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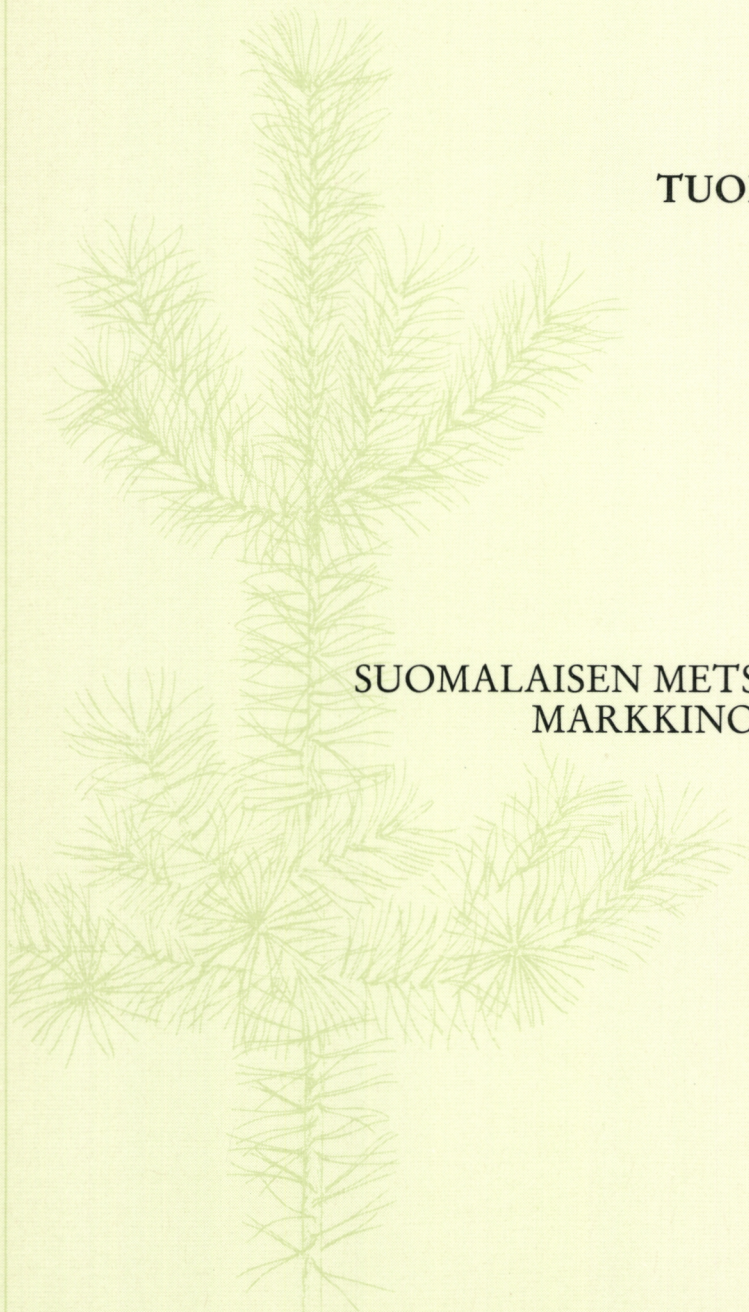
# MARKETING STRATEGIES OF THE FINNISH FOREST INDUSTRIES

HEIKKI JUSLIN &  
TUOMAS TARKKANEN

SELOSTE

SUOMALAISEN METSÄTEOLLISUUDEN  
MARKKINOINTISTRATEGIAT

HELSINKI 1987





# COMMUNICATIONES INSTITUTI FORESTALIS FENNIAE



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*Cover (front & back):* Scots pine (*Pinus sylvestris* L.) is the most important tree species in Finland. Pine dominated forest covers about 60 per cent of forest land and its total volume is nearly 700 mil. cu.m. The front cover shows a young Scots pine and the back cover a 30-metre-high, 140-year-old tree.



HEIKKI JUSLIN & TUOMAS TARKKANEN

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*Approved on 17.7.1987*

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The aims of the study are both theoretical and empirical. The first purpose is the clarification of the strategy concept. This also includes the creation of operational measures and the generation of a basis for assessing the rationality of strategies. The second purpose is the description of present marketing strategies of the Finnish forest industries, and the assesment of their rationality. The study deals with the Finnish sawmill, wood-based panel, and paper and paperboard sectors.

According to the theoretical frame of reference of the study, sub-strategies consist of product, customer, market area and competitive advantage strategies. Finnish forest industry companies are moving from commodity products in the direction of special and custom-made products. Regarding customer strategies, the branches differ in customer selectivity. Selectivity, or lack of it, also characterizes market area strategies. Some hypothesis concerning the internal structure of the marketing strategies were not supported by the empirical data. Hypotheses can be based on untenable pre-summptions, but empirical strategies can also be the result of non-existent or irrational planning.

Tutkimuksen tavoitteet ovat sekä teoreettisia että empiirisiä. Toisaalta tutkimuksen tavoitteena on strategiäkäsitteen selventäminen, sen operationaalisten mittojen kehittäminen ja perusteiden luominen strategioiden rationaalisuuden tarkastelulle. Toisaalta tavoitteena on metsäteollisuudessa vallitsevien markkinointistrategioiden kuvaus ja niiden rationaalisuuden arvostelu. Tutkimus kohdistuu suomalaiseen sahateollisuuteen, puulevyteollisuuteen sekä paperi- ja kartonkiteollisuuteen.

Teoreettisen viitekehyksen mukaisesti osastrategioina tarkastellaan tuote-, asiakas-, markkina-alue- ja kilpailuetustrategioita. Suomalaiset metsäteollisuusyritykset ovat siirtymässä vakiotuotteista erikois- ja asiakastuotteiden suuntaan. Asiakasstrategioissa toimialat poikkeavat toisistaan ensisijassa sen suhteen, kuinka valikoiden asiakaskohderyhmämäärittelyyn suhtaudutaan. Valikoivuus tai sen puuttuminen luonnehtii myös markkina-aluestrategioita. Osa markkinointistrategioiden sisäiseen rakenteeseen liittyneistä hypoteeseista ei saanut tukea empiirisiltä havainnoilta. Eräät hypoteesit saattoivat pohjautua kestäättömille olettamuksille, mutta empiiriset strategiat voivat olla myös suunnitelmattomuuden tai epärationaalisen suunnittelun tulosta.

Keywords: Sawmill industry, wood-based panel industry, paper and paperboard industry, marketing planning,  
product planning  
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## PREFACE

This research is a part of a broader research project dealing with marketing of forest industry products. It has been conducted at the Department of Forest Products Marketing at the University of Helsinki and at the Department of Business Economics of Forestry at the Finnish Forest Research Institute. The Finnish Academy has taken care of the most of financing.

The data for the study was collected in connection with three research projects. Following students participated those projects with their Master's theses: Arto Parikka, Harri Kivirinta, Jukka Lakomaa, Yrjö Vähätupa, Satu Ylönen, Nina Lagerstedt, Timo Räsänen, Tuomas Tarkkanen, Ritva Vilksa.

Tuomas Tarkkanen's thesis dealt with the marketing strategies in the Finnish paper and paperboard industries. In the study in hand he combined and computed the data,

collected theoretical material for the manuscript and also wrote chapters 41, 51-531. Heikki Juslin planned the project, supervised the sub-projects and wrote the the rest of manuscript.

The following persons have made valuable comments on the manuscript: Director Petri Wager, professors Seppo Ervasti, Jouko Hämäläinen, Kari Lilja, Keijo Räsänen, Risto Seppälä, Martti Särkisilta, Licenciate of Forestry Raija-Riitta Enroth and assistants Jaakko Hannula and Juha Kirvesniemi.

B.Sc. Barbara Henders has checked the English. The figures were drawn by Maija Kuusijärvi.

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Helsinki, May 1987

*Heikki Juslin*

*Tuomas Tarkkanen*

## 1. BACKGROUND

### 11. Demand for change in the marketing strategies of the Finnish forest industry

Applied studies mostly originate in the problems and information needs surrounding practical activities. These studies should produce information about the problems, and their causes. The practical activities are then developed using that information. One of the most central tasks of scientific research is to separate the real causes of problems from factors caused by the problem, or connected with the problem. Often when the problems of the forest industry are discussed only the symptoms are treated, but symptoms are only reflections of deeper causes. If a distinct difference between symptoms and causes is not made, what should be renovating and developing activities are easily limited to the elimination of symptoms.

Current problems in the Finnish forest industry have their background in rapid changes in the economic and social environment which have occurred starting from the 1960's. There were several important changes in the 1970's. Among the most important of these were the oil crisis and resulting increase in energy prices. Important economically were the change in currency system, and an inflation rate in Finland which was higher than the OECD average. The industry also faced problems in obtaining raw material supply. These rapid changes, combined with a slower increase in productivity, resulted in higher production costs. The long and deep recession which started in the middle of the decade also reflects the dramatic changes which occurred in the environment of the companies.

Investments in the forest industry were strong in the 1970's. Finnish companies, with higher costs and lower productivity than their competitors, accumulated debt. For example, Artto (1983, p.70) showed the gross debt of the paper industry for the time period he studied (1974-1980) to be greater than the turnover. The large debt load of the industry was reflected in individual companies' economic results. Net profit du-

ring that period, in the mechanical and chemical forest industries, was a loss of approximately 2300 million Finnish marks (Artto 1983, p.45).

These phenomena, which shocked the forest industry and the whole economy, stimulated serious discussion about sources of the problems in the Finnish forest industry. The analysis led to the demand for new strategies in the forest industry. Steady economic growth in the 1980's has quietened the discussion of strategy, but the need for this discussion has not disappeared. In the present market environment strategic decisions in the forest industry are even more significant. Much work should be done to help in these decisions.

Problems in the forest industry have been the basis for many studies. The most well known of these is a Jaakko Pöyry Co study from 1979; "Suomen metsäteollisuuden kansainvälisen kilpailukyvyyn kehittäminen". In that research work the main emphasis is on environmental change. The strategic choices made by forest industry companies are not investigated in the study. The Pöyry publication does not, therefore, try to explain the whole process leading to the problems. The main emphasis is on areas where the public sector has a large effect.

The crisis in the Finnish forest industry also plays the main role in the study "Suomen metsäsektori tienhaarassa" (Seppälä et al. 1980). With the aid of a model describing the forest sector, it is shown that the problems of the industry can only be dealt with through the cumulative effect of many large efforts. These efforts are called "future strategy" by the authors. Its characterizing features are increased value-added, customer orientation, centralization of activities, internalization, utilization of know-how, and the search for new markets.

The above mentioned ideas are a modification of thoughts presented by Honko (1979). Within the forest industry the Honko idea of a "strategy of smallness" has not received much support. However, the thoughts presented by Honko about the basics of strategic thinking are sound. These



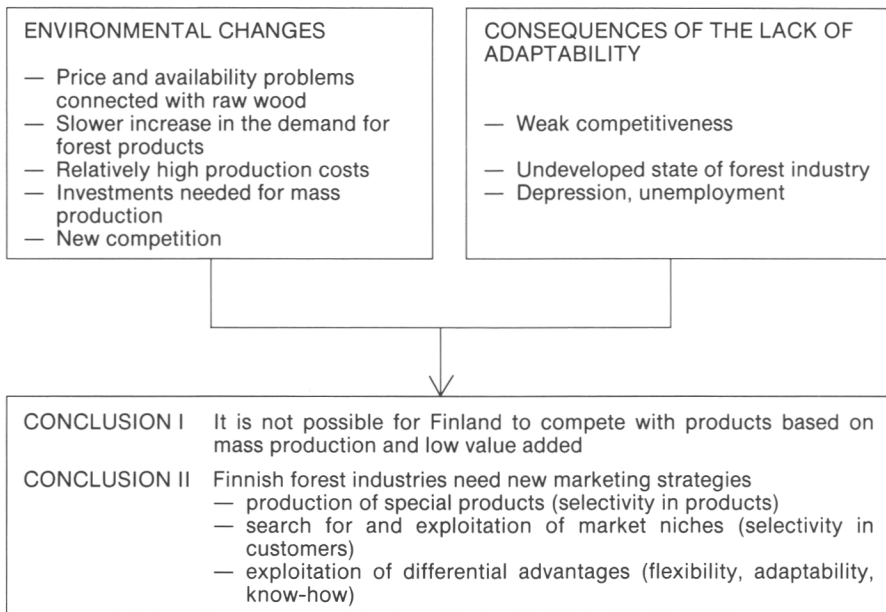


Figure 1. Reasons for the demand for strategic change in the Finnish forest industry.

thoughts, as well as those by Seppälä (1980), are the base for the issues dealt with in this research work.

Figure 1 shows the conclusions of recent professional discussion connected with the development of the Finnish forest industry. As seen, the prerequisites for growth in primary production will weaken significantly. In contrast, there are good possibilities to increase value-added production. The best possibilities for specialization can be found in product groups which presuppose high quality raw material and know-how in production.

Solutions to the problems in the export marketing of Finnish forest industry products contain the idea of adaptation to market situations and changes. Planning which adjusts the company to its environment is, by nature, strategic planning. Thus it is possible to examine the adaptations a company makes to the market situation by examining its marketing strategies and strategic planning. At the same time this means examination of the overall development in the forest industry.

## 12. Obscurity concerning the concept of strategy

The concept of strategy has been used in the business sense since the 1950's. Then it had almost the same meaning as budget planning. In the 1960's strategic planning was understood to refer to long-term planning. The concept of strategy, as understood today, originated with the ideas Ansoff (1965) presented in the book, *Corporate Strategy*. After this pioneer work by Ansoff, strategic planning developed in the late 1960's into a deeper analysis of how to adjust the company to its environment. The basic thoughts presented by Ansoff are still valid, although use of the concept of strategy has broadened. Starting in the 1970's, it has become more common to speak about "strategic management", in which the planning and fulfilling of strategy is seen as a continuous action (Greiner 1982).

From these decades there are hundreds, possibly thousands, of books and articles dealing with strategy. The term strategy has been defined in many ways and has been connected with many various ideas. Products of these "strategy decades" are terms like "corporate strategy", "marketing stra-

tegy", "growth strategy", "internationalization strategy", "financing strategy", "product strategy", "advertisement strategy", "distribution strategy", "export strategy", and concepts like "strategic planning", "strategic decision making", and "strategic position".

If the word "strategy" is used excessively it confuses the meaning of the word. "Strategic problems" and "strategic decisions" are discussed, even when problems and solutions at some other level of hierarchy are involved. This occurs despite the original use of the word "strategy" dividing company problems into strategic, tactical, and operational levels (Ansoff 1965, p. 17-22). Ansoff's original idea has vanished when terms like "advertising strategy" and "price strategy" are used.

Since the meaning of the term strategy has changed during the last decades, it is often difficult to differentiate between various terms connected with company planning. "Company policy" and "long-term planning" are examples of this.

In the 1960's the term strategy had almost the same meaning as long-term planning. Strategic planning emphasized the long planning period which was typical of that decade. Both strategic planning and long term planning emphasized the necessity for setting goals, the importance of forecasts, and the significance of trends in the environment. Actually, these two planning methods were often mixed.

The strategy concept of the 1960's, based on Ansoff's ideas, represents planning and goal-oriented thinking. This concept is appropriate for management situations which are characterized by predictable competitive

environments. This is also the case with long range planning. Turbulent and discontinuous environments require different management. Management must emphasize the process of organizational change in response to environmental change (Lahti 1983, p.23). This contingency management dominated strategic thinking in the last half of the 1970's.

The concept of policy has caused a lot of confusion when used together with the strategy concept. Sometimes policy is considered to be on a hierarchical level above strategy, and sometimes below it. This confusion may arise from strategy and policy belonging to different "families of concepts", or different planning systems. Ansoff (1965, p.118-121) has defined policy as a contingent decision, while strategy is a rule for making decisions. More common is the view of policy as a popular concept of the 1960's, now replaced by the strategy concept. It is advisable to stop using the policy concept when dealing with strategic planning and strategy in connection with corporate or market planning.

It is clear that if there is significant confusion around the meaning of the word strategy it is difficult to communicate about strategies. The conclusion can even be drawn that if the meaning of the word is not clear, strategic planning and strategic management are difficult. It is hard to plan strategies when it is not known what strategy is. In this research an exact definition and operationalization of the term "strategy" is inevitable. Empirical research of strategies requires measurements. These measurements are not possible without operationalization of the term strategy.

## 2. PURPOSE

The main purpose of the study is to aid strategic planning in the Finnish forest industry. The aim of the analysis of concepts is to create a common language for the discussion dealing with strategies. The empirical part of the study describes the present marketing strategies used in the forest industry. By combining the theoretical and empirical analysis, it is possible to judge the rationality of present marketing strategies.

The areas of study are:

- 1) Analysis of the strategy concept and choice of the system of describing strategy to be used.

- 2) Development of operational measures for the descriptive system.
- 3) Derivation of theoretical hypotheses concerning rational combinations of strategies under given conditions.
- 4) Description of the marketing strategies of the Finnish forest industry.
- 5) Analysis of the rationality of the marketing strategies (under defined conditions).
- 6) Analysis of the connection between strategy and the functional level of planning (product planning).

The aims of the study are thus both theoretical and empirical.

## 3. THEORETICAL FRAMEWORK

### 3.1. Strategic planning and strategies

#### *3.1.1. Strategic planning and management*

The empirical section of this study is based on the premise that every company has a marketing strategy. This strategy can be seen in a company's daily activities and in its results, although the strategy may not be consciously formulated or documented. If the right measurement devices are found, these strategies can be measured and described. Conclusions regarding a company's marketing strategies can be drawn from its marketing activities.

The existence of strategic planning can be described along a line segment. At one end of this line are the companies where strategy arises unconsciously. At the other end are the companies where strategic planning is purposeful, systematic, and based on sound theory. The ends of the line are probably hypothetical, and in practice companies are located on a continuum between the ends of the line. Textbooks and handbooks usually deal with "should be" strategic planning.

There are very few critical examinations of actual strategic planning in practice.

Greiner (1982) has presented a view of strategic planning which differs significantly from the "should be" view. His ideas are based on the work of Miles and Snow (1978). Typical features of strategic planning are, according to Greiner (1982), the following:

- 1) Strategy evolves from inside the present organization, not from its future environment.
- 2) Strategy is a deeply engrained pattern of behavior that gives direction to the organization, not a manipulatable and controllable mechanism that can be easily changed from one year to the next.
- 3) Strategy is an irrational concept stemming from the values, traditions and norms of behavior held by the firm's employees, not a central rational and logical core from which all else flows.
- 4) Strategy emerges out of the cumulative effect of many informed actions and decisions made daily and over many years by many employees, not a "one-shot" formal statement developed consciously and exclusively by top management for distribution to the organization.

Later, when strategic planning is discussed from the "should-be" point of view, the ideas presented by Greiner should be recalled.



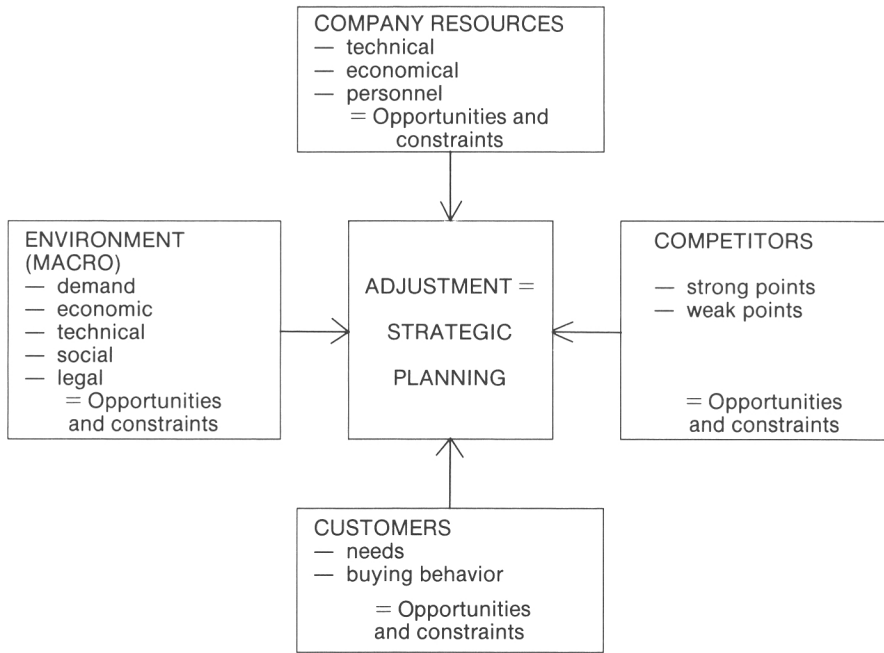


Figure 2. The concept of strategic planning.

