

THE PROBLEM OF MERCHANDISING LUMBER

Senior Thesis

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The marketing of lumber is in many respects vastly different from the marketing of many other commodities. Unlike most manufactured products, which bear little or no resemblance to the raw material, lumber is unchanged except in its form or size. The marketing should begin, and does begin in all successful operations, with the cutting of the tree. All successful operations should be so harmonized that when the finished product is placed on the market, it will supply the demand for those sizes and grades which will command the highest prices.

In the production and marketing of lumber there are always certain sizes and grades that are in demand, while others are always produced in excess of demand. Much of the log cannot be marketed at the cost of production, and profits from the operation must come from the higher grades, as practically all the lower grades are marketed at a loss. The problem, then, is to market the entire product of the log so that, when taken as a whole, it will return a profit.

To find the start of the problems of merchandising, it is necessary to go back, at least, to the logging operation. Here the question develops what logs, and to what

diameters, to take out. If the hemlock market is poor and the smaller logs of insufficient value to pay for their logging, milling and marketing, the economics of the operation requires that such trees and logs be left in the woods. If the culls will not cut up into merchantable lumber, they must be left on the ground. Thus, the problem of meeting the market is the criterion of the logging end of the game.

The problems become more complex in the mill, and especially so in the smaller plants cutting to order. Here the operator finds it necessary to have one or several methods of storage in order to cut to the requirements of the market. The methods of storage in general use in the Northwest include log ponds, rough-dry sheds, and manufacture into cants.

The pond is the most widely used method of storage. With a fairly large pond, compared to the size of the mill, a variety of logs covering all generally specified grades and sizes, and efficient scalers and pond men, the mill operator can feel fairly well assured of sufficient timber to fill the usual order. The pond is probably the cheapest method of storage.

Rough-dry sheds are a recently developed method of storage. The lumber is usually sawn into dimension and general construction stock and after being kiln dried is stored in sheds according to specie, sizes, grades, etc. With such a stock as this on hand, the mill can ship with only a few

hours notice all the generally specified grades. The Pacific Spruce Corporation mill at Toledo operates a typical rough-dry shed.

Practically all mills cut cants to be further manufactured at a later date. However, the disadvantage of this method of storage for meeting future requirements of the market, lies in the bulkiness of the timbers themselves. Only those mills having sufficient transportation, either overhead, roller, or automotive, can economically store these large cants. The factor of again placing these cants on the rolls and into the machines and its cost should be considered along with this method of storage.

The efficient manufacturer will carefully watch his grades and his grades. Through a close scrutiny of every piece coming from the cut-off saws, dry kilns or planers, many dollars can be saved by raising grades through remanufacture. As the profits are made on higher grades, this is quite important.

Now that we have a brief summary of the problems met in logging and milling and their application to the final marketing of the lumber, let us consider the problems met from the time the lumber is ready to leave the mill until it is in the hands of the contractor, builder, or other consumer.

Methods of Marketing

The development of merchandising methods and facilities

ties has followed the constantly widening spaces between the sources of supply and the consuming centers. First, the producer was also the consumer; then, he sold in the community where he produced. With further developments there came into existence the retailer, who became the customer of the manufacturer. As the nearby timber lands became exhausted and the manufacturer moved to localities further distant from the point of consumption, he lost touch with the retailer and an intermediate factor came into the industry, namely, the wholesaler.

There are two types of wholesalers; first, the one who carries a stock on hand at some intermediate point between the sawmill and the consuming center. The most prominent examples of this type are those dealing in the products of the Great Lakes territory. At such points as Chicago, Detroit, Cleveland, Buffalo, Albany, Oswego, Ogdensburg, and Burlington large distributing yards have been established. Here the lumber is dried and graded and, by the use of planing, converted to the needs of the retailer. The volume of business developed at these points is of large proportions, some of them distributing, in the past, as much as a billion feet per year. With the depletion of the forests that supply them, however, these distributing centers are diminishing in importance, and their complete disappearance so far as the Lake States territory is concerned is but a matter of a few years.

A situation somewhat analogous to this exists on the Pacific Coast, where products of the Oregon and Washington mills are shipped to Southern California for storage and conversion into sizes and grades suited to the retail trade at interior points. Nearly a third of the annual cut of the Northwest is marketed in California.

