Alaska birch crafts and gifts: Marketing practices and demographics

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Abstract

Craft and gift producers in Alaska who use birch as a primary species were surveyed via mail, telephone calls, and site visits. Forty-two usable mail surveys were obtained for a response rate of 38.5 percent. Firms were in business an average of 13 years and utilized an average of 4,778 board feet of birch per year to produce a variety of craft items, including turned bowls, cutting boards, mugs, spoons, and other kitchen and household items. Between 1999 and 2001, average consumption of birch among responding firms increased by more than 42 percent and reported sales increased by an average of 56 percent. Important factors limiting craft production included maintaining consistent quantity and quality of birch sawlogs; the lack of small, easily accessed timber sales; and an influx of low-priced craft items from foreign producers.

Alaska's domestic market for solid wood products has been estimated at 80 to 90 million board feet (MMBF) per year (McDowell Group 1998). Although hardwood products, and in particular the gift and craft sector, may make up only a small part of this total, this industry has the potential to create relatively high value products while utilizing waste materials, lower grade lumber from primary processors, and small-diameter timber. A wide range of gift products are now being produced in Alaska from birch, including turned bowls, cutting boards, utensils, and other kitchen and household items. Non-craft items such as cabinets, furniture, and molded products are also being produced to a lesser extent. It is estimated that only 19 sawmills, many of which only operate part time, process even small amounts of birch (Parrent 2001), combining to produce less than 1 MMBF of lumber per year. The objectives of this study were to evaluate: 1) selected demographic factors of birch craft producers in Alaska; and 2) practices used by these firms to market the range of goods they produce.

Birch resources in Alaska

Perhaps the most promising and abundant resource base for birch in Alaska is its state forest lands. Alaska has two state forests, with a total of about 2 million acres: the 247,000-acre Haines State Forest and the 1.8-million-acre Tanana Valley State Forest (DCED 2000). The inventory of standing timber in these two forests is approximately 3.4 billion board feet (BBF), close to 57 MMBF of which is available annually for harvest. Timber harvests for all species (including birch) on state forest lands have totaled 46 MMBF over the past 5 years (Phelps 1997), including a few relatively large salvage sales, possibly resulting in a higher than normal total harvest for this period. The Alaska Department of Natural Resources, Division of Forestry, is able to offer small timber sales, up to 500,000 board feet (BF), to meet the needs of local processors.

Although specific information on birch harvests could not be separated from the aggregate data, the largest publicly owned resource base would most likely be the Tanana State Forest in interior Alaska, located within transportation distance of Fairbanks-area sawmills. The availability of high quality sawlogs, located within accessible regions of the Tanana, and offered through small timber sales, could very well be the keys to success for birch producers in this area.

Methods

A mail survey was sent to 109 craft producers in Alaska in February 2002. The survey was pre-tested by two of Alaska's larger birch craft firms, and two professional survey design experts. Craft firms were identified through several sources, including a **Directory of Wood Products Firms in Alaska**

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(Parrent 2001), and the Made in Alaska Program (2002) wood products manufacturer database. The survey consisted of 6 yes/no responses, 1 rating scale question with 12 parts (each scaled from 1 to 7), 2 multiple-choice questions, and the remainder were fill-in-the-blank questions.

Data were collected and tabulated from February to May 2002 by researchers with the Center for International Trade in Forest Products (CINTRAFOR), University of Washington. Follow-up telephone interviews were conducted with approximately 15 of the larger firms that met the following criteria: 1) had been in the birch craft business for "several" years; 2) had three or more full-time employees; or 3) utilized more than 1,000 BF of birch annually. The final stage of data collection included site visits and conversations with business owners for approximately eight firms in the Fairbanks area and six firms in the Anchorage area.

Results: Part I – Demographic factors

Response rate

A total of 69 firms responded to the survey from a mailing of 109. Of the 69 surveys received, 27 of the firms indicated that they did not produce solid-wood birch craft items, and so they were not evaluated. Therefore, 42 usable surveys were obtained, resulting in an effective response rate of 38.5 percent. This compares favorably to response rates of 18, 36, and 45.7 percent reported in studies of the use of eBusiness technologies in the forest products industry (Vlosky and Gazo 1996, Vlosky and Fontenot 1997, Pitis and Vlosky 2000).

