

TIMBER

UPM TIMBER
CUSTOMER NEWSLETTER
AUTUMN 2017

The Biofore Company 

DEAR CUSTOMER,

As the year draws to an end, many of us are already turning our thoughts to Christmas and New Year. 2017 has been a very interesting and eventful year, with both challenges and successes. During the year, we saw some positive development in the global demand for timber, but also faced challenges like the wide-scale scarcity of containers, the six month pause in all exports to Algeria and the negative currency development of both the British pound and the US dollar. At the same time, the currency of our competitor country, Sweden, has weakened, providing them with a competitive advantage compared to the Finnish timber providers. However, I am glad to say that UPM Timber has managed to overcome all of these challenges outstandingly!

Our production and sales volumes are at a record high, the reliability of our deliveries is at an excellent level and we have continued to improve our operational efficiency to be able to serve our customers even better than before. I want to thank all of our customers and partners for your loyalty and commitment and your open and future-oriented co-operation. A big thank you also to UPM Timber's person-

nel, who have built a strong foundation for us to achieve our targets.

Our sales outlook for 2018 is positive starting from Q1. The demand for spruce continues at an excellent level, and the demand for pine has grown strongly; this is very positive news for us, since we are a large sawmill operator in sawn pine timber. I strongly believe that the positive development of the global economy will continue and that the impending threats in the world's crisis hotspots will not become a reality. This would mean that we could all enjoy our work and its results even more and concentrate more efficiently on building towards ever-stronger and future-oriented co-operation.

In order to further improve our ability to meet your expectations, we have made some changes in our Sales and Supply Chain organisation. The new Executive Team for Sales and Supply Chain consists of myself, the sales office directors for our key market areas (Northern Europe, Continental Europe, the UK, China and Japan) and **Raimo Halt**, Manager of Sales Planning. The purpose of this change is to simplify our operations and further enhance our decision making. It is also designed to consolidate new and fresh strategic



views – both short- and long-term – straight from the core of the markets into our operations, which will help us set guidelines.

Once more, I want to give a heartfelt thanks to you, our customers and partners, for the great year in 2017. I also promise you that in 2018, the UPM Timber Sales and Supply Chain will become stronger, even more efficient and ready to help.

Mikko Hyvärinen
Director, Sales and Supply Chain Management

RENEWED OPERATIONS MODEL AND ORGANISATION OF SALES AND SUPPLY CHAIN

UPM Timber has renewed its sales and supply chain operations model and organisation. The aim is to enable even better customer service and co-operation with customers.

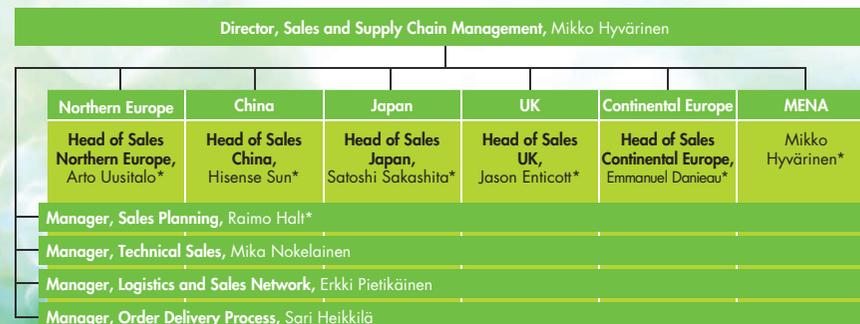
The renewal focuses on the further development of sales that is based on a global, strategic view. "In our new way of operating we will highlight a more strategic perspective and the view point of various markets", says **Mikko Hyvärinen**, Director, Sales and Supply Chain Management.

The heads of the sales offices of the strategic markets will be nominated as members of the Sales and Supply Chain Management Team of UPM Timber. Their role is to bring new perspective to the sales strategy and to the global sales development of UPM Timber. Their daily operational work as heads of sales offices will otherwise continue as usual.

These changes are a natural continuation

of recent years' developments. "We have systematically increased the responsibilities of the sales offices during the past years. The operational sales work is happening in the markets and people are in key places there to make the right decisions to develop customer experience and co-operation. One target of this renewal is to build cooperation and to promote the exchange of experiences and best practices between the various sales offices", Mikko explains.

