# Marketing Sophistication in Private U.S. Sawmilling Companies

<table>
<thead>
<tr>
<th>Journal:</th>
<th>Canadian Journal of Forest Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manuscript ID</td>
<td>cjfr-2015-0242.R1</td>
</tr>
<tr>
<td>Manuscript Type:</td>
<td>Article</td>
</tr>
<tr>
<td>Date Submitted by the Author:</td>
<td>24-Aug-2015</td>
</tr>
<tr>
<td>Complete List of Authors:</td>
<td>Han, Xiaoou; Oregon State University, Hansen, Eric; Oregon State University</td>
</tr>
<tr>
<td>Keyword:</td>
<td>marketing, sawmilling companies, case study, market orientation, stakeholder orientation</td>
</tr>
</tbody>
</table>
Marketing Sophistication in Private U.S. Sawmilling Companies

Xiaoou (Jane) Han (corresponding author)
119 Richardson Hall
College of Forestry,
Oregon State University, Corvallis, OR, 97330, USA
Tel: (541)-250-1539 Fax: (541)-737-3385, Email: Xiaoou.Han@oregonstate.edu

Eric Hansen
Professor, Forest Products Marketing
119 Richardson Hall
College of Forestry,
Oregon State University, Corvallis, OR, 97330
Tel: (541)-737-4240, Email: Eric.Hansen@oregonstate.edu
Abstract

Recent research in the field of marketing documents a shift from a production/sales orientation to a customer/market/stakeholder orientation. However, there is no systematic investigation of marketing sophistication in firms. This study examines marketing sophistication in the context of private U.S. sawmilling companies using a case study approach. Specifically, marketing culture and marketing strategies in the companies are the focus of the study. Data were collected from 20 firms via personal interviews, website information and field notes. Findings show that the studied companies do not have a holistic understanding of marketing and a production-oriented mentality still largely presents. An enhanced understanding of marketing would benefit the firms. However, it is also quite clear that many of the studied companies start to pursue an outward-looking, market-oriented approach of marketing.

Key words: marketing, sawmilling companies, case study, market orientation, stakeholder orientation
Introduction

In general terms, a basic definition of marketing is the identification of customer needs and meeting those needs at a profit. The modern view is that marketing is endowed with a rather enriched meaning. It involves establishing and maintaining an active dialogue with customers, suppliers and other individuals and organizations associated with the focal firm (Ferrell et al. 2010, Vargo and Lusch 2004, Narver and Slater 1990). Such a dialogue helps firms to identify customer needs, market trends and potential ways to build competitive advantage. This requires firms to be able to take on a broader and more holistic view of its market environment when conducting marketing related practices, instead of using it as purely a selling function.

There are a number of market and societal forces at play that are pushing companies to adapt/change their approach to marketing. During the early days, marketing in the forest sector was primarily sales-oriented (Hansen and Juslin 2011). In this orientation, companies concentrate on producing a large quantity of goods, and rely on the sales force to push the product out to customers. Production and low price are the major focus and little time or effort is spent on analyzing customer needs and stakeholders. However, along with the change of supply-demand situation and ever increasing market complexity, marketing in sawmilling companies had to be more sophisticated. For example, to cope with fluctuating demand for housing, sawmilling companies shift part of their focus from the residential market to the repair and remodeling market (Niemelä and Smith 1995, Rich 1986). Compared with the residential market, the repair and remodeling market has more complex needs and calls for more specialized products.
The required characteristics and dimensions of lumber vary among different buyers (Niemelä and Smith 1995). This increasing complexity of customers calls for a more customer-focused marketing philosophy to satisfy the evolving customer needs.

Besides changing market needs, growing public demand for corporate social responsibility (CSR) puts more pressure on forest sector companies to raise their awareness about important stakeholders and to evolve their marketing efforts accordingly. Such demand has been mainly centered on the environmental aspect of CSR, given the environmentally-sensitive nature of the industry. Discussion surrounding the environmental responsibility of the sector intensified in the 1970s and continues in the 21st century with constantly evolving areas of focus. The major societal concerns regarding environmental responsibility of the forest sector include emissions to water and air (1970s), recycling (mid 1980s), chlorine bleaching (late 1980s), forestry and forest management (early 1990s), forest certification (mid 1990s) and global climate change and the role of forests (21st century) (Panwar et al. 2006). Due to the impact of globalization, raw material procurement and forest certification receive increasing attention these years. Companies would have to establish purchasing policies to ensure the legality of the raw material origin, for example, forest certification mechanism (Panwar et al. 2006). More importance is also placed on other aspects of CSR in recent years, including the social aspect and economic aspect (Vidal and Kozak 2008b). Examples of related issues include “health and safety”, “community involvement” and “wealth creation and local development” (Vidal and Kozak 2008a). Rising societal
attention on these issues underscores the importance of more sophisticated marketing with a broadened focus in forest products companies.

This research adopts the approach suggested by Webster (1992) and Hansen and Juslin (2011), which views marketing sophistication as a complex phenomenon with multiple components and aspects. Specifically, the research questions of the study are the following:

In the context of private U.S. sawmilling companies,

- How do managers understand the concept of marketing and marketing culture?
- How do managers implement marketing as a strategy?

