

# Should Customer Satisfaction Be Part of the Marketing Strategy in the Green Industry?



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In recent years, consumer interest in local specialty crops (fruits, vegetables and ornamentals) has increased sharply. Consumers want to know how and where goods are produced and are seeking a closer relationship with the producer. Although sales of locally grown ornamental still account for only a small share of total domestic ornamental sales, this is believed to be one of the fastest growing segments of U.S. agriculture. Growing demand for local products is prompting change. The number of farmers' markets increased by nearly 150% nationwide between 1994 and 2006 and a growing number of supermarkets offer local products.

The growing demand for locally produced goods provides unique opportunities for the green industry to engage in direct marketing initiatives. The primary incentive for growers is to capture a larger portion of the value created along the supply chain. However, the local movement also creates challenges because the industry needs to adopt the mindset of a retailer. And when it comes to retailing, customer satisfaction is essential to a successful marketing strategy.

Why should customer satisfaction be part of the industry's marketing strategies? Common sense tells us that customers that are completely happy with the products and services provided are less likely to defect. Indeed, companies that are able to reduce customer defections by just 5% have experienced a jump in profits of about 25%. In addition, marketing researchers have estimated that the cost of attracting a new customer is five times higher than the cost of retaining an existing customer. Furthermore, customer profitability tends to increase over time because loyal customers tend to be less sensitive to price

increases. These links are illustrated in Figure 1. A positive customer experience leads to increased customer satisfaction, which in turn increases customer loyalty and profitability. However, efforts to create a positive experience for the customer come with a cost. This is why the green industry must identify effective ways to create value through customer satisfaction.

When a specialty crop business sells to wholesalers (i.e. business-to-business) quality and volume consistency as well as prices are the primary drivers of customer satisfaction. However, customer satisfaction in a retail setting is more complex because it involves all factors that affect customers' satisfaction with their shopping experience. In a series of recent studies, Gómez and collaborators examine the factors driving customer satisfaction in retailing businesses, including supermarkets and restaurants. The findings of these studies may provide important lessons to green industry businesses engaged in retailing.

In retailing, research findings suggest that businesses must focus on *customer service*, *quality* and *value* to affect overall customer satisfaction and its ultimate impact on profits. Figure 2 indicates that changes in overall customer satisfaction are particularly sensitive to changes in *customer service*. Both negative and positive changes of customer perceptions regarding the service provided have a relative large impact on overall customer satisfaction and profits. On the other hand, customers may consider *quality* as a pre-condition to satisfaction: positive changes in quality have modest effects on satisfaction and profits, but negative changes in quality result in substantially lower levels of customer

## FIGURE 1: THE CUSTOMER SATISFACTION — PROFITABILITY LINKS



## FIGURE 2: DRIVERS OF CUSTOMER SATISFACTION IN RETAILING

satisfaction. However, improvements in *value* have larger impact on overall satisfaction than do negative changes, suggesting that value may be a satisfaction and profitability-enhancing factor.

So should you care about customer satisfaction? If the green industry wants to have an appropriate marketing strategy to take advantage of opportunities in the direct marketing the answer is definitely 'yes'. In fact, the author is planning a study to integrate customer satisfaction into the marketing strategy of nurseries and landscapers in New York State. You will learn more about this project in future editions of *Nursery Lines*.



For more information visit my website,

<http://aem.cornell.edu/profiles/gomez.htm>.

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