A Review of the Tasmanian Woodcraft Sector for the Woodcraft Guild of Tasmania Inc & Forestry Tasmania

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March 2009

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Executive Summary and Work Plans

VALUABLE TIMBER

CONSIDERED TRANSFORMATION

VALUABLE OBJECTS

March 2009

creating Preferred Futures

reflect focus perform

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EXECUTIVE SUMMARY

Over 2,000 people are employed in Tasmania's Special Species Timber (SST) and woodcraft sector while a further 8,500 participate in woodcraft activity as a hobby or on a limited commercial level. In addition to the contribution SST and high quality woodcraft make to Tasmania's marketing to the world, the cultural significance of woodcraft to Tasmania is reflected in the participation rate, which at 26 per thousand people is higher than the national average of 19 per thousand people. High quality woodcraft, ranging from small "tourist knick-knacks" through to functional production items to bespoke furniture are both amongst the most sought after tourist purchases and the conversation pieces that contribute to Tasmania's world market positioning.

The sector comprises of

- The SST milling and processing sub-sector where 31 identified enterprises employ approximately 160 people, the large majority of whom are full time employees (or owners). They are primarily employed in 3 large scale mills operating in the State's north west. These mills process 80% of the State's SST harvest (by volume) and over 90% of the Blackwood harvest; smaller mills while processing Blackwood also process the majority of the "icon" species. With an estimated SST generated revenue of $17.25m, over 60% of the milled product is exported nationally or overseas;

- The designing and production sub-sector where there is an estimated 250 enterprises employ approximately 1,750 people, again mostly on a full time basis; the production furniture and joinery sub-sectors are the largest employers with the majority of the boatbuilding, designer maker and small production object makers employing 1 – 2 people. The estimated sales of this sector are in the order of $39m, an estimated 30% of the product based output is sold outside of Tasmania by the makers.

- The retail sub-sector comprises of galleries/retail outlets, tourist attractions, accommodation facilities and market stalls with 140 full time equivalent positions, the majority employed in gallery and retail outlets. The estimated woodcraft turnover of the gallery/retail outlets and markets is in the order of $14m. The visitor market is the primary market.

Reduction in the area of SST forest available for harvest as a consequence of the Tasmanian Community Forest Agreement has resulted in SST sawlog production declining to approximately 13,300 m^3 (Forestry Tasmania) in 2006/07 and a further 515 tonnes of craftwood. This volume compares with a SST harvest of 22,390 m3 in 1999/2000 (Brueckner-Leech, Aug 1999). The species most affected by the TCFA reductions are Blackwood and Myrtle, the dominant SST used for sawlog and by makers. The volume decline has been coupled with respondent concerns of log quality decline.

Paradoxically, the retail sector indicates there is the opportunity to increase SST woodcraft sales subject to both improved and consistent product quality and supply and development of complementary promotional material that engages the consumer with both the product and its making, timber characteristics and the Tasmanian timber story. Getting this right should increase both volume and price, critical to improving the maker sector business models.

The disjointed nature of the sector is limiting its potential to realise the development and growth opportunities that exist. The sector is fragmented in terms of linkages in the value chain, production themes and standards, structure, communication and industry development. While there are a number of organisations and commercial relationships that cater for specific interests, there is a lack of connection and cohesion within groups (e.g. milling) and between groups (e.g. millers and makers). The consequence of this is a lack of collective voice that assists in addressing issues and developing any strategy to take the sector forward.

This fragmentation and lack of collective voice and action manifests itself in observable levels of mistrust, self imposed isolation, polarisation and real challenges for new entrants to become connected, learn and become productive. It limits experienced participants potential to grow their business and achieve the level of professionalism required to optimise value for their efforts. Without appropriate mechanisms the sector will continue its history of having a number of identifiable stars that demonstrate the wider potential that could be achieved, but never realised. In part this long period of identified but unrealised potential arises from a significant orientation to "supply side thinking" within the sector; approaching the market in terms of what I can, or have always, supplied rather than balancing the market/product/service perspectives in a manner that optimises return and supports adaptation and innovation that ensure ongoing relevance and value.

