



2000 and Beyond: Report and Recommendations to the TNLA Marketing Committee

**A Proposed Industry-wide
Marketing Plan**



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EXECUTIVE SUMMARY

This report and recommendations contained herein are presented to the TNLA Marketing Committee to facilitate the development of an industry-wide marketing plan. This planning document, entitled **2000 and Beyond**, entails a three-pronged marketing approach including: (1) market research, (2) market promotion, and (3) market development activities.

Suggested *market research* activities include consumer-oriented market research to better identify tastes and preferences pertaining to nursery and landscape-related products and services, as well as research collecting important primary data regarding the green industry in Texas. This data, pertaining to marketing practices and economic impact, will provide necessary information for the industry to emphasize its substantial contributions to the state's economy and workforce.

Additional suggested activities pertain to *market promotion*. A synergistic joint promotional program is proposed utilizing TDA's new *Go Texan* program and the *Texas Superstar* (CEMAP) program. Other promotional areas include certification program image enhancement and TNLA's leadership in environmental stewardship activities. Other targeted promotions (either seasonal or segmented) are also proposed.

Finally, potential market development activities are also presented. These include the expansion of TNLA's web-based marketing efforts, the further development of profitable niche markets, and the improvement of industry-wide performance through various market coordination strategies.





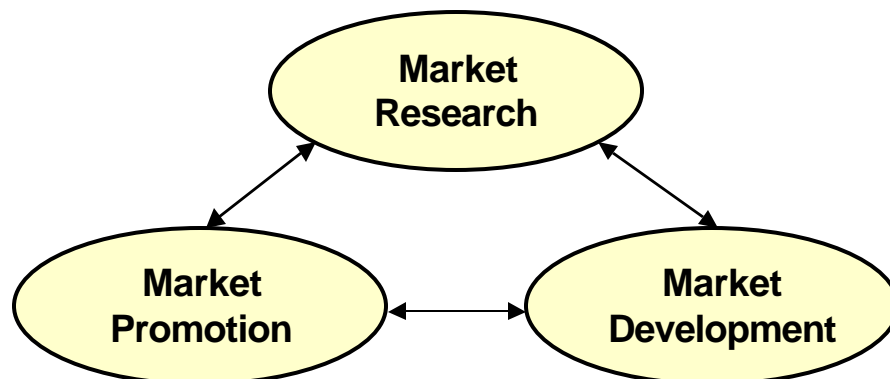
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Introduction

The U.S. green industry (consisting of the nursery, floral, and landscape sectors) is one of the fastest growing sectors in agriculture today. Consumer expenditures of nursery and landscape-related products and services have steadily climbed during the 90's decade (see Appendix A). Texas has traditionally been among the top 5 leading nursery/floral crop producing states in the country. While sales have been increasing, however, they have been increasing at a decreasing rate. Competition in the nursery/floral industry has heightened in recent years largely due to the influence of large mega-retailers, increased regulatory pressures, and advances in information technologies (see Appendix B). In order to remain competitive in the future, the participants in the nursery industry must remain progressive and proactive in affecting the major factors which influence the demand for their products and services.

However, many of the potential activities that are considered desirable in terms of affecting the factors influencing demand are not affordable, nor can be carried out by, individual firms. Thus, the industry must work collectively as a whole to coordinate and conduct these vital marketing activities. TNLA, recently restructured to include landscape-related companies, is in the foremost position to facilitate and lead the nursery and landscape industry in successfully launching industry-wide marketing activities that will help ensure the economic viability of the green industry in Texas. By strategically partnering with private and public entities (such as universities and the state's Department of Agriculture), synergies will surely arise from collaborations utilizing the core competencies of each entity.

TNLA's vision for **2000 and Beyond** entails a three-pronged marketing approach including: (1) market research, (2) market promotion, and (3) market development activities. These are graphically illustrated in the diagram below.



Market Research Activities

A thorough knowledge of nursery and landscape consumers is essential to meeting their needs, tastes, and preferences. Of course, it is imperative that this market information be timely, accurate, and relevant. Successful segmentation of the market into particular niches requires primary market research that is simply too cost prohibitive for any one firm to conduct. The TNLA can play a major role in facilitating this market research in three major areas: (1) consumer-oriented market research designed to capture purchasing behavior, (2) trade-oriented analyses of trade flows and marketing practices of Texas nursery/floral participants relative to other states, and (3) detailed analyses of the economic impact of the nursery and landscape industry in Texas. These are explained more fully below.

Consumer-oriented market research

The last major effort by the industry to develop a better understanding of the Texas market for nursery and landscape-related products was in 1988 when TAN commissioned a study of Texas consumers. Obviously, the market has changed dramatically in the last 12 years. Such an investigation needs to be updated and conducted on an ongoing basis in order to provide the needed information for the development of strategies designed to increase the consumption of nursery products, thus benefitting all members of the industry. Specific objectives of this type of consumer-oriented market research would be to:

- Identify the proportion of households that purchase nursery and landscape-related products and services;
- Determine the most important reasons for purchasing these products and services;
- Identify the types of retail outlets utilized by consumers for purchasing nursery products;
- Compare attitudes toward alternative retail outlets for various product categories;
- Understand reasons for non-usage and less than full usage;
- Identify factors causing nonusers to begin purchasing and those involved in causing users to purchase more; and
- Identify the demographic characteristics of users and non-users of nursery and landscape-related products and services.

Several survey techniques may be used to obtain these market research data including mail surveys, telephone interviews, and focus group interviews. Each method has its advantages and associated disadvantages. Inherently, some mixture of quantitatively-oriented data collection (i.e. mail survey) and qualitatively-oriented data collection (i.e. focus groups) is optimal.

Trade-flows and marketing practices

The TNLA has been participating in a national nursery industry survey that is currently conducted every five years regarding trade-flows and marketing practices of Texas nurserymen as compared to nurserymen in other plant-producing states. The primary focus of this study was the nursery subsector of the green industry. This national survey was initiated in 1989, under the auspices of the Regional Research Project titled "Technical and Economical Efficiencies of Producing and Marketing Landscape Plants". Researchers at land grant universities participating in the project (researchers at Texas A&M University are the Texas representatives on the Regional Project) conducted a survey of nurserymen in 23 states.

The overall purpose of that initial survey was to collect information on product flows, sales methods, price determination, transportation, and advertising. Five years later, in 1994, a second survey of nurserymen was conducted to provide another cross sectional data set regarding the marketing practices and trade flows of these farms. Recently, in 1999, TNLA participated in the 3rd national survey (TNLA membership lists were used as the sample frame for the survey) and the results should be reported in the near future. This type of market research is quite inexpensive to TNLA members, given the valuable results that are obtained regarding the structural changes occurring in the industry's marketing practices.

Economic impact of the nursery and landscape industry

Data regarding the sales of nursery and landscape-related products is compiled each year as part of TNLA's Scope Report (see Appendix C). This data is also very valuable information and is obtained at a very low cost to the association members. However, this information is vital in industry-wide marketing efforts because many legislative decision-makers (state and federal) fail to realize how much economic value is added to the state's economy by the nursery and landscape industry. Future regulations constricting the use of natural resources such as water, labor, and energy have the potential of negatively affecting the economic viability of the nursery and landscape industry. The most effective method of ensuring that these types of impacts don't occur is to educate decision-makers through industry-wide marketing efforts.

TNLA should continue to partner with the Office of the State Comptroller in accessing the SIC-related sales data necessary for compilation of the Scope Report. Additionally, the 1993 Economic Impact Study needs to be updated since it serves as baseline data for many of the Scope Report analyses.

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Market Promotion Activities

Generic promotion programs have been used quite extensively with other agricultural commodities such as milk, cheese, and beef. In addition, generic promotions have been conducted before in the floral industry with the *PromoFlor* promotion of fresh cut-flowers and greens, which generated a positive impact on the demand for these products (see Appendix D). In other words, these types of generic promotion programs are tremendously effective marketing tools for the industries they represent.

Cooperative interagency promotional efforts

While generic promotional programs tend to be somewhat expensive to implement, in the short run, the collaborative efforts of TNLA, TDA, and TAMU may be a way to pool resources in such a way that is synergistic in terms of capitalizing on the core competencies of each agency. *Go Texan* is a new promotional program of the Texas Department of Agriculture. One new component of the program is potential funding that is allocated on a matching basis (Appendix E). The intent of the *Go Texan* program is promote Texas products using high-quality advertising campaigns designed to increase sales of Texas agricultural products. The Texas Agricultural Extension Services' CEMAP program (Appendix F) is an industry-university cooperative program in which superior landscape plants for Texas environs are identified, extensively evaluated at multiple test sites, and bestowed the label *Texas Superstar*TM.

Ideally, one might envision a three-way collaboration among the entities to capitalize on the strengths of each (Appendix G). With the technical certification associated with the *Texas Superstar*TM plant materials, coupled with the promotional expertise and funds of the *Go Texan* promotional program, accentuated by TNLA's in-house advertising vehicles and the ability to rapidly communicate with all nursery and landscape firms statewide, there exists the possibility to dramatically increase consumer awareness and purchases of plant materials that offer several distinct advantages for Texas landscapes.

Certification programs image enhancement

In the associations' long-range plan (developed in 1996), one of the strategic goals expressed was to achieve a higher awareness and enhance the public image of the certified nursery industry professionals. The TCNP and TMCNP programs (now accompanied with the TCLP and CLT programs) offers tremendous opportunities for TNLA member firms to promote to their consumers the fact that their employees are professionally certified. A public relations program needs to be developed so that TCNP, TMCNP, and TCLP program members can promote themselves and their certification. In addition, joint cooperative advertising opportunities exist for TNLA members and/or employers of these professionals. The rigor of the certification programs has increased significantly and this upgrading of quality and professionalism needs to be more fully exploited as an industry-wide marketing tool.

Environmental stewardship emphasis

Another area that is pertinent for market promotion are the extensive environmental stewardship efforts in which TNLA has been very proactive. TNLA’s track record in the environmental area is unparalleled by any other state nursery association in the country. In this regard, the association has an Environmental Committee which, along with TNLA staff, oversees TNLA’s involvement in the TAEX Target 2000 agenda, supports the recycling of plastic containers, maintains leadership in the WaterWise Council, and develops educational programming in collaboration with environmental and conservation groups. This type of proactive leadership needs to be acknowledged and promoted within the industry, to legislative bodies at the state and federal level, and to consumers themselves. TNLA members are the “ultimate” environmental stewards and that story needs to be told.

