Marketing Primer

Log and Timber Buildings—2012

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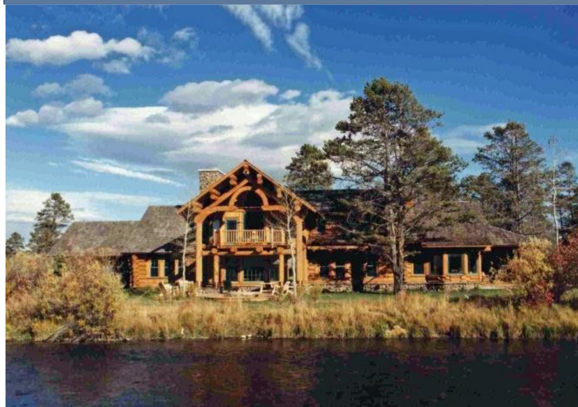
Vernon, BC





Acknowledgements

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This research would not have been possible without the significant effort by the volunteer coordinating committee, made of key members of the log and timber industry. The combination of commitment to the value added wood industry, the log and timber sub-sector and the people involved in the industry by the Provincial government and its Beetle Action staff has made this research both possible and solidly linked to key provincial, national international issues effecting the industry.

The research team would like to acknowledge the time and effort provided by the owners and managers of log and timber companies in answering our calls, meeting our team, completing the surveys, and engaging in detailed conversations about the industry and its future market trends. Others at First Nations, municipalities and county governments, architectural firms, general contractors, and other interlocking industries provided much of the background information used in the analysis.

The synthesis of the information was completed by Westcoast CED Consulting Ltd. and is not the official view of the BCLTBI Association, CCBAC, SIBAC, SIDIT, or the Government of BC.

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1. INTRODUCTION

The *Log and Timber Building Marketing Primer* is the second component of a two part document of research, analysis, and strategy completed in late 2011 and the first quarter of 2012. The *Log and Timber Building Market Analysis* for BC firms was the first component. This second component completes the last two of the six deliverables for the research project.

1.1 Objectives

Westcoast CED Consulting Ltd. (see Appendix 1) was selected to complete the *Log and Timber Building Marketing Primer* for the sector as the second part of the market analysis and enhancement project. The objectives of this marketing primer are:

- Provide a detailed market access plan for BC log and timber builders including: market sales systems providing processes, tools, leads, and general recommendations.
- Provide recommendations on market development for the association, the Beetle Action Committees, and the Province of BC.

1.2 Report Structure

Part 1 of the research – *Market Analysis* – took a region by region approach to assessing individual markets. The analysis of the research pointed to similarities according to sales systems, marketing approach, market access processes, required tools, leads, and general recommendations for price ranges of buildings (instead of by regions). As a result, the *Marketing Primer* has been structured with five main categories – small scale/Canadian regional markets; medium cost buildings in domestic and international markets; high end buildings in all markets; Aboriginal on-reserve housing; and, institutional buildings. In addition there is a final section on potential, 'over the curve', medium to long term market potentials which includes the special issues related to the machine profiled building category.

The definitions of these market segments are as follows:

- Small scale/Canadian regional (1-6 employees and generally one or two buildings at a time) is defined by the size of company; the focus on a small regional market; and having a single dealer. In general, the buildings produced are smaller and simpler. Occasionally these types of companies may build large, complex, one-off buildings.
- Medium (6-20 employees and two to four buildings at time) is defined as medium cost/sq. ft. signature buildings, but not the most complex, with some access to international markets.
- High end (20 – 80 employees and upwards of four to 15+ buildings at a time) is defined as high cost/sq. ft., complex building systems, larger buildings, and regularly accessing export markets,
- Aboriginal on-reserve housing is defined as housing that is built on reserve by the Band or individuals under the restrictions established by AANDC, CMHC, and the Band itself.
- Institutional buildings are schools, health facilities, and public administration buildings built by federal, provincial, regional, local and First Nations' governments.
- Machine profiled is defined as small log machine profiled (6" x 8" and 8" x 8") horizontal logs with various profiles and buildings with log siding over a structured insulated panel (SIP) or a standard stick frame.

Institutional buildings fit within each of the first three categories (small, medium, high) depending on the complexity, size, financing, and insurance systems required.

Within each of these six market categories the topics of product(s) definition, buyers' characteristics, potential market locations, market sizes, buying system, selling method, and marketing and sales tools are articulated. In addition, the Report ends with recommendations for exploring or enhancing potential market opportunities – over the curve markets – that have significant potential emerging towards the end of the decade.

2. OVERVIEW – MARKETING SYSTEM

This document is intended to assist many of the existing and dormant companies in the log and timber frame industry in BC to increase market access. It has been written to provide a guide for those who have not completed these key market access steps or built these necessary tools (see Figure 1). For those companies that already have a comprehensive marketing strategy, approach, and tools, this report needs to be seen as something to compare their approach to. It is designed to provide a check list against which you can compare your own operation or as encouragement to look at your current activities in a fresh light. This *Marketing Primer* is not intended in any way to be a critique of existing marketing efforts as that analysis has not been undertaken and would not be undertaken without formal participation by interested companies. So, hopefully you will enjoy the read and get value where you see it fitting your operation. It is also written to provide guidance to the economic development agencies, committees, and departments with a keen interest in this sector of the value added wood industry. Section 8, Over-the-curve will be of particular interest to those with a sector development lens.

2.1 Production Capability

This report attempts to create different categories associated with company size and types of markets knowing full well that these divisions are often artificial with as many exceptions as not. So, where the divisions do not fit your company, grab the information from which ever mix of categories applies to your situation. Production capacity is linked directly to the number of projects and the size of each project that a company can handle. This production capacity level is often established by current market forces but it can also be set by company ownership's decisions or level of capital currently available or willingness to invest in the operation.

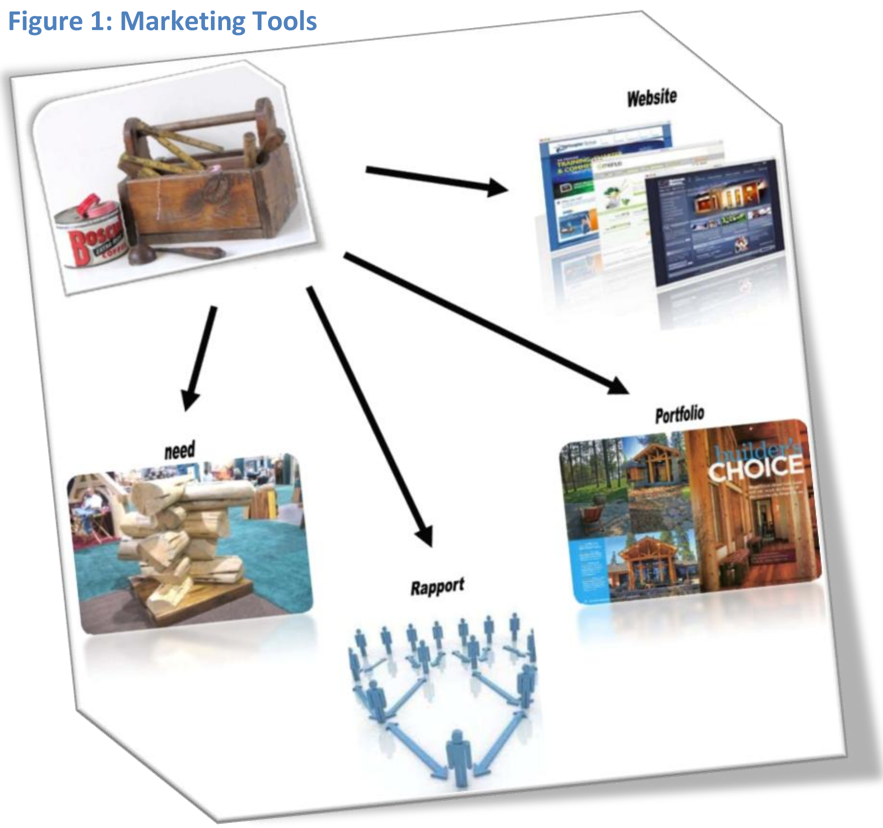
Production capacity needs to be firmly linked to marketing strategy and level of investment in marketing tools and approaches as searching out 10 buildings a year when capacity for only four exists may not (or it may) be a good allocation of company resources.

2.2 Marketing & Sales Budget

The first step to any marketing and sales plan is a strategy. The marketing and sales plan is only part of a well organized company's Strategic Plan. To create a marketing and sales plan, a budget must be identified based on sales projections established within the overall plan. Unfortunately, many, if not most, log and timber building companies are too busy with the demands of the day to day management of their company to set the time aside to create long term goals and a path to achieving these goals in a written business plan. But, let's assume a plan does exist. The recommendation is that if the company is at start-up or wishes to stay small and active then an initial investment in marketing research and tools of $10,000 is required followed-up with an annual budget of $10,000 plus wages for a sales person.

If the operating company is in the mid-sized group the base tools will cost approximately $15,000 (some of

Figure 1: Marketing Tools



which may already be in hand) and an annual budget of closer to $25,000 plus wages for the person(s) with the role of marketing. In the high end group, the cost of marketing swells to match what clients expect to see, reaching $50,000 per year plus substantial time by marketing staff, agents or dealers in the regions where the marketing is focused.

2.3 Approach

The recommended approach is to consistently establish credibility, legitimacy, and known capacity to respond effectively to interested customers and requests for firm bids. The recommended approach also establishes a process whereby potential customers come in contact with a combination of marketing materials and completed work at least five different ways prior to their making a decision.

A common marketing theory is that it takes several contacts with a prospective client prior to achieving a sale. To come up on their radar five times is an effective way to be the chosen contractor. For example, you have:

- a display ad in the yellow pages;
- signage on your truck;
- a magazine ad;
- a home is featured in a periodical;
- an architect recommendation;
- a mention from a general contractor;
- signage at your construction site;
- signage in a development where a building was constructed by your firm;
- a local or regional newspaper article on a project you have completed;
- an exhibition at a home show;
- a website;
- direct contact the prospective client;
- a follow-up;
- a newsletter which goes out every second month.

Any five of those meets the rule.

2.4 Required Tools

The required tools listed in Figure 2 depend on the level of activity and the quality of materials that the marketing approach has targeted. Whatever the selected tools are, they need to be thematically linked together to present a consistent and seamless marketing approach. As the company grows in size, so does the number of required marketing tools, also shown in Figure 2. As the size of the company grows and the number of targeted regional markets expands, the quality of the marketing tools increase.

