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Wood-Based Entrepreneurs Toolkit: Finding Market Information

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Forest Research Laboratory
College of Forestry
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Corvallis, Oregon

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*This is a publication of the Oregon Wood Innovation Center (OWIC),
Department of Wood Science and Engineering, College of Forestry,
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Abstract

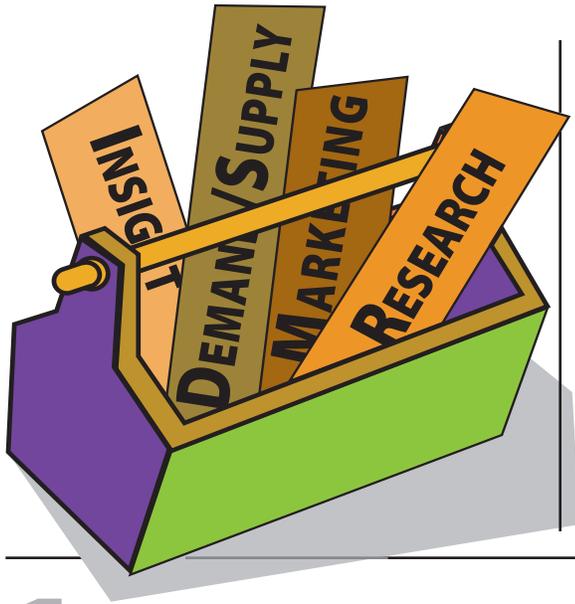
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This document outlines types and sources of information you might use in your marketing planning. A variety of sources are cataloged on the Oregon Wood Innovation Center web site. A concrete example from the experience of a local entrepreneur is provided.

Keywords: Market information, marketing planning, external environment

Contents

1. Introduction.....	1
2. What type of information do I need?	1
3. How to approach and organize information	2
3.1 Macro environment	3
3.1.1 Demand.....	3
3.1.2 Supply	4
3.1.3 Other macro environment	5
3.2 Micro environment.....	6
3.2.1 Competitors	6
3.2.2 Distribution	6
3.2.3 Customers or consumers?	7
3.3 Information sources for micro and macro environments	7
4. Conclusion	8



High quality information is essential, whether you are considering your day-to-day operations or a formal marketing planning process for a new product. As you plan your marketing efforts, you need to have a host of information at your fingertips. In the 21st century, the biggest challenge for an entrepreneur is not accessing information, but filtering out that which is truly useful.

1 Introduction

This document provides pointers regarding the types of marketing information that you should be considering for your business, as well as potential sources of that information. The Oregon Wood Innovation Center (OWIC)

website also includes sources of market information in an effort to make it more readily and quickly accessible for those focused on the forest industry (owic.oregonstate.edu/market-information).

2 What type of information do I need?

Your need for information is tied to your marketing philosophy and marketing focus. If you are producing a commodity product and targeting as many customers as possible¹, your information needs are neither extensive nor deep. In this situation, it may be enough to monitor general trends in supply and demand. However, successful marketing of custom-made products requires in-depth customer knowledge and acute awareness of competitor activities.

If you are planning future strategies, you need to be interested in market attractiveness, opportunities, and threats. The need for information is intricately tied to any marketing planning process. You must become proficient

in gathering information, managing it, and turning it into useable knowledge. *Knowledge results from the assimilation of information into insights that allow you to make intelligent and informed decisions.*

If you know more about the market environment, your customers, and your competitors, you will be more successful. Therefore, the ability to acquire, store, share, integrate, and apply information and knowledge is essential for creating competitive advantage. Still, simply knowing more is not enough. Knowledge must be managed so that it is an integral part of your planning and everyday decision-making. With that in mind, how might you go about organizing information?

¹ See online publication CEO3a, *Wood-based Entrepreneur's Toolkit: Strategic Marketing*, owic.oregonstate.edu/sites/default/files/pubs/strategic_marketing.pdf

3 How to approach and organize information

Using a model of the information environment can be useful in helping to think about the categories and levels of information that should be considered. Figure 1 shows a model of the information environment useful for categorizing market information. The model has been created, tested, and used in numerous forest products market analyses, both at the university and company level.

