



### *MARKETING CHALLENGE*

- Selling more frequently to pure price buyers who are not technically familiar with product demands, requirements or alternatives.
- Selling into markets with decreasing demand, too much treating capacity and a concentrating customer base.

*STANDARD UTILITY POLE  
PRODUCT CHALLENGE*

- 26 ft.<sup>3</sup> of prime Pine wood. It is selected, harvested, peeled, dried, inspected, classified, treated, tested, delivered and installed (handled much too often).
- It is sold at a very low price and is expected to perform for 40 years in demanding conditions under high loads with large liability for failure - ``A tough product challenge``

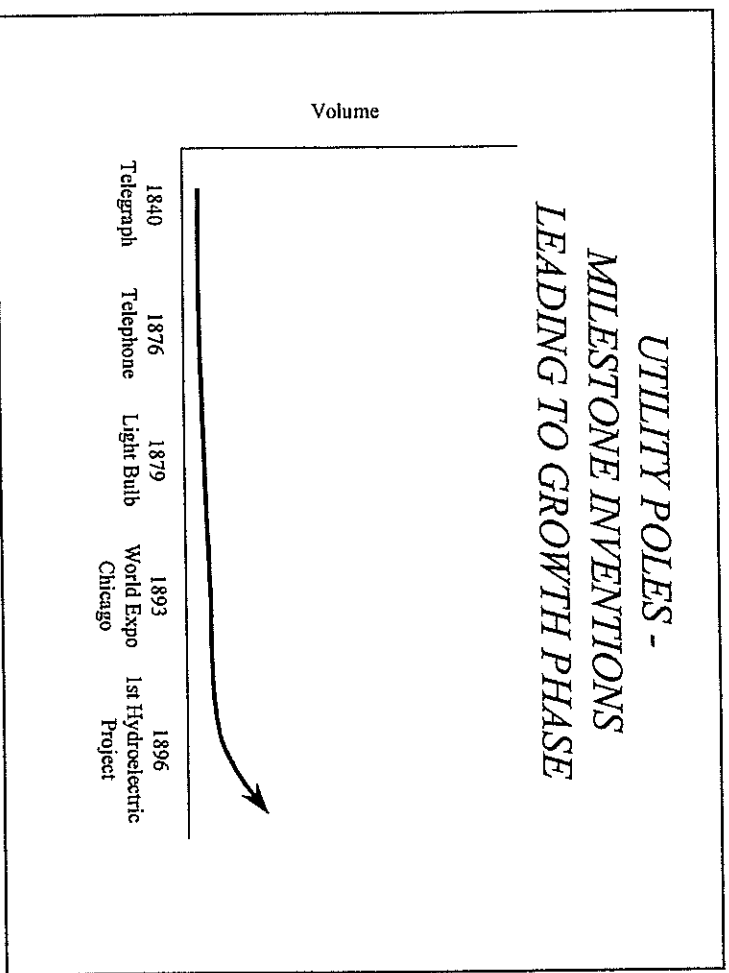
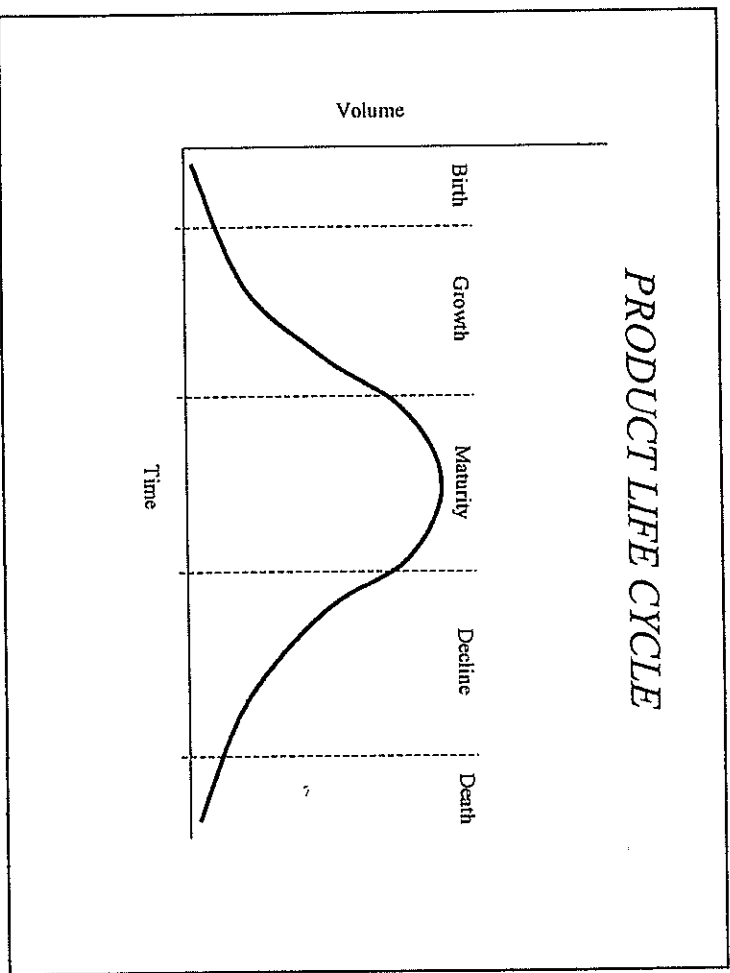
*BUSINESS PROFILE*

