

Marketing Wood-based Products: Concepts & Applications

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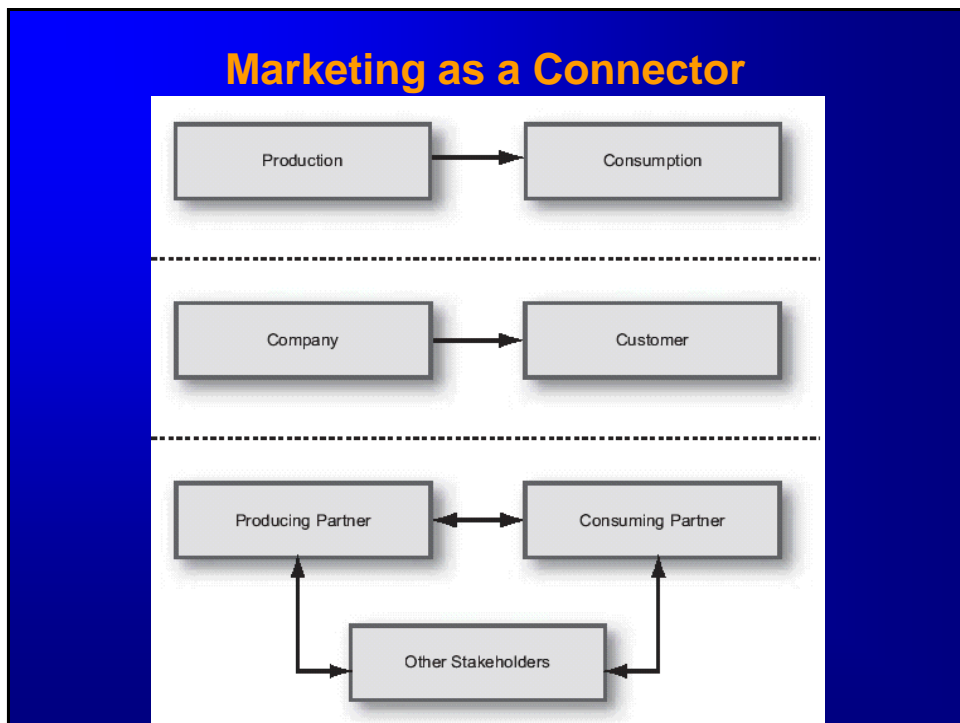


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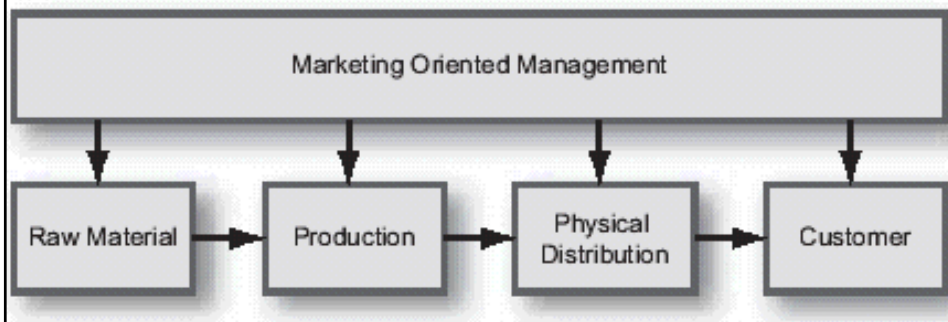


This presentation is a collection of materials adapted from:

- Juslin & Hansen 2004, 2011
- Vlosky 2004, 2013
- Kotler 2001, 2004



Marketing as an Integrator

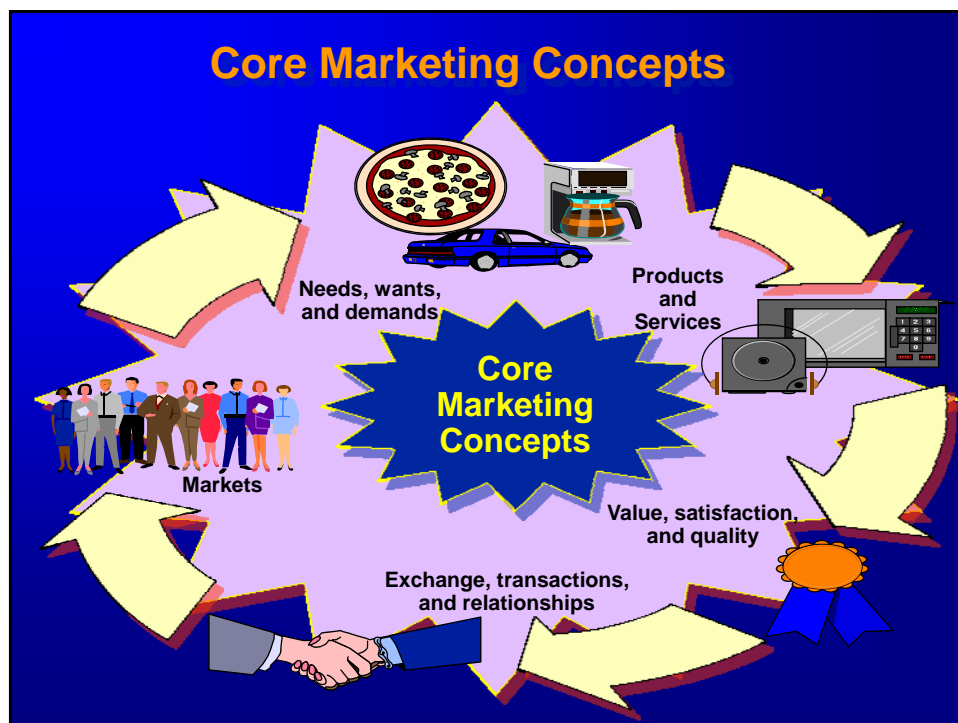


Marketing Concepts:

- Identifies and providing tools for satisfying for customer needs, wants.
- Provides solutions to problems.
- Customer Orientation is Everybody's Business.
- The Customer's Perception is Reality.
- Managing products, distribution, prices, and promotion.
- Describes all that is involved in promoting and selling a product.
- The key to profits lies in creating, marketing and selling products that satisfy customer needs.
- Make all internal and external business decisions with the customer in mind from his/her point of view.

Marketing Defined

“Marketing (management) is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services to create exchanges that satisfy individual and organizational goals.”--- (at a profit!)



How Do Consumers Choose Among Products and Services?

- **Customer Value** - benefit that the customer gains from owning and using a product compared to the cost of obtaining the product.
- **Customer Satisfaction** - depends on the product's perceived performance in delivering value relative to a buyer's expectations.

Why Is Marketing Important?

Because it helps to identify and systematically act on:

- Cyclical nature of economies
- Rapidly emerging production technologies
- Aggressive foreign and domestic competitiveness
- Changing customer behavior and expectations
- Competing products and substitutes
- Unpredictable legislative and political factors

Marketing ≠ Sales

Marketing & Sales Concepts Contrasted

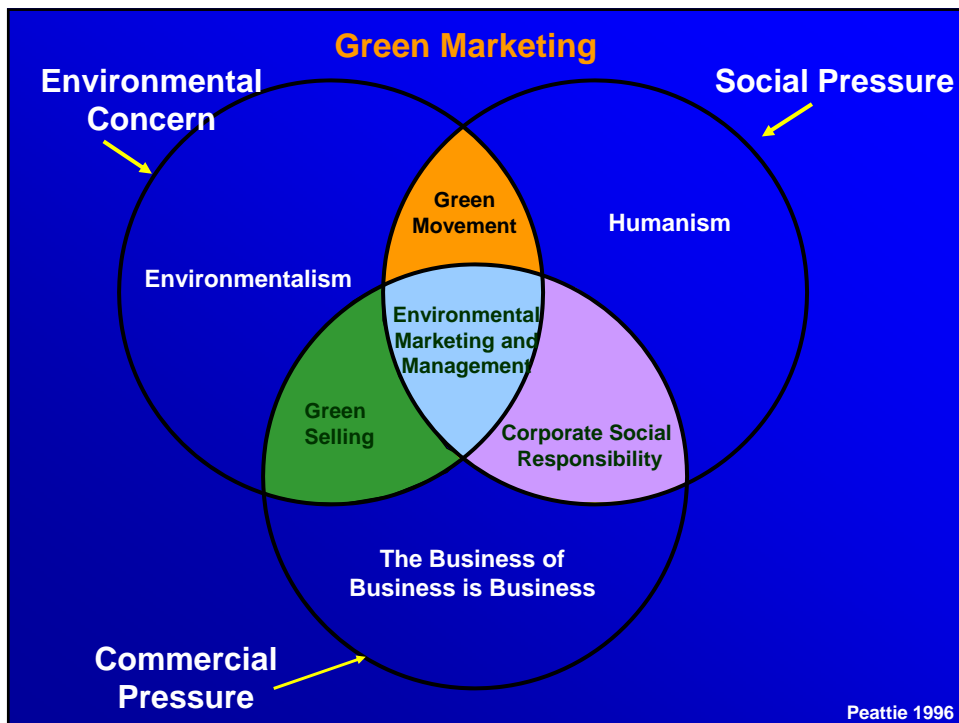


Sales: Tactical and Action Oriented

- Front-line interface to the customer
- Gets customer to buy the product
- Goal is to increase sales volume
- Optimizes marketplace conditions through information gathering

Marketing: Research & Strategic Oriented:

- Serves customer needs
- Identifies customers for a company's products
- Satisfies the company profit objectives
- Right product to right customer
- Develops competitive advantage



The Marketing Mix 4 Ps+1



Marketing Mix: The 4 P's+1

Product: Physical objects or services which satisfy customer needs or wants.

Price: Assessing the worth point that a product or service can be made and provided to the market place

Promotion: Developing a presence and awareness in targeted markets for a product or service

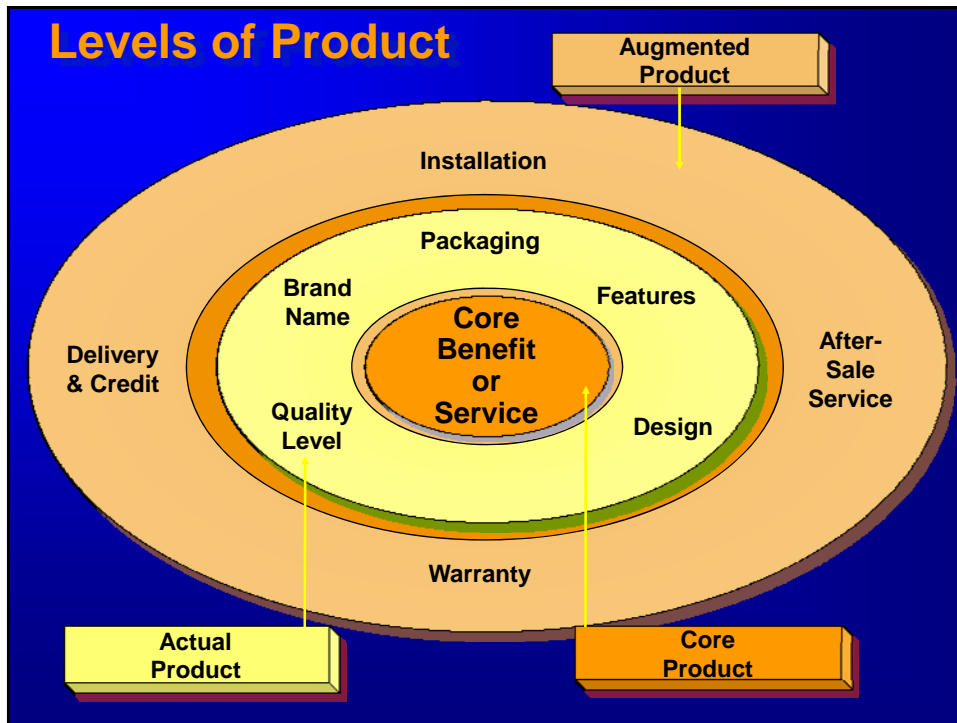
Place: Distribution, logistics and supply chain goods movement management

