MARKETING OF FOREST PRODUCTS
IN A CHANGING WORLD*

ERIC HANSEN†
Forest Products Marketing, Department of Wood Science and Engineering,
Oregon State University, Corvallis, Oregon, USA

and HEIKKI JUSLIN
Forest Products Marketing, Department of Forest Economics,
University of Helsinki, Helsinki, Finland

(Received for publication 4 September 2005; revision 9 January 2006)

ABSTRACT
Marketing in the forest sector has evolved, responding to new challenges in
the business environment. Marketing philosophies have changed from
production oriented to marketing oriented and a new era is beginning:
responsible forest industry — responsible marketing. Since the 1950s the
customer has been the driving force behind marketing thinking. Recently
research and theory development have focused on the resources and capabilities
needed to satisfy customers and to manage in a highly competitive
environment. New paradigms (e.g., key account management) have emerged
to manage customer relationships and to build value propositions. The
challenge of forest products marketing is to combine the resource- and
capability-based view with the customer relationship and value proposition
view. Research work targeted to new business models aims at this combination.
Future success demands that companies be capable of “doing the right thing”,
“doing things right”, and “identifying and using the best available tools”. By
doing the right thing we refer to social and environmental responsibility.
Doing things right means choosing the appropriate approach to a problem
(e.g., concentrating on customer relationships and/or company resources and
capabilities). Using the best tools available means, for example, embracing
new technologies for better marketing information and planning systems.

Keywords: strategic marketing; marketing planning; customer relationship
management; supply chain management

* Based on a paper presented at Technical Session 144 “Promoting Economic Development through
Improvements to the Forest Wood and Products Chain”, held during the XXII IUFRO World
Congress 2005, Brisbane, Australia
† Corresponding author: Eric.Hansen2@oregonstate.edu

INTRODUCTION

The world is changing rapidly and with it the business environment. The ability of a firm to adapt to this “new” economy (i.e., its external environment) is critical to maintaining competitiveness. The forest industry (those companies using wood and wood fibre as a raw material) has experienced rapid change in its external environment — such as inroads from substitute products, consolidation of downstream intermediaries, the growth of “category killer” retailers such as The Home Depot, and enhanced societal expectations regarding environmental performance. Marketing plays an elemental role in maintaining nimbleness and flexibility, thereby enhancing the firm’s ability to adapt.

Generally we can think of the mission of marketing as a means of satisfying customer needs in a social context. Later in this paper we will provide a more sophisticated definition for marketing. Industry is society’s tool for producing products that satisfy customer needs. The role of marketing and the way it is conducted often serve as indications of the sophistication of a company. When marketing is purely a selling function, the company is probably production-oriented. Marketing as an integrator or relationship-builder implies a fairly sophisticated market-orientation. How marketing is executed and the role it plays in an organisation depend on the marketing philosophy of the company and its managers. An inappropriate or obsolete marketing philosophy usually means inappropriate or obsolete marketing actions and resulting weak performance for the company.

Marketing philosophies have changed in response to historical developments in society. During the early years of modern industries and mass production, demand for products was typically high and it was unnecessary to invest resources into developing demand.

Marketing philosophy developed accordingly and was largely production-oriented. In light of recent developments in the marketplace, however, the focus of marketing is shifting from production-oriented to market- or customer-oriented. With this shift comes a series of more sophisticated approaches to marketing, such as an emphasis on social — rather than just economic — responsibility. This transition or evolution in marketing thinking is not unique to the forest sector but can be seen across all industries (Morgan 1996).

In the text that follows we provide a brief history of the evolution of marketing thought in the forest industry. This history provides the context for better understanding how the industry has changed to meet growing stakeholder demands, as well as an explanation for the increased sophistication in approaches to marketing — even to the design and implementation of strategic marketing. We explain the basics of strategic marketing — sophisticated marketing planning —
through the use of the Integrated Model of Marketing Planning. Adapting to a changing marketplace via strategic marketing is similar to the concept of creating new business models (Hamel 2000). We discuss the parallel between strategic marketing and new business model thinking, concluding with an explanation of how successful companies of the future will be those that “do the right thing”, “do things right”, and “identify and use the best available tools and technologies”.

