

Business Management to Increase Nursery Income®

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INTRODUCTION

Increasing income is not just about charging more for your product. Achieving a higher price can help but the nursery owner's primary task is tight control over business management.

It is vital that every month — or at the very least every quarter — you analyse how much it costs to produce, market, deliver, and sell your products. A breakdown of how much it costs to service various customers is sound business sense, because one of the most important ways of controlling costs is to understand which customers cost the least to service, which cost the most, and why those servicing costs vary. The outcome of such an analysis will provide guidance about the customers you should be putting the most or least effort into to develop. This is a fundamental ground rule that one should establish before embarking on business expansion.

The type of customer you want to concentrate on depends on whether you are aiming to be a niche market specialist or a “run of the mill” production nursery geared up for high volumes and tough competition in what may well be a price-sensitive market place. The latter is not necessarily a bad place to be, because if you can get this right then customers will come to you to work in partnership, but you really have to be mean and lean.

In the U.K., the Horticultural Trades Association offers considerable help in the implementation of lean management techniques on ornamentals nurseries. However, a lot of investment in infrastructure and mechanisms is required to achieve a modern, efficient nursery that can be maintained by low staff inputs and without demanding high skill levels. To be at the high-volume end of the spectrum you need to have factory production-line thinking.

The other end of the spectrum is specialisation: choose a crop and market to develop and do it well. In the U.K. examples of nursery businesses that have been highly successful following this business model include Morleys (rhododendrons), Guernsey Clematis, and David Austin Roses who have built a brand and have achieved recognition by the gardening public. Quality has to be superb, service has to be top notch, and marketing has to be strong. The brand image of these nurseries is that they are not the cheapest but can be relied on for range, quality, and demand.

Where does this leave nurseries that are aiming for something in between these extremes? Clearly, they have to have some of the qualities from both the specialist and mass-market business models — but for all nurseries it is vital to increase income.

ADDED VALUE

We are all told to “add value” but what does that really mean? It is not just about adding a coloured pot and a pretty picture label. Added value is not just things that benefit the final consumer, such as bigger plants or climbers with their own trellis. You need to think about how you can add value for your immediate customer too — the retailer. For example, when you produce your availability lists, are they done in

response to an understanding of what will make your customer buy? Some respond to a fax each Sunday or Monday, others like to be visited, the more technical like to look at web sites to see what's looking good, while van sales can be beneficial but not if done in an ad-hoc way. Nurseries in Britain and Ireland are not in a position to follow the Dutch model, with huge double articulated lorries and high-volume reasonable quality, but how about working with other local nurseries to put together a "one-stop shop"? If you are selling from a van or lorry, do not rely on a van driver to sell; staff it with a professional salesperson.

DIFFERENTIATING YOUR BUSINESS

How can you be different? Ask your customer — what do they want? How about web galleries to access, pod-casts to download, van sales, merchandising, point-of-sale materials, and specimen plants to act as "living labels"? All of this is work, but it also leads to sales, and this is what is going to separate you from your competitors.

If you supply 20 3-L pots of a product, how about giving — yes giving — a living label with it. You only have to increase the price of your 3-L product by 20p to recover the cost of your generosity.

How often do you offer bigger plants of your stock range? You invariably have some carry over, so why not use this to your advantage? What you are aiming for is increased average customer spend. Less customers spending more money is far better than more customers spending less.

Work in partnership with your key customers. Invite them to discuss their requirements, tell them what you are planning — does it fit their profile and requirements or is it time to part company? To continue in the current market place we have to be ruthless, and tough decisions have to be made.

MERCHANDISING

Can you trust your customers to display your product to its best advantage? How about getting a member of your team trained in visual merchandising, hire them out to your customers either to build a display or at least to advise? For those of your customers who will not let anybody like this on their site, provide a photo of a display you have set up and a plan of how to do the same. Kinder Garden Plants provides a good example of merchandising in the U.K. The nursery provides the display stand, the layout, the carry trays, the growing information plus a re-order sheet to help the retailer keep the displays fully stocked.

SUMMARY

- Take control of your overheads and management.
- Study the costs of serving customers.
- Add value.
- Talk to, visit with, and offer help to your customers.
- Decide the "style" of your nursery.
- Be different or just do it better than the rest.

FURTHER READING

- Dowling, G.** 2006. Experience of applying lean manufacturing on a container nursery. *Comb. Proc. Intl. Plant Prop. Soc.* 55:288–290.
- Whittemore, J.** 2007. Application of lean manufacturing to nursery stock production at Johnsons of Whitley. *Comb. Proc. Intl. Plant Prop. Soc.* 56:188–191.