
MARKETING PLAN

The marketing plan identifies industry and market trends, planned sales in terms of both units and revenue, and outlines the basic marketing and sales strategy for achieving the planned sales level. The projected sales and prices must be based on both the historical trends in the industry and for the company, present and future actions of competitors and the sales and promotion efforts of the company.

It is recommended for the nursery industry that sales projections be based on units of product sold and that this be converted into projected dollar sales on a monthly and yearly basis.

To be a useful management tool, the marketing plan should describe the assumptions that underlie the marketing and sales objectives and decisions. The description of the marketing plan should include the following information:

1. A description of industry market and trends.
2. An analysis of who your customers are or will be.
3. A schedule of monthly and annual sales and revenue targets, differentiated by product.
4. A price schedule for each of the products you plan to sell.
5. A budget for marketing and promotion.

Any major additions or changes in plants being produced should be noted here.

Industry and Market Trends

In this section, identify the major trends affecting the industry or business. This should include information on:

- style, varieties and consumer tastes in target markets
- industry structure and size of operations
- forces in the market that affect the demand for product

You can find out about these trends by reading industry journals and discussing with customers and suppliers what changes they think will occur. Once you have identified the major trends, you need to decide how your business will accommodate them. Our example discusses the market forces that determine the demand for nursery product produced by growers in British Columbia. These forces are a key component in the development of a business plan, as they ultimately control the ability to sell any product that is produced, and the price that is obtained for that product.

INDUSTRY AND MARKET TRENDS EXAMPLE

- The key "external" market forces that determine the demand for product are:
- The construction of new homes and multifamily dwellings in B.C.
 - The state of the economy in Central Canada where approximately 13% of B.C. product is sold.
 - The state of the prairie economy where approximately 18% of B.C. product is sold.
 - The relative position of the Canadian dollar vs. the US dollar.

● **New home construction in B.C.**

Recent studies have shown that the number of building starts in the B.C. economy is a major driving force for the sales of plant material. A recent Alberta study indicated that an average of \$4,200 was spent on landscaping new homes.¹ Of this approximately 25% or \$1,050 was spent on plant material. With 65% of all B.C. grown plant material being sold within the province this is a primary driver for sales by companies specializing in the supply of plant material to the landscape industry. Overall sales in the landscape sector can be approximated by determining the number of building permits issued 12 months prior to the prediction date. In general it has been found that plant sales lag building permits by 12 to 18 months.²

● **Central Canada and Prairie Economy**

Over the last 10 years there has been an increase in the number of companies exporting to the Ontario market. A strong market in Ontario reduces the supply of plants from a number of larger nurseries in B.C. thus reducing the competition in the local market and strengthening prices. A poor economy in Ontario as has been seen in recent years increases the number of nurseries and the quantity of plant material on the local market, thus reducing local prices.

● **Position of the Canadian Dollar vs. the US Dollar**

B.C. produces only 1.2% of the total nursery stock in the North American market. Compared to the nearest US states that are major growers of nursery stock, B.C. represents only:

- 14.4% of California production
- 22.5% of Oregon production
- 60.6% of Washington production³

One large producer based in California and Oregon has production nearly equivalent to the entire sales of the B.C. nursery industry. With such large volumes of production south of the border and very capable competitors, the fluctuations in the Canadian dollar play a major role in the ability of B.C. nurseries to compete with their US counter parts. The present low Canadian dollar gives a significant pricing advantage to local B.C. producers. The low dollar also increases the ability of B.C. producers to export into the Pacific Northwest market place.

¹ McTavish B., 1993 Alberta Ornamental Horticulture Industry Profile, pub. Landscape Alberta Nursery Trades Association, Edmonton, Alta.
² McTavish B., 1990, Skilled Labour Supply and Horticultural Education Policy in British Columbia. MBA Thesis, Simon Fraser University.
³ Don Ference & Associates., 1991, Profile of the BC Nursery Industry, pub. BC Nursery Trades Association

Customer Analysis

In this section, you will examine the major criteria you think your customers use to buy products you are selling. Identify the factors that influence the purchase of nursery stock.

It is also helpful to identify the market share that each of these potential customers has.

Know as much as you can about your potential customers: be aware of demographics such as age, gender, marital status, and level of education.

