Improving Regional Economic Viability through a Catskill WoodNet Online Store

Project Pre-Proposal

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Joshua VanBrakle

Project Overview

The Watershed Agricultural Council's mission is to support the economic viability of agriculture and forestry through the protection of water quality and the promotion of land conservation in the New York City watershed region. Of the initiatives directly addressing economic viability, Pure Catskills and Catskill WoodNet ("WoodNet") stand out as programs that connect local producers of farm and forest products with end users of those products. Often, the target buyers for these markets, in particular for wood products artisans, are residents of urban areas, of which New York City is the prime example. These potential customers, however, may rarely, if ever, physically visit a WoodNet member's shop. Although WoodNet in its current form does an adequate job of providing basic information on wood products businesses to consumers, its benefit is limited by the site's inability to allow customers to directly purchase local wood products. WoodNet has the potential to increase its benefits, particularly for small, artisan-scale businesses, by the addition of an online store component similar to that employed by North Quabbin Woods (http://northquabbinwoods.org/store).   An online store would generate a more direct link between upstate producers and downstate purchasers, as well as provide a permanent avenue to market Catskill wood products not just to regional but potentially national buyers. This market is currently inaccessible to the vast majority of WoodNet members. Even though 50 of the current 80 members have websites, only six have any online shopping capability. A WoodNet online store would provide this venue, and it could do so more efficiently since it combines the products from multiple businesses into a single shopping platform. Provided sufficient sales volume, the store could fund itself through commissions and require no outside financial support apart from the initial setup and piloting phase. Combining this self-sustaining potential with access to larger markets, a permanent, online WoodNet store may be more efficient and effective at selling a wider range of local wood products to a wider audience than the current strategy of attending or cost-sharing wood products users' booths at street fairs. Additionally, the site's ability to collect information on visitors and sales would provide a more objective, quantifiable means of tracking program objectives and accomplishments compared with previous economic initiatives undertaken by the WAC Forestry Program.

Project Description

General Site Format

The website would function very similarly to those used by other online stores for artists and artisans such as North Quabbin Woods and Etsy (www.etsy.com), while keeping the core functions of the existing Catskill WoodNet website. As with the current site, each member would have their own "member page" with a description of the business, contact information, photographs, logo, and a link to view all items for sale by that member. Users would be able to search both members and products using categories (ex. sawmills, furniture, toys), by location (ex. Delaware County, Kingston), or by a general keyword search. To simplify the current site, the number of searchable product categories would be significantly reduced. For example, the current site includes overly specific product categories such as "captain's chair" and "sofa table" which could easily be combined into a single "furniture" grouping. To conserve staff time, members would be responsible for posting their own items and updating their profiles. Item addition could be handled in a manner similar to that used by Etsy, which provides a simple, step-by-step guide that walks members through the process (see Appendix). Since many items are either custom or limited in stock, members would specify when they upload an item how many are in stock. This number would be updated automatically with each sale, and members could also update it manually if they sell an item in their shop or produce another.

The website homepage would be kept as simple and neat as possible, providing an aesthetic storefront. Limiting the number of links would help maintain this aesthetic (see the North Quabbin homepage, http://northquabbinwoods.org/store, for an example). The homepage could also have a revolving "featured member" that would showcase that member's business description and product images. This could be automated like the current WoodNet "Featured Member" bar, or, as with Etsy, the advertisement could be used as a revenue generating item by renting the space to members. For a small fee, that member could be the "featured member" for all visitors coming to the site on a given day and post an advertisement for their products.

Item search pages would be very similar to those on North Quabbin Woods. A search for items would display a thumbnail image of items fitting the search criteria as well as the price. Items that are no longer in stock could either be removed automatically from the site or remain with a "Sold" notice on them. There are advantages and disadvantages to both. Keeping out of stock items up requires more cost (more pictures, webpages) but allows customers to see a broader range of products. Removing "sold out" items lowers costs and simplifies searches by limiting them to items that are available, but it also reduces the range of products visible to consumers, who may be interested in custom ordering an "out of stock" piece.