The information environment model divides the environment into macro and micro categories. The macro environment includes demand, supply, and a miscellaneous category labeled “other.” This type of information is critical when planning for investments and for the highest levels of strategic marketing planning. The micro environment includes information about existing distribution systems in the market as well as the behavior of customers and competitors.

To be able to use the model to produce information concerning markets and customers, you must identify the specific information you need in each situation. For instance, it is too general to say that “I need to know about demand.” You must identify what sort of demand and over which timeframe.

Information regarding the marketing environment is acquired through marketing research, using secondary material, meaning information that already exists, and empirical data collection (e.g., interviews of key people, or newly created information). Individual customers and value chain members are likely targets for primary data collection through surveys and interviews.

The example in the series of sidebars throughout the publication provides insights into one entrepreneur’s experience in searching for information as he began to commercialize his unique new product, wooden bicycle helmets.

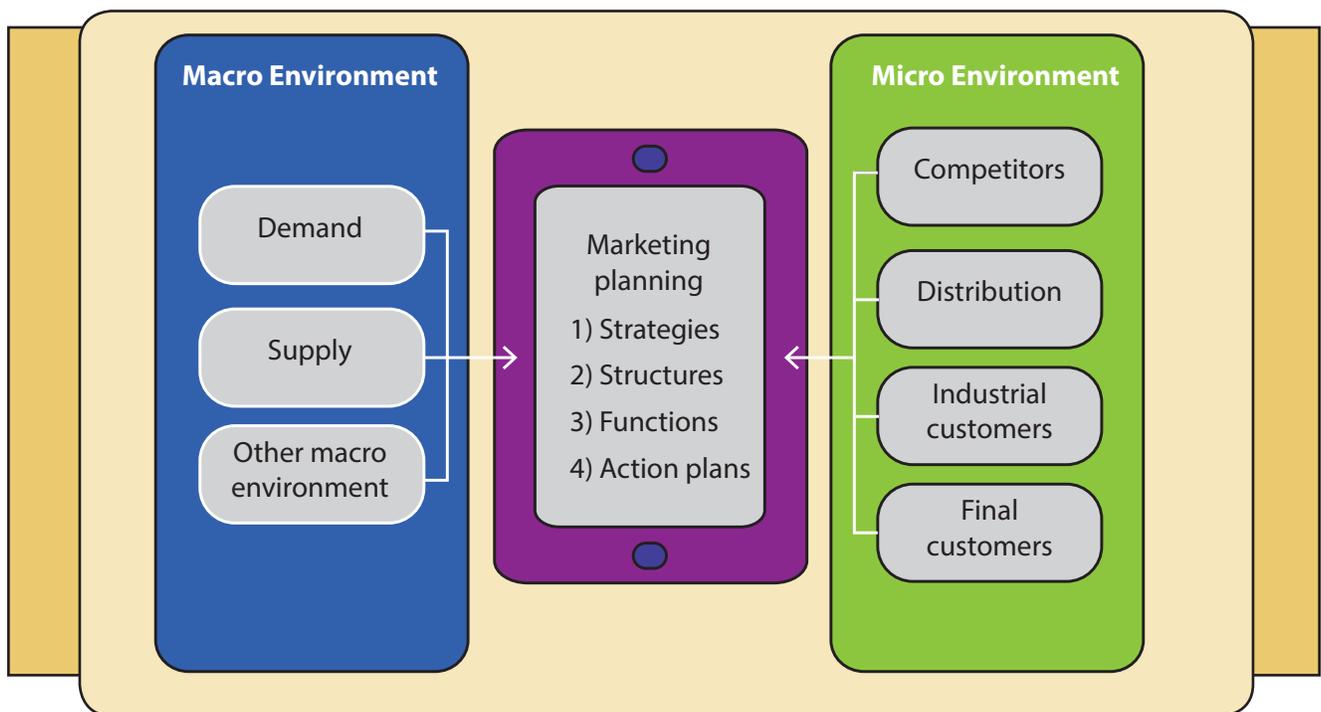


Figure 1. A model of the information environment.

Market Information Sources for a Functional Art Consumer Product

Coyle LLC was founded by Dan Coyle. Dan began making wooden helmets for himself many years ago. When he was out and about using his helmets, they attracted a lot of attention from others. This interest eventually caused him to try to make a business from the idea. Here we borrow from Dan's experience to document the sorts and sources of information that he found valuable as he began to conceptualize his bicycle helmet business and through to his early commercialization efforts.