The craftwood[1] harvest volume and profile is currently highly dependent on the forest contractor's business model and harvesting behaviour. If the harvester is interested in SST and prepared to develop the skills and procedures necessary to recover craftwood as part of the operation, it has been demonstrated that "large" quantities of high quality material can be recovered. Forestry Tasmania, through its Special Timber Management Units (STMUs), Island Specialty Timbers Tasmania (ISTT) initiatives, Timber Classification Officer (TCO) training and direct contracting with harvesting enterprises have the fundamental capacity to increase and optimise SST woodcraft material. Increasing the volume, range and return from this harvest will require this combination of innovations in forest management and planning, coupe harvesting planning, harvesting approaches, practices and techniques, in education and training to be linked with the harvesting, milling and making participants jointly to ensure all receive a return from such initiatives.

The capacity to transform recovered SST resources into maker ready materials will fall to the small scale milling sector. This group already work long hours within fragile business models as such there will be a need to work with them to develop approaches and techniques to enable them to productively and profitably transform the resource into maker ready material. The development of the SST woodcraft market is important to the small scale SST milling sector as a means of providing increased supply security.

[1] *Craftwood is SST material that is categorised as less than sawlog quality but is highly suitable for designers and makers to craft into designed objects. It includes short log lengths, buttresses, burls, flitches, limb hooks and other materials that are highly figured.*

Perceptions of supply security and challenges in resource access and quality run right through the value chain and distort enterprises business models. The concern can distort producer's business models, it results in many producers stockpiling volumes of material that represent their production capacity for years ahead. While some identify this as their "superannuation", the stockpiling behaviour is itself a threat to business performance and growth. This factor and others surrounding maker enterprises such as challenges in recruiting skilled employees; the need for both technical and business development training and mentoring need to be addressed before the identified opportunities in the development of new market/product mixes can occur. These needs must accommodate business models where, while there are individual exceptions, the small scale production and making business is an owner/operator enterprise. Within these businesses owners work long hours, have relatively high investment in equipment and stock and achieve relatively low turn-over per fte employee input. As a consequence of this business model and because of challenges in recruiting productive people in combination with an inability to pay for non productive input, the sector has limited opportunity to increase its supply capacity. New forms of collaborative business models involving the maker and retailer and between makers to achieve significant productivity gains are viewed as an important part of the new production framework.

The opportunities identified by the retail sector are significant, half of both the retail and maker sample indicate that the current supply cannot meet demand; in addition there are new areas of market/product mix available.

The potential for sector growth if these structural constraints were reduced is demonstrated in the following value add examples. Discussion with Makers who have significant market positions, identify the following final sale value added relationships through a combination of design, craftsmanship and marketing:

- Production Furniture - timber valued at $800 is transformed into a $2400 Shelving unit;
- Designer Maker - timber valued at $2500 is transformed into a $20,000 Table & Chairs setting for 8 people; $800 flitch transformed into a $28,000 table.
- Small Products - timber valued at $13.50 is transformed into a $225 Pepper Grinder;
- Boatbuilding - CTP/Huon Pine timber valued at $30,000 to $40,000 is transformed into a $350, 000 Boat;
- Musical Instruments - timber valued at $200 is transformed into a $3000 Guitar; and
- Scrap timber is transformed into 100 timber pens with a retail value of $2,495.

The effort to further develop the range and volume of such products is worthwhile.

This difference between mass and niche, higher value markets becomes stark in terms of the final value of the object. However when the ratio of timber to value is considered, the Pepper Grinders represents the highest overall value add ratio. This high proportion of final value added, in concert with the ability to utilise small sections of recovered SST woodcraft material demonstrates the need for balance in the sectors product portfolio if optimum return is to be achieved. All parts of the maker sector are important if the return on the resource is to be optimised.

The visitor market is very important to each of the sectors production categories, in particular the inbound domestic and international visitor. In 2007 Tasmania hosted 124,000 international visitors and 490,000 domestic overnight visitors. Of these visitors, 57% of international and 43% of domestic visit museums or art galleries, while 17% and 8% respectively visit art/craft workshops/studios. Of the 83,000 cruise ship visitors there is a 50% conversion rate from browse to purchase, a very high conversion rate. In 2007, international visitors spent on average $470, while domestic overnight visitors spend $107 during their visit; in aggregate this represents a major opportunity to the Tasmanian Woodcraft Sector. There is an opportunity to increase sale of woodcraft product and for a range of product to achieve improved prices and margins. The retailer review participants indicate that interstate and overseas visitors account for over 75% of woodcraft sales.