Figure 2: Required Tools

	Small/Reg'l	Med Cost	High End
Telephone/Answering System			
• Dedicated telephone	✓	✓	✓
• Answering with co. name	✓	✓	✓
• Receptionist		opt'l	opt'l
Business cards			
• Basic (name, address, phone)	✓		
• Basic plus logo		✓	
• Professionally printed	✓	✓	✓
Website			
• Low cost/effective	✓		
• Extensive		✓	✓
• Web Blog		✓	✓
• Videos (current)		✓	✓
Built by "co name" signage	✓	✓	✓
You Tube		✓	✓
Photographs			
• Stock	✓	✓	✓
• Professional	✓	✓	✓
• Framed			✓
Business brochure/educational		✓	✓
Portfolio – no more than 20 images		✓	✓
Print Advertising			
• Reg'l mkt lifestyle magazines	✓		✓
• Magazine Ads			✓
• Magazine articles			✓
Newsletters		✓	✓
Sub-regional home/building shows	✓		
Pricing systems	✓	✓	✓
Regionally prominent locations	✓	✓	✓
Social networking		✓	✓
Dealership networks		✓	✓
Social Network (Linked In, Facebook. Twitter)		✓	✓

3. SMALL SCALE/REGIONAL MARKET

3.1 Definition – Lower Cost

Small scale and start-ups with a Canadian regional market are defined by the company size (1-6 employees) with generally one or two buildings being built at a time. The type of building often includes lower cost log and timber frame buildings. However, even the small scale/regional log and timber frame buildings are a higher quality, higher cost building and often quite unique for the purchaser. There are exceptions.


Small Scale/Regional

The buildings that fit into the definition of small scale/regional often have open truss roof systems, or they are a more expensive stick frame building with timber frame accents (entrances, porches, decks, etc.). Multi-family dwellings (often condos) with substantial exterior timber framing to embody the mountain culture appeal can be completed by small scale operations including start-ups. Also included are lower cost timber frame buildings with log or cant infill.

3.2 Buyers Characteristics including Regional Differences

The typical buyers of a lower cost solid wood or wood hybrid home are upper middle class, married couples with children or preparing to have children. Whether for a primary residence or a smaller scale second home, these buyers have a dream home in mind.

Furthermore, they are usually professionals or trades people between 30 and 65 years of age, with some established wealth and average incomes from $150,000 to $250,000 per year. They generally have some postsecondary education, value being active outdoors and usually, out of necessity, have a stronger emphasis on price rather than style as compared to those purchasing buildings in the medium or high categories. An emerging trend for young families is an increasing concern with environmental sustainability. Building solid wood homes (and second homes) fits within that concern/lifestyle.


Silver King Basin (Smithers, BC)

3.3 Potential Market Locations and Magnitudes

The slightly lower cost of the buildings within the definition puts downward pressure on the design features and margins, and, often, the total product value. This downward pressure often lowers the economic distance that a relationship can be established and maintained. It also impacts on shipping costs again eroding any competitive advantage. From the early 1990s to the mid 2000s, the Canadian/US dollar exchange rate enabled Canadian builders to maintain a substantial competitive advantage in the US and Canadian markets.

The more limited economic distance (standard design, standard materials) both minimizes the geographic size of the potential market and minimizes competition from outside the market area. The end result is that regional producers tend to claim regional markets. In BC, for example, this has quickly translated into northern BC producers capturing the northern BC markets, and the Cariboo producers capturing the Cariboo markets, etc. There is some shipping to markets outside of the production region when production volumes, unique styles, construction method, access to materials, or personal relationships enables the producer to increase their total margin required for locating and servicing sales outside of their production region. These are often one-offs as there is no systematic sales system to access these out of region projects. The growth markets in the US Mountain States are not particularly relevant for these BC producers, except where other larger BC producers have their capacity spoken for, leaving a greater share of the local/regional market to the smaller local producers.

The western Canadian building rush of 2004-08 is over. Thus, the western Canadian markets with the greatest potential for those who build the "lower cost" structures are in the second homes and semi-commuting distances that have substantial appetite for mountain/west coast designed buildings around the fast growing urban centers. Good examples are the areas surrounding Vancouver and Victoria, e.g., Sunshine Coast and lower Vancouver Island, Gulf Islands, Howe Sound, Whistler, Pemberton; the foothills/lakes regions within two hours of Calgary and Edmonton; and, the rural lakes/rivers within two hours of Saskatoon, Regina, and Winnipeg. The market size is dramatically lower than in 2007 and returning slowly. If one in six homes (second homes) in these market areas select lower cost log and timber frame buildings/accents then the market size in 2012 can be sustained within the current capacity.

3.4 Buying systems and access points

Buildings within this market niche, excluding the multi-unit buildings, are mostly purchased by individuals for themselves. They will likely only ever purchase a single building in their lifetime which makes the marketing into this niche difficult to focus on. Building awareness in this niche is mainly through third parties, and third party events, including:

- magazines (like Cottage[1]) that focus on this market segment,
- Log and Cottage Shows, including the BC show[2], the Log and Cottage Shows[3] in Edmonton, Calgary and Saskatoon, and Cottage Country Show[4] in Winnipeg);
- show homes in specific niche markets; and,
- regionalized websites.

This is a complex market niche, as buyers are price sensitive, are often new to home building and time rich creating a time drain on marketing staff when low margins minimize marketing staff availability. For example, Winton Global[5] through Home Depot stores use erected show buildings in their parking lots, to expand market presence. Contact with Home Depot stores have indicated that sales have been soft matching this market over the last few years.

Multi-family buildings in this market niche have a very different sales system and, therefore, different market access points. The customers (primarily developers, general contractors, project managers and architects) require face to face sales systems with solid on-line back-ups. They tend to make their sales decisions based on their research connected to their cost estimating stage. The sales system makes it very important to get connected to those involved in the project cost estimating. The shear manpower cost of providing accurate first level costing for projects that are often at the concept stage and do not have

[1] Cottage: Recreational Living in Western Canada, http://www.cottagemagazine.com/

[2] http://www.masterpromotions.ca/Previous-Events/bc-log-home-timber-frame-and-country-living-show-2012/

[3] http://www.logshows.com/

[4] http://www.cottagelivingshow.net/

[5] Winton Global Homes Division Prince George, http://www.wintonglobal.com/

accurate drawings needs to be considered part of the sales and marketing system.

3.5 Marketing and Sales Tools

To successfully market and sell in your regional ***lower cost log and timber frame building*** market segment requires substantial local and regional (e.g., Sunshine Coast, Vancouver Island or Okanagan/Shuswap) exposure if the market is active plus market penetration in surrounding regions when this market segment is sluggish. To obtain solid regional exposure requires market awareness from potential buyers about your company well before they make their purchase decision. To build the market awareness requires the following tools (as shown in Figure 3):

- Dedicated telephone and answering service with the company name.
- Business Cards – professionally printed
- A low cost, but effective, well designed website with professional photos of completed projects.
- Stock photos of completed projects and projects under construction.
- Access to completed buildings and former satisfied customers that can be used for referrals and potentially combined with a referral fee system.

Figure 3: Small Scale/Regional Basic Tools

	Small/Reg'l	Med Cost	High End
Telephone/Answering System			
• Dedicated telephone	✓	✓	✓
• Answering with co. name	✓	✓	✓
• Receptionist		opt'l	opt'l
Business cards			
• Basic (name, address, phone)	✓		
• Basic plus logo		✓	
• Professionally printed	✓	✓	✓
Website			
• Low cost/effective	✓		
• Extensive		✓	✓
• Web Blog		✓	✓
• Videos (current)		✓	✓
Built by "co name" signage	✓	✓	✓
You Tube		✓	✓
Photographs			
• Stock	✓	✓	✓
• Professional	✓	✓	✓
• Framed			✓
Business brochure/educational		✓	✓
Portfolio – no more than 20 images		✓	✓
Print Advertising			
• Reg'l mkt lifestyle magazines	✓		✓
• Magazine Ads			✓
• Magazine articles			✓
Newsletters		✓	✓
Sub-regional home/building shows	✓		
Pricing systems	✓	✓	✓
Regionally prominent locations	✓	✓	✓
Social networking		✓	✓
Dealership networks		✓	✓
Social Network (Linked In, Facebook. Twitter)		✓	✓

Accent Timber Frame

- Print advertising placed in regional market life style magazine(s).
- Participation in sub-regional home/building shows where this type of market is growing.
- Prompt, consistent, and up-to-date pricing systems for future home owners and project developers.
- Examples of full cost pricing for recently completed buildings and accent projects.
- Regionally prominent locations for completed buildings or buildings under construction with a "built by" construction sign.

To successfully market and sell in the ***accent timber frame*** market segment, like the full building market, requires substantial local and regional exposure when the market is active plus market penetration in surrounding regions when this market segment is sluggish. Since the customers are primarily developers, general contractors, project managers, and architects, the marketing tools need to be more focused then when selling to home owners directly. More face to face sales systems with solid on-line back-up is necessary.

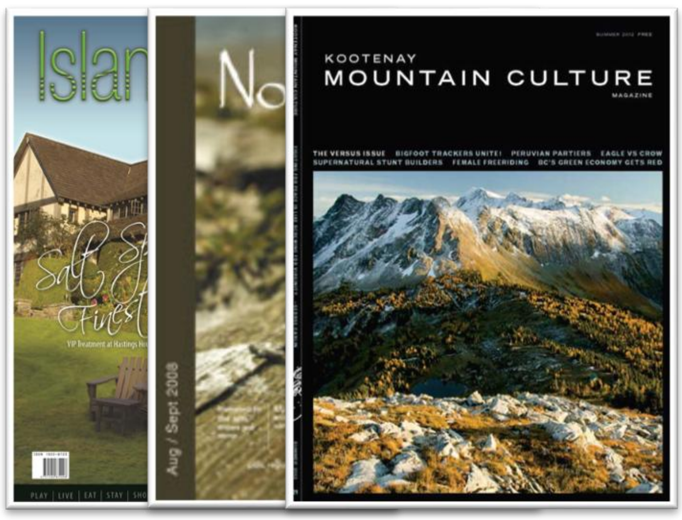
The required tools, in addition to the basic tools, are:

- A leave behind portfolio/catalogue for property developers, general contractors, project managers, and architects.
- Feature articles in regional market life style magazines of completed buildings.

3.6 Action

Work with professionals to create a clear, complete, written business and marketing plan and refer to it throughout the company’s progress. To start forming the marketing tools engage a creative professional to establish brand continuity between all product information including your business cards, brochure, website, construction sign, and magazine ready print advertising. Select and register a company name in all anticipated markets to avoid ‘same name confusion’. Get business cards made up professionally as this is now a very low cost yet critical item. Establish a dedicated phone number for the business with a well presented/professional greeting and message recording, ensuring the use of the company name. This can be a cell phone, but it must be answered professionally each time.

