception of a deck and in 2003 treated wood took away from the overall perception of a deck. Plastic-based decking, on the other hand, moved from highly negative to positive. In the same studies, lifetime was the second most important attribute lifetime playing a much larger role in decision making than annual maintenance.

In 2005, FPInnovations completed a study of over 2000 US homeowners (Fell et al., 2005). Of those with decks 71% had treated wood decks in place, 18% cedar and redwood, and 4% plastic. When asked what their next decking material will be 49% indicated treated wood, 20% cedar and redwood, and 25% plastic. This figure of 25% is consistent with other estimates of plastic decking shares for 2005, and has likely increased.

Given that plastic decking is 2 to 3 times the cost of treated wood, what attributes does it have that warrant this premium and market growth? It is claimed that it is lower maintenance, which our market research shows is of moderate importance to consumers. More important is the expected lifetime. When walking the floor at Deck Expo 2006 we found that plastic decking generally had a 25-year warranty on it. Interestingly, most treated wood had the same warranty period.

Plastic-based treated wood warranties for decay and structural soundness it does not cover checks, splits, and splinters. However, it is these checks, splits, and splinters that cause most consumers to replace their decking, not decay and structural soundness (Gaston and Fell, 2006). Plastic decking generally has a more comprehensive warranty structured around serviceability. It has also raised the expectation for options. Plastic-based decking now comes in a multitude of colours, profiles, and top patterns.

Most importantly, plastic-based decking has raised the price expectations of consumers. The increased price expectations in the category have opened the market to expensive exotic hardwoods, once seldom considered by consumers but now seemingly much closer to the "expected" price of a deck.

So what of treated wood prices? In this new reality of increased decking price expectations treated wood producers have been given a tremendous opportunity to innovate in the price gap. Premium features such as quarter sawn sorts, profiling, "green" preservatives, colour modification, hardening, and other attributes can be added to market unique products to different consumer segments.

A better and cheaper competitor is often beginning of the end for incumbent products. However, plastic lumber is only better, not cheaper, and only better at some things. In this case the incumbent product, treated wood, holds a sizable price advantage and needs to focus on the better.

Many in the industry point out that plastic and wood-plastic composites are not structural and at least treated wood will always have the deck frame market. There are flaws in this logic. First, the high margin markets for building products are for what you see. Consumers pay a premium for the visual decking component, researching materials, consulting magazines, websites, and friends. Once installed consumers are reminded every time they set foot on their deck of their choice. The frame on the other hand is a technical component. It must do its job for the right price. We are giving up the wrong market. The second problem with the "we will always have the frame" statement is that it is not true. Innovative companies are now convincing consumers to upgrade their frames to metal (steel and aluminum) to match the investment they have made in their decking. It is too early to judge the success of metal frames in the market but it shows that there are always alternatives.

The final market level to discuss is the outdoor living category and the opportunities for treated wood. Outdoor living and "outdoor rooms" have received considerable attention in the home design press recently. As lot size decreases and home size follows suit there is a movement towards extending home living area to the outdoors (NAHB, 2007). This trend has seen the conversion of lawns to decks and pavers and the establishment of outdoor kitchens and separate outdoor livingrooms.

It has been suggested that the cost of building these outdoor rooms is one quarter the cost of renovating their indoor counterparts. This makes for an economical way to raise home values and add some luxury. However, this segment is not about low cost. Consumers are investing in luxury decks, barbeques, refrigeration, and furniture and still seeing value in their investment.

For treated wood manufacturers hoping to service this sector the key is in selling a system or suite of products. Decking, fencing, lattice, privacy screens manufactured with the same material and with complementary design are needed. This requires a shift in marketing and product line strategy for manufacturers. This sector is consumer and design driven. Further to design, key decisions must be made with respect to making components, outsourcing components, or collaborating with other manufacturers and channel members.

2. Conclusions

There are ample opportunities for treated wood manufacturers to take a more consumer-based marketing approach. The outdoor living sector is one of the bright spots in a currently gloomy housing market. The combination of outdoor living and plastic decking have increased the expected outdoor project budget considerably. The challenge is how does a company, let alone an industry, move from a commodity to a consumer orientation? The key is to start small and build experience in consumer products while continuing to serve traditional markets to provide continuity and risk management.

3. Literature

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