



## Marketing – Demand Push or Demand Pull or Both? The Need for Creating New Plant Awareness

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### Nature of Work:

The purpose of advertising is to get a one-time trier – nothing more, and nothing less. No additional amount of advertising will sell more plants to a customer; additional sales will depend upon the quality product purchased and the favorable customer's experience to get repeat business. Promotional activities can help create awareness of new plant varieties, colors, forms, shapes, sizes, uses, and other reasons for purchasing the plant materials, in spite of the speculative nature of advertising. And retail customers of garden centers and the mass merchandisers, including Kmart, Wal-Mart, Lowe's, Home Depot, and Ace Hardware, contend that the marketers must advertise and promote what is stocked, regardless of the customer's needs or interests or buying intentions. The retailers indicate they do provide that information, as well as price and other marketing tidbits, but the customers still don't buy the plant materials. Is the chasm due to awareness? And whose responsibility is it to do the promotional efforts – the growers of the plants? the wholesalers and brokers? or the retailers themselves?

Should grower-wholesalers exert greater promotional effort directly toward the final customer, thereby influencing the customer to pull the demand for the plants through the entire marketing channel from grower to wholesaler to retailer? All too often grower-wholesalers rely on what the retailer orders as an indicator of what should be produced, especially when "new" plants may be talked about within the trade or media publications (i.e., *Southern Living* or *Better Homes and Gardens*) or television (i.e., HGTV network or GPTV) or media personalities (i.e., Martha Stewart or Walter Reeves). Such a marketing strategy for new plants helps keep the species or variety from becoming a commodity, resulting in lower prices, over-selling, and potentially over-producing. Differentiating the plants in the eyes of the consumer encourages higher prices and higher margins for growers and retailers alike. Newness clears the floors and benches, creating higher and faster turnover. If the customer doesn't see nor ask for the newness, however, how is the awareness created?

One almost always thinks of marketing communications as being directed toward customers, but an important aspect of marketing communications is communications directed toward channel participants or intermediaries. Approximately one-third of marketing communications dollars is spent on customer advertising, and two-thirds on sales promotions that are directed toward intermediary promotions (37%) and customer promotions (29%). In total, about 63% of the marketing communications budget is spent on customers and 37% on intermediaries. The promotional mix is heavily influenced by whether the company chooses a push or pull strategy to create sales.

*A push strategy* involves the grower's marketing activities (primarily the sales force and trade

promotion) directed at the marketing channel intermediaries, such as brokers, wholesalers, re-wholesalers, and other growers. The goal is to induce these intermediaries to order and carry the plants and promote them and make them available to end users or customers. Push strategy is especially appropriate where: there is low brand loyalty in a category (as is experienced in environmental horticulture); purchase, selection or choice is based upon availability in the retail outlet (again, plants); the product is an impulse item (especially floriculture and herbaceous perennials); and the product benefits are well understood. Nursery and greenhouse plant production can easily be associated with a push strategy. When successful, push strategies result in a wider range of availability, fewer stockouts, greater merchandising activity, and a greater marketing effort than would have been achieved with little or no push communications.

A *pull strategy* involves marketing activities (primarily advertising and customer promotion) directed at the end users, the customers who buy the plant materials. The purpose of the pull strategy is to induce them to ask the marketing channel participants (wholesalers and retailers) for the particular plant, perhaps a “new” plant to the marketing scene, and thus induce the intermediaries to order the plants from the grower/producer. The pull strategy is especially appropriate when there is high brand loyalty (or so perceived) and high involvement in the category; people perceive differences between brands; and people choose the brand before they go to the retail store. When pull strategies are successful, customers will seek out certain products or services and, in essence, by the interest they create, pull the product through the marketing channel. A pull strategy requires marketers to carry certain plants and products or brands in order to attract and satisfy target customers.

Companies in the same industry may differ in their emphasis on push or pull strategies. For example, Procter & Gamble relies more heavily on pull strategies whereas Lever Brothers relies more heavily on push strategies. In the flower and nursery stock arena, Monrovia (California) and Stacey’s (South Carolina) emphasize pull strategies for supply management, but do not rely on them entirely for creating sales. It is important to understand that it is the combination of both push and pull marketing strategies that creates the greatest impact on customer response and, therefore, market share gains.

## **Results and Discussion:**

### *Pull Communications and Customer Response:*

A wide range of alternative marketing communications can be used to create a communications mix designed to create customer pull, but without continued reinforcement of the name and its positioning, the corporate identity fades from customers’ minds and, eventually, from the marketplace. There are many forms of customer-directed sales promotions that can be used in the nursery and flower businesses – examples include coupons, rebates, sweepstakes, gifts, and rewards. Direct marketing and electronic marketing (e-commerce on the internet) take a similar, but even more customized, approach to creating customer pull in the marketplace.

