

Where Do We Go From Here?



By Roger C. Styer

With the start of a new spring season, we have been getting bombarded about *Ralstonia* on zonal geraniums. This kind of news is enough to make some growers quit growing zonals and look at something else. If it's not *Ralstonia* on geraniums, then it's some other disease problem on cuttings from abroad or shortages of critical seed and cutting varieties. Greenhouse operators are used to some bad news every spring, as long as they can still sell their products and make some money.

How quickly we want to forget other problems from the past year, such as severely low prices for poinsettias in the Southeast, soft fall markets in California due to weather and wildfires, increasing competition from other growers in your market, or higher gas and peat prices. Some of these problems you can deal with directly, others you cannot. The trick is to figure out which ones you can deal with and how.

HOW TO DEAL

One problem large growers can deal with, but have not so far, is the issue of low prices from the box stores. Low prices are driven by the box store buyers (not the final customer), who have certain price points they must work with and who know they can get a lower price from your neighbor. I hear of store buyers not placing poinsettia orders in advance because they knew they could wait and buy on the spot for cheap. What does that tell you? We are over-

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producing poinsettias when that happens. Store buyers can place orders for spring material in advance (although more of them are waiting until the last minute and then expect you to be able to get and produce the product) and then not take everything they ordered. The ability of the grower to move that product to other stores is being reduced by the specific pots, labels and bar codes upon which each box store insists.

It seems like all of the power is in the box store buyer's hands. Growers have to have merchandisers to service each store; run almost daily deliveries; help stock and maintain the plants in the store; answer customer questions; provide guaranteed sales; help with the advertising budget; provide rebates when demanded; and generally do everything but run the cash register. Now I hear that some stores do not even provide a person to run the cash register, just the customers doing it themselves. Wow! What a deal those stores have with our industry. Kind of like training a dog to sit up and beg, don't you think?

A NEW BUSINESS MODEL

The way I see it, large operations have three choices: 1) Keep going as is and maybe stay in business; 2) quit with the box stores and look for other customers; or 3) change the way you do business with the box stores. By this, I mean taking the responsibility of ordering, staffing and maintaining the garden centers out of the box stores' hands, and lease the space instead. Think about the possibilities this proposal presents. You can do the following for the box store:

- Lease the garden center space; pay them rent and maybe a small percentage of sales (guaranteed income for the store).
- Make each garden center different from the competition, thus increasing customers' attention and shopping (differentiation).
- Provide your own retail staffing, set up your own displays and get rid of any products that take away from the layout and scope of the garden center (reduced staffing for store, more attractive displays).
- Increase your own product mix to each store, changing with the seasons (increased product mix and availability).
- Set your own prices based on your own business model, traffic in the area and competition (more traffic and income for the store).

The box store wants out of this kind of deal: They want more traffic, people staying longer in the stores, less staffing on their part and more money per store. Does the above proposal satisfy what the box store wants? You bet it does!

HOW TO DO IT

Now, let's look at what this proposal does for the large grower:

- Guarantee that you are the sole supplier of ornamentals to a known number of stores.
- Ability to rearrange store layouts to attract more customers, move more product, take better care of product and be more of a destination rather than an afterthought in the customer's mind.
- Set your prices according to what you need, tempered of course by the competition.
- Move new products quicker into the marketplace.
- Not have to deal with set-in-stone price points.
- Better planning of production, thereby reducing some production costs and availability.
- Ability to supply year-round, whether you grow it or buy it in.
- Get closer to the end consumer, which allows you to grow what they really want.
- No lost racks.

Here's what the large grower really gets out of this proposal: They get a limited number of stores to work with but are sole suppliers. They get to set up the stores as they want with layout, product and staffing, more money for their products and more control of their own destiny.

Bottom line: The large grower turns the box store garden center into more of a top-notch retail garden center — a destination with great layouts, product diversity and properly trained staff — where low prices are not the main draw.

So, there you have it, a new business model for working with the box stores. I think some grower will take the plunge soon, probably in California or the Southern tier of states, where business is more year-round. Will it be you? [GPN](#)

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