Perceptions rule

Opinions on tropical timber in the UK impact demand

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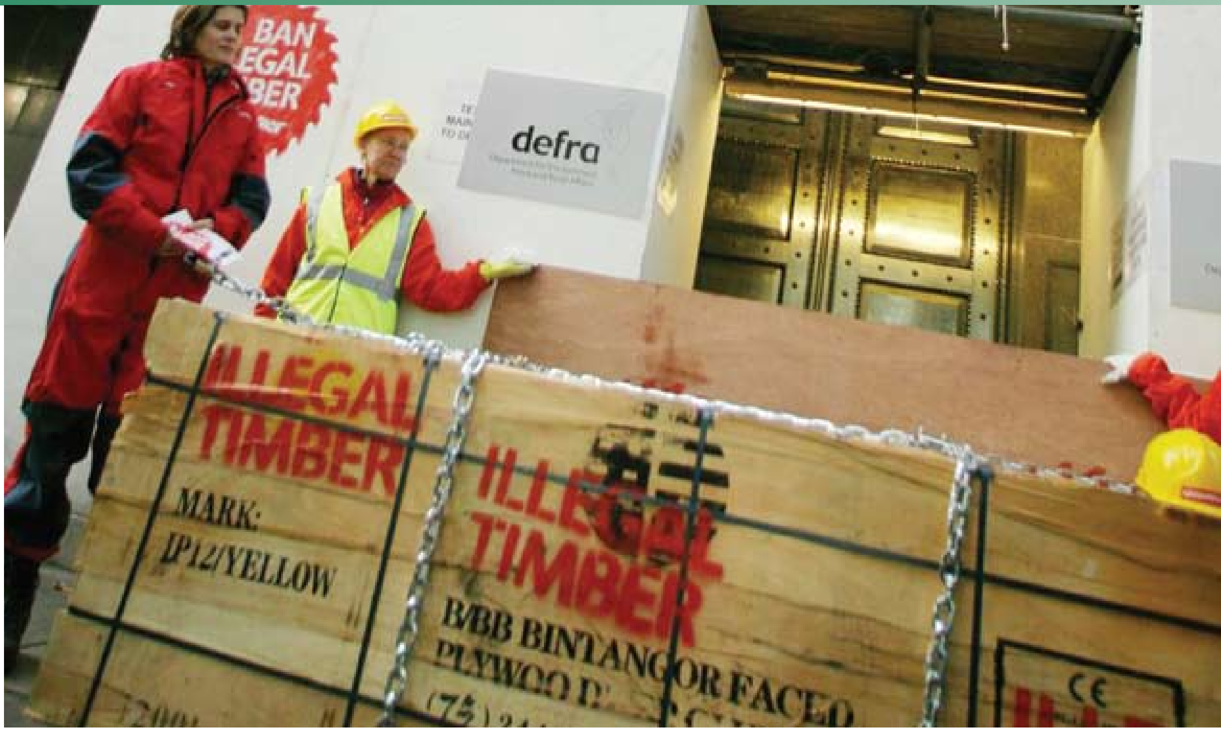


Opinion formers: Protest against alleged illegal timber imports by the UK *Photo: Touhig/Greenpeace*

The main driver of timber consumption in the UK is activity in the construction and housing sector, but consumer perceptions of tropical timber are also important factors. Perceptions or opinions (often formed from selective and/or subjective information) are central to consumer views. Perceptions of tropical forestry and tropical timbers are having a direct bearing on the UK timber market; they are influencing consumer purchases; they are impacting business-to-business and business-to-government dealings; and they are influencing government policy. As such, perceptions are having a direct impact on the market status of tropical timber products.

Perceptions of tropical forestry and tropical timbers are having a direct bearing on the UK timber market

How these perceptions are formed and how they influence market opportunities for tropical wood products is a continually evolving process. Awareness of how perceptions are shaped and the circumstances under which they are formed can help to identify approaches to strengthen the position of tropical timber products in the market.

