



# Selling plants profitably

A guide for nursery sales staff and retail plant teams

## Introduction

This Plant Selling Guide has been produced by the HTA to assist everyone involved in the buying and selling of garden plants through independent garden retailers. It is written for both sales personnel of nursery businesses as well as plant area teams at the retail end of the supply chain making the six key plant buying decisions:

1. **What to buy**
2. **Who to buy it from**
3. **How much to pay for it**
4. **How much to sell it for**
5. **What quantity to buy, and**
6. **Whether to promote it or not**

## Objective

The objective of this guide is to provide an improved understanding of the key drivers of profitability within plant retailing and to identify the wide range of discussion topics to explore in negotiations between both parties.

The broader industry objective is to avoid a decline in the value of the garden plant market, enabling appropriate levels of profitability for both retailer and supplier. This will ensure profits are generated to invest in new product development and improved quality and service at the supply end; and in developing the customer experience at the retail end.

## Background

- Limited market growth
- Alternative leisure demands
- Increasing competition
- Rising business costs

In a challenging market with increased competition at the retail end, in particular from multiples and ecommerce; and at the supply end from overseas exporters, it is vital the UK garden plant market does not become devalued. Both retailers and growers are facing significant and rising cost pressures, despite a lot of effort over recent years to seek efficiencies.

Therefore, the last thing anyone needs right now is even greater



downward pressure on profit margins. Experience from other sectors from within the horticultural industry and from other industries altogether, tells us that once a market sector has been devalued to such an extent as to be a commodity market, it is exceedingly difficult to break out of the cycle and reverse the trend.

## Profit opportunities

- Remember “Sales is vanity – Profit is sanity”
- Always focus on the cash profit not the percent margin
- Sell-out rates are critical to profitability
- Think net profit after costs rather than just gross margin

It is not uncommon for businesses to concentrate excessively on sales and to lose sight of the most important element which is the profit. Whilst percent margins are a useful guide they are often relied on too heavily during discussions on cost and retail prices. What is really important is the actual cash profit generated on the sale of the item taking in to account wastage.

### Helpful hint

**Discuss this with your commercial partner, work through the profit calculation together and illustrate with a couple of examples.**

The key components of the product offer for a retail business are:

1. Range
2. Quality
3. Price
4. Promotion

In this guide we look at the opportunities to increase profitability within these four key areas and in particular where working together can highlight and drive a change in approach.



## 1. Range

- 20% of lines account for 80% of sales and profit
- Excessive choice can cause customer confusion
- The majority of consumers buy plants on impulse

In all ranges, and plants are no exception, there is an 80:20 rule at play, whereby 20% of lines account for 80% of sales and profit. The reverse is also true that the remaining 80% of lines only represent 20% of sales, which is likely to be a lot less in terms of profit when the costs of maintaining stock, increased loss and markdowns are taken in to account.

Therefore, the challenge has to be how much of the lower profitability 80% are needed to ensure a perception of authority. It is recognised that many retailers wish to present a reasonable range as a point of difference from competitors but the objective has to be to offer genuine choice not just duplication, which can actually just confuse customers and drive up wastage.

There is also plenty of research evidence to suggest that a large proportion of visitors to garden centres these days do not go there with a preconceived idea of what plants to buy for their garden. Therefore, commercially it is sensible to ensure a comprehensive offer of impulse and promotional plants at all times of the year, where price is relatively unimportant to the purchasing decision.

### Helpful hint

**Work together to construct a sensible core range that maximises consumer choice without offering unnecessary duplication and increasing wastage.**

## 2. Quality

- Quality and freshness is more important to consumers than price
- Selling larger plants at higher prices generates more cash profit
- Don't underestimate the commercial value of UK grown plants

Market research on the perceived value of plants clearly highlights the appearance of a plant in terms of quality and freshness is the single biggest driver of value for the consumer. Therefore, every action that both the supplier and retailer take to ensure plants arrive in peak condition and stay looking good, whilst turning over quickly will directly improve profitability.

This same research also identified that the size of the plant is an important factor in perceptions of value. For example, the retailer may be faced with two alternative options for the same shrub; a perfectly acceptable plant in a 2 litre pot or a larger plant in a 3 litre pot. The figures are as follows (VAT at 20%):

Option	Cost price	Retail price inc. VAT	Retail price exc. VAT	Cash profit	Margin excluding VAT
2 litre pot	£2.49	£5.99	£4.99	£2.50	50%
3 litre pot	£3.33	£7.99	£6.66	£3.33	50%

In this example, if the retailer sold no less by going with the 3 litre rather than the 2 litre option they would make 33% more profit. Another way of looking at it is they would need to sell 33% more 2 litre than 3 litre plants to make the same cash profit.

The likely outcome in this scenario is a well grown 3 litre plant will sell as many, if not more than the 2 litre option, in which case the profit generated will be at least a third greater.

