

BRANDING MAINE FOREST PRODUCTS
MAINE FUTURE FOREST ECONOMY PROJECT



**CURRENT CONDITIONS AND FACTORS INFLUENCING THE
FUTURE OF MAINE'S FOREST PRODUCTS INDUSTRY**

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**BRANDING THE FOREST PRODUCTS OF MAINE
ASSESSMENT AND RECOMMENDATIONS**

BY

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Branding the Forest Products of Maine Assessment and Recommendations

**By Robert Bush
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Introduction

The following paper provides the opinions of Robert Bush regarding the status and potential for branding solid wood products produced in Maine. The paper is provided by Dr. Bush in his capacity as a private consultant working for Innovative Natural Resource Solutions, LLC of Portland, Maine. The basis for the opinions provided in this paper is a review of publicly available information regarding current and proposed solid wood promotion programs and discussions with people involved in these programs.

Branding

Branding is an omnipresent component of promotion strategies for products in the United States. For the final consumer, brand names and brand marks serve as clues by which they evaluate a product. Also, brands connect the physical products to attitudes and preferences, which may be influenced by other promotional efforts. For industrial products, branding is, in large part, a risk reduction strategy. Purchasing branded products reduces the risk incurred by the purchasing agent. This risk includes unsatisfactory product quality but extends to delivery and other considerations. In these markets, product quality consistency may be as important as the absolute quality level.

Branding a product, that is including a brand mark and/or brand name on a product or its packaging, has some benefit without a supporting promotion program. Consumers may prefer, and even pay a small premium, for a branded product versus a generic product, even if the brand is completely unknown to them. However, the most successful brands are those that are combined with a promotional program that helps develop a brand image with the target market. Once an image is developed, the brand serves to remind buyers of what the brand represents.

Branding occurs at several levels within the channel of distribution and is applied from the very specific to the broad. Manufacturers may brand their products, distributors may brand, and retailers may use their own brand. Brands may be used for individual products, product families or lines, to the entire output of a manufacturer. Co-branding, the use of more than one brand name or mark on a product, is a common strategy.

Regardless of the level and extent of use of a particular brand, it is clear that a successful brand is a valuable asset. For some companies, an established brand is the most valuable asset. This value arises from brand equity and is expressed in customer willingness to accept price premiums, repeat purchases, new product acceptance, and brand loyalty. In the United States, brands remain important in many product categories. Overall, however, brand loyalty has decreased with increases in product quality. For example,



even automobile buyers who are completely satisfied with their purchase switch brands on a subsequent purchase because of a desire for variety and the high level of quality exhibited by all brands.

Branding of Solid Wood Products

Both consumer and industrial wood products are branded, with varying levels of investment and success. Discussions of the branding programs must recognize the varied nature of solid wood products. This category includes consumer products such as wood household furniture and craft items as well as commodity-like products such as lumber and shipping pallets. Clearly, promotional strategies can and must be varied to match these differing product/markets.

Solid wood consumer products are commonly branded at a variety of levels. For example, manufacturers commonly brand furniture. Also, solid wood furniture is generically branded through trade association promotion programs. Hardwood lumber, a more commodity-like product, may be sold with little branding effort beyond the name of the manufacturer or distributor. Brand marks vary from a distinctive color of end coating paint to brand mark stenciled on a lumber pack. Softwood lumber and panel products typically carry the manufacturer's name as well as a trade or grading agency brand mark. This is a form of co-branding and assures customers of a minimum level of quality and suitability for particular applications.

Relatively few studies have investigated branding of more commodity-like solid wood products such as lumber and panels. Generally, the results indicate limited brand effectiveness as measured by brand recall and preference. This may be the result of limited promotional support to develop and maintain a brand image and/or the product standardization resulting from product grading systems. Companies that have experienced some success with branding have generally done so with a brand image that emphasizes the attributes of the firm rather than the product. Certainly, the product is important and must meet prevailing quality expectations. However, purchasers of such products concentrate on risk reduction by selection a firm with whom they have experience or one with a positive industry-wide reputation. Brand image is often based on the firm's history and experience in the industry, its ability to deliver a range of products (e.g., species, thicknesses) in appropriate quantities and short lead times, and customer support. New wood products initially may be promoted and differentiated based on product characteristics (e.g., wood I-joists). Brands support this product-based differentiation in the early stages of the products life. However, as the product matures and product standards are accepted (again wood I-joists are an example) promotion and differentiation moves toward value and risk reduction.

Certification as Branding

From the customer perspective, environmental certification is similar to other product quality characteristics. For industrial customers this means that the product is suitable for use in particular applications – those where the environmental aspects of the product are



important. For consumers, environmental certification is valued if it corresponds to their particular formulation of quality. Environmental certification is similar to grading systems used for many solid wood products (e.g., lumber, panels). Both environmental certification and conformance to grading criteria are conveyed to customers via brand marks (i.e., stamps), both ensure customers of characteristics that are difficult or impossible to evaluate at the time of purchase, both are administered by third parties, and both are used in co-branding strategies.