Targeted promotions

In addition to the above promotional opportunities, there may be specific advertising or promotional efforts that are seasonal and/or targeted to specific market segments. For example, most TNLA members would agree to the fact that the spring season is one of the biggest sales seasons and that any TNLA efforts (in addition to their own firms’ efforts) to increase sales during this time period would probably be redundant. However, fall sales of nursery and landscape products and services could be enhanced or expanded. Therefore any boost that TNLA could give in advertising and/or promotional activity during this time period would be beneficial for the entire industry.

An example of market promotion targeted at a specific market segment would be those targeted for kids. Perhaps a partnering with TAMU in some of the Junior Master Gardener programs or TDA’s Celebrate Agriculture program or other similar kid-specific activities would be excellent exposure for the association and would also inculcate TNLA ideals into the mindset of that up-and-coming future gardening and landscaping market segment.

These and other promotions could be more fully developed by the TNLA marketing committee and may be of short or long-term duration. Existing communications media (i.e. the TNLA website and TNLA Green) would be ideal vehicles for carrying out these promotions.

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Market Development Activities

Web-based marketing efforts

Given the explosion of e-commerce and web-based information transfer, it is imperative that TNLA remain on the cutting edge of this technological wave. Obviously, the TNLA website serves as a clearinghouse for information dissemination to TNLA membership and has the capacity to greatly enhance the communication between the association and its members.

For example, there is an incredible number of contributions that TNLA staff make to the nursery and landscape industry that often (though no ones fault in particular) go unnoticed because of voids in communication (also a reluctance on the part of many staff to brag on themselves). However, because of this, many association members have yet to realize and acknowledge the full set of benefits they receive from being a TNLA member. Improving the communications to/from the membership was also a goal specified in the (then TAN) long-range plan and communicating to the membership at-large the accomplishments made by TNLA staff is one that could reap immediate benefits. Of course, there is always a cost side associated with such benefits in terms of the time necessary to provide such communications.

In addition, TNLA may facilitate the development of e-commerce applications through its affiliations with other website developers. While the growth in e-commerce continues to expand, TNLA must determine its role in facilitating web-based marketing. One immediate charge of the TNLA Marketing Committee should be to develop an intensive internet-focused strategy to provide future direction to TNLA's web presence.

Facilitate the exploration of market niches

Success in the nursery/landscape industry is dependent upon creating a sustainable competitive advantage. In such a fragmented industry, firms may do this by either emphasizing volume (and thereby low cost) or they may differentiate themselves in a particular market niche. While these niches are often developed on a firm-by-firm basis, TNLA may enhance the capabilities of its members to identify and explore potential niches through various type of educational efforts.

For example, at various educational conferences and meetings, panel discussions could be held with panelists being those firms in the nursery and landscape industry that have successfully developed their own market niches. Their expertise is invaluable (not in showing others how to exploit their particular market niche, but...) in demonstrating the particular managerial skills and/or insights in how to go about developing market niches. This is done somewhat with the TNLA Texas Tours each year which highlight successful entrepreneurs in particular regions of the state. A

valuable addition to these tours would be to showcase each of the firms in a special section on the TNLA website.

In addition to showcasing the Texas Tour host firms, a tradition might be established to periodically feature (in *TNLA Green*) a different firm that TNLA deems noteworthy in terms of its entrepreneurial achievements. TNLA already recognizes individuals providing superior and above-the-call-of-duty service to the industry. This would be an excellent way of recognizing the managerial talents of those who have developed successful market niches, while providing a valuable educational platform for the industry.

Industry-wide performance evaluation

Another valuable TNLA service that would enhance the marketing practices of the nursery and landscape industry would be to provide a forum in which participants could gauge their firms' relative marketing and financial performance to that of the entire industry. Financial indicators, at the macro and micro level, could be developed and reported on a periodic basis to the industry. These indicators (in the form of financial ratios) would be developed through a voluntary program in which participants provided pertinent financial statement to a 3rd party (such as Texas A&M University), the results are combined with that of other participating firms, and then reported as industry averages (thus ensuring confidentiality). This TNLA service would not only provide a valuable contribution to the industry, but would "add even greater value" to being a member of TNLA, thus being a valuable marketing message in terms of recruiting new members.

Market coordination efforts

Another area in which TNLA could enhance the marketing efforts of nursery and landscape industry participants would be to provide a forum in which various market coordination issues (such as marketing strategies to combat low prices) could occur. There is little doubt that increased price competition has hindered the financial performance of the industry. While the growth of the industry in terms of sales has been well documented, the profitability of the industry has not grown respectively and may have even declined. This is evidenced by the decline in the number of firms participating in the nursery and landscape industry. A source of this lack of profitability has been the ill-advised marketing strategies of the industry in terms of pricing. In many cases, firms are selling at or below break-even prices because of a lack of knowledge of and/or coordination with retail or landscape buyers. By providing sessions at educational conferences and/or regional workshops that provide a forum for these types of discussions, TNLA could "force" the industry to take a hard look at its current marketing practices and thereby provide a valuable service to the industry.

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Implementation and Evaluation of the Marketing Plan

The implementation and evaluation of the activities outline in **2000 and Beyond** falls under the responsibility of the TNLA Marketing Committee. This committee's charge is to formulate strategies to market the industry's products and services to consumers as well as develop strategies that will more effectively market TNLA to the nursery and landscape industry itself. The strategies contained herein are designed to accomplish both of these objectives. Of course, this document may stimulate the formation of other industry-wide marketing strategies that the committee deems appropriate as well.

Obviously, other committees within TNLA will be valuable strategic partners, as will agencies such as Texas A&M and other universities, and other state agencies (i.e TDA). The ex ante coordination of these market research, market promotion, and market development efforts will help ensure the smooth and successful implementation of these marketing strategies. At the same time, evaluation mechanisms must be put in place to ensure accountability. Deadlines and clear-cut delegation of responsibilities will enable the Marketing Committee and TNLA officers to oversee the efforts in a timely, expeditious, and conscientious manner. In that regard, the following action plan is offered.

Implementation of Market Research Activities

Consumer-oriented market research - The implementation of these activities would involve the marketing committee meeting to determine exactly what types of questions that the market research is to address and formulating a draft survey instrument. This can be used to present to the TNLA Education and Research Foundation in order to obtain the needed resource commitment to conduct the market research. Once approval and commitment has been secured, the marketing committee would then draft a call for proposals which would be sent out to university researchers and private industry market research firms. Proposals would then be evaluated by the marketing committee and the research grant/contract awarded.

Trade-flows and marketing practices - As stated earlier, this activity requires few resources in terms of time or money on the part of TNLA. This activity can be implemented through the continued collaboration and cooperation (in the form of supplying mailing lists) with researchers at Texas A&M University that are responsible for conducting the Texas portion of the national nursery survey. A series of articles summarizing the results of the national survey should be made widely available to the membership by posting them to the TNLA website and also publishing them in *TNLA Green*.

Economic impact of the nursery and landscape industry - As stated earlier, TNLA should continue to partner with the Office of the State Comptroller in accessing the SIC-related sales data necessary for compilation of the Scope Report. Additionally, the 1993

Economic Impact Study needs to be updated since it serves as baseline data for many of the Scope Report analyses. This updating needs to be accomplished as soon as possible. Since the survey instruments have already been developed, the marketing committee should solicit the approval by the TNLA Education and Research Foundation to conduct the Economic Impact Study update and once approval (and funding commitment) is obtained, the researchers who performed the 1993 survey should be commissioned to begin the update process.

Implementation of Market Promotion Activities

Cooperative interagency promotional efforts - The *Go Texan* and *Texas Superstar* collaborative promotional campaign is described in Appendix G. This activity is the most critical in terms of timing. Since the *Go Texan* funds will be allocated starting in early 2000, it is imperative for TNLA and TAMU to move expeditiously in accomplishing this activity. A meeting of all parties involved should take place in December 1999 to further explore the potential for this effort.

Certification programs image enhancement - The Marketing Committee should address this activity in its next meeting. The members should brainstorm all the possible avenues in which the certification programs could be promoted and emphasized. A representative from the TCLP and TCNP committees should be present to provide perspectives from these committees as well.

Environmental stewardship emphasis - This is another activity that the Marketing Committee should address in its next meeting. Again, representatives from the Environmental Committee should be invited to provide their input to the brainstorming process of how to better promote TNLA's environmental stewardship.

Targeted promotions - To implement this activity, the Marketing Committee first needs to solicit information from industry participants regarding the potential seasonal/segmented promotions that would be most beneficial to them. A representative phone or mail survey could be conducted by members of the Marketing Committee (or their designees) to obtain this information. Once the needs and preferences of the industry are obtained, then a detailed plan needs to be developed outlining the specific advertising messages and vehicles that would be necessary.

Implementation of Market Development Activities

Web-based marketing efforts - Before any activity can be initiated in this area, the Marketing Committee must first establish an intensive strategy that provides direction to TNLA's web presence. This strategy must clearly delineate TNLA's role in e-commerce

and information transfer. A special meeting should be held in conjunction with the Long Range Planning committee to facilitate the development of this plan.

Facilitate the exploration of market niches - Another activity that can be carried out immediately is the marketing/educational effort to facilitate market niche exploration. Specifically, a special section of the TNLA website may be developed, in addition to a series of articles in TNLA Green to highlight firms that are deemed to be unique in exploiting a particular nursery/landscape market niche. However, a mechanism must be developed for which to choose the firms to be showcased each period (monthly, quarterly, etc). The Marketing Committee must establish procedures that will be used to identify and select these firms to be showcased.

Industry-wide performance evaluation - In providing this service for TNLA members, the Marketing Committee should take the lead in developing a set of parameters that the industry deems important in terms of measuring firm-specific performance. These measures can then be appraised as to their ability to be collected, analyzed, and reported on an industry-wide basis. The next step would be to develop a partnership with a 3rd party (such as economists at Texas A&M University) to conduct this TNLA-sponsored analysis. The results could be offered to the industry as a fee-based program.

