

**OPTIMIZING PRODUCT ATTRIBUTES TO GAIN COMPETITIVE ADVANTAGE
IN
MARKETS FOR HARDWOOD LUMBER**

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One of the ways in which wood-based companies can gain competitive advantage is to concentrate on a particular segment of the market for their products. By meeting the needs of this segment better than its competitors, a company can create switching costs, develop customer loyalty, and increase profit margins. Porter (1980) described this approach and termed it a *Focus* strategy. Porter (1980) also defined two other generic competitive strategies (*Overall Cost Leadership* and *Differentiation*). However, because of the resource requirements of these alternative strategies only a *Focus* strategy may be appropriate for small firms (Wright 1987).

The problem facing wood-based companies attempting to implement *Focus* strategies is that information concerning the specific needs of market segments is often unavailable. Because of this need, a study was conducted that investigated the product and supplier attributes (characteristics) that are important to companies in five segments of the market for hardwood lumber: millwork, dimension stock flooring, cabinet, and furniture producers.

A total of 403 companies (including the largest U.S. firms in each of the market segments) were surveyed. Two hundred and fifty-two companies provided usable information. Respondents reported the single factor that caused the most dissatisfaction in lumber purchasing situations (quality, delivery time, price, credit terms, species availability, other). The most common reason for dissatisfaction (57% of responses) was lumber quality.

Respondents rated 15 product attributes and 18 supplier attributes as to the importance of the attribute to their firm. When evaluated across all market segments, the most important attributes were accurate grading, willingness to provide firm price quotes, lumber thickness consistency, competitive pricing, freedom from surface checks, and supplier reputation (in that order). Accurate grading and willingness to provide firm price quotes were also among the five most important attributes of each of the market segments - suggesting they are requisite attributes for competing in the industry. The relative importance of the top attributes to companies in each of the market segments is depicted in Figure 1.

Many similarities in terms of attribute importance were found between the market segments. However, some differences were found that could be used to tailor a product offering to one of the market segments. For example, cabinet producers placed less importance on lumber thickness consistency and more on chipped grain, technical information, and moisture content accuracy than did the remaining segments.

Furniture manufacturers valued lumber thickness consistence, supplier reputation, and rapid delivery more than other segments. Flooring producers were most price sensitive (perhaps because they purchased lower quality lumber than other segments) and placed high importance on the relationship with their suppliers. Millwork producers placed more importance on lumber straightness and a supplier's ability to provide kiln dried as well as green lumber. Dimension manufacturers were particularly concerned with surface checks in the lumber they purchased.

Differences between market segments in terms of attribute importance suggest opportunities for implementing a *Focus* strategy and, consequently, gaining competitive advantage in the marketplace. Successful implementation of the strategy will require optimizing those attributes that are important to companies in the target segment. To maintain long term competitive advantage producers should also develop those elements of the marketing mix that result in switching costs (e.g., proprietary grading and technical support) and create barriers to entry into the market niche (e.g., reputation).

LITERATURE CITED

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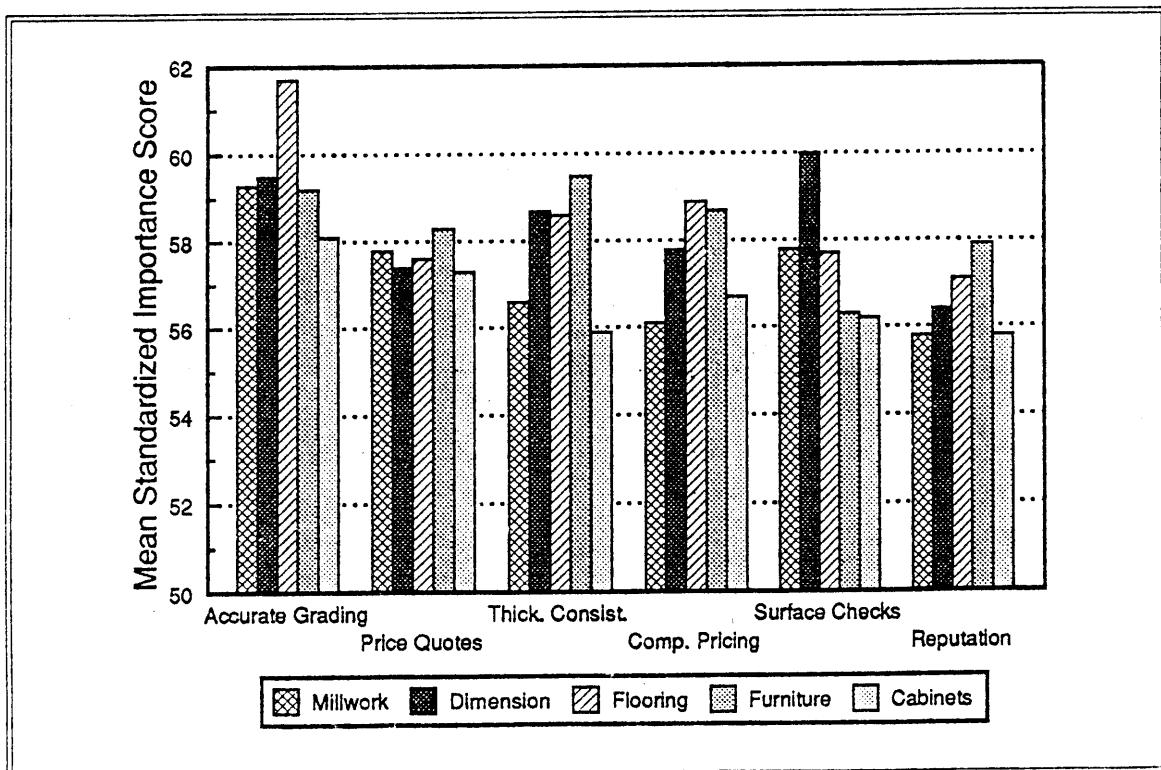


Figure 1. Mean Standardized Importance Scores by Market Segment for Selected Attributes

Symposium on Specific Forest Products Opportunities

**April 4-6, 1990
St. Paul, Minnesota**