

# Designing Marketing Plans for Specialty Forest Products<sup>1</sup>

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**ABSTRACT** Market planning for specialty forest products (SFPs) ensures you achieve your goals. The basis of planning is understanding the three forces from outside your business that create opportunities and threats. These include:

1. Trends in business environments including demographic, economic, natural, technology, political/legal, and social/cultural.
2. Competitors overall characteristics, strengths and weaknesses, and strategies.
3. Needs, desires, and motivations of our customers and the benefits they want.

Within this environment, providing uniform quality can increase profitability for SFPs, the quality level the market wants, adding value through further processing, industry grades and standards, and cooperative marketing efforts.

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## Introduction

When traveling, we carefully arrange to arrive at our destination at the right time. We do not go to the airport and take a plane at random because we would not end up where we needed to go. Planning our marketing effort for our specialty forest products (SFPs) marketing insures that you achieve your business goals much more successfully and economically.

## Importance of Marketing for Specialty Forest Products

And while marketing planning is important for all business, it is critical for the small business. This is because marketing is so expensive, only large corporations may have enough money to pay for mistakes. On the other hand, small businesses are seldom given a second chance if their marketing fails! Yet, many small businesses ignore marketing, assume that people will come to them because their product is so good, grossly underestimate the importance of marketing to a successful business and marketing is often done as an afterthought. In today's business environment, attracting customers is one of the most difficult business tasks you face with your specialty forest products.

Perhaps the most effective definition of marketing is that it is a philosophy or value system of doing business. Marketing puts the needs of your customer at the center of your business activities. For our purposes, marketing is "profitably serving customer needs."

This article discusses how we can profit with SFPs by

meeting the needs of our customers, that is, by marketing. The first section of this paper explores those factors that limit and constrain us in implementing marketing efforts and the second section identifies specific marketing strategies for SFPs.

## The Marketing Forces

Your customers, your competitors, and the business environment all interact to provide opportunities and threats to your business. Each will be discussed briefly.

### *Business Analysis*

Your business faces many environmental factors that are beyond your control, and yet, they affect you by providing both opportunities and threats. Thus, it is essential to monitor and proact to them so you can better control their impacts. While some impacts, such as tax changes, are quickly and easily spotted, others, such as changes in cultural values, are more difficult to identify. Usually, environments evolve slowly making it even more difficult to identify and respond.

## Demographic Environment

People are your markets. Explore those changes in the factors directly affecting your business. An increase in income levels will provide people with more money to buy SFPs and the aging population may draw some people back to their roots, which again might help sales of SFPs. Other factors to consider include:

- size of the population
- family size
- age distribution and trends
- income levels and distribution

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- population density
- birth, marriage and death rates
- household structure
- racial, ethnic and religious base

### Economic Environment

The economy impacts your firm significantly. In general, during good economic times, people spend more to satisfy their wants and during poor economic times people try to focus on spending just for necessities. There are different SFPs and some fit each category. You will want to identify those key economic variables for the SFPs industry and follow them. Some might include recession or recovery, inflation, income changes, and consumer spending patterns.

### Natural Environment

The SFPs industry can benefit significantly from increasing concerns about the natural environment if you manage your business correctly. We know that many environmental issues will continue to increase in importance during the next decade such as pollution, waste disposal, recycling, endangered species, and a host of other environmental factors. On-the-other-hand, many firms will be seriously impacted because they ignored these issues. And government will play a major role in setting the rules. What opportunities and threats do natural environmental issues present to the SFPs industry?

### Political/Legal Environment

Policies of local, state, national, and even international governments have significant impacts upon your business. Changes in policies often are seen as threats, but frequently, they also provide opportunities for at least some industries. The key to successfully taking advantage of these situations is to identify the opportunities and proact as rapidly as possible. Track those areas that directly or indirectly affect your business such as:

- federal and state programs
- regulation changes
- trade barriers
- consumer legislation such as labeling

### Social/Cultural Environment

Many of our values and beliefs and thus our resulting behavior are shaped by the culture around us. However, changes are occurring in society and these changes provide opportunities and threats for businesses. Attitudes towards work, law suits, changing jobs, job security, loyalty to customers, loyalty to organizations and suppliers, family structure and values, education, expected service levels, and a host of other factors are all changing in the U.S. today. The SFPs industry is likely to be a major benefactor from the quest for a simpler, healthier, more wholesome, and slower lifestyle

### Technological Environment

Your ability to use your computer and database allows you to much more effectively service your customers and offer shorter lead times. Technology can help you profitably work with retailers who want lower inventories and smaller orders.

