



The How's and Why's of New Plant Introductions: Strategies for a Successful Marketing Effort

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Introduction and Background

Plant breeders, propagators, and growers are continually searching for the new, the novel, the hardy, ..., the whatever they think will make for an exceptional marketing and profitable opportunity. And these plant scientists are successful when looking at the number of new plant introductions occurring. However, once a plant has been evaluated and approved for release to the industry, the trade businesses (i.e., other growers, marketing intermediaries, and retailers), and the public, a successful sales effort may not be realized.

The customers may not be aware of the plant and its introduction as a new plant, nor its benefits as borne out by the evaluations. In fact, all too often the choice as when, where, and how to release a plant for sale is made without any marketing and/or consumer analysis, any economic or production cost analysis, nor any financial analysis for profitability of production and marketing the plant and its fit within the mix of the plant materials grown at the nursery. The choice is typically made by the grower/propagator in response to his/her personal satisfaction with the plant.

What strategies might prove successful for implementing the introduction of a new plant? What processes or steps should be considered during the introductory phase? What economic and intangible benefits could the grower realize for the various introduction strategies?

Methods

The strategy pursued should fit the goals and be consistent with the objectives and business plan of the grower. Three likely candidates as strategies include: (1) *differentiate the plant* from other plants so as to gain an economic profit via a premium price during the early years of marketing (usually about three years); (2) flood the market to *gain market share*, pricing competitively with similar plants in type, form or function; and (3) promote at the retail outlet and in trade magazines or popular press magazines to *create awareness and visibility*, with the concerns for sales being secondary.

The following matrix compares the three aforementioned strategies, as applied to the Bailey Nursery 'Endless Summer' hydrangea, due for release in the near future.

Strategy: Analysis:

*Differentiate and
Premium Price*

Gain Market Share

*Create Awareness and
Visibility*

What is offered and the intrinsic benefits also acquired with the plant?

Define the ideal plant and make comparison: a perennial; easy to care for and low maintenance; heat and disease resistant; colorful through extended periods of time.

Provide quotes from respected and known horticulturalist -- Michael Dirr: “‘Endless Summer’ hydrangea is a major breakthrough with a great name that will flower east to west, north to south.” “The quest is always for a perpetually flowering selection of *Hydrangea macrophylla*; ‘Endless Summer’ is that plant.” “‘Endless Summer’ has phenomenal selling potential.” “If I had the rights to ‘Endless Summer’ hydrangea, I’d retire.”

Cite the reputation of the source nursery: one of the largest wholesale nurseries in the U.S.; a family-owned operation since 1905; growing over 700 varieties of plants, from seedlings to container-grown stock.

Recognitions and awards of the owner: All-American Rose Selection in 2002; named Nursery Grower of the Year by NMPro magazine and featured in Greenhouse Business magazine.

Keep the color of summer all year long with ‘Endless Summer!’

A *Hydrangea macrophylla*, of which nearly 3 million were sold by U.S. growers in 1997 (USDA Census of Horticultural Specialties, 1998), that grows equally well in USDA Climatic Zones 6 through 8.

A flowering big-leaf *Hydrangea macrophylla* that blooms repetitively throughout the summer and is easy to grow, and depending on soil amendments, either pink or blue blooms.

Market analysis?

Focus on a regional introduction, i.e., the Southeast: of the nearly 3 million hydrangea sold in 1997, nearly 1 million were sold in GA, TN, SC, FL, AL, NC and VA (Climatic Zones 6 - 8).

Target high-end nurseries and garden centers (710 in 7 states), and innovative florists (950 in 7 states) who use large blooms and live plants. Also focus on upscale homeowners and creative gardeners in the above states, members of American Hydrangea Society, and Master Gardeners (over 16,000 in 7 states) – the innovators and early adopters who influence their neighbors. From the Wall Street Journal, 3/29/02, “Millions of Americans who once made up the vast middle of the nation’s \$7 trillion consumer market are migrating upscale toward premium and luxury goods. In the past, high-end goods typically sold in small volumes to the relatively few customers willing to pay top dollar.” Average per capita retail expenditures for flowering perennials was about \$70 in 2001, or 35% of sales for environmental horticulture and floriculture.

Wholesale price at \$16.99 for 3 gallon size and suggested retail at \$24.99, with the price increasing \$1 per year thereafter, contingent on sales.

Market throughout C.Z.’s 6 through 8; total nursery and floriculture industry sales reached \$7.9 billion in 2001; strong housing starts bolstered by low interest rates, cocooning behavior by consumer, and desire by homeowners and property managers for plants that deliver color over extended periods at a competitive price.