EVOlUTION OF MARKETING PHILOSOPHY

Production and Sales Orientation

Production-oriented companies concentrate on producing large volumes of commodities at low costs and rely on sales to move the product away from the production facility. In these companies, technology and raw materials dominate business thinking and little is known about customers or end-users of the product. This approach to business worked well in earlier times when demand was high, needs of the customers were rather simple, and competition was limited. A production-oriented company feels that a marketing department is only a cost-creator between the mill and the market. Under this model, low costs (and thus, low prices) are necessary for successful marketing. In the event that supply outstrips demand, a company may shift its focus to “getting rid” of what it produces by increasing its sales efforts. This shift in philosophy can be described as a sales orientation.

As a marketplace changes over time (especially with respect to customer needs and competitors), companies must become more sophisticated in their approach to marketing. A customer and market orientation is seen as a response to ever-increasing demands from the marketplace.

Customer and Market Orientation

The terms “customer orientation” and “market orientation” are similar, yet not synonymous. While a customer orientation refers to a customer focus, a true market orientation uses marketing not as a sales tool, but as a leading integrative function driving all other activities in the organisation toward the goal of building strong customer satisfaction and value.

A customer- and market-oriented company recognises that profits are created in the marketplace through customer needs and buying behaviour. Accordingly, relationships with end-users are strong and marketing research is conducted continuously. Product development is based on research, and marketing operations are planned according to customer reactions. A customer and market orientation must be present on all levels of the company and in all marketing planning decisions. Markets and marketing strategies direct business planning on all levels
— investments, production, raw material procurement, etc. The key to customer relationships is the creation of value to the customer. To attract customers, the company must provide superior value, and marketing measures are designed to create customer value. The customer- and market-oriented company is successful by helping its customers to grow, to create value for their respective customers, and to be successful.

In recent years, environmental issues have emerged clearly in the forest industry market. Reactions among consumers, environmental activists, and governments have been strong and appear to be permanent. Response to these reactions is leading to the incorporation of social and environmental responsibility into marketing thinking.

**Environmental Orientation**

Much of the recent societal concentration on environmental issues has been centred on the concept of sustainable development. During the 1990s, society began to expect companies to hold three kinds of responsibility: economic, social, and environmental. From a neoclassical economics point of view, the responsibility of a firm is to maximise profits for the owners while operating within the laws of society. The opposing view is that companies have responsibility to a much wider range of stakeholders. Internal stakeholders consist of groups such as employees of the company, while external stakeholders include suppliers and the communities within which the company has operations. Institutional stakeholders are primarily the owners of the company’s stock.

Meeting the varied demands of these stakeholders can be an overwhelming task, especially for larger companies that operate in multiple regions or countries. Stakeholder demands vary by region or country based on factors such as culture, level of economic development, and education. Companies must adapt to meet the expectations and needs of stakeholders in each location, while also meeting the highest standards of any location across all operations.

Often it is the negative impact of corporate actions on the community or the environment that drives the public to become involved and to increase their demands on companies. Factory conditions and human rights issues in the apparel industry, for example, spurred widespread interest and protests regarding the responsibility of buyers, manufacturers, and sellers of apparel. In the forest industry, societal demands have centred primarily on sensitivity toward environmental impacts. These demands, and the way they’ve changed over time, can generally be summarised as follows:

- **1970s** – emissions to water and air
- **Mid 1980s** – recycling
• Late 1980s – chlorine bleaching
• Early 1990s – forestry and forest management
• Mid 1990s – forest certification
• Twenty-first century – global climate change and the role of forests.

Forest industry companies have made major changes in their operations in reaction to heightened societal scrutiny. Implementation of environmental management systems, reduced emissions, increased recycling, embracing forest certification and auditing, and publishing social responsibility and environmental reports are outward evidence of this change. This era in the industry might be described as “responsible forest industry — responsible marketing”. Companies at this level implement what is often called environmental marketing (Peattie 1995; Hansen 1997). It can, however, be argued that the industry has generally been reactive rather than proactive regarding responsibility issues. Accordingly, “responsible forest industry — responsible marketing” may be a meaningful goal for the sector.