To achieve these opportunities; What's next?

As for the last three decades, the SST woodcraft sector has been identified with significant possibilities and while individuals and some firms have achieved success and critical acclaim, the sector has yet to realise the promise. Arguably this result is related to the lack of a systematic development plan for the sector that links the needs of the market back through the production system SST and complementary resource supply. The following suite of strategies is designed to be collaboratively and systematically implemented as the pathway to achieving the identified opportunities for improvement in harvesting, milling, making and marketing. Failure to adopt such an approach is considered to be a formula for the continuity of the current strong but risk strewn sector where success is based on effort rather than the characteristics of a "clever state".

Impact of the Strategies across the value Chain

STRATEGIES Impact – Improved & sustainable recovery, value and profit	SCOPE OF IMPACT					
	COUPE MANAGEMENT & HARVESTING	MILLING & VALUE RECOVERY	FEATURE BASED PRODUCTION	TRADES	DESIGNER MAKER	DISTRIBUTION & RETAIL
HUMAN RESOURCES						
Sector Wide Training and Mentoring	✓	✓	✓	✓	✓	✓
Employment attraction and retention		✓	✓	✓		
SST SUPPLY AND RECOVERY						
Collaboratively implement the FT framework based on STMU and ISTT initiatives	✓	✓	✓	✓	✓	
Chain of Custody/Certainty of Product Description	✓	✓	✓	✓	✓	✓
Improve the SST woodcraft material milled product range and recovery value	✓	✓	✓		✓	✓
Milling recovery technology Assessment & Pilots	✓	✓				
PRODUCT & MARKET DEVELOPMENT						
Define and develop market based positioning and relevant product/market mix	✓	✓	✓	✓	✓	✓
Maker orientation & Awareness			✓	✓	✓	✓
Support Collateral	✓	✓	✓	✓	✓	✓
Exhibitions	✓	✓	✓	✓	✓	✓
SUPPORT INFRASTRUCTURE & TECHNOLOGY						
SST Sector Support Organisational Capacity	✓	✓	✓	✓	✓	✓
SST Sector Communication and Connection Technology and processes	✓	✓	✓	✓	✓	✓
Production Productivity Improvement	✓	✓	✓	✓	✓	

6.3. Work Plans

The allocation of POTENTIAL PLAYERS to organisations within these work plans is based on an understanding of their potential contribution but has yet to be validated with them.

HUMAN RESOURCES

STRATEGIC OBJECTIVE – OPTIMISING RECOVERY AND RETURN AT ALL STAGES BECAUSE THE PEOPLE WHO WORK IN THE SECTOR GAIN THE BEST VALUE FROM THE SST BY THOUGHTFULLY CONSIDERING ITS POTENTIAL AND PROCESSING IT TO ACHIEVE THE BEST PRODUCT/VALUE OUTCOME				
STRATEGY	**INITIATIVE**	**TIMING/PRECONDITION**	**OUTCOME**	**POTENTIAL PLAYERS**
Sector Wide Training & Mentoring	Harvesters, Millers, Designers and Makers combining their knowledge and experience in the design of a classification and recovery training model that allows SST resources to be defined, safely, productively and profitably harvested, collected and processed	2009	Harvesting course content and approach based on optimising value and value adding potential of SST Improved communication between industry players	**Forestry Tasmania facilitation**
	The training of TCOs to include specific modules relating to the identification of highest value harvest elements, classification of material, handling, transport, storage and preparation for milling. Handbook produced for reference, building on the course notes.	2009 Content confirmation	Increasing the quantity and value of SST woodcraft material recovered in a form that optimises performance, productivity and profit	**Forestry Tasmania, Forest Contractors Association, FFIC, Skills Tasmania**
	Structured training in SST woodcraft milling, including pre-milling review and material preparation. Production of a SST milling handbook.	2009 Content confirmation	Product range better reflects the diversity of maker needs and improved recovery value	**FFIC, Skills Tasmania, Forestry Tasmania**