To the Northwest mill man, the biggest problem is how to reach the Eastern markets in competition with the pine of the South and the softwoods of the Lake States. Much of the cost of production for all these districts is practically the same, the variance in marketing costs being found in the costs of stumpage and transportation and freight charges. In a way, the South Atlantic states have a problem similiar to that of the Northwest. However, they do have the advantage of a better freight rate. In order to market their product, manufacturers of these South Atlantic states have established, at various times, distributing yards in New York and vicinity for the purpose of better serving the trade in the adjacent territory; but the re-handling charges, depreciation, overhead, and local freight charges to interior points have been too heavy for competition with direct shipments from mills which had not assumed these extra charges and which enjoy the advantage of through freight rates. In times of extreme competition, the retailer has been unable to pay the extra cost for the more prompt service rendered by these yards, and the manufacturer could not

absorb it. Therefore, the manufacturer had the choice of going into the retail business in order to secure a sufficient price to warrant the additional charge, ~~or~~ or retiring from the field. Invariably, according to Charles Hill, he has chosen the latter course.

Yards of this type are a solution to the problem of marketing for Pacific Coast mills if they can be economically operated and, of course, made to pay. The recent experiment of the Weyerhaeuser Lumber Co. is being watched with interest by all Coast producers. This company, finding itself at a disadvantage in supplying the market, constructed a lumber terminal at Baltimore. After due consideration, that particular city was selected because of its freedom from the increasing traffic congestion of New York; because it was close enough to that greatest of all eastern markets, New York, to enjoy all of its advantages; and because, in considering the question of a back haul, a slightly better rate than from New York, Philadelphia, or Boston, could be obtained. The original plan at the time the first cargo was shipped from the companies mills in Everett, Washington was to keep from 50 to 60 million feet on hand through the employment of eight steel steamers. However, in 1917, this yard alone handled 107 million feet of Pacific coast lumber. The terminal consists essentially of piers, docks, resawing plant, and a group of storage sheds with sufficient capacity to house 30 million board feet. This terminal is now being supplemented with a second big unit at Narragansett

Bay, R.I. which is expected to cost \$600,000.

That the venture has proved even more successful than at first anticipated, is clearly evidenced by the fact that the stock can not be brought up to the level set. This is hardly to be wondered at, when we considered that the Atlantic coast, during the first nine months of 1922, consumed nearly 400 million feet of Pacific coast woods arriving by water alone. This is almost double the amount received during the whole of 1921. Conservative lumbermen predict that the Atlantic seaboard will in a few years take at least one billion feet annually by water alone from the Pacific coast mills.

An incident illustrating the value and service of this particular terminal is that told by its manager, "Shortly before noon one day, the purchasing agent of a big eastern railroad called up in great haste and wanted to know how soon he could get eight cars of bridge timbers. 'Spot your cars and we will see what can be done,' was our reply. At one o'clock the cars were spotted for loading and at 5 o'clock seven were loaded, staked, and ready for movement -- and all in the day's work." This is merely an incident but it is indicative of methods the Pacific coast operators will have to use to compete in Atlantic coast markets.

But to get back to the wholesaler. The second type of wholesaler is one who has an office only, carrying no stock, but being thoroughly informed as to available sources of supply. This type of wholesaler deals quite extensively

in the much discussed transit car.

Transit cars are a means of sending cars of lumber to some central point of reconsignment with the expectation of sale before arrival. This is a common practice in the lumber industry; and although in general it is considered an evil by manufacturer-wholesale dealers, many of them forward transit consignments during dull periods when they find it necessary to move stock.

Wholesalers, commission men or possible buyers are notified of the character and amount of consignment and the point to which it has been billed in the hope that it may be sold by the time it reaches the original billing point. In case no sale has been effected previous to reaching the reconsignment point, the shipment is subjected to the demurrage rules in force until such time as the shipment is rebilled and another fee charged by the carrier. Transit cars often are a disturbing element during depressed market conditions, since the shipment may be offered at a price below the general market in order to avoid the accumulation of demurrage charges.

An entirely different attitude towards transit cars is taken by Dwight Hinckley, a prominent Cincinnati wholesaler, who in reference to transit shipments of yellow pine feels that they materially reduce the cost of marketing. Of course, Mr. Hinckley points out, the wholesaler must be properly located at reconsignment points in order to properly rebill his cars. So far as demoralizing the market

is concerned, only 2% of the yellow pine is sold this way-- hardly enough to make a flurry in market conditions.