People: Relationships and social components of the business and marketing environment

The 4 Ps-Product

Product

- Anything that can be offered to a market for use or consumption.
- Satisfies a want or a need.
- Includes:
 - Physical Products
 - Services
 - Persons
 - Places
 - Organizations
 - Ideas
 - Combinations of the above



Production Oriented

- Selling what you make
- Not customer oriented
- Production volume driven
- Maximize operating capacity
- Typical of commodity products

Marketing and Production

- Symbiotic relationship
- Requires communication, coordination and cooperation
- Joint decision making
- Common goals

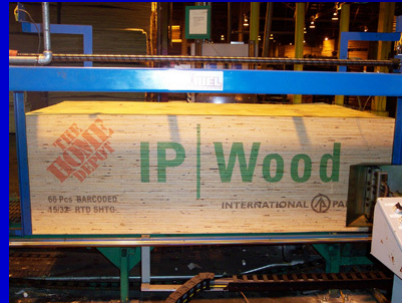
Vlosky 2004

Products & Marketing Go Hand-In-Hand

- Product quality is market driven but controlled by production
- Defects are unacceptable to customers
- If you can't or won't manufacture quality products, your competitors will

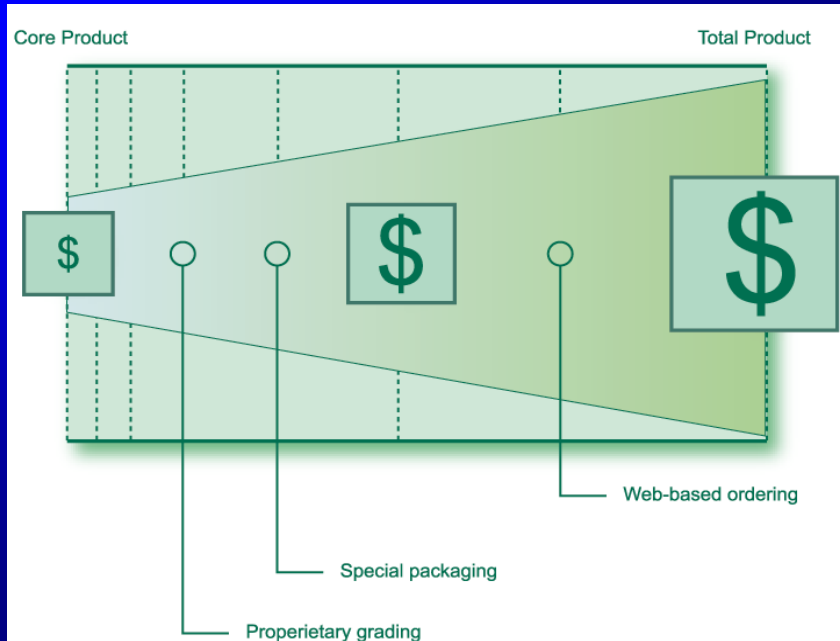
The Total Product Concept

The total product starts with the physical product →





The Total Product Concept



Types of Products

Commodities

- Price sensitive
- Common core characteristics
- Affected by economic cycles

Specialty Products

- Not as price sensitive
- Differentiated in the marketplace
- Few substitutes
- Buffered by economic cycles

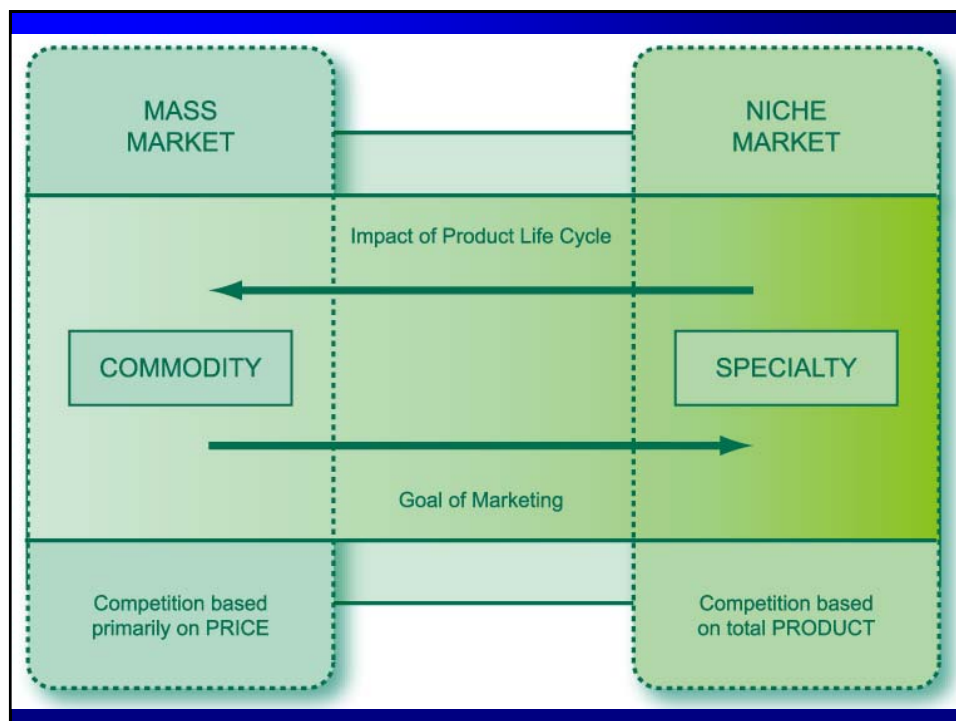
Types of Wood Products

Commodities

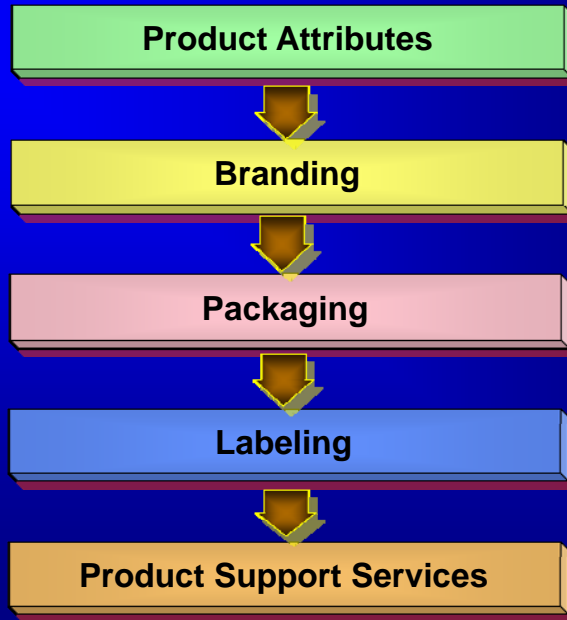
- American Lumber Standards Graded Softwood Lumber
- American Plywood Association Softwood Plywood Grades
- Hardwood Lumber Grades

Specialty Wood Products

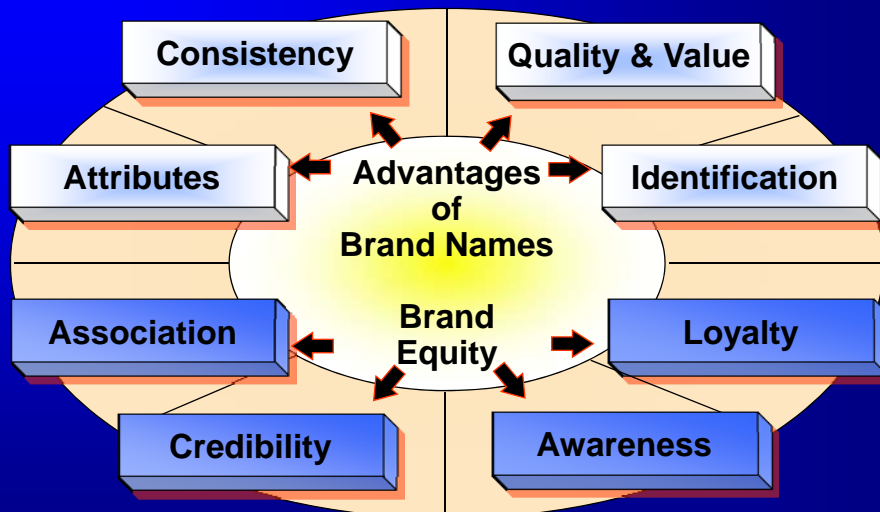
- Custom furniture
- Millwork
- Cabinets
- Rare species (e.g. mahogany, teak)



