

Intertribal Timber Council

Alternative Approaches for Cooperative Marketing



TFP Marketing Questions

- Should individual enterprises be responsible for selling their own forest products?

OR

- Could a cooperative &/or coordinated sales structure be pursued?

What is the first step?



Answer

- Identify your target markets?
 - Domestic Wholesale distribution?
 - Primary Industrial Manufacturer?
 - Stocking Distributor?
 - Home Center?
 - Export?
 - All of the above?
 - »What else do you need?



Establish GOALS

-examples-

- Extract Maximum Value from Tribal Forestry Enterprises.
- Promote awareness of Tribal Values and Tribal Timber.
- Create stable employment within Tribal Enterprises.
- Become a market presence !
- Profit.....!!!



What else do you need?

Structured Marketing Plan

Don't be satisfied with the status quo
There is never a finish line-always seek
incremental improvements



How does a structured marketing plan add value?

- Identifies Market Reach and limits
- Generates Market Intelligence
- Develops Interface with clients
- Comprehension of Logistics
- Finance requirements
- Identifies Administrative support needs



Benefits of individual
enterprises selling
their own forest
products?



PROS & CONS

Individual marketing

Pros

- Ultimate control of your own product.
- Direct relations with clients.
- Ability to develop own brand.
- Solely responsible for performance

Cons

- Singular Scale/slow development
- Ability to provide Trade Finance?
- Marketing Expense
- Singular Brand
- Time/limited market exposure
- Solely responsible for performance

Could a cooperative
&/or coordinated sales
structure be pursued?



PROS & CONS

cooperative marketing

Pros

- Larger scale that should enable marketing to seek broader/larger market segment.
- Collective Tribal Branding.
- Marketing expense spread over larger volumes.
- Can help provide continuity of supply and increased reliability in performance .

Cons

- Possible loss of individual brand.
- Start-up costs and operational details.



Tribal Timber / Forest Products Marketing

- **Marketing could be developed in many ways-**
- Marketing could be performed by individual Tribes.
 - Lowest initial cost
 - Lack of outward connectivity to broader national and International markets
 - Tribes with significant commercial (sawmill) enterprises now, typically have internal marketing.
 - Tribes without large commercial enterprises could miss market opportunities that a marketing-collective could present



Possible Alternatives




(A)-Sales Agents

- A sales agency could act as mill(s) representatives to specific activities such as home centers/large wholesale accounts.
- Agents do not finance or take title to the goods, they only negotiate sales.
- Typically agents do not get involved in logistics
- Fees for this service are usually lower than a more full fledged trading/marketing relationship.



(B)-Cooperative (Collective) Marketing

- Possibly organized through / with the ITC.
 - Organic operation with typical longer start-up curve, as it would be just like starting a new business.
 - A requirement of Cooperative effort across many Tribes/Products (Logs/Lumber/Panel/Value Added products) and regions.
 - Question of organizing trade finance will arise especially when dealing with Home Center business



(C)-Outside Sales and Marketing Company (aggregator)

- Engage an existing lumber marketing company on a fee for service or structured commission basis.
- What would this allow?
 - Quick access to domestic and international market.
 - Trade Finance which would be a specific requirement when dealing with Home Center accounts where Vendor Managed Inventories are a prerequisite. Well financed sales/trading companies can supply needed trade finance.
 - Care would need to be taken in the selection of the correct type of company, one who will grasp the opportunities that marketing of Tribal Timber, will offer.
 - As with many things in life, the lowest cost may not offer the best benefit



Contract Marketing Cont'd

- A few key requirements of an outside marketing company would be-
 - Selection Criteria should be developed if an outside marketing group were to be engaged
 - Financially sound
 - Strong marketing presence in regions targeted.
 - No areas of pre-existing conflict.
 - Clear and transparent governance
 - Identify and develop a competitive advantage




Considerations and Benefits in Cooperative Marketing:

- A Tribal Trade Association or Council would need to agree/convey a clear set Tribal Objectives for Branding and Marketing- for example,
 - Promote the brand to elevate visibility and unique values of Indian forest products.
 - Establish a goal to increase economic benefits from collective promotion of Indian forest products.
 - Provide a path of opportunity for Indian business enterprise development and career advancement.



Client's Benefit to Collective Marketing

- Single point of client contact reaching many Tribal production/forest entities.
- Provides a focal point of interest on Tribal Timber supplies.
- Establishes a channel for promotion of Tribal enterprises to individual clients, regions domestic and international markets.

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- **If Collective marketing is also to be pursued, an oversight (ITC?) group would want to identify the considerations that need to be addressed in a Marketing Business Plan, such as:**
 - **Working alongside the Trade Association or assuming a dual role as Trade Association and Marketing.**
 - **Value of Forest Certification-(FSC/SFI/PEFC/Other) and would 3rd party certification present market entry opportunities?**
 - **Market Analysis-Assessment of Potential for Premiums for Tribal Branded Products, Determination of Market Reach & Access Strategies**
 - **Proforma projections – Balance sheet of Income and Costs would need to be totally transparent, whether marketing was from a tribal collective platform or performed by an outside company.**
 - **Market & Customer profiles- (Home centers/mass merchandisers, wholesalers, architects, government) – matching tribal products with the right markets to extract maximum values. As well, develop and maintain a Customer data base.**



Within any marketing activity the following topics need to be understood and appropriate accountability assessed

- Operational Issues
 - Staffing Requirements
 - Terms of sale
 - Credit risk
 - Accounts Receivable Insurance
 - Communication, Accountability, & Transparency
 - Capacity to deliver products meeting guaranteed quality standards to the right market at the right time at the agreed price.



Financial issues

- Financing marketing & promotion depending on the format-
 - Short term – start up support
 - Long term – paying for marketing services (e.g., commission, fees, participative financing)
 - Trade Finance- Vendor Managed Inventories !!
 - Accounts Receivable



Markets

– Domestic

- Ability to coordinate specific products available from various Tribes (Logs/Lumber/Value added products)
- Economic scale (species, product, transportation)
- Timelines from order to delivery
- Terms of sale
- Quality specifications (Log Scaling/Lumber /Panel Grades (WWPA/WCLIB/SPIB etc)

– Export

- Economic scale requirements
- Transportation and handling requirements for exporting (e.g., fumigation, tariffs/cargo consolidation)
- Currency exchange risks
- Financing (letter of credit, cash against documents)



SUMMARY

- Identify target markets and products
- Define your competitive advantage(s)
- Understand your limitations-“do not over commit and underperform”
- Understand the capital requirements of any developing market/supply chain.
- Understand your market(s)
- Don't “settle”-seek incremental improvement

Strive

for

Excellence !

Thank you !