We organize this paper in the following way. We provide a background of the context of the sawmilling sector followed by a theoretical background of the evolution of marketing. In the section that follows, we describe study methods including design, data collection, and analysis. Finally, we combine results with discussion of study findings both from academic and practical perspectives, outline key study limitations, and note major conclusions drawn from this study.

**Theoretical background**

Research shows that marketing has evolved from a simple production/sales orientation towards a more sophisticated market orientation and even today into a stakeholder orientation (Tadajewski 2009, Stoddard 2007). During the early years when customer
needs were simple and homogenous, companies simply produced what they thought the customers needed and relied on the sales people to move products out of their manufacturing facilities. They mostly concentrated on production efficiency, cost reduction and selling techniques, rather than customer needs. However, as customer needs became increasingly complex, companies started to pursue a market-oriented approach (Hansen and Juslin 2005). They pay more attention to market trends to identify what customers really wanted and provide products and services accordingly (Narver and Slater 1990, Kohli and Jaworski 1990). By taking into consideration the other individuals and groups that are related to the company (e.g., supplier, community, environmental group), market orientation is further broadened to a stakeholder orientation (Maignan et al. 2011).

Marketing can be defined in the context of a planning approach and should be considered as a hierarchical system which consists of marketing culture, marketing strategy, marketing structure and marketing practices (Hansen and Juslin 2005). At the corporate level, marketing is usually viewed as a culture, a set of values and beliefs providing guidance to the whole organization; for each business unit, marketing is approached as strategy formulation focused on market segmentation, product development and so on in order to make the company successful in each of its business units; when boiled down to the operating level, marketing becomes very specific practices and everyday activities (Webster 1992). For smaller companies that do not have so many management layers, different dimensions of marketing can occur at the same functional level. Theoretically, the marketing strategy of a corporation is
determined by its marketing culture, and the marketing practices are developed to execute the marketing strategies. As mentioned previously, this study mainly focuses on examining marketing culture and marketing strategies in the studied companies.

This section firstly addresses marketing sophistication from the marketing culture perspective, by describing its evolution from a production/sales orientation to a customer/market/stakeholder orientation. Subsequently, frameworks of marketing strategies that are used more often in the forest products marketing literature are introduced. In addition, the literature focusing on marketing in the forest products sector is reviewed.

**Production orientation and sales orientation**

A production orientation and a sales orientation are similar in nature but not synonymous. The idea of a production orientation is closely related with high production efficiency and low cost; while a sales orientation focuses on selling techniques (Stoddard 2007, Kotler 1988). Production-oriented companies concentrate on producing large quantities of commodities at low costs. Companies believe that what they provide are what the customers need and low price will bring them competitive advantage. Therefore, these companies seek to reduce the cost of production in order to pass along the benefit to customers in the form of low prices. Similar to a production orientation, a sales orientation does not encompass meeting customer needs. A sales-oriented company aims at selling what it can make rather than make what it can sell. However, a sales orientation requires more selling techniques than a production
orientation which holds “products sell themselves”. Being sales-oriented, companies start to be conscious of customers. They take the first step to shift their focus from products and the company itself to the customers, by getting to know who they are and attracting them by promotional efforts. To be sure, they pay more attention to the customers than the production-oriented companies. However, the reason for that is not necessarily concerned with meeting customer needs, but rather selling the products. Therefore, production-oriented and sales-orientated companies are inward-looking. They tend to focus on “what the company can make” rather than “what the customers want”.

Customer orientation, market orientation and stakeholder orientation

Production and sales orientations worked well during early times, when demand was relatively high and customer needs were simple and homogenous. However, changing markets and so increasingly complex customer needs meant that to stay competitive a company has to be more customer/market oriented.

The terms “customer orientation” and “market orientation” were considered to be synonymous initially but eventually market orientation developed into a richer concept with multiple components (Narver and Slater 1990, Kohli and Jaworski 1990, Lear 1963). One major component of a market orientation is still considered to be customer orientation, with the idea that the primary goal of business is to create satisfied customers (Deshpande and Webster 1989, Payne 1988). The significance of a competitor focus is also suggested and embraced, since competitors can impact
customers and their needs (Kotler 1977, Narver and Slater 1990). It is suggested that competitors, along with customers, comprise the major external environment of a company (Kotler 1977). Interfunctional coordination or coordinated marketing comes as another important element constituting market orientation. With a comprehensive understanding of customers and competitors, an organization should utilize its resources in a coordinated manner to create superior value for the customers. Such a process needs a synergistic effort of all functional groups in an organization (Webster 1988, Kohli and Jaworski 1990, Narver and Slater 1990).