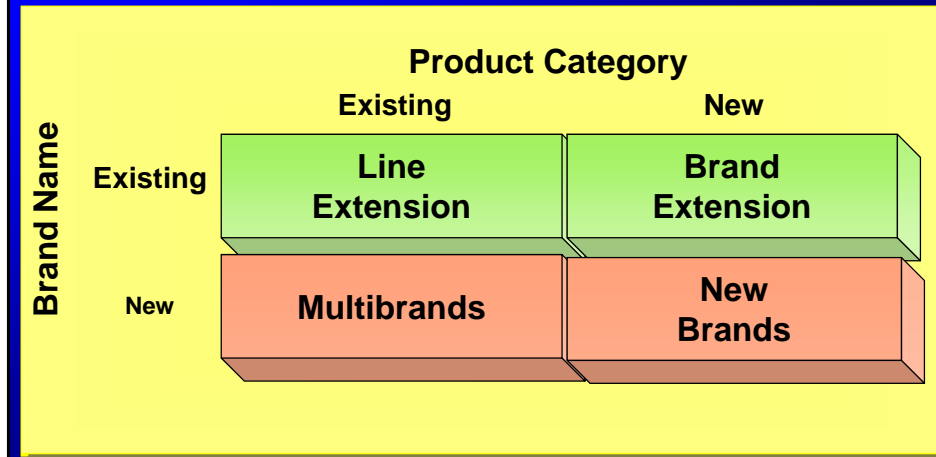
Individual Product Decisions



Brands

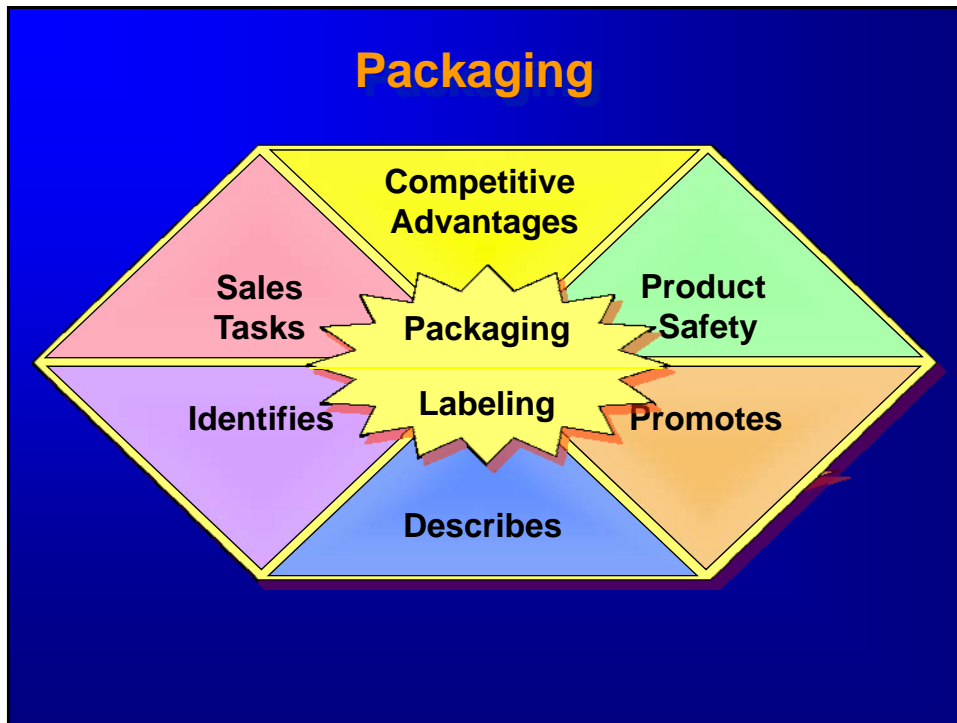


Brand Strategy



Brand Strategy

- **Line Extension**
 - Existing brand names extended to new forms, sizes, and flavors of an existing product category.
- **Brand Extension**
 - Existing brand names extended to new product categories.
- **Multibrands**
 - New brand names introduced in the same product category.
- **New Brands**
 - New brand names in new product categories.

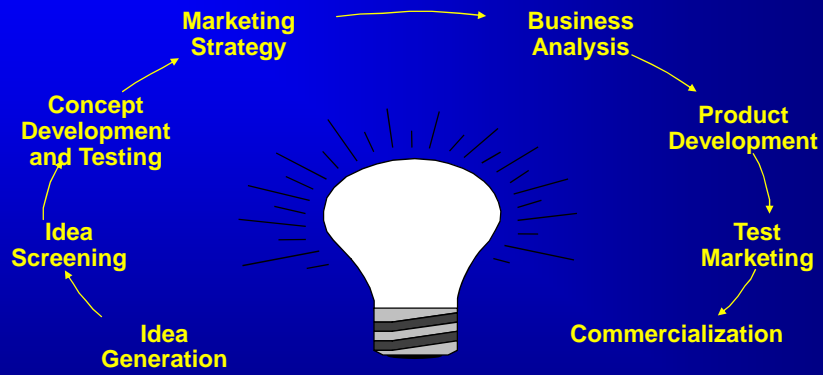


Causes of New Product Failures

- Overestimation of Market Size
- Product Design Problems
- Product Incorrectly Positioned, Priced or Advertised
- Costs of Product Development
- Competitive Actions

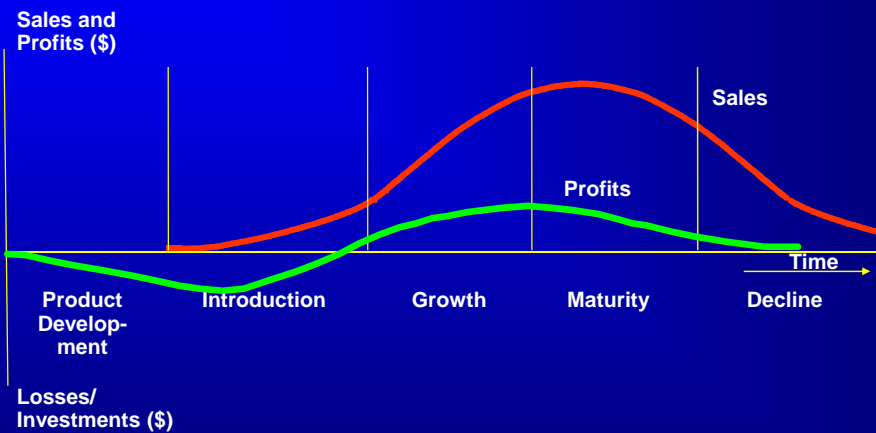
- To create successful new products, the company must:
 - understand it's customers, markets and competitors
 - develop products that deliver superior value to customers.

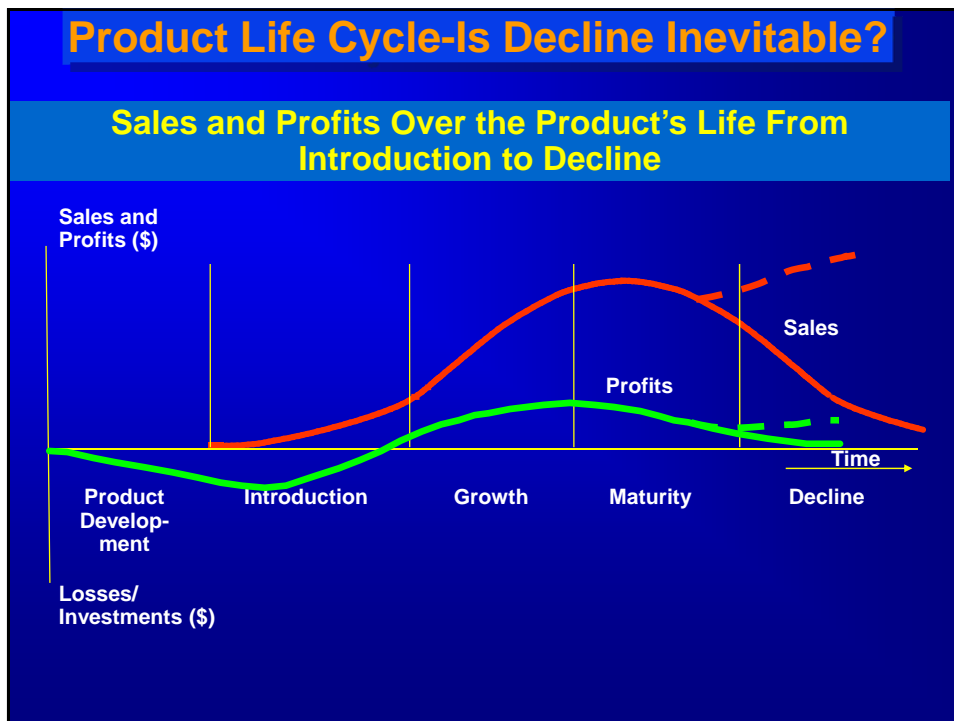
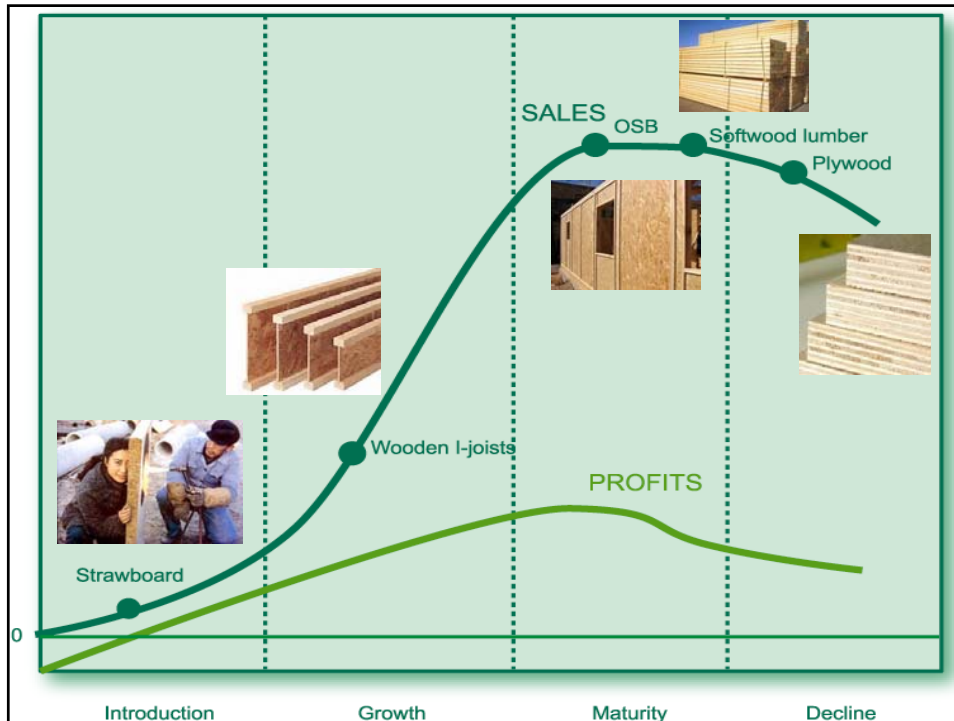
New Product Development Process



Product Life Cycle

Sales and Profits Over the Product's Life From Introduction to Decline





The 4 Ps-Price

Price

- Assessing the worth point that a product or service can be made and provided to the market place
- Determining the "right" price is situational.

Factors In Determining Price

Tangible Factors

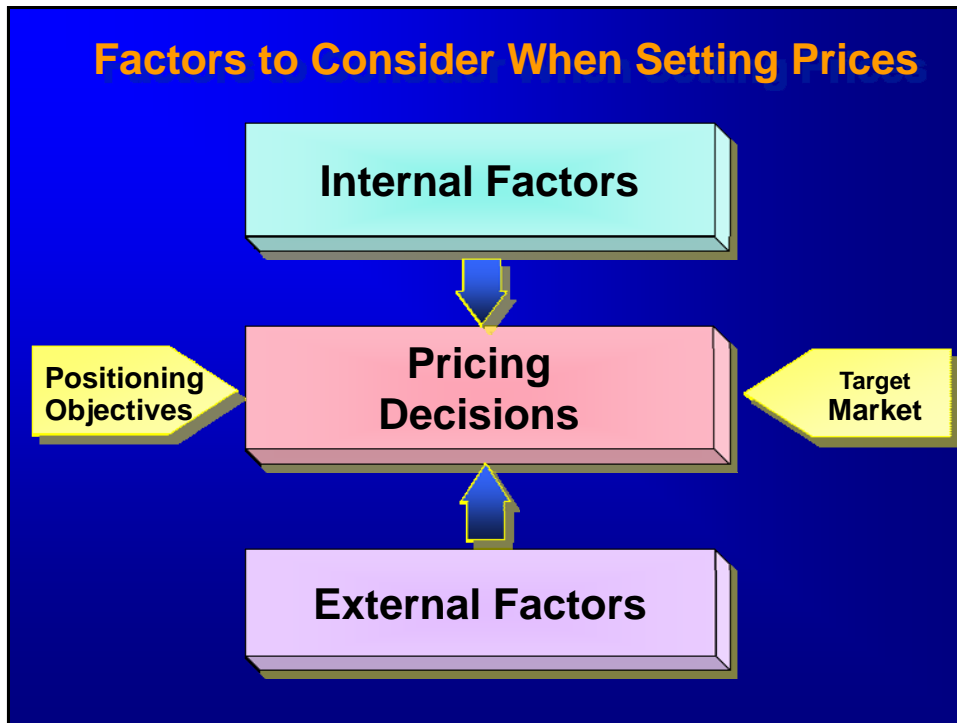
- Fixed costs
- Variable costs
- Profit Margins

