



Branding and Marketing Toolkit: Community-Based Forestry Products



Lessons from the Ford Foundation Community-Based Forestry Demonstration Program, 2000-2005



Branding and Marketing Toolkit: Community-Based Forestry Products



Lessons from the Ford Foundation Community-Based Forestry Demonstration Program, 2000-2005

Copyright 2005 by the Aspen Institute. The opinions expressed in this book reflect those of the authors and not the positions of either the Aspen Institute or the Ford Foundation.

The Aspen Institute welcomes the quotation or use of material from this book in publications or for other professional purposes. However, we do ask that the Aspen Institute be notified through publications@aspeninstitute.org and that proper credit be given.

The Aspen Institute

One Dupont Circle, N.W., Suite 700

Washington, D.C. 20036

Phone: (202) 736-5800

Fax: (202) 293-0525

www.aspeninstitute.org

Printed on recycled paper

Table of Contents

Acknowledgments	v
Preface	
Introduction	vii
Section A: Considerations before working on your marketing plan	1
Chapter 1: Lessons learned—3	
Chapter 2: Roles for a nonprofit—21	
Section B: Healthy Forests, Healthy Communities: A case study	27
Chapter 3: The HFHC Flooring Experience—29	
Section C: Initial screening of your product idea	33
Chapter 4: Identifying market opportunities—35	
Q&A 1: Initial screening questions—39	
Section D: Marketing plan steps	43
Chapter 5: Beginning your marketing plan—45	
Worksheet 1: List your marketing goals—49	
Worksheet 2: Describe your product—51	
Worksheet 3: Profile your competitors—53	
Worksheet 4: Identify your competitive advantage—53	
Worksheet 5: State your market position—59	
Chapter 6: Developing your brand—x	
Worksheet 6: Articulate your brand strategy—x	
Chapter 7: Defining and reaching your market—x	
Worksheet 7: Identify your target markets—x	
Worksheet 8: List your distribution channels—x	
Chapter 8: Pricing—x	
Worksheet 9: Detail your pricing strategy and costs—x	
Chapter 9: Promotion and advertising—x	
Worksheet 10: List your influencers—x	
Worksheet 11: Develop a promotion plan—x	
Chapter 10: Measuring success—x	
Worksheet 12: Set goals to help define success—x	
Chapter 11: Marketing plan—x	
Worksheet 13: Layout your marketing plan—x	
Appendix A: Legal issues	x
Appendix B: Annotated bibliography	x

Acknowledgments

Many people contributed to this *Toolkit*. Mark Stella and Ryan Temple prepared the case study that weaves through the chapters. Cheryl Eaton of Kelliher Samets Volk assisted with the chapter on Branding. The members of the Branding and Marketing Advisory Group and Barbara Wyckoff-Baird helped guide what would be covered and provided thoughtful feedback on early drafts. Kim Halsey patiently edited various versions and Betsy Rubinstein turned our tools and text into an effective document.

Members of the *Branding and Marketing Toolkit* Team:

- Nils Christoffersen, Wallowa Resources
- Barbara Edwards, National Network of Forest Practitioners
- Anthony Flaccavento, Appalachian Sustainable Development
- Wayne Fawbush
- Mark Lorenzo, Northeast National Resource Center National Wildlife Federation
- Jim Jungwirth, Jefferson State Forest Products
- Scott Maslansky, North Quabbin Woods
- Ryan Temple, HFHC Partnership

Participants in the Ford Foundation

Community-Based Forestry Demonstration Program:

- Alliance of Forest Workers and Harvesters (alliancefwh@pcweb.net)
- D.C. Greenworks (www.dcgreenworks.org)
- Federation of Southern Cooperatives (www.federationsoutherncoop.com)
- Healthy Forests, Healthy Communities (www.hfhcp.org)
- Jobs and Biodiversity Coalition (www.gcjbc.org)
- Makah Forestry (jtrettevick@centurytel.net)
- North Quabbin Woods (www.newenglandforestry.org; www.northquabbinwoods.org)
- Northeast National Resource Center NWF (www.nwf.org)
- Penn Center (www.penncenter.com)
- Public Lands Partnership (www.upproject.org/UPP/PLP)
- Rural Action/Forestry Program (www.ruralact.org)
- Vermont Family Forests (www.familyforests.org)
- Wallowa Resources (www.wallowaresources.org)
- Watershed Research & Training Center (www.thewatershedcenter.org)

Other members of the Branding and Marketing Advisory Group:

- Barbara Edwards, National Network of Forest Practitioners (www.nnfp.org)
- Anthony Flaccavento, Appalachian Sustainable Development (asd@eva.org)
- Jim Jungwirth, Jefferson State Forest Products (www.jeffersonstateproducts.com)
- Wayne Fawbush (Wayne44@adelphia.net)

Introduction

Over the course of the six-year **National Community-Based Forestry Demonstration Program**, all 13 of the Ford Foundation grantees learned a great deal about how community-based forestry can strengthen communities and their local economies through the sustainable management of their surrounding forests.

Some of the participating sites implemented CBF projects designed to stimulate or revive local, natural resource-dependent industries. Some further sought to use CBF to develop and market products from their own resource management activities. In several instances, community-based non-profits hoped their CBF project activities would provide earned income that could help support their own organizations.

To pursue these ambitious goals, community-based organizations often discovered that they needed to become active players in the marketplace. Few of their leaders previously had studied marketing, but they wanted to learn enough about it to be able to make good choices concerning how to make best use of their community's natural resources.

This *Branding and Marketing Toolkit* offers case studies, worksheets, and tools that can help CBF practitioners develop their own branding and marketing strategies. Participants from the Demonstration Program designed some of the tools themselves, while others are adapted from marketing and business texts.



Successful community-based natural resource management programs focus on expanding markets or creating new ones rather than on production alone. Markets change constantly. Knowing what to produce, when to produce it, how much to produce, and how to process it for the highest prices are important issues for any producer. Producers need to go beyond what they want to produce and sell and begin to think more about what the market wants to buy. Very few NGOs have the expertise to offer such assistance.”

—Jason Clay, *Borrowed from the Future: Challenges and Guidelines for Community-Based Natural Resource Management*

The *Toolkit* will be useful for CBF practitioners at almost any stage along their learning curve about marketing and branding:

- For practitioners who are just beginning to explore their options about entering the marketplace, the publication provides broad lessons on marketing and the range of possible roles available to nonprofit organizations; and
- For practitioners who already have one or more product ideas, the report offers step-by-step guidelines for developing a marketing plan, including how to determine whether there is a viable market for a particular product.

The *Toolkit* does not cover business planning in general. For readers who want to develop a complete business plan we recommend: *Venture Forth! The Essential Guide to Starting a Moneymaking Business in Your Nonprofit Organization*, by Rolfe Larson. This can be purchased at www.wilder.org.

The *Toolkit* recommends that practitioners explore their communities' CBF marketing opportunities in measured stages. The initial stage, for example, helps practitioners conduct an early assessment of whether there is a viable market opportunity for the community's CBF products. It contains a set of questions that do not require any research. The next stage involves developing a full-fledged marketing plan. Toward that goal, the *Toolkit* includes worksheets

and lessons from Healthy Forests, Healthy Communities (HFHC) and other organizations.

Finally, the *Toolkit* also provides an in-depth case study in which two CBF practitioners who participated in the Demonstration Program—entrepreneur Mark Stella of Green Mountain Woodworks and Ryan Temple of the HFHC Partnership—share their experiences in the hardwood flooring industry in the Pacific Northwest.



SECTION

A

Considerations Before Working on Your Marketing Plan



Marketing was one of the bigger challenges for participants in the Community-Based Forestry Demonstration Program. Every aspect of marketing—from product selection and development to strategies that will reach the customer—raised difficulties. Even success seemed to lead the next challenge.

We hope that the Program participants' hard-earned lessons will steer you toward better decisions related to your marketing and branding strategies. This knowledge will help you fill in the worksheets in the following chapters with practical, workable answers. With realistic marketing plans, the next phase of the community-based forestry movement can advance beyond what was accomplished in the five-year Demonstration Program.