Using buildings that have been completed and ones under construction, establish an image bank of high quality stock company photos. Get a professionally designed business brochure printed – it may be a single sheet 8.5” x 11” full color, three fold to start. Eventually expand the size of the full brochure to at least eight pages making it an educational resource as well as visually appealing.



A website is now a basic, required tool equivalent to a business card. To start, a website can be very brief even a few pages, but it must have a professional look to create legitimacy in the eyes of your potential customers. The website should focus on the product and also identify who owns the company and where it is located. There are many low cost website management programs that enable self management without the need to be able to work with HTML coding, the language of web-sites. Once the website is established then consistently up-dating it is important. A low cost method of updating the site is to maintain a blog/news update on the company’s activities, including uploading recent pictures of erecting a building or cutting new joinery. Video’s on the website and ‘You Tube’ are also low cost and create legitimacy in the eyes of the consumer. Many consumers are also going to expect a Facebook page; however, it is better to ensure good use of a few tools versus stretching your internal capacity and having poor use (outdated being the primary concern) of many tools.

Customers need to be able to quickly connect to your business so appearing in phone books in the regions in which you are selling is critical. Join the Better Business Bureau and your local Chamber of Commerce. Membership in the local construction industry association, the BC Log and Timber Building Industry Association (BCLTBI), will help connect you to customers and the industry. Establish a display at the key trade shows in the marketing region with samples, brochures, and other visuals like a looped slide show. Establish professional links with general contractors and architects in your region as they will be the source of multiple sales relationships. If you sell building products, such as timber accents, build relationships with building supply outlets and provide product examples. Seek mentors to provide their experience.

Once the basic marketing tools are in place, then it is time to enhance your regional presence. Do this by seeking out opportunities to provide news releases to the local media. List your company in industry trade magazines in their regional classifieds. Advertise in regional magazines if available (e.g. Okanagan Life, Kootenay Mountain Culture[6], Northword[7] and Island Times[8]). If the business is located on a major highway, this is preferred, (it can be on leased land), provide visible signage but do so at your own peril since drop-ins can interfere with productivity – signage suggesting appointments works better. If your

[6] http://www.kmcmag.com/
[7] http://northword.ca/
[8] http://islandtimesmagazine.com/

market is in a very limited geographic area, consider billboard advertising. Finally, build relationships and networks with professionals within your product industry as they will be very helpful as the complexity of your projects increase or when additional capacity is quickly needed. This mix of marketing and sales tools will provide the foundation for starting the marketing and regional sales process.

3.7 Marketing Methods – Start-ups and Regional Sales

There are some pre-requisites that make operating a small log and timber frame company much easier including extensive experience in building; a willingness to become familiar with business practises; and, eagerness to connect with people. An outgoing personality and ability to work long hours are also real advantages. It is best if you enjoy some travel to start and increased travel as the business grows. In the end it is about creating a successful business; therefore, getting the bid numbers correct is critical as companies only survive if they have profit!

***Houses* –** Selling into this market requires creating awareness of your product to a sub-set of society that would be interested in purchasing your product. Identifying who they are and getting your message to them, and using your marketing tools, is key! Following is an example of a potential marketing method:

1. Conduct enough market research to identify where in your region that type of building {your product} has been built, is being built, or could be built. This will need to include where building lots are available or are coming on stream.
2. Find out from those selling the lots where the purchasers live and something about their social economic situation to enable you to target where and how to market to them. You may want to locate marketing materials in their home location, at the location that they are coming to or at the location of their expected designers and contractors.
3. Prepare a marketing strategy that includes awareness of the building tools for those sub-markets. This may include log and timber home shows, magazine articles, magazine advertisements, notices on local notice boards, erection of a small building near the incoming or outgoing location. Creating and implementing awareness tools inside a previously established company marketing budget is the creative process involving designing, testing, modifying and re-implementing. Don't try to achieve any optimization at this point.
4. Create a solid website, inside your budget levels, to provide a location where interested buyers can see your previous work and contact you electronically.
5. Create a contacts system to follow-up with people who contact you. Make sure you find out how they "discovered" you.

Accents – Selling into the timber accent market in your region requires creating awareness of your existence in the property development and construction community, as indicated in the Tools subsection. The market is primarily where multiple unit buildings or multiple buildings are being constructed.

Here is a method for creating awareness:

1. Conduct enough market research to identify where in your region that the wood accents style of building {your product} that you make has been built, is being built or could be built. This will need to include where multi-unit building lots are available or are coming on stream.
2. Identify the site owners or developers of the multi-unit developments. City, Regional District or County level planners are often of significant assistance. Local realtors involved with the development industry often know of projects that are in the planning stages. Regionally based architects know of projects that they are involved in and others that they were contacted about but did not obtain the engagement to design.
3. Design and implement awareness creating tools for those sub-markets and, where possible, hand deliver the tools to those actually involved in the industry and potential properties. This may include magazine articles in local or regional periodicals, magazine advertisements, creating a print brochure or portfolio that is provided to property developers, general contractors, project managers, and architects in the region.
4. Create a section within your website, inside your budget levels, that provides a location where interested buyers can see your previous work and contact you electronically.
5. Again, you will need to enhance the contacts system to follow-up with people who contact you and make sure you find out how they "discovered" you.
6. Join Home Building Associations in your target markets; network at their meetings; and, advertise in their newsletters.

Log& Timber Home Show Displays

4. MEDIUM COST BUILDINGS

4.1 Definition – Price, Style, Location

A medium sized company usually has 10-20 employees and is beginning to grow their market area beyond the local and regional. Regions are being added; likely, other provinces or into the USA, and international markets are being considered. Diversification into multiple product lines such as log building, timber framing, and consolidation of (finishing) products within each sale, and general contracting, are being considered.

Alpine Village (Jasper, AB)

Medium cost buildings include full handcrafted log buildings and timber frames and expensive hybrids with full timber frame features. Their finished cost/sq. ft. exceeds $250 with 2,500 sq. ft. buildings (excluding land and services) costing $600,000 and up. Finishing costs are higher than in the lower cost buildings requiring quality craftsmanship and a close following of the detailed drawings. Medium sized companies regularly construct buildings that are in the lower cost category. These are buildings such as secondary homes or guest cottages, horse barns, and even resort cottages that are part of a larger resort project. They are often times used as schedule fillers between larger projects to keep construction staff occupied.

As regions for marketing are added and diversifying into multiple product lines achieved, greater travel is expected in order to increase sales.

The next step is to have a full time person for administrative duties with an office usually located outside the home, likely at the production facility. A full time sales person is required. A construction manager, responsible for the variety of projects that will be in progress, is necessary and an in-house design capacity can be considered at this time.

4.2 Buyers Characteristics including regional differences

The typical buyers for a medium cost solid wood or wood hybrid residence are older married couples, between 40 and 65, with children and, potentially, grandchildren. They are generally university educated professionals approaching retirement with established wealth and an annual income over $250,000. As members of the upper middle class, they put a strong emphasis on leisure and outdoor activities and, often, environmental sustainability.

4.3 Potential Market Locations and Magnitude

The location of the regional markets for medium priced log and timber frame homes are similar to the lower cost log and timber frame homes. There are fewer people who can afford these homes and so targeting locations and identifying growth pockets is a critical component of the market assessment and marketing strategy process. In Western Canada, the geographic sub regions are the same as for the lower cost buildings but with a greater focus on the high cost urban neighbourhoods, higher cost second home and resort locations, e.g. Whistler, Gulf Islands, Sunshine Coast, Shuswap, Okanagan and Windermere Lake fronts, and surrounding larger properties plus locations in the western part of Central Alberta including the foothills and Rocky Mountain regions. The BC major ski hills, e.g. Mt. Revelstoke, Kicking Horse, Fernie, Rossland, Kimberley, Big White, Silver Star, and Sun Peaks, and golf resorts, e.g., Tobiano,

Tobiano Golf – The Clubhouse (Kamloops, BC)

Wildstone, Shadow Mountain, and Predator Ridge (to name just a few) have many lots for these types of buildings but growth in these markets has been slow. Other locations exist in western Canada within the second home shadow around Saskatoon, Regina and Winnipeg where the market is expected to grow during their economic growth over the next few years.

In the US Mountain states, a return of the market is expected in Idaho, Colorado, and Montana. In Idaho, the target areas of Kootenai County and Bonneville County maintained a consistent number of new single family residential building permits in 2011, totalling 421 and 217 respectively, reinforcing that this area is important for its sustained interest in log and timber frame homes but not one of rapid expected growth. In Utah, Summit County (a mountainous region with a low permanent population but one that includes several high end mountain resorts such as Park City and Deer Valley) doubled its previously low number of new building permits from 50 in 2010 to 100 in 2011. This is critical information because a majority of those new single family residential building permits are for middle to high end log and timber frame homes. In Weber County, where some of the buildings will be log and timber frame, the numbers of building permits in 2011 have remained consistent with 2010 at about 400.

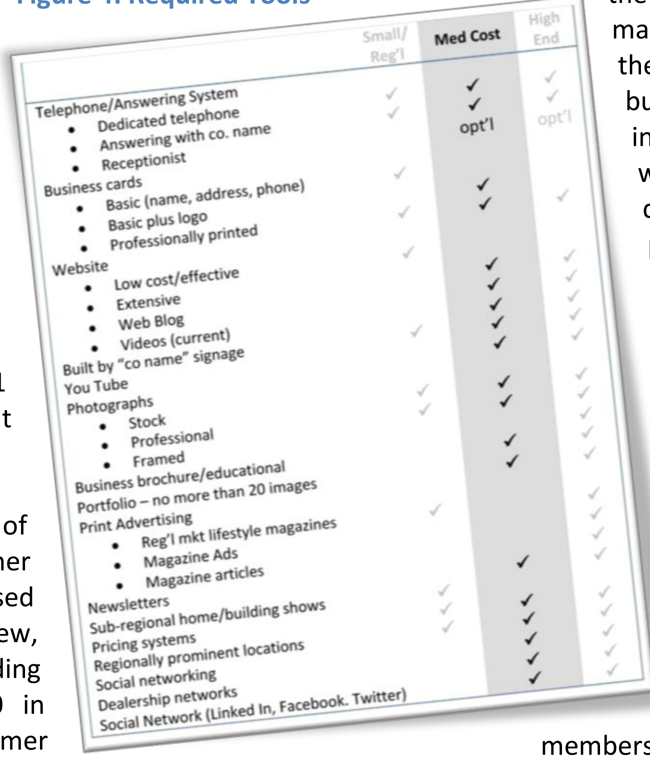
In Colorado, the key areas of Boulder County and Larimer County have both increased from 2010 to 2011, with new, single family residential building permits jumping from 450 in 2010 to 702 in 2011 in Larimer County and increasing from 276 to 390 in Boulder County. It is important to note that there has not been any real change in Eagle County, which includes Vail Resort. The new residential construction has remained at around 50 per year. Though the residential building permits are not generally tracked in Montana, there has been a slight increase in the number of building permits that were issued in both Gallatin and Flathead Counties which is consistent with the expected growth in these regions and are known for their mountain culture.

