

BRANDING OF HORTICULTURAL PRODUCTS : AN APPLICATION TO POT PLANTS

K. Koelemeijer
Dept. of Marketing
and Marketing Research
Wageningen Agr. Un.
Hollandseweg 1
6706 KN Wageningen
The Netherlands

K.J. Leutscher
Dept. of Horticulture
Wageningen Agr. Un.
Haagsteeg 3
6708 PM Wageningen
The Netherlands
Publication 599

J.J.G. Stroeken
Graduate student of
Horticulture
Wageningen Agr. Un.

Abstract

With increasing standardization of pot plants in the Netherlands, interesting possibilities are created for branding as a marketing instrument. In the context of a differentiation strategy competitive advantages can be created by emphasizing superior product quality. Opportunities and constraints with respect to the marketing mix elements product, distribution, price, and promotion are discussed from the perspective of branding a generic product. Although the future seems promising additional research is needed with respect to development and introduction of a pot plant brand.

1. Introduction

Branding is known to be an effective marketing instrument for creating consumer loyalty for a product (Urban et al., 1987). Consumer pull for a product with a strong brand name has prevented many producers of fast moving consumer goods from losing their market position once the supermarkets began to establish private labels. A branded product will be perceived differently by buyers bringing about extra value added resulting in consumer loyalty (Sinclair and Seward, 1988).

In horticulture branding of products is rather uncommon. Most horticultural products are marketed bearing only their generic name. A brand, however, could enable the buyer to identify a specific product from the bulk of undifferentiated alternatives. If this specific product in addition offers the buyer value added in terms of a quality guarantee, consumer loyalty and eventually higher prices may be obtained. In the past technical constraints have prohibited branding of highly perishable products like cut flowers, pot plants and some fruits, whereas other products, like whole potatoes, offer little opportunities for differentiation by branding. Recent market developments in floriculture, in addition to improved technological solutions for quality maintenance, however, have shed new light on the discussion of branding (Van Vliet, 1990). Thus, growers, traders and marketing experts in The Netherlands are now discussing the potentials of branding as a marketing instrument for horticultural products.

In the present study the possibilities for branding pot plants are discussed. First, the situation in Dutch pot plant production is described. Next, the main issues with regard to the branding of generic products are reviewed. Finally, attention is focused on the branding of pot plants.

2. The Dutch pot plant market situation

Pot plant production has developed in the last three decades into a significant horticultural industry in Western-Europe. The Netherlands are one of the most important pot plant producers and because of the relative small home market it is by far the most important pot plant exporting country in Western-Europe. The pot plant production area in The Netherlands covers nowadays 1049 ha of glasshouses divided over approximately one thousand specialized pot plant growers. From these 1049 ha of pot plant production area 451 ha are applied to cultivate flowering pot plants and 598 ha are applied to cultivate foliage pot plants (Anonymous, 1992).

The annual auction turnover amounts up to Dfl. 1480 million, whereas an estimated 20 to 30 percent of all Dutch pot plants are marketed through other channels. The annual value of imported pot plants in The Netherlands amounts up to only Dfl. 119 million. These imports consist partially of semi-finished products, which are cultivated until marketable in The Netherlands, and of marketable pot plants which are exported directly again, resulting in some double countings. The total annual value of exported pot plants from The Netherlands amounts up to Dfl. 1588 million, consisting of Dfl. 265 million of flowering pot plants and Dfl. 1323 million of foliage plants (Anonymous, 1992).

After many profitable years with increasing annual turnovers Dutch pot plant producers now are confronted with a declining price level and reduced profits. Declining price levels are generally due to market supplies exceeding market demands. In addition, a decreased average quality of Dutch pot plants seems also a cause of the declined price level (Koeze and De Jong, 1990). Decreasing average quality is caused by individual growers who try to compensate for the reduced per plant profit by increasing production quantities while putting less emphasis on quality. Other growers try to communicate the superior quality of their products by attaching unique packings and labels, in this way trying to obtain prices higher than the average. These grower responses correspond in marketing terms with respectively the price reduction strategy and the differentiation strategy (Porter, 1985).