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STRATEGY	**INITIATIVE**	**TIMING/PRECONDITION**	**OUTCOME**	**POTENTIAL PLAYERS**
Sector Wide Training & Mentoring	Define skill sets to match industry needs and development of up to date, accredited training in collaboration between PolyTechs and the woodcraft industry		Standardised training for apprentices Industry input allows development of more relevant, work place orientated training Skill sets that match industry needs	**PolyTech, Industry and Sector organisations**
	Business and marketing training programs and mentoring for maker business and sector organisations, including business and career option development, through PolyTech and Business Enterprise Centres	2009 Negotiation with Skills Tasmania Business specific needs analysis	Makers better placed to consider how their product range fits to Australian and Export markets and to work with consumer or intermediary customer Improve makers ability to cope with increases in demand Continuous career and business development	**Skills Tasmania, DEDT, Arts Tasmania, PolyTech, Sector organisations, Forestry Tasmania**
Employment Attraction and Retention	Develop and create training/employment opportunities that attract and retain skilled employees within the industry		Increased level of skilled and experienced workers Greater skill and knowledge transfer Increased productivity	**Skills Tasmania, Sector organisation**

SST SUPPLY AND RECOVERY

STRATEGIC OBJECTIVE –SUSTAINABLE, VIABLE SUPPLY THROUGH ENHANCED MANAGEMENT PRACTICE, OPTIMUM RECOVERY AND VALUE ADDING TO ACHIEVE MARKET READY FOREST PRODUCT				
STRATEGY	**INITIATIVE**	**TIMING/PRECONDITION**	**OUTCOME**	**POTENTIAL PLAYERS**
Collaboratively implement the FT framework based on STMU and ISTT initiatives	Develop a sector wide collaborative model (recognising FT is a business) to implement (and as progressed evaluate) the STMU and ISTT investment initiatives, including the milling, kiln and woodbank elements	This program is a critical foundation, collaborative implementation is important to develop, sector awareness and confidence	A sustainable and viable SST harvesting and recovery model which has the confidence of the sector	**Forestry Tasmania**
Chain of Custody; Certainty and Clarity in product description	Certification system for raw material to guide end user (product buyer) in its origin, sustainability, & legality.	Concluding existing initiative is immediate & urgent	Increase in consumer confidence as they are aware of source, part of the timber and final product's "story"	**Forestry Tasmania, Sector organisations**
	Develop and apply a common description of harvested and milled timber and the products produced from them for use by consumers along the value chain. Include the state of preparedness and potential "fit for purpose" and risks	Consolidated and build existing descriptions. 2009	Consumer confidence and management of SST reputation	**Forestry Tasmania, FFIC, Sector organisations**
Improve the SST woodcraft material milled product range and recovery value	Introduce pre-qualification standards for SST woodcraft mills processing above a defined threshold for resale Investigation of high recovery based sawing technology and drying techniques	Training for Miller Transition over 3 years	Improved recovery value Improved access to "fit for purpose" material	
Milling Recovery Technology Assessment and Pilots	Investigate new woodcraft material timber products and associated technologies and techniques	Ongoing	Extend the product range from the existing SST resource	**Sector organisations, FFIC, DEDT, Forestry Tasmania**

PRODUCT & MARKET DEVELOPMENT

STRATEGIC OBJECTIVE – THE TASMANIAN SST MARKET/PRODUCT MIX ACHIEVES BEST VALUE BY MEETING THE MARKET NEEDS WHILE REFLECTING THE CHARACTERISTICS OF THE TIMBER AND THE SKILL OF OUR DESIGNERS AND CRAFTSMEN				
STRATEGY	**INITIATIVE**	**TIMING/PRECONDITION**	**OUTCOME**	**POTENTIAL PLAYERS**
Define and develop market based positioning and relevant product/market mix	Collaborate with retailers to define the product attributes required by identified primary market segments; provide market ready assessment for products	Commence 2009	Increase in sector income, margins employment and productive use of resources	**Arts Tasmania, DEDT** **Sector organisations and businesses**
	Identify and work with individual and clusters of businesses to develop delivery systems to meet the needs of the identified primary markets (e.g. boat, furniture, fit-out material etc)			
	Develop a Brand and positioning for Tasmania's SST and associated products			
	Analysis of individual sectors i.e. boatbuilding, designer/makers to determine capabilities to deliver to market potential and strategy	2009	Framework on which to expand delivery	**DEDT and sector organisations, and businesses**

