

Challenges and opportunities in South Africa's indigenous plants industry: De Fynne Nursery

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ABSTRACT

De Fynne Nursery, a black-owned agribusiness, has cemented a unique position in South Africa's indigenous plants industry against all odds. With an undying passion for the horticulture industry, Jacky Goliath and Elton Jefthas, De Fynne's cofounders, continue to live the dream that began in their backyard. Today, they sit in their new 22-hectare farm and muse over strategic decisions as they navigate the challenges of doing business in an emerging economy. This case study focuses on opportunities and challenges for De Fynne as it pushes into its next growth phase by looking at the changing competitive landscape, the balance between marketing existing products and innovating new products, and ways to become operationally efficient and profitable in both its nursery and the farm

Keywords: Words: Fynbos, South Africa, Agribusiness, Marketing Strategy, Sustainability

1 Introduction

This story begins back in 2001, when Elton Jefthas and Jacky Goliath started De Fynne Nursery in a backyard garden with only three indigenous plant types. Now, 14 years later, De Fynne has moved onto a 22 hectare farm and not only produces a broad range of indigenous Fynbos plants (Box 1) but also maintains plum production and contract growing operations. The new land has allowed them to expand their nursery production, increase employment, and further diversify their business. While this new land provides a wealth of opportunities, De Fynne Nursery, categorized as a small, medium, and micro enterprise (SME) in South Africa, is facing expansion challenges that could affect its potential for growth. De Fynne must now figure out how to cope with its rapid growth and decide how it is going to manage its new farmland.

Box 1: What is Fynbos?

Fynbos plants are a collection of plants that are found in the Cape Floral Kingdom, a region with an extremely high level of plant biodiversity. The Cape Floral Kingdom, the smallest and most diverse of the world's six plant kingdoms, covers an area of around 90,000 square kilometers, and takes up most of the southern and southwestern cape of South Africa. Plants that are categorized as Fynbos plants have adapted to tolerate nutrient-poor soils, long dry summers, high winds, and frequent fires. The specificity of the Fynbos habitat means that many of these plants - around 70% of approximately 9,000 plant species - grow nowhere else in the world.

The word "Fynbos," in Afrikaans, one of South Africa's national languages, translates to "fine bush". In the horticulture industry, the demand for Fynbos plants has grown rapidly due to their beauty as well as their tolerance for dry conditions. The flowering Fynbos are primarily used as ornamental, fresh cut, or dried plants. Some hybrid flowers that are common to gardeners around the globe, such as daises, freesias, gladioli, lilies, and irises, originated as Fynbos plants. Other well-known Fynbos plants include Proteas, such as the King Protea, South Africa's national flower, Ericas, and Restios.

Data source: Encounter South Africa, 2011; Safari Now, 2011

2 Challenges and opportunities of Business in the Rainbow Nation

Post-apartheid South Africa has some of the most developed financial, legal, communication, and energy sectors in Africa. However, daunting economic problems, such as poverty and a lack of economic empowerment among disadvantaged groups, still linger from the apartheid era (Aihoon, Onumah & Mukwene 2009). South Africa's population is approximately 79% black, and the majority of this population has unequal access to education, public services, and centers of economic growth as compared to the white South African population (National Planning Commission (2011)). This is also evident in the agriculture industry. During the apartheid era, the most fertile land was reserved for white farmers and their agriculture was heavily subsidized; while black farmers were left with marginal lands poorly suited for agricultural production (Aihoon, Onumah & Mukwene 2009). The apartheid system, though overturned, continues to influence the agriculture industry today as corporations that began on the better land continue to dominate the industry. However, since democratic elections were first held in 1994, the shape of the agriculture industry has evolved and SMEs have grown with the support of the government.

