

Malaysian Wood Moulding Sector — Some Marketing Aspects

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ABSTRAK

Kertas ini membincangkan tahap penggunaan campuran pemasaran iaitu keluaran, harga, seranta dan tempat atau saluran agihan oleh sektor kayu kumai tempatan. Penetapan harga yang berasaskan tanggapan kualiti, dan harga semasa merupakan pendekatan yang biasa digunakan. Hanya 46.7% daripada jumlah responden menggunakan alat seranta. Daripada jumlah ini, 72% mengiklankan keluaran mereka dalam majalah perdagangan. Permintaan untuk kayu kumai adalah tinggi di luar negeri; sejumlah 60% daripada responden mengeksport kesemua keluaran mereka. Pemborong-pemborong merupakan pengagih dalam pasaran tempatan, manakala agen-agen di seberang laut mengendalikan eksport. Pembelian oleh pemborong-pemborong dan kerajaan merangkumi 64% daripada jualan tempatan. Penggunaan campuran pemasaran oleh pekilang sektor kayu kumai tempatan adalah minimum disebabkan oleh ciri kaedah pengeluaran, dan juga jenis pembeli sasaran. Sektor ini dicadangkan supaya menjalankan usaha pemasaran yang lebih strategik untuk mengekalkan pasaran sekarang dan menembusi pasaran baru. Ini perlu kerana keadaan perdagangan hasil kayu yang meleset, dan persaingan yang hebat dari negara pengeluar yang lain.

ABSTRACT

The paper discusses the extent to which the Malaysian wood moulding sector utilises the four marketing mix variables: product, price, promotion and place or channel of distribution. Perceived-value and going-rate pricing methods were the most common pricing methods used by the manufacturers in the sector. Only about 46.7% of the respondents utilised promotional tools to disseminate information about their products. Of this, about 72% advertised their products in trade magazines and journals. The demand for wood moulding remains high in the foreign markets; some 60% of the respondents exported their entire production overseas. Wholesalers and retailers were the immediate distribution channels in the local market, whereas the agents overseas took over the exports. The wholesalers/retailers and government purchases took up about 64% of the domestic sales. The utilisation of the four marketing mix variables were minimal due to the nature of the production method and the target buyers. The sector should adopt a more strategic marketing approach in an effort to maintain the existing markets and capture new ones. This is necessary in view of current depressed world trade in wood products and strong competition from other wood moulding producing countries.

INTRODUCTION

Wood moulding manufacturing represents a major wood-based secondary processing industry in Malaysia. Production for export has assumed an

increasing importance in the Malaysian forest products manufacturing sector. From 1983 to 1984, the export of wood mouldings increased by 45 percent in volume to 201,732 cu m and by

53 percent in value to about \$209 million (Anon., 1985). Trade figures show that Malaysian wood moulding is enjoying a good share of the world's wood moulding market, being the leader for hardwood mouldings in the U.S.A. and Australia.

The wood moulding industry started in the 60's with two pioneering mills in Selangor (Ahmad Naziree, 1983). The development of this sector has been slow due to lack of knowledge in technology and marketing. However, technology has improved with the use of modern machines and equipment, including moulding and dowelling machines and kiln drying equipment. With high speed and accurate machines capable of producing mouldings up to 61 to 91 m per minute, the wood moulding sector has definitely become export oriented.

Like most of the other export oriented forest products manufacturing sector, the effectiveness and stability of the wood moulding sector is heavily dependent upon the stability of the foreign markets. Firms engaged in international sales must make marketing decisions that conform to market conditions with which they are often less familiar and consequently possess less experience. These range from pricing to promotion and explanation of product usage to new markets. The international market environment is likely to change more quickly and erratically than a purely domestic one (Radebaugh, 1976). Therefore, it is very important for the local manufacturers to practise efficient marketing particularly in maintaining the existing markets and penetrating new ones.

Marketing is the provision of products or services designed to meet the needs and wants of target markets, and arranging for pricing, distribution and promotion (Buell, 1985). It is basically a function that primarily determines (i) what the product or service shall be, (ii) how it shall be presented, promoted and distributed and (iii) how it shall be priced. Marketing can be viewed as a link between production and consumption. A marketing strategy is needed to actualise these factors into sales to the customers.