The way perceptions of tropical timber are formed and the information they are based on varies considerably depending on the stakeholder group involved. For most private consumers purchasing finished products such as furniture or timber do-it-yourself (DIY) products, the media are significant in delivering the information upon which perceptions are formed. Only a minority of consumers will actively seek out relevant information to be better informed.

The core stakeholder group in the trade of tropical timber products is the industry itself. They are generally better informed and act together to sustain their businesses, with their respective associations playing a major role in delivering relevant information. They are strongly influenced by environmental activists, consumer attitudes and also by UK and EU policy, regulations and plans.

The final stakeholder group in UK tropical timber demand consists of central government and European Commission policy makers. In this group information flow tends to be rapid (keeping pace with developing issues) and the quality of information is highest, usually better founded on science and expert opinion. However, in this group as in others, the influence of consumer and environmental activist groups is significant.

The private consumer and tropical timber

Individual consumers in the UK account for around 60% of purchases of finished wood products. Purchases of joinery by individuals from DIY outlets are high and growing. Purchases of furniture and other finished wood products are mainly from retail outlets; less than 5% of sales are via the internet or other 'remote' sources (e.g. mail order). Because of this, the retailing sector is a vital link in the flow of wood products to the final consumer and one which is generally overlooked when considering opportunities to expand market share and to address consumer concerns on tropical timber.

UK consumers are constantly bombarded with media commentary on environmental and ethical purchasing issues and in recent years the volume of such information has intensified. Tropical forestry and timber issues are just one of a plethora of environmental topics covered (and often sensationalized) in the media. For tropical forestry and tropical wood products, media coverage has focused on sustainability, biodiversity, illegal logging/illegal timber trade and 'conflict' timber, amongst other issues.

Most commentary on environmental issues is that provided by television, newspapers and magazines and this information, whether good or bad, is at the core of the perceptions on environmental issues by the purchasing public. The quality of the debate, especially in the daily press, is very varied with the tabloid press dealing in sensational headlines and generally poorly researched articles on timber issues. The more serious newspapers present more balanced debate but reach a much smaller readership than the tabloids.

The media help to create and then reinforce perceptions which, in the UK (and many other western countries), have given rise to ethical or environmental consumers, defined as those that are aware of the fragility of the environment and of the interdependence between the environment and mankind and make purchasing decisions accordingly.

The ethical consumer

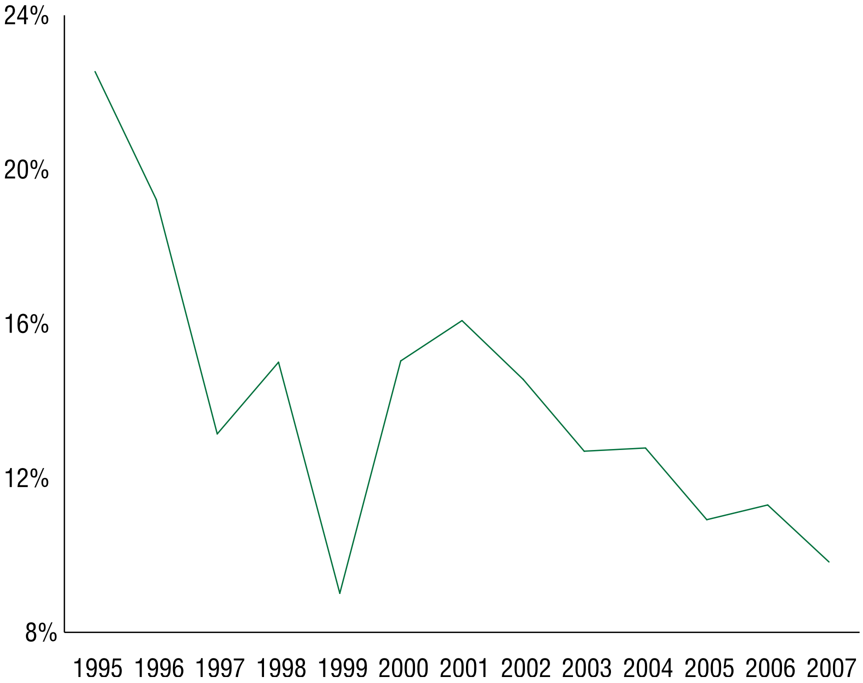
For the bulk of household purchases in the UK, the rationale behind the choices consumers make at the point of sale is extremely complicated. Decisions are derived from a mixed basket of ethical and environmental 'truths', from sources which are not always reliable and for which the foundations are often weak. This poses a considerable challenge in trying to identify how consumer purchase decisions are made and, in the case of tropical wood products, what can be done to sway consumers.