Environmental issues and resulting purchasing policies by large retailers and other customer segments have had an undeniable impact on forest industry marketing. Still, it is important not to over-emphasise the importance placed on these issues by most customers. Overall, both consumers and customers feel that quality and price are more important than attributes such as “environmental friendliness” (Anderson & Hansen 2004; Shook & Eastin 2001). Accordingly, it is important to recognise that attention to environmental aspects of a product must be in addition to essential attributes demanded by customers.

The above explanation provides a description of the general evolution of industry with respect to its marketing philosophies. However, it does not suggest that all firms have evolved equally. Marketing philosophies within forest industry companies vary widely along the continuum from a production orientation to an environmental orientation. For example, recent research among European forest industry companies shows a clear differentiation between firms that are “proactive green marketers” and others (Kärnä et al. 2003).

**STRATEGIC MARKETING PLANNING**

As mentioned above, the evolution of society and business requires that companies become more sophisticated in their marketing efforts. A production-oriented approach to operations requires few “real” marketing efforts, but a focus on customer needs and satisfying those needs requires additional investments in planning and delivering products and/or services to the customer. Accordingly, sophisticated planning of marketing strategies is required. In this section we explain strategic marketing planning in the forest industry and the model-based approach that can efficiently facilitate more sophisticated marketing efforts.
Strategic marketing means an integrated and holistic approach to marketing planning.

**Integrated Model of Marketing Planning**

The Integrated Model of Marketing Planning (IMMP), developed over the last several decades at the University of Helsinki, is illustrated in Fig. 1. The following discussion touches only a few aspects of the model. For an in-depth explanation please see Juslin & Hansen (2003).

All marketing planning must be based on the context within which the firm operates. In many marketing textbooks this context is evaluated through PEST (political, economic, social, technological) analysis of the external environment of the firm. The IMMP incorporates these same concepts via the “Macro” and “Micro” Environments of the firm. In marketing planning, the firm must carefully consider, for example, supply and demand in the short, medium, and long terms. The “Other Macro Environment” includes developments of PEST factors (e.g., social climate and environmental attitudes are part of the “social” factor). With respect to the Micro Environment, the IMMP incorporates the immediate customers of the firm such as industrial customers, but also the ultimate users of the product, final customers. Highly sophisticated companies will incorporate the wants and needs of the entire value chain.

The core of the IMMP model is marketing *Strategies, Structures, Functions*, and *Action Plans*. These aspects can best be described by operationalising the model —
that is, by developing ways to measure each aspect and by providing decision options for each of the elements. The company determines its strategy by making decisions concerning its products, target customer groups, core competencies, and the geographical limits of its market. Each one of these four strategic decisions can be divided into various alternatives, which are outlined broadly below.

Product strategy can be divided into an emphasis on three alternatives: commodity, special, or custom-made products. For an individual company, these must be more specific. For example, if a company chooses to produce special products, it must determine the specific product for a given market like components for the window industry or a special paper for a certain type of printer.

Customer strategy alternatives are as many customer groups as possible, a few well-specified segments, and known end-users. At the company level, the choice for a sawmill might be the joinery industry or the planing industry.

Market area strategy is described with two alternatives: as many countries/regions as possible, and a few well-specified countries/regions. At the company level, market area might be defined as Southern Germany or a particular region such as New South Wales in Australia.

Core competencies are what allow the firm to be truly differentiated from the competition. A well-recognised brand can be a core competency. Trus Joist® has been successful in establishing its name as a recognised brand. Southern California builders often refer to “TJIs” when speaking of wood i-joists, much as many United States consumers speak of Kleenex® when referring to any brand of tissues. Efficient marketing channels can be a core competency. In fact, time-to-market via well-designed marketing channels is said to be one of the few remaining sources of competitive advantage for United States furniture firms against competitors from South-east Asia (Schuler & Buehlmann 2003; Bullard 2002). These are just two of many potential core competencies that a company might pursue.