With some of these challenges, we have learned something about how to begin to address them. With others, we are trying to find ways to work around them. Our experience is captured in later chapters.

Marketing was one of the bigger challenges for Program participants. Every aspect of it raised difficulties; even success seemed to lead the next challenge.

Local markets in a global economy

LESSON 1 Value-adding is the way to make the smaller scale work, because raw commodities directly reflect prices on the global market.

Although there are times when value-adding production and commodity sales can be mutually supporting, value-added manufacturing typically is much preferred over trading in raw commodities. After all, profit margins typically are greater, and the producer is more insulated from price fluctuations, if their product is seen as unique and special. In this context, flooring and cabinetry made with local wood by local producers have an edge in the marketplace that cannot be taken away by global competitors. Smaller production levels limit the size of the market and type of product, but add to the uniqueness of the product.

Value-adding mechanisms include superior service, creating a unique product, the ability to change quickly in response to markets, and a “story,” among other strategies. Healthy Forests, Healthy Communities and its members, for example, found that, after considerations about quality, the personal stories behind their brand identity (about the people who actually harvest or create their products) gave them an edge in the market. These stories proved the most valuable when the product itself could be displayed or seen, and where the customer easily could share the story with friends.

Value-adding mechanisms include superior service, creating a unique product, the ability to change quickly in response to markets, and a “story,” among other strategies.

It often is desirable to couple value-added wood manufacturing jobs with other economic strategies, especially forest restoration contracts. As Diane Snyder at Wallowa Resources has pointed out, “More robust economic conditions are experienced [by adding] wood manufacturing jobs than with just restoration contract jobs. A healthy mix

of both provides unique diversity and economic return for the community.”

A more diverse economy emphasizing local production also enhances the multiplier effect, which refers to the benefits accrued when a single dollar circulates repeatedly through the local economy. Furthermore, value-added wood manufacturing jobs, when they are located in new start-up businesses, result from strategies that create and build local wealth. Over the long run, this outcome is much to be preferred over short-term strategies that merely redistribute federal and foundation dollars.

LESSON 2 Communities may localize and regionalize their target markets, especially for high-end products, but global markets will still impact them.

Many communities in the Demonstration Program chose not to compete at the global level and focused instead on value-added products that they sold at the local and regional levels. For the Federation of Southern Cooperatives, this meant selling goats on the hoof rather than trying to bring their small number of goats to more distant slaughterhouses.

All of the community partners realized that this marketing strategy is self-limiting. They further realized that global markets affect prices in their regional and local markets. The local market often is quite small, especially for higher-end, value-added products. Yet, if businesses chose to supply raw commodities they faced severe price competition and price

fluctuation, chiefly as a result of global market forces. They did not discover viable strategies to get around these market forces, and most look with some worry upon emerging trends toward further market consolidation and less regulation.

At least one sector within community-based forestry, however, does stay local—forest ecosystem restoration. Local residents sometimes must compete for jobs with migrant workers, but the forest itself cannot be sent overseas to be restored. In rural northern California, Watershed Resources and Training Center trains and runs crews, because forest ecosystem restoration is very labor-intensive work. In metropolitan Washington, D.C. Greenworks can feel assured that neighborhoods will need to care for their street trees more or less in perpetuity.

As small, chiefly rural businesses take the leap and attempt to access global markets, they need a great deal of information about how those markets actually work. That information can be hard to come by.

As small, chiefly rural businesses take the leap and attempt to access global markets, they need a great deal of information about how those markets actually work. That information can be hard to come by. Most forestry schools no longer have economists on staff who conduct research about how wood flows through global value chains, including ongoing monitoring and analysis of supply and demand. Large companies have access to this sort of information and know how to work in the global marketplace—including leaving the United States to set up shop elsewhere. They also operate at a scale that affords a measure of resilience in the face of changing conditions. Smaller businesses, on the other hand, are at a decided disadvantage. They are extremely vulnerable to market fluctuations, as they do not work at a scale that easily can absorb the impact.

Keeping the door open to global

One Portland, Oregon, wood products retailer, a partner with Healthy Forests, Healthy Communities, says that HFHC members have to be open to the wider, global market. They need to cultivate an awareness of the tastes and preferences of potential customers who live in other regions of the world. Trading company representatives from Japan and China have come through Portland wood products showrooms. Local wood species are of interest to them, says Ed Mays of Eudora Wood Products. In fact, Oregon has a good reputation in those overseas markets. Small is seen as a plus, because Japan and China also

have networks of tiny businesses. Opportunities indeed may arise, but the research that is needed for small businesses to expand to a global market can be daunting.

LESSON 3 Multiproduct and multimarket economic and marketing strategies offer a higher likelihood of achieving economic vitality and supporting increased forest restoration.

As each community in the Demonstration Program surveyed their economic opportunities, they began to see a diverse menu of options that might be built upon the resources of their local forests. These choices ranged from timber to non-timber forest products, from eco-tourism to value-added manufacturing. They looked at starting small bed-and-breakfasts, restoration contracting, designing equipment for restoration work, monitoring and scientific analysis, running sawmills, setting up biomass plants, and offering GIS services.

Before long, however, each community found that it could not choose just one path. Local

Each community found that it could not choose just one path. Because of limited access to the forest, to markets, or to capital, local residents needed to have multiple irons in the fire and, with anything they did, had to dig in deeply and stick around for the long haul.

residents needed to have multiple irons in the fire, often because of limited access to the forest, to wholesale and retail markets, or to start-up and working capital. They also found they needed to dig in deeply and stick around for the long haul with anything they did. However innovative their business plans might be, the market just did not embrace their ideas and pull projects forward easily.

Even so, there were a few exceptions. In the LaForce Project, Vermont Family Forests (VFF) worked with Middlebury College on a very high-profile demonstration project using local wood that had been harvested sustainably. VFF expected the market to pick up this idea—and from the point of view of using certified wood, it did. Middlebury College had several vendors for certified wood to choose from when it accepted bids for its next building. However, both this building and later construction projects did not offer forest landowners as valuable a price premium as had been hoped for.

Penn Center conducted initial research on several possible products and then followed through with demonstrations featuring two of them—indigo and meat goats. Landowners viewed these demonstrations as potential options they could consider. As landowner Walter Mack said, “The land can be a liability without money, if you have nothing to do

with it. Now I am utilizing what I have been taught by Penn Center and the Lowcountry Landowners Association. The different ideas they present allow me to choose. If it helps me keep the land in good condition and get some money then I will use that idea.”

Role of the nonprofit

LESSON 4 To build a sustainable forest-based economy, it is necessary to coordinate all the pieces of the entrepreneurial puzzle—resource flow, product development, production capacity, and effective marketing. Often, a community-based organization can be well positioned to play this coordinating role.

An individual entrepreneur or landowner may not be able to see all of the pieces that must come together to complete the entrepreneurial puzzle, but sometimes a nonprofit community-based organization (CBO) is better positioned to do so. It often has more developed networks that extend both across and beyond its service area. Moreover, it can attract both technical expertise and financial resources that likely are not available to individuals.

From this unique vantage point, the CBO may be able to assess and take steps not only to fortify each element within the larger entrepreneurial puzzle, but also to operate at the intersection of the three elements: materials, manufacturing, and markets.

■ **Material/resource flow** depends upon availability and access. Reliably sourcing raw materials is essential to the success of any venture, whether for a single business or for a network of producers who seek to establish their product in a larger market. Even so, the CBO can assist in assessing whether local harvesters and entrepreneurs can gain access to sufficient quantities of a given resource for their businesses to be viable.

Just as importantly, the CBO may be able to assess whether sustainable harvests can be maintained as demand increases. Rural Action took steps to provide rootstock at a low price to local growers, so that landowners could increase their yields of non-timber forest products, such as ginseng.

A nonprofit community-based organization may be able to assess and take steps not only to fortify each element within the larger entrepreneurial puzzle, but also to operate at the intersection of the three elements: materials, manufacturing, and markets.

