

THE WOOD MONITOR

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Why Not?



The economy or at least your part of it is soft. Sales are weak. Competition in your traditional markets is brutal. Your plant is running less than 40 hours a week. What's your next step?

Are you going to fold your tent and go quietly in the night? Or get out of your box and do battle?

Before you make that choice, take an inventory of your strengths:

- Plant and equipment – List only your newer, fast response machines, not your old double end tenoners.
- Front line workers – Add up your skilled employees and their talents.
- Managers – Count only those with open minds.

Then assess your company's core competencies – the skills that have supported your past successes by enticing your customers to buy your products.

Next test your imagination. Can you think beyond your current business boundaries – beyond your current channels, customers, and products? Are you capable of leading your customers to new product/service

attributes that they have not envisioned? Or developing new markets for your existing products?

To survive these times a company must have the imagination to envision markets that are not being satisfied or do not exist. You must seek a new competitive space. Individual consumers inhabit that space. And the U.S. has about 280 million of those, each with their own particular spending preferences. As groups these consumers form thousands of niche markets, each worth millions of dollars. With enough imagination you can find and supply one of those niches. Think small. Shoot with a rifle not a shotgun.

But remember that ideas do not implement themselves. Turning your ideas into action is often the real challenge. Are you willing to make some fast, low cost expeditions into untested markets? If you fail on one attempt, will you recalibrate your effort and try again? Are you willing to

invest time that is disproportionate to any short term financial returns?

And finally, don't forget three essential rules for new ventures:

- Without adequate funding an idea will not get off the ground. You need resources.
- You have to give up something to get something. You don't need lots of products to sell lots of product.
- Surpass your customers' expectations whatever they are. And today that usually means fast delivery at a fair price.

Bottom Line – New, successful businesses are born every minute. One of them could be yours if you leave tradition and institutional memory behind. Open your mind. Redirect your company's assets and competencies towards other market opportunities.

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“If you are not paying attention to demographics, you risk missing the next important trends in your marketplace.”

Demography is Destiny

Despite the prognostications of many talking heads, the US is far from reaching the end of its economic glory days. One reason is demographics – the mix of births, deaths, and immigration that determines the make-up of our population. And the 2000 census contained a big demographic surprise. The U.S. population is growing faster than expected.

The drivers of that growth were higher immigration and a faster birth rate. These factors will produce a population that is not only larger but also stays young and more ethnically diverse. Yes, the percentage of young children in the U.S. is declining but more slowly than earlier predicted. In fact experts calculate that the median age in the U.S. will only rise to 36.2 years in 2050 from its current 35.5. And, importantly for your government-sponsored pension, the percentage of the population over age 65 will be only 40% in 2050.

If incomes can remain as high as today, the U.S. will continue to be an important market. Today U.S. consumers spend about \$4 trillion a year. That's \$8 million a minute.

No matter what a consumer's education, income, occupation, or geographic location, spending decisions

are shaped by one huge attribute – age. According to Jon Winslow, a market researcher, every age group lavishes money on certain parts of its budget while skimping on others. Twentysomethings spend more on entertainment while people in their 30's are devoting large sums raising a family and furnishing their homes. At age 50 spending in all expense categories peaks. Any company selling to the consuming public or is one degree removed from those spenders better understand these buying patterns.



If you are not paying attention to demographics, you risk missing the next important trends in your marketplace. And remember you're looking for trends not fads. Two well-known marketing gurus, Al Ries and Jack Trout, distinguish these phenomena, “A fad is a wave in the ocean, and

a trend is the tide.” Waves disappear quickly. Tides are a long-term force. In most cases chasing fads is not the route to sustainable competitive advantage. Aim at the trends.

Where do you find data on consumer spending? On the web, of course. The Census Bureau conducts the Consumer Expenditure Survey (the CEX) for the Bureau of Labor Statistics. These data are sorted by age group, income, ethnicity, and other characteristics thus highlighting consumer spending preferences.

For example those watching these data could see the downturn in furniture spending as Americans spent 6% less on this product category between 1990 and 2000. Many of these dollars were spent instead on home remodeling (hence the growth of cabinet sales) and equipment for home offices.

Bottom Line – In ten years you will see a huge shift in our economy. Older boomers will be retiring, Generation Y will be setting up homes and buying cars, while the growing Hispanic community means larger families with more children. Are you adjusting your products and services to match these shifts?



