



**Training Workshop on “Forest Products
Marketing – from principles to practice”
Novi Sad; 3-6 April 2006**

**Marketing fundamentals - the 4 Ps:
Pricing, Promotion, Product, Place**

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Paper organisation

Introduction - the objective: why we need to improve marketing techniques?

- 1. Pricing methods**
- 2. Product development**
- 3. Promotion**
- 4. Place: logistic**

4 Ps

Final remarks: from total marketing to social marketing

Agents in the wood value chain/ market power

- ◆ the forest owner (manager)
- ◆ the harvesting enterprise
- ◆ the merchant and processor
- ◆ the wholesaler

Very low

High



*market power
and margins*

Why do we need to improve marketing techniques?

The objective:

increasing market power (=profit) of forest managers and harvesting enterprises:

- **fair distribution** of profits,
- **active management** of forests,
- stewardship of the resources: **positive externalities** on environmental and social conditions

1. Pricing: five approaches

- A. Cost-plus pricing
- B. Profit-objective
- C. Customary prices
- D. Contract or negotiated pricing
- E. Perceived value

Attention given to
producer's problems



Attention given to
buyers' behavior

A. Cost-plus pricing

Pre-defined mark-up to be added to production cost:

Average management costs of the forest = 10,000 Euro

Average annual sales = 250 cm

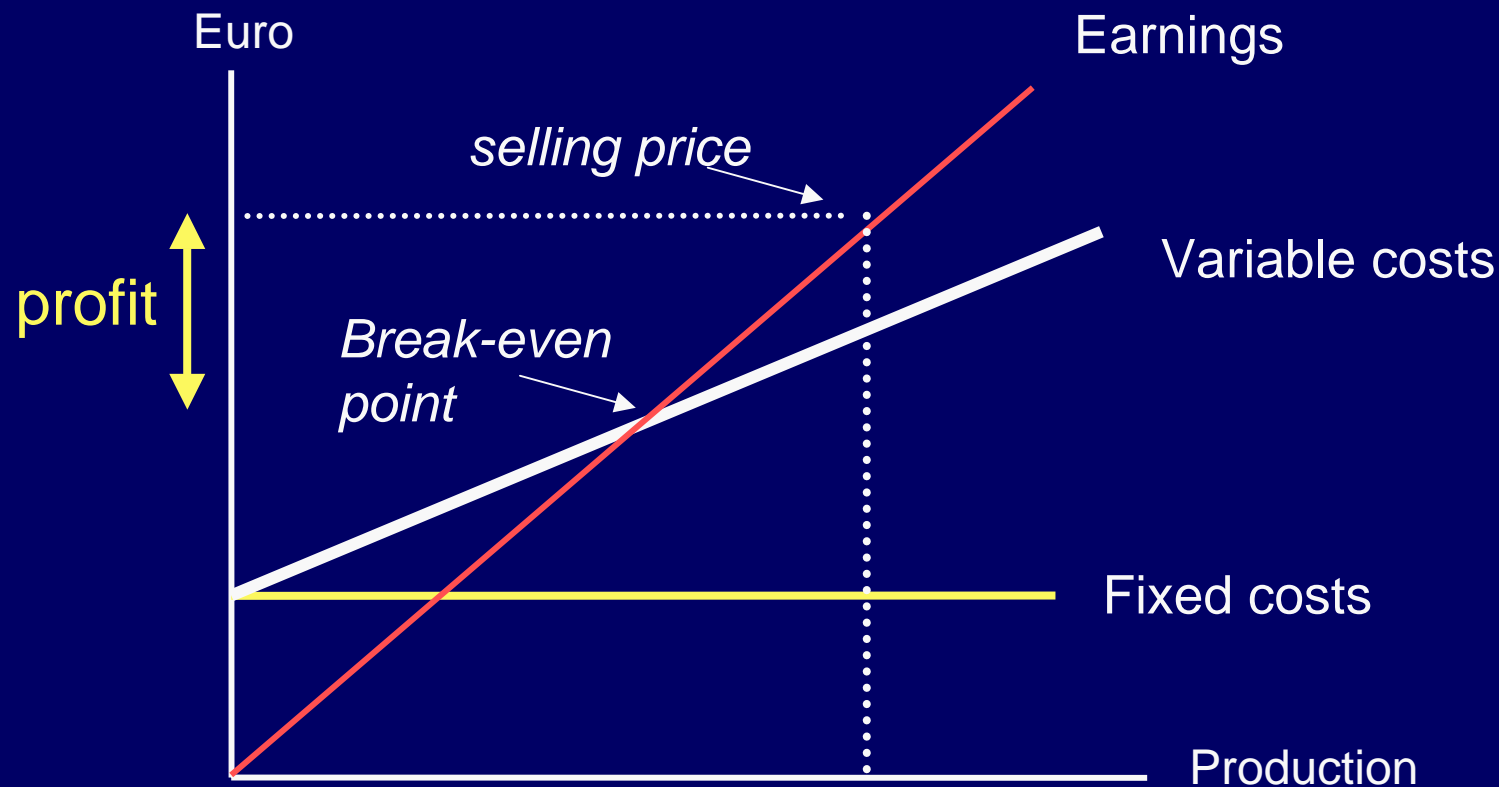
Stumpage price: 45 Euro/cm (mark-up of 20%: 40 + 8 Euro)