Often, for an entrepreneur like you, the most important source of information comes from your personal network. In this respect, Dan specifically sought out an advisory group and invited the members to provide feedback on his concept. This exercise

gave him reasonable insights regarding reactions of potential customers. Advisors ranged from university faculty members to consultants, and small business development center representatives.

Generally, Dan relied heavily on examples from other functional art products made from wood such as bicycles, glasses, and skis. Describing these as "parallel" products, he made contact with owners of these companies and attempted to learn about how they approach the market and their target markets. Because of the uniqueness of his product, he found it especially challenging to find any information that would help him set a price for his helmets. He relied on calculating his costs and added a healthy margin to create a final price, but also relied on advice from many people. Later he experimented with pricing via online sales.

Dan also gathered information from a wide range of other sources. The examples provided below are organized around the elements of the macro and micro levels shown in the Model of the Information Environment (Figure 1).

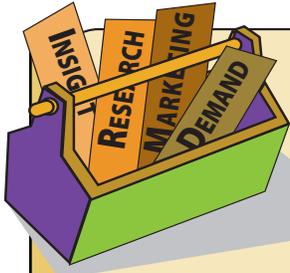


3.1 Macro environment

3.1.1 Demand

The definition of demand in economics is the quantity of goods or services customers are willing to buy at a certain price in a certain market at a certain time. Although there are many factors impacting demand (demand drivers), price is nearly always a critical factor. For many wood products, a key demand driver is new house construction. Of course, demand for housing has its own drivers that are tied to, for example, national and regional economic performance, population growth, bank lending practices, and mortgage rates.

Because the marketing of forest products is becoming more customer-oriented, it has become more important to track the information related to end uses and to different customer groups, as well



Demand

Because wooden helmets are a relatively new concept, there was simply no demand information available to Dan.

Any numbers he was able to find represented the mass market for plastic-molded helmets from large corporations. Dan also tried to assess the demand by studying and comparing markets for similar products, like hardwood bicycles, wooden glasses, wooden skis, etc. For this purpose, he used the sales history of such products.

as the information regarding the demand associated with them. The more in tune you are with customer needs and the trends in their markets, the better you will be able to meet their needs.

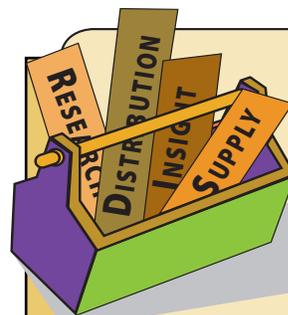
There are various ways to estimate the demand for a product. Each of those listed below would be used in combination with general information that you can obtain from secondary sources, for example, about the state of the economy or the state of a particular industry sector. Understanding the specific types of demand and how it is expected to change over time is needed to make the information most useful.

1. **Sales-force estimates:** Expected sales by customer and by product are estimated by sales personnel. These kinds of estimates tend to gain accuracy over time. If you don't have salespeople, your intuition, based on previous experience, may be the best predictor of demand. Visiting individual markets can give good insights into the types and amounts of demand that exist.
2. **Value-chain member interviews:** Demand can be estimated by asking questions about the anticipated needs from various players in the value chain, including your direct customers. For example, your product may go to an industrial distributor and then to a manufacturer. In this case, talking with key people in both organizations may give you different insights.

3. **Expert opinion:** Consultants, association executives and other individuals that specialize in a particular industry sector or product type may possess considerable information about market developments, including demand. Many trade associations systematically monitor market developments and provide forecasts of marketplace demand.
4. **Time-series analysis:** Your own database containing historical sales can be a good source for forecasting future demand. You might also use data from products similar to yours for the market in which you are interested.
5. **Market test:** When developing a new product, you may gain insights into demand as you conduct a market test.

3.1.2 Supply

Supply represents the quantity of goods or services producers are willing to sell at a certain price in a certain market at a certain time. Like demand, supply is also directly dependent on the price that can be obtained in the marketplace. If the supply roughly meets the demand, buyers will drive the prices higher if they are willing to buy more, and will drive the prices lower if they are willing to buy less than what is available. Key determinants of supply are price, number of sellers, production costs, and price of substitute products. Much of what is said above about sources for demand information applies for supply as well.