Economic policies within post-apartheid South Africa place a greater emphasis on improving the position of those that were at a distinct disadvantage under the apartheid system (Mather 2005). One such policy, the Broad-Based Black Economic Empowerment (BBBEE) was designed by the Department of Agriculture and Land Affairs in 2009. BBBEE, through a rating scale, aims to support a broad spectrum of previously disadvantaged South Africans. This program in conjunction with others such as the Small Enterprise Finance Agency (SEFA), which helps SMEs navigate their respective sectors, can improve the environment in which SMEs work, as well as provide financial support (SEFA 2012). Another goal of BBBEE is to encourage large retailers to contract with SMEs and requires 50% of their preferred suppliers be black-owned or local SME companies (Mather 2005). De Fynne, as a black-owned company, ranks as Class 1 under BBBEE classifications, the best BBBEE rating, and therefore qualifies for aid from the government.

Despite the work being done to improve the situation of SME's such as De Fynne Nursery; many small agricultural business are facing the growing threat of climate change. In an analysis of current and future weather changes for South Africa, Davis (2009) predicts that the country is going to experience higher average temperatures annually, more extreme wet and dry seasons, and therefore an increased risk of drought and flood. Such dramatic and unpredictable weather, particularly drought, is a huge concern for businesses such as De Fynne that requires regular irrigation. However, dry conditions could increase demand for indigenous plants, which are drought tolerant and water wise, such as Fynbos.

The flora of the Cape Floristic Region of South Africa, 70% of which are endemic to the region, could be drastically impacted by climate change (Encounter South Africa 2011). Plants in the Proteaceae family, which are particularly lucrative ornamentals for De Fynne and similar businesses, are expected to be the most affected, with the potential of many of these species going extinct (Bomhard et al. 2005). In addition, according to Van Wilgen et al. (2001), invasive species pose a huge threat to South Africa both environmentally and economically. They have resulted in the loss of millions of U.S. dollars a year in water

resources, native plant life, and ecotourism. For SMEs such as De Fynne that depend on Fynbos, endemic plants, for most of their profit, these environmental threats can be particularly damaging.

Additionally, the country still struggles with labor unrest, as 24.1% of the population is unemployed (Kumo, Rielander, & Omilola 2014). Even though this labor unrest has improved from 2012 to 2013, in combination with a shortage of skilled labor, it continues to limit output (Kumo, Rielander, & Omilola 2014). The productivity of the labor force is also affected by a high HIV prevalence (Aihoon, Onumah & Mukwene 2009). The current estimation within the country, is that HIV affects approximately 13% of the population; and a vast majority of those affected are adults of prime working age (Channing Arndt and Jeffrey D. Lewis). Although these factors pose problems for SMEs, such as De Fynne, the government has recognized the necessity of educational reforms and the importance of the healthcare system and has included crucial measures for acceleration of these reforms in the National Development Plan of 2012 (South African Agriculture 2012). The New Economic Growth Path (NGP) launched in 2010 also aims to create five million jobs over the next ten years with agriculture as one of the focal (South African Agriculture 2012). If successful, this plan should greatly improve the labor situation for SMEs, and afford De Fynne the opportunity for continued growth.

3 Inside De Fynne

De Fynne can be divided into two strategic business units: (1) the nursery and (2) the plum farm. De Fynne's new site, a 22-hectare piece of land, is located in a town called Paarl in the Western Cape, just outside the city of Cape Town. The site has about 12 hectares of functioning plum orchard, 2.5 hectares of greenhouses, shaded areas, and open sun areas for the nursery, and a pack house already equipped with a packing machine. This new land has allowed De Fynne to diversify its operations, thus stabilizing its cash flows and increasing the possibility for new customers and distribution outlets. However, with so many different projects going on at once, Jacky is concerned that not enough attention is being paid to each unit individually.

