

GROWERTALKS

GT in Brief

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A Case for Orchids

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Orchids were once the purview of specialty nurseries, who'd grow small numbers of a wide range of eclectic genera for collectors, gifts and events. Then the mass market phalaenopsis came into being, thanks to high-volume tissue culture labs in Asia and mega-growers here at home, which put millions of orchids into the chain stores at relative bargain prices. In fact, orchids just surpassed poinsettias as America's most-produced potted crop (36.3 million to 32 million, according to the USDA).

Pictured: Ben (center) with Q Pennings (left) and George Bowles, who joined the Color Orchids team in September after 14 years with DHL and FedEx. What has George learned in two months? How much growers share with one another. "You're very friendly with information."

Which is why we were surprised to learn that Ben van Wingerden chose orchids for his new greenhouse business venture. Wasn't the market already awash with the things? Why get into a field already dominated by large, ultra-efficient operations—including some of your own family?

That was our first question when we paid a visit to Color Orchids, Ben's business in Stevensburg, Virginia. It took just two hours of conversation to convince us he'd make a sound business decision. Launched in 2012, Color Orchids will hit an impressive \$9 million in revenue this year. But Ben has a more audacious goal: \$25 million by 2019 (with the able assistance of General Manager Quirinus "Q" Pennings and new President of Sales George Bowles).

"I was planning on doing something else."

Despite growing up in the most prominent family in American horticulture, Ben, the 27-year-old son of Joe van Wingerden (who runs greenhouse construction company Prins USA and an organic hydroponic lettuce business called Fresh2O), wasn't planning on a career in horticulture.

"I was exposed to it my whole life, there's no doubt about that," he admits. "But I never expected to go into the

greenhouse industry growing up. I was planning on doing something else.”

That something else might have been the law profession. But two years into college, Ben realized that, at heart, he was an entrepreneur. What he really wanted to do was put his sales and marketing talents to work. So he completed a degree in economics, then began exploring business opportunities. The greenhouse, which he knew intimately, beckoned. But why orchids as the crop?

“I like orchids because there’s so much you can do with them,” Ben answered. “I did NOT want to do outdoor plants—for a lot of reasons: You’re completely limited by what the weather is doing. You can’t hit urban customers, the cities.”

One more reason: the high barrier to entry. An acre of orchid greenhouse can cost \$1.5 million (he’s got five).

After spending 2011 traveling the world from Taiwan to Holland (“I visited almost every orchid grower that’s out there to see what was going on”), Ben settled on a business model based on differentiation in both colors and sizes.

High-volume orchid growers tend to choose varieties that will turn quickly, he explains. Orchids are an 80-week crop, so shaving a week or two means more profit. However, Ben admits to not knowing or even caring about how quickly a variety turns. Don’t ask him how many plants he sold last year—he can’t tell you.

“All we care about is what’s going to sell,” he says. That means varieties with vibrant colors, selected to fit the seasons and holidays. For instance, he grew 20,000 orange phalaenopsis for autumn sales.

Another point of differentiation: Color Orchids has moved away from conventional pot size nomenclature and instead taken a cue from Starbucks, giving their product offerings evocative names like Belita, Bonita, Multiflora, Architect and Garden (there’s even a Grande).

“We stopped the pot sizes two years ago,” says Ben. “It’s stupid for orchids. Why in the world would you talk about pot sizes? It has to do with the look, not the pot.”

Something else they don’t talk about: prices.

“Our goal is to build a brand ... and we want to be perceived as a high-end brand. So whenever we make a decision, we ask, ‘Is this going to help us reach that goal?’”

Which is why he made the conscious decision to stay out of the “big three” chain retailers, which he felt would devalue his product.

“At the end of the day you’re going to lose in that field,” he says. “We don’t compete on price. When we walk into a meeting it’s not about price. ... The moment the conversation starts to go down that route, we take a step back and ask ourselves if we want to do business with these guys.”

The “guys” he does business with? Higher-end retailers such as Whole Foods, Trader Joe’s, Wegmans,

Costco and small independents, shipping as south as Miami, north to Boston and west to Iowa.

Another way Ben is going against conventional greenhouse wisdom is pay. Ben gave all his employees raises to more than \$14 per hour once they showed they wanted to earn it. "Our goal is to be \$15 per hour next year, then to go up from there," he says.

How does he justify that?

"It gives us a better workforce," he explains. "You can raise your expectations, too. And that's exactly what we do. ... There are a lot of costs within mistakes. You pay more, [you get] fewer mistakes, it comes back to you. It's hard to measure, but it comes back to you. And as long as you're hitting your numbers, who cares?"

A new man, a new model

How will Ben grow Color Orchids to \$25 million in just a few short years? First, he's just hired a president of sales, George Bowles. George, 43, comes from international sales stints with FedEx and DHL. He knows sales and he knows logistics, too, enabling him to do double duty for Color Orchids. George is tasked with finding new markets, including event planners, restaurants, alternative retailers and the like. Says Ben of George, "Logistics is a huge part of our industry, and it's getting more and more so. So having somebody that understands that side of the world is really important for us. ... If you can figure logistics, you can sell to a lot more people."

Second, they're completely changing their business model: Instead of growing the crop from start to finish, they'll bring in pre-finished, pre-spiked plants from specialist suppliers. Crop time will drop from 80 weeks to 12 or less, giving them five turns per year. Q will oversee the contract growers to ensure they're hitting Color Orchid's specs. They'll move production to a new 100,000 sq. ft. facility next door to their current greenhouse (which will be taken over by dad's lettuce operation). The new greenhouse will produce 2.5 million orchids per year.

Why become less vertically integrated as the business grows? Explains Ben, "Growers need to specialize at certain stages when it comes to orchids. We're letting the growers like Floricultura and Anthura focus on the growing. That's what they do, that's what they're good at. We're good at sales and marketing. It's a perfect synergy."

Lastly, I asked Ben his opinion of e-commerce, especially Amazon, which is pushing hard to increase online plant sales. Does he worry that will take business from his brick-and-mortar customers?

"You can buy our product on Amazon right now," Ben said matter-of-factly. "Amazon is an impressive company. And they're making all these other companies adjust. ... The problem, honestly, is logistics Once they figure out the logistics part of it, the sky is the limit for them."

We suspect Color Orchids will be flying high along with them. **GT**