

Preparing Your Business to Meet the Challenges of the Future[©]

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IDENTIFYING THE CHALLENGES

Sometimes it is easy to get so caught up in tackling the challenges of today that we hope tomorrow will deal with itself. However, the old adage that one must deal with things that are “important” and not just “urgent” is key to the success of any business. Standing back to see the bigger picture and to scan the horizon prepares a business for the long term and helps in overcoming the short term ups and downs.

While there are many challenges facing ornamental plant producers today the strategic planner will be thinking about those yet to be encountered. It is impossible to be certain which challenges will turn out to be the most important in 5, 10, or 20 years’ time but while not exhaustive the main ones can be grouped as follows:

Competition

Potential competition exists from cheap imports, other U.K. nurseries, and fundamentally the competition from other leisure pursuits that could turn the attention of the consumer away from gardening and buying plants.

Customer Demands

The end consumer is changing in the way she/he behaves. They have higher service expectations and demand quality, and value and if they are going to buy your product then it has to be just what they need to enhance their lifestyle and accessed in a way that doesn’t cramp it – that could well be online. Direct business customers – such as retailers – will also have new demands as their standards are raised in line with the broader world of retail and as the garden retail industry consolidates into fewer and larger chains.

Costs

It is safe to assume in the nursery industry that things generally don’t decrease in price. In a global market there are undoubtedly businesses somewhere that could do what you do and it would cost them less to do it. Whilst de-valuing the finished product is the last thing you want to do it will nonetheless be essential to relentlessly identify and deliver cost savings. These can be found all over the business from transport, sales, and, input (water, crop protection, plastic, fertiliser, and growing media) costs to staff. There are some easy wins but the rest require tough business decisions.

Environmental

Whatever you think about climate change is irrelevant as there is no doubt that environmental challenges will only increase. Drought will become more frequent and water use questioned more and more. Sustainability of production will matter more and that will impact on the use of peat. Energy and pesticide use will also have to be tackled as prices increase and availability decreases. Sinister and unknown challenges also lurk in the form of as yet unknown pests, diseases, and even weeds.

Skills

Production horticulture is not attracting school-leavers or graduates, college courses are reducing in number, and it is now more difficult than it was to get the skills needed on a modern nursery. This will only get worse and is a serious challenge facing the sector.

Regulation

Despite the well-intended de-regulation mantra of successive governments the European

wheel of regulation is still turning just as fast. We'll see this affecting crop protection, water and soil management, plant health, and growing media.

Innovation

Innovation is essential for business survival and growth. With a decline in horticultural research and development the knowledge underpinning innovation is disappearing. United Kingdom nurseries will have to "think smarter" to keep up with overseas competitors.

COLLABORATING TO MEET CHALLENGES

The ornamental plant production business that survives into the future will be the one that analyses strengths and weaknesses and isn't too proud to collaborate if it increases the chances of success. In the areas in which it specialises it can concentrate its efforts independently but in areas where it isn't the expert then collaboration will make sense. Some areas where collaboration will be essential in facing the challenges of the future are outlined below:

Supply Chain Management

Maximising sales and profitability is a shared objective between both grower and retailer. Successful businesses will be those that work together to achieve this. This will mean a change in relationship, a building of trust, and a sharing of information. Product category sales plans need to be agreed between grower and retailer. These need to be based on all available customer information to ensure decisions are based on real data rather than gut feelings. This reduces risk and enhances the chances of success for retailer and grower.

Growers do not have enough control over the way their product is sold to the consumer. With many garden centres sourcing from up to 40 nurseries, that leaves each supplier with insufficient business to justify close involvement with the retailer. This contrasts dramatically to almost all other categories within the garden centre. The supplier of wild bird care products, for example, would not dream of leaving the sales of its products to the retailer alone. They get involved in ordering, merchandising, and promotion and are heavily relied on by the retailer for these services. The retailer trusts them to get it right and as a result the category has seen huge growth. For various reasons the relationship works differently for plant suppliers but the result is that plant sales are not maximised and both grower and retailer lose out to products that are given greater attention by their suppliers. The real competition for garden centre plant suppliers comes not from other nurseries but from bird seed, candles, and lawn care products. Plant producers need to collaborate to be able to work more closely with retailers to drive sales.