Webster (1979, p.247-248) presents one typical modern definition of strategic planning:

”Strategic planning is a process where the capabilities of the company are defined and adjusted to the changing environment and its opportunities. The purpose of strategy is to allocate companies’ resources optimally. The strategic planning process includes both the internal analysis of the company and the external analysis of the environment.”

Figure 2 illustrates how strategic planning adjusts a company to its environment. It includes the basic idea of strategic planning. The emphasis placed on the various environmental blocks surrounding the central block characterizes the nature of strategic planning in the company (Figure 2).

An example of planning based only on ”Company Resources” factors is extrapolative planning which uses historical information and relies mainly on company’s opportunities. This type of planning cannot be called strategic planning. In strategic planning a thorough company analysis is always required. The analysis is directed at finding and strengthening relative advantages, and also at minimizing disadvantages (see Majaro 1978 p.195-202, Webster 1979, p.248-258).

Analysis of the macro-environment is very important in all models describing strategic marketing planning. Many models concentrate mainly on analysis of economic environment and future demand. When strategic planning is more developed it emphasizes the environment in a broader sense and tries to create the capability to react to sudden changes. The future is often described with many alternative scenarios.

The use of information concerning customers and competitors reflects the quality of strategic planning. When information is heavily used, strategic planning is often considered more developed than strategic planning that is solely based on the demand forecasts. Well developed customer-oriented planning uses, therefore, a lot of qualitative information. The definition of relative advantage in strategic planning requires knowledge of competitors’ strong and weak points.

The personal values of management are reflected in the strategic decisions made in the company. Hage and Dewar (1973, p.279-290) have noted that in the 16 American companies they studied strategic decisions correlated significantly with management values. According to Luostarinen (1979, p. 35), a typical feature of strategic

decision making is "lateral rigidity". Companies' strategic choices are mainly guided by risk and uncertainty avoidance. Alternatives that have shown positive results and are close to companies' present operations are always used first.

Strategic planning and management is often seen as consisting of progressive stages. This is the point of view taken by Ansoff (1965), Ackoff (1979), and Kyläkoski (1980), among others. Alternative processes for strategic marketing planning are presented by, for example, Kotler (1980 p. 80-92), Majaro (1978, p. 180-213) and Webster (1979, p. 247-274).

In this research the main interest is in the result of strategic planning — strategies. Different views of strategies are reviewed in the next sections.

### 312. *Strategy as an atmosphere or a framework*

It was very common, especially in the 1950's and 1960's, to see strategy as an atmosphere or a framework that influences all the activities of the company. The atmosphere or framework directs the decisions made in the company. In this type of definition strategy is not composed of clearly defined decisions. It more generally describes norms, attitudes and "the way of thinking" in the company. Such usage of the concept is accompanied by the tendency to give the same meaning to the term important as to strategic.

The idea of strategy as a framework can be seen very clearly in Luostarinen's work (1975, p. 13-14). Figure 3 describes Luostarinen's thinking in the 1960's.

Luostarinen refers to strategy as a tool of management. The functioning of a company is based on its business idea, and is aimed towards specific goals within a framework formed by strategy. The strategies are defined by top management based on analysis of internal and external conditions. It may be that, for example, in small companies management does not recognize the necessity of defining special strategies. In this case strategy is formed spontaneously as the sum of the targets and principles of action defined by management (Luostarinen 1975, p. 14).



Figure 3. Strategy as a framework.

The framework nature of strategy is emphasized when strategy is seen as the background for choices made in the company. A framework strategy is described by pairs of concepts like aggressive defensive, active-passive or innovator-follower. Luostarinen (1975, p. 14) states that the general behaviour of a company which is acting systematically is dependent on the strategy it follows. It is important to note that Luostarinen does not connect the pairs of concepts mentioned above to strategies. He only states that they characterize behaviour given a certain strategy.

According to Kotler (1967, p. 160), for example, strategy lays the groundwork of general principles through which the company tries to secure its competitive advantage against competitors, its attraction to customers, and full use of the company resources. When using this type of strategy concept it is typical that the actual contents of the strategy remain undefined, as in the work of Thorelli and Becker (1980, p. 13).

Grainer's definition of strategic planning (see the previous section) leads to framework-type strategy. When strategy develops over a long period, as if by itself, it forms a spirit or atmosphere. The mere existence of that type of strategy affects decisions and actions. These strategies will develop into leading principles, main guidelines or norms by which the long-term goals of the company are to be achieved (see Stern 1970, p. 12, Särkisilta 1969, p. 253).

The definitions describing strategy as a framework are far from operational definitions. Although it is possible to describe the general nature of the behaviour of the company in common terms, there are problems in the measurement of strategy. Section 33 illustrates that it is possible to operationalize framework-type strategy. However, this operationalization still must determine what dimensions will be used to describe strategies. The question concerning these dimensions will be approached in section 314 and discussed more broadly in section 34.

313. *Strategy as the adjuster between company and environment*

Since the 1960's the core of strategic planning has been the adjustment of the company to its environment. In this context the goals of strategic planning were unspecific and connected mainly with creating a general atmosphere in the company. External factors were also noted during that time period, but strategic planning was not used as a tool to adjust the company to these factors.

The pioneer work of Ansoff (1965) has great significance as the precursor of the present strategy definition. Nevertheless, strategy as an adjuster of the company to its environment is reviewed here according to ideas presented by Thorelli and Becker (1980). They have presented an "ecological

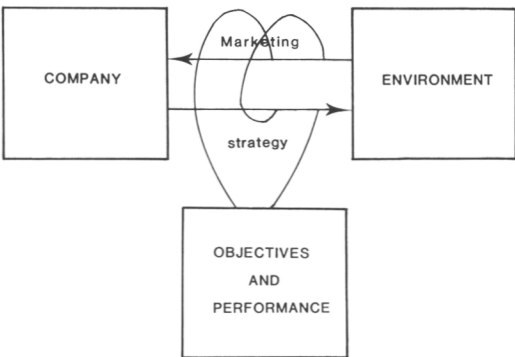


Figure 4. Strategy and the ecological view of marketing.

	Product	
	Present	New
Mission		
Present	Market penetration	Product development
New	Market development	Diversification

Figure 5. Ansoff's window.

model" of strategic planning. The basic idea of their model is that every company, like all biological organisms, is dependent on its environment. The satisfaction of peoples' needs is the only reason this environment needs companies. Customers have, therefore, a specific emphasis in this model. Maja-ro (1978) has presented similar ideas.

According to the model presented by Thorelli and Becker (1980, p.7), goals give direction for setting strategies. The results of everyday activities are the measures of those strategies. If the results are unsatisfactory, strategy did not function correctly as an adjuster of the company to its environment and strategy must therefore be developed.

The role of strategy as adjuster of the company to its environment is presented clearly in Figure 4.

Although Thorelli and Becker define strategy as an instrument in the adjustment process (see Figure 4), they do not define strategy thoroughly. Strategy is said to be the approach or position which a company takes in order to succeed in its actions. This problem is dealt with in the next section.

Strategic position is closely related to the relationship between a company and its environment. A strategy directs a company into a certain relationship with its environment. This relationship is called a "strategic position." A change in the company's environment forces management to pay attention to its strategic position. Management must then evaluate the different product/market combinations the company operates with. The traditional way of describing strategic positions, and ways of change, is the "Ansoff window" which is presented in Figure 5.

A company can develop its strategic positioning in four ways:



1. By developing current activities (market penetration) the company tries to strengthen the position that its products have in current markets.
2. Market expansion is a way to develop strategic positioning where new markets are sought for current products. It can be done either by finding new customer groups or by finding new market areas.
3. Product expansion is a way to develop strategic positioning which emphasizes product development. Present markets are offered new products and significantly improved current products.
4. Diversification means moving into new business areas. In practice, diversification happens through buying companies from areas or fields that have better growth possibilities.

Strategic positioning can also be demonstrated using the Boston Consulting Group model. The main factors in this model are market share and market growth. The importance of market share has, in fact, become one of the most significant factors describing strategic positioning. This is due to empirical illustration that companies with high market shares are often more profitable than companies with small market shares.

When Ansoff defined strategy as a move, or series of moves, that a company makes (1985, p.118), he emphasized the need for exact definition of products and markets. Thorelli and Becker (1980, p. 17) refer to the same concept when stating that the best strategies are those which are based on use of relative advantage and aim at satisfying precisely defined customer needs. If a company does not have sufficient relative advantage it must try to create it.

The demands to precisely define strategy lead to consideration of the components which constitute strategy. These components should be well-defined and measurable.

### 314. *The dimensions of strategy*

In Thorelli and Becker's definition, the main task of strategy is to define the relationship between the company and its environment. In their definition the internal content of strategy is diffuse and partly conflicting. Content is characterized by framework thinking. The authors, however, analyze issues that can be classified into dimensions of strategy when they discuss "local domain." In their analysis local domain does not describe strategy, but is an important characteristic of the company.

According to Thorelli and Becker (1980, p. 9) every company — every organization — can be defined by four domain dimensions:

- product span
- territorial extension
- mode of operations
- customer groups served

Local domain can be considered as a market niche which the company has found or acquired.

Ansoff (1965, p. 108-112) gives a starting point to the analysis and development of strategy dimensions or components. In his opinion the traditional definitions of the common thread of the company based on mission and the business concept of the firm are too loose and vague. As replacement, he has developed a strategy system composed of four components. These components of strategy are:

- 1) product/market scope
- 2) growth vector
- 3) competitive advantage
- 4) synergy

Product/market scope is the starting point for the definition of strategy. It defines the product area of the company, and which markets the products are offered to.

The growth vector defines the direction of company development. It can be illustrated with "Ansoff's window." The possible directions of the growth vector are: 1) market penetration, 2) market development, 3) product development, or 4) diversification (see previous section).

The utilization of competitive advantage presupposes the finding of product/market areas which match the characteristics of the company extremely well. Operations which are based on competitive advantage give a company a strong, competitive market position.

Synergy can be produced by the proper combination of various resources and actions. A successful combination can give the company more possibilities or resources than could the original resources or actions used separately.

The empirical part of this study is based on the composite strategy concept. Ansoff's thinking is not applied as such, but the study leans partly towards his basic ideas. Careful definition of the product/market area is

an essential point in these ideas. Three of the previously mentioned components are primarily marketing-oriented; product/market scope, growth vector and competitive advantage. Only synergy refers to the internal use of the research and production resources.

## 32. Different levels of strategic planning

### 321. General

In previous sectors, strategic planning and the term strategy were discussed without specifying the type of strategies being discussed. In the literature, strategy terms can be found that clearly belong to different hierarchy levels, for example "corporate strategy" and "distribution strategy." Since this research deals with marketing strategies the differences between hierarchical levels of strategy terms will be discussed.

From the great number of corporate planning models, it is impossible to name one that would supercede the others. This is why the system of hierarchy for strategy also varies. The system presented later reflects the current thinking of the authors. This thinking presents itself especially in the operationalizations in the empirical section.

### 322. Corporate strategy

Corporate strategy consists of a number of principles concerning the company and its actions. As mentioned earlier, these principles can be very broad or loose — only reflecting the spirit of the company. When the principles are defined in a more exact way they are named the components or the dimensions of strategy.

Corporate strategy is a general term for all decisions which are considered strategic. The problem is that there is no generally accepted definition of strategic decisions. On a very general level, Ansoff says that strategic decisions are those which define the business area which the company chooses (1965). Webster (1979, p. 260) defines business area as a product/market combination. Definition of company's product/market is the strategic decision most often seen in literature.

When comparing various definitions of strategy, one difference is the way the company business idea, goals, and strategy are combined. When strategy is defined in very broad terms it includes decisions on all these issues. More often strategy is separated from the business idea and goals. For example, Kotler (1980, p.63-91) emphasizes the business idea and goals as a separate and individual stage in decision making that precedes strategy definition. He calls this whole process "strategic management." Majaro (1978, p.180-213) also separates strategic planning and goal setting.

This view is very realistic, in part because company business idea and goals are often set by company owners. When strategic decisions are made it is usually done by company managers. So, strategies are a way to achieve goals that are already set. The original meaning of the word strategy — the study of how to win a war — supports this view. Winning the war is a self-evident goal when countries go to a war.

In corporate strategy the most important decisions are those concerning products and markets. These terms, product and market, have many different definitions. Ansoff (1965, p.109), for example, divides products into company's present products and new products. Products are elsewhere divided into commodity, special, and custom-made products (Engel et al. 1974). Luostarinen (1980, p.96) divides the concept of product into goods, services, know-how and systems.

The concept of market is also defined in various ways. Ansoff speaks of present and new markets. By market he means the needs that products satisfy (1965, p.109). Luostarinen (1979, p.1-4), on the other hand, defines market as individual countries. Decisions concerning markets can also be divided into decisions concerning customers (clients), and decisions concerning geographic limits of the market area (Shirley et al. 1981, p.39). In customer-oriented thinking, markets are seen as groups of customers with individual needs and preferences (Engel et al. 1972, p.4-7).

The most common definition of corporate strategy includes companies' product/market combinations, supported by competitive advantage, and synergy. Another definition of corporate strategy starts with different functions of the company such as production, marketing and financing. These

functions have their own strategies, and corporate strategy is comprised of these functional strategies. In this case the highest hierarchical level of strategy — corporate strategy — disappears as it is only the sum of lower level strategies.

### 323. *Marketing strategy*

There are two ways in which definitions of marketing strategy distinctly differ. One way is the difference in the relationship between marketing strategy and corporate strategy. In some definitions the difference between those two is very unclear. A definition of marketing strategy could be; "Marketing strategy adapts the company to its market environment". In other definitions the hierarchical difference between the two strategy types is clear; marketing strategy realizes corporate strategy.

Definitions of strategy differ from each other in another respect besides the question connected with hierarchy. Some authors define strategy as by marketing measures (e.g. Lahti 1983, and Boyd and Massy 1972). Others see strategies as general principles directing marketing measures (e.g. Kotler 1980 and Shirley et al. 1981).

The marketing strategy defined by Lahti (1983, p. 123) expresses the combination of marketing activities used when seeking to achieve competitive advantage. The combination of marketing activities consists of decisions concerning product, distribution, marketing communication and price.

Boyd and Massy (1972, p. 29-33, 271-506) see marketing strategy as consisting of the following "substrategies":

- 1) Product strategy,
- 2) Pricing strategy,
- 3) Channel strategy,
- 4) Personal-selling strategy,
- 5) Advertising strategy, and
- 6) Physical logistics.

Both the definitions of Lahti and of Boyd and Massy fully correspond to the marketing-mix concept which used to be very common and popular. They build up marketing strategy as a combination of competitive measures.

Kotler (1980, p. 272) defines marketing strategy as follows:

"A marketing strategy is a consistent, appropriate and feasible set of principles through which a particular company hopes to achieve its long-run customer and profit objectives in a particular competitive environment."

It is noteworthy that Kotler sees both products and customers as given when the marketing strategy is defined. As the leading principles characterizing strategy Kotler (1980, p. 273-286) mentions:

- 1) Market leader strategy,
- 2) Market challenger strategy,
- 3) Market follower strategy, and
- 4) Market nicher strategy.

Kotler gives some practical measures for carrying out the above mentioned strategies. He calls some of these measures strategies. Thus, Kotler's use of the concept of strategy is rather broad.

Shirley et al. (1981, p. 145-196) lean toward Craven's view of marketing strategy. This resembles Ansoff's growth vector. Craven's strategic positions are combinations of three alternative market situations and three alternative production situations. The combinations are divided into five classes of strategies:

- 1) Balancing strategy,
- 2) Market retention strategy,
- 3) Market development strategy,
- 4) Growth strategy, and
- 5) New venture strategy.

Concerning strategies aimed at market share growth, Shirley et al. (1981, p. 148-149) follow Ansoff and Kotler's thinking. Their list of strategies includes:

- 1) Market penetration,
- 2) Market development, and
- 3) Product development.

When dealing with *product planning* strategies, Kangasluoma gives the following list. This list is a good example of strategies which give a general spirit to the operation in question:

- 1) Aggressive strategy,
- 2) Defending strategy,
- 3) Following strategy,
- 4) Depending strategy,
- 5) Traditional strategy, and
- 6) Opportunistic strategy.



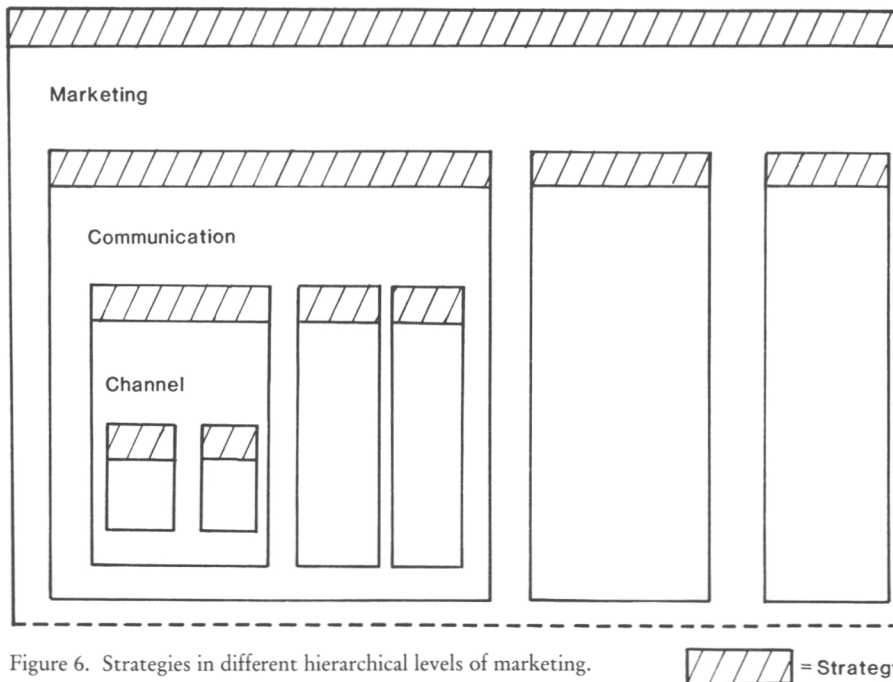



Figure 6. Strategies in different hierarchical levels of marketing.

 = Strategy

According to Kotler (1971, p. 290), the choice of distribution strategy gives a basic form to the way a company sells its products to a certain market segment. It is very difficult to see the difference between distribution strategy and distribution policy. Boyd and Massy (1972, p. 380) characterize distribution strategy as follows:

- 1) Intensive distribution policy,
- 2) Selective distribution policy, and
- 3) Exclusive policy.

The concepts presented above make up a rather diffuse system. Saksi (1972, p. 219) has tried to separate strategies connected to marketing activities from the others. His solution is to use a new concept; the functional strategy of marketing. Product strategy, communication strategy and distribution strategy are functional strategies. According to Saksi the functional strategies of marketing express the means for reaching the goals set for marketing.