Alongside these changes, the Area Manager job description will be disabled and will be replaced by the Supply Chain Manager job description. Supply Chain Managers will continue to cooperate closely with the markets. They will act as a strong support for the decision making of the market responsible persons and coordinate the entire supply chain management from sawmills to customers.



*Member of Sales and Supply Chain Management Team

GROWN TO SUSTAIN

– PROMISE OF DELIVERY RELIABILITY



“ Over 95 per cent of the volume is leaving our sawmills as promised

UPM Timber's goal is to have satisfied customers who can rely on us. This has been crystallized in the words Grown to Sustain. It is our customer promise that means that we act in a customer-oriented, responsible and reliable way. We want to fulfil this promise every day.

Reliable deliveries play a remarkable role in fulfilling the customer promise. Delivery reliability is often regarded as a matter of logistics only but at UPM Timber we consider it to be a much wider issue: the entire supply chain from forests to customers secures our delivery reliability.

SEAMLESS COOPERATION

“The starting point for a reliable delivery is the capable sales person who sells the right product for the right place and a sales assistant team who takes care of it that the order will be put correctly into the systems. Discussions are thereafter needed between Production Planning and the sales person to secure that everyone

“ The reliability and quality of our deliveries require that our entire chain from forest to customer cooperate closely with each other

knows what it is all about”, says **Mari Leppänen**, who works as Transportation Assistant at the Seikku Sawmill.

“We usually assess the needs for the next two weeks. We try to act proactively to secure that we have time to react should something unexpected occur. This way we have better chances to avoid delays”, clarifies Mari.

Active cooperation between the various parties at the sawmill is needed to guarantee the quality of the sawn timber and the requirement for timely deliveries. “We cooperate closely and openly throughout the entire production process starting from the log sorting and ending with the dispatch department. Every one of us has the role of an internal quality controller when it comes to our own work. We all need to secure that the sawn timber that we produce is of high quality and exactly what has been ordered”, says **Hanna Kotivuori** who works as a production foreman and is responsible for the dispatch operations at the Korkeakoiski Sawmill. The process will be completed in the dispatch department where, together with the sales assistant team, they monitor that deliveries are on time.

According to **Vuokko Piippolainen**, the most important thing in fulfilling the customer promise in her work as a log sorter is to remove the crocks from the load and keep the machinery, such as the X-ray, clean. “In my daily work, I sort the logs and remove all the crocks, i.e. the crooked, the wrong tree species, the insect defects and the blue stained logs. In order to ensure the quality, it is important that we carefully monitor that wrong quality sawn timber does not end up in the production stage. For example, we should not have the wrong tree species in the lath package,” stresses Vuokko.

THE DESIRE TO PROVIDE EXCELLENT CUSTOMER SERVICE

“We consider our work as customer service even though we are not directly in contact with the customers. We want to give them an experience that we would like to have ourselves if we were the customer. Delivery reliability is one indicator showing the quality of the customer service”, Hanna tells us.

Mari remembers many cases when they have received good feedback from customers. She has one case in particular in her mind which demonstrate the strong desire to provide excellent service customers: “The customer had ordered a ship to the port here in Finland and one of their suppliers was not able to deliver the agreed amount of sawn timber to the ship.

We provided the customer not only with the agreed amount of our sawn timber but also the missing amount, in just one day. This way the ship was able to leave the port fully loaded and on schedule”.

In addition to our own personnel, we also need good and reliable partners such as transportation companies, forklift suppliers and maintenance. “No one of us can achieve the quality alone. The reliability and quality of our deliveries require that our entire chain from forest to customer cooperate closely with each other. When it all works and the deliveries are on time it's likely that the customer will order from us next time, too. And this is exactly what we want: to be the No. 1 choice for our customers”, conclude Hanna and Mari.

UPM TIMBER'S DELIVERY RELIABILITY OVER 95%

Delivery reliability is an essential part of UPM Timber's customer promise, Grown to Sustain. Therefore it is high on our agenda. “Last year we started to systematically measure our delivery reliability. This has further increased the number of timely deliveries with over 95 per cent of the volume currently leaving our sawmills as promised”, comments **Erkki Pietikäinen**, Manager, Logistics of UPM Timber.

Systematic monitoring enables us to dig deeper into the reasons for the delays. This in turn gives us better chances to anticipate the delays and to avoid them in future.

“Currently we monitor the deliveries from sawmills. However, during 2018 the plan is to develop indicators to measure the arrival time to customers which is naturally the most important issue to measure”, concludes Erkki.