In some instances, CBOs may negotiate with other players—such as public agencies or landowner associations—to gain access to resources on behalf of constituencies that might otherwise be excluded.

In some instances, CBOs may negotiate with other players—such as public agencies or landowner associations—to gain access to forest resources on behalf of constituencies that might otherwise be excluded. Slow-moving U.S. Forest Service procedures and legal appeals, for example, can delay harvesting, leaving small businesses without a reliable

supply of wood. Public Lands Partnership spearheaded a collaborative process that led to expanded local access to public lands and increased timber sales to local mills.

- **Manufacturing/product development** also benefits when CBOs provide entrepreneurs with better information, technical assistance, and access to equipment and incubator facilities. Wallowa Resources works with community businesses because wood manufacturing jobs create and build new wealth. New value-added manufacturing jobs do much more than just redistribute existing resources, such as federal and foundation dollars. One of Gila WoodNet's goals was to get more local wood into building construction. Its staff assembled construction kits so that contractors would find it easier and cheaper to use local hardwood when building porches.

Even so, product development can be risky. The Watershed Resources and Training Center worked with a local business and the U.S. Forest Service Forest Products Lab to develop a production process for madrone veneer. By the time the process was ready, however, the prospective customer already had found an alternative through an overseas source.

Healthy Forests, Healthy Communities (HFHC) partners recognized that their small business partners often struggled with issues related to their production capacity. Its staff then organized workshops on production techniques such as lean manufacturing. When one HFHC partner contracted with the workshop presenters to visit his shop and analyze his production process, they were able to make suggestions that ultimately made his production process twice as effective.

- Small businesses, especially those located in remote, rural areas often have difficulty with learning about and gaining access to distant markets. CBOs offer a great service when they are able to help make that connection. HFHC conducted well-planned campaigns to educate consumers about sustainably harvested and value-added wood products.

EXAMPLE

More than a matter of taste: Ecology and architecture

An important part of Vermont Family Forests' work has been its ongoing collaboration with architects to suggest alternative wood specifications that are both aesthetically pleasing and ecologically sustainable for Vermont's forests.

The Architectural Woodwork Institute (AWI) ranks wood quality using such criteria as color, grain pattern, and the presence and size of knots. AWI ranking requires uniformity of color and grain pattern in Grade I wood, and allows more "flaw" and "characteristics" in the wood as the grade ranking increases.

Clear-grained, evenly colored wood, however, comes predominantly from large-diameter trees, which have the most heartwood and the fewest knot-forming side branches.

Removing only large-diameter trees from a forest is called high-grading, a practice that has deprived large tracts of Vermont's forests of their largest, most vigorous members, leaving the smaller, weaker trees behind. Over time, high-grading undermines the vigor and health of entire forest ecosystems.

There's no denying that clear-grained, Grade I timber is structurally stronger than Grade II or III wood. Not all of the wood procured for the recent construction of Middlebury College's new Bicentennial Hall, however, needed to be allocated for structural, load-bearing purposes. Some of the wood simply needed to look beautiful.

Architects originally specified that 125,000 board feet of clear-grained red oak be designated for Bicentennial Hall's interior paneling. Because central Vermont's forests could not sustainably yield this wood, however, VFF recommended that the building showcase seven hardwood species common to local forests. VFF also suggested using character-grade wood.

Once College trustees and officials had a chance to see samples of the indigenous wood, the beauty of its character was obvious—not just tolerable, but well worth featuring. The finished Hall bears testament to that beauty, offering an unexpected, eye-pleasing streak

(continued on next page)

(continued from preceding page)

of creamy tan through the burnt sienna of cherry wood, a splash of chocolate staining the honey-colored ash, a subtle palette of pastel variations in a wall of red maple.

Carpenters on the project, accustomed to handling Grade I lumber, initially were taken aback by the variability in the character-grade lumber. However, Mark McElroy of Barr and Barr, general contractors for Bicentennial Hall, says that attitudes soon changed as carpenters got to know the wood. “By the end of the process, they realized that it takes a better eye, more creativity, and a higher level of craftsmanship to make the most of the wood,” he said. “And they came away with a sense of pride in what they had done.”

— Adapted from Vermont Family Forests’ website, www.familyforests.org

They also worked with rural businesses to help develop marketing materials designed to appeal to urban markets. Currently, HFHC is establishing a brand identity that further will assist regional small businesses in taking their products to a wider market.

In many instances, the CBO also can serve a brokering role, connecting entrepreneurs with complementary business partners. Because its parent organization, Sustainable Northwest, works on a regional level, HFHC is well positioned to hear about a possible harvest and thus can link the landowner, a logging firm, a sawmill, and a value-added manufacturer. To reach a scale of production that is of interest to sawmill operators, Vermont Family Forests (VFF) coordinates timber harvests and sales on several member woodlots. This brokering role appears to provide greater income to the landowner at little cost to VFF.

LESSON 5 Demonstration projects are an important way to test the viability of a specific economic strategy, provided they are conducted in ways that can be replicated by community members.

Demonstration projects can be important tools, albeit with certain caveats.

Community members can be skeptical about demonstration projects, especially if the demonstration appears to be designed more for the benefit of the nonprofit than for the

community itself. They also are likely to be skeptical if they have questions about the knowledge and skill of the demonstrator. They are sure to be wary if the funds supporting the demonstration are not used transparently, or if they don't understand why some community members have been included in the demonstration while others were left out. Finally, demonstrations risk being deemed irrelevant if community members cannot easily make the connection between what they see and how they (with their limited resources) might implement a similar project on their own property.

Demonstrations risk being deemed irrelevant if community members cannot easily make the connection between what they see and how they (with their limited resources) might implement a similar project on their own property.

Do nonprofits enjoy an unfair competitive advantage?

Some for-profit businesses may feel that demonstration projects and social enterprise ventures are simply ways for nonprofits to enter the marketplace with an unfair advantage.

Even though the Middlebury College demonstration projects generated profitable work for many local businesses, Vermont Family Forests (VFF) nonetheless encountered criticism that charged unfair advantage. Had VFF been able to make their costs more transparent, perhaps some of this criticism might have been tempered or avoided altogether. After all, in hindsight it was plain that the demonstrations could not have succeeded had VFF not contributed an enormous amount of staff time to the projects. At the time, however, these costs were not completely clear to local businesses.

Following a lot of community discussion, Wallowa Resources bought into the existing Joseph Timber Company, the only FSC-certified sawmill in their region. The business eventually failed, but people in the community did not criticize the nonprofit. They understood that Wallowa Resources was trying to create jobs in the community, and they understood why the enterprise failed. This obviously speaks to the importance of timely communication and operational transparency.

Checklist for demonstration projects

- Does the product or service draw on the community's history, traditions, skills and assets?
- Are community members interested in the project?
- How will you let the community know about how your funds were used?
- Will community members see this demonstration as something "people like us" can do?
- Is it possible to run the demonstrations together with landowners and businesses?
- By what standards will these partners be selected?
- How will the process and the results be documented and disseminated?
- What role will you play in supporting community members to follow-up and continue the work based on your demonstration projects?
- Does the demonstration have potential secondary benefit of catalyzing networking and information exchange among entrepreneurs?

The Federation of Southern Cooperatives/Land Assistance Fund chose to run parallel demonstrations on their own land and with local landowners. These parallel demonstrations assured community members that the Federation was willing to place itself on their level, assuming similar risks. As such, local people were much more open to learning from them.

Vermont Family Forests ran demonstrations that included local businesses and landowners. In fact, over 30 individuals and businesses benefited from the Middlebury College projects. However, the projects were large enough—and went through enough changes along the way—that community members (and even Middlebury College) were not always sure about the costs at each stage. This ambiguity left some people leery about who actually was receiving the economic benefit.

Across the five-year tenure of the Demonstration Program, communities learned there are some key questions to ask *before* initiating a demonstration project, in order to qualify whether or not the endeavor is genuinely worthwhile. (The checklist on the facing page illustrates these questions.)

