

A

Canadian Lumber Inc.



A report for Potential Investors

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Business Plan**The Name:** Canadian Lumber Inc.

The company name shows that it is Canadian and represents the quality of our product and where it is from.

Background Information: This business has been servicing most of Canada with high quality Canadian grown lumber for over 5 years. Our business has been constantly growing and expanding throughout those years. We now want to tackle the current market internationally and take advantage of all opportunities. Our sawmill and warehouse are in operation with over 75 000 sq. ft and it employs 8 people. We plan on expanding to contain the development into the foreign marketplace. We are currently located in Kamloops, B.C. where we have a good supply of wood around us and access to the Pacific Ocean. Currently we make low-end plywood and medium density fibreboard (MDF) for many construction applications. As well we make 2x4's and 4x4's for manufacturing buildings and other structural needs. We currently have a good relationship with our customers and our distributors. We plan on keeping them as our customers and distributors and we plan on retaining a good relationship with them even after we expand internationally.

Product: We mainly deal in low-end plywood and medium density fibreboard. Our production line of 2x4's and 4x4's is minimal since we concentrate mainly on plywood. We are currently marketing our lumber through Home Depot centres across British Columbia and the rest of Canada. Our plywood is mostly particle board designed for building houses and various other structures that the consumer may want. We plan on expanding our product line to include high-end plywood such as imported veneer because of the high demand of this product. To expand into this high-end plywood we will be expanding our existing facility and hiring new employees. Our products are all created using the latest technology and the highest quality wood available. This ensures guaranteed customer satisfaction as well as Home Depot's satisfaction in this great product.

Current Canadian Market: Currently we are distributing our product throughout Canada in Home Depot stores. We have developed a good reputation with all of the transportation companies and the Home Depot chain. We continue to provide customer satisfaction with all

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of our high quality wood products. We compete strongly with all of the other Canadian lumber manufacturers and strive to be the best at what we do. Currently we own equipment to do our own cutting in the forests. We have a 75000 sq. Ft. facility in Kamloops, B.C. where all of our products are produced. Our lumber is shipped to the chain stores with great care to ensure it is of the utmost quality. The types of our lumber are geared towards construction workers and the everyday working man. Our plywood as of now is low-end grade which is your usual particle board. This is used to construct the main flooring of houses, sheds or anything that is not in need of a high quality finish. We do make one kind of high-end plywood and that is our medium density fibreboard. This plywood is used in larger structures like hotels and business offices because of its smooth finish and strength. We plan on introducing a new high-end plywood which will consist of a nice veneer finish. This product is expected to sell extremely well because it is in a high demand right now. Our new plywood additions should put us ahead of the competition and give us a definitive edge.

Rationale for Expanding into an International Market: We have had great success marketing our products in Canada and we would like to move on to bigger and better places. We have chosen to expand into Taiwan to sell some of our products there. We will be selling mostly our new products of high-end plywood. This is because in Taiwan right now there is a big boom in buildings. The high demand of high-end lumber is expected to triple over the next three years and we want to be a part of it. (www.washingtonstate.org.tw/English/taiwan-trade-economy/.html) We have a good track record with our Canadian market and expect to do the same as we expand internationally. Our high quality wood from Canada should sell well because we have easy access to multiple types of wood and just wood in general. This in turn allows us to market our wood at a lower cost than our competition in Taiwan. This will allow us to catch the consumers' attention and get them to buy our products. We really need to expand to create a greater profit and give our products a chance in a different marketplace. We feel we are providing enough of a service to the Canadian markets and we need to spread the wealth of our good wood to less fortunate countries. Basically we would like a change of atmosphere and a challenge for our company to withstand and we would like to broaden our knowledge and the consumers' knowledge of our product.

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International Location

Name of Country: The country we have decided to expand into is Taiwan. Taiwan is an island in Eastern Asia off the south-eastern coast of China. The current population is 22.5 million people and the most common language spoken is Mandarin Chinese. Currently Taiwan is part of the following organizations - AP, EC, AsDB, BCIE, ICC, ICFTU, IFRCS, IOC, WCL, WtrO. (The CIA world fact book 2002) We decided to expand into Taiwan because they are in the middle of economic boom which has caused an expansion in the building industry and Taiwan does not make very much wood, they have it all imported.