Transit cars are a boon to retail yards and especially those in the smaller cities. For these particular yards the transit car enables smaller carrying stock but fairly quick delivery on large orders. In days gone by, the wholesaler sent his salesmen out to the retail yards and he, through his persuasive talk, oftentimes loaded the retailer up with stock which seldom, if ever, could be moved at a profit. No longer can the retailer be fooled, for he now has his comparative transit lists and can buy from the lowest seller by grades. This, although it is somewhat off the subject of this paper, is one of the direct benefits to the retailer which transit shipments have instituted.

There is no doubt that transit shipments have been much abused, not only through flooding the market at times of distress, but also through the policy of some manufacturers and wholesalers in sending their lists to contractors and carpenters and thus working a hardship on the retailer. Mr. Hinckley has set down four rules or remedies which, if followed, should correct the evils of this method of marketing. First, let only the retailer receive transit cars -- don't try to eliminate him; second, be square and ship only lumber you know there is a ready market for; third, don't ship on a falling market; and lastly, be careful of the consigning destination of your cars, so that they may easily be re-routed.

As in most other industries, it has oftentimes been found advantageous by the larger manufacturers entirely to eliminate the wholesaler and to sell direct to the consumer either through retailers or through distributing yards of their own. A recent development in the lumber industry is a cooperative movement among manufacturers to join together in marketing their product directly to the retailers, the objects being to establish a more direct contact with the retailer and thus secure a more dependable source of demand; to eliminate misunderstanding, resulting in friction, which is likely to arise in the employment of a third party; to give authentic assurance to the buyer of the quality of his purchase; and to reduce the speculative feature of the business to its lowest terms, which is most important from the standpoint of both retailer and manufacturer. It must be remembered, however, that selling organizations are generally expensive and, therefore, are applicable only to large manufacturers or to associations. It may cost from 40 cents to \$1 and sometimes \$1.50 per thousand feet to maintain them.

These are the general divisions of the marketing end of "the lumber game", and it is the problem of each individual manufacturer to determine for himself the better plan. Shipments from the Pacific Northwest, while a good many of them are "order" shipments, must be handled in some of these ways. The large mill may feel sufficiently strong, as in the case of Weyerhaeuser, to construct and operate their own eastern terminal; or they may find it more advantageous to

ship only to wholesalers or to sell part of their product on transit cars. The smaller mills, if they are to remain in operation through all of the ups and downs of the market, will have ultimately to combine into associations and in that way market their product. The thing to be remembered, however, is that right now is the time when we are breaking into the eastern market by both water and rail, and that it is the savior of the greatest of the coast industries to cater to this particular market. The Northwest has a firm hold on the California market; but, we must go out and after the East.

Price as a Factor

There are in reality two factors which have an important bearing on the distribution of lumber products in our domestic markets. The first, the physical properties of the wood required by the industries, will hardly need to be considered here. The second, the price at which a satisfactory product can be delivered - the delivered price - is influenced by production, marketing, transportation costs, and by the amount of profit which the shipper is willing or is forced to accept on a sale of his goods. We have already considered the problems of the Northwest mill man in respect to production and marketing and, of course, the amount of profit is a problem for the individual alone. That leaves us transportation as the remaining factor in distributing our product. But first, before we consider that, let us look in to prices in general.

Fundamentally, the old economic law of supply and demand and the cost of production are the underlying forces which determine the price of lumber. However, recurring periods of activity and depression are constantly succeeding each other, as in many other essential and important industries. Lumber prices rise and fall rapidly, even abruptly at times, and probably more so than is the case with other basic commodities, because there are so many competitive influences at work and so many different species produced in so many scattered manufacturing centers.

The results of high and attractive prices and the consequent "dumping" on the market we all know. High prices are invariably followed by depression at long or short intervals, the curve of prices of course showing various minor fluctuations.

The range between the highest and lowest production costs of a given kind of lumber in any region, due to the various costs of production themselves, is greater than the difference in the freight cost to market of the most inaccessible timber and that which comes from the most distant regions. This explains why, then, it is possible for a producer on the West Coast to compete in the eastern markets with the output of the high-cost operators in the South and in the Lake States, and likewise it is possible for southern pine operators to compete with the high-cost operators in the Lake States territory and other regions east of the Rocky Mountains.