3.1 Human resource challenge

De Fynne's human resource structure closely resembles that of nearby medium-sized farms. At the helm of the company are the two owners and directors – Ms. Jacky Goliath and Mr. Elton Jefthas – with a long professional history in horticulture and indigenous plants. Jacky holds a degree in Horticulture from UNISA and from the Cape Peninsula University of Technology a National Diploma in Horticulture. Before assuming the full time role as Executive Director of De Fynne, she was the Fynbos Production Manager at the Agricultural Research Council from 1998 – 2000 and Senior Agriculture Project Manager at Agribusiness In Sustainable Natural African Plant Products (ASNAPP) from 2001 – 2009. The co-owner – Mr. Elton Jefthas – is Managing Director for ASNAPP Southern Africa and is involved in various indigenous plant projects throughout Sub-Saharan Africa. Elton holds a Master's degree in Agricultural Management Systems from the prestigious Stellenbosch University. He also holds a B-Tech degree in Horticulture from Cape Peninsula University of Technology and a National Diploma in Horticulture from Pentech. The strong academic and professional credentials of the company's owners provide excellent networking opportunities with research institutions, government departments, and other industry stakeholders.

Reporting directly to Jacky is a management team consisting of an Assistant Manager, Sales Manager, and an Administrator. These are supported by a team of six permanent workers who are responsible for the day-to-day operations of the farm and nursery. For this core team, De Fynne relies on an ongoing skills development program offered by the nearby Western Cape Department of Agriculture which includes leadership, teamwork, communication, first aid, and safety modules.

Because of the high seasonality of farm activities, De Fynne relies on casual workers for key activities such as planting, pruning and harvesting. During peak periods such as plum harvesting, De Fynne employs up to 25 casual farm workers who are paid the minimum wage of R13.37 (\$1.04 USD) per hour (Department of Labor, 2015). Recruiting, managing and retaining casual workers is one of the major challenges for De Fynne. As Jacky puts it, "Our biggest problem is labor. People do not like to work. This country has more than 15 million people on social grants and this makes it difficult to hire people at minimum wage." Casual workers mostly come from the low-income residential areas of the nearby farms. During harvest, De Fynne competes for workers with all of the nearby farms. With equal compensation among these nearby farms, workers often choose farms with the least strenuous jobs such as harvesting table grapes, which is easier and more shaded than plum harvesting.

The quality of casual employees is a continuing challenge. After recruitment and basic on the job training, it becomes evident that a portion of the labor is not suitable for the type of employment offered. As

Elton puts it, “We recruit most of our casual workers from nearby low income urban areas. As a result we inherit most of the key social challenges facing those communities. This includes domestic violence, alcohol abuse, and health problems”. Most of these challenges have an engrained societal history and are outside of the control of small companies such as De Fynne. The alcohol abuse problem can be traced back to the apartheid days when farm workers in the Western Cape wine lands were often paid with alcohol – a practice referred to as the ‘dop’ system. While the ‘dop’ system was legally abolished, the ramifications, such as continuing high rates of fetal alcohol syndrome persist to the present day (Viljoen et al, 2005). While De Fynne tries to address some of these challenges at the farm by bringing in experts for social work programs, it cannot fully remedy the situation. Ultimately, the poor labor pool manifests itself in higher costs to the company from recruitment and training, and in low productivity.

3.2 The Nursery

The nursery, De Fynne’s original business, still produces Fynbos and other indigenous plants for wholesale. However, they now grow plants for several other contractors as well, including fruit seedlings for businesses interested in research for intellectual property, and Woolworths supermarket. For Woolworths, De Fynne grows several vegetables, fruits, and popular ornamental plants, which are sold in Woolworths stores as gift plants in flower pots. The nursery section consists of nine greenhouse tunnels, where young plants are kept, three netted areas for shade-loving plants, and a full-sun area. All of the tunnels are currently in use for production. Some of De Fynne’s mother stock, mature plants that new plants are propagated from, is also kept on-site.