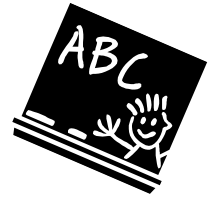
Business Quote...

“There are those who look at things the way they are, and ask why...I dream of things that never were, and ask why not?”

Robert F. Kennedy

“Which one of these groups spends money on your products and services?”

The ABC's of Demographics



What the heck is Gen Y? Are you a Gen X'er?

Let's take a quick look at the five primary “generations” that make up the U.S. market...

Group	Born	Age	Spending Power	% Spending Power
Generation Y	1977-1994	8-25	\$187 billion	5
Generation X	1966-1976	26-36	\$736 billion	18
Young Boomers	1956-1965	37-46	\$1.1 trillion	26
Older Boomers	1946-1955	47-56	\$1 trillion	24
World War 2	1936-1945	57-66	\$557 billion	13

◆ **Gen Y** – Most of this group still lives at home so their spending focuses more on personal appearance and having fun, less on building a nest.

◆ **Gen X** – At this life stage careers have been launched and families started. Spending is focused on food, housing, and transportation. One exception is personal services – having more of life's tedious, time consuming duties done by others.

◆ **Young Boomers** – Spending is still directed by their children. Most are homeowners and spend more on their castles (with the exception of furniture) than any other age group.

◆ **Older Boomers** – Most are between being parents and grandparents. Spending is focused on upgrading their homes and saving for retirement but college tuition payments are still a big expense. In four years they will spend on themselves.

◆ **World War 2** – Aka Empty Nesters, this group is replenishing their adult lifestyles. With their homes paid for, furniture, appliances, and new cars top their lists. And many are stuffing money away for a long retirement.

Which one of these groups spends money on your products and services?

Sources: *The Economist*, 24 August 2002 and *American Demographics*, April and July/August 2002

Golf Quote...

“No man ever accomplishes anything really worthwhile alone. There are always two additional forces at work – other people and Providence.”

R. T. Jones,
grandfather of golfer, Bobby Jones



Philosophy Quote...

“To accomplish great things, we must not only act but also dream, not only dream but also believe.”

Anatole France



Maintenance Corner



Problem: Your slings keep getting stuck underneath the heavy equipment when you set it into place. Is there a cool solution?

Solution: The following solution works for flat-bottomed equipment with slings positioned below the load.

Typically the load is placed

into its correct location then lowered down onto blocks or short cribbing. Once resting on the supports, the slings are removed and the supports are knocked out. As these supports disappear, the load drops the remaining distance to the floor. For some equipment this jolting drop is fine, but for more sensitive equipment the final movement

needs to be gentler.

Try this, lower the equipment onto blocks of ice, remove the sling, and let Mother Nature do her stuff. As the ice melts, the load will lower gently into position. Just make sure your load does not shift during melting and remember to clean up the water puddle left behind.

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This newsletter is made possible by earnings from the world's forest products - the only renewable natural resource.

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"In 2001, 13% of the work force was foreign born, up from 5% in 1970."

The U.S. – A Melting Pot Once Again

All previous issues of The Wood World Monitor can be found at our web site:

<http://www.raymondnet.com>

Any issue may be downloaded in Adobe PDF format for easy printing.

Quoting from the September 2 issue of *Barron's*, "The Statue of Liberty has been sending its siren call not so much to the "tired...huddled masses yearning to breathe free," but to the tough and tenacious yearning to write code; the smart and persistent willing to master hard disciplines such as engineering and computer science; and those tender and tolerant enough to be able to care for that ever-growing huddle of sick, elderly natives."

In 2001, 13% of the work force was foreign born, up from 5% in 1970. The immigrant labor pool now numbers

18.4 million. These workers fill a critical gap for most businesses – working for relatively lower wages in jobs that natives do not want.

As reported in the last issue of *TWWM* an era of scarce labor is building and will hit full stride in 2010 when baby boomers retire in significant numbers. Business will respond in three ways:

- Offering incentives to boomers to stay on the job.
- Moving work offshore where labor is available.
- Lobbying to open the door further to immigrants especially those with useful skills.

In need of a tax base to support Social Security and the like, government will open that door.

In doing so, the marketplace will change not only on the hiring front but also in sales and marketing. Right now 10% of all U.S. residents are foreign born. About half of that group is Latin American. Another quarter is Asian. When you add the second generation of those immigrants, that's nearly 28 million Hispanics and 14 million Asians that are potential workers and customers.

Source: *Barron's*, 2 September 2002