### 324. Summary and conclusions concerning the hierarchical levels of strategy

In marketing literature the term "marketing strategy" is used in connection with many different types of decisions. The term is used too frequently and in contradictory ways. Figure 6. demonstrates the usage of the term strategy in marketing literature.

The figure shows how strategy directs and guides action at every level. The company as a whole is guided by corporate strategy, marketing is guided by marketing strategy, etc. The planning of marketing communication takes place within marketing strategy and the choice of communication channel is directed by communication strategy.

The idea presented in Figure 6 is common in marketing literature. However, it is worthwhile to question the merit of using the term strategy on so many different levels. In this research "strategy" is used only when referring to the company's relationship with its environment; definition of products and markets and competitive advantage (see 34).

Analysis of planning terms and definitions has led to the conclusion in this research that marketing strategy and corporate strategy are on the same hierarchical level. Decisions concerning marketing strategy are one important group within all corporate strategy decisions. Based on this concept, marketing strategy will be defined and operationalized later in section 34.

The conclusion presented above is also based on the definition of marketing. Of the company's functional areas, marketing is the one which adjusts company to its environment. Because the goals of planning are anyway partly common for corporate strategies and marketing strategies, the results of planning — strategies — are also common. Webster's and Foxall's ideas also support conclusion.

Webster (1979, p. 247) states that the distinction between marketing planning and corporate strategic planning is very blurred. The principal elements in any corporate strategy are the definition of markets and the definition of products to be offered to those markets. Therefore it can be stated that product/market planning is a very central part of marketing planning. Especially as far as industrial products are concerned, marketing is very much a general management responsibility as is corporate strategic planning.

The marketing concept and its consequent managerial orientation are frequently presented as an integrated business philosophy (Foxall 1981, p. 18). "That is why it is tempting to treat business planning and marketing planning as one and the same and to understand marketing management as being synonymous with general management" (Foxall 1981, p. 18).

### 33. *Operationalization and measurement of the strategy concept*

Much theoretical analysis of the concept of strategy is found in the literature. However, there is very little empirical evidence and general discussion of the possibilities for operationalizing the concept of strategy (see 3431).

Strategy can be seen in a company's everyday activities. Although the strategies may

not be defined, the activities and the results of activities can be used to characterize strategies. The operationalization problem is to make the activities measurable.

Two different ways to define strategy were presented earlier. The operationalization of strategy will be done in the spirit of these two views. According to the first, strategy is the general spirit or atmosphere of the company that guides decision making. In this sense, strategies can be called, for example, aggressive or defensive, active or passive. The framework definition of strategy is a hard concept to measure theoretically. Its operational counterparts describe the nature of general activity in the company. The problem is in determining what dimensions of activity to measure and how to analyze the results of measurement.

The problem of which dimensions to measure can be solved in two ways. On one hand it is possible to define the dimensions to be measured in advance. Operationalization will then be done according to these dimensions. Another possibility is not to define the nature of strategy in advance. The nature of the activities can be defined and measured, for example, by using marketing functions derived from the theory of marketing as the dimensions of measurement. In both cases it is the task of analysis to determine what strategy the observable behaviour is a reflection of. A suitable method for an analysis task like this is factor analysis. Both solutions fit the principles for use of factor analysis as it is possible to begin factor analysis with or without hypotheses concerning the structure of the group of variables to be analyzed (see e.g. Green and Tull 1970, p. 402-430, Nunnally 1967, p. 288-371, Riihinen 1965, p. 86-87).

Juslin and Wager (1975) have analyzed marketing strategies in the Finnish mechanical forest industry using the framework-type strategy concept. Marketing strategy was assumed to manifest itself in attitudes toward the competitive measures of marketing. These attitudes were measured empirically and the structure behind the attitudes revealed by factor analysis. The dimensions of this structure were called the strategy components. Overall strategy was a combination of these components (see Juslin and Wager 1975, p.13-15, 22-28, and 34-36).

Defining the dimensions to be measured is the most crucial point in the operationa-

lization of the framework-type strategy concept. At the same time it is its weak point. When using the composite strategy concept decisions concerning the choice of targets of measurement are more clear-cut. The dimensions to be measured can be derived unambiguously from the strategy concept. Some examples can clarify the matter.

Product and market decisions are the most common components of the composite strategy concept. Engel, for example, divides the possible strategic product decisions into commodity, special, and custom-made products. Thus the current and future percentage shares of these product groups describe the product strategies. When Ansoff (1965) divides products into present and new, the percentage shares could be the operationalization of that strategy concept. Strategic market decisions could be operationalized in the same way.

Combining dimensions to describe overall strategy is also an analytical problem when using the composite strategy concept. Two components can be cross tabulated, as in Ansoff's window. More than two components can be combined, for example by factor analysis.

One problem connected with operationalization of the strategy concept is the question of the point in time which the measured strategies represent. Future orientation is a part of strategic thinking. Present activities reflect earlier strategic decisions. In the same way, present strategic decisions will be realized in the future.

### 34. The concept of strategy used in this study

#### 34.1. Strategic decisions

In his practical article, Ulf af Trolle (1978) states that the most important factor in a company's success is its capability to choose the right strategy concerning products, markets, and competitive advantage. This thinking is also followed in this research. The empirical section of the study uses a strategy concept which consists of components including product and market decisions. The ideas presented by Shirley, Peters and El-Ansary (1981) have greatly influenced the framework chosen in this stu-

dy. Webster's work (1979) also supports the chosen concepts.

The marketing strategies outlined by Webster, which are connected especially with industrial marketing, do not differ significantly from the corporate strategy of the company. The components of marketing strategy used in this study are nearest to the components of corporate strategy presented by Shirley et al. (see 324.).

The five key decisions that make up company's marketing strategy are (compare Shirley et al. 1981, p.6):

1. Customer mix
2. Product mix
3. Geographical limits of market area
4. Competitive advantage
5. Goals (evaluation criteria)

When a company defines its strategy, it defines the products, customers, geographical limits of markets, and competitive advantages on which the use of marketing tools will be planned. It also defines the goals which the company tries to achieve by its actions within these four parameters. All these decisions together put the company in one strategic position and define the company's relationship with its environment. It must be emphasized that although this relationship is defined by the strategies and goals, the methods for obtaining this relationship are not yet established.

All five decisions are closely interrelated. Depending on the marketing ideology used, each decision is given special weight. For example, when marketing ideology is very customer-oriented the most important of these five decisions is the choice of customers.

According to this thinking, product is a variable which must be tailored through use of its service offerings to fit the requirements of the customer (Webster 1978, p.261). According to the same author, the product and market decisions of a company are influenced most heavily by the company's differential advantage and chosen macro-segmentation strategy.

It is possible to clarify concepts like market penetration, market development and product development using the five strategic decisions mentioned above and the concept of strategic position which was analyzed earlier.

The strategic decisions (1-5) define stra-

tegic position. If the company plans to move from one strategic position to another it requires, for example, market penetration, new market development or new product development which Shirley et al. (1981, p.148-149) regard as marketing strategies. Strictly speaking, those concepts define only the scope, direction or nature of behaviour carried out under a certain strategy. The content of that behaviour consists of functional factors. Various marketing functions are thus planned to carry out chosen marketing strategies.

Even when company executives have not defined a specific and explicit strategy, it is possible for a researcher to infer it. Inference can be made through examination of the product/market scope of the company and the marketing measures it executes (see also Shirley et al. 1981).

#### 342. Operationalization of the composite strategy concept

Although clarity, unambiguity, and objectivity have been leading principles in the selection of strategy, the final operationalization is a subjective matter. In this research the operationalization of the strategy components was intended to be as general and broadly applicable as possible. The few hints which were found in the literature were used.

*Product strategy* was divided into three alternatives:

1. Emphasis on commodity products
2. Emphasis on special products
3. Emphasis on custom-made products

The company chooses its product strategy by defining how much it emphasizes each alternative in its production.

*The customer strategy* alternatives were:

1. As many customer groups as possible
2. Few well-specified segments
3. Known end-users

A company's customer strategy is measured by how well one of these alternatives describe its principles in choosing customers.

*Market area strategy* is described with two alternatives:

1. As many countries as possible
2. Few well-specified countries

When a company chooses its market areas the critical choice is whether to concentrate on few countries or to market products in every possible market area.

*Competitive advantage* was measured with eight alternatives found in marketing literature:

1. High quality of products
2. Efficient marketing channels
3. Old customer relationships
4. Efficient personal selling
5. Service, technical advice, etc.
6. Innovation
7. Advertising, public relations, etc.
8. Price

If the company feels it is strong in one or more of these alternatives it can base its marketing activities on these strengths, or relative advantages.

In the original measure of competitive advantage in this study one alternative was "low price". However, the companies interviewed did not feel that low price was their competitive advantage. So, when the study proceeded to interviews in the paper and paperboard industry this alternative was changed to "competitive price". Since this alternative was presented differently to different sectors of the forest industry, it is omitted from the final analysis.

#### 343. Internal structure of strategy

##### 3431. Relationships between individual strategic decisions

The following hypotheses concerning the internal structure of strategy are based on marketing literature (theory), professional discussions (empirical observations) and deduction (logic). The yield from literature is minimal as empirical studies analyzing the concept of strategy have only been conducted for the last few years. This project was in progress before those studies were published (see Galbraith and Schendel, 1983 and Rich, 1986). Professional discussions concerning the development of the forest indus-

tries and marketing of forest industry products, however have been lively. Discussion was stimulated by respected research work (Eklund 1978, Honko 1979, Seppälä et al. 1980) and broad sector studies (Suomen varneriteollisuus..., Kunnas and Tunkelo 1979 and Kunnas 1981). Especially in the late 1970's, representatives of the forest industry conducted critical discussions concerning the development of operations in the forest industry (e.g. Meriluoto 1977, Roine 1977). The discussions also included consultants and the press (e.g. Heinonen 1978 and Rantanen 1977). In this decade discussion has not been as lively as in the 1970's. The subjects of recent professional discussion have been basically the same as those of the last decade (e.g. Komulainen 1986 and Lappalainen 1986).

The hypotheses are based on the idea that the demand for the development of marketing is common to the whole forest industry regardless of the product or sector. However, this demand is limited to companies with customer-oriented business philosophy. That philosophy is shared in the development plans of all of the forest sectors. This philosophy unambiguously becomes evident from the sources mentioned above. The demand for development of marketing arises from changes both in the market and in the industry. Because of the domestic cost level there is no realistic possibility to compete with price.

Competition has become harder in the market, with the presence of new producers. Customer demands have become more specialized. Shipping consignments, stocks and delivery times have been reduced. Communication connections have improved and, in this way, distances have shrunk. In the Finnish forest industry, high production costs have become a permanent relative disadvantage with respect to many competitors. Accordingly, in many sectors the high quality of product, based on raw material, is the real differential advantage. Birch plywood is a typical example of that type of product.

Intensified marketing is needed to be able to react to changes in the markets; to minimize the differential disadvantage and to exploit the advantages. Intensified marketing is considered to be important for both commodity products and special and custom-made products.

To be able to intensify marketing, know-

ledge of markets and clients is needed. The entire information base of marketing needs improved versatility. Because resources are limited, concentration and specialization are the essential prerequisites for the development of marketing.

The following hypotheses concerning the internal structure of the strategy concept are based on the thinking presented above. Operationalization of the strategy concept was derived in the previous section. The expression "internal structure" refers to the way strategy components (strategic decisions) are connected to each other. The simplest way to study the connections is to examine the components in pairs. Product, customer, and market area decisions are tabulated in pairs in the following pages. The relationships between competitive advantage decisions and the above-mentioned strategy components are analyzed more generally in a tabular form.

According to Figure 7, the most natural customer decision connected with commodity product strategy is "many customer and end use sectors". Undifferentiated products and undifferentiated customers fit together. Special products, accordingly, are most appropriately marketed to few well-specified segments. Because the products are differentiated, it is appropriate to also select target customer groups. By definition, custom-made product strategy is connected with known end-users. Custom-made products are based on the needs of the customer and knowledge concerning those needs.

The hypothesis that commodity products should be marketed to few well-specified

Customers Products	As many customer groups as possible	Few well-specified segments	Known end-users
Commodity products	OK	?	??
Special products	?	OK	?
Custom-made products	??	??	OK

OK = the most rational choice  
 ? = questionable  
 ?? = irrational

Figure 7. Hypotheses concerning the relationship between product and customer decisions.



Market area	As many countries as possible	Few well-specified countries
Products		
Commodity products	??	OK
Special products	?	OK
Custom-made	OK	?

OK = the most rational choice  
 ? = rationality questionable  
 ?? = irrational

Figure 8. Hypotheses concerning the relationship between product and market area decisions.

countries is based on the claims of direct marketing and its logical consequences. If the sale of commodity products is to be influenced by marketing activities, the market area must be limited for reasons of efficiency and effectiveness. The resources of any marketer cannot be sufficient for efficient marketing measures over a broad area. Scattering the scarce resources over a broad area leads to bustle with no results (Heinonen 1978).

Limiting the number of target countries is also supported by observations concerning the relationship between market share and profitability. The possibility of profitable business is greater with higher company market share (see e.g. Webster 1978, p.261). If the market area is wide, market share cannot be high unless the customer segment is defined very narrowly. The need to be familiar with the market area will also be a limiting factor in the extensiveness of market area (Majaro 1978, p. 36). Familiarity is especially needed for strategic marketing planning. Problems concerning market information are also experienced among the companies (Meriluoto 1977, Snäll 1977).

Figure 8 presents the hypothesis that it is appropriate to concentrate on few well-specified countries when marketing commodities or special products. For custom-made products, the customer's country is not an essential question. Custom-made products are planned for known customers. If it is a question of a very narrow product sector, customers can be located in quite a broad area (see also Eklund 1978).

In the examination of the relationship between customer and market area decisions, the same arguments are valid as earlier.

Market area	Many unspecified countries	Few well-specified countries
Customers		
Many customer and end-use sectors	??	OK
Few well-specified segments	?	OK
Known end-users	OK	?

OK = the most rational choice  
 ? = rationality questionable  
 ?? = irrational

Figure 9. Hypotheses concerning the relationships between customer and market area decisions.

Other strategy components	Competitive advantage		
	Product	Marketing	End-use
<b>Product</b>			
Commodity	x	xx	
Special	xx		x
Custom-made	x		xx
<b>Customer targets</b>			
Unspecified	x	xx	
Specified segment	xx		x
Known customer	x		xx
<b>Market area</b>			
Many countries			xx
Few countries	xx	xx	x

xx = is an absolute prerequisite of the strategy in question  
 x = supports the strategy in question

Figure 10. Hypotheses concerning the connections of competitive advantage decisions to other strategy components.

It is better to be great in a small way than small in a great way. Functioning in an extensive area is resource consuming. Concentrating resources makes more effective marketing efforts possible.

Figure 9 presents the hypothesis that it is appropriate to have an extensive market area strategy only when the customer strategy is "known end-users". In other cases it is appropriate to concentrate on a few well-specified countries.

In Figure 10 the competitive advantages have been classified into three groups; those which emphasize product, those which emphasize marketing and those which emphasize knowledge of end-use and end-users.

Figure 10 expresses the hypothesis that commodity product strategy requires effective marketing if the sale of products is to

be influenced by factors other than price. Competitive advantage connected with the product and production easily lead to the special product strategy. A custom-made product strategy requires very good knowledge of customers and end-use. Competitive advantage in that area thus makes a custom-made product strategy possible.

As a logical addition to the previous examination it can be seen that only the competitive advantages connected with the knowledge of end-use permit unspecified market area selection. If the competitive advantage is connected with product or marketing it is appropriate to keep to few well specified countries as a market area.

### 3432. Dimensions of the internal structure of strategy

Section 33 indicates that the examination of the internal structure of strategy is a question tightly connected with the method of analysis. In the same section it was said that factor analysis is a suitable method for that type of analytical situation as factor analysis can be computed with or without pre-hypotheses concerning the structure of a group of variables.

The preceding paired analysis of the relationships between individual strategic decisions also serves as a base for the hypotheses concerning overall structure. Overall structure requires the simultaneous analysis of the relationships between all strategy components. It is a question of agreement as to how the strategies are named. One possibility is to base the names on the product strategy component:

- 1) Marketing strategy based on commodity products
- 2) Marketing strategy based on special products
- 3) Marketing strategy based on custom-made products

The company applying strategy based on commodity products would choose many customer and end use sectors as their marketing targets. The company would operate in a narrow market area composed of few countries. The competitive advantage should be marketing skills. As mentioned earlier, price cannot be used as competitive

advantage because of the high level of domestic costs.

Marketing strategy based on special products is characterized by few, well specified customer or end-use groups. The market area should be rather narrow. Marketing should be based on competitive advantage connected with product and production know-how.

A marketing strategy based on custom-made products presupposes known customers. The market area could consist of several countries. Knowledge of customers and the mastering of end-use are the competitive advantages naturally connected with this strategy.

The above mentioned hypotheses concerning the internal structure of strategy were based on paired analysis of the relationships between individual strategic decisions. There are alternative ideas for interpretation of the structural dimensions of strategy. When discussing segmentation, Majaro (1978, p. 53) presents the following three basic marketing strategies:

- 1) Undifferentiated marketing
- 2) Differentiated marketing
- 3) Centralized marketing

Undifferentiated marketing leans to one product and tries to reach all possible customers. It uses the same mix of marketing measures in all situations.

Differentiated marketing develops different products for various market segments. The various market segments also have different marketing mixes.

Centralized marketing differs from differentiated marketing in the number of segments targeted. Companies which apply a centralized marketing strategy choose only one or a few segments. Special programs are planned for each segment. All efforts are concentrated on these limited market segments.

The basic strategies presented by Majaro can be suitably used as hypotheses of the structure of the group of variables describing strategies in this study.

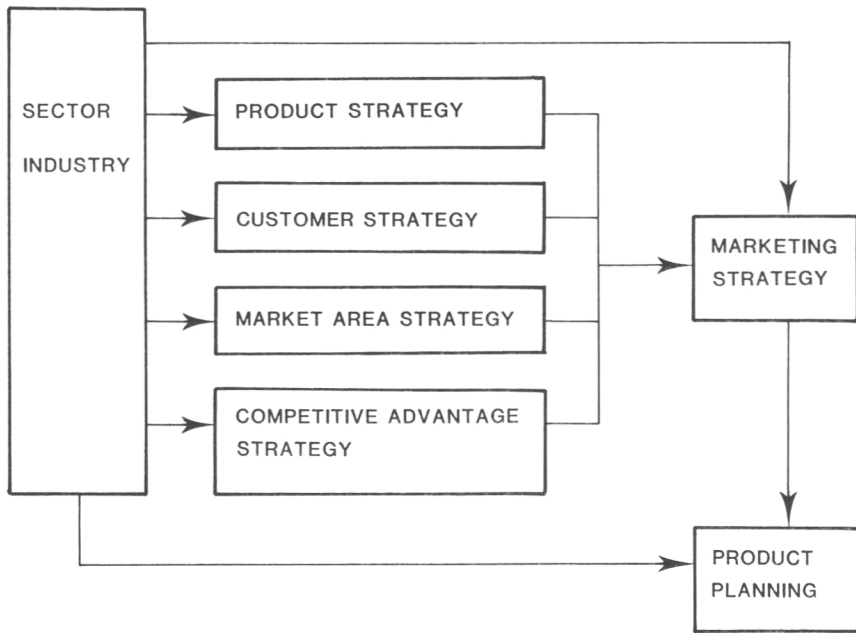


Figure 11. The general description of the theoretical framework of the study.

### 35. Summary of the theoretical framework

The strategy concept developed in this study, and especially its operationalization, presuppose both as the basis and the argument the theoretical analysis done in section 3. It is appropriate to summarize that diversified analysis before presenting the empirical phases of the study. The general description of the theoretical framework of the study in Figure 11 is the basis for the execution of the empirical analysis.