The combination of product, customer, and market area strategies, along with the appropriate core competencies, leads to the development of a competitive advantage. Pursuing a sustainable competitive advantage is an essential goal of strategic marketing planning.

We cannot provide a detailed explanation of marketing structures and functions in this article. Marketing structures are the systems utilised by a company which allow marketing to be implemented through its various functions. Examples of structures include a firm’s organisational structure, its planning and information systems, and its channels of distribution. Marketing functions are the on-the-ground techniques that a company uses in the practical marketing of products. The traditional promotion and place (distribution) of the “four Ps” of marketing are marketing functions as organised in the IMMP. The final element of the IMMP is action plans,
or the marketing objectives for a given time period. Integrated as a whole, the elements of the IMMP provide all the pieces of the puzzle needed for creating and implementing a strategic marketing plan. As the marketplace changes, various elements of strategies, structures, and functions must also change — in much the same way as Hamel (2000) advocates strategic innovation or developing new business models. New business model thinking and strategic marketing are different ways of approaching the same phenomenon. As markets change, companies must be nimble in adapting their business and marketing approach so as to maintain the value proposition desired by the customer.

Based on the IMMP we can formulate a more sophisticated definition for marketing:

Marketing means continuous scanning of information from the macro and micro environments, creating marketing strategies based on that information, and planning and implementing the structures, functions, and action plans to execute those strategies.

**CHALLENGES FOR MARKETING THEORY AND PRACTICE**

Markets are in a constant state of flux and, as a result, marketers must constantly and vigilantly monitor changes and adapt the firm and its strategies, structures, and functions to meet those changes. Above we described some of the major changes of recent years. Below we provide more detail on these changes, then outline how companies with highly sophisticated approaches to marketing planning will effectively deal with these and other changes as they become reality. The two main issues we identify here are the recognition of new stakeholders in the forest industry and the increasingly close relationships with customers that are becoming the norm in the field.

**Rise and Recognition of Stakeholders**

In the industrial era, companies were concerned primarily with creating profits for shareholders. In today’s post-industrial era, companies have wider responsibilities to a broader range of stakeholder groups. For the forest industry one of the most visible new stakeholder groups of recent decades has been environmental non-governmental organisations (ENGOS).

Various stakeholders have been recognised and added to the domain of forest products marketing (Fig. 2). Originally, in Phase 1, the marketing of forest products was concerned solely with contacts between suppliers and industrial customers. Forest industry companies linked directly or through intermediaries to industrial customers. They were concerned primarily with product and delivery characteristics, and external pressures had little impact on business decisions.

During Phase 2 a customer orientation emerged and companies became interested in the final consumers of their products. This resulted in expanded channels of
distribution, especially catering to retailers serving final consumers. In this phase the issues of mutual interest still focused predominantly on product and service characteristics along the value chain.

In Phase 3 decisive changes took place as the deterioration of the natural environment became clear to society, and ENGOs were established to campaign for the environment. Finding the political process too ineffective and slow, ENGOs switched to directly targeting forest industry companies and their customers. Bans, boycotts, and demonstrations worried customers and led to them demanding environmental consciousness from their suppliers. Examples include pressure from German publishers on Scandinavian paper companies (Hansen et al. 1999), and the commitment by large do-it-yourself retailers to purchase certified forest products (Hansen & Juslin 1999). External pressures are now commonly placed on forest industry companies via their customers. As a result of this process, greater awareness of forest management and wood procurement operations was generated in forest industry companies. Marketing personnel realised that a reputation for environmental friendliness was required at each stage of the supply chain. This was the first time in the history of forest products marketing that the marketing personnel had to have a genuine interest in, and expertise on, the whole chain from the forests to global markets.

**Power of Customer Relationships**

A production orientation requires little knowledge of, or interaction with, the customer. In this setting, marketing is limited mostly to the sales function where a
small sales staff moves large volumes of commodity products. Higher levels of interaction between buyer and seller require commitment and trust between the two that can be built only through long-lasting business relationships. Relationship marketing is a general management approach following the philosophy of a customer orientation. Relationship marketing refers to all the marketing activities that help establish, develop, and maintain relational exchanges. In Fig. 3 is indicated a range of relationships starting with simple transactional type relationships and ranging to strategic alliances and network organisations in which participants closely align their operations and compete as a network.

