

Supplier Proximity. Italy, and to a lesser extent Germany, buy substantial quantities of construction grade lumber from Austria. Proximity is also a factor in higher grades. Products from Sweden are less than a day away; products from Finland and Norway are only two to three days away. The result of this proximity is that buyers develop close links with their suppliers and tend to make small but frequent orders. Much of the trade from the Nordic countries comes overland by rail or truck, or by sea in small vessels.

The trend toward small, frequent orders puts Canadian suppliers at a disadvantage when competing with Nordic products.

Just-in-time Systems. The industry is moving more and more toward just-in-time systems, particularly for value-added products. This increases the logistics burden on Canadian companies.

Demand for Quality. Quality, appreciation of species and considering wood as part of the furniture are oft-cited characteristics of the European market. Thus, the European market tends not to use finger-jointed mouldings, and knots are rarely acceptable in door panels – unless a rustic image is sought. Quality is reinforced by the importance of the renovation market, traditionally a more demanding segment.

There are opportunities, however, for low-end products. As fashions change, for example, there is a trend to replace natural wood with painted or melamine surfaces – at least in certain niches. Using plastics combined with wood on windows is also becoming more popular.

Exchange Rates. Canadian suppliers, and other suppliers, fall into two segments: the price segment, where competing products are judged almost solely on price, and the species segment, where substitution is less easy and intrinsic qualities come into play.

Products in the price segment are vulnerable to fluctuations in exchange rates. Finland, Norway and Sweden have all pegged their currencies to the European Currency Units, better known as ECUs, thus reducing the vulnerability of their exports to the EC, to movements in exchange rates.

Consumer Pressures. Demand for tropical hardwoods has decreased because of pressures from the ecological movement – particularly in Germany – and by export taxes imposed by Asian countries (the Philippines and Indonesia). "Green" labelling has also been used, at least in Germany.

Another consumer-related trend is labelling domestically produced value-added products as "Made in Germany" and "Made in France" in do-it-yourself (DIY) stores in these markets. This may or may not be significant, but does underscore the potential resistance to increasing value-added products that displace domestic production.

Taste. A significant segment of the market is driven by fashion. Light-coloured woods are in demand now, as are painted or melamine kitchen cabinets in some market niches. Generally, demand for a number of hardwood species depends on the current fashion.

2.4 Market Structure

The structure of the wood products marketing system, from importer to end-user, is changing. Such changes concern increasing interest in direct purchase, the growing role of large DIY chains, increased vertical integration and industry consolidation. Changes differ in degree from country to country, but will affect the way successful companies do business.

Chart 1 illustrates the degree of integration and consolidation in the timber trade in Europe. France is the most integrated and has the greatest degree of consolidation. This is demonstrated by the large market share (about 70%) held by three companies – Pinault, Poliet and Becob. Pinault and Poliet are both fully integrated from importing through industrial joinery to retailing. The United Kingdom is also fairly advanced, but the leading companies are not as dominant as Pinault and Poliet in France. However, U.K. companies lead the way in acquisition outside of the home market.

At the other extreme is Italy, where some integration has begun – generally importers acquiring distributors or window manufacturers doing their own importing. This trend will