Asset management

LESSON 6 There is a lack of local infrastructure. Small operations have closed and the bigger mills often have lower costs and higher quality.

Some sites have bought into operating businesses that were ready to close or developed an incubator that would begin to build the infrastructure back up.

When Wallowa Resources' business partners proved unwilling to fulfill their investment agreement, however, the mill had to be shut down. Even given an uneven supply of raw material, the Joseph Timber Company closed with a full woodlot. In the end, Wallowa Resources learned the importance of conducting better due diligence about outstanding debts and binding investment agreements.

Nonetheless, Wallowa Resources recognized that both a more diversified economy and more value-added manufacturing jobs still were needed in the community. They knew they would need to try again. By the time they opened a new venture, called Community Smallwood Solutions, they had learned a lot about mill economics and financing. They knew the best people to fabricate and maintain machinery, and they better understood the cash flow needs that a small enterprise faces across the business cycle

EXAMPLE

Wallowa Resources' business ventures

Wallowa Resources in north eastern Oregon invested in a local mill that complemented their interests in small-diameter processing and niche marketing. In fact, the Joseph Timber Company became the only FSC-certified timber mill in the region. The small business was able to reach the market and write advantageous agreements with customers because it could back up its story about rural community, local jobs, and good forest management.

Wallowa Resources' willingness to take a risk that would create jobs encouraged many people in the local community. After all, consultants had assisted the organization in writing a business plan that would improve the mill's profitability and sustain cash over the winter months. Everyone expected that the mill would be operating profitably by spring.

LESSON 10 Flow of wood from restoration projects on public lands is very unreliable due to appeals that stop harvesting.

Restoration on federal lands is more economically viable if manufacturers and jobs are in the local area where the restoration work is done. Since many of these manufacturers are quite small it can be hard for them to connect with the restoration work that will be taking place. HFHC has made those connections and found the buyers for wood that is coming off restoration projects.

LESSON 11 The cost of sustainable harvesting is not covered by the income from harvests, at least in the shorter term. Does this mean that sustainable forest management is only for the rich?

Small business networks

LESSON 12 Facilitating business-to-business commerce can strengthen local and regional economic capacity and resilience.

From their unique vantage point, nonprofit CBOs often have a birds-eye-view of emerging opportunities. This favored position enables them to more effectively draw upon local assets, develop new products, and tap new markets. In the Demonstration Program, CBOs often took a second look at the raw commodities produced by their communities and searched for ways to use them in local value-added manufacturing.

The key to making things happen, however, lies in bringing together local entrepreneurs, whether formally or informally. These are the people who actually start businesses and sell products. Healthy Forests,

EXAMPLE

Little Hogback Community Forest

Vermont Family Forests, in collaboration with the Vermont Land Trust and with the generous support of a sponsor, is offering the Little Hogback Community Forest, LLC to local residents who would like to buy and steward forest land, and receive a return on their investment.

They plan to sell the Little Hogback Community Forest, a 115-acre parcel in Monkton, in a new way that would achieve two main goals: protect forest health and allow community members to hold the carefully managed forest land. To meet the first goal, what they will sell is the right to enjoy and profit from well-managed forestland: Subdivision, development, and over-cutting are off-limits. To meet the second goal, they will sell shares in the land to local community members, many of whom could not, individually, afford forestland. Their purchase will be an investment that would yield financial returns; and it would be an investment they could walk in, work with and be proud of.

The Vermont Land Trust will hold a conservation easement on the parcel to ensure that the land will be carefully managed in perpetuity, and that it will never be subdivided or developed. The easement will also lower the price of the land.

The additional contribution of a sponsor has further lowered the price to one that should provide a modest rate of return from the land under careful management. A covenant will allow VFF to repurchase the land, if it is ever sold, at a price that could similarly yield a return. This makes the parcel perpetually affordable to community members who need a return on their investment.

Healthy Communities brought its partners together at workshops. As business owners started talking to each other about their enterprises, they soon realized they could work together or sell services to one another. The potential benefits became obvious. One local supplier or manufacturer, for example, could help another with an overflow order. Such cooperation vastly increases the stability of small businesses.

Before North Quabbin Woods formed their woodworkers advisory group, most business owners simply turned down jobs they couldn't handle. Now they are likely to refer the cus-

Small, rural wood products manufacturers rarely do the volume of business that would allow them to reduce costs through running three shifts a day. Nor are they positioned, especially in sectors that strive to manage natural resources and ecosystems sustainably, to outsource their labor costs.

If these businesses are forced to compete solely on the basis of the cheapest, bottom-line manufacturing costs, they may not be able to survive. However, they may be able to stay profitable if they can cut some of their costs through strategically collaborating with other businesses and other community stakeholders.

In the Demonstration Program, for example, restoration projects usually went forward when local stakeholders agreed not to use judicial appeals to prevent U.S. Forest Service projects. Negotiating these multiparty agreements significantly lowered the transaction costs associated with the restoration projects.

Moreover, the projects were designed to feed the sustainably harvested wood into local businesses, who themselves were part of the overall collaborative effort. Wood that is processed locally significantly lowers transportation costs, thereby offering a further competitive advantage to local businesses.

Production

LESSON 14 Manufacturers face the tension of supply and demand. If they build the market too fast they do not have the product to meet the demand. If they build inventory first, they don't have the cash to pay their bills. They need both a line of credit and confidence that the product will sell in a reasonable period of time.

LESSON 15 Building business capacity as the market grows is also a challenge.

HFHC began with a clear focus on marketing. As they linked businesses to the market they found that the businesses needed technical assistance in several areas—small diameter wood product development, production improvements, business and financial planning as well as marketing and sales. HFHC linked with other service providers to assist these small businesses.

Funding

LESSON 16 Start-up business ventures always struggle to get access to capital for equipment and working capital. CBF ventures face another hurdle because banks are leery about lending to a business that has difficulty with raw material supply.

HFHC addressed this challenge by assisting partner businesses in securing loans. Sustainable Northwest (HFHC's parent) and Shorebank developed out a system by which a percentage of a loan made to a business would be partially secured by funds from HFHC's small grants fund. Once the loans are repaid, HFHC has access to the funds again. HFHC also made small grants for innovation and research.

Generally, sites in the Demonstration Program found it was difficult for small businesses to move past one-person shops to a level of production that could employ more people in the community.

LESSON 17 For a small business, purchasing raw material from a large harvest requires a large outlay of cash long before the product can be produced and sold.

The Forest Service contracts with Watershed Research and Training Center for harvests. Once WRTC's crew has brought the wood into WRTC's woodlot, the crew is paid. WRTC then allows local businesses to purchase the raw material when they need it for production.

Marketing

LESSON 18 Community-based forestry businesses make products from the resources they have. They often have a good sense of what they want to make but much less sense of what the market wants to buy.

HFHC has partners that are rural manufacturers and partners that are urban retailers. Staff are good at bridging the gap. HFHC offers networking opportunities, brings manufacturers to trade shows to talk to customers, and gives one-on-one advice to businesses about how they might improve their products.

Moving from a production focus to a customer focus is difficult. Most producers got into the business because they like to make things, not because they like to sell things.

LESSON 19 A regional brand offers market access for small rural businesses, but it can be difficult to have a cohesive market identity with multiple producers.

Green Mountain Woodworks is able to establish market identity for several of HFHC's partners, however, they have varying prices, qualities and product lines. Many of these partners also serve the same or similar markets as GMW and therefore strive to retain their individual identity as well.

LESSON 20 Businesses must find a way to tell a compelling story about their product that matters to the end user.

HFHC doesn't limit itself to the "green market". They have found that they have a compelling story about rural businesses and communities that resonates with their customers.

CHAPTER 2 Roles for a nonprofit

Find the gap

CBF organizations often find gaps in the production and marketing chain that connects the timber with the end-consumer.