4.4 Buying systems and access points

Buildings in this market niche always include design professionals and a general contractor. These buildings tend to be complex and include a number of highly skilled sub-trades, including stonework, flooring, lighting, and data, phone and security systems, etc. In this niche, the customer often has significant contact with the designer and the potential builders. The log and timber frame builders need to generate awareness with the customers in this income group and with the professional designers and general contractors who will assist that customer with their final decisions.

As shown in Figure 4, the number of tools has expanded over the small scale company (usually as the company approaches maturity) as has the quality of the individual tools. The business cards now need to include a basic logo, and the website needs to include different types of completed projects with select photos related to each project. In addition to the website, a blog can be added to provide updated activities and technical descriptions. YouTube presents a platform for displaying a company's production process and new designs. Professional photographs need to be available to be shared with key members of the design and building team. Creating a larger company brochure will assist a client with a purchase and in answering typical questions. A quality, bound, 20 page company portfolio is a required standard and is carried for all face-to-face meetings including being placed on a memory stick for quick entry in projecting equipment.

Figure 4: Required Tools



Using trade magazines on a regular basis for advertisements will enhance a company's image. Creating a simple one page newsletter on a quarterly basis will provide company updates to the design and construction community.

Specific home shows should be targeted. Pricing systems are now required to be structured and consistent across all bids. The construction sign on each site needs to be improved in quality. Maintain and expand relationships with architects.

Social networking with connections being made through Linked In, Facebook and even Twitter makes sense. Finally, a dealer network needs to be established to create a "face" in the market regions that you are working in. Your networking will include close relationships with repeat contractors and designers. You need to encourage your previous clients to act as your representatives, establishing the basis of a formal dealer network. Adding a dealer network will increase the cost of a sale; therefore, volume and margin must increase to meet this additional burden.

4.5 Marketing Methods

All of the marketing efforts identified within the small scale company need to be adhered to and increased upon. Although some reduction of local/regional sales effort may be made as sales are coming from a wider area, substantial expansion to the marketing effort is required. Annual marketing costs will increase from $10,000 to about $25,000 annually. This cost does not include wages for a sales person, or the initial base marketing investment of approximately $15,000 for professional photos, design of brochures, design of website and other one-time expenditures. If the company is in growth mode, annual marketing costs are expected to rise from $25,000 to $50,000

Networking with professionals such as contractors and designers is critical to growth of sales, as opposed to one off customers, because they encourage repeat business. This requires a substantial shift in marketing approach and focus. In addition, establishing a regional network of dealers will build volume, which is another major change in the marketing approach. Use organizations such as BC Wood to assist in opening new markets and to cost share national and international trade shows. The marketing method also includes twice (at least) yearly marketing trips to the target regions where relationships are being fostered.

Include in the budget magazine advertisements in general consumer industry trade magazines, like

Timber Home Living and Log Home Living, targeted to regions of western Canada and, most likely, the US mountain states. A larger brochure must be created that both sells and informs potential clients. This brochure is in addition and well beyond the one page, three fold variety and includes multi-pages, providing information on the quality and value of the company and further enhanced by the use of professional photos. Homes need to be submitted for use in feature articles in appropriate magazines in targeted regions. Attendance at specific home shows is another potential component of collecting marketing intelligence and implementing the strategy.

The marketing approach needs to have shifted to target directly the architects and general contractors and servicing the targeted regions.

5. HIGH END BUILDINGS

5.1 Definition – Price, Style, Location

To decide to target high end log and timber buildings as a company strategy means one must establish sales goals, income expectations, and a percentage of sales directed towards marketing. Most consumers of log

High End Log Building

and timber frame buildings are in the upper income brackets. This is the nature of the product – a premium above conventional custom housing. Yet the High End is a step beyond this. These are large homes, in excess of 3,800 sq.ft. and not uncommonly over 6000 sq.ft., with more complex styles, corners, features, and higher end finishes; and, a budget often well in excess of $300 per sq. ft.

These are the homes of the wealthy. They are making a statement about success. Historically, these homes have been second recreational homes; or, perhaps, future retirement homes in a resort type location. With the more recent advent of timber frame construction, there is an emerging market for these products in the urban environment. But, one is best advised to recognize that designers of these homes are most often located in the recreational resort locations. Very often these are ski resort communities. Even if the building is intended for an urban or suburban location, the inspiration often comes from the consumers visit to resorts and the proliferation of architects/designers located in proximity to the resorts.

The profile of a high end consumer has changed to some degree in the past few decades. Those born wealthy or who are part of the baby boomers that have had success in their careers are the primary consumers. With the advent of high technology successful start-ups we also see a younger consumer, making choices due to stock options, huge bonuses, and public offerings. Again, these unique, high end buildings are making a statement about the success achieved by their owners.

The location of these homes is also centered on the statement being made. The buildings are most often in close proximity to one another. These purchasers are socializing with each other and networking in the same social circles. Therefore, the centers of such building are around popular ski resorts, desirable lakeside communities, and large ranch holdings. Some examples in BC would be Whistler ski area, Okanagan Lakes, and large acreages in the Cariboo. In the US, typical ski resorts would be Aspen, Vail, Park City, and Sun Valley. Examples of lake front properties may be found near Tahoe or Jackson. Montana also attracts large holding owners, besides the ski resort communities like the Yellowstone Club.

The associated research has shown that there are some regional design style differences in this market. There is a growing preference to timber frame structure due to the more sophisticated design opportunities and the ease of incorporating a greater variety of finishes. Log structures will always have a traditional and historic place in the market as experienced in the last three decades, yet companies are best advised to diversify product lines to meet the greater scope of demand within this high end market. Changing energy codes and the perception of log

High End Timber Structure – Interior

buildings being less environmentally conscious will also impact future sales for log buildings. Montana builders and designers have indicated that recycled timber from the demolition of warehouses and barns are highly sought after. Vail and Park City designers on the other hand seem to be attracted to a ‘furniture’ quality material, finish and joinery.

To be best prepared to enter these markets, have a choice of logs and timber available and offered with lower moisture content. A similar comparative in log building is the interest in larger logs, cedar logs, logs with bell flares at the stump and unique feature wood in stairways. Again, these consumers are expressing a desire to show their wealth and success. Designers are also well informed from their past experience. They are adverse to the problems of settling and shrinkage in joinery.

It is important to identify how much capital is available to create a brand and focus your market accordingly.

To enter the high end building business where draws are less frequent and several buildings may be under construction at the same time, there must be enough credit and appropriate staffing levels. The level of staffing and amount of sales is critical to maintain the business size and to minimize the likelihood of losing trained staff due to layoffs and vacant times in the schedule.

High End Timber Structure - Interior

5.2 Buyers Characteristics including regional style differences

The typical buyers of a high end solid wood or wood hybrid home are older married couples between 40 and 65 years of age with an established wealth and annual income exceeding $1 million. They have children and often grandchildren. These homes are usually custom built to style preferences with quality and aesthetics taking precedence over price. Because all of the buyers fall into the highest income bracket, they are generally university educated professionals in the upper social class. The lifestyle characteristics of the buyer can differ largely on the region or community in which their residence will be located. The major resorts such as Aspen in Colorado, Park City in Utah, and Whistler in BC are more often frequented by families that have been wealthy for many generations and thus they tend to reside in urban areas and lead a very status oriented lifestyle. They tend to place a strong emphasis on leisure activities. In the newer resort areas, particularly throughout Montana, Wyoming, Idaho and the Canadian Rockies, buyers tend to be either rural or urban residents looking to have a more active mountain lifestyle. Status is still a factor but the buyers tend to be more family oriented and value access to outdoor activities.

5.3 Potential Market Locations and Magnitude

The main markets for the high end log and timber homes in western Canada are the Lower Mainland, including its shadow areas of the Gulf Islands, Sunshine Coast and Whistler; the Okanagan/Shuswap; the Rockies, including the East Kootenay and Alberta foothills; and, ranch areas adjacent to Calgary and Edmonton. These are also the areas where resorts and mountain culture condominiums are a regular sight. In the US, the Rocky Mountain States have the highest concentration of log and timber construction, particularly in the Kootenai and Bonneville Counties in Idaho; the Summit and Weber Counties in Utah; the Boulder and Larimer Counties in Colorado; and, the Gallatin and Flathead Counties in Montana.

The western Canadian market is well off of its single family dwelling construction peak in 2006 of 14,000 for BC and 30,000 for Alberta settling at 8,000 for BC and 15,000 for Alberta in 2011. Even at the 2011 levels, there is substantial high end log and timber frame construction underway.

5.4 Buying systems and access points

The buying system for very high end homes is generally not through the home owner, but instead through the designers and the general contractors. As the market for these high end homes has tightened, general contracting has moved from a cost plus situation to a project bid system. These changes have shifted the buyer of the log and timber frame components more towards the general contractors. The shift does not, however, move the main access points away from the architects and the specialist contractors. They are still key to making significant recommendations on log or timber frame builders.

In many cases, potential buyers will seek advice about potential architects and general contractors from existing home owners thus reinforcing the need to link with previous clients and their architects and contractors. As the market assessment research identified, the successful mountain culture architects and contractors are mostly still in business, at a reduced scale, and are ready to maintain or re-establish relationships with high end BC log and timber frame companies.

5.5 Marketing and Sales Tools

Successfully and consistently marketing to the high end part of an expensive market usually requires the same level of sophistication as what is desired by the clients. The list of tools required for marketing to the high end is very similar to the medium category. The main difference is in the quality, the cost and requirements of the access points. There are additional tools, e.g. You Tube videos, dealership networks, full time sales staff in target regions, framed pictures of completed buildings for architects and general contractors, newsletters and educational features in key magazines that all build legitimacy of the company and ensure that the consumer (buyer) will come across the company at least five times during the process of selecting a company. In your messaging, make sure you have identified where your niches are, e.g. cedar, kiln dried, or repurposed timbers. And, have a sustainability and environmental statement that describes your wood sourcing systems.

5.6 Marketing Methods

The methods to choose from are varied starting with print media including, a brochure, a portfolio, local newspaper articles and magazines (advertising, feature articles on a building, and expert technical information). Electronic media includes a solid website, usually expensive to prepare, web pay per click advertising, and connections and links to associations' web sites. Face-to-face methods include home shows in targeted markets, BC Wood log and timber shows, providing seminars at conferences, direct and consistent meetings with architects and general contractors (required), and seminars at regional architectural associations' meetings. In addition, it is necessary to build recognition as being an expert in the industry by being an active member and serving on the executive of your professional association, creating a personal image by having a face, a location and being an expert that others go to. Continue your education, attend seminars, and listen to sales lectures while putting on the miles.