Environmental certification has several advantages. When serving knowledgeable and motivated consumers (either directly with consumer products or indirectly with raw materials to make such products), *certification increases the inferred quality of the product*. Changes in inferred value will depend on the price of the product relative to comparable uncertified products. However, the potential for increased value perceptions exists. Even when serving less knowledgeable customers and those who do not value the environmental aspects of certification, certification stamps or brand marks add value as customers use such marks as indicators of overall quality. A recent study conducted at Virginia Tech found that home center customers preferred surfaced hardwood boards that were marked as “environmentally certified” even if they did not value or had no knowledge of what the certification represented. In specific and somewhat limited cases, certification has the advantage of access to markets that are closed to non-certified products.

Of course, environmental certification is not without its limitations. Probably the most commonly mentioned limitation is the apparent limited ability to generate price premiums – premiums that may be necessary to pay for certification activities while maintaining profit levels. It is likely that no definitive answer to this question will be found as consumer responses are situation specific. However, it should be noted that significant price premiums realized by the raw material producer (e.g., timberland owners, lumber manufacturers) are less likely than premiums at the retail and/or distributor level due to the nature of product pricing. Even if premiums are realized in the short run, the structure of many solid wood industries suggests that they will be competed away in the long term.

More significant than price premiums is the question of commoditization. In this regard, environmental certification is similar to grading systems and grade stamps. Both facilitate trade and product consistency. However, both can drive products toward commoditization rather than differentiation. In other words, as more products are certified, the competitive advantage afforded those offering certified products will decline.

For these reasons, environmental certification should be viewed as a product attribute that has value to certain market segments. It should not be viewed as a long-term strategy or as sufficient to develop long-term product differentiation. In particular, certification is not a substitute for branding and other product promotion efforts.



The Maine Forest Certification Initiative

As part of the research for this paper, I reviewed the *Draft Report of the Maine Forest Certification Advisory Committee* as provided by Innovative Natural Resources Solutions LLC. In doing so, I recognized that the charge to this committee was to investigate ways to implement the Maine Forest Certification Initiative rather than to investigate marketing of Maine wood products more broadly. Nonetheless, the issues discussed in the draft report can impact the marketing of Maine products.

As mentioned in a previous section, environmental certification is a product attribute that is valued in some market segments. It is likely that the size and number of segments that value this attribute will increase (despite not growing as was initially predicted). Also, it is likely that the ability of certification to differentiate products will decrease with time. However, when coupled with an appropriate branding and promotion program, certification, and/or the leadership of the State of Maine in certification efforts, could lead to longer-term competitive advantage. For example, the fact that “Maine has the highest percentage of certified forestland in the nation” could be a significant component of a statewide promotion and branding program.

Assuming for the moment that the appropriate State agencies undertake a program to develop a brand image for Maine wood products, a program that includes environmental certification, care must be taken to ensure the integrity of this claim. Specifically, environmental claims must be real and defensible. False or indefensible claims will ruin the brand image and brand equity will be diminished. At the same time, it is recognized that the certification debate has not produced one, clear industry leader.

The Maine Made Program

I reviewed available information regarding the Maine Made program administered by the Department of Economic and Community Development and its application to solid wood products. The program and brand builds on the image of the State of Maine and focused primarily, but not exclusively, on consumers and consumer products. Major brand image points are tradition, craftsmanship, and heritage. The brand name is appealing and easy to remember while the brand mark is attractive and emphasizes the nautical history for which Maine is known. The text, “America’s Best” is slightly at odds with the overall message of the brand as this claim is not well supported in subsequent promotional materials.

The Maine Made Program is appropriate for some solid wood producers, primarily smaller firms producing furniture and craft items for retail markets and log structure manufacturers. It is likely to be most effective in the Northeastern United States and in major metropolitan areas throughout the U.S. The brand identity and value is less likely to transfer to broad overseas markets or to Canada – a country with a similar heritage. Also, the brand would not transfer well to industrial goods. Overall, the program, as currently implemented, serves a limited segment of the solid wood products industries.



Recommendations

Clearly, a state sponsored branding program for solid wood products produced in the State of Maine could be undertaken in a variety of ways. Important decisions include the scope of products covered by the program (including but not limited to the consumer / industrial product dichotomy), brand identity (i.e., what information is conveyed to the customer through the brand), and the level of promotional support used to develop and maintain brand identity. Also, a decision will be required concerning the fit of a new brand with existing programs (e.g., Maine Made).