Problems:

- No reference to competitors
- No attention paid to market demand
- Not always easy to link annual costs to annual production

B. Profit-objective

- A minimum profit is pre-defined
- Prices are defined adding the profit to the break-even point



Problems:

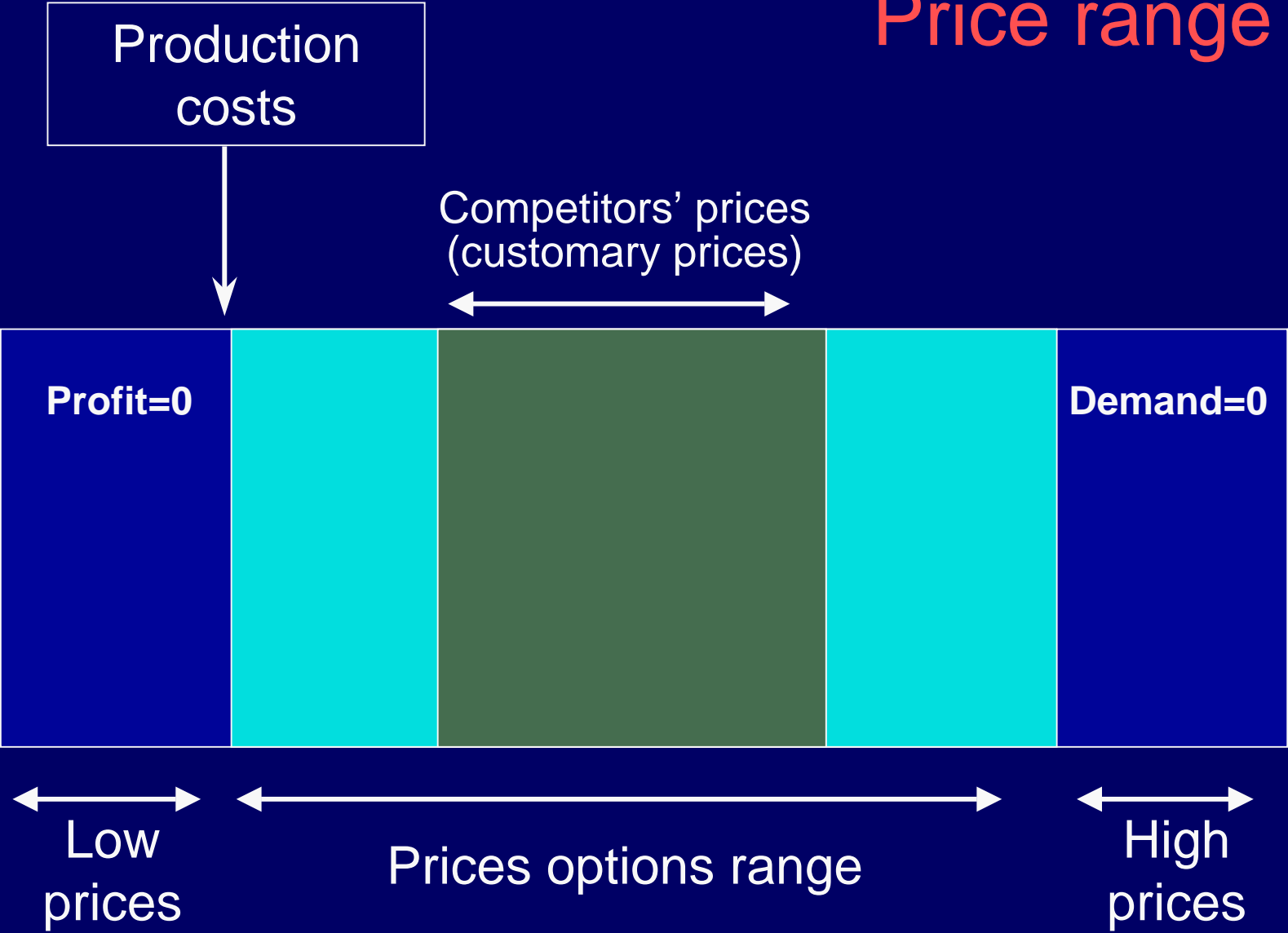
- No reference to competitors
- No attention paid to market demand
- Is profit in the long run covering fixed costs?