Supply

Given the unique nature of wooden helmets, supply was not something that Dan paid special attention to. There is, of course, a huge supply of traditional plastic helmets and many competitors that supply them. However, wooden helmets are so unique that supply was almost exclusively under Dan's control.

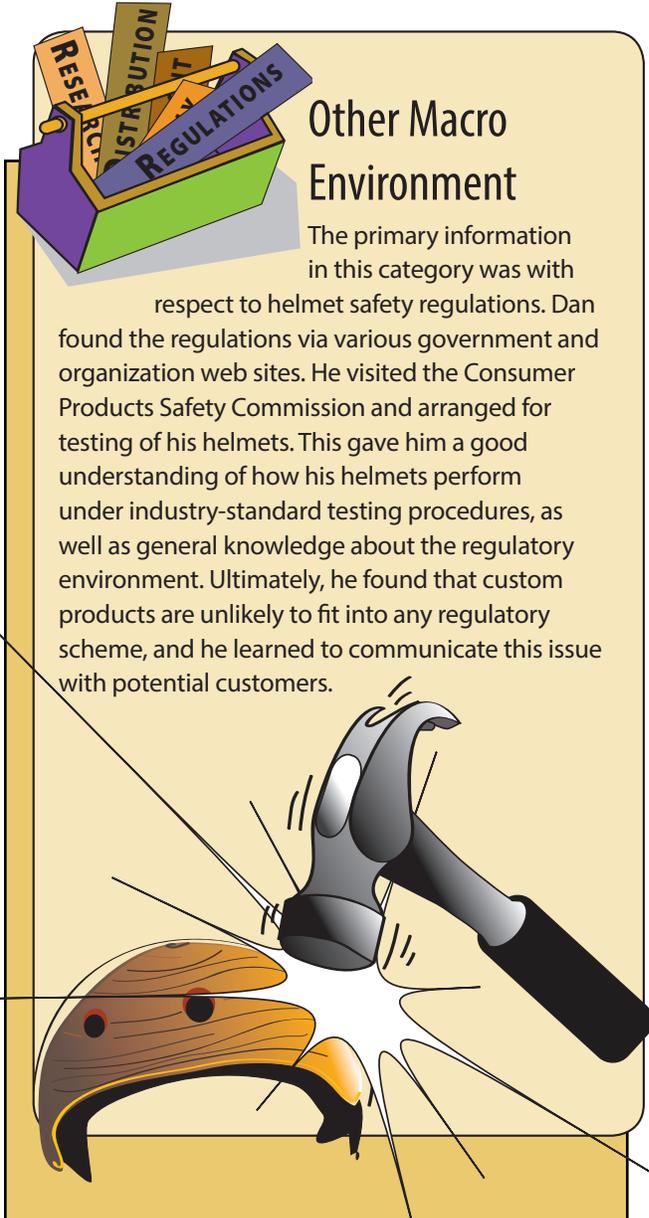
3.1.3 Other macro environment

“Other macro environment” includes a number of factors such as economic, technological, legal, social, and institutional trends and issues. A popular way of looking at the external environment is through “PESTE” analysis, which considers all the above mentioned factors. PESTE is an abbreviation for political/legal, economic, social, technological, and environmental. By targeting information from these broad categories, in addition to demand and supply, one can gain a comprehensive view of the macro environment.

Examples of information in each of the PESTE categories follow:

- **Political/legal:** Government policies have a significant influence on the economy, taxes, trade tariffs, etc. Environmental and safety regulations have a significant impact on markets by, for example, increasing production costs. For wood products in structural applications, building code requirements may be a critical consideration. Even non-structural wood products may face important legal hurdles, for example, if they are to be used in contact with food.
- **Economic:** The general state of the economy heavily influences markets, for example, the housing market. Inflation is an example of an economic factor that can have a major impact on markets and market attractiveness. Inflation can reduce purchasing power of consumers and will lead to changes in the demand-supply scenario of a product. Interest rates, foreign exchange rates, economic growth patterns, and foreign direct investment levels are other economic factors.
- **Social:** It is important to understand the social environment of the market, including cultural trends, demographics, and population. For example, retail sales during the holidays and on Black Friday are important in the U.S. market; in China, Chinese New Year can have a big impact on doing business.

