

## Marketing Nursery Products<sup>1</sup>

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### Why Marketing?

Marketing has become an industry buzzword, but few firms use the concept effectively. The purpose of this paper is to present the logic and rationale behind marketing, and then to discuss four basic steps necessary in developing a workable marketing program.

Two very compelling reasons to market your products or services are to stay in business and to earn money. This may sound intuitively obvious, but it really is not. First of all, many nursery operators are not in business for the primary reason of earning money. Some do it as a hobby, or simply start a nursery or garden center to supplement their income. A far larger group of individuals strive unsuccessfully to create profitable businesses. To underscore this point, consider for a moment the thousands of business failures that occur in the United States annually. Another class of firms operate right at the margin, just barely surviving or avoiding bankruptcy. Few businesses adopt sound business management practices. Consider the fact that to make money you must earn *positive profits*. A straightforward definition is:

$$\text{Profits} = [\text{Revenues} - \text{Costs}]$$

Whether profits are positive depends on revenues and costs. From the equation, there are two options to increasing profits:

1. Keep revenues as large as possible.
2. Keep costs as small as possible.

In addition, you need to have a clear understanding of *costs incurred*. Costs of running a business fall under two broad categories: overhead (fixed) costs and variable costs.

Overhead or "fixed" costs do not change as you alter your output. Examples of overhead costs include what are known as the "DIRTI 5":

1. Depreciation of equipment
2. Interest on investments (borrowed capital)
3. Repairs on structures and equipment
4. Taxes
5. Insurance

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Variable costs vary, or rise and fall, with changes in your output. Inputs such as fertilizers, pesticides, containers, potting mix, liners, and labor are examples of variable costs.

Your job as a business manager is to *know your costs* and to *keep the costs in line* with your revenues. Very simply, make sure that your cash inflow exceeds your cash outflow. Revenues play a key role in making that happen. Revenues can be defined as the selling price of the product(s) times the number of units sold. Therefore revenues can be increased by selling more product(s) and/or by raising the prices. Marketing can be an effective tool to accomplish both of these objectives.

## What Is Marketing?

Marketing can be defined as a plan or *strategy* for increasing *profitable* sales. Put differently, if your business is operating profitably, cash brought into the business through sales (inflow) should exceed the total cost of running the business (outflow). Two aspects of this definition demand emphasis:

- Point 1: Do not take "selling" for granted. You may be convinced that your product or service is the best available, but your intended customers may not agree with you. With competition intensifying daily, there are no guarantees about what will sell tomorrow.
- Point 2: Although making a sale can be difficult, selling *profitably* frequently demands even more effort. Many firms make selling appear easy by lowering their prices. On the other hand, each year thousands of firms literally sell themselves out of business using that approach. A more appropriate objective is to entice customers into purchasing at a price that covers total costs -- both fixed and variable.

These two simple points are the main reason for implementing a marketing program. Peter Drucker (1985, p.63), a prominent authority on business management issues, says that "competitive and ever changing marketing is so basic that it cannot be considered a separate function... It is the whole business seen from the point of view of its final result... from the *customer's point of view*." The

implications of this statement lead us to an inescapable conclusion:

*Principle #1. To be successful, marketing must come at the beginning of the production process, not at the end.*

In other words, have your customers in mind *before* making major production, selling, or buying decisions. In today's highly competitive and ever changing marketplace, it is no longer enough to provide quality products. The United States relied on this strategy for years because there was little competition. Globalization has changed everything, so business success requires greater effort on your part, or anyone else who wishes to compete in a global economy. How your business stacks up in the longer term depends on what actions you take now.

Have you heard the saying, "*There are three types of companies: those that make things happen, those that watch things happen, and those that wonder what happened?*" Which one of these best describes your operating style? If you are successful, undoubtedly you believe in making things happen by utilizing some form of marketing program. We call this a "proactive" business approach. Now let's proceed and examine the four basic steps that constitute the marketing process.