Transport and Logistics

The current delivery system of plants to independent retailers is simply inefficient but while growers hold on to traditional practices it will not change. The current exchange rate with the Euro has given U.K. suppliers a breathing space but it is well known that European competitors have mastered the art of efficient logistics and take the profit that goes with it. United Kingdom growers need to seriously embrace collaborative working on transport. While growers hold back, dabble with it and yet retain their own fleets (and associated overheads) it does not work. This European model of working is not one that U.K. growers typically feel comfortable with but it makes business sense and will become increasingly important for servicing a more demanding and consolidated retail market.

Market Information

Understanding the end consumer is as crucial for growers as it is for retailers. Gaining that understanding can involve sophisticated and expensive research but, through collaboration, the knowledge gained through pooling resources on market intelligence will put the businesses that engage with it ahead.

Marketing and Promotion

Unlike other product sectors, plant producers are largely not in control of promoting and marketing their products. With the lack of brand and scale this is difficult to achieve, relying on external bodies like the British Broadcasting Corporation or the Royal Horticultural Society to do the job. While the trade association can support in a generic way, producers really need to work together in order to reach the consumer and drive sales of specific products. New technology, through the internet and mobile phones, provides a platform for doing just this and there must be scope for collaborating on the core content and the technology to develop a promotional tool that works for an entire industry.

Skills

When someone looking for a career makes their decision they first weigh-up what that career has to offer. To attract the kind of people the industry needs for the future requires a defined career path to be available and a demonstrable commitment from employers to training, development, and career progression. This is not easy for small businesses to achieve on their own but it can be done collectively. There may appear to be short-term disadvantages to training people and giving them career progression if it means they are then more likely to leave to find a job with one of your competitors. But worrying about that has stifled the sector and drastically damaged its attractiveness to new entrants. A publicised commitment to training and development will also help. The infrastructure for this is depleted but new technology and e-learning is part of the solution.

Innovation

Maintaining a firm base for horticultural R&D is crucial to underpin innovation and to prevent the U.K. losing ground to foreign competitors. We can fight for more government funding for this, and we do, but the industry also needs to take charge of its own destiny through supporting collective R&D as well as promoting innovation within businesses.

Forward Thinking Production

Proving that the environmental arguments behind new regulations are often weak won't change the trend for more regulation. The prudent grower will be looking seriously at growing crops with fewer pesticides, less fertiliser, less water, and with demonstrably sustainable growing media. There isn't a blueprint for this, however, and the nursery that wants to do these things will just have to try it out.

The forward-thinking producer will also be doing whatever they can to develop their unique selling points, to differentiate themselves, giving the prospect to move from commodity production to premium product. New plants and genetic improvements lie at the heart of this.

CONCLUSION

Through close working with growers the Horticultural Trades Association (HTA) has sought to address these issues as outlined in its strategy and action plan for the sector. A relatively new HTA group has been working with Kent University to identify areas for improvement in the plant supply chain and how these can be tackled. The HTA has pioneered the application of "lean management" techniques within the supply chain too, making savings that can be shared between grower and retailer. On transport the HTA has worked with members to assist in establishing regional hubs and in stimulating discussion between growers bringing in logistics expertise from other sectors wherever possible. On marketing and market information the HTA's marketing strategy addresses these issues along with modern technological techniques for achieving marketing goals. Finally, on skills, HTA is working on the development of a new e-learning resource for growers. All these initiatives help in raising awareness of the issues that need to be addressed and in suggesting potential solutions but the decision on what to do lies only in the industry itself.

The industry can either continue as it is, hoping for good weather, positive media coverage, and a favourable exchange rate or it can tackle the big issues that threaten the sector in the future. All indications are that the garden market can be strong in the future but the challenge for U.K. plant producers is to make sure they are supplying it. This paper has proposed that a culture change is required to avoid the spiral into commodity, low margin production that leaves the sector vulnerable to market changes and competition. The entrepreneurial spirit that has made the sector as strong as it is today will need to be applied even more in the future through collaboration and innovation. The whole is greater than the sum of its parts and if, as an industry, we work with that in mind it can only serve us well.