According to the thinking applied in the study, marketing strategy is composed of four strategy components; product strategy, customer strategy, market area strategy and competitive advantage strategy. As a substitute for the term "component" the terms "sub-strategy", "strategic decision", or

"strategic decision making area" could be used. In the empirical part of the study the marketing strategies of the Finnish forest industries are described both by component and as a whole. Description by component is done in section 52. The formulation of strategy components from measures of strategy is presented in Appendix 4.

The logic behind strategic planning and the internal rationality of strategies manifests in the overall analysis of marketing strategy. In this study overall analysis means analysis of common variance of all the variables measuring the strategy components. This analysis is presented in sections 53 and 54. The theoretical basis of the analysis of common variance is presented in section 343, following the operationalization of strategy components.

## 4. DATA AND ANALYSIS

### 41. Data collection

The data for the study was collected in connection with three research projects by personal interview. These research projects dealt with product planning in the Finnish panel industry, the marketing activities and organizations of the sawmill industry, and product planning in the Finnish paper and paperboard industry. The variables dealing with marketing strategies, and a few of the variables dealing with product planning were the same in each of these three projects so the results could be combined. A more detailed presentation of the data and the questions used in the interviews can be found from the following Master's theses; Parikka (1983), Ylönen (1983), and Tarkkanen (1982).

The aim was to include all Finnish forestry enterprises in this research. The largest enterprises operate in various sectors of forest industry and therefore one enterprise can include, for example, several papermills and sawmills. Marketing strategies were investigated by production unit, a factory or mill, which meant that a big enterprise gave many interviews in total. It was assumed that these separate business units had the autonomy to act according to their own marketing strategies. Interviews made by production unit also gave a very precise picture of the product planning work done in these companies.

In the sawmill industry all units with production of at least 15000 cubic meters per year were included in the population. The Finnish Timber and Paper Calendar (1981/1982) was used as a population listing. Thus the population of the sawmill industry consisted of 116 companies.

Table 1. The research sample.

	Population size	Number of respondents	Proportion of population
Whole forest industry	192	141	73 %
Sawmill sector	116	71	61 %
Panel sector	27	23	85 %
Paper and paperboard sector	49	47	96 %

Table 2. Total production of the respondent companies.

	Total production of the respondent companies	Proportion of total Finnish production
Sawmilling	6 800 000 m <sup>3</sup> (1981)	82 %
Plywood	616 000 m <sup>3</sup> (1980)	96 %
Fibreboard	137 000 m <sup>3</sup> (1980)	78 %
Particleboard	497 000 m <sup>3</sup> (1980)	61 %
Paperboard	1 505 000 m <sup>3</sup> (1981)	99 %
Paper	4 548 000 m <sup>3</sup> (1981)	98 %
Converted paper and paperboard	2 223 mill.FIM (1981)	over 90 %

The member catalogue of the Association of the Panel Industry served as the population listing for that sector. It was completed with the addition of companies outside of the association. The panel industry population consisted of 27 units. The company register from the Finnish Statistical Center was used as the population listing for the paper and paperboard industry. Annual reports from the industry sales organisations (Finnpap, Finnboard, Converta) were also used. There are many producers of converted paper products in Finland, most of which are small. Therefore, only the largest producers were included in the population. Their share of the total production of converted paper products was greater than 90%. The population of paper and paperboard producers consisted of 49 units.

Table 1 presents the proportion of the whole population included in the study. A lack of time was the most common reason for refusing the interview.

Total production figures for the respondent companies are presented in Table 2.

The sample is well representative of the Finnish forest industry in all branches except particle board.

### 42. Analysis

The variables used in the analysis are presented in section 342. and Appendix 1. Presentation of methods and the problem of analysis is based on the outline in Figure 12.

	Description or explanation	Task of analysis	The method used
Block A		Description of the companies	Means
Block B1		Description of the components of marketing strategies	Distributions, cross tabulations, factor analysis
Block B2		Description of relationships between individual strategy components	Cross tabulation
Block B2		Description of structure of strategy variables	Factor analysis
Block C		Description of product planning	Means by classes
Arrow 1		Strategies by sectors and branches	Cross tabulations, means by classes, discriminant analysis
Arrow 2		Connections between strategies and product planning	Cross tabulation, means by classes, correlations

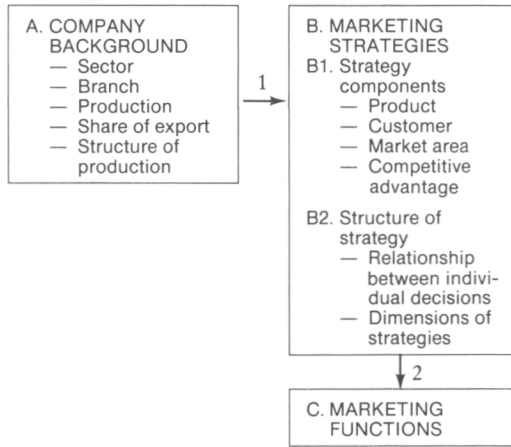


Figure 12. The frame of the analyses.

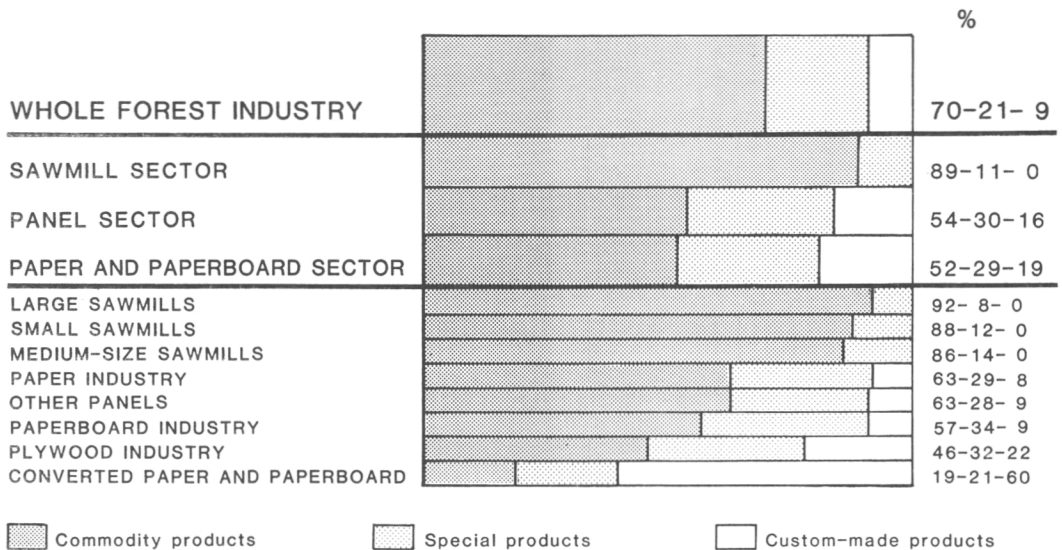


Figure 13. Production of the Finnish forest industry according to product strategy.



## 5. RESULTS

### 51. Respondent companies

In this research 141 forest industry units were interviewed. The companies represented different branches as follows:

Small sawmills (production 15000-20000 m <sup>3</sup> /yr)	15 units
Medium-size sawmills (production 21000-79000 m <sup>3</sup> /yr)	33 units
Large sawmills (production 80000- m <sup>3</sup> /yr)	23 units
Plywood industry	13 units
Other panels (=fibreboard, particle board and "multiproduct")	10 units
Paperboard industry	13 units
Paper industry	23 units
Converted paper and paperboard	11 units
Total 141 units	

Export is very significant in all sectors as can be seen from Table 3. The domestic market is only important for the fibreboard and particle board industries, and also for converted products. Average export proportion is greatest in the plywood industry where a typical company exports 87% of its total production.

Product strategy, as well as production, was measured using the terms commodity products, special products and custom-made products. Each of these terms was defined in the interview questionnaire. Figure 13 shows the production of the Finnish forest industry presented according to these definitions. The percentages are not weighted. Figure 12 shows that the production of the Finnish forest industry today is still based on com-

Table 3. The average proportion exported by interviewed companies.

Industry branch	Export proportion
Small sawmills	65 %
Medium-size sawmills	76 %
Large sawmills	77 %
Plywood	87 %
Other panels	46 %
Paperboard	82 %
Paper	82 %
Converted paper and board	48 %

dity products. Especially in the sawmill industry, value-added products do not have much importance. In other sectors of forest industry the proportions of special and custom-made products are quite significant. Of the wood-based panel sector, the plywood branch has the most value-added products: the proportion of special and custom-made products is about 20% higher than in the other wood-based panel sectors.

### 52. Components of marketing strategies in the Finnish forest industry

#### 521. Product strategies

The most concrete area of company strategy is its product strategy. Product strategy defines the basic nature of the products, and also the company. As mentioned in section 33., the concept of product can be approached from many points of view. In this research the concept was divided in three very general alternatives. The product strategies of the Finnish forest industry are presented in Figure 14 along these alternatives. The measurement device is found in Appendix 1.

Figure 14 shows large differences between sectors regarding product strategy. The sawmill sector is based on commodity product strategy (59% of all sawmills). In the paper sector commodity products and special products were almost of equal importance (44% and 39%). In the wood-based panel sector the most common product strategy was custom-made products. The large number of interviews received from plywood industry is reflected in this result.

In the lower part of Figure 14 the three main sectors of the forest industry are split in smaller units, or branches. The differences in product strategies between subsectors are even greater. Medium-sized sawmills, for example, differ from the other branches of the sawmill sector quite clearly. Less than half of the medium-sized sawmills had

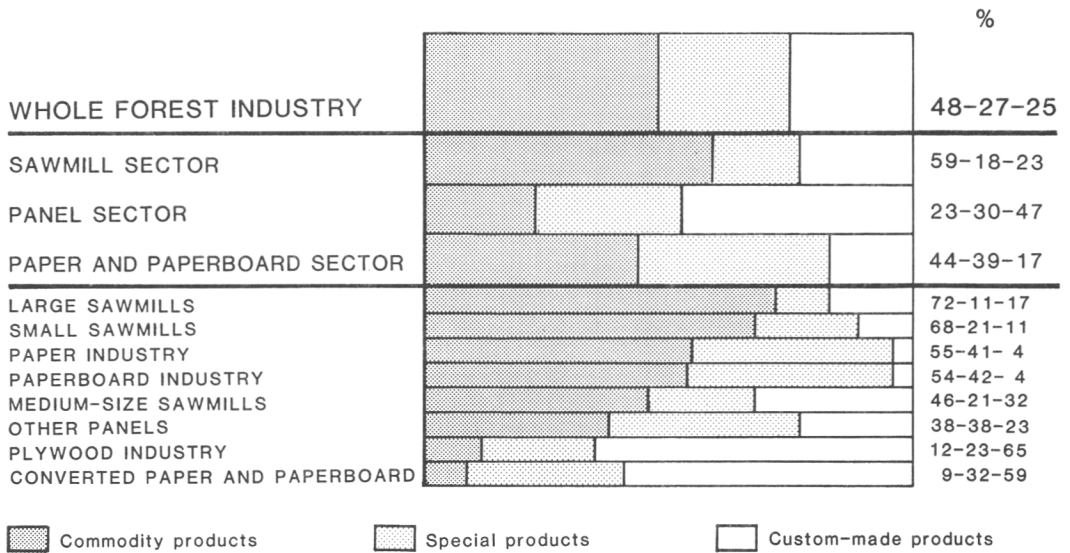


Figure 14. Product strategies of the Finnish forest industries.

commodity product strategy, while for the rest of the sawmills commodity products represented about 70% of the product strategy. This difference could be due to flexibility and resources. Medium-sized sawmills have a flexibility which is lacking in large sawmills; and they have resources which are lacking in small sawmills.

In the wood-based panel sector, plywood producers clearly have a more customer-oriented product strategy than the others. In the fibreboard and particle board industries special products are given good emphasis. In the paper and paperboard industries, concentration on custom-made products was most common among production units that converted paper and paperboard. Regular paper and paperboard mills, on the other hand, mainly emphasized commodity and special products.

When these product strategies are compared to the companies' actual production (Figure 13), significant differences can be observed. The proportion of special and custom-made products in actual production is much smaller than the proportion of strategies which stress those products. A good example is the wood-based panel sector where, on average, more than half of the present products are commodity products but only 23% of companies consider com-

modity product strategy as their main product strategy. This same phenomenon is seen throughout all sectors.

Present production of companies is a reflection and a result of strategic decisions made earlier. The results of today's strategies can be seen and measured only in the future. Based on these results, it can be said that the Finnish forest industry is moving toward a special and custom-made product orientation. This will happen if today's strategies can be realized.

### 5.2.2. Customer strategies

When management defines its marketing strategy it is obliged to make some very important decisions concerning the clients or client groups that the company will serve. In this research the customer strategies were divided into three alternatives:

#### Target customer groups:

- 1) As many customer groups as possible
- 2) Few well-specified segments
- 3) Known end-users

In Figure 15 the customer strategies of the Finnish forest industry are presented according to this operationalization.

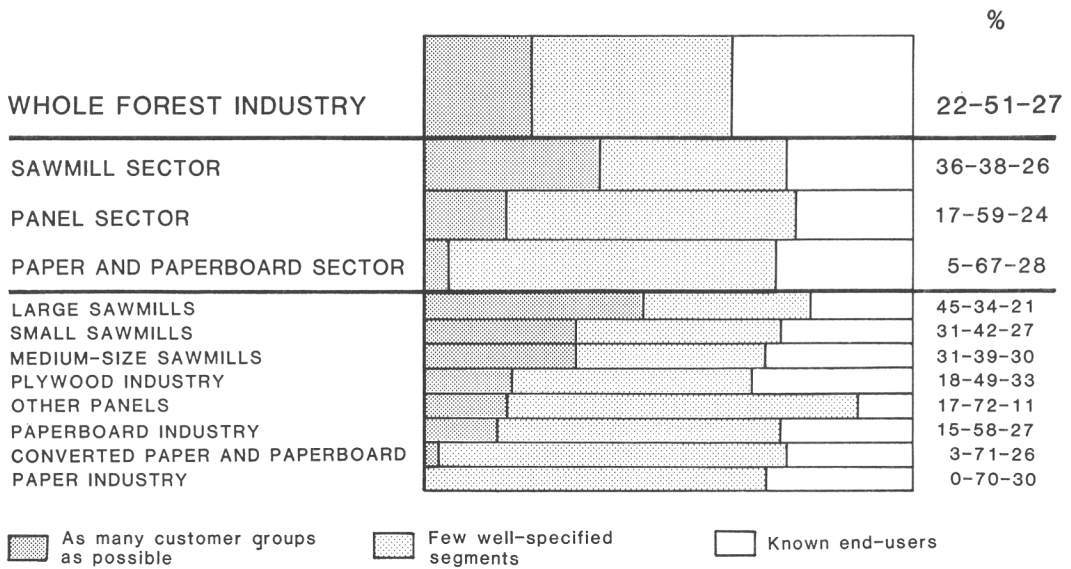


Figure 15. Customer strategies of the Finnish forest industry.

In the Finnish forest industry, the most common customer strategy was to concentrate on a few well-specified segments. This was true for more than half of the wood-based panel sector units, more than half of the paper sector units, and almost 40% of the sawmill sector units. Only in the sawmill sector was the choice of customers not well-specified; for example more than 45% of the large sawmills served as many client groups as possible. Of all the forest industry production units, one-fourth chose the strategy of concentrating on known end-users.

### 523. Market area strategies

The choice of market areas is often referred to in the literature as macrosegmentation (see Webster 1979, p.73-89). It is natural to use the borders between countries as the borders of market areas, although there are also other ways of defining the limits or boundaries of market areas. In this research market area was considered to be based on country. The operationalization of market area strategy was, therefore, done through two alternatives:

- 1) Serving as many countries as possible
- 2) Choosing few well-specified countries

The market area strategies of the Finnish forest industry are presented in Figure 16.

Sawmill industry enterprises market their products in as many countries as possible (65% of all small sawmills, 54% of large sawmills). The idea of medium-sized sawmills differing from the rest of the sector was supported here as well as in product strategy. Medium-sized sawmills concentrated on few, well specified countries (62%).

In the wood-based panel sector the difference between plywood producing companies and other companies was clear. Units in the plywood industry concentrated on marketing to as many countries as possible (over 60%), while this strategy was used very seldom in other wood-based panel companies (25%). The explanation for this could be the strong production of custom-made products in the plywood industry. This agrees with the hypothesis set in section 3431 and will be dealt with in more detail in section 531.

The market area strategies of the converted paper and paperboard branch are different from those of paper mills. Mills producing converted products concentrate on a few specified countries (91%) while paper and paperboard mills commonly market their products in many countries (about 50%).

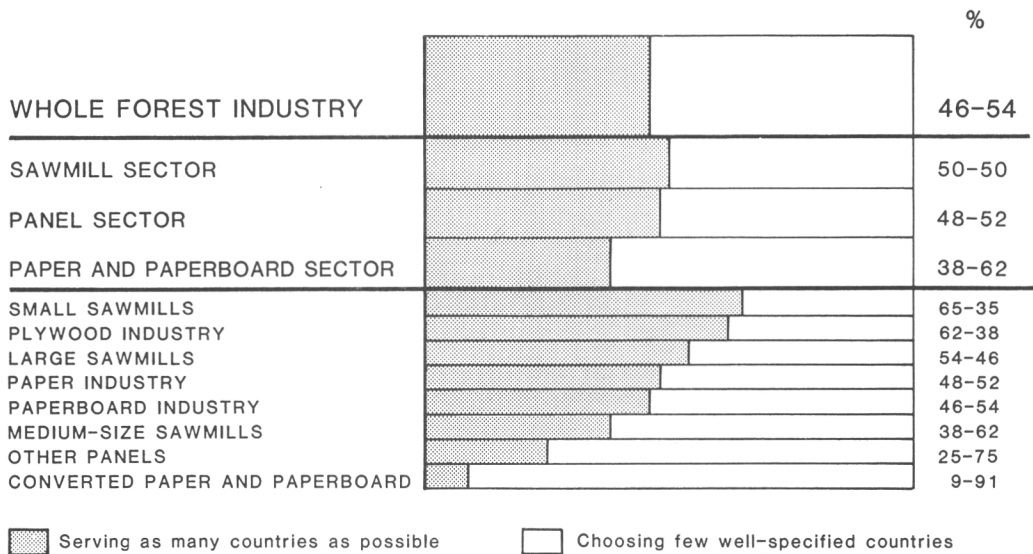


Figure 16. Market area strategies of the Finnish forest industry.

#### 524. Competitive advantage strategies

When decisions concerning competitive advantage are made management must consider all possible marketing tools. By comparing a company's strong and weak sides to those of its competitors, management chooses the areas in which it feels the company is strong. All marketing activities are planned so as to utilize these competitive advantages as well as possible. Figure 17 shows the competitive advantages of the Finnish forest industry. The symbols in the picture are based on the mean values of the variables presented in Appendix 2.

High quality of product is very significant in all sectors. In wood-based panel, paper and paperboard sectors, efficient marketing channels also get strong emphasis. Sawmills feel that their old customer relations give them competitive advantage. All sectors of the forest industry considered advertisement and public relations to be inefficient marketing tools that do not build competitive advantage. A typical feature of the sawmill industry is that, unlike the other sectors, it does not include dynamic marketing activities like innovation and service in its competitive advantages.