Marketing management or decision making places emphasis on a set of four elements commonly termed as the marketing mix or the 4Ps of marketing. They consist of product, price, place or distribution and promotion. To operate efficiently

and to market the products successfully, appropriate decisions on the mixture of the 4Ps are important, after target markets have been identified (Davis, 1981). A thorough understanding of the market and the marketing aspects, especially on the marketing mix variables, is thus very important.

This paper describes the extent to which the wood moulding manufacturers utilise the marketing mix variables in marketing their products.

MATERIALS AND METHODS

Data were obtained through structured postal questionnaires and personal interviews. Questionnaires were sent to 110 local wood moulding mills, representing about 70 percent of the total wood moulding mills in the country. Table 1 shows the distribution of the wood moulding mills where the questionnaires were sent. The questionnaire consisted of questions on product pricing methods, types of promotional programmes used, types of market and customers served and methods of sales. The format of the questionnaire is shown in Appendix 1.

Only 15 questionnaires or 13.6 percent of the 110 questionnaires posted were returned. In view of the poor response to the postal survey, personal interviews using the same questions as in the questionnaires were conducted with operators of wood moulding plants in the Federal Territory of Kuala Lumpur and Selangor. Fifteen out of the 46 registered plants were visited to gather additional information required.

The responses by the wood moulding manufacturers to the postal survey and the personal interviews were summarised and analysed.

RESULTS AND DISCUSSION

The characteristics of the processing mills is discussed first followed by the four elements of the marketing mix. The discussion is based on the 30 respondents or 27.3 percent of the mills that responded to the study. The poor response to the postal survey can be attributed to two major factors: some of the questionnaires did not reach the wood moulding plants due to change in addresses and, some of the returned questionnaires were not answered completely or adequately.

Mill Characteristics of Respondents

About 93.3 percent of the respondents' mills

TABLE 1

Distribution of wood moulding plants where questionnaires were sent of and number of respondents according to states.

State	Number of Plants	Number of respondents
Selangor	23	10*
Federal Territory	23	11*
Perak	5	1
Pahang	10	—
Kedah	2	1
Penang	2	1
Johore	8	1
Kelantan	6	—
Terengganu	8	1
Negeri Sembilan	5	—
Jabah	7	—
Sarawak	11	4
Perlis	—	—
Total	110	30

*includes respondents to the personal interviews

operated on one shift per day, and two mills operated on two and three shifts daily. Most of the one-shift mills employed about 200 to 250 workers. Fifty percent of the production of these mills was mechanised.

Production appears to be concentrated around the popular timber species as in other wood-based industries in the country. The major timber species utilised consisted mainly of the *Shorea* spp. (both the Dark and Light Red Merantis) and *Dipterocarpus* spp. (Keruing). Other species used include *Palaquium* spp. (Nyatoh), *Gonystylus* spp. (Ramin), *Sindora* spp. (Sepetir), *Dryobalanops aromatica* (Kapur) and *Intsia palembanica* (Merbau). Besides dominating the log production of this country (Anon., 1985b), these species have also become important in the wood moulding sector because they possess other wood properties such as workability and machinability, natural beauty and finally dimensional stability. The Light and Dark Red Meranti timber species are used for general purpose mouldings (Anon., 1983). Rubberwood (*Hevea brasiliensis*) is also now being used but the quantity is still relatively very small.

The main forms of raw material used by the wood moulding sector are sawntimber and plywood. A survey conducted by the Malaysian Timber Industry Board (MTIB) indicate that the sector utilised a total of 401,000 and 409,000

cu. m. of sawntimber in 1981 and 1982, respectively (Anon., 1985c). At full capacity operation, the sector is estimated to require about 651,000 cu m annually. The survey also reported that a total of 2,622 cu m of plywood was consumed by the moulding mills in 1982. The plywood used were mainly 4-mm thick plywood of various sizes.

Marketing Aspects

Product: Kotler (1983) classifies industrial products into three groups according to how they enter the production process: materials and parts, capital items, supplies and services. Wood mouldings can be grouped under manufactured component materials which are usually fabricated further into other products. Malaysian wood mouldings come in various sizes and profiles such as casings, architraves, skirting boards, door frames, flat jambs, door stops and other door and louvre components such as louvre blades. Truck or container floorings are made from *Dipterocarpus* spp. and deckings for swimming pools are made from *I. palembanica* timbers. Other products include stair treads, window frames, drawers, balcony rails, table legs, dowels and wall panelling or cladding.