Market coordination efforts - As a means of improving the vertical market relationships in the industry, TNLA-sponsored regional workshops (an/or sessions at educational conferences) should be scheduled to provide a forum in which industry participants may discuss issues such as pricing, supply chain management, and market-related technologies. The Marketing Committee should work directly with the Education Committee to develop a calendar for such activities.

Implementation Timeline

In order to expedite the implementation of **2000 and Beyond**, an aggressive timeframe for completing these activities is necessary. In that regard, the following implementation timeline is suggested:

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|--------------|--|
| Dec-Jan | Develop the proposal for joint Go Texan - Texas Superstar promotional program due to immediacy of obtaining TDA matching funding. |
| Feb 2000 | An initial Marketing Committee meeting to review the activities specified in this TNLA industry-wide marketing plan and make any adjustments deemed necessary. |
| Mar-Dec 2000 | A series of Marketing Committee meetings (a least 3) to discuss detailed implementation procedures of the marketing strategies contained herein. At each meeting, representatives from other pertinent TNLA committees will be invited to serve as information resources in discussing the topics that potentially impact their respective committees. |
| Jan 2001 | An accountability meeting of the Marketing Committee held in conjunction with the TNLA Management Seminar to evaluate the progress made in implementing the marketing plan. |

Appendices

Appendix A

Background of the U.S. Nursery/Floral Industry

Dr. Charlie Hall
Associate Professor & Extension Economist
Texas A&M University

Grower cash receipts for U.S. floriculture and environmental horticulture crops (nonedible horticulture, or flowers, plants, bulbs, sod or turfgrass, and other related horticultural specialties that are grown primarily for ornamental or environmental purposes, but also included are trees, plants, and vines that are purchased by commercial growers and others for food production purposes), as estimated by USDA's Economic Research Service (ERS), reached \$12.1 billion in 1998, up 2 percent from the previous year. The value of production has grown an average \$440 million a year since 1991 when grower receipts were \$9.0 billion.

Cash receipts for products from the environmental horticulture sector rose from \$5.8 billion in 1991 to \$7.7 billion last year. This category includes trees, outdoor plants, bulbs, turfgrass, and ground covers except bedding and garden plants. Cash receipts for some categories of the floriculture sector also posted substantial gains, particularly bedding and garden plants, which jumped from \$1.2 billion in 1991 to \$2.1 billion in 1998. Potted plants (flowering and foliage varieties used indoors) registered moderate gains since 1991, increasing from \$1.4 billion to \$1.7 billion. Domestic growers realized modest gains in cash receipts for cut flowers and cut cultivated greens in 1998, but their receipts were down from \$658 million in 1991 to \$639 million last year. Ever increasing volumes of imports are taking a larger share of the U.S. floral market. The domestic grower share has fallen from 65 percent in 1991 to 47 percent in 1998.

Grower cash receipts for all floriculture crops (cut flowers, cut greens, potted plants, and bedding and garden plants) increased 6 percent from 1997. Receipts for cut flowers increased 3 percent, while receipts for cut greens jumped 9 percent. Receipts for potted flowering plants were up 3 percent and potted foliage plants climbed 4 percent. Bedding plant receipts rose 8 percent while all other outdoor landscaping plant receipts, including nursery stock and sod, continued steady.

Greenhouse and nursery production is concentrated in the West and the South, mostly due to climate factors, but also due to demand factors stemming from proximity to population centers. However, greenhouse and nursery production is also important in the Northeast and the Midwest, and has also been increasing in states with minor production. Ten states account for more than two-thirds of U.S. output. The most important states, ranked by their respective share of U.S. receipts, are California (20), Florida (11), Texas (9), North Carolina (8), Ohio and Oregon (5 percent each), Michigan (4), Pennsylvania (3), New York (2), and Oklahoma (1 percent).

Retail Expenditures Hit \$203 Per Capita

In 1998, retail expenditures for all floriculture and environmental horticulture products as estimated by ERS, reached \$54.8 billion, or \$203 per capita. This is 3 percent above the previous year and 37 percent higher than in 1991. Expenditures for cut flowers and cut greens increased \$335 million to \$8.5 billion (\$31.60 per capita). Potted flowering plant expenditures increased \$135 million to \$3.9 billion (\$14.60 per capita), while expenditures for potted foliage plants went up \$191 million to \$3.5 billion (\$13.10 per capita). Expenditures for bedding and garden plants rose 8 percent to \$6.3 billion (\$23.50 per capita). Retail expenditures for environmental horticulture crops (nursery plants, trees, shrubs, bushes, bulbs, ground covers, and turfgrass) reached \$38.8 billion, (\$120 per person).

Floriculture Production Area, Sales Increase, Grower Numbers Also Higher

Commercial production of floriculture crops as surveyed annually by USDA's National Agricultural Statistics Service in 36 major states reached \$3.93 billion in 1998, up slightly from 1997. This includes all growers with \$10,000 or more in sales of floriculture crops. California was again the leading state with crops valued at \$769 million, down 3 percent for the year. Florida was down slightly from 1997 with \$654 million in wholesale value. The two states accounted for 36 percent of the total value. Of the 36 states surveyed, 21 showed increased value over the previous year. The top five-- California, Florida, Michigan, Texas, and Ohio--accounted for \$2.02 billion in sales of floriculture crops, 51 percent of the total. Growers with sales exceeding \$100,000 for the year accounted for 91 percent of the total, at \$3.56 billion. This group comprised 36 percent of the total number of growers.

Covered area for floriculture crop production in 36 major states in 1998 totaled 1.07 billion square feet, up 15 percent from 1997. All growers with sales over \$10,000 increased area used in production. All types of area increased, including glass greenhouse cover, fiberglass, film plastic, shade and temporary cover, and open ground. Greenhouse space accounted for 61 percent of the total covered area with 654 million square feet, up 22 percent from 1997. Film plastic structures increased 30 percent to 463 million square feet. Fiberglass and other rigid plastic covers were up 7 percent for the year while glass greenhouse area increased 5 percent. Shade and temporary cover constituted the remaining 420 million square feet of covered area, up 7 percent from 1997. Open ground use totaled 46,763 acres, 32 percent higher than in 1997.

Cut flowers: U.S. consumption (total use) of carnations, as estimated by ERS, declined in 1998 to 1.2 billion stems, or 4.3 stems per capita. Imports accounted for 92 percent of total consumption. Domestic grower sales and prices were generally lower. The import volumes of standard and miniature carnations were down while prices were steady to slightly higher. Consumption of cut roses was slightly lower last year at 1.3 billion stems (4.7 stems per capita). The import market share climbed higher to 77 percent last year. Domestic grower sales declined last year even though prices were higher. Import volumes of hybrid tea and sweetheart roses were higher while prices were mostly steady to lower.

Consumption of cut chrysanthemums increased to 745 million stems (2.8 stems per capita). Imports accounted for 89 percent of total consumption. Domestic grower sales and prices were higher. Imports of standard and pompon chrysanthemums rose and prices remained steady. Domestic production of cut flowers other than the major cuts (roses, carnations, chrysanthemums, and gladioli) has been trending upward. However, the value of domestic production of the "all other cut flowers" category in 1998 fell to \$238 million, down 13 percent.

Cut cultivated greens: U.S. consumption of cut cultivated greens in 1998 was nearly 2.2 billion stems. About 17 percent of the total was imported. Leatherleaf ferns accounted for more than 62 percent of the total stems purchased, with chamaedorea accounting for 14 percent, and all other types of cut greens rounding out the remainder. Nearly all U.S. leatherleaf production is in Florida, where year-to-year output has been very constant.

Potted flowering plants: Consumption of most varieties of flowering plants was higher in 1998, continuing an upward trend. However, units sold and dollar value of sales were lower for many potted flowering plants including poinsettias, Easter lilies, orchids, cyclamen, florist chrysanthemums, florist azaleas, African violets, and flowering hanging baskets. Kalanchoes and all other flowering potted plant category were higher. Grower prices for most varieties of potted flowering plants were mostly steady or unchanged.

Potted foliage plants: Although sales of potted foliage plants were up last year, sales of foliage hanging baskets were lower. Consumption of both categories has been fairly constant over the past 8 years. Area in production and the value of grower sales are nearly unchanged since 1991.

Bedding and garden plants: Most varieties of bedding plants (vegetable or flowering type) sold in pots recorded increased unit sales and a higher value of sales. Sales of flowering hanging baskets were lower for geraniums and impatiens, but higher for petunias and the "all other hanging baskets" category. Units sold and dollar sales of bedding plants (flowering and vegetable types) sold in flats were lower in 1998. Prices for bedding and garden plants were mixed, with some higher and some lower.

Appendix B

Issues Facing the Texas Nursery Industry

Dr. Charlie Hall
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One of the key premises in strategic management is the identification of the principal driving forces (or trends) that affect the industry in which you are competing. "Driving forces" are forces that are in motion that create incentives or pressures for change. The most dominant driving forces are those that will have an impact on what kinds of changes will take place in the industry's structure and competitive environment. Managers do not really understand industry and competitive conditions until they understand the fundamental drivers of change. The greenhouse/nursery industry is no exception.

For the past few years, data have been collected and analyzed data regarding the most dominant driving forces that will affect the greenhouse/nursery industry at all levels of competition. In fact, the focus of several workshops (the wrap-up sessions at the TAN Management Seminars, as well as the wrap-up sessions of the TMCNP shortcourses) was identifying these driving forces. In these sessions, various growers, landscapers, and retailers worked hard in brainstorming and summarizing what they felt were the key driving forces that we will have to deal with in the latter part of the 1990's and the new millennium.

As a preface to these findings, there are some interesting points discussed in these meetings regarding driving forces of change. Discussions centered around the point that no one knows exactly what's going to happen in the future. Forecasts and predictions, even those made by "experts," are oftentimes unreliable, as they tend to be based on extrapolation and projection. This exposes them to those two killer caveats, "if present trends continue" (they never do), and "all other things being equal" (they never are).

As for the uncertain future, that includes everything else! It sounds daunting, but one can begin to identify and categorize the driving forces or trends that are relevant to their own business. For a nurseryman in today's competitive environment, these trends might include:

- ' *Social/lifestyle/consumer trends.* Are middle-aging consumers trading down and buying less as they reevaluate their priorities? If so, is this temporary or permanent? If not, is there a switch to more goods that are shopped for and purchased in a more price-conscious manner?
- ' *Business/management trends.* Will slow, uneven growth continue through the 1990's? Who will be the winners and losers, and what will determine success or failure in an uncertain era?