- Landowners using sustainable management practices may need to find buyers for their timber who will pay a premium for their trees. Nonprofits may decide to **form cooperatives** that offer smaller landowners access to a wider market. Vermont Family Forests described its role as “a **wood shepherd**—taking what the forest wanted to yield and promoting that to the architects and procurement staff for building projects at Middlebury College.” Rural Action **formed Roots of Appalachia Growers Association** (RAGA) to connect non-timber forest products harvesters with each other and the market.
- With mills and the rest of the production infrastructure closing in many parts of the country, the gap may be getting the raw material to the manufacturer. Nonprofits may decide to **own and operate kilns or mills** to fill this gap.
- In the Northwest, timber harvests on public lands may be delayed and even stopped when they are appealed through the court system. This can leave small rural manufacturers without the raw material they need. Nonprofits can fill this gap by **connecting these manufacturers with private landowners** who are planning to harvest. In addition, nonprofits often work collaboratively with the USDA Forest Service, environmentalists, and other stakeholders to identify restoration and management prescriptions that can meet everyone’s goals. When this restoration work moves forward, raw material, particularly small diameter timber, is a by product often available for use by local businesses.



If we won’t do it, who will? We can take different risks and we have different criteria for success. We don’t have shareholders asking for quick returns. We may have access to grants and very low-interest loans that allow us to focus on job creation and impact on the environment as well as economic benchmarks.”

—Nils Christoffersen, Wallowa Resources

- Much of the timber harvest in the West is small diameter timber. Most traditional forestry products were made from large diameter, high grade timber. **Small diameter timber products need to be developed** that use this raw material and can be priced to be attractive to the market.
- Emerging businesses struggle to get access to credit. HFHC found a way to use its **small grants fund to leverage equipment loans** for its partners. Watershed Research and Training Center leases equipment and **incubator** space to community businesses. A business incubator for manufacturing firms provides physical space for manufacturing, equipment that can be leased as needed by more than one business, and sometimes, offers administrative and financial support services.
- Rural businesses do not have market access or market knowledge. Nonprofits provide **market and business development assistance** either directly or through links with support organizations. HFHC provides assistance directly with their highly qualified staff, through nonprofit and government technical service providers, and through the broker HFHC has engaged.
- The products that rural businesses develop may not stand out in the marketplace. Nonprofits can develop and promote a local or regional brand. Vermont Family Forests Partnership (VFFP) assisted woodworkers to form Woodnet so that they could get **joint FSC chain-of-custody**.
- Small rural businesses often do not have access to large markets. HFHC **links the rural businesses with urban retailers**. VFFP assisted in developing the procedures that opened **access to institutional markets** for Vermont wood products businesses.
- Small rural businesses often struggle with fluctuating sales volume. Nonprofits can purchase products from producers and **sell directly to the customer**. HFHC may develop a product line that they would sell to retail stores. Wallowa Resources, its for-profit subsidiary, and local investors are building an Integrated Wood Center that would use all the material that comes from restoration harvesting. A key future component of this center will be the generation of various forms of renewable energy.
- At all these stages, nonprofits can fund and conduct **research and development** for more effective and efficient harvesting, production and marketing.

EXAMPLE

Roles that HFHC undertook

Coordinating collaboration

- Communications with other similar sized or like minded businesses. Most people are too busy to have time for “getting out there” to promote the product and industry trade associations are typically for the larger manufacturers/distributors, rather than smaller enterprises.

Credibility and brand identity

- If the group of associated businesses has values (small, rural, quality, eco...) the nonprofit can help collectively tell that story through graphic identity

Monitoring

- If any eco or social claims are made through the brand, there is a need to have independent people who can help assess claims and evaluate efforts towards meeting and improving on those claims

Urban connection

- The nonprofit can provide connections to urban markets and urban resources that rural manufacturers may be unaware of.

Vertical integration

- Sustainable Northwest is involved in forest policy, promotion of sustainable retail products and building supplies, in addition to the HFHC focus on manufacturing. These connections allow the integration of the partnership from the forest to the marketplace. Many of their partners have benefited from having timber supplies as well as finished products consumers all engaged in the group.

(continued on next page)

(continued from preceding page)

Regional coordination

- HFHC facilitated businesses to network with each other and to relevant community development efforts.

Other missing pieces for businesses' success

- Often business capacity needs extend beyond marketing. A nonprofit, such as HFHC is often able to address those needs either directly or through referrals to and support for other support systems in the region.

Leveraging capital

- HFHC provided small amounts of capital in instances where a costly enterprise could help multiple businesses within the group (ie. Photography displaying the various species of Northwestern woods)
- HFHC offered assistance in securing loans
- HFHC awarded small grants for innovation and research

Research and development

- Becoming more efficient often requires developing new processes and products. R&D is time consuming and thus expensive. Nonprofits can help support businesses as they develop new ways to do things which would aid smaller rural businesses.

- At all these stages, nonprofits can fund and conduct **demonstration projects** for more effective and efficient harvesting, production and marketing. Federation of Southern Cooperatives (FSC) and Penn Center conducted demonstrations looking for a product that would provide the income needed for African American landowners to be able to keep their land in the face of rising tax levies. In the demonstrations both organizations have conducted, goats seem to present a good opportunity.

When a nonprofit steps into the production and marketing cycle it can be threatening for small businesses. Nonprofits have grant funds and they do not pay taxes, raising concerns of unfair competition. The community wants to know why the nonprofit is stepping in and what their goals are. If the nonprofit makes a consistent effort to share this information, and gives the community a chance to respond to and even engage in the planning, then communities can be very enthusiastic about what the nonprofit plans to do.

When Wallowa Resources became a part-owner of the Joseph Timber Mill the community was encouraged. Community members knew they needed the jobs there and they knew that the business would close otherwise. When Joseph Timber Mill had to close regardless, community members were disappointed but still grateful that Wallowa Resources had tried. They welcomed Wallowa Resources' next enterprise.

Undertaking any project requires significant time resources. This is particularly true when a nonprofit moves into less familiar arenas—like business. Calculating costs can be difficult and staff time can get swallowed up quickly. The gaps can be very large and a nonprofit needs to focus on what it can handle and then see if other players can step into other gaps in the chain.

When the benefits are calculated it is important to see who in the community is really benefiting. Are there only a few people who will benefit? If this is so, how are those few selected? Is there a way to design the nonprofit role so that more people might benefit and still keep the costs in line?

Finally there is the question of “Exit Strategy”. If the purpose is to fill a gap in the production and marketing chain then when and how would the nonprofit step out? Is the goal to

encourage the for-profit sector to step in? Is the goal to develop an enterprise that may even provide income to the nonprofit?

Explore these questions before you form a nonprofit enterprise¹

- 1. Is the nonprofit enterprise compatible with your mission? If you create an earned income venture, will you have the support of your staff, board, funders, members, clients and others?
- 2. Will a business venture distract you from what you were founded to do?
- 3. What is your current and projected financial status, and how will earned income help you? Are you feeling desperate?
- 4. What are the potential risks and returns in terms of your finances, organization, and reputation? Are you risk-takers?
- 5. Do you have a champion who will take responsibility for the work and move the business venture forward? Are you prepared to invest the necessary time and money to do proper analysis, planning, and start-up to meet the demands of the marketplace? And, is it worth it?
- 6. Do you really have a product or service that people would be willing to pay for?

Connecting paragraph to come...The next section of the toolkit will help you answer this last question.....

¹ From *Nonprofit Enterprise: Right for You?* by Cynthia Massarsky and Samantha Beinhacker (Publisher and date??)



SECTION

B

Healthy Forests, Healthy Communities: A case study



CHAPTER 3 The HFHC Flooring Experience: Lessons from a Regional Marketing Collaborative

The Healthy Forests, Healthy Community Partnership (HFHC) is a regional project of Sustainable Northwest, a nonprofit organization dedicated to environmentally sound economic development across the Pacific Northwest. The Partnership is a collaborative of wood products manufacturers from small towns across the Pacific Northwest. These businesses are dedicated to creating sustainable jobs in their communities and using wood from ecologically responsible resources whenever possible. HFHC helps them achieve success by enhancing business capacity, helping source raw materials, and most importantly, supporting these businesses' marketing efforts.

