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Wood Supply Research Institute

Planning and Communications in the Wood Supply Value Chain: An Enduring Opportunity Area

By Steve Carruth

In 2002, the Wood Supply Research Institute (WSRI), in collaboration with Virginia Tech (VPI), published its first study on the subject of planning and communication in the wood supply chain. In later years, WSRI revisited this important subject with additional studies. As part of a series of articles summarizing past and still-relevant WSRI work, the following observations from the VPI project are presented. Based on conversations with many WSRI members, challenges remain in the efficient management of wood supply that can be addressed with robust, targeted planning and communication. Wood consumers, wood dealers, loggers, and forestland managers may find value in refreshing their familiarity with WSRI's third project.

Finding 1

- Planning in the wood supply process is primarily reactive rather than proactive, resulting in extremely short planning horizons for many key segments of the wood supply value chain. Frequent short-term changes in delivery schedules, inventory targets, and wood specifications drive numerous upstream constraints and inefficiencies.

Lessons Learned

- Conversations with WSRI members suggest that while the above findings remain true across many local wood supply systems, there are organizations that plan and communicate with net positive results. This suggests that attention to the information in this VPI report can bring value.

Take Action

- The Executive Summary in the VPI report does a good job of highlighting key findings and opportunities. A table on page 17 of the report presents a matrix of opportunity and value. Access the full report on the WSRI website at www.wsri.org.

Finding 2

- Enhanced communications technology in the form of cell phones et cetera can actually reduce planning horizons, the opposite of what is recommended. Quantity of communications threatens quality. Micro-management is occurring in some areas as consumers adopt and use these technologies to actively control daily (rather than weekly or monthly) wood flows. Also communication up the management chain is very rare. Consumer upper management doesn't interface much with the supplier community.

Lessons Learned

- It is increasingly well documented that the speed and ease of messaging in the modern world does not necessarily correlate with substance or even accuracy of communications. Also, the VPI study was done before much of the vertical de-integration in the forest products industry occurred. The finding that suggests little interaction between consumer upper management and suppliers may be true today with another WSRI membership segment, Woodland Owners.

Take Action

- A key recommendation from this report is to lengthen the planning horizon and put more substance into the information that is being shared. Communication needs to flow both up and down the chain. Do not mistake a quick phone call or text with a plan. Do what you can to facilitate a positive connection between corporate decision makers and the folks who make wood supply happen.

Too much reliance on quick, last minute cell phone calls can be counterproductive. There is no substitute for detailed planning and communications. (Photo courtesy of Rick Meyer, FRA.)

Finding 3

- Delivery rates often ignore a critical element in the models and calculations that set them, i.e. actual production. Related to that, logger business decisions that lead to "capacity creep" are not always shared or negotiated with consumers and/or land management organizations.

Lessons Learned

- Viable pricing demands attention to production capacity utilization. The many drivers of production, eg. equipment mix, labor availability, trucking distance, tract characteristics, quota, et cetera are generally well known. In the end, what matters most when it comes to piece rate pricing is weekly, monthly, and annual production relative to targets that leave room for profit.

Take Action

- Set, communicate, and mutually track production targets. Mutually take steps throughout the year to stay on or above production target lines. Whenever possible, suppliers should discuss business decisions that will lead to capacity creep with their markets and others who impact their production. Develop wood supply relationships based on quality and trust and value them when you have them.

Finding 4

- Surprise! Suppliers in the VPI report suggested that trucking was mismatched with woods production 40 percent of the time or more. Over 25 percent of the mismatch was attributed to too much variation in trucking distance and a lack of adequate trucking supply.

Lessons Learned

- Short and reactive notice on market demand and which tract to cut next are parts of this problem.

Take Action

- Lengthen the planning horizon. Keep trucking capacity in mind when allocating tracts for harvest. Support initiatives that seek to improve the quality and allocation of trucking assets.

Create and discuss options for tract moves, markets, haul distance, etc. as far in advance as possible. (Photo courtesy of Rick Meyer, FRA.)

Finding 5

- Seventy-one percent of consumer employees interviewed estimated that suppliers commonly have less than one week of advance notice on which tract they would likely move to next. This information included location, volume, and markets.

Lessons Learned

- Short lead times of this nature reduce the ability of loggers/suppliers to plan in terms of expenditures and resource allocation. They also reduce the consumer's ability to coordinate purchase volumes with inventory. Other research on the subject of tract moves indicates that many moves would become unnecessary with better planning and communication.

Take Action

- Repeat – Success requires planning, communication, and lead-time. By way of support systems, modern geospatial mapping and database tools offer a lot of opportunity when it comes to managing stumpage portfolios, including tract allocation based on common sense, easy- to-document parameters.

The VPI report ends with interesting anecdotes from the numerous interviews held with suppliers, consumers, and wood dealers. Read with an open mind, there is plenty for today's soul searchers within the wood supply value chain to contemplate.

Go to WSRI.org for more information on factors that affect the wood supply value chain.