

MARKETING HARDWOODS TO FURNITURE PRODUCERS

Steven A. Sinclair
Associate Professor of Forest Products Marketing

Robert J. Bush
Presidential Fellow

Philip A. Araman
Project Leader
Southeastern Forest Experiment Station
U.S.D.A. Forest Service

Thomas M. Brooks Forest Products Center
Virginia Tech
Blacksburg, VA 24061-0503

ABSTRACT

This paper discusses some of the many problems in developing marketing programs for small wood products manufacturers. It examines the problems of using price as a dominant means for getting and attracting customers. The marketing of hardwood lumber to furniture producers is then used as an example. Data from 36 furniture lumber buyers is presented to illustrate various product and service attributes of hardwood lumber which can be emphasized other than low price.

INTRODUCTION

All companies should periodically evaluate their marketing programs. However, with the daily grind of meeting sales quotas, coping with customers and solving other basic business problems most small wood products firms simply never get around to evaluating their current marketing program. The goal of this paper is to provide some food for thought when evaluating a marketing program and then to illustrate this with data gathered from 36 hardwood lumber buyers in the furniture industry.

Low Price

Is your primary strategy offering the lowest possible price to your customers? That is, is low price the driving force behind getting and attracting customers? If, in the course of your business, you are continually offering deep discounts, special concessions and running constant specials, these are typically sure signs of problems (Graham 1989).

Constantly using a low price approach to drive your sales means that your firm is always on the run to keep prices low. All you are perceived to offer your customers is low price. Your customers will fail to perceive that you provide any other services other than low price and many times a product with a consistently low price is perceived to also be low in quality and service (Monroe and Kirshnan 1985).

Ultimately, this perception spells disaster for most firms because they fail to cultivate the perception of value-in the minds of their customers. This leaves those firms producing and selling products at unacceptable margins.

Changing Sales Strategies

In addition to pricing, frequent changes in sales strategies can also signal troubles in the marketing program. If your firm is offering a sales contest in April, then jumps to a trip to Aruba in May, then in June has a special incentive bonus for its sales staff, and then in July yet another sales gimmick, it is pretty clear that the firm is operating with a sales driven approach towards business (Graham 1989). This approach operates under the premise that if everyone just pushes a little harder sales goals will be met. This approach suffers greatly from a lack of organized direction. There is no unifying message which is communicated to your sales people or your customers. It clearly signals, many times, a company which is jumping from crisis to crisis and reacting to a wide variety of outside stimuli.

Sales Driven Versus Marketing Driven

Table 1 shows, by example, some of the differences between an organization which is marketing driven versus one which is sales driven. With a marketing driven firm, price is only one of many marketing tools available to management. While in a sales driven firm, low price is the main way to get business.

Within a marketing driven firm, many if not most of the customer leads come from the marketing staff with a minor contribution from the sales staff. On the other hand, within a sales driven company almost all of the customer leads come from the sales staff.

With a marketing driven firm an up-to-date customer list is usually kept available complete with names of key individuals. These individuals are those that are making the decisions for buying the firm's particular products, not just the firm's chief executive officer. In a sales driven firm, typically a customer list is out of date or perhaps there is even no list and many of the names on the list are missing or are folks which have no impact on the buying decision. This inadequate list prevents many sales driven firms from appropriately contacting their customers with mailings.

Table 1. Characteristics of a Marketing Driven Firm vs a Sales Driven Firm (adapted from Graham 1989).

	<u>Marketing</u>	<u>Sales</u>
Price	One of many marketing tools	The primary way to get business
Customer Leads	Most come from marketing staff with some from sales staff	Almost all come from sales staff
Customer List	Up-to-date list with key names	Out-of-date list or no list

The question which is left on the table is how to become more marketing oriented? The way to begin to answer this question is to first learn what your customers desire in the products and services that you offer.

WHAT DO FURNITURE MANUFACTURERS DESIRE IN HARDWOOD LUMBER?

In order to determine what furniture producers desire as product and service attributes in the hardwood lumber they purchased, data was collected from 36 wood furniture firms. This data and sample size might be very similar to the information that a hardwood lumber producer could collect on their furniture customers.

These 36 firms bought approximately 73 million board feet of hardwoods annually and employed about 8600 people. They were selected at random from the American Furniture Manufacturers Association membership list; however, the data from these firms should be considered as simply an example of the type of data an individual hardwood producer or wholesaler should collect in order to determine what their customers need and desire.