C. Customary prices

- When product differentiation is low,
- When there are many competitors,
- When cost evaluation is difficult...

... prices may be defined
looking at the competitors'
prices to fix a *reasonable*
price

Price range



D. Contract or negotiated pricing

Prices set by pre-agreement or negotiation
before harvesting

Frequent application when buyers are large
companies

An example

Poplar plantations in Italy
sold immature (when
they are 6-8 years old
with rotation periods of
10 yr)

→ The buyer has a stock
available for his needs

→ The forest owner
reduces his risks



D. Contract or negotiated pricing

Prices set by pre-agreement or negotiation
before harvesting

Frequent application when buyers are large
companies

Sometimes risky: see weather conditions,
site productivity, labor availability

A variant: **formula pricing** = set on the
basis of systematic use of external values or
factors (international prices index, license
costs, fuel costs, etc.)

E. Perceived value

(the most popular in advanced markets)

Key factor in pricing is the **willingness to pay** by the buyer for a differentiated product

The very serious problem: rough wood material is not easily differentiable

Logs from Serbia



Logs from Croathia



Logs from Romania



Some special pricing techniques (*price tactics*) can be used to differentiate wood products:

- Direct sales to individual buyers (i.e. processors and exporters, avoiding merchants)
- Group marketing
- Off-season selling
- Quantity discounts, cash discounts and special sale prices

... some other opportunities to increase the trust and the willingness to pay by the buyers are offered by the other 3 Ps

2. Product development: three types of innovations

- A. Absolute new products
- B. Incremental innovations
- C. Subjective differentiation

A. Absolute new products

- Rough material
- Semi-finished products
- Final products

Very low

Relatively
high

*potentials for
innovation*

Some examples



I-beams

Glulam beams used in a residential building



Source: APA – The Engineered Wood Association, 2005.

Glulam beams

EWPs
(engineered wood
products)

LVL flanges with an OSB web form I-beams, which are fastened to an LVL beam



Source: APA – The Engineered Wood Association, 2005.

Laminated Veneer Lumber

Pellets



B. Incremental innovations: improved products and services

Products:

- Laminated boards
- Particleboard and MDF made with recycled post-consumers wood products



Home
Pannello Ecologico
Il Consorzio
Salvaguardia

I produttori di mobili
I distributori autorizzati
I comuni sostenitori

Numero Verde
800-903050

DOVE TROVARE
MOBILI IN PANNELLO
ECOLOGICO

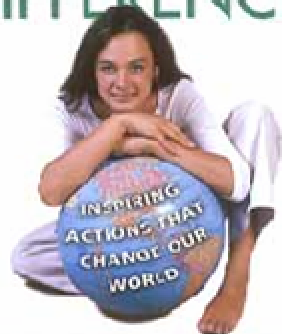
-Tipologia

-Provincia

Trova



ONE MAKES THE
DIFFERENCE



JULIA BUTTERFLY HILL

Il marchio Pannello
Ecologico arriva in Cina.



Kebao & Boloni e Humphrey's hanno
deciso di convenzionarsi al Consorzio
Pannello Ecologico.