- ' *Political/legislative/regulatory trends.* What laws will be passed on the federal, state or local level that will affect my business, customers, employees, suppliers?
- ' *Workforce/workplace trends.* Can I find and retain employees with the skills and motivation needed at salaries I can afford? How do I supervise them while giving the right level of autonomy and responsibility?
- ' *Marketing/advertising/media trends.* How do I reach today's more segmented, fragmented marketplace? What message do I want to convey? Should I compete on price, service, selection of merchandise, quality, convenience or a combination thereof?

Can these questions really be answered in a definitive and absolute way? Not really, but definitive answers are not really the point. More important is the process of considering the future and the acknowledgment that it will be different from the past and present. Conducted thoughtfully and imaginatively, this process can itself become a strategic tool that enables its practitioners to be prepared for whatever the future may bring. And that is indeed the point.

When brainstorming regarding these driving forces, participants came up with several dozen possible ideas. By combining related ideas and reducing duplication, they can be expressed as five major driving force categories that appear as follows:

- ' **Increasing environmental concerns**
- ' **Increasing regulatory concerns**
- ' **Improving communications technology**
- ' **Customers are becoming more sophisticated**
- ' **Increasing emphasis on partnership marketing**

However, identifying the driving forces is only the first step. Their potential impact on the greenhouse and nursery industry must be assessed and possible solutions or actions that deal with these driving force impacts must be postulated. These impacts and proposed solutions are summarized below:

Driving Force # 1 - Increasing environmental concerns

Impact on Industry

- ! Increasing demand for environmentally “friendly” plants.
- ! Increased use of native plants and organic gardening.
- ! Will effect which chemicals are available for use as well as the way they are used.
- ! Suppliers and manufacturers will either adapt or “fall off” approved vendor list.
- ! More research on chemical use, plant varieties, genetically engineered plant materials, etc. (I.e. aesthetic vs. economic thresholds)
- ! Increased recycling efforts of plastic films, trays, and containers. (increased composting as well.)
- ! Water conservation efforts will effect plant selection, nursery size, etc.
- ! Increased pressure on municipal landfills due to increasing volume of yard waste deposits.
- ! The industry must stay on top of key legislative issues as they arise.
- ! Water quality concerns will change how water is used and how runoff is collected and managed.
- ! Encourage chemical manufacturers to take more responsibility in the disposal of “toxic” materials.

Proposed Solutions

- ! Set up environmental “hot line” at the retail level.
- ! Public relations to educate public on environmental stewardship.
- ! Merchandising at retail level must have environmental “flavor” (Earthkind)
- ! Offer “unbiased” recommendations at retail level.
- ! Staff at all levels must be trained or even certified (may need an expert on staff).
- ! Increased product mix to include native, xeriscaping products, and environmentally friendly products.
- ! Recycle water at all levels (grower & retail)
- ! Set an example in your own landscape.
- ! Offer seminars in environmental friendliness.
- ! Encourage promotional programs such as “Don’t-Bag-It” to reduce yard waste in land fills.
- ! Promote composting by providing information at the retail level.
- ! Emphasize recycling of used containers.
- ! Establish a Christmas tree recycling program.

Driving Force # 2 - Increasing regulatory concerns

Impact on Industry

- ! Increasing irrigation legislation at city, county, and state levels.
- ! Increased pressures on minor use chemicals (will increase cost of registration passed on).
- ! Worker-related legislation will increase and inherently increase labor costs in short run.
- ! Research regarding pest control will increase (r.e. chemical alternatives).
- ! Chemical disposal methods at grower, retail, and consumer level will be reviewed and monitored.
- ! International competitiveness will be affected.
- ! More paperwork will be required.
- ! Plant production processes may change as well as the composition of the work force.
- ! Insurance rates will increase as extent of liability increases.

Proposed Solutions

- ! Stay positive at the association level (TNLA).
- ! Must be able to acquire information quicker.
- ! Training, training, and more training!
- ! Be proactive, not reactive.
- ! Letter writing to government officials.
- ! Outside companies may be hired for spraying.
- ! Support research projects at land-grant universities.
- ! Develop educational programs on OSHA regulations.
- ! Develop educational programs on environmental regulations.

Driving Force # 3 - Improving communications technology

Impact on Industry

- ! Internet will increase availability of production and marketing information (at home, in the store, for the grower, etc.).
- ! Will be able to use scanner data to measure customer buying preferences (efficient consumer response - ECR)
- ! Will encourage partnerships between suppliers and vendors using EDI
- ! Will make plant labeling easier (providing information regarding culture, price, etc.)
- ! Speed of communications will increase.

Proposed Solutions

- ! Develop a long-range plan on how to manage communications.
- ! Computer literacy training (in-home and outside) to stay up on latest technology.
- ! Update existing computer systems (CAD, POS, etc.)
- ! Learn how to “surf” the internet.
- ! Implement POS systems to track customer sales.

- ! Design landscapes by FAX or e-mail.
- ! Utilize CD-rom information systems to provide advice regarding insect control, plant selection, etc.

Driving Force # 4 - Customers are becoming more sophisticated

Impact on Industry

- ! Customers are demanding service at all levels of the value chain.
- ! Customers demand knowledge and information.
- ! Demographic shifts may dictate alternate marketing strategies (regarding retirees, elderly).
- ! Apartment dwellers need more shade loving, blooming, annuals/perennials.
- ! Opportunities exist to expand customer base (i.e. children).
- ! Customers are becoming more aware of their “choices” (of stores, plant material, information sources, etc.)
- ! Customers want to spend less time shopping (in general).
- ! Advertising will need to be more creative and stimulating.
- ! Self-service shopping will influence purchasing methods.
- ! Continued emphasis on “microwave” gardening - instant landscape.
- ! Customers interested in alternative landscapes (water gardening, xeriscape, organic, etc.).
- ! There will be more of a need for niche marketing.
- ! Need to discern macro and micro trends affecting local trade areas.

Proposed Solutions

- ! Offer concessions and “related” services at the garden center.
- ! Employees must be well trained and knowledgeable.
- ! Implement stronger customer service programs.
- ! Pay attention to image and reputation.
- ! Growers/seed dealers need to constantly update/improve plant varieties.
- ! Offer value-added products.
- ! Ensure a pleasant shopping experience (atmosphere, layout, etc.).
- ! Offer seminars on pertinent topics.
- ! Implement mail order (home shopping) and home delivery services (be convenient).
- ! Cooperative advertising between growers and retailers.
- ! Offer computerized in-store information systems (insect/disease ID, pictures of plants in bloom, etc.).
- ! Hire knowledgeable employees (i.e. master gardeners, TCNP’s, MTCNP’s).
- ! Set up a toll-free phone information line.
- ! Sponsor a “Future Gardeners of America” program for local schools.
- ! Work collectively as an industry to compete for leisure-time dollars of customers.

Driving Force # 5 - Increased emphasis on partnership marketing

Impact on Industry

- ! Fewer vendors (suppliers) on approved vendor list.
- ! Paperless ordering systems (EDI) and ECR tied in to scanner data at retail level.
- ! Stratification of vendors between mass merchandisers and independents.
- ! Allows better inventory control management at all levels in the industry - able to service customers better.

Proposed Solutions

- ! Gear up or get out (computerize).
- ! Night docks in shipping.
- ! Improve in-transit communications (cellular phones).
- ! "Lease out" departments in the garden center - i.e. growers become "jobbers".
- ! Implement more sophisticated plant labeling and bar coding systems.

Appendix C

Economic Scope of the Green Industry in Texas

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Texas A&M University

For many years, the TAN Scope Committee has been reporting on the economic scope of the nursery/floral industry in Texas. The challenge that this committee has faced since its inception has been the lack of relevant data pertaining to this important agricultural sector. The market structure of the green industry in Texas is very complex and is made up of many participants (see Figure 1).

The limited data that were available was graciously provided by the State Comptrollers office. This data, as past readers of this report well know, summarized nursery/floral sales by Standard Industrial Classification codes, which we often simply refer to as SIC codes. Every business in the state (and nation) is classified by these SIC codes. Firms related to the nursery/floral industry usually fall within the following SIC code categories:

- 0181 - Ornamental Floriculture and Nursery Products
- 0781 - Landscape Counseling and Planning
- 0782 - Lawn and Garden Services
- 0783 - Ornamental Shrub and Tree Services
- 5193 - Flowers, Nursery Stock, and Florists' Supplies
- 5261 - Retail Nurseries, Lawn and Garden Supply Stores

When reporting to the State Comptroller, these firms must report all sales, including those in which sales taxes are collected and those that are not (wholesale sales). This has been an area of slippage in past reporting periods. For example, since wholesale growers do not collect any sales tax (on behalf of the state), some small to medium-sized growers are unaware of their reporting responsibilities. The same thing happens within the landscape contractor and maintenance sectors as well. Not all of these firms realize that their services are now subject to sales taxes. Thus, inadvertent non-compliance has been a source of under-reporting. Retail firms, on the other hand, are more aware of their reporting responsibility since they collect sales taxes and turn them over to the state.

Additional slippage occurs through what could be termed “mis-classification errors”. That is, some businesses may be reporting under the wrong SIC code classification. After all, if someone were to ask what SIC code your business falls under, very few people would know right off the top of their heads. Indeed, a recent study by our committee shows several mis-classification errors, with a handful of plumbing and electrician firms included in the lawn and garden service SIC code.

So with these limitations regarding the SIC code data, why have we continued to structure the Scope Report the same way for the past 15 years? The answer lies in the old adage “some data is better than no data!” In other words, we made the best of a not-so-desirable situation. We simply had no other choice. But that was then and this is now. An economic impact study sponsored by TAN, the Texas Turfgrass Association (TTA), and the Texas Association of Landscape Contractors (TALC) provides some new baseline data that the Scope Committee will be using for its future reports. The economic impact study was conducted in 1994-95 and obtained nursery, turfgrass, landscape related data for the 1993 production year.

The study utilized a survey of wholesale nursery/floral growers, retail garden centers, landscape contractors, and lawn maintenance firms to ascertain their business-related expenditures (costs of doing business), management practices, employment characteristics, volume of business, and expected changes in such items as sales, profitability, and professional services. It is expected that data from this study may be used as a more accurate measure of the economic contribution of these firms.