Pot plants can generally be considered generic products. Functional attributes vary to a large extent in time and place, because Dutch pot plant production is fragmented over many rather small nurseries which supply the market with small amounts of non standardized anonymous products. As a consequence, pot plant quality appears to be hardly identifiable for traders, not to mention consumers (Anonymous, 1990). Thus, bad experiences with Dutch pot plants are reflected in reduced demand for the whole sector.

In order to improve average Dutch pot plant quality and to make the pot plant market more transparent the co-operative auctions are developing functional specifications for pot plant products (Koeze and De Jong, 1990). Efforts are made to standardize particularly important foliage pot plant products on the auction level. These efforts relate for instance to the classification of Agavaceae, like *Yucca* and *Dracaena* types, by the number of sprouts on the wooden stem and of sorts like *Ficus benjamina* and *Dieffenbachia maculata* by their height and width. Moreover, the size of the plant may be related to the size of the pot, which should be regarded as a part of the pot plant product since pot plants are always marketed in their pot (Van Rijnberk, 1990a; Van Rijnberk,

1990b). Furthermore, research efforts are made in order to enable measuring the tenability of pot plants on the moment of sale.

In addition to the introduction of pot plant specifications, i.e. well defined product-classes with constant functional attributes, efforts have already been made to reduce the loss of quality during the distribution of pot plants from the auctions to the consumers (Hoogerwerf et al., 1989). Monitoring pot plant quality throughout the total distribution channel is necessary in order to be able to guarantee constant functional attributes not only on the auction-level, but also on the retail-level. Thus, guaranteed pot plant quality specifications may reduce consumers' perceived risk and should therefore justify higher prices. In this respect the branding of pot plants becomes interesting.

3. Branding generic products

A product is characterized by both functional attributes and expressive attributes. Traditionally, branded products are characterized by constant levels of functional attributes, like tenability, colour, packing material and price (Kotler, 1983). A branded product should be identifiable for the consumer and should provide him or her with a fixed package of attributes, which is associated with a certain level of utility, at any time or place. This certainty which is created and communicated to the consumer by the brand name offers the possibility for reduction of his or her search efforts both for low- and high-involvement goods. Thus, constant functional attributes enable an efficient acquisition behaviour, i.e. satisfying experiences will stimulate brand loyalty (Deighton and Hoch, 1989). In this respect, the very last experience is often decisive (Geath and Tellis, 1990), which underlines the necessity of constant functional attributes (figure 1).

Branding provides a way for attaching certain product characteristics to the product or the supplier - in case of a supplier brand- in the consumer's mind. The brand may serve as a hang up for expressive attributes, which may be difficult to grasp by their subjective nature, evoking emotions and feelings associated with the product (figure 1). Expressive attributes refer to aesthetic and symbolic consumer needs (Jaworski et al., 1986; Sheth, 1974).

As a brand name adds information to the product, cognitive information processing is affected. For example, the quality of identical products may be perceived differently with alternative country-of-origin labels in which the images of the relevant countries are reflected. As a product consists of a bundle of goods and associated services, branding offers a variety of opportunities to change quality perceptions. Consider for example the pot plant, including its packing as well as treatment and advice offered by the supplier's personnel.

Most horticultural products are sold to the consumer without a brand name or a private label attached. With increasing standardization of pot plants and other horticultural products, suppliers, whether growers, wholesalers or retailers, may feel the need to distinguish themselves from competitors by attaching brand names to their products. When quality is difficult to evaluate and is not guaranteed to the buyer, buyers try to reduce risk by their supplier choice, for example by relying on supplier's reputation. This reputational advantage may diminish as soon as quality standards will be widely accepted and met by most suppliers.