News
Ufficio Stampa
Contatti/Scrivici
Servizio Clienti
Domande frequenti

Insieme
abbiamo
salvato

25774029

Alberi

B. Incremental innovations: improved products and services

Products:

- Laminated boards
- Particleboard and MDF made with recycled post-consumers wood products

Services:

- Sorting and grading system
- Kiln drying
- Packaging
- Branding
- Certification and (eco)labelling

Certification and labelling

Certification: of processes

: of products

Quality Systems
ISO 9000

Products' quality
or performances

Origins - typical products

Environmental
Management Systems
ISO 14001, EMAS

LCA, EU Ecolabel

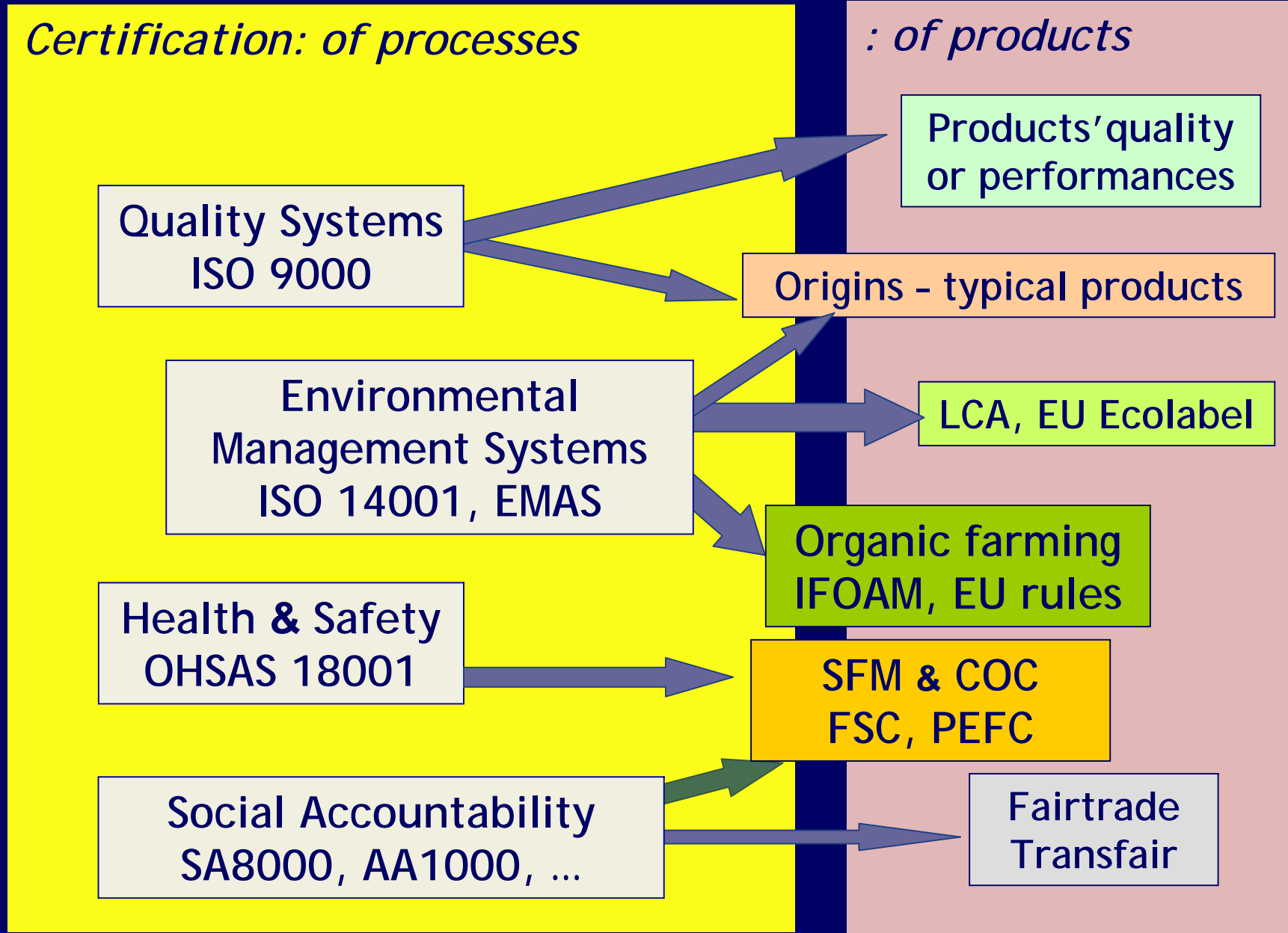
Organic farming
IFOAM, EU rules

Health & Safety
OHSAS 18001

SFM & COC
FSC, PEFC

Social Accountability
SA8000, AA1000, ...