Existing Market Conditions to Consider

Legal Factors: Taiwan's government is multiparty democratic regime headed by a popularly elected president. So the government is not much different than our which allows for easier communication. Also the legal system is based on the civil law system which would allow safety and peace of mind for our products to arrive at their destination with no hassles. (The CIA world fact book 2002)

Cultural Factors: The Taiwanese culture is a little bit different than ours. They have a way different language and they eat a lot more rice and poultry and they drink more tea than we do. But the fact is they still need wood to build houses and office buildings and anything else.

Economic Factors: Taiwan is a major investor in China, Thailand, Indonesia, the Philippines, Malaysia and Vietnam. 56% of Taiwan's workforce is in the services industry. This could be a hurdle to overcome because we are marketing a product and not providing a service, but since the need for such a product is in high demand we shall succeed. Some of Taiwan's major industries are electronics, petroleum refining, chemicals, textiles and machinery. 55% of Taiwan's exports are machinery and electrical equipment. Also 50% of their imports are machinery and electrical equipment. This also shows that our product is not in the majority of imports, but that is because their electronics sector is so huge it dwarfs some of the smaller industry. (The CIA world fact book 2002) The Taiwanese dollar is currently rated at 25 Taiwan dollars per Canadian dollar. (www.x-rates.com)

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Existing Competition: There are a few major companies in Taiwan that deal in the lumber industry that we would have to compete with. Some are Aril Timber International Corp. and Impolink Wood Corporation. We feel we offer greater product diversity and higher quality wood than they do, seeing as ours is Canadian grown. We won't have any trouble competing with them because our products offered are of the utmost quality and are beyond all regulations.

Other Factors: Taiwan currently has a great communication system. They have lots of cell phones and telephones for all business needs. They have a fair bit of televisions in the consumers home and they have many radio stations to broadcast advertising. They are also big in their Internet use within the common consumers home. Taiwan is also constantly in disputes with China over the Spratly Islands, but they are good neighbours and manage to settle their differences respectfully. (The CIA world fact book 2002)

New International Market

Needs and Wants of Consumers in the Foreign Market: Taiwan is big in the electronics and services sectors so they need buildings to work in. They need wood to build and remodel those buildings. Right now Taiwan is in major need of high-end plywood such as medium density fibreboard and high quality imported veneer. In fact the demand for these high-end plywood's are expected to triple in the next three years and continued demand growth expected thereafter. (www.washingtonstate.org.tw/English/taiwan-trade-economy/html) Currently this plywood is used in large commercial projects such as exhibition halls and national park structures. Structural glulam and special application laminated wood are especially popular in these fields. We plan on supplying this new drive of high-end plywood to the consumers in Taiwan and in Canada.

Necessary Modifications to the Product or Service: We plan on changing our labels on the plywood to Mandarin Chinese and we will be creating specific advertising geared for the Taiwanese consumer in Chinese. Our plywood will remain of standard 4' x 8' in size and will continue to be shipped in the same style. Our new advertising will be shown on T.V. and advertised on the radio. As well we will design a new Web page in Chinese. Other than our labelling changes we will still design and construct the product with the same integrity as we do now. Our labeling will be changed to reflect the business in Taiwan that we are marketing it through. We are going to provide the Taiwan market with our new product line as well

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because there is a great need for high-end plywood in Taiwan. We will market our plywood through Anderson Industrial corp. which is located in Taipei, Taiwan.

Distribution Plan

Mode of delivery: We will be transporting our plywood from our sawmill to a ship by transport truck. After it arrives at the port in Vancouver it will be loaded onto containers and shipped by freighter to the port of KeeLung in Taiwan. The cost of this shipping will be \$710 U.S. dollars for a four cubic meter container from American Baggage International Freight carriers. WE will calculate how many containers we need when we establish the amount of wood we will be shipping. After it arrives in Keelung it will be transported by transport again to its final destination in Taipei, the capital city of Taiwan. There it will be distributed to the necessary companies for retail sale.

Cost Factors: The cost factor will be \$710 U.S. dollars per four cubic meters of cargo space on a ship. It will also be approximately \$560 Cdn. In total Transport truck costs in Taiwan and in Canada. There will also be a cost of the new labels that will have to be created and the advertising in Taiwan. These costs won't be that high because we already have the equipment and the people to perform the tasks.