Factors In Determining Price

Intangible Factors

- Value of the product in the marketplace
- Quality
- Service
- Supply/Demand factors
- Availability of Substitutes
- Past relationships with customers
- Competition

Factors to Consider When Setting Prices



Internal Factors Affecting Pricing Decisions



Marketing Objectives that Affect Pricing Decisions



Marketing Mix Variables that Affect Pricing Decisions

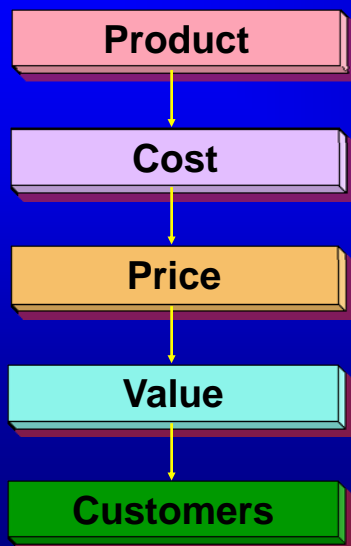


External Factors Affecting Pricing Decisions

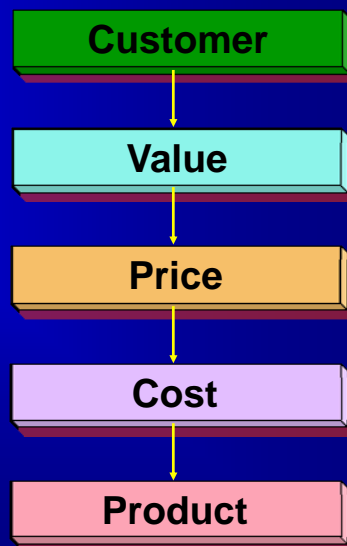


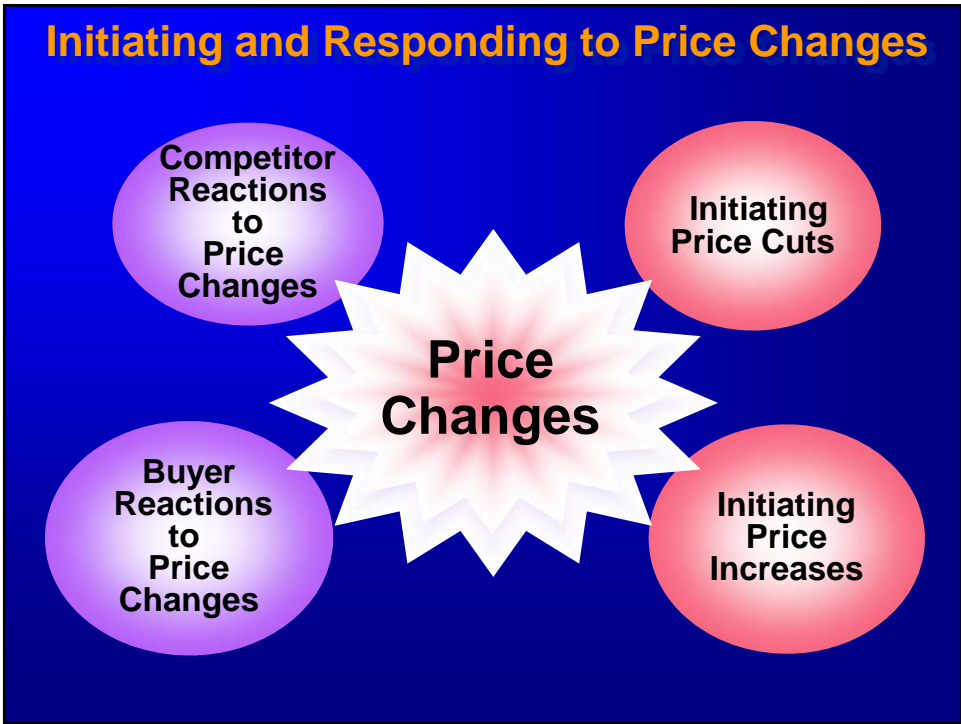
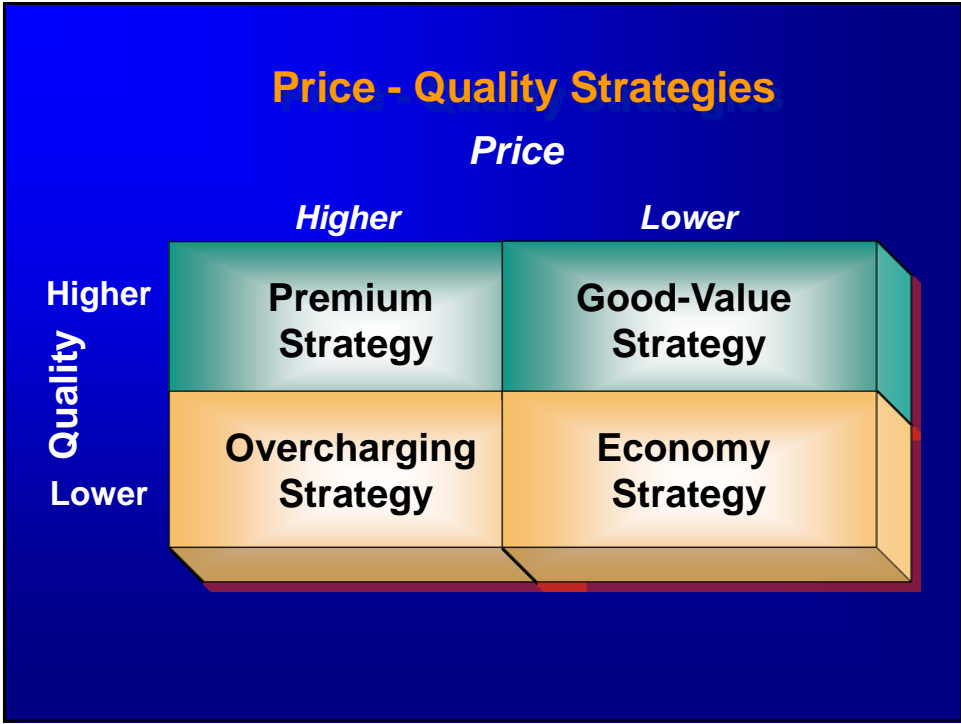
Value-Based Pricing

Cost-Based Pricing



Value-Based Pricing

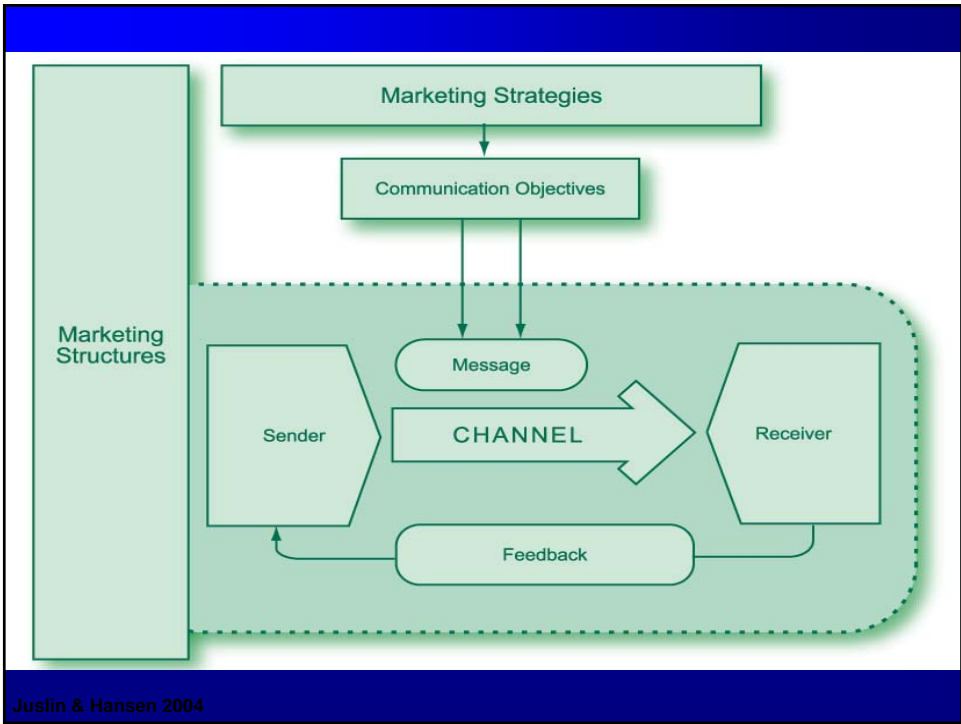
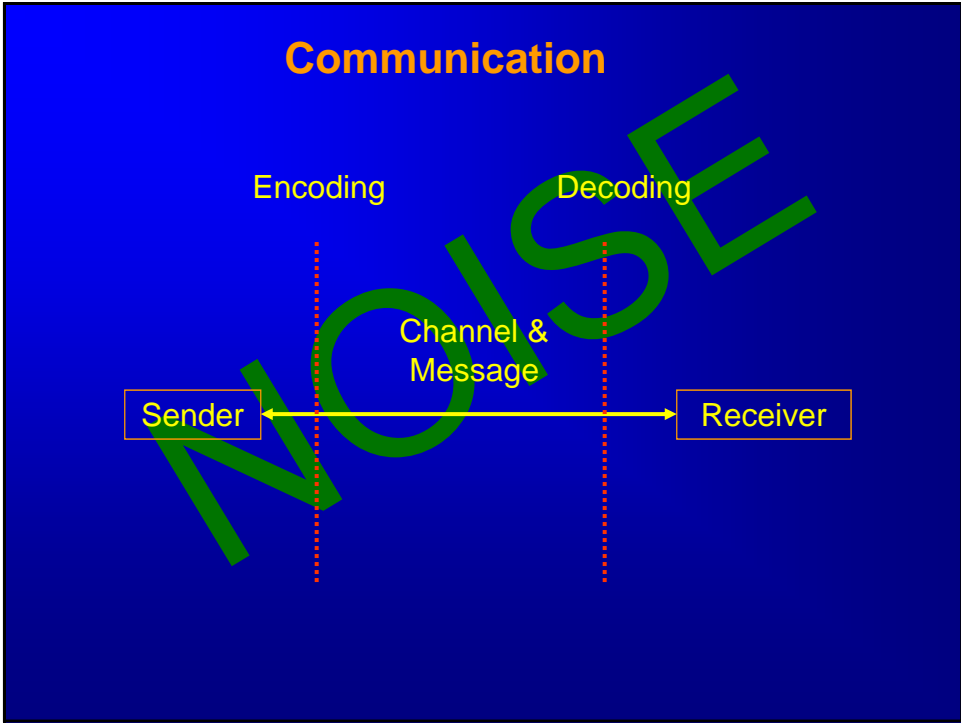




The 4 Ps-Promotion

Why Use Promotion?