GOOD FEEDBACK FROM CUSTOMERS ON UPM TIMBER'S DELIVERY RELIABILITY

UPM Timber's customers in various markets are usually very satisfied with our delivery reliability. Some non-European customers have even asked us how it can be possible that our deliveries are always on time and exactly what has been ordered.

“Delivery reliability is a very important issue for the majority of our UK customers. Most especially for those customers and production units where continuity of supply is essential for their own processing and onward delivery of finished goods to their customers,” says **Kevin Guthrie**, who is responsible for UPM Timber's shipping in the UK market.

“UPM have landed stocks in the UK at Tilbury and Hull, and we are able to offer our customers 48 hour deliveries due to our close relationship with our haulage provider,” explains Kevin. “We aim to be our customers' first choice as a reliable partner, going the extra mile to fulfil their requirements. We take care to deliver on our promises, through close collaboration, with agility and courage,” stresses Kevin.

Hanna Kotivuori



WHAT DOES **GROWN** TO **SUSTAIN** MEAN TO OUR PEOPLE?



MIKKO HYVÄRINEN

Director, Sales & Supply Chain Management

"Our vision is to be our customers' number one choice. We listen to customers' wishes and communicate them throughout the entire supply chain and production to ensure that the necessary changes and comprehensive measures are taken."



STEFAN MADAJ

Sales Manager

"We take advantage of the opportunities in which we can support our customers and develop their business. We grow together with our customers."

JUKKA KORHONEN

Blademan

"We are keeping the machines and the blades in good shape and we take care of it that the dimensional accuracy is acceptable so that the customer gets the best possible product."



PASI PAARANTO

Forklift driver

"The most important thing is that the load leaves on time and it is loaded right and with care. By being careful and cautious even when in a hurry, I ensure that loads are leaving in great condition to customers."



ERKKI PIETIKÄINEN

Manager, Logistics and Sales network

"Delivery time is a very important factor in our agreement with customers. My goal is to find logistics solutions where the customer's delivery and time requirements can be met."



MARI LEPPÄNEN

Transport Assistant

"By being proactive we can keep the customer up-to-date on deliveries. Delivery reliability is above all ensured with a good information flow from sales to production and throughout the organization."

EEVA LAAKSONEN

Senior Specialist, Strategy Development

"Our goal is to meet the needs of our customers as well as possible. We ensure that the customers get what they want and when they want it. We also ensure that everything is done in accordance with the rules and standards."



RAIMO HALT

Manager, Sales Planning

"We focus on serving our customers to the fullest. We will do what the customer needs and what brings added value to their own business."



NO MORE SOLID WASTE TO LANDFILLS FROM UPM TIMBER'S SAWMILLS

UPM Timber is the first businesses in UPM to have reached the tight recycling target set by the company's Zero Solid Waste project. UPM aims to send zero waste to landfill operations globally by 2030.

All wood and mixed waste generated during the production process at UPM's sawmills will be reused and recycled and no waste will go to landfill.

The sawmills' main wastes are wood-based waste and plastic, e.g. plastic packaging materials and plastic rims. The chips and the sawdust generated as by-products of the production are delivered to pulp and paper mills as a raw material. UPM's sawmills supplies roughly 27% of the softwood chips and sawdust used by UPM's Finnish pulp and paper mills. "Wood-based waste consists of bark, spreading particles and plank pieces. Bark is crushed and either used in UPM's power plant in Korkeakoski or sold to an external power plant from which UPM buys heat. Spreading particles and plank pieces go directly to the power plant or they are piled for crushing," says **Mika Lampola**, who works as Project Manager for Maintenance. The company uses all ash generated in the power plant in its own earthwork.

Investments at UPM's power plant in Korkeakoski have been key in facilitating recycling. "A common problem for sawmills is the stony bark we get from the field and underneath log intake

manifolds. For sawmills, the waste used to cause significant costs and traditionally it was transferred to landfill, landscaping or larger power plants. Five years ago, we invested in the bio heating plant in Korkeakoski, where we can burn all waste wood without crushing, which is a very positive thing. Also the bark waste from the log yard is burned in the sawmill's own bio heating plant," says Mika. UPM uses all ash generated in the power plant in its own earthwork.

