

GROWERTALKS

Cover Story

6/29/2015

What's the Next Industry Game Changer?

Jennifer Zurko

Bear with me while I take us through a little history lesson.

Think about the last 50 years or so of horticulture. If you go decade by decade, you can put your finger on something specific that changed the industry.

- In the '50s and '60s, it was the switch from wooden plant bands to plastic pots.
- In the '70s, it was the advent of the indoor houseplant. (Remember macramé plant holders?) With the construction of interstate highways, it was easier to get tropicals and potted plants from growers in Florida to almost every state. Indoor shopping malls were also popping up, so there was a need for interiorscaping and live plants fit the bill.
- The 1980s brought the birth of the seed plug and more automation in the greenhouse. Although the consumer was blissfully unaware of this development, they reaped the benefits with more variety at the garden center.
- In the '90s, breeding companies began to branch out from seed and started introducing plants from vegetative stock as cuttings. And it opened the door for new companies like Proven Winners to enter the arena. This was also when we started seeing actual branding and more of a focus on marketing.
- Beginning in the '90s and continuing into the 2000s were the big box retailers, which for many markets, completely changed the landscape of the business—good and bad.

So now that we're in the middle of the 2010s, everyone is subliminally looking at their watches, wondering when the next big "thing" is going to show up at our doorstep. Is there a way to predict what that "thing" will be? Will it be hydroponics? Marijuana? Selling plants on Amazon? Or by drone?

I sat down with a few industry notables or called them up to get their thoughts on the future. Below are their thoughts as a free-flowing conversation.

Stuck in neutral

Anna Ball, third-generation President and CEO for Ball Horticultural Company

"Nobody can predict what's going to happen, but you can extrapolate from things that are already happening. I'm looking for the next big thing, but then I wonder maybe there isn't going to be a next big thing. Maybe this every decade thing is not going to happen anymore and it's going to be a bunch of little things. It's kind of like

the industry is in neutral. We're not riding a wave like all of these 10-year things ..."

Abe VanWingerden, co-owner of Metrolina Greenhouses, one of the largest growers in the States, in Huntersville, North Carolina

"You can't define decades anymore; they're defined in much shorter blips. Where the cell phone was cool for 10 years, now the iPhone is only cool for three. I think there are still moments that happen in the industry and times we look back on, but I think when we look at the next decade or two, we'll be looking at it in five-year increments or three-year increments, not in what everybody describes as decade-long increments."

Stan Pohmer, industry consultant

"Whatever the next big thing is—and I can't put my finger on what it is either—it's not going to be as revolutionary as the things that have happened in the past."

What's changed?

Michael Geary, President and CEO of AmericanHort

"I don't know if I can say that the industry has changed—I wouldn't use the word 'changed'—but we're like every other mature industry. We're having to evolve to prepare or match the needs of future consumers, while at the same time serving the needs of our current consumers. I think we all recognize that we don't want to go the way of the typewriter. We're still typing things, but the technology of typewriters is gone. We want to remain relevant to today's gardeners and build relevancy to future consumers who don't think of themselves as gardeners."

Dr. Charlie Hall, Ellison Chair at Texas A&M University and horticulture economist

"Every industry goes through a life cycle—an infancy stage, a growth stage and maturity stage. When my family business was growing in the late '70s/early '80s, the industry was at almost 14% growth every year, so you didn't have to have a lot of business acumen to really be making some money because the rising tide was floating all boats.

Slow down to about 9.6% in the '80s and then the '90s slowed down even further to about 6.5%. And then in the 2000s, we started out the first decade at 2.3% or so. By the end of the first decade of the 2000s, we were basically flat and that basically signified to me we were in a maturity stage. So when The Great Recession hit, when you have an industry that's in a mature stage of a life cycle, you feel a lot of shake out. And that's precisely what happened—we saw a lot of growers exit and landscapers and retailers alike. So there was a right-sizing in the industry and we went through too much product to producing too little product."

Stan "Ten, 15, 20 years ago, there was a lot of shake out from the traditional side as the mass market started expanding. At one point in time, as the mass markets started growing, it came at the expense of the traditional retailer. What happened is that a lot of those independents went out of business because they couldn't figure out how to compete. Those that survived have become stronger. They started running their businesses as businesses, and I think that's the biggest change that's come about for the locally owned

garden center.