Pages for specific items would also be similar to North Quabbin Woods' and Etsy's setups. One or more pictures of the item would be available, along with the name of the item, the name of the artisan or business, an item description, and a means to both view the user's online shopping cart

and add the item to that cart. Links would also be provided to allow the user to see other products by this seller, view the seller's member page, read about ordering/shipping information, and return to their search results.

Actual ordering would take place directly between the buyer and the artisan or business. To facilitate this transaction and avoid having WAC as a "middleman," members would likely be required to have a PayPal account in order to post items for sale on the website (members not wishing to post items for sale would not require a PayPal account). Buyers would then be able to purchase items using either a PayPal account or a credit card, and the payment (including sales tax where needed) would go directly to the artisan's PayPal account. Any commission charged (see "Funding the WoodNet Store") would be included in the price paid by the customer. Depending on program capabilities, commissions could theoretically be charged immediately and placed on a WAC PayPal account, or businesses could be issued monthly invoices for any commissions due. Assuming the programming allows for commissions to be taken out at the point of sale, this method would be preferable since it avoids the need to mail invoices, reduces paperwork, and all but eliminates the possibility of a merchant not paying the commission.

Operational Details

Once established, running the site as proposed should require minimal WAC staff time. Primary management for the site would be handled by a web design company (most likely CRSR Designs). Wood products members would be responsible for adding items, updating their profiles, uploading pictures, etc. WAC staff would monitor website use, sales volume, and propose alterations/revisions to the web design company as necessary. Because sales transactions, including payment, sales tax, shipping and returns, would occur directly between the artisan and the buyer via a PayPal or similar system, minimal WAC staff time would be necessary to facilitate the ordering process.

WAC staff time would be needed to manage the commissions charged on each sale (see "Funding the WoodNet Store") to ensure they meet WAC finance staff requirements. As much as possible, these commissions should be handled by finance staff, who have the expertise to ensure their needs are satisfied. WAC staff time would also be needed in a "customer service" capacity if users or members have difficulty navigating the site, uploading items, or have questions about WoodNet, ordering, shipping, etc. The time required for this support could be reduced by making the process as straightforward and easy for both customers and members as possible. Good initial design of the website is critical to limiting long-term maintenance difficulties.

Funding the WoodNet Store

Initial funding to set up the store and pilot the site for one to two years would be required, and cost estimates for this amount still need to be completed. The goal of the site, however, would be to become self-sustaining over the long run. There are examples of businesses running

similar sites for profit. On Etsy, an online store for artists, members are charged a fee ($0.20) for each item they post on the site. When an item sells, Etsy also charges a 3.5% commission on the final sale price. The North Quabbin Woods site does not charge a fee to post items, but it does charge a much steeper 40% commission on items sold. The commission method is also used on www.adirondackcraft.com, although their site does not indicate what amount it charges. In the long-term, a WoodNet online store could use a similar method to make itself cost-neutral.

Charging a fee to post items, as is used by Etsy, may or may not be recommended. From one perspective, an advertising fee adds a cost burden to the very wood products businesses the site is designed to support, whereas a commission at the time of sale can easily be passed onto the consumer. However, having no fee to advertise items may encourage businesses to "spam" products by submitting an excessive number of poorer quality items, increasing website maintenance costs and potentially hindering sales by lowering search accuracy. This potential issue could be addressed by limiting the number of items each member is allowed to post.

Given WAC's nonprofit status, the site may want to experiment to find the minimum commission and/or advertising fee needed to cover all site costs. By doing so, the site would provide its benefits to regional wood products businesses at a minimum cost to both producers and consumers. However, finding that level may be difficult, since sales volume is likely to change from year to year. Alternatively, a relatively low commission, perhaps 10%, could be set from the beginning, and if the website generates a profit, instead of lowering the commission, those profits could be used as a source of funds to help regional wood products businesses in the form of workshops, grants, marketing assistance, etc.

