



UNIVERSITY OF
FLORIDA

EXTENSION

Institute of Food and Agricultural Sciences

Marketing and Market Information: Why Is It Important to the Nursery Industry?¹

John J. Haydu and Alan Hodges²

Nurserymen often view the task of the grower as limited to producing the commodity that fits into the production pattern, and that it is the task of the merchant to find a market for the finished product. In today's increasingly competitive marketplace, such a perception of marketing is unsatisfactory. This article discusses the role of marketing and market information within the context of the nursery industry, with the purpose of shedding light on the growing significance that these two inter-related issues have on the economic welfare of plant producers.

What Underlies the Marketing Concept?

There are two basic problems that affect the marketing of agricultural output, including the market for ornamental plants. The first problem is that consumer demands are continually changing, and this is exacerbated by the traditional viewpoint of growers that their role is concluded at the nursery gate and that marketing is not their direct concern. This belief has noteworthy implications. Many nurserymen assume blindly that their product will sell itself and that quality alone is sufficient to move a product. Basic questions like "Who will buy my

plants?" or "Will the price I receive be adequate to cover my costs?" are rarely answered; or if they are, it is too late. In addition, many nurserymen limit their market to one or two tried and true outlets such as retail garden centers or a few reliable landscape contractors. The practice of "putting all your eggs in one basket" can make the nurseryman vulnerable to unexpected downturns in the business cycle.

Another reason for the persistence of this viewpoint is that, in general, all agricultural production is carried out in anticipation of demand. In essence there are two separate but related aspects to this argument. The first problem in marketing is related to timing. For ornamental plants in particular, the time-span between an initial decision to produce and the product being ready for the market can be several years, during which time original demand may have changed. Although this viewpoint assumes that industry supplies will remain constant during the production period, it is highly unlikely that this will occur; in fact, supplies will probably increase. For example, currently in central Florida there is an over-abundance of young live oaks, because a few years ago several nurserymen made a similar assessment of future market demand for live oaks and acted on this assessment simultaneously and

1. This is EDIS FE 326, a publication of the Department of Food and Resource Economics, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL. Published December 2001. Please visit the EDIS website at <http://edis.ifas.ufl.edu>.

2. John J. Haydu, professor, Mid-Florida Research and Education Center, Apopka, FL; and Alan Hodges, assistant-in, Department of Food and Resource Economics, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL.

aggressively. Today, prices in the region for live oaks are depressed as there are insufficient outlets for the available supplies. For some nurseries, this is a frightening prospect, particularly for those operating close to the margin. For these firms, even small management errors can spell the difference between survival and financial disaster. As a result, it is essential that growers are adequately informed about marketing trends, consumer purchasing patterns, and expected future supplies before making production decisions.

The second problem in marketing is related to the accuracy with which prices reflect the demands of the end user. These demands act as guides to producers, and the chief medium for transmitting consumers' demands to producers is the system of market prices. If nurserymen were able to meet consumers face-to-face and sell them their products, there would be no communication problem. But producers rarely come in contact with consumers. This has created a producer-consumer communications problem, which is made worse by the existence of middlemen in the marketing chain. Moreover, in the ornamental industry, there are few institutionalized price reporting systems. It is therefore likely that price information used by growers to make production and selling decisions will be incomplete and highly localized. To the extent decisions are based on incorrect information, the quality of grower decisions will be compromised, which further distorts the industry's supply and demand dilemma. This problem can become self-feeding as one bad decision often begets another. A final reason nurserymen may be reluctant to endorse marketing programs, either individually or collectively, is that frequently there is confusion between selling and marketing. Selling is the function in the marketplace where the seller tries to dispose of his plants for the best price that the customer is willing to pay. A trademark of this approach is that sellers who have misjudged demand must resort to "pushing" their product onto the consumer, a difficult and sometimes costly practice. Marketing, in contrast, is much more comprehensive and aims at maximizing returns to the producer at a price the consumer can afford. It achieves this objective by implementing the marketing concept at the beginning of the production process and continuing through every stage of

distribution until the consumer finally purchases the product. The underlying goal is not to "push" the product, but rather to let demand "pull" the product. Marketing emphasizes that customer satisfaction is paramount and that the consumer's perception of value determines price, not the other way around.