### *Competitor Analysis*

Just as good athletic teams study the strengths, weaknesses, and strategies of their opponents, a successful business also understands its competitors. This does not suggest that we spend all of our time worrying about our competitors. Rather, we learn about their strategies to develop more effective marketing strategies for ourselves.

Tables 1 through 3 provide worksheets you can use to collect the information you need. At the beginning, you will have many blanks in the tables but these can be filled in over the next several years as you collect additional data and refine your information. If you compete in several markets, you may need to complete a separate competitor analysis for each.

### Overall Characteristics

Table 1 draws an overall picture of your competitors. The ownership, financial strength, and profitability provide insight into their competitive staying power relative to yours. As David prepared to battle Goliath, he carefully picked a weapon that gave him a strategic advantage rather than using Goliath's weapons.

Table 1: Characteristics of your competitors to analyze		
Factor to study	Competitor	Your business
Years in business		
Financial strength		
Key employees		
Number of employees		
Sales (units & dollars)		
Market share		
Sales growth over past five years		
Key suppliers		
Location factors		
Building & property appearance		
Important factors identified by you		

### Strengths and Weaknesses

Using Table 2, identify the strengths and weaknesses of your competitors. What do they do well and what do they do poorly? It is essential to see competitors as your customers see them. To illustrate, it may be tempting to say that they have poor quality, but what level of quality do customers actually want based upon sales.

markets are those very specific and well-defined groups each company attempts to serve. Your key for targeting is to tightly define the target market for each competitor and identify areas of difference, as well as areas of overlap between yourself and your competitors. Some firms target customers they cannot serve. Therefore, compare their target market to their ability. For example, a firm with worn out manufacturing equipment cannot target the highest

Table 2: Identifying strengths and weaknesses of your competitors		
Factor to study	Competitor	Your business
Competitor's strengths including what they do well, their major competitive advantages, and other relevant information. This could include product factors, pricing, consumer attitudes, distribution effectiveness, caliber of people, production capability, etc.		
Competitor's weaknesses including what they do poorly, their major competitive disadvantages and all other relevant information. See the strength section for factor to consider.		

### Competitor Strategies

Use Table 3 to analyze competitor strategies. Target

quality market. Positioning is how the customer sees a company. WalMart, Dayton's, and Cadillac are examples of specific positioning strategies which

Table 3: Strategies of your competitors to analyze		
Factor to study	Competitor	Your business
Primary target market		
Positioning in mind of consumer		
Product lines		
Product quality		
Packaging		
Service to middlemen		
Service to consumers		

Table 3: Strategies of your competitors to analyze		
Type of middlemen used: retailer, man rep, distributor		
Do they have a sales force		
Brand awareness		
Pricing strategy		
Amount and quality of advertising		
Trade show participation		
Promotion types		
Market coverage		
Which stores are they in		
Relations with middlemen		

create immediate images in the minds of most people when they hear the names. It is important to identify both the specific positioning strategy of each competitor and the degree of success each has had. Who has the clearest image, and which have blurred images? In addition, determine if positioning strategies are based upon factors that are important to customers.

Product strategies start with identifying the strengths and weaknesses of your product and your competitor's products. You might evaluate service, packaging, natural verses additives, quality, variety, uniqueness, reliability, durability, etc. Throughout this section, focus on the products as the customer sees them, not as you see them or as you would like them to be. This means that you will focus upon the benefits derived from the product.

What are the competitive pricing strategies between each of the competitors for your SFP? Who is the highest and why? Who offers value? What media such as radio or newspaper do your competitors use? What message do their ads convey? How much do they spend on advertising? Who has the most effective ad? What can you learn from their advertising that will make your ads more effective? What are the differences between your middlemen and your competitor's middlemen? What type of middlemen is used? What are margins? How are middlemen motivated and managed? What are the strengths and weaknesses of each? Further, evaluate the area you and your competitors actually serve with your middlemen.

### *Customer Analysis*

If marketing is meeting the needs of our customers profitably, our business success will largely be

determined by our understanding of customer's needs, desires, and motivations. Customers are divided into two groups: consumers and business-to-business. While they have similar characteristics, they also differ significantly, and therefore, are studied separately.

### Buying Decision Process

To develop effective marketing strategies, we need insight into the process that our customers use in making their purchase decision. To gather this information:

- \* Watch and listen as people shop.
- \* Talk to customers.
- \* More importantly, listen to your customers.
- \* Study your competitor's products and marketing strategies, and
- \* Check with trade associations and industry publications.

### Buying roles

When purchasing, people play various buying roles. To illustrate, in the consumer market, a child may influence a parent and in the industrial market, an engineer may influence the purchasing department while a customer through sales initiated the need. Your knowledge of roles and their importance will enable you to more effectively meet your customer's needs.