Project Deliverables

One major advantage to the WoodNet store compared with previous economic viability initiatives, such as the Economic Action Program (EAP) or the current WoodNet setup, is that benefits can potentially be spread over a larger number of businesses and for an extended period of time with minimal outside funding. In the case of EAP, the program injected over $2.4 million in Forest Service funds, matched by over $3.3 million in other funding, into the regional economy over a period of eight years. Although this funding undoubtedly assisted regional wood products businesses, once the funds were expended, the benefit could not be sustained. Furthermore, the funds, while assisting over 50 regional businesses, could not possibly assist every wood products business. An online store, if successful, has the potential to both assist a larger array of wood products businesses and sustain that benefit over the long term. The reasoning behind this argument is twofold. First, adding a new member or items costs very little, provided the search functions of the website are kept up to date. Online shoppers are able to sort through large numbers of items to find what they are looking for; the success of website companies such as Amazon and Ebay are examples of this capability. Second, as the number of members increases, the additional networking those members provide is likely to generate increased sales volume. The combined increase in sales volume with the low cost of adding

additional members contributes to the site's self-sufficiency. If the site is successful, even in difficult funding climates, the WoodNet store could continue providing benefits.

Another key benefit of the WoodNet store compared with previous programs such as EAP is that program accomplishments can be more objective and easier to track. In the case of EAP, The Irland Report, which evaluated the first five years of that program, required a subjective scale ranging from "ineffective" to "very effective" based on telephone interviews with grant recipients to evaluate the program's success. Due to the nature of the program, objectively and quantitatively measuring its success is all but impossible, in particular because the Irland Report admits that many grant recipients would have eventually implemented their projects anyway.

By contrast, an online store can take advantage of computers and the Internet to deliver more concrete accomplishment figures. The store could be equipped with counters that indicate how many users, both unique and repeat, are visiting particular components of the site, such as the home page, member pages and items. Searches could also be tracked and catalogued, so that staff could observe what potential customers are interested in. Items that receive more searches could be promoted among the members as "in demand," providing valuable marketing information. Better still, the sale of products provides superb data for tracking accomplishments. Every sale would need to be recorded for commission purposes anyway, so volumes and amounts sold would be readily available. The location of each purchaser could be identified to examine what regions are purchasing more products. These regions could be targeted with further marketing efforts such as advertising. All of these data on sales, visitation and searches can be gathered and compiled instantly by the website, making analysis and report writing straightforward, objective, and quantifiable. For example, a report might use sales data to note that, "the website directly contributed $X to the regional economy during the past year."

Questions Still to Be Resolved

Although an online storefront for locally made craft products has been successful in other venues, WoodNet may or may not be a good fit for this system. While the three example online stores used in this proposal as examples (North Quabbin Woods, Etsy, and Adirondack Craft) lean toward smaller craft items, many of the WoodNet members are furniture makers. Although all three example online stores include furniture categories, it is unknown whether or not such items sell well online.

Item price is also a question. Potential buyers may be unlikely to purchase more expensive items, such as furniture, online. North Quabbin Woods indicates that this is not universally true, however. Their site has numerous examples of items that cost several hundred dollars marked as "sold." Adirondack Craft has listings for several pieces of furniture costing as much as $8,000, although that site does not indicate whether or not such items have been sold. With a WoodNet store having a target upscale market in regions such as New York City and the Croton Watershed, high item cost may not necessarily be a burden to making sales.

A third unknown is the time frame for making the site cost-neutral. Given the prevalence of other online storefronts, achieving enough notoriety as a legitimate business to ensure adequate sales volumes may take considerable time. Still, the experience of other stores suggests that this time frame may not be very long. North Quabbin Woods' store, begun in 2004, had 4,000 unique visitors its first year of operation. Just one year later, the number of visitors tripled to 12,000 and sales volume doubled. A WoodNet store would have the additional advantage of not being an entirely new entity; Catskill WoodNet as a program has existed for almost five years, so there is already some awareness of the website. Aggressive promotion of the online storefront would still be necessary to make both old and new users aware of the added features.