- >To stimulate product demand**
- >Develop buyer awareness**
- >Provide product comparisons between your product and your competitor's products**

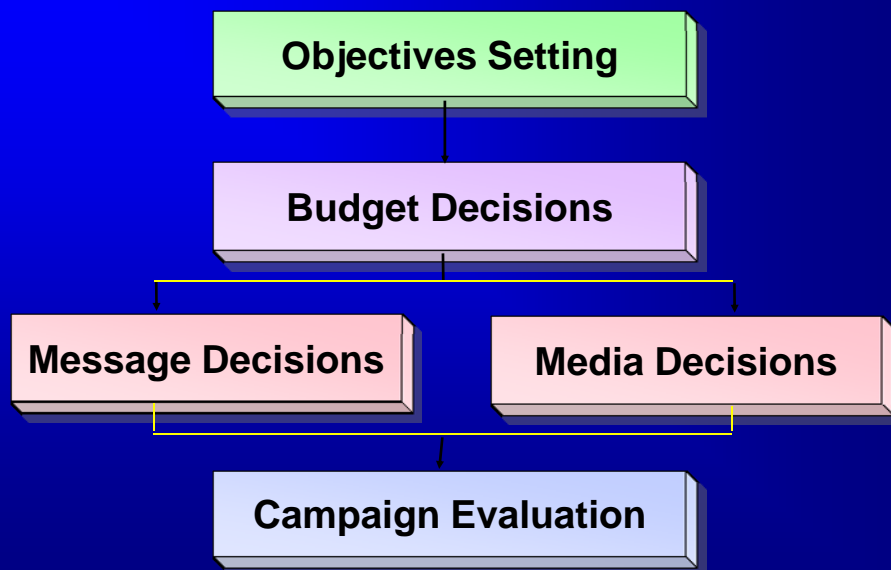




Promotion Tools

- Trade shows
- Direct mail
- Showroom displays
- In-store point-of-purchase displays
- Videos/CDs/DVDs
- Corporate literature
- Product literature
- Catalogs
- Advertisements-TV, Radio, Newspaper
- Magazines, Trade journals
- Packaging
- Product Labeling
- Websites
- Blogs
- Web Infozines
- Social Networking

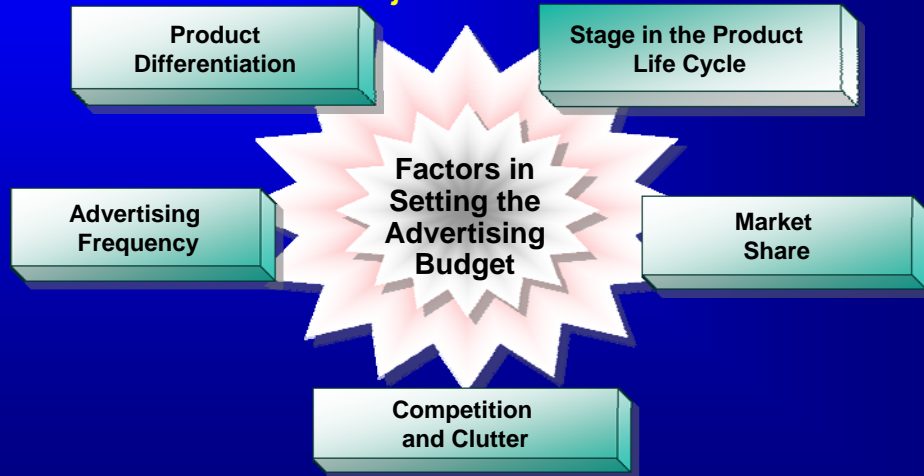
Major Decisions in Advertising



Setting the Advertising Budget

Advertising Budget Methods

Affordable, Percentage of Sales, Competitive-Parity and Objective-and-Task



Advertising Strategy Creating Advertising Messages

Plan a Message Strategy
General Message to Be Communicated to Customers

Develop a Message
Focus on
Customer Benefits

**Creative Concept
"Big Idea"**
Visualization or Phrase
Combination of Both

Advertising Appeals
Meaningful
Believable
Distinctive

What is Public Relations?

- Building good relations with the company's various publics by obtaining favorable publicity, building up a good "corporate image" and handling or heading off unfavorable rumors, stories and events.
- Major functions are:
 - Press Relations or Press Agent
 - Product Publicity
 - Public Affairs
 - Lobbying
 - Investor Relations
 - Development

Major Public Relations Tools



The 4 Ps-Place

Place (Physical Distribution)

is all the activities that get the right product to the right customer at the right time for the right price FROM THE CUSTOMERS POINT OF VIEW

Place (Physical Distribution)

Elements:

- packaging
- service and information
- transportation methods
- delivery times
- delivery locations
- inventory levels and management
- warehousing and storage

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Place (Physical Distribution)

- focuses on the entire distribution system
- considers the total cost approach from both the buyer and supplier perspective

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What is a Distribution/Marketing Channel?

- A set of interdependent organizations (intermediaries) involved in the process of making a product or service available for use or consumption by the consumer or business user.
- Channel decisions are among the most important decisions that management faces and will directly affect every other marketing decision.

Flows in a Distribution/Marketing Channel

- Product
- Negotiation
- Ownership
- Information
- Promotion

Why are Intermediaries Used?

- Greater efficiency in making goods available to target markets.
- Offer the firm more than it can achieve on its own through the intermediaries:
 - Contacts
 - Experience
 - Specialization
 - Scale of operation
- Match supply and demand.

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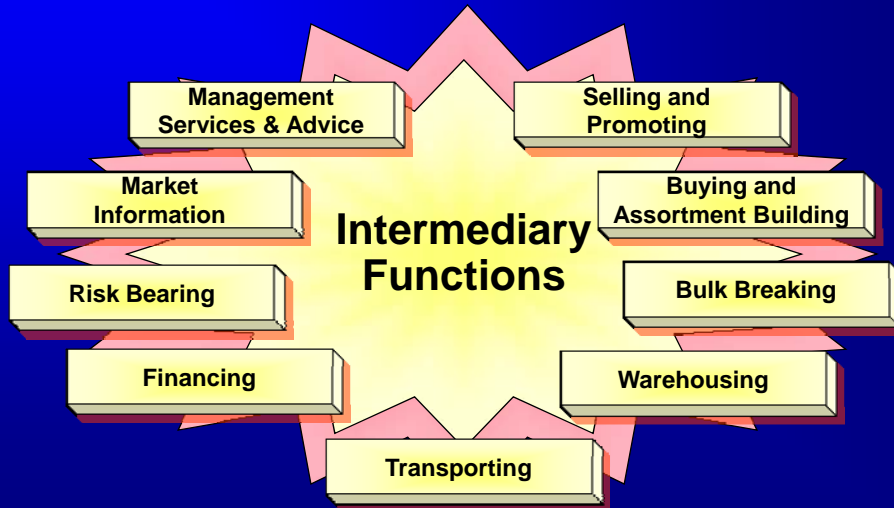
Types of Intermediaries

- **Take Title to Goods**
 - Stocking wholesalers, distributors, importers, industrial end-users, retailers
- **Do Not Take Title to Goods**
 - Office wholesalers, brokers/agents, reload centers, manufacturer's representatives

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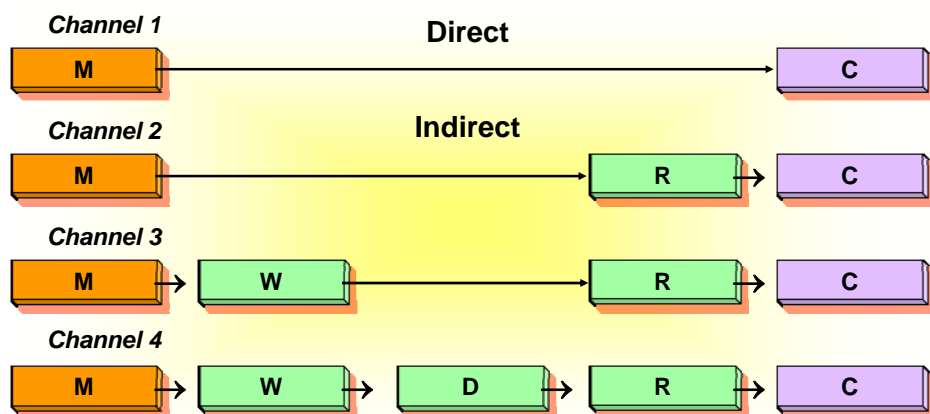
Why are Intermediaries Used?

Often Better at Performing One or More of the Following Channel Functions:



Consumer Marketing Channels & Levels

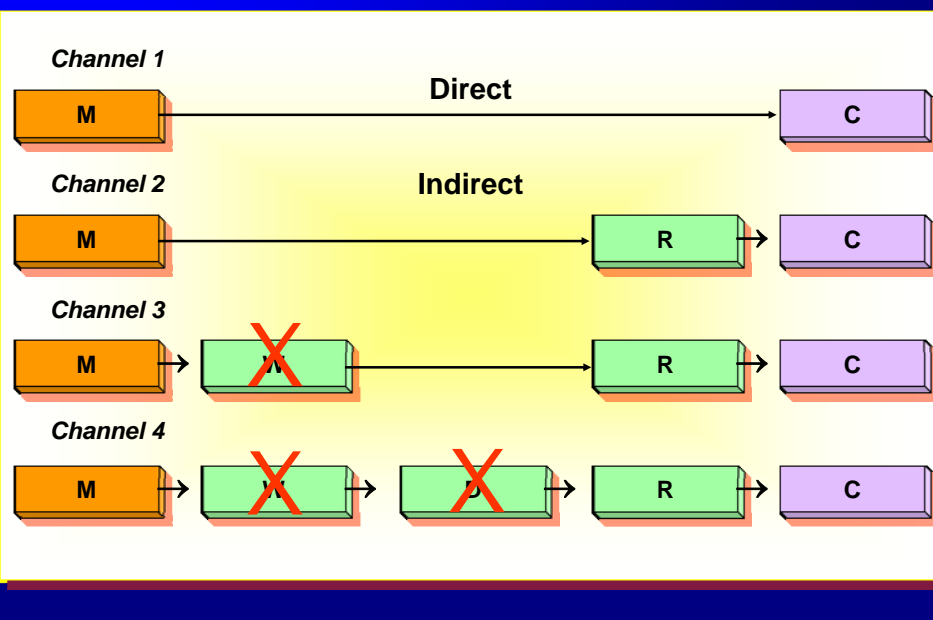
Channel Level - A Layer of Intermediaries that Perform Some Work in Bringing the Product and it's Ownership Closer to the Buyer.



