Investigating Green Industry Firms’ Market Shares to Wholesalers, Landscapers, Retailers, and Direct-to-Consumer Channels

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Combining four waves of the National Green Industry Survey from 2004-2019, this study explored factors that impact firms’ choices of entering wholesale markets using a probit model, diversification of wholesale market channels using a zero-inflated Poisson regression model, and market shares among major market channels using a fractional logit model. Over the survey period, traditional wholesale market channels such as landscape services companies, re-wholesalers, and single-location garden centers remained mainstream channels. Supply to mass merchandisers and home centers remained low despite growing demand from big-box stores. While the number of firms selling through one major market channel remained stable, the number of firms selling through more than two channels declined significantly after 2009 and was not yet restored. Surveyed firms also reported 30% of their 2018 sales were generated from direct sales, indicating that direct-to-consumer (DTC) channel, as a relatively new addition to the conventional channels, has the potential to gain significant market share.

Our empirical results show firms’ choices of entering wholesale market and the number of wholesale market channels were positively correlated with firms’ perceived importance in production costs, labor costs and competitions. Firms with more negotiated sales or more sales to repeat customers were more likely to enter wholesale market and have more diversified market channels. Attending more trade shows increased not only the likelihood of accessing wholesale market but the number of wholesale market channels. Plant types were important factors determining firms’ choices of entering a specific wholesale market channel. Particularly, we found some evidence of shifting sales between landscapers and re-wholesalers, indicating these two marketing channels could be substitute markets for similar plant types. As an indicator of potential demand for ornamental plants, increases in the housing price index increased firms’ sales shares to landscapers who were closely related to the housing market.

During the COVID-19 pandemic, there was a surge in demand for houseplant categories. The coronavirus pandemic has altered many firms’ business strategies and consumers’ lifestyles including shopping behaviors and gardening decisions. Future studies may consider the long-run impact of the pandemic on different market channel alternatives and further explore the post-pandemic trends of DTC and conventional market channels.

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