

## EMBRACING

## CHANGE

By focusing on the consumer and maintaining a commitment to efficiency, Delray Plants has been able to welcome change and remain successful in an evolving industry.

BY JASMINA DOLCE

Before he passed away in March 2010, Jake Koornneef, founder of Delray Plants, preached this philosophy to his team: Fewer, bigger, better. Koornneef's son-in-law, Randy Gilde, CEO and president, has since brought that philosophy to life and is embracing the industry's many changes to lead Delray Plants to continued success.

"He [Jake] was always ahead of his time," says Gilde. "The consolidation in our industry has just been unbelievable, and that's what it is. There will be fewer growers who are going to be bigger and they have to do better."

Rewind to the 1960s. Jake immigrated to the United States from Holland in the 50s, started Lake Shore Produce with three other partners. After a few years, Delray Plants in Delray Beach, Fla., became their next business venture. After taking turns running the business every few months, the constant travel to and from the facility took its toll on all owners, and Jake bought out the partners, sold his ownership in Lake Shore Produce and became sole owner of Delray Plants.

"He started out with 14 acres and from one location grew to eight locations in Palm Beach County," explains Gilde. "With the population growth and with trying to manage those eight different locations in the car all day, that's when he started to preach, 'fewer, bigger, better.'"

Fast forward to the 90s. Jake Koornneef; his son Ed Koornneef, vice president, shareholder and boardmember; and Randy Gilde searched for locations and eventually settled in Venus, Fla. The company also has two satellite locations in Delray Beach and Boynton Beach, Fla. Delray Plants' production space now spans a total of more than 300 acres across all locations.

But with all the economic turbulence over the past several years, Gilde and company have struggled like everyone else to stay afloat. Thankfully, with the guidance Jake Koornneef offered, they were able to manage controlled and strategic growth.

Although it seems things have leveled off, "the economy is still not good, in our opinion," shares Gilde. "We're still going to be cautious as we move forward. We want to add value to ourselves as much as our customers."

*Yucca cane in production*

## DELRAY PLANTS: AT A GLANCE

**LOCATION:** Three locations in Florida. Headquartered in Venus and two satellite locations in Delray Beach and Boynton Beach.

**MANAGEMENT TEAM:** Randy Gilde, CEO and president; Darrell Jensen, CFO; Cherie Velez, national sales and marketing manager; Joe Vendetta, planning and procurement manager; Israel Cirilo, operations manager; Lee Theiss, head grower; Spencer Bennett, logistics manager; and Cesar Martinez, human relations manager

**PRODUCTION SPACE:** Over 300 acres

**NUMBER OF EMPLOYEES:** 450

**GEOGRAPHIC SALES AREA:** Approximately 43 states (including Alaska!) and parts of Canada

**CUSTOMERS:** Big box retailers, independent garden centers, local chains and wholesalers

**PRODUCT CATEGORIES:** Mainly foliage and blooming tropicals

## Restructuring the Organization

The first step toward the company's strategic growth was its recent change in organizational structure. Delray Plants is a family-owned and operated business that has gone to being board run. "It is CEO and key management team led," says Gilde. "That comes when you get bigger; you need to restructure."

"The company has changed tremendously in the last year," shares Joe Vendetta, planning and procurement manager. "From within, though. The people are the same people, but the philosophy of actually having an organizational chart is there."

According to Vendetta, the flow of communication in the nursery has greatly improved since the structural change. For example, the CEO used to be the one directing employees, even with simple tasks like weeding the plants. "The structure doesn't allow for that anymore," he says. "It's made a big difference."

When it comes to communicating within the company, Gilde says they have to be 100 percent transparent. Each member of the management team is involved in the flow of information.

"We've seen a lot of improvement with both incoming and outgoing information," says Darrell Jensen, CFO. "We meet weekly, and everyone sees sales information and statistical information that they never saw before."

Not all companies are able to restructure the way Delray Plants has. "I think one of the things that has helped us is that we're nimble," says Cherie Velez, national sales and marketing manager. "We can change quickly, and that's helping us stay ahead of the curve with our customers. We're able to adapt to change, where a lot of other big companies are too top heavy to change."

So what drove this change? According to Gilde, value is the most important element to their business and it's imperative that current and future customers understand that. He says there has been a major change in the way consumers think, which has altered the demand within the industry.

"You can't just grow to grow. You can't just produce and then try to sell," he says. "Now we produce what we know we can sell, and that's different than in years past."

Velez agrees, "In the past, growers just grew, and now we're watching people drop all around us. We want to be here for the future and grow for the future. I think that's where the mentality change for the whole team is."

## Strength in Logistics

With organizational change came improvements in the shipping process at Delray, one of the major improvements being within the logistics department.

"We're agile, we're quick, we've got a lean management structure, we're customer driven and focused, but in the end you have to have the logistics," stresses Gilde.

As anyone in the industry knows, transportation is one of the biggest issues, between the cost of it and just ensuring product gets delivered accurately. It's been one of the company's biggest challenges, admits Gilde, especially because of their product line.

"We are growing in perfect conditions, and we take care of the plants better than anyone," Gilde shares. "Then we put them in some of the worst settings that they could ever be in. It's tough on the plants."

The challenge occurs when shipping as far as Delray Plants does and maintaining fresh looking plants. By the time some customers may receive the product, the plants could be close to dead. "What have you done," says Gilde. "You just created an automatic 30 to 40 percent shrink."

To avoid this type of situation, Delray Plants now goes through distribution centers for many customers and even ships multiple times a week for some customers. "In the old days, we were stubborn," Gilde admits. "We would say 'we can't go there twice a week, it costs too much.' But what about the loss? What about the consumer?"