Other Logistical Issues: We will need to pay a little bit more than the initial cost of freight because we want to purchase an insurance against any damage that occurs to our product. We are gonna have to obtain exact addresses of the businesses and shipping yards we will be dealing with. We will have to work out exact deals with our distributors and shippers and costs could change slightly, but overall this is the base cost for us to transport our product to Taiwan.

Bibliography

1. Unknown, Taiwan Engineered Wood products Market, retrieved on May 5, 2003. www.washingtonstate.org.tw/english/taiwan-trade-economy/.html.
2. Unknown, The CIA World Factbook 2002, retrieved on May 5, 2003. www.cia.gov/cia/publications/factbook/print/two.html.
3. Unknown, X-Rates, retrieved on May 23, 2003. www.x-rates.com.

Teacher's Notes

Knowledge/Understanding

- The student describes current market conditions in Taiwan with some accuracy. He or she explains that Taiwan is “in the middle of economic boom which has caused an expansion in the building industry” and cannot produce its own lumber. The student acknowledges the existing competition but confidently claims that his or her company “won't have any trouble competing with them because our products offered are of the utmost quality” and will be able to “market our wood at a lower cost than our competition in Taiwan”. However, the student's description of market conditions is often vague (e.g., “the legal system is based on the civil law system which would allow safety and peace of mind”), and the cultural factors that may affect the business plan are misunderstood (e.g., “They have a way different language and they eat a lot more rice and poultry and they drink more tea than we do.”).

Thinking/Inquiry

- The student interprets the needs and wants of new consumers with considerable effectiveness. He or she provides a detailed description of the product and links the product with local needs (e.g., “Taiwan is in major need of high-end plywood such as medium density fibreboard and high quality imported veneer”). Furthermore, the student predicts future needs (e.g., “the demand for these high-end plywood's are expected to triple in the next three years and continued demand growth expected thereafter”). However, the needs and wants of the new consumers are sometimes over-simplified (e.g., “Taiwan is big in the electronics and services sectors so they need buildings to work in”).
- The student analyses modifications to the existing product with considerable effectiveness. He or she shows evidence of having researched the needs of the new market and consequently plans to “provide the Taiwan market with our new product line as well because there is a great need for high-end plywood in Taiwan”. The student also identifies the need to change

labels, provide new web page information, and develop an advertising campaign. However, the need to ensure that the product conforms to local building codes is not addressed.

Communication

- The student communicates the potential of the proposed expansion for success with some clarity. The report is well organized and includes a table of contents and appropriate headings throughout. The tone is particularly persuasive when the student discusses the company itself and its reputation for quality and customer satisfaction, but it is not clear whether the company’s “easy access” to raw materials would necessarily give it a price advantage over its competitors in Taiwan. The student outlines a reasonable distribution process and itemizes some of the costs involved. However, the report is weakened by grammatical errors (e.g., “They have a fair bit of televisions in the consumers home . . .”) and inappropriate language for this style of writing (e.g., “We are gonna have to obtain . . .”).

Application

- The student provides a somewhat effective rationale for the international expansion. He or she establishes the current situation in the Canadian market and identifies specific factors in Taiwan that make it an attractive market – primarily, the “high demand of high-end lumber” because of “a big boom in buildings”. However, the rationale for expansion is weakened by the inclusion of a number of inappropriate reasons (e.g., “we would like to move on to bigger and better places”, “we would like a change of atmosphere”, and “We feel we are providing enough of a service to the Canadian markets and we need to spread the wealth of our good wood to less fortunate countries.”).

Comments

This work is representative of a high level-2 performance. The student demonstrates some degree of achievement of the expectations in the Knowledge/Understanding, Communication, and Application categories of knowledge and skills. However, in the Thinking/Inquiry category, the student demonstrates a considerable degree of achievement – i.e., achievement that is more characteristic of level 3.

The result is a report of uneven quality that is more successful in promoting the company than in persuading investors to support the proposed expansion.

Next Steps

In order to improve his or her performance, the student needs to:

- be more precise in statements that describe the current market situation;
- further research legal, cultural, and economic conditions in Taiwan that might have an impact on business;
- provide more detail about the building sector in Taiwan;
- investigate the building codes in Taiwan;
- proofread carefully to eliminate inappropriate expressions and grammatical errors;
- provide a more appropriate and businesslike rationale for the expansion.