Identify your key regional market(s) and direct your awareness creating activities into these areas. A good example on print media is to direct efforts at a regional magazine in your target area, e.g. Aspen Valley Life, Mountain Living, Okanagan Life Magazine, and Alberta Home Magazine. Place your efforts in the period leading up to when you intend on visiting the region and conducting the face-to-face meetings. Send architects magazines you have been featured in (sent from the publisher without your name on it) and let them discover your presence. Make sure local newspapers have solid copy on your regional projects or examples from other appropriate regions to make building a story easy. Reuse stunning photos of your work to achieve product recognition, e.g. place an ad in a magazine using the same home that is being featured in that magazine. Even place two ads. All of this achieves your five times of recognition. Remember to place a rights-to-photograph the home in your contract. These will be minor items at the time of signing but much more difficult to try and add later.

Match your road trip with a regional architects' meeting and provide a free seminar. Always ask your contact/network who you should see next, and if there is anything you could provide to enhance their understanding which lets them be your expert. Dress the part and drive a vehicle that represents an image (legitimacy). If you participate in home shows then study the many sources of information on how to get results.[9] If you get a lead, follow it up, more than once, to make it part of the five times they must come across you while researching their purchase. Use a big screen and video in your show display and make sure it is an engaging video. Look at home show booths that are crowded. Establish why they are crowded and emulate it, and do it better.

Give a gift with the home (a bench, a carving, a carved door) as there will always be reasons for frustration at the time of delivery which can be off-set with an unexpected gift. Ask to examine former clients' homes to remind them you are service oriented and to give them a reason to remember to recommend you. Request a reference from clients, at the right time; after the completion of contract, not while giving a gift. Perhaps, after a meeting, send a letter of request for a testimonial for reprint, where appropriate.

Have a lead follow-up system and make it part of your five times of recognition. When you are sent a request for information quickly mail out a response and be the first builder to do so. Better yet courier it. Prospective clients spend much more time with the first three responses. Include a brochure. Studies show that prospective clients will not download whole brochures. Personalize your response to queries but use a form system for ease of use. Look at what other successful companies are doing to achieve sales and model that system. Identify companies that are competitors in your niche; study their methods and do it better. Make sure you do more with the resources you have.


High End Log Building

[9] Home show information sources:
http://www.canadabusiness.ca/eng/page/2708
http://www.masterpromotions.ca/exhibitor-education/

6. ABORIGINAL HOUSING

In Part I of this report, the market potential to provide solid wood housing for Aboriginal on-reserve communities was identified as substantial and therefore it is included in this detailed market development plan.

6.1 Definition – Price, Style, Location

The housing built on Aboriginal reserves across western Canada is surprisingly similar given the wide differences in climate – wet west coast, dry prairie, cold north, and hot BC interior. The houses are most often stick frame construction with a 1200 sq. ft. main floor and similar sized basement or a single floor 1200 sq. ft. home. There are exceptions. For example, the series of quality handcrafted log homes built in the BC Chilcotin about a decade ago. All of these homes must now be built for under $200,000 (minor differences for locations and remoteness) including water hook-up and waste water management. Given the combination of required size, the need for a fixed consolidated price and often rural and remote locations, Aboriginal governments often turn to factory built homes which are usually able to meet these requirements. Examples are: Winton Global[10] and SRI Homes[11]. These companies that build the manufactured homes often have a funded Aboriginal Housing division specifically focused on this market niche. In times of either crisis or the need to completely minimize the purchase price, many Aboriginal communities have purchased single wide or double wide mobile homes for their housing.

Winton Global

SRI Homes

6.2 Buyers Characteristics including Regional Differences

The buyer in the majority of situations is the Band government, in other situations it is the individual in concert with the Band government as in most cases the Band government needs to guarantee the mortgage with CMHC or a financial institution. The individual buyers are, again in almost all cases, on a limited fixed budget. Individuals, like in main stream society, rarely select and supervise the building of their own homes creating quite a challenge when the expectation is that individuals are able to do it themselves without solid industry experience and on a very tight budget. Once again, this puts pressure on suppliers to this market to provide price sensitive, consolidated packages, and turn-key homes.

6.3 Potential Market Locations and Magnitude

Most of the Aboriginal individuals and communities that have a pre-disposition for log and timber homes live in rural and remote parts of western Canada. The assessment identified 296 First Nations that have this disposition and usually an annual allocation for housing. If 20% of the house allocations were potential log and timber homes, the market in BC rural and remote Aboriginal communities would be more than 100 units annually ($15 million/year) for the next two decades. The Alberta market would be

[10] Winton Global, http://www.wintonglobal.com/
[11] SRI Homes, http://www.srihomes.com/

slightly smaller at approximately 80 units/year, the Saskatchewan market at approximately 115 units/year and Manitoba market at approximately 125 units/year for a total market of $60 million per year not including the Yukon or NWT. The price point, the need for a turn-key and preset house costs for Aboriginal housing eliminates most BC log and timber frame builders. There are some however who are focusing on creating products that can sell into this market even given the restrictive characteristics.

6.4 Buying systems and access points

The market is a Band by Band market mainly functioning directly through the housing coordinator. The access point therefore becomes the Band office, Band housing coordinator, and Band manager. To successfully sell into this market requires a solid reliable product, completed buildings in other communities, satisfied customers and, most importantly, relationships with those who make the housing selections and decisions. In addition, the inconsistency of AANDC and Band government will try most business operators' patience. Timing will also be an issue with decisions often getting stalled thus requiring optimal construction periods to be partially missed. Adding to the complexity will be the regular changes in Band staffing, which will require the marketing staff to consistently re-establish rapport with new staff at many of the Bands.

6.5 Marketing and Sales Tools

To market effectively into the Aboriginal on-reserve housing market requires a product with a competitive advantage. For some buyers the mere fact the home is built of solid wood will be enough of a competitive advantage, for others it will be a system where by sweat equity (their own labour) can be used to off-set cash requirements, for others it will be the traditional look – modernized – that they or their parents grew-up with, that is the competitive advantage, and for others it will be that the building is tougher - standing up to rural living much easier than urban drywall housing. The competitive advantages must fit within the externally established turn-key price.

Log and timber frame companies operating in this market are attempting to provide a better product, usually higher priced, for the same low price as inferior products. In general solid wood or timber frame homes are more expensive per sq. ft. than stick built and much more expensive than the lowest cost stick frame houses. The size of the challenge must not be underestimated. A high level of creative thinking and design is required for Log and Timber builders to enter this market

Profiled Laundromat

Given the challenge each company must clearly identify how they are able to be price competitive. Haven Timber Homes is an example of a company that is effectively moving in this direction.[12] At this

point in time building with beetle killed pine provides a low cost source of solid wood fibre, using a machine cutting method lowers cost, having in-house design capacity combined with standard efficient floor plans lowers cost, simplifying the mechanical systems and establishing consistent relationships with sub-trades (foundation, plumbing, electrical, roofing, and interior finishing) who are able to deliver consistently at cost competitive price points for standardized designs lowers overall costs. Once a competitively priced, acceptable, quality product has been designed and piloted it is time to start the marketing and selling.

The tools required are as follows:

- Full colour brochure
- Web site
- Consistent emails (ListServe) sent to all contacted Bands with photos and quotes from recent projects under construction and completed.
- Organized tours (lunch included) for buildings under construction or completed in neighbouring communities.
- Presentations to be made at Aboriginal gatherings – e.g. Pow Wows, Rodeos and major Aboriginal leaders and managers gatherings.

6.6 Market Methods (Selling Principles)

The marketing methods will involve making multiple contacts with decision makers using a variety of face to face, and electronic means. Initially, the marketing person will need to identify the Bands most interested in purchasing log or timber frame buildings (designed to meet the price point). Start with the larger Bands adjacent to the building and marketing teams that obtain higher annual new housing allocations as these relationships have the highest potential of returning consistent annual sales.

Meet with the Band Housing Coordinator and Band Manager, tour the community, and then present the product making sure to show its ability to meet the Band's needs. The product must be sensitive to local needs, e.g. boot rooms, small and large houses, internal and external wood heating devices, arctic entrances, porches and carports.

Provide a limited design adjustment service to enable individual members to make adjustments to the overall design to create their own home that matches the proposed site. Make sure the marketing materials include a full sized brochure (8.5 x 11), and a web site with professional pictures. Obtain permission from Bands that have built your houses to highlight their success and have Housing Coordinators from other Bands be able to contact them by phone and e-mail. It is critical to understand that rapport will need to be built over time based on multiple visits to the Band Offices and communities.

Basic Log Home

[12] http://www.haventimberhomes.com/for-first-nations/

7. INSTITUTIONAL BUILDINGS – INCLUDING FOR ABORIGINAL COMMUNITIES

7.1 Interest in Log and Timber Buildings

Rural and remote Aboriginal communities in western Canada that are located within areas that have forests and/or historically had forests, have a predisposition to wood buildings both as housing and as institutional buildings. This predisposition has been actualized in many communities where handcrafted and then machine profiled log buildings were quickly adopted for housing and larger buildings after contact. Historically, the larger institutional buildings were often a combination of timber frame and siding – common on the BC west coast.

For Aboriginal institutional buildings, there is a predisposition for wood constructed architectural features, clearly shown in recent design and construction of schools (Penticton Indian Band Outma Squil'xw Cultural School shown in the inset picture[13]), Band offices, health facilities, and even some on-reserve commercial buildings. All of these buildings are designed to take advantage of the rural setting and modern use of wood including laminated beams. These institutional buildings are often under less price point sensitivity and are seen by community members to be signature structures requiring artistic and intrinsic features. These buildings are most often designed by urban modern architects wanting to bring out cultural heritage and a modern open space feeling.