Webster (1992) provided a comprehensive description of the range of marketing relationships and suggested that marketing is clearly moving from “arm’s-length transactions and traditional hierarchical, bureaucratic forms of organisation toward more flexible types of partnerships, alliances, and networks”. The most basic marketing relationship is the “transaction” and the most comprehensive relationship is “vertical integration” where a company owns its upstream suppliers and downstream channel members. The message from Webster is that the forms of relationships and the idea of marketing have changed, and marketing management approaches must change accordingly.

FIG. 3–Continuum of marketing relationships (adapted from Webster 1992)

MAKING THE FUTURE OF MARKETING

Given the current state of the business environment, appropriate marketing practices can play an increasingly important role in company success as those practices allow firms to adapt their business models. Success through marketing is based on the ability of the company to do the right thing, do things the right way, and utilise the best available tools and technologies.
**Ability to Do the Right Thing**

Increasingly, companies will be judged not only on their profitability but also on their ability to do the right thing in society. A major challenge is to take the needs of various stakeholders into account and to recognise how culture and other local characteristics influence those needs. Social responsibility is especially important because the forest industries are using a globally important natural resource—forests. The living conditions of people are heavily dependent upon forests at both local and global levels. Responsible use of forests is vital for the future of mankind and the challenge for the forest industry is to balance company profits, customer needs, community interests, and local and global environmental needs. In the future, those companies that can properly identify key responsibility issues and efficiently implement strategies to deal with those issues will reap a competitive advantage.

**Ability to Do Things Right**

Doing things right means choosing an appropriate approach to the problem, knowing the right tools to use, and implementing plans efficiently. Experience has shown that a marketing philosophy and a market orientation (in which consumer demand guides production) create the most efficient production system at both the societal and company levels. Consequently, marketing thinking should drive all corporate strategies toward the goal of creating strong customer relationships and maintaining a clear market orientation.

Developments in the field of information technology (IT) require and enable business partners to integrate their information systems, potentially resulting in better customer relationships. Current activities used by companies to improve the efficiency of the production system include supply chain management, customer relationship management, and e-business. Knowledge management and information sharing are clearly relevant to marketing development. Thus, in order to “do things right”, companies must have knowledge of the operating environment for marketing planning, provide value-oriented information to customers with regard to products and services, and maintain a high-level of information connected to business processes (e.g., transparency in the supply chain).

**Ability to Identify and Use the Best Available Tools and Technologies**

The Integrated Model of Marketing Planning can be an important tool in designing and implementing strategic marketing. Effective implementation of strategic marketing requires a facilitating company culture — a true market orientation. Management tools such as total quality management have been used to help create a customer needs-centric culture. Strategic planning, scenario planning, and other
“foresight” tools are also critical for analysing future market prospects. Many other tools are available to the shrewd company as it pursues competitive advantage. Information technology is the most pervasive tool and it is altering the role of marketing within firms and changing the nature of communication with customers. Essentially, IT is allowing marketers to develop better marketing information systems and better marketing planning systems, thereby increasing the sophistication of marketing. In the future, information will become ever more crucial as a basis for improved decision-making and more advanced marketing systems. Marketing planning and implementation must evolve as the company’s ability to manage and use information improves. Mastering the design and use of IT will be critical for forest industry companies in the future, especially because IT plays an important role in other contemporary tools being utilised by many forest industry companies — such as the two examples we provide below.

Example 1: Supply Chain Management
Supply Chain Management (SCM) has been defined as “the management of upstream and downstream relationships with suppliers and customers to deliver superior value at less cost to the supply chain as a whole” (Christopher 1998). This definition implies that the supply chain is viewed as a single system in which participating companies do not necessarily aim at minimising costs in their own operations, but concentrate on co-ordinating cost savings for the whole chain and delivering superior customer value. This requires close relationships among the members of the supply chain and integrating functions both within and outside the company’s boundaries. In an integrated supply chain channel members harmonise their activities. In this way possible delays and inventory levels are reduced, delivering both lower cost and greater service to the customer. Supply Chain Management is just now receiving attention in the forest products business literature as researchers recognise the importance it has for industry (e.g., Haartveit et al. 2004).