Being distinguished from production orientation and a sales orientation, customer and market orientation are outward-looking. Changing business focus from the company itself and the products it produces from satisfying customer needs is evolutionary. Nevertheless, achieving this task requires a comprehensive understanding of all the stakeholders, who are the individuals and groups that can possibly have an impact on the company. Except for customers and competitors, customer and market orientation largely ignore these stakeholders, which include but are not limited to employees, suppliers and government, etc. (Maignan et al. 2011). In a broad sense, a stakeholder group is “any identifiable group or individual who can affect the achievement of an organization’s objectives” (Freeman and Reed 1983). The concept of stakeholder orientation is developed based on market orientation. They share some similarities but eventually differ from each other. With a focus on social responsibility and the impact of marketing on society, the scope of a market orientation is broadened by having considerations of other stakeholders beyond just customers and competitors (Hult et al.
However, these stakeholders are considered important primarily due to the reason that they all have impact on customer needs and purchasing behaviors. Customers and competitors are always considered the primary stakeholder groups and are highly prioritized when firms make marketing-related decisions. A true stakeholder orientation is also concerned with customer needs and competitor actions, but it essentially emphasizes the importance of all the individuals and organizations that a company is responsible to (Freeman and Evan 1991).

Marketing sophistication in the forest products industry

Toppinen et al. (2013) outline four stages of forest industry orientation: forestry orientation, production orientation, market orientation and sustainability and increased stakeholder-orientation. This industry evolution suggests that the forest industry becomes more demand-focused instead of supply-focused, and more outward-looking instead of inward-looking. Marketing is also required to adapt itself on this path.

Research in the forest sector documents evolution of marketing in sawmilling companies towards a more sophisticated market-focused philosophy (Hugosson and McCluskey 2009, Niemelä and Smith 1996, Rich 1986), which is found to be positively associated with firm profitability and performance (Naver and Slater 1990, Hansen and Dibrell 2006). Specifically, the results of these studies suggest that companies develop a more cooperative relationship with customers (Hugosson and McCluskey 2009), shift focus from commodity products to more specialty and custom-made products (Niemelä and Smith 1996) and pursue differentiation and focus strategies (Bush and Sinclair 1991, Rich 1986). Research addressing marketing in the forest sector from a
stakeholder perspective is scarce, but there are plenty of studies concentrating on corporate social responsibility that emphasize the importance of various stakeholders in the forest sector (Toppinen and Korhonen 2013, Vidal and Kozak 2008a, Panwar and Hansen 2007).

However, confusion still exists. The study conducted by Hansen (2006) shows that marketing in forest industry companies is not well-integrated into practices such as new product development. Moreover, Rich (1986) identifies “stuck in the middle” companies in his study of strategy shift in the major U.S. forest products companies between the two periods of 1976-1979 and 1986. These companies were implementing at the same time multiple competitive strategies that in theory are not compatible with each other in the same organization (Porter 1980). This uncleanness of competitive strategies could possibly lead to ineffectiveness of marketing strategies as well. Hansen et al. (2002) also find the “stuck in the middle” problem to be evident in softwood sawmills in Western North America. In addition, there is no systematic examination of the current status of marketing sophistication. It is important for researchers as well as managers to more fully understand the true marketing sophistication of forest products companies, especially from its different dimensions. Such knowledge could help the industry achieve sustained competitive advantage (Barney 1991, Wernerfelt 1984).

Methods

The purpose of this study is mainly exploratory. Theories in the general marketing literature are borrowed to provide a preliminary understanding of marketing
sophistication. Also, “case study” here is referred to as a framework for collecting and
documenting evidence about marketing sophistication. The “case” of interest in this
study is the phenomenon “marketing sophistication”, rather than individual companies.

Sample

This study followed a theoretical sampling approach focused on companies in which
marketing sophistication is “transparently observable” (Eisenhardt 1989). Private U.S.
sawmilling companies with multiple facilities were considered to be the most likely to
represent strong and positive examples of marketing sophistication. Sample size was
based on the principles of reaching data saturation (Miles and Huberman 1994) while at
the same time maintaining balance among study regions. Ultimately, 20 companies
were included in the study. Among the 20 companies, 16 companies had multiple
facilities, consistent with the sample selection criteria, while four other companies only
had single facility. These four companies were selected in order to ensure a balanced
sample for each region, since there was a shortage of multi-site companies in the East
region that were willing to participate in the study. The general sample information is
provided in Fig. 1.

Data in this study consisted of three types: personal interviews, field notes and
company websites. Personal interviews were conducted with the key informants in each
company, including CEOs, marketing executives and other Vice President level
executives. These top managers were selected to be the participants simply because
they had the best knowledge of their own companies, and their answers should be able
to represent the overall understanding of marketing in their companies. All the interviews were audio-recorded and later transcribed. Field notes were taken based on direct observation during each company visit. Company websites were examined and information relevant to the research topic was carefully summarized as written notes. Among the three data sources, personal interviews and field notes constituted the center piece of the case study evidence, while company websites provided additional information for data triangulation.

To allow flexibility and depth of information, a semi-structured interview protocol was developed. It was evaluated by a group of researchers in the forest products marketing area, including both professors and graduate students, and then pre-tested on one graduate student that had industry experience and two forest business professionals. All the individuals who participated in the evaluation and pre-testing process were selected outside of the study cases. Light feedback was received and slight modifications were made to the interview protocol (Table 1).