A recent study by Basford and Associates⁴ outlines the key demographic trends in the general public purchasing of nursery product. Their study found that the single largest segment of the general public purchasing nursery stock is what they defined as "Novices" with a limited knowledge of gardening. This segment was defined as:

- 50% of the total sample
- 65% were female and 89% were or had been married
- 82% had been gardening for more than 5 years and 64% for more than 10 years
- 56% were between 35 and 54 years old
- 41% have lived in their current home for less than 5 years
- 65% have technical school or high school education
- 41% earn \$55,000 or more per year (median income was \$50,000/year)

The Basford and Associates study indicated that there is a shift in the buying patterns of consumers, particularly expert gardeners who are looking for newer and unusual plants. The key target segment (beginners and novices) are beginning to experiment with new varieties for colour and shape. Blossom colour is consistently rated as extremely important criteria for the choice of plant material.

Buying patterns for the Basford study indicated the following percentage of purchase by the general public:

Species	% purchased in last 3 years
Rhododendron	44%
Azalea	28%
Rose	19%
Juniper	9%
Cedar Hedging	8%
Lilac	7%
Camellia	6%
Hydrangea	5%

⁴ Richard Basford & Associates., Aug. 1992, Marketing Recommendations for the BC Nursery Trades Association

CUSTOMER ANALYSIS EXAMPLE

Customer	% of total sales for BC growers	Key criteria in their purchasing decision	Other comments
Retail garden centres	approximately 37%	<ul style="list-style-type: none"> • Quality of plant • Price • Health of the leaves and foliage • Service 	<p>Excellent labelling required. Labels should give:</p> <ul style="list-style-type: none"> • Sun/shade requirements • Blossom or leaf colours when pertinent represented by a picture • Size and height at maturity • Planting and basic care instructions • Common name of plant
Mass merchandisers	approximately 11%	<ul style="list-style-type: none"> • On time regular scheduled deliveries • Bar coded price tags • Plant quality 	<p>Tremendous expansion in the number of mass merchants entering the retail supply of garden products in past 5 years. This has opened a new, albeit difficult, channel of distribution of plants from B.C. growers.</p>
Landscapers	approximately 26%	<ul style="list-style-type: none"> • Correctness of the order fulfillment (no substitutions) • Prompt assembly and delivery • A reliable return policy • Speedy quotes 	<p>One of the biggest criticism from the landscape sector and landscape architects is the substitution of plant material from original quotes. The ability to fulfill orders as specified is one area of potential advantage in the supply to the local landscape market.</p>
Other bodies such as municipalities and golf courses	approximately 7%		
Other growers	approximately 16%	<ul style="list-style-type: none"> • Colour of flowers/ foliage • Look in the garden • Ease of care • Grown specifically for B.C. Climate 	

DEVELOPING MONTHLY SALES AND REVENUE GOALS

Since sales in the nursery industry are very cyclical, i.e. the majority of sales take place in the spring, from February to May, it is important to forecast sales monthly rather than yearly. The cyclical nature of any given company will of course depend on the channels of distribution (sales to garden centres, landscapers, eastern markets, mass merchandisers etc.).

Any projections based on historical sales trends will need to be analyzed and adjusted based on possible changes in the following:

- 1) **Introduction of new products.** For example if a nursery introduced new plant varieties that have summer blooming periods such as hydrangeas, this will extend the normal revenue generation period of the nursery.
- 2) **External developments** can have a major impact on projected sales. For example significant increase in the value of the Canadian \$ vs. the US \$ will increase the competition from the US. If a new competitor enters the market carrying similar product lines this can impact both sales and price.
- 3) **Expanded sales and advertising efforts** can have a significant impact on sales of an individual firm. This is often a short run impact until key competitors can match your sales and advertising efforts to regain lost market share.
- 4) **Price changes** can have either a positive or negative impact on revenue.

The actual development of the sales objectives should be initially based on the number of individual units of each product sold and the forecasts should be stated in terms of units rather than dollars. The reasons for this are:

- 1) Sales do not really occur in dollar terms but in units. From a marketing, shipping and production perspective, they are handling units of plants not dollars. Therefore from the organizational perspective the initially important criteria is how many units must be sold and how they are moved to market.
- 2) Customer demand is primarily based on the number of units consumed, with the price paid for the units being a secondary consideration. For example your retail garden centre customer knows that it can sell 150 five-gallon red rhododendrons per week when they are in bloom. This is their primary consideration; the secondary consideration is what they have to pay for the product.
- 3) If forecasts are based on units, it is much easier to adjust to other impacts on the organization. The changes in units sold, not the dollars received are what ultimately impacts production, advertising, shipping and space requirements.

Since the sales and revenue projections have such a significant impact on all other operations of the company, you may want to develop several different alternatives to be evaluated based on ability to finance, provide human resources, etc. Typically firms develop three scenarios: worst case, average and best case. In general, management should have at least 95% confidence that the scenario picked is what will actually happen.