Since no data were collected for landscape architect services and tree care services as part of the economic impact study, the SIC code sales information for these sectors will be added to the sectors mentioned above to give a total economic contribution of the state’s “green” industry.

The survey of wholesale growers (farm-gate sales) was segmented into three categories: (1) wholesale growers that produce greenhouse crops (defined as foliage plants, bedding plants, perennials, potted flowering plants, and herbs); (2) wholesale growers that produce nursery crops (defined as container-grown shrubs and trees, field-grown shrubs and trees, ground covers, and grasses); and (3) wholesale growers that produce a combination of nursery crops and greenhouse crops.

The sales for 1994 through 1997 are estimated sales using the following procedure. Using 1993 data from the economic impact study as a baseline, sales are increased each year by the *percentage* increases reported by the State Comptroller for each respective SIC code category. Percentage changes are used in order to compensate for the non-compliance and mis-classification problems discussed earlier.

Table 1. Summary of farm-gate green industry sales in Texas, 1993-97.

Sector	1993 sales	1994 sales	1995 sales	1996 sales	1997 sales
Greenhouse growers	\$374,108,018	\$397,302,715	\$432,662,657	\$440,883,247	\$484,530,689
Nursery growers	\$135,306,631	\$143,695,642	\$156,484,554	\$159,457,761	\$175,244,079
Combination growers	\$232,770,476	\$247,202,246	\$269,203,245	\$274,318,107	\$301,475,600
TOTAL	\$742,185,125	\$788,200,603	\$858,350,456	\$874,659,115	\$961,250,368

Once the nursery/floral plants are produced, there are several marketing channels in which they can be distributed/presented to the final consumer. Referring to Figure 1 once more, notice

that post farm-gate participants are divided into two main categories: (1) the landscape-related services sector, and (2) the retail sector. A summary of post farm-gate green industry sales of products and services is presented in Table 2 below.

Table 2. Summary of post farm-gate green industry sales in Texas, 1993-97.

Sector	1993 sales	1994 sales	1995 sales	1996 sales	1997 sales
Retail garden centers ¹	\$1,570,927,911	\$1,668,325,441	\$1,816,806,406	\$1,851,325,727	\$2,034,606,975
Mass merchandisers ¹	\$1,600,000,000	\$1,699,200,000	\$1,850,428,800	\$1,885,586,947	\$2,072,260,055
Landscape contractors ¹	\$789,892,851	\$838,866,208	\$913,525,300	\$930,882,281	\$1,023,039,627
Landscape planning ²	\$342,220,682	\$382,117,177	\$388,905,637	\$429,873,330	\$477,951,681
Shrub/tree services ²	\$32,475,473	\$35,531,866	\$43,479,626	\$44,709,906	\$57,025,925
Lawn (grounds) maintenance ¹	\$1,542,525,754	\$1,638,162,351	\$1,783,958,800	\$1,817,854,017	\$1,997,821,565
TOTAL	\$5,878,042,671	\$6,262,203,043	\$6,797,104,569	\$6,960,232,209	\$7,662,705,827

¹ Data from the Economic Impact Study.

² Data from the State Comptrollers office.

Summary

Total green industry sales at the farm-gate level exceeded \$961 million in 1997. Of this total, greenhouse growers represented about half of wholesale level sales, with nursery firms contributing another 18%, and growers who grow a combination of greenhouse and nursery products representing another 32% of sales.

Total post farm-gate green industry sales exceeded \$7.7 billion in 1997. Approximately 55% of post farm-gate sales are through retail marketing channels, with the remaining 45% of sales being generated by the service sector. While these numbers are considerably higher than those reported in previous Scope Reports, bear in mind that a new methodology is being used — one that is more complete and hopefully more accurate. The reader should also bear in mind that there are still some sectors within the green industry that are not reflected in this analysis because data simply are not available. As cooperation between green industry associations continues to increase, at some point in time there may be mechanisms in place that will allow us to develop baseline estimates on these missing sectors.

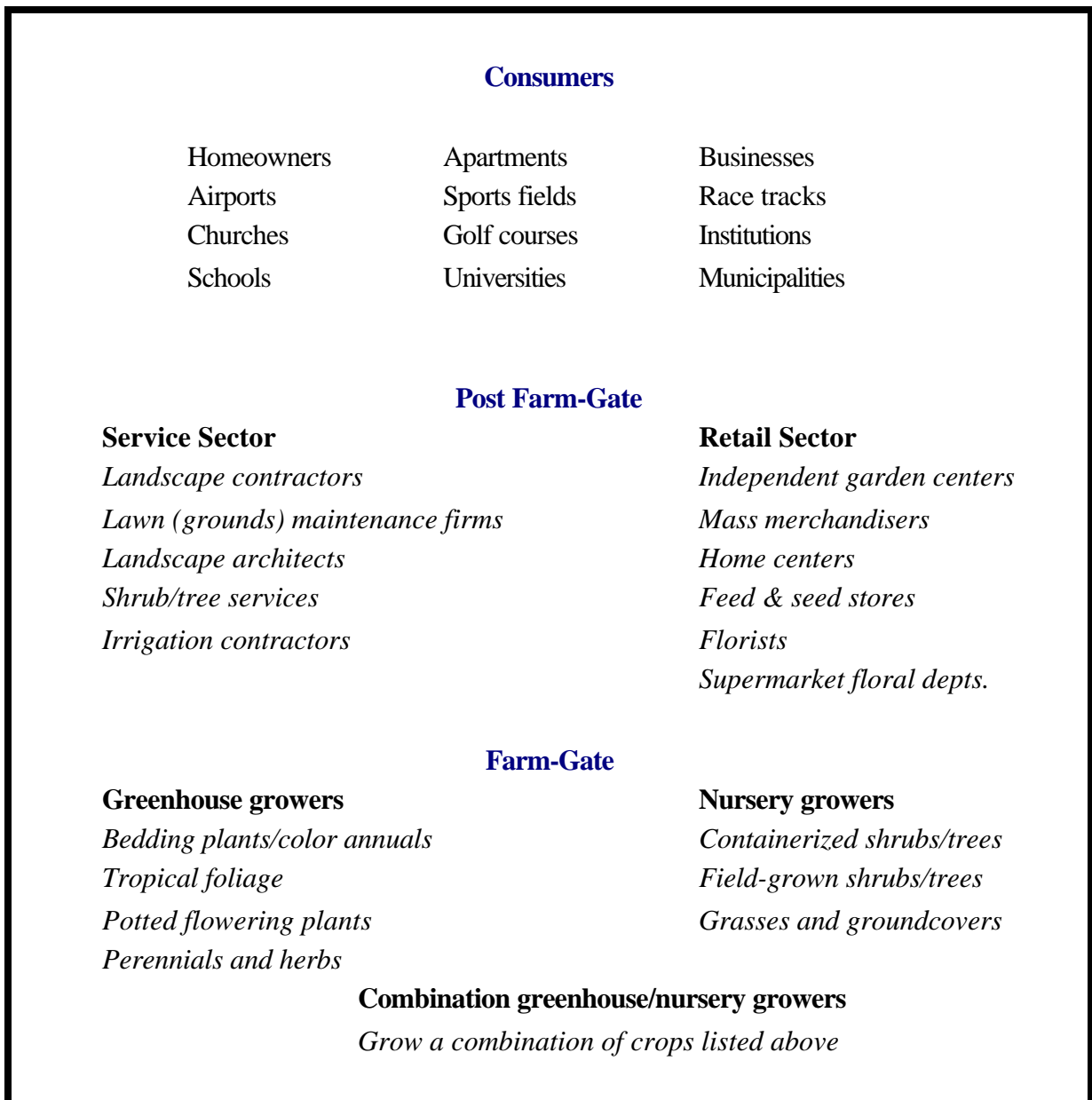


Figure 1. Structure of the Green Industry in Texas

Appendix D

PromoFlor's Promotion of Fresh-cut Flowers and Greens

Ronald W. Ward

Florida Food and Resource Economics

March–April 1997, No. 135

Legislation was approved in late 1993 for the implementation of a national program to generically promote fresh-cut flowers and greens in the U.S. domestic market. All programs are underwritten by an assessment of .5 percent on qualified handlers who have annual sales of \$750,000 or more. In late February 1996, the first program commercials--which introduced "Buzz TM " and the "Think Flowers TM " campaign, administered through the National PromoFlor Council--were aired on national television.

The generic promotion of fresh flowers is unique among the current national checkoff programs in that it is the first designed solely to promote a product's aesthetic values. It is intended to change perceptions, awareness, and recall with a message that focuses on the pleasure received from buying and giving flowers.

Demand for Flowers and Greens

Has the promotion of fresh-cut flowers and greens changed the demand for these products? To answer this question we must have a clear understanding of demand and how the impact of promotions should be measured. While flowers are purchased throughout the year, there are clearly special occasions--such as Valentine's Day and Mother's Day--upon which buying activities increase several fold. These purchasing patterns, referred to as the seasonal factor in demand, reflect the persistence of consumer habit. The quantities purchased depend on prices, consumer incomes, inflation, and other economic and demographic factors that cannot be easily changed, especially by the flower industry. These factors are referred to as the external factors of demand. Finally, perceptions, awareness, and recall can be changed through promotions, product development, and innovations--the controlled factors of demand. PromoFlor fits into this category since it is designed to influence demand and can be controlled by the fresh-cut flower industry.

Demand encompasses the relationship between flower purchases and the three types of factors influencing demand. To measure demand one must know the empirical linkage between those factors and consumers. For PromoFlor, specifically, one must measure the degree of change in demand that can be attributed to the generic promotion of fresh-cut flowers while recognizing that the other factors also cause changes in demand.

Data collected by the National Panel Diary Group (NPD) and sold through the American Floral Endowment provide a rich source of information about retail flower sales and the number of flower buyers. NPD data are based on a consumer panel of several thousand households who report all of their flower purchases, including zero purchases. These data include details on who did

and did not buy flowers, how much they paid, the types of flowers bought (arrangements, bunches, single stems, etc.) and the times when they were purchased.

