

STRUCTURAL BUILDING COMPONENTS MAGAZINE (FORMERLY WOODWORDS)

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"Industry Change Grows the Importance of Relationships Between Suppliers and Customers" by Alex Hopkins

The Face of the Lumber Industry Is Changing Over the past few decades, our industry has changed at an ever-increasing pace. The lumber industry, which has employed families for generations in this country, has made tremendous strides in my lifetime. I've seen photos from the days in the 30's and 40's when Georgia-Pacific began manufacturing hardwood lumber and I remember as a young boy watching my grandfather's work horses pull timber in the Virginia Mountains. Fortunately, time has brought the industry many changes, including new technology that has improved efficiency, productivity, recovery and quality.

Time has also brought changes in customer needs. Today, lumber manufacturers are working more closely with customers to meet their needs. A quote from a 1957 issue of *The Leopard* gives a perspective on the meaning of change: "If we want things to stay as they are, things will have to change." In relation to the lumber industry, I interpret these words to mean if we want to maintain our current customer base, we will all have to do a better job of adapting to customer needs and work on strengthening those relationships. In just the past five years, the lumber industry has become more closely attuned to the evolving needs of customers.

As we all know, the building products industry and specifically the lumber business are cyclical and subject to the ups and downs of supply and demand. Industry cycles and the fluctuations in the building season heavily influence sales volume and prices for dimensional lumber. And the challenge, as always, is to earn a favorable return on investment. Given the fluctuating marketplace and the changes the building products industry is facing, lumber manufacturers are learning to put more and more emphasis on relationships with customers—such as truss manufacturers.

RELATIONSHIPS ARE BENEFICIAL TO BOTH INDUSTRIES

Over the past 18 months, lumber prices have shown less short-term volatility—some think this can be attributed to strengthening relationships between lumber producers and customers. The process of developing a win/win relationship starts with knowing each other's expectations and understanding each other's businesses. Established relationships can be beneficial to truss manufacturers for several reasons:

- When an ongoing working relationship with a known and reliable lumber supplier that delivers on a regular basis is developed, the truss manufacturer can devote fewer resources to buying.
- When a relationship is in place and regular shipments are delivered on time, the truss manufacturer can tie up less working capital in lumber inventories.
- When the relationship grows and more is learned about the individual truss manufacturer's niche, the lumber supplier can better match the exact quality requirements and needs of the truss customer.

These are just some of the key benefits realized from building a strong relationship between suppliers and customers.

CUSTOMERS WANT VALUE-ADDED PRODUCTS

Traditionally, lumber was thought of as a pure commodity—there was little product differentiation and transactions were fully price-driven. There is evidence that the commodity mindset may be changing slowly to a situation where customer satisfaction and services rendered are playing a bigger role in determining where lumber is purchased. Demand for value-added lumber products has increased, and lumber producers are providing customers with high grade visually-graded products as well as MSR and MEL machine-rated lumber. This is an indicator that lumber producers are changing and adapting. We're working with customers to determine their needs and then we are producing specialized products to meet their requirements.

Our industry has seen a lot of change from the days when I was a boy and watched the workings of my grandfather's sawmill in the Virginia mountains. Today, I see indicators that our industry has learned how important it is to understand the needs and expectations of our customers and, I submit, that it is just as important for customers to understand the needs and expectations of their suppliers. When this understanding of each other happens, the development of a strong relationship is underway.

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