It used to be people like retail florists and independent garden centers got into business because they liked to play with plants. The mass market got involved in it, not because they liked plants, but because it was the right thing to do for their customer and they ran it as a business.”

Dr. Marvin Miller, Market Research Manager for Ball Horticultural Company

“I think in some markets, people are happy with their status quo. One of the challenges is that if you’re the premier retailer in an area and you are benefitting in part by others going out of business—so their customers are now looking for you—there’s not as much need to go out and do something extra like help to grow your market. The recession impacted a lot of businesses with many of them going out, with the survivors picking up that business.

People are trying to find a way to continue to make money, to make more money. When the market is growing, that’s easy. When the market is stagnant or declining, it’s a case of having to steal market share from others and that’s a very different environment. I think it’s more competitive now than it’s been in 30 years.”

Abe “Back in the ’90s, the grower was really the boss in this business. Add in the big box retailers in the 2000s, it was all about the retailer as the boss. They control what we do, how we do it and have a lot more impact. And I think in the next decade, and it’ll happen very quickly and all of our big box retailers are telling us this, the consumer is now the boss. They will tell us what they want, they will define it for you and you will have to deliver it quickly and effectively. So gone are the days of presenting something to the consumer and hoping they buy it—now they’re going to tell us what they want and we better listen to what they want. Hear it, understand it and then deliver it to them, and if we don’t, they will do one of two things: go to another retailer or go to another hobby, which is more dangerous for our industry.”

What we should be doing

Gary Mangum, owner of Bell Nursery in Burtonsville, Maryland

“Engagement would probably be the number one thing I would say is where we need to be as an industry that we’re not today. And whether it’s on immigration reform or standing up at a local council meeting, speak on behalf of your business and our industry. Too many of us think that somebody else has got this, somebody else is taking care of it and it’s just not that way. There are enough good people in [AmericanHort] that are trying to do good for us, but they need support.

Collectively, we choose to have our heads in the sand and figure somebody else is going to take care of it. I don’t think it’s got to do with whether or not you have deep pockets because people can figure out how to support the industry [without money]. I just think we need a wake-up call somehow to look at investing in our future in a way we haven’t done in a number of years.”

Abe “I think [businesses] will have to be more broad-based. It’s not just going to be product only. It used to be you sold product and, as long as you were good at the product, people were there to buy it and you were good ... Now you’ve got to be great at logistics. And if you’re not, you’re going to struggle. You have to get it there faster, fresher, in more mixed quantities and it has to arrive at your point of sale in better shape than it

has been in years past.”

Charlie “We’ve got to emphasize the economic benefits, the environmental/ecosystem service benefits and the health and well-being benefits [of plants], and not just the fact that they’re pretty.”

Michael “One thing we’ve learned talking to consumers and doing some real research is that they are afraid their plants are going to die, so if we can help them be successful with their plants, they’re more likely to buy from us. Apple does a good job of this. When you buy a computer or phone, and you’re lucky enough to live in a city with one of their stores, you don’t have to figure it out yourself. I can make an appointment and walk in, they fix my phone and I leave. That’s why people buy their products because they offer great service to support them. So what more can we do to provide this service support to our products?”

Marvin “One of the challenges we have is that we don’t all believe that our products are necessary. I want to change that mindset. It’s not a necessity to give your mother roses on Valentine’s Day, but it is a necessity to have plants around you and for you to be around plants. As soon as we can get over that hump mentally, then we have a better chance of sharing that message with people outside the industry, like our municipal officials, chambers of commerce, retail merchants associations and tourism bureaus. That’s an opportunity, we have to create that external effect to help drive our businesses.”

Stan “If I can’t relate to Millennials as a consumer, maybe I ought to get a Millennial on my team that can help me develop a program that connects with the Millennial customer.”

Michael “We have to be prepared for Millennial consumers literally tomorrow, but it is soon, and we have time to adjust our behaviors and business practices. We can continue to serve the current consumers and evolve to support future consumers as well. And every business is going to do it differently, so there’s not one way to go about doing this. It depends on where your business is and what products and services you sell. And you have to adjust to your particular client base.”

Anna “If you’re a business and you set a five- or 10-year goal and work toward that goal, that could be extremely dangerous because the goal could be wrong. So instead of having ends, which are goals, you should spend all your time developing means. Forget about trying to predict what the goals are, just develop means. So in other words make sure you’re fast, fluid and flexible. Make sure you don’t have a lot of debt. Make sure you’re nimble and then, whatever those things are, you can grab onto them.”