### **Step 1. Identify Market Opportunities**

Good business managers always consider carefully: (1) *What* they are selling, and (2) *Who* their customers are. Naturally there is a strong linkage between "what" and "who" in this scenario. The purpose of these seemingly trivial questions is to match the special features of a product or service with the preferences of the consumer. The closer the match, the easier the sale and the more valuable the product. Remember, only the *consumer's* perception determines value.

The process of matching characteristics with preferences involves segmenting both the products and the consumers. For example, if you own a garden center and wish to sell plants, how do you decide which plants to buy? You speculate on what you think potential customers may want. What they want will depend on what types of customers frequent your

store. Since there are any number of choices, it is important to have a categorizing procedure. How you segment the market, or how far you choose to divide it, is left up to your own good judgment. What is important is that you end up with what you have to offer.

The next task is to select one or more of these market niches. Once you have reduced your choices to a manageable few, it would be helpful to investigate these niches for their potential opportunities. How competitive are they? Are there already a number of established businesses? Do the businesses appear profitable? Find out. Select the ones you believe have the most earning potential as well as acceptable levels of risk.

### Step 2. Examine Buyer Groups

The next step is to determine who your customers are. As mentioned previously, your customers will, in large part, be determined by the type of product you have. Customers (buyers) have different needs, wants, and expectations. Using the example for ornamental plants, a number of potential buyer groups are available (Figure 1). Clearly the types of customers who shop in a mass merchandising stores will not be the same as those frequenting an upscale garden center. One would expect mass merchandise store shoppers to be most concerned about price, whereas upscale garden center shoppers (e.g., an interiorscape firm purchasing indoor plants for an exclusive fashion mall) would be most concerned about quality. The point is, knowing what your customers *want most* can make the critical difference over the competition. This of course hinges on your capacity to provide the type of product or service demanded. Spreading yourself too thin by diversifying into numerous product lines could undermine your ability to do so. This brings us to a second important principle:

*Principle #2. Failure to clarify your target market, or attempting to satisfy too many markets simultaneously, may result in satisfying none of them well.*

A classic debate is whether you should "put all your eggs in one basket." From a marketing standpoint, it may make sense to diversify in order to

spread or reduce risk. When one product line is not selling well, perhaps another will. Having on hand a good selection of new plants is a good way to draw and keep customers. The problem comes in at the production-maintenance end. Many varieties have very distinct needs in terms of propagation and care. The more varieties you have, the more knowledgeable you and your staff must be to avoid losing your investment. So the tradeoff involves keeping the level of product diversity in line with the resources you have at your disposal.

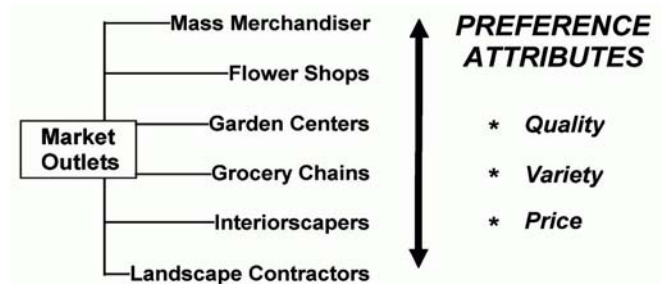


Figure 1. Who are your customers?

### Step 3. Examine the Competition

Once your target market has been identified, it is time to look around at your competition, assess their strategies, and then find ways to make your company stand out as something different and better. There are two Critical Marketing Questions (CMQ) central to this objective: (1) Why should potential customers buy from me? and (2) What does my business offer that competitors do not? If you are uncertain about the answers to these questions, then you have some work to do. A good place to start is with two key variables over which you have control: (1) your product and (2) your service. Let us now examine these two important variables more closely.

#### Product Characteristics

How do you go about distinguishing a product that all your competitors are selling? You do it by evaluating and assessing the product's special features or attributes. Major product attributes include quality, selection, and price. Use quality as a mechanism to impress on the customer the unmistakable perception of value. For example, criteria for plant quality could be color, size, fullness, and vigor. How a plant is "packaged" could also influence value. We are not referring to actual

physical packaging alone, but everything that is included in making the product distinctive and desirable. For instance, including an attractive brochure with a houseplant, which provides helpful care information, conveys to customers that satisfaction with the product is meant to continue after they walk out the door. The consistency with which a product or service is offered is another dimension to the quality issue. This affects your image and reputation over time and goes a long way towards encouraging repeat customers.