Location—Pacific Northwest, characterized by thousands of acres of private and public forestlands suitable for CBF management. Adjacent communities have experienced high rates of poverty and unemployment due to lost jobs in the woods and forest products sector.

Background—Organized in 1999, HFHC connects rural wood products manufacturers with raw material suppliers, other like-minded businesses, and urban markets. The network members' products include sustainably harvested and manufactured flooring and paneling, furniture, building materials, gifts, and logs. The HFHC brand identity—including its marketing label as well as the story behind the products and their manufacturers—depicts a commitment to both environment and community, empowering consumers to make a choice that makes a difference.

Highlights from the Demonstration Program—HFHC worked simultaneously in the marketplace and in communities. Its dual strategy has been to: 1) Identify and access urban markets for the byproducts of ecosystem management and forest restoration including small-diameter wood and under-utilized species; and 2) Build rural community capacity for sustainable natural resource-based jobs through ecosystem management and the manufacturing of marketable, value-added products of wood from verifiably sound forest management.



The marketing program supports HFHC businesses by building their knowledge of market expectations, cultivating awareness among consumers of HFHC members' products, and creating market entry points for the sales of product lines.



HFHC’s capacity-building services to its partners have included technical workshops and peer-to-peer exchanges. Through the organization’s Small Grants Program, partners were awarded funding to implement projects that further business development and forest restoration, as well as outreach and education. HFHC’s marketing activities helped build partner knowledge of market opportunity and expand entry to those markets. In response to partner requests for help in seeking sustainably harvested wood, HFHC is creating a log and lumber purchasing network.

Marketing program—The marketing program supports HFHC businesses by building their knowledge of market expectations, cultivating awareness among consumers of HFHC members’ products and their attributes, and creating market entry points for the sales of product lines. Because the product lines offered by HFHC’s partners are so diverse, it has been helpful for HFHC to categorize and prioritize them. Flooring, paneling and molding have been the products upon which HFHC has placed the greatest emphasis for a few reasons:

- They are well suited to the resource base HFHC businesses have available
- Relatively low infrastructure investment is required for manufacturing processes
- Simple manufacturing can add significant value to the product
- The hardwood flooring market has been a rising star in an otherwise depressed industry

Working with a broker—HFHC wanted to connect their partners that are flooring manufacturers with the market. Their first thought was that HFHC would go directly to the retail stores and eliminate the commissions that would go to a broker. HFHC found that the retail stores and contractors prefer working with brokers. They want someone who stocks, makes sure they get their deliveries on time, and can offer them a selection of flooring products. HFHC discovered that the costs for working through a broker were part of reach-

ing the market. So HFHC contracted with Green Mountain Woodworks (GMW). Not only did they serve as a broker, but they also provided technical support to HFHC partners who were entering or expanding their market.

GMW is able to represent several partners at once, meaning more volume potential and more diversity in species. GMW also does not have to worry about the manufacturing and can therefore focus on marketing, reaching a range of customers, including architects, installers, retailers, distributors and end consumers.

GMW serves both the partners and Partnership by:

- Providing a single point of contact (pricing, availability) and coordination for a wide portfolio of unique woods
- Design assistance for those who “aren’t sure what they need....”
- Crafting a unique marketing message based on local businesses, unique woods, superior service, environmental provenance

Although GMW provides very valuable services to the HFHC flooring businesses many HFHC flooring sales are made directly by the businesses. These typically take two forms: 1) direct to consumers within the immediate geographic area of the company, with marketing typically taking place by word of mouth or through local events; and 2) wholesale transaction to a handful of sales representatives with whom the business has established a long-term working relationship.

GMW’s annual sales in 2004 were \$390,000 of which \$180,000 were sales of flooring from HFHC partners.



HFHC members’ products include sustainably harvested and manufactured flooring and paneling, furniture, building materials, gifts, and logs.





SECTION

C

Initial Screening of Your Product Idea



offered some ideas about where you can find information and ways you can get answers to your questions.

The process we describe here is the same whether you are looking at the commodity market or the market for a value-added product. You will be answering the same *Initial Screening Questions* and following the same worksheets. However, the structure of the market is different and the strategies will be different. For example, the value of a brand for a 2x4 is much less than for flooring.

TIP You may need to create your own niche market

Don't assume that people are just waiting for your product to arrive on the shelves. If you will be shaping this market, then you need a clear idea of who your potential customer would be. Will they be affluent homeowners who care about the environment? Will they be local or live in a neighboring city? How would you get your story to them?

If this is not an established market, you will have the additional expense of locating and educating your potential customers. You will also probably need to educate the stores from which your home owners buy their products. Be sure to include these costs when you estimate your price in Chapter IV.

Example—Appalachian Sustainable Development (ASD) decided that they needed point-of-sale displays so that the customer could learn about their product directly. Then ASD needed to convince the local stores that it was worth both selling their products and using their floor space for ASD point-of-purchase displays.

Developing a marketing plan

In the next several chapters, we will present the questions you need to answer, and we'll offer some suggestions for finding the information. It is certainly possible to do this work on your own, but you may not have the time or the interest to do this research. You also may decide that you want an unbiased person assessing your marketing plan. Funders often want to see a marketing plan prepared by an external expert.

TIP Are you looking for product ideas?

If you are interested in using the web for a product search, you will need to go to your favorite search engine. Mine is www.google.com. Look up the big category first—non timber forest products, agro-forestry or sustainable wood products. The first five sites usually are the most helpful, but feel free to look at all of them. These sites will provide a list of possible products. You can look up specific product ideas also using Google or Yahoo. Remember to include your region as part of the key words to help prevent impossible product ideas.

Below is a list of wood products and then a list of non-timber forest product ideas that came from a simple internet search. These lists are not focused on any region.

Wood products

- | | | |
|--|-----------------------------|-------------------------|
| ■ www.forestdirectory.com | ■ Wood crafts | ■ Sustainable furniture |
| ■ www.ecomall.com | ■ Wood puzzles | ■ Sustainable cabinets |
| ■ www.greenbuilder.com | ■ Sustainable wood products | ■ Stairways |
| ■ Flooring | ■ Wood furniture | ■ Windows and doors |
| ■ Post and Pole | ■ Logs | ■ Timber products |

Non-timber forest products

Medicinal and herbal plants

- | | | |
|----------------------------|-----------------------------------|-------------------------------|
| ■ Black cohosh root | ■ Lobelia herb | ■ Star grub root |
| ■ Bloodroot | ■ Mayapple | ■ St. John's wort |
| ■ Blue cohosh root | ■ Pink root | ■ Sweet gum |
| ■ Catnip herb | ■ Red clover blossoms | ■ Wild cherry bark |
| ■ Echinacea | ■ Sassafras leaves, bark and root | ■ Wild ginger root |
| ■ Ginseng herb and root | ■ Slippery elm bark | ■ Wild hydrangea |
| ■ Goldenseal herb and root | ■ Solomon seal root | ■ Witch hazel bark and leaves |

Fruits and berries

- | | | |
|------------------|--------------|--------------|
| ■ Wild blueberry | ■ Elderberry | ■ Gooseberry |
| ■ Crab apple | ■ Cranberry | ■ Mayapple |
| ■ Bramble berry | ■ Mulberry | ■ Persimmon |
| ■ Grapes | ■ Teaberry | ■ Paw paw |

(continued on next page)

(continued from preceding page)

Decorative products

- Flowers
- Vines
- Spanish moss
- White pine greenery

Other products

- www.sfp.forprod.vt.edu
- Mushrooms
- Essential oils
- Pine straw
- Aromatic oils

Agroforestry

- Grazing/weed maintenance (livestock, poultry)
- Spreading nutrients in the form of manure (livestock, poultry)
- Insect control (poultry)
- Scratching and digging to prepare for planting (pigs, goats, chickens, turkeys, etc.)
- Cleaning of fallen fruit/nuts, other organic waste (livestock, poultry)

To find a capable marketing consultant you can ask your colleagues, you can talk to professors at your local university, or you can go to the Small Business Development Office in your area. A consultant who knows the particular industry will know the retailers and the intermediaries. You may want to go on some interviews with them but they should be able to make the contacts.