Figure 18 shows how competitive advantages are emphasised within each sector. Innovation and advertisement are not included

Competitive advantage	Sector	Emphasis
High quality of products	Sawmill	++
	Panel	++
	Paper and paperboard	++
Efficient marketing channels	Sawmill	+
	Panel	++
	Paper and paperboard	++
Old customer relationships	Sawmill	++
	Panel	+
	Paper and paperboard	+
Efficient personal selling	Sawmill	+
	Panel	+
	Paper and paperboard	+
Service, technical advice, etc.	Sawmill	-
	Panel	+
	Paper and paperboard	+
Innovation	Sawmill	-
	Panel	+
	Paper and paperboard	+
Advertising, public relations	Sawmill	-
	Panel	-
	Paper and paperboard	-

Legend: ++ High emphasis  
 + Some emphasis  
 - No emphasis

Figure 17. Competitive advantages of the Finnish forest industry.

in the figure as there was no variation in these points.

Figure 18 is based on the mean values of the variables used. These are presented in

	High quality of products	Efficient marketing channels	Old customer relationships	Efficient personal selling	Service, technical advice
Small sawmills	+ +	+ +	+ +	+ +	-
Medium-size sawmills	+ +	+	+ +	+	-
Large sawmills	+ +	+	+	+	+
Plywood industry	+	+ +	+ +	+ +	+ +
Other panels	+ +	+ +	+	+	+
Paperboard industry	+ +	+ +	+	+	+
Paper industry	+ +	+ +	+	+	+ +
Converted paper and paperboard	+ +	+	+	+ +	+ +

Figure 18. Competitive advantages within sectors.

Legend: + + High emphasis  
+ Some emphasis  
- No emphasis

Table 4. Relationships between product and customer strategies.

Product strategy	Customer strategy			
	As many customer groups as possible	Few well-specified segments	Known end-users	Total (%)
Commodity product	31	47	22	100
Special product	9	64	27	100
Custom-made product	18	47	35	100

Appendix 3. There are differences in competitive advantages between sectors of the forest industry and also within one sector. For example, in the sawmill sector small sawmills feel that marketing channels and personal selling are their competitive advantages. A typical feature of large sawmills is that they emphasize service, but do not emphasize old customer relations as much as smaller and medium-sized sawmills do.

In the wood-based panel sector, companies producing plywood differ again from the rest of the sector. Old customer relations, efficient personal selling, and service are only important competitive advantages in the plywood industry. The rest of the wood-based panel sector emphasize high quality products.

In the paper and paperboard sectors, mills producing converted products differ again from the rest of the group; marketing channels are not important for converted products, but efficient personal selling is. A feature of the paperboard sector that differs from the group is that paperboard factories do not emphasize service.

### 53. Internal structure of Finnish forest industry marketing strategies

#### 531. Relationships between individual decisions

In section 3431 several hypotheses concerning the relationships between individual strategic decisions were presented. These hypotheses were based on professional discussion within the forest industry, as well as on some conclusions from general marketing theory. A few ideas were found in marketing literature which were directly utilizable as hypotheses.

The reason for investigating the relationships between individual strategic decisions is that the overall strategy is a combination of the various individual decisions. How well the whole strategy succeeds depends on how well individual decisions fit together.

From Table 4. the relationships between product and customer strategies are seen.

The most common customer strategy in each product strategy alternative was con-



centration on few well-specified segments. Especially companies with a special products strategy use this customer strategy. "As many customer groups as possible" is popular only within companies which emphasize commodity products. The customer strategy of "known end-users" is most popular with custom-made product strategy.

The results presented in Table 4 support the hypothesis presented earlier in Figure 7 (p.19). If the results are viewed from the customer strategy perspective, the greatest percentages are found along a line from the upper left hand corner to the lower right hand corner where, according to Figure 7 were the most convenient strategic combinations. Empirical results would indicate that customer strategy of "few segments" can be combined with all product strategies. On this point the hypothesis requires correction. Perhaps the companies that market custom-made products to as many customer groups as possible should correct their strategic thinking. Companies using commodity product strategy with customer strategies of known end-users could be exemplified by newsprint producers; the possible number of end-users is very limited. Otherwise this combination makes little sense. Also, when a commodity product is produced according to specifications from a client over a longer period, it often results in the commodity product becoming a custom-made product. Table 5 shows the combinations of product strategy and market area strategy alternatives.

Table 5 shows that commodity products are more frequently marketed to as many countries as possible than to few well-specified countries. Special and custom-made products, on the other hand, are more often marketed to few well-specified countries.

Table 5. Combinations of product and market area strategies.

Product strategy	Market area strategy		
	As many countries as possible	Few well-specified countries	Total (%)
Commodity product	55	45	100
Special product	40	60	100
Custom-made product	32	68	100

Table 6. Combinations of customer and market area strategies.

Customer strategy	Market area strategy		
	As many countries as possible	Few well-specified countries	Total (%)
As many customer groups as possible	80	20	100
Few well-specified segments	37	63	100
Known end-users	34	66	100

Product strategy does not clearly indicate one marketing area strategy alternative that is preferable to the others.

The results presented in Table 5 do not support the hypotheses presented in section 3431. The hypotheses made the assumption that commodity product strategy especially would be combined with a market area strategy of few, well-specified countries. The hypothesis was based on ideas of market share, resource concentration and better knowledge of markets. In the hypothesis it was also assumed that companies choosing a narrow customer sector would choose a wider geographic area sector. Discussion of the differences between the hypothesis and empirical results will be furthered later on.

Combinations of customer strategy alternatives and market area strategy alternatives are presented in Table 6.

Eighty percent of the companies that market to as many customer groups as possible do so in as many countries as possible. Companies concentrating on few, well-specified customer segments, or on known end-users, limit their marketing activities to few, well-specified countries.

Here again the hypothesis and empirical results differ. It was assumed that a company marketing its products to many customer groups would concentrate its activities on few market areas. The empirical result showed that a number of companies choose wide sectors for each alternative.

Section 524 illustrates that high quality of product is the main competitive advantage in all sectors. Other competitive advantages are combined with different strategy alternatives in the following way:

## Product strategy

- Commodity product : no others
- Special products : efficient marketing channels
- Custom-made products : old customer relations

## Customer strategy

- As many segments as possible : no others
- Few well-specified segments : no others
- Known end-users : efficient personal selling, old customer relations

## Marketing area strategy

- As many countries as possible : efficient marketing channels
- Few well-specified countries : no others

High quality of product supports any marketing strategy, but for a company applying special product strategy it is an absolute condition. Thus it is possible to base marketing on high quality of products.

Competitive advantage based on mastering marketing activities was anticipated for companies applying commodity product strategy. This does not seem to hold true in empirical situations. Competitive advantage connected with marketing skills is only possessed by those applying special product or custom-made product strategies.

According to the hypothesis a company applying custom-made product strategy needs knowledge of the customers and the end-use of the products. This seems to hold true to some extent.

### 532. Internal dimensions of the strategies

In the previous section the strategy components were examined in pairs. The examination revealed connections between strategic decisions. Analysis of the structure of strategy also presupposes that all components can be examined simultaneously. Technically, this means analysis of the common variance of the whole group of variables. The basis for this is that the marketing strategy of a company is formed with the joint influence of all the strategic decisions.

Factor analysis was used in the analysis of common variance. Analysis of the internal structure was based on one factor and three factor solutions. One point in support of using the one factor solution is that most of the common variance of the variables is accumulated in the first factor. The one factor solution thus reveals the main underlying factor causing the common variance of the variables. On the phenomenon level it is a question of the coarsest and, at the same time, most primary dimension of strategy. The choice of the three factor solution is supported by technical and interpretational criteria. The three factor solution describes, as economically as possible, the common variance of the strategy variables and thus also the structure of the group of variables. The results of the factor analysis (one and three factor solutions) have been presented in Appendix 5. The following figures present those aspects of factor analysis which are necessary when describing the structure of strategy.

The variables describing the strategies have been sequenced according to their loadings (+1 → -1). The factor is clearly bipolar. At the upper end of the dimension are the variables describing an emphasis on special products or custom-made products. Variables describing well-specified segments or known endusers as the targets of marketing also get rather high loadings. These product and customer choices are supported by active marketing measures.

At the lower end of the dimension are commodity products, unspecified customer groups and many countries as market areas. The dimension presented in Figure 19 describes the largest possible differences in the marketing strategies of Finnish forest industries. The strategies at the positive end of the dimension indicate specialization in pro-

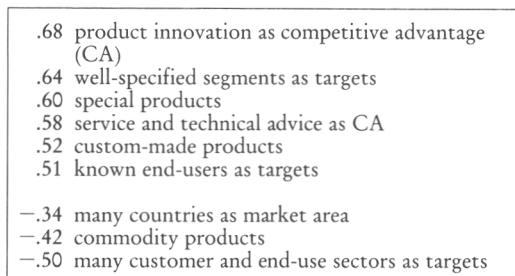


Figure 19. The primary strategy dimension.

DIMENSION I: SPECIAL PRODUCT STRATEGY		
+ PRODUCTS:	Special products	(.61)
CUSTOMERS:	Few well-specified segments	(.68)
COMPETITIVE ADVANTAGE:	Customer service, technical counselling	(.74)
	Product innovations	(.69)
-----		
- CUSTOMERS:	As many customer groups as possible	(-.48)
DIMENSION II: COMMODITY PRODUCT STRATEGY		
+ PRODUCTS:	Commodity products	(.40)
CUSTOMERS:	As many customer groups as possible	(.59)
MARKET AREAS:	As many countries as possible	(.91)
-----		
- MARKET AREAS:	Few well-specified countries	(-.82)
DIMENSION III: CUSTOM-MADE PRODUCT STRATEGY		
+ PRODUCTS:	Custom-made products	(.62)
CUSTOMERS:	Known end-users	(.43)
COMPETITIVE ADVANTAGE:	Personal selling	(.71)
	Old customer relationships	(.68)

Figure 20. The dimensions of the internal structure of the strategies.

ducts, selectivity in customers and active marketing. The strategies at the negative end of the dimension are based on commodity products, unspecified customers and many unspecified countries as market areas. This strategy dimension will be called "selective strategy". The primary strategical differences between companies manifest themselves in selectivity as connected with products, customers and market areas.

The strategy dimension in Figure 19 is too coarse to be the only description of the structure of the whole group of strategy variables. The three factor solution gives more details to the description. The most central contents of the solution can be seen in Figure 20. The variables characterizing each dimension are presented with their loadings in the boxes of the figure. The first and the second dimensions are bipolar to a certain extent, as can be seen from the negative loadings. In practice, this means that when the factors above the broken line become more dominant in the company strategy the factors under the broken line become less so.

The strategies of the respondent companies manifest themselves in the results of factor analysis along three dimensions. It is possible to name the dimensions in accordance with the hypothesis; commodity product strategy, special product strategy and custom-made product strategy.

The theoretical analysis of commodity product strategy (section 3432) hypothesized that companies applying this strategy should operate in a market area composed of few countries. This is not the fact in practice. Commodity products and many unspecified customer sectors seem to be accompanied by marketing to many countries; as many as possible. It was also hypothesized that advanced marketing activities should be used to support commodity product strategy. This is not the case in practice either. Advanced marketing measures do not seem to be the competitive advantage of those companies applying commodity product strategy.

The composition of the special product strategy dimension corresponds rather well to the hypothesis made in section 3432. The choice of market areas was not, however, systematic as was hypothesized. It was also hypothesized that those who apply this strategy base their marketing on know-how connected with products. In practice, product know-how seems to be accompanied by customer know-how; customer service and technical advice.

The custom-made product strategy consists of custom-made products, known customers and knowledge of customers as was hypothesized in section 3432. However, the hypothesis of many countries as a market area does not seem to hold true. Also,

knowledge of customers seems to be based on personal relationships rather than on knowledge of the end-use of products. That conclusion is uncertain because of the small number of variables.

When developing the hypothesis, the classification of strategies used by *Majaro* was also presented: undifferentiated, differentiated and concentrated marketing. Commodity product strategy corresponds most closely to undifferentiated marketing. Differentiated marketing contains features of special product strategy. Concentrated marketing is near to custom-made product strategy.

#### 54. Marketing strategies in the different sectors and branches of the forest industry

##### 541. Strategies by branch

The strategy concept presented in this study, and the operationalization of the concept, emphasize the multidimensional nature and the continuity of the phenomenon. For analytical purposes it may be appropriate to classify strategies, but more aligned with reality is the consideration of strategy as a dimension within the boundaries of which companies are located. Because of the problems in measuring the relative location of companies, industries and sectors along the dimension tells more than the absolute measurement values describing the strategies. In this section the different sectors and branches are analyzed for their location within the dimensions of strategy, as outlined in the previous section. In section 542 the analysis is deepened by examining the strategic features characterizing various sectors of the forest industry.

The primary strategy dimension (section 532, p. 31) described selectivity (vs. lack of selectivity). Lack of selectivity may also mean that there is no planning and/or that planning operations are not advanced. Table 7 shows how the various sectors of the forest industry are located within this dimension.

Sawmills are characterized by a lack of selectivity in decisions concerning products, market areas and customers. The most

Table 7. Selectivity in the marketing strategies of the forest industry by sector.

Sector	Mean factor score
Panel	.54
Paper and paperboard	.31
Sawmill	-.40

Table 8. Selectivity in the marketing strategies of the forest industry by branch.

Branch	Mean factor score
Converted paper and board	1.06
Plywood	.63
Other panels	.41
Paper	.14
Paperboard	-.04
Medium size sawmills	-.31
Large sawmills	-.36
Small sawmills	-.68

conscious strategic choices are made in the wood-based panel sector. The various branches differ within the sectors. This can be seen in Table 8.

Clearly the most selective is the marketing strategy of the converted paper and board industry. The greatest lack of selectivity can be seen in the small sawmill industry.

According to the previous section (532) there was support for describing the internal structure of the marketing strategies by three dimensions, or factors. When the factor names were tied to product the three dimensions of strategy were called; commodity product strategy, special product strategy and custom-made product strategy. Those variables which had the highest loadings for these factors were combined by addition. The results of the analyses presented in the following tables are based on these combined variables.

A commodity product strategy is most typical in the sawmill sector. The paper and paperboard sector, and the panel sector do not differ from each other in this dimension (see Table 9).

The picture obtained from analysis by sector is confirmed in the analysis by branch. The large sawmill industry applies a commodity product strategy most frequent-

Table 9. Commodity product strategy in various sectors of the forest industry.

Sector	Combined variable mean
Sawmill	6.9
Paper and paperboard	5.5
Panel	5.5

Table 10. Commodity product strategy in various branches of the forest industry.

Branch	Combined variable mean
Large sawmills	7.5
Small sawmills	6.9
Medium size sawmills	6.5
Paperboard	5.9
Paper	5.9
Other panels	5.6
Plywood	5.5
Converted paper and board	4.2

Table 11. Use of special product strategy in various sectors of the forest industry.

Sector	Combined variable mean
Paper and paperboard	7.7
Panel	7.7
Sawmill	6.3

ly, the paper and board converting industry least frequently (see Table 10).

In the analysis by sector, the paper and paperboard sector and the wood-based panel sector do not differ from each other in use of special product strategy. However, special product strategy is less common in the sawmill sector (see Table 11).

Analysis by branch reveals the differences between the paper and paperboard sector and the wood-based panel sector (see Table 12). The paperboard industry lowers the mean of the paper and paperboard sector.

Custom-made product strategy is clearly more common in the panel sector than in other sectors (see Table 13). This picture becomes more distinct through analysis by branch.

Applying a custom-made product strategy is a typical feature in the marketing of plywood (see Table 14). It is also common among converters of paper and board. Custom-made dimensions, for example, make

Table 12. Special product strategy in various branches of the forest industry.

Branch	Combined variable mean
Converted paper and board	8.0
Paper	7.8
Plywood	7.8
Other panels	7.6
Paperboard	7.4
Large sawmills	6.3
Small sawmills	6.3
Medium size sawmills	6.3

Table 13. Custom made product strategy in various sectors of the forest industry.

Sector	Combined variable mean
Panel	7.2
Sawmill	6.3
Paper and paperboard	6.1

Table 14. Custom made product strategy in various branches of the forest industry.

Branch	Combined variable mean
Plywood	8.2
Converted paper and board	7.5
Medium size sawmills	6.5
Large sawmills	6.5
Other panels	5.8
Small sawmills	5.7
Paper	5.7
Paperboard	5.6

custom-made product strategy understandable in the sawmill sector. However, in this study as in earlier ones, the sawmill sector has emphasized old customer relationships and the importance of personal selling. A misleading element in the thinking of the sawmills is their interpretation of importers as customers.

#### 542. Strategic features characterizing various sectors

It is also worthwhile to analyze the various sector strategies by looking for those dimensions or features which are typical of,

Table 15. Mean discriminant scores and standard deviations (in brackets) by sector product, customer and market area strategy variables.

Sector	Mean Discriminant Score (Standard Deviation)	
	Discriminant Function I	Discriminant Function II
Sawmill	-.61 (.98)	-.10 (.85)
Panel	.24 (1.00)	.73 (1.10)
Paper and paperboard	.81 (1.03)	-.21 (1.15)

Table 16. Nature of the basic strategic differences between sectors.

Variable	Correlation Coefficients Discriminant Function	
	I	II
Commodity products	-.35	-.69
Special products	.41	.37
Custom-made products	-.26	.73
As many customer groups as possible	-.71	.20
Few well-specified customers	.76	.24
As many countries as possible	-.04	.04

or which characterize, the sectors in question. Technically this means looking for those dimensions in which the sectors differ from each other as much as possible. Discriminant analysis is suitable for this analysis situation. In order to make the analysis versatile, three groups of discriminating variables were used; 1) a group containing variables describing product, customer and market area strategies, 2) a group containing variables describing competitive advantage strategy, and 3) all variables describing strategies (1+2).

The first discriminant analysis was conducted with variables describing *product, customer and market area strategies*. By means of the test for discriminating power, six variables (see Table 16) were chosen to be used in the formation of the discriminant functions. The separation of the sectors by means of the discriminant functions composed of those six variables is significant with a probability of 1.00.

Differences in the product, customer and market area strategies between various sectors are displayed in two significant discriminant functions. These two discriminant functions are presented in the following

tables. The extent of the strategic differences between the sectors is indicated by the means and variations of their discriminant scores (Table 15).

The content of the discriminant functions, and thus also the of the strategies, can be seen from Table 16. The correlations between the variables used in the analysis and the discriminant functions are shown in the table for the interpretation of the contents of the discriminant functions.

The first discriminant separates most clearly the sawmill and paper and paperboard sectors. The discriminant function describes strategies concerning the selection of customers. The paper and paperboard sector is characterized by few customer groups, usually connected with special products. The most typical strategic feature of the sawmill industry is targeting to many customer groups.

The content of the second discriminant function is clearly connected with product strategy. In that discriminant function, the panel sector stands out clearly from all others. Custom-made product strategy is the most characteristic strategic feature of the panel industry.

The second discriminant analysis was conducted using variables describing *competitive advantage strategies*. By means of the test for discriminating power, five variables (see Table 18) were chosen to be used in the formation of the discriminant functions. Separation of the sectors by means of the discriminant functions composed of those five variables is significant with a probability of 1.00.

Differences in the competitive advantage strategies between various sectors are displayed in one significant discriminant function. This function is explained in Tables 17 and 18.

The discriminant function formed with competitive advantage variables separates the sawmill sector from other sectors. The correlation coefficients presented in table illustrate that the discriminant function describes competitive advantage strategy based on customer service, technical advice and product innovation. The absence of these competitive advantages, as connected with active and advanced marketing, is characteristic of the Finnish sawmill industry.

The third discriminant analysis was conducted using *all of the variables describing*



Table 17. Mean discriminant scores and standard deviations (in brackets) by sector competitive advantage variables.

Sector	Mean Discriminant Score (Standard Deviation)
	Discriminant Function I
Sawmill	.70 (1.16)
Panel	-.65 (.69)
Paper and paperboard	-.73 .85

Table 18. Nature of basic strategic differences between sectors — competitive advantage variables.