Years in business and firm size

Responding firms had been in business between 1 and 30 years. The group average was 11 years and the median was 7 years. The number of full-time-equivalent (FTE) employees ranged from 1 to 15, yet the median was 1 employee and the mean was 1.5 employees. Fifteen of the firms (36.5% of respondents) employed 1 person, and only 2 firms employed 12 or more FTE employees. Twenty of the 41 respondents were self employed, and very few companies were larger than family-based businesses.

Raw material sources

Firms manufactured a wide range of products, including turned bowls, vases, boxes, cutting boards, kitchen utensils, toys, games, and ornaments. Firms utilized numerous types of raw materials, including: kiln-dried lumber (40.1% of supply), unprocessed logs (19.3%), air-dried lumber (18.4%), green lumber (6.6%), and bark (5.0%). Twenty-five firms (62% of respondents) obtained their birch from only 1 source, while 14 firms (35% of respondents) obtained their raw material from 2 sources. Only one firm reported obtaining raw material from three sources.

Raw material use

Firms have been using increasing amounts of birch over the past 3 years. The mean volume of birch used per company in 1999, 2000, and 2001, was 4,007 BF, 4,589 BF, and 5,165 BF, respectively. However, there was a wide range in volume used. For example, in 2001, individual firm use ranged from 20 BF to about 30,000 BF. The median volumes used in 1999, 2000, and 2001 were 500, 750, and 1,000 BF, respectively.

An average of 39.5 percent of the respondents' supply was obtained from sawmills, 22.8 percent was harvested by themselves, 11.0 percent was obtained from retail lumber yards, and 9.5 percent was obtained from loggers. Despite the steadily rising volume of birch used by firms, some firms reported difficulties obtaining a dependable raw material supply. Some said that they experienced inconsistent quality and quantity of birch logs, either from their own harvests or when purchasing from outside suppliers. Others reported that small-scale timber sales were not available to them, limiting their ability to obtain sufficient raw material. Still others indicated that they could not compete with larger companies for limited supplies of birch logs.

Results: Part II – Sales and marketing practices

Foreign competition

While the local market for tourist-oriented crafts is substantial enough to support a number of birch craft companies ranging in size from 1-person operations to firms employing 15 individuals, imports are a significant source of competition for local producers. Although we could find no data to quantify the value of Alaska-themed gift products imported into Alaska, "statuettes and other items of wood" (Harmonized Code 4420.10) has been used as a proxy. In 2003, the value of these goods that were exported from other countries into Alaska was $81,400. The top five suppliers in order of export value were Canada, Indonesia, Japan, Taiwan, and China. Mass-produced, low-cost products from these suppliers are primarily sold in chain gift stores and at large retail stores, competing fiercely for tourist dollars. Many Alaskan firms indicated that it is increasingly difficult to compete with these lower cost goods. Local producers strive to differentiate their products from imports through packaging, including information about the artist, and displays.

Birch craft producers strongly believe that their customers are more willing to buy products made in Alaska than foreign-made goods. On a scale of 1 to 7 (1 = strongly disagree; 7 = strongly agree), firms rated customers' willingness to buy Alaska-made products versus foreign products an average of 5.9. Twenty-one firms rated this willingness at 7, the highest score possible.

Firms were also asked about their views on customer willingness to pay a premium for Alaska-made craft products (also on a scale of 1 to 7). On average, firms rated customer willingness to pay a premium at 5.6. Thirty-seven percent of firms rated this willingness at 7, or "strongly agree."

Market locations

Most birch craft and gift products were sold within Alaska. An average of 55.4 percent of sales were within the same town as the craft producer, 38.0 percent in other areas of Alaska, 5.8 percent in the Continental United States, and 0.8 percent outside of the United States. Twelve firms reported sales outside of Alaska. Ten of these firms exported products to the Continental United States and five firms exported products to foreign countries. Seven of the 12 firms selling goods to the Continental U.S. reported these sales make up 5 to 15 percent of their total; for 2 companies these sales were 35 to 40 percent of their total and for 1 company these sales were more than 90 percent of its total. Among companies exporting birch craft products to foreign countries, exports ranged from 1 to 20 percent of total sales.