Disintermediation

- **Elimination of channel intermediaries**
 - wholesalers
 - financial institutions

Disintermediated Channels & Levels



Intermediary Channel Trends

Must Learn to Compete Effectively Over
Wider and More Diverse Areas

Increasing Consolidations Will Reduce
Number of Wholesalers

Surviving Wholesalers Will Grow Larger
Through Acquisitions and Mergers

Vertical Integration Will Remain Strong

Global Expansion

Channel Design Decisions

Analyzing Consumer Service Needs

Setting Channel Objectives & Constraints

Identifying Major Alternatives

Intensive
Distribution

Selective
Distribution

Exclusive
Distribution

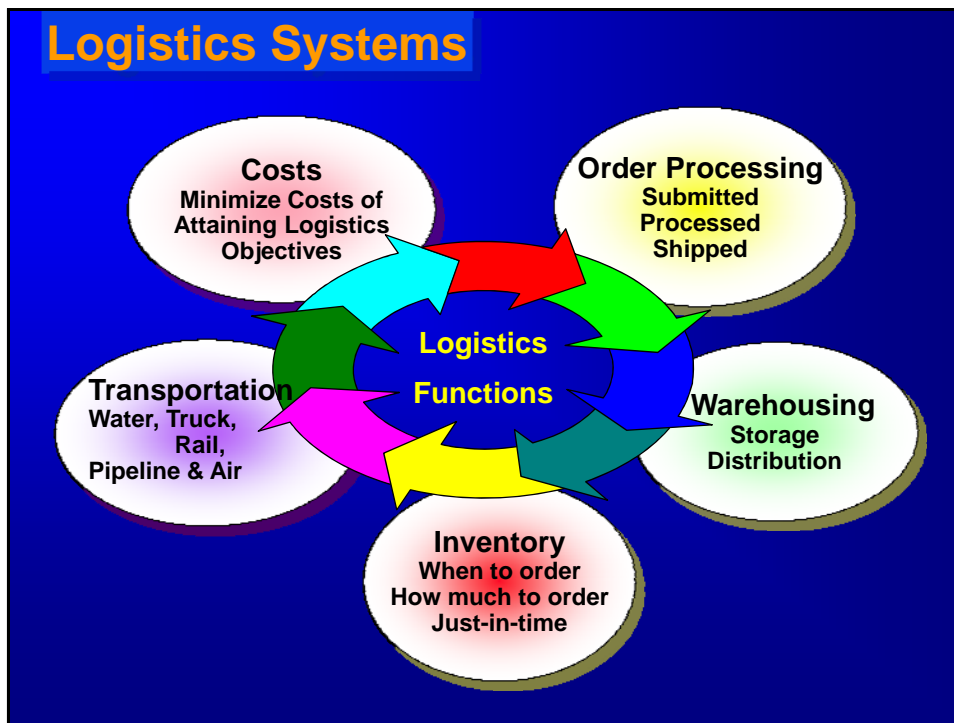
Evaluating the Major Alternatives



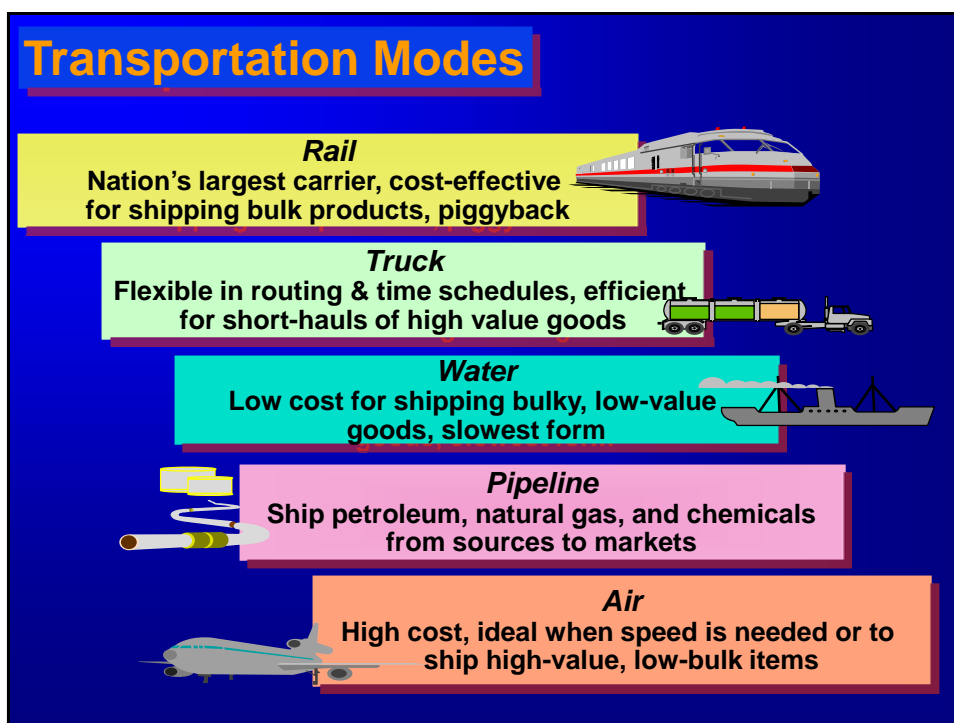
Nature and Importance of Logistics

- Involves getting the right product to the right customers in the right place at the right time.
- Companies today place greater emphasis on logistics because:
 - effective logistics is becoming a key to winning and keeping customers.
 - logistics is a major cost element for most companies.
 - the explosion in product variety has created a need for improved logistics management.
 - information technology has created opportunities for major gains in distribution efficiency.

Logistics Systems

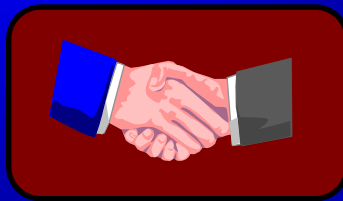


Transportation Modes



The 5th P-People

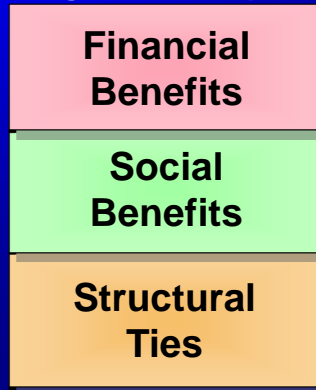
Business Relationships: Creating Competitive Advantage



Building Customer Satisfaction and Loyalty by Relationship Marketing

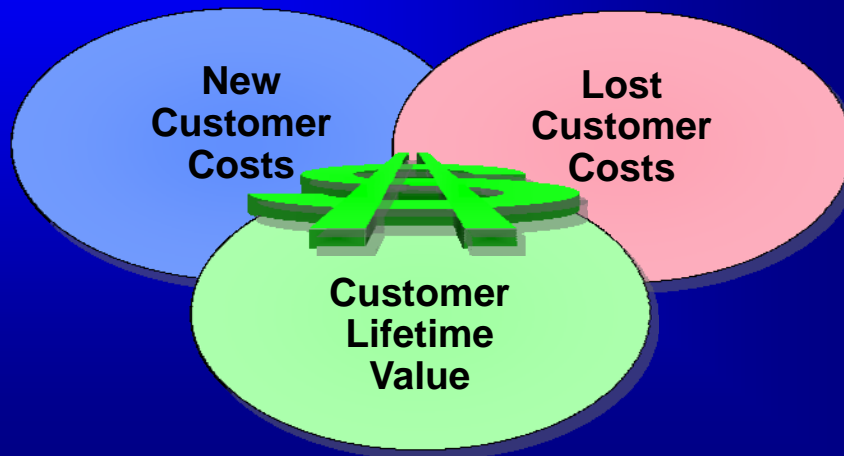
Relationship Marketing Involves Creating, Maintaining, and Enhancing Strong, Long-Term Relationships with Customers and Other Stakeholders.

Methods for Building Relationships Include Offering:

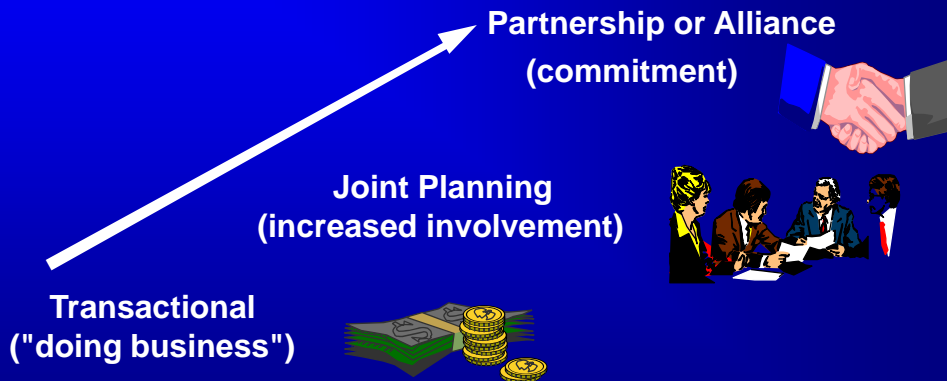


The Need for Customer Retention

The Key to Customer Retention is Superior Customer Value and Satisfaction. Companies Must Consider:

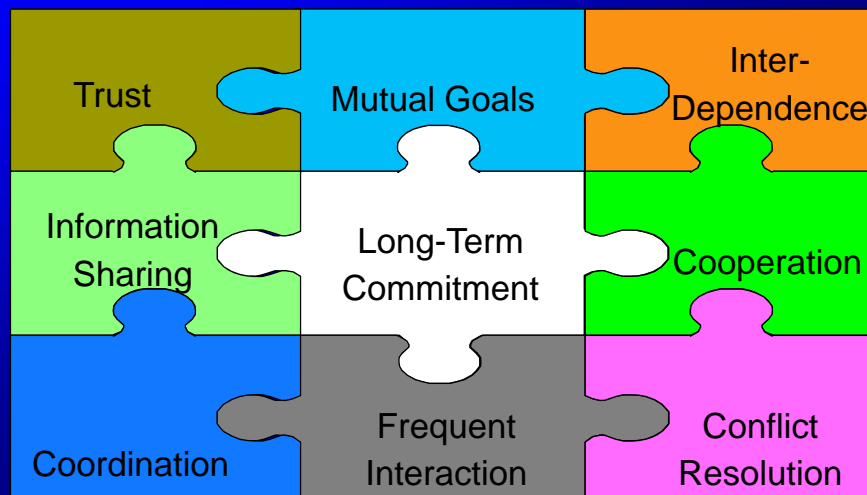


Relationship Continuum



Vlosky 1999

Relationship Foundation



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Characteristics of Long-Term Relationships

- Closer ties with customers
- Sharing of information
- Frequent interaction
- Interaction across many departments
- Joint product or service development
- Computer links

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Reasons To Develop Better Relationships

- Reduce risk
- Reduce transaction costs
- Decrease vulnerability in the marketplace
- Reduce uncertainty

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Enhanced Relationship Structures

- **Joint inventory management**
- **Joint ventures**
- **Exclusive territory agreements**
- **Exclusive product agreements**
- **Electronic data interchange connection**

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Enhanced Relationship Structures

- **Long-term program or sales agreements**
- **Joint planning programs**
- **Joint marketing activities**
- **Joint promotion**
- **Tradeshow activity**

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Benefits of Long-Term Relationships

- Improved quality and process performance
- Joint cost reductions
- Prevent being replaced by competitors
- Continuity of sales
- Maintain market position
- Buffer business cycles

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Benefits of Long-Term Relationships

- Higher net sales volume
- Improved margins
- Greater ROI
- More inventory turns
- Lower selling and marketing costs
- Lower customer turnover
- Higher customer satisfaction
- Higher repeat sales

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Relationship Satisfaction Gaps - Causes -

- **New Customer Requirements**
- **New Programs**
- **Technology**
- **Changes in Business Conditions**
- **New Personnel**
- **Lack of Communication**
- **Differences in Perceptions**

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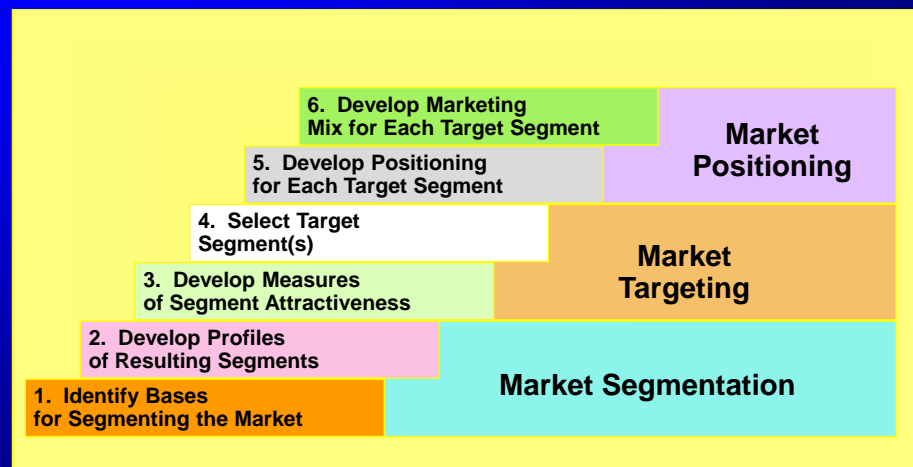
Markets and Segmentation