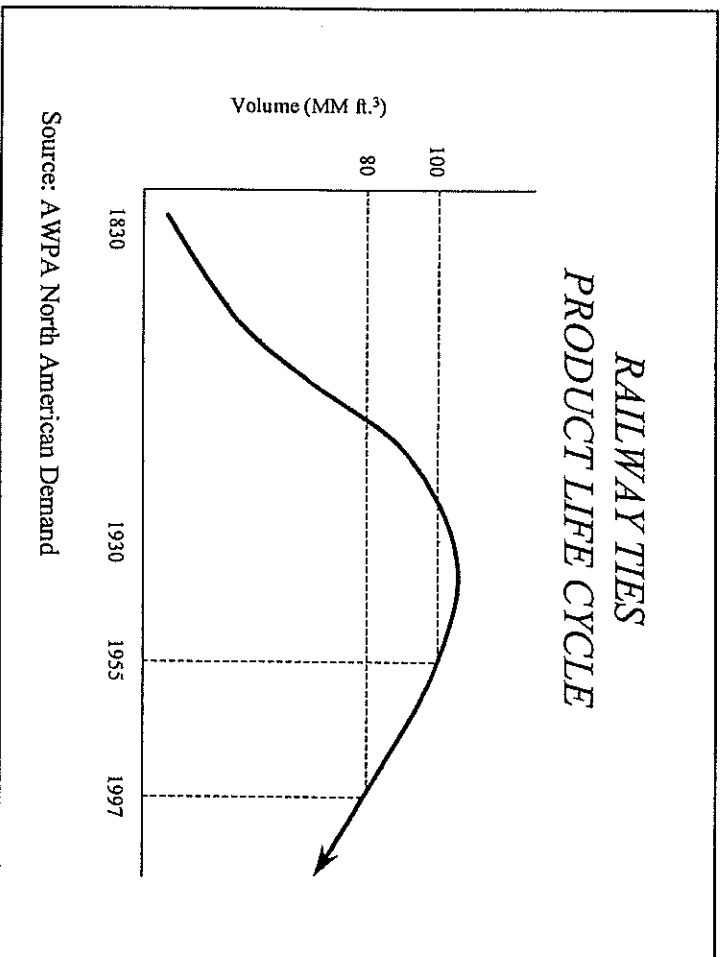
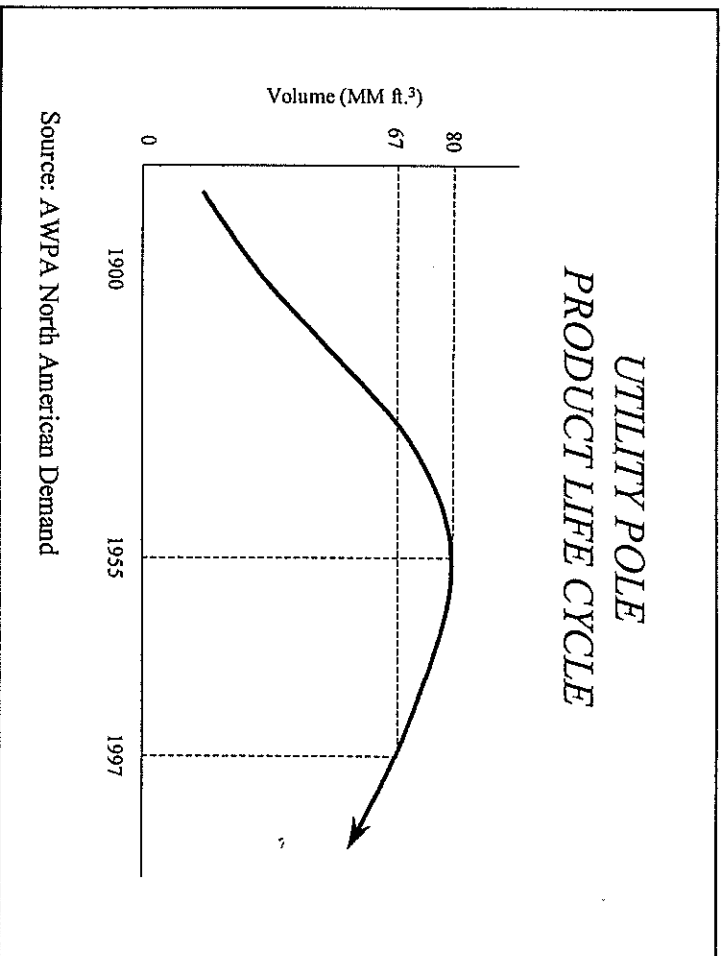
Front - Harvest/Procurement - Forestry.