Sales outlets

Firms reported that an average of 69 percent of their sales was through two channels: 1) gift stores within Alaska (39% of total); and 2) gift and craft trade shows (30% of total). An additional 17 percent of sales were through self-owned outlets located in Alaska.

Firms that did participate in trade shows attended relatively few each year (an average of 4.3 trade shows per year and a median of 2 shows per year). Fifteen firms (39.5% of responses) did not participate in any trade shows; 12 firms (31.2% of responses) attended between 1 and 3 shows per year. Five firms reported attending on average, 4 to 6 shows annually, and 4 firms attended 20 to 25 shows per year.

Other sales channels were relatively insignificant. Firms reported making an average of 4.7 percent of their sales through gift stores outside of Alaska, 1.9 percent over the Internet, and 1.1 percent through mail order catalogs.

Marketing attributes

Firms were asked to rate 11 marketing attributes in terms of their overall importance, on a Likert scale of 1 to 7. High-quality (mean of 6.5), product uniqueness (mean of 6.5), and use of the State-sponsored "Made in Alaska" label (mean of 5.4) were rated as the most important attributes. Presentation or packaging was also highly rated, receiving an average ranking of 5.1. Many firms indicated that including information about the artist or company with the product was a beneficial sales tool, rating it 4.7 on the Likert scale. Factors rated less important included listing products on a company website (mean of 2.9), customizing products with laser engraving (mean of 3.1), and being listed in trade directories (mean of 2.7). It appears that many of the attributes receiving high importance ratings, i.e., quality, uniqueness, and differentiating the product as uniquely Alaskan-made, can also differentiate locally made birch crafts from lower quality imports.

Discussion and conclusions

Key trends and issues

The birch craft industry has a strong presence in Alaska, indicated by the total number of surveyed firms in business (more than 42), the average number of years in business (mean of 11 yr., median of 7 yr.), and the recent increases in sales (56% average increase, 20% median increase) during a recent 3-year period. Positive trends in Alaska related to tourism, lumber drying, and secondary wood processing all bode well for the future success of the gift and craft industry. Several key issues could become increasingly important to producers, and these are summarized in the following sections.

Log supply

Consistent quantity and quality of birch sawlogs is a key factor limiting production, and could greatly influence future opportunities for the craft industry. Several firms reported difficulty in finding and accessing small timber sales due to the limited number of sales available and limited road access. The possibility of small-scale timber sales from Alaska's state forests could facilitate dependable log supplies to birch sawmills.

Foreign competition

The influx of low-priced craft items from foreign producers created to resemble locally produced Alaska birch items has the potential to reduce sales and market share. Imported goods already pose significant competition to locally produced goods in chain gift stores and larger retail outlets. Efforts by Alaska producers to differentiate their products from foreign products, through the "Made in Alaska" label or other efforts, appears to be increasingly important. The most successful crafters focus their marketing, display, and packaging on the "Alaska-made" element of their goods, rather than competing on a low cost basis.

Major marketing efforts

Selling birch crafts through large retail centers and other major distribution channels (such as print or television advertising) could increase sales from Alaska producers. One producer reported overwhelming sales by selling on a nationally televised network, and others have been approached to sell their products in large retail stores. However, caution is needed in managing and planning for growth so that other areas of the company are not impacted. Some companies interviewed said that they are reluctant to add additional machinery and staff to supply large orders from single retailers because the retailer could easily switch suppliers and the producer would be left with debt and extra employees. Large, single orders could potentially disrupt a firm's long-term business planning, while providing only short-term benefits. Further, firms indicated that the ability to source adequate volumes of suitable quality birch logs to keep up with large-scale expansion is a significant obstacle.

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9633 P & P : The results of this survey reveal a diverse and extensive birch craft industry in Alaska, as indicated by number of firms in business, recent sales trends, and the types of products produced. Firms market their products primarily through gift stores and shows in Alaska, and consider product uniqueness to be an important attribute. Factors that could limit birch craft production include consistent quantity and quality of birch sawlogs, limited availability of small-scale timber harvests, and competition from low-priced foreign imports.