Of the 52 different varieties of Fynbos and indigenous plants for retail and landscaping that De Fynne grows, most are within the families *Proteaceae*, *Ericaceae*, and *Restionaceae*. Within the family *Proteaceae*, which is the most popular and familiar amongst consumers, De Fynne produces 18 cultivars in three different genera: *Protea*, *Leucadendron*, and *Leucospermum*. There are also 34 other species of Fynbos and indigenous plants. Blueberries, granadilla, tomatoes, lavender, and some other popular garden plants are grown for Woolworths. Fruit seedlings such as grapes, apples, and pears are produced as part of research contracts. Within the past couple of years, 15-20 new plants have been put into production. However, on the whole, product development at De Fynne has lagged behind that of its competitors. Customers are constantly looking out for new plants, or different cultivars with new and exciting colors to incorporate into their gardens. However, investing in new products is time-consuming, taking four to five years to move a product from the development stage onto shelves. As Jacky points out, “It is expensive and very risky, as customer acceptance of new products is never certain.”

Fynbos plants’ long production cycle (depicted in Table 1) creates a challenge for De Fynne. New plants are either grown from seed or through vegetative propagation. It takes 10-12 months to obtain marketable plants from mother stock cuttings, and the production process involves a great deal of skill and attention in order to give the young plants sufficient water, fertilizer, and pesticide to ensure a healthy and attractive final product (Department of Agriculture 2014). This long production process limits De Fynne’s cash flow and requires skilled labor, which is in limited supply.

3.3 The Plum Farm

The plum farm was acquired with the new land, and it has taken Jacky and Elton about a year to become familiar with the practices of plum production. The orchard grows about 13 different cultivars of plums. The trees were well established but neglected when Jacky and Elton arrived at the site, but some are approaching about 20 years of age and within the next couple of years may cease to produce fruit yields at profitable levels. Table 1 shows the yearly cycle of plum production, and how it overlaps with the nursery operation. The seasonal demands of the plum operation increase the demand for labor, particularly during the times of year the nursery also requires additional labor. The trees are pruned twice a year, once in the winter and once in the summer, to maintain the shape and to ensure good yield. After the trees flower and are pollinated, the young fruit is thinned so that the trees produce fewer plums that are larger and sweeter. From November to March, the plums are harvested and sent to a packager for export. However, different cultivars ripen at different times within this period, and changes in weather can alter the cycle; this may impact any future profits De Fynne seeks within this project

For the plum operation, there are two major projects that Jacky and Elton are contemplating. It is clear that some kind of change must be made for two reasons: (1) the plum portion of De Fynne’s business is not profitable on its own, and requires funds from the nursery to keep running; and (2) several blocks of the plum orchard are filled with trees that are 18-19 years and older, which will soon stop producing as much fruit. De Fynne must decide whether to plant more plums in the blocks that will be torn up, as well as in the empty hectares, or to try its hand at a new crop, such as Golden Kiwi fruit which has shown potential in the South African market and equies less labor and water than the plum trees.

In addition, the Paarl farm came with a functioning packing machine that the previous owner used, which has not yet been put into operation. It is possible that incorporating the packaging machine into plum production would improve the profitability of the farm. However, getting the packaging operation running would require more labor, training, and expenses for buying packaging materials. The added complications of effective branding and meeting GLOBALGAP quality standards would also have to be considered. On the other hand, on-site packing would increase the value of De Fynne's fruit by a significant amount. Renting out the packing machine to nearby farmers could also bring in revenue.

Table 1.
Nursery and Plum Production Cycles

	Nursery		Plums		
Month	Plant Growth Cycle	Labor Requirements	Plant Growth Cycle	Labor Requirements	
Jan.	Root establishment Growth Hardening/ Maturity	Peak Cutting	Fruit ripening	Summer Pruning	
Feb.					
Mar.		Fertilizer added Transfer to larger containers Pruning of plants			
April					
May					
June			Dormancy		
July	Flowering		Bud development	Winter Pruning	
Aug.		Fynbos-Sales/ Delivery			
Sept.					
Oct.		Peak Cutting	Fruit ripening/ flowering	Summer Pruning	
Nov.					
Dec.					