Variable	Correlation Coefficient Discriminant Function I
Customer service, technical counselling	-.86
High quality of product	.03
Personal selling	.08
Product innovation	-.55
Old customer relationships	.34

*strategies*. By means of the test for discriminating power, five variables (see Table 20) were chosen to be used in the formation of discriminant functions. Separation of the sectors by means of the discriminant functions composed of those five variables is significant with a probability of 1.00.

Differences in the marketing strategies between various sectors are shown in two significant discriminants. These discriminant functions are presented in Tables 19 and 20.

The content of the discriminant functions can be seen from following table.

The first discriminant function separates the sawmill sector from the other sectors. Most distant from each other are the sawmill and the paper and paperboard sectors. The discriminant function manifests a marketing strategy which is characterized by concentration on few customer groups. Customer service and technical counselling characterize the competitive advantage decision. A marketing strategy containing these features was labelled earlier in this report as "active and advanced". In this strategic dimension the panel sector and especially the paper and paperboard sector differ favourably from the sawmill sector.

According to the second discriminant function, custom-made product strategy characterizes the panel sector in particular.

Table 19. Mean discriminant scores and standard deviations (in brackets) by sector -all strategy variables.

Sector	Mean Discriminant Score (Standard Deviation)	
	Discriminant Function I	Discriminant Function II
Sawmill	.83 (1.03)	.04 (.81)
Panel	-.60 (.80)	-.63 (.97)
Paper and paperboard	-.96 (1.04)	.25 (1.25)

Table 20. Nature of basic strategic differences between sectors.

Variable	Correlation Coefficient	
	Discriminant Function I	Discriminant Function II
Commodity products	.34	.64
Customer products	.16	-.87
Well-defined customer groups	-.66	-.03
Customer service, technical counselling	-.77	-.15
Old customer relationships	.30	.14

## 55. Connections between strategies and functions

### 551. *Strategies and functions in marketing planning*

The concept of strategy was initially analyzed in the theoretical frame of reference of the study. Through this analysis the base for empirical measurement of strategy was created. However, as mentioned in the theoretical section of the study, the existence of several levels of planning is a characteristic feature of the planning systems of marketing. Clear hierarchy also characterizes the planning model developed by Shirley, Peters and El-Ansary (1981), whose model has had a strong impact on the thinking behind this study. Strategies are followed by structure, and structure by function. Thus, chosen strategies cannot be carried out without certain organizational and information system environments. But on the other hand, strategies are only made "alive" through functions.

Examination of the connections between strategy and function deepens both the theoretical and empirical analysis of the concept of strategy. The observed connections between these two levels of planning give extra support to the validity of the operationalizations. Additionally, if connections between strategies and functions cannot be found there is reason to suspect something is wrong in marketing planning.

Product and customer decisions are the most central decision making areas in strategic planning. Product development in the Finnish forest industry and its connection with marketing strategies are analyzed in the following sections. Product development was a phenomenon analyzed in all research projects from which this study has obtained empirical material.

### 552. Product development in the Finnish forest industry

The existence of product planning was measured in the study. The starting points and problems in product planning were also analyzed. In Figure 21 the continuity/casualness of product planning can be seen by branch.

Approximately one half of the companies in the Finnish forest industry conduct continuous and systematic product planning. In

the sawmill sector only one third of the sawmills conduct continuous product planning compared with two thirds in the other sectors. Companies without any product planning are also found in the sawmill industry.

The converted paper and board industry is most intensive in R&D. The fourth place position of the plywood industry might be explained by the existence of very modern, but also very obsolete mills. The intensity of R&D also increases with the size of sawmill.

The quality of product planning is rather strongly determined by its basic starting points. The study measured whether the starting point was; 1) more effective use of raw material and adaptation of production to the raw material possibilities, 2) development and utilization of production technology, or 3) analyzing and satisfying the needs of customers. The starting points of product development in various branches of the Finnish forest industry can be seen in Figure 22.

Product planning is most raw material-oriented in the sawmill sector; and the larger the sawmill the more raw material-oriented it is. In the plywood industry and the converted paper and board industry the starting point of product planning is almost exclusively customer needs. Only in the paper and paperboard industry is the development and utilization of production technology connected with product planning in a significant way.

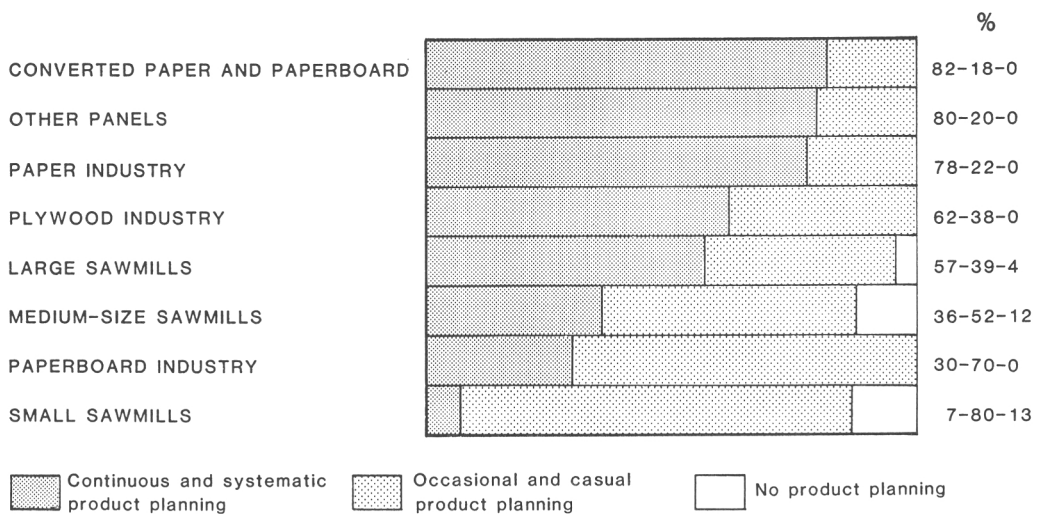


Figure 21. Product planning in the Finnish forest industry.

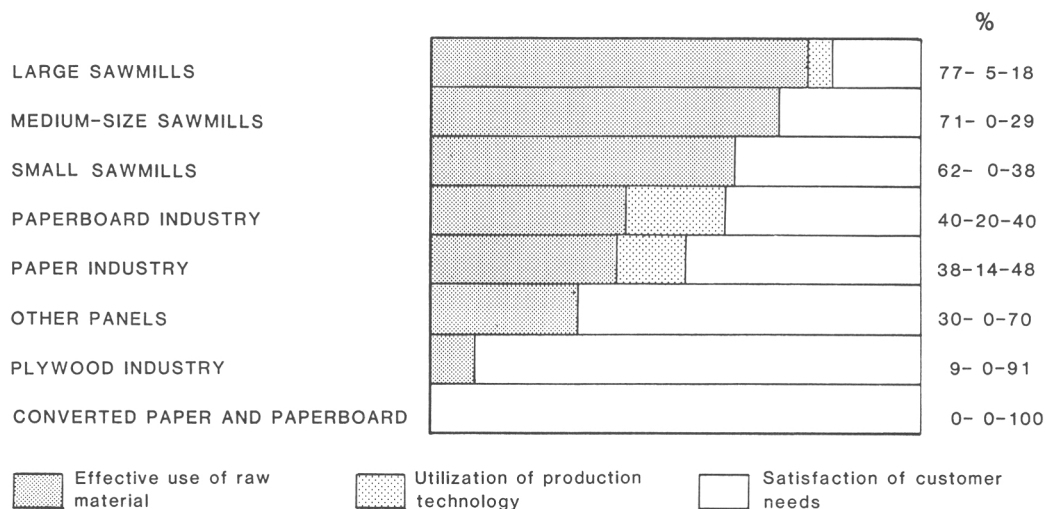


Figure 22. The starting points for product development in the Finnish forest industry.

Knowledge of the difficulties in product planning makes the picture of that function in Finnish forest industry more multifaceted. The magnitude of the difficulties can be seen in Figure 23.

The figure reveals the problems connected with markets and marketing as factors limiting product planning. Marketing of new products causes problems in all sectors. The sawmill and panel sectors have great difficulty in obtaining market information. Technical difficulty is clearly smaller than difficulty connected with marketing.

Source of difficulty	Saw-mills	Panel industry	Paper and paperboard
Marketing of novelty products	★★★	★★★	★★★
Lack of market information	★★★	★★★	+
Economic resources	★★★	★★★	+
Personal resources	★★★	+	+
Technological resources	+	+	★★★
Know how (general)	+	+	+
Technical skills	+	-	+
Technical information	+	-	+
Cooperation between departments	-	-	-

Legend: ★★★ very difficult  
+ some difficulty  
- no difficulty

Figure 23. Difficulties in product planning.

### 553. The connection between strategy and product development

Product decisions are the core of strategic decisions. Product planning is a function for carrying out these product decisions. Different strategies should thus be manifested in different product planning systems. Table 21 indicates whether this hypothesis holds true. The variables describing strategy are based on factor analysis. The figures in Table 21 describe the statistical probability of dependence between strategy and various aspects (as represented by four variables) of product planning. The probabilities are based on Chi-square tests.

The table shows that the chosen strategy manifests itself both in the continuity and systematic nature, and in the starting points of product planning. The connection between commodity product strategy, or special product strategy, and the continuity of product planning is clear and statistically significant. Commodity product strategy manifests itself in the raw material-orientation (vs. customer-orientation) of product planning. Special product and custom-made product strategies manifest themselves in the customer-orientation of product planning. In the following tables these connections are analyzed in detail (see Tables 22-23).

Table 21. The manifestation of strategies in product planning.

Strategy	Nature of product planning			
	Continuity	Raw material orientation	Technology orientation	Customer orientation
Commodity product	.89	.97	.26	.89
Special product	1.00	.56	.54	.99
Custom-made product	.48	.36	.38	.91

For companies applying commodity product strategy, product planning is clearly less commonly continuous and systematic.

Two thirds of those applying commodity product strategy regard raw material questions as the most important starting point for product planning. One third regard the needs of customers as the most central starting point. In companies applying special or custom-made product strategy the situation is just the reverse. The sum of the lowest row exceeds 100 because some respondents regarded the questions of raw material and needs of customers as equal.

Clear and significant dependencies between strategy and the problems connected with product planning were not found. Those sorts of problems are more clearly connected with other company characteristics than with company marketing strategy.

Table 22. The continuity and system of product planning in companies applying different strategies.

Strategy	Product planning		
	Continuous and systematic	Occasional and casual %	None at all
Commodity product	44	49	7
Special product	72	28	0
Custom-made product	62	35	3

Table 23. The most important starting points of product planning for companies with different strategies.

Strategy	Starting point of product planning		
	Raw material	Technology	Customer
%			
Commodity product	62	4	34
Special product	39	5	56
Custom-made product	39	3	66

## 6. SUMMARY AND DISCUSSION

### 61. Background and purpose

The background of the study includes two problem areas. The longlasting difficulties experienced in the Finnish forest industry provide one of the starting points for the study. Those difficulties have aroused demands for renewal of strategies. As a background and starting point of this renewal work, information about present strategies and their bases is needed. The study also is motivated by the diffuse concept of strategy. It can be supposed that this conceptual diffuseness makes strategic planning and management more difficult. It is difficult to plan strategies if one does not know what strategy really is.

Given these background factors, the first purpose of the study is the clarification of the strategy concept. This also includes the creation of operational measures and the generation of a basis for assessing the rationality of strategies. The second purpose is the description of present marketing strategies of the Finnish forest industries, and the assessment of their rationality.

The aims of the study are both theoretical and empirical. Increasing the clarity of and the possibility to measure the concept of strategy is the theoretical aim. Knowledge of the strategies, and their rationality, in Finnish forest industry is the empirical aim of the study.

### 62. The theoretical framework

The choice of the concept of strategy to be applied in the study is based on a comparison of two types of strategic thinking. On one hand, strategy can be seen as an atmosphere, spirit or frame which directs the operation of the company. On the other hand, strategy can be seen as consisting of components which are based on conscious strategic decisions. The composite strategy concept is applied in this study. Decisions concerning marketing strategies are supposedly on the same level as those of the busi-

ness unit. The components of marketing strategy can be called sub-strategies, strategic decisions or strategic decision making areas. The concept analysis of strategy is summarized in Figure 12 on page 24 as the general description of the theoretical frame of reference for the study.

The internal structure of strategy is derived in connection with the hypothesis concerning the rationality of the strategies. The hypotheses concerning the relationships between single strategic decisions are described in Figures 7-10 on pages 19-20. Hypotheses connected with the interpretation of strategic dimensions are examined in section 3432.

### 63. Data and analysis

The study deals with the Finnish sawmill, wood-based panel, and paper and paperboard sectors. The data was collected in connection with three different research projects in the beginning of the 1980's. The companies included in the study represent nearly 100 % of production in the paper and paperboard, and plywood industries, about 80 % of production in the sawmilling and fibreboard industries, and more than 60 % of production in the particle board industry.

When analyzing the data both univariate and multivariate analysis techniques were used. The marketing strategies of the Finnish forest industry is described both with primary variables and strategic dimensions. These dimensions are based on the analysis of common variance in the primary strategy variables. The substrategies of marketing are clarified by analysis of the primary variables. Description of the internal structure of marketing strategies presupposes analysis of common variance of the variables. Factor analysis is used for this analysis.

The comparison of strategies by sector and branch examines means by class of primary variables, or by combined variables.

The strategic features characterizing various sectors are revealed by discriminant analysis. The connections between strategy and function-product planning- are analyzed by cross tabulation.

## 64. Results

### 641. *Production and export figures for the respondent companies*

Export had a very central role in all the branches of the forest industry investigated in this study (see Table 2, p. 23). More than 80 % of production in the plywood industry and the paper and paperboard industry was exported. Therefore, although the study dealt with marketing strategies the results also clearly describe export marketing strategies.

The present production of companies reflects earlier strategic decisions. This may explain differences between product strategies and production; present strategic decisions are not realized until the future. At the time of the study the production of the Finnish forest industries was very commodity product-oriented (see Figure 14, p. 26). The sawmill sector especially relied on commodity products. The largest share of special and custom-made products is found in the paper and paperboard industry, and in the plywood industry.

### 642. *Marketing sub-strategies*

According to the theoretical frame of reference of the study, sub-strategies consists of product, customer, market-area and competitive advantage strategies. The relationship between the different product strategies loosely corresponds to actual production. The difference is that for the different branch strategies the share of commodity products is 10-20 % smaller than in real production (see Figure 15, p. 27). The shares of special and custom-made products are respectively greater. Companies are thus moving from commodity products in the direction of special and custom-made products.

Regarding customer strategies, the branches differ in customer selectivity (see Figure 16, p. 28). Nearly half of the large sawmills market unselectively to as many customer groups as possible. None of the paper producers operate in that way. The most common customer strategy in the forest industry is "few well-defined customer groups".

Selectivity, or lack of it, also characterizes market area strategies (see Figure 17, p. 28). 65 % of small sawmills market their products to as many countries as possible. In the converted paper and paper board industry only one company in ten apply this strategy.

The entire Finnish forest industry is striving to build its competitive advantage upon high quality of products. In addition, the panel sector and the paper and paperboard sector regard effective marketing channels as a competitive advantage. The sawmill industry relies on old relationships to customers (see Figure 18, p. 29).

### 643. *The internal structure of marketing strategies*

Marketing strategies are built up as composites of single strategic decisions. Success in combining these decisions partly determines the success of the strategy. Theoretically it can be shown that certain product strategies presuppose certain choices concerning customer groups (see the hypotheses concerning strategies in section 3431). In the Finnish forest industry the customer strategy stressing few well-defined customer groups is connected with all possible alternatives for product strategy (see Table 3, p. 25). As many customer groups as possible is most often connected with commodity products, few well-specified customer groups to special products, and known customers to custom-made products. This supports the hypotheses.

According to this study the connections between product strategy and market area strategy are not clear cut (see Table 4, p. 29). Additionally, the results do not correspond to the hypotheses. In contrast to the hypotheses, the majority of commodity product producers market to as many coun-

tries as possible. Respectively, the majority of custom-made product producers concentrate on few well-defined countries.

According to the hypotheses, if a company chooses many customer groups it should limit its market area, and vice versa. Companies behave contrary to these hypotheses (see Table 5, p. 30). Those companies which market to many customer groups market, at the same time, in as many countries as possible. Respectively, those companies which limit the number of their target customer groups limit their market area too.

Independent of product strategy, all companies regard high quality of products as their competitive advantage. Contrary to the hypotheses, marketing-based competitive advantage is only adopted by those companies applying special product or custom-made product strategy. There is some evidence that those companies applying custom-made product strategy have some competitive advantage connected with familiarity with customers and end-use.

The internal structure of marketing strategy was reduced by factor analysis to one and three dimensions. The one-dimension solution represents the most primary, but at the same time the most coarse, description of the marketing strategies of the Finnish forest industry (see Figure 20, p. 32). Because the companies are located in different points along the dimension, it also describes the most primary differences in the marketing strategies of the companies. The dimension describes selectivity -or lack of it. Lack of selectivity may also indicate no planning, or undeveloped planning. From the location of the industries along this dimension, it can be seen that most selective are the strategic decisions in the converted paper and paperboard industry. The most lack of selectivity can be found in the large sawmills (see Table 10, p. 34).

According to the three-dimension description strategies can be labelled special product strategy, commodity product strategy and custom-made product strategy. Product decisions are so important that there is some case for naming the strategies according to products. The content of these marketing strategies can be seen from Figure 20 on page 32. The market area decisions are connected with these strategies in opposition to the hypotheses. The strategies composed of all the variables describing strategy

support the idea obtained from the examination of sub-strategies. Commodity product strategy dominates in the sawmill sector. The converted paper and paperboard industry is the strongest representative of special product strategy. In the plywood industry, custom-made product strategy is more common than in the other industries (see Tables 9-14, p. 34).

Strategic differences between the sectors were also analyzed by discriminant analysis. The results of this analysis support the ideas presented on previous pages.

#### *644. The connection between marketing strategies and functions*

Strategies will be realized, they will "live", only through marketing functions. If logical connections between strategy and function can be found it also validates the theoretical analysis of the strategy concept and the operationalizations of the theoretical concepts. On the other hand, if that connection cannot be found there is reason to suspect something is wrong in marketing and its planning. The functional level of marketing is represented in this study by product planning.

About one half of the companies in the Finnish forest industry pursue continuous and systematic product planning. In the sawmill sector only one third of the mills have continuous product planning; two thirds of those in the other sectors have. Those companies with no product planning activities are also found in the sawmill industry. The largest problems connected with product planning are marketing of new products, procurement of market information, and economic resources.

This study shows that the connections between strategies and product planning are clear. The chosen strategy reflects itself in the continuity, systematic nature and in the starting points of product planning (see table 21, p. 39). In those companies which are applying commodity product strategy, product planning is clearly less frequently continuous and systematic than in other companies. Issues connected with raw material are the most important starting points of product planning in those companies.



Companies applying special or custom-made product strategy start from the needs of the customers.

## 65. Discussion

This study does not produce the empirical material required to directly judge the appropriateness of applied marketing strategies. Indirectly it is however possible. The applied strategies can be compared with those demands for the development of marketing which emerged in professional discussion. Professional discussion on this issue was rather lively in the end of 1970's, but the same themes have re-emerged quite recently. The Finnish forest industry is only half-way along the move from commodity products to special and custom-made products requiring high input of know-how. Especially in the sawmill sector, development of marketing strategies seems to have stagnated. However, the difference between expressed strategies and physical production shows that striving for more developed strategies exists throughout the forest industry.

