Carving Out a Niche with Non-Commodity Crops©

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INTRODUCTION

To an economist, a commodity market relates to raw materials, such as metals, or primary agricultural produce, such as wheat, and for a market to be established and work all buyers and sellers must know the specification and variations in a product, and they all need complete access to the market information.

In this paper, I am using a wider definition of a commodity market where the most important factor of any product has become its price, but again all involved must know and understand the product. For example we all know what to expect of a 9-cm, 1-L, or a 2-L *Euonymus fortune* 'Emerald 'n' Gold' and there is no need to, or benefit from paying, more than the average price. Although we don't yet have price comparison websites for plants, the ease of comparing prices from different suppliers means that there tends to be little variation. We are close to perfect market equilibrium for such products.

A niche market, on the other hand, is a sector of the larger market. An economist would say "focussing on a niche market is addressing a need for a product that is not being addressed by other providers." So how and why would one want to supply a niche market as opposed to a commodity market?

Before answering this question I will explain my concept of the product, and firstly I will say that we grow "plants" and not "product." In my view, once you think of and refer to your crops as product then you are in the commodity sector. But in relation to what I am going to say I may be referring to one cultivar, or range of cultivars of one species, or a group of species (e.g., semi-evergreen viburnums) or even a type of plant (e.g., tender climbers or grasses).

The business model at Jackdaws' Field Nurseries has become niche orientated – because having been heavily committed in the other direction we know the pitfalls. The reasons for concentrating on niche market crops are:

- Customers are not price sensitive.
- There is little or no competition for many individual lines, so customer loyalty is assured. They cannot shop around for a better price.
- Customers are a lot more flexible about timings, etc. They cannot make excessive demands of you because you, and only you, have what they want.
- Risk is reduced as any failures, losses, or unsold plants of one line will only be a small proportion of your total crop.
- Workloads are more evenly distributed.

EXPLOITING NICHE MARKETS

The classic market lifecycle of any product is illustrated by the graph (Fig. 1).

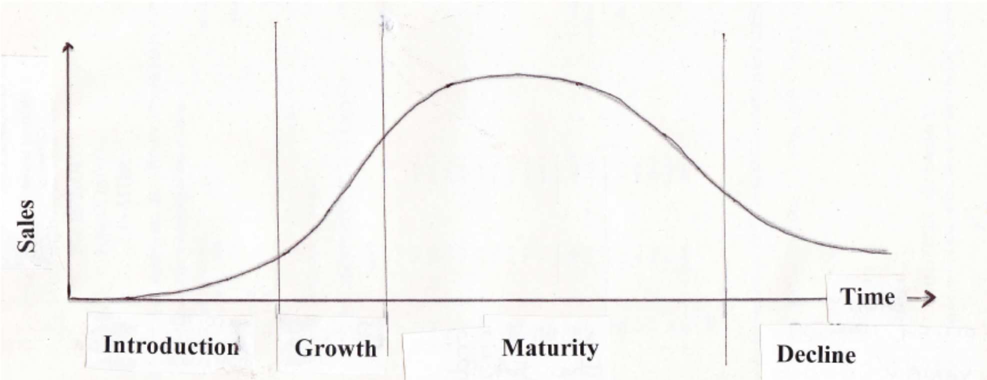

Fig. 1. Life cycle of a product is illustrated in this graph.

In the introduction phase you have the market to yourself but you have to convince customers of the merit of your new line. Usually you will set the price high because you can, and because production may be limited. For example in October 1945, the first Reynold ballpoint pens went on sale in New York priced at $9.75 (probably equivalent to about $400 at today's values). There is an alternative policy of producing large volume at a lower price in the introductory phase, with the aim of "seeing off" competitors by making sure it will never be a paying prospect for them. This would be the tactic for a plant introduction which has much promise – that you know it will never live up to.

In the growth phase, customers everywhere want the new thing and production has to be ramped up. Soon competition will appear and you will lose control of the price – using our ball pen analogy, by 1954 Bic® biros had appeared driving the price down dramatically. If your product is unique and protected by patent then direct competition cannot happen but your sales can still be hit by lookalikes. *Potentilla fruticosa* 'Red Ace' had a long run on its own but was eventually brought down to earth by new reds, then pinks, and others.

In the mature phase everybody who wants one has one and the only sales are replacements, (which is fine for consumable items) or of variations on the original. Think of the confectionery market and all the types of Kit-Kat® there have been. Kit-Kat is an established brand with no sales growth left so innovations try to cash-in on the brand – but the life-cycle of the variants can be very short. Price competition becomes paramount and we are in a commodity market. Efforts are made to reduce production costs because the selling price is declining.

Pansies are a great example in the nursery business. There are new cultivars with spectacular colours but producers cannot get a good price because the market – virtually a new one in the 1980s – has reached the limits of growth.