4 Engaging the Market

De Fynne has seen an improvement in its marketing since August 2014 when it hired its first sales manager, Biola Zwaan. It increased sales volumes by large numbers, and Jacky and Elton are now able to commit more time to management of operations and strategic planning. The main responsibility of the sales person is to visit stores with Fynbos samples and take orders from retailers as well as to update a product availability list for retailers to view product variety and weekly inventory. Apart from the product list, the sales manager is also in charge of the sales report to keep Jacky and Elton informed of the sales

numbers each week. Beyond all of the detailed tasks the job requires, Biola understands the importance of a brand new marketing strategy. She mentioned that, "Marketing plan takes time, a lot has been going on after I took this job, while I am adjusting well to my new job, I do feel the need for De Fynne to start planning a fresh marketing strategy."

In order to effectively market their product, De Fynne needs a thorough understanding of their client base. The customers for De Fynne can be segmented into three major groups: gift shoppers, hobby gardeners, and landscapers. Each of these groups have different preferences and brand loyalty levels, so nurseries like De Fynne, need to develop focused strategies in order to target each customer group separately.

Gift shoppers, or those who buy plants as a gift for a special occasion for another will often have low price sensitivity and low brand loyalty. They want unique plants to send as a gift. They tend to buy plants that are low maintenance because the gift taker does not necessarily possess planting skills. Also they tend not to have extensive expertise so an employee reference at the store will easily influence their choice. In order to reach this consumer base, De Fynne needs to ensure high diversity among its plants as well as inform store staff about their plants. Special packaging may also help to attract these clients towards their plants.

By contrast, hobby gardeners are relatively sensitive to price and they purchase larger volumes of plants. They prefer indigenous plants that are more adaptive to the local environment. Hobby gardeners have a soft spot for plants with a story behind them. "I do not have a preference over brands. I normally listen to my friends about where to buy plants for my garden. Nowadays big commercial brands are taking over the market, but I would love to buy something special that has a story behind it," said a lady shopping at one of the retailer stores. Hobby gardeners are likely members of gardening clubs, and therefore word-of-mouth promotion will more often bring them into the store. Magazine advertisement materials are also often used to promote products since gift shoppers and hobby gardeners are normally female customers, who are more likely to subscribe to home and garden magazines.

Landscapers are a big customer group because they order large volumes of plants and are sensitive to price. Landscapers are relatively loyal to brands compared to the other two groups due to the fact that changing between brands will incur more costs. Without physical addresses, landscapers are approached through emails and calls. Many ornamental plant companies will visit ongoing landscaping projects to find potential business opportunities. Regular updated product lists provided to landscapers is another way to increase the chance of business.

De Fynne has already established stable relationships with many retailers including Woolworths, Cape Garden Center, Stodels Garden Centre and Builders Express, etc. Woolworths is the fourth biggest retailer in South Africa and its customer base is relatively price insensitive and value quality. Therefore, De Fynne's association with Woolworths helps it brand itself as a high quality focus and promising business. Currently, the traditional strong referral network of past customers serves as a large source of sales. However, as the Sales Manager, Biola, offers more market expertise, Jacky is considering taking advantage of available promotion methods to better advertise De Fynne's products. Materials like posters, flyers, and brochures are relatively inexpensive and are direct methods for in-store promotion.

De Fynne's success as a black female owned small enterprise and its multiple awards in the past few years primarily for Jacky's success as a black female businesswoman in a white male dominated industry (please reference Box 2); allows for an excellent marketing strategy for the company. Government officials, customers, and in-store employees all hold a supportive attitude towards black, female-owned businesses like De Fynne.