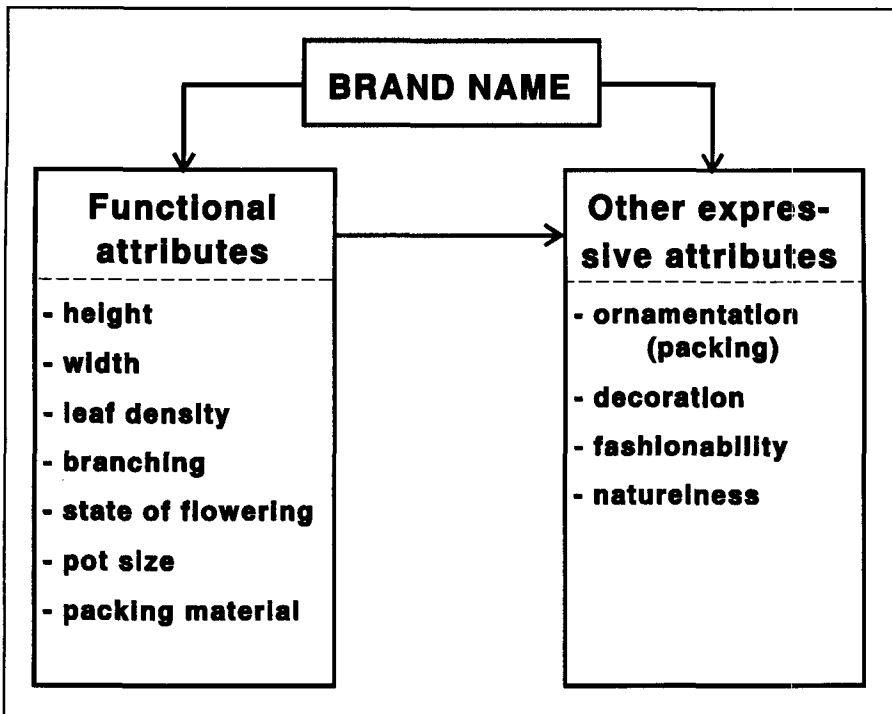


Figure 1. Brand name as a marketing instrument and its relationship to the perception of functional and other expressive attributes.

Whereas standardization of functional attributes is a technical prerequisite for branding, future competitive advantages can be created by increasing value added of the product by attaching expressive attribute levels to the brand name. A product's functional attributes offer possibilities for developing its expressive attributes: high quality goods are often sold by high service outlets. On the other hand branding may affect the buyer's perception of both functional and expressive attributes (figure 1). Packing has both functional and expressive attributes. Its functions are for example protection against quality deterioration and damage, information bearer, and increasing the attractiveness of the product, while it also affects space occupation during storage and transportation.

In the next section branding pot plants is discussed from the perspective of the differentiation marketing strategy for each of the elements of the marketing mix.

4. Potentials of branding pot plants

In this section we will discuss the extent to which marketing mix elements like product, distribution, price and promotion can be applied with regard to branding in pot plant production (figure 2).

