

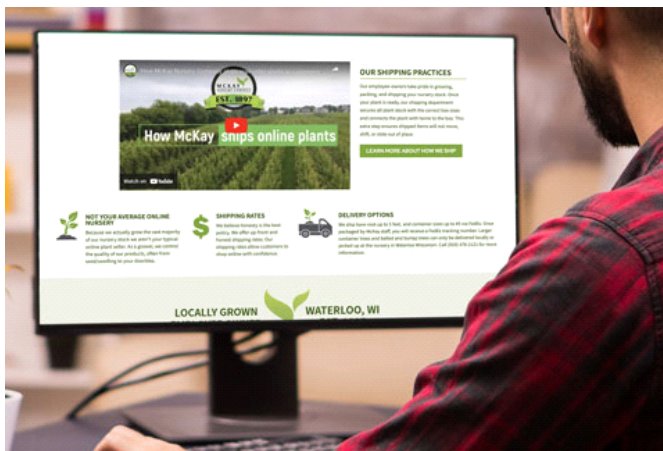
GROWERTALKS

Features

3/1/2023

Wholesale to Retail

Katie Elzer-Peters



As a wholesale grower, if you've ever thought, "Hmm, I wonder if it would be good for my business to sell retail in some capacity?" you're not alone. Plenty of growers quickly pivoted to retail sales during the early days of the pandemic. Some stayed with it, refining and growing, and some stopped.

What if you had the chance to expand your wholesale grower operation to include retail in a controlled, organized, optimized manner? Why might you want to consider selling retail? Would it be worth it? How would you do it? Let's discuss.

Pictured: McKay Nursery Company provides comprehensive information about shipping practices, a great example of online retail customer service.

Retail pricing

If the elephant in the room of wholesale versus retail is price, its baby is labor. You can't have a discussion about business models without getting clear on pricing and margins.

Retail prices are always higher than wholesale prices for the same item, which can make retail seem attractive, but you and I both know that a higher retail price doesn't mean a higher profit margin. Why? Labor. There are formulas for calculating direct (producing the product) and indirect (selling the product) labor costs, but selling one-to-one is always going to be higher in cost.

Here's a non-horticulture example. Friends of mine (in fact, I wrote about them for *Green Profit* in 2019) own a restaurant and catering business. In 2019, they were still relatively new and growing their catering and the restaurant business. Their revenues were, at that point, relatively equal and the restaurant served as a great marketing vehicle to grow the catering business.

In 2023, catering has far surpassed the "retail" side of their business (the café) in gross revenue and in profit margin. So much so, in fact, that they routinely close the cafe during busy wedding and event seasons and are constantly evaluating whether to keep the café open at all.

"It takes so much labor to staff the café, but it's the part we really enjoy. It's how we get to stay in touch with our

community. Our regular customers have become friends over the years,” said Matt Lennert, the co-owner.

Their loyal customer base comes back for brunch whenever the café is open, and I (selfishly) hope they never close that arm for good, but their story is a good reminder that retail isn't a path to enormous profit, especially in comparison to wholesale.

Now that we're on the same page, it's time to seriously consider the upsides and challenges of retail and how to do it well, should you so choose.

Retail benefits

There are plenty of phenomenal grower/retailers that grow some or all of their plants then sell them all at retail and have been successfully doing so for ages. Here's why wholesalers might start to consider retail:

- Build brand awareness
- Sell rare plants
- Learn
- Distribute risk and reward
- Turn inventory
- Welcome design/build customers

Which one of those reasons appeals to you? Here's what your colleagues are doing in each area:

Brand awareness is one of the primary benefits of retail selling for Little Prince of Oregon Nursery. They've found that marketing activities meant to capture B2C retail customers have had an unintended consequence.

“We have opened so many more new wholesale accounts per year since launching our website and beginning to send regular consumer-facing marketing emails,” said Joan Dudney, Sales Manager for Little Prince.

Someone might have signed up as a plant geek customer, and fell in love with the branding and the high quality of products, leading to establishing a wholesale account. Little Prince's website serves both wholesale and retail customers, so wholesale customers that receive consumer emails (because they opted in to consumer communications) often place wholesale orders through consumer-focused emails. That makes their marketing do twice the work for the same effort.

Selling rare and unusual plants at retail prices is another reason to consider direct-to-consumer sales. Some items can't be produced at high enough quantities to offer wholesale, but as plant nerds themselves, a grower would still like to offer the plants to someone.