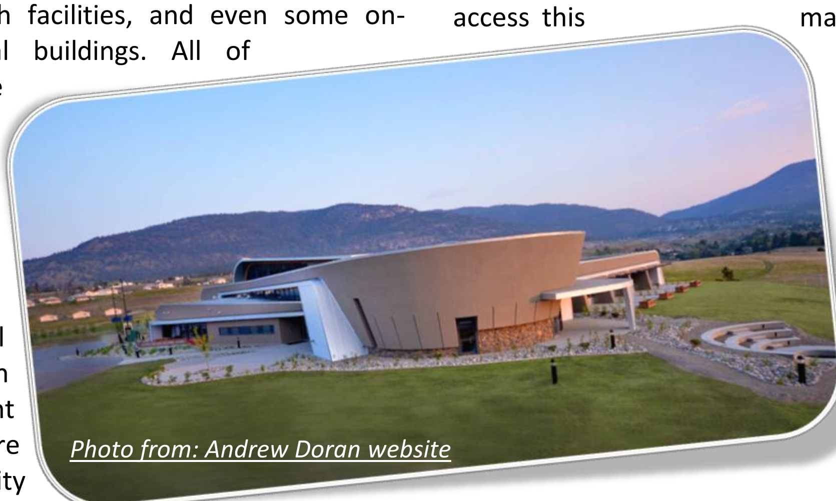


Photo from: Andrew Doran website

7.2 Buyers Characteristics & Regions

Institutional buildings on-reserve in Western Canada do not experience the same degree of low price point pressure. There is a combination of with both a demand from the communities for a signature building and architects that consistently encompass significant wood and timber features in each building. These factors create a substantial on-going demand for wood features.

Institutional buildings funded by the BC government, on the other hand, are experiencing downward pressure on the number of architectural features given the current provincial budget situation, which was quite different during the run up to the 2010 Olympics. In Alberta and Saskatchewan, this same downward pressure on cost is not there due to their growing provincial economies and provincial budgets adding to demand for significant institutional buildings often with wood components.

7.3 Potential Market Magnitude, Access Points & Tools

The log and timber components on institutional buildings in BC, Alberta and Saskatchewan represent a large market in the tens of millions per year. The access points are through architects and then linked to the general contractors who will be bidding on these jobs. The marketing tools and methods to access this market are the same ones that are used in the medium and particularly the high end log and timber frame housing market. All of these projects are designed by architects, or use architects or other design and construction professionals in the design process. So, the market access point is the design professionals and the general contractors.

The major funding and coordinating agencies, e.g. Health Canada for Aboriginal Health buildings or First Nations Schools Association for Aboriginal education in BC, also know which projects are funded in each Western Canadian province. Some architectural firms keep closely connected to these funding agencies keeping abreast of potential projects, so connecting to these firms is a great point to start with establishing relationships. See Appendix 2 for some examples.

[13] http://andrewdoran.com/folios/#commercial-exteriors

8. MACHINE PROFILED

8.1 Definition

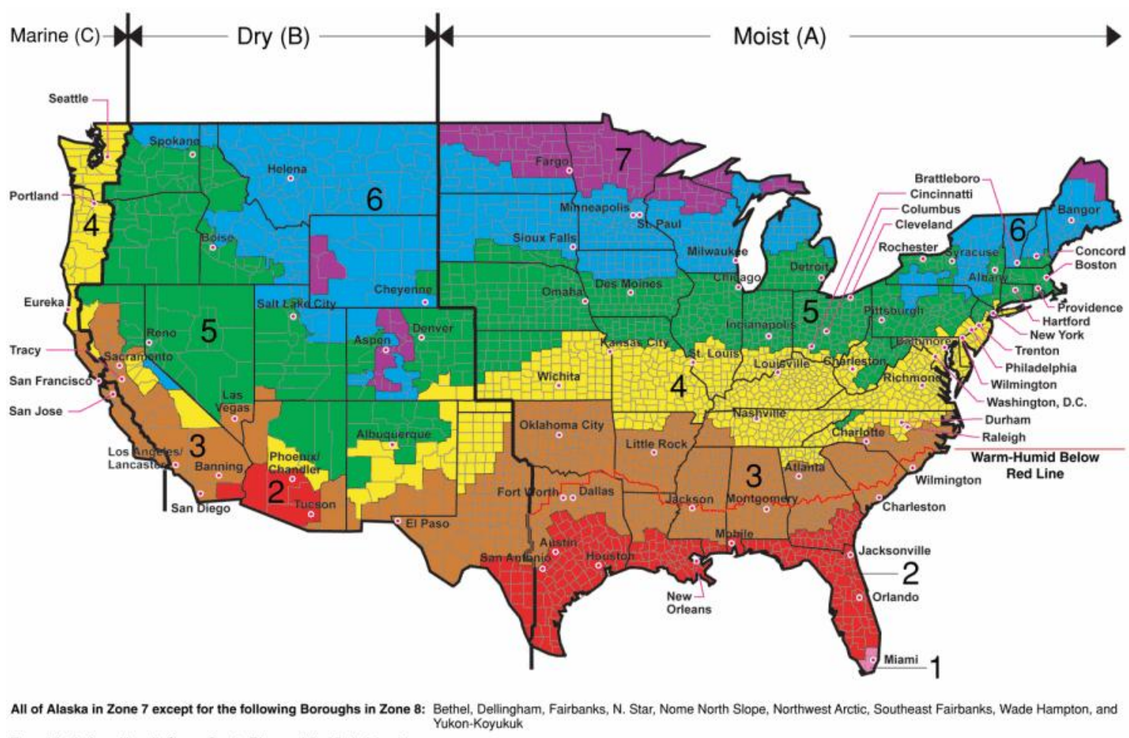
The buildings that fit into the definition of machine profiled are horizontal log buildings (often 6" x 8" or 8" x 8") with multiple profiles created by machines, and stick frame cottages/cabins with half log siding, potentially with SIP (*Structural Insulated Panels)* panels, and often open truss roof systems. In BC there are a small number of active machine profiled log building companies as compared to the US where there are many small and large profiled log building companies.

8.2 Current Issues

The expected introduction of energy code requirements in 2012 in the US and in Canada within the National Building Codes is expected to have a very significant impact on the acceptability of small log profiled and handcrafted buildings. The new building code, with an added energy code, will need to be adopted on a province by province and state by state basis. Most states and provinces are primed to adopt the new standards in 2012. Most of the Mountain States where log homes are desired are in Zones 5, 6, 7 requiring R values of greater than 25. (See US Climatic Zones Map) Wood has an R value, depending on species, of between 1.2 and 1.5 per inch. The standard 8 inch wall would produce a maximum R value of 12 for cedar, the species with the highest value. In climate zones 1 through 5 (most of western Canada is 6 and 7 with only the lower West Coast of BC in zone 5) where the smaller thickness walls are common, a market may still exist for small diameter (profile) logs.

Therefore, growth markets in the US Mountain States are not particularly relevant for these BC producers, except where BC producers can provide lower cost raw material that gives them a competitive advantage. Good examples of the exceptions are shipping mountain pine beetle (MPB) cants, profiled logs or log siding to profile log home companies in the specific regional markets where the wood is much more expensive to obtain.

US Climatic Zones[14]



14 http://www.architecture.uwaterloo.ca/faculty_projects/terri/carbon-aia/strategies.html

Clearly, the potential markets are stronger for the timber frame accents and half log siding, if the proposed 2012 building codes are adopted in the US on a state by state basis. Montana, which in general does not have building permit restrictions, may be a state where small profiled log buildings are still in demand.

In Canadian provinces, as soon as the codes are adopted, machine profiled buildings will not be acceptable in most areas as a dwelling. The building material (6" x 8" or 8" x 8") will be only useable for outbuildings unless, they can modify the building to include substantial insulation within the walls. Trout Creek International Homes (Kamloops) has developed a SIP building with log siding to match R valued insulation requirements. Haven Timber Homes Ltd. has developed a complete wrap of their timber framed piece-on-piece system with blue insulated rigid foam encased by siding. Other major machine profiled companies will need to adjust their building system or be squeezed out of the markets where the energy code is enforced. Sales of large log profiled systems will need to move to logs over 12" in diameter in cedar (R 18) to move towards an acceptable total building envelop calculation. In Canadian and US remote locations and some seasonal buildings there may still be a demand for low R value machine profiled structures. A market for machined profiled log buildings still existing in Japan and companies with that established market are still able to successfully sell in that market.

Photo from: Big Foot Log & Timber Homes' website

9. OVER THE CURVE POTENTIALS

9.1 Rural and Remote Worker Camps for Resource Construction & Extraction

The rise in global mineral commodity prices and the expected rise in energy costs (experienced by oil and in some cases electricity to date) have increased the exploration for minerals, pre-mine development of mineralized sites, and exploration and development of energy extraction sites. These developments in Western Canada, combined with provincial policies to not develop new town sites adjacent to these developments, has created the need for remote camps in many rural and northern situations. In most cases, these remote camps are prefabricated trailers linked together on site. The camps are either stationary or fully mobile as each unit is built on a steel frame that is able to be lifted onto a flat bed truck and shifted to a new location.

Advancements in lower cost profiled log and log infill systems may bring the cost of constructing higher quality mobile buildings closer to the construction cost of the trailers. In northern and heavy snow sites, the log and/or log infill buildings could lower the heating costs, remove the costs related to the additional roof erected on site, and improve living accommodation quality.

9.2 Demonstration Project – Rural and Remote Worker Camps

There is currently a substantial Canadian market for rural and remote site buildings. Log and log infill buildings are currently not being used for this application. To have these types of buildings considered will require design, and marketing investment plus identifying a community or communities that are prepared to seriously enter in the negotiations with the project proponents to add this type of building to the overall project plan and capital cost financing. At this point, a successful demonstration project with accompanying third party evaluation research is required to create the industry's trust of this type of application for profiled log or log infill buildings.

A regional development agency needs to link together an interested community(s), an active resource company that requires a new remote camp in their area, an existing manufacturer with the ability and interest to add this new external wall system to their existing capacity, and external funding to design, implement, maintain, monitor, and report on a pilot project.

9.3 China

The Chinese economy continues to grow at a rapid pace with the GDP growth rate hovering consistently around 10% over the last decade with 10.4% in 2010[15] and projected to be 8.2% in 2012 and 8.6% in 2013[16]. Because of this growth there has been substantial wealth created including for those in high income categories. The country has many large commercial land owners and wholly family owned major corporations whose owners live a very ostentatious lifestyle. There exists a demand for high end western style homes in urban areas featuring wood design and west coast style architecture similar to the style typical of Vancouver's Westside[17]. Second homes are currently highly discouraged through regulation and at times loopholes exist. There is also a history of using wood for accents and small structures such as park buildings and gazebos in a pagoda style. The question is whether there is a sufficient demand for pre-made log and timber frame component parts from BC to make establishing a commercial presence there worthwhile.

Given the uncertainty regarding market location and size, there is a need for further assessment, province by province as the situation and trends differ drastically in different regions and from rural to urban areas. With the rapid growth of tourism in some parts of China, new resorts are being developed representing another potential opportunity for BC log and timber frame builders. More research again is needed to investigate whether the demand is sufficient and suited to a BC style of log and timber frame building and whether it is possible to be cost competitive in China. If there is a comparative advantage for BC log and timber frame builders, Chinese markets could be a critical area of expansion for the industry over the next two decades.