Box 2: Key Awards received by Jacky and De Fynne

1. Winner - First prize in the Plant Stand Exhibition organized by the Cape Green Forum in Stellenbosch. February 2012.
2. Winner - First prize in Female Entrepreneur 2011 in the Commercial sector in the Western Province, awarded by Department of Agriculture, Forestry and Fisheries. 2011.
3. Winner - First prize in the Female Entrepreneur 2011 in the Commercial sector in South Africa, awarded by Department of Agriculture, Forestry and Fisheries. 2011.
4. Nominee and Award Winner - 2012 African Entrepreneur in Agribusiness in Africa, organized by the International Making Markets Matter In cooperative. May 2012.
5. Awarded - New Entrant to the Commercial sector in the Western Cape by the South African Writers Association. 2012.
6. Awarded - New Entrant to the Commercial sector in South Africa by the South African Writers Association. 2012.
7. Finalist - Toyota New farmer of the year competition. November 2012.
8. Winner - First Prize in the Trade Sector, the 2013 Africa SMME. Awarded by Africa Growth Institute. September 2013.
9. Awarded - The Most Influential Women in Agriculture in the country South Africa by CEO Magazine. July 2014.
10. Awarded - The Most Influential Women in Agriculture in SADC (Southern Africa) by CEO Magazine. July 2014.
11. Second runner up in the Trade Sector in South Africa, 2015 SMME. Awarded by Africa Growth Institute.
12. Finalist as Women of the Future given by Fairlady magazine, August 2015
13. Winner of the Toyota New farmer of the year competition. October 2015


De Fynne does not have a strong online presence. Although hiring Biola gave it a louder voice in promoting its products, Jacky feels it takes consistency and time to maintain social media outlets like Facebook or twitter accounts. She does not think De Fynne currently has the time to create and maintain these accounts. However, with team efforts, De Fynne's web page is now updated with several new subjects including awards Jacky has received in the past few years (Box 2), its farm production line, and its products' locations.

Many consumers are becoming increasingly environmentally conscious and are choosing to purchase sustainable products. The provision of sustainable products offers companies an opportunity for differentiation, thereby creating competitive advantages (Klink et al., 2014). De Fynne can use this to their advantage by marketing Fynbos as indigenous sustainable plants that are easy maintenance with less watering involved. However, public awareness of sustainable plants is limited in South Africa. Realizing this challenge, Jacky and her marketing team have designed a new campaign called "Fynbos - Fine by Us!" to promote Fynbos plants and De Fynne nursery (See Figure 1). Jacky hopes that this campaign will not only expand the market for Fynbos plants, but also help position De Fynne as an industry leader in Fynbos plants. In order to better educate the public about Fynbos, the marketing team is thinking about collaborating with major industry players and hosting seminars and workshops to increase awareness of best practices. Besides generic promotion, they will work with government water conservation projects to gain publicity and governmental support. To increase store presence, they designed a campaign poster that will be distributed to all retailer stores that carry Fynbos plants. This campaign not only serves to educate the consumer about the benefits of purchasing a Fynbos plant; but also helps to increase the brand recognition of De Fynne.

Fynbos - Fine by us!

What is fynbos


- Fynbos is the natural vegetation occurring in a small belt of the Western Cape.
- Of the world's six floral kingdoms, fynbos is the smallest and richest in diversity
- Most of the fynbos plants are endemic, i.e. growing nowhere else in the world.



Why consider Fynbos for your garden?

- *Saves water* – once established fynbos plants require little watering.
- *Hardy* – most fynbos plants are naturally resistant to pest and diseases.
- *Wind resistance* – fynbos plants have adapted to the strong winds.
- *Heritage* – celebrate this natural beauty that is unique to this part of the world.
- *Beauty* – fynbos plants look great and flower at different times of the year.

Quick guide to growing fynbos plants



Dos


- Do deep water for the first 1-2 years until established
- Do plant in well drained soil
- Do Plant in full sun.
- Do use protea-mix soil for planting

Don'ts

- Do not disturb the root system
- Do not add chemical fertilizers
- Do not flood or overwater

Why buy your fynbos from Defynne

- Defynne specializes in fynbos plants - it's in our name
- Defynne more than 13 year of expertise with fynbos
- Defyne offers high quality plants at bargain prices
- Defynne is a proud supplier of Woolworths – the hallmark of quality
- Defynne is BEE compliant Level 1
- Defynne gives back to community



Contact us for more information and bulk orders
021 869 8467 or info@defynne.co.za

'Only the finest plants'

Figure 1. 'Fynbos – Fine by us!' Marketing Poster

5 A look at the Competition

As previously mentioned, in recent years the hobby gardening and landscaping market has been transformed with shifting consumer preferences. Practical, aesthetic, and environmental demands have all been changing. This has led to a rise in demand for Fynbos and other indigenous plants, as they are typically water-wise and more environmentally friendly and practical. Fynbos plants have not always been popular or considered aesthetically pleasing. However, in recent years, higher end consumers' tastes have been expanding to include more Fynbos.

