

MARKETING AND GROWING PLACED-BASED CLUSTERS: THE CASE OF THE NORTHWEST OHIO GREENHOUSE INDUSTRY

Neil Reid

Department of Geography and Planning
Urban Affairs Center
University of Toledo

Bruce W. Smith

Department of Geography
Center for Regional Development
Bowling Green State University

Dwight Haase

Department of Sociology and Anthropology
University of Toledo

Paula Ross

Anastasia Mirzoyants

Urban Affairs Center
University of Toledo

Jay D. Gatrell

Department of Geography, Geology, and Anthropology
College of Graduate and Professional Studies
Indiana State University

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Greenhouse Industry

- US greenhouse and nursery sales were approximately \$16.6 billion in 2007 (Agriculture Census).
- Ohio ranked 6th in the nation in terms of the dollar value of crops sold with \$445 million of sales in 2007.
- The northwest Ohio greenhouse industry is responsible for over 750 jobs and has a local economic impact in excess of \$100 million.



Northwest Ohio Greenhouse Cluster

- Industrial cluster established in 2004 to help small, family-owned greenhouses in Northwest Ohio engage in collaborative problem-solving to address competitive challenges.
- Challenges included a weak market presence, increasing international competition, dated infrastructure and production technology, and high and rising natural gas costs.



Changing Value Chain

- Until recent years, the global value chain largely conformed to the market governance type described by Gereffi et al.(2005).
- Most small growers sold to local markets, including through their own retail operations.
- The complexity of transactions was low, the capability of suppliers was high, and the power asymmetry and degree of coordination were low.
- With the advent of the “big box” stores and their evolving market power, the situation is changing. The industry is experiencing a shift to the captive governance type.



Industry Challenges

- 2004 survey found two-thirds of the growers reported a lack of marketing expertise and market information
- Maumee Valley Growers (MVG) organization, brand, and logo established in 2005 and 2006.
- To help MVG understand the local market a consumer survey was undertaken.
- The purpose of this paper is to present the results of the consumer survey.



Goals of Consumer Survey

- Obtain information on the characteristics and motivations of persons buying greenhouse products in northwest Ohio, particularly in terms of the competition between greenhouses and “big box” or chain stores.
- Measure consumers awareness of the Maumee Valley Growers brand.



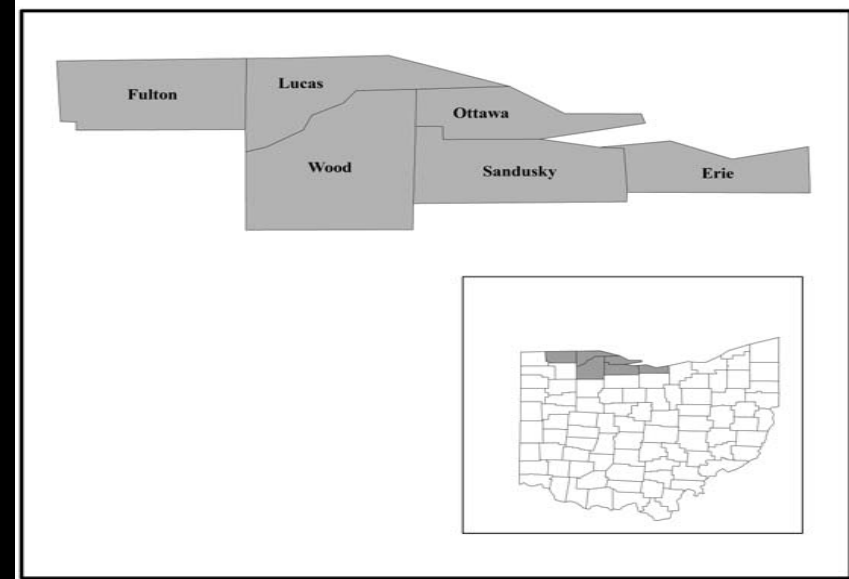
Overview of Presentation

- Briefly describe the survey methodology.
- Highlight major results.
- Discuss implications.



Survey Methodology

- Telephone survey of persons in MVG region.
- Respondents selected using a Random Digit Dialing process.
- 2,388 adults completed the survey. Sampling error was 2.7% and margin of error was under 1%.
- 56% of eligible people completed the survey.



General Results

- 64.2% had purchased greenhouse products, compares favorably with the national rate of 60.0% reported by the National Gardening Association in 2007.
- This suggests a strong local market.



General Results

- Among the largest segments of buyers were married persons, homeowners, females, households with incomes over \$75,000 per year, and college graduates.
- Growers not always sensitive to these demographics.



General Results

- Growers serve very localized market.
- 75.3% of respondents traveled less than 15 minutes to buy.
- Another 21.0% traveled between 16 and 30 minutes.