Fairtrade
Transfair



C. Subjective differentiation

Not a new product or an improved product or services,

but an old product that is **presented and perceived** as a new one

→ Essential role of promotion

3. Promotion

November 11, 2003

STORAENSO

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Certification Responsibilities Policies Production Publications EMAS Statements Resources Statistics

Environment > Policies

Quality Policy
Forest Certification Principles
GMO Principle
Principles for Corporate Social Responsibility
Principles for implementing EMS
Transport Environmental Principle
Wood Procurement Principles
Divisional Principles

Environmental and Social Responsibility Policy

Responsible Business
Stora Enso is committed to developing its business towards ecological, social and economic sustainability. These tasks are recognised as shared responsibilities within Stora Enso enabling a continuous improvement of our operations.

Eco-perspective
Stora Enso's objective is to supply customers with products and services that satisfy various needs related to printed communication, packaging and construction purposes. These products are mainly produced from renewable raw materials, are recyclable and safe to use. The concept of product life cycle is considered guiding our environmental activities and provides the framework for our efforts. We expect the same commitment from our suppliers and partners so that at every stage, from raw material to the end product, the impact on the environment will be minimised.

Social Respect
As an international company, Stora Enso acknowledges its role as a model company in the global, national and local society. Our attitude shall be characterised by respect for the cultures, customs and values of individuals and groups in countries where we operate. When developing our business to earn credibility, we will comply to and when necessary go beyond the requirements of national standards and legislation.

Transparent Interaction
In order to continuously strengthen our operations and develop environmental and social issues in a sustainable way, Stora Enso considers an open discussion and interaction with all stakeholders, both governmental and non-governmental, as fundamental.

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Links





- SME in the forest sector are very weak in promoting their products,
- but they can take advantage from the use of “umbrella labels”

A black and white advertisement for FSC featuring Jennifer Lopez. She is shown from the chest up, wearing a white top, with her long, wavy hair blowing in the wind. The background is dark. Text on the right side of the image includes the slogan 'NOTHING ELSE IS GOOD ENOUGH' in green, followed by a paragraph of text about FSC's environmental and social standards. At the bottom right is the FSC logo and the text 'Forest Stewardship Council' and 'Global Leaders in Responsible Forestry'. At the bottom left, there is a small credit line: 'JENNIFER LOPEZ PHOTO DONATED BY MICHAEL O'HARA'.

Improved visibility of SME through web advertising

The image shows a screenshot of a web browser displaying an advertisement for Alba Tartufi. The browser window is titled "e-Wood Marketplace - Microsoft Internet Explorer" and shows the URL "http://www.e-wood.com/market/market_search.asp". The advertisement itself is for "Alba Tartufi" and features a basket of truffles. The text on the ad reads: "Il mercato on-line del tartufo bianco d'Alba". Below this, it says: "Alba Tartufi presenta il sito dedicato al tartufo bianco d'Alba con l'opportunita' di acquistare on-line i prodotti tipici delle Langhe. La nostra missione e' farvi conoscere il tartufo bianco attraverso le origini e i luoghi, tenendovi aggiornati sulle quotazioni e i calendari delle piu' importanti fiere dedicate al tartufo." The ad also includes a search bar with the text "SEARCH" and a list of services: "Construction timber", "Floor/Parquett", "Forestry Software", "Forestry", "Veneer", and "Timber agents". At the bottom of the ad, there is a logo for "Il Portale degli italiani del mondo" and the text "Sito interamente prodotto e realizzato da ART&studio DESIGN & Multimedia".

Alba
TARTUFI

Il mercato on-line del tartufo bianco d'Alba

Alba Tartufi presenta il sito dedicato al tartufo bianco d'Alba con l'opportunita' di acquistare on-line i prodotti tipici delle Langhe. La nostra missione e' farvi conoscere il tartufo bianco attraverso le origini e i luoghi, tenendovi aggiornati sulle quotazioni e i calendari delle piu' importanti fiere dedicate al tartufo.

SEARCH

- ▶ Construction timber
- ▶ Floor/Parquett
- ▶ Forestry Software
- ▶ Forestry
- ▶ Veneer
- ▶ Timber agents

Il Portale degli italiani del mondo

Sito interamente prodotto e realizzato da
ART&studio
DESIGN & Multimedia

A strong conflict between wood and plastic, concrete, metal products



**PLASTICS ARE AN
ENDANGERED SPECIES.
NOT TIMBER.**

Plastics come from oil. Known oil reserves may only last another 40 years, at current consumption, while managed forests can go on growing timber for ever. So support conservation. Specify timber.