- **Technological:** Information in this area includes the general technical development in the market, use of e-business techniques, social media, and the situation with respect to product norms, regulations, and standards.
- **Environmental:** A host of environmental regulations may be important for your business. For example, if you sell products for indoor use that are headed to California, it is critical that you understand regulations around formaldehyde emissions from the California Air Resources Board.



Other Macro Environment

The primary information in this category was with respect to helmet safety regulations. Dan found the regulations via various government and organization web sites. He visited the Consumer Products Safety Commission and arranged for testing of his helmets. This gave him a good understanding of how his helmets perform under industry-standard testing procedures, as well as general knowledge about the regulatory environment. Ultimately, he found that custom products are unlikely to fit into any regulatory scheme, and he learned to communicate this issue with potential customers.

3.2 Micro environment

3.2.1 Competitors

Some of the information that you might find useful about competitors includes

- planned developments
- competing products and materials
- price competitiveness
- strengths and weaknesses
- marketing strategies
- raw material availability.

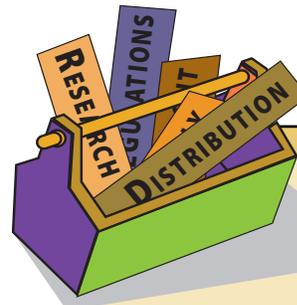
Competitors

With a product as unique as a wooden helmet, there was little if any competition. Dan did some analysis of companies in the plastic-molded helmet industry via their websites and some consulting reports he was able to obtain. However, he soon concluded that plastic-molded helmets do not represent direct competition for his wooden helmets.



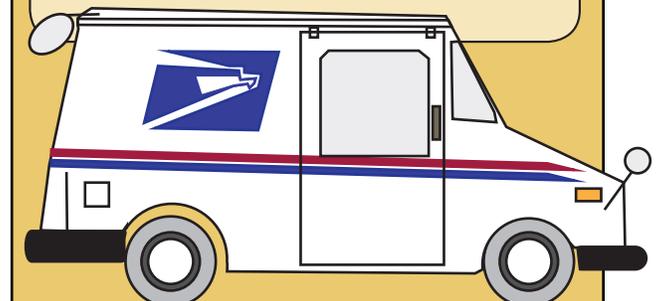
3.2.2 Distribution

When choosing a market area, you must fit your marketing channels to the structure available in that market. In strategic marketing planning, you must have information about the available distribution structure in order to make good marketing-channel decisions. Distribution information is important if you are entering a new market, since you are likely very familiar with your existing markets. It is also important to understand how other industries may impact your distribution structure. For example, the availability of trucks or changes in fuel prices may affect the relative competitiveness of different ways to distribute your product.



Distribution

Dan knew from experience that the traditional distribution channel for bicycle helmets was through retailers, with the higher-priced models available mostly through specialty bicycle shops. However, online purchasing had already become the norm when he began his business, and it was clear that this would be how he would sell most of his helmets. Accordingly, he relied on the U.S. postal service for helmet delivery. He also cooperated with a local bicycle retailer to promote his product, although the helmets were not actually sold in the shop.



Final customers

Dan has invested significant efforts to gather feedback from potential customers. Early on, his main source of information came from attending or exhibiting at trade shows. This gave him a chance to show his helmets to, and interact with people. Through this interaction he was able to get a sense of what people might pay for the helmets, what their main concerns were, and what additional features they would be looking for. He paid special attention to whether blogs would pick up something on his helmets and whether traffic on his web site would increase after a major event like a trade show. Finally, he also interacted with the customers who came to buy other products at the local retailer's shop.

As the business developed, Dan continuously obtained feedback through interaction with customers over the phone, through emails, at trade shows. It was only after several years of operations that he began to gather data regarding the demographics of his customer base as a means to better understand how to more finely tune his marketing efforts. He recently conducted a "giveaway" that required people to provide him with email addresses, and he plans to use this to gain more insights regarding the customer base.

3.2.3 Customers or consumers?

Most marketing in larger forest-industry companies is business-to-business (B2B) marketing, which means the transaction is from one company to another. This situation is much different than when a company is marketing to a final consumer. In the context of B2B marketing the following types of information are important to capture:

- general end uses
- product requirements
- buying behavior
- production technology of customers
- marketing communication requirements
- required speed and reliability of deliveries
- required volume of deliveries
- required delivery terms
- payment terms

Depending on your specific context, the list may differ, especially if you focus on final consumers rather than business customers. The key here is to gather sufficient information about the customer so that you can effectively design your marketing activities to meet the needs of your target market.