So Gilde and the logistics team changed their attitude. "We figured it out, and we deliver — where it's logistically possible — twice a week instead of once. So the product is fresh all the time."

The goal, Velez stresses, is getting the product to the customer fast and in the right amounts. And their efforts are proving to pay off. "We're getting recognized by our customers, and they really see us stepping up," she says. "We see the long-term benefit. We're going to be able to be more efficient. And in the end, the customers wins and we win."

Part of that recognition has led to Delray Plants bringing in other growers'



*Delray Plants maintains its own runoff water.*

## DID YOU KNOW...?

Delray Plants is the first potted foliage grower to gain Veriflora certification. And according to CEO and President Randy Gilde, the company had to make very few changes because they were already adhering to most of the Veriflora requirements as part of their commitment to being environmentally friendly.

product to cross stock and ship along with their own product. According to Spencer Bennett, logistics manager, some customers prefer to work with larger growers and so they will suggest going to a smaller vendor to cross stock their material.

"It helps a lot with the logistics," shares Bennett. "Instead of a small grower trying to make a minimum order to ship out, they can ship two or three boxes that we can get to the stores as opposed to shipping the 20 or 30 boxes that they would have to before, which would negatively impact their sales and their margins."

## Going Lean

Maintaining a certain level of efficiency has become increasingly important for growers, and at Delray Plants, it has become a part of their philosophy to constantly seek new ways to improve the production process while lowering costs and energy.

A couple of years ago, Gilde hired a consultant specializing in lean flow. "The team really learned a lot from it, and took the lean flow principles and applied them to our operations," he says.

One prime example is the reduction in packing houses. "We had up to six packing houses at one point, and we're shipping out of one or two packing houses now to make it more efficient," shares Israel Cirilo, operations manager.

Another huge change came with the company's transition to a rack system. "In the beginning, trucks were loaded one plant at a time by conveyor belts," says Lee Theiss, head grower. "Now we've gone almost exclusively to racks. We have 4,000 in-house racks."

These improvements, of course, did not come very easily. As anyone in the horticulture industry can attest to, change can be difficult to achieve.

"We didn't want to take the conveyor belts out, no matter what anybody said because we spent hundreds of thousands of dollars on them," admits Gilde. "And they looked cool. When we took people on tours and we showed them all the conveyor belts and plants, it was awesome."

"We just didn't realize we could save 10 or 15 percent by getting rid of them," he adds.

## Taking Advantage of the Internet

According to Velez, one of the greatest barriers the industry is facing right now is an aging clientele. But Delray Plants sees this barrier as an opportunity to appeal to younger generations.

The company recently began selling its plants online through a retailer website, and while it may have been slow to pick up, the sales continue to increase.

"The kind of opportunity that the internet sales presents is we're opening ourselves up to a whole different customer base just because of the way they shop," says Velez. "We're getting our plants in front of people that may never have bought our plants before."



*Delray Plants was able to cut costs by replacing the conveyor belt system with racks.*

## DIVERSIFYING THE PRODUCT LINE

While Delray Plants predominantly specializes in foliage and tropicals, the company is working on becoming more of a one-stop shop for its customers. It has recently added hydrangeas to its product offering, and orchids have also become a growing category.

The company's most recent addition has been in the produce category. Two years ago, Delray Plants began trialing various vegetable crops. They ultimately decided to add red peppers to their production.

"We have dedicated two and a half acres of shade structure for [red peppers]," says Gilde. "We have not made the decision to expand at this time but the profit margin looks good, and we will continue to evaluate this as we continue to diversify."



*Bromeliads are a key crop at Delray Plants.*

Velez sees growth in the industry, but not the type of growth she sees in internet sales. "It's not huge dollars at this point," she says, "but the percent of increase that we're watching every day is huge."

When Delray Plants first started selling plants online, there were about six items available. Now there are 92 items!

There are some obvious issues when dealing with internet sales, especially when selling live goods, but the team at Delray Plants is working to overcome them. For example, "When FedEx delivers a box to a customer in Minnesota in winter, and the box is left in the snow, people may come home to a plant that is black and frozen," says Gilde. "So you have claims, and you build that in."

It's important to do a good amount of homework before selling a plant online, says Bennett. "There are some plants that you can ship through the mail and some you can't. It's just the nature of the plant, and that's part of the learning process we have."

The company is also taking advantage of social media to interact directly with consumers. "We've done a lot of things with Facebook and our web page. We're on Pinterest. We're all over the board trying to play with how we talk to customers," says Velez.

"Now not only can we talk to them, but we can reach them. It's really exciting," she adds.

## Focusing on the Consumer

When all is said and done, the main goal at Delray Plants is to satisfy the end consumer. The great advantage with internet sales and social media is that the company is now able to limit speculation.

"We no longer speculate what the customer wants," shares Gilde. "We let the consumer dictate it to us."

Gilde, who recently participated in a consumer focus group, says plant quality was never even mentioned. Why? Because consumers just expect it. "Today that's not a question or comment because quality has to be there," he shares.

"I know it's industry cliché, but quality has to be perfect," he says. And one of Delray Plants' greatest strengths is its ability to produce top quality in mass production.

"The two just don't really go together," Gilde shares. "It's tough, but we've been able to keep them together pretty well."

Today, growers must add value to their product. And that is becoming increasingly important as input costs rise.

"You have to shout out what that value is, and you have to ask 'how can we produce the same plant for less money?' Thereby, we give ourselves a price increase without passing it on to the consumer," says Gilde.

Ultimately, Gilde says it is important to grow healthy plants that will last longer in the home. "That's what we concentrate on," he says. "When we make our display gardens, we don't put high water with low water or high light with low light. You have to make it so it will last." ■

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