Bryant, in his text "Lumber" indicates that the operator with the lowest production cost and the cheapest rates to market does not set the price of lumber in competing territory. On the contrary, the price is determined by the volume offered, and by the demand. Under normal conditions, according to Bryant, this represents the price at which the operator with average costs can sell and still make a reasonable profit. The high-cost operator, therefore, may make little or no profit, while the low-cost operator may make a large profit on his investment.

When competition is very keen, due to depressed market conditions, the margin of profit for the average-cost operator may shrink to nil; yet, in dull periods, producers often continue to place their product on the market at a loss in order to keep their sales organization intact, or because their financial condition is such that the manufactured product must be sacrificed in order to secure funds for current expenses.

Transportation Costs

On the whole, it may be said that the cost of transportation is one of the prime factors in determining the territory in which the bulk of competing woods, that is, the "common grades," are marketed, because they represent the quality of lumber which can be produced in every forest region, even after the virgin timber has been removed. Therefore, the competition from local supplies is always present in some measure, which is not true of high-grade products

manufactured from choice virgin timber. Low-grade products are the class of stock which the producer finds it most difficult to market because the inferior quality presupposes a relatively low price, and a high freight cost increases the delivered price of long-distance shipments to a point where a similar quality of lumber from nearby producing regions can be sold for a lesser price, or else a greater profit realized.

Interstate lumber shipments are subject to "blanket rates," i.e., the rates are levied on the shipping weight from one arbitrary district to another, rather than from set points of destination. It is said that blanket rates from the producing regions are a benefit to the consumer, because they offer buyers a wide range of choice of product; and they create competition between producers over a wide territory, and in this manner prevent the establishment of exorbitant prices for the product. Inconsistencies arise, however, in the application of blanket rates due to the arbitrary lines, dividing the territory of two or more rate groups. Mills on the outer edge of one blanket area tributary to a given market may have a rate to that market which is several cents lower than another mill located in an adjoining area a few miles away.

"Freight rates for lumber are based on weight and all grades must pay the same rate to a given market. High grades, in which there is the least competition, therefore, can be shipped for greater distances because they can be

sold for a price which will yield an adequate return. It is for this reason that the northeastern part of the United States is a common marketing ground for the higher grade products of all regions. Common grades of Douglas fir have only recently begun to enter the eastern markets in large volume because of the high differential in rates between the western territory and the New England spruce region, and the southern yellow pine region. The greater part of the lower grades from the west do not come east of Chicago. In the territory between the Rocky Mountains and the Mississippi River there is an enormous demand for this class of stock and it can be successfully marketed in competition with hemlock from the Lake States, and southern yellow pine from the Gulf States.

"An added reason why eastern markets are not so attractive to far western shippers, when the demand west of the Mississippi river is adequate to absorb a large part of the surplus, is that the shipper to the East coast usually does not receive payment for his goods for 45 to 60 days, while on shipments to the prairie regions, settlement of accounts often can be secured in 30 day's time. The middlewestern markets, therefore, are the most attractive from a financial point of view, since less working capital is required by the operator to carry on his business." (Bryant)

The diminution in the lumber cut in the producing

regions east of the Rocky mountains is gradually reducing the extent of competition, and the frontier line of Douglas fir common lumber is gradually moving eastward towards the Atlantic coast. The development of water transportation from the Pacific coast to the Atlantic seaboard has already resulted in the transportation of over half a million feet by that method alone. Experiments have almost proved conclusively that the Pacific coast operator can compete successfully with the southern pine lumberman in the New York and ^{the} New England markets.

The annual railroad freight bill for the lumber industry of approximately 170 million dollars merely serves to indicate the magnitude of this method of transportation. This sum was paid for transporting 200 million tons or over 10 per cent of the total tonnage of the railroads. It behooves the shipper to make his shipping weights as light as possible.

There has been some discussion as to when the car should be weighed -- at the point of origin, en-route, or at the destination. Weighing at the point of origin has the advantage that open car shipments, when rained or snowed upon, accumulate an appreciable weight of water on which freight must be paid and for which the consignor cannot collect from the consignee. The Southern Pacific Railroad at one time made an allowance of 2000 pounds weight per car to consignors where the shipments were rained upon be-

fore the car was weighed. This allowance has since been withdrawn, and so far as is now known no railroad makes such a concession at the present time.

