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Making Something Out Of Nothing

Tiger Woods is the best golfer in the universe. Given good health he could become the greatest player in history.

In 2000 Tiger chalked up $9.2 million by winning nine times and finishing second four times in 20 tournaments. His game that year was simply off the charts. Ranked against his peers on the PGA Tour he was first in scoring average, total driving, birdies per round, greens hit in regulation, ball striking, and bounce backs. The latter ranks a player's ability to follow an over par hole with an under par hole, a definite mark of a golfer's strength of purpose. By winning the 2001 Masters he held all four modern major championships consecutively, a feat no other golfer has ever accomplished. He definitely had his 'A' game going.

So far in 2004 Tiger has won only once. Golf pundits can't stop analyzing his poor play. He is 9th in scoring average, 61st in total driving, 68th in greens in regulation, 66th in ball striking. His drives are missing nearly half of the fairways he plays. Only in putting is he performing better than 2000. Tiger is in a slump or so many experts claim.

But stop the presses. In spite of these weaknesses, Tiger is 3rd in the money ranking. He has managed a win, a third, and continues the mind-boggling streak of qualifying for the final rounds in 123 consecutive tournaments. Tiger's 'B' game is proving quite formidable, thank you very much.

What business lessons can be learned from Tiger's golf history?

1. When you are on top of your game, you can dominate your competition – Tiger captured the 2000 U.S. Open by a 15 whopping strokes. Businesses ranked first in their industries often have twice the market share of their nearest competitors.

2. You don't have to dominate your competition in all elements of your market to be successful – Tiger's performance is in the middle of the field in most statistics except putting. To win in business you can win by dominating one critical ingredient and only match your competitors in the others.

3. When you're not hitting on all cylinders, you can win by executing when it counts – It's the score that matters, not how you hit the ball. Tiger defines the term 'grinder', a player who wins through character and mental toughness.

Bottom Line - Perfection is great but often fleeting. Learn to win when you don't have your 'A' game. Be a grinder; get the ball in the hole somehow.

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"Knowledge of the economy's demographics is essential to your marketing effort."

Knowledge of the economy's demographics is essential to your marketing effort. Your company is facing a potentially critical generational transition in consumer tastes and spending…

Aging of The Baby Boomers

This New Year's Eve the last Baby Boomer will turn 40. The oldest members of this cohort have turned 60. The generation that has provided nearly 50% of consumer spending for the past 25 years will be moving inexorably into the third stage of their consumer life-cycles. What do the Boomers' remaining years hold for the U.S. economy and for the wood products industry in particular?

A recent study by financial services giant Smith Barney offers these opinions:

- Boomers will continue to work well beyond normal retirement age – The generation will remain work-centered to supplement income and stay active. Workforce participation for those over 65 is already growing after 50 years of steady decline. Since a declining population raises the specter of a future labor shortage, the availability of older, experienced workers will benefit employers and enable increasing productivity.

- Boomers have significant wealth – The combination of aggressive investing and inheritance has given this generation substantial net worth. Many will afford quality goods and leisure well into their 70's.

- Boomers will spend on their homes – Those that buy a new house are going smaller but with upscale amenities such as professional grade kitchens and top-of-the-line flooring and furnishings. Those who stay in current homes are remodeling at a furious pace. That's good news for cabinetmakers and strip flooring producers. Smaller houses may however mean less furniture. Opportunities will abound for those serving the DIFM (the do-it-for-me) market. Boomers prefer to pay for remodeling and maintenance rather than do it themselves.

With a little luck Boomers will continue to fuel high demand over the next 15 to 20 years for most wood products manufacturers. But what about the follow-up age group?

Generation X

The first of those born from 1965 to 1979 will turn 40 next year. Gen X'ers, 49 million strong, will enter the top earning years of their lives as the most educated, technology proficient cohort in history. Average household income of married X'ers is already $78,000. Two-thirds of the U.S. economy will soon depend on their spending habits. Once termed 'slackers', how will they spend their money?

The May issue of *American Demographics* provides these observations for wood products firms:

- X'ers aim for a place called home – While the median home price has increased 14% since 2001, Gen X'ers are buying houses. Helped by low interest rates and cash from Boomer parents, the 25-to-39 year olds are contributing to the 20% rise in new housing starts year over year and healthy existing home sales.