We initially asked the 36 firms what they were least satisfied with in purchasing hardwood lumber. An overwhelming 70% were least satisfied with lumber quality. Delivery time and price each accounted for 6% and species availability had 3% of those most dissatisfied. Fifteen percent of those firms were satisfied and mentioned no source of dissatisfaction in the hardwood lumber they purchased. Back to some of the earlier comments, price was a minor part of the customers dissatisfaction as compared to the quality of the lumber that was purchased.

The species used by firms was dominantly red and white oak which accounted for nearly 50% of the total lumber used. Other important species included yellow poplar at 15.8%, soft maple at 10.1% and hard maple at 8.4% (Table 2).

Table 2. Hardwood Lumber Species Use During Past Year

Red Oak	25.8%
White Oak	23.3
Yellow Poplar	15.8
Soft Maple	10.1
Hard Maple	8.4
Cherry	5.9
Ash	2.4
Imported Species	2.0
All Other	<u>6.3</u>
	100%

Lumber used by NHLA grade was dominated by No. 1 Common at 54%, followed by No. 2 Common at 26.5% and F.A.S. at 12.5% (Table 3).

Table 3. Hardwood Lumber Use by NHLA Grades

No. 1 Common	54.0%
No. 2 Common	26.5
F.A.S.	12.5
Selects	4.2
Other	<u>2.8</u>
	100%

Importance of Product Attributes

Through discussions with experts in the hardwood lumber production and furniture manufacturing field, a list of 16 product attributes for hardwood lumber was developed. The 36 firms which were contacted were asked to rate each of these attributes on a scale of 1 to 7, with 1 = *not at all important* and 7 = *extremely important*. Figure 1 shows the results of this ranking. Those attributes with a average score greater than 5.47 are significantly greater than the overall mean at the .05 level. Those attributes which were significantly greater (i.e., more important) than the mean are: accuracy of grading, no surface checks, consistent thickness, lumber straightness, accuracy of moisture content, consistency of moisture content, and absence of wane. These product attributes represent those which a hardwood lumber producer should pay particular attention to if they are marketing their lumber to furniture manufacturers.

Importance of Service Attributes

Similar to lumber attributes, experts in both hardwood lumber production and furniture manufacturing were consulted to develop a list of 19 service attributes which were believed to be of importance to furniture producers. Again, the service attributes were rated on a scale of 1 to 7 with 1 = *not at all important* and 7 = *extremely important*. Those attributes with scores exceeding 5.47 are significantly greater than the grand mean at the .05 level (Figure 2). These attributes are: competitive pricing, firm price quotes, shipping arrangements, supplier reputation, and personal relationship. These five significant service attributes represent items which should be given special attention for those hardwood producers marketing to furniture manufacturers.

WHICH ATTRIBUTES INFLUENCE PURCHASE DECISIONS?

By examining Figures 1 and 2, it is clear that most of the product and service attributes listed were ranked in the neutral to extremely important range. This ranking is quite typical of attribute importance rankings. Most customers have a tendency to rank any reasonable attribute as important; therefore, the use of importance rankings for attributes should be handled with caution. A way out of this problem is to develop what is known as determinant attributes. Determinant attributes are those attributes which are both important and which differ between suppliers in the marketplace.

Perhaps this is best illustrated by a recent political example. In the past presidential campaign, most voter polls showed that the ability to handle the Federal deficit was the most important item for voters. However, the voters perceived no difference in the abilities of the Democratic and Republican candidates to adequately solve this problem. So even though it was important, given that there were no differences between candidates, it did not influence the voters' decisions.

In the hardwood lumber industry a product or service attribute might be deemed very important, but not thought to differ between hardwood lumber producers. Given this situation, the important attribute would not influence purchase decisions. Those attributes which influence purchase decisions are both important and different (Alpert 1971, Bearden 1977). In Figures 3 and 4 the determinance scores of both the product and service attributes illustrated in Figures 1 and 2 are given. The difference between suppliers was measured on a 5-point scale with 1 = *no difference* and 5 = *extreme* difference. Determinance was then calculated using the simple multiplicative model as suggested by Alpert (1971) and Bearden (1977). Determinance, therefore, equals the importance score multiplied by the difference score. Importance was measured on a 7-point scale and difference on a 5-point scale which gives a determinance scale ranging from 1 to 35.

Figure 3 gives the determinant product attributes. Those attributes with a mean determinance score above 18.4 are significantly greater than the grand mean determinance score at the .05 level. It should be noted in this particular case that those attributes which were important appear, for the most part, to be determinant. Accuracy of grading seems clearly to be the attribute of highest determinance. Following this are consistent thickness, no surface checks, accuracy of moisture content, consistency of moisture content, lumber straightness and no heartwood stain.