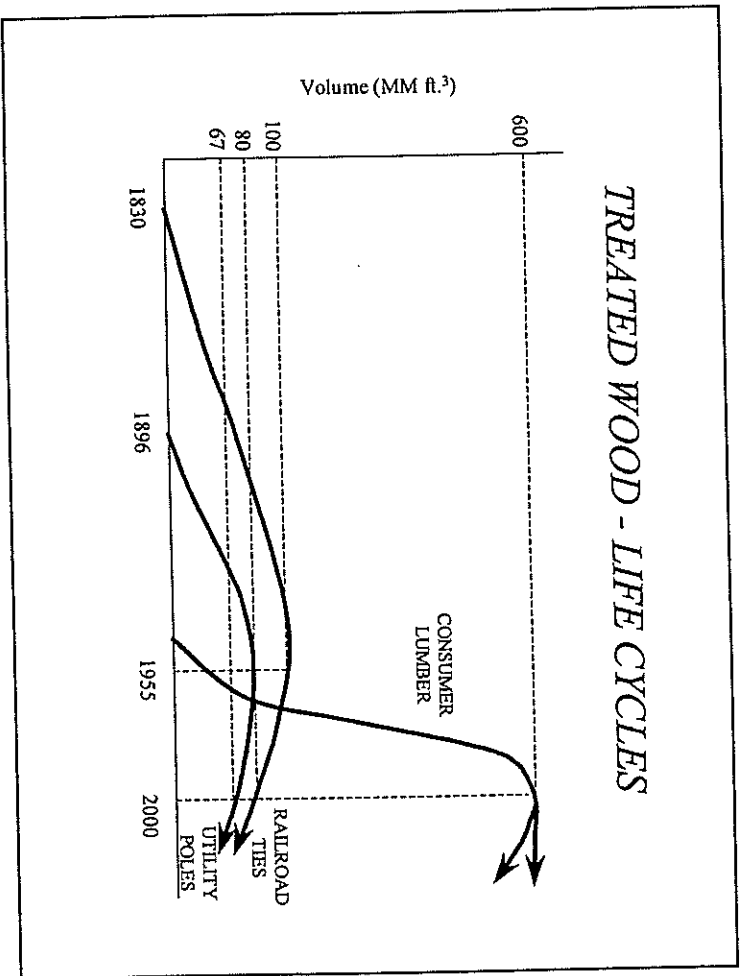
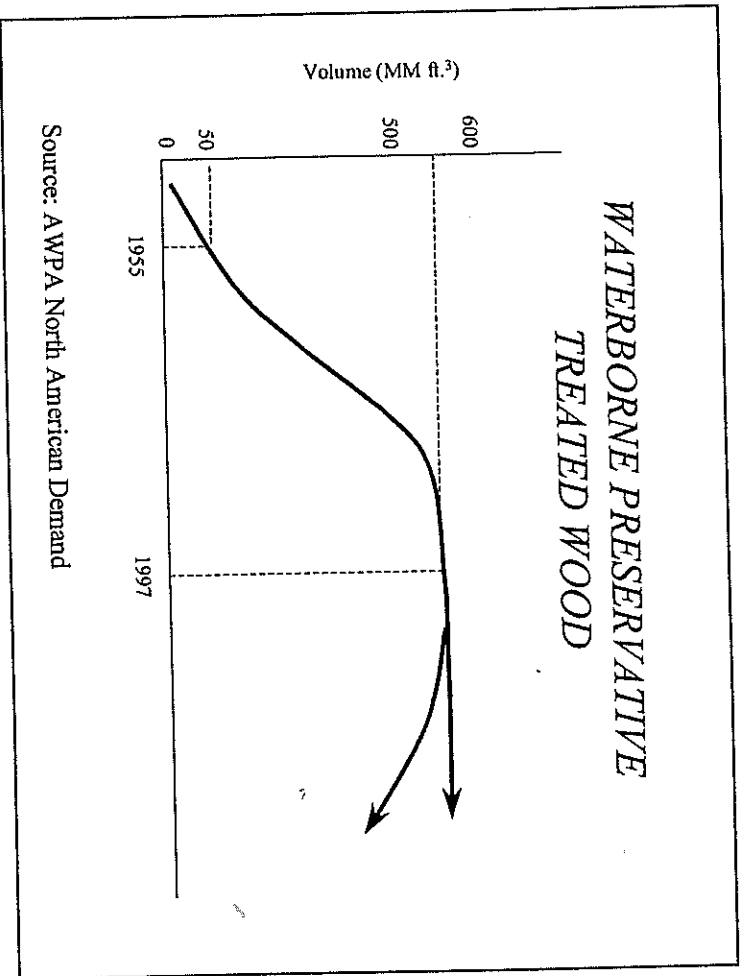
Middle- Chemical Processing Plant - Heavy Manufacturing.