The Timber Trade Federation, 26-27 Oxendon Street, London SW1Y 4EL. <http://www.ttf.co.uk>

 **Think Wood**

... but also a strong internal fight

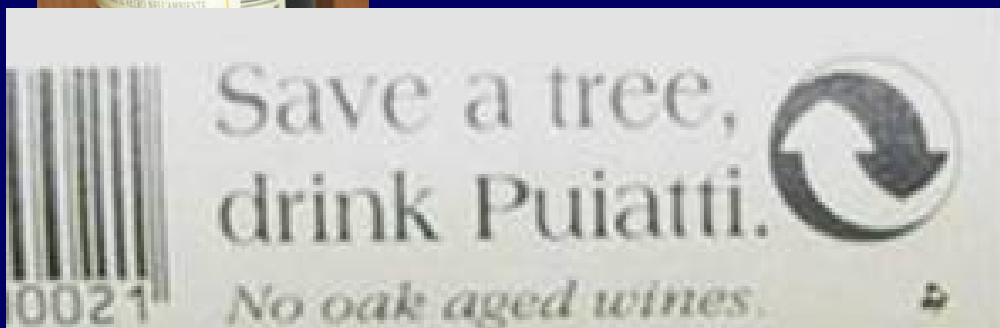
between, for examples:

- wood packaging and paperboard packaging,
- plywood and OSB,
- chips and pellets,
- ...

... with opposite view of the role of wood as an environmentally friendly product



"soft like the perfume of the oak" (?!)



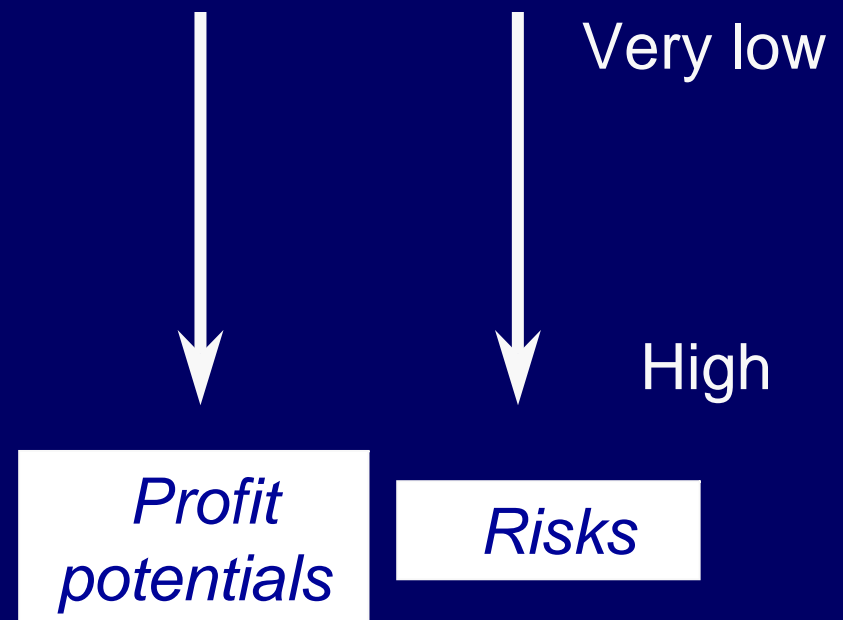
4. Place: logistics

- Delivery time,
- Wood assortments handling: containerization and palletization
- Freight forwarding (i.e. several smaller shipments from different plants combined)
- Warehousing
- ...

Probably the most important aspect for the forest manager is

Where (how and when) to sell its roundwood

- Standing
- On the roadside
- In the buyer's yard



Final remarks

From total marketing (4 Ps)...

... to social marketing:

Company's decisions are taking into account the **long-term** interests not only of the internal but also of the **external stakeholders** → Corporate Social Responsibility

(Kotler, Armstrong, Saunders, Wong, 2001)

CSR: marketing based on ethical principles:

- safety and health of workers, consumers, local population
- no discrimination, no social inequality
- right to information, transparency
- sustainable use of natural resources (precautionary principle)
- ...

There is no conflict (no trade-off) between ethics and economics (profit, value of the assets, ...)

Hvala!