Specific recommendations:

1. Maintain the existing Maine Made program; maintain and possibly sharpen its focus on consumer goods;
2. Focus a new program on the segments of the solid wood industry that produce industrial goods;
3. Consider a regional branding/promotion strategy, rather than a state specific program
4. Use environmental certification as a part of the brand image to be developed but do not align the program with a specific certification approach or program
5. Brand development and image building should be facilitated with a promotion program that includes sales promotion (e.g., trade shows) publicity and advertising

Comments:

Recommendations 1 & 2

It is recommended that the existing Maine Made program be maintained and that this program be used as the principal method of promoting solid wood consumer products within North America. This will allow a new program to focus primarily on industrial products – simplifying the branding problem while avoiding duplication.

The two programs would be coordinated to provide coverage of the range of Maine's solid wood products and should be coordinated where possible in terms of look and message. In particular, the Maine Made program should increase its emphasis on Maine's leadership in the areas of forest stewardship and sustainable forestry. The resulting brand image would emphasize tradition, quality, and stewardship/sustainability. The stewardship aspect of the brand image would enhance the perception of wood products and several other product types now included in the program.



Recommendation 3

A regional approach to promotion and generic branding has several advantages. After all, state borders are highly permeable in terms of trade and cross hauling of products is very common. Also, there are obvious economies of scale to be realized through a regional approach and regional groups are likely to be more successful than state specific groups in obtaining federal funds for product promotion and market development.

At least two examples of regional programs exist in the Central and Eastern United States – the Hardwood Manufacturers Association, Inc. and the Southern Forest Products Association / Southern Pine Council. The HMA represents manufacturers of primary and secondary hardwood products in the Appalachian forest region (a region that includes portions of eight states). HMA promotes the “Appalachian” brand based on origin (both “Appalachian” and “made in America”), product quality, economics (e.g., lumber part yield), and resource sustainability. While the promotion is, by necessity, somewhat generic, it corresponds well to the way in which hardwood lumber is marketed. The apparent goals of HMA’s promotion program are to differentiate Appalachian lumber from lumber sourced from other regions, develop a preference for Appalachian lumber, and put potential buyers in contact with suppliers/member.

The Southern Forest Products Association represents southern pine product producers (both primary and secondary) in eleven states. The SFPA has a stated mission to "...maintain current markets, develop and expand new market opportunities for Southern Pine forest products, and to engage in such activities and programs that the members deem useful to advance and protect their interests." Through the Southern Pine council the SFPA promotes southern pine as “Strong, Beautiful, Renewable.” The promotion program seeks to facilitate product trial, develop positive product perceptions and preference, and facilitate purchases. In addition to promotion, the SFPA provides technical data to facilitate use and influence building codes.

Clearly, there is an opportunity for an analogous program incorporating Maine and additional northeastern states. By focusing such a program on industrial and business-to-business sales, duplication and conflict with existing programs such as the *Maine Made* and *Vermont Quality Wood Product* could be minimized. Economies of scale could be realized, duplicative efforts minimized and such a program would have greater impact in overseas markets.



Recommendation 4

Regardless of the approach taken regarding the scope (i.e., state specific or regional) of the branding and promotion program, decisions regarding the nature of the brand image will need to be made. In other words, decisions regarding the message promotion and branding will convey to customer groups will be required. The state of Maine has several characteristics that could be used to form the basis of this image:

- History and tradition of forestry and forest products
- Among the leaders in sustainable forest utilization and forest certification
- High percentage of products from private lands
- Stocks of preferred species such as northern hardwoods and white pine
- Established and varied industry base

History and tradition can be influential, even in industrial markets, as they relate to transaction risk. This is especially true in the hardwood lumber industry where companies are typically small and business is dependent on personal relationships.

The leadership of the state in the areas of forest stewardship, sustainable forestry, and environmental certification should be emphasized as part of the brand image being developed. The recommendations of the *Maine Forest Certification Advisory Committee* will support and increase this characteristic of the image. However, as mentioned, the branding program should not be aligned with a specific certification program or organization. Such alignment could be limiting, divisive and risky. Rather, the brand should be positioned to highlight the principles of sustainability and local economic development as well as accomplishments in these areas. Suppliers who have certification from specific programs could use the programs brand in a co-branding strategy. Those suppliers that do not have third-party certification would still benefit from the broader brand image.

The last two potential elements of a “Maine” brand build on the unique characteristics of the state (region). Promotional activities would emphasize quality northern hardwoods and white pine as well as providing information about their use (the latter being most important in overseas market development). The variety of production capabilities in the region, and the resulting “one-stop-shopping” should be emphasized.

Finally, it is recommended that branding and promotion does not emphasize the “Best.” Both final consumers and industrial buyers are skeptical of such claims as they are so common and, often, not substantiated. In fact, it may not be possible to substantiate such a claim. The preferred approach is to emphasize important product and supplier characteristics, letting customers form an opinion regarding “best.”