In addition to wood-based waste and plastics, sawmills generate mixed waste and construction waste such as concrete, wools and metals. These are recycled by UPM's waste management partners. According to Mika, UPM Timber's personnel have quickly adopted the new, more accurate sorting style. "We are regularly organizing training and waste sorting tests for our employees. One year, when we didn't, people started to ask where's the training – and the prizes," laughs Mika. Waste sorting has also been improved by optimizing and clearly marking waste collecting areas. "It is important for everyone to understand why every little can must be sorted correctly. When as many waste fractions as possible are either used as raw materials or sorted correctly, it helps us and our partners alike," Lampola says.



FROM FOREST TO SAWMILL: AT THE SOURCE OF FINNISH WOOD

Photo: Laura Vesa

Text by: Päivi Stenroos

Last summer, sales staff from our customer Jewson, one of the UK's leading chains of builders' merchants, visited us to learn about Finnish forestry. The aim of the visit was to deepen Jewson's sales staffs' understanding of the journey wood undertakes from the forest to a finished product. The staff visited both the Seikku and Korkeakoski sawmills as well as the high-quality pine forest in Juupajoki.

Jewson, a part of the global Saint-Gobain group, sees the value of their staff's end-to-end understanding of the products that they sell. "When our shop managers have a better understanding of the production chain, they can convey that information to their own customers and help them find better solutions," says **Martin Stevens**, Timber Category Director, Saint-Gobain Building Distribution UK.

The first thing that caught the visitors' attention was the speed and accuracy of the harvesting machine. After the operator had stopped the machine, the visitors were allowed to take a look inside the cabin. "People always get excited about technology on these visits," Stevens laughs.

The visitors also wanted to know what happens after harvesting. Corporate responsibility is taken seriously at Saint-Gobain, and sustainability is a priority for the company when making purchasing decisions. Stevens says that it's good to see with your own eyes how things are done at the harvesting site and to learn, for example, that new seedlings have already been planted for the following spring.

At Korkeakoski sawmill, the visitors

were given a practical introduction to different types of timber and could even see timber shipments that were about to be sent their way.

Saint-Gobain is a key customer for UPM Timber. The global residential and industrial construction company is a route for Finnish wood to different parts of the world and to a range of end uses. Stevens predicts a bright future for wood in the British market. "We have had a number of new wood products and innovations during recent years, and the use of wood in residential construction has increased."

*Martin Stevens,
Timber Category
Director, Saint-
Gobain Building
Distribution UK*

WATCH VIDEO
– Saint-Gobain
visiting a Finnish
forest

OBSERVATIONS ON FINNISH FORESTRY

- + Forests cover 75 percent of Finland's land area.
- + Forest data travels digitally.
- + Finnish forests are sustainably managed.
- + The annual growth of trees in Finland exceeds the volume of felling and natural loss by over 20 million cubic metres per annum.
- + Environmental responsibility is a priority for UPM.



PREPARATIONS FOR 2018 WERE MADE AT INTERNATIONAL SALES MEETING

UPM Timber's international sales teams and our agents from the strategic markets convened at Rosendahl's beautiful lake landscape in Tampere at the end of November. The main purpose of the meetings was to prepare carefully for next year's sales work and customer service.

During the days, Finland's 100-year anniversary was also celebrated by tasting traditional Finnish dishes.

The annual international sales meeting is the year's most important event for sales people where best practices from different sales offices are shared in order to create even better service for our customers.



To celebrate Finland's 100 years of independence iconic venues and buildings across the globe were illuminated with blue and white lights.

UK CUSTOMER DAY FOCUSED ON DEEPENING LONG-TERM PARTNERSHIPS

To deepen cooperation and long-term partnerships with UK customers we organized a memorable customer day at the historic Newmarket Racecourse in the United Kingdom. The day consisted of interesting presentations and discussions and culminated in exciting horse racing.

The UK market is a significant market for UPM Timber and also the largest single export market for Korkeakoski sawmill. We supply both redwood and whitewood to the United Kingdom mainly for the joinery industry where our sawn timber is further processed into a wide variety of products in-

cluding window frames, doors, door frames and decorative mouldings.

We would like to thank all our customers who made the day possible with their presence and enthusiasm.



SOILI KUUSISTO

UPM TIMBER SALES AND SUPPLY CHAIN DEVELOPMENT

Soili Kuusisto has been appointed Senior Specialist, Sales and Supply Chain Development, from the beginning of 2018. She will take charge of a project aimed at improving sales and supply chain processes and technologies at UPM Timber. Soili moves to UPM Timber from label manufacturer UPM Raflatac, where she worked for a total of 15 years, most recently as Development Manager, Customer Interface Solutions.