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[15] Worldbank.org

[16] The World Bank. *China Quarterly Update – April 2012* http://www.worldbank.org/en/news/2012/04/12/china-quarterly-update-april-2012

[17] Business in Vancouver. "Local architects, designers building lucrative business model in Far East Beijing builds a Vancouver suburb". Glenn Korstrom. Jan 10, 2012.

9.4 Market Expansions

BC Log & Timber Culture Enhancement

Public Buildings

Buildings, large and small, constructed using log and timber frame construction is a design or cultural preference. Maintaining this cultural preference is a key factor in maintaining provincial demand for log and timber buildings. The provincial government can continue to influence this cultural preference beyond their Wood First Act, by ensuring that buildings in provincial parks, recreation areas, and visitor centres use log and timber frame designs.

The designs can easily span the spectrum from traditional horizontal log as was used in Merritt's visitor centre (top photo – 1986) or the combination of round log timber frame was used at the visitor centre in Williams Lake (middle photo – 2006), or the laminated beam structure in the BC/Golden Visitor Centre in Golden (bottom photo 2006). The recent public buildings like Vancouver Island Mountain Centre (2010) which has a timber frame structure and the Seymour Dam Gatehouse (2008), built of horizontal logs, are good examples of selecting this style.

Enhanced Cabin Country Areas

Lower end log and timber frame buildings are popular in rural and remote sites where minimum investment is planned and local wood is readily available. The provincial government has reviewed the potential to expand the number of leased lots on or near waterfronts with recreational potential on provincial crown Land. This potential needs to be systematically reviewed, particularly in locations inside two hours of traveling time from urban centres. The mix of maintaining the property as provincial crown land through term leases (20 years and renewable after 15 years for another 20 years, etc.), establishing a limit of one property per individual or family, maintaining a use it or lose it policy, and establishing a maximum building size restriction (800 sq. ft. footprint) will minimize the speculation component of the price. It will also prevent over building on the sites and encourage the pioneer cabin country building style. It is this cabin country culture that is a critical component to the Scandinavian attachment to log and timber frame buildings that enhances the demand of these types of buildings.

Making 1000 lots per year available would create an annual demand for cabins and cottages matching buildings currently produced in regional markets, and the associated technology for living off, or nearly off, the grid in rural BC. The annual market for cabins and associated products alone could quickly rise to $50 million. Focusing on leased sites and low cost systems quickly brings a much wider socio-economic group into the market. For those wanting more secure tenure there will still be the free hold land with similar characteristics at the current much higher prices.

Urban Applications

As the market assessment research on western Canada demonstrated the major growth markets for single family dwellings are in urban applications, then the potential largest growth in demand could come from these urban applications. The urban applications could be as straight forward as accents on multi-family buildings as is common in Canmore, Golden, Revelstoke, Invermere, Kimberley, Whistler and other alpine themed communities. Urban applications could also include other solid wood applications including town houses and complimentary single family dwellings the way Linden Homes has shifted much of their market or HTH has just done in Alberta in an urban subdivision. Just the like the Peanut House[18] in Korea, erecting a pilot project of a solid wood multi-family home, in an urban townhouse type development in fast growing urban areas is a logical entrance into the townhouse development market.

Success by HTH with creating equal to stick frame cost housing broadens the market significantly. What is needed here is a joint project with a design firm, an urban developer, a solid wood building company and external funding to partially cover the costs of design, and implementation of maintenance, monitoring, and reporting systems on the pilot project.

Completed Peanut House: Canada Wood Today

[18] http://canadawood.org/blog/?p=51

10. MARKET DEVELOPMENT - SUMMARY

Small Scale/Regional (2-6 employees)

BC and Alberta regional markets for second homes and custom log and timber frame homes is returning after falling by about 50% from 2006 levels.

- Analyze your regional market(s) in Western Canada to identify locations of developments and potential buyers for the range of log and timber frame products.
- Prepare basic business and marketing plans that set out clearly your current size and growth projection (zero growth is OK).
- Get the basic marketing tools ($5,000): business cards, basic website, photos, dedicated phone, home show booth set-up and construction sign(s).
- Spend $10,000 annually on marketing plus the owner/manager's time on building potential customer awareness and credibility for your company in your targeted region(s).
- Build internal systems for tracking and following-up contacts/potential leads.

Medium Size (8-20 employees)

BC and Alberta markets are growing slowly, and the US Mountain States demand is creeping back. Europe, Japan and South Korea are all small and steady.

- Analyze your regional market(s) in Western Canada, US Mountain States (pick an area or a few Counties) to identify locations of developments and potential buyers for the range of log and timber frame products by style and access system.
- Prepare solid current mid level business and marketing plans that set out clearly your current size, capital capacity and growth projection (no more growth is OK).
- Engage a creative professional's input in order to create 'brand continuity' between all product information.
- With professional assistance, update the basic marketing tools with a $10,000 investment: logo, business cards, basic website, photos and video, dedicated phone, brochure, portfolio, home show booth set-up, print media advertisement copy and construction sign(s).
- Spend at least $25,000 annually on marketing plus the marketing person's time.
- Set aside the time by the marketing person to visit the targeted regions twice per year.
- Establish an office person for administration, reception, finance and marketing follow-up for print and electronic materials.

High End – large (20+ employees)

BC and Alberta markets are growing slowly from a much reduced base, and the US Mountain States demand is creeping back for high end homes. Europe is small and steady.

- Analyze your regional market(s) in Western Canada, US Mountain States to identify locations of developments and potential buyers for the range of log and timber frame products by style and access system using your previous contacts and successful project completions.
- Enhance your website; add a blog and videos – present very high end quality – link it to other key sites, e.g. building science, log and timber associations, and BC Wood.
- Create an educational brochure.
- Use the videos in on your web site and post on YouTube.
- Advertise in life style magazines in the target regions.
- Create technical articles for magazines.
- Submit feature articles to magazines.
- Create a newsletter.
- Establish sales and distributor networks in your key regions.
- Diversify into higher demand products and services – assembly of large commercial engineered wood buildings; general contract; consolidation of associated material package elements; and add timber frame to existing log building production.

Aboriginal Housing

Aboriginal housing is fairly standard across western Canada with usually stick frame construction and is subject to price constraints. The typical buyer is the Band Government, in part or in whole. There is a strong predisposition for log and timber construction especially in rural and remote communities. This constitutes a significant potential market for log and timber frame homes.

- Identify Bands most interested in log and timber frame homes and start with the larger Bands, adjacent to the building and marketing team, which obtain higher annual new housing allocations.
- Market access is through the Band office with either the Band Housing Coordinator or Band Manager.
- Establish of a solid, reliable product and maintain relationships with the communities.
- Along with a comparative advantage, as simple as durable solid wood or shared labour, the product must fit within the externally established turn-key price.
- Enhance your website and create a full colour brochure.
- Maintain contact with the Bands, face to face and electronic, including establishing tours of completed buildings and presentations at gatherings.

Institutional Market

There is an established predisposition for solid wood construction and design for institutional buildings, particularly in aboriginal communities, as a cultural representation. These buildings are usually less price sensitive. Institutional buildings have less downward pressure on cost in Aboriginal communities but the current provincial budget does apply this pressure on BC institutional buildings. Due to their current provincial budgets, Alberta and Saskatchewan have not experienced this downward pressure on cost of institutional buildings.

- Access is through architects and general contractors that are regularly bidding for these projects.
- Tools from High and Medium end.
- Connections with major funding and coordinating agencies that have existing relationships with architects are also helpful.

Machine Profiled Log Buildings

New energy code requirements expected to be introduced in 2012 and adopted on a province by province or state by state basis will have a very significant impact on the acceptability of small log (diameter) buildings. Based on the specific climate zones, the code will denote a minimum R-value of at least 25 for most mountain regions; twice the R-value of a typical 8 x 8 machine profiled log wall.

There are several examples of new machine profiled log walls incorporating foam insulation and the success and cost competitiveness of these emerging products will determine the future of machine profiled homes in North America.

Over-the-Curve

Rural and remote worker camps

There has been a significant increase in mineral exploration and development of energy extraction sites leading to a need for remote camps in many rural and northern situations. Advancements in lower cost profiled log and log infill may bring the price of solid wood camp buildings down to compete with the current prefabricated trailers.

- There is a need for design and market investment into creating such a project.
- A successful demonstration project with accompanying third party evaluation research is required to build the industry's trust of this building system.

China

Rapid economic growth has led to demand for high end western style homes featuring exposed wood design and construction. Timber frame artistic buildings are common and there may be a demand for Canadian made buildings to meet this niche.

- More research is needed to identify regionally specific markets and potential demand.

Market Expansions

Provincial Cultural Preference for Log and Timber

Sustaining a cultural preference for log and timber frame style buildings is a key factor in maintaining BC demand for log and timber buildings.

- The Province of BC can continue to influence this cultural preference by ensuring that buildings in provincial parks, recreation areas, and visitor centres use log and timber frame designs.

Cabin Country

- The provincial government needs to review the potential to expand the number of leased lots on or near waterfronts with recreational potential on provincial crown land.
- The availability and regulation of these leased lots can encourage a pioneer cabin country style enhancing the cultural acceptance and demand for log and timber buildings.

Urban
The major growth markets for single and multi-family dwellings are in urban applications and thus the largest potential for growth is there as well. These include accents for multi-family dwellings, townhouses and urban subdivisions.

- The creation of pilot projects for solid wood single family and multi-family homes, in a fast growing urban setting is required.

Summary

The market for low, medium and high end log and timber frame buildings is returning slowly in Western Canada and US Mountain States. There are straight forward steps that BC log and timber frame companies, across the full spectrum of company size, can take to enhance their market presence and participate in the expanding demand for these products.

There is also a substantial housing demand by Aboriginal communities in Western Canada that could be partially satisfied by log and timber frame buildings. To successfully operate in this market will require price competitive designs, construction methods, solid long term relationships with individual Bands and proven limited operating costs, maintenance costs and fire susceptibility.

There is a strong demand for wood components in signature institutional buildings across western Canada, including on Aboriginal reserves.

The addition of an energy code to the existing building codes in Canada and US are expected to require R Values for walls that far exceed what current small log machine profiled wall systems are able to provide. If this addition takes place, then machine profiled companies need to rapidly address this issue.

There currently is a strong demand for camps to house workers living in remote areas in Western Canada. There is a significant potential to design and construct full wood buildings with a much longer life expectancy, and a secondary use in rural communities after their use in a camp setting. A joint pilot project with interested communities and industry partners is required to substantiate the validity of the opportunity.

The substantial growth of housing in China has recently including a niche market of west coast style homes. The size of the market potential is current unknown and substantial research into this and other solid wood opportunities in China would be extremely prudent.