The percentage change in sales volume per one percent change in advertising effort is a measure

of advertising elasticity. Although there are considerable variations among plant materials and market situations, short-run advertising elasticities are relatively small when compared with price elasticities. Studying 128 advertising elasticities derived from marketers' sales brochures and advertisements produced an average advertising elasticity of 0.22, with very few advertising elasticities greater than 0.5. This means that for every one percent change in advertising expenditures, there will be an estimated 0.22 percent change in volume sold. For instance, a greenhouse with a sales volume of 20,000 units and a 0.22 advertising elasticity could estimate its sales to increase to a volume of 20,880 plants with a 20 percent increase in advertising, as shown below:

$$\text{Sales Volume} = \text{Current Volume} [1 + (\text{Ad Elasticity} \times \% \text{ Change in Advertising})].$$

It is important to keep in mind that there are certain limits to what advertising can accomplish with respect to sales response at different stages in a product's life cycle. During the introductory stage for a "new" plant (could be a selection from the Georgia Gold Medal Winners™ or Athens Select™), a business builds awareness, comprehension, and interest, but the market demand is usually small, and even when advertisements and communications are very effective, only a limited volume and sales response are achievable. The growth stage of a product's life cycle (such as abelia, hydrangea, or loropetalum) offers the greatest opportunity for sales gains using advertising. A business that does not invest in advertising during this phase is missing its best opportunity to grow sales, because advertising elasticities will be greatest during this period. However, as a market matures (azalea and junipers, as examples) there is less new volume coming into the market, and the effects of advertising on sales response begin to diminish. Finally, in declining markets (as in bedding plants and flowering pear), a marketer needs to cut back on advertising because dollars spent on advertising produce little, if any, sales response.

In addition to a short-run advertising impact on sales response, advertising also has been shown to have a long-run carryover effect. That is, the advertising effort made in a given period will produce some additional sales response in subsequent sales periods. Advertising carryover coefficients range from zero to less than one, with the average carryover coefficient equal to approximately 0.20 for nursery stock and floriculture. This means that in the period immediately following the ad effort, a 0.20 sales effect from the previous period will carry over. In the second period, the carryover effect of 0.20 is squared, and 0.04 of the sales response produced two periods earlier occurs, and so on. The average carryover coefficient for all non-durable consumer products is 0.5; the seasonality and perishability of plants lends to the smaller carryover coefficient.

Recall the business scenario described earlier with a short-run advertising elasticity of 0.22 that could expect a short-run increase of 880 units in sales revenue from a 20% increase in advertising expenditures. The total impact of this ad expenditure using a 0.20 carryover effect is approximately 1,100 plants, or a 25 % additional sales increase, as shown below:

$$\text{Total Sales Effect} = \text{Original Sales Effect} \div (1 - \text{Carryover Effect}).$$

The average price elasticity for consumer nondurable products is -1.76 (for each 1% change in price, quantity purchased changes 1.76% in the opposite direction to the price change). However, the

promotional price elasticities (with advertising) are considerably higher. Using limited data from several garden center and lawn/garden supply retailers, assume the market demand for azaleas is 100,000 per year in an urban market, and that “Encore” azalea has a 4% market share resulting in a unit volume of 4,000 plants. Without advertising, this variety should experience a promotional price elasticity of -10.0, if the retailers’ data is accurate and consistent. Thus, a 5% price promotion should yield a 50% increase in unit sales. By combining a price promotion with advertising, the promotional price elasticity can be further increased, to -14.0 for this example. This would produce an additional unit sales of 800 plants with a 5% price promotion. It is also important to note that the promotional price elasticities decrease with the increase in market share – the higher the market share, the less responsive is advertising.

#### *Push Communications and Customer Response:*

Marketing communications directed at intermediaries are designed as push communications; they stimulate intermediaries to engage in aggressive customer promotion efforts. The objective of push communications is to build greater producer availability and marketing effort. Businesses that are aggressive in rewarding and supporting marketing channel intermediaries are able to obtain more market coverage (number of distributors and retailers) than are nonaggressive businesses.

Trade promotions designed to stimulate purchase are common among nurseries and greenhouses whose plants are sold through intermediaries such as wholesalers and brokers and other growers. Quite often, unfortunately, trade promotions involve price reductions to distributors or retailers, or at least stagnant prices year after year -- as has been the case for many plant categories grown and marketed in Georgia. The idea is that the price incentive will motivate the intermediary to push the products. Any time costs, prices, and volumes of product are part of the question, the proper analytical marketing techniques to use are either cost-volume-profit analysis or breakeven analysis or contribution margin analysis, depending upon the data available for consideration. Any of the three methods will indicate the sensitivity of what effect changes in any one component of the sales strategy will have on the other components and the ultimate net income (loss). A lot of “what-if” questions can be answered using pencil (with an eraser) and paper, and perhaps a basic, cheap calculator. If the plant in question has a price elasticity greater than one and price is to be reduced, then revenue will increase to the firm; however, very few plants are price elastic because of lack of brand identification or loyalty.

#### **Summary and Significance to the Industry:**

Without an effective marketing communications program, a marketing strategy will fail. Target customers must be made aware of the product (plant) and its benefits, be continually reminded of these benefits, and stimulated to take action. Building awareness, message comprehension, and interest are essential phases in building a high level of customer response and repeat business.

To be effective and cost-efficient, a business’s marketing communications must reach target customers and deliver an adequate level of message frequency to maintain desired levels of awareness, comprehension and interest. To build market share, a business needs both pull and push marketing strategies and communications. Pull marketing strategies are targeted at customers with the intent of

creating enough awareness and interest to motivate customers to demand the business's product. This customer demand creates market pull on intermediaries who, in turn, want the business's products to satisfy this customer demand. Push marketing communications are directed at intermediaries, with the intent of pushing the product through the channel. The objective of push strategies is to create greater availability of, interest in, and access to the business's products.

Although the sales response to a marketing strategy is difficult to estimate, the advertising elasticity, advertising carryover effects, and promotional price elasticity provide systematic methods for estimating this response. However, sales response should not be the primary objective of a marketing strategy. For marketing communications designed to increase sales, it is more important to estimate the profit impact of that promotion using cost-volume-profit, contribution margin, or breakeven analyses.