Having identified the market and produced the relevant product, the manufacturer should next decide how to utilise the other three marketing mix variables to market his product successfully.

Product Pricing

There are three basic reference points in pricing: (i) the value of the product to the customer; (ii) the costs the seller must incur in manufacturing and/or marketing the product; and (iii) competitive price behaviour. The first is the most important reference point as price indicates the value of the product to the buyer as against the value of other options. Competitive prices and costs tend to set the upper and lower limits, respectively (Corey *et al.*, 1985).

Various pricing methods are employed by the wood moulding manufacturers. The major pricing methods used are (i) perceived-value pricing, (ii) going-rate pricing, (iii) cost-oriented pricing and (iv) market-oriented pricing.

The long established and recognised quality of Malaysia's tropical hardwood is exploited by

the country's wood moulding manufacturers. This is reflected in the pricing methods used by the respondents. Perceived value pricing can be considered the main pricing method in the wood moulding sector. A total of 46.7 percent of the respondents indicated using such a pricing method. About 66.7 percent and 33.3 percent of the domestic and export oriented manufacturers used the perceived-value pricing method, respectively. As long as the manufacturers and exporters of tropical hardwood products, including the wood moulding sector, maintain the quality of their products, selling the products based on their perceived value or quality would present an advantage to the Malaysian wood products trade.

The domestic-oriented firms also utilised the going-rate and cost-oriented pricing methods. A manufacturing sector, consisting of competing firms which are producing almost similar products, has to take into account the prevailing market price in setting the price of its products. As mentioned earlier, the cost of production should set the lower price limit, while the market price sets the upper limit. In an industry where no product differentiation is apparent, a competing firm needs to sell its product at the current price. The firm will not benefit by charging higher than the going rate unless it offers a better quality product over others. In industrial buying, low price may not produce a sale as buyers may pay more to manufacturers with a reputation of quality, consistency and on-time delivery (Buell, 1985).

Besides the perceived-value pricing, the export-oriented plants also used a combination of the going-rate and the perceived-value pricing methods. Competition with other tropical hardwood moulding producers necessitates such a strategy. Other wood moulding producers/exporters include Indonesia, Thailand and Singapore. This aspect is further amplified by the competition from softwood mouldings made from pines, Douglas fir and hemlock, marketed by the European manufacturers. However, the perceived quality of the tropical wood products provides a relative advantage, if not an absolute advantage, over the softwood mouldings, provided that the wood moulding manufacturers in Malaysia maintain the quality of their exported products.

Promotion.

Promotion is the communication function of

marketing. It is a process of presenting messages that hopefully will help to sell a product or service (Radebaugh, 1976). Three major tools of promotion are advertising, sales promotion and publicity (Kotler, 1983).

Some 46.7 percent of the respondents indicated having promotional programmes to promote their products. It is significant to note that more export-oriented plants engaged in promotion than the local-oriented manufacturers. About 56.5 percent of the export-oriented firms had promotional programmes as compared to only 33.3 percent of the domestic oriented firms. The main promotion programmes used were advertising in magazines and trade publications, personal selling through a sales force, catalogue mailing to potential buyers and participation in trade or product fairs, either locally or overseas.

Communication directed to particular audiences, especially for industrial goods such as moulding is more effective than those directed to the general public. This is reflected in the types of promotion programmes used by the respondents. About 46.7 percent of the respondents indicated that they advertised their products in magazines and trade publications, beside advertising in newspapers. As industrial markets are 'thin' or 'vertical' and composed of relatively few customers, magazines, trade journals or catalogues facilitate the buyers' job of determining sources of products.

Magazines or trade journals are subscribed to because of their specialised editorial content. Therefore, any advertisement in a magazine that is editorially compatible with the manufacturer's and/or advertiser's market will be more effective, and has a greater chance of disseminating the information to the intended customers.

Personal selling through employment of a sales force is the next most widely used promotion method. Twenty percent of the respondents indicated having used this method to promote and sell their products. Employing a sales force is of paramount importance in industrial marketing as it can deal with the whole process of selling to a customer to closing the deal and collecting payments. It is far more flexible than other forms of promotion but it is, however, an expensive way of communication (Anon., 1979).