Maintaining the log and timber frame culture in BC is a critical component to maintaining the demand for these types of buildings provincially, nationally and internationally. The BC government needs to continue to support the design and construction of log and timber frame public buildings from the small park gazebos to large institutional buildings as they have for tourism information centres and other prominent public buildings.

Given the popularity of log and timber frame buildings for small footprint cabins, another way to support the log and timber frame industry is to systematically expand the development of small lot recreation site leases particularly in areas within two hours drive of major population centres.

The combination of actions by individual companies, development agencies, the Provincial government, the industry association and joint initiatives by multi-parties within these seven critical areas will systematically enhance this high wood-value added sector in the province, adding employment, and substantial additional economic activity. It is important to be reminded that a basic 1500 sq. ft., one floor, log building uses approximately 80 m^3 of wood and generates at least $80,000 in value before value added or consolidated products are included, primarily for labour. Successfully taking raw logs at $150 m^3 and transforming them into large scale products generating value in excess of $1,000 m^3 is definitely worth systematic public effort.

APPENDICES

Appendix 1 – Westcoast CED Consulting Ltd. Team Members

The project team includes Victor Cumming, Project Manager (Regional Economist); Brian Lloyd (Industry Expert); Karol Hansma (Project Coordinator and Researcher); and, Kate Cumming (Research Assistant). Westcoast CED staff has participated on log and timber frame building projects' design and implementation teams providing project management, input on design, building method and cost estimating. The company has also assisted First Nations to assess the potential of operating their own log building companies to meet primarily the on-reserve housing needs, including design and construction of a pilot project. Westcoast CED prepared the first public global market assessment for log buildings internationally, funded by Forest Renewal BC. The foundational research has been subsequently used by a number of existing and new log home building companies and cant (dead and dry) producers. Relationships established with log building companies and their managers transitioned into feasibility and business planning for whole log and timber kiln operators resulting in successful financing of two new BC operations.

Victor Cumming is foremost a community economic development practitioner with 35 years of experience—more than 300 projects on three continents. He has worked with provinces, regions, municipalities, community organizations, First Nations (coast to coast to coast in Canada), and individual enterprises. Victor is a trainer, a facilitator, and business and regional economic development strategist. He has lead and participated in a variety of log and timber industry/business investigations over the last two decades.

Brian Lloyd has been a consultant to architects, structural engineers, government agencies, log building owners, log building firms, and sector insurance companies and attorneys for the past 20 years. He has been very active in the log building industry since 1971, as founder of Highland Log Builders. Brian has also been actively involved in the industry as a director and past vice president of the International Log Builders Association, director of the Mackie School of Log Building, and chairman and organizer of the industry 's most successful meeting – "Yellowstone International Log Builders' Conference, 1993". Brian has contributed as a team member to the International Log Builders Association – Log Building Standards document and the Association's Log Building Draft Contract, the BC log building curriculum for apprenticeship in BC, and the Draft Health and Safety Program Manual for BC builders. Brian developed and carried out the base line log building industry survey in 1997. He is currently a consultant for the BC Log and Timber Building Industry Association and continues to serve on the Best Practices Committee of the International Log Building Association.

Karol Hansma has over 15 years experience in project and office management, primary and secondary research, and entrepreneur development. Karol will assist with the research and industry consultation necessary to fulfill the project deliverables. She has extensive experience in report layout, editing, and design of written materials. She has assisted with log and timber conferences starting in 1997, business and market assessments and preparing sector strategies including the CCBAC Log and Timber Sector Strategy in 2007.

Kate Cumming has experience in primary and secondary research, business plan preparation and technical report writing. Kate assisted with desk top investigation of the US housing market in target areas, remote camp needs of resource companies, Aboriginal housing and funding programs.

Appendix 2 – Architects

Institutional Buildings

McFarland Marceau Architects, Vancouver BC http://www.mmal.ca/projectlist.html

A Vancouver based firm, McFarland Marceau designs high end institutional buildings all over the province including university campus buildings, community centres, health centres and schools and many of their efforts are concentrated in aboriginal communities. They use timber framing and solid wood in almost every project with it drawing more of the focus in some projects, most notably the aboriginal buildings.

McFarland Marceau Architects

Principle Architecture, Vancouver BC http://principlearchitecture.ca/

Principle Architecture, based out of Vancouver, focuses on institutional buildings for communities across BC including First Nations communities. Their past projects have included schools, health centres, churches and camp residences. Their designs are typically high end wood hybrid buildings.

CEI Architecture, Vancouver BC http://www.ceiarchitecture.com/

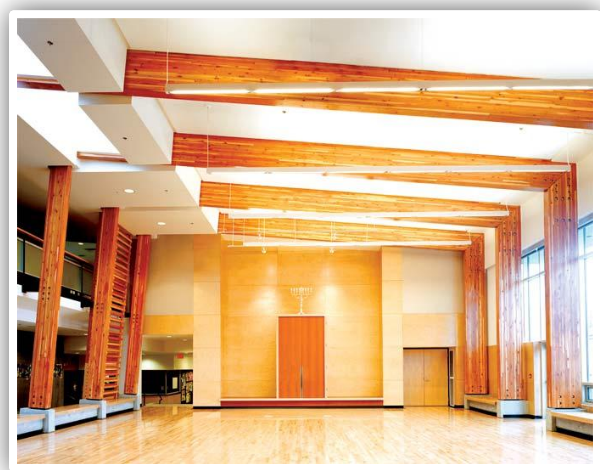
This major architecture firm designs a wide range of high end buildings including many institutional buildings primarily in the Vancouver area including sports centres, health facilities, education buildings and cultural centres as well as commercial centres and office buildings. They often incorporate solid wood into their designs, particularly when it comes to landmark institutional buildings. They also have designed the occasional high end timber frame home.

Bradley Shuya Architect, Victoria BC http://www.bradleyshuyaarchitect.com/educational.html (Camosun College Arbour)

The Victoria based architecture firm tends to specialize in various institutional buildings and, most notably, they designed the Camosun College Arbour, a solid wood native gathering place that combines both log and timber frame design.

Acton Ostry Architects, Vancouver BC http://www.actonostry.ca/home/

Based out of Vancouver, Acton Ostry designs primarily high end institutional buildings including numerous for First Nations across BC. The majority of their projects feature solid wood including schools, community centres and health facilities. They also design some residential buildings including high end timber frame homes and mainly stick frame urban apartment buildings as well as some commercial buildings.



Acton Ostry Architects

Philip Macdonald Architects, Kelowna BC http://pma-architect.ca/

Based out of Kelowna, this firm has designed some institutional buildings including a timber frame hybrid health facility and have also included solid wood features in some of their multifamily residential projects.

Philip Macdonald Architects

Hughes Condon Marler Architects, Vancouver BC http://hcma.ca/

A major architectural firm in Vancouver, HCMA designs a wide range of larger scale projects which include many institutional buildings primarily in the Vancouver area. Their buildings are largely stick frame construction but, in particular in their institutional designs, they do feature some solid wood accents. Their past projects include health facilities and hospitals, schools and campuses, sports facilities and condominiums.

Alfred Waugh Architects, West Vancouver BC http://www.alfredwaugh.com/projects.html

This West Vancouver based firm has designed many aboriginal institutional buildings with solid wood construction and solid wood features including community and cultural centres, schools and health facilities.

Nairne and Associates, Vancouver BC http://www.davidnairne.com/index.php/architecture/

Nairne and Associates is a Vancouver based firm that focuses much of its attentions to aboriginal signature buildings which feature solid wood construction prominently. They have also designed some housing projects in aboriginal communities as well as institutional and residential buildings in non-aboriginal communities.

Urban Arts Architecture and Design, Vancouver BC http://www.urban-arts.ca/projects.php

Urban Arts Architecture has designed many institutional buildings for both aboriginal communities and non-aboriginal municipalities and organizations including museums, cultural and arts centres, schools and health centres. They also design high end residences and mid to high end multifamily residential buildings. Solid wood construction, both timber frame and whole log feature prominently in their designs.

Residential

The following architectural firms are just a few examples of firms in BC and Alberta who feature log and timber frame in their residential designs. There are a variety of styles represented from the more contemporary and sophisticated to more traditional and rustic mountain homes. Some focus exclusively on high end custom built homes but many do a range of high to medium cost and a mix of single and multi-family projects. The lower cost is represented by firms who do mainly stick frame construction with some solid wood features and accents.

Halliwell and Smith Blue Sky Architecture, West Vancouver BC http://www.blueskyarchitecture.com/

Based out of West Vancouver, this firm designs almost exclusively high end timber frame and wood hybrid residences, both single and multi-family, across BC with an emphasis on design.

Mountain Modern, Calgary AB http://www.cheryllink.com/

Architect Cheryl Link designs custom built high end timber frame or wood hybrid homes, primarily in the Rocky Mountains.

Osburn and Clarke Architects, Vancouver BC http://osburnclarke.com/

This firm specializes in high quality, custom built timber frame residences in the Vancouver area and also feature log accents. Their designs are mainly second homes and vacation retreats in natural settings.

Lamoureux Architect

Lamoureux Architect, West Vancouver BC http://www.lamoureuxarchitect.ca/

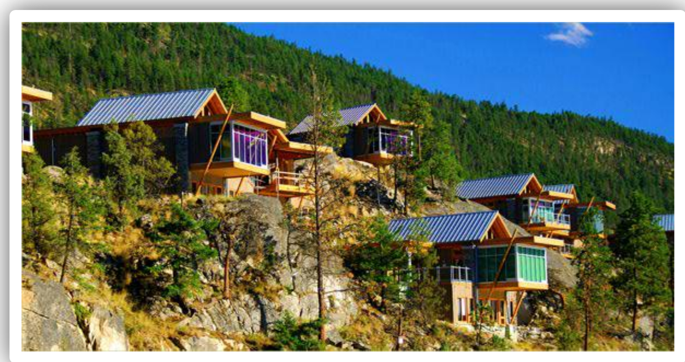
This prominently urban firm designs high end custom built residences that are frequently timber frame hybrids or feature solid wood accents. They have also designed some solid wood second homes in popular vacation areas near Vancouver.

Russell and Russell Design Studios, Canmore AB http://russellandrussell.ca/

Based out of the Rocky Mountains, this architecture firm designs custom built mid to high end log and timber frame residences and has also designed several commercial buildings for mountain resorts in the area.

Blue Green Architecture, Kamloops BC http://www.bluegreenarchitecture.com/mainpage.html

This architecture firm based out of the BC interior designs a wide range of residential buildings from higher end custom built timber frame homes and resort cabins to hybrid single and multi-family homes to stick frame multi-family residential blocks with some solid wood accents. They have also designed several institutional and commercial buildings with timber frame features.



Blue Green Architecture