Flower Types and Buying Patterns

For evaluation purposes, retail flower sales are divided into three categories: fresh-cut flowers, flowering pot plants, and dry/artificial flowers. While promotion activities and assessments apply only to fresh-cut flowers, the promotions may influence the sales of all three types. In this evaluation we are dealing with the impact of PromoFlor on fresh-cut flower sales (in dollars) only. Figure 1 shows the relative distribution of fresh-cut, flowering pot plants, and dry flower sales. If PromoFlor had no impact, this chart would not change. Alternatively, promotions could increase for each type while not changing the relative shares. Finally, PromoFlor promotions could only influence the fresh-cut flower sales.

Fresh-cut flowers account for 52 percent of retail flower sales (figure 1). Within the fresh-cut sales type, arrangements account for 55 percent of the total; single stems account for 16 percent; and bunches account for 23 percent. When viewing the fresh-cut sales across income groups, households with incomes less than \$25,000 account for 22.7 percent of sales; 35.8 percent of sales are made to households with incomes between \$25,000 and \$49,999; households with incomes between \$50,000 and \$74,999 contribute 23.4 percent; and finally, the highest income group accounts for 18.1 percent of fresh-cut flower sales.

Buyer patterns also differ by income group. During an average month about 3 percent of households in the lowest income group buy fresh-cut flowers. For the \$25,000--\$49,999 and \$50,000--\$74,999 groups, the number that buy within a month averages 4.3 and 6.2 percent, respectively. Finally, about 9 percent of households in the highest income group buy fresh-cut flowers at least once a month.

The Economic Impact of PromoFlor

The effect of PromoFlor advertising on the demand for fresh-cut flowers was estimated using the NPD data. It included both attracting additional buyers to the retail market and increasing expenditures per buyer. Fresh-cut flower advertising and promotions had a positive and statistically significant influence on the demand for flowers. Household expenditures on fresh-cut flowers increased at the retail level.

Additional retail revenues attributed to PromoFlor are expressed in terms of gains in handler revenues. Dividing these revenue gains to handlers by PromoFlor's expenditures on advertising and promotions gives a total of 6.62 gross dollars in handler sales for each dollar of PromoFlor expenditures. That is, for each dollar of PromoFlor advertising and promotion expenditures, \$6.62 of additional handler gross revenues (including all handler costs and profits) were generated per promotion dollar. A net rate of return in terms of revenues is shown by subtracting the \$1 promotion cost from the \$6.62. For the 1996 season through November, each

dollar of generic promotions of fresh-cut flowers generated \$5.62 in additional handler revenues per promotion dollar after the costs of PromoFlor's programs were subtracted.

The gross gain of \$6.62 per promotion dollar includes both the costs of goods and handler profits. While the costs of goods and profit margins may vary across handlers, an industry standard markup of 1.43 can be used to express the handler revenue gains in terms of changes in gross profits. If the .43 represents gross profits in handler markup, then 30 percent of handler sales is gross profits. Multiplying 30 percent times the \$6.62 in revenue gains per promotion dollar gives an increase in handler gross profits per promotion dollar by PromoFlor. Using this estimated gross profit margin, a dollar of PromoFlor promotions produced \$1.98 (that is, $\$6.62 \times .30$) in additional gross profits per promotion dollar before promotion costs were subtracted. The net gain in profits per promotion dollar was \$.98 after the promotion costs were subtracted.

These gains are based on a portion of the total industry captured by the NPD data. For example, commercial sales are not included in the calculations. To the extent that PromoFlor has positively impacted the sectors not captured in the NPD data, the rate of return is understated.

PromoFlor Gains Across Income Groups

The estimated gains differ across the four income groups. A clear understanding of where gains are generated is essential to program design and revisions in subsequent periods. Figure 2 shows the distribution of the estimated gains across the four income groups. About 31 percent of the total sales gains attributed to PromoFlor occurred among those households with incomes less than \$25,000 annually. The \$25,000--\$49,999 income group accounted for about 39 percent of the promotion gains, and the third income group accounted for about 30 percent of the gains. These groups account for 93 percent of U.S. households.

Interestingly, the analysis shows that no gains were estimated among those households with incomes of \$75,000 and higher. That is, this group did not show a consumption response to the promotions. Consumption levels of this group are already high relative to the other income categories; thus, it would be more difficult to stimulate additional purchases among this group.

A second dimension to understanding gains relates to changes in the number of buyers versus the intensity of buying. Within each income group, gains can occur with new buyers entering the market and with additional expenditures per buyer. Understanding how the promotions worked in this context is extremely useful for longer term programming.

In figure 3 the share of total gains attributed to increasing the number of buyers in each income category is shown. First, as with figure 2, the percent of buyers is not relevant for the highest income group since the responses were not statistically significant. However, for the lowest income group, the analysis shows that 70 percent of the gains among those households resulted from additional buyers entering the market.

The majority of gains in this income group results from more buyers and less purchases per buyer. For the middle two income groups, between 53 to 58 percent of the promotion gains are due to more buyers. More households were attracted to the market, and the intensity of consumption per buyer also increased.

Gains in Fresh-cut Flower Buyers

The analysis clearly shows that additional buyers have been attracted to the fresh-cut flower market with the introduction of the national flower advertising and promotion campaigns. During a typical month about 5 percent of U.S. households buy fresh-cut flowers; this percentage differs by income groups. An estimated 460,000 additional buying households purchased fresh-cut flowers in a typical month. For comparison, on average, there are 4.5 million households per month buying fresh-cut flowers. These additional buyers represent an approximate 10 percent increase in the number of buying households within the NPD database for a month. This gain is directly attributed to "Buzz TM " and the "Think Flowers TM " campaign. Nearly 40 percent of these additional buying households is within the lowest income category. About 70 percent of total additional buyers is within the two lower income categories .

The percentage increase is relatively large compared with the current numbers of buyers. Nevertheless, it still represents a small change when compared with the total number of households across the income categories. For example, there are approximately 98 million households in the United States. An increase of 460,000 households buying fresh-cut flowers in a typical month is less than a .5 percent change as compared to the total number.

Conclusions

The intent of this paper was to answer the question: "Has PromoFlor impacted the demand for fresh-cut flowers?" According to the statistical analysis based on the NPD database, the answer is yes . The analysis also indicates that "Buzz TM " and the "Think Flowers TM " campaign have stimulated a response among the buying public. Specifically, the following conclusions are noted:

1. Statistically, PromoFlor has had a positive and significant effect on fresh-cut flower demand. The effects of PromoFlor differ considerably across income groups. Positive gains in fresh-cut flower sales occurred among households with incomes under \$75,000. These gains were shown for three income groups below \$75,000. In contrast, the highest income group (\$75,000 and higher) did not show a response to the flower promotions.
2. An estimated rate of return indicates that \$6.6 of additional handler revenues were generated per dollar of PromoFlor advertising and promotion expenditures. Subtracting the cost of PromoFlor, a net gain of \$5.6 in additional revenues per advertising dollar is realized at the handler level.

3. The gains attributed to PromoFlor's programs result from attracting additional buyers and increasing expenditures per buyer. For the lowest income group, nearly 70 percent of the gain is due to additional buyers entering the market. The share is nearly 50 percent for the next two income categories.

4. PromoFlor's advertising and promotions produced an estimated 10 percent increase in the number of households buying fresh-cut flowers in a typical month. More than 40 percent of these additional buyers are within the lowest income group.

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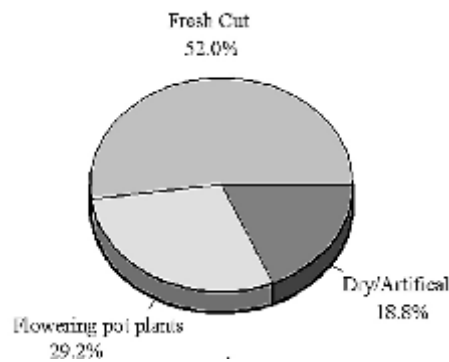


Figure 1

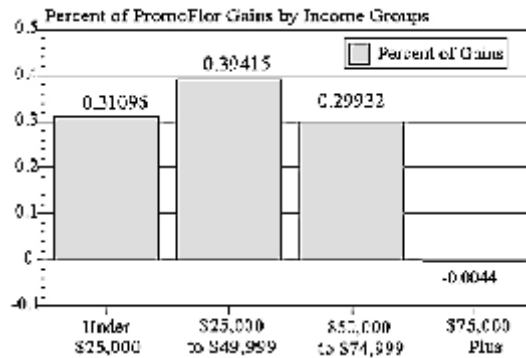


Figure 2

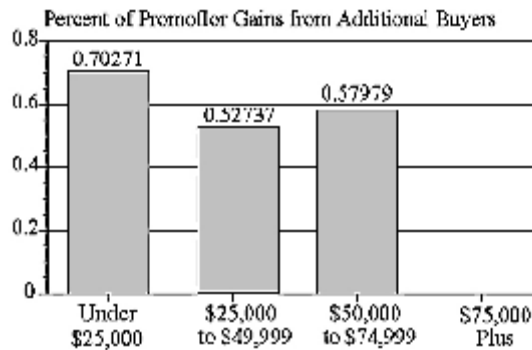


Figure 3

Appendix E

The Texas Department of Agriculture Go Texan Program

What is the GO TEXAN Partner Program?

The GO TEXAN Partner Program is a one million dollar (\$500,000 each fiscal year) dollar-per-dollar matching fund promotion program of the Texas Department of Agriculture (TDA) established by H. B. 2719 during the 76th Legislative Session. The program is designed to increase consumer awareness of Texas agricultural products and expand the markets for Texas agricultural products by developing a general promotional campaign for Texas agricultural products and advertising campaigns for specific Texas agricultural products based on project requests submitted by eligible applicants.

Are these program rules final?

Yes. Proposed rules for the program were submitted to the Texas Secretary of State's office on September 13, 1999, and were published in the Texas Register on September 24, 1999. Publication of the rules initiated a thirty-day public comment period. Public comments were submitted until October 24, 1999. A public hearing was held on October 14, 1999 in Austin. Several suggested changes received during the comment period were incorporated in the adopted rules filed with the Secretary of State, Texas Register Division on November 5th. The rules were reviewed and adopted by the GO TEXAN Partner Program Advisory Board on November 5th. The rules will be effective November 25, 1999. The Department will accept program project requests on December 1, 1999.

