MARKETING OF NEW ZEALAND'S FORESTRY PRODUCTS

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Levitt (1960) published a classic article entitled "Marketing Myopia". In essence, it described the necessity to define business activities in terms of the customer needs and wants which were satisfied by the products and/or services provided, and not in terms of the products and services themselves.

The railroad industry in the U.S.A. defined its business as railroads, but it was really in the transportation business. The U.S. movie industry failed to realise that it was in the entertainment business and not in the movie business.

The forestry industry in New Zealand is rightly proud of the products and services which it can provide. The management of forests and the silviculture practised over the years have guaranteed a flow of high-quality products ranging from roundwood logs to woodchips, pulp and paper for various markets, both domestic and overseas. It can be argued, however, that this pride in the product has taken precedence over the necessity for recognition of the developing needs and wants of customers in these markets.

The scenario which is developing in the New Zealand forestry industry is very much a case of "products looking for markets". The surplus of forestry products which will become available from the late 1980s onwards means that markets will have to be investigated and exploited fully.

The marketing strategy alternatives available can be illustrated by Ansoff's (1965) matrix which is reproduced below.

Currently the forestry industry markets its products in New Zealand and in several main overseas markets such as Japan, Australia and Asia/Oceania. Indeed, the pattern of exports

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<th>Market(s)</th>
<th>Present</th>
<th>New</th>
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<tr>
<td>Present</td>
<td>Product Penetration</td>
<td>(1)</td>
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<tr>
<td>New</td>
<td>Market Development</td>
<td>(2)</td>
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over the past few years shows that between 95 and 96% of all exported forestry products were destined for Japan, Australia, Korea, Hong Kong, Indonesia, Singapore, the Philippines, New Caledonia and Tonga (see Monthly Abstract of Statistics, March 1979, and New Zealand Official Yearbook, 1978).

Market Penetration (1) as an alternative marketing strategy implies that the surplus of present products becoming available will have to be aimed at the present markets. The main problem, however, is that the projected demand in the New Zealand market can not (on present trends) absorb the surplus supply coming on stream, and it is essential that it be absorbed in export markets (Levack, 1979; Lowen and Smith, 1979).

The clear implications of this strategy are that projected growth in the demand for forestry products in the export markets already quoted would be sufficient to cater for the increases in supply. Many of these countries are at the early stages of industrial growth and development and their future demands will undoubtedly increase considerably. One key factor which must be considered, however, is whether dependence on these export markets alone involves a high element of risk, and whether the increases in demand will coincide with the increased supply available.

Market Development (2) as an alternative implies that new markets will have to be found. In view of the previous comments regarding the New Zealand market, these would seem to be limited to export markets. The key implications of this marketing strategy have been well documented (Sutton, 1978) and need not be repeated here.

Product Development (3) is a strategy which could follow from the investigation of new markets — see (2) above — and the possible discovery of needs for new products in these markets. There are several options available in this sphere, and indeed the possible use of wood as an alternative energy source in New Zealand (if not in export markets) is already under investigation.

Finally, Diversification (4) as a viable strategy could involve further expansion into the transportation and/or shipping business by acquisition or joint venture, or by association with companies that have ready access to new markets under investigation. This access need not necessarily be for forestry products — it could be for related or even unrelated products.
SUMMARY

All of the marketing strategy alternatives quoted will be highly dependent upon the following factors:

1. The timing and extent of capital investment decisions designed to provide the necessary infrastructure of manufacturing, processing and distribution facilities. (It is understood that the Development Finance Corporation is about to embark on a study of the need for such decisions, in collaboration with the New Zealand forestry industry.)

2. Investigation of the possible need to commence felling, clearing and processing of existing forests in advance of the so-called “optimum” age of trees already planted (25-30 years). This necessity could arise from the lack of coincidence between demand and supply factors quoted above.

3. A cost-benefit analysis of the current practices involved in forest management and silviculture; e.g., pruning and thinning, afforestation and regional development.

4. The market acceptance of current products and new products likely to be available in present and new markets, in terms of their quality, availability and price.

REFERENCES