3.3 Information sources for *micro and macro environments*

Marketing planning is based on primary and/or secondary material (data). Primary data, or truly new information can only be obtained by you or someone you hire. This information is primarily gathered from customers or potential customers, but can also be from various members of the marketing and distribution channel, experts on the sector, etc. This is typically done through personal interviews. You will want to carefully and systematically design an interview guide to assure that you collect the information that you need. Face-to-face interviews with people you know and with their contacts is likely the best way to gather this information.

Secondary data is not specifically produced for marketing planning, but can be very useful. The forms of secondary information sources vary from newspaper articles and on-line, up-to-date data to costly research reports created by private consulting companies. Secondary information may be generally classified into the following four categories:

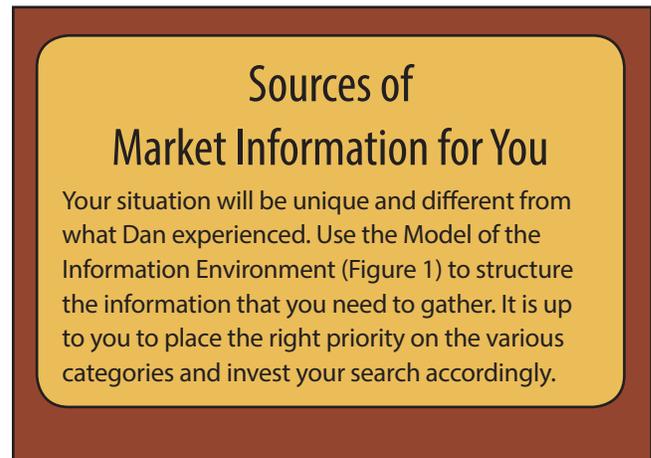
1. **Statistics** include all sorts of data related to your product, as well as general economic development. Time series trends and

forecasting fit this category and are useful in marketing planning. Trade associations typically collect market and membership data. Some portions of this may be available for purchase or, as in the case of the Craft and Hobby Association, available to members only (www.craftandhobby.org/eweb/startpage.aspx?site=cha)

2. **Directories** include lists of companies, as well as reference books on particular industries. The Oregon Forest Industry Directory is the most comprehensive listing of companies, mostly from Oregon, that buy and sell wood and non-timber forest products (www.orforestdirectory.com/)
3. **Research** reports on products and industries are available from consulting companies, research institutes, and potentially from universities. Most of these come with a hefty price and may not be accessible by most entrepreneurs. A recent project from North Carolina State University is a good example of the type of information that can be obtained free of charge (www.cnr.ncsu.edu/localwood/)
4. **Trade journals** are a rich source of information about markets and competitors. There are an amazing number of trade journals, covering all sorts of industries and industry sub-sectors. For example, if your product is related to closets, there is a trade journal for you (www.woodworkingnetwork.com/home-storage-solutions)

The website of the Oregon Wood Innovation Center (OWIC) provides links to hundreds of organizations, trade journals, and more that may be relevant to your information search. We have organized these sources around the following categories:

1. **Associations** (owic.oregonstate.edu/associations)
2. **Directories** (owic.oregonstate.edu/directories)
3. **General Sources** (owic.oregonstate.edu/general-sources)
4. **Government** (owic.oregonstate.edu/market-information-government)
5. **International Sources** (owic.oregonstate.edu/international-sources)
6. **Pricing Newsletters** (owic.oregonstate.edu/pricing-newsletters)
7. **Trade Journals** (owic.oregonstate.edu/trade-journals)



**Sources of
Market Information for You**

Your situation will be unique and different from what Dan experienced. Use the Model of the Information Environment (Figure 1) to structure the information that you need to gather. It is up to you to place the right priority on the various categories and invest your search accordingly.

4 Conclusion

There is no substitute for good planning and the quality of information used in that planning. We have provided an overview of the types of

information that may be of value to you, and we have connected that with a wealth of sources through the web pages of the Oregon Wood Innovation Center.