1. **Initiators** first suggest the purchase.
2. **Influencer** explicitly or implicitly effects the purchase.
3. **Decider** determines whether, what, how, when, and where to buy.

4. **Purchaser** individual who makes the purchase.
5. **User** is the person who actually uses the product or service.

### Purchase involvement

In a high involvement decision, your customer sees the item as expensive, risky, infrequently purchased, and highly reflective on them. Thus, they spend more time and money studying the purchase. On the other hand, low involvement purchases have the opposite characteristics, and thus, generally people purchase out of habit. Carefully study the behavior of your customers and design your marketing strategies to effectively meet their involvement needs.

How much, where, why, when, who is involved, what actions occur, and how is the search conducted for the purchase of your SFP. A trip to the country can approach high involvement!

### Benefits sought

What are the specific benefits that your customers want from your good or service? Notice that the key is on the benefits that our customer wants, not on the features of your product or service. Further, identify the relationship between attributes and benefits. To illustrate, a 5.0-liter car engine is an attribute, while high performance is the benefit. Agriculture has generally been very weak in focusing on the benefits that are important to customers. The SFPs industry can change this by focusing on the benefits the customer is looking for rather than on what our products are.

### *Information sources*

To provide information to our customers, we must understand the sources of information they use in purchasing our products or services. Further, it is essential to recognize that different types and groups of customers use different sources. Generally for consumers, sources are grouped into four categories:

1. **Personal sources** such as friends, family, neighbors, etc.
2. **Commercial sources** including advertising, salespeople, displays, packages, dealers.
3. **Public sources** include mass media and consumer services for rating and testing.
4. **Experiencing sources** using the product, test driving, handling, and studying.

### Analyzing Your Customer's Behavior

Many businesses mistakenly assume that everyone will purchase from them. In reality, each broad category of business, such as restaurants, and each

specific business, such as Smith's Family Restaurant attracts a unique group of customers. To better serve our customer's unique needs, we divide the market into groups called segments.

1. **Demographic segmentation** is the easiest to use because they reflect society's natural divisions. They include age, gender, income, family characteristics, education, social class, and occupation. Family life cycle contains three interactive components, marital status, age, and number of children. A couple with children spends their money differently than a couple with no children. And singles spend differently from married people. It is important to use these variables to draw a very specific picture of your market. To illustrate, most of your SFP may be sold to younger females or perhaps older males.
2. **Psychographics segmentation** reveals how your customers think and react to products or marketing efforts. If effective, it is an attempt to identify what causes your customers to buy your product and specifically why they purchase from you. The specific factors include lifestyles which refers to how a person lives, as reflected through their activities, interests, and opinions. Personality refers to those psychological characteristics that generally cause similar reactions to things happening around the individual. You will probably need to talk to a marketing professional for help in using lifestyles or personality since they are extremely complex.
3. **Behavioral segmentation** refers to actual behavior of customers including their use, attitudes, and knowledge. Are they users, what is their usage rate, what is the normal amount purchased, and how frequently do they purchase. This category of segmentation variables is often the starting point for effective marketing plan. Usage rate is important because of the 80-20 rule of thumb. For most products, 20 percent of your customers will generate 80 percent of your sales. Thus, the heavy user is extremely important. Light and nonusers can be targeted to increase their purchases.
4. **Geographic segmentation** identifies the location of your customers and the population density. Do you sell locally, regionally, nationally or internationally? In addition, you should consider making a map reflecting the actual location of customers or distributors.

## Marketing Speciality Forest Products

This section of this paper specifically addresses the unique characteristics of marketing specialty forest products.

### *Characteristics of Marketing for Specialty Forest Products*

Markets for SFPs are often very different from markets for more common agricultural products. They are usually characterized by the following:

1. Generally, markets for SFPs are "niche" markets--small, very specialized, and with only a few buyers.
2. Often production is seasonal (nuts, berries or mushrooms) or consumption is seasonal (nuts or Christmas boughs). This means that production labor is highly concentrated and that products may need to be stored for months.
3. Some products such as mushrooms and berries are highly perishable. This increases costs and risks for storage and transportation between the producer and consumers.
4. Producers may be reluctant to share their sources of product, methods of production, and potential markets. This can make it difficult for newcomers to enter the industry.

### *The Role of Quality in Marketing Specialty Forest Products*

The key to marketing SFPs is to give our customers what they want. This starts with a quality product. Your target market, however, defines quality. Some customers may want "perfect" quality and others may want "good" quality. Customers may consider number or weight in a package, color, size, texture, packaging, foreign materials, cleanliness, appearance, brandname, and many other factors. Find out what kinds of quality your customers are looking for.