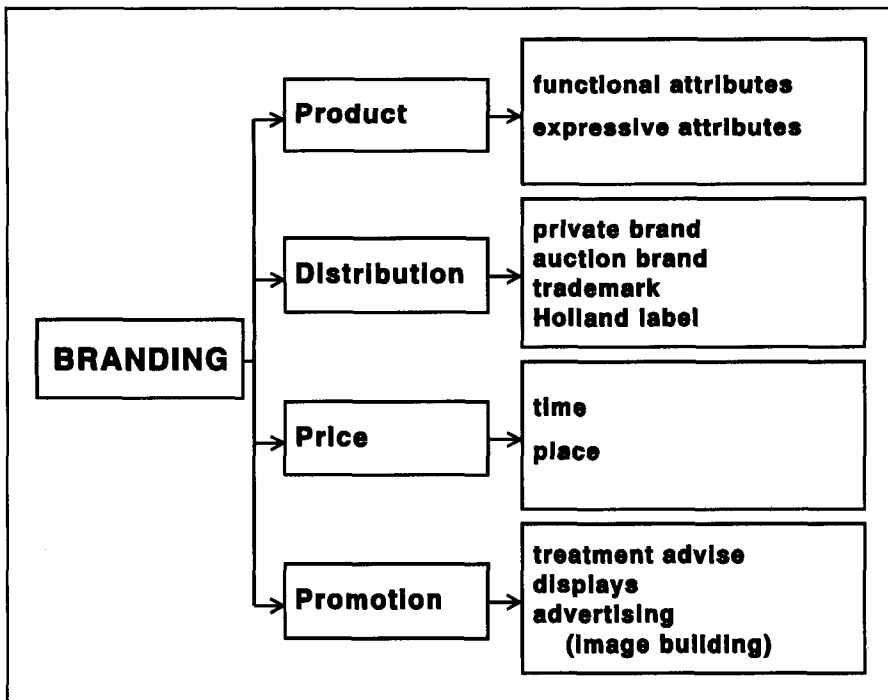


Figure 2. Issues involved in branding pot plants classified by the marketing mix elements: product, distribution, price and promotion.

4.1 Product

With respect to functional pot plant attributes it has already been mentioned that efforts are made to standardize pot plants sold at the auction level. The objective of standardization is to attain a situation with a limited number of well-specified product classes. Thus, pot plants can be classified and the functional attributes of a certain class are constant in time. Furthermore, channel coordination should assure the maintenance of these specifications throughout the whole distribution channel.

Pot plant specifications also involve the packing of the plant. Nowadays, many pot plants are sold without any individual packing at all. Packing of individual pot plants is in particular meant to protect plants from damage during transport. Occasionally, these packings are printed with the name of the grower or product and treatment advise. It seems conceivable that auction regulations with respect to packing can also assure constant packing. In addition, the packing may be printed with information like the brand name, the date of auction delivery, and instructions for quality maintenance.

4.2 Distribution

With regard to pot plant branding four options are available: private brands

by individual (groups of) growers; an auction brand; trademarks, i.e. brands introduced by trading organizations; or a Holland label. Dutch pot plant growers do not have an individual marketing tradition. Pot plant distribution and price formation is traditionally in particular an activity of the co-operative auctions, while promotion is formulated and coordinated by the Dutch Flower Organization. The two largest flower auctions in the world, i.e. the flower auctions of Aalsmeer and Naaldwijk, market approximately 65 % of all Dutch pot plants (Anonymous, 1992) and can be considered channel leaders of the Dutch pot plant industry. This position offers the auctions the opportunity to play a more active role in the marketing of pot plants (Van der Stee, 1989). Growers could benefit from an auction brand indirectly, because auctions are co-operative organisations of growers with the objective to gain maximum prices for their members. On the other hand auctions have become large organisations with their own objectives in the struggle for self-preservation. Moreover, exporters and large retail organisations like supermarket chains may see opportunities for establishing their own pot plant brands. This may imply the introduction of various pot plant trademarks. An advantage of the introduction of trademarks is the fact that the distribution channel from the trader to the consumer is shorter and may therefore be easier to control. A Holland label can be used to distinguish Dutch products on the international export market. Exhibition of superior quality within the Dutch pot plant assortment is not possible in that case.

Whatever alternative for branding is used, it is crucial to maintain product quality throughout the entire distribution channel. For this purpose it is essential to develop a total chain approach, by which all organizations involved contribute to and benefit from the introduction of a pot plant brand. In the report of the chain quality research programme (Hoogerwerf et al., 1989) mentioned previously many technical and organizational improvements are recommended.