- X'ers will transform

Quote…
"The reason a dog has so many friends is that he wags his tail instead of his tongue."
Anonymous

“The scariest thing I’ve seen in my lifetime.”
Forest Service researcher

Sudden Oak Death

Since 1995 a fungus related to the Irish potato famine has killed thousands of oak trees along the northern coast of California. Infected trees form cankers on their stems that ooze a black or reddish substance. Within one to three years the tree exhibits crown dieback, its leaves turn yellow brown, and it dies.

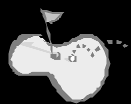
The sudden oak death (SOD) fungus is hosted by many species within the oak family as well as by cultivated plants like rhododendrons and camellias. The disease is spread primarily by rainwater.

SOD is being carried to other parts of the U.S. by nursery plants cultivated in California. North Carolina became the tenth state to report the presence of SOD in local nurseries. Some states have banned the import of nursery stock from California suppliers. A mandatory inspection program has been instituted by U.S. Department of Agriculture authorities.

Experts have identified a phosphate fungicide marketed as Agri-Fos as a preventative. This treatment is not a cure for infected trees and too costly for use except in limited applications by homeowners and nursery operators.

SOD could cause damage to the 38 oak species found in Eastern U.S. forests especially those in the Appalachian Mountains where the fungus can thrive in the cool, damp conditions.

If oak follows chestnut, butternut, and elm into oblivion, the impact on hardwood users will be devastating. More information on this critical disease can be found at *www.suddenoakdeath.org*.



Golf Quote...
“Hitting the ball isn’t all there is to golf. The right mental approach can be just as important as a golfer’s swing.”
Gay Brewer

(Continued from page 2)

the workplace – First and foremost this generation is not as career centric as Boomers. They will trade money for freedom and thus will prefer to work regular hours and take time off with their families. As a result X’ers will use their knowledge of technology to boost productivity and enable a mobile, home-based workforce.

- X’er tastes are unlike their parents **–** Don’t expect Gen X to shop and buy like Boomers. Time is highly valued and will not be wasted in unproductive shopping experiences.

X’ers will be well armed with price and choice information gathered on the Internet. Those retailers that provide excellent customer advice and service will be rewarded. Too much choice in color, fabric, and style is considered confusing. And this group doesn’t like traditional, box-like malls preferring instead newer Main Street, lifestyle shopping centers. And don’t ignore the varying tastes of the ethnic segments of this age bracket. 37% of this generation are minorities.

If the experts are correct, the long-term future provides opportunities for those companies who offer home improvements and furnishings that fit X’er tastes. Ignore this important generation at your own risk.

Bottom Line - The aging of Baby Boomers does not mean the end of the consumer economy. But it does mean change. To capture a share of that shifting market you must tailor your offerings to a wider range of tastes and preferences.

Philosophy Quote…
“Twenty years from now you will be more disappointed by the things you didn’t do than by the ones you did. Throw off the bowlines. Explore, dream, discover.”
Mark Twain

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Address Correction Requested

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

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"...lawmakers and bureaucrats must focus on these 'silent killers' of competitiveness."

External Costs Hurt U.S. Producers

It's no secret to many wood products firms – government policy harms the ability of U.S. companies to compete with foreign manufacturers. A study by the National Association of Manufacturers determined that four cost categories add $5 per hour to unit labor costs in the U.S:

- Regulatory Compliance
- High Corporate Tax Rates
- Employee Benefits
- Litigation

As a result unit labor cost paid by U.S. firms is 22.4% higher than the average costs borne by Canadian, Japanese, and other main trading partners. Only the costs of French and German manufacturers are more expensive than the U.S. This $5 excess burden is nearly equal to total labor and overhead input costs of Chinese competitors. Plus the costs of these elements have offset much of the 54% gain in labor productivity achieved in the U.S. since 1990.

If government is serious about a healthy U.S. industrial sector, lawmakers and bureaucrats must focus on these "silent killers" of competitiveness.

More details on the study can be found at *www.nam.org/costs*.

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

http://www.raymondnet.com

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