Offering variety is another important way to get an edge over the competition. In spite of what you may think, most businesses operate conservatively. In difficult economic times, such an approach has risks of its own. Selling new or exotic products may demand additional effort but the payoff can be worth the trouble. Market your new plants by talking to customers, finding out what they want and showing them what you have. Educate your staff about the new plants, advertise through different media, and display samples of your new products in visible, well laid out areas.

In addition to quality and selection, price is a third way to separate your business from others, and this does not always imply setting a low price. Ultimately, whether a sale will materialize depends on the perceived value of the product to the customer, and the extent to which the price matches that perceived value. First, it is up to the seller of a product or service to educate the buyer about the advantages of the offering. Second, it is critical to know how your customers value your products. Some will be valued more than others. Over time you can determine which products are price sensitive and which are not. As a rule of thumb, lower the prices on sensitive products and raise the price on price-insensitive products. You may be pleasantly surprised at the positive effect this will have on your company earnings.

### **Service Characteristics**

The previous discussion focused on using product characteristics to distinguish your business from the competition. Customer service is another powerful tool that will complement this effort. Today, it is more important than ever to properly care for

customers. Surveys of customer satisfaction have shown that attitudes of apathy and indifference are becoming increasingly prevalent. Less than one-half of consumers interviewed in these studies rated service as good or better. Sad to say, customers expect mediocre or poor service to be the rule rather than the exception. Why not take advantage of this trend and use it to stand out from the crowd? One of the hidden costs of poor service is that while most customers will not complain, nine out of ten will not return. The bottom line is that there is no excuse for poor service. Peter Drucker (1985, p. 538) says the main reason you should be in business is "to create and keep customers." How well do you rate in this regard?

*Principle #3. Successful selling relies on Customer-Oriented Thinking (COT), which strives to go beyond customer satisfaction to customer delight.*

Aspects of good service include:

- Timeliness (Are you and your staff available when customers need you?)
- Reliability (Do you and your staff provide consistently good service?)
- Knowledge (Are you and your staff able to answer customers' questions?)
- Courtesy (Are you and your staff courteous to all customers?)
- Commitment (In addition to making a sale, is your objective also to take care of customers after a sale?)

A common experience with many American-run businesses has been that once the sale is made, the customer is forgotten. Do not make this mistake! Customer-oriented thinking lies at the heart of achieving a solid base of loyal buyers. Philip Kotler (1988, p. 18), the author of *Marketing Management*, reminds us that loyal customers are satisfied customers, who buy your products again and again and provide free advertising for your business.

### **Step 4. Monitor Changes**

To retain the loyalty of current customers and to attract new ones, it is important to monitor changes in the public's buying habits. There are two aspects to this. First, as people move through different stages in life, their needs and wants will naturally change. Young single people have different outlooks and attitudes than do married couples or older retired people. For example, studies have shown that people in the first two groups generally prefer lower maintenance plants and "ready to go" plants in decorative containers because of their busy work schedules. Retired people, however, often have more time to work with plants and are more price sensitive than their younger counterparts. Second, consumer trends change over time. Consider how attitudes today differ from those fifty years ago. Keeping abreast of changing trends offers unique market opportunities for alert business managers by giving them a jump on their competitors.

There are two simple ways to obtain this information:

1. Communicate regularly with your customers to find out how they like your products, prices, and service. Ask them how you could improve what you have to offer. This approach not only gives you valuable information, it also sends a strong signal that their opinions are important and that you value them as customers.
2. Conduct simple written surveys. This provides more and better information than relying solely on verbal communication. Formal surveys provide objective assessments of your business performance. This information allows conscientious managers to serve customers better. A simple questionnaire (one or two pages) can be submitted anonymously to get customer opinions. I would emphasize, however, that a written survey is not a substitute for verbal communication; rather, the two should complement each other. Interaction with customers should be an ongoing effort as this is easiest, cheapest, and the most effective way of establishing and keeping a solid customer base.

### **Sources Cited**

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