The effect of snow upon the weight of a car was investigated in 1915 by the Western Pine Manufacturers Association. It was found that 6 inches of snow on top of a 33 foot car added 1305 pounds to the weight of the shipment, and on a 40 foot car 2675 pounds; one inch of snow on a 33 foot gondola car added 240 pounds to the weight; and six inches, 1380 pounds. The disadvantage of this added weight to the lumber shipper is that lumber is often sold at a delivered price based on estimated weights which, of course, does not take into consideration this superfluous weight of water. Therefore, the shipper is reimbursed only for the estimated weight and must pay for this added weight himself.

Within recent years there has been added another problem in marketing lumber -- that of competition with substitutes. There is now a substitute -- steel, concrete, rubber, and whatnot -- for practically every use of lumber. Many of these substitutes are improvements in their particular field over wood and so, of course, should no longer be called substitutes. Steel and concrete for building construction have built for themselves a prominent position in the structural world. On the other hand, there are many substitutes which, principally through false or misleading advertising, are usurping the uses which rightfully

belong to wood and its products. For instance, through better merchandising and advertising, steel sash has had a phenomenal market growth. In 1921, 11,000,000 sq.ft. was manufactured; this was more than doubled in 1922; and in 1923, 28,000,000 sq.ft. was marketed; and practically all of this in office buildings and warehouses alone. Can we imagine the hole in the lumber market from this one product if this 1923 production or its equivalent, 14,000,000 bd. ft., were extended and got a foothold in house construction? Yet the heartwood of fir, if properly painted, as steel must be, will last just as long.

The substitute shingle vendor has practically eliminated wooden shingles from many markets, and yet the report of the National Board of Fire Underwriters shows for 83 cities, including a million and a quarter buildings and 75.3 per cent of them of wooden construction, that there were only 2/3 as many fires per 1000 frame buildings as per 1000 of other types. Yet the frame buildings outnumbered all other types three to one. What is the answer? Are we of the Northwest going to allow poorer and higher priced substitutes to creep in, and virtually rob us of our markets for our wooden products? There is a solution, and it lies in that dynamic, almost undefinable force -- advertising.

Lumbermen as a class have used less printers ink than any other major industry. Until a few years ago the average person knew little about wood. He built his home and

bought his furniture merely on hearsay. But the time is rapidly approaching when the buyer will want to know the qualities and the qualifications of his purchases before investing his money.

It seems as though the lumbermen of the Northwest have had the wrong attitude toward, or conception of, advertising. Their frame of mind has been that it meant fiction stories and moving pictures of the great out-of-doors, of gigantic stands of timber, of tremendous forest fires, and of the romantic life of the lumberjack. All this is changed for, although such is publicity of a sort, it is not the advertising which rolls up into a tremendous volume of business.

What is this force that by some has been likened to electricity, instantaneous, almost incomprehensible, and yet controllable, if the proper methods are used? It is, in sort, a process of educating others as to the merits of a product and incidentally impressing upon the minds of those others, its name, so that acceptance or demand go hand in hand with a knowledge of just the name by which to ask for the product they have been educated to know and want. We popularize a man politically through telling the community, city, state, or nation about him; we take his name and make it a by-word in the press and in the home; and then we let the human interests do the rest. Our solution for the lumberman lies in publicity for his products .

There are several outstanding advertising campaigns which show the value in dollars and cents of telling people about lumber. In the telling the trend seems to be toward the educational. People like to learn, if they can do it without stretching their mental faculties. The American Walnut Manufacturers' Association goes into full color in the magazines and has succeeded in firmly establishing their product. Their appeal in a way is only to the rich and yet the public as a whole seems to be interested in the copy. And cypress. It was not so long ago that the average citizen knew little of this wood. The Southern Cypress Manufacturers' Association took hold and brought out cold facts in their advertising. Other campaigns such as those for mahogany and redwood have been equally successful.

But the question is asked, "Is the lumberman of the Northwest ready to advertise?" Does he want to extend his market? Is there a greater market than he already has?" The results of a circular letter sent out in 1924 to 3000 retail dealers, 2000 contractors, and 2000 architects amply answers this. To the question, "Are you fully familiar with the merits of Douglas fir," 78% answered, "No;" to the question, "Would you like to know more about Douglas fir," 98% answered in the affirmative; and finally when asked ~~if~~ would be advantageous to them to have the merits of cedar, fir and hemlock advertised nationally, 53% answered, "Yes." Yet 75% of the contractors found fir easy to work

and satisfactory in everyway. Evidently there is a larger field for our products.