Other promotional efforts such as publicity

and participation in trade or product fairs are not as important as the other two tools discussed above. Such an effort has been undertaken quite extensively by MTIB. It has been participating in trade fairs promoting the country's wood products, publishing its own Timber Trade Review Journal with emphasis on every wood industries sector in its quarterly issues and having its own exhibition center in Kuala Lumpur which displays almost all of the country's wood products.

Lack of promotion in the domestic marketing of moulding can be attributed to the types of customers served. The wholesalers/retailers and government agencies represent the major buyers in the local market. About 76 percent of the domestic production cater for these buyers. Selling to intermediaries, especially to wholesalers/retailers, does not require promotion. The wood moulding manufacturers in general are producing according to their customers' orders. Being market or customer oriented in production is a sound strategy, especially when no major changes in the production line are required. The only envisaged disadvantage would be the inability to produce mouldings of specified profiles required by the customers because of the inflexibility of the production lines.

About 97 percent of the total respondents indicated that the design of the product or a particular item produced is based on buyer's specifications. It thus relieves the wood moulding manufacturers of the need to promote, and of course, finding buyers for their products.

Market and Channel of Distribution.

Basically, the Malaysian wood moulding sector is export oriented. About 60 percent of the respondents exported their entire production overseas, 30 percent locally and the rest supplied both markets. About 27 percent of the respondents indicated a shift towards the local market in the future. This reflects the heavy dependence on export market by the wood moulding sector, as in the case of other wood-based manufacturing sectors in the country. The main destinations of the country's wood moulding exports have been the U S A, the United Kingdom and Australia.

The domestic market for wood moulding is relatively under-developed, due to lack of emphasis on the domestic demand for the product.

A major part of the domestic demand for wood products, including wood mouldings, is located in the more heavily populated and industrially developed areas of Peninsular Malaysia. In East Malaysia, the market is too small and insignificant relative to the sector's production potential. Another factor that contributes to the low demand for wood mouldings, not excluding other wood products, in the country, is the prejudice against wooden houses in the housing and construction by-law.

The wholesalers/retailers and government represent the major consumers in the local market. Sales to the wholesalers/retailers amount to about 52 percent of the respondents' production. The government takes up another 24 percent. Individual householders only constitute a small 8 percent of the domestic buyers.

About 25 percent of the domestic-oriented firms have their own showrooms to display their products to the public. About 74 percent of the domestic sales are made through orders placed by the buyers. Since the majority of the buyers in the domestic market are the wholesalers/retailers, it is assumed that they place the orders with the manufacturers.

The wholesalers/retailers play an important role in the distribution of the wood mouldings in the domestic market. However, agents represent the major distributor in the export market. Tropical hardwood products, on the whole, are largely distributed by the agents and importers overseas (Ong, 1976). These middlemen are used because of their efficiency in making goods widely available and accessible to the targetted market.

In general, the important sales method in the wood moulding sector is through orders from customers. Seventy two percent of the exports by the respondents are through specified orders made by the importers themselves. The balance is taken up by orders through agents appointed by the manufacturers.

CONCLUSION

The Malaysian wood moulding sector, being both an export oriented and industrial wood producing sector, does not emphasize the use of the marketing mix variables in marketing its products. Some firms indicate the use of these variables but this is confined to the more progressive and big manu-

facturers. Furthermore, some of the plants do not have a marketing unit to handle marketing activities.

As long as the wood moulding manufacturing sector remains as it is today, the implementation of a complete marketing concept is envisaged to be minimal in the future. This can be attributed to the current production characteristics of the sector. The production of mouldings is based on orders specified by the customers, both for the local and export market, thus reducing the need for the manufacturers to deal with marketing in its true sense.

A manufacturer cannot depend on existing markets alone, forever, as it may be eroded away by competition or consumers may lose interest in the products that are being offered. The wood moulding manufacturers should reconsider their marketing approach in maintaining their existing market and penetrating new ones in view of the current depressed world trade in wood products and strong competition from other tropical wood moulding producers. These countries not only produce high-quality wood mouldings but also market their products at a lower price than that of Malaysia's wood mouldings.

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CONCLUSION

The Malaysian wood moulding sector, being both an export oriented and industrial wood producing sector, does not emphasize the use of the market. The marketing approach in marketing its products is limited to the use of these variables. This is confined to the more progressive and the manu-

facturers. The Malaysian wood moulding sector is export oriented. About 60 percent of the export demand is from the industrial sector. About 70 percent of the respondents are through export orders. The balance is made by the importers. The balance is taken up by orders through agents appointed by the manufacturer.