The consumers in retail nurseries and garden centers typically have minimal brand awareness and loyalty, which creates many opportunities and challenges for De Fynne. Although awareness about Fynbos plants is increasing, and De Fynne's new campaign and branding strategy will only add to this, many consumers still choose their plants based on appearance and are not necessarily seeking one specific type of plant. Consumers seem to know little about Fynbos plants and do not know about the differences between Fynbos and other indigenous plants. This lack of knowledge, combined with the fact that there is minimal brand loyalty in the industry on the consumer level, means that De Fynne faces competition from not only other indigenous plant producers but also from the ornamental plant industry as a whole.

Arnelia is De Fynne's main competitor as it also focuses on Fynbos and indigenous plants. Even though Arnelia entered the Fynbos market after De Fynne, it has gained market share rapidly through heavy investment along with prior knowledge and infrastructure. Arnelia's size has increased greatly in the last two years. It has developed its brand by constantly innovating, bringing in new plants, and purchasing world class Australian technology. Both De Fynne and Arnelia produce high quality products. However, Arnelia's emphasis on investment has led its price typically to be higher than De Fynne's. De Fynne emphasizes producing high quality products at an affordable price.

As the average consumer often does not know about the different Fynbos brands, presentation in store is key. De Fynne and Arnelia both have similar in-store branding - both include pictures of Fynbos flowers and are brightly colored. Arnelia includes the common and cultivar name on these labels and, unlike De Fynne, uses images rather than words for its instruction labels. This is useful because often the person purchasing the plants is not the one maintaining them. Many middle and upper middle class families employ gardeners who may be illiterate and therefore the inclusion of images on instruction labels can ensure that plants are taken care of properly. Arnelia has large signs and plant stands to maximize space and draw attention to their products. Both De Fynne and Arnelia visit stores to monitor plant quality and supply. Arnelia so far has been successful at making sure its plants look great in the store and that the sales people know the plants are often monitored. This has allowed them to develop stronger relationships with retail sales people. While De Fynne recognizes the importance of these relationships, due to budget constraints it has not been able to invest as heavily in these activities. Arnelia's other strength lies in its strong relationship with the Agricultural Research Council, which has the rights to many new plant varieties. This allows Arnelia to control certain varieties and sell mother stock to other suppliers.

Unlike Arnelia, De Fynne has a compelling story and Jacky's image is well known. Woolworths values De Fynne's story and has advertised it frequently. Consumers, especially high end consumers, want to support BBBEE certified brands and are willing to spend more to do so. After Woolworths featured Jacky's story in its magazine, the company saw a spike in demand for De Fynne products.

Jacky realizes that because there is a lack of consumer awareness and brand loyalty, not only Arnelia but also other indigenous plant and ornamental plant producers – such as Nonke Plants, Shadowlands, Michells, and Fairholme plants – are competitors. All of these companies' products are stocked by many of the same retailers as De Fynne's and produce products that compete against De Fynne's products.

All of the companies highlighted in Table 2 focus on different but overlapping market segments. Nonke plants focuses on lavender, which is very popular among consumers and is a promising industry. Fairholme plants also concentrates on lavender, some of which De Fynne even purchases from it. Fairholme is able to differentiate itself from other producers, as its season is earlier due to a colder climate. Shadowlands also produces Fynbos and even sells some of the same plant varieties as De Fynne. Michells concentrates on producing more ornamental plants. Michells has developed some brand recognition and produces many color flowers and pots, which sell well. A recent evaluation of competition is presented in Table 2. Many of these competitors have chosen to focus on consumer's demands by producing lavender or colorful ornamentals.