UK produced garden plant stock generally speaking, is grown to a very high quality and is suitable for retailing and planting in the UK climate. The



importance of good shelf life and planting reliability in the garden should not be underestimated when the benefit for the retailer is reduced markdowns, wastage and returns plus increased customer satisfaction.

It is also important to ensure that when cost prices are being compared a true like-for-like comparison is made. For example, the costs of delivery, labelling and pricing may need to be factored in to the true cost price when comparing plants purchased from a European exporter to a UK producer. The process of labelling and pricing of plants in the garden centre adds little value to the business and takes valuable time away from creating

displays and serving customers. The plants will also be available for sale quicker when arriving labelled and pre-priced. Sales also tend to be lower due to poor quality of information provided on multi-language labels relying predominantly on universal symbols.

### Helpful hint

Always think about the actual profit likely to be achieved rather than the hypothetical figure based purely on the cost and retail price, assuming a full sell out rate.

## 3. Price

- Consumer price awareness and sensitivity for garden plants is exceedingly low
- Retail prices more often than not can increase with no loss in sales volumes
- Always use perceived-value pricing rather than a standard mark-up

Research shows the level of price awareness and sensitivity for garden plants amongst the general public is incredibly low.

Price awareness is the level of understanding of what to pay for a plant. For example a Climbing Honeysuckle in a 3 litre pot had a price put on it by individuals from a representative consumer group of anywhere between £3 and £15!

Price sensitivity is the relationship between the price and the volume sold. High sensitivity means that a small price change either way will lead to a significant change in volume; whilst low sensitivity means a large price change up or down will have minimal, if any impact on the volume sold.

The logical conclusion for virtually all plants is therefore to move prices up to the upper end of the spectrum of possible prices, thereby maximising the cash profit achieved. For example, if the price range for a particular type of plant is £6.49 - £7.99, then there is a strong case as long as the quality is good, to move towards the higher price. It is unlikely the retailer will sell any less as a result but the profit generated on the sale will increase significantly. There would certainly be an argument, if at a 49p price point to move up to a 99p price point.

Retailers often work on a standard mark-up of 2.4 times cost price, which yields a 50% margin (exclusive of VAT at 20%). This can lead to the majority of plants being too cheap and a few being too expensive but most certainly leads to missed profit opportunities. It is essential for the sales person and plant area manager to explore the

concept of perceived value pricing together, which is based on:

1. What is the plant worth?
2. What can we get for it?
3. What will the customer pay?
4. What are the competitors at?

### Helpful hint

Discuss the likely volume of sales at the various retail price options, what the plant is worth and arrive at the highest realistic price, generating the maximum profit level, but is not a barrier to sales.

## 4. Promotion

Whilst price-based promotions have a role to play in terms of driving footfall, improving perceptions of price competitiveness, reducing stock-holding and responding to competitive pressures, the fundamental reason for promoting plants is to increase the profit generated.

However, there is always a danger of getting carried away and doing too many at any one time. The table above shows the volume uplifts needed to break even in terms of cash profit achieved.

For example, if a plant with a normal gross margin of 50% is reduced by 25% (eg from £7.99 down to £5.99) you need to double sales (sell 100% more) just to make the same cash profit. It must be remembered that this

Price reduction	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Gross margin										
25%	25	67	150	400						
30%	20	50	100	200	500					
35%	17	40	75	133	250	600				
40%	14	33	60	100	167	300	700			
45%	12	29	50	80	125	200	350	800		
50%	11	25	43	67	100	150	233	400	900	
55%	10	22	38	57	83	120	175	266	450	1000
60%	9	20	33	50	70	100	140	200	300	500
65%	8	18	30	44	63	86	117	160	225	333
70%		17	27	40	56	75	100	133	180	250
75%			25	36	50	67	88	114	150	200

is before any marketing costs such as point of sale and advertising are put in to the equation. It is also important to remember the potential positive and negative “knock on” effects of promotions on other products when evaluating their success.

### Helpful hint

Working together develop a promotional programme throughout the year to stimulate additional demand, but ensure they are evaluated for their impact on profitability before and after the event to decide whether to repeat in the future or not.

## Conclusion

In today’s competitive trading conditions it is essential to retain value within the market. Retailers and growers have to face ever increasing overheads and it is vital that cash profit levels are not eroded. Now that footfall numbers are no longer growing at historic rates, increases in average spend and profit margins need to be found.

There remains much that can be done to focus attention on the quality and service aspects of plant retailing rather than just price. This guide has offered other topics of discussion between trading partners to ensure a stronger industry in the future; that will not just survive but ultimately thrive again as it has done in the past.



This booklet has been prepared by HTA Business Improvement Consultant Andy Campbell in association with the HTA Retail Supplier Group.

The Horticultural Trades Association  
Horticulture House, 9 High Street, Theale,  
Reading, Berkshire RG7 5AH  
Tel: 0118 930 3132  
Fax: 0118 932 3453

Email: [info@the-hta.org.uk](mailto:info@the-hta.org.uk)  
Web: [www.the-hta.org.uk](http://www.the-hta.org.uk)