Data analysis
Data analysis can be summarized as three “concurrent flows of activity” recommended by Miles and Huberman (1994): data reduction, data display, and conclusion drawing/verification. The three-part analysis of this study is briefly described below.

Data reduction – In data reduction, the approach followed was similar to that described by Rubin and Rubin (1995). The interview transcriptions were coded using the
qualitative analysis software NVIVO. A list of primary themes was first developed according to the interview protocol. Then, the transcripts were examined carefully and subthemes and additional themes were identified based on previous literature as well as patterns that emerged during the coding process. At the end of this process, the useful “chunks” of information were identified, highlighted and summarized under each code. The summary of these “chunks” of information were read with the purpose of identifying new subthemes. All the themes and subthemes were mentioned at least by three companies. Next, the transcripts were completely recoded using all the identified themes and subthemes, to ensure that all the relevant text in the transcripts was thoroughly included in the codes. Finally, the process resulted in four primary themes. All of the primary themes have several subthemes under them (Table 2). In addition, reflective remarks and initial ideas about the data and codes were documented in the form of a memo.

Data display – Matrices were utilized in this study to display data, with rows representing a company and columns containing information addressing interview protocol questions. Patterns and codes developed from the interview transcriptions were summarized and organized into a large matrix, while data derived from company websites was displayed in a separate matrix for data triangulation. It should be noted that data reduction and data display took place at the same time as website information analysis. When analyzing company websites, the researcher visually scanned the website of each company, and then put relevant information and notes made on important points directly into a previously created matrix that was created already.
Conclusion drawing/verification – Data in the matrices was examined firstly within each individual company and then compared among cases. Field notes and memos were carefully read. In the end, conclusions were drawn based on data collected from all of the sources. Also, the interview data was independently analyzed by the second author for the sake of “intersubjective consensus”. Furthermore, the authors maintained an open dialogue and exchanged opinions regularly during the whole data analysis process as they reached conclusions.

Results and Discussion

This section addresses the results of this study. We organize the results according to the primary themes. Following the results of each primary theme, we provide an in-depth discussion is made based on observation and interpretation of the data. It should be noted that all of the quotes are from interview data, while the website information is for conclusion confirmation and verification.

Definition of marketing

As managers discuss their views and approaches to marketing, it soon becomes clear that their definition of marketing was heavily oriented toward sales and promotions. Specifically, their definitions of marketing can be summarized into three categories: (i) promotion, (ii) sales, (iii) customer/market.

Promotion
Generally, it can be said that managers confused marketing with promotion/advertising. In their minds, they are one and the same.

Marketing is letting your potential customer segment know what you do and who you are and find those people and bring them back to your company. We try to put ads in magazines. (East, softwood)

We do very, very little marketing. We do that because...one because it is so expensive, two because the company is 85 years old and it is pretty well-known. [interviewer follow up: I have a question here. When you said marketing, what do you actually mean by marketing?] Advertising. (South, Hardwood)

Marketing I think is the promotion and information behind products and processes. (West, Softwood)

Sales

Another way that managers defining marketing is associated with sales. To many study participants, marketing is selling the products they made. Although some of them talk about finding customers that fit with the company or “user niches”, sales and selling still dominate their view of marketing.

Marketing to us is getting out and meeting the customer, walking in their facility, and then making a match out of that. Does it fit [company name] or does it not? And if it fits [company name] we would put a lot of effort or energy being in front of them. (West, Softwood)

My interpretation of the word marketing is linking our product to...product placement within a user group I guess. Creating the demand for our products. It is creating the demand or finding the market. (East, Softwood)

Customer/Market-focus

Some managers mention customers and markets as components of marketing. Specifically, they emphasize customer relationships, customer satisfaction and market information. Marketing is about understanding the market and meeting customer needs.
My personal interpretation of marketing for our sawmill business is customer intimacy, meaning we really market one customer at a time and we aren’t looking for a lot of customers. We are looking to develop a very close intimate relationship with a few customers and to customize our product and our message to fit that customer. So it is not mass marketing. It is very focused marketing. (East, Softwood)

I think marketing….you gotta know what items are being used and those particular items that are being manufactured out of it….you get into some real particular sometimes on what people wanting to do with the product. So you put up a very specific product for them. And it is special, special only to those few customers. (South, Hardwood)

Discussion

As presented earlier, marketing is defined in a context of a planning approach in this study. A holistic understanding of marketing should cover all the components of the system: marketing culture, marketing strategy, marketing structures and marketing practices. Participants do not express such a holistic understanding of marketing.

Promotion and sales are marketing practices on the functional level. It is the lowest level of marketing hierarchy but the most visible and concrete (Webster 1992). By contrast, marketing definitions under customer/market-focus resided on the cultural level of marketing and clearly represented a deeper and more sophisticated understanding of marketing. Managers are able to go beyond daily operational issues to reveal and articulate the thinking and philosophy behind it. However, this customer/market-focus definition is still considered insufficient, since it only emphasizes one component of the complex system. Among all those interviewed, only one person provides a marketing definition that was close to the one adopted in this study, with a planning approach:

“The planning and execution of the strategy designed to provide customer value.”
Marketing philosophy

The findings associated with marketing philosophy are mixed. The answers from some managers reflect a strong production/sales orientation, while others clearly articulate a focus on customers and markets. Besides customers, managers commonly mention competitors, employees and the general public as their concerned stakeholders.