The Need for Market Information

In a broad sense, market information is any information that is relevant to the production and marketing of a commodity. Most growers would find it useful to have regular access to information on production trends, prices for specific product lines, market channel opportunities, cultural practices, and any other information of potential competitive value to nurserymen.

Why is market information important? We must start from the premise that producers operating in their various markets are imperfectly informed and that it is in their best interest that the available information be improved. In terms of quality and quantity, the axiom that "more is better" certainly applies here. Ask yourself this: when you make an important decision that will either positively or negatively impact your business, or the welfare of your family, don't you try to gather as much information as possible? The incentive for doing this is to increase the likelihood of making the best decision and minimize the chance of making a bad decision. Effective decision-making is a process that relies on choosing among potential alternative solutions. Information gathering is all about identifying the alternatives and their feasibility and the ultimate consequences of specific actions. We can categorize market information into three broad areas:

1. **Short-term information.** This should be designed to achieve the best allocation possible for your products that are ready to harvest and market. In other words, having access to knowledge regarding potential market outlets that offer prices sufficient to cover costs.
2. **Medium-term information.** This is useful for product lines that are in the process of production but are not yet ready for sale. This would include information on production trends and prices for the various varieties of plants.

3. **Long-term information.** This gives trends for the coming years to help in the selection of new varieties or enterprises in the nursery as well as the curtailment of unprofitable or risky products or enterprises.

All nurserymen have a need for market information and the dissemination of market intelligence to function more efficiently. Figure 1 depicts the marketing system for ornamental plants, which is comprised of three distinct economic levels (producer, wholesaler, and retailer). From the grower's perspective, the more freely and accurately information flows through these stages (in terms of what and how much consumers want, expect, and are willing to pay), the easier their task will be. Consumers would also benefit if they knew what products were available and in what quantities, qualities, and prices. Although we do not have access to perfect information, there is much that nurserymen can do to improve the quality of information such as being familiar with the immediate markets in which they operate, the competitors they face daily, and the customers with whom they deal. Perhaps on a larger scale, local chapters of industry associations might also consider compiling production and price information from member nurserymen. If data were collected regularly and systematically, over time it could provide useful benchmark information regarding market trends. The point is, in the years ahead, producers will find that marketing and market information are increasingly essential tools for success business management. Individuals who choose to make the necessary extra effort to effectively employ marketing concepts will not regret this most fundamental of business management decisions. On the other hand, nursery operators who "haven't the time" to utilize these concepts may wake up one morning to find that it is too late.

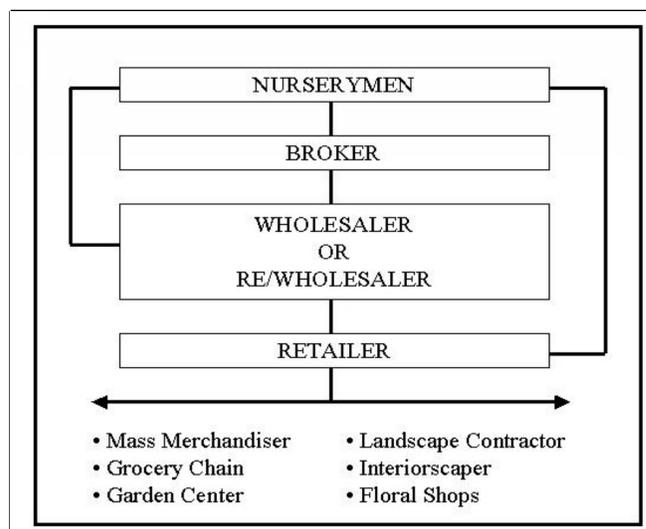


Figure 1. Market channels and outlets for ornamental plants.