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How Can Small Greenhouses Compete against Big Boxes?

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A Tale of Two Cities…….

Consider two small towns in the heartland of America: Each has an established small grower; and, both have been invaded by a "Big Box" store. A few years later one grower is bankrupt! The other grower? Surviving; and, THRIVING!!!

WHY did one grower finally give-up and close its doors?

HOW did the other grower not only survive but thrive in the shadow of a Big Box?

To answer these questions, I visited over 80 greenhouse, garden centers, and nurseries in the past two years. I have collected their data and information including marketing strategies, maintenance of market share, promotional plans and programs, product mix, value-added ideas, agri-entertainment, advertising, demographics, pricing policies, and market channels.

My objectives were to determine:

- How are small growers (wholesale and/or retail) coping with current trends and changing customer preferences?
- How are small growers competing against the Big Box?
- What lessons can growers learn from these research results?
- How can growers incorporate these results into their existing marketing program?

What happens when a Big Box store moves into town?

- How do small growers react? What strategies do they develop/utilize?
- How have the Big Boxes forced small growers to re-think their marketing strategies?
- How can growers survive/thrive in the shadow of a Big Box competitor?

This **article is the first** in a series. In this series, I will attempt to help growers/producers formulate their own strategies, concepts, and ideas to not only SURVIVE; but, to THRIVE in the current, competitive, green industry market.

What do small growers do to SURVIVE and THRIVE?

In conversations with small growers, I encountered perspectives that ran the gamut from complacency, denial, and even panic to confidence and optimism. The successful growers CAME TO TERMS WITH the reality of **a CHANGING MARKETPLACE.** They have accepted that t***he Big Boxes are here to stay!*** They have learned that *the changing market demands different responses!!*

When a Big Box appears on their horizon the two most common resulting strategies utilized by smaller, growers are*"* ***Snooze & Loose" or "Change & Prosper."***

Are Big Box Stores a help or hindrance to the industry? The Big Boxes push prices down and keep prices down, sometimes BELOW the break even costs of some producers.

Successful growers are competing by returning to some marketing basics. The most common success strategies are:

- **Knowing and understanding their production costs.**
- **Planting what's profitable vs. what they like.**

- **Developing their niche - Doing what they do best and exploiting that advantage.**
- **Having a positive attitude - Making lemonade out of lemons.**
- **Listening carefully to what the customer wants.**
- **Adding value/service.**
- **Making buying an experience.**

A Tale of Two Growers….

"Snooze & Loose" or "Change & Prosper"

A typical Main Street grower was doing "business as usual" for two generations. He (please know that "he" may be "he" or "she") invested little profits back into the family business. He was complacent, neglecting peeling paint, broken glass, and pot holes in the parking lot. His greenhouse looked old and un-kept. He and other growers didn't protest new parking meters as the town's answer to limited parking. He had half-hearted promotions and short hours. The greenhouse layout, lighting, displays, and merchandizing were virtually unchanged since construction. The signage was poor. He was slow to catch-on to new trends and to follow the customer's changing needs and preferences. But, in spite of his lackadaisical management style, the business was generally **still good enough** to allow him to earn a good living and maintain the status-quo.

That was UNTIL a Big Box moved down the road and saw this old established grower as ***"Easy Prey."***

A sad but relevant example is what happened to the now bankrupt "Frank's Nursery". This Troy, Michigan company, known to most of us, began as a roadside fruit stand in 1949. At the time of Frank's first Chapter ll petition it had 257 stores in 15 states.

Frank's marketing plan could not compete in a changing marketplace. Customers were migrating to local upscale greenhouses and/or garden centers that promoted their better quality products or to Big Boxes which pandered to customers who wanted cheaper prices. The lack of a response to changing customer preferences coupled with new competitors guaranteed that it was only a matter of time for Frank's.

What lesson can we learn from Frank's failure?

Frank's retail operations had neither the cheapest prices nor the best quality products. This was/is a death sentence in today's competitive marketplace.

Some of Frank's closed doors re-opened under new ownership. One, in particular is located in Eastern Pennsylvania. An owner/operator of a local, established, and very successful business that encompasses a florist, greenhouse, and garden center division added his former competitor’s facility to his greenhouse business. In the same facility where Frank’s withered on the vine, this local grower increased its annual sales by 30%! Note that both the current and the former businesses operated in the shadow of Home Depot (less than ½ mile away)!

The new owner sells retail plants that he grows in his greenhouse along with retail hard goods and services to compliment the items he grows. Incredibly, he wholesales some of his product to his Home Depot neighbor!! So, he either sells to customers directly by retailing from his own greenhouse, or indirectly by wholesaling to the local Home Depot. He employs all of the successful strategies of businesses that survive in the shadow of the Big Box store.

His keys to success are that he knows his costs and has developed a niche (actually two: – one retail and one wholesale). He made lemonade out of lemons; i.e., he bought a failed business and made it a success. He knows how critical it is in his marketplace to carefully listen to what the customer wants: variety, service, an informed and friendly staff, and more convenient hours. He understands the value of customer service and pampering. For no additional cost, his staff pots the plants that customers have purchased and, carries them to the customer’s car. He has expanded the offers that Franks’ sold. He tries to make buying an experience for his customers: he has a huge selection of plants and other products displayed attractively with friendly, knowledgeable sales staff available to assist his customers.

Where Frank’s marketing plan did not compete, this local grower thrives, has expanded, and fills the void created by the Frank bankruptcy. He succeeds by responding to a changing marketplace where customers patronize upscale local greenhouse and garden centers or migrate to the Big Box Stores who pander to customers who want <u>cheaper prices</u>. A sad end for Frank’s became a success story for a local grower.

Coming Attractions

Look for future articles in which we will look at how we can use data from high-priced Madison Avenue marketing firms as well as common sense, tried and true, return to basics, and “Take from the past; add to the future” strategies. We will look in more depth at these successful strategies:

- **Know your costs.**

- **Educate your buyers about your quality, value, service, convenience, and selection relative to your competitor's.**
- **Don't reinvent the wheel.**
- **Develop your special niche sometimes incorporating, "Do what you do best".**
- **Listen carefully to what your customer wants.**
- **Make buying an experience – even if you are a wholesaler, make it a pleasurable experience to buy from you.**
- **Exploit your comparative advantage, and make lemonade out of lemons.**
- **Upgrade Your Image.**

I will review other real-life/real-time examples of how small growers compete against the Big Boxes. I will examine how the Big Boxes have made us re-think our marketing strategies. I will share and examine some data from the latest surveys.

I welcome your thoughts, ideas, comments, and questions. Let us know what you think of this article. My contact info is below.

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