Production/sales orientation

Study participants speak considerably about selling commodities and competing on price. Although they occasionally express a focus on the “marketplace”, what it means to them is obtaining information regarding prices provided by competitors. The importance of raw material is also commonly emphasized. Managers mention that the type and quality of the raw material determined the products to produce. Better quality raw material leads to “higher yield”, which, appears to predominate their thinking. These sorts of answers represent a production/sales orientation.

The barriers to market entry aren’t all that significant. You just have to be a little bit cheaper than the next guy and you can sell into this business as well. (West, Softwood)

It is a company based on prices because they are commodities, they are significantly fluctuating in price. (West, Softwood)

We look at our sales [people], they are as the ears and eyes in the marketplace. So we rely on them and we communicate this, we rely on them to be giving us regular feedback about our competition, about what they are hearing in terms of pricing, you know competitiveness. (East, Hardwood)

Customer & competitor orientation

Regardless of the embrace of a traditional production/sales orientation, there is also an undeniable emergence of a sense of customer & competitor orientation. Managers
speak of having good, close relationships with customers as a preferred marketing philosophy. Also, they express the importance of meeting customer needs and letting customers drive what they produced. Some particularly emphasized their opinion against the traditional production/sales orientation mentality.

So what we have to do is to meet our customer needs. We have to be better in some respects. So that is one of the key things we strive on.
(West, Softwood)

So there is a continuous tension between customer-driven and supply-driven. But as a customer, if you say what is our goal, we are trying to move towards more and more being customer-driven and minimize the supply-driven side. (South, Hardwood)

Some companies are production-driven and manufacturing-driven. Their operating scenario is dictated by their production staff so they produce what they want and then they send it to marketing and say “sell this.” Whereas we are more along the line of the marketing department tells us what they need and that is what we produce. (South, Hardwood)

Competitors and competition are consistently mentioned by managers. They consciously pay attention to what their competitors are doing and this knowledge is utilized when making their own decisions.

…find out what they are using, what products are out there and what our competition is doing, see if there are any new trends that are coming up.
(South, Hardwood)

So having dynamic knowledge, everyday knowledge about what our competition is doing arms us with the ability of making faster better decisions in terms of how we move our product into the marketplace.
(West, Softwood)

You know, I watch how the competition is doing. (West, Softwood)

Other stakeholders
Several other stakeholders are commonly mentioned by study participants. First, employees are commonly mentioned. One manager speaks about employees from mainly a philanthropic point of view, with mentioning their efforts of not reducing employees’ working hours while reducing production.

So we do try first to think about the customers in our marketing related decisions, but the second group we really try to think about would be our employees, our mill employees, because when we reduce the production, the mills need to run fewer hours, our employees are working fewer hours, and we are really trying to keep enough production to allow who work in our mills to work 40 hours a week. That has been one of our goals. So I would say other than focusing on our customers the biggest group we think about in marketing decisions, production decisions would be our own employees. (East, Softwood)

Others value employees because of their knowledge and specialty. According to these participants, employees work for the companies and are intensively involved in company operations and ran and maintained the equipment; therefore they are influential and important to the companies.

Internally we did a lot of coaching and working with all of our employees to make sure that they know what is meant by sustainability and that we do things at our individual operations that represent sustainability. I am not talking about trees at that point, it is doing the right thing at our operations and hopefully people do the right thing at home, whether it is recycling or minimizing the use of energy or whatever...Everybody in the company has some stake in our corporate sustainability. (West, Softwood)

Our crew, our employees are super important. There is a lot of high-tech equipment in our facility. We use optimizing scanning equipment to try to get the most out of every board and out of every log. It takes maintenance and detailed routines to keep it operating efficiently and correctly. So our employees are very important to operate the technology and keep it running. (East, Hardwood)

Interfunctional coordination

There is a lot of communication between marketing and other functional departments, especially with raw material and production. In some cases, marketing has the
knowledge of customer wants and needs and thus possesses the power of instructing
the other departments about what to do.

And I let them tell the mills what they cut because I know what customers
want. And try to find that happy medium. You know there are times that
the mills don’t want to cut a certain item, but customers want it. You have
to find that balance. (East, softwood)

We (marketing) tell sawmills what to cut based on what the customers tell
us what they want: thickness, width, grade of the log (South, Hardwood)

However, managers talk extensively about communication that either reflected a
production/sales orientation or had little to do with sharing knowledge about customers
and the marketplace. For example, communication takes place between NPD team and
the marketing/sales to “inform” the marketing/sales what products are developed.

The other way that they are really brought together is in our product
development, whenever we talk about something for product development,
we always bring both groups-domestic and export-together. Some
products are just naturally more for export, some products are just
naturally more for domestic. We tried to keep the both sales groups
informed about what the products were… (East, Hardwood)

Also, companies have monthly meetings, where they talk about sales numbers, finance,
and issues within the company, etc. Although these kinds of meetings are a good way
of keeping people connected, meeting customer needs was apparently not the reason
or goal for them; at least, managers do not mention customer needs when talking about
these meetings.

