Born 86

FLOWERING PLANTS

STABY

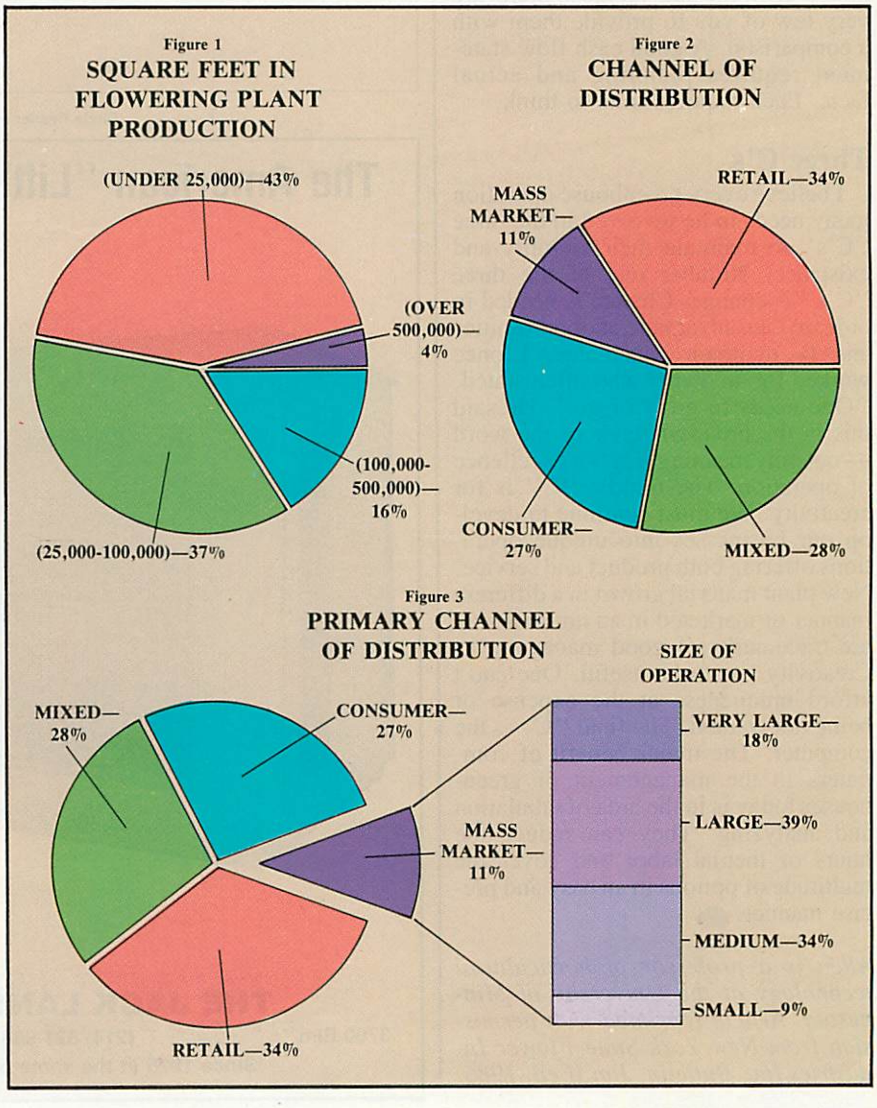
Who are the flowering plant growers and how are they marketing their product?

BY SANDRA L. BORN, THOMAS L. PRINCE, DAVID A. SCHILLING, JOHN G. SEELEY

A descriptive profile of the flowering plant industry has been developed on the basis of demographic and marketing information collected as part of the Greenhouse Operations Management Project at The Ohio State University.[1] The data were collected to better understand the industry being studied as well as for inputs to a potential computerized crop scheduling model. The flowering plant industry, for purposes of this research, was defined as those firms that produced potted flowering plants, bedding plants or hanging baskets.

A mail survey was distributed in November 1984 to more than 1200 flowering plant growers across the United States to gather information on industry characteristics, marketing practices and types of crops being produced. Eight hundred and five, or 67 percent of the surveys, were returned, representing a very good response rate; 744 were usable. The other respondents indicated they did not grow flowering plants. Databases were designed to store the information collected, making it possible to easily access, sort, and analyze the data by various criteria.

Since most U.S. Census of Horticulture Specialties[2] statistics combine both flowering plant and cut flower producers, little demographic and marketing information exists exclusively for flowering plant producers. In this survey, that information was collected by including questions to determine number of years in flowering plant production, number of employees, number of production locations, total square



scarcely think what needs to be done tomorrow, much less next year. Planning, good planning, suffers. I was recently in a greenhouse visiting with the owner and on the wall in his office was a printed poster that stated, "I must take the time to THINK for doing is getting in the way." When questioned about this poster he related that it took him forty years to decide that the best time investment he makes is the time to think. He regularly sets aside a half day every week in which to do nothing but think and plan.