The question concerning the rationality of strategic planning and strategy is connected very closely with both the theoretical and the empirical goals of the study. The strategy hypotheses, and the premises and logical deduction behind them, are the criteria for judging the rationality of the empirical strategies. On the other hand empirical fact is the touchstone of theoretical deduction. The question concerning approval or disapproval of the hypotheses is especially difficult in this study. This follows from the possibility that both the hypotheses and the empirical situation are "wrong". Hypotheses can be based on untenable presumptions, but empirical strategies can also be the result of non-existent or irrational planning. In that case the conflict between the hypotheses and empirical findings leads to a reconsideration of the hypotheses. If the premises are strong and the deduction valid, the rationality of the empirical strategies has to be as questionable. In other case more theoretical and empirical work is needed to support the assessment of the rationality of the strategies.

According to the strategic thinking ap-

plied in this study, commodity product, special product and custom-made product strategies are all genuine strategic choices. In that case, for example, the product decision of a commodity product strategy is accompanied by decisions concerning customers, market areas and competitive advantages which logically match the product decision. This hypothesis did not agree with empirical observations. At least for a section of the companies, commodity product strategy seems to be a state the company has reached as a result of historical or other reasons. Applying the strategy in question is thus a result of no planning, rather than systematic planning. In the Finnish forest industry there is room for improvement both in strategic planning and in its results — strategies.

The issue presented above can be seen most clearly in the primary strategic dimension describing the selectivity of strategic decisions. Selectivity requires genuine strategic decisions. Lack of selectivity means, in most cases, no genuine decisions at all (see Figure 20 and Table 7, p. 32-33). Lack of selectivity means that producers try to market commodity products to all possible customers everywhere. This is a logical impossibility if the producer is aspiring to promote demand for products with marketing measures. Limited resources presuppose selectivity. This is especially true as far as market area is concerned.

According to the empirical results, few well-specified customer groups are connected with all product strategies. This goes against the hypotheses. Here there is room for reconsideration of the hypotheses. However, it also seems that there is room for revised strategic thinking among those companies which try to market custom-made products to as many customer groups as possible.

Competitive advantages connected with marketing measures were presupposed for companies with a commodity product strategy. This is not, however, consistent with the results of the study. Commodity product producers are really lacking actual, effective competitive advantage. This supports the idea mentioned previously concerning lack of planning.

The findings concerning the connections between strategy and product planning clearly validate the operationalizations of the concept of strategy used in this study.

At the same time they revealed some deficiencies in the marketing philosophies of the Finnish forest industry. Raw-material oriented thinking still prevails in a large part of the Finnish forest industry.

In spite of its many-faceted results the research leaves many questions and challenges to future research. Cost leadership strategy and in general the differential advantages connected to price competitiveness were incompletely treated in this research. The strategies were measured by interviewing in most cases only one person in the company. It is not known how consistent the views of the applied strategy are among all the managers of a company. Deep case analyses about

strategic planning in individual companies are needed in the future.

The concept of marketing (marketing philosophy) is changing. The concept of marketing strategy is connected to basic marketing philosophy. Customer oriented marketing philosophy is the basis of this research. This basis allows, for example, the conclusion that marketing strategy and corporate strategy are on same hierarchical level although corporate strategy is much broader. Much theoretical and empirical research is needed to make it possible for the Finnish forest industry to move from production-orientation to customer orientation.

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*Total of 52 references*

## SELOSTE

### Tutkimuksen tausta ja tavoitteet

Tutkimuksen taustalla ovat kahdentyyppiset ongelmat. Toisaalta tutkimuksen lähtökohdana ovat suomalaisen metsäteollisuuden pitkään jatkuneet vaikeudet, jotka ovat johtaneet vaatimuksiin strategioiden uudistamisesta. Uudistustyön lähtökohdiksi ja taustaksi tarvitaan tietoa nykyisin sovellettavista strategioista ja niiden perusteista. Toisaalta tutkimus saa perustelunsa epäselvästä strategiäkäsitteestä. Voidaan olettaa, että käsitteellinen epäselvyys vaikeuttaa strategista suunnittelua ja johtamista. On vaikea suunnitella strategioita, jos ei tiedetä, mitä strategia on.

Tutkimuksen tavoitteeksi tulee näin ollen toisaalta strategiäkäsitteen selventäminen, sen operationaalisten mittojen kehittäminen ja perusteiden luominen strategioiden rationaalisuuden tarkastelulle. Toisen tavoitealueena on metsäteollisuudessa vallitsevien markkinointistrategioiden kuvaus ja niiden rationaalisuuden arvos-telu.

Tutkimuksen tavoitteet ovat siis sekä teoreettisia että empiirisiä. Strategiäkäsitteen selkeyden ja mitattavuuden lisääminen ovat teoreettisia tavoitteita. Empiirisenä tavoitteena on tieto suomalaisen metsäteollisuuden strategioista ja niiden rationaalisuudesta.

### Tutkimuksen teoreettiset puitteet

Tutkimuksessa sovellettavan strategiäkäsitteen valinta perustuu kahdentyyppisen strategia-ajattelun vertailuun. Toisaalta strategiaa voidaan pitää ilmapiirinä, henkenä tai puiteena, joka ohjaa yrityksen toimintaa. Toisaalta strategian voidaan katsoa rakentuvan komponenteista, jotka perustuvat tietoisiin strategiisiin päätöksiin. Tutkimuksessa sovelletaan komponentoitua strategiäkäsitettä. Markkinointistrategiaan liittyvät päätökset oletetaan samantasoisiksi kuin yritysstrategiset päätökset. Markkinointistrategian komponentteja voidaan kutsua osastrategioiksi, strategisiksi päätöksiksi tai strategisiksi päätöksentekoaueiksi. Strategian käsitteanalyysi tiivistetään kuvassa 12 sivulla 24 tutkimuksen teoreettisen viitekehyksen yleiskuvaukseksi.

Strategioiden rationaalisuuteen liittyen johdetaan hypoteesit strategian sisäisestä rakenteesta. Yksittäisten päätösten välisiä suhteita hahmottavat hypoteesit on esitetty kuvissa 7-10 sivuilla 19-20. Strategiadimensioiden tulkintaan liittyviä hypoteeseja tarkastellaan luvussa 3432.

### Tutkimuksen aineisto ja analyysit

Tutkimus kohdistuu suomalaiseen sahatteollisuuteen, puulevyteollisuuteen sekä paperi- ja kartonkiteollisuuteen. Aineisto koottiin kolmen eri tutkimusprojektin

yhteydessä 1980-luvun alkupuoliskolla. Tutkitut yritykset edustivat lähes koko paperi- ja kartonkiteollisuuden sekä vaneriteollisuuden tuotantoa, n. 80 % sahateollisuuden ja kuitulevyteollisuuden tuotannosta sekä yli 60 % lastulevyteollisuuden tuotannosta.

Aineistoa analysoitaessa käytetään sekä yksimuuttujaista että monimuuttujaista tarkastelua. laisen metsäteollisuuden markkinointistrategioita kuvataan sekä primäärimuuttujien että muuttujien yhteisvaihtelun analyysiin perustuvien strategiadimensioiden avulla. Primäärimuuttujiin perustuvalla tarkastelulla selvitetään markkinoinnin osastrategiat. Markkinointistrategioiden sisäisen rakenteen tutkiminen edellyttää muuttujien yhteisvaihtelun analysointia. Yhteisvaihtelun analyysiin käytetään faktorianalyysiä.

Strategioiden sektoreittainen ja toimialoittainen vertailu on primäärimuuttujien tai yhdistettyjen muuttujien luokittaisten keskiarvojen tarkastelua. Eri sektoreja erottelvat/luonnehtivat strategiset piirteet haetaan erotteluanalyysillä. Strategioiden yhteydet toimenpiteisiin (tuotesuunnitteluun) analysoidaan ristiintaulukoin.

## Tutkimuksen tulokset

### *Tutkittujen yritysten tuotanto ja vienti*

Kaikkilla tämän tutkimuksen kohteina olleilla toimialoilla on viennillä keskeinen asema (ks. taulukko 2, s. 23). Yli 80 % tuotannostaan vievät vaneriteollisuus sekä paperi ja kartonkiteollisuus. Vaikka tutkimus kohdistui markkinointistrategioihin yleensä, kuvaavat tulokset vahvasti myös vientimarkkinointistrategioita.

Yritysten nykyinen tuotanto heijastelee aiemmin tehtyjä strategisia päätöksiä. Näin ollen markkinointistrategioiden ja esim. tuotannon välillä voi olla eroja, koska nyt tehtävät strategiset päätökset realisoituvat vasta tulevaisuudessa. Tutkimusajankohtana suomalaisen metsäteollisuuden tuotanto oli hyvin vakiotuotevoittoista (ks. kuva 14, s. 26). Vakiotuotteisiin nojaa erityisesti sahateollisuus. Suurin on asiakas- ja erikoistuoteosuus paperin ja kartongin jalosteteollisuudessa sekä vaneriteollisuudessa.

### *Markkinoinnin osastrategiat*

Teoreettisen viitekehyksen mukaisesti osastrategioina tarkastellaan tuote-, asiakas-, markkina-alue- ja kilpailuetustrategioita. Tuotestategiat vastaavat pääpiirteissään suuruusluokaltaan todellista tuotantoa. Erona on vain se, että strategioissa kautta linjan vakiotuotteiden osuus on todelliseen tuotantoon verrattuna 10-20 % pienempi. Erikois- ja asiakastuotteiden osuudet ovat vastaavasti suurempia (ks. kuva 15 s. 27). Yritykset ovat siis siirtymässä vakiotuotteista erikois- ja asiakastuotteiden suuntaan. Asiakastuotestategioissa toimialat poikkeavat toisistaan ensisijaisesti sen suhteen, kuinka valikoiden asiakaskohderyhmämäärittelyyn suhtaudutaan (ks. kuva 16 s. 28). Lähes puolet suurista sahoista markkinoi valikoimatta mahdollisimman monille asiakaskohderyhmille. Paperiteollisuudesta ei löydy yhtään tuottajaa, joka toimisi samalla tavalla. Yleisin asiakasstrategia metsäteollisuudessa on "harvat selvästi määritellyt asiakasryhmät".

Valikoivuus tai sen puuttuminen luonnehtii myös markkina-aluestrategioita (ks. kuva 17, s. 28). Pienistä sahoista 65 % pyrkii markkinoimaan tuotteitaan mahdollisimman moniin maihin. Paperia ja kartonkia jalostavassa teollisuudessa tällaista strategiaa toteuttaa ainoastaan yksi kymmenestä.

Koko suomalainen metsäteollisuus rakentaa kilpailuetujaan tuotteiden korkean laadun varaan. Levyteollisuus sekä paperi- ja kartonkiteollisuus hakee kilpailuedun lisäksi tehokkaista markkinointikanavista. Sahateollisuus puolestaan luottaa vanhoihin asiakassuhteisiin. (ks. kuva 18, s. 29)

### *Markkinointistrategioiden sisäinen rakenne*

Markkinointistrategiat rakentuvat yksittäisten strategioiden päätösten kombinaatioina. Päätösten yhdistelyn onnistuneisuus määrää osaltaan strategioiden onnistuneisuutta. Teoreettisesti on perusteltavissa, että tietyt tuotestategiset päätökset edellyttävät tietynlaisia asiakaskohderyhmävalintoja (ks. strategiahypoteesit kappaleessa 3431). Kaikkiin tuotestategiavaihtoehtoihin liittyy suomalaisessa metsäteollisuudessa yleisimmin harvoihin määriteltymiin asiakaskohderyhmiin pyrkivä asiakasstrategia (ks. taulukko 3, s. 25). Mahdollisimman monet asiakaskohderyhmät liittyvät useimmin vakiotuotteisiin, harvat selvästi määritellyt asiakaskohderyhmät erikoistuotteisiin ja tietyt tunnetut loppukäyttäjät asiakastuotteisiin. Tämä on hypoteesien mukaista.

Tuotestategian ja markkina-aluestrategian väliset yhteydet eivät tutkimuksen mukaan ole kovin selväpiirteisiä (ks. taulukko 4, s. 29). Toisaalta tulokset eivät ole hypoteesien mukaisia. Hypoteesien vastaisesti enemmistöllä vakiotuotteiden valmistajista on markkina-alueena mahdollisimman monet maat. Vastaavasti valtaosa asiakastuotteiden valmistajista pyrkii keskittymään harvoihin selvästi määriteltymiin maihin.

Hypoteeseja asetettaessa oletettiin, että mikäli valitaan monia asiakaskohderyhmiä, tulee markkina-alueiden kohdalla supistaa ja päinvastoin. Yritykset käyttäytyvät hypoteesien vastaisesti (ks. taulukko 5, s. 30). Mahdollisimman moniin asiakaskohderyhmiin tähtäävät yritykset pyrkivät samalla toimimaan mahdollisimman monissa maissa. Vastaavasti asiakaskohderyhmiä rajoittavat markkinoijat rajoittavat myös markkina-alueitaan.

Tuotteiden korkea laatu koetaan kilpailueduksi kaikkia strategioita edustavien keskuudessa. Markkinointikeinoihin liittyviä kilpailuetuja sensijaan löytyy hypoteesien vastaisesti ainoastaan erikoistuote- tai asiakastuotestategiaa soveltavilta yrityksiltä. Asiakastuotestategiaa soveltavissa yrityksissä näyttää olevan josain määrin kilpailuetuja asiakkaiden ja loppukäytön tuntemisessa.

Markkinointistrategian sisäinen rakenne pelkistettiin faktorianalyysissä yhteen ja kolmeen dimensioon. Yhden dimension ratkaisun voidaan katsoa esittävän primäärisintä, mutta myös samalla karkeinta kuvausta suomalaisen metsäteollisuuden markkinointistrategioista (ks. kuva 20, s. 32). Koska yritykset asettuvat eri paikkoihin tällä dimensiolla kuvaa se myös perimmäisiä eroja näiden yritysten markkinointistrategioissa. Dimensio kuvaa valikoivuutta (tai sen puutetta). Valikoivuuden puute saattaa merkitä myös suunnittelemattomuutta ja/tai kehittymättömyyttä. Toimialat asettuvat tälle dimensiolle järjestykseen niin, että valikoivimmat ovat strategiset päätökset paperin ja kartongin jaloste-

teollisuudessa ja valikoivuuden puutetta esiintyy eniten suuressa sahateollisuudessa (ks. taulukko 10, s. 34).

Kolmen dimension strategiakuvauksessa voidaan strategiat nimetä tuotepäätöksistä lähtien erikoistuestrategiaksi, vakiotuotestategiaksi ja asiakastuotestategiaksi. Näiden markkinointistrategioiden koostumus ilmenee kuvasta 21, s. 37. Markkina-aluepäätökset liittyvät näihin strategioihin hypoteesien vastaisesti. Kaikista strategiamuuttujista koostuvat markkinointistrategiat vahvistavat sitä kuvaa, joka saatiin osastrategioiden tarkastelusta. Sahateollisuudessa vallitsee vakiotuotestategia. Paperin ja kartongin jalosteteollisuus on vahvin erikoistuestrategian edustaja. Vaneriteollisuudessa asiakastuotestategia on yleisempi kuin muilla toimialoilla (ks. taulukot 9-14, s. 34).

Eri toimialojen strategisten erojen analysointi erotte-luanalysillä vahvistaa jo edellä syntynyttä kuvaa.

### *Markkinointistrategioiden yhteydet toimenpiteisiin*

Strategiat toteutuvat, ne saadaan "elämään" ainoastaan toimenpiteiden kautta. Jos loogiset yhteydet strategioista toimenpiteisiin löytyvät validoi tämä tutkimuksessa tehtyä strategiakäsitteen teoreettista analyysiä sekä teoreettisten käsitteiden operationalisointeja. Toisaalta, jos yhteyttä strategioiden ja toimenpiteiden välillä ei löydy, on syytä epäillä, että markkinoinnin suunnittelussa on jotain vialla. Markkinoinnin toimenpite-tasoa edustaa tässä tutkimuksessa tuotesuunnittelu.

Noin puolessa suomalaisista metsäteollisuusyrityksistä harjoitetaan jatkuvaa ja systemaattista tuotekehitystoimintaa. Sahateollisuudessa vain joka kolmas yritys tekee jatkuvaa työtä tuotekehityksen piirissä, muussa teollisuudessa kaksi kolmesta. Sahateollisuudesta löytyvät myös ne yritykset, joissa tuotekehitystoimintaa ei ole ollenkaan. Suurimpia ongelmia tuotekehitykseen liittyen ovat uutuustuotteiden markkinointi, markkinainformaation saanti ja taloudelliset resurssit.

Tutkimus osoittaa että strategioiden yhteydet tuotesuunnitteluun ovat selvät. Valittu strategia näkyy sekä tuotekehityksen jatkuvuudessa ja systemaattisuudessa että sen lähtökohdissa (ks. taulukko 21, s. 39). Vakiotuotestategiaa soveltavissa yrityksissä tuotekehitys on selvästi muita harvemmin jatkuvaa ja systemaattista. Raaka-aineproblematiikka on tärkein tuotesuunnittelun lähtökohta valtaosalle vakiotuotestategiaa soveltavista yrityksistä. Erikois- tai asiakastuotestategiaa soveltavat yritykset lähtevät puolestaan liikkeelle asiakkaiden tarpeista (ks. taulukot 22 ja 23).

### **Tutkimuksen tulosten tarkastelua**

Tämä tutkimus ei tuota sellaista empiiristä aineistoa, jonka perusteella voitaisiin suoraan ottaa kantaa sovellettavien markkinointistrategioiden tarkoituksenmukaisuuteen. Välillisesti tämä on kuitenkin mahdollista niin, että vertaillaan sovellettavia strategioita ammatillisessa keskustelussa esiin tulleisiin metsäteollisuustuotteiden markkinoinnin kehittämisaatimuksiin. Aiheeseen liittyvä ammatillinen keskustelu oli erityisen vilkasta 1970-luvun loppupuolella mutta samat teemat ovat tulleet esille aivan viime aikoinakin. Siirtyminen vakiotuotteista korkeaa tietopanosta vaativiin erikois- ja asiakastuotteisiin on suomalaisessa metsäteollisuudessa selvästi

vasta puolitiessä. Näyttää siltä, että erityisesti sahateollisuuden markkinointistrategioiden kehitys on juuttunut paikoilleen. Ero vallitsevista strategioista ja fyysisessä tuotannossa kuitenkin osoittaa, että pyrkimys kehittyneempiin strategioihin on vallalla koko metsäteollisuudessa.

Kysymys strategisen suunnittelun ja sitä kautta strategioiden rationaalisuudesta liittyy läheisesti tutkimuksen sekä teoreettisiin että empiirisiin tavoitteisiin. Strategiahypoteesit sekä niiden takana olevat premissit ja looginen päättely ovat empiiristen strategioiden rationaalisuuden kriteerejä. Toisaalta empiiriset faktat ovat teoreettisen päättelyn koetinkiviä. Kysymys hypoteesien hyväksymisestä tai hylkäämisestä on tässä tutkimuksessa erityisen vaikea. Tämä johtuu siitä, että sekä hypoteesit että empiria voivat olla "väärää". Hypoteesit voivat pohjautua kestävämmille oletuksille mutta empiiriset strategiat voivat olla myös suunnittele-mattomuuden tai epärationaalisen suunnittelun tulosta. Hypoteesien ja empirian ristiriita johtavat tällöin hypoteesien asettelun uudelleen arviointiin. Mikäli premissit ovat pitäviä ja päättely pätevää, on empiiristen strategioiden rationaalisuus asetettava kyseenalaiseksi. Muussa tapauksessa tarvitaan lisää teoreettista ja empiiristä työtä strategioiden rationaalisuuden arvioinnin tueksi.