We do right now one meeting a month. It is a formal meeting and we talk
about numbers, talk about new customer you brought on. Good things,
bad things and what we are gonna do for the following. (South, Softwood)

We have an agenda. We do a financial review. All these people know
exactly how we do every month financially. We do a workload. We talk
about how things are within all of our different operations for workload. We
talk about any projects. These are standardized of review every staff
meeting. And then budget and business plan review... So it is a pretty
important meeting for us to keep us connected about any issues within the
company, that is in the leadership in the company. (East, Hardwood)

Discussion

The findings suggest that the understanding of marketing culture by respondents is
mixed rather than uniform. The lumber business is traditionally production/sales-
oriented (Cohen and Kozak 2001). Manager comments regarding lumber being a
commodity and price being essential suggest that companies still have this mentality.
Meanwhile, a customer/market orientation also emerges from the data. This supports
the notion suggested in the literature that marketing is shifting towards a
customer/market orientation in the forest sector (Hansen and Juslin 2005). Companies
are more outward-looking and concentrate more on customer needs and market trends.
It brings into question what leads to such contrasting marketing cultures across
companies. Some immediate speculations are top management background (marketing
vs. non-marketing), top management age (young vs. old) and company type (hardwood
vs. softwood). However, our results do not indicate systematic differences along these
lines.

Research regarding stakeholder groups and stakeholder impact in the forest sector is
scarce. However, studies of corporate social responsibility (CSR) in forest products
companies are quite abundant (Toppinen and Korhonen 2013, Vidal and Kozak 2008a,
Panwar and Hansen 2007). It is widely agreed that CSR in forest products companies
mainly includes three set of responsibilities: economic responsibilities, environmental
responsibilities and social responsibilities (Panwar 2007). Suggested by Vidal and
Kozak (2008), economic and social responsibilities are receiving increasing attention
from forest products companies, with environmental responsibilities being the traditional focus of the industry. The findings also suggest companies’ concentration on economic and social responsibilities. The two specific stakeholder groups that emerged from the data are suppliers and employees, which are mostly associated with companies’ economic and social responsibilities. Environmental responsibilities are just briefly touched on, however. It is possible that during the economic downturn companies and managers have more interests in issues and individuals more directly related to profit, which are raw material supply, employee wellbeing and employee efficiency.

As one of the three components of a market orientation, interfunctional coordination requires good communication and synergy among individuals and functional areas in a company. It is critical for creating superior customer value (Narver and Slater 1990). Managers’ comments regarding marketing guiding raw material purchase and production were good examples of such integrated functional efforts. In these examples, marketing shares its knowledge of customers and markets with the other two functions; and companies adapt resources and efforts to address market needs. In general, interfunctional coordination is not mentioned often by study participants except when asked to explain how marketing interacts with other parts of the company. This indicates that managers are not strategically pursuing it and probably do not even have much thought about it. In many situations, interfunctional coordination and communication occur solely because there is an immediate need for it.
Overall, managers are not able to easily describe the marketing culture within their company. It could be interpreted that they do not understand the meaning of marketing culture. In fact, many ask for clarification of the meaning of the question. The interview question being asked here is “What is your marketing culture/philosophy?” Some managers are confused by this question at first. Instead of giving their answers directly, they ask what marketing culture/philosophy means. It is dangerous to explain it in much detail since one purpose of this study is to learn about how the managers understand marketing and its components. With providing explanations of these concepts in front, it would be difficult to tell the managers’ real level of understanding of marketing.

Therefore, instead of giving much background, the questions are reworded to what the external factors they would consider when making marketing-related decisions, what the goal/focus of marketing was and if/how marketing department and marketing people communicated with others in the company. These questions are more straightforward so that the interviewees are able to understand and answer them yet, they provide little new knowledge which can re-shape the interviewees’ understanding of marketing.

Regardless of their eventual answers, the fact that they do not understand the original question indicated that these managers’ marketing thinking is not particularly holistic.

Marketing strategy

When talking about marketing strategy, managers touch on different aspects of marketing strategy very similar to what is suggested by Hansen and Juslin (2011). All four marketing strategy components (product, customer, market area and core
competencies) appear in the interviews. However, none of the managers covers all four components in their responses.

**Product**

When talking about product strategy, managers speak a lot about differentiation and specialty. Companies differentiate their products by providing special grades. These special grades are said to be of high quality or on the high-end, for which companies are able to charge a premium. Another strategy is meeting specific needs of customers or customer segments by providing a specialty or customized product, for example, a proprietary grade. Furthermore, some companies choose to focus on a market niche where they have competitive advantages.

