

2/1/2023

Shop Corner: The Trickle-Down Effect of Canceled Orders

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Editor's note: We're starting up a new segment that will appear here each month, focusing on houseplant shops. In this space, we'll highlight business tips, marketing, buying and other topics told from a variety of angles that will help smaller shops make their businesses more effective. To contribute your thoughts, please email me at jpolanz@ballpublishing.com.

This one comes to you from Jos de Boer, Marketing Manager at ForemostCo Inc. Jos has more than 12 years of experience in B2B marketing and here are his thoughts in his own words:

Last-minute cancellations of orders and unpredictable fluctuations in demand often mean that young plant producers are left with large amounts of unsellable product. Not only does this result in high levels of wasted resources such as land, energy, labor and fuel, but it also means that future availability of product will be significantly affected.

Like many other industries, financial risk is transferred down the supply chain to reduce one's exposure. The trickle-down effect in our industry starts with retailers canceling orders on growers, growers then canceling on young plant producers, who in turn cancel their orders with the tissue culture labs and stock producers. This escalation down the supply chain could have multi-year consequences on the future availability of product.

Future availability is based on expected demand and orders in the system to operate stock farms as efficiently as possible. Once cancellations start, young plant producers and TC labs take this as a signal of market weakness and start reducing supply. This is an issue, because due to the nature of the foliage industry, it takes years to build stock for increased demand. Never have we felt this more than during the pandemic when we had customers screaming for anything tropical. We would have loved to fulfill the demand, but it simply was not possible to increase production in such a short window of time.

This leads me to ask two open questions as we continue to experience unpredictable times: Where does this lead, and how do we end this cycle of production and demand curves not lining up? If there are clear signs market demand will recover [this] year then stock producers may refrain from reducing their production. If there is no clear end to this slowdown the obvious next step is for stock growers to reduce their production, which will affect availability for years. What can be done to better shore up commitments from big box, grocery stores and large retailers for the future of our industry?

Something else to consider is how the European market factors into all of this. This current year has not been kind to European growers who are facing an incredible number of cancellations due to inflation, outrageous energy prices

and other macroeconomic factors. Many are on the brink and do not know whether they can weather this storm. That being said, it's impressive to know that most European growers, even though their market has dried up, are honoring their commitments to purchase young plants from producers around the world.

According to Sjef van der Velden, a grower of young and finished plants in the Netherlands, "It is about looking at the long-term possibilities and working together. This is a close industry that has been around for a long time and we will move beyond the current struggles soon enough. We need to be ready for the next opportunities." **GP**