Another thing that I have observed is that many operators allow sentimental or emotional feelings to prevail over hard facts. We seem to be prone to this problem. We all have certain flowers or colors we like or dislike. We tend to satisfy our feelings rather than what the cash account figures show or the market demands.

Finally, I find that very few growers project a reasonable cash flow statement ahead of time. Today, lending institutions are demanding statements but they are seldom in a position to determine if the statement is reasonable or not. After all, few of them are greenhouse growers and at most there are very few of you to provide them with a comparison. A good cash flow statement requires planning and actual facts. Each requires time to think.

Three C's

I believe every greenhouse operation today needs to be involved in the three "C's" to maintain their viability and existence. Number one of the three "C's" is change. Change is needed in order to take advantage of opportunities and to maintain excellence. I once worked for an owner who often stated, "One needs to grow or go." He said this in the broadest sense of the word — not only meaning size but excellence of operation. The middle "C" is for creativity. We must continue to develop our businesses into unique operations offering both product and service. New plant material grown in a different manner or marketed in an unusual way are trademarks of good management. Creativity has to be useful. One can't afford uniqueness at the expense of being not wanted. The final "C" is the computer. The major benefit of computers in the management of greenhouses today is in the area of tabulation and analyzing. They can reduce the hours of menial labor and cover the multitude of options in an easy and precise manner.

Allen is a professor of horticultural technology at the University of Minnesota. Article reprinted with permission from New York State Flower Industries Inc. Bulletin, Jan./Feb. 1986.

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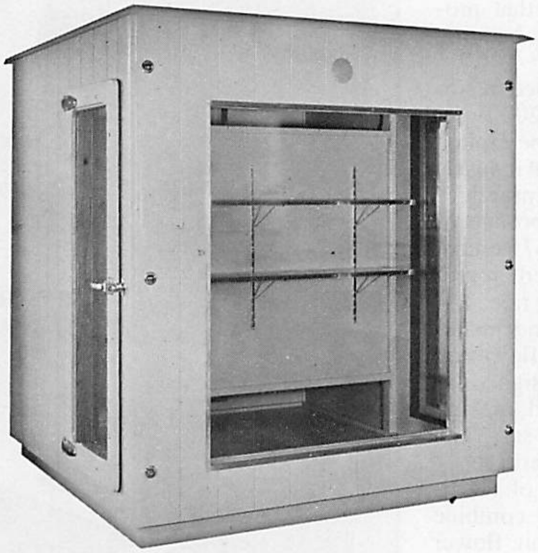

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feet of bench space devoted to flowering plant production, and channels of distribution used for marketing flowering plants. The industry demographics collected for the Greenhouse Operations Management Project supply useful information by themselves, but when combined with information on the current industry marketing practices provide a view of the relationship between these two dimensions.

Industry Demographics

Geographical Location. The 744 survey respondents located in 48 different states were categorized into the 9 USDA geographical regions. The percentage of respondents per region were: New England, 6 percent; Middle-Atlantic, 14 percent; East North Central, 36 percent; West North Central, 10 percent; South Atlantic, 12 percent; East South Central, 5 percent; West South Central, 6 percent; Mountain, 4 percent; and Pacific, 7 percent. When comparing these respondents with the Census of Horticulture Specialties statistics, they appeared to be representative of the floral industry in general. However, no direct comparison can be made since the Census combines flowering plant and cut flower producers. The results of the Greenhouse Operations Management Project survey indicated the largest firms, in terms of square feet in flowering plant production, were concentrated in the South Atlantic, the East North Central, and the Pacific regions.

Size of Production Facility. The size of the production facility was defined as the total number of square feet of bench space devoted to flowering plant production. The survey respondents represented greenhouse operations ranging from less than 10,000 square feet to over 1,000,000. The firms were classified as small, medium, large, or very large. The survey results (Figure 1) show that 43 percent of the respondents were involved in small greenhouse operations, 37 percent were medium sized, 16 percent were large, and 4 percent very large.

Number of Locations. The survey determined the number of separate locations that each firm had in flowering plant production. Four out of five of the respondents had only one location, while two-thirds of those with multiple locations, operated two sites.

Years in Production. In regard to the number of years a firm had been in flowering plant production, a fairly even distribution was observed across the various categories. This indicates an industry with a diversity of experience including almost as many older established operations as new enterprises. One fourth of the respondents indicated they had been in business 10 years or less, while one fifth had been in business over 50 years, probably representing third generation operations. Of those in business less than 10 years, two-thirds had less than 25,000 square feet in flowering plant production. The results suggest that, initially, most new businesses in the industry begin as relatively small operations or devote only a small portion of their bench space to flowering plants.