Once you have identified what quality is to your customers, you must deliver that quality consistently. This can be a problem for forest products because much depends on nature and weather. During years of poor harvest, you may be tempted to alter the quality of your product. While this may help sales in the short

run, it will hurt both your reputation and the reputation of the industry overall.

A brandname is the most valuable tool for communicating quality to your customers. If your target market wants "perfect" quality, your brand must deliver "perfect" quality every time.

### *Value-added Processing of Specialty Forest Products*

Traditionally, most agricultural producers have sold unprocessed products. However, during the past decade, we have seen a rapid expansion of further processing by producers to add value to their products. For example, North Dakota farmers have started selling pasta rather than wheat. South Dakota farmers are adding value to soybeans at their solvent extraction plant in Volga. Corn farmers are profiting by turning corn into corn sweeteners and ethanol before they sell their product.

The first step in developing value-added marketing is to determine the feasibility of adding value. Certainly, there is little chance of adding significant value to products such as golden seal, ginseng or herbs, which are sold to pharmaceutical companies. But there are opportunities for other products. Mushrooms, nuts and berries can be processed into candies, syrups, jellies or wines. Even packaging can be a way of adding value. Mushrooms can be canned to prolong shelf life, and nuts can be put into an attractive package so that instead of being valued as a food, they are valued as a food and a gift (See figure 1.) This is adding value to your product.

The step in deciding whether you can profit by adding value to your product is to determine how much product you would need to produce. To determine the optimal volume, the following questions need to be answered.

- ⇒ Do you have the financial resources for facilities, equipment, operations, and inventory? And do you have financial support to allow for a bad year during the first few years of operation?
- ⇒ Can you produce or obtain enough product to build a business that is large enough to have competitive costs? Building a very small plant in an industry served by large plants will result in failure. Can you produce enough product to run your business near capacity?

### *Creating a Successful Marketing Campaign for Value-added Products*

A key ingredient in value-added marketing is an advertising campaign that informs customers about your product and the value you have added to the

product. To develop an effective campaign you need to answer these questions.

1. Who are your customers? To better serve customers and meet their needs, you need to know who they are. Consumers can be divided into three groups: nonusers, light users, and heavy users. According to a rule of thumb, heavy users make up about 20 percent of the population but purchase 80 percent of our product.
2. To market effectively, you need to know the characteristics of the light and heavy users of your product: What is their age, sex, income, marital status, occupation, family size, social class, lifestyle? These factors are important because different words and message are used to sell to different markets. Older people respond differently than younger folks, and men respond to messages differently than women.
3. What benefits are your customers seeking? People do not buy products! Rather, they buy solutions to their problems and they buy things to meet their needs. That is, they buy benefits! Therefore, your marketing campaign should focus on the benefits your customers will receive from your specialty forest products. This is the old "sell the sizzle, not the steak" concept. To illustrate, rather than stressing that a product is organic, stress the benefits provided by organically grown products - for example, fewer chemicals result in better health and a cleaner environment. Rather than saying "made from woods-grown berries" on the package, say "made from more flavorful woods-grown berries."

### *Challenges Ahead for Marketing Specialty Forest Products*

The future of SFPs, both for you as an individual producer, and for the industry in general, depends on effective marketing. To get more "bang" for each dollar that individual producers spend on marketing, the industry may have to promote some legislative initiatives and legal alliances with a unified voice. That is, there must be "cooperative" efforts in marketing SFPs and the development of "grades and standards" for the industry.

The first challenge is cooperative marketing. Sometimes it is just not practical, or even feasible, for an individual to produce and/or market an SFP. Sometimes the financial requirements and amount of

product necessary for economical processing and marketing suggest that the best strategy is to create a cooperative. Cooperatives can serve markets that need larger plants and require larger volumes of products. Marketing cooperatives can give the producers more control because they provide a strong alliance--especially if they have a mandatory supply clause--and they can successfully create a brand name.

The second issue that needs to be addressed by the industry as a whole is standards for SFPs. Generally, quality of food products is communicated through grades or standards. No grades or standards exist for most SFPs to guide producers in what the market expects in terms of quality, quantity, etc. For example, ginseng buyers use internal and not well published criteria to determine the quality of the product at a glance, so the producer has no way of knowing what price to expect for his or her product. Without grades, industry growth is limited because producers do not have the necessary information to expand their businesses. If the specialty forest product industries are to grow and grow rapidly, it is essential to develop grades and standards that will inform consumers and ensure them of the quality they desire. Standards will also provide opportunities for producers to expand with less risk because they will know what the market expects from their product.