The forest industry is close to the heart for Soili, who originally graduated with a Bachelor of Sciences in Forest Engineering. "My studies were a combination of the forestry and commercial sectors, both of which are very important for me," Soili says.

For the newly appointed Senior Specialist, this represents a return to her roots: she started her career at the Korkeakoski sawmill in 1993, where she worked for a number of summers. "After graduation I gained international experience at a timber agency in Brussels, working there for more than two years. During that time, I got familiar with customers from the Benelux countries, France, and North Africa, and with timber sup-



pliers and agents from the Nordic countries," Soili recalls.

She identifies with UPM Timber's customer promise and is excited about her new role. "What I'm looking forward to the most is succeeding as a team in streamlining and aligning operating models. It's also great to be able to contribute to the development of modern tools to support the Sales and Supply Chain. My role will focus on using different channels and modern tools to make it easier for customers to communicate with people at UPM," Soili explains. She believes that UPM Timber can ensure future success through partnership, creating value for the customer and standing out from the competition through excellent service.

CHINESE FAMILIES CHARMED BY **NORDIC TIMBER**

Functional children's furniture made from Nordic wood is becoming a hit in China.

Generally speaking, the older Chinese generation like furniture made of solid mahogany, pear wood or sandalwood, but the younger generation prefers to furnish its homes with lighter, natural wooden furniture. Discerning middle-class families are willing to pay more for high-

quality, safe, toxic-free products, especially for their children. Finnish timber has a good reputation among well-informed Chinese consumers.

FINNISH SPRUCE TO CHINA

UPM Timber's customer, Sampo Kingdom Household Co, Ltd, is a major Chinese furniture manufacturer based in Shenzhen, and for 17 years it has specialised in Finnish spruce furniture for children and teenagers.

The company offers three main styles: Scandinavian, American and "minimal-

ist Chinese". Sampo's typical customers are young married couples aged 25 or above with children aged from two to ten.

Chinese parents typically buy a bed when their child reaches the age of three, so that the child can learn to become more independent. They also buy new children's furniture to celebrate Children's Day in June, on birthdays, and during summer and winter breaks from school and kindergarten.

SAFE AND NATURAL

When **Frank Tang**, manager at a fitness

” Safety is our top priority when choosing furniture for our son

– *Frank Tang*

centre in Shenzhen, and his wife, **Janet Zhang**, wanted to buy a desk for their three-year-old son, the young couple found out about Sampo Kingdom through online research and recommendations from their friends.

They brought their son along to the shop and let him choose for himself. "Chinese kids today are quite independent and strong-willed," says Frank with a smile.

The desk is natural wood without any colour coating. The boy is still too young to read but he likes to display his photos and favourite toys on it.

For Frank, safety is the top priority when choosing furniture for his son.

"I want to know what materials it is made of, whether the company is reliable and has had any negative media coverage and whether the manufacturing process causes any environmental pollution."

The couple furnish their home with natural wooden furniture.

"Nordic style is very popular in China, with its simple, minimalist and practical aesthetics, similar to Apple's iPhone," Frank says.

THE INFLUENCE OF SOCIAL MEDIA

The couple is now eyeing a new bunkbed as their next purchase, as they are considering having a second child.

After China scrapped its one-child policy in 2015, more and more Chinese families are looking to have a second child. All businesses specializing in children's products and services have welcomed the new policy with open arms.

Cheney Chanuang, Brand Director of Sampo Kingdom, believes that the two-child policy will create plenty of market potential for sales of children's furniture in China over the next decade.

Currently, Sampo has 800 stores in China, and will expand to over 1,000 stores next year. The company has been active in undertaking corporate social responsibility initiatives to enhance their brand image through word-of-mouth. Recommendations on social media such as online forums and WeChat, especially from key opinion leaders and their friends, have a major influence on purchasing decisions.

UPM Timber's customer Sampo Furniture is one of China's largest furniture manufacturers. Sampo Kingdom offers families comfortable and functional beds as well as a wide choice of other products made of Finnish wood. "China is one of the largest market for UPM Timber, and the furniture industry is our main end-use segment. Children's furniture plays a prominent role in this market", says **Mikko Hyvärinen**, Director of Sales and Supply Management.