4.3 Price

In today's pot plant trading practice auction prices are fluctuating to a large extent. Consumer prices fortunately are more stable due to the subduing effect of relative constant logistic costs and the variable profit margins exporters, wholesalers and retailers accept in order to reduce uncertainty at the consumer level. It is, however, obvious that with the existing auction clock system no constant price can be attained for a branded product at a certain place and time. Nevertheless, constant product attribute levels are required to attain brand loyalty. The brand should guarantee the consumer the same utility independent of place and time for which the consumer will accept a price difference only when non-product services offered by the retailer are perceived differently. In practice consumer prices of comparable pot plants differ in time as well as in place. In our opinion it should be possible to have the consumer accept that pot plant prices follow an annual seasonal pattern. Different prices on different places at the same point in time, however, should be avoided.

It seems very hard to realize a constant price with the traditional auction clock system. An alternative is the co-operation of trading partners, for example by selling branded pot plants through the mediation office ("bemiddelingsbureau"). Another possibility is the introduction of a trademark, as

has been done for several fruits. If trademarks are introduced, fluctuating auction prices should be compensated by flexible profit margins of the trademark holding and controlling organizations. The main principle in this respect remains a constant price level for the consumers.

4.4 Promotion and communication

A final step in introducing a pot plant brand involves the realization of a strong brand image. Pot plants are generally purchased to satisfy consumers' emotional needs relating to the decorative and ornamental value of pot plants. As a consequence, the pot plant assortment is known to be rather trendy following fashion in clothing and interior decoration. Applying pot plants indoor is also regarded as bringing nature nearby, which may be associated with a healthy life style. Furthermore, particularly the flowering pot plant is a rather important product to be given as a present, which is associated with showing affection. These emotional consumers' needs make the consumers' perception of the pot plant product particularly essential for the success of a brand. Moreover, expressive product attributes seem at least as important as functional product attributes.

Emotional grounds for purchasing pot plants turn this product into a high involvement product requiring a strong brand image to be successful (Belk, 1981). In a coordinated total chain approach marketing instruments like design (of the pot or the packing) and promotion should be able to provide the pot plant brand a strong image. Thus, the brand pot plant should give the consumer a particularly emotional value added compared to generic pot plants. This value added should be transferred into a higher price or a stronger market position which should be beneficial for the short respectively long term for all market parties involved. Communication with the consumer is important in order to know the needs of the consumer and in order to demonstrate the consumer the benefits of a branded pot plant compared to a generic alternative. Moreover, it is important that the consumer is taught how to identify the brand. Thus, consumers should begin to search and ask for branded pot plants bringing about a demand pull.

5. Discussion

In the present study branding as a marketing instrument has been projected on pot plants. Branding seems to be a promising instrument to reinforce the market position of Dutch pot plants and to obtain higher prices for the producers. Constant functional product attributes must and can be met. Moreover, emotional grounds for purchasing pot plants imply more specific promotion and communication to the consumer to sustain expressive product attributes.

Although in the present study branding pot plants is concluded to be a promising marketing activity, many questions remain to be answered for the moment. It should for instance be decided which plants could be branded. The pot plant brand should involve a limited group of pot plants. On one side this group should be perceived by the consumers as an identifiable and consistent

group, but on the other side the group of branded pot plants should not be too small avoiding double jeopardy (Barwise et al., 1990). In this respect it is important to bear in mind that Dutch foliage plants are mainly exported, while flowering pot plants are generally marketed on the Dutch home market. Furthermore, someone should take the initiative to introduce a brand. Regarding the problem of declining growers prices, the auctions as marketing organizations for growers consider branding as a possibility to support growers, which focus on quality rather than on quantity with regard to producing pot plants. On the other hand, the introduction of trademarks seems to have the benefit of less complicated channel coordination.

Anyway, branding pot plants implies a radical change in the Dutch pot plant industry. The change from a cost reduction strategy to a differentiation strategy (Porter, 1985) involves more than just putting a label on a plant. Introducing a pot plant brand involves an extensive and expensive campaign. Therefore, a pilot project on a new or small export market like Switzerland or Sweden may provide a lot of information and experience without risking the existing market position.

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