Marketing's Role

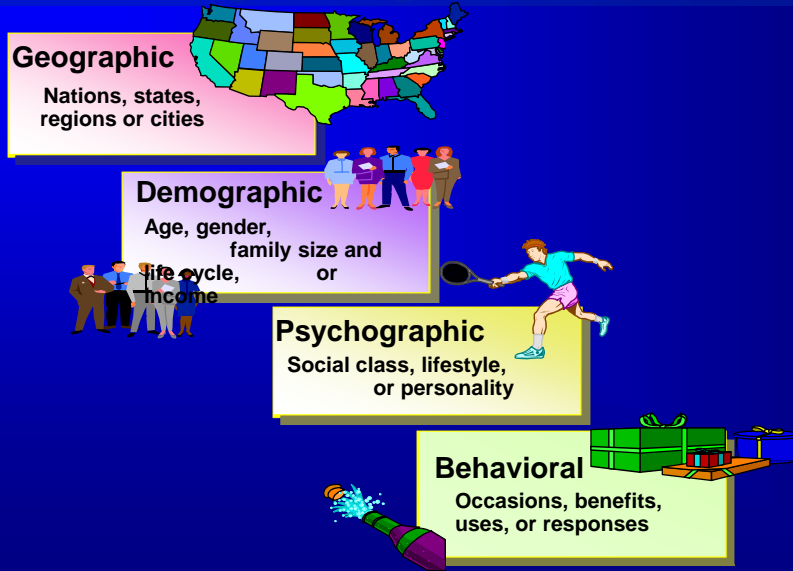
- **Process of Selecting Target Customers**

- Market Segmentation: determining distinct groups of buyers (segments) with different needs.
- Market Targeting: evaluating and selecting which target segments to enter.
- Market Positioning: products distinctive and desirable place in the minds of target segments compared to competing products.

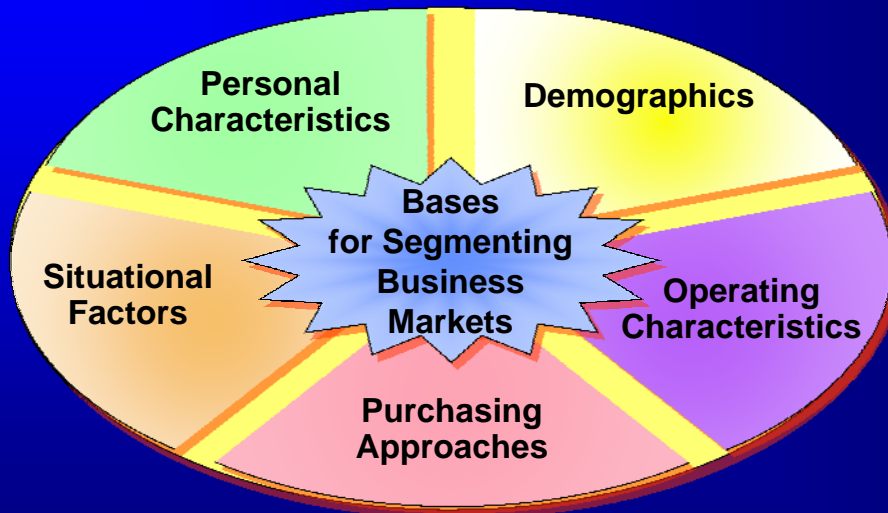
Steps in Segmentation, Targeting, and Positioning



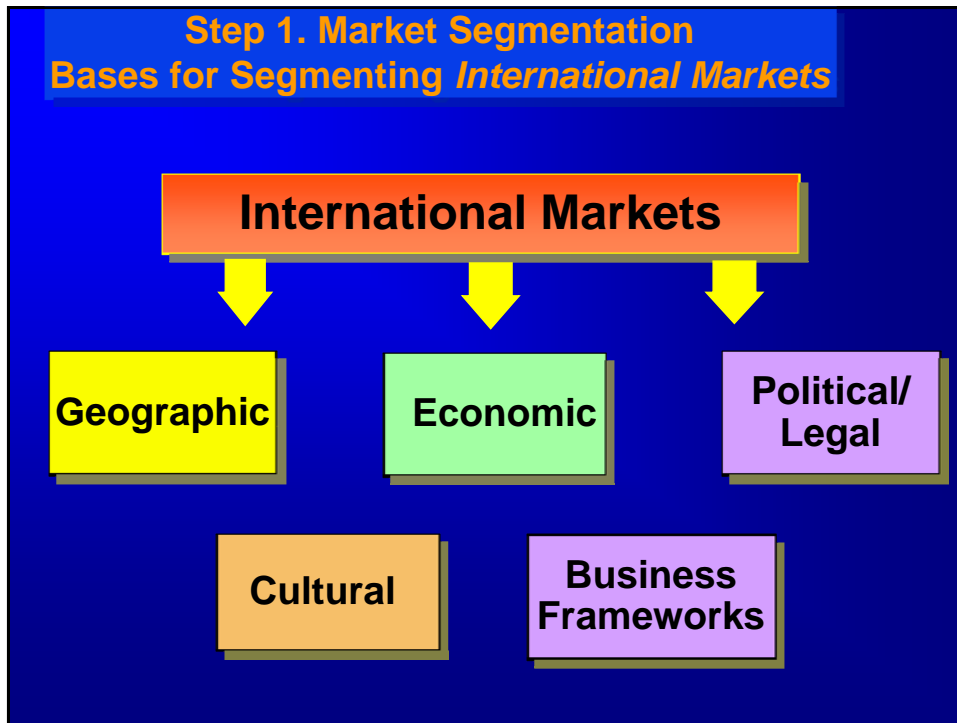
Step 1. Market Segmentation Bases for Segmenting Consumer Markets



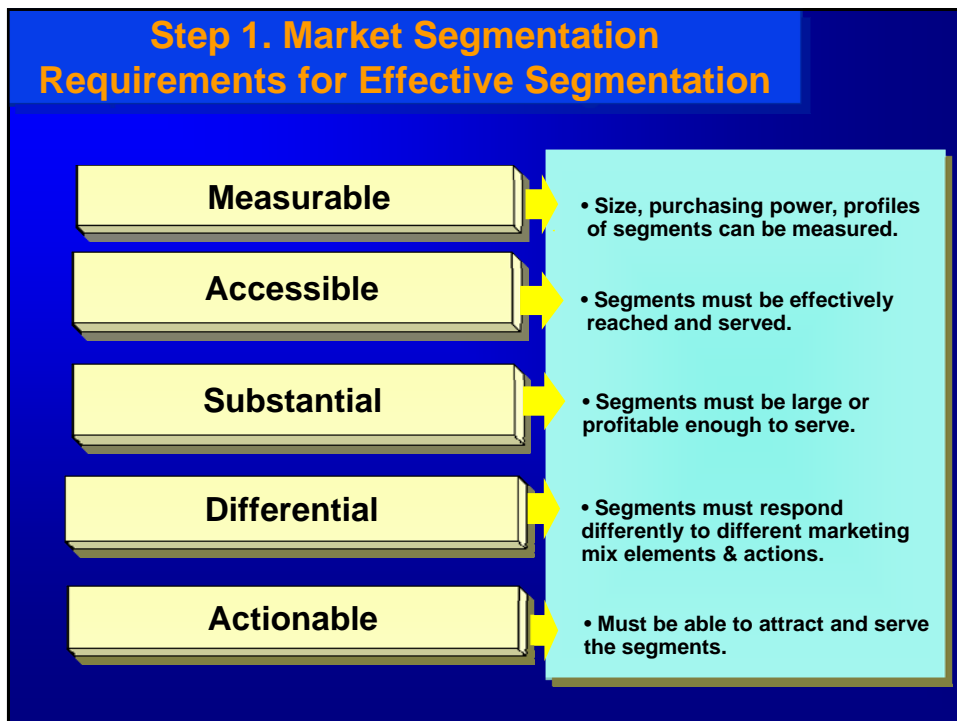
Step 1. Market Segmentation Bases for Segmenting Business Markets



Step 1. Market Segmentation Bases for Segmenting *International Markets*



Step 1. Market Segmentation Requirements for Effective Segmentation



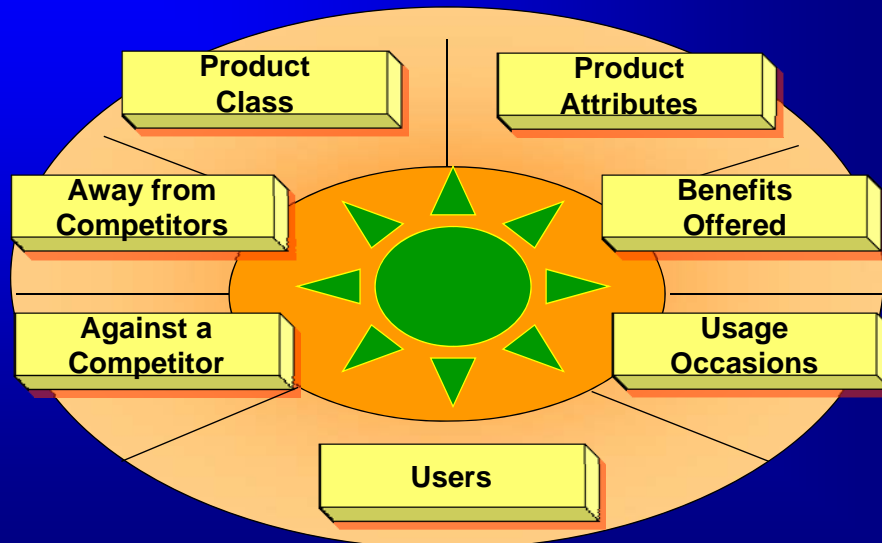
Step 2. Market Targeting Evaluating Market Segments

- **Segment Size and Growth**
 - Analyze sales, growth rates and expected profitability.
- **Segment Structural Attractiveness**
 - Consider effects of: Competitors, Availability of Substitute Products and, the Power of Buyers & Suppliers.
- **Company Objectives and Resources**
 - Company skills & resources relative to the segment(s).
 - Look for Competitive Advantages.