One of the strongest competitors of Douglas fir, in the finish and structural timber market, is southern yellow pine. Recently the Southern Pine Association published a letter stating the result of their campaign. The following is an extract from that letter, "Because of the extensive advertising of southern pine which has been carried on during the past four years, we are told by unprejudiced authorities that this association is more widely known today than any other commercial organization in the United States. The amount spent for trade extension has averaged two and a half cents per 1000 ft. or 12/100 of one per cent for advertising. The average advertising appropriation for most businesses is three to eight per cent and often higher. Definite and tangible results have been secured. Our pine is better known; is utilized for a wider variety of purposes with more care and intelligence; its inherent qualities are better understood; and the wood is more appreciated by those who manufacture it." That from the field which the Northwestern manufacturer is beginning to claim for his own.

Several campaigns have been initiated for Pacific Northwest woods and, although as yet they are small as compared with other campaigns, they are proving successful. The shingle people, finding their product on the downgrade

and patent roofing on the up, initiated a campaign for "Rite-Grade" shingles. The campaign has been a process of education -- teaching people what grades to use for special purposes; how to lay shingles; how to nail; etc. This is a task which rightfully belongs to the manufacturer, for only through reaching the ultimate consumer can he create a demand for his product.

P.S.Tyler, president and general manager of Botsford, Constantine, and Tyler, an advertising concern, has made a study of the hemlock situation. He finds that this wood, which is 15% of the Northwest production, suffers from the reputation of the eastern hemlock and that it finds a sale value in the East only under some other name such as silver fir or gray fir. Mr. Tyler claims that if Western lumbermen will rename their hemlock, western hemlock and if they will invest 20 cents per 1000 ft. annually for three years in educating the public concerning the utility and beauty of western hemlock and impressing its name upon them, they will have a far better average market for western hemlock than they now have for Douglas fir. There is a world of possibilities in an advertising campaign carried on in the right way by responsible people.

There is one warning that must be issued and that is against intermittent or sporadic advertising. As one writer has put it, this "is one of the seven best known examples of absolute futility." The stars in the heavens

which may have been shining for a 1000 years or more have just caught the eye of the astronomer. What if they had blinked or had been dimmed for an appreciable length of time? Advertising to be effective must be continuous. "Let your light so shine before man that he may know your good works."

Not only will advertising make possible competition of our Western woods and their products with substitutes and with other woods, but it will in an entirely different way benefit the lumber market through stabilizing the price situation. It has been no unusual thing in the past for a seemingly well organized and paying lumber business -- mill, wholesale, and retail -- suddenly to find ruin staring it in the face and the creditors hands outstretched for the little that can be salvaged. Through educational advertising it should be possible to stabilize the market, and where the tremendous ups and downs have occurred to reduce these variations. When lumber advertising comes into its own, the chart of each year's business should no longer remind one of a cross section of the Rocky mountains full of jagged peaks and deep valleys; rather it should represent a series of undulations rising and falling with the season's business.

There is little doubt that the future lumberman of the Northwest will have to watch his "P's and Q's" in seeing to it that the best possible methods are used in the

merchandising of his lumber. No matter what type or size of mill he is running, it will be an economic requirement for him to cut with the market in view. He will have to consider carefully his methods of merchandising and make a judicial decision as to the better for his particular product whether it be through wholesaler, direct order, or distributing centers. He will have to watch carefully the trend of prices and correlate his production with such prices, and at the same time figure on making a just profit and eliminating market flooding. Weights and the means of transportation - water and rail - are serious considerations in any long distance marketing and many times are the determinants in the selection of the market. The effect is not to be underestimated. Finally, he must consider that substitutes have a tremendous hold on the market and that they are to be combated only through better merchandising methods and up-to-date advertising. Such are the prospects for the lumberman who is to continue to operate and to be a factor in the developing and expansion of the greatest of Pacific Northwest industries ---- lumbering.