Finally a product goes into decline, possibly because it has just gone out of fashion or become technically redundant. It is time to reduce or stop production and move on to the next new thing.

The length of the life cycle varies enormously. Washing powders are a mature product which has been around for more than 150 years and neither fashion nor redundancy has got to them – but how long did we use cassette tapes, which are now almost entirely technically redundant; or buy Cabbage Patch Dolls, a totally ephemeral fashion?

The shape of the curve also varies and what we are trying to do is bring things into the introduction phase and stay with them through the growth phase but be ready to drop out as soon as maturity is reached. If we can prolong the first two phases so much the better.

NICHE MARKETS IN U.K. NURSERY STOCK

The U.K. nursery stock market is only mature when viewed as a whole and the life cycles of many plants within it are not well-advanced. I am not referring to newly discovered, probably patented, plants but the vast "back catalogue" of hardy nursery stock that you can read about in the classics, references such as W.J. Bean (1981) and Hillier's Manual (1971) – where are all these plants now? All but one of the U.K.'s liner producers has been in business for less than 30 years and many of the possibilities out there have yet to be explored. The entire modern garden centre trade is less than 50 years old. Many plants that have been known for a very long time have never been available in any quantity, just from the few specialists that there used to be.

At Jackdaws' Field we are propagating in significant numbers some plants that were next to unobtainable when we started, and some we have unfortunately taken right through their product life cycle – such as the golden hop (*Humulus lupulus* 'Aureus') which peaked at 25,000 a year for us, but we now only need 500. Fortunately we have many more which are at a comfortable stage of the cycle and we have ideas about some plants we would like to propagate, but can't track down the stock to get started.

When we start on a new selection we have no idea where it is going to take us but there are some general rules.

If it is easy to propagate and grow then we probably have a very short time with it, particularly if it lends itself to mass production. *Verbena bonariensis* was a great crop for a short while until bedding producers realised how easy it was and brought it to the peak of its life cycle within two seasons. Overexposure of a plant reduces its perceived value and it is now possible to buy saleable 2-L pots of this plant for very little more than we would want for a liner. Some other plants have proved more resilient and despite the fact that you can buy plugs of *Stipa tenuissima* for less than 10 pence we can still sell liners at around 80 pence.

If production is not that easy or is initially constrained by the availability of cutting material then the introduction and growth phase can be prolonged. However we have seen new introductions accelerated through their life cycle to reach decline in a few seasons. For example, *Ceanothus griseus* var. *horizontalis* 'Silver Surprise' was launched 10 years ago with 140,000 available in the first year; today there are only 11 listings for it in the *RHS Plantfinder*. Would the holders of the Plant Breeders Rights not have been better off introducing it in lesser quantity, with a higher royalty, and made it last longer?

In Holland at the moment there are some great new patented plants – such as *Hydrangea arborescens* Ncha1, Invincibelle® Spirit smooth hydrangea, a pink form of 'Annabelle' – which I would love to grow but the plant rights holders are maximising the life (and revenue) of their products by controlling production and selling them to a limited number of customers who will pay a good price.

How long can we keep a new line in the profitable stages? There are some plants you expect to go on and on, but suddenly one year they don't sell out as quickly and you are left wondering if it was an oddity of the season or the beginning of the end. We have a lot of those worrying thoughts at the end of this year in particular. I think that we have overdone some things and hastened them into the mature, commodity phase but with others competition has done it.

There is another curious niche available and that is when a plant has been excessively grown and promoted until the trade is sick of it, and everybody drops out. However it may actually be a good plant which the public does still want and that is a reason for us to start or restart growing it. There can still be mileage in a plant in the decline phase because that can last a long time. You can also find a niche by producing things differently. Many lavenders in the U.K. originate from cuttings grown without a winter. Such plants are not vernalised and they don't flower in the first year, but ours do.

We cannot do this alone: we need customers (both wholesalers and then retailers) who have the same agenda. They have to be confident enough to want to look different from the competition. I despair of some retail efforts; why try to look like a large chain by stocking all the promotional lines from all the major suppliers when even the most unknowledgeable gardener already thinks that "every garden centre looks the same."

There are downsides to running a business this way. Sometimes you can be too far ahead of the market, introducing something that has merit but your customers aren't ready for it. You need huge numbers of small batches and to be able to cope with the amount of planning and stock control that this entails as well as multiple growing systems and propagation methods to manage. Costs are higher as a result but we can charge more and in a year when the trade has been poor I am pleased to say that we should finish less than 5% down on the good year that was 2011.

Can anyone copy our model and make it work for them? Yes, if you can grow the plants and then develop a reputation for accuracy, consistency, and reliability.

Literature Cited

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