

## Cornell Focus on Floriculture Newsletter

### Growing for Profit – Managing Crop Mix to Enhance Competitive Edge and Increase Profitability

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There are no magic answers for running a profitable floriculture business. Everything you do in business must start with a “marketing philosophy” to MEET YOUR CUSTOMERS’ NEEDS, not merely to sell products. Making cropping decisions plays an important role in carrying out this marketing philosophy. Your crop mix is the primary vehicle for you to transform your marketing opportunity into customer loyalty, growth in sales and, most importantly, profits. However, the process can be complex. There are more varieties than ever for growers to choose from. In the early 1980s, four poinsettia varieties made up 98% of Ecke’s poinsettia sales; today, growers can choose from more than 80 poinsettia varieties in many shades and patterns. The key is to keep focused on the opportunities, select new products and change your product lines to develop the sales and profits these opportunities offer.

Knowing industry trends is the first step to identifying opportunities in the market. The floriculture market is seeing a polarized customer base. Consumers are buying more of their basics from mass merchandisers for their competitive prices. Nonetheless, sales of high quality plants and more expensive options, such as bigger perennials, potted annuals, antique or unusual varieties, or branded products, were stronger than ever with independent retailers. Gardening experts indicate that consumers continued to express interest in theme garden designs, such as butterfly gardens, Zen gardens, serenity gardens, and gardens with a color theme. The hottest selling items identified in trade magazines include annual bedding plants, perennials, container gardens, spring and summer flower bulbs, organics, water gardens, and ornamental grasses.

What do all these mean to growers when selecting crops to grow for the coming season? Selling customers what they want to buy is an easier task than selling customers what you grow. Your production plan, what you plant, when you grow, and how you merchandise must be a process of identifying: 1) Who your customers are (discount chains, independent retailers, or consumers), 2) Your customers’ needs, plus 3) An intuitive understanding of what your customers might need and buy if it were available to them. This is an entirely different marketing philosophy than growing what you like or what you prefer to grow and sell.

Your product mix is like an investment portfolio. As you study your investments and the return they bring, you often transfer one investment to another, or you increase the amount of investments by adding new investments to manage the portfolio for optimum return. The same principles apply to managing your product mix. One solution to guarantee profitability is to know your costs and be able to set the selling price for a profit. However, today growers are often faced with the reverse in some customer sectors. The large national chain buyers often set a price they’ll pay, and growers must figure out how to produce the product at that price for a profit. Also, growers often need to carry a broad product line including some unprofitable products to remain an attractive supplier to big chain buyers. Therefore, if a low margin product that is important to the product mix can be purchased less expensively than it can be grown, that might be a good option. It is important to know the profit margin of each product and to optimize your return by selecting a good balance between low margin or unprofitable but highly desirable crops and high margin crops to satisfy your customers’ needs. You should not carry the product mix if you cannot sell it at a reasonable margin. Remember, sales generating zero margins cannot offer you any profit no matter how much more you sell.

Finally, it is becoming increasingly more important to keep tabs on your competition to stay ahead. If you offer only what your competitor offers, there is little reason for a customer to deal with you unless you have the lowest price. In today’s economy, positioning your business as the low-price leader is a vulnerable competitive position. As you plan your crop mix for the coming season, remember that you can’t carry everything for everybody. Knowing what your target market wants and providing a mix of crops and services that will differentiate you from your competitors will ensure that you are growing for profit.