What are the requirements for participation?

It is proposed that an applicant must:

- (1) be a member in good standing of the GO TEXAN program;
- (2) be an eligible applicant as defined by program rules;
- (3) prepare and submit a project request;
- (4) submit a sworn affidavit certifying that applicant is not currently delinquent in the payment of any franchise taxes owed the State of Texas under Chapter 171, Tax Code and will notify the department of status change;
- (5) submit a sworn affidavit certifying that applicant is not currently delinquent in the payment of child support and will notify the department of status change;
- (6) submit a sworn affidavit disclosing any existing or potential conflict of interest relative to the evaluation of the project plan by the board and acknowledge that applicant will notify the department of status change; and
- (7) submit to the department, within ten business days after receiving board approval for the project request, cash matching funds as specified in the project request and in accordance with program rules.

What information must be provided in the project request?

The following information must be provided:

- (1) a cover page including the name, title, and address of applicant;
- (2) a table of contents;
- (3) an abstract of approximately 200 words or less, on one page, including the title, if any, a brief description of the project, specific objectives and importance of the project, project plan and methodology, and expected contribution to further or enhance the GO TEXAN Program;
- (4) a detailed specific narrative or factual description of the project, anticipated benefits to a specific region of the state, to specific commodities, any preliminary market research or sales percent increases to be achieved as a result of the project, a description of expected results, a biography of the applicant, and a description of the business entity;
- (5) a detailed project budget including specific dollar amounts for all potential costs; and
- (6) a description of how anticipated sales increases due to implementation of the project will be quantified and reported to the department.
- (7) a completed creative blueprint on a form provided by the department.

Where are project requests submitted?

An applicant may submit a project request to the department's Marketing and Promotion Division, Attn: Funding Coordinator, 1700 N. Congress Ave., 10th Floor, Austin, Texas 78711.

What happens after a project request is submitted?

Department staff will review the project request for completeness and examine the benefits of the project for Texas agriculture and economic growth in the state. Department staff may determine that a project request is ineligible because it is not complete or because the applicant provided false information to the department. If staff makes a determination of ineligibility, the department will notify the applicant in writing, identifying the reasons for ineligibility. Eligible applicants will be notified in writing and advised of the next scheduled board meeting. Eligible applicants are strongly encouraged to attend the board meeting to entertain questions from board members regarding their project request.

Who will evaluate eligible project requests?

The GO TEXAN Partner Program Advisory Board appointed by the commissioner will evaluate all eligible project requests. The board may approve or deny each project request by a majority vote of a quorum of the board. The board will meet no less often than quarterly to review

eligible project requests. The board is scheduled to meet again on January 14, 2000 at the Department's main office in Austin.

How will the board select project requests for funding?

It is proposed that project requests will be selected on a competitive basis. Preference will be given to project requests that are unique in nature and avoid duplication with other project requests that are being funded by the department. Project requests must demonstrate an innovative use of funding and resources. Only project requests that further or enhance the department's GO TEXAN Program will be funded. Finally, only project requests submitted by applicants who are physically located in Texas or who have their principal place of business in Texas will be funded. All applicants will be notified in writing of the board's decision.

When are matching funds deposited?

Matching funds for board approved project requests must be deposited with TDA's Cashier at 1700 N. Congress Ave. 9th Floor, Austin, Texas (512) 463-7414, within ten business days after board approval. TDA will deposit all matching funds in the GO TEXAN Partner Program Account.

How may the applicant use the matching funds?

Matching funds may only be used for activities promoting the sale of Texas agricultural products. Also, 85% of all funds for each approved project request must be expended to promote the specific product(s) of applicants and 15% of all funds for each approved project request may be expended to promote the GO TEXAN Program. If feasible and practical, the 15% portion of funds for each individual project request will be expended in a manner that directly or indirectly promotes the specific product(s) of applicant. Projects funded must meet all state bidding requirements. Applicants may contact Ms. Sandy Grimes, TDA Purchasing Coordinator, sgrimes@agr.state.tx.us, at 1700 N. Congress Ave. 9th Floor, Austin, Texas (512) 463-7499, for information regarding state bidding requirements. The department will directly pay project vendors within thirty days after the department receives invoices. Upon the completion or cancellation of a project, the department will reimburse a successful applicant for the applicant's share of any unexpended funds approved for the project.

Is there a maximum amount for each project request?

Yes, for the first six months of Fiscal Year 2000, the board may not approve project requests in excess of \$30,000, including matching funds.

Who may I call if I need additional information about this program?

You may contact the Marketing and Promotions Division at 1700 N. Congress Ave. 10th Floor, or toll free at 1-877-99GO-TEX or you may contact any of the following regional offices:

West Texas Regional Office-Region I
Ms. Allison Workman, Chief of Marketing
4502 Englewood Ave.
Lubbock, TX 79414
(806) 799-8555
(806) 799-0547 Fax
aworkman@agr.state.tx.us

North Texas Regional Office- Region 2
Ms. Sheri Drago, Director for Marketing and Economic Development
Regal Tech Center
1720 Regal Row, Suite 118
Dallas, TX 75235
(214) 631-0265
(214) 631-0271 Fax
sdrago@agr.state.tx.us

Gulf Coast Regional Office- Region 3
Ms. Jennifer Bailey, Chief of Marketing
2646 S. Loop West, Suite 630
Houston, TX 77054
(713) 666-8491
(713) 666-6102 Fax
jbailey@agr.state.tx.us

South Central Texas Regional Office- Region 4
Mr. Robert Maggiani, Chief of Marketing
8918 Tesoro Dr., Suite 120
San Antonio, TX 78217
(210) 820-0288
(210) 822-0301 Fax
rmaggian@agr.state.tx.us

Valley Regional Office- Region 5
Ms. Nelda Garza, Chief of Marketing
900-B E. Expressway 83
San Juan, TX 78589
(956) 787-8866
(956) 787-6701 Fax
ngarza@agr.state.tx.us

Appendix F
The Coordinated Education and Marketing Assistance Program (CEMAP)
A Case-Study in Cooperative Industry / University
State-Wide Plant Trials and Promotion

Introduction

The Coordinated Education and Marketing Assistance Program (CEMAP) is an industry - university cooperative program in which university and industry leaders partner in the identification of superior landscape plants for Texas and their subsequent promotion in the market place. The stated purposes of the CEMAP program are to "provide highly effective marketing assistance to growers and retailers, particularly during slower periods of the nursery year" and to "ensure that consumers utilize the very best and most environmentally responsible plant materials, products and horticultural techniques". To date the program has concentrated on the plant materials and marketing portion of the objectives.

One of the key points that distinguishes this program from similar plant promotion programs in other states is the coupling of evaluation / selection processes with statewide testing in a state with climate zones as diverse as most nations. CEMAP has assembled the talent and horticultural mentality to discover, modify and/or create plants which have a characteristic or characteristics that make these plants easy to popularize to the majority of consumers. Seventy percent of all past, present and future plants to be marketed were discovered, modified, enhanced and/or created by the CEMAP team. Other states such as Georgia, Mississippi, Florida and Louisiana have copied the CEMAP program and philosophy, and have even used CEMAP plants (Hamelia patens - Firebush, New Gold lantana, Blue Princess verbena, V.I.P. petunia, SuperSun coleus, Eubi-type purslane) for promotions. CEMAP differs from all other university and seed company plant testing programs in that we are not merely testing seed company gene pools -- we recognize superior genetics in old and new plant materials, proliferate these selections and popularize them, for the first time or again if need be, using all available mass media.

We also provide product names which emphasize the plants benefits (Mari-Mums are marigolds with mum size flowers; Surefire tomato rather than the GS12 variety name; Texas Gold columbine as opposed to Hinckley's columbine) rather than confuse consumers with botanical or numerical nomenclature. Any sales-only and quantity-available bias is eliminated when professional horticulturists evaluate materials on production and field performance rather than new and novel using only one year's data. Promises by breeders of northern-developed varieties such as heat-tolerance, drought resistance and winter hardiness (not from cold only but from severe fluctuations in temperatures as well) pale in comparison to the challenges of survival in Texas' growing conditions.

One of the key characteristics of this program is the ability of the plant to be mass produced -- CEMAP insists on the availability of a substantial (hundreds of thousands) supply of the selected plants before the promotion is undertaken. There is a coordinated marketing effort for each plant

that provides producers, wholesalers, and retailers an opportunity to fill the production pipeline in advance of planned promotions. The plants are tailored to Texas and are so well adapted and versatile that the majority of the customers will have a positive experience with the plant. Any and all possible strengths as well as weaknesses of the CEMAP plants that are discovered while testing are explained not only to nursery professionals but to the customers as well before the purchase is made.

Finally, industry is truly a full partner in every component of the effort along with university personnel. The plant promotion/plant availability/hortibusiness cooperation program was initiated by Dr. Jerry Parsons in San Antonio over 20 years ago. Efforts were then expanded to include the Dallas / Fort Worth Metroplex. Eventually, state-wide participation with guidance by Dr. Jerry Parsons' and Dr. Steven George began in 1989. The program has grown to encompass 20 sites across the state from Amarillo to Beaumont to San Antonio and El Paso.

Materials and Methods

How does CEMAP work? Of critical importance is the continuing identification of promising new or overlooked taxa suitable for use in large regions of the state. This activity has employed contributions from industry, extension, research, and teaching personnel throughout the state. In addition to industry personnel and Texas A&M University faculty and staff, important plant contributions have been contributed from other educational institutions, such as the Stephen F. Austin State University, and botanical gardens and arboreta throughout the state.

Preliminary trials are often conducted by the sponsor of a plant prior to inclusion in the CEMAP trials. Once a plant is sponsored by a cooperator in the CEMAP trials, that sponsor supplies initial plants for informal evaluation at the primary cooperator sites (mostly Texas A&M University sites and a few key industry locations). If the plant is deemed successful enough for more widespread evaluation, sufficient numbers of plants are propagated by the CEMAP coordinators or the plant sponsor and plants are distributed to all cooperators for replicated trials. While protocols vary somewhat among sites due to varied environments and available testing facilities, sponsors of plants supply suggested cultural conditions for the trials. Each phase will require at least one and often several years of landscape performance data. Evaluations of replicated trials are made by the CEMAP coordinators and industry representatives based on landscape performance and market potential. If propagation or production problems are encountered for superior landscape taxa, research cooperators assist with experimentation to overcome the impediments to production.