The case of other wood-based manufacturing sectors in the country. The main destinations of the country's wood moulding exports have been the U.S.A, the United Kingdom and Australia.

The domestic market for wood moulding is relatively underdeveloped due to lack of emphasis on the domestic demand for the product.

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MARKETING ASPECTS OF THE MALAYSIAN WOOD-BASED
INDUSTRY – THE WOODEN MOULDING MANUFACTURERS.

Name of the Company: _____

Address: _____

Telephone: _____

Name of Respondent: _____

Position: _____

NOTE: FOR QUESTIONS WITH BOXES, PLEASE CHECK APPROPRIATE BOX (ES)

Section A: GENERAL INFORMATION

1. a) Year of establishment: _____
- b) Year of first production: _____
[if different from (a)]
2. Please indicate the number of workers employed at this company.
 - a) Managerial employees: _____
 - b) Production workers: _____
 - c) Total employment: _____
3. Working days _____ per year _____ per month.
No. of shifts per day _____ . Hours per shift _____ .

SECTION B. PRODUCTION

1. Please indicate type of raw material used by the company:

<input type="checkbox"/> Timber	<input type="checkbox"/> Rubberwood
<input type="checkbox"/> Others (please specify: _____)	

2. If timber used, please indicate species:

- a. _____
- b. _____
- c. _____
- d. _____
- e. _____
- f. _____

3. Mill capacity at present: _____ linear meter.

4. Please indicate type of products produced and their price range:

PRODUCT TYPE	PRICE RANGE (\$)/LINEAR METER
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- a. _____
- b. _____
- c. _____
- d. _____
- e. _____

5. In your opinion, the production is mechanized at _____ level.

- less than 10%
 10-40%
 50%
 More than 50%

Section C: PRICING

1. How do you price your products?

- "going-rate pricing", that is, the current "average" price charged by other companies for a particular item/product.
- "perceived-value pricing", that is, own price according to design, quality and other special features of the product.
- other methods of pricing (please specify: _____)

Section D: PROMOTION OF PRODUCTS.

1. Do you have any promotion program to promote your product?

- Yes
 No (please proceed to next section)

2. Please indicate type of promotion program utilized:

Advertisement in mass media

- a) In the:
- TV
 - Newspaper
 - Magazine/Trade Publications

b) How often do you advertise? _____

- Personal selling, that is, employing salespersons.
- Direct mail, by sending catalogues to potential buyers.
- Participation in local and overseas trade or product fairs.
- Others (please specify: _____)

3. Please indicate method of budgetting for promotion programs:

- as a percentage of expected total sales volume.
- according to needs and judgement.
- as a percentage of expected sales volume for each particular item.
- others (please specify: _____)

Section E: MARKET

1. Please indicate major market for the products

MARKET TYPE	% OF TOTAL PRODUCTION
<input type="checkbox"/> Foreign	_____
<input type="checkbox"/> Local	_____

2. Do you perceive any change of the market type to be served in the near future?

Yes (Please indicate change in percentage of total production to be supplied for the change in market served:

Foreign: _____ %, Local: _____ %).

No

3. If local sales, please indicate buyers/customers:

- Government contracts
- Other firms (please specify: _____).

- Wholesalers/retailers
- Individual householders
- Others (please specify: _____).

4. Do you have your own sales outlet or showrooms?

- Yes
- No

5. If no, please indicate method of sale

- through customer orders and specifications
- customer coming to own plant and selecting available items
- others (please specify: _____)

6. If there is foreign sales, please indicate method of sales:

- through orders made by importers
- through own agent or sales representative
- others (please specify: _____)

Section F: RESEARCH AND DEVELOPMENT

1. Please indicate method of choosing the design for a particular item or product:

- according to buyers/customers orders.
- according to own expertise and skill.
- others (please specify: _____)

2. Do you carry out any monitoring of

- a. Price? Yes No
- b. Product design? Yes No

3. Please comment on the future of the wooden moulding industry in Malaysia and identify the problems of marketing your product. Your view on this matter is greatly appreciated.

THANK YOU FOR COMPLETING THIS QUESTIONAIRE.