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STRATEGY	**INITIATIVE**	**TIMING/PRECONDITION**	**OUTCOME**	**POTENTIAL PLAYERS**
	Identify sectors productivity improvement potential		Increase in sectors ability to meet demand and longevity of product Increase in profit margin potential	**Sector organisations**
	Develop "story" behind the products as a key awareness, promotion and sales conversion tool		Stronger local product marketing image and position Promotes the industry as a whole	**Sector organisations and businesses, Forestry Tasmania**
Maker orientation & awareness	Conduct a brand building workshops for all sectors of the industry	2010	Stronger business and product marketing image/position	**Arts Tasmania, DEDT, Forestry Tasmania**
	Assessment of product market readiness		Greater communication between makers and retailers Increased confidence in product market positioning Greater knowledge of target market needs	**Sector organisations and businesses**

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STRATEGY	**INITIATIVE**	**TIMING/PRECONDITION**	**OUTCOME**	**POTENTIAL PLAYERS**
Support Collateral	Printed material able to be used by makers and retailers to accompany products.	Consolidate promotional and descriptive material previously prepared by industry groups and institutions 2009/10	Stronger product image, increased promotion for retailer and education of consumers	**Forestry Tasmania, FFIC, Arts Tasmania, Sector organisations**
	Visual presentations and range of print material, including a comprehensive 'coffee table' book on Tasmania's SST Sector – the forests, trees and the stories of the people, their contributions and products.	2010	Products supported by stories to create a bundled, higher value sale	**FFIC, Arts Tasmania, Industry partnership, Forestry Tasmania**
Exhibitions	Focus on top level of product produced and market this to the end consumer. The results of this will trickle down all of the lower levels through to the harvesting sector	Build on and support existing and new initiatives	Stronger product image Increase consumer perception of value of product	**Forestry Tasmania, Arts Tasmania, sector organisations and businesses**
	Curate special exhibitions of SST products OR single tree/species exhibitions		Greater public awareness of the potential of SST	**Forestry Tasmania, Design Centre of Tasmania**

SUPPORT INFRASTRUCTURE & TECHNOLOGY

STRATEGIC OBJECTIVE –DEVELOPING SECTOR CAPABILITY TO SUPPORT PEOPLE, PRODUCTIVITY AND THE SUCCESS OF TASMANIA'S SST SECTOR				
STRATEGY	**INITIATIVE**	**TIMING/PRECONDITION**	**OUTCOME**	**POTENTIAL PLAYERS**
Develop SST Sector Support Organisation with Capacity	Facilitate an industry forum/s involving representatives of all stakeholders within the SST sector value chain.	Establish critical network and prior commitment 2009	A sector organisation and structure to effectively develop collective voice as a pathway to effective sector strategy, member engagement and improvement in sector performance	**Forestry Tasmania, FFIC, Arts Tasmania, DEDT and sector organisations**
	Identify feasibility of product/regional Clusters	Marketing Strategy and early initiative completed	Capability to deliver to meet the quantity and quality needs of the market	**DEDT, Arts Tasmania, Sector organisations**
Communication & Connection Technology and Processes	Develop an e commerce site and e newsletter	2009	Open communication and understanding between all players in the sector Growth in commercial activity	**Industry and sector organisations**
	Key players, from retailers to marketers to millers, attend sector meetings	Ongoing	Development of collective participation and input Open communication and understanding between industry and sector organisations Continuous skills and knowledge transfer	**Industry and sector organisations, and businesses**
	Support sector organisations to perform	Ongoing	Continuous sector development	**Forestry Tasmania, FFIC, Arts Tasmania, DEDT and sector organisations**

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STRATEGY	**INITIATIVE**	**TIMING/PRECONDITION**	**OUTCOME**	**POTENTIAL PLAYERS**
Production Productivity Improvement Assessment	Match skilled SST harvesting contractors to potential high SST value coupes	2008	Improved SST woodcraft material value	**Forestry Tasmania, Harvesting Contractors**
	Conduct production ready assessment of existing and new products	2009	Increase product quality and margins	**DED, Sector organisations**
	Ongoing investigation of new technologies, material mixes and business models (including collaboration & outsourcing)		Increased levels of production capacity, Improved productivity and business margins	**DEDT, FFIC**