The market is...the trend has changed that a lot of people that are using a specific width or length or asking for those and it is can be very specific. So to minimize their waste...if you continue to just try to put it up one way, and it won’t fit into the marketplace that way. (South, Hardwood)

We know we make a good product. We know it is on the expensive side, relatively speaking. So we know the kind of person...we are not gonna be able to sell to somebody who is making really cheap furniture and selling it through Home Depot or Lowe’s. That’s probably not gonna work for us... So we have to go after high-end. (East, Hardwood)

**Customer**

Regarding customer strategy, managers generally express that they are selective. They either mention specific customers or customer segments they are selling to, or that they only do business with customers that fit them.

I think first of all our biggest customer is Home Depot, so we are very, very focused on the retail market share. (West, Softwood)
As I said, [company name] has really got two markets: one of construction and the other is I guess repair and remodeling which the decking production would kind of fit into. (South, Softwood)

This is always in development, but we are working more and more to find customers that we call the "right fit"... we are developing a checklist of criteria that makes a good customer fit... (East, Hardwood)

Multiple managers mention that their customer strategy is to sell to distributors or brokers, rather than end users. Their major reason is that these intermediaries are able to purchase larger quantities and are more reliable in terms of payment. It is also mentioned that it is not good to have both intermediaries and end users as customers. The reason is that the end users are the customers of the intermediaries and sawmills would not be wanting to take away their customers’ customers.

We are completely distribution focused. That means we sell almost no end use customers. We sell primarily distributors. And the reason for that is …that hardwood in the U.S. and in Asia always goes to the end users in breakable quantities, smaller than truckload quantity…So the strategy is we have the most powerful friends. When times are bad like they are now in the U.S. economy, the distributors are still buying lumber and paying in 10 days. End users aren’t paying at all. And they are only taking a very small amount of lumber, which doesn’t help you if you make a lot of lumber that you need to get rid of everyday. (West, Hardwood)

Our marketing strategy is selling through brokers… because we get paid right away because our product makes….we have some industrial customers that we sell directly to but if we didn’t sell that way we would have had a salesman on the road to sell a variety…You can’t have a mix either because you will be selling against their customers. (East, Softwood)

We work more and more with distributors because the end-users are not able to take the quantities that they did in the past. (East, Hardwood)

Market area

Market area is not talked about very much by managers as an important component of marketing strategy. There are only three managers who mention market area. However,
these three managers have quite similar opinions regarding choosing the market area for their companies. All three of them express that they prefer a market area close to the manufacturing facility. Transporting products to a place far away increases price. When they sell to somewhere further away, as said by one of the managers, it is because their products are wanted in that market area.

One of my philosophies is that you want to; I call it “owning your backyard”. It means I want all the business as close to my facilities as I can get. I don’t want to have to transport materials a long way. (West, Softwood)

Geography is one. There is really no sense of doing business in New Jersey, when we know our freight is too... freight cost...we can’t compete ... by the time you get the freight on it, the end use product costs more back there. So there are certain places in the country we can’t service. There is no sense of us putting a lot of sales time on New Jersey. Some places in TX, some places in South we can do it, because they’ve got a reason; they want our wood for a reason. (West, Hardwood)

Core competencies

Quality and price are the two mostly frequently mentioned company core competencies. Managers consider their products to be favored by their customers because of the high quality. Appearance and drying are mentioned as the two important quality features.

Because I think our whole thrust is that we want sell on something other than price. Because it doesn’t matter who you are, somebody will always have a lower price. You have to sell on something besides price. So you know ever since I have been involved in a company. It has always been that we have high quality product. That is the image I think we always want to have. (East, Hardwood)

It is the quality of our product that is important. The quality includes getting the moisture content of the wood where the customer wants it. The planing appearance so that it meets the expectations, it is in the form that a customer wants. And lastly, within the grades, we provide wane free lumber as a niche. If you buy dimension lumber, you are likely to find wane on the wood. We don’t do that. We have a lot of customers that ask for our product, solely because of the quality of the product that we put out. (East, Softwood)
So they have done a great job of making sure the manufacturing is the highest quality and our drying process is done with the highest quality. (South, Hardwood)

Also, with a production-oriented mentality, price is considered as an important core competency.

Again, because we are making commodity products, there is more need to ensure your competitiveness cost-wise, than there is to have an intricate marketing strategy. (West, Softwood)

It is an ultimate commodity. It is like corn or rice or whatever, it is just price, price, price. If you are selling corn, they don’t even care who made it. They are just, it is corn. (West, Softwood)

Discussion

Mintzberg (1994) claims that strategies can emerge within the organization, rather than being formulated intentionally by top management. Menon et al. (1999) refer to it as “incremental planning”. The findings of product strategy in this study especially echo this notion. Although there are companies talking about lumber being a commodity and price being the key when answering the marketing culture question, few claim a commodity product strategy. It is possible that these managers focus on other strategic decisions of marketing and forget to mention product strategy, since none of the managers cover all four components of their marketing strategies. Nonetheless, it is also likely that in these companies there is nothing truly strategic about selling a commodity product. They are just doing what have always been done: selling the products they had. In contrast, those companies who have a differentiation/specialty product strategy are planning it quite deliberately.
Customer selection is considered a very important marketing strategy decision, especially in customer/market oriented companies. Different customers have different needs. It is difficult for a single company to satisfy a broad range of customers effectively (Shapiro 1988). It is important to map out certain known end-users and make them the key customers of the company (Hansen and Juslin 2011). This emerges as a theme of customer strategy in the studied companies. Managers express that they are selective in their customers and also list their target customer segments. However, some managers point out that their customer strategy is to do business with distributors and brokers, primarily for quantity and payment considerations. Companies selling through intermediaries likely fail to effectively understand end users and their needs.