DEVELOPING MONTHLY SALES AND REVENUES EXAMPLE

Product: Pinus mugo #5 pot			
	March	April	May
1991	120	180	45
1992	112	200	50
1993	150	160	48
1994	145	165	50
Forecast	150	170	50

(Similar tables could be prepared for all species/varieties sold.)

Forecasting monthly sales by \$

	MONTH											
	1	2	3	4	5	6	7	8	9	10	11	12
Units (A)	0	100	250	700	600	150	50	20	100	300	20	0
Avg. Unit price (B)	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Revenue A*B = C	0	1150	2875	8050	6900	1725	575	230	1150	3450	230	0

TOTAL SALES FOR YEAR = SUM OF ALL MONTHS = \$26,335

SETTING PRICES

Prices are generally set based on market conditions; however it is important to ensure that your prices are covering your costs. These costs include your production as well as your overhead costs. The information needed to complete this section is derived from the production and human resource and organization plans. This section will therefore need to be completed after those sections have been finished.

Costing your inventory

The cost of the products you sell can be broken down into three components: direct costs, variable overhead costs, and fixed overhead costs. For the purpose of this planning process, the following applications of these costs will be used.

Direct Costs:	Any costs of raw materials which are directly related to the final product on a one for one basis, for example, liners, containers, media.
Variable Overhead:	Any production costs which will vary depending on the level of production, e.g., potting costs.
Fixed Overhead:	All other fixed costs of operation which have to be covered for the nursery to operate. This will include salaries, administrative costs, depreciation, financing charges etc.

The variable costs (direct plus variable overhead), will therefore have a direct relationship to unit production. The fixed costs are by nature independent of production, but have to be covered for the nursery to show a profit. The amount of fixed overhead allocated to each inventory item will vary depending on the anticipated annual volume. Since the amount to be allocated is fixed, the greater the production volume, the lesser the overhead burden per item.

The "full cost" of an inventory item includes all direct, variable and fixed overhead allocation.

Setting a selling price

Ideally the selling price should exceed the full cost of each product. This means that each item is covering both its variable cost and its contribution towards the fixed overheads. In some cases market conditions may be such that it is not possible to recover all the costs of a particular item. It may still be appropriate to sell the item at a loss if there are compensating factors - such as need to carry a full product line and ensure sales of other more profitable products.

If a selling price is not covering its direct and variable costs, then it means that for every item sold, you are losing money. It is costing more than you are getting back. The more you sell, the more you lose. Obviously this should not be allowed to happen, unless there are some very good marketing or promotional reasons.

SETTING PRICES EXAMPLE

Product costing and margins

	Prod./Sales	Cost	Selling Price	Gross Margin (before OH & sales costs)
Deciduous shrubs - #1 pots	18,000	\$1.85	#3.50	\$1.65
Deciduous shrubs - #2 pots	10,000	\$2.65	\$6.25	\$3.60
Conifers - #1 pots	10,000	\$1.55	\$3.25	\$1.70
Conifers - #2 pots	15,000	\$3.00	\$7.25	\$4.25
Deciduous - #5 pots	10,000	\$5.75	\$12.50	\$6.75

Note: The gross margin must cover all over head costs, sales and shipping costs and desired profit.

MARKETING AND SALES EXPENSES

Marketing and sales expenses can be broken down into:

1. Fixed expenses. These tend to be stable no matter what the volume sold. Examples of these are minimum sales force, catalogue production and normal advertising or marketing (e.g. trade shows).
2. Variable expenses, which change in direct relation to the sales volume. Examples are shipping costs to markets, increase size of sales force.
3. One time expenses, which are special expenses such as a special one time promotion effort or a special trip to investigate and or set up new markets.

For preparation of the business plan, the promotional costs necessary to meet the sales targets need to be consistent with those targets. Typically, those costs include catalogue production, trade shows, advertising and any special promotions.



SALES AND MARKETING EXPENSES EXAMPLE

Factor	Year 1	Year 2	Year 3	Year 4
Sales volume (total Units) (A)	30,000	35,000	37,000	40,000
Shipping costs (B)	\$32,000	\$35,500	\$36,000	\$39,000
Salesman (C)	\$30,000	\$35,000	\$37,000	\$40,000
Catalogue (D)	\$2,000	\$2,200	\$5,000	\$5,000
Trade show (E)	\$0.00	\$1,500	\$2,500	\$2,000
Tags (F)	\$3,000	\$4,000	\$6,000	\$6,000
Total (G)	\$67,000.00	\$78,200.00	\$86,500.00	\$92,000.00
=B+C+D+E+F				
Sales & mkt on a unit basis (G/A)	\$2.23	\$2.23	\$2.34	\$2.30

Note: Shipping costs are normally recovered by charging freight to customer