The ethical market has generated a host of green purchasing guides. The UK based 'Green Consumer Guide' has a very clear stance on wooden furniture that recommends consumers "to ensure that furniture materials originate from sustainable woodlands, or other recyclable sources. Always avoid hardwoods and tropical woods such as mahogany." This is an example of the distorted information that confuses consumers and that can create doubt and undermine trust in information on the topic of tropical timber.

The Ethical Consumer Research Association, a UK private sector body says "how product-related environmental information works in the market place is dependent upon many factors related to the purchasing moment" and that "studies of the use of product-related environmental information suggests that the focus should be on the time of purchasing decision and take into account the dynamic context of the diverse purchasing situations." This implies that environmental information at the retail point of sale is likely to have greater impact on a decision to purchase than information received and absorbed at some other time as this can get blended and confused with other issues as perceptions are formed. Information should be prominently displayed and the retailer's sales staff must be familiar with the credentials of the product.

It could be argued that environmental labeling is the solution to addressing the point of sale information delivery to a potential buyer, but few consumers recall the purpose or understand individual labels since so many are now in use on so many products in the UK.

Perceive this: Tropical share of value (US$) of total UK primary timber product imports



The corporate consumer and tropical timber

There is a high degree of environmental awareness and concern in the UK and the wider EU and this is both a challenge and an opportunity for the timber industry. UK legislation requires public companies to report on environmental and social matters and most in the timber industry have embraced transparency in corporate social responsibility (CSR). To address the concerns of both private and public sector consumers most UK timber importers and manufacturers using tropical timber have adopted responsible timber purchasing schemes which address at least some aspects of CSR. These are generally association-led and industry self-regulated.

Environmental information at the retail point-of-sale is likely to have greater impact on a decision to purchase than information received at some other time

The UK Timber Trade Federation (TTF) and the British Furniture Manufacturers Association, for example, have arranged responsible purchasing schemes through which exporters and importers cooperate, bringing transparency to the trade to allay consumer concerns about tropical timber products. While these schemes are successful they only address one particular issue: that of sourcing from responsible suppliers and well managed forests. They do not meet the current demands of government and the public for companies to be generally environmentally and socially more responsible. Because of this, UK companies are now embracing the overall CSR concept, under which issues other than profit and shareholder returns are considered in management decisions.

There are many definitions of CSR. One frequently quoted from the UK government defines CSR as *"how business takes account of its economic, social and environmental impacts in the way it operates – maximizing the benefits and* *minimizing the downsides to meet sustainable development goals*." Consumer concern regarding tropical forestry and trade in tropical timber products is an integral part of CSR for timber importers and manufacturers using tropical timber and consequently affects their dealings with tropical timber exporters.

The pace at which CSR has been adopted by the UK timber trade has been a surprise to many. Initially there was considerable resistance but now that information on the benefits derived by individual companies through adopting proactive CSR policies has begun to flow, more are moving to adopt it. The UK Timber Trade Federation (TTF) website (www.ttf.co.uk/industry/csr/) provides an excellent overview of CSR in the UK and the EU. It identifies accountability throughout the value chain as an important element of CSR. The TTF says that "over the past several years, the CSR agenda has been characterized in large part by the expansion of boundaries of corporate accountability. Stakeholders increasingly hold companies accountable for the practices of their business partners throughout the entire value chain with special focus on supplier environmental, labor, and human rights practices. Additionally, company purchasing power is being viewed as a unique resource that contributes economic development investment capital, as well as facilitating basic trade of products and services."