Figure 4 provides the determinance scores for service attributes. Again, those attributes with determinance scores above 18.4 are significantly greater than the grand mean determinance score at the .05 level. Competitive pricing has the highest determinance score among the service attributes. However, it is ranked lower than the top two product attributes of accuracy of grading and consistent thickness, placing competitive pricing third on a list of attributes which most influence purchase decisions. Other service attributes which are deemed determinant include rapid delivery and supplier reputation.

SUMMARY

Extreme dependence on low price as a competitive strategy can be an invitation to consistently low profits and a reactive management style. A better approach to marketing hardwood lumber to furniture producers can be developed through a better understanding of the product and service attributes which influence purchasing decisions of furniture producers. To illustrate this, data on product and service attributes was gathered from 36 furniture producers scattered throughout the United States. The attributes which most influenced purchasing decisions were accuracy of grading, consistent thickness, competitive pricing, no surface checks, accuracy of moisture content, consistency of moisture content, lumber straightness, rapid delivery, no heartwood stain and supplier reputation. For hardwood lumber producers using a marketing driven management style, this provides many opportunities for the development of competitive strategies other than low pricing.

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Figure 1. Importance of Hardwood Lumber Attributes to Furniture Producers

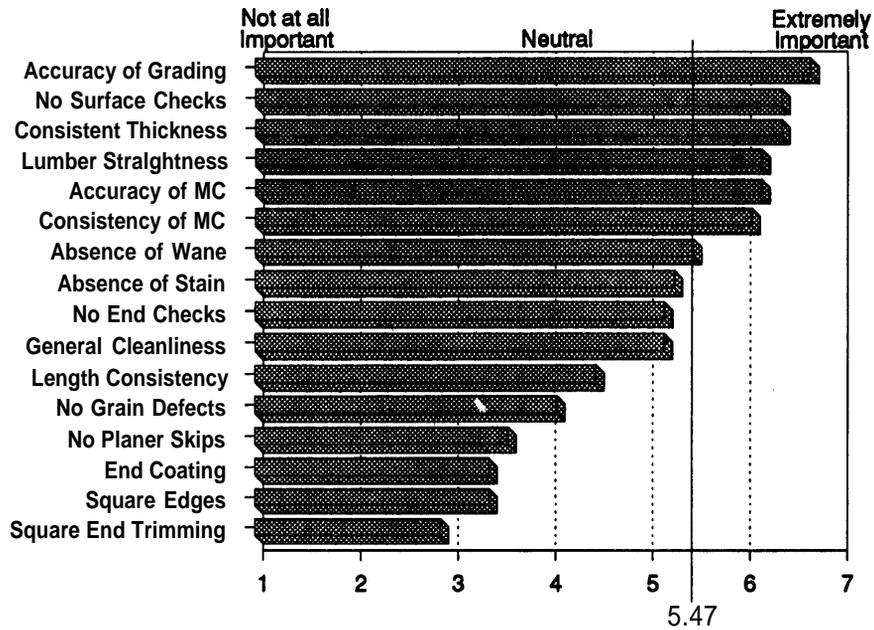


Figure 2. Importance of Service Attributes to Furniture Producers

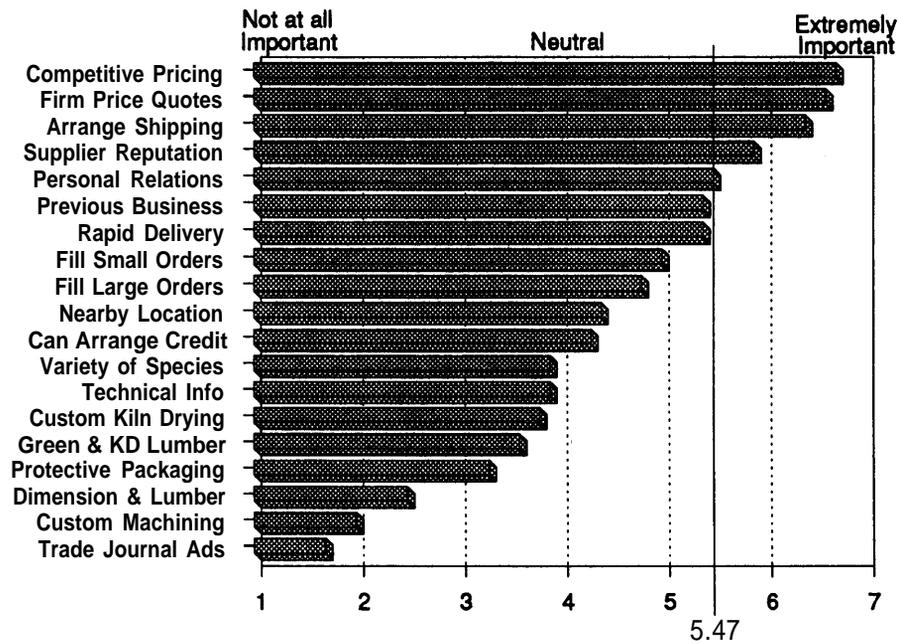


Figure 3. Determinant Product Attributes for Furniture Producers

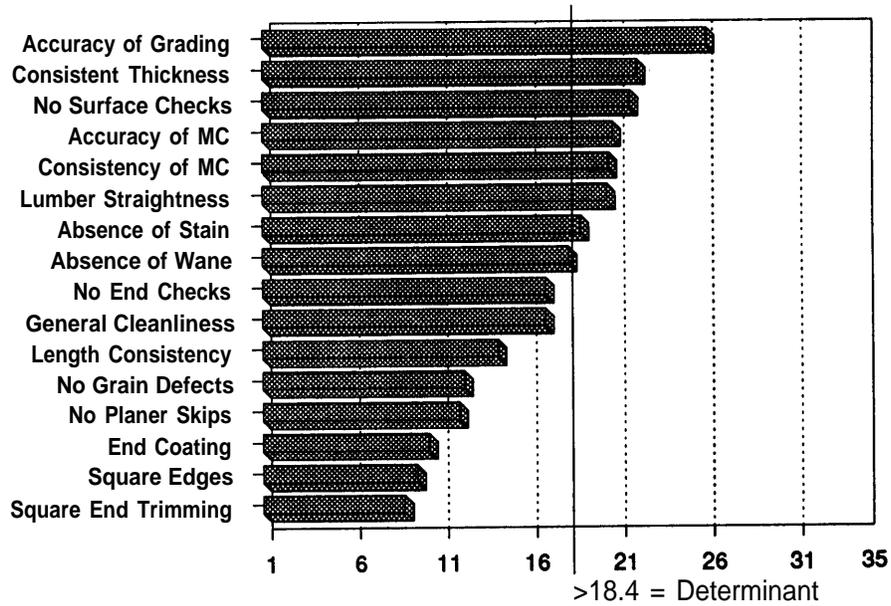
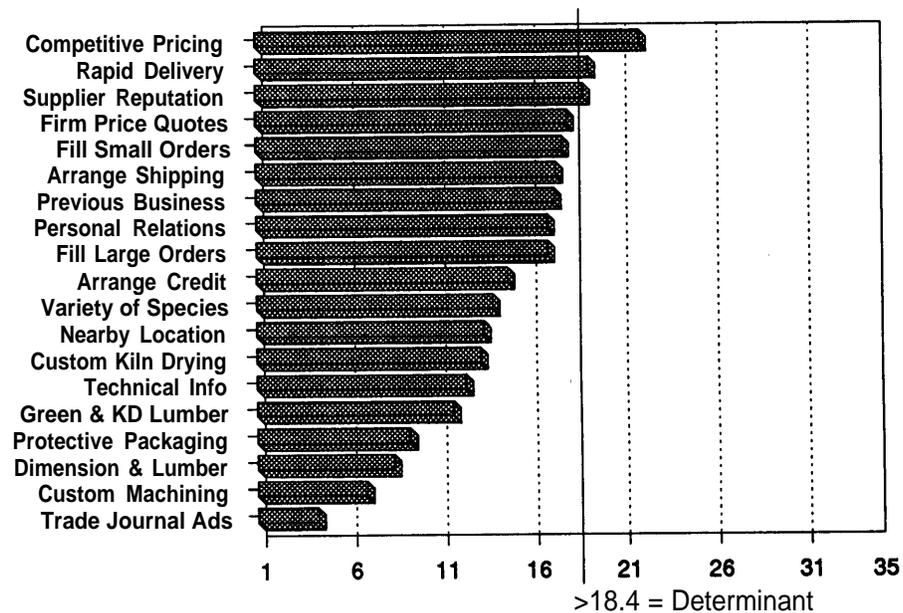


Figure 4. Determinant Service Attributes for Furniture Producers



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