Market area does not appear to be an important strategic decision to the managers. The three managers who talk about it simply state that they choose market areas close to their manufacturing facility for the purpose of saving transportation costs. This differs from the typical production-oriented market area strategy which is as many market areas as possible, but it is questionable whether transportation cost should be a primary consideration when choosing market areas.

According to the resource-based view, company competitive advantages come from the rare, valuable, inimitable and non-substitutable resources they possess. These resources can be either tangible or intangible (Barney 1991). In the forest sector, examples of tangible resources are raw material quality or right species and dimensions of raw materials, while intangible resources can be personnel experience or human
resource management skills (Lähtinen et al. 2008). In this study, quality and price
emerges in the data as common core competencies. These two core competencies are
both associated more with tangible resources and the possible competencies generated
by intangible resources are largely ignored. The focus on tangible resources for
competencies development is suggested to be linked to a production-oriented mentality
(Toppinen et al. 2013).

Hansen and Juslin (2011) suggest that a marketing strategy involves four strategic
decisions: product, customer, market area and core competencies. None of the
managers manage to cover all four decisions in their answers. Most of them just talk
about one or two strategic decisions. This indicates that there is a lack of
comprehensive understanding of marketing strategy in the studied companies.

Conclusions and limitations

The results suggest that the studied companies do not have a holistic understanding of
marketing. When talking about the definition of marketing, they tend to emphasize
marketing practices occurring in their daily operations and ignore the thinking and
planning behind them. Also, many are not able to provide a clear answer to the question
“What is your marketing culture/philosophy?” before receiving further explanation from
the researcher. This brings up the question that if these companies have had much
thought about how they should approach marketing and if they had a marketing
culture/philosophy that guided their marketing strategy and practices. It is possible that
the thinking and planning part of marketing is more abstract and thus more difficult to
articulate. Otherwise, an enhanced understanding of marketing would benefit the firms, since it helps managers develop a marketing system with internal consistency and thus works more efficiently.

Although a production-oriented mentality still largely persists, it is quite clear that many of the studied companies are pursuing an outward-looking, market-oriented approach. Customer value and satisfaction have become increasingly important and are considerably emphasized on the company websites and by the interviewees. The literature suggests that there is a positive relationship between a market orientation and firm performance. The firms are on the right track to becoming more market-oriented when customer needs are becoming more complex. It should be noticed that in many situations being able to address specific customer needs requires additional knowledge and capabilities. Firms need to carefully think about what they can do before making action plans. Also, they should continuously learn about the market and develop their business know-how.

This research investigates marketing sophistication in studied firms. The study phenomenon and some of the interview questions are quite abstract. Thus, it could be a challenge for the managers to articulate clear answers in some situations. Also, this research is qualitative in nature and is not aimed at generalizing to any population beyond the study sample. In order to make a more general conclusion, a larger scale study is needed.
References


Table 1: Questions Included in Interview Protocol

1) Can you tell me about your background?
2) What responsibilities do you have for your current position/ previous background related to marketing?
3) Could you draw a simple organizational structure of your company and indicate where you fit?
4) Are other departments involved in marketing?
5) Could you please describe your major marketing strategies?
6) Could you please describe your company’s general philosophy or approach to marketing?

*Includes only those questions relevant to this manuscript.
Table 2. Primary themes and subthemes identified during data analysis

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Subthemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition of marketing</td>
<td>1. Promotion</td>
</tr>
<tr>
<td></td>
<td>2. Sales</td>
</tr>
<tr>
<td></td>
<td>3. Customer/market-focus</td>
</tr>
<tr>
<td>Marketing philosophy</td>
<td>1. Production/sales orientation</td>
</tr>
<tr>
<td></td>
<td>2. Customer &amp; competitor orientation</td>
</tr>
<tr>
<td></td>
<td>3. Other stakeholders</td>
</tr>
<tr>
<td></td>
<td>4. Interfunctional coordination</td>
</tr>
<tr>
<td>Marketing strategy</td>
<td>1. Product</td>
</tr>
<tr>
<td></td>
<td>2. Customer</td>
</tr>
<tr>
<td></td>
<td>3. Market area</td>
</tr>
<tr>
<td></td>
<td>4. Core competencies</td>
</tr>
</tbody>
</table>
Figure captions

Fig 1. General study sample information

- **INTERVIEWEES (BY POSITION)**
  - CEO/president, 13
  - Marketing/Sales executive, 16
  - Other, 1

- **STUDIED COMPANIES (BY COMPANY TYPE)**
  - Softwood/Hardwood, 3
  - Hardwood, 10

- **STUDIED COMPANIES (BY REGION)**
  - Softwood, 7
  - East, 9
  - West & West North Central, 7
  - South, 4