Tropical timber exporters cannot avoid the consequences of the evolution of CSR in the UK and the EU and those who are first to engage with these importers on their terms will secure a competitive advantage. Eventually any exporter serious about securing its UK market will need to be fully aware of and responsive to importers' CSR policies. UK importers claiming to be environmentally and socially responsible put their reputation at stake every time goods are imported for sale and thus expect suppliers to be mindful of their impact on the environment. Tropical timber suppliers to the UK (and the EU) need to appreciate and accommodate (as far as possible) the requirements of customers and be prepared to demonstrate their own commitment to those ideals.

As the debate on the environment develops it is important for governments of tropical timber exporting countries to engage the UK government whenever possible to inform on advances in social issues such as working conditions, poverty-alleviation and programs for disadvantaged communities, as these issues are high on the agenda in the UK and are (at the least) implicit in most CSR policies.

UK government procurement

UK policy on timber procurement for central government projects requires that timber be purchased from independently verifiable legal and sustainable sources or be of FLEGT licensed timber only (under the EU Forest Law Enforcement, Governance and Trade initiative). This requires suppliers and contractors to provide documentary evidence to demonstrate that the timber offered, as a minimum, originates from a legal source. The evidence must be supported by full chain of custody evidence from the forest to the end-user. The evidence that will be accepted falls into two categories as shown in the box.

Timber procurement evidence

Category A evidence – an independent certificate of timber and timber products by any forest certification scheme that meets the policy requirements as specified by the government's Central Point of Expertise on Timber (CPET). These currently include the Forest Stwardship Council (FSC), Program for Endorsement of Forest Certification (PEFC), Canadian Standards Association (CSA) and Sustainable Forestry Initiative (SFI) schemes. The Malaysian Timbere Certification Scheme (MTCS) will be considered under this category if it introduces proposed revisions.

Category B evidence –alternate documentary evidence that provides assurance the source is legal and sustainable.

The UK government, under current legislation, cannot insist that local authorities (LAs) follow central government procurement policies. LAs are merely recommended to devise procurement policies in the spirit of the government's policy. There are 468 LAs in the UK and they spend over US$400 billion each year undertaking capital projects which involve large amounts of wood products and as such their procurement policies are also affecting timber demand.

There is a wide variation in the adoption of sustainable procurement practices by LAs. Some have policies which preclude the use tropical timber, some demand FSC certified products only, while others put higher priority on cost and use certified timber only if it is price competitive. These variable responses are a minefield for the timber industry in its dealings with LAs.

There is some prospect of a more uniform implementation of central government sustainability and procurement policy with the adoption by LAs of a National Improvement and Efficiency Strategy. This sets out how central and local government will provide the financial and technical support that will be needed to deliver coordinated Local Area Agreements, a framework aligning central government priorities and those of the LAs.

Prices, the bottom line

Conventional wisdom is that there is no premium for wood from sustainable and legal sources. This is indeed true when it comes to prices negotiated with exporters, but an over-simplification in the case of trade within the UK market. Truly ethical consumers, that small group of seriously environmentally conscious (and usually wealthy) people, will accept higher prices but for most consumers this is not the case. For the bulk of the buying public in the UK, price is towards the top of the list of factors considered when shopping. However, if faced with a choice of equally suitable products at a similar price, only one of which has good environmental credentials, then, because of the perceptions formed either before beginning shopping or (most often) at the point of sale, the product with better environmental credentials is likely to be chosen.

In business-to-business dealings, conventional wisdom again applies but not in all cases. Tropical timber traders in the UK confirm that a small price premium for certified wood (US$1-2 per cubic meter for sawnwood) is occasionally accepted by trade customers. For central government (and soon all local authority) projects requiring timber, only legally and sustainably produced wood will be accepted. Assuming at least a small premium will be paid, this will provide an opportunity for producers and manufacturers to recover some costs of compliance with new procurement policies.

The full report Review of the United Kingdom Timber Market, *providing an assessment of production, trade and consumption of primary and secondary wood products, analysis of the impact of the recent credit crisis and recession on wood product consumption in the UK and suggestions on market trends and opportunities for tropical timber exporters, is available from the ITTO Secretariat (eimi@itto.int).*