End - Industrial sales of Technical/Engineering Products to increasingly demanding large buyers e.g. Home Depot, CP, CN, Hydro - X

- Each of the above phases has unique demands and requires different skills.
- Demands and skills requirements will increase.
- Difficult to have each skill position successfully filled in a small company.







*ALTERNATIVE STRATEGIES \*  
FOR BUSINESSES IN DECLINE*

<u>Leadership</u>	<u>Niche</u>	<u>Harvest</u>	<u>Divest Quickly</u>
Seek a leadership position in terms of market share.	Create or defend a strong position in a particular segment.	Manage a controlled divestment, taking advantage of strengths.	Liquidate the investment as early in the decline phase as possible.

\* M. Porter: Competitive Strategy, 1980

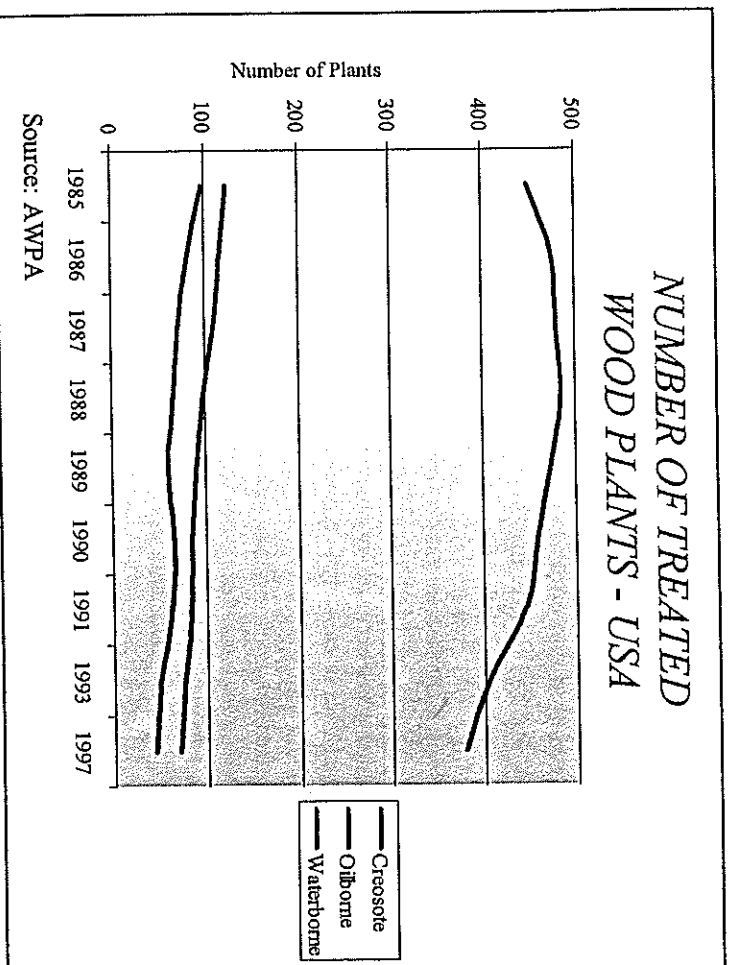
*COMPETTIVE STRATEGY: LEADERSHIP*

Tactical steps that can contribute to executing the **leadership strategy** are the following:

- Investing in aggressive competitive actions in pricing, marketing or other areas designed to build market share;
- Purchasing market share by acquiring competitors or competitors' product lines or capacity to reduce competitors' exit barriers;
- Reducing competitors' exit barriers in other ways, such as by manufacturing their products, taking over long-term contracts, or producing for them so they can terminate operations;
- Demonstrating a strong commitment to staying in the business through public statements and behavior;

## COMPETITIVE STRATEGY: LEADERSHIP (Cont'd.)

- Demonstrating clearly superior strengths through competitive moves which are aimed at dispelling competitors' attempts to battle it out;
- Developing and disclosing credible information that reduces uncertainty about future decline;
- Raise the stakes to stay in the business by precipitating the need for reinvestment in new products or processes.



### *FACILITIES TREND*

- USA wood treating plants decreased from 588 to 445 from 1985 - 1997 (24% decrease in 12 yrs.)
- Canada .....

**40% TOO MUCH CAPACITY**

### *NORTH AMERICAN INDUSTRY*

- Canada 68 Treating Plants (50 companies)
- USA 445 Treating Plants (310 companies)

Number of plants and companies is shrinking



### *CITW MEMBERS*

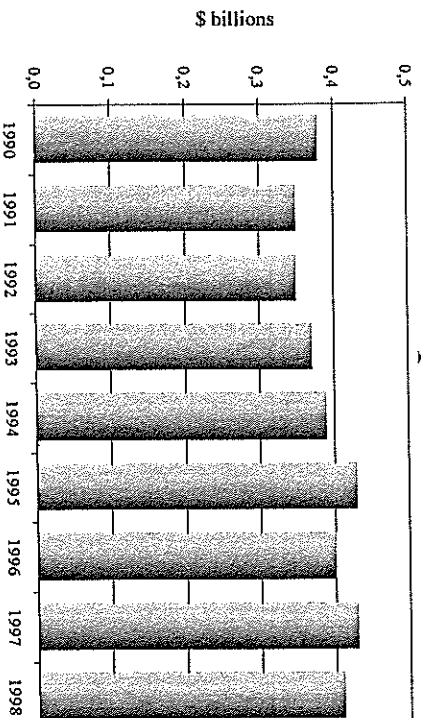
**2000**

- 28 Plants (20 members)

**1985**

- 33 Plants (23 companies)

### Canadian Wood Preservation Shipments



Source: Statistics Canada

## *CONTRIBUTIONS TO DECLINE*

### SUBSTITUTION:

- Plastic
- Plastic Wood (Recycle)
- Steel
- Concrete/Cement
- Engineered Wood Products
- Underground Cables
- Wireless Telephony
- Design/Taste
- Environmental Pressures
- Deferred Maintenance

## *FORECAST DEMAND FUNCTION/TECHNOLOGY ANALYSIS*

**RAILROADS:** Moving heavy freight long distances on land -

To persist

No technology to replace on the horizon

**FORECAST:** Demand will be primarily maintenance/replacement. Continued very slow decline.

*FORECAST DEMAND  
FUNCTION/TECHNOLOGY ANALYSIS*

**POLES: Telephone/Electric Distribution**

Telephone - Replace with wireless substitutes.  
Electric -need hard wires from source to users,  
but threats exist- underground cables/steel/concrete.

**FORECAST:** Demand to continue for maintenance of old electricity lines but decline rate will increase.

*FORECAST DEMAND  
FUNCTION/TECHNOLOGY ANALYSIS*

**CONSUMER LUMBER:**

Function - Long-lived wood objects - outdoors  
Some "fashion" - e.g. Decks/Fencing

Threats - Plastic/Plastic-wood/Stone-Cement/Steel/Anti-wood and  
anti-chemical environmentalists.

**FORECAST:** Likely decline with consolidation of buyers (Home-  
Depot) & suppliers (Universal Forest Products/GP) to continue.

### *Closing Thoughts*

- We are in a tough mature business.
- Substitutions are targeting our industry.
- Decline will continue in all segments
- Technical requirements will increase.
- We have to turn out quality, performing products
- We have to counter threats to our industry.
- Darwinian principles will hold - survival of the fittest.