Truly outstanding plants are selected long enough in advance of promotion to allow growers time to produce sufficient plants to meet anticipated increases in demand. This may be as short as one year for easily propagated annuals or fast growing perennials, but can be several years for some woody plants. Growers are briefed on recommended production practices when research indicates that these differ from standard production regimes. Retailers in the promotion areas are notified at least six months in advance to permit time for order placement with wholesalers and to determine if sales training is needed. At four to five months prior to the promotion period, employee

training seminars are conducted and point-of-sale publications and promotional items are prepared. Past, present and future (for next three years) plant promotions are listed on the Internet site. This site contains a complete description of each plant to be promoted and write-ups for press releases as well as digitized photos.

Coordinated and aggressive media campaigns are mounted for each plant that is promoted including television, radio, and print media. Mass media promotions are typically begun a week before the anticipated sales period begins and are continued throughout the sales campaign. For some plants the media campaigns will begin earlier in the season in one region of the state versus another region due to weather conditions. Promotions are timed to hit the ideal planting times for the plants.

The process is not completed until an assessment of the impact or success of the campaigns are measured. Typically this is done by comparing pre-promotion sales with sales during the promotion and post-promotion sales. Post-promotion sales may be measured for periods extending several years after the initial selection as a CEMAP promotion (see subsequent discussion of designation as a Texas Superstar TM).

Some changes occur periodically in participating sites, but CEMAP cooperators from Texas A&M University include Dr. Steven George (Dallas), Dr. Timothy Davis (Dallas), Dr. Jerry Parsons (San Antonio), Dr. Wayne Mackay (El Paso / Dallas), Dr. Don Wilkerson (College Station), Dr. Michael Arnold (College Station), Dr. Larry Stein (Uvalde), and several Texas Agricultural Extension Service County Horticulturists. Key cooperators outside of TAMU include Mr. Greg Grant (Nacogdoches), Dr. David Creech (Nacogdoches), Peterson's Brothers Nursery (San Antonio), the late Mr. Eddie and John Fanick (Fanick's Nursery in San Antonio), Verstuyft Brothers Farms (San Antonio - Von Ormy), and other industry locations.

Results and Discussion:

State-wide promotions have focused primarily upon herbaceous plants during early phases of the program as these plants required the least time in testing to assess landscape performance. Examples of herbaceous plants that have been promoted in the CEMAP program include: the Texas Gold Columbine (*Aquilegia chrysantha* var. *hinckleyana* (Munz) H, Lott 'Texas Gold', new color ranges of Texas Bluebonnets (*Lupinus texensis* Hooker, use of *Tagetes erecta* L. as fall transition season annuals marketed under the name of Mari-mums, Sun tolerant Coleus (*Coleus x hybridus* Voss 'Plum Parfait' and 'Burgundy Sun', and vegetables such as the Surefire Tomato (*Lycopersicon esculentum* Mill. 'Surefire'. Some woody plants have been promoted as well including Mexican Firebush (*Hamelia patens* Jacq., and Satsuma Orange (*Citrus reticulata* Blanco as container plants for colder climates, while the only tree promoted was Chinese Pistache (*Pistacia chinensis* Bunge. which was well received. Chinese Pistache had become one of the most widely recommended trees in the state (Arnold, 1998; Garrett, 1996; Groom, 1997; Sperry, 1991).

Numerous taxa are in current trials for possible release in the future including a Blue Plumbago with a denser growth form and darker blue flower than the species type. This selection has been tentatively named Plumbago auriculata Lam. 'Hullabaloo'. The large flowered forms of Yubi Series Purslane (Portulaca oleracea L., old-fashioned, single flowered Bunny Bloom Larkspurs (Consolida ambigua (L.) Ball and Heyw., and Bush Morning Glories (Ipomoea fistulosa Mart. ex Choisy, are also under testing. A couple of promising small trees under consideration are Possumhaw (Ilex decidua Walt., valued for its vibrant winter fruiting effects and Lacy Oak (Quercus glaucoides Martens and Galeotti, which is a widely adapted native small oak with outstanding blue-green summer foliage and newly emerging pink shoots in spring.

Even with successful programs challenges are inherent. One of the challenges of the program is balancing the needs and priorities of the varied participating parties. Balancing the need for short-term profits from a constant flow of new plants for industry with the need to be certain of performance prior to recommendation by university personnel is an on-going give and take proposition. Retaining the enthusiasm for the program needed to ensure on-going efforts at individual test sites, where the program is only one of several competing priorities for time and resources, presents a recurring challenge. Many participants ameliorate this problem by dove-tailing their CEMAP efforts with one or more of their primary responsibilities. During the past few years the expansion efforts of CEMAP have been financed principally by grant funds. A permanent source of funds to finance the continuance of CEMAP efforts are needed.

One possible solution being explored is the sales of Texas Superstar™ marketing materials, such as pot tags and point of sale promotion materials, which would return a few cents per tag to the program. The attractive feature of this financing mechanism is that funds are raised for the program only if sales of promoted plants occur. Once recognition of the Texas Superstar™ designation becomes widespread among the gardening public, the tags and other promotional materials should help boost sales of plants so designed in previous years in addition to the current seasons promotion. Tags can be ordered via the CEMAP Internet site. Another concern over the long term is that there are likely a limited number of plants that can be recommended on a state-wide basis. One solution may be to go to regional promotions, but there would need to be a mechanism for distinguishing the region of designation from the state-wide designation as a regionally promoted plant may be less than a "superstar" in another region of the state. Finally, coordinators and cooperators in CEMAP must find ways to ensure that the program remains in agreement with university and departmental objectives and plans, adapting to changes in administrative direction.

Appendix G

Combined Go Texas/Texas Superstar Promotion

- Objective:** To promote the growth of the green industry in Texas
- Method:** Public awareness program using “Go Texan” and “Texas Superstar” promotions
- Target:** Consumer market
- Slogan:** *Go Texan with Texas Superstars*

Proposed Consumer Marketing Plan

Prepare a media kit that includes background on the program, a pre-printed 4-color information sheet about each Texas Superstar plant, its use and care, contact information, and order forms for the specialty items related to the program. Also prepare several press releases and pre-done feature stories about the plants, the program, and the individuals involved. Finally, sets of slides, logo slicks, and information available by electronic media would be available for use as needed.

Advertising and editorial coverage in Texas consumer gardening periodicals

Southern Living
Texas Monthly
Neil Sperry’s Gardens
Texas Gardener
Gulf Coast Newsletters (there are two in the Houston area)

Editorial coverage in the metropolitan newspapers (gardening columnists)

Dallas Morning News/Ft. Worth Star Telegram
Austin American-Statesman
Houston Chronicle
San Antonio Express-News

Editorial coverage and advertising in almanacs

Sperry Almanac
San Antonio Area almanac
Houston area almanac

Editorial coverage in metropolitan home and garden magazines

Houston area
Austin area
San Antonio area
Dallas/Ft. Worth area

Presentation in member booths or TNLA booth at home and garden shows

15 major trade shows during each spring season

Specialty newsletters

Xeriscape councils
Texas Garden Clubs (both men and women)
Botanical garden newsletters
Arboretum newsletters
Texas Garden Writers of America members

Non-print media

TNLA Web page
15 second video clip for television PSA's
Radio and TV gardening shows (Sperry, Groom, Dromgoole, etc.)

Long-term

Develop specialty advertising items such as magnets or T-shirts. If there is a new Texas Superstar plant each year, trade shows would offer the chance to promote the program by means of a shirt. Each year the new plants could be promoted with a new shirt (dated of course) which could become a collector's item. Posters are another very effective specialty item. Posters have become collector's items of value both in the commercial and artistic areas.

In each case a media kit would be sent followed by a telephone call. In the case of the radio and TV, personal interviews would be sought. In the case of print media, color photos would be provided. A Texas Superstar section on the TAMU Aggie-Horticulture web page would be available for every participating retailer to link to.

Promotion Assistance for Retail/Landscape

Plants would be pre-tagged by the grower.
Pre-done information sheets for use in the retail/landscape company newsletter.
Pre-printed 4-color flyer about the plant, use, and care.
Shelf talkers about the plant (research shows that in-store promotion is the single most effective plant promotion)
Banners promoting the Texas Superstar logo.
Slides of the plant in various stages of growth (bloom, fall, winter, etc.).
Sources for obtaining the plant.
Pre-done slide show/video for use when speaking to local garden clubs or in-house seminars.

Methods for publicizing the program to the industry

- Introduce concept at January 2000 Seminar
- Article in TNLA Green February 2000
- Special grower bulletin (to prospects as well as members)
- Disseminate information to Extension Agents

- Disseminate information to TDA marketing specialists
- TNLA Web site listing
- Officer and director newsletter listing
- Grower Group newsletters (Northeast TX, Valley Growers, Southeast TX, etc.)
- TNLA Growers Committee
- TNLA Employee Seminars
- Personal contact with grower members by telephone (TNLA has about 350 grower members).
- Special mailing to those on the prospects list and the trade show non-member attendees
- Promotion in the TNLA Membership Directory
- Promotion in the Trade Show Program
- Promotion at the trade show
- Editorial coverage and advertising in Trade Magazines
- Region meeting presentations
- Annual open house and seminar at the Extension site in Dallas, Coit Road facility

Defining Participation of TDA, TAMU, and TNLA

The Texas Agricultural Extension Service and Texas A&M University are owners of the *Texas Superstar* logo.

TDA is owner of the *Go Texan* logo.

TDA

Texas Superstar promotion on the TDA website.

Possible resource for matching funds for TNLA to prepare promotional material kits.

Assistance in preparing video clips and news releases.

Texas A&M University:

Trial and evaluation of plant materials.

Actual selection of Texas Superstar plants.

Sale of Texas Superstar plant tags.

Preparation of information regarding the plants.

Assists in developing matching funds grant proposal.

Promotion of the Go Texan/Texas Superstar promotion on the Aggie Horticulture website.

TNLA

Placement and features in all TNLA publications.

Develop matching funds grant proposal and submits to TNLA.

Communication with growers/retailers/landscape contractors.

Space at the Trade Show to promote Go Texan and the Texas Superstar campaign.

Preparation of the Media Kit.