



GATEWAY TO CHINA

It's time value-added wood manufacturers expand their target markets

The primary goal of marketing should be to get a response from the market. Simple. However, in pursuit of that goal, a marketer needs to define just what that target market is. Should it consist of current customers only? Are new customers desired, too? If so, where are those new customers to be found? Answer: How about China?

Choosing China as a target market for wood-products manufacturers might seem counterintuitive, to say the least. For years, Canadian value-added wood manufac-

turers have defended themselves — sometimes unsuccessfully — from cheap goods manufactured in China. So how can Canadians expect to turn the tables and have their goods imported right into China's own backyard?

The answer can be complicated, but it doesn't have to be. That's because a few simple facts are in play. First, China is changing — in so many ways. In other words, it can't keep doing what it has traditionally been doing, which is to be all things to all people.

A FUNDAMENTAL CHANGE

As Peter Woodbridge of Woodbridge Associates in Vancouver, B.C., explains, "There was a time when China wanted to produce absolutely everything, and that is no longer the case. They have to be much more selective these days."

Woodbridge's area of expertise is in consulting with manufacturers in the wood sector, both on the primary and secondary side. He has extensive experience in China and has seen dramatic changes over the years. He says, "The financial crisis in 2008 affected China as much as it did everyone else, especially since their export markets could no longer buy as much."

Woodbridge says China was forced to adapt, in large part because of its increasing costs of labour, which is part of a much larger phenomenon unfolding now in the country. Specifically, upwards of a half a billion people are expected to move from the poorer countryside to newer

urban settings over the coming years. The consequences of this development are hard to wrap one's mind around.

Think about it. Populations larger than that found on the continent of North America in total are expected to shift in China. That constitutes an enormous new middle class with a newly found purchasing power, as well as a demand for labour wages and rights, which the Chinese government can't possibly ignore.

MASSIVE OPPORTUNITIES

As a result, this phenomenon represents massive change, but it also represents massive opportunity for shrewd businesses and marketers. The opportunity becomes even more tempting when one starts to understand the Chinese culture and how it affects its consumers' behaviour.

Specifically, this rising middle class in China loves brands, which includes brands associated with higher quality goods made in the West. It's not uncommon to walk on the streets of a Chinese city and find plastered on the side of a building a sign that simply reads "China Well-Known Brand" or "Famous Square." It's very Chinese to simply have something with any brand name on it, even the word "brand."

This factor certainly can manifest itself in the wood processing sector, too. Gordon Houlden is Director of the China Institute at the University of Alberta in Edmonton. He has seen himself the demand for high-end, value-added wood products in China. According to Houlden, "I was in a Chinese city recently of about a half a million people: large by Canadian standards, but not a name that anyone would recognize. I came across a range of shops dealing with home interiors, since more Chinese own their homes these days. And in these shops were Italian kitchen cabinets. At first I thought they were Chinese-made and were simply called Italian. But, no, they were actually Italian-made cabinets."

Which begs the question: Why aren't we seeing more Canadian-made kitchen cabinets sold in China, or fur-

niture, or various other value-added wood products? As with most issues with China, the answer is both simple and complex. Either way, however, the emerging reality is hard to ignore.

NO SLOWING DOWN

The China experts we talked to were in agreement on some of that emerging reality. First, even a slumping Chinese economy, which would constitute a drop to about seven percent growth in GDP (wouldn't Canada love a problem like that) contains all kinds of growing economic opportunities, including such niche sectors as value-added wood products.

The issue, then, becomes just how such opportunities can be exploited. Houlden believes much more should be done to open up trade opportunities with China, and it doesn't even have to involve going to China.

According to Houlden, it can be as simple as the Canadian government making more online resources available to Canadian businesses wanting to go to China. He says, "You shouldn't always have to go to China to find out about the markets over there. Online portals should be made more readily available by the government, and I'm someone who doesn't believe the government is always the solution. But in this case some simple measures would go a long way, in my opinion."

Even so, Houlden acknowledges some of these resources are already available, and Canadian small- and medium-sized businesses should take full advantage. For example, there are government websites that provide information on such issues as intellectual property. The Canadian government also has offices specifically set up for companies wanting to do business in China.

THE RIGHT PARTNER

Although Woodbridge is a big advocate of just jumping on a plane and going to China, he says it's not always necessary. Both Houlden and Woodbridge talk about the need

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to partner with importers in China, but Woodbridge says those partners are willing to come here, too. "If any of your readers have a hesitation to meet folks in China," he says, "all they have to do is go to an organization like BC Wood, which holds an-

nual forums where you can meet people from China who want Canadians to do business there. Other forums across Canada are also available to do just that."

Now, before deciding to jump on that plane and land in China with

both feet, the idea doesn't come without risk. If a Chinese partnership is your goal, make sure you check any potential partner out. Some of them have their own agenda, which could include spying, or simply stealing your ideas once developed. In general, the more contact one has with China, the better one is prepared to deal with most contingencies.

Nevertheless, both Woodbridge and Houlden believe it would be incredibly unwise for any Canadian business to ignore the kind of marketing opportunities that China represents. In fact, Woodbridge likes the comparison between China today and America decades ago. He says, "Absolutely. Today, the Chinese are a hard-working people willing to embrace many ideas and opportunities from other people and other places."

WHY NOT CANADIANS?

Another example of value-added wood manufacturing taking advantage of opportunities in China — and, again, it's not Canadian — is American manufacturer, Anderson Hardwood Floors. Anderson recently opened a new "concept" store in a Shanghai mall, and is offering American-made products only. Given Canada's reputation for making high quality goods in the value-added sector, is it possible to offer a Canadian-only store in China that can compete with anybody, including the Americans, Italians, or anyone else?

Regardless how many voices try to speak for Canadians, Canadian value-added wood manufacturers ultimately speak for themselves when it comes to defining their markets. China might not be for everyone. However, if you're looking for an abundance of untapped opportunities that won't fade away anytime soon, then the land once dubbed the Middle Kingdom — or China, as we call it today — may well be your answer. 🍁

What's the cost of doing nothing?



You know they're common.

Table saw accidents happen every 9 minutes. Employers pay for amputations with substantial fines, increased premiums, work stoppages, lost productivity and more. It's time for you to act. Get in front of these costs and keep your employees safe.



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