Finally, while secondary wood products businesses may find an online marketplace beneficial, primary suppliers, such as sawmills, may or may not. For suppliers, simply having the networking ability of the current WoodNet site may be adequate, since they likely would not post items for online sale. This concern also applies if WoodNet adopts its proposed expansion to include a more diverse array of businesses such as Watershed Qualified foresters, Trained Logger Certified loggers, firewood producers, and biomass suppliers. The addition of an online store could be a detriment to these businesses if it distracts from the current "networking only" scenario. At the same time, however, these businesses may benefit from a WoodNet store even if they do not sell a single item on it. In economics, the concept of "derived demand" indicates that if demand for a final product, in this case woodworked items, increases, demand for the materials used to make that product will also increase. Essentially, if secondary wood products firms in the region increase sales as a result of the online store, they will need more raw materials to keep up with demand, which in turn boosts supplier business. This derived demand concept applies to all the earlier steps in the production chain, from sawmills to loggers to consulting foresters. In addition to the derived demand benefit, if current woodworkers who are not WoodNet members join due to the online store, non-woodworking members will benefit from increased networking opportunities. The more members Catskill WoodNet is able to manage, the greater the networking and marketing benefits will be.

Proposed Next Steps

At this point, four key next steps are identified before continuing on this project:

1. Meet with WAC finance staff to discuss the site's logistical feasibility

WAC finance staff may have requirements that forestry staff is not aware of. Since finance staff will be a critical component of the store if it is implemented, involving them and being aware of their needs from an early point in the process will help identify potential problems and develop solutions that work for finance.

2. Develop scopes-of-work and determine cost estimates

Two scopes-of-work and associated cost estimates should be developed in conjunction with CRSR Designs. A basic scope-of-work should be created that outlines costs needed to maintain the site's current functionality, but make improvements such as fixing bugs, improving aesthetics and layout, and adding minor features (such as links to archived e-newsletters). A second scope-of-work would be based on an overhaul of WoodNet including adding the online store component discussed in this pre-proposal.

3. Develop a mail survey for existing WoodNet members and other wood products businesses to explore their interest in the store concept

Two surveys should be developed: one for WoodNet members and another for non-member businesses listed in the Wood Products Directory. These surveys would explore whether or not both members and non-members would be interested in participating in the WoodNet online store. For instance, companies such as Beaver Mountain Log Homes, which would likely not post items for sale and uses little local wood, would probably derive little benefit from the online store. However, current non-members who do not think WoodNet provides adequate tangible benefits may be more likely to enroll knowing that the site provides them a free or low-cost online storefront. The survey should also examine business' ability to use computers and the Internet. If local businesses have no Internet ability, few may be able to take advantage of the store. Questions such as "Does your business currently do any purchasing online?" and "Are you aware of PayPal?" would be important to include. The results of these surveys should be tabulated before attempting to move forward with the online store. Investing in the store is unnecessary if there is little interest from its target audience, or if very few businesses would be web savvy enough to navigate it. If web knowledge is a limiting factor, but interest in the store is high, conducting workshops on topics such as PayPal and online shopping for businesses could be a precursor to formally launching the site.

4. Begin marketing the site

Even though the store is well off in the future, if it is implemented at all, marketing for it is critical and should begin immediately. Having an online storefront is not useful if customers are not aware of its existence. Those using the site to purchase items will, by that very fact, be at least somewhat knowledgeable about using the Internet. Therefore, e-marketing such as social media (Facebook, Twitter), blogs, and email bursts ("e-bursts") make sense as the place to focus marketing attention. These can be used to draw attention to the current WoodNet website even if the store never goes live. Having give-aways through social media sites is another way to draw people in before the store goes live. Of course, more traditional marketing like press releases and booths at markets and trade shows, particularly when these take place in target markets such as the Croton Watershed and New York City, are still important ways to get the word out about WoodNet and the coming store.