Number of Employees. The survey results indicated that nearly nine out of ten of the firms categorized as "small" employed fewer than five full-time employees, while the majority of medium-sized firms had between 5 and 20 people working in flowering plant production. Two-thirds of the respondents with large operations had 11 and 50 full-time employees, and almost 80 percent of the very large firms employed more than 50 people. From the analysis of the data, it appears that small and medium size firms had on the average one full-time employee for each 5,000 square feet of flowering plant production area. As the production area approaches 100,000 square feet and over, that ratio changed to approximately one full-time employee per 10,000 square feet.

Distribution Channels

A distribution channel is a method or system for moving products from the producer to the ultimate consumer. The three major channels of distribution for flowering plants were defined as the following; 1) from producer to retail florists and garden centers, 2) from producer to mass markets outlets, and 3) from producer direct to consumer. A small percentage of plants going to retail florists and garden centers may be channelled through a wholesale florist. For this profile, when 60 percent or more of a product was distributed through one channel, it was considered a primary channel of distribution. As shown in Figure 2, one third of the surveyed producers marketed primarily to the retailer, while one in ten indicated that the major portion of their flowering plants was distributed to mass market outlets. Direct to consumer was the primary distribution channel for more than a quarter of the survey respondents; while a nearly equivalent number had a mixed marketing strategy, with a portion of their product going through each of the three channels.

> "One third of the producers marketed primarily to retailers, while one in ten said the major portion of their product was delivered to mass market outlets. Direct to consumer was the primary distribution channel for more than one fourth of the producers, while nearly the same number had a mixed marketing strategy."

Retail Channel. The respondents distributing their product to retail flower shops and garden centers fall into the following size categories; only one percent had over a half million square feet, while four out of five firms had less than 100,000 square feet in flowering plant production. For greenhouse operations concentrating on marketing to the retail segment of the industry, 100,000 square feet of bench space allocated to flowering plants appears to be sufficient.

Mass Market Channel. The results of the survey confirm that over 50 percent of the firms marketing primarily to mass markets are either large or very large greenhouses with over 100,000 square feet devoted to flowering plant production. (Figure 3). Many mass market outlets require a large volume of product, so growers who decide to focus on the mass market segment need to have a large enough facility to meet the demand. Only nine percent of the small operations indicated they marketed the majority of their flowering plants to mass markets.

Direct to Consumer Channel. Marketing directly to the consumer was the

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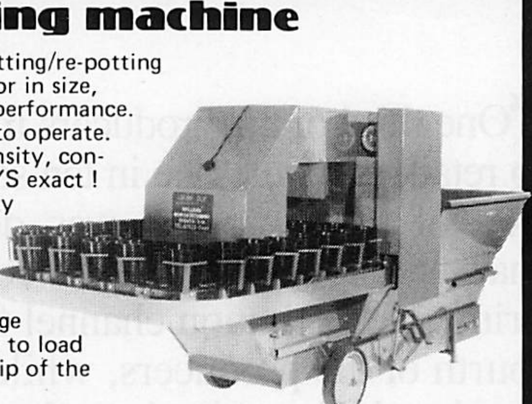

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primary distribution channel used by small operations. Of those marketing directly to the consumer, 24 percent had between 25,000 and 100,000 square feet and 73 percent had less than 25,000 square feet. The results suggest that an operation with less than 25,000 square feet of production area devoted to flowering plants is adequate when catering to this market. Most of these are probably retail-growers.

Mixed Channel. Firms that split their product distribution over two or three channels were considered to have a mixed marketing strategy. This type of strategy was employed by 28 percent of those surveyed. Of those, almost three-fourths had less than 100,000 square feet in flowering plant production. These firms represent either diversified operations that rely on multiple channels for their product distribution, or firms attempting to develop a primary channel.

Summary

The Greenhouse Operations Management Project was the first research project to conduct a nationwide survey of the flowering plant industry. The survey was used, in part, to collect demographic and marketing information from growers and to provide an improved understanding of the industry. Another major benefit of the research was the development of a descriptive profile of the U.S. flowering plant industry, thus allowing the opportunity for each firm to compare itself to industry standards.

This project, enhanced by the development of computerized databases for storage, management and further analysis of the data, provides a solid basis for future research. It also establishes a foundation for developing continuing studies to track industry trends. In addition, due to easy retrieval and maintenance of information stored in computerized databases, it will provide a valuable source of information for the entire flowering plant industry.

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2. 1979 Census of Horticulture Specialties, Volume 5, Special Reports, Part 7. U.S. Department of Commerce, Bureau of the Census. 1978.

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