Step 3. Positioning for Competitive Advantage

- **Product's Position** - the place the product occupies in consumers' minds relative to competing products; i.e. Volvo positions on "safety".
- **Marketers must:**
 - Plan positions to give products the greatest advantage
 - Develop marketing mixes to create planned positions

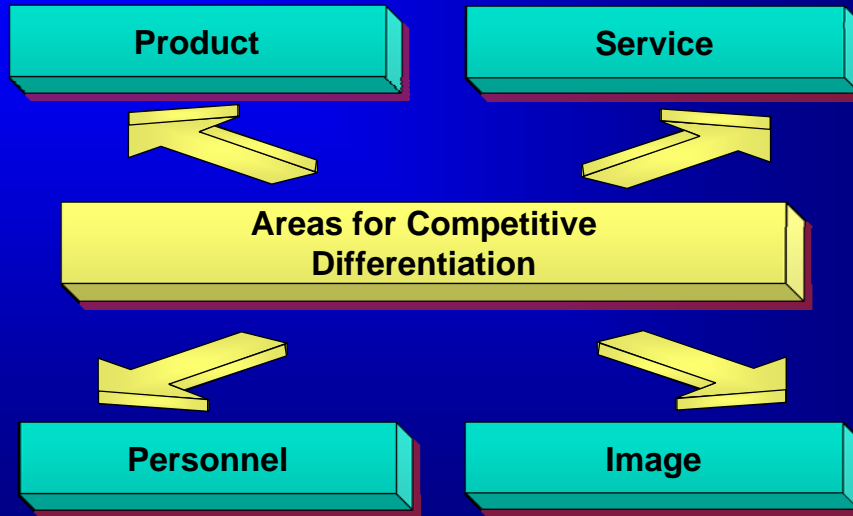
Step 3. Positioning Strategies for Competitive Advantage



Steps to Choosing and Implementing a Positioning Strategy

- **Step 1.** Identifying a set of possible competitive advantages: Competitive Differentiation.
- **Step 2.** Selecting the right competitive advantage.
- **Step 3.** Effectively communicating and delivering the chosen position to the market.

Developing Competitive Differentiation



Company and Marketing Strategy: Planning and Tools

Designing the business portfolio involves:

- Developing strategies for growth by identifying, evaluating, and selecting promising new market opportunities.
- Developing strategies for downsizing the business portfolio.

Strategic Planning

- **Strategic planning is defined as:**
 - “The process of developing and maintaining a strategic fit between the organization’s goals and capabilities and its changing marketing opportunities.”

Strategic Planning Process

This process involves:

- **Defining a Mission**: Statement of an organization's purpose; should be market oriented.
- **Setting Company Objectives**: Supporting goals and objectives to guide the entire company.
- **Designing a Business Portfolio**: Collection of businesses and products that make up the company.
- **Planning Functional Strategies**: Detailed planning for each department designed to accomplish strategic objectives.

Strategic Planning

- Mission statements guide the development of objectives and goals.
- Objectives are developed at each level in the organization hierarchy.
- Strategies are developed to accomplish these objectives.

Strategic Planning

- **Mission statements should . . .**
 - serve as a guide for what the organization wants to accomplish.
 - be “market-oriented” rather than “product-oriented”.
 - be neither too narrow, nor too broad.
 - fit with the market environment.
 - be motivating.

Strategic Planning

- **Objectives should . . .**
 - serve as specific benchmarks or hurdles the organization wants to accomplish.
 - be quantifiable.
 - have time frames.
 - identify function or department responsible.
 - be achievable (with effort).

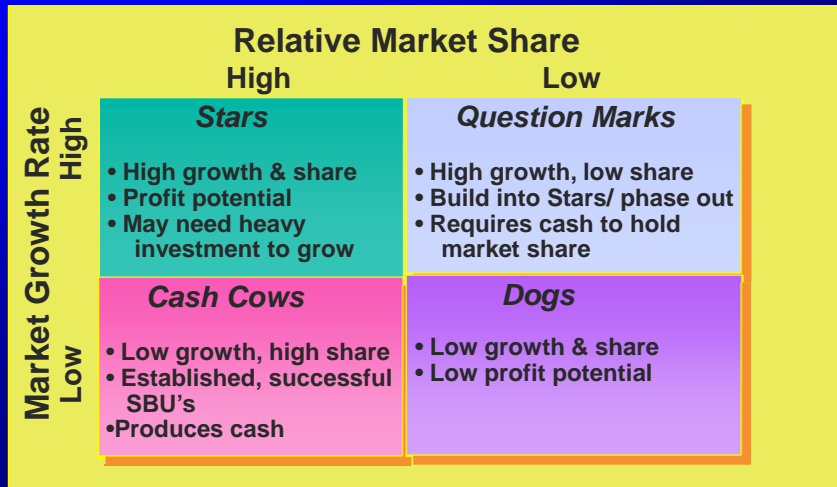
Strategic Planning

- **Business portfolio:** “the collection of businesses and products that make up the company.”
- Designing the business portfolio is a key element of the strategic planning process.

Generic Market Strategy Characteristics

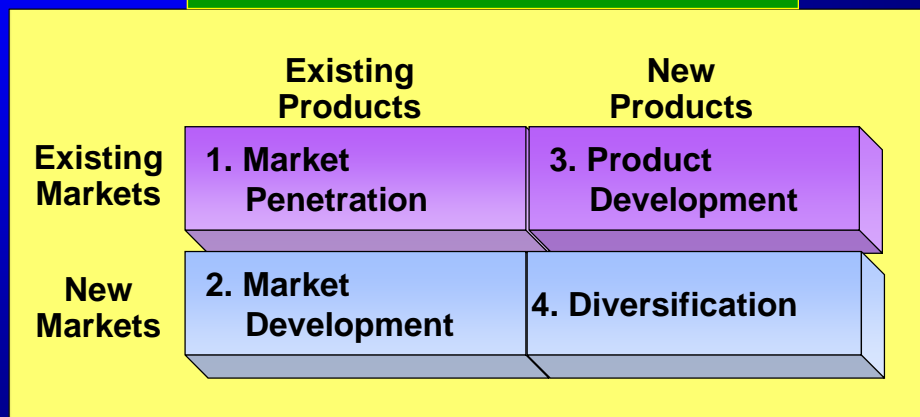
		Competitive Strength		
		STRONG	MODERATE	WEAK
Market Attractiveness	HIGH	Extend Position <ul style="list-style-type: none"> •invest to grow at maximum digestible rate •concentrate effort on maintaining strength 	Invest to Build <ul style="list-style-type: none"> •challenge for industry leadership •build selectively on strengths •reinforce vulnerable areas 	Build Cautiously <ul style="list-style-type: none"> •specialize around limited strengths •seek ways to overcome weaknesses •withdraw if indications of sustainable growth are lacking
	MEDIUM	Build Selectively <ul style="list-style-type: none"> •invest heavily in most attractive segments •build ability to counter competition •emphasize profitability by increasing productivity 	Invest Selectively <ul style="list-style-type: none"> •protect existing programs •concentrate investments on segments where profitability is good and risk is relatively low 	Limit Expansion <ul style="list-style-type: none"> •look for ways to expand without high risk; otherwise minimize investment and rationalize operations
	LOW	Protect & Refocus <ul style="list-style-type: none"> •manage for current earnings •concentrate on attractive segments •defend strengths 	Harvest <ul style="list-style-type: none"> •protect position in most profitable segments •upgrade product lines •minimize new investments 	Divest <ul style="list-style-type: none"> •sell at the time that will maximize cash value •cut fixed costs and avoid investments

Analyzing Current SBU's: Boston Consulting Group Approach

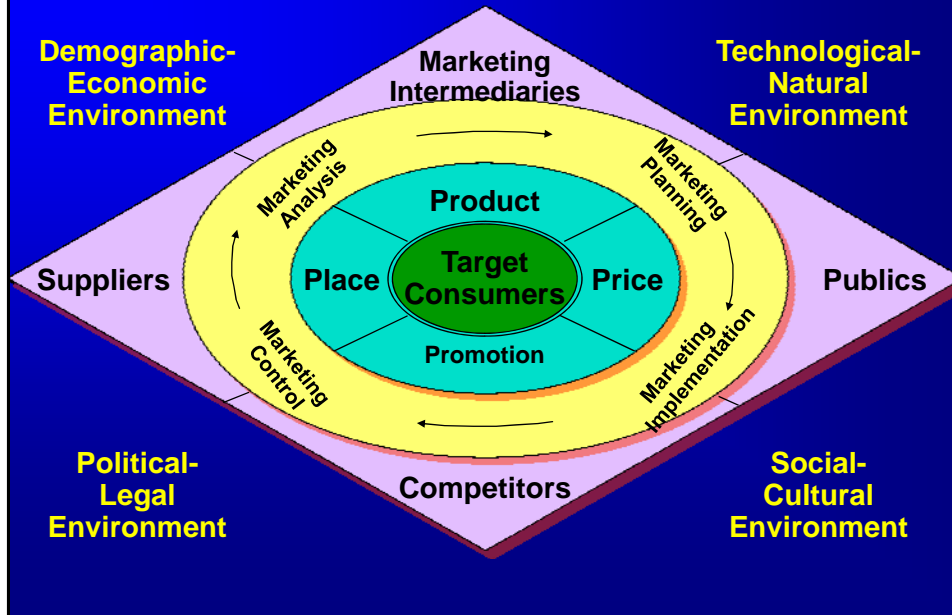


Developing Growth Strategies

Product/ Market Expansion Grid



The Marketing Process



Elements of a Marketing Plan

Executive Summary

Current Marketing Situation

Threats and Opportunities

Objectives and Issues

Marketing Strategy

Action Programs

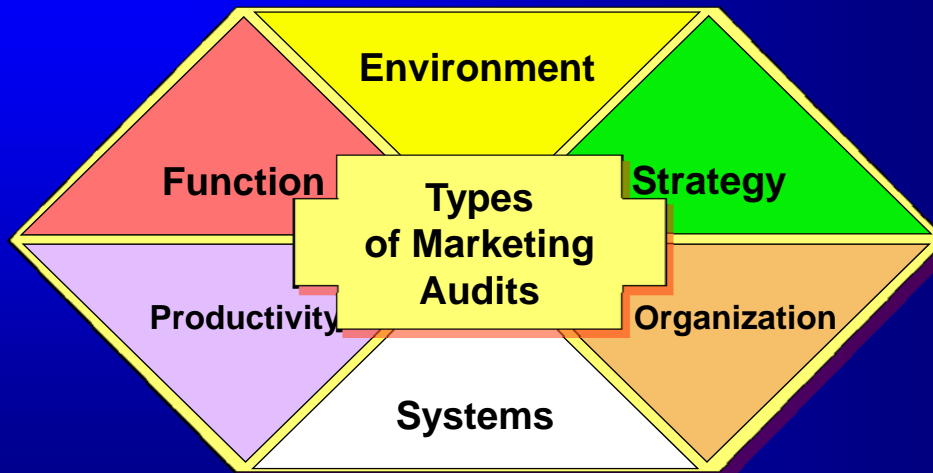
Budgets

Controls

Marketing Control



Marketing Audits



The Competitive Environment

Adapted from:

Michael A. Hitt, R. Duane Ireland, Robert E.

Hoskisson-©2000 South-Western College

Publishing; Kotler 2001, Juslin and Hansen 2004

Definition

- **Competitive Advantage**
 - An advantage over competitors gained by offering consumers greater value than competitors offer.

Competitor Analysis

The follow-up to Industry Analysis is effective analysis of a firm's *Competitors*



- **Competitive Analysis**
 - The process of identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns; and selecting which competitors to attack or avoid.

SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

Competitor Analysis

Assumptions

What assumptions do our competitors hold about the future of industry and themselves?

Current Strategy

Does our current strategy support changes in the competitive environment?

Future Objectives

How do our goals compare to our competitors' goals?

Capabilities

How do our capabilities compare to our competitors?

Response

- What will our competitors do in the future?
- Where do we have a competitive advantage?
- How will this change our relationship with our competition?

