

Understanding the Market

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INTRODUCTION

Marketing is often viewed by horticulturalists as something apart from production and even further from propagation, but of course it isn't. In commercial horticulture, it is only marketing that makes production and propagation possible, without a market there would be no point in either.

Conversely of course there is no point in employing the most sophisticated marketing techniques to define a market, quantify the potential demand and specify the product needed to satisfy that demand if you don't have the ability to produce it profitably.

Marketing is not something practised by others, spending large sums of money in city offices, running massive businesses. Anywhere a demand meets a supply whether for money, for barter or for free, a market exists and we are all part of it.

How the Market Works

The economists' idealised conception of a market is one where large numbers of independent producers of one identical product meet large numbers of independent buyers of the same product and all present have an accurate knowledge of the overall supply and demand. In this situation the market settles at a price such that all buyers willing to pay that price have bought and all sellers willing to sell at that price have sold. Buyers unwilling to pay that price remain unsatisfied and sellers unwilling to sell at that price remain with product on their hands. Only if one side or the other foregoes its right to determine its price will the market sell out for certain, for example an auction with no reserve price.

It is a regrettable fact that only in agriculture and horticulture do approximations to this model still exist, every other industry has moved away from the supply of identical products into product differentiation, added value and consequently more controlled marketing.

Who Controls the Market?

In the concept just discussed, no one buyer or seller can control the market or even affect the final consensus price to any significant degree. But markets with an imbalance of either buyers or sellers can be controlled to some extent. If one large buyer faces many small sellers that buyer can exert considerable control over the market and so can a large supplier facing many small buyers. Even in these situations, the market is not totally controlled because whilst the single large seller or buyer can control either the price or the quantity sold or bought, neither can determine in advance what quantity will be available for any given price or what price will be required to purchase any given quantity.

Real life is much more complicated, markets are influenced by substitution buying and selling and both buyers and sellers ideas of the supply/demand position may be very imperfect. There can be a glut of rhododendrons in Yorkshire and a shortage in Kent but unless sellers and buyers know this and move supplies from

north to south there will be large differences in the regional price of rhododendrons

Modern Marketing

Modern marketing began with the development of industrial production and the ability to make products rather than accept what occurred naturally. This product differentiation could be used as a marketing tool and the parallel development of long distance distribution systems and new methods of communication enabled manufacturers to tap markets further and further from the centres of production to create demand as well as satisfy innate needs.

Is selling nursery stock greatly different from selling motor cars or washing powder? As a product for marketing there are significant differences.

Firstly, the production rate of industrial goods can be varied considerably by adding new machines, working additional shifts and by closely controlling environmental conditions. Conversely, within every plant there is a biological clock which controls the development of the plant and once started cannot be stopped or substantially controlled.

Secondly, nursery stock products cannot be stored like nuts and bolts. Conversely, Ford Escorts do not grow into Ford Granadas—however long you leave them in the showroom!

The industrialists' ability to vary production in the very short term is in sharp contrast to the long production cycle of most nursery stock, and in total contrast to its seasonality of production and its finite stock number in each production year. For this reason, some theories and practices of modern marketing of industrial products should be treated with caution when applied to nursery stock. In particular the theory of equating market demand at different price levels with the unit cost of production at different output levels (demand elasticity equated with economies of scale). The nurseryman's dilemma in a finite stock situation is deciding whether to sell for a lower price in the autumn and improve the cash flow or hang on for an anticipated higher spring price and improve the margin. If he does hang on and the spring market collapses he is in a very invidious position indeed, a fact which is responsible for much of the "short termism" evident in nursery stock selling.

What is Marketing?

Marketing is essentially a strategic operation as opposed to selling which is a tactical one. Selling is important but it should be the final tactic that completes the strategy, not the only weapon in the armoury. Many companies don't have anything between production and selling; their marketing is non-existent. Marketing is the specifying and initiating of future production to meet an anticipated future demand profitably. This requires a knowledge of what the market will want or more importantly, can be persuaded to buy.

Market Surveys and Business Appraisal

Professional market surveys are very expensive and need to be accurately targeted to be effective. This implies knowing what you want to do and accurately and honestly appraising your business strengths and weaknesses. Once the business appraisal is complete it will point to certain sectors of the market and eliminate others and the object of the market survey is to narrow down these possible sectors

into a "best fit" of business strengths and market requirements with a defined distribution system. If you don't have a business at present you have the chance to define market deficiencies and set up a business to service them. Either approach is equally valid; in any case fitting a business to the market is not a once only job but a continual adjustment to changing circumstances and emerging opportunities

For those who can't afford a full blown market survey there is a halfway house. Get a market research company to design you a survey you can use yourself and do your own foot slogging, it's the salaries of all the people they pay to ask the questions that costs the money. Alternatively find a small out-of-town agency and get them to carry out a telephone survey for you. Properly done it is broadly effective and much cheaper than personal visits.

Existing businesses already have large amounts of valuable information if they will only take the time and trouble to quantify and analyse it. They also have customers who properly approached can be very enlightening on the business' successes and shortcomings and on the strengths and weaknesses of competitors

Making the Business Relevant

If you are not producing what your customers want (or can be persuaded that they want) it doesn't matter how well you grow it, they won't buy your product if it is not relevant to their needs. In this position there are two options, change your product or change your customers and in nursery stock it may be quicker to change customers. In reality you will need to do a bit of both but it's better to have researched the market first and fitted most of your production to its needs. Most of it but not all, otherwise you simply end up supplying what the market already knows it wants and your role is solely reactive. Use your knowledge, look around a bit, find some lines with sales appeal and go out and sell them actively to customers, be pro-active. That's what a lot of industrial marketing consists of, a mixture of supplying what is wanted by the existing market and also creating a market for products that your business can produce and most others don't

Product Differentiation—What Can We Do?

Let us look at the soap powder industry, all marketing very similar detergent products which do the same basic job—washing clothes. The differences in performance between similar products is minute when compared with the common good they all achieve which is getting clothes clean. Their marketing, however, concentrates almost entirely on these small, real or implied, differences and only peripherally on simply washing clothes. The objective is to distinguish one product from another and sell you its real or perceived benefits rather than its unexciting actuality.

In the nursery stock industry we have identical plants produced by many nurseries; *Berberis darwinii* is *Berberis darwinii*, no matter from which nursery out of several hundred suppliers it comes. As wholesale producers we have a problem if we seek to follow the washing powder industry and try and differentiate all the lines we grow. There could well be several thousand on a large nursery and most of them produced in relatively small numbers. For short runs, customised labels are uneconomic so we will end up using industry standard labels for most of our products anyway.

A more practical approach to differentiation is to project the nursery image as a

whole in terms of quality, professional ability, overall presentation, prompt delivery, personal service, product range and value for money. These factors influence all customers, not only those in the retail market but landscapers and local authority buyers as well. It is more cost effective but it does depend heavily on good staff who do a thorough and consistent job and understand the value of good customer relations.

SUMMARY

Analyse your own strengths and weaknesses and those of your business. Build on the strengths. Define your market. Whatever you decide to do, set targets, write them down in a business plan and keep referring to it. Modify the plan as you amass more knowledge and experience, fitting a business into a market is a continuous process. Finally, don't be overawed by professional marketing people, *it is not an exact science and they don't get it right all the time either*. No matter how bulky the report, how glossy the paper, how impressive the graphs it is just a sophisticated approximation. Above all don't be afraid of this mysterious business called marketing. The market after all is only millions of people, just like you, looking for something to spend their money on!

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