Abe “You can’t just keep hopping from island to island and then say I have control of the land. You have to have the ability to look at all the islands and say, ‘What is the commonality I see in all these islands that brings it all together?’ Is it the consumer? Is it technology? Is it logistics? That’s where we’re going to be. That’s where we’re going to invest. If we’re wrong, somebody will be talking about us in this phone call in five years.”

Marvin “I still feel like I’m challenged as to what’s going to spur our industry. Honestly, what we need to do is find the momentum from within the industry to lay down our own Yellow Brick Road. And that’s different from decades past. We’ve benefited from a lot of things we had nothing to do with and I think we really need to take ownership of the propulsion fuel to get us to the next level.”

The next big “things” ...?

Educating the consumer

Abe “We ask our consumer groups, ‘What do you use the Internet for?’ and it’s not inspiration, it’s not fulfillment. It’s, ‘I go online because I screwed something up and I’m trying to figure out how to fix it.’ We ask them, ‘Who do you go to for that?’ and nobody resonates to the top. There is not a single source out there that they go to. The GardenMD kind of thing just does not exist today. Right now, they go to Google and YouTube and when the gardening website of choice is Google, that’s not what you want.

There’s a technology with the consumer when it comes to apps and plant care understanding and how they manage their product after they buy it. Using technology to help make the experience easier and better—that’s something we’re going to put a lot of time, effort and energy into. So it’s not like they say, ‘Your online shopping experience sucks.’ They don’t care about that. They just want the stuff to live and we have to manage that.”

Alternative markets (online, TV)

Gary “I know online is a major source of revenue for [Home Depot], but no one’s really figured it out on the plant side yet. Yes, Kerry [Herndon] down in Florida can put a bromeliad in a box and send it to 1-800-FLOWERS or to a Home Depot customer. You can put a houseplant in a box and send it, but can you put 150 impatiens in a box and get it to a landscape contractor? So far, I think that’s a missed opportunity.

We experimented with things last year working with Southern Living magazine and we couldn’t figure out how to get the things we were working on to be cost effective to the point where people would buy them and be willing to pay the increased cost to get them. They did some very sophisticated research around it and we invested a lot in trying to make it work, but we couldn’t figure it out. So if Depot could figure out how to get 150 impatiens and 300 New Guineas and 12 gerbera daisies to a customer in a cost-effective way through FedEx or UPS or whomever, it could potentially be a game changer. I look at myself and how much stuff I buy online and it’s crazy. So I do think that’s potentially a big part of the future because if we could make what we do more consumer-friendly and timely, obviously, we’ll be able to sell more plants.”

Urban ag (rooftop gardens)/CEA/hydroponics

Abe “What I hope it does is spurs and encourages people to get involved in gardening in some way. If you’re not an outside, digging-in-the-dirt kind of person, but then all of a sudden you’re involved in hydroponics or urban gardening, you may realize you kind of like it. And as you get older and get a family with kids and a house in suburbia, now you have some gardening in your blood. I think this concept that it was passed down from my grandmother to my mother may be going away, but I think this concept of fresh and make your own produce and make your own food and live off the land will benefit our industry immensely over the next 10 to 20 years. We’ve seen in our Millennial data there’s not this angst against flowers or gardening; we just have to redefine it for folks to help them see it’s not just about digging in the dirt and digging holes and sweating on a Saturday afternoon.”

Marvin “I think Chicago leads the nation among cities as far as the number of square feet of rooftop

gardens. It's probably had an impact on the industry in this vicinity. Is it creating the same impact as if a new box store comes to town and puts up 40 stores? I don't know."

Anna "Some people thought it was going to be vegetables, but I don't think it's going to be edibles. I'm skeptical about [urban ag].

I think it's got a long way to go. I think it could go a bunch of different ways, but it may not be the big revolution."

Marijuana

Abe "It's just not going to be this kind of clean, easy industry growth we expect. I think it's going to take some time. Secondly, there's a good portion of the industry where it's a moral issue for them. I would argue for us and our family it is. To say, 'Wow, there's some money to be made there, but do we want to go down that path?' Especially if it's not legislated yet, are we wanting to get into a legal battle about it, too? So, we're not going to be out in the forefront there and I think there are a lot of people in our industry in that route. But there are more than enough people who will take that risk anyway. So I don't think the moral side is going to slow the process; I think the legal and judicial side will much more."