During the fall 2022 Canadian Greenhouse Conference, Terry Colasanti of Colasanti Farms Ltd. noted that they primarily use e-commerce retail to sell niche items, such as carnivorous plants, that might have higher margins and thus are worth the higher costs to get the plants in consumers' hands. Little Prince has sold rare begonias, agaves and other curiosities direct to consumer in this way.

Learning is the main reason Johnson's Nursery opened their garden center in Willard, North Carolina—it's right next to their production facilities.

“We wanted to really understand what our retail customers are up against,” said Chason Johnson. “We figured if we could crack the code in Willard [a relatively small, rural town], we'd have some real insight to share with our buyers.”

Distributing risk and opening new revenue streams is a key benefit of retail for McKay Nursery Company in

Waterloo, Wisconsin. They offer online retail, wholesale and landscape design/build services.

“By growing our own plants we ensure healthy supply for our other ventures,” said Dave Warning, the Wholesale Sales Manager. “We also spread out the revenue for the company. If one arm is down, the other might be up.”

Turning inventory happens much faster when you have two buyer streams pulling from it.

“Everything’s always fresh,” said Bryan Attermeier, Park City, Illinois, Location Manager for Lurvey.

“By opening our wholesale locations for retail customers, we also offer our landscape design/build customers a nice ‘shoppable’ experience for their clients,” said Jason Castaneda, Lurvey’s Marketing Coordinator. “It’s a win for all.”

Retail tips & challenges

Retail via e-commerce (and shipping) and retail from a brick-and-mortar storefront are two separate business models under the same umbrella, but there are similar challenges regardless of which model you’re pursuing.

- **Inventory management:** The best-case scenario is that inventory is managed and tracked separately for retail and wholesale. That’s easier said than done and depends entirely on how your inventory system, point-of-sale system (POS) and, potentially website, “talk” to each other. If your inventory isn’t super tight, designate items with limited quantities as retail or wholesale only to lessen the chance that you’ll sell the same plant twice. If you sell plants online using email marketing and don’t have live inventory synched between your retail website and wholesale yard, set aside some inventory prior to promoting a plant. Promise a plant to an e-commerce customer without delivering it more than once and you’ve lost that customer.

- **Customer service:** Retail customer service is white-glove high-touch compared to even the most dedicated wholesale customer service. If customer service is perceived as lacking, the disgruntled customer will air their grievances on social media.

Heidi Grassman, co-owner of Garden Crossings in Zeeland, Michigan, said, “E-commerce is almost 100% customer service. Retail customers will direct message you via Instagram and Facebook, comment on YouTube videos, email, call and live chat. It’s a lot to keep track of.”

Because regular consumers’ frame of reference for all things online retail is Amazon, they’ll also expect any e-commerce transactions to work perfectly and seamlessly with full notifications for order receipt, shipping and delivery—just like they’d experience with Amazon.

Heidi said, “Get an ironclad return policy together—whatever it might be—and prepare yourself to bend your own rules. You always have to leave room for grace.”

White-glove brick-and-mortar customer service means having good signage, leaving aisles picked up and free of obstacles, convenient parking, staffing to help load large plant material, and a fanatical attention to maintaining current hours across the Internet where customers will seek that information.

- **Labor:** Both e-commerce and brick-and-mortar retail staff will need resources and training for successful B2C interactions. Add e-commerce with shipping into the mix and you’ll need dedicated staff to manage the website, pick orders, and (carefully) pack and ship orders. Stacy Hirvela, Marketing Manager at Walters Gardens, also works with Great Garden Plants, a retail e-commerce business purchased by Walters.

She said, “The number one thing that most people underestimate is how much staff you need to run an e-commerce business well. To see the difference that has happened from the early days of running Great Garden Plants as an add-on to existing jobs compared to now, when we have people devoted to these roles, whether it is website management, e-commerce marketing, is huge.”

Whether through a physical location or an online store, retail can't be an "add-on."

- **Marketing:** Wholesale customers are much more likely to arrive on scene knowing what they want. They'll have a pretty good idea of how large a plant will be at maturity and what it might offer in the way of fall color. They'll know if an annual is better suited for the chilly spring or blazing hot summer or, at least, they'll buy what you have instead of potentially asking for full bloom ranunculus in August. The way that affects you is that when selling retail, you'll have to provide comprehensive plant descriptions, realistic (on-the-lot) photos, and care information on bench cards and/or on the website. To get and keep retail customers, you'll also need to expand efforts to consumer-facing marketing such as email, SMS and social media.

The bottom line is that there are plenty of benefits to be had by offering retail, but you'll want to do your research before jumping in. **GT**

Katie Elzer-Peters is the owner of The Garden of Words, LLC, a green-industry digital marketing agency. Contact her at Katie@thegardenofwords.com.