Retail Outlets

- Greatest competition for growers is the chain stores.
- Changes in the value chain are impacting NW Ohio growers.
- Growth in hypercompetition.

Retail Outlet	% Buying
Retail Garden Center/ Greenhouse	41.5
Chain Store (Walmart, Home Depot, etc.)	36.7
Farmer's Market	11.8
Florist	2.5
Internet	0.1
Other	7.4

Chains Versus Greenhouses

- Focused on this competition since other competition is small in the region.
- Examined demographic differences and differences in motivations of buyers.



Significant Demographic Differences in Chain and Greenhouse Buyers

- Higher percentage of females bought at greenhouses, while a higher proportion of males patronized chain stores.
- Higher percentages of high school and college graduates patronized greenhouses, while those persons with some college education were more likely to buy from chain stores.
- Home owners tended to buy from greenhouses, whereas a majority of renters purchased from chain stores.



Factors Influencing Selection of Retail Outlet

- Greenhouse patrons are more focused on plant quality and selection than chain store buyers.
- Chain patrons cite quality, but focus more on price and location than do greenhouse patrons.
- Buying locally, emphasized in the MVG marketing campaign, was cited by only 12.2% of the greenhouse buyers and 5.2% of the chain store customers.
- MVG should stress quality issues in their marketing. Also stress the benefits of buying locally grown products versus plants that are grown outside the region or the nation.

Factor	Greenhouse Buyers %	Chain Buyers %
Plant Quality	34.7	26.3
Selection	13.8	10.0
Price	12.8	25.6
Convenient Location	12.2	21.5
Support Local Business	12.2	5.2
Seller Reputation	8.1	6.6
Customer Service	4.1	3.9

Brand Awareness

- Maumee Valley Growers brand and logo launched in 2006.
- Various marketing campaigns have been completed to promote MVGA.
- 41% of the respondents had heard of the MVG.
- The primary sources of information about the MVG were
 - television (34.9% of total hearing),
 - newspaper ads (23.0%),
 - word-of-mouth (22.7% of total hearing).
- MVG merchandise, radio, internet, and bus wrap campaigns contributed very little to brand awareness.



Spatial Variations in Brand Awareness

- Significant differences among counties.
- Differential penetration of Toledo television stations and major newspapers in counties.
- More MVG greenhouses in Lucas, Wood and Fulton counties.

County	% Aware
Lucas	47.1
Ottawa	43.3
Wood	42.6
Fulton	34.2
Sandusky	27.2
Erie	18.7

Conclusions

- One implication of the survey is that the greenhouses should emphasize “quality” in their advertising because that is the primary determinant that differentiates local growers from their big box competitors.
- They should also stress the advantages of buying plants grown in the local region; not just promote the support of local business.



Conclusions

- One challenge of marketing the MVG brand is the fact that growers are facing localized markets, with over 75 percent of the respondents reporting that they traveled 15 minutes or less to make purchases.
- Another challenge will be to generally expand awareness of the MVG brand throughout the study region, particularly in those counties peripheral to Toledo.

**Spread some Green
this Holiday Season**

**Buy quality poinsettias ONLY from
a local Maumee Valley Grower.**

Help grow our local economy...
It's the bloomin' right thing to do.

Poinsettia care tips, log on to
maumeevalleygrowers.com

MAUMEE VALLEY GROWERS
Choose the Very Best.

Barrow's Greenhouse, Toledo
Bench's Greenhouse, Elmore
Bostdorff Greenhouse Acres, Bowling Green
Cleveland Road Greenhouse, Sandusky
Colonial Gardens/NorthCoast Horticulture Products, Huron
Corso's Flower & Garden Center, Sandusky
Dennis Greenhouses, Toledo
Gedert's Greenhouse, Maumee
Hoen's Greenhouse and Garden Center, Holland
Klotz's Floral and Garden Center, Bowling Green
Loch Farms and Greenhouse, Swanton
Obie's Flowers, Pemberville
Ohlman's Farm and Greenhouse, Toledo
Rhodes Garden Fresh, Toledo
Tom Strain and Sons & Daughter Too, Toledo
Village Green Landscape, Findlay
Wardell's Farm Market, Waterville
Whiteford Road Greenhouse, Toledo
Wistinghouse Florist & Greenhouse, Oak Harbor

More Conclusions

- Survey revealed that less than 1% of respondents heard about MVG through the internet , but it has resulted in numerous inquiries concerning the MVG by growers located elsewhere.
- The next step in this research will point-of-sale follow-up surveys to obtain more information about consumers' motivations for selecting specific greenhouses and consumers' perceptions regarding specifics of customer service, quality of merchandise, and so on.





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