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THE PROBLEM OF MERCHANDISING LUMBER

Outline

I. Survey of the field and the introductory problems

A. Lumber compared to other manufactured products

1. Nature of the finished product
2. Problem of marketing the entire log

B. The introductory problems

1. Relation of the logger to lumber marketing
 - a. Nature of market determines what to cut
2. Problem faced by mill man - storage to meet market.
 - a. Methods of storage in N.W.
 - (1) Pond
 - (2) Rough-dry sheds
 - (3) Cants
 - b. Remanufacturing for grade

II. Methods of marketing

A. Early history - evolution of

1. Producer as consumer
2. Producer as retailer
3. Retailer
4. Wholesaler

B. Channels of marketing

1. Wholesaler carrying stock
2. Distributing yards

3. Wholesaler carrying no stock

C. Wholesaler carrying stock.

1. Examples of such yards - Chicago, Detroit, Cleveland, Buffaol, Albany, Ogdensburg, Burlington.
 - a. Lumber dried and graded and converted to needs of retailer.
 - b. Some Diminishing importance
 - c. In past some yards have distributed as much as a billion ft. per year.
2. Analogous situation on Pacific coast - Cal.

D. Distributing yards

1. History of yards established by South Atlantic Manf.
 - a. Generally unsuccessful
2. Eastern distributing yards for Coast lumber
 - a. Weyerhaeuser experiment
 - (1) Selection of location
 - (2) Success of experiment - service

E. Wholesaler carrying no stock

1. Method of functioning
2. Transit cars - shipping before sale
 - a. Evils of system
 - (1) Shipping on depressed market
 - (2) Shipping non-salable stock
 - b. Advantages according to D. Hinckley
 - (1) Reduced cost of marketing
 - (2) A boon to retail yards
 - (a) Smaller yard stock
 - (b) Comparative price lists

c. Remedies according to Hinckley

- (1) Ship transit cars to retailers
- (2) Ship only marketable lumber
- (3) Don't ship on falling market
- (4) Careful of consigning destination

F. Individual selling organizations

1. Cost from 40 cents to \$1 or \$1.50

III. Phases of the problem bearing on distribution

A. The two factors

1. Physical properties of the wood required by the industries
2. The price at which a satisfactory product can be delivered, influenced by-
 - a. Production
 - b. Marketing
 - c. Transportation
 - d. Profit

B. Influence of prices on market consumption

1. High and attractive prices - result in dumping and depression
2. Why Coast can compete in Eastern market
 - a. Range between highest and lowest production costs greater than freight rates
3. Determining factors in price
 - a. Volume offered
 - b. Demand

C. Transportation costs

1. Is limiting factor for common grades

2. "Blanket rates"

a. Advantages of

- (1) Offers buyers wide range of choice of product
- (2) Create competition and prevents exorbitant prices

b. Inconsistencies

- (1) Mills in adjoining territories at a disadvantage in same market.

3. The basis of freight rates - weight

a. Resulting distribution of grades

- (1) High grades to Northeast
- (2) Common grades - only recently west of Chicago
 - (a) Quicker payment in middle west territory -- 30 days

b. Increasing distribution

- (1) Diminution of other cuts
- (2) Development of water transportation to Atlantic markets

c. Magnitude of rail transportation

- (1) Annual cost to industry

d. Problems in weight

- (1) Where to weigh car - car, en-route, or destination
 - (a)* Allowance made by S.P. for rained on cars.
 - (b) Effect of snow on weight

IV. Substitutes

- A. Those having earned their position in merchandising field
- B. Substitutes marketed only through better merchandising and advertising methods
 - 1. Steel sash
 - 2. Substitute shingles
 - a. Report of fire underwriters

V. Advertising as a solution for some of the problems

- A. Past attitude toward advertising
 - 1. Lumbermen used less printers ink than any other major industry
 - 2. Meant fiction stories and moving pictures
- B. What advertising really is
 - 1. Compared to popularizing a man politically
- C. Successful campaigns
 - 1. Walnut
 - 2. Cypress
 - 3. Southern pine
 - 4. Rite-Grade shingles - a process of education
- D. Is the Northwest ready to advertise
 - 1. Results of circular letter
- E. A campaign for hemlock
 - 1. Hemlock 15% of N.W. production
 - 2. Rename - "Western hemlock"
 - 3. Spend 20 cents per 1000 ft.
- F. Sporadic advertising -
 - 1. "One of seven best known examples of absolute futility."

G. Effect of advertising on prices

1. Stabilization

2. Should create a steady demand

VI. General summary of problem

A. Effect on future of industry.

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