Even if you choose to work with a marketing consultant, you still need to know what information you want out of a marketing plan. Take the time to read through these chapters and you will know what to ask your marketing consultant. Give the consultant the answers to your Initial Screening Questions and be sure that they understand your product and your production capacity. You want a marketing plan that will be reasonable for your organization. When you prepare your contract, be sure you are very specific about what you expect in your marketing plan.



Initial Screening Questions

Adapted from Venture Forth! By Rolfe Lawson. ©2002 Amherst H. Wilder Foundation.

There is little or no research needed to answer these questions, but they will give you a sense of whether this idea is worth taking to the next step and beginning to do research. There may be several product ideas you are considering. This will help you focus on the few that seem most possible.

Name of Venture

1. How does this idea fit with your mission and the attitude of key stakeholders? _____

2. What is the anticipated benefit of this venture to your organization? _____

Mission impact? _____

Earned Revenue? _____

Public Relations? _____

Product

3. Clearly describe the proposed product or service. _____

4. Is this product seasonal or perishable? _____

5. Do you have access to the raw material you need for this product at a steady price? _____

6. Do you have, or have you identified, the equipment you need to manufacture this product? _____

7. Do you have, or have you identified, the staff you need to manufacture and sell this product? _____

8. How will you produce and deliver it? _____

Customers

9. Who are your target customers? _____

10. What relationship do you have with your target customer? _____

11. What evidence do you have of customer interest? _____

12. How will you sell this product to customers? _____

13. What is important to these customers? _____

14. Are they growing in numbers or buying more every year? _____

Advantages

15. Do you like working directly with people and enjoy customer contact? _____

16. How does this venture build on your core competencies? _____

17. What is the competition for this product? _____

18. Why would customers prefer your product? _____

19. How difficult would it be for another firm to replicate your product? _____

Business Model

20. What evidence do you have that people will pay for this product and that there is profit potential? _____

21. What weaknesses will your nonprofit face in running this venture? _____



SECTION

D

Marketing Plan Steps



CHAPTER 5

Beginning your marketing plan

What is a marketing plan?

A marketing plan puts your ideas on paper about your product and how you will get that product to your customers. The marketing plan doesn't have to be long, but it does have to cover the topics. **In this toolkit we will walk you through these sections using lessons learned from the demonstration program. Each section has a worksheet. At the end of the section we will show you how to combine these worksheets to create your marketing plan.**

Sections of a marketing plan include:

1. Marketing goals (page 45)
2. Product description (page x)
3. Competitors and your competitive advantage (page x)
4. Branding (page x)
5. Target markets (page x)
6. Trends in these markets (page x)
7. Distribution plan (page x)
8. Pricing (page x)
9. Promotion and advertising (page x)
10. Budget and action plan (page x)

1. Setting marketing goals

You have completed your *Initial Screening Questions* and are ready to work on your marketing plan. Now it is time to set some goals. These will guide the rest of your planning process and give you a way to measure your success in marketing.

You want concrete goals that have numbers and dates. It also helps to be both realistic and optimistic. You want to stretch to meet these goals. These goals are where you want your plan to take you, but they do not provide details on how you will get there. That will be described in the plan.

EXAMPLE

How did Green Mountain Woodworks set its marketing goals?

Factors we considered:

- Shipping costs and likely size of a sale helped us determine the geographic range within which we might be able to sell our products.
- Limited availability products (sometimes we have them, sometimes we won't and the price can vary), were targeted directly towards homeowners or contractors when we had them.
- Those products which we were sure we could produce in 2-3,000 square-foot volumes with approximately three- to four-week lead times could be sold through wholesale showrooms or distributors.
- Any products which we could produce regularly (quarterly) in truckload quantities (10,000 sf+) at a relatively low price could be marketed to volume-based distributors for them to stock, rather than selling them one job at a time.

By working directly with each level of the market, we began to see where we fit and where we didn't, which messages worked best, and which type of sales we seemed to be generating most. That helped us better understand which sales tools we needed to communicate with each customer. Though we would prefer to sell product directly to homeowners (at higher retail prices), the wholesale markets helped us create a more consistent flow of product and enabled us the security to know we can stock certain products more readily.

Green Mountains' approach to marketing geography has largely been based on our capacity to serve the market and has adhered to the following formula:

Initial phase of development

- Retail—the Southern Oregon, Northern CA region directly
- Wholesale—dealers and distributors in the N. CA, OR, WA region

(continued)

Secondary development phase:

- **Retail—greater internet presence, more directly with architects and designers in all western states**
- **Wholesale—retailers and distributors in ID, MT, CO, UT, Southern CA**
- **Any products which we could produce regularly (quarterly) in truckload quantities (10,000 sf+) at a relatively low price could be marketed to volume based distributors for them to stock, rather than selling them one job at a time.**

The time frame for your goals can be six months, one year, or ten years. Again, it depends on your situation. If your focus is quick results then you want to look at a short timeframe. If you are just beginning your marketing campaign then you might set targets for one year, three years and five years. Banks and other funders want to see what your plans are over a longer range.

If you have chosen to work with a consultant, you should set some draft marketing goals before you talk. The consultant may tell you that your marketing goals are not realistic and you may ultimately need to revise them. But these draft goals will guide her work. You can expect some changes when the marketing plan is completed, but you will want to know why those changes have been made.

Your marketing goals will guide the rest of your planning process and give you a way to measure success. You want concrete goals with numbers and dates. It also helps to be both realistic and optimistic.

If your product is flooring and you plan to market through a broker as well as directly to local retailers, developers and contractors then your draft marketing goals might look like this:

Broker	10 new distributors/5 maintained	End of 1 year
Direct sales	10 new retailers/5 maintained	End of 1 year
Direct sales	1 new developer/1 maintained	End of 1 year
Direct sales	10 contractors/8 maintained	End of 1 year

With these goals you know what category of customers—distributor, retailer, developer, contractor—you are trying to develop. You also know who will be doing the work—you and your staff or a broker. It will help to focus your planning. After you have developed more of your plan, you may need to go back and revise these goals based on what you have learned.

TASK List your marketing goals (Worksheet 1)

Example:

This example is for a small business that is currently selling direct to a small number of retailers, developers and contractors but wants to increase sales volume by working through a distributor.

Marketing goals	Time frame
1. Find a broker who sells to distributors	End of 3 months
2. Broker: 10 new distributors	End of 1 year
3. Direct sales: 10 new retailers/5 maintained	End of 1 year
4. Direct sales: 1 new developer/1 maintained	End of 1 year
5. Direct sales: 10 contractors/8 maintained	End of 1 year

1

List your marketing goals

Purpose: To get clear on where you want your marketing plan to take you.

Process: You want concrete goals that have numbers and dates. It also helps to be both realistic and optimistic. You want to stretch to meet these goals. These goals are where you want your plan to take you, but they do not provide details on how you will get there. That will be described in the plan.

The time frame for your goals can be six months, one year, or ten years. Again, it depends on your situation. If your focus is quick results then you want to look at a short timeframe. If you are just beginning your marketing campaign then you might set targets for one year, three years and five years. Banks and other funders want to see what your plans are over a longer range.

Complete the table below with your 5 marketing goals.

Marketing goals	Time frame
1.	
2.	
3.	
4.	
5.	

2. Brief product description

A product description includes features and benefits. **Features** are the physical description of the product. **Benefits** are how the product will improve the customer’s quality of life.

Keep it simple here, as in the “Sample product description” on this page. You cannot be everything to everyone. You want to think about the key features and benefits and then do those well. There are many more benefits you might offer: low price, fast delivery, custom-made. Any of these could be important benefits but it is unlikely you can offer all of them.

TASK Describe your product (Worksheet 2)

Example:

Product description:

Our product is a comfortable Windsor chair made from oak. The chair is made by craftsmen in our small shop in eastern Oregon and it is made from wood that has been harvested sustainably.