Advocates of SCM may argue that marketing can be forgotten when implementing SCM, but this is not the case. Supply Chain Management is a part of marketing structures (see IMMP) and it serves as a philosophy or as a way of thinking how to optimally arrange the flows and relationships in the whole supply chain from the forests to markets; it is a good example of the ability to do things right. To effectively utilise the idea of SCM, a company must be capable of identifying and using the best available tools and technologies — in this case especially IT.

Example 2: Customer Relationship Management
Customer Relationship Management (CRM) is a tool for implementing a relationship marketing philosophy in the company. The customer portfolio of a company can be
seen as a continuum from those that require little time and effort to service, to those that require a very close relationship. Customer Relationship Management provides a means to assess customers based on sales volume, profitability (including potential, future profitability), reference value, and expertise for involvement in product development. In this way the company determines upon which customers to focus its relational efforts.

As the customer interface manages the “touchpoints” with customers, CRM is a useful tool for customising the interface. This means that the structures and functions are planned individually and tailored for each customer or customer group. Customer Relationship Management is about managing relations with customers at different stages of relational development (such as those described by Webster 1992). Customers at different stages will have different needs. The customer interface for a partner customer is therefore different from the customer interface established for a transactional customer.

Company size in the global forest industries has increased recently, due largely to consolidations and mergers along the value chain. Many global customers are bigger than their suppliers of forest industry products. This development clearly increases the importance of CRM. Key customers are often referred to as strategic accounts, giving rise to the term “strategic account management” (SAM). Adapting CRM and SAM follows the changes in product and customer strategies of a company, and requires profound changes in other marketing structures and functions. Clearly, effective CRM and SAM also require a specific mindset in the company, including customer-oriented knowledge and capabilities.

CONCLUSION

Forest products marketing is in a process of continuous evolution and in the future there will be demand for new types of products and new ranges of services, and possibilities for reconfiguring the customer interface. Future customer requirements will likely see demand for systems solutions rather than single products. Part of the solution may involve higher value-added services (e.g., vendor-managed inventory). The industry has already seen considerable disintermediation (elimination of intermediaries from the supply chain). Historically, this was often motivated by cost minimisation, but future efforts will likely be motivated by a desire for closer relationships and co-operation with customers. On the other hand, opportunities may exist for companies to fill new positions in the value chain (e.g., project managers in the construction industry rather than only manufacturers of building products).

Much of what we outlined about the evolution of marketing philosophies described a shift towards being customer- or market-driven. Corporate responsibility may be
especially important for forest industry companies because they rely on the globally important resources, forests. True corporate responsibility may push companies to become less market-driven and more focused on driving-markets (i.e., “shaping the market structure and/or behaviour of players in the market” — Jaworski et al. 2000). Environmental responsibility will require improved product design (design for the environment) including providing the marketplace with scientific information based on tools such as life-cycle assessment. It will then be up to the company to “drive” its customers to buy those environmentally preferable products.

As to the development of forest products marketing in the changing world we don’t ask what the future will be like. Instead, we ask what sort of future we would like to have. The whole forest sector — forestry, forest industry, and forest products marketing — will have an important role in the future of mankind. Forest products marketing must continue to evolve in order to deal effectively with fast-paced changes in today’s society, economy, and business. Although long-term predictions are inherently inaccurate, we can reasonably forecast the following trends in the market:

• Local markets will grow global
• More diverse customer needs will be met by bigger and more global companies
• The information environment will be transparent, global, and fast changing
• Stakeholders will increasingly demand social and environmental responsibility.

In this changing world the forest sector can prosper if (1) we do the right thing (societal values), (2) we do things the right way (business philosophies), and (3) we use the best available tools and technologies.

REFERENCES


BULLARD, S.H. 2002: Innovate or evaporate … Business concept innovation in the furniture industry in the age of information. Mississippi State University, Forest and Wildlife Research Center, Bulletin FP 228. 8 p.