5 What is Next?

De Fynne has come a long way – from a nursery in the backyard in 2001 to its current 22-hectare farm – in its 15 years of existence. It has steadily expanded its portfolio starting with Fynbos, then fruit seedlings, and now plums. Today, De Fynne stands at an important juncture and its founders' strategic decisions will define its identity going forward. It is critical that both Jacky and Elton take a moment and ask themselves about the markets that they want to operate in. Will they decide which opportunities to take based on De Fynne's identity or define its identity based on the opportunities? Should they only focus on the nursery and use their expertise to continue to scale it or diversify and learn about other viable areas? With the day-to-day operational challenges and the management time heavily invested in overcoming them, it will be critical for both the directors to take time to shape De Fynne and its stakeholders' future because Jacky and Elton are no longer the only ones tied to the growth of De Fynne.

Table 2.
Competitor Profile

	DEFYNNE	ARNELIA	MICHELLS	NONKE PLANTS	SHADOW LANDS	FAIRHOLME PLANTS
SINCE	2003	1999	1985	1982	1994	2005
SIZE	22HA	15HA	22HA	16HA	750 sq. m greenhouse 22 tunnels	Unknown
EMPLOYEE NUMBER	23 + seasonal workers	Unknown	100 full time + 40 seasonal	95	68	Unknown
TARGET MARKET	Nurseries, Plant Wholesalers, Farmers. Retail garden centers; Research institutions	Retail Garden Centers, landscapers, Commercial Cut flower Growers	Garden centers, box-stores, and landscapers	Garden centers, landscapers, nurseries, farmers, property developers	Garden centers and landscapers	Garden centers, landscapers nurseries, and garden designers
PRODUCT SPECIALIZATION	Fynbos and Other Indigenous Plants and Ornamentals	Proteaceae Plants	Focuses on producing color in bedding plants, and scrub pots	Non-specializing	Indigenous and hardy plants. Color pots, lawn grass trays, and shrubs	Herbaceous Perennials, and Lavenders
PRODUCT DIVERSIFICATION	Fruit: blueberries, plums Contract Growing	Propagator of Fynbos varieties, maintain mother stock for new varieties (by ARC)	Herbs, Vegetables, Succulents, and Hanging Baskets	Indigenous shrubs and popular ornamentals (lavender, pelargonium, rose, etc.)	Has strategic partnerships with other growers who produce 10kg & 20kg trees/shrubs	Ornamental grasses and flowering shrubs

De Fynne's biggest strength continues to be its directors' invaluable 25 years of rich horticulture experience. Besides their expertise in the industry, both Jacky and Elton are very aware of the opportunities and threats in the realm in which they operate. Plenty of growth opportunities lie ahead for De Fynne such as increasing its focus on marketing its products both online and offline and evaluating the fit of growing a variety of additional fit, such as Golden Kiwis, into its business.

Once the strategic direction is ironed out, this next phase of growth for De Fynne will pose its own peculiar challenges as it sets itself to move from a small to a medium size enterprise. Two critical factors for success will be innovation of products and workforce management. While De Fynne has been able to obtain a good share of the Fynbos market, it is essential to keep coming to the market with newer products to hold on to their position. Also, with the inherent labor issues and minimal delegation in the current operations, it may be hard for the management team to be successful until a couple of reliable and skilled managers join De Fynne.

It would be prudent to think of each of these as separate lines of business which are profitable on their own and do not eat into the profits of another one. The ingredients of a sound management, strong relationships and both government and industry support make De Fynne well positioned for this next exciting growth phase. While the company has its share of challenges including competition, funding and technology, it is on course to meet them head on with its aspiration to grow and its steadfast principles – as long as strategic decisions are made in a timely manner to ensure sustainable future growth.

Note

This case is based on a true business situation, and was prepared to provide material for class discussion; it is not intended to illustrate effective or ineffective handling of a managerial situation. The author may have disguised certain data to protect trade secrets and preserve confidentiality. Interested instructors at educational institutions may request access to a teaching note and additional material by contacting the editor of the IJFSD.

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