Tutkimuksessa sovellettavan strategisen ajattelun mukaan sekä vakiotuote-, erikoistuote- että asiakastuotestategiat ovat kaikki aitoja strategisia valintoja. Tällöin esim. vakiotuotestategian tuotepäätöksiin liittyvät niihin loogisesti sopivat asiakas-, markkina-alue- ja kilpailuetupäätökset. Tämä oletus ei pitänyt yhtä empiiristen havaintojen kanssa. Ainakin osalla yrityksistä vakiotuotestategia näyttää olevan tila, johon historiallisten yms. syiden takia on ajautettu. Ko. strategian soveltaminen on ainakin osalla yrityksiä suunnittele-mattomuuden, ei suunnittelun tulosta. Sekä strategisessa suunnittelussa että sen tuloksissa, strategioissa on suomalaisessa metsäteollisuudessa korjaamisen varaa.

Edellä esitetty problematiikka näkyy selvimmin primäärisimmässä strategiadiensiossa, joka jakaa yritykset valikoiviin ja ei valikoiviin; siis aitoja strategisia päätöksiä tekeviin ja niihin, jotka eivät valintoja tee (ks. kuva 20 ja taulukko 8, s. 32 ja 33). Valikoimattomuus tarkoittaa sitä, että markkinoidaan vakiotuotteita kaikille kaikkialla. Tämä on looginen mahdottomuus silloin, kun menekkiin pyritään vaikuttamaan markkinoinnin keinoin. Panosten rajallisuus edellyttää välttämättä valikoivuutta. Erityisesti tämä pitää paikkansa markkina-alueiden kohdalla.

Empiiristen tulosten mukaan harvojen valittujen asiakaskohderyhmien strategia voi liittyä hypoteesien vastaisesti kaikkiin tuotestategioihin. Tässä kohdin lienee hypoteeseissa tarkistamisen varaa. Toisaalta taas tuntuu siltä, että yrityksillä, jotka pyrkivät markkinoimaan asiakastuotteitaan mahdollisimman monille asiakaskohderyhmille, on strategisessa ajattelussaan korjaamisen varaa.

Markkinointikeinojen hallintaan liittyviä kilpailuetuja edellytettiin hypoteeseissa nimenomaan vakiotuotestategiaa soveltavilta yrityksiltä. Näin ei kuitenkaan tutkimuksen tulosten mukaan ole. Vakiotuotteita valmistavien todelliset, vaikuttavat suhteelliset edut ovat näinollen vähissä. Tämä vahvistaa edellä esitettyä havaintoa suunnittele-mattomuudesta.

Havainnot strategioiden yhteydestä tuotesuunnitteluun validoiivat selkeästi käytettyjä strategiakäsitteen operationalisointeja. Samalla ne toivat esiin puutteita suomalaisen metsäteollisuuden markkinointiajattelussa. Raaka-ainelähtöinen ajattelu vallitsee vielä suuressa osassa suomalaista metsäteollisuutta.

Appendix 1. Variables used in research analysis.

A. COMPANY BACKGROUND

- sector
- production volume
- export proportion
- production structure (commodity-, special- and custom-made products)

B. MARKETING STRATEGIES

Below is a list of alternatives describing product-, customer- and market area strategies. How does each alternative correspond to strategy applied in your company?

Corresponds to our company strategy

	exactly	well	some what	poorly	not at all
Product strategy emphasizes					
— competitive commodity products	( )	( )	( )	( )	( )
— special products	( )	( )	( )	( )	( )
— custom-made products	( )	( )	( )	( )	( )
Target customer groups are					
— as many customer and end-use groups as possible	( )	( )	( )	( )	( )
— few well-specified end-use sectors	( )	( )	( )	( )	( )
— known end-users	( )	( )	( )	( )	( )
Market areas are					
— as many countries as possible	( )	( )	( )	( )	( )
— few, well-defined countries	( )	( )	( )	( )	( )
Marketing is based on the following competitive advantages					
— efficient marketing channels	( )	( )	( )	( )	( )
— service, technical advice, etc.	( )	( )	( )	( )	( )
— high quality of products	( )	( )	( )	( )	( )
— efficient personal selling	( )	( )	( )	( )	( )
— innovation	( )	( )	( )	( )	( )
— old customer relationships	( )	( )	( )	( )	( )
— advertising, public relations	( )	( )	( )	( )	( )

C. THE NATURE, STARTING POINTS AND PROBLEMS OF PRODUCT DEVELOPMENT

Which of the following alternatives best describes product development in your company:

- Continuous and systematic product planning ( )
- Occasional and casual product planning ( )
- No product planning ( )

Rank the following starting points of product development from 1—3, so that 1 is the most important etc.

- More effective use of raw material and adaptation of production to raw material possibilities ( )
- Utilization and development of production technology ( )
- Satisfaction of customer needs ( )

Which are difficult areas in product development in your company:

	Extremely difficult				Not difficult at all
— economic resources	5	4	3	2	1
— technological resources	5	4	3	2	1
— technical skills	5	4	3	2	1
— marketing of novelty products	5	4	3	2	1
— lack of market information	5	4	3	2	1
— personal resources	5	4	3	2	1
— know-how (general)	5	4	3	2	1
— technical information	5	4	3	2	1
— co-operation between departments	5	4	3	2	1

Appendix 2. Mean values and standard deviations of variables concerning product, customer and market area strategies.

Variable	Sector	Mean	Standard deviation	Variable	Sector	Mean	Standard deviation
Strategy emphasizes:				Strategy emphasizes:			
Commodity products	Big sawmills	3.9	0.6	As many customer groups as possible	Big sawmills	3.0	1.2
	Medium sawmills	3.5	1.0		Medium sawmills	3.0	1.2
	Small sawmills	4.2	0.6		Small sawmills	3.3	1.4
	Plywood industry	2.6	1.1		Plywood industry	2.9	1.1
	Other panels	3.3	1.1		Other panels	2.3	0.9
	Paper industry	3.9	1.2		Paper industry	2.0	0.8
	Paperboard ind.	3.5	1.3		Paperboard ind.	2.4	1.0
	Converts of paper	2.4	1.1		Converts of paper	1.8	0.9
i.e.	Sawmill sector	3.8	0.9	i.e.	Sawmill sector	3.1	1.3
	Panel sector	2.9	1.1		Panel sector	2.7	1.0
	Paper sector	3.4	1.3		Paper sector	2.1	0.9
Special products	Big sawmills	3.3	1.1	Few specified segments	Big sawmills	3.1	1.1
	Medium sawmills	3.0	1.1		Medium sawmills	3.2	1.1
	Small sawmills	3.0	1.1		Small sawmills	3.3	1.0
	Plywood industry	3.8	0.6		Plywood industry	4.0	0.9
	Other panels	3.6	0.7		Other panels	4.0	0.7
	Paper industry	3.5	1.4		Paper industry	4.3	1.0
	Paperboard ind.	3.5	0.8		Paperboard ind.	3.8	0.8
	Converts of paper	3.7	1.3		Converts of paper	4.3	0.5
i.e.	Sawmill sector	3.1	1.0	i.e.	Sawmill sector	3.2	1.1
	Panel sector	3.7	0.6		Panel sector	4.0	0.8
	Paper sector	3.6	1.2		Paper sector	4.2	0.8
Custom-made products	Big sawmills	2.8	1.1	Known end-users	Big sawmills	2.9	1.1
	Medium sawmills	3.4	0.9		Medium sawmills	3.1	1.1
	Small sawmills	3.3	1.0		Small sawmills	3.2	1.1
	Plywood industry	4.3	0.5		Plywood industry	3.8	0.4
	Other panels	2.9	0.9		Other panels	2.9	0.9
	Paper industry	2.3	1.2		Paper industry	3.3	1.3
	Paperboard ind.	2.4	1.0		Paperboard ind.	3.2	1.2
	Converts of paper	4.3	0.8		Converts of paper	3.3	1.1
i.e.	Sawmill sector	3.3	1.0	i.e.	Sawmill sector	3.1	1.1
	Panel sector	3.7	1.0		Panel sector	3.5	0.8
	Paper sector	2.8	1.3		Paper sector	3.3	1.2

Variable	Sector	Mean	Standard deviation
Strategy emphasizes:			
As many countries as possible	Big sawmills	3.0	1.2
	Medium sawmills	2.8	1.2
	Small sawmills	3.6	1.3
	Plywood industry	3.4	1.3
	Other panels	2.8	1.4
	Paper industry	3.5	1.4
	Paperboard ind.	3.3	1.3
	Converts of paper	1.9	0.9
i.e.	Sawmill sector	3.1	1.2
	Panel sector	3.1	1.3
	Paper sector	3.1	1.4
Few specified countries	Big sawmills	2.9	1.4
	Medium sawmills	3.5	1.2
	Small sawmills	2.5	1.2
	Plywood industry	2.6	1.3
	Other panels	3.8	1.2
	Paper industry	3.1	1.3
	Paperboard ind.	3.3	1.3
	Converts of paper	4.4	0.9
i.e.	Sawmill sector	3.1	1.3
	Panel sector	3.1	1.4
	Paper sector	3.5	1.3



Appendix 3. Means and standard deviations of variables concerning competitive advantage.

Competitive advantage	Sector of forest industry	Standard deviation	
		Mean	Standard deviation
High quality of products	Sawmill sector	4.2	0.6
	Woodboard sector	4.0	0.4
	Paper sector	4.3	0.7
Efficient marketing channels	Sawmill sector	3.9	0.9
	Woodboard sector	4.1	0.7
	Paper sector	4.0	0.7
Old customer relations	Sawmill sector	4.0	0.7
	Woodboard sector	3.7	0.8
	Paper sector	3.8	0.7
Efficient personal selling	Sawmill sector	3.7	1.0
	Woodboard sector	3.9	0.8
	Paper sector	3.6	0.9
Service and technical advice	Sawmill sector	2.8	1.0
	Woodboard sector	3.8	0.7
	Paper sector	3.9	0.8
Innovation	Sawmill sector	2.7	0.9
	Woodboard sector	3.3	0.8
	Paper sector	3.3	0.9
Advertisement, PR	Sawmill sector	2.4	0.8
	Woodboard sector	2.7	1.1
	Paper sector	2.4	0.7

Appendix 4. Means and standard deviation of variables concerning competitive advantage.

	High quality		Efficient marketing channels		Old customer relations		Efficient personal selling		Service advise	
	M.	SD.	M.	SD.	M.	SD.	M.	SD.	M.	SD.
Small sawmills	4.3	0.6	4.2	0.6	4.1	0.7	4.1	0.8	2.9	1.0
Medium sawmills	4.2	0.6	3.9	1.0	4.0	0.5	3.7	0.9	2.6	1.1
Big sawmills	4.3	0.6	3.4	0.9	3.9	1.1	3.1	1.2	3.1	0.8
Plywood ind.	3.9	0.5	4.2	0.7	4.0	0.8	4.2	0.7	4.0	0.7
Other board ind.	4.1	0.3	4.0	0.7	3.4	0.7	3.6	0.8	3.5	0.7
Paperboard ind.	4.2	0.6	4.2	0.6	3.8	0.7	3.3	0.8	3.5	0.8
Paper ind.	4.5	0.6	4.0	0.6	3.8	0.8	3.4	0.9	4.1	0.7
Converts of paper	4.0	0.9	3.7	0.9	3.8	0.4	4.1	0.7	4.0	0.9

M. = Mean value.  
SD. = Standard deviation

Appendix 5. Derivation of figure legends.

STRATEGIES

The respondents evaluated how well each given alternative (app. 1) described their strategy. The alternative given the highest correspondence was determined to be the strategy of the company. In some cases the respondent felt that two alternatives described company strategy equally well. In these cases the response was given halfweight for each of the two alternatives.

COMPETITIVE ADVANTAGES

Competitive advantages were measured using the same scale as for strategies. The mean values of responses were calculated based on the scale where 5 corresponded to 'exactly' and 1 to 'not at all'. The results were presented in three categories:

Mean value 4–5 = High emphasis  
 3–4 = Some emphasis  
 1–3 = No emphasis

DIFFICULTIES IN PRODUCT PLANNING

The responses were measured on a scale from 1 to 5, 5 meaning an area of extreme difficulty in product planning. The weighted averages were calculated using the percentage distributions as in the following illustration:

problem area	1	2	3	4	5	
money	20 %	5 %	10 %	50 %	15 %	(total 100 %)

$(1 \times 20 + 2 \times 5 + 3 \times 10 + 4 \times 50 + 5 \times 15) / 5 = 67$

The results are presented in figures in three categories of weighted averages:

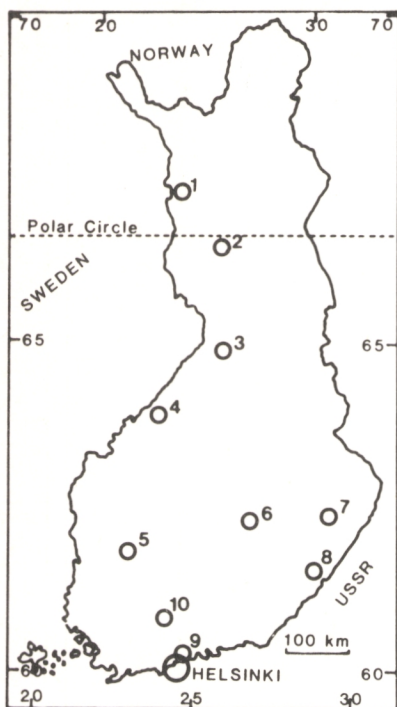
60 – 100 = very difficult  
 50 – 60 = some difficulty  
 20 – 50 = no difficulty

Appendix 6. Factor analysis solutions (1 and 3 factor solutions).

variable	3-factor solution		
	factor 1.	factor 2.	factor 3.
commodity products	-0.336	0.402	0.024
special products	0.609	-0.122	0.153
custom-made products	0.174	-0.231	0.622
many customers	-0.483	0.587	0.276
few segments	0.676	-0.299	-0.029
known end-users	0.253	-0.259	0.433
many countries	0.126	0.912	-0.091
few countries	-0.024	-0.818	0.212
marketing channels	0.375	0.197	0.258
service, advice	0.740	0.065	0.071
high quality	0.279	0.230	0.199
personal selling	0.180	-0.022	0.708
innovation	0.691	-0.016	0.304
customer relations	-0.073	0.136	0.682
advertising, pr	0.314	0.029	0.326

variable	1-factor solution
	factor 1.
commodity products	-0.424
special products	0.595
custom-made products	0.522
many customers	-0.503
few segments	0.640
known end-users	0.508
many countries	-0.343
few countries	0.436
marketing channels	0.323
service, advice	0.577
high quality	0.207
personal selling	0.474
innovation	0.681
customer relations	0.198
advertising, pr	0.403





## THE FINNISH FOREST RESEARCH INSTITUTE

### DEPARTMENTS (Helsinki)

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 Information Office  
 Experimental Forest Office  
 Dept. of Soil Science  
 Dept. of Peatland Forestry  
 Dept. of Silviculture  
 Dept. of Forest Genetics  
 Dept. of Forest Protection  
 Dept. of Forest Technology  
 Dept. of Forest Inventory and Yield  
 Dept. of Forest Economics  
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### RESEARCH STATIONS

- 1 Kolari
- 2 Rovaniemi
- 3 Muhos
- 4 Kannus
- 5 Parkano
- 6 Suonenjoki
- 7 Joensuu
- 8 Punkaharju
- 9 Ruotsinkylä
- 10 Ojajoki

## FACTS ABOUT FINLAND

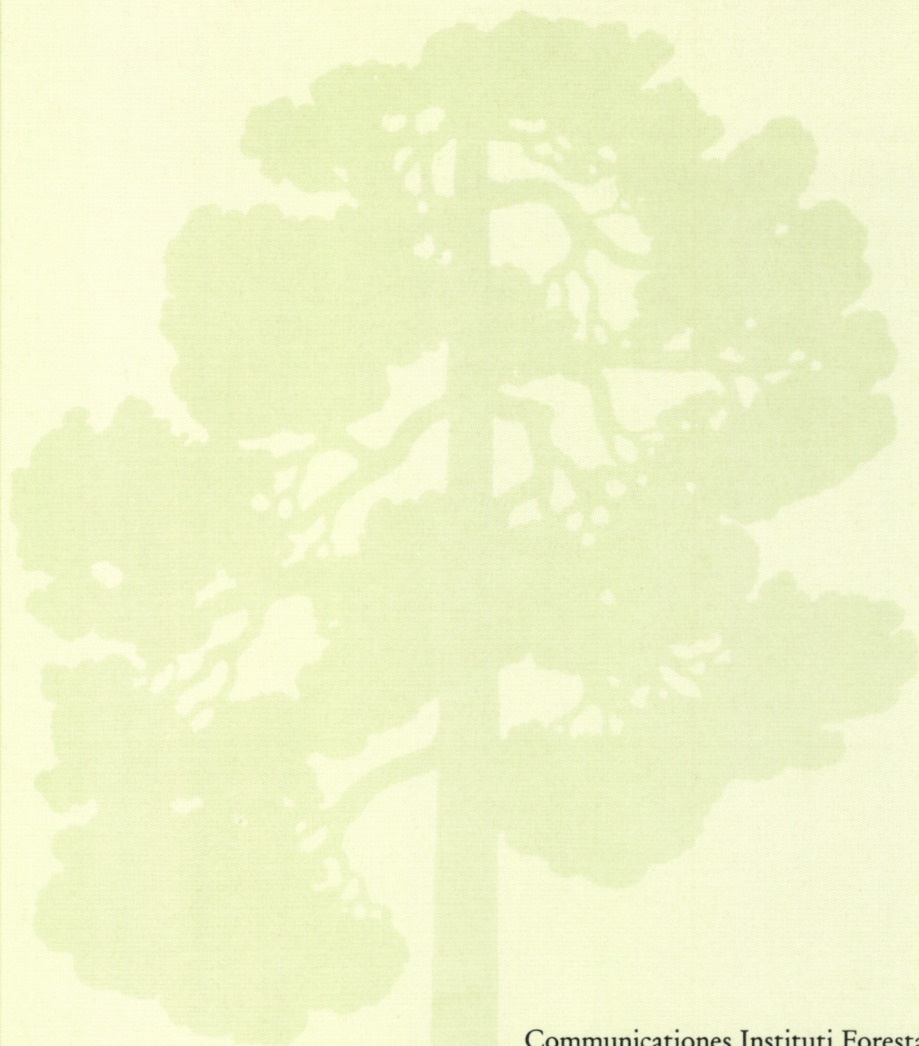
Total land area: 304 642 km<sup>2</sup> of which 60—70 per cent is forest land.

Mean temperature, °C:	Helsinki	Joensuu	Rovaniemi
January	-6,8	-10,2	-11,0
July	17,1	17,1	15,3
annual	4,4	2,9	0,8

Thermal winter (mean temp. < 0°C):	20.11.—4.4.	5.11.—10.4.	18.10.—21.4.

Most common tree species: *Pinus sylvestris*, *Picea abies*, *Betula pendula*, *Betula pubescens*





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- 140 Kaunisto, S. Effect of refertilization on the development and foliar nutrient contents of young Scots pine stands on drained mires of different nitrogen status. Seloste: Jatkolannoituksen vaikutus mäntytaimikoiden kehitykseen ja neulasten ravinnepitoisuuksiin typpitaloudeltaan erilaisilla ojitetuilla soilla.
- 141 Ahti, E. Water balance of drained peatlands on the basis of water table simulation during the snowless period. Seloste: Ojitettujen soiden vesitaseen arvioiminen lumettomana aikana pohjavesipinnan simulointimallin avulla.
- 142 Hokkanen, T., Heliövaara, K. & Väisänen, R. Control of *Aradus cinnamomeus* (Heteroptera, Aradidae) with special reference to pine stand condition. Seloste: Punalatikan torjunta erityisesti metsänhoidollisin menetelmin.
- 143 Juslin, H. & Tarkkanen, T. Marketing strategies of the Finnish forest industries. Seloste: Suomalaisen metsäteollisuuden markkinointistrategiat.