Features:

- 1. oak
- 2. Windsor-style chair

Benefits:

- 1. comfortable
- 2. made by a rural small business
- 3. made from “good” wood

You might offer: low price, fast delivery, custom-made. Any of these could be important benefits but it is unlikely you can offer all of them.

Describe your product

Purpose: To develop a statement that describes your unique product

Process: In questions 3 and 4 of the *Initial Screening Questions*, you described your product or service. Look back at that and then write a brief product description. What are the features and benefits?

Product description:

Features:

1.

 2.

 3.

 4.

-

Benefits:

1.

2.

3.

4.

3. Identifying your competition

You want to find ways to get your customers to buy your product. To do this well, you need to know who else is selling to them and how they are doing it. Think about your competitors as the businesses that:

- Sell similar products or services—these are the easiest to identify using a phone book, business listing or the internet.
- Sell different products but provide the same benefits—look back at the benefits your product offers and think about other products that offer the customer these benefits.

Once you have a list of your primary competitors it will take a little research to find out more. This can be done by interviews with customers, by looking in stores, or by searching the internet. One very good site for getting information about businesses is www.yellowpages.com.

- Who are your competitors?
- What makes them successful or not? These are their success factors.
- What price are they selling the product for?
- If the product moves through intermediaries, such as wholesalers and distributors, who are they?
- What are the reasons why customers will prefer you over the competition? These are your success factors.

TASK Profile your competitors (Worksheet 3)

Add example?

3 Profile your competitors

Purpose: To describe the people who are already selling similar products to your potential customers and to detail what could make customers prefer you.

Process: Use this worksheet to identify your 3-5 primary competitors, and summarize your research on them.

Competitors:

Competitor 1:

Reasons for success:

Product price:

Wholesalers and distributors used:

Competitor 2:

Reasons for success:

Product price:

Wholesalers and distributors used:

Competitor 1:

Reasons for success:

Product price:

Wholesalers and distributors used:

Your product:

Reasons a customer might prefer you over the competition:

4. Your competitive advantage?

The second part of assessing your competition is identifying the reasons why customers would prefer your products over the other options. Look at your product features and benefits for ideas. (See Worksheet 2.) Do some of these features and benefits make your product unusual or even unique? Are there ways in which you produce or sell your product that are unusual or unique? Then look at what makes your competitors successful.

A good way to get clear on your competitive advantage is to compare your business to the businesses you identified as your competitors. Worksheet 4 has space to list the success factors of your product and your competitors in the first column. You then rate your business and your competitors on each success factor.

TASK Identify your competitive advantage (Worksheet 4)

Example:

This example is for a handmade wood chair:

Success factors	Your business	Competitor #1	Competitor #2
		IKEA	Custom craftsman
Price	② pretty expensive but not as high as one of a kind	⑤ very low pricing	① very high and this is part of the image
Customization	④ can make some modifications but have basic design	① none	⑤ every chair is unique
Delivery	④ have small inventory	⑤ on the shelf	① delivery can be up to 1 year
Uniqueness	④ not very many around but not one of a kind	① very common	⑤ one of a kind

4

Identify your competitive advantage

Purpose: To define what makes you and your competitors successful.

Process: Enter the success factors of your business and your competitors’ in the first column of the table below. All the information you need should already be in Worksheet 3: Profile Your Competitors. In the table below, you rate your business and your competitors on each success factor, filling in cells as follows:

- 5=major strength
- 4=strength
- 3=neutral
- 2=weakness
- 1=major weakness

Competitive Advantage Table:

Success factors	Your business	Competitor #1	Competitor #2	Competitor #3

EXAMPLE

Differentiating Healthy Forests, Healthy Communities

HFHC differentiates itself with the following competitive advantages:

- Northwest hardwoods such as Myrtle, Madrone, Big Leaf Maple, and Tanoak are uncommon flooring types, providing the customer a unique look that is often sought in flooring choices. These species also produce a large percentage of the “character” grades that are currently popular in the market.



- All of our flooring is custom milled by skilled craftsmen meaning that the product is of the highest quality with very little defect. The smaller shops can also offer specialty services such as matching trim and custom sizes that larger outfits are not willing to take on.
- Finally, HFHC products come with a Social and Environmental provenance that adds value to the product for a customer who is interested in supporting regional economies and good forest stewardship.

What HFHC has learned

- Have that “affordable, yet quality” image expressed in everything we do and show our customers

Understand the competition

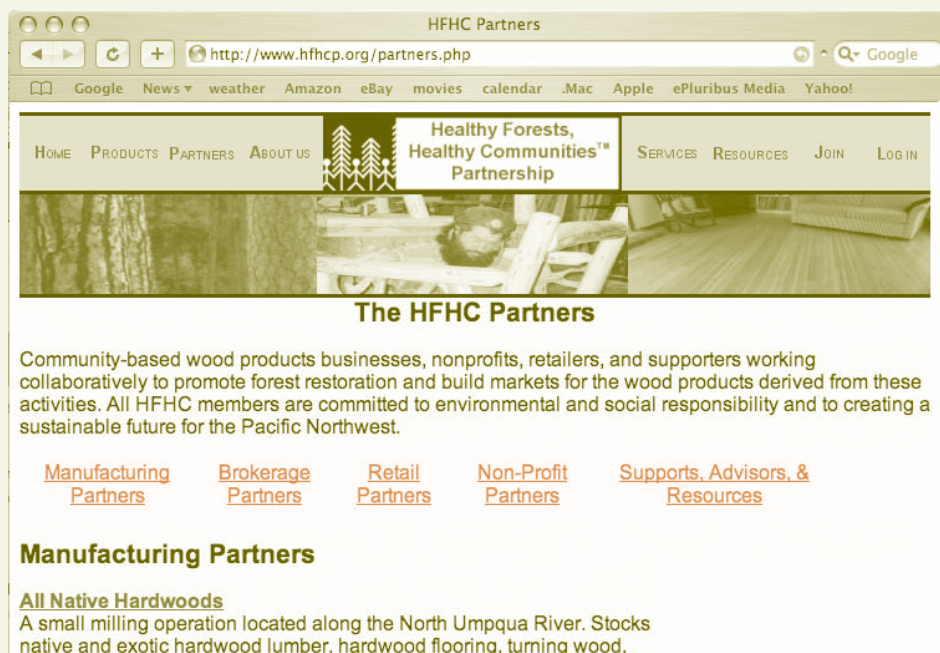
- Local hardwood lumber yards and flooring dealers
- Distributors who play the role of dealers
- Those who sell an “eco” product

Price, products, service, other

- Develop the stories to be short, to the point and effective based on responses of customers when we tell it
- Service has to be better than the best out there

Let the distribution chain work for you

- Turn competitors into customers or vendors
- Always strive to better support those distributors/showrooms who sell for us
- Always support our manufacturers, pay on time, keep them in business



Let the distribution chain work for you, and turn competitors into customers or vendors.

5. Defining your market position

You have learned about your competitors and assessed your competitive advantage. Now think about how you will fit in the marketplace. You want to develop a short statement that captures what you are offering and where that will fit in the marketplace.

Begin with the competitive advantage table. Look for your combination of strengths.

Example:

HFHC’s Market Position Statement

We position ourselves at the high end of the market but differentiate ourselves with lower prices here and unique products. Local and environmental also set us apart. However these attributes are clearly secondary positioning to the price and product. Several of our partners have obtained certification through the Forest Stewardship Council; some on their own and some through HFHC’s group chain of custody. There has been some market advantage gained through the US Green Building Council’s LEED program. However, this has applied mostly to larger commercial projects and material that is bought as part of a larger wood package. Smaller manufacturers have seen fewer benefits. In general the financial returns for FSC certification remain speculative at this point.

Our weakest link is perhaps service although our manufacturers tend to be very accommodating to the customer in order to get a sale. They do not maintain the types of customer relations that are necessary for long-term and repeat business. GMW helps with this, but they are only a fraction of the sales made by HFHC.