Competitively price hydrangea along side other hydrangeas (Mophead, Lacecap, Oakleaf) at wholesale price of \$8.85 to \$9.75 for 3 gallon size, and retail at \$12.85 to \$18.99. Strengths of hydrangeas are large blooms, fast growing, low maintenance, although mildews in fall and must balance soil acidity for color desired, and other hydrangeas typically bloom only once, whereas ‘Endless Summer’ is a full season bloomer. Other plants of similar price, form and function include azaleas, camellias, and viburnum.

Direct promotion and advertising to homeowners and property managers with lots of photos and promise in popular gardening and landscaping magazines, i.e., Better Homes and Gardens, Southern Living, and Gardening.

Promotion activities?

Push strategy (from grower) using sales reps, trade shows, public relations, direct mail, point-of-sale materials, on-line, and print media. Pull strategy (from consumer) public relations, garden shows, Southern Living magazine, on-line, plant labeling, targeted newsletters. Also use of HGTV network, the Weather Channel, and Public Television Network.

Promotion expenditures budgeted at \$95,500 (year 1), \$54,700 (year 2), and \$69,800 (year 3).

Continue with push strategies, as identified with the differentiation tactic, with more emphasis to the consumer of purchasing any and all plants, anticipating that the sheer volume of the new plant available for sale will encourage the consumer to follow the adage of “pile it high, and watch them buy,” which works for bulk bin produce, bagged media and fertilizer, etc.

Since promotion is tied to sale of all competitively priced plant materials, promotion expenditure budget for the new plant alone cannot be isolated from total budget. As a percentage of sales, the total promotion budget is about \$50,000 per year.

Combination of push and pull strategies, as identified with the differentiation tactic, but with reduced promotion expenditure budget – static at about \$50,000 per year.

Financial evaluation?

Using a 3-year sequential marketing plan for the 7 states, gross sales should reach \$894,000, \$1.8 million and \$2.9 million for years 1 - 3. After deducting cost of goods sold and operating expenses attributable to the new introduction, income before income taxes would be \$210,000, \$696,000 and \$1.3 million for years 1 - 3. The three year projection indicates a sales growth to expense growth ratio of 4.2:1. Gross margins would be 49.8%, 52.6%, and 55.1%, and net margins would be 23.7%, 39.2%, and 44.3% for years 1, 2 and 3 – at the grower level. A 3% net margin gain gets a 5% return on equity increase.

Selling in all 7 states with a simultaneous start-up marketing plan, gross sales would be \$800,000, \$1.3 million and \$1.4 million for years 1 - 3. Cost of goods sold would be considerably higher due to the increased number of hydrangea to be sold at the competitive price, leaving income before taxes of \$(200,00), \$17,000, and \$260,000 for years 1 - 3, reaching a positive accumulated cash flow in the third year, just slightly above breakeven for the three year total.

Since sales is not a goal of the advertising and promotion strategy, the sales forecast is more vague, as the gross sales figure would be the outcome of the effectiveness of the advertising and promotion program. There is little research on the consumer response to advertising when the product in question is plant material, although a 2.4 elasticity of advertising has been cited, meaning for every \$1 advertising expenditure, \$2.40 of plant material is sold. The financial results of this assumption suggest a breakeven financial operation.

Significance to the Industry

Applying the three strategies (differentiation, market share, and promotion/visibility) to a new plant introduction suggests that, although fewer plants would be sold via the differentiation strategy, the grower would be financially better off, even with a sequential phase-in targeting Georgia, Tennessee, and South Carolina the first year (55,000 plants), adding Alabama and Florida in the second year (total of 102,000 plants for the five states), and completing the list with North Carolina and Virginia in the third year (155,000 plants in year 3 for all 7 states) while continuing with the marketing plan for the other states where the plant was previously introduced. There is little financial gain from the marketing share strategy (180,00 plants each year for the 7 states), and problems with availability could be experienced as demand could exceed supply (as was the reality of the 'Encore' azalea). The results of the promotion/visibility strategy hint of a "gee whiz" experience, with no discernible sales for the new plant attributed to the promotional effort.

A plant of such distinction that it can be copyrighted, such as the 'Endless Summer' hydrangea, gives the grower a protected and regulated lead over other sources if the grower so chooses. This inherently assures the grower of no sales or marketing infringement – the perfect opportunity to differentiate and price at a premium over similar plants in form, function, and size.