Michael "The truth is cannabis, whether medicinal or recreational, is going to happen. It's going to take some time, but it's going to happen as more and more states legalize it. The federal government, at least while the Obama Administration is in power, is going to look the other way and see how it plays out. And I think as an industry we're going to get much more involved.

There are some greenhouse growers, but many of the companies that provide the inputs—like soil, containers, technology, nutrients—they're already doing business in Colorado, Washington and other states, and in Canada. So we're already in the business of marijuana production ... AmericanHort doesn't have a formal opinion about it right now, but we're not naive to think it's not going to impact us."

Breeding/Innovation

Anna "I think you're going to continue to get tons of innovation—you're going to get new colors, you're going to get flowers that are more resilient in the garden so that they're easier to take care of, drought resistance. Even in new classes, things will come in, like when the vegetative varieties came in. Breeding has a very bright future. I think the innovation in breeding will keep the industry growing, but it won't be life changing. It will make it a lot easier to garden because people just struggle and I think we can do that with breeding."

Gary "Breeding seems to get better and better. There's no doubt the breeding companies continue to come up with new and better all the time. When I look at the petunias that are getting shipped out right now, they're beautiful. I think as long as the breeding companies can stay competitive and not have people like us and others strip out the profits trying to get the best cost of goods that we can and they continue to invest on the R&D side, product will stay relevant and consumers will stay. It's a fine line sometimes in that you want to get the best possible price for the product, but in the position of the breeder, they have to focus on research and development, continuing to push for consumer success."

Abe “We can throw a great innovation out there, but if we don’t communicate what that is, we end up not winning. And I think that’s where it’s different than breeding, only because we’ve got to be able to communicate that value message to the consumer.”

Automation/New technology

Abe “I think [automation] is important. The problem is I think our industry is currently chasing rather than leading. What I mean is a robot comes up and everybody thinks that it is the solution to all labor problems. And there’s not a lot of vetting; there’s just a lot of diving and going.

Back in the day, if something came up like an automatic transplanter, everybody today says, ‘Oh, that’s obvious.’ Well, I remember about seven different companies that came up with automated transplanters and only two of them worked. So what today seems like just intuitive, back when it started, it took a lot of trialing, a lot of investment, a lot of R&D work to assure it works. I think the biggest part of automation is making sure you do your R&D, so when you do invest that million dollars in that machine, you’ve done some vetting out to ensure you’re going to get the payout for it.”

Biophyllic design (the concept that people need to be surrounded by plants and nature to survive)

Charlie “What I think will spur demand in the long run is biophyllic design and I hope that this does actually come into fruition. Cities spend millions and millions of dollars putting in redundant stormwater catchment systems in order to handle the stormwater, where if they just add the green infrastructure, they can save a lot of dollars. To me, that’s one of the things I see toward the future as one of those game changers for us. We won’t have to worry about tighter margins. We won’t have to worry about how the people see us as being a necessity or a luxury because the architectural people are going to incorporate it into the design of these buildings and homes, so we’ll be surrounded by plants and we’ll see the function that they provide and that’ll bolster the demand.”

Our future ...

Charlie “We can control our own destiny a little better if we look to what influences demand. If you look at programs like America In Bloom, there has been some support for it by the industry in the past, but it’s been woefully insufficient. So I think we need to recognize the more we have communities involved in what we do, in not just beautification, but incorporating flowers, shrubs and trees into the green infrastructure because of all the functional benefits, we’ll be better off.”

Michael “We have great products, we have very passionate people, so we just have to figure out how to evolve our business practices to meet the future. And that’s not new; that’s going to be forever.”

Stan “If you’re open to change, I’d be very optimistic. Things are changing around us—we need to react to them and take advantage of them or sit there and watch it happen. We as an industry aren’t fast to change as the society around us and that’s part of the problem. If the other choices the consumer has to spend their dollars on change faster to meet their needs, other industries are going to get the dollars at our expense.

We've got to get faster. We've got to change quicker. We've got to embrace change instead of fighting it."

Anna "I'm optimistic, absolutely. Things are going to happen. There's innovation going on all over. People love plants and it's up to us to make them easy and I think we're going to make them easier. If we can get them in front of them, they'll buy them and they'll be better off for it.

The future's not real clear, but that's good